



Consolidated Financial Results for the Three Months Ended November 30, 2018 [Japanese GAAP]

January 11, 2019

Company name: SOU Inc.
Securities code: 9270
Representative: Shinsuke Sakimoto, Managing Director
and President
Contact: Ryoji Fukaya, General Manager, Office of the
President

Stock exchange listing: Tokyo Stock Exchange
URL: <https://www.ai-sou.co.jp/en/>

Phone: +81-3-4580-9983

Scheduled date for filing quarterly securities report:
January 11, 2019

Scheduled date for commencing dividend payments: —

Preparation of supplementary quarterly financial results briefing materials: Yes

Holding of quarterly financial results briefing: No

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

1. Consolidated financial results for the three months ended November 30, 2018 (September 1, 2018 to November 30, 2018)

(1) Consolidated operating results (cumulative)

(% 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 | % |
| Three months ended November 30, 2018 | 8,961 | 18.1 | 620 | 3.6 | 627 | 4.3 | 422 | 7.7 |
| Three months ended November 30, 2017 | 7,590 | — | 598 | — | 601 | — | 391 | — |

(Note) Comprehensive income: Three months ended November 30, 2018: 425 million yen [8.6%]
Three months ended November 30, 2017: 392 million yen [—%]

| | Basic earnings per share | Diluted earnings per share |
|--------------------------------------|--------------------------|----------------------------|
| | Yen | Yen |
| Three months ended November 30, 2018 | 69.55 | 63.35 |
| Three months ended November 30, 2017 | 70.05 | — |

- (Notes) 1. The year-over-year changes for the three months ended November 30, 2017 are not presented. This is because the Company did not prepare quarterly consolidated financial statements for the three months ended November 30, 2016.
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, 2018.
3. The figure of diluted earnings per share for the fiscal year ended August 31, 2018 is not presented despite the fact that there were dilutive 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) Consolidated financial position

| | Total assets | Net assets | Equity ratio |
|-------------------------|--------------|-------------|--------------|
| | Million yen | Million yen | % |
| As of November 30, 2018 | 13,348 | 5,909 | 44.3 |
| As of August 31, 2018 | 12,258 | 5,796 | 47.3 |

(Reference) Equity: As of November 30, 2018: 5,909 million yen
As of August 31, 2018: 5,796 million yen

2. Dividends

| | Annual dividends | | | | |
|---|-------------------|--------------------|-------------------|-----------------|-------|
| | First quarter-end | Second quarter-end | Third quarter-end | Fiscal Year-end | Total |
| | Yen | Yen | Yen | Yen | Yen |
| Fiscal year ended August 31, 2018 | — | 0.00 | — | 51.50 | 51.50 |
| Fiscal year ending August 31, 2019 | — | | | | |
| Fiscal year ending August 31, 2019 (Forecast) | | 0.00 | — | — | — |

- (Notes) 1. Revision to the dividend forecast announced most recently: None
2. 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 | 238.80 |

(Note) Revision to the financial results forecast announced most recently: None

* Notes

- (1) Changes in significant subsidiaries during the current period: None
- (2) Accounting treatments adopted specially for the preparation of quarterly consolidated financial statements: None
- (3) 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

(4) Number of shares of common stock issued

| | | | | |
|--|--------------------------------------|------------------|--------------------------------------|------------------|
| 1) Number of shares issued at the end of the period (including treasury stock) | As of November 30, 2018 | 6,070,510 shares | As of August 31, 2018 | 6,070,510 shares |
| 2) Number of shares of treasury stock at the end of the period | As of November 30, 2018 | — shares | As of August 31, 2018 | — shares |
| 3) Average number of shares of common stock during the period (cumulative) | Three months ended November 30, 2018 | 6,070,510 shares | Three months ended November 30, 2017 | 5,594,785 shares |

(Note) 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, 2018.

* These quarterly financial results are not subject to quarterly review 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. (3) Explanation of financial results forecast and other forward-looking information” on page 3 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.

Table of contents of the attached materials

Quarterly consolidated financial statements2

 (1) Quarterly consolidated balance sheets.....2

 (2) Quarterly consolidated statements of income and comprehensive income.....4

Quarterly consolidated financial statements

(1) Quarterly consolidated balance sheets

(Thousand yen)

