

Consolidated Financial Results for the Third Quarter Ended December 31, 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>

Representative: Yukiyasu Aoyama, President and Representative Director

Financial and accounting: Hiraku Otani, Director and Senior Executive Officer (Phone:+81-3-3423-2331)

1. Summary of the consolidated financial results for the third quarter ended December 31, 2017
(April 1, 2017 - December 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	%
Nine months ended								
December 31, 2017	319,303	5.9	20,630	4.7	21,773	3.2	12,886	2.6
December 31, 2016	301,551	8.0	19,713	0.1	21,105	0.5	12,557	2.8

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: Nine months ended December 31, 2017 ¥ 17,083 million 5.3%
Nine months ended December 31, 2016 ¥ 16,216 million 26.2%

	Net income per share		Diluted net income per share	
	Yen		Yen	
Nine months ended				
December 31, 2017	128.03		-	
December 31, 2016	124.93		-	

(2) Consolidated financial conditions

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Nine months ended				
December 31, 2017	399,315	232,951	52.6	2,075.92
Fiscal year ended				
March 31, 2017	385,877	222,230	51.0	1,956.25

Note: Equity capital
Nine months ended December 31, 2017 ¥ 210,156 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	-	30.00	-		
Fiscal year ending					
March 31, 2018(Forecast)				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
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)	Nine months ended December 31, 2017	102,040,042 shares	Year ended March 31, 2017	102,040,042 shares
b Number of shares of treasury stock	Nine months ended December 31, 2017	804,563 shares	Year ended March 31, 2017	1,529,900 shares
c Average number of ordinary shares throughout the fiscal year	Nine months ended December 31, 2017	100,647,269 shares	Nine months ended December 31, 2016	100,512,115 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 December 31, 2017
Assets		
Current assets		
Cash and deposits	55,587	43,845
Cash for Transportation Security Services	66,745	79,143
Notes and accounts receivable-trade	50,118	46,771
Short-term investment securities	803	340
Raw materials and supplies	5,375	6,234
Costs on uncompleted construction contracts	451	1,106
Advances paid	6,340	6,789
Other	14,401	21,104
Allowance for doubtful accounts	(197)	(197)
Total current assets	199,627	205,137
Noncurrent assets		
Property, plant and equipment	86,974	86,646
Intangible assets		
Goodwill	18,615	21,532
Other	6,384	7,400
Total intangible assets	25,000	28,932
Investments and other assets		
Investment securities	40,300	43,189
Other	34,367	35,807
Allowance for doubtful accounts	(392)	(398)
Total investments and other assets	74,275	78,598
Total noncurrent assets	186,250	194,177
Total assets	385,877	399,315
Liabilities		
Current liabilities		
Notes and accounts payable-trade	21,426	18,426
Short-term loans payable	30,816	37,960
Income taxes payable	6,214	1,920
Provision	2,059	1,187
Other	37,588	42,401
Total current liabilities	98,104	101,896
Noncurrent liabilities		
Bonds payable	47	30
Long-term loans payable	11,161	9,241
Net defined benefit liability	29,572	30,446
Provision for directors' retirement benefits	1,778	1,762
Asset retirement obligations	77	100
Other	22,905	22,886
Total noncurrent liabilities	65,542	64,467
Total liabilities	163,647	166,363

Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2017	As of December 31, 2017
Net assets		
Shareholders' equity		
Capital stock	18,675	18,675
Capital surplus	31,485	34,243
Retained earnings	157,596	164,702
Treasury stock	(2,019)	(1,068)
Total shareholders' equity	205,737	216,551
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,306	8,311
Revaluation reserve for land	(5,286)	(5,286)
Foreign currency translation adjustment	69	26
Remeasurements of defined benefit plans	(11,204)	(9,446)
Total accumulated other comprehensive income	(9,114)	(6,394)
Minority interests	25,607	22,794
Total net assets	222,230	232,951
Total liabilities and net assets	385,877	399,315

