Consolidated Financial Results for Fiscal Year Ended March 31, 2017
Prepared in Conformity with Accounting Principles Generally Accepted in Japan (Japanese GAAP)
English Translation of the Original Japanese-Language Report

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1. Summary of the consolidated financial results for fiscal year ended March 31, 2017 (April 1, 2016 – March 31, 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	%
Fiscal year ended								
March 31, 2017	413,343	8.3	28,422	(2.1)	30,309	(1.2)	18,330	2.6
March 31, 2016	381,818	4.4	29,036	26.4	30,667	24.2	17,868	32.0

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: Year ended March 31, 2017 ¥22,823 million 296.9%
Year ended March 31, 2016 ¥5,749 million (74.0%)

	Net income per share	Diluted net income per share	ROE (Net income to equity)	Ordinary income to total assets	Operating income to sales
	Yen	Yen	%	%	%
Fiscal year ended					
March 31, 2017	182.37	-	9.7	8.2	6.9
March 31, 2016	177.77	-	9.9	8.5	7.6

Note: Equity in earnings of affiliates: Year ended March 31, 2017 ¥1,420 million
Year ended March 31, 2016 ¥790 million

In the fiscal year ended March 31, 2017, ¥135 million was included in equity in earnings of affiliates to reflect negative goodwill incurred as a result of Nippon Dry-Chemical Co., Ltd., being introduced into the scope of equity method application.

(2) Consolidated financial conditions

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Fiscal year ended				
March 31, 2017	385,877	222,230	51.0	1,956.25
March 31, 2016	349,561	205,622	51.9	1,805.09

Note: Equity capital: Year ended March 31, 2017 ¥196,622 million
Year ended March 31, 2016 ¥181,439 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended				
March 31, 2017	54,561	(22,055)	(20,582)	47,549
March 31, 2016	19,678	(12,808)	(9,176)	35,630

2. Dividend

	Dividends per share					Total dividend (Annual)	Consolidated payout ratio	Consolidated dividends to net assets
	End of 1Q	End of 2Q	End of 3Q	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended								
March 31, 2016	-	20.00	-	30.00	50.00	5,026	28.1	2.8
March 31, 2017	-	27.50	-	27.50	55.00	5,529	30.2	2.9
Fiscal year ending March 31, 2018 (Forecast)	-	30.00	-	30.00	60.00		28.0	

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 : Percentages shown in net sales, operating income, ordinary income, profit attributable to owners of parent, and net income per share above represent the prospected changes from the previous year.

Notes:

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

Added: - Removed: -

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

① Changes arising from revision of accounting standards : Yes

② Changes arising from other factors : No

③ Changes arising from accounting estimate : No

④ Restatement : No

For more details, please refer to page 18 "(5) Notes on the Preparation of the Consolidated Financial Results (Changes in Accounting Policies)" under "4. Consolidated Financial Statements and Significant Notes."

(3) Number of shares outstanding (Ordinary shares)

① Number of shares issued (including treasury stock)	Fiscal year ended March 31, 2017	102,040,042 shares	Fiscal year ended March 31, 2016	102,040,042 shares
② Number of shares of treasury stock	Fiscal year ended March 31, 2017	1,529,900 shares	Fiscal year ended March 31, 2016	1,524,240 shares
③ Average number of shares throughout the fiscal year	Fiscal year ended March 31, 2017	100,511,630 shares	Fiscal year ended March 31, 2016	100,518,275 shares

(Reference) Non-consolidated Financial Results for Fiscal Year Ended March 31, 2017

Summary of the non-consolidated financial results for fiscal year ended March 31, 2017 (April 1, 2016 – March 31, 2017)

(1) Non-consolidated operating results (Figures rounded down to the nearest million)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended								
March 31, 2017	229,504	3.9	15,502	(5.5)	22,112	(3.9)	16,632	(0.3)
March 31, 2016	220,987	3.7	16,409	35.2	23,019	12.4	16,690	13.5

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

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended		
March 31, 2017	165.44	-
March 31, 2016	166.02	-

(2) Non-consolidated financial conditions

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Fiscal year ended				
March 31, 2017	268,269	164,024	61.1	1,631.55
March 31, 2016	248,611	152,589	61.4	1,517.80

Note: Equity capital:	Year ended March 31, 2017	¥164,024 million
	Year ended March 31, 2016	¥152,589 million

* This summary of financial results is exempt from audit procedures.

* Explanation of 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.

Please refer to page 6 “(4) Future Outlook” under “1. Overview of Operating Results and Financial Position” for more information regarding the presumptions for forecasts and cautionary statements regarding the use of forecasts.

Contents

1. Overview of Operating Results and Financial Position

(1) Overview of Operating Results

A. Consolidated Financial Results for the Fiscal Year Ended March 31, 2017 (April 1, 2016 – March 31, 2017)

In the year under review, the general trend toward modest recovery continued in Japan as improvements were seen in corporate business sentiment, investment, and exports during the second half of the fiscal year as the inauguration of the Trump presidential cabinet in the United States simulated yen depreciation, all in the midst of ongoing improvements in the job market and wages. Despite the steady recovery of the U.S. economy, the overseas economy became increasingly opaque as a result of rising geopolitical risks, such as those associated with terrorist attacks by ISIS and the issues surrounding North Korea, as well as concerns regarding the United Kingdom's decision to leave the European Union and the trend toward protectionism. Accordingly, the current operating environment requires ongoing caution, and this need for caution extends to the economic policies to be implemented by the Trump presidential cabinet in the United States.

In regard to public safety in Japan, the number of reported crimes is declining rapidly and has set a new record for post-World War II lows each year since 2015, coming to approximately 990,000 in 2016. However, there seems to be no end to the occurrence of crimes that affect people's everyday lives, such as malicious crimes and special-case scams targeting senior citizens and differently abled individuals as well as crimes aimed at women and children. As the same time, the range of risks faced by society is diversifying, now including such threats as natural disasters, cybercrimes, information leaks, and frequently occurring acts of international terrorism. ALSOK thus realizes the need for it to provide a wide range of services that respond to social needs as a company responsible for an important piece of social infrastructure supporting the safety and security of society.

In this environment, based on its policy of "responding accurately to customers' various risks and outsourcing needs," the ALSOK Group continued working to strengthen and expand its mainstay security services operations while also growing businesses in peripheral fields that are highly compatible with security services, such as long-term care and facility management and other building maintenance services. At the same time, we pursued cost reductions through efficiency improvements in security operation divisions realized by having human resources handle a broader range of functions as well as through the consolidation of Guard Centers.

