

Translation

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**Summary of Consolidated Financial Results
for the Year Ended August 31, 2017
(Based on Japanese GAAP)**

October 6, 2017

Company name: SOTSU CO.,LTD.
 Stock exchange listing: Tokyo
 Stock code: 3711 URL <http://www.sotsu-co.jp>
 Representative: President Takashi Izuhara
 Inquiries: President Takashi Izuhara TEL 03-6386-0311
 Scheduled date of ordinary general meeting of shareholders: November 28, 2017
 Scheduled date to file Securities Report: November 29, 2017
 Scheduled date to commence dividend payments: November 29, 2017
 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, 2017 (from September 1, 2016 to August 31, 2017)

(1) Consolidated operating results

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended August 31, 2017	19,565	(15.6)	3,025	(13.5)	2,968	(15.2)	2,042	(10.6)
Year ended August 31, 2016	23,185	(3.0)	3,500	2.6	3,500	3.2	2,283	9.1

Note: Comprehensive income Year ended August 31, 2017 ¥2,241 million [(4.6)%]
 Year ended August 31, 2016 ¥2,349 million [7.6%]

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended August 31, 2017	139.28	–	10.7	12.3	15.5
Year ended August 31, 2016	155.62	–	13.1	15.3	15.1

Reference: Investment profit (loss) on equity method Year ended August 31, 2017 ¥– million
 Year ended August 31, 2016 ¥– million

(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, 2017	25,109	20,229	79.4	1,359.95
As of August 31, 2016	23,356	18,548	78.3	1,246.07

Reference: Equity As of August 31, 2017 ¥19,929 million
 As of August 31, 2016 ¥18,285 million

(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, 2017	2,152	210	(560)	17,455
Year ended August 31, 2016	1,091	(154)	(518)	15,652

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended August 31, 2016	–	15.00	–	20.00	35.00	513	22.5	3.0
Year ended August 31, 2017	–	15.00	–	23.00	38.00	557	27.3	2.9
Year ending August 31, 2018 (Forecast)	–	15.00	–	25.00	40.00		–	

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 ended August 31, 2017 ordinary dividends 15 yen special dividends 8 yen
(3) Details of year-end dividends for the year ending August 31, 2018 ordinary dividends 15 yen special dividends 10 yen

3. Forecast of consolidated financial results for the year ending August 31, 2018 (from September 1, 2017 to August 31, 2018)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending February 28, 2018	9,600	4.9	1,460	(0.8)	1,460	0.9	980	(1.2)	66.87
Full year	21,000	7.3	3,120	3.1	3,130	5.4	2,100	2.8	143.30

4. Notes

- (1) Changes in significant subsidiaries during the year ended August 31, 2017
(changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) 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

(3) Number of issued shares (common shares)

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

As of August 31, 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 August 31, 2017	345,745 shares	As of August 31, 2016	325,698 shares
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Average number of shares during the period

Year ended August 31, 2017	14,664,984 shares	Year ended August 31, 2016	14,674,302 shares
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Reference: Summary of non-consolidated financial results

1. Non-consolidated financial results for the year ended August 31, 2017 (from September 1, 2016 to August 31, 2017)

(1) Non-consolidated operating results

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended August 31, 2017	17,903	(16.3)	2,475	(16.4)	2,481	(17.9)	1,776	(12.7)
Year ended August 31, 2016	21,391	(2.0)	2,961	2.7	3,020	3.3	2,034	9.4

	Earnings per share	Diluted earnings per share
	Yen	Yen
Year ended August 31, 2017	121.12	–
Year ended August 31, 2016	138.65	–

(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, 2017	22,681	18,086	79.7	1,234.24
As of August 31, 2016	21,245	16,711	78.7	1,138.83

Reference: Equity As of August 31, 2017 ¥18,086 million
As of August 31, 2016 ¥16,711 million

2. Forecast of non-consolidated financial results for the year ending August 31, 2018 (from September 1, 2017 to August 31, 2018)

Percentages indicate year-on-year changes

	Net sales		Ordinary profit		Profit		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending February 28, 2018	8,700	4.1	1,265	(1.3)	870	(4.6)	59.37
Full year	19,200	7.2	2,630	6.0	1,800	1.3	122.83

* Financial results reports are not required to be audited

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

(Caution regarding forward-looking statements)

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.

