

Consolidated Financial Results for the Third Quarter Ended December 31, 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 third quarter ended December 31, 2016
(April 1, 2016 - December 31, 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	%
Nine months ended								
December 31, 2016	301,551	8.0	19,713	0.1	21,105	0.5	12,557	2.8
December 31, 2015	279,284	6.0	19,700	41.7	20,996	37.0	12,218	44.1

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, 2016 ¥ 16,216 million 26.2%
Nine months ended December 31, 2015 ¥ 12,845 million 14.5%

	Net income per share		Diluted net income per share	
	Yen		Yen	
Nine months ended				
December 31, 2016	124.93		-	
December 31, 2015	121.55		-	

(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, 2016	378,094	215,531	50.4	1,894.82
Fiscal year ended				
March 31, 2016	349,561	205,622	51.9	1,805.09

Reference: Equity capital Nine months ended December 31, 2016 ¥ 190,448 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)	Nine months ended December 31, 2016	102,040,042 shares	Year ended March 31, 2016	102,040,042 shares
b Number of shares of treasury stock	Nine months ended December 31, 2016	1,529,893 shares	Year ended March 31, 2016	1,524,240 shares
c Average number of ordinary shares throughout the fiscal year	Nine months ended December 31, 2016	100,512,115 shares	Nine months ended December 31, 2015	100,518,296 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 December 31, 2016
Assets		
Current assets		
Cash and deposits	42,750	45,694
Cash for Transportation Security Services	73,142	76,061
Notes and accounts receivable-trade	45,643	43,453
Short-term investment securities	419	947
Raw materials and supplies	6,150	5,752
Costs on uncompleted construction contracts	436	761
Advances paid	6,030	5,769
Other	13,676	20,438
Allowance for doubtful accounts	(236)	(248)
Total current assets	188,013	198,631
Noncurrent assets		
Property, plant and equipment	77,340	85,458
Intangible assets		
Goodwill	10,149	14,031
Other	5,244	5,397
Total intangible assets	15,394	19,428
Investments and other assets		
Investment securities	37,633	39,326
Other	31,528	35,613
Allowance for doubtful accounts	(347)	(364)
Total investments and other assets	68,813	74,575
Total noncurrent assets	161,548	179,462
Total assets	349,561	378,094
Liabilities		
Current liabilities		
Notes and accounts payable-trade	22,602	16,109
Short-term loans payable	23,738	32,237
Income taxes payable	6,188	2,290
Provision	1,608	1,018
Other	33,083	42,894
Total current liabilities	87,222	94,550
Noncurrent liabilities		
Bonds payable	51	54
Long-term loans payable	11,928	11,838
Net defined benefit liability	31,210	31,953
Provision for directors' retirement benefits	1,669	1,733
Asset retirement obligations	75	76
Other	11,782	22,355
Total noncurrent liabilities	56,717	68,011
Total liabilities	143,939	162,562

Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2016	As of December 31, 2016
Net assets		
Shareholders' equity		
Capital stock	18,675	18,675
Capital surplus	32,117	31,485
Retained earnings	144,551	151,823
Treasury stock	(1,991)	(2,019)
Total shareholders' equity	193,352	199,963
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,570	7,390
Revaluation reserve for land	(5,286)	(5,286)
Foreign currency translation adjustment	113	(3)
Remeasurements of defined benefit plans	(13,309)	(11,616)
Total accumulated other comprehensive income	(11,912)	(9,515)
Minority interests	24,182	25,083
Total net assets	205,622	215,531
Total liabilities and net assets	349,561	378,094

Consolidated Statements of Income

(Millions of yen)

	Nine months ended December 31, 2015	Nine months ended December 31, 2016
Net sales	279,284	301,551
Cost of sales	207,661	226,693
Gross profit	71,623	74,858
Selling, general and administrative expenses	51,923	55,144
Operating income	19,700	19,713
Non-operating income		
Interest income	155	130
Dividends income	599	585
Gain on sales of investment securities	24	5
Equity in earnings of affiliates	443	836
Other	1,100	1,106
Total non-operating income	2,323	2,663
Non-operating expenses		
Interest expenses	496	752
Financing expenses	232	222
Loss on sales of investment securities	2	0
Loss on retirement of non-current assets	140	107
Other	155	187
Total non-operating expenses	1,027	1,271
Ordinary income	20,996	21,105
Extraordinary income		
Gain on sales of investment securities	40	59
Compensation income	33	-
Total extraordinary income	73	59
Extraordinary loss		
Loss on valuation of investment securities	2	10
Impairment loss	75	17
Provision for loss and dissolution for the employees' pension fund	-	95
Total extraordinary losses	77	122
Income before income taxes	20,992	21,042
Income taxes	7,687	7,349
Net Income	13,304	13,692
Profit attributable to non-controlling interests	1,086	1,135
Profit attributable to owners of parent	12,218	12,557

