

Translation

Notice: This document is an excerpt translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

**Summary of Consolidated Financial Results
for the Nine Months Ended May 31, 2017
(Based on Japanese GAAP)**

July 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: July 13, 2017
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the nine months ended May 31, 2017 (from September 1, 2016 to May 31, 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	%
Nine months ended May 31, 2017	13,561	(23.3)	2,414	(13.8)	2,372	(15.3)	1,614	(10.1)
Nine months ended May 31, 2016	17,670	(2.2)	2,801	4.0	2,800	6.4	1,795	12.5

Note: Comprehensive income Nine months ended May 31, 2017 ¥1,862 million [1.5%]
 Nine months ended May 31, 2016 ¥1,834 million [9.6%]

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended May 31, 2017	110.06		–	
Nine months ended May 31, 2016	122.32		–	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of May 31, 2017	23,117	19,850	84.6	1,334.18
As of August 31, 2016	23,356	18,548	78.3	1,246.07

Reference: Equity As of May 31, 2017 ¥19,551 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	Yen	Yen	Yen	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)				23.00	38.00

Note: Revision of cash dividend forecast most recently announced: Yes

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

ordinary dividends 15 yen special dividends 5 yen

(2) Details of year-end dividends for the year ending August 31, 2017

ordinary dividends 15 yen special dividends 8 yen

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 nine months ended May 31, 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 May 31, 2017	15,000,000 shares	As of August 31, 2016	15,000,000 shares
--------------------	-------------------	-----------------------	-------------------

Number of treasury shares at the end of the period

As of May 31, 2017	345,698 shares	As of August 31, 2016	325,698 shares
--------------------	----------------	-----------------------	----------------

Average number of shares during the period (cumulative from the beginning of the fiscal year)

Nine months ended May 31, 2017	14,668,588 shares	Nine months ended May 31, 2016	14,674,302 shares
--------------------------------	-------------------	--------------------------------	-------------------

* 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 May 31, 2017
Assets		
Current assets		
Cash and deposits	15,652,615	16,954,496
Notes and accounts receivable - trade	4,419,251	2,818,437
Merchandise	129	125
Work in process	8,412	6,803
Supplies	7,232	10,322
Deferred tax assets	57,687	29,704
Other	361,541	301,271
Allowance for doubtful accounts	(24,381)	(19,740)
Total current assets	20,482,488	20,101,421
Non-current assets		
Property, plant and equipment		
Buildings, net	44,461	42,395
Vehicles, net	961	721
Tools, furniture and fixtures, net	23,775	23,035
Land	322,711	322,711
Total property, plant and equipment	391,909	388,863
Intangible assets	22,785	20,497
Investments and other assets		
Investment securities	2,220,553	2,389,269
Deferred tax assets	21,081	21,710
Other	218,172	196,000
Total investments and other assets	2,459,808	2,606,980
Total non-current assets	2,874,503	3,016,341
Total assets	23,356,991	23,117,762

(Thousands of yen)

	As of August 31, 2016	As of May 31, 2017
Liabilities		
Current liabilities		
Accounts payable - trade	3,724,029	2,309,288
Income taxes payable	529,995	211,635
Provision for bonuses	34,980	32,580
Other	246,150	341,291
Total current liabilities	4,535,155	2,894,796
Non-current liabilities		
Deferred tax liabilities	172,429	265,133
Net defined benefit liability	81,848	88,148
Other	19,188	19,188
Total non-current liabilities	273,465	372,470
Total liabilities	4,808,620	3,267,267
Net assets		
Shareholders' equity		
Capital stock	414,750	414,750
Capital surplus	391,240	391,240
Retained earnings	17,513,526	18,614,324
Treasury shares	(540,700)	(582,020)
Total shareholders' equity	17,778,816	18,838,294
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	506,335	713,190
Total accumulated other comprehensive income	506,335	713,190
Non-controlling interests	263,218	299,009
Total net assets	18,548,370	19,850,495
Total liabilities and net assets	23,356,991	23,117,762

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

Consolidated statements of income (cumulative)

(Thousands of yen)

	Nine months ended May 31, 2016	Nine months ended May 31, 2017
Net sales	17,670,638	13,561,278
Cost of sales	14,132,435	10,427,235
Gross profit	3,538,202	3,134,043
Selling, general and administrative expenses	736,439	720,001
Operating income	2,801,762	2,414,042
Non-operating income		
Interest income	4,451	2,913
Dividend income	8,202	11,048
Subsidy income	23,368	–
Other	1,318	1,574
Total non-operating income	37,340	15,536
Non-operating expenses		
Commission fee	–	205
Listing related expenses	5,128	4,969
Loss on investments in partnership	9,068	19,178
expenditure for research and development	20,037	11,886
Compensation expenses	–	5,643
Foreign exchange losses	4,795	15,428
Total non-operating expenses	39,030	57,313
Ordinary income	2,800,073	2,372,265
Extraordinary income		
Gain on sales of investment securities	–	81,149
Total extraordinary income	–	81,149
Extraordinary losses		
Loss on retirement of non-current assets	256	–
Loss on sales of investment securities	–	24,205
Total extraordinary losses	256	24,205
Profit before income taxes	2,799,816	2,429,208
Income taxes - current	914,612	745,131
Income taxes - deferred	38,220	28,705
Total income taxes	952,833	773,837
Profit	1,846,983	1,655,371
Profit attributable to non-controlling interests	51,983	40,972
Profit attributable to owners of parent	1,795,000	1,614,398

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Nine months ended May 31, 2016	Nine months ended May 31, 2017
Profit	1,846,983	1,655,371
Other comprehensive income		
Valuation difference on available-for-sale securities	(12,095)	206,991
Total other comprehensive income	(12,095)	206,991
Comprehensive income	1,834,887	1,862,362
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,782,847	1,821,253
Comprehensive income attributable to non-controlling interests	52,040	41,108