

Translation

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Summary of Consolidated Financial Results for the Six Months Ended February 28, 2018 (Based on Japanese GAAP)

April 6, 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: April 13, 2018
 Scheduled date to commence dividend payments: May 8, 2018
 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, 2018 (from September 1, 2017 to February 28, 2018)

(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	%
Six months ended February 28, 2018	8,905	(2.7)	1,287	(12.5)	1,359	(6.1)	956	(3.5)
Six months ended February 28, 2017	9,149	(27.0)	1,471	(19.2)	1,447	(21.1)	991	(17.4)

Note: Comprehensive income Six months ended February 28, 2018 ¥919 million [(16.6)%]
 Six months ended February 28, 2017 ¥1,102 million [(0.3)%]

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended February 28, 2018	65.29		-	
Six months ended February 28, 2017	67.58		-	

(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, 2018	25,653	20,805	79.9	1,398.28
As of August 31, 2017	25,109	20,229	79.4	1,359.95

Reference: Equity As of February 28, 2018 ¥20,490 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	-	15.00	-	-	-
Year ending August 31, 2018 (Forecast)	-	-	-	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
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 six months ended February 28, 2018
(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, 2018	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 February 28, 2018	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)

Six months ended February 28, 2018	14,654,255 shares	Six months ended February 28, 2017	14,674,302 shares
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* Quarterly financial results reports are exempt from the quarterly review conducted by certified public accountants or an audit corporation.

* 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.

(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.

Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of August 31, 2017	As of February 28, 2018
Assets		
Current assets		
Cash and deposits	17,455,143	17,261,925
Notes and accounts receivable - trade	4,549,515	4,703,919
Securities	195,500	198,500
Merchandise	107	105
Work in process	10,941	26,903
Supplies	5,948	15,030
Deferred tax assets	45,671	44,996
Other	166,089	446,503
Allowance for doubtful accounts	(24,606)	(26,383)
Total current assets	22,404,310	22,671,501
Non-current assets		
Property, plant and equipment		
Buildings, net	41,536	40,027
Vehicles, net	641	13,182
Tools, furniture and fixtures, net	22,789	24,287
Land	322,711	322,711
Total property, plant and equipment	387,678	400,208
Intangible assets	19,763	16,336
Investments and other assets		
Investment securities	2,107,902	2,325,498
Deferred tax assets	19,349	20,277
Other	170,358	219,202
Total investments and other assets	2,297,610	2,564,979
Total non-current assets	2,705,052	2,981,524
Total assets	25,109,362	25,653,025

(Thousands of yen)

	As of August 31, 2017	As of February 28, 2018
Liabilities		
Current liabilities		
Accounts payable - trade	3,915,686	3,877,921
Income taxes payable	414,242	406,976
Provision for bonuses	37,200	38,100
Other	171,033	180,701
Total current liabilities	4,538,161	4,503,698
Non-current liabilities		
Deferred tax liabilities	240,259	250,762
Net defined benefit liability	82,576	85,588
Other	19,166	7,876
Total non-current liabilities	342,002	344,226
Total liabilities	4,880,164	4,847,925
Net assets		
Shareholders' equity		
Capital stock	414,750	414,750
Capital surplus	391,240	391,240
Retained earnings	19,042,397	19,662,179
Treasury shares	(582,123)	(582,123)
Total shareholders' equity	19,266,263	19,886,045
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	662,800	604,704
Total accumulated other comprehensive income	662,800	604,704
Non-controlling interests	300,133	314,350
Total net assets	20,229,198	20,805,100
Total liabilities and net assets	25,109,362	25,653,025

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

Consolidated statements of income (cumulative)

(Thousands of yen)

	Six months ended February 28, 2017	Six months ended February 28, 2018
Net sales	9,149,401	8,905,007
Cost of sales	7,203,368	7,127,299
Gross profit	1,946,033	1,777,708
Selling, general and administrative expenses	474,124	490,454
Operating profit	1,471,908	1,287,253
Non-operating income		
Interest income	1,903	1,705
Dividend income	8,976	9,750
Gain on investments in partnership	–	75,132
Other	1,297	1,598
Total non-operating income	12,178	88,186
Non-operating expenses		
Listing related expenses	3,217	3,144
Loss on investments in partnership expenditure for research and development	5,774	–
Compensation expenses	8,569	7,068
Foreign exchange losses	5,643	–
Total non-operating expenses	13,510	5,752
Ordinary profit	36,716	15,965
Extraordinary income		
Gain on sales of non-current assets	–	1,217
Gain on sales of investment securities	46,752	29,226
Total extraordinary income	46,752	30,443
Extraordinary losses		
Loss on sales of investment securities	24,205	–
Total extraordinary losses	24,205	–
Profit before income taxes	1,469,916	1,389,918
Income taxes - current	450,196	376,637
Income taxes - deferred	11,795	35,870
Total income taxes	461,992	412,508
Profit	1,007,924	977,409
Profit attributable to non-controlling interests	16,215	20,580
Profit attributable to owners of parent	991,709	956,829

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Six months ended February 28, 2017	Six months ended February 28, 2018
Profit	1,007,924	977,409
Other comprehensive income		
Valuation difference on available-for-sale securities	94,083	(58,078)
Total other comprehensive income	94,083	(58,078)
Comprehensive income	1,102,008	919,330
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,085,951	898,733
Comprehensive income attributable to non-controlling interests	16,057	20,597

Consolidated statements of cash flows

(Thousands of yen)

	Six months ended February 28, 2017	Six months ended February 28, 2018
Cash flows from operating activities		
Profit before income taxes	1,469,916	1,389,918
Depreciation	6,254	7,499
Increase (decrease) in allowance for doubtful accounts	275	1,777
Increase (decrease) in provision for bonuses	1,800	900
Increase (decrease) in net defined benefit liability	3,745	3,011
Interest and dividend income	(10,880)	(11,448)
Loss (gain) on sales of investment securities	(22,546)	(29,226)
Decrease (increase) in notes and accounts receivable - trade	339,744	(154,403)
Decrease (increase) in inventories	(27,164)	(25,043)
Increase (decrease) in notes and accounts payable - trade	(671,229)	(37,765)
Other, net	148,133	(348,823)
Subtotal	1,238,050	796,396
Interest and dividend income received	10,887	11,450
Income taxes paid	(526,322)	(374,263)
Net cash provided by (used in) operating activities	722,614	433,583
Cash flows from investing activities		
Purchase of property, plant and equipment	–	(14,945)
Purchase of intangible assets	(3,517)	(440)
Purchase of investment securities	–	(328,676)
Proceeds from sales of investment securities	93,172	53,605
Other, net	6,005	7,065
Net cash provided by (used in) investing activities	95,661	(283,390)
Cash flows from financing activities		
Cash dividends paid	(293,470)	(337,029)
Dividends paid to non-controlling interests	(5,317)	(6,380)
Net cash provided by (used in) financing activities	(298,787)	(343,410)
Net increase (decrease) in cash and cash equivalents	519,488	(193,218)
Cash and cash equivalents at beginning of period	15,652,615	17,455,143
Cash and cash equivalents at end of period	16,172,103	17,261,925