

**Consolidated Financial Results for the First Quarter Ended June 30, 2018**  
**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 1<sup>st</sup> Sec.)

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

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Financial and accounting: Koji Kishimoto, Senior Executive Officer (Phone:+81-3-3470-6811)

**1. Summary of the consolidated financial results for the first quarter ended June 30, 2018 (April 1, 2018 - June 30, 2018)**

(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, 2018	104,531	2.4	5,937	6.0	6,079	1.0	3,462	2.1
June 30, 2017	102,107	3.6	5,599	(4.0)	6,021	(4.2)	3,392	(4.8)

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: Three months ended June 30, 2018 ¥ 3,931 million (20.3%)  
Three months ended June 30, 2017 ¥ 4,932 million 63.3%

	Net income per share		Diluted net income per share	
	Yen		Yen	
Three months ended				
June 30, 2018	34.21		-	
June 30, 2017	33.75		-	

(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, 2018	390,774	241,816	56.0	2,161.87
Fiscal year ended				
March 31, 2018	396,635	241,382	55.0	2,155.74

Reference: Equity capital: Three months ended June 30, 2018 ¥ 218,858 million  
Year ended March 31, 2018 ¥ 218,237 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, 2018	-	30.00	-	30.00	60.00
March 31, 2019	-				
Fiscal year ending					
March 31, 2019(Forecast)		31.00	-	31.00	62.00

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

### 3. Forecasts for the consolidated financial results for the fiscal year ending March 31, 2019 (April 1, 2018 - March 31, 2019)

(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	217,500	3.5	14,100	9.1	14,900	7.9	9,000	11.7	88.90
Annual	450,000	3.2	33,100	9.9	35,000	9.7	22,000	13.7	217.32

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, 2018	102,040,042 shares	Year ended March 31, 2018	102,040,042 shares
b Number of shares of treasury stock	Three months ended June 30, 2018	804,637 shares	Year ended March 31, 2018	804,593 shares
c Average number of ordinary shares throughout the fiscal year	Three months ended June 30, 2018	101,235,443 shares	Three months ended June 30, 2017	100,510,098 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, 2018	As of June 30, 2018
<b>Assets</b>		
Current assets		
Cash and deposits	47,573	47,977
Cash for Transportation Security Services	68,715	63,176
Notes and accounts receivable-trade	52,286	43,609
Short-term investment securities	338	306
Raw materials and supplies	5,708	6,143
Costs on uncompleted construction contracts	456	479
Advances paid	6,526	6,544
Other	13,155	19,721
Allowance for doubtful accounts	(226)	(209)
Total current assets	194,533	187,749
Noncurrent assets		
Property, plant and equipment	91,246	90,512
Intangible assets		
Goodwill	21,108	22,248
Other	9,204	9,241
Total intangible assets	30,313	31,489
Investments and other assets		
Investment securities	42,597	41,934
Other	38,324	39,467
Allowance for doubtful accounts	(380)	(379)
Total investments and other assets	80,542	81,022
Total noncurrent assets	202,102	203,024
Total assets	396,635	390,774
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	23,420	16,778
Short-term loans payable	17,612	19,562
Income taxes payable	5,769	1,168
Provision	2,307	1,602
Other	43,384	47,126
Total current liabilities	92,495	86,239
Noncurrent liabilities		
Bonds payable	23	23
Long-term loans payable	8,493	7,946
Net defined benefit liability	27,327	27,812
Provision for directors' retirement benefits	1,806	1,814
Asset retirement obligations	101	101
Other	25,006	25,019
Total noncurrent liabilities	62,758	62,718
Total liabilities	155,253	148,957

## Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2018	As of June 30, 2018
Net assets		
Shareholders' equity		
Capital stock	18,675	18,675
Capital surplus	34,243	34,243
Retained earnings	171,161	171,582
Treasury stock	(1,069)	(1,069)
Total shareholders' equity	223,010	223,431
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,358	7,215
Revaluation reserve for land	(5,286)	(5,286)
Foreign currency translation adjustment	4	(83)
Remeasurements of defined benefit plans	(6,850)	(6,418)
Total accumulated other comprehensive income	(4,773)	(4,573)
Minority interests	23,144	22,958
Total net assets	241,382	241,816
Total liabilities and net assets	396,635	390,774

