

Translation

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**Summary of Consolidated Financial Results
for the Year Ended August 31, 2016
(Based on Japanese GAAP)**

October 7, 2016

Company name: SOTSU CO.,LTD.
 Stock exchange listing: Tokyo
 Stock code: 3711 URL <http://www.sotsu-co.jp>
 Representative: President Takehiko Aoki
 Inquiries: Executive Vice President Takashi Izuhara TEL 03-6386-0311
 Scheduled date of ordinary general meeting of shareholders: November 25, 2016
 Scheduled date to file Securities Report: November 28, 2016
 Scheduled date to commence dividend payments: November 28, 2016
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes (for analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended August 31, 2016 (from September 1, 2015 to August 31, 2016)

(1) Consolidated operating results

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	%
Year ended August 31, 2016	23,185	(3.0)	3,500	2.6	3,500	3.2	2,283	9.1
Year ended August 31, 2015	23,910	7.2	3,411	1.1	3,392	2.0	2,093	3.3

Note: Comprehensive income Year ended August 31, 2016 ¥2,349 million [7.6%]
 Year ended August 31, 2015 ¥2,183 million [(7.0)%]

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary income/total assets	Operating income/net sales
	Yen	Yen	%	%	%
Year ended August 31, 2016	155.62	–	13.1	15.3	15.1
Year ended August 31, 2015	137.92	–	12.6	15.4	14.3

Reference: Investment profit (loss) on equity method Year ended August 31, 2016 ¥– million
 Year ended August 31, 2015 ¥– million

* The Company conducted the stock split at a ratio of 1:2 of common shares on December 1, 2014. Earnings per share has been calculated on the basis that the stock split had been effective at the beginning of the year ended August 31, 2015.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of August 31, 2016	23,356	18,548	78.3	1,246.07
As of August 31, 2015	22,391	16,718	73.7	1,124.50

Reference: Equity As of August 31, 2016 ¥18,285 million
 As of August 31, 2015 ¥16,501 million

* The Company conducted the stock split at a ratio of 1:2 of common shares on December 1, 2014. Net assets per share has been calculated on the basis that the stock split had been effective at the beginning of the year ended August 31, 2015.

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended August 31, 2016	1,091	(154)	(518)	15,652
Year ended August 31, 2015	1,958	(83)	(2,475)	15,235

Reference: Summary of non-consolidated financial results

1. Non-consolidated financial results for the year ended August 31, 2016 (from September 1, 2015 to August 31, 2016)

(1) Non-consolidated operating results

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended August 31, 2016	21,391	(2.0)	2,961	2.7	3,020	3.3	2,034	9.4
Year ended August 31, 2015	21,833	8.3	2,883	2.1	2,923	3.5	1,860	9.3

	Earnings per share	Diluted earnings per share
	Yen	Yen
Year ended August 31, 2016	138.65	–
Year ended August 31, 2015	122.57	–

* The Company conducted the stock split at a ratio of 1:2 of common shares on December 1, 2014. Earnings per share has been calculated on the basis that the stock split had been effective at the beginning of the year ended August 31, 2015.

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of August 31, 2016	21,245	16,711	78.7	1,138.83
As of August 31, 2015	20,149	15,176	75.3	1,034.19

Reference: Equity As of August 31, 2016 ¥16,711 million

As of August 31, 2015 ¥15,176 million

* The Company conducted the stock split at a ratio of 1:2 of common shares on December 1, 2014. Net assets per share has been calculated on the basis that the stock split had been effective at the beginning of the year ended August 31, 2015.

2. Forecast of non-consolidated financial results for the year ending August 31, 2017 (from September 1, 2016 to August 31, 2017)

Percentages indicate year-on-year changes

	Net sales		Ordinary income		Profit		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending February 28, 2017	8,300	(29.0)	1,335	(20.3)	880	(22.2)	59.97
Full year	19,500	(8.8)	2,700	(10.6)	1,800	(11.5)	122.66

* Indication regarding execution of audit procedures

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

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

The above forecasts of consolidated and non-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.

Consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of August 31, 2015	As of August 31, 2016
Assets		
Current assets		
Cash and deposits	15,235,233	15,652,615
Notes and accounts receivable - trade	4,147,801	4,419,251
Securities	200,480	–
Merchandise	127	129
Work in process	9,069	8,412
Supplies	7,045	7,232
Deferred tax assets	75,465	57,687
Other	184,392	361,541
Allowance for doubtful accounts	(23,768)	(24,381)
Total current assets	19,835,846	20,482,488
Non-current assets		
Property, plant and equipment		
Buildings	204,447	204,447
Accumulated depreciation	(156,003)	(159,985)
Buildings, net	48,443	44,461
Vehicles	11,033	11,033
Accumulated depreciation	(9,592)	(10,072)
Vehicles, net	1,441	961
Tools, furniture and fixtures	40,529	51,067
Accumulated depreciation	(25,976)	(27,292)
Tools, furniture and fixtures, net	14,552	23,775
Land	322,711	322,711
Total property, plant and equipment	387,148	391,909
Intangible assets	29,237	22,785
Investments and other assets		
Investment securities	1,875,277	2,220,553
Deferred tax assets	20,574	21,081
Other	242,924	218,172
Total investments and other assets	2,138,775	2,459,808
Total non-current assets	2,555,162	2,874,503
Total assets	22,391,008	23,356,991

(Thousands of yen)

	As of August 31, 2015	As of August 31, 2016
Liabilities		
Current liabilities		
Accounts payable - trade	4,161,299	3,724,029
Income taxes payable	668,176	529,995
Provision for bonuses	36,180	34,980
Other	318,950	246,150
Total current liabilities	5,184,606	4,535,155
Non-current liabilities		
Deferred tax liabilities	72,365	172,429
Net defined benefit liability	74,538	81,848
Other	341,232	19,188
Total non-current liabilities	488,137	273,465
Total liabilities	5,672,744	4,808,620
Net assets		
Shareholders' equity		
Capital stock	414,750	414,750
Capital surplus	391,240	391,240
Retained earnings	17,403,581	17,513,526
Treasury shares	(2,200,828)	(540,700)
Total shareholders' equity	16,008,743	17,778,816
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	492,576	506,335
Total accumulated other comprehensive income	492,576	506,335
Non-controlling interests	216,944	263,218
Total net assets	16,718,264	18,548,370
Total liabilities and net assets	22,391,008	23,356,991

Consolidated statements of income and consolidated statements of comprehensive income
Consolidated statements of income

(Thousands of yen)

	Fiscal year ended August 31, 2015	Fiscal year ended August 31, 2016
Net sales	23,910,863	23,185,952
Cost of sales	19,494,112	18,707,812
Gross profit	4,416,750	4,478,140
Selling, general and administrative expenses	1,004,873	978,130
Operating income	3,411,877	3,500,009
Non-operating income		
Interest income	5,294	5,062
Dividend income	26,259	24,557
Subsidy income	30,774	23,368
Other	4,208	1,321
Total non-operating income	66,535	54,309
Non-operating expenses		
Commission fee	33,589	–
Listing related expenses	7,163	6,124
Loss on investments in partnership	16,523	17,606
expenditure for research and development	28,204	23,390
Foreign exchange losses	–	6,972
Other	9	–
Total non-operating expenses	85,490	54,094
Ordinary income	3,392,922	3,500,224
Extraordinary income		
Gain on sales of investment securities	76,173	–
Total extraordinary income	76,173	–
Extraordinary losses		
Loss on retirement of non-current assets	3,545	256
Loss on sales of investment securities	1,708	–
Total extraordinary losses	5,253	256
Profit before income taxes	3,463,842	3,499,968
Income taxes - current	1,299,173	1,035,250
Income taxes - deferred	34,427	129,357
Total income taxes	1,333,601	1,164,608
Profit	2,130,241	2,335,359
Profit attributable to non-controlling interests	36,827	51,685
Profit attributable to owners of parent	2,093,414	2,283,673

Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended August 31, 2015	Fiscal year ended August 31, 2016
Profit	2,130,241	2,335,359
Other comprehensive income		
Valuation difference on available-for-sale securities	53,635	13,664
Total other comprehensive income	53,635	13,664
Comprehensive income	2,183,876	2,349,023
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,147,040	2,297,432
Comprehensive income attributable to non-controlling interests	36,835	51,591

