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Consolidated Financial Results for the Fiscal Year Ended August 31, 2019 [Japanese GAAP]

October 15, 2019

Company name: SOU Inc.
Stock exchange listing: Tokyo Stock Exchange
Securities code: 9270
URL: https://www.ai-sou.co.jp/en/
Representative: Shinsuke Sakimoto, Representative Director and President
Contact: Ryoji Fukaya, General Manager, Office of the President
Phone: +81-3-4580-9983
Scheduled date for annual general meeting of shareholders: November 22, 2019
Scheduled date for commencing dividend payments: November 7, 2019
Scheduled date for filing annual securities report: November 22, 2019
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, 2019 (September 1, 2018 to August 31, 2019)

(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, 2019	37,799	19.9	2,240	19.4	2,262	25.3	1,458	17.4
Fiscal year ended August 31, 2018	31,529	39.0	1,876	82.2	1,806	58.5	1,242	117.7

(Note) Comprehensive income: Fiscal year ended August 31, 2019: million yen [%]
Fiscal year ended August 31, 2018: 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, 2019	119.67	110.78	23.4	17.2	5.9
Fiscal year ended August 31, 2018	107.09	97.39	27.4	16.2	6.0

(Reference) Share of profit of entities accounted for using equity method: Fiscal year ended August 31, 2019: — million yen
Fiscal year ended August 31, 2018: — million yen

(Notes) 1. The Company conducted a 5-for-1 stock split of its common stock effective November 25, 2017, and a 2-for-1 stock split of its common stock effective September 1, 2019. Figures for basic earnings per share and diluted earnings per share are calculated as if the stock splits had occurred at the beginning of the fiscal year ended August 31, 2018.
2. As the Company listed its stock on the Tokyo Stock Exchange Mothers market on March 22, 2018, the figure of diluted earnings per share for the fiscal year ended August 31, 2018 is calculated by deeming the average share price for that period to be the average share price from the date of listing to 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, 2019	14,111	6,695	47.4	526.11
As of August 31, 2018	12,258	5,796	47.3	477.45

(Reference) Equity: As of August 31, 2019: 6,695 million yen
As of August 31, 2018: 5,796 million yen

(Note) The Company conducted a 5-for-1 stock split of its common stock effective November 25, 2017, and a 2-for-1 stock split of its common stock effective September 1, 2019. The figures of net assets per share are calculated as if the share splits had occurred at the beginning of the fiscal year ended August 31, 2018.

(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, 2019	1,697	(689)	(584)	3,714
Fiscal year ended August 31, 2018	449	(554)	744	3,297

2. Dividends

(Notes) 1. Breakdown of year-end dividends for the fiscal year ended August 31, 2019: Commemorative dividend: — yen
Special dividend: — yen

2. The Company conducted a 2-for-1 stock split of its common stock effective September 1, 2019. Dividends for periods before August 2019 are presented as the actual amounts of dividends paid prior to the stock split.

3. The year-end dividend forecast for the fiscal year ending August 31, 2020 is undecided at this time.

3. Consolidated financial results forecast for the fiscal year ending August 31, 2020 (September 1, 2019 to August 31, 2020)

(% 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	43,700	15.6	2,650	18.3	2,600	14.9	1,650	13.1	129.65

* 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, 2019	12,747,860 shares	As of August 31, 2018	12,141,020 shares
2) Number of shares of treasury stock at the end of the period	As of August 31, 2019	21,612 shares	As of August 31, 2018	— shares
3) Average number of shares of common stock during the period	Fiscal year ended August 31, 2019	12,191,263 shares	Fiscal year ended August 31, 2018	11,606,319 shares

(Note) The Company conducted a 5-for-1 stock split of its common stock effective November 25, 2017, and a 2-for-1 stock split of its common stock effective September 1, 2019. Figures for the number of shares of common stock issued are calculated as if the stock splits had occurred at the beginning of the fiscal year ended August 31, 2018.

