

Consolidated Financial Results for the Second Quarter Ended September 30, 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>

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1. Summary of the consolidated financial results for the second quarter ended September 30, 2017
(April 1, 2017 - September 30, 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	%
Six months ended								
September 30, 2017	210,121	5.5	12,929	3.2	13,813	2.5	8,056	1.3
September 30, 2016	199,206	8.4	12,527	0.0	13,480	0.9	7,950	3.7

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, 2017 ¥ 10,592 million 20.3%
Six months ended September 30, 2016 ¥ 8,806 million 18.2%

	Net income per share		Diluted net income per share	
	Yen		Yen	
Six months ended				
September 30, 2017	80.15		-	
September 30, 2016	79.10		-	

(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, 2017	375,407	229,477	54.2	2,024.36
Fiscal year ended				
March 31, 2017	385,877	222,230	51.0	1,956.25

Note: Equity capital Six months ended September 30, 2017 ¥ 203,468 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)	Six months ended September 30, 2017	102,040,042 shares	Year ended March 31, 2017	102,040,042 shares
b Number of shares of treasury stock	Six months ended September 30, 2017	1,529,955 shares	Year ended March 31, 2017	1,529,900 shares
c Average number of ordinary shares throughout the fiscal year	Six months ended September 30, 2017	100,510,093 shares	Six months ended September 30, 2016	100,513,039 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 September 30, 2017
Assets		
Current assets		
Cash and deposits	55,587	51,053
Cash for Transportation Security Services	66,745	56,254
Notes and accounts receivable-trade	50,118	47,128
Short-term investment securities	803	134
Raw materials and supplies	5,375	5,674
Costs on uncompleted construction contracts	451	773
Advances paid	6,340	6,536
Other	14,401	15,039
Allowance for doubtful accounts	(197)	(200)
Total current assets	199,627	182,394
Noncurrent assets		
Property, plant and equipment	86,974	86,579
Intangible assets		
Goodwill	18,615	21,960
Other	6,384	7,323
Total intangible assets	25,000	29,284
Investments and other assets		
Investment securities	40,300	41,987
Other	34,367	35,551
Allowance for doubtful accounts	(392)	(390)
Total investments and other assets	74,275	77,148
Total noncurrent assets	186,250	193,013
Total assets	385,877	375,407
Liabilities		
Current liabilities		
Notes and accounts payable-trade	21,426	17,253
Short-term loans payable	30,816	16,881
Income taxes payable	6,214	4,247
Provision	2,059	2,492
Other	37,588	40,176
Total current liabilities	98,104	81,050
Noncurrent liabilities		
Bonds payable	47	30
Long-term loans payable	11,161	9,842
Net defined benefit liability	29,572	30,092
Provision for directors' retirement benefits	1,778	1,720
Asset retirement obligations	77	100
Other	22,905	23,093
Total noncurrent liabilities	65,542	64,879
Total liabilities	163,647	145,929

Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2017	As of September 30, 2017
Net assets		
Shareholders' equity		
Capital stock	18,675	18,675
Capital surplus	31,485	31,489
Retained earnings	157,596	162,888
Treasury stock	(2,019)	(2,020)
Total shareholders' equity	205,737	211,032
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,306	7,727
Revaluation reserve for land	(5,286)	(5,286)
Foreign currency translation adjustment	69	27
Remeasurements of defined benefit plans	(11,204)	(10,032)
Total accumulated other comprehensive income	(9,114)	(7,563)
Minority interests	25,607	26,008
Total net assets	222,230	229,477
Total liabilities and net assets	385,877	375,407