Consolidated statements of changes in equity

Fiscal year ended August 31, 2015

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	414,750	391,240	15,780,396	(200,828)	16,385,558
Changes of items during period					
Dividends of surplus			(470,229)		(470,229)
Profit attributable to owners of parent			2,093,414		2,093,414
Purchase of treasury shares				(2,000,000)	(2,000,000)
Retirement of treasury shares					–
Net changes of items other than shareholders' equity					
Total changes of items during period	–	–	1,623,185	(2,000,000)	(376,814)
Balance at end of current period	414,750	391,240	17,403,581	(2,200,828)	16,008,743

	Accumulated other comprehensive income		Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income		
Balance at beginning of current period	438,949	438,949	185,426	17,009,934
Changes of items during period				
Dividends of surplus				(470,229)
Profit attributable to owners of parent				2,093,414
Purchase of treasury shares				(2,000,000)
Retirement of treasury shares				–
Net changes of items other than shareholders' equity	53,626	53,626	31,518	85,144
Total changes of items during period	53,626	53,626	31,518	(291,670)
Balance at end of current period	492,576	492,576	216,944	16,718,264

Fiscal year ended August 31, 2016

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	414,750	391,240	17,403,581	(2,200,828)	16,008,743
Changes of items during period					
Dividends of surplus			(513,600)		(513,600)
Profit attributable to owners of parent			2,283,673		2,283,673
Purchase of treasury shares					–
Retirement of treasury shares			(1,660,128)	1,660,128	–
Net changes of items other than shareholders' equity					
Total changes of items during period	–	–	109,945	1,660,128	1,770,073
Balance at end of current period	414,750	391,240	17,513,526	(540,700)	17,778,816

	Accumulated other comprehensive income		Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income		
Balance at beginning of current period	492,576	492,576	216,944	16,718,264
Changes of items during period				
Dividends of surplus				(513,600)
Profit attributable to owners of parent				2,283,673
Purchase of treasury shares				–
Retirement of treasury shares				–
Net changes of items other than shareholders' equity	13,759	13,759	46,273	60,032
Total changes of items during period	13,759	13,759	46,273	1,830,106
Balance at end of current period	506,335	506,335	263,218	18,548,370

Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended August 31, 2015	Fiscal year ended August 31, 2016
Cash flows from operating activities		
Profit before income taxes	3,463,842	3,499,968
Depreciation	20,726	19,086
Increase (decrease) in provision for bonuses	862	(1,200)
Increase (decrease) in net defined benefit liability	4,256	7,309
Amortization of goodwill	6,101	–
Increase (decrease) in allowance for doubtful accounts	14,183	612
Interest and dividend income	(31,553)	(29,619)
Loss on retirement of non-current assets	3,545	256
Loss (gain) on sales of investment securities	(74,465)	–
Loss (gain) on investments in partnership	16,523	17,606
Decrease (increase) in notes and accounts receivable - trade	(1,305,909)	(271,450)
Decrease (increase) in inventories	(1,028)	467
Decrease (increase) in advance payments	264,412	(55,375)
Increase (decrease) in notes and accounts payable - trade	906,267	(437,269)
Increase (decrease) in accrued consumption taxes	35,733	(72,927)
Other, net	(51,599)	(435,187)
Subtotal	3,271,898	2,242,277
Interest and dividend income received	31,553	29,619
Income taxes paid	(1,345,209)	(1,180,824)
Net cash provided by (used in) operating activities	1,958,242	1,091,072
Cash flows from investing activities		
Proceeds from redemption of securities	–	200,000
Purchase of property, plant and equipment	(1,302)	(10,538)
Purchase of intangible assets	(12,557)	(7,112)
Purchase of investment securities	(368,559)	(343,156)
Proceeds from sales of investment securities	290,110	–
Other, net	8,750	6,005
Net cash provided by (used in) investing activities	(83,558)	(154,801)
Cash flows from financing activities		
Purchase of treasury shares	(2,000,000)	–
Cash dividends paid	(470,205)	(513,572)
Dividends paid to non-controlling interests	(5,317)	(5,317)
Net cash provided by (used in) financing activities	(2,475,522)	(518,889)
Net increase (decrease) in cash and cash equivalents	(600,838)	417,381
Cash and cash equivalents at beginning of period	15,836,072	15,235,233
Cash and cash equivalents at end of period	15,235,233	15,652,615