

Translation

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Summary of Consolidated Financial Results for the Nine Months Ended May 31, 2018 (Based on Japanese GAAP)

July 5, 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: July 12, 2018
 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, 2018 (from September 1, 2017 to May 31, 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	%
Nine months ended May 31, 2018	13,026	(3.9)	2,233	(7.5)	2,307	(2.8)	1,575	(2.4)
Nine months ended May 31, 2017	13,561	(23.3)	2,414	(13.8)	2,372	(15.3)	1,614	(10.1)

Note: Comprehensive income
 Nine months ended May 31, 2018 ¥1,787 million [(4.0)%]
 Nine months ended May 31, 2017 ¥1,862 million [1.5%]

	Earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended May 31, 2018	107.52	–
Nine months ended May 31, 2017	110.06	–

(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, 2018	25,638	21,453	82.3	1,440.67
As of August 31, 2017	25,109	20,229	79.4	1,359.95

Reference: Equity
 As of May 31, 2018 ¥21,111 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)	–	–	–	22.00	37.00

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 7 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	17,400	(11.1)	2,540	(16.1)	2,620	(11.7)	1,800	(11.9)	122.83

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, 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 May 31, 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 May 31, 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)

Nine months ended May 31, 2018	14,654,255 shares	Nine months ended May 31, 2017	14,668,588 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.

Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of August 31, 2017	As of May 31, 2018
Assets		
Current assets		
Cash and deposits	17,455,143	17,589,280
Notes and accounts receivable - trade	4,549,515	4,337,195
Securities	195,500	–
Merchandise	107	83
Work in process	10,941	11,409
Supplies	5,948	10,049
Deferred tax assets	45,671	37,200
Other	166,089	420,721
Allowance for doubtful accounts	(24,606)	(24,358)
Total current assets	22,404,310	22,381,583
Non-current assets		
Property, plant and equipment		
Buildings, net	41,536	39,273
Vehicles, net	641	11,979
Tools, furniture and fixtures, net	22,789	24,278
Land	322,711	322,711
Total property, plant and equipment	387,678	398,242
Intangible assets	19,763	20,428
Investments and other assets		
Investment securities	2,107,902	2,657,701
Deferred tax assets	19,349	20,326
Other	170,358	160,379
Total investments and other assets	2,297,610	2,838,408
Total non-current assets	2,705,052	3,257,080
Total assets	25,109,362	25,638,663

(Thousands of yen)

	As of August 31, 2017	As of May 31, 2018
Liabilities		
Current liabilities		
Accounts payable - trade	3,915,686	3,156,212
Income taxes payable	414,242	228,936
Provision for bonuses	37,200	34,350
Other	171,033	323,550
Total current liabilities	4,538,161	3,743,049
Non-current liabilities		
Deferred tax liabilities	240,259	349,482
Net defined benefit liability	82,576	85,244
Other	19,166	7,876
Total non-current liabilities	342,002	442,603
Total liabilities	4,880,164	4,185,653
Net assets		
Shareholders' equity		
Capital stock	414,750	414,750
Capital surplus	391,240	391,240
Retained earnings	19,042,397	20,061,118
Treasury shares	(582,123)	(582,123)
Total shareholders' equity	19,266,263	20,284,985
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	662,800	826,933
Total accumulated other comprehensive income	662,800	826,933
Non-controlling interests	300,133	341,091
Total net assets	20,229,198	21,453,009
Total liabilities and net assets	25,109,362	25,638,663

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, 2017	Nine months ended May 31, 2018
Net sales	13,561,278	13,026,237
Cost of sales	10,427,235	10,047,071
Gross profit	3,134,043	2,979,166
Selling, general and administrative expenses	720,001	745,952
Operating profit	2,414,042	2,233,214
Non-operating income		
Interest income	2,913	2,625
Dividend income	11,048	12,670
Gain on investments in partnership	–	75,114
Other	1,574	4,962
Total non-operating income	15,536	95,372
Non-operating expenses		
Commission fee	205	–
Listing related expenses	4,969	4,825
Loss on investments in partnership	19,178	–
expenditure for research and development	11,886	11,299
Compensation expenses	5,643	–
Foreign exchange losses	15,428	5,434
Total non-operating expenses	57,313	21,559
Ordinary profit	2,372,265	2,307,027
Extraordinary income		
Gain on sales of non-current assets	–	1,217
Gain on sales of investment securities	81,149	29,226
Gain on redemption of investment securities	–	3,500
Total extraordinary income	81,149	33,943
Extraordinary losses		
Loss on sales of investment securities	24,205	–
Total extraordinary losses	24,205	–
Profit before income taxes	2,429,208	2,340,970
Income taxes - current	745,131	673,702
Income taxes - deferred	28,705	44,296
Total income taxes	773,837	717,999
Profit	1,655,371	1,622,971
Profit attributable to non-controlling interests	40,972	47,388
Profit attributable to owners of parent	1,614,398	1,575,583

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Nine months ended May 31, 2017	Nine months ended May 31, 2018
Profit	1,655,371	1,622,971
Other comprehensive income		
Valuation difference on available-for-sale securities	206,991	164,082
Total other comprehensive income	206,991	164,082
Comprehensive income	1,862,362	1,787,054
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,821,253	1,739,716
Comprehensive income attributable to non-controlling interests	41,108	47,337