Due to the above factors, consolidated net sales rose 8.3% year on year, to ¥413,343 million, and profit attributable to owners of parent increased 2.6%, to ¥18,330 million, increases that were also due in part to new M&A activities conducted in long-term care service operations. Meanwhile, operating income was down 2.1%, to ¥28,422 million, and ordinary income declined 1.2%, to ¥30,309 million, due to the impacts of higher retirement benefit expenses and labor shortages.

Sales by Business Segment

Business Segment	Fiscal year ended March 31, 2016		Fiscal year ended March 31, 2017		YoY	
	Amount (Millions of yen)	Share (%)	Amount (Millions of yen)	Share (%)	Amount (Millions of yen)	Increase/ Decrease (%)
Security Services						
Electronic Security Services	167,132	43.8	170,585	41.3	3,453	2.1
Stationed Security Services	93,904	24.6	102,322	24.8	8,418	9.0
Transportation Security Services	54,694	14.3	56,119	13.6	1,424	2.6
Total	315,730	82.7	329,027	79.6	13,296	4.2
General Property Management and Fire Protection Services	54,976	14.4	55,961	13.5	985	1.8
Long-term Care Services	7,587	2.0	24,921	6.0	17,334	228.5
Total for reportable segments	378,294	99.1	409,910	99.2	31,615	8.4
Other Services	3,523	0.9	3,433	0.8	(90)	(2.6)
Total	381,818	100.0	413,343	100.0	31,525	8.3

Major factors behind segment results are as follows. In the year under review, the Company reorganized its reportable segments and revised the method of allocating certain expenses to these segments. For the purpose of year-on-year comparison, figures from the fiscal year ended March 31, 2016, have been restated to reflect the new segment organization and allocation method.

In Security Services, the Electronic Security Services segment promoted sales of various services for corporate clients. These services included ALSOK-GV (read ALSOK G-five), a service that combines Internet-based security services utilizing image monitoring with ALSOK Information Service, which allows for information regarding when employees arrive at or leave premises to be viewed online while also providing Internet-based remote control functionality for equipment. Another promoted offering was Control System S-860, a standard security system that is equipped with comprehensive monitoring and management services related to intrusions, natural disasters, and equipment. In services for individual users, trends in contract numbers were favorable for HOME ALSOK Premium, a sophisticated security system that provides a fined-tuned response to customer needs, as well as for Home Security Basic, the new standard of home security services boasting cutting-edge features. In the Stationed Security Services segment, the operating environment was characterized by a rising need for high-quality security and security augmentation services to address frequently occurring acts of terrorism and various other risks. Against this backdrop, sales contributions came from contracts for large-scale security operations at the G7 Ise-Shima Summit and other meetings of government leaders as well as for security operations related to new office buildings constructed as part of urban redevelopment efforts and to the 2017 Sapporo Asian Winter Games. In addition, we began offering Net de Security Guard in December 2016. This new service is an industry-first in that it allows customers to request security guards with ease via the Internet. Through this service, we aim to increase the scale of the market for temporary security services and thereby serve customers other than those that use ALSOK services on an ongoing basis, a group of customers that has previously faced difficulty placing direct requests. In the Transportation Security Services segment, solid orders for the Total ATM Management System buoyed sales amid a growing trend toward outsourcing operation and management of ATMs installed in both inside and outside of financial institutions as well as an increase in ATMs that are compatible with overseas bank cards. In addition, sales contributions came from outsourcing orders for financial institution business center operations.

Also, with the aim further expanding overseas markets, we converted partnered local security companies in Vietnam and Indonesia into consolidated subsidiaries and thereby enhanced our systems for deploying full-fledged security services operations in these countries.

Due to the above as well as to the conversion of ALSOK SHOJITSU SECURITY SERVICE CO., LTD., formerly Hitachi Security Service Co., Ltd., into a consolidated subsidiary, net sales in the Security Services segment amounted to ¥329,027 million, up 4.2% year on year. However, operating income decreased 0.9%, to ¥32,291 million, due to the impacts of higher retirement benefit expenses and labor shortages.

In the General Property Management and Fire Protection Services segment, we focus on comprehensive management services that encompass the maintenance, management, and operation services for various facilities provided through enhanced intra-Group coordination, and orders for general property management, cleaning services, and repair work contributed to sales accordingly. Other contributions came from sales of disaster preparedness items as well as from sales of sprinklers and other fire extinguishing equipment, which were stimulated by the revision of the Fire Service Act. As a result, net sales in the General Property Management and Fire Protection Services segment increased 1.8% year on year, to ¥55,961 million, and operating income rose 12.7%, to ¥4,916 million.

In the Long-term Care Services segment, net sales increased 228.5% year on year, to ¥24,921 million, as a result of the development of long-term care service operations at HCM Corporation and ALSOK Care & Support Co., Ltd., as well as of the expansion of the Company's operations following the conversion of Wisnet Co., Ltd., into a consolidated subsidiary. However, as we are still in the process of reforming the management at Wisnet, an operating loss of ¥354 million was recorded, compared with the operating loss of ¥1 million recorded in the previous fiscal year. Going forward, the Group will fully leverage its management resources to develop its conventional long-term care service operations while also creating new hybrid services by fusing security services and long-term care.

B. Comparative Analysis of the Consolidated Statements of Income

The following table is a year-on-year comparison of the ALSOK Group's Consolidated Statements of Income.

	Fiscal year ended March 31, 2016		Fiscal year ended March 31, 2017		YoY	
	Amount (Millions of yen)	Share (%)	Amount (Millions of yen)	Share (%)	Amount (Millions of yen)	Increase/ Decrease (%)

Net sales	381,818	100.0	413,343	100.0	31,525	8.3
Cost of sales	282,880	74.1	310,704	75.2	27,823	9.8
Gross profit	98,937	25.9	102,639	24.8	3,701	3.7
Selling, general and administrative expenses	69,901	18.3	74,217	18.0	4,315	6.2
Operating income	29,036	7.6	28,422	6.9	(614)	(2.1)
Non-operating income	3,066	0.8	3,798	0.9	731	23.9
Non-operating expenses	1,436	0.4	1,911	0.5	475	33.1
Ordinary income	30,667	8.0	30,309	7.3	(357)	(1.2)
Extraordinary income	93	0.0	59	0.0	(34)	(36.4)
Extraordinary loss	77	0.0	153	0.0	75	96.8
Income taxes	11,284	3.0	10,281	2.5	(1,003)	(8.9)
Profit attributable to non-controlling interests	1,529	0.4	1,603	0.4	74	4.8
Profit attributable to owners of parent	17,868	4.7	18,330	4.4	461	2.6

In the year under review, net sales increased ¥31,525 million, or 8.3%, year on year, to ¥413,343 million.

