

Consolidated Financial Results for the First Quarter Ended June 30, 2016
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, 2016 (April 1, 2016 - June 30, 2016)

(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, 2016	98,545	9.7	5,834	4.7	6,284	5.6	3,563	7.5
June 30, 2015	89,802	9.2	5,571	73.7	5,952	70.4	3,314	92.4

Note 1: Percentage shown in net sales, operating income, ordinary income, and net income above represent the changes from the previous fiscal year.

Note 2: Comprehensive income: Three months ended June 30, 2016 ¥ 3,020 million (25.7%)
 Three months ended June 30, 2015 ¥ 4,062 million 69.3%

	Net income per share		Diluted net income per share	
	Yen		Yen	
Three months ended				
June 30, 2016	35.45		-	
June 30, 2015	32.97		-	

(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, 2016	360,866	205,236	50.2	1,802.74
Fiscal year ended				
March 31, 2016	349,561	205,622	51.9	1,805.09

Note: Equity capital: Three months ended June 30, 2016 ¥ 181,194 million
 Year ended March 31, 2016 ¥ 181,439 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, 2016	-	20.00	-	30.00	50.00
March 31, 2017	-				
Fiscal year ending					
March 31, 2017 (Forecast)		27.50	-	27.50	55.00

Note 1: Revisions to the dividend forecast in this quarter: No

3. Forecasts for the consolidated financial results for the fiscal year ending March 31, 2017 (April 1, 2016 - March 31, 2017)

(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	200,500	9.1	12,600	0.6	13,700	2.5	8,400	9.6	83.57
Annual	425,000	11.3	32,800	13.0	35,000	14.1	22,000	23.1	218.87

Note 1: 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 : Yes

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, 2016	102,040,042 shares	Year ended March 31, 2016	102,040,042 shares
b Number of shares of treasury stock	Three months ended June 30, 2016	1,529,602 shares	Year ended March 31, 2016	1,524,240 shares
c Average number of ordinary shares throughout the fiscal year	Three months ended June 30, 2016	100,515,743 shares	Three months ended June 30, 2015	100,518,332 shares

*Indication of review procedure implementation status

This summary of quarterly consolidated financial results is exempt from quarterly review procedure based upon the Financial Instruments and Exchange Act. The quarterly review procedure is in progress at the time of disclosure of this report.

*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.

*Other Notes

Due to the reason that the influence increased by sending a director form ALSOK to Nippon Dry-Chemical Co., Ltd., the company is included as the equity method affiliate during the first quarter ended June 30, 2016. Moreover, gain on bargain purchase 135 million yen occurred by the equity method is included in the "share of profit of entities accounted for using equity method" in consolidated income statement three month ended June 30, 2016.

Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2016	As of June 30, 2016
Assets		
Current assets		
Cash and deposits	42,750	47,907
Cash for Transportation Security Services	73,142	63,258
Notes and accounts receivable-trade	45,643	42,651
Short-term investment securities	419	1,083
Raw materials and supplies	6,150	6,254
Costs on uncompleted construction contracts	436	500
Advances paid	6,030	5,772
Other	13,676	20,499
Allowance for doubtful accounts	(236)	(251)
Total current assets	188,013	187,675
Noncurrent assets		
Property, plant and equipment	77,340	86,063
Intangible assets		
Goodwill	10,149	13,627
Other	5,244	4,949
Total intangible assets	15,394	18,577
Investments and other assets		
Investment securities	37,633	35,276
Other	31,528	33,635
Allowance for doubtful accounts	(347)	(361)
Total investments and other assets	68,813	68,549
Total noncurrent assets	161,548	173,190
Total assets	349,561	360,866

	As of March 31, 2016	As of June 30, 2016
Liabilities		
Current liabilities		
Notes and accounts payable-trade	22,602	17,761
Short-term loans payable	23,738	24,189
Income taxes payable	6,188	1,344
Provision	1,608	1,187
Other	33,083	41,206
Total current liabilities	87,222	85,689
Noncurrent liabilities		
Bonds payable	51	81
Long-term loans payable	11,928	13,685
Net defined benefit liability	31,210	31,574
Provision for directors' retirement benefits	1,669	1,675
Asset retirement obligations	75	75
Other	11,782	22,848
Total noncurrent liabilities	56,717	69,940
Total liabilities	143,939	155,629
Net assets		
Shareholders' equity		
Capital stock	18,675	18,675
Capital surplus	32,117	31,687
Retained earnings	144,551	145,593
Treasury stock	(1,991)	(1,991)
Total shareholders' equity	193,352	193,965
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,570	5,252
Revaluation reserve for land	(5,286)	(5,286)
Foreign currency translation adjustment	113	8
Remeasurements of defined benefit plans	(13,309)	(12,746)
Total accumulated other comprehensive income	(11,912)	(12,770)
Minority interests	24,182	24,041
Total net assets	205,622	205,236
Total liabilities and net assets	349,561	360,866

Consolidated Statements of Income

(Millions of yen)

