

Translation

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Summary of Consolidated Financial Results for the Six Months Ended February 28, 2017 (Based on Japanese GAAP)

April 7, 2017

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 to file Quarterly Securities Report: April 13, 2017
 Scheduled date to commence dividend payments: May 9, 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 February 28, 2017 (from September 1, 2016 to February 28, 2017)

(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 February 28, 2017	9,149	(27.0)	1,471	(19.2)	1,447	(21.1)	991	(17.4)
Six months ended February 29, 2016	12,541	0.0	1,822	8.5	1,834	13.0	1,201	19.2

Note: Comprehensive income Six months ended February 28, 2017 ¥1,102 million [(0.3) %]
 Six months ended February 29, 2016 ¥1,105 million [15.6 %]

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended February 28, 2017	67.58		-	
Six months ended February 29, 2016	81.85		-	

(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, 2017	23,445	19,351	81.4	1,300.07
As of August 31, 2016	23,356	18,548	78.3	1,246.07

Reference: Equity As of February 28, 2017 ¥19,077 million
 As of August 31, 2016 ¥18,285 million

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen				
Year ended August 31, 2016	-	15.00	-	20.00	35.00
Year ending August 31, 2017	-	15.00	-	-	-
Year ending August 31, 2017 (Forecast)	-	-	-	20.00	35.00

Note: Revision of cash dividend forecast most recently announced: No

Notes: (1) Details of year-end dividends for the year ended August 31, 2016
 (2) Details of year-end dividends for the year ending August 31, 2017

ordinary dividends 15 yen special dividends 5 yen
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3. Forecast of 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		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	21,000	(9.4)	3,150	(10.0)	3,150	(10.0)	2,060	(9.8)	140.38

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, 2017
(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, 2017	15,000,000 shares	As of August 31, 2016	15,000,000 shares
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Number of treasury shares at the end of the period

As of February 28, 2017	325,698 shares	As of August 31, 2016	325,698 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, 2017	14,674,302 shares	Six months ended February 29, 2016	14,674,302 shares
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* Quarterly financial results reports are exempt from the quarterly review.

* 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, 2016	As of February 28, 2017
Assets		
Current assets		
Cash and deposits	15,652,615	16,172,103
Notes and accounts receivable - trade	4,419,251	4,079,506
Merchandise	129	127
Work in process	8,412	31,361
Supplies	7,232	11,450
Deferred tax assets	57,687	47,489
Other	361,541	227,762
Allowance for doubtful accounts	(24,381)	(24,656)
Total current assets	20,482,488	20,545,144
Non-current assets		
Property, plant and equipment		
Buildings, net	44,461	42,755
Vehicles, net	961	801
Tools, furniture and fixtures, net	23,775	23,282
Land	322,711	322,711
Total property, plant and equipment	391,909	389,550
Intangible assets	22,785	22,407
Investments and other assets		
Investment securities	2,220,553	2,260,246
Deferred tax assets	21,081	22,228
Other	218,172	206,335
Total investments and other assets	2,459,808	2,488,809
Total non-current assets	2,874,503	2,900,767
Total assets	23,356,991	23,445,911

(Thousands of yen)

	As of August 31, 2016	As of February 28, 2017
Liabilities		
Current liabilities		
Accounts payable - trade	3,724,029	3,052,800
Income taxes payable	529,995	462,546
Provision for bonuses	34,980	36,780
Other	246,150	220,729
Total current liabilities	4,535,155	3,772,856
Non-current liabilities		
Deferred tax liabilities	172,429	216,696
Net defined benefit liability	81,848	85,594
Other	19,188	19,188
Total non-current liabilities	273,465	321,479
Total liabilities	4,808,620	4,094,335
Net assets		
Shareholders' equity		
Capital stock	414,750	414,750
Capital surplus	391,240	391,240
Retained earnings	17,513,526	18,211,750
Treasury shares	(540,700)	(540,700)
Total shareholders' equity	17,778,816	18,477,040
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	506,335	600,577
Total accumulated other comprehensive income	506,335	600,577
Non-controlling interests	263,218	273,958
Total net assets	18,548,370	19,351,576
Total liabilities and net assets	23,356,991	23,445,911

