

Consolidated Financial Results for the Second Quarter Ended September 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 second quarter ended September 30, 2016
(April 1, 2016 - September 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	%
Six months ended								
September 30, 2016	199,206	8.4	12,527	0.0	13,480	0.9	7,950	3.7
September 30, 2015	183,759	7.2	12,522	55.5	13,362	46.8	7,665	57.0

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: Six months ended September 30, 2016 ¥ 8,806 million 18.2%
Six months ended September 30, 2015 ¥ 7,448 million 15.8%

	Net income per share		Diluted net income per share	
	Yen		Yen	
Six months ended				
September 30, 2016	79.10		-	
September 30, 2015	76.26		-	

(2) Consolidated financial conditions

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Six months ended				
September 30, 2016	356,612	210,791	52.3	1,853.97
Fiscal year ended				
March 31, 2016	349,561	205,622	51.9	1,805.09

Reference: Equity capital Six months ended September 30, 2016 ¥ 186,343 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	-	27.50			
Fiscal year ending					
March 31, 2017 (Forecast)			-	27.50	55.00

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

3. Forecasts for the consolidated financial results for the fiscal year ending March 31, 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
Annual	425,000	11.3	32,800	13.0	35,000	14.1	22,000	23.1	218.87

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 : 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)	Six months ended September 30, 2016	102,040,042 shares	Year ended March 31, 2016	102,040,042 shares
b Number of shares of treasury stock	Six months ended September 30, 2016	1,529,746 shares	Year ended March 31, 2016	1,524,240 shares
c Average number of ordinary shares throughout the fiscal year	Six months ended September 30, 2016	100,513,039 shares	Six months ended September 30, 2015	100,518,305 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 September 30, 2016
Assets		
Current assets		
Cash and deposits	42,750	57,304
Cash for Transportation Security Services	73,142	56,385
Notes and accounts receivable-trade	45,643	41,875
Short-term investment securities	419	868
Raw materials and supplies	6,150	6,037
Costs on uncompleted construction contracts	436	565
Advances paid	6,030	6,209
Other	13,676	14,030
Allowance for doubtful accounts	(236)	(247)
Total current assets	188,013	183,028
Noncurrent assets		
Property, plant and equipment	77,340	85,708
Intangible assets		
Goodwill	10,149	13,247
Other	5,244	4,754
Total intangible assets	15,394	18,001
Investments and other assets		
Investment securities	37,633	36,501
Other	31,528	33,733
Allowance for doubtful accounts	(347)	(362)
Total investments and other assets	68,813	69,872
Total noncurrent assets	161,548	173,583
Total assets	349,561	356,612

	As of March 31, 2016	As of September 30, 2016
Liabilities		
Current liabilities		
Notes and accounts payable-trade	22,602	16,546
Short-term loans payable	23,738	20,494
Income taxes payable	6,188	4,096
Provision	1,608	2,044
Other	33,083	34,313
Total current liabilities	87,222	77,496
Noncurrent liabilities		
Bonds payable	51	74
Long-term loans payable	11,928	12,396
Net defined benefit liability	31,210	31,569
Provision for directors' retirement benefits	1,669	1,704
Asset retirement obligations	75	76
Other	11,782	22,503
Total noncurrent liabilities	56,717	68,323
Total liabilities	143,939	145,820
Net assets		
Shareholders' equity		
Capital stock	18,675	18,675
Capital surplus	32,117	31,485
Retained earnings	144,551	149,981
Treasury stock	(1,991)	(2,019)
Total shareholders' equity	193,352	198,122
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,570	5,748
Revaluation reserve for land	(5,286)	(5,286)
Foreign currency translation adjustment	113	(60)
Remeasurements of defined benefit plans	(13,309)	(12,180)
Total accumulated other comprehensive income	(11,912)	(11,779)
Minority interests	24,182	24,448
Total net assets	205,622	210,791
Total liabilities and net assets	349,561	356,612

Consolidated Statements of Income

(Millions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Net sales	183,759	199,206
Cost of sales	136,889	149,788
Gross profit	46,869	49,418
Selling, general and administrative expenses	34,347	36,890
Operating income	12,522	12,527
Non-operating income		
Interest income	105	85
Dividends income	456	444
Gain on sales of investment securities	23	2
Equity in earnings of affiliates	177	499
Other	803	785
Total non-operating income	1,564	1,817
Non-operating expenses		
Interest expenses	329	506
Financing expenses	147	149
Other	247	208
Total non-operating expenses	725	865
Ordinary income	13,362	13,480
Extraordinary income		
Gain on sales of investment securities	40	16
Compensation income	33	-
Total extraordinary income	73	16
Extraordinary loss		
Loss on valuation of investment securities	2	10
Impairment loss	66	17
Total extraordinary losses	68	27
Income before income taxes	13,367	13,469
Income taxes	5,020	4,743
Net Income	8,347	8,726
Profit attributable to non-controlling interests	681	776
Profit attributable to owners of parent	7,665	7,950

