

Consolidated Financial Results for the First Quarter Ended June 30, 2017
Prepared in Conformity with Accounting Principles Generally Accepted in Japan (Japanese GAAP)
English Translation of the Original Japanese-Language Report

SOHGO SECURITY SERVICES CO., LTD.

(Code No.:2331, TSE 1st Sec.)

URL <http://www.alsok.co.jp/en/ir/index.html>

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1. Summary of the consolidated financial results for the first quarter ended June 30, 2017 (April 1, 2017 - June 30, 2017)

(1) Consolidated operating results

(Figures rounded down to the nearest million)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended								
June 30, 2017	102,107	3.6	5,599	(4.0)	6,021	(4.2)	3,392	(4.8)
June 30, 2016	98,545	9.7	5,834	4.7	6,284	5.6	3,563	7.5

Note 1: Percentage shown in net sales, operating income, ordinary income, and profit attributable to owners of parent above represent the changes from the previous fiscal year.

Note 2: Comprehensive income: Three months ended June 30, 2017 ¥ 4,932 million 63.3%
Three months ended June 30, 2016 ¥ 3,020 million (25.7%)

	Net income per share		Diluted net income per share	
	Yen		Yen	
Three months ended				
June 30, 2017	33.75		-	
June 30, 2016	35.45		-	

(2) Consolidated financial conditions

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Three months ended				
June 30, 2017	370,446	223,816	53.5	1,987.61
Fiscal year ended				
March 31, 2017	385,877	222,230	51.0	1,956.25

Note: Equity capital: Three months ended June 30, 2017 ¥ 198,247 million
Year ended March 31, 2017 ¥ 196,622 million

2. Dividend

	Dividends per share				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended					
March 31, 2017	-	27.50	-	27.50	55.00
March 31, 2018	-				
Fiscal year ending					
March 31, 2018(Forecast)		30.00	-	30.00	60.00

Note : Revisions to the dividend forecast in this quarter: No

3. Forecasts for the consolidated financial results for the fiscal year ending March 31, 2018 (April 1, 2017 - March 31, 2018)

(Figures rounded down to the nearest million)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Interim	212,000	6.4	14,200	13.3	14,900	10.5	8,800	10.7	87.55
Annual	440,000	6.4	33,400	17.5	35,000	15.5	21,500	17.3	213.91

Note : Revisions to the forecast of financial results in this quarter: No

4. Others

(1) Changes in consolidated subsidiaries (Changes in scope of consolidation) : No

Added: - Removed: -

(2) Application of accounting which is simplified or exceptional for quarterly consolidated financial statements: Yes

(3) Changes in accounting policies, changes in accounting estimates, and restatement

a Changes arising from revision of accounting standards : No

b Changes arising from other factors : No

c Changes arising from accounting estimate : No

d Restatement : No

(4) Number of shares outstanding (Ordinary shares)

a Number of shares issued (including treasury stock)	Three months ended June 30, 2017	102,040,042 shares	Year ended March 31, 2017	102,040,042 shares
b Number of shares of treasury stock	Three months ended June 30, 2017	1,529,955 shares	Year ended March 31, 2017	1,529,900 shares
c Average number of ordinary shares throughout the fiscal year	Three months ended June 30, 2017	100,510,098 shares	Three months ended June 30, 2016	100,515,743 shares

* This summary of financial results is exempt from quarterly review procedures.

* Explanation for Appropriate Use of Forecasts and Other Notes

The forward-looking statements such as operational forecasts contained in this summary of financial results are based on the information currently available to the Company and certain assumptions which are regarded as legitimate, and the Company does not promise the achievement of these results. Actual results may differ significantly from these forecasts due to various factors.

Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2017	As of June 30, 2017
Assets		
Current assets		
Cash and deposits	55,587	47,583
Cash for Transportation Security Services	66,745	59,829
Notes and accounts receivable-trade	50,118	43,102
Short-term investment securities	803	132
Raw materials and supplies	5,375	5,478
Costs on uncompleted construction contracts	451	642
Advances paid	6,340	6,539
Other	14,401	21,111
Allowance for doubtful accounts	(197)	(182)
Total current assets	199,627	184,237
Noncurrent assets		
Property, plant and equipment	86,974	85,889
Intangible assets		
Goodwill	18,615	18,585
Other	6,384	6,067
Total intangible assets	25,000	24,652
Investments and other assets		
Investment securities	40,300	41,246
Other	34,367	34,807
Allowance for doubtful accounts	(392)	(387)
Total investments and other assets	74,275	75,666
Total noncurrent assets	186,250	186,208
Total assets	385,877	370,446
Liabilities		
Current liabilities		
Notes and accounts payable-trade	21,426	15,833
Short-term loans payable	30,816	19,692
Income taxes payable	6,214	1,161
Provision	2,059	1,441
Other	37,588	43,147
Total current liabilities	98,104	81,277
Noncurrent liabilities		
Bonds payable	47	37
Long-term loans payable	11,161	10,637
Net defined benefit liability	29,572	30,162
Provision for directors' retirement benefits	1,778	1,681
Asset retirement obligations	77	77
Other	22,905	22,755
Total noncurrent liabilities	65,542	65,351
Total liabilities	163,647	146,629

Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2017	As of June 30, 2017
Net assets		
Shareholders' equity		
Capital stock	18,675	18,675
Capital surplus	31,485	31,489
Retained earnings	157,596	158,224
Treasury stock	(2,019)	(2,020)
Total shareholders' equity	205,737	206,369
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,306	7,797
Revaluation reserve for land	(5,286)	(5,286)
Foreign currency translation adjustment	69	(14)
Remeasurements of defined benefit plans	(11,204)	(10,618)
Total accumulated other comprehensive income	(9,114)	(8,121)
Minority interests	25,607	25,569
Total net assets	222,230	223,816
Total liabilities and net assets	385,877	370,446

Consolidated Statements of Income

(Millions of yen)

	Three months ended June 30, 2016	Three months ended June 30, 2017
Net sales	98,545	102,107
Cost of sales	74,143	77,479
Gross profit	24,401	24,627
Selling, general and administrative expenses	18,567	19,028
Operating income	5,834	5,599
Non-operating income		
Interest income	43	45
Dividends income	197	182
Equity in earnings of affiliates	245	84
Gain on sales of investment securities	0	72
Other	410	456
Total non-operating income	897	840
Non-operating expenses		
Interest expenses	257	240
Financing expenses	75	74
Loss on sales of investment securities	-	0
Other	113	103
Total non-operating expenses	447	418
Ordinary income	6,284	6,021
Extraordinary income		
Gain on sales of investment securities	16	0
Total extraordinary income	16	0
Extraordinary loss		
Loss on valuation of investment securities	70	-
Total extraordinary losses	70	-
Income before income taxes	6,230	6,021
Income taxes	2,266	2,265
Net Income	3,964	3,756
Profit attributable to non-controlling interests	401	363
Profit attributable to owners of parent	3,563	3,392

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Three months ended June 30, 2016	Three months ended June 30, 2017
Net income	3,964	3,756
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,351)	488
Foreign currency translation adjustment	(23)	(72)
Remeasurements of defined benefit plans	561	704
Share of other comprehensive income of associates accounted for using equity method	(131)	55
Total other comprehensive income	(943)	1,176
Comprehensive income	3,020	4,932
(Contents)		
Comprehensive income attributable to owners of the parent	2,704	4,460
Comprehensive income attributable to non-controlling interests	315	471

Consolidated Statements of Cash Flows

(Millions of yen)

	Three months ended June 30, 2016	Three months ended June 30, 2017
Net cash provided by (used in) operating activities		
Income before income taxes	6,230	6,021
Depreciation and amortization	3,302	3,317
Amortization of goodwill	251	356
Increase (decrease) in allowance for doubtful accounts	4	(19)
Increase (decrease) in net defined benefit liability	385	278
Increase (decrease) in provision for bonuses	(466)	(556)
Increase (decrease) in provision for directors' bonuses	(99)	(60)
Interest and dividends income	(241)	(227)
Interest expenses	257	240
Equity in (earnings) losses of affiliates	(245)	(84)
Loss (gain) on sales of noncurrent assets	(0)	(0)
Loss on retirement of noncurrent assets	42	37
Loss (gain) on sales of investment securities	(16)	(72)
Loss (gain) on valuation of investment securities	70	-
Loss (gain) on valuation of derivatives	18	(3)
Decrease (increase) in notes and accounts receivable-trade	5,653	7,007
Decrease (increase) in inventories	(147)	(295)
Increase (decrease) in notes and accounts payable-trade	(6,404)	(5,934)
Decrease (increase) in net defined benefit asset	107	167
Decrease in assets and liabilities for Transportation Security Services	2,175	(13,291)
Other	89	(2,081)
Subtotal	10,967	(5,200)
Interest and dividends income received	381	407
Interest expenses paid	(253)	(246)
Income taxes paid	(5,388)	(5,365)
Net cash provided by (used in) operating activities	5,706	(10,404)
Net cash provided by (used in) investing activities		
Decrease (increase) in time deposits	(209)	406
Purchase of property, plant and equipment	(2,087)	(2,425)
Proceeds from sales of property, plant and equipment	15	17
Purchase of investment securities	(963)	(750)
Proceeds from sales of investment securities	669	1,145
Payments for transfer of business	-	(43)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(8)	-
Purchase of shares of subsidiaries and associates	-	(108)
Decrease (increase) in short-term loans receivable	25	22
Payments of long-term loans receivable	(9)	(23)
Collection of long-term loans receivable	64	36
Other	121	632
Net cash provided by (used in) investing activities	(2,381)	(1,088)

Consolidated Statements of Cash Flows

(Millions of yen)

	Three months ended June 30, 2016	Three months ended June 30, 2017
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	7,308	8,881
Proceeds from long-term loans payable	160	348
Repayment of long-term loans payable	(995)	(909)
Redemption of bonds	(45)	(20)
Purchase of treasury stock	-	(0)
Repayments of lease obligations	(884)	(1,128)
Cash dividends paid	(3,015)	(2,764)
Cash dividends paid to minority shareholders	(474)	(500)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(429)	-
Net cash provided by (used in) financing activities	1,622	3,906
Effect of exchange rate change on cash and cash equivalents	(11)	(7)
Net increase (decrease) in cash and cash equivalents	4,936	(7,594)
Cash and cash equivalents at beginning of period	35,630	47,549
Cash and cash equivalents at end of period	40,566	39,955