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Nine months ended December 31, 2015	Nine months ended December 31, 2016
Net income	13,304	13,692
Other comprehensive income		
Valuation difference on available-for-sale securities	(576)	850
Foreign currency translation adjustment	(28)	2
Remeasurements of defined benefit plans	105	1,683
Share of other comprehensive income of associates accounted for using equity method	40	(12)
Total other comprehensive income	(459)	2,524
Comprehensive income	12,845	16,216
(Contents)		
Comprehensive income attributable to owners of the parent	11,778	14,986
Comprehensive income attributable to non-controlling interests	1,067	1,230

Consolidated Statements of Cash Flows

(Millions of yen)

	Nine months ended December 31, 2015	Nine months ended December 31, 2016
Net cash provided by (used in) operating activities		
Income before income taxes	20,992	21,042
Depreciation and amortization	8,939	10,148
Impairment loss	75	17
Amortization of goodwill	824	745
Increase (decrease) in allowance for doubtful accounts	(182)	3
Increase (decrease) in net defined benefit liability	251	906
Increase (decrease) in provision for bonuses	(659)	(702)
Increase (decrease) in provision for directors' bonuses	(82)	(33)
Interest and dividends income	(755)	(716)
Interest expenses	496	752
Equity in (earnings) losses of affiliates	(443)	(836)
Loss (gain) on sales of noncurrent assets	(0)	(21)
Loss on retirement of noncurrent assets	140	107
Loss (gain) on sales of investment securities	(62)	(64)
Loss (gain) on valuation of investment securities	2	10
Loss (gain) on valuation of derivatives	9	7
Decrease (increase) in notes and accounts receivable-trade	2,706	5,003
Decrease (increase) in inventories	(2,371)	124
Increase (decrease) in notes and accounts payable-trade	(5,614)	(5,177)
Decrease (increase) in net defined benefit asset	(1,553)	233
Decrease in assets and liabilities for Transportation Security Services	10,533	(1,351)
Other	(6,887)	1,040
Subtotal	26,358	31,241
Interest and dividends income received	898	912
Interest expenses paid	(487)	(757)
Income taxes paid	(8,778)	(10,828)
Income taxes refund	11	19
Net cash provided by (used in) operating activities	18,003	20,585

Consolidated Statements of Cash Flows

(Millions of yen)

	Nine months ended December 31, 2015	Nine months ended December 31, 2016
Net cash provided by (used in) investing activities		
Decrease (increase) in time deposits	719	(1,067)
Purchase of property, plant and equipment	(8,765)	(7,172)
Proceeds from sales of property, plant and equipment	67	159
Purchase of investment securities	(1,300)	(1,921)
Proceeds from sales of investment securities	1,177	1,529
Purchase of investments in subsidiaries resulting in change in scope of consolidation	-	(1,080)
Decrease (increase) in short-term loans receivable	(28)	38
Payments of long-term loans receivable	(29)	(71)
Collection of long-term loans receivable	70	100
Other	62	(2,884)
Net cash provided by (used in) investing activities	(8,026)	(12,368)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(4,739)	5,901
Proceeds from long-term loans payable	590	490
Repayment of long-term loans payable	(2,619)	(2,860)
Redemption of bonds	(57)	(97)
Purchase of treasury stock	(0)	(1)
Repayments of lease obligations	(2,285)	(3,040)
Cash dividends paid	(4,071)	(5,780)
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	(13,589)	(6,494)
Effect of exchange rate change on cash and cash equivalents	(27)	(18)
Net increase (decrease) in cash and cash equivalents	(3,640)	1,703
Cash and cash equivalents at beginning of period	37,976	35,630
Cash and cash equivalents at end of period	34,336	37,334

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 December 31, 2016	YoY(%)
Security Services		
Electronic Security Services	879,695	4.1
Stationed Security Services	3,891	2.2
Transportation Security Services	65,014	6.4
Total	948,600	4.2
General Property Management and Fire Protection Services	88,221	9.7
Long-term Care Services	22,388	69.3
Total for reportable segments	1,059,209	5.5
Other Services	21,238	17.0
Total	1,080,447	5.7

b. Sales

Sales for each business category are as follows.

(Millions of yen)

Business segment	Nine months ended December 31, 2016	YoY(%)
Security Services		
Electronic Security Services	125,079	2.0
Stationed Security Services	74,734	7.1
Transportation Security Services	41,911	2.7
Total	241,726	3.6
General Property Management and Fire Protection Services	38,528	2.2
Long-term Care Services	18,753	226.3
Total for reportable segments	299,008	8.1
Other Services	2,542	(3.2)
Total	301,551	8.0

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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