Cost of sales was ¥310,704 million, primarily due to a ¥14,934 million increase in labor costs and a ¥12,677 million increase in miscellaneous expenses.

Selling, general and administrative expenses amounted to ¥74,217 million due to a ¥1,148 million increase in taxes and dues and a ¥972 million increase in retirement benefit expenses.

Ordinary income decreased ¥357 million, or 1.2%, to ¥30,309 million.

Extraordinary income was down due to a ¥33 million decrease in compensation income.

Extraordinary loss rose following the recording of a ¥95 million provision for loss on dissolution of the employees' pension fund.

Profit attributable to owners of parent increased ¥461 million, or 2.6%, to ¥18,330 million.

Comprehensive income increased ¥17,073 million, or 296.9%, to ¥22,823 million. This increase was due to a ¥13,834 million upward adjustment attributable to remeasurements of defined benefit plans, net of tax, a result of the absence of the impacts of the reduction to the discount rate applied to retirement benefit obligations in the fiscal year ended March 31, 2016, as well as a ¥2,543 million boost stemming from valuation difference on available-for-sale securities, which itself was a result of stock price trends that were more favorable than those seen in the previous fiscal year.

(2) Overview of Financial Position

The following table shows a year-on-year comparison of the ALSOK Group's Consolidated Balance Sheets.

		As of March 31, 2016		As of March 31, 2017		YoY	
		Amount (Millions of yen)	Share (%)	Amount (Millions of yen)	Share (%)	Amount (Millions of yen)	Increase/ Decrease (%)
Assets	Current assets	188,013	53.8	199,627	51.7	11,613	6.2
	Noncurrent assets	161,548	46.2	186,250	48.3	24,701	15.3
	Total assets	349,561	100.0	385,877	100.0	36,315	10.4
Liabilities	Current liabilities	87,222	25.0	98,104	25.4	10,882	12.5
	Noncurrent liabilities	56,717	16.2	65,542	17.0	8,824	15.6
	Total liabilities	143,939	41.2	163,647	42.4	19,707	13.7
Total net assets		205,622	58.8	222,230	57.6	16,607	8.1

Total assets at the end of the year under review increased ¥36,315 million, or 10.4%, from the previous fiscal year-end, to ¥385,877 million. Total current assets increased ¥11,613 million, or 6.2%, to ¥199,627 million, and total noncurrent assets increased ¥24,701 million, or 15.3%, to ¥186,250 million.

The increase in current assets was primarily due to a ¥12,836 million increase in cash and deposits and a ¥4,475 million increase in notes and accounts receivable-trade, which offset a ¥6,397 million decrease in cash for Transportation Security Services.

The increase in noncurrent assets was mainly attributable to a ¥9,249 million increase in lease assets, a ¥8,465 million increase in goodwill, and a ¥2,667 million increase in investment securities

Total liabilities at the end of the year under review increased ¥19,707 million, or 13.7%, from the previous fiscal year-end, to ¥163,647 million. Total current liabilities increased ¥10,882 million, or 12.5%, to ¥98,104 million, and total noncurrent liabilities increased ¥8,824 million, or 15.6%, to ¥65,542 million.

The increase in current liabilities was a result of factors such as a ¥6,315 million increase in short-term loans payable and a ¥1,702 million increase in accounts payable-other.

The increase in noncurrent liabilities was due to a ¥11,194 million increase in lease obligations.

Total net assets at March 31, 2017, were up ¥16,607 million, or 8.1%, from the previous fiscal year-end, to ¥222,230 million.

(3) Overview of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	YoY (%)
Net cash provided by (used in) operating activities	19,678	54,561	177.3
Net cash provided by (used in) investing activities	(12,808)	(22,055)	72.2
Net cash provided by (used in) financing activities	(9,176)	(20,582)	124.3
Effect of exchange rate change on cash and cash equivalents	(38)	(4)	(88.9)
Net increase (decrease) in cash and cash equivalents	(2,345)	11,919	-
Cash and cash equivalents at beginning of period	37,976	35,630	(6.2)
Cash and cash equivalents at end of period	35,630	47,549	33.5

Cash and cash equivalents at end of period were ¥47,549 million, up 33.5% year on year.

a. Cash flows from operating activities

As a result of our operating activities in the year under review, net cash provided by operating activities increased 177.3% year on year, to ¥54,561 million. Principal items increasing cash included ¥30,215 million in income before income taxes, a decrease of 1.5% year on year; ¥18,157 million in increase in assets and liabilities for Transportation Security Services, compared with ¥3,538 million in decrease in assets and liabilities for Transportation Security Services in the previous fiscal year; and ¥13,773 million in depreciation and amortization, an increase of 13.7%. Conversely, major items decreasing cash included ¥10,617 million in income taxes paid, an increase of 26.7%.

Increase (decrease) in assets and liabilities for Transportation Security Services includes the increases and decreases in funds procured for transportation security services that are included in cash for Transportation Security Services and short-term loans payable.

b. Cash flows from investing activities

Net cash used in investing activities in the year under review was ¥22,055 million, a 72.2% year-on-year increase. The primary factors were ¥11,006 million in purchase of property, plant and equipment, down 19.9% from the previous fiscal year; ¥6,424 million in purchase of investments in subsidiaries resulting in change in scope of consolidation, an item not present in the previous fiscal year; and ¥2,899 million in purchase of investment securities, an increase of 7.7%.

c. Cash flows from financing activities

Net cash used in financing activities was ¥20,582 million, an increase of 124.3%. Major items decreasing cash included ¥5,989 million in net decrease in short-term loans payable, a decrease of45.0%; ¥5,780 million in cash dividends paid, an increase of 42.0%; ¥4,265 million in repayments of lease obligations, an increase of 46.9%; and ¥3,826 million in repayment of long-term loans payable, an increase of 8.7%.

C. Trends in Cash Flow Indicators for the ALSOK Group

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Equity ratio	48.4%	51.9%	51.0%
Equity ratio on a market value basis	110.1%	175.4%	108.2%
Interest-bearing liabilities to cash flow ratio	331.0%	181.8%	77.1%
Interest coverage ratio	28.5 times	30.1 times	54.2 times

Equity ratio is shareholders' equity divided by total assets.
Equity ratio on a market value basis is market capitalization divided by total assets.
Interest-bearing liabilities to cash flow ratio is interest-bearing liabilities divided by cash flow.
Interest coverage ratio is cash flow divided by interest expense.
Note 1: All indicators are calculated based on the consolidated financial statements.
Note 2: Market capitalization is calculated by multiplying the closing share price at the end of the fiscal year by the total number of shares issued and outstanding at the end of the fiscal year (excluding treasury stock).
Note 3: Cash flow is net cash provided by (used in) operating activities.
Note 4: Interest-bearing liabilities are all liabilities on which interest is paid on the Consolidated Balance Sheets.

