



Consolidated Financial Results for the Fiscal Year Ended August 31, 2018 [Japanese GAAP]

October 15, 2018

Company name: SOU Inc.

Securities code: 9270

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Contact: Ryoji Fukaya, General Manager, Office of the President

Stock exchange listing: Tokyo Stock Exchange

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Scheduled date for annual general meeting of shareholders: November 22, 2018

Scheduled date for commencing dividend payments:

November 8, 2018

Scheduled date for filing annual securities report: November 22, 2018

Preparation of supplementary financial results briefing materials: Yes

Holding of financial results briefing: Yes (for institutional investors and analysts)

(Amounts of less than one million yen are truncated.)

1. Consolidated financial results for the fiscal year ended August 31, 2018 (September 1, 2017 to August 31, 2018)

(1) Consolidated operating results

(% indicates year-over-year change)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended August 31, 2018	31,529	39.0	1,876	82.2	1,806	58.5	1,242	117.7
Fiscal year ended August 31, 2017	22,685	—	1,030	—	1,139	—	570	—

(Note) Comprehensive income: Fiscal year ended August 31, 2018: 1,243 million yen [117.9%]
Fiscal year ended August 31, 2017: 570 million yen [—%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary profit to total assets ratio	Operating profit to net sales ratio
	Yen	Yen	%	%	%
Fiscal year ended August 31, 2018	214.19	194.77	27.4	16.2	6.0
Fiscal year ended August 31, 2017	102.44	—	19.2	12.9	4.5

(Reference) Share of profit of entities accounted for using equity method: Fiscal year ended August 31, 2018: — million yen
Fiscal year ended August 31, 2017: — million yen

- (Notes) 1. The figure of diluted earnings per share for the fiscal year ended August 31, 2017 is not presented despite the fact that the Company had a balance of subscription rights to shares during the period. This is because the Company's shares were not listed at that time, and therefore it was not able to calculate the average share price.
2. Effective November 25, 2017, the Company conducted a 5-for-1 stock split of its common stock. Figures for basic earnings per share are calculated as if the stock split had occurred at the beginning of the fiscal year ended August 31, 2017.
3. The Company's shares were listed on the Tokyo Stock Exchange Mothers market on March 22, 2018. Therefore, the figure of diluted earnings per share for the fiscal year ended August 31, 2018 is calculated using a deemed average share price for fiscal year ended August 31, 2018, which is the average share price for the period from the date of listing until August 31, 2018.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of August 31, 2018	12,258	5,796	47.3	954.89
As of August 31, 2017	10,092	3,265	32.4	583.71

(Reference) Equity: As of August 31, 2018: 5,796 million yen
As of August 31, 2017: 3,265 million yen

(Note) Effective November 25, 2017, the Company conducted a 5-for-1 stock split of its common stock. Figures for net assets per share are calculated as if the stock split had occurred at the beginning of the fiscal year ended August 31, 2017.

(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
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended August 31, 2018	449	(554)	744	3,297
Fiscal year ended August 31, 2017	(41)	(814)	1,072	2,657

2. Dividends

	Annual dividends					Total dividend amount	Consolidated dividend payout ratio	Consolidated dividend on equity
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended August 31, 2017	—	0.00	—	88.00	88.00	98	17.2	3.3
Fiscal year ended August 31, 2018	—	0.00	—	51.50	51.50	312	24.0	6.7
Fiscal year ending August 31, 2019 (Forecast)	—	0.00	—	—	—		—	

(Note) Breakdown of year-end dividends for the fiscal year ended August 31, 2018: Commemorative dividend: — yen
Special dividend: — yen

(Note) The year-end dividend forecast for the fiscal year ending August 31, 2019 is undecided at this time.

3. Consolidated financial results forecast for the fiscal year ending August 31, 2019 (September 1, 2018 to August 31, 2019) (% indicates year-over-year change)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	35,650	13.1	2,200	17.2	2,130	17.9	1,450	16.7	238.86

* Notes

(1) Changes in significant subsidiaries during the current period (changes in specified subsidiaries resulting in the changes in the scope of consolidation): None

(2) Changes in accounting policies, changes in accounting estimates, and retrospective restatements

1) Changes in accounting policies due to application of new or revised accounting standards: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting estimates: None

4) Retrospective restatements: None

(3) Number of shares of common stock issued

1) Number of shares issued at the end of the period (including treasury stock)

As of August 31, 2018	6,070,510 shares	As of August 31, 2017	5,594,785 shares
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2) Number of shares of treasury stock at the end of the period

As of August 31, 2018	— shares	As of August 31, 2017	— shares
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3) Average number of shares of common stock during the period

Fiscal year ended August 31, 2018	5,803,159 shares	Fiscal year ended August 31, 2017	5,573,723 shares
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(Note) 1. Effective November 25, 2017, the Company conducted a 5-for-1 stock split of its common stock. Figures for the number of shares of common stock issued are calculated as if the stock split had occurred at the beginning of the fiscal year ended August 31, 2017.