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

Consolidated statements of income (cumulative)

(Thousands of yen)

	Six months ended February 29, 2016	Six months ended February 28, 2017
Net sales	12,541,655	9,149,401
Cost of sales	10,228,025	7,203,368
Gross profit	2,313,630	1,946,033
Selling, general and administrative expenses	491,254	474,124
Operating income	1,822,376	1,471,908
Non-operating income		
Interest income	2,550	1,903
Dividend income	7,106	8,976
Subsidy income	23,368	–
Other	1,318	1,297
Total non-operating income	34,343	12,178
Non-operating expenses		
Listing related expenses	3,325	3,217
Loss on investments in partnership	699	5,774
expenditure for research and development	14,155	8,569
Compensation expenses	–	5,643
Foreign exchange losses	4,471	13,510
Total non-operating expenses	22,652	36,716
Ordinary income	1,834,067	1,447,370
Extraordinary income		
Gain on sales of investment securities	–	46,752
Total extraordinary income	–	46,752
Extraordinary losses		
Loss on sales of investment securities	–	24,205
Total extraordinary losses	–	24,205
Profit before income taxes	1,834,067	1,469,916
Income taxes - current	600,925	450,196
Income taxes - deferred	4,721	11,795
Total income taxes	605,647	461,992
Profit	1,228,420	1,007,924
Profit attributable to non-controlling interests	27,275	16,215
Profit attributable to owners of parent	1,201,145	991,709

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Six months ended February 29, 2016	Six months ended February 28, 2017
Profit	1,228,420	1,007,924
Other comprehensive income		
Valuation difference on available-for-sale securities	(123,123)	94,083
Total other comprehensive income	(123,123)	94,083
Comprehensive income	1,105,297	1,102,008
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,077,978	1,085,951
Comprehensive income attributable to non-controlling interests	27,318	16,057

Consolidated statements of cash flows

(Thousands of yen)

	Six months ended February 29, 2016	Six months ended February 28, 2017
Cash flows from operating activities		
Profit before income taxes	1,834,067	1,469,916
Depreciation	9,713	6,254
Increase (decrease) in allowance for doubtful accounts	4,543	275
Increase (decrease) in provision for bonuses	4,600	1,800
Increase (decrease) in net defined benefit liability	3,053	3,745
Interest and dividend income	(9,657)	(10,880)
Loss (gain) on sales of investment securities	–	(22,546)
Decrease (increase) in notes and accounts receivable - trade	(998,538)	339,744
Decrease (increase) in inventories	(27,355)	(27,164)
Increase (decrease) in notes and accounts payable - trade	(422,003)	(671,229)
Other, net	(61,994)	148,133
Subtotal	336,429	1,238,050
Interest and dividend income received	9,663	10,887
Income taxes paid	(605,915)	(526,322)
Net cash provided by (used in) operating activities	(259,822)	722,614
Cash flows from investing activities		
Purchase of property, plant and equipment	(10,538)	–
Purchase of intangible assets	(2,930)	(3,517)
Purchase of investment securities	(47,150)	–
Proceeds from sales of investment securities	–	93,172
Other, net	6,005	6,005
Net cash provided by (used in) investing activities	(54,612)	95,661
Cash flows from financing activities		
Cash dividends paid	(293,470)	(293,470)
Dividends paid to non-controlling interests	(5,317)	(5,317)
Net cash provided by (used in) financing activities	(298,787)	(298,787)
Net increase (decrease) in cash and cash equivalents	(613,222)	519,488
Cash and cash equivalents at beginning of period	15,235,233	15,652,615
Cash and cash equivalents at end of period	14,622,011	16,172,103