(4) Future Outlook

In the fiscal year ending March 31, 2018, the benefits of various government measures will be felt in the Japanese economy. However, we will need to remain wary of the opaque nature of overseas markets as well as developments in the financial market and trends in corporate business confidence.

In the security industry, traditional security needs will remain present. At the same time, we expect to see expanding business opportunities resulted from increased outsourcing needs arising from ever more severe labor shortfalls and the accelerated development of both tangible and intangible social infrastructure as part of preparations for large-scale events. However, decreases in earnings among financial institutions resulted from Japan's negative interest rate policy coupled with labor shortages are forecast to create a harsh operating environment in the security services market during the fiscal year ending March 31, 2018. Success under these difficult conditions will require that we promote the further differentiation of our products and services.

ALSOK has always been a company that protects the bodies, lives, and assets of its customers, and it has continued to build upon its security services track record since its establishment. In addition to growing its security services operations, the entire Group will actively develop businesses in peripheral fields going forward as it creates products and services that live up to customer expectations and improves its business performance.

In the fiscal year ending March 31, 2018, the ALSOK Group forecasts net sales of ¥440,000 million, up 6.4% year on year; operating income of ¥33,400 million, up 17.5%; ordinary income of ¥35,000 million, up 15.5%; and profit attributable to owners of parent of ¥21,500 million, up 17.3%, results that will be achieved through the implementation of initiatives such as those described above.

2. Management Policies

(1) Basic Corporate Management Policy

Our management philosophy is "Based on two core principles exemplified by "*arigato no kokoro*" (a feeling of gratefulness and gratitude) and "*bushi no seishin*" (a samurai spirit), we devote ourselves to protecting the safety and security of our customers and of society as a whole." Based on this management philosophy, we have established a management policy that encourages us to act in accordance with a fundamental spirit driving us to ensure that ALSOK is a principled company and stating that our top priority is to provide services and products of the first rank. This policy calls on us to make ALSOK a company that offers employees fulfillment in their work while growing earnings, providing services and products in an ever-expanding range of new fields based around our core security services business, and developing services and products that contribute to the advancement of society.

(2) Stance on Target Management Indicators

The ALSOK Group believes that expanding its security services and other operations as well as improving the rationality and efficiency of all of its business activities are essentials tasks for increasing profitability. Accordingly, it is focusing on the ordinary income ratio as an important management indicator. We will also emphasize the ratio of net income to equity, otherwise known as return on equity (ROE), as an indicator of how optimally shareholders' equity is being utilized. Accordingly, we have set the medium-term target of achieving ROE of 10%.

(3) Medium- and Long-term Corporate Strategy

The ALSOK Group will continue to strengthen its mainstay security services operations as well as its general property management and fire protection service and long-term care service operations while also providing ideal products and services based on the policy of "responding accurately to customers' various risks and outsourcing needs." At the same time, we will drastically reform cost structures in response to the declining birthrate and aging population to reinforce earnings foundations.

(4) Pressing Issues for the Company

The ALSOK Group is one of Japan's leading security services conglomerates. Recognizing the responsibility this represents, we are actively working to help protect the safety and security of society while practicing stringent compliance and acting as a principled company to improve corporate value. Moreover, as a provider of an important form of social infrastructure related to safety and security, the Group is developing cutting-edge products and services in order to take advantage of a wider range of business opportunities in various fields that lie outside of the framework of its traditional security services operations.

A. Responding to Diversifying Needs of Customers

Customers' needs for safety and security are diversifying, and it is therefore important that the ALSOK Group continue to provide top-quality products and services that accurately respond to these needs.

For large-scale events and facilities, we are developing services that will enable us to provide swifter, wider ranging, and more competent security at optimal costs with an eye to the upcoming Olympic and Paralympic Games Tokyo 2020. Specifically, we offer ALSOK Zone Security Management, a service that is linked with our ALSOK Hyper Security Guard brand of security guards armed with the security services expertise we have developed to date together with state-of-the-art ICT and IT equipment.

Furthermore, we provide a range of other products and services that offer security and convenience for all areas of both the public sector and the private sector. These offerings include our various outsourcing services for financial institutions as well as road monitoring services that help formulate efficient payment repair plans based on road surface monitoring information and vacation rental support solutions for property owners and business operators looking to rent furnished properties.

B. Expanding Business Scope

The ALSOK Group looks to address the various safety and security needs of individual users while providing multifaceted support for corporate clients' business activities. To this end, the Group has continued to actively develop new businesses and services that have the potential for synergies with its security services operations, such as its long-term care and property management businesses. Efforts to expand the Company's business scope from this perspective will be accelerated going forward.

C. Developing Overseas Operations

The trend of Japanese companies expanding their operations overseas is expected to accelerate into the future. The ALSOK Group will leverage the security expertise accumulated through its operations in Japan to develop businesses in which it supports the overseas operations of clients by providing security products and services custom-tailored to match the circumstances of different countries.

D. Improving Profitability and Productivity

To achieve stable and ongoing growth, the ALSOK Group will work to reinforce and diversify its earnings foundations while improving productivity through business process reforms and implementing work style reforms based on government directives. Through these initiatives, the Company will seek to create new value.

(5) Other Important Items in Management of the Company

A. On December 6, 2016, the Company concluded a share acquisition agreement with Hitachi, Ltd., through which the Company would acquire 90% (1,800 shares) of the stock in Hitachi Security Services Co., Ltd., a wholly owned subsidiary of Hitachi. Based on this agreement, the above amount of shares in Hitachi Security Services was acquired on February 1, 2017, after which the name of this company was changed to ALSOK SHOJITSU SECURITY SERVICE CO., LTD., and this company was converted into a consolidated subsidiary of the Company.

B. On December 6, 2016, the Company concluded an agreement with NTT Group company TelWel East Japan Corporation through which this company's security services operations (stationed security services) would be transferred via corporate split to ALSOK-TW East Japan Co., Ltd., a new company to be established by the Company. This decision was made based on the judgment that it was necessary to establish systems for addressing the labor shortages and trend toward mechanization and specialization in the security services industry. Based on this agreement, the security services operations of TelWel East Japan Corporation were transferred to ALSOK-TW East Japan Co., Ltd., on April 1, 2017.

C. On April 4, 2017, the Company reached an agreement with TOBU DELIVERY CO., LTD., a wholly owned subsidiary of TOBU RAILWAY CO., LTD., to acquire all shares of a new company that will be established though an absorption-type company split from TOBU DELIVERY CO., LTD., and that will inherit this company's transportation security services operations. The goal of this agreement is to provide higher-value-added services by merging the management resources and business know-how of TOBU DELIVERY CO., LTD., with those of the Company.

