

Translation

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**Summary of Consolidated Financial Results
for the Year Ended August 31, 2018
(Based on Japanese GAAP)**

October 11, 2018

Company name: SOTSU CO.,LTD.
 Stock exchange listing: Tokyo
 Stock code: 3711 URL <http://www.sotsu-co.jp>
 Representative: President Takashi Izuhara
 Corporate Management Department
 Inquiries: Chief Manager Yoshinori Nemoto TEL 03-6386-0311
 Scheduled date of ordinary general meeting of shareholders: November 27, 2018
 Scheduled date to file Securities Report: November 28, 2018
 Scheduled date to commence dividend payments: November 28, 2018
 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, 2018 (from September 1, 2017 to August 31, 2018)

(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, 2018	16,873	(13.8)	2,615	(13.5)	2,725	(8.2)	1,869	(8.5)
Year ended August 31, 2017	19,565	(15.6)	3,025	(13.5)	2,968	(15.2)	2,042	(10.6)

Note: Comprehensive income Year ended August 31, 2018 ¥1,998 million [(10.8)%]
 Year ended August 31, 2017 ¥2,241 million [(4.6)%]

	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, 2018	127.59	–	9.1	10.5	15.5
Year ended August 31, 2017	139.28	–	10.7	12.3	15.5

Reference: Investment profit (loss) on equity method Year ended August 31, 2018 ¥– million
 Year ended August 31, 2017 ¥– 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, 2018	26,733	21,664	79.8	1,455.12
As of August 31, 2017	25,109	20,229	79.4	1,359.95

Reference: Equity As of August 31, 2018 ¥21,323 million
 As of August 31, 2017 ¥19,929 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, 2018	2,928	(15)	(563)	19,804
Year ended August 31, 2017	2,152	210	(560)	17,455

Reference: Summary of non-consolidated financial results

Non-consolidated financial results for the year ended August 31, 2018 (from September 1, 2017 to August 31, 2018)

(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, 2018	15,077	(15.8)	2,051	(17.1)	2,232	(10.0)	1,573	(11.4)
Year ended August 31, 2017	17,903	(16.3)	2,475	(16.4)	2,481	(17.9)	1,776	(12.7)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Year ended August 31, 2018	107.41	–
Year ended August 31, 2017	121.12	–

(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, 2018	23,935	19,187	80.2	1,309.32
As of August 31, 2017	22,681	18,086	79.7	1,234.24

Reference: Equity As of August 31, 2018 ¥19,187 million

As of August 31, 2017 ¥18,086 million

* Financial results reports are exempt from audit 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 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, 2017	As of August 31, 2018
Assets		
Current assets		
Cash and deposits	17,455,143	19,804,712
Notes and accounts receivable - trade	4,549,515	3,371,832
Securities	195,500	–
Merchandise	107	65
Work in process	10,941	8,994
Supplies	5,948	9,208
Deferred tax assets	45,671	70,866
Other	166,089	446,412
Allowance for doubtful accounts	(24,606)	(99,765)
Total current assets	22,404,310	23,612,327
Non-current assets		
Property, plant and equipment		
Buildings	204,945	204,945
Accumulated depreciation	(163,408)	(166,426)
Buildings, net	41,536	38,518
Vehicles	11,033	13,796
Accumulated depreciation	(10,392)	(3,445)
Vehicles, net	641	10,350
Tools, furniture and fixtures	47,964	44,972
Accumulated depreciation	(25,175)	(18,887)
Tools, furniture and fixtures, net	22,789	26,084
Land	322,711	322,711
Total property, plant and equipment	387,678	397,665
Intangible assets	19,763	29,112
Investments and other assets		
Investment securities	2,107,902	2,512,945
Deferred tax assets	19,349	21,276
Other	170,358	159,933
Total investments and other assets	2,297,610	2,694,155
Total non-current assets	2,705,052	3,120,932
Total assets	25,109,362	26,733,260

(Thousands of yen)

	As of August 31, 2017	As of August 31, 2018
Liabilities		
Current liabilities		
Accounts payable - trade	3,915,686	4,044,039
Income taxes payable	414,242	376,139
Provision for bonuses	37,200	38,100
Other	171,033	203,251
Total current liabilities	4,538,161	4,661,530
Non-current liabilities		
Deferred tax liabilities	240,259	311,726
Net defined benefit liability	82,576	87,178
Other	19,166	7,876
Total non-current liabilities	342,002	406,780
Total liabilities	4,880,164	5,068,311
Net assets		
Shareholders' equity		
Capital stock	414,750	414,750
Capital surplus	391,240	391,240
Retained earnings	19,042,397	20,355,307
Treasury shares	(582,123)	(582,123)
Total shareholders' equity	19,266,263	20,579,173
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	662,800	744,484
Total accumulated other comprehensive income	662,800	744,484
Non-controlling interests	300,133	341,290
Total net assets	20,229,198	21,664,948
Total liabilities and net assets	25,109,362	26,733,260