* These financial results are not subject to audit procedures to be performed by certified public accountants or an audit firm.

* Explanation on appropriate use of financial results forecasts and other matters of note

Financial results forecasts and other forward-looking statements provided in these materials are based on information available to the Company and certain other assumptions deemed reasonable as of the date of publication of this document, and do not represent any guarantee that the Company will achieve these results. Actual financial results and other aspects of business performance may differ significantly from these forecasts owing to various factors. Please refer to “1. Overview of business performance (4) Future outlook” on page 4 of the Japanese version of the attached materials for conditions forming the basis for financial results forecasts, notes regarding the use of financial results forecasts, and other information.

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Consolidated financial statements
(1) Consolidated balance sheets

(Thousand yen)

	Previous fiscal year (As of August 31, 2017)	Fiscal year under review (As of August 31, 2018)
Assets		
Current assets		
Cash and deposits	2,994,861	3,650,766
Accounts receivable – trade	114,187	131,253
Merchandise	3,425,913	4,606,990
Supplies	5,009	3,659
Deferred tax assets	144,680	193,061
Other	284,037	332,951
Allowance for doubtful accounts	(89,626)	(109,948)
Total current assets	6,879,063	8,808,733
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,590,795	1,960,145
Accumulated depreciation	(471,896)	(646,141)
Buildings and structures, net	1,118,899	1,314,004
Tools, furniture and fixtures	217,683	286,035
Accumulated depreciation	(104,135)	(156,487)
Tools, furniture and fixtures, net	113,547	129,548
Leased assets	74,849	79,403
Accumulated depreciation	(45,674)	(62,889)
Leased assets, net	29,174	16,513
Land	189,965	189,965
Construction in progress	534	52,505
Other	1,942	1,942
Accumulated depreciation	(981)	(1,301)
Other, net	960	640
Total property, plant and equipment	1,453,082	1,703,178
Intangible assets		
Goodwill	662,713	514,961
Other	155,355	127,430
Total intangible assets	818,068	642,392
Investments and other assets		
Guarantee deposits	922,945	983,330
Deferred tax assets	12,207	108,078
Other	6,925	13,997
Allowance for doubtful accounts	—	(1,700)
Total investments and other assets	942,077	1,103,706
Total non-current assets	3,213,228	3,449,276
Total assets	10,092,292	12,258,009

(Thousand yen)

	Previous fiscal year (As of August 31, 2017)	Fiscal year under review (As of August 31, 2018)
Liabilities		
Current liabilities		
Accounts payable – trade	4,311	13,864
Short-term loans payable	2,713,434	3,050,000
Current portion of bonds	160,000	160,000
Current portion of long-term loans payable	438,872	504,088
Lease obligations	18,209	13,080
Income taxes payable	408,032	447,799
Provision for bonuses	151,680	186,378
Asset retirement obligations	—	18,943
Other	466,988	468,757
Total current liabilities	4,361,527	4,862,910
Non-current liabilities		
Bonds payable	320,000	160,000
Long-term loans payable	1,435,852	826,198
Lease obligations	21,759	8,678
Deferred tax liabilities	3,687	—
Provision for directors' retirement benefits	40,216	50,375
Asset retirement obligations	371,345	432,691
Long-term accounts payable – other	272,179	120,478
Total non-current liabilities	2,465,039	1,598,421
Total liabilities	6,826,567	6,461,332
Net assets		
Shareholders' equity		
Capital stock	255,600	948,582
Capital surplus	243,377	936,360
Retained earnings	2,767,543	3,912,029
Total shareholders' equity	3,266,521	5,796,973
Accumulated other comprehensive income		
Foreign currency translation adjustment	(795)	(295)
Total accumulated other comprehensive income	(795)	(295)
Total net assets	3,265,725	5,796,677
Total liabilities and net assets	10,092,292	12,258,009

(2) Consolidated statements of income and comprehensive income

Consolidated statements of income

(Thousand yen)

	Previous fiscal year (September 1, 2016 to August 31, 2017)	Fiscal year under review (September 1, 2017 to August 31, 2018)
Net sales	22,685,086	31,529,271
Cost of sales	16,017,476	22,958,885
Gross profit	6,667,609	8,570,386
Selling, general and administrative expenses	5,637,244	6,693,520
Operating profit	1,030,365	1,876,865
Non-operating income		
Interest income	274	406
Foreign exchange gains	14,705	8,255
Gain on valuation of derivatives	—	4,063
Insurance premiums refunded cancellation	116,739	—
Other	38,646	16,228
Total non-operating income	170,366	28,954
Non-operating expenses		
Interest expenses	23,244	29,430
Commission fee	13,341	56,767
Loss on insurance cancellation	7,993	—
Other	16,363	13,480
Total non-operating expenses	60,942	99,678
Ordinary profit	1,139,789	1,806,141
Extraordinary losses		
Impairment loss	157,447	60,481
Total extraordinary losses	157,447	60,481
Profit before income taxes	982,342	1,745,660
Income taxes – current	514,183	650,646
Income taxes – deferred	(102,819)	(147,940)
Total income taxes	411,364	502,705
Profit	570,978	1,242,954
Profit attributable to owners of parent	570,978	1,242,954

