

Translation

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Summary of Consolidated Financial Results for the Six Months Ended November 30, 2016 (Based on Japanese GAAP)

January 6, 2017

Company name: Sanko Gosei Ltd.
 Stock exchange listing: Tokyo
 Stock code: 7888 URL <http://www.sankogosei.co.jp>
 Representative: Representative Director/President Kenso Kuroda
 Inquiries: Director/Senior Executive Officer Akira Serikawa TEL 0763-52-7105
 Scheduled date to file Quarterly Securities Report: January 13, 2017
 Scheduled date to commence dividend payments: February 2, 2017
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes (for analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended November 30, 2016 (from June 1, 2016 to November 30, 2016)

(1) Consolidated operating results (cumulative)

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended November 30, 2016	27,528	(6.4)	1,076	(22.9)	1,042	32.8	796	49.7
Six months ended November 30, 2015	29,421	19.9	1,395	32.5	784	(22.0)	532	(28.6)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended November 30, 2016	31.25		-	
Six months ended November 30, 2015	22.20		-	

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio		Net assets per share	
	Millions of yen		Millions of yen		%		Yen	
As of November 30, 2016	42,651		14,220		32.6		545.78	
As of May 31, 2016	42,774		13,904		31.6		529.77	

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen				
Year ended May 31, 2016	-	5.00	-	5.00	10.00
Year ending May 31, 2017	-	5.00			
Year ending May 31, 2017 (Forecast)			-	5.00	10.00

3. Forecast of consolidated financial results for the year ending May 31, 2017 (from June 1, 2016 to May 31, 2017)

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	56,000	0.6	2,400	9.9	2,000	48.3	1,300	12.7	51.01

4. Notes

- (1) Changes in significant subsidiaries during the six months ended November 30, 2016
(changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: Yes
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements
- Changes in accounting policies due to revisions to accounting standards and other regulations: No
- Changes in accounting policies due to other reasons: No
- Changes in accounting estimates: No
- Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of November 30, 2016	25,688,569 shares	As of May 31, 2016	25,688,569 shares
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Number of treasury shares at the end of the period

As of November 30, 2016	203,627 shares	As of May 31, 2016	202,619 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended November 30, 2016	25,485,430 shares	Six months ended November 30, 2015	23,964,839 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of May 31, 2016	As of November 30, 2016
Assets		
Current assets		
Cash and deposits	5,505,690	5,707,526
Notes and accounts receivable - trade	11,955,992	11,399,439
Merchandise and finished goods	855,038	980,036
Work in process	1,983,503	2,094,577
Raw materials and supplies	639,169	774,096
Other	1,779,370	1,869,495
Allowance for doubtful accounts	(6,914)	(7,112)
Total current assets	22,711,850	22,818,059
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,088,305	5,950,017
Machinery, equipment and vehicles, net	6,644,508	6,572,591
Tools, furniture and fixtures, net	1,192,770	1,056,290
Land	4,076,293	4,088,110
Construction in progress	115,497	413,031
Total property, plant and equipment	18,117,375	18,080,041
Intangible assets		
Goodwill	383,868	351,867
Other	491,542	470,113
Total intangible assets	875,410	821,980
Investments and other assets		
Investment securities	486,215	447,052
Other	613,065	513,563
Allowance for doubtful accounts	(29,580)	(29,580)
Total investments and other assets	1,069,701	931,036
Total non-current assets	20,062,487	19,833,058
Total assets	42,774,338	42,651,117

(Thousands of yen)

	As of May 31, 2016	As of November 30, 2016
Liabilities		
Current liabilities		
Notes and accounts payable - trade	9,805,627	9,393,926
Short-term loans payable	2,546,034	2,206,062
Current portion of long-term loans payable	2,531,541	2,540,781
Current portion of bonds	420,000	520,000
Income taxes payable	354,619	365,082
Provision for bonuses	103,727	188,000
Provision for directors' bonuses	26,460	–
Other	3,282,797	3,647,311
Total current liabilities	19,070,806	18,861,164
Non-current liabilities		
Bonds payable	400,000	840,000
Long-term loans payable	6,289,951	5,690,375
Provision for directors' retirement benefits	23,200	23,200
Net defined benefit liability	1,068,372	1,036,478
Other	2,017,026	1,979,794
Total non-current liabilities	9,798,550	9,569,848
Total liabilities	28,869,357	28,431,012
Net assets		
Shareholders' equity		
Capital stock	2,885,734	2,885,734
Capital surplus	2,714,859	2,714,859
Retained earnings	9,357,489	10,026,523
Treasury shares	(42,836)	(43,063)
Total shareholders' equity	14,915,247	15,584,054
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(4,300)	(3,938)
Foreign currency translation adjustment	(849,688)	(1,136,704)
Remeasurements of defined benefit plans	(559,516)	(534,199)
Total accumulated other comprehensive income	(1,413,504)	(1,674,842)
Non-controlling interests	403,238	310,892
Total net assets	13,904,981	14,220,104
Total liabilities and net assets	42,774,338	42,651,117

Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)

