

Translation

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Summary of Consolidated Financial Results for the Six Months Ended February 28, 2014 (Based on Japanese GAAP)

April 7, 2014

Company name: SOTSU CO.,LTD.
 Stock exchange listing: Tokyo
 Stock code: 3711 URL <http://www.sotsu-co.jp>
 Representative: President Takehiko Aoki
 Senior Managing Director, Administration
 Inquiries: General Manager Takashi Izuhara TEL 03-6386-0311
 Scheduled date to file Quarterly Securities Report: April 14, 2014
 Scheduled date to commence dividend payments: May 8, 2014
 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 February 28, 2014 (from September 1, 2013 to February 28, 2014)

(1) Consolidated financial results (cumulative)

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended February 28, 2014	11,854	10.6	2,259	10.9	2,277	11.2	1,363	19.2
Six months ended February 28, 2013	10,716	23.2	2,036	22.9	2,048	21.8	1,143	29.7

Note: Comprehensive income Six months ended February 28, 2014 ¥1,553 million (14.8%)
 Six months ended February 28, 2013 ¥1,353 million (36.0%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended February 28, 2014	173.95	—
Six months ended February 28, 2013	145.96	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of February 28, 2014	21,404	16,449	76.0	2,075.83
As of August 31, 2013	18,942	15,526	80.4	1,943.21

Reference: Equity As of February 28, 2014 ¥16,268 million
 As of August 31, 2013 ¥15,229 million

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended August 31, 2013	—	0.00	—	60.00	60.00
Year ending August 31, 2014	—	30.00	—	—	—
Year ending August 31, 2014 (Forecast)	—	—	—	30.00	60.00

Note: Revision of cash dividend forecast during this period: no

Notes: (1) Details of year-end dividends for the year ended August 31, 2013 ordinary dividends 30 yen special dividends 30 yen
 (2) Details of interim dividends for the six months ended February 28, 2014 ordinary dividends 15 yen special dividends 15 yen
 Details of year-end dividends for the year ending August 31, 2014 ordinary dividends 15 yen special dividends 15 yen

3. Forecast of consolidated financial results for the year ending August 31, 2014 (from September 1, 2013 to August 31, 2014)

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	22,000	6.1	3,300	0.1	3,360	2.2	2,000	4.6	255.19

Note: Revision of consolidated financial results forecast most recently announced: no

4. Notes

- (1) Changes in significant subsidiaries during the six months ended February 28, 2014
(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: No
- (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 February 28, 2014	8,000,000 shares	As of August 31, 2013	8,000,000 shares
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Number of treasury shares at the end of the period

As of February 28, 2014	162,849 shares	As of August 31, 2013	162,803 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended February 28, 2014	7,837,189 shares	Six months ended February 28, 2013	7,837,273 shares
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* Indication regarding execution of quarterly review procedures

This quarterly financial results report is exempt from the quarterly review procedures in accordance with the Financial Instruments and Exchange Act. At the time of disclosure of this quarterly financial results report, the review procedures for quarterly financial statements are in progress.

* Proper use of forecasts of financial results, and other special matters

The above forecasts of consolidated financial results are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Actual results may differ substantially due to various factors.

Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of August 31, 2013	As of February 28, 2014
Assets		
Current assets		
Cash and deposits	13,934,706	14,922,156
Notes and accounts receivable-trade	1,996,211	3,387,013
Merchandise	133	148
Work in process	13,069	10,191
Supplies	4,612	4,723
Deferred tax assets	89,512	94,699
Other	260,501	367,975
Allowance for doubtful accounts	(7,250)	(11,914)
Total current assets	16,291,497	18,774,995
Noncurrent assets		
Property, plant and equipment		
Buildings, net	58,734	55,975
Vehicles, net	0	2,606
Tools, furniture and fixtures, net	18,542	17,040
Land	322,711	322,711
Total property, plant and equipment	399,988	398,334
Intangible assets	71,496	61,191
Investments and other assets		
Investment securities	1,584,440	1,678,205
Deferred tax assets	76,266	20,959
Other	519,212	470,353
Total investments and other assets	2,179,919	2,169,517
Total noncurrent assets	2,651,404	2,629,043
Total assets	18,942,902	21,404,039

(Thousands of yen)