Consolidated Statements of Income

(Millions of yen)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Net sales	301,551	319,303
Cost of sales	226,693	242,175
Gross profit	74,858	77,128
Selling, general and administrative expenses	55,144	56,497
Operating income	19,713	20,630
Non-operating income		
Interest income	130	134
Dividends income	585	595
Gain on sales of investment securities	5	86
Equity in earnings of affiliates	836	531
Other	1,106	1,177
Total non-operating income	2,663	2,525
Non-operating expenses		
Interest expenses	752	741
Financing expenses	222	220
Loss on sales of investment securities	0	1
Loss on retirement of non-current assets	107	104
Other	187	314
Total non-operating expenses	1,271	1,382
Ordinary income	21,105	21,773
Extraordinary income		
Gain on sales of investment securities	59	0
Total extraordinary income	59	0
Extraordinary loss		
Loss on valuation of investment securities	10	-
Impairment loss	17	0
Provision for loss on dissolution of the employees' pension fund	95	-
Total extraordinary losses	122	0
Income before income taxes	21,042	21,773
Income taxes	7,349	7,677
Net Income	13,692	14,095
Profit attributable to non-controlling interests	1,135	1,209
Profit attributable to owners of parent	12,557	12,886

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Net income	13,692	14,095
Other comprehensive income		
Valuation difference on available-for-sale securities	850	1,048
Foreign currency translation adjustment	2	(61)
Remeasurements of defined benefit plans	1,683	1,874
Share of other comprehensive income of associates accounted for using equity method	(12)	126
Total other comprehensive income	2,524	2,987
Comprehensive income	16,216	17,083
(Contents)		
Comprehensive income attributable to owners of the parent	14,986	15,680
Comprehensive income attributable to non-controlling interests	1,230	1,402

Consolidated Statements of Cash Flows

(Millions of yen)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Net cash provided by (used in) operating activities		
Income before income taxes	21,042	21,773
Depreciation and amortization	10,148	10,342
Impairment loss	17	0
Amortization of goodwill	745	1,202
Increase (decrease) in allowance for doubtful accounts	3	6
Increase (decrease) in net defined benefit liability	906	478
Increase (decrease) in provision for bonuses	(702)	(870)
Increase (decrease) in provision for directors' bonuses	(33)	(21)
Interest and dividends income	(716)	(730)
Interest expenses	752	741
Equity in (earnings) losses of affiliates	(836)	(531)
Loss (gain) on sales of noncurrent assets	(21)	10
Loss on retirement of noncurrent assets	107	104
Loss (gain) on sales of investment securities	(64)	(85)
Loss (gain) on valuation of investment securities	10	-
Loss (gain) on valuation of derivatives	7	(9)
Decrease (increase) in notes and accounts receivable-trade	5,003	3,345
Decrease (increase) in inventories	124	(1,499)
Increase (decrease) in notes and accounts payable-trade	(5,177)	(1,305)
Decrease (increase) in net defined benefit asset	233	319
Decrease in assets and liabilities for Transportation Security Services	(1,351)	(13,785)
Other	1,040	(2,744)
Subtotal	31,241	16,743
Interest and dividends income received	912	986
Interest expenses paid	(757)	(730)
Income taxes paid	(10,828)	(11,646)
Income taxes refund	19	112
Net cash provided by (used in) operating activities	20,585	5,465

Consolidated Statements of Cash Flows

(Millions of yen)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Net cash provided by (used in) investing activities		
Decrease (increase) in time deposits	(1,067)	(82)
Purchase of property, plant and equipment	(7,172)	(7,720)
Proceeds from sales of property, plant and equipment	159	16
Purchase of investment securities	(1,921)	(1,796)
Proceeds from sales of investment securities	1,529	1,498
Payments for transfer of business	-	(43)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(1,080)	(5,973)
Purchase of shares of subsidiaries and associates	-	(108)
Decrease (increase) in short-term loans receivable	38	26
Payments of long-term loans receivable	(71)	(28)
Collection of long-term loans receivable	100	63
Other	(2,884)	(1,411)
Net cash provided by (used in) investing activities	(12,368)	(15,559)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	5,901	9,894
Proceeds from long-term loans payable	490	577
Repayment of long-term loans payable	(2,860)	(2,605)
Redemption of bonds	(97)	(47)
Purchase of treasury stock	(1)	(0)
Repayments of lease obligations	(3,040)	(3,261)
Cash dividends paid	(5,780)	(5,780)
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	(632)	-
Net cash provided by (used in) financing activities	(6,494)	(1,723)
Effect of exchange rate change on cash and cash equivalents	(18)	(4)
Net increase (decrease) in cash and cash equivalents	1,703	(11,822)
Cash and cash equivalents at beginning of period	35,630	47,549
Cash and cash equivalents at end of period	37,334	35,726