Consolidated statements of income (cumulative)

(Thousands of yen)

	Six months ended November 30, 2015	Six months ended November 30, 2016
Net sales	29,421,695	27,528,912
Cost of sales	24,784,279	23,318,697
Gross profit	4,637,416	4,210,214
Selling, general and administrative expenses	3,241,471	3,133,267
Operating income	1,395,945	1,076,947
Non-operating income		
Interest and dividend income	4,752	15,911
Share of profit of entities accounted for using equity method	–	704
Rent income	7,939	30,955
Foreign exchange gains	–	54,496
Other	55,293	49,756
Total non-operating income	67,986	151,824
Non-operating expenses		
Interest expenses	211,498	151,151
Share of loss of entities accounted for using equity method	8,899	–
Foreign exchange losses	406,217	–
Other	52,490	35,507
Total non-operating expenses	679,105	186,658
Ordinary income	784,825	1,042,112
Extraordinary income		
Gain on sales of non-current assets	2,294	9,655
Gain on step acquisitions	72,483	–
Other	8,724	–
Total extraordinary income	83,502	9,655
Extraordinary losses		
Loss on retirement of non-current assets	12,266	2,933
Loss on sales of non-current assets	3,858	1,281
Loss on swap	41,201	12,655
Special retirement expenses	97,603	–
Loss disaster	63,941	–
Other	4,000	–
Total extraordinary losses	222,872	16,869
Profit before income taxes	645,456	1,034,898
Income taxes	269,724	353,129
Profit	375,731	681,769
Loss attributable to non-controlling interests	(156,282)	(114,693)
Profit attributable to owners of parent	532,014	796,462

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Six months ended November 30, 2015	Six months ended November 30, 2016
Profit	375,731	681,769
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,724)	361
Deferred gains or losses on hedges	7	–
Foreign currency translation adjustment	(339,164)	(241,678)
Remeasurements of defined benefit plans, net of tax	29,806	25,316
Share of other comprehensive income of entities accounted for using equity method	(18,842)	(40,787)
Total other comprehensive income	(329,917)	(256,787)
Comprehensive income	45,814	424,981
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	253,766	535,125
Comprehensive income attributable to non-controlling interests	(207,952)	(110,143)

Consolidated statements of cash flows

(Thousands of yen)

	Six months ended November 30, 2015	Six months ended November 30, 2016
Cash flows from operating activities		
Profit before income taxes	645,456	1,034,898
Depreciation	1,333,592	1,336,657
Amortization of goodwill	16,801	31,601
Share of (profit) loss of entities accounted for using equity method	8,899	(704)
Increase (decrease) in allowance for doubtful accounts	(9)	198
Increase (decrease) in net defined benefit liability	(37,477)	(32,965)
Interest and dividend income	(4,752)	(15,911)
Interest expenses	211,498	151,151
Loss (gain) on sales of property, plant and equipment	1,564	(8,374)
Loss on Valuation of Investment Securities OpeCF	4,000	–
Loss on retirement of property, plant and equipment	12,266	2,933
Foreign exchange losses (gains)	406,217	(12,812)
Loss (Gain) on swap	41,201	12,655
Decrease (increase) in notes and accounts receivable - trade	(242,260)	297,328
Decrease (increase) in inventories	947,682	(427,316)
Decrease (increase) in other asset	353,376	(304,670)
Increase (decrease) in notes and accounts payable - trade	(737,706)	(125,671)
Increase (decrease) in other liability	(174,166)	481,688
Other, net	(336,180)	477,759
Subtotal	2,450,002	2,898,446
Interest and dividend income received	4,752	15,911
Interest expenses paid	(207,596)	(158,217)
Income taxes paid	(433,559)	(402,811)
Net cash provided by (used in) operating activities	1,813,598	2,353,329
Cash flows from investing activities		
Purchase of investment securities	(359)	(366)
Purchase of property, plant and equipment	(689,362)	(850,294)
Proceeds from sales of property, plant and equipment	9,535	10,742
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	41,626	–
Other, net	(64,455)	(16,885)
Net cash provided by (used in) investing activities	(703,015)	(856,804)

(Thousands of yen)

	Six months ended November 30, 2015	Six months ended November 30, 2016
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(3,381,385)	(362,179)
Proceeds from long-term loan payable	2,800,000	750,000
Repayments of long-term loans payable	(859,690)	(1,341,321)
Proceeds from issuance of common shares	1,989,869	–
Proceeds from issuance of bonds	–	744,770
Redemption of bonds	(260,000)	(210,000)
Repayments of lease obligations	(563,919)	(539,374)
Cash dividends paid	(104,597)	(127,428)
Purchase of treasury shares	(294)	(227)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(173,936)	–
Net cash provided by (used in) financing activities	(553,954)	(1,085,760)
Effect of exchange rate change on cash and cash equivalents	(174,734)	(208,928)
Net increase (decrease) in cash and cash equivalents	381,893	201,835
Cash and cash equivalents at beginning of period	5,515,246	5,505,690
Cash and cash equivalents at end of period	5,897,140	5,707,526