	Three months ended June 30, 2015	Three months ended June 30, 2016
Net sales	89,802	98,545
Cost of sales	67,041	74,143
Gross profit	22,760	24,401
Selling, general and administrative expenses	17,188	18,567
Operating income	5,571	5,834
Non-operating income		
Interest income	52	43
Dividends income	171	197
Gain on sales of investment securities	-	0
Equity in earnings of affiliates	113	245
Other	400	410
Total non-operating income	736	897
Non-operating expenses		
Interest expenses	166	257
Other	188	189
Total non-operating expenses	355	447
Ordinary income	5,952	6,284
Extraordinary income		
Gain on sales of investment securities	13	16
Compensation income	33	-
Total extraordinary income	46	16
Extraordinary loss		
Loss on valuation of investment securities	-	70
Total extraordinary losses	-	70
Income before income taxes	5,999	6,230
Income taxes	2,337	2,266
Net Income	3,661	3,964
Profit attributable to non-controlling interests	347	401
Profit attributable to owners of parent	3,314	3,563

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Three months ended June 30, 2015	Three months ended June 30, 2016
Net income	3,661	3,964
Other comprehensive income		
Valuation difference on available-for-sale securities	332	(1,351)
Foreign currency translation adjustment	(11)	(23)
Remeasurements of defined benefit plans	13	561
Share of other comprehensive income of associates accounted for using equity method	66	(131)
Total other comprehensive income	400	(943)
Comprehensive income	4,062	3,020
(Contents)		
Comprehensive income attributable to owners of the parent	3,650	2,704
Comprehensive income attributable to non-controlling interests	411	315

Consolidated Statements of Cash Flows

(Millions of yen)

	Three months ended June 30, 2015	Three months ended June 30, 2016
Net cash provided by (used in) operating activities		
Income before income taxes	5,999	6,230
Depreciation and amortization	2,847	3,302
Amortization of goodwill	273	251
Increase (decrease) in allowance for doubtful accounts	(2)	4
Increase (decrease) in net defined benefit liability	153	385
Increase (decrease) in provision for bonuses	(403)	(466)
Increase (decrease) in provision for directors' bonuses	(148)	(99)
Interest and dividends income	(223)	(241)
Interest expenses	166	257
Equity in (earnings) losses of affiliates	(113)	(245)
Loss (gain) on sales of noncurrent assets	(0)	(0)
Loss on retirement of noncurrent assets	52	42
Loss (gain) on sales of investment securities	(13)	(16)
Loss (gain) on valuation of investment securities	-	70
Loss (gain) on valuation of derivatives	(6)	18
Decrease (increase) in notes and accounts receivable-trade	7,775	5,653
Decrease (increase) in inventories	(905)	(147)
Increase (decrease) in notes and accounts payable-trade	(6,687)	(6,404)
Decrease (increase) in net defined benefit asset	(452)	107
Decrease in assets and liabilities for Transportation Security Services	2,230	2,175
Other	(7,478)	89
Subtotal	3,060	10,967
Interest and dividends income received	323	381
Interest expenses paid	(177)	(253)
Income taxes paid	(4,025)	(5,388)
Net cash provided by (used in) operating activities	(818)	5,706

Consolidated Statements of Cash Flows

(Millions of yen)

	Three months ended June 30, 2015	Three months ended June 30, 2016
Net cash provided by (used in) investing activities		
Decrease (increase) in time deposits	125	(209)
Purchase of property, plant and equipment	(2,233)	(2,087)
Proceeds from sales of property, plant and equipment	0	15
Purchase of investment securities	(458)	(963)
Proceeds from sales of investment securities	296	669
Purchase of investments in subsidiaries resulting in change in scope of consolidation	-	(8)
Decrease (increase) in short-term loans receivable	(25)	25
Payments of long-term loans receivable	(2)	(9)
Collection of long-term loans receivable	27	64
Other	115	121
Net cash provided by (used in) investing activities	(2,153)	(2,381)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	3,078	7,308
Proceeds from long-term loans payable	360	160
Repayment of long-term loans payable	(888)	(995)
Redemption of bonds	(25)	(45)
Purchase of treasury stock	(0)	-
Repayments of lease obligations	(783)	(884)
Cash dividends paid	(2,060)	(3,015)
Cash dividends paid to minority shareholders	(406)	(474)
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	(726)	1,622
Effect of exchange rate change on cash and cash equivalents	(10)	(11)
Net increase (decrease) in cash and cash equivalents	(3,708)	4,936
Cash and cash equivalents at beginning of period	37,976	35,630
Cash and cash equivalents at end of period	34,268	40,566

Information regarding production, orders, and sales

a. Production

The ALSOK Group does not conduct production. Contracts for each business category are as follows.

(Number of contracts)

Business segment	As of June 30, 2016	YoY(%)
Security Services		
Electronic Security Services	862,615	5.4
Stationed Security Services	3,857	3.3
Transportation Security Services	63,096	6.1
Total	929,568	5.4
General Property Management and Fire Protection Services	84,885	11.8
Long-term Care Services	25,956	94.9
Total for reportable segments	1,040,409	7.1
Other Services	20,070	22.7
Total	1,060,479	7.4

b. Sales

Sales for each business category are as follows.

(Millions of yen)

Business segment	Three months ended June 30, 2016	YoY(%)
Security Services		
Electronic Security Services	40,522	2.1
Stationed Security Services	24,283	7.2
Transportation Security Services	13,886	3.4
Total	78,692	3.8
General Property Management and Fire Protection Services	12,757	13.4
Long-term Care Services	6,230	226.8
Total for reportable segments	97,679	9.8
Other Services	865	2.2
Total	98,545	9.7

Note: 1. Values have not been adjusted for income taxes and other taxes.

2. No one customer accounts for over 10% of total sales.

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