D. On April 24, 2017, the Company acquired 36.1% (238 shares) of the stock of Keihanshin Security Services Co., Ltd., a company that is contracted to provide security services to The Senshu Ikeda Bank, Ltd., and then converted this company to an affiliate accounted for under the equity method. The goal of this acquisition is to provide higher-value-added services by exchanging human resources and sharing management resources with Keihanshin Security Services Co., Ltd.

3. Basic Policy Regarding Selection of Accounting Standards

For the foreseeable future, the Company intends to prepare its consolidated financial statements in accordance with accounting principles that are generally accepted in Japan (Japanese GAAP) out of consideration for the ability to make comparisons with performance from different fiscal years and of different companies.

The Company is examining the possibility of adopting International Financial Reporting Standards (IFRS) in the future, and it is currently in the process of developing internal manuals and guidances and determining the potential timing for adoption.

4. **Consolidated Financial Statements and Significant Notes**

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2016	As of March 31, 2017
Assets		
Current assets		
Cash and deposits	42,750	55,587
Cash for Transportation Security Services	73,142	66,745
Notes and accounts receivable-trade	45,643	50,118
Lease receivables and investment assets	4,114	4,336
Short-term investment securities	419	803
Raw materials and supplies	6,150	5,375
Costs on uncompleted construction contracts	436	451
Advances paid	6,030	6,340
Deferred tax assets	1,880	2,183
Other	7,682	7,881
Allowance for doubtful accounts	(236)	(197)
Total current assets	188,013	199,627
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	47,269	48,336
Accumulated depreciation	(24,252)	(25,480)
Buildings and structures, net	23,016	22,856
Machinery, equipment and vehicles	127,800	130,824
Accumulated depreciation	(108,573)	(111,367)
Machinery, equipment and vehicles, net	19,227	19,457
Land	23,180	23,018
Lease assets	13,394	29,444
Accumulated depreciation	(6,712)	(13,513)
Lease assets, net	6,682	15,931
Construction in progress	1,274	992
Other	14,340	16,227
Accumulated depreciation	(10,381)	(11,509)
Other, net	3,958	4,717
Total property, plant and equipment	77,340	86,974
Intangible assets		
Software	4,033	3,411
Goodwill	10,149	18,615
Other	1,210	2,973
Total intangible assets	15,394	25,000
Investments and other assets		
Investment securities	37,633	40,300
Long-term loans receivable	350	359
Lease and guarantee deposits	8,282	8,935
Insurance funds	1,955	2,167
Net defined benefit asset	341	533
Deferred tax assets	10,810	10,394
Other	9,788	11,975
Allowance for doubtful accounts	(347)	(392)
Total investments and other assets	68,813	74,275
Total noncurrent assets	161,548	186,250
Total assets	349,561	385,877

(Millions of yen)

	As of March 31, 2016	As of March 31, 2017
Liabilities		
Current liabilities		
Notes and accounts payable-trade	22,602	21,426
Short-term loans payable	21,122	27,438
Current portion of long-term loans payable	2,616	3,378
Current portion of bonds	64	54
Accounts payable-other	15,357	17,060
Lease obligations	3,192	4,090
Income taxes payable	6,188	6,214
Accrued consumption taxes	3,043	3,849
Provision for bonuses	1,470	1,958
Provision for directors' bonuses	137	100
Deferred tax liabilities	2	0
Other	11,424	12,534
Total current liabilities	87,222	98,104
Noncurrent liabilities		
Bonds payable	51	47
Long-term loans payable	11,928	11,161
Lease obligations	8,235	19,429
Deferred tax liabilities	332	621
Deferred tax liabilities for land revaluation	314	314
Net defined benefit liability	31,210	29,572
Provision for directors' retirement benefits	1,669	1,778
Asset retirement obligations	75	77
Other	2,900	2,539
Total noncurrent liabilities	56,717	65,542
Total liabilities	143,939	163,647
Net Assets		
Shareholders' equity		
Capital stock	18,675	18,675
Capital surplus	32,117	31,485
Retained earnings	144,551	157,596
Treasury stock	(1,991)	(2,019)
Total shareholders' equity	193,352	205,737
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,570	7,306
Revaluation reserve for land	(5,286)	(5,286)
Foreign currency translation adjustment	113	69
Remeasurements of defined benefit plans	(13,309)	(11,204)
Total valuation and translation adjustments	(11,912)	(9,114)
Non-controlling interests	24,182	25,607
Total net assets	205,622	222,230
Total liabilities and net assets	349,561	385,877

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Net sales	381,818	413,343
Cost of sales	282,880	310,704
Gross profit	98,937	102,639
Selling, general and administrative expenses	69,901	74,217
Operating income	29,036	28,422
Non-operating income		
Interest income	209	176
Dividends income	617	587
Gain on sales of investment securities	24	6
Rent income	263	277
Gain from insurance claim	63	57
Equity in earnings of affiliates	790	1,420
Penalty income	358	274
Other	739	999
Total non-operating income	3,066	3,798
Non-operating expenses		
Interest expenses	652	1,005
Loss on sales of investment securities	7	3
Loss on retirement of noncurrent assets	217	162
Financing expenses	297	296
Other	260	443
Total non-operating expenses	1,436	1,911
Ordinary income	30,667	30,309
Extraordinary income		
Gain on sales of investment securities	60	59
Compensation income	33	-
Total extraordinary income	93	59
Extraordinary loss		
Loss on valuation of investment securities	2	12
Impairment loss	75	45
Provision for loss on dissolution of the employees' pension fund	-	95
Total extraordinary loss	77	153
Income before income taxes	30,682	30,215
Income taxes-current	10,429	10,940
Income taxes-deferred	855	(659)
Total income taxes	11,284	10,281
Net income	19,398	19,934
Profit attributable to non-controlling interests	1,529	1,603
Profit attributable to owners of parent	17,868	18,330

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Net income	19,398	19,934
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,787)	755
Revaluation reserve for land	17	—
Foreign currency translation adjustment	(23)	48
Remeasurements of defined benefit plans, net of tax	(11,742)	2,091
Share of other comprehensive income (loss) of associates accounted for using equity method	(111)	(6)
Total other comprehensive income (loss)	(13,648)	2,888
Comprehensive income	5,749	22,823
(Contents)		
Comprehensive income attributable to owners of the parent	4,566	21,128
Comprehensive income attributable to non-controlling interests	1,183	1,694

