

Translation

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Summary of Consolidated Financial Results for the Three Months Ended November 30, 2017 (Based on Japanese GAAP)

January 10, 2018

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 to file Quarterly Securities Report: January 12, 2018
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: No
 Holding of quarterly financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the three months ended November 30, 2017 (from September 1, 2017 to November 30, 2017)

(1) Consolidated operating results (cumulative)

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	%
Three months ended November 30, 2017	3,317	(11.6)	524	11.5	523	16.1	393	27.3
Three months ended November 30, 2016	3,751	(19.2)	469	(15.4)	450	(21.2)	309	(24.7)

Note: Comprehensive income Three months ended November 30, 2017 ¥387 million [(6.8) %]
 Three months ended November 30, 2016 ¥415 million [3.2 %]

	Earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended November 30, 2017	26.86	–
Three months ended November 30, 2016	21.07	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of November 30, 2017	24,261	20,273	82.3	1,363.03
As of August 31, 2017	25,109	20,229	79.4	1,359.95

Reference: Equity As of November 30, 2017 ¥19,974 million
 As of August 31, 2017 ¥19,929 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, 2017	–	15.00	–	23.00	38.00
Year ending August 31, 2018	–	–	–	–	–
Year ending August 31, 2018 (Forecast)	–	15.00	–	25.00	40.00

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

Notes: (1) Details of year-end dividends for the year ended August 31, 2017
 (2) Details of year-end dividends for the year ending August 31, 2018

ordinary dividends 15 yen special dividends 8 yen
 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

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

4. Notes

(1) Changes in significant subsidiaries during the three months ended November 30, 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 November 30, 2017	15,000,000 shares	As of August 31, 2017	15,000,000 shares
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Number of treasury shares at the end of the period

As of November 30, 2017	345,745 shares	As of August 31, 2017	345,745 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Three months ended November 30, 2017	14,654,255 shares	Three months ended November 30, 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

(Caution regarding forward-looking statements)

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, 2017	As of November 30, 2017
Assets		
Current assets		
Cash and deposits	17,455,143	17,029,551
Notes and accounts receivable - trade	4,549,515	3,596,072
Securities	195,500	198,500
Merchandise	107	107
Work in process	10,941	36,013
Supplies	5,948	10,384
Deferred tax assets	45,671	39,812
Other	166,089	493,069
Allowance for doubtful accounts	(24,606)	(22,771)
Total current assets	22,404,310	21,380,740
Non-current assets		
Property, plant and equipment		
Buildings, net	41,536	40,782
Vehicles, net	641	587
Tools, furniture and fixtures, net	22,789	24,721
Land	322,711	322,711
Total property, plant and equipment	387,678	388,802
Intangible assets	19,763	18,260
Investments and other assets		
Investment securities	2,107,902	2,289,235
Deferred tax assets	19,349	19,597
Other	170,358	164,986
Total investments and other assets	2,297,610	2,473,818
Total non-current assets	2,705,052	2,880,882
Total assets	25,109,362	24,261,623

(Thousands of yen)

	As of August 31, 2017	As of November 30, 2017
Liabilities		
Current liabilities		
Accounts payable - trade	3,915,686	3,150,171
Income taxes payable	414,242	169,739
Provision for bonuses	37,200	33,450
Other	171,033	297,156
Total current liabilities	4,538,161	3,650,516
Non-current liabilities		
Deferred tax liabilities	240,259	233,879
Net defined benefit liability	82,576	84,716
Other	19,166	19,166
Total non-current liabilities	342,002	337,762
Total liabilities	4,880,164	3,988,278
Net assets		
Shareholders' equity		
Capital stock	414,750	414,750
Capital surplus	391,240	391,240
Retained earnings	19,042,397	19,098,961
Treasury shares	(582,123)	(582,123)
Total shareholders' equity	19,266,263	19,322,827
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	662,800	651,417
Total accumulated other comprehensive income	662,800	651,417
Non-controlling interests	300,133	299,099
Total net assets	20,229,198	20,273,344
Total liabilities and net assets	25,109,362	24,261,623

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

Consolidated statements of income (cumulative)

(Thousands of yen)

	Three months ended November 30, 2016	Three months ended November 30, 2017
Net sales	3,751,278	3,317,119
Cost of sales	3,039,295	2,550,962
Gross profit	711,983	766,157
Selling, general and administrative expenses	242,049	242,156
Operating profit	469,933	524,000
Non-operating income		
Interest income	1,293	1,009
Dividend income	1,895	2,637
Foreign exchange gains	–	11
Other	1,025	1,082
Total non-operating income	4,214	4,740
Non-operating expenses		
Listing related expenses	2,226	2,149
Loss on investments in partnership	2,460	–
expenditure for research and development	4,098	3,450
Compensation expenses	5,643	–
Foreign exchange losses	9,045	–
Total non-operating expenses	23,475	5,599
Ordinary profit	450,673	523,141
Extraordinary income		
Gain on sales of investment securities	26,421	29,226
Total extraordinary income	26,421	29,226
Extraordinary losses		
Loss on sales of investment securities	24,205	–
Total extraordinary losses	24,205	–
Profit before income taxes	452,888	552,367
Income taxes - current	122,247	149,274
Income taxes - deferred	19,822	4,210
Total income taxes	142,069	153,484
Profit	310,818	398,883
Profit attributable to non-controlling interests	1,567	5,271
Profit attributable to owners of parent	309,250	393,611

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Three months ended November 30, 2016	Three months ended November 30, 2017
Profit	310,818	398,883
Other comprehensive income		
Valuation difference on available-for-sale securities	105,149	(11,308)
Total other comprehensive income	105,149	(11,308)
Comprehensive income	415,967	387,575
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	414,601	382,228
Comprehensive income attributable to non-controlling interests	1,366	5,346