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

(Thousands of yen)

	Fiscal year ended August 31, 2017	Fiscal year ended August 31, 2018
Net sales	19,565,058	16,873,474
Cost of sales	15,578,320	13,200,776
Gross profit	3,986,737	3,672,698
Selling, general and administrative expenses	960,936	1,056,869
Operating profit	3,025,800	2,615,829
Non-operating income		
Interest income	3,522	3,736
Dividend income	35,617	47,267
Gain on investments in partnership	–	75,114
Other	1,807	6,742
Total non-operating income	40,947	132,860
Non-operating expenses		
Commission fee	205	–
Listing related expenses	5,980	5,814
Loss on investments in partnership	52,957	–
expenditure for research and development	17,461	12,425
Foreign exchange losses	15,747	4,752
Other	5,643	–
Total non-operating expenses	97,997	22,991
Ordinary profit	2,968,751	2,725,697
Extraordinary income		
Gain on sales of non-current assets	–	1,217
Gain on sales of investment securities	94,437	31,828
Gain on redemption of investment securities	–	3,500
Total extraordinary income	94,437	36,545
Extraordinary losses		
Loss on sales of investment securities	24,205	–
Loss on valuation of investment securities	–	5,100
Total extraordinary losses	24,205	5,100
Profit before income taxes	3,038,983	2,757,143
Income taxes - current	942,212	831,231
Income taxes - deferred	12,387	8,385
Total income taxes	954,599	839,617
Profit	2,084,383	1,917,525
Profit attributable to non-controlling interests	41,912	47,754
Profit attributable to owners of parent	2,042,471	1,869,771

Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended August 31, 2017	Fiscal year ended August 31, 2018
Profit	2,084,383	1,917,525
Other comprehensive income		
Valuation difference on available-for-sale securities	156,784	81,467
Total other comprehensive income	156,784	81,467
Comprehensive income	2,241,168	1,998,993
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,198,935	1,951,455
Comprehensive income attributable to non-controlling interests	42,232	47,537

Consolidated statements of changes in equity

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

Fiscal year ended August 31, 2018

(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	19,042,397	(582,123)	19,266,263
Changes of items during period					
Dividends of surplus			(556,861)		(556,861)
Profit attributable to owners of parent			1,869,771		1,869,771
Purchase of treasury shares					
Net changes of items other than shareholders' equity					
Total changes of items during period	–	–	1,312,910	–	1,312,910
Balance at end of current period	414,750	391,240	20,355,307	(582,123)	20,579,173

	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	662,800	662,800	300,133	20,229,198
Changes of items during period				
Dividends of surplus				(556,861)
Profit attributable to owners of parent				1,869,771
Purchase of treasury shares				
Net changes of items other than shareholders' equity	81,684	81,684	41,156	122,840
Total changes of items during period	81,684	81,684	41,156	1,435,750
Balance at end of current period	744,484	744,484	341,290	21,664,948

Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended August 31, 2017	Fiscal year ended August 31, 2018
Cash flows from operating activities		
Profit before income taxes	3,038,983	2,757,143
Depreciation	12,700	16,530
Increase (decrease) in provision for bonuses	2,220	900
Increase (decrease) in net defined benefit liability	727	4,601
Increase (decrease) in allowance for doubtful accounts	224	75,159
Interest and dividend income	(39,139)	(51,003)
Loss (gain) on sales of investment securities	(70,231)	(31,828)
Loss (gain) on investments in partnership	52,957	(75,114)
Decrease (increase) in notes and accounts receivable - trade	(130,263)	1,177,682
Decrease (increase) in inventories	(1,222)	(1,272)
Decrease (increase) in advance payments	83,573	(272,762)
Increase (decrease) in notes and accounts payable - trade	191,656	128,353
Increase (decrease) in accrued consumption taxes	(38,521)	17,351
Other, net	84,248	(12,518)
Subtotal	3,187,912	3,733,222
Interest and dividend income received	39,143	51,003
Income taxes paid	(1,074,573)	(855,886)
Net cash provided by (used in) operating activities	2,152,483	2,928,338
Cash flows from investing activities		
Purchase of property, plant and equipment	(498)	(16,617)
Proceeds from sales of property, plant and equipment	–	1,680
Purchase of intangible assets	(4,949)	(7,210)
Purchase of investment securities	–	(338,676)
Proceeds from sales and redemption of investment securities	213,359	276,786
Other, net	2,445	68,478
Net cash provided by (used in) investing activities	210,358	(15,558)
Cash flows from financing activities		
Purchase of treasury shares	(41,423)	–
Cash dividends paid	(513,572)	(556,831)
Dividends paid to non-controlling interests	(5,317)	(6,380)
Net cash provided by (used in) financing activities	(560,313)	(563,212)
Net increase (decrease) in cash and cash equivalents	1,802,528	2,349,568
Cash and cash equivalents at beginning of period	15,652,615	17,455,143
Cash and cash equivalents at end of period	17,455,143	19,804,712