* 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, 2018)	Fiscal year under review (As of August 31, 2019)
Assets		
Current assets		
Cash and deposits	3,650,766	4,103,508
Accounts receivable – trade	131,253	346,011
Merchandise	4,606,990	4,863,395
Supplies	3,659	2,559
Other	332,951	764,021
Allowance for doubtful accounts	(109,948)	(205,240)
Total current assets	8,615,672	9,874,255
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,960,145	2,432,863
Accumulated depreciation	(646,141)	(815,535)
Buildings and structures, net	1,314,004	1,617,327
Tools, furniture and fixtures	286,035	282,889
Accumulated depreciation	(156,487)	(179,507)
Tools, furniture and fixtures, net	129,548	103,382
Leased assets	79,403	79,403
Accumulated depreciation	(62,889)	(72,735)
Leased assets, net	16,513	6,667
Land	189,965	189,965
Construction in progress	52,505	10,424
Other	1,942	1,942
Accumulated depreciation	(1,301)	(1,515)
Other, net	640	427
Total property, plant and equipment	1,703,178	1,928,194
Intangible assets		
Goodwill	514,961	367,101
Other	127,430	220,113
Total intangible assets	642,392	587,214
Investments and other assets		
Guarantee deposits	983,330	1,084,640
Deferred tax assets	301,139	339,963
Other	13,997	300,193
Allowance for doubtful accounts	(1,700)	(2,667)
Total investments and other assets	1,296,767	1,722,131
Total non-current assets	3,642,337	4,237,540
Total assets	12,258,009	14,111,795

(Thousand yen)

	Previous fiscal year (As of August 31, 2018)	Fiscal year under review (As of August 31, 2019)
Liabilities		
Current liabilities		
Accounts payable – trade	13,864	19,205
Short-term loans payable	3,050,000	4,440,000
Current portion of bonds	160,000	160,000
Current portion of long-term loans payable	504,088	254,088
Lease obligations	13,080	8,204
Income taxes payable	447,799	607,496
Provision for bonuses	186,378	191,575
Asset retirement obligations	18,943	14,577
Other	468,757	544,264
Total current liabilities	4,862,910	6,239,411
Non-current liabilities		
Bonds payable	160,000	—
Long-term loans payable	826,198	572,518
Lease obligations	8,678	474
Provision for directors' retirement benefits	50,375	63,746
Asset retirement obligations	432,691	537,965
Long-term accounts payable – other	120,478	2,228
Total non-current liabilities	1,598,421	1,176,933
Total liabilities	6,461,332	7,416,344
Net assets		
Shareholders' equity		
Capital stock	948,582	1,027,507
Capital surplus	936,360	678,598
Retained earnings	3,912,029	5,058,342
Treasury shares	—	(59,783)
Total shareholders' equity	5,796,973	6,704,665
Accumulated other comprehensive income		
Foreign currency translation adjustment	(295)	(9,214)
Total accumulated other comprehensive income	(295)	(9,214)
Total net assets	5,796,677	6,695,450
Total liabilities and net assets	12,258,009	14,111,795

(2) Consolidated statements of income and comprehensive income

Consolidated statements of income

(Thousand yen)

	Previous fiscal year (September 1, 2017 to August 31, 2018)	Fiscal year under review (September 1, 2018 to August 31, 2019)
Net sales	31,529,271	37,799,272
Cost of sales	22,958,885	28,165,668
Gross profit	8,570,386	9,633,603
Selling, general and administrative expenses	6,693,520	7,393,275
Operating profit	1,876,865	2,240,328
Non-operating income		
Interest income	406	185
Foreign exchange gains	8,255	39,434
Gain on valuation of derivatives	4,063	—
Income from compensation for eviction	—	16,800
Other	16,228	25,642
Total non-operating income	28,954	82,062
Non-operating expenses		
Interest expenses	29,430	30,783
Commission fee	56,767	10,585
Loss on valuation of derivatives	—	6,980
Other	13,480	11,720
Total non-operating expenses	99,678	60,070
Ordinary profit	1,806,141	2,262,320
Extraordinary losses		
Impairment loss	60,481	18,658
Total extraordinary losses	60,481	18,658
Profit before income taxes	1,745,660	2,243,662
Income taxes – current	650,646	823,541
Income taxes – deferred	(147,940)	(38,823)
Total income taxes	502,705	784,717
Profit	1,242,954	1,458,944
Profit attributable to owners of parent	1,242,954	1,458,944