(3) Consolidated Statements of Changes in Net Assets

Fiscal year ended March 31, 2016

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	18,675	32,117	130,753	(1,989)	179,557
Cumulative effects of changes in accounting policies					-
Balance at the beginning of current period reflected changes in accounting policies	18,675	32,117	130,753	(1,989)	179,557
Changes of items during the period					
Dividends from surplus			(4,071)		(4,071)
Profit attributable to owners of parent			17,868		17,868
Purchase of treasury stock				(2)	(2)
Change in treasury stock of parent arising from transactions with non-controlling interest shareholders					-
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	-	13,797	(2)	13,794
Balance at the end of current period	18,675	32,117	144,551	(1,991)	193,352

	Accumulated other comprehensive income					Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans, net of tax	Total valuation and translation adjustments		
Balance at the beginning of current period	8,235	(5,293)	173	(1,725)	1,389	23,415	204,363
Cumulative effects of changes in accounting policies							-
Balance at the beginning of current period reflected changes in accounting policies	8,235	(5,293)	173	(1,725)	1,389	23,415	204,363
Changes of items during the period							
Dividends from surplus							(4,071)
Profit attributable to owners of parent							17,868
Purchase of treasury stock							(2)
Change in treasury stock of parent arising from transactions with non-controlling interest shareholders							-
Net changes of items other than shareholders' equity	(1,665)	7	(59)	(11,584)	(13,302)	766	(12,535)
Total changes of items during the period	(1,665)	7	(59)	(11,584)	(13,302)	766	1,258
Balance at the end of current period	6,570	(5,286)	113	(13,309)	(11,912)	24,182	205,622

Fiscal year ended March 31, 2017

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	18,675	32,117	144,551	(1,991)	193,352
Cumulative effects of changes in accounting policies			495		495
Balance at the beginning of current period reflected changes in accounting policies	18,675	32,117	145,046	(1,991)	193,848
Changes of items during the period					
Dividends from surplus			(5,780)		(5,780)
Profit attributable to owners of parent			18,330		18,330
Purchase of treasury stock				(28)	(28)
Change in treasury stock of parent arising from transactions with non-controlling interest shareholders		(632)			(632)
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	(632)	12,550	(28)	11,889
Balance at the end of current period	18,675	31,485	157,596	(2,019)	205,737

	Accumulated other comprehensive income					Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans, net of tax	Total valuation and translation adjustments		
Balance at the beginning of current period	6,570	(5,286)	113	(13,309)	(11,912)	24,182	205,622
Cumulative effects of changes in accounting policies							495
Balance at the beginning of current period reflected changes in accounting policies	6,570	(5,286)	113	(13,309)	(11,912)	24,182	206,118
Changes of items during the period							
Dividends from surplus							(5,780)
Profit attributable to owners of parent							18,330
Purchase of treasury stock							(28)
Change in treasury stock of parent arising from transactions with non-controlling interest shareholders							(632)
Net changes of items other than shareholders' equity	735	-	(43)	2,105	2,797	1,425	4,222
Total changes of items during the period	735	-	(43)	2,105	2,797	1,425	16,112
Balance at the end of current period	7,306	(5,286)	69	(11,204)	(9,114)	25,607	222,230

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Net cash provided by (used in) operating activities		
Income before income taxes	30,682	30,215
Depreciation and amortization	12,109	13,773
Impairment loss	75	45
Amortization of goodwill	1,098	1,076
Increase (decrease) in allowance for doubtful accounts	(210)	(20)
Increase (decrease) in net defined benefit liability	(25)	658
Increase (decrease) in provision for bonuses	10	184
Increase (decrease) in provision for directors' bonuses	(49)	(36)
Interest and dividends income	(827)	(763)
Interest expenses	652	1,005
Equity in (earnings) losses of affiliates	(790)	(1,420)
Loss (gain) on sales of noncurrent assets	(1)	(22)
Loss on retirement of noncurrent assets	217	162
Loss (gain) on sales of investment securities	(77)	(62)
Loss (gain) on valuation of investment securities	2	12
Loss (gain) on valuation of derivatives	10	9
Decrease (increase) in notes and accounts receivable-trade	(1,640)	(878)
Decrease (increase) in inventories	(1,451)	844
Increase (decrease) in notes and accounts payable-trade	(1,425)	(2,300)
Decrease (increase) in net defined benefit asset	(2,083)	402
Decrease (increase) in assets and liabilities for Transportation Security Services	(3,538)	18,157
Other	(5,028)	4,135
Subtotal	27,711	65,181
Interest and dividends income received	988	984
Interest expenses paid	(653)	(1,005)
Income taxes paid	(8,378)	(10,617)
Income taxes refund	11	19
Net cash provided by (used in) operating activities	19,678	54,561

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Net cash provided by (used in) investing activities		
Decrease (increase) in time deposits	1,066	(741)
Purchase of property, plant and equipment	(13,736)	(11,006)
Proceeds from sales of property, plant and equipment	69	165
Purchase of investment securities	(2,692)	(2,899)
Proceeds from sales of investment securities	1,770	2,106
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(6,424)
Decrease (increase) in short-term loans receivable	(28)	183
Payments of long-term loans receivable	(41)	(90)
Collection of long-term loans receivable	86	110
Other	697	(3,459)
Net cash provided by (used in) investing activities	(12,808)	(22,055)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(10,900)	(5,989)
Proceeds from long-term loans payable	12,690	491
Repayment of long-term loans payable	(3,519)	(3,826)
Redemption of bonds	(64)	(104)
Purchase of treasury stock	(0)	(1)
Repayments of lease obligations	(2,903)	(4,265)
Cash dividends paid	(4,071)	(5,780)
Cash dividends paid to attributable to non-controlling interests	(406)	(474)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-	(632)
Net cash provided by (used in) financing activities	(9,176)	(20,582)
Effect of exchange rate change on cash and cash equivalents	(38)	(4)
Net increase (decrease) in cash and cash equivalents	(2,345)	11,919
Cash and cash equivalents at beginning of period	37,976	35,630
Cash and cash equivalents at end of period (Note)	35,630	47,549

(5) Notes on the Preparation of the Consolidated Financial Results

Events or Situations Giving Cause for Serious Doubt Regarding the Premise of a Going Concern

Not applicable

Changes in Accounting Policies

Adoption of Revised Implementation Guidance on Recoverability of Deferred Tax Assets

Effective April 1, 2016, the Company adopted the Revised Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, issued on March 28, 2016, available in Japanese only) and revised a portion of the accounting treatments used in regard to the recoverability of deferred tax assets accordingly.