(Means of access to contents of supplementary materials on financial results and financial results meetings)

The Company holds presentations for analysts regarding the six-month and year-end results. Distributed presentation materials at the financial results meetings are available on the Company's website.

Consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of August 31, 2016	As of August 31, 2017
Assets		
Current assets		
Cash and deposits	15,652,615	17,455,143
Notes and accounts receivable - trade	4,419,251	4,549,515
Securities	–	195,500
Merchandise	129	107
Work in process	8,412	10,941
Supplies	7,232	5,948
Deferred tax assets	57,687	45,671
Other	361,541	166,089
Allowance for doubtful accounts	(24,381)	(24,606)
Total current assets	20,482,488	22,404,310
Non-current assets		
Property, plant and equipment		
Buildings	204,447	204,945
Accumulated depreciation	(159,985)	(163,408)
Buildings, net	44,461	41,536
Vehicles	11,033	11,033
Accumulated depreciation	(10,072)	(10,392)
Vehicles, net	961	641
Tools, furniture and fixtures	51,067	47,964
Accumulated depreciation	(27,292)	(25,175)
Tools, furniture and fixtures, net	23,775	22,789
Land	322,711	322,711
Total property, plant and equipment	391,909	387,678
Intangible assets	22,785	19,763
Investments and other assets		
Investment securities	2,220,553	2,107,902
Deferred tax assets	21,081	19,349
Other	218,172	170,358
Total investments and other assets	2,459,808	2,297,610
Total non-current assets	2,874,503	2,705,052
Total assets	23,356,991	25,109,362

(Thousands of yen)

	As of August 31, 2016	As of August 31, 2017
Liabilities		
Current liabilities		
Accounts payable - trade	3,724,029	3,915,686
Income taxes payable	529,995	414,242
Provision for bonuses	34,980	37,200
Other	246,150	171,033
Total current liabilities	4,535,155	4,538,161
Non-current liabilities		
Deferred tax liabilities	172,429	240,259
Net defined benefit liability	81,848	82,576
Other	19,188	19,166
Total non-current liabilities	273,465	342,002
Total liabilities	4,808,620	4,880,164
Net assets		
Shareholders' equity		
Capital stock	414,750	414,750
Capital surplus	391,240	391,240
Retained earnings	17,513,526	19,042,397
Treasury shares	(540,700)	(582,123)
Total shareholders' equity	17,778,816	19,266,263
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	506,335	662,800
Total accumulated other comprehensive income	506,335	662,800
Non-controlling interests	263,218	300,133
Total net assets	18,548,370	20,229,198
Total liabilities and net assets	23,356,991	25,109,362

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

(Thousands of yen)

	Fiscal year ended August 31, 2016	Fiscal year ended August 31, 2017
Net sales	23,185,952	19,565,058
Cost of sales	18,707,812	15,578,320
Gross profit	4,478,140	3,986,737
Selling, general and administrative expenses	978,130	960,936
Operating profit	3,500,009	3,025,800
Non-operating income		
Interest income	5,062	3,522
Dividend income	24,557	35,617
Subsidy income	23,368	–
Other	1,321	1,807
Total non-operating income	54,309	40,947
Non-operating expenses		
Commission fee	–	205
Listing related expenses	6,124	5,980
Loss on investments in partnership	17,606	52,957
expenditure for research and development	23,390	17,461
Foreign exchange losses	6,972	15,747
Other	–	5,643
Total non-operating expenses	54,094	97,997
Ordinary profit	3,500,224	2,968,751
Extraordinary income		
Gain on sales of investment securities	–	94,437
Total extraordinary income	–	94,437
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	3,499,968	3,038,983
Income taxes - current	1,035,250	942,212
Income taxes - deferred	129,357	12,387
Total income taxes	1,164,608	954,599
Profit	2,335,359	2,084,383
Profit attributable to non-controlling interests	51,685	41,912
Profit attributable to owners of parent	2,283,673	2,042,471

Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended August 31, 2016	Fiscal year ended August 31, 2017
Profit	2,335,359	2,084,383
Other comprehensive income		
Valuation difference on available-for-sale securities	13,664	156,784
Total other comprehensive income	13,664	156,784
Comprehensive income	2,349,023	2,241,168
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,297,432	2,198,935
Comprehensive income attributable to non-controlling interests	51,591	42,232

Consolidated statements of changes in equity

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
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
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

Fiscal year ended August 31, 2017

(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	17,513,526	(540,700)	17,778,816
Changes of items during period					
Dividends of surplus			(513,600)		(513,600)
Profit attributable to owners of parent			2,042,471		2,042,471
Purchase of treasury shares				(41,423)	(41,423)
Net changes of items other than shareholders' equity					
Total changes of items during period	–	–	1,528,870	(41,423)	1,487,447
Balance at end of current period	414,750	391,240	19,042,397	(582,123)	19,266,263

	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	506,335	506,335	263,218	18,548,370
Changes of items during period				
Dividends of surplus				(513,600)
Profit attributable to owners of parent				2,042,471
Purchase of treasury shares				(41,423)
Net changes of items other than shareholders' equity	156,464	156,464	36,915	193,380
Total changes of items during period	156,464	156,464	36,915	1,680,827
Balance at end of current period	662,800	662,800	300,133	20,229,198

Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended August 31, 2016	Fiscal year ended August 31, 2017
Cash flows from operating activities		
Profit before income taxes	3,499,968	3,038,983
Depreciation	19,086	12,700
Increase (decrease) in provision for bonuses	(1,200)	2,220
Increase (decrease) in net defined benefit liability	7,309	727
Increase (decrease) in allowance for doubtful accounts	612	224
Interest and dividend income	(29,619)	(39,139)
Loss on retirement of non-current assets	256	–
Loss (gain) on sales of investment securities	–	(70,231)
Loss (gain) on investments in partnership	17,606	52,957
Decrease (increase) in notes and accounts receivable - trade	(271,450)	(130,263)
Decrease (increase) in inventories	467	(1,222)
Decrease (increase) in advance payments	(55,375)	83,573
Increase (decrease) in notes and accounts payable - trade	(437,269)	191,656
Increase (decrease) in accrued consumption taxes	(72,927)	(38,521)
Other, net	(435,187)	84,248
Subtotal	2,242,277	3,187,912
Interest and dividend income received	29,619	39,143
Income taxes paid	(1,180,824)	(1,074,573)
Net cash provided by (used in) operating activities	1,091,072	2,152,483
Cash flows from investing activities		
Proceeds from redemption of securities	200,000	–
Purchase of property, plant and equipment	(10,538)	(498)
Purchase of intangible assets	(7,112)	(4,949)
Purchase of investment securities	(343,156)	–
Proceeds from sales of investment securities	–	213,359
Other, net	6,005	2,445
Net cash provided by (used in) investing activities	(154,801)	210,358
Cash flows from financing activities		
Purchase of treasury shares	–	(41,423)
Cash dividends paid	(513,572)	(513,572)
Dividends paid to non-controlling interests	(5,317)	(5,317)
Net cash provided by (used in) financing activities	(518,889)	(560,313)
Net increase (decrease) in cash and cash equivalents	417,381	1,802,528
Cash and cash equivalents at beginning of period	15,235,233	15,652,615
Cash and cash equivalents at end of period	15,652,615	17,455,143