Consolidated statements of comprehensive income

(Thousand yen)

	Previous fiscal year (September 1, 2016 to August 31, 2017)	Fiscal year under review (September 1, 2017 to August 31, 2018)
Profit	570,978	1,242,954
Other comprehensive income		
Foreign currency translation adjustment	(399)	500
Total other comprehensive income	(399)	500
Comprehensive income	570,579	1,243,454
Comprehensive income attributable to:		
Owners of parent	570,579	1,243,454
Non-controlling interests	—	—

(3) Consolidated statements of changes in equity

Previous fiscal year (September 1, 2016 to August 31, 2017)

(Thousand yen)

	Shareholders' equity				Accumulated other comprehensive income		Total net assets
	Capital stock	Capital surplus	Retained earnings	Total shareholders' equity	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of current period	246,600	236,600	2,203,381	2,686,581	(396)	(396)	2,686,185
Changes of items during period							
Issuance of new shares	9,000	8,997		17,997			17,997
Dividends of surplus			(6,816)	(6,816)			(6,816)
Profit attributable to owners of parent			570,978	570,978			570,978
Additional purchase of shares of consolidated subsidiaries		(2,220)		(2,220)			(2,220)
Net changes of items other than shareholders' equity				—	(399)	(399)	(399)
Total changes of items during period	9,000	6,777	564,161	579,939	(399)	(399)	579,540
Balance at end of current period	255,600	243,377	2,767,543	3,266,521	(795)	(795)	3,265,725

Fiscal year under review (September 1, 2017 to August 31, 2018)

(Thousand yen)

	Shareholders' equity				Accumulated other comprehensive income		Total net assets
	Capital stock	Capital surplus	Retained earnings	Total shareholders' equity	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of current period	255,600	243,377	2,767,543	3,266,521	(795)	(795)	3,265,725
Changes of items during period							
Issuance of new shares	692,982	692,982		1,385,965			1,385,965
Dividends of surplus			(98,468)	(98,468)			(98,468)
Profit attributable to owners of parent			1,242,954	1,242,954			1,242,954
Net changes of items other than shareholders' equity				—	500	500	500
Total changes of items during period	692,982	692,982	1,144,486	2,530,451	500	500	2,530,952
Balance at end of current period	948,582	936,360	3,912,029	5,796,973	(295)	(295)	5,796,677

(4) Consolidated statements of cash flows

(Thousand yen)

	Previous fiscal year (September 1, 2016 to August 31, 2017)	Fiscal year under review (September 1, 2017 to August 31, 2018)
Cash flows from operating activities		
Profit before income taxes	982,342	1,745,660
Depreciation	312,036	288,090
Amortization of goodwill	83,011	147,760
Increase (decrease) in allowance for doubtful accounts	51,826	22,022
Increase (decrease) in provision for bonuses	41,655	34,698
Increase (decrease) in provision for directors' retirement benefits	8,633	10,158
Interest and dividend income	(274)	(406)
Interest expenses	23,244	29,430
Impairment loss	157,447	60,481
Decrease (increase) in notes and accounts receivable – trade	(77,043)	(17,065)
Decrease (increase) in inventories	(1,142,158)	(1,179,725)
Increase (decrease) in notes and accounts payable – trade	461	9,552
Increase (decrease) in income taxes payable	(50,453)	24,179
Other	(186,087)	(91,514)
Subtotal	204,641	1,083,322
Interest and dividend income received	274	406
Interest expenses paid	(23,676)	(27,990)
Income taxes paid	(223,001)	(606,262)
Cash flows from operating activities	(41,761)	449,475
Cash flows from investing activities		
Purchase of property, plant and equipment	(203,038)	(446,407)
Purchase of intangible assets	(71,317)	(11,689)
Payments for asset retirement obligations	(6,544)	(3,942)
Payments for guarantee deposits	(54,669)	(102,789)
Proceeds from collection of guarantee deposits	24,300	25,368
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(584,608)	—
Proceeds from cancellation of insurance funds	131,886	—
Other	(50,375)	(15,104)
Cash flows from investing activities	(814,367)	(554,564)
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	900,434	336,566
Proceeds from long-term loans payable	920,392	—
Repayments of long-term loans payable	(406,749)	(544,438)
Redemption of bonds	(160,000)	(160,000)
Proceeds from issuance of common shares	17,997	1,385,965
Cash dividends paid	(6,816)	(98,468)
Other	(193,099)	(175,075)
Cash flows from financing activities	1,072,159	744,549
Effect of exchange rate change on cash and cash equivalents	(866)	436
Net increase (decrease) in cash and cash equivalents	215,163	639,897
Cash and cash equivalents at beginning of period	2,442,643	2,657,806
Cash and cash equivalents at end of period	2,657,806	3,297,704