With regard to application of the Revised Implementation Guidance on Recoverability of Deferred Tax Assets, as per the past treatment stipulated in Article 49 (4) of the Revised Implementation Guidance on Recoverability of Deferred Tax Assets, the difference between the amounts of deferred tax assets and deferred tax liabilities on April 1, 2016, if items (a) and (c) of Article 49 (3) of the Revised Implementation Guidance on Recoverability of Deferred Tax Assets are applied and the amounts deferred tax assets and deferred tax liabilities on March 31, 2016, has been added to retained earnings and accumulated other comprehensive income.

Accordingly, deferred tax assets (under investments and other assets) increased ¥432 million, investment securities increased ¥63 million, and retained earnings increased ¥495 million on April 1, 2016.

As a result of reflecting this change in net assets on April 1, 2016, the figure for retained earnings on the Consolidated Statements of Changes in Net Assets was increased by ¥495 million on April 1, 2016.

Segment Information and Other Related Information

1. Segment Information

(1) Outline of Reportable Segments

A. Method for deciding reportable segments

The reportable segments the Company reports are the business units for which the Company is able to obtain respective financial information separately in order for the Board of Directors, etc., to evaluate regularly in determining how to allocate resources and assess their business performance.

The Group has three reportable segments. The Security Services segment conducts electronic security services, stationed security services, and transportation security services. The General Property Management and Fire Protection Services segment conducts activities including plumbing installation, electrical installation, and other facility installation; facility operation and management services; environmental hygiene management; cleaning services; fire extinguishing equipment inspection and installation; and sales of various disaster prevention equipment. The Long-term Care Services segment provides in-home care support services, visitation-based care services, and day care services and also operates care facilities.

The Other Services category incorporates operations not included in reportable segments. This segment includes operations such as the provision of MMK multi-function ATMs, ALSOK Safety Confirmation Services, and MAMOLOOK multi-function mobile security terminals as well as security solutions operations and information security services.

B. Change to reportable segments

In the year ended March 31, 2017, the Company revised its method of dividing segments and thus changed from its previous two reportable segments—Security Services and General Property Management and Fire Protection Services—to the three segments of Security Services, General Property Management and Fire Protection Services, and Long-term Care Services. This move was made to reflect the establishment of the Long-term Care Business Department within the Company for overseeing long-term care service operations as well as the consolidation of Wisnet Co., Ltd., and six other subsidiaries operating long-term care businesses. The method for allocating expenses was also partially revised to facilitate a better understanding of the performance of each segment.

Figures for the fiscal year ended March 31, 2016, have been restated to reflect the changes in reportable segments and expense allocation method.

(2) Method of Calculating Sales and Income (Loss) and Other Items by Reportable Segments

The accounting methods used for reportable segments are the same as those used to prepare the consolidated financial statements.

Income by reportable segment is calculated based on operating income.

Intersegment sales are calculated based on market prices.

(3) Information on Sales and Income (Loss) and Other Items by Reportable Segments

A. For the year ended March 31, 2016

(Millions of yen)

	Reportable segments				Other Services (Note 1)	Total	Elimination and corporate (Note 2)	Consolidation (Note 3)
	Security Services	General Property Management and Fire Protection Services	Long-term Care Services	Total				
Net sales								
Outside sales	315,730	54,976	7,587	378,294	3,523	381,818	-	381,818
Intersegment sales	778	42	0	820	444	1,265	(1,265)	-
Total	316,508	55,019	7,587	379,115	3,968	383,083	(1,265)	381,818
Income (loss) by reportable segment	32,575	4,363	(1)	36,937	875	37,813	(8,776)	29,036
Depreciation	10,866	775	56	11,698	385	12,083	25	12,109
Amortization of goodwill	185	429	484	1,098	0	1,098	-	1,098

Note 1: The Other Services category incorporates operations not included in reportable segments. This segment includes operations such as the provision of MMK multi-function ATMs, ALSOK Safety Confirmation Services, and MAMOLOOK multi-function mobile security terminals as well as security solutions operations and information security services.

Note 2: The ¥8,776 million deduction to income (loss) by reportable segment under eliminations and corporate represents Companywide expenses that cannot be attributed to any specific reportable segment. These expenses are primarily administrative costs not associated with specific reportable segments.

Note 3: Income (loss) by reportable segment has been adjusted for the operating income figure on the Consolidated Statements of Income.

Note 4: Assets are not allocated to specific reportable segments.

B. For the year ended March 31, 2017

(Millions of yen)

	Reportable segments				Other Services (Note 1)	Total	Elimination and corporate (Note 2)	Consolidation (Note 3)
	Security Services	General Property Management and Fire Protection Services	Long-term Care Services	Total				
Net sales								
Outside sales	329,027	55,961	24,921	409,910	3,433	413,343	-	413,343
Intersegment sales	817	101	10	929	468	1,398	(1,398)	-
Total	329,844	56,063	24,932	410,840	3,901	414,742	(1,398)	413,343
Income (loss) by reportable segment	32,291	4,916	(354)	36,853	875	37,729	(9,306)	28,422
Depreciation	11,634	879	828	13,343	404	13,747	26	13,773
Amortization of goodwill	267	86	722	1,076	0	1,076	-	1,076

Note 1: The Other Services category incorporates operations not included in reportable segments. This segment includes operations such as the provision of MMK multi-function ATMs, ALSOK Safety Confirmation Services, and MAMOLOOK multi-function mobile security terminals as well as security solutions operations and information security services.

Note 2: The ¥9,306 million deduction to income (loss) by reportable segment under eliminations and corporate represents Companywide expenses that cannot be attributed to any specific reportable segment. These expenses are primarily administrative costs not associated with specific reportable segments.

Note 3: Income (loss) by reportable segment has been adjusted for the operating income figure on the Consolidated Statements of Income.

Note 4: Assets are not allocated to specific reportable segments.

2. Relative Information

(1) For the Fiscal Year Ended March 31, 2016

A. Product and services information

Product and services information is omitted as it is the same as segment information.

B. Regional information

a. Net sales

Information regarding regional sales is omitted as sales to customers in Japan account for over 90% of the total sales recorded on the Consolidated Statements of Income.

b. Property, plant and equipment

Information regarding property, plant and equipment in specific is omitted as the value of property, plant and equipment in Japan accounts for over 90% of the total value recorded on the Consolidated Balance Sheets.

C. Major customer information

Information regarding major customers is omitted as there are no customers to which over 10% of the total sales recorded on the Consolidated Statements of Income can be attributed.

(2) For the Fiscal Year Ended March 31, 2017

A. Product and services information

Product and services information is omitted as it is the same as segment information.

B. Regional information

a. Net sales

Information regarding regional sales is omitted as sales to customers in Japan account for over 90% of the total sales recorded on the Consolidated Statements of Income.

b. Property, plant and equipment

Information regarding property, plant and equipment in specific is omitted as the value of property, plant and equipment in Japan accounts for over 90% of the total value recorded on the Consolidated Balance Sheets.