Consolidated statements of comprehensive income

(Thousand yen)

	Previous fiscal year (September 1, 2017 to August 31, 2018)	Fiscal year under review (September 1, 2018 to August 31, 2019)
Profit	1,242,954	1,458,944
Other comprehensive income		
Foreign currency translation adjustment	500	(8,918)
Total other comprehensive income	500	(8,918)
Comprehensive income	1,243,454	1,450,025
Comprehensive income attributable to:		
Owners of parent	1,243,454	1,450,025

(3) Consolidated statements of changes in equity

Previous fiscal year (September 1, 2017 to August 31, 2018)

(Thousand yen)

	Shareholders' equity					Accumulated other comprehensive income		Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	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
Purchase of treasury shares					—			—
Disposal of treasury shares					—			—
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

Fiscal year under review (September 1, 2018 to August 31, 2019)

(Thousand yen)

	Shareholders' equity					Accumulated other comprehensive income		Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of current period	948,582	936,360	3,912,029	—	5,796,973	(295)	(295)	5,796,677
Changes of items during period								
Issuance of new shares	78,824	78,924			157,848			157,848
Dividends of surplus			(312,631)		(312,631)			(312,631)
Profit attributable to owners of parent			1,458,944		1,458,944			1,458,944
Purchase of treasury shares				(1,002,565)	(1,002,565)			(1,002,565)
Disposal of treasury shares		(336,686)		942,782	606,096			606,096
Net changes of items other than shareholders' equity						(8,918)	(8,918)	(8,918)
Total changes of items during period	78,924	(257,762)	1,146,313	(59,783)	907,691	(8,918)	(8,918)	898,773
Balance at end of current period	1,027,507	678,598	5,058,342	(59,783)	6,704,665	(9,214)	(9,214)	6,695,450

(4) Consolidated statements of cash flows

(Thousand yen)

	Previous fiscal year (September 1, 2017 to August 31, 2018)	Fiscal year under review (September 1, 2018 to August 31, 2019)
Cash flows from operating activities		
Profit before income taxes	1,745,660	2,243,662
Depreciation	288,090	326,172
Amortization of goodwill	147,760	147,760
Increase (decrease) in allowance for doubtful accounts	22,022	96,258
Increase (decrease) in provision for bonuses	34,698	5,197
Increase (decrease) in provision for directors' retirement benefits	10,158	13,371
Interest and dividend income	(406)	(185)
Interest expenses	29,430	30,783
Impairment loss	60,481	18,658
Decrease (increase) in notes and accounts receivable – trade	(17,065)	(214,757)
Decrease (increase) in inventories	(1,179,725)	(255,305)
Increase (decrease) in notes and accounts payable – trade	9,552	5,341
Increase (decrease) in income taxes payable	24,179	(9,380)
Other	(91,514)	33,863
Subtotal	1,083,322	2,441,442
Interest and dividend income received	406	185
Interest expenses paid	(27,990)	(31,340)
Income taxes paid	(606,262)	(712,964)
Cash flows from operating activities	449,475	1,697,322
Cash flows from investing activities		
Purchase of property, plant and equipment	(446,407)	(404,000)
Purchase of intangible assets	(11,689)	(125,666)
Payments for asset retirement obligations	(3,942)	(8,136)
Payments for guarantee deposits	(102,789)	(144,521)
Proceeds from collection of guarantee deposits	25,368	28,654
Other	(15,104)	(35,703)
Cash flows from investing activities	(554,564)	(689,373)
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	336,566	1,390,000
Repayments of long-term loans payable	(544,438)	(503,680)
Redemption of bonds	(160,000)	(160,000)
Proceeds from issuance of common shares	1,385,965	157,848
Purchase of treasury shares	—	(1,002,565)
Cash dividends paid	(98,468)	(312,520)
Other	(175,075)	(153,917)
Cash flows from financing activities	744,549	(584,835)
Effect of exchange rate change on cash and cash equivalents	436	(6,387)
Net increase (decrease) in cash and cash equivalents	639,897	416,725
Cash and cash equivalents at beginning of period	2,657,806	3,297,704
Cash and cash equivalents at end of period	3,297,704	3,714,430