| | Previous fiscal year (As of August 31, 2018) | Three months under review (As of November 30, 2018) |
|-------------------------------------|---|--|
| Assets | | |
| Current assets | | |
| Cash and deposits | 3,650,766 | 4,073,027 |
| Accounts receivable – trade | 131,253 | 621,712 |
| Merchandise | 4,606,990 | 4,550,438 |
| Other | 336,610 | 386,180 |
| Allowance for doubtful accounts | (109,948) | (109,337) |
| Total current assets | 8,615,672 | 9,522,021 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 1,314,004 | 1,535,825 |
| Other, net | 389,174 | 332,754 |
| Total property, plant and equipment | 1,703,178 | 1,868,580 |
| Intangible assets | | |
| Goodwill | 514,961 | 478,109 |
| Other | 127,430 | 118,242 |
| Total intangible assets | 642,392 | 596,351 |
| Investments and other assets | | |
| Guarantee deposits | 983,330 | 1,014,865 |
| Other | 315,137 | 346,503 |
| Allowance for doubtful accounts | (1,700) | — |
| Total investments and other assets | 1,296,767 | 1,361,368 |
| Total non-current assets | 3,642,337 | 3,826,300 |
| Total assets | 12,258,009 | 13,348,322 |

(Thousand yen)

| | Previous fiscal year (As of August 31, 2018) | Three months under review (As of November 30, 2018) |
|--|---|--|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable – trade | 13,864 | 8,122 |
| Short-term loans payable | 3,050,000 | 4,130,000 |
| Current portion of bonds | 160,000 | 160,000 |
| Current portion of long-term loans payable | 504,088 | 501,088 |
| Income taxes payable | 447,799 | 325,645 |
| Provision for bonuses | 186,378 | 292,206 |
| Asset retirement obligations | 18,943 | 21,822 |
| Other | 481,837 | 516,404 |
| Total current liabilities | 4,862,910 | 5,955,289 |
| Non-current liabilities | | |
| Bonds payable | 160,000 | 80,000 |
| Long-term loans payable | 826,198 | 751,426 |
| Provision for directors' retirement benefits | 50,375 | 53,647 |
| Asset retirement obligations | 432,691 | 505,832 |
| Other | 129,156 | 92,144 |
| Total non-current liabilities | 1,598,421 | 1,483,051 |
| Total liabilities | 6,461,332 | 7,438,341 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 948,582 | 948,582 |
| Capital surplus | 936,360 | 936,360 |
| Retained earnings | 3,912,029 | 4,021,584 |
| Total shareholders' equity | 5,796,973 | 5,906,528 |
| Accumulated other comprehensive income | | |
| Foreign currency translation adjustment | (295) | 3,452 |
| Total accumulated other comprehensive income | (295) | 3,452 |
| Total net assets | 5,796,677 | 5,909,980 |
| Total liabilities and net assets | 12,258,009 | 13,348,322 |

(2) Quarterly consolidated statements of income and comprehensive income

Quarterly consolidated statements of income

For the three months ended November 30

(Thousand yen)

| | Previous three month period (September 1, 2017 to November 30, 2017) | Three months under review (September 1, 2018 to November 30, 2018) |
|--|--|--|
| Net sales | 7,590,838 | 8,961,270 |
| Cost of sales | 5,375,673 | 6,519,384 |
| Gross profit | 2,215,164 | 2,441,886 |
| Selling, general and administrative expenses | 1,616,418 | 1,821,807 |
| Operating profit | 598,746 | 620,078 |
| Non-operating income | | |
| Interest income | 7 | 8 |
| Foreign exchange gains | 5,063 | 15,048 |
| Other | 6,486 | 2,714 |
| Total non-operating income | 11,557 | 17,771 |
| Non-operating expenses | | |
| Interest expenses | 7,330 | 6,696 |
| Commission fee | 623 | 880 |
| Other | 390 | 2,693 |
| Total non-operating expenses | 8,344 | 10,271 |
| Ordinary profit | 601,959 | 627,579 |
| Extraordinary losses | | |
| Impairment loss | — | 7,498 |
| Total extraordinary losses | — | 7,498 |
| Profit before income taxes | 601,959 | 620,080 |
| Income taxes – current | 228,098 | 231,574 |
| Income taxes – deferred | (18,040) | (33,679) |
| Total income taxes | 210,057 | 197,894 |
| Profit | 391,901 | 422,186 |
| Profit attributable to owners of parent | 391,901 | 422,186 |

Quarterly consolidated statements of comprehensive income
For the three months ended November 30

(Thousand yen)

| | Previous three month period (September 1, 2017 to November 30, 2017) | Three months under review (September 1, 2018 to November 30, 2018) |
|---|--|--|
| Profit | 391,901 | 422,186 |
| Other comprehensive income | | |
| Foreign currency translation adjustment | 345 | 3,747 |
| Total other comprehensive income | 345 | 3,747 |
| Comprehensive income | 392,246 | 425,934 |
| Comprehensive income attributable to: | | |
| Owners of parent | 392,246 | 425,934 |