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Net income	8,347	8,726
Other comprehensive income		
Valuation difference on available-for-sale securities	(983)	(857)
Foreign currency translation adjustment	(8)	(42)
Remeasurements of defined benefit plans	59	1,122
Share of other comprehensive income of associates accounted for using equity method	34	(142)
Total other comprehensive income	(898)	79
Comprehensive income	7,448	8,806
(Contents)		
Comprehensive income attributable to owners of the parent	6800	8,083
Comprehensive income attributable to non-controlling interests	648	722

Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Net cash provided by (used in) operating activities		
Income before income taxes	13,367	13,469
Depreciation and amortization	5,844	6,660
Impairment loss	66	17
Amortization of goodwill	549	497
Increase (decrease) in allowance for doubtful accounts	(188)	0
Increase (decrease) in net defined benefit liability	36	463
Increase (decrease) in provision for bonuses	248	354
Increase (decrease) in provision for directors' bonuses	(111)	(62)
Interest and dividends income	(561)	(529)
Interest expenses	329	506
Equity in (earnings) losses of affiliates	(177)	(499)
Loss (gain) on sales of noncurrent assets	(0)	(21)
Loss on retirement of noncurrent assets	107	81
Loss (gain) on sales of investment securities	(63)	(18)
Loss (gain) on valuation of investment securities	2	10
Loss (gain) on valuation of derivatives	16	21
Decrease (increase) in notes and accounts receivable-trade	5,651	6,409
Decrease (increase) in inventories	(1,132)	0
Increase (decrease) in notes and accounts payable-trade	(8,804)	(8,962)
Decrease (increase) in net defined benefit asset	(1,046)	119
Decrease in assets and liabilities for Transportation Security Services	9,471	8,694
Other	(6,002)	3,085
Subtotal	17,602	30,297
Interest and dividends income received	724	741
Interest expenses paid	(332)	(516)
Income taxes paid	(5,474)	(6,666)
Income taxes refund	11	19
Net cash provided by (used in) operating activities	12,530	23,875

Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Net cash provided by (used in) investing activities		
Decrease (increase) in time deposits	174	(565)
Purchase of property, plant and equipment	(6,641)	(4,608)
Proceeds from sales of property, plant and equipment	14	155
Purchase of investment securities	(1,076)	(1,712)
Proceeds from sales of investment securities	982	1,269
Purchase of investments in subsidiaries resulting in change in scope of consolidation	-	(8)
Decrease (increase) in short-term loans receivable	(30)	29
Payments of long-term loans receivable	(16)	(26)
Collection of long-term loans receivable	43	80
Other	164	181
Net cash provided by (used in) investing activities	(6,385)	(5,204)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(4,843)	3,257
Proceeds from long-term loans payable	360	160
Repayment of long-term loans payable	(1,789)	(1,981)
Redemption of bonds	(32)	(52)
Purchase of treasury stock	(0)	(0)
Repayments of lease obligations	(1,587)	(2,042)
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	-	(632)
Net cash provided by (used in) financing activities	(10,360)	(4,782)
Effect of exchange rate change on cash and cash equivalents	(13)	(20)
Net increase (decrease) in cash and cash equivalents	(4,229)	13,867
Cash and cash equivalents at beginning of period	37,976	35,630
Cash and cash equivalents at end of period	33,747	49,498

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 September 30, 2016	YoY(%)
Security Services		
Electronic Security Services	869,733	4.4
Stationed Security Services	3,880	2.6
Transportation Security Services	64,336	6.6
Total	937,949	4.6
General Property Management and Fire Protection Services	86,696	10.8
Long-term Care Services	22,477	71.5
Total for reportable segments	1,047,122	5.9
Other Services	20,484	17.7
Total	1,067,606	6.1

b. Sales

Sales for each business category are as follows.

(Millions of yen)

Business segment	Six months ended September 30, 2016	YoY(%)
Security Services		
Electronic Security Services	82,345	1.6
Stationed Security Services	49,191	6.7
Transportation Security Services	27,844	2.7
Total	159,381	3.3
General Property Management and Fire Protection Services	25,616	6.6
Long-term Care Services	12,503	228.2
Total for reportable segments	197,501	8.5
Other Services	1,704	2.4
Total	199,206	8.4

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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