## Consolidated Statements of Income

(Millions of yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Net sales	102,107	104,531
Cost of sales	77,479	79,331
Gross profit	24,627	25,199
Selling, general and administrative expenses	19,028	19,262
Operating income	5,599	5,937
Non-operating income		
Interest income	45	45
Dividends income	182	200
Equity in earnings of affiliates	84	30
Gain on sales of investment securities	72	12
Other	456	435
Total non-operating income	840	724
Non-operating expenses		
Interest expenses	240	386
Financing expenses	74	75
Loss on sales of investment securities	0	9
Other	103	110
Total non-operating expenses	418	581
Ordinary income	6,021	6,079
Extraordinary income		
Gain on sales of investment securities	0	-
Total extraordinary income	0	-
Extraordinary loss		
Loss on valuation of investment securities	-	62
Loss on sales of non-current assets	-	55
Total extraordinary losses	-	118
Income before income taxes	6,021	5,961
Income taxes	2,265	2,204
Net Income	3,756	3,757
Profit attributable to non-controlling interests	363	294
Profit attributable to owners of parent	3,392	3,462

## Consolidated Statements of Comprehensive Income

(Millions of yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Net income	3,756	3,757
Other comprehensive income		
Valuation difference on available-for-sale securities	488	(150)
Foreign currency translation adjustment	(72)	(93)
Remeasurements of defined benefit plans	704	411
Share of other comprehensive income of associates accounted for using equity method	55	7
Total other comprehensive income	1,176	174
Comprehensive income	4,932	3,931
(Contents)		
Comprehensive income attributable to owners of the parent	4,460	3,663
Comprehensive income attributable to non-controlling interests	471	268

## Consolidated Statements of Cash Flows

(Millions of yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Net cash provided by (used in) operating activities		
Income before income taxes	6,021	5,961
Depreciation and amortization	3,317	3,798
Amortization of goodwill	356	421
Increase (decrease) in allowance for doubtful accounts	(19)	(19)
Increase (decrease) in net defined benefit liability	278	318
Increase (decrease) in provision for bonuses	(556)	(633)
Increase (decrease) in provision for directors' bonuses	(60)	(74)
Interest and dividends income	(227)	(246)
Interest expenses	240	386
Equity in (earnings) losses of affiliates	(84)	(30)
Loss (gain) on sales of noncurrent assets	(0)	(0)
Loss on retirement of noncurrent assets	37	38
Loss (gain) on sales of investment securities	(72)	(3)
Loss (gain) on valuation of investment securities	-	62
Loss (gain) on valuation of derivatives	(3)	3
Decrease (increase) in notes and accounts receivable-trade	7,007	9,217
Decrease (increase) in inventories	(295)	(459)
Increase (decrease) in notes and accounts payable-trade	(5,934)	(7,280)
Decrease (increase) in net defined benefit asset	167	(178)
Decrease in assets and liabilities for Transportation Security Services	(13,291)	2,532
Other	(2,081)	(1,800)
Subtotal	(5,200)	12,015
Interest and dividends income received	407	442
Interest expenses paid	(246)	(385)
Income taxes paid	(5,365)	(4,799)
Net cash provided by (used in) operating activities	(10,404)	7,273
Net cash provided by (used in) investing activities		
Decrease (increase) in time deposits	406	176
Purchase of property, plant and equipment	(2,425)	(3,217)
Proceeds from sales of property, plant and equipment	17	204
Purchase of intangible assets	-	(1,401)
Purchase of investment securities	(750)	(144)
Proceeds from sales of investment securities	1,145	293
Payments for transfer of business	(43)	-
Purchase of investments in subsidiaries resulting in change in scope of consolidation	-	(1,737)
Purchase of shares of subsidiaries and associates	(108)	-
Decrease (increase) in short-term loans receivable	22	(1)
Payments of long-term loans receivable	(23)	(9)
Collection of long-term loans receivable	36	21
Other	632	(437)
Net cash provided by (used in) investing activities	(1,088)	(6,252)

## Consolidated Statements of Cash Flows

(Millions of yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	8,881	4,692
Proceeds from long-term loans payable	348	155
Repayment of long-term loans payable	(909)	(860)
Redemption of bonds	(20)	(10)
Purchase of treasury stock	(0)	(0)
Repayments of lease obligations	(1,128)	(938)
Cash dividends paid	(2,764)	(3,037)
Cash dividends paid to minority shareholders	(500)	(454)
Net cash provided by (used in) financing activities	3,906	(453)
Effect of exchange rate change on cash and cash equivalents	(7)	(17)
Net increase (decrease) in cash and cash equivalents	(7,594)	550
Cash and cash equivalents at beginning of period	47,549	40,484
Increase in cash and cash equivalents from newly consolidated subsidiary	-	31
Cash and cash equivalents at end of period	39,955	41,065