Consolidated Statements of Income

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Net sales	199,206	210,121
Cost of sales	149,788	159,333
Gross profit	49,418	50,788
Selling, general and administrative expenses	36,890	37,858
Operating income	12,527	12,929
Non-operating income		
Interest income	85	89
Dividends income	444	461
Gain on sales of investment securities	2	78
Equity in earnings of affiliates	499	317
Other	785	803
Total non-operating income	1,817	1,750
Non-operating expenses		
Interest expenses	506	492
Financing expenses	149	146
Loss on sales of investment securities	-	0
Other	208	226
Total non-operating expenses	865	866
Ordinary income	13,480	13,813
Extraordinary income		
Gain on sales of investment securities	16	0
Total extraordinary income	16	0
Extraordinary loss		
Loss on valuation of investment securities	10	-
Impairment loss	17	0
Total extraordinary losses	27	0
Income before income taxes	13,469	13,813
Income taxes	4,743	4,977
Net Income	8,726	8,836
Profit attributable to non-controlling interests	776	780
Profit attributable to owners of parent	7,950	8,056

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Net income	8,726	8,836
Other comprehensive income		
Valuation difference on available-for-sale securities	(857)	440
Foreign currency translation adjustment	(42)	(57)
Remeasurements of defined benefit plans	1,122	1,289
Share of other comprehensive income of associates accounted for using equity method	(142)	84
Total other comprehensive income	79	1,756
Comprehensive income	8,806	10,592
(Contents)		
Comprehensive income attributable to owners of the parent	8,083	9,682
Comprehensive income attributable to non-controlling interests	722	910

Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Net cash provided by (used in) operating activities		
Income before income taxes	13,469	13,813
Depreciation and amortization	6,660	6,767
Impairment loss	17	0
Amortization of goodwill	497	779
Increase (decrease) in allowance for doubtful accounts	0	1
Increase (decrease) in net defined benefit liability	463	153
Increase (decrease) in provision for bonuses	354	433
Increase (decrease) in provision for directors' bonuses	(62)	(21)
Interest and dividends income	(529)	(551)
Interest expenses	506	492
Equity in (earnings) losses of affiliates	(499)	(317)
Loss (gain) on sales of noncurrent assets	(21)	0
Loss on retirement of noncurrent assets	81	73
Loss (gain) on sales of investment securities	(18)	(78)
Loss (gain) on valuation of investment securities	10	-
Loss (gain) on valuation of derivatives	21	(13)
Decrease (increase) in notes and accounts receivable-trade	6,409	2,986
Decrease (increase) in inventories	0	(605)
Increase (decrease) in notes and accounts payable-trade	(8,962)	(2,506)
Decrease (increase) in net defined benefit asset	119	167
Decrease in assets and liabilities for Transportation Security Services	8,694	(7,051)
Other	3,085	943
Subtotal	30,297	15,466
Interest and dividends income received	741	804
Interest expenses paid	(516)	(494)
Income taxes paid	(6,666)	(6,840)
Income taxes refund	19	113
Net cash provided by (used in) operating activities	23,875	9,049

Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Net cash provided by (used in) investing activities		
Decrease (increase) in time deposits	(565)	268
Purchase of property, plant and equipment	(4,608)	(4,948)
Proceeds from sales of property, plant and equipment	155	0
Purchase of investment securities	(1,712)	(1,292)
Proceeds from sales of investment securities	1,269	1,264
Payments for transfer of business	-	(43)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(8)	(5,870)
Purchase of shares of subsidiaries and associates	-	(108)
Decrease (increase) in short-term loans receivable	29	21
Payments of long-term loans receivable	(26)	(33)
Collection of long-term loans receivable	80	51
Other	181	(1,027)
Net cash provided by (used in) investing activities	(5,204)	(11,717)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	3,257	5,150
Proceeds from long-term loans payable	160	358
Repayment of long-term loans payable	(1,981)	(1,725)
Redemption of bonds	(52)	(27)
Purchase of treasury stock	(0)	(0)
Repayments of lease obligations	(2,042)	(2,080)
Cash dividends paid	(3,015)	(2,764)
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	(4,782)	(1,589)
Effect of exchange rate change on cash and cash equivalents	(20)	(6)
Net increase (decrease) in cash and cash equivalents	13,867	(4,264)
Cash and cash equivalents at beginning of period	35,630	47,549
Cash and cash equivalents at end of period	49,498	43,285