C. Major customer information

Information regarding major customers is omitted as there are no customers to which over 10% of the total sales recorded on the Consolidated Statements of Income can be attributed.

3. Information on Impairment Loss in Noncurrent Assets by Reportable Segment

(1) For the Fiscal Year Ended March 31, 2016

There were no impairment losses attributed to reportable segments. An impairment loss of ¥75 million not attributed to reportable segments was recorded of which ¥39 million was on the value of buildings and ¥36 million was on the value of land.

(2) For the Fiscal Year Ended March 31, 2017

There were no impairment losses attributed to reportable segments. An impairment loss of ¥45 million not attributed to reportable segments was recorded of which ¥8 million was on the value of buildings and ¥37 million was on the value of land.

4. Information on Amortization of Goodwill and Unamortized Balance by Reportable Segment

(1) For the Fiscal Year Ended March 31, 2016

Amortization of goodwill and unamortized balance

Information regarding amortization of goodwill is omitted as it is the same as the information disclosed in segment information.

On March 31, 2016, the balance of unamortized goodwill was ¥10,149 million. As assets are not allocated to specific reportable segments, the balance of unamortized goodwill at the end of the fiscal year is not included in reportable segments.

(2) For the Fiscal Year Ended March 31, 2017

Amortization of goodwill and unamortized balance

Information regarding amortization of goodwill is omitted as it is the same as the information disclosed in segment information.

On March 31, 2017, the balance of unamortized goodwill was ¥18,615 million. As assets are not allocated to specific reportable segments, the balance of unamortized goodwill at the end of the fiscal year is not included in reportable segments.

5. Information on Negative Goodwill by Reportable Segment

(1) For the Fiscal Year Ended March 31, 2016

Not applicable

(2) For the Fiscal Year Ended March 31, 2017

In the fiscal year ended March 31, 2017, ¥135 million was included in equity in earnings of affiliates on the Consolidated Statements of Income to reflect negative goodwill incurred as a result of Nippon Dry-Chemical Co., Ltd., being introduced into the scope of equity method application. This negative goodwill is not allocated to reportable segments.

Per Share Information

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Net assets per share (yen)	1,805.09	1,956.25
Net income per share (yen)	177.77	182.37

Note 1: Fully diluted net income per share is not shown because no applicable shares existed.

Note 2: The following is the basis for calculating net income per share (basic and diluted).

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Net income per share		
Profit attributable to owners of parent (Millions of yen)	17,868	18,330
Amount not belonging to ordinary shareholders (Millions of yen)	-	-
Net income attributable to common stock owners of the parent (Millions of yen)	17,868	18,330
Weighted-average numbers of ordinary shares (Thousands of shares)	100,518	100,511

Note 3: The basis for calculating net assets per share is as follows.

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Total net assets (Millions of yen)	205,622	222,230
Amount deducted from total net assets (Millions of yen)	24,182	25,607
(non-controlling interests)	(24,182)	(25,607)
Net assets at end of year relating to common stock (Millions of yen)	181,439	196,622
Amount of common stock at end of year used for calculating net assets per share (Thousands of shares)	100,515	100,510

Significant Subsequent Events

Receipt of Transference of Operations through Absorption-Type Company Split

On April 1, 2017, the security services operations (stationed security services) of TelWel East Japan Corporation were transferred to consolidated subsidiary ALSOK-TW East Japan Co., Ltd., through an absorption-type company split.

Overview of Business Combination

(1) Name of counterparty and details of operations acquired

Name of counterparty: TelWel East Japan Corporation

Details of operations: Security services operations (stationed security services)

(2) Main reason for business combination

TelWel East Japan has a robust track record in its security services operations, largely developed through its long history of providing stationed security services to office buildings housing NTT Group companies.

An agreement was reached between TelWel East Japan and the Company to undertake this business combination in order to create systems for the reciprocal use of the management resources of both parties for the purpose of addressing operating environment changes in the security services industry, namely the labor shortages and trend toward mechanization and specialization, and ultimately making it possible to supply higher-value-added services.

Going forward, the Company will strive to provide even more detailed responses to customers' diverse needs by working together with the ALSOK-TW East Japan to propose combinations of stationed security services and electronic security services and new security services and general property management and fire protection services.

(3) Date of business combination

April 1, 2017

(4) Legal form of business combination

Absorption-type company split with TelWel East Japan being the company split and ALSOK-TW East Japan being the succeeding company

(5) Name of company after business combination

ALSOK-TW East Japan Co., Ltd.

Consolidation of Company through Acquisition of Shares

At a meeting of the Board of Directors held on April 4, 2017, the Company resolved to acquire from TOBU DELIVERY CO., LTD., a wholly owned subsidiary of TOBU RAILWAY CO., LTD., all shares of Delivery Service CO., LTD., the company that will succeed the transportation security services operations of TOBU DELIVERY through an absorption-type company split. A share transfer agreement to this end was then concluded with TOBU DELIVERY.

Overview of Business Combination

(1) Name of company and details of operations acquired

Name of company: Delivery Service CO., LTD.

Details of operations: Security services operations (transportation security services)

(2) Main reason for business combination

TOBU DELIVERY supplies transportation security services in the Tokyo metropolitan area, excluding Yamanashi Prefecture. This company has developed an impressive track record through its years of providing fine-tune services, including collection and delivery services for cash, valuables, and gift certificates, to Tobu Group companies as well as to a wide range of other customers in distribution, retail, and other industries.

The agreement for this business combination was reached based on the judgment that receiving all shares of stock in Delivery Service, which will inherit these transportation security services operations from TOBU DELIVERY, would enable the Company to provide even higher-value-added services.

(3) Date of business combination

July 1, 2017 (tentative)

(4) Legal form of business combination

Acquisition of shares

(5) Name of company after business combination

ALSOK KANTO DELIVERY CO., LTD. (name scheduled to be changed on July 3, 2017)

Conversion of Company to Associate Accounted for Using Equity Method through Acquisition of Shares

On April 24, 2017, an agreement was reached to form a capital alliance with Keihanshin Security Services Co., Ltd., a company that provides stationed security services, electronic security services, transportation security services, and general property management services primarily in Osaka, by acquiring 238 shares (36.1% of voting rights) of this company from Keihanshin Real Estate Co., Ltd. As a result, Keihanshin Security Services Co., Ltd., will be converted into an associate accounted for using the equity method.

Through this capital alliance, Keihanshin Security Services Co., Ltd., and the Company will build upon their already close relationship to provide higher-value-added services by exchanging human resources and sharing management resources.