	As of August 31, 2013	As of February 28, 2014
Liabilities		
Current liabilities		
Accounts payable-trade	1,830,049	3,243,520
Income taxes payable	770,183	927,038
Provision for bonuses	38,383	42,600
Other	296,264	239,835
Total current liabilities	<u>2,934,880</u>	<u>4,452,994</u>
Noncurrent liabilities		
Provision for retirement benefits	84,963	67,411
Other	396,916	433,824
Total noncurrent liabilities	<u>481,879</u>	<u>501,236</u>
Total liabilities	<u>3,416,760</u>	<u>4,954,231</u>
Net assets		
Shareholders' equity		
Capital stock	414,750	414,750
Capital surplus	391,240	391,240
Retained earnings	14,459,258	15,352,284
Treasury stock	(200,661)	(200,828)
Total shareholders' equity	<u>15,064,587</u>	<u>15,957,446</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	164,693	311,161
Total accumulated other comprehensive income	<u>164,693</u>	<u>311,161</u>
Minority interests	296,861	181,199
Total net assets	<u>15,526,142</u>	<u>16,449,807</u>
Total liabilities and net assets	<u>18,942,902</u>	<u>21,404,039</u>

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

Consolidated statements of income (cumulative)

(Thousands of yen)

	Six months ended February 28, 2013	Six months ended February 28, 2014
Net sales	10,716,264	11,854,681
Cost of sales	8,219,154	9,115,189
Gross profit	2,497,110	2,739,492
Selling, general and administrative expenses	460,548	480,390
Operating income	2,036,561	2,259,101
Non-operating income		
Interest income	776	3,018
Dividends income	8,491	6,602
Gain on investments in silent partnership	7,311	7,962
Gain on investments in partnership	-	2,568
Other	1,149	1,844
Total non-operating income	17,729	21,996
Non-operating expenses		
Loss on investments in partnership	2,277	-
Listing related expenses	3,646	3,797
Other	0	-
Total non-operating expenses	5,924	3,797
Ordinary income	2,048,365	2,277,300
Extraordinary income		
Gain on sales of investment securities	16,239	42,320
Gain on bargain purchase	11,855	51,613
Total extraordinary income	28,095	93,933
Extraordinary loss		
Loss on retirement of noncurrent assets	7,162	-
Loss on sales of investment securities	13,488	25,850
Total extraordinary losses	20,650	25,850
Income before income taxes and minority interests	2,055,811	2,345,384
Income taxes-current	873,197	924,236
Income taxes-deferred	(22,650)	14,057
Total income taxes	850,546	938,294
Income before minority interests	1,205,264	1,407,089
Minority interests in income	61,320	43,831
Net income	1,143,944	1,363,258

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Six months ended February 28, 2013	Six months ended February 28, 2014
Income before minority interests	1,205,264	1,407,089
Other comprehensive income		
Valuation difference on available-for-sale securities	148,149	146,153
Total other comprehensive income	148,149	146,153
Comprehensive income	1,353,414	1,553,243
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	1,292,000	1,509,726
Comprehensive income attributable to minority interests	61,413	43,516

Consolidated statements of cash flows

(Thousands of yen)

	Six months ended February 28, 2013	Six months ended February 28, 2014
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	2,055,811	2,345,384
Depreciation and amortization	13,075	12,015
Amortization of goodwill	6,042	6,042
Increase (decrease) in allowance for doubtful accounts	3,703	4,663
Increase (decrease) in provision for bonuses	475	4,217
Increase (decrease) in provision for retirement benefits	(644)	(17,552)
Interest and dividends income	(9,268)	(9,621)
Decrease (increase) in notes and accounts receivable-trade	(553,389)	(1,390,802)
Decrease (increase) in inventories	816	2,752
Increase (decrease) in notes and accounts payable-trade	758,735	1,413,471
Other, net	(155,161)	(232,422)
Subtotal	2,120,195	2,138,149
Interest and dividends income received	9,274	9,627
Income taxes paid	(815,136)	(768,907)
Net cash provided by (used in) operating activities	1,314,333	1,378,869
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(6,182)	(5,807)
Purchase of intangible assets	(9,395)	(9,867)
Purchase of investment securities	(600)	-
Proceeds from sales of investment securities	214,930	182,960
Purchase of treasury stock of subsidiaries in consolidation	-	(99,488)
Other, net	(68,360)	19,234
Net cash provided by (used in) investing activities	130,392	87,032
Net cash provided by (used in) financing activities		
Purchase of treasury stock	(75)	(166)
Cash dividends paid	(352,660)	(470,207)
Cash dividends paid to minority shareholders	(7,659)	(8,076)
Net cash provided by (used in) financing activities	(360,395)	(478,451)
Net increase (decrease) in cash and cash equivalents	1,084,330	987,450
Cash and cash equivalents at beginning of period	12,434,010	13,934,706
Cash and cash equivalents at end of period	13,518,341	14,922,156