

**Consolidated Financial Results for the Second Quarter Ended September 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 second quarter ended September 30, 2018**  
**(April 1, 2018 - September 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	%
Six months ended								
September 30, 2018	215,384	2.5	13,879	7.3	14,521	5.1	8,815	9.4
September 30, 2017	210,121	5.5	12,929	3.2	13,813	2.5	8,056	1.3

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, 2018 ¥ 10,213 million (3.6%)  
Six months ended September 30, 2017 ¥ 10,592 million 20.3%

	Net income per share		Diluted net income per share	
	Yen		Yen	
Six months ended				
September 30, 2018	87.08		-	
September 30, 2017	80.15		-	

(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, 2018	393,797	248,103	57.1	2,220.39
Fiscal year ended				
March 31, 2018	396,635	241,382	55.0	2,155.74

Reference: Equity capital Six months ended September 30, 2018 ¥ 224,782 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	-	31.00			
Fiscal year ending					
March 31, 2019(Forecast)			-	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
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)	Six months ended September 30, 2018	102,040,042 shares	Year ended March 31, 2018	102,040,042 shares
b Number of shares of treasury stock	Six months ended September 30, 2018	804,637 shares	Year ended March 31, 2018	804,593 shares
c Average number of ordinary shares throughout the fiscal year	Six months ended September 30, 2018	101,235,424 shares	Six months ended September 30, 2017	100,510,093 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 September 30, 2018
<b>Assets</b>		
Current assets		
Cash and deposits	47,573	47,473
Cash for Transportation Security Services	68,715	66,273
Notes and accounts receivable-trade	52,286	47,311
Short-term investment securities	338	456
Raw materials and supplies	5,708	6,030
Costs on uncompleted construction contracts	456	766
Advances paid	6,526	8,141
Other	13,155	14,186
Allowance for doubtful accounts	(226)	(218)
Total current assets	194,533	190,421
Noncurrent assets		
Property, plant and equipment	91,246	90,221
Intangible assets		
Goodwill	21,108	21,825
Other	9,204	9,007
Total intangible assets	30,313	30,833
Investments and other assets		
Investment securities	42,597	42,507
Other	38,324	40,212
Allowance for doubtful accounts	(380)	(398)
Total investments and other assets	80,542	82,321
Total noncurrent assets	202,102	203,375
Total assets	396,635	393,797
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	23,420	16,566
Short-term loans payable	17,612	19,633
Income taxes payable	5,769	4,356
Provision	2,307	2,527
Other	43,384	40,722
Total current liabilities	92,495	83,796
Noncurrent liabilities		
Bonds payable	23	16
Long-term loans payable	8,493	7,195
Net defined benefit liability	27,327	27,992
Provision for directors' retirement benefits	1,806	1,834
Asset retirement obligations	101	102
Other	25,006	24,755
Total noncurrent liabilities	62,758	61,896
Total liabilities	155,253	145,693

## Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2018	As of September 30, 2018
Net assets		
Shareholders' equity		
Capital stock	18,675	18,675
Capital surplus	34,243	34,243
Retained earnings	171,161	176,939
Treasury stock	(1,069)	(1,069)
Total shareholders' equity	223,010	228,788
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,358	7,328
Revaluation reserve for land	(5,286)	(5,286)
Foreign currency translation adjustment	4	(41)
Remeasurements of defined benefit plans	(6,850)	(6,007)
Total accumulated other comprehensive income	(4,773)	(4,006)
Minority interests	23,144	23,321
Total net assets	241,382	248,103
Total liabilities and net assets	396,635	393,797

## Consolidated Statements of Income

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Net sales	210,121	215,384
Cost of sales	159,333	162,949
Gross profit	50,788	52,434
Selling, general and administrative expenses	37,858	38,554
Operating income	12,929	13,879
Non-operating income		
Interest income	89	90
Dividends income	461	484
Gain on sales of investment securities	78	12
Equity in earnings of affiliates	317	373
Other	803	864
Total non-operating income	1,750	1,825
Non-operating expenses		
Interest expenses	492	795
Financing expenses	146	148
Loss on sales of investment securities	0	9
Other	226	230
Total non-operating expenses	866	1,183
Ordinary income	13,813	14,521
Extraordinary income		
Gain on sales of investment securities	0	3
Total extraordinary income	0	3
Extraordinary loss		
Loss on valuation of investment securities	-	63
Impairment loss	0	0
Loss on sales of non-current assets	-	56
Total extraordinary losses	0	121
Income before income taxes	13,813	14,403
Income taxes	4,977	4,979
Net Income	8,836	9,424
Profit attributable to non-controlling interests	780	608
Profit attributable to owners of parent	8,056	8,815

## Consolidated Statements of Comprehensive Income

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Net income	8,836	9,424
Other comprehensive income		
Valuation difference on available-for-sale securities	440	(17)
Foreign currency translation adjustment	(57)	(64)
Remeasurements of defined benefit plans	1,289	822
Share of other comprehensive income of associates accounted for using equity method	84	49
Total other comprehensive income	1,756	789
Comprehensive income	10,592	10,213
(Contents)		
Comprehensive income attributable to owners of the parent	9,682	9,583
Comprehensive income attributable to non-controlling interests	910	630

## Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Net cash provided by (used in) operating activities		
Income before income taxes	13,813	14,403
Depreciation and amortization	6,767	7,573
Impairment loss	0	0
Amortization of goodwill	779	877
Increase (decrease) in allowance for doubtful accounts	1	8
Increase (decrease) in net defined benefit liability	153	304
Increase (decrease) in provision for bonuses	433	250
Increase (decrease) in provision for directors' bonuses	(21)	(34)
Interest and dividends income	(551)	(575)
Interest expenses	492	795
Equity in (earnings) losses of affiliates	(317)	(373)
Loss (gain) on sales of noncurrent assets	0	57
Loss on retirement of noncurrent assets	73	74
Loss (gain) on sales of investment securities	(78)	(6)
Loss (gain) on valuation of investment securities	-	63
Loss (gain) on valuation of derivatives	(13)	10
Decrease (increase) in notes and accounts receivable-trade	2,986	5,522
Decrease (increase) in inventories	(605)	(631)
Increase (decrease) in notes and accounts payable-trade	(2,506)	(9,097)
Decrease (increase) in net defined benefit asset	167	(504)
Decrease in assets and liabilities for Transportation Security Services	(7,051)	2,091
Other	943	669
Subtotal	15,466	21,481
Interest and dividends income received	804	849
Interest expenses paid	(494)	(790)
Income taxes paid	(6,840)	(6,371)
Income taxes refund	113	96
Net cash provided by (used in) operating activities	9,049	15,265

## Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Net cash provided by (used in) investing activities		
Decrease (increase) in time deposits	268	188
Purchase of property, plant and equipment	(4,948)	(5,669)
Proceeds from sales of property, plant and equipment	0	155
Purchase of intangible assets	-	(1,401)
Purchase of investment securities	(1,292)	(427)
Proceeds from sales of investment securities	1,264	445
Payments for transfer of business	(43)	-
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(5,870)	(1,737)
Purchase of shares of subsidiaries and associates	(108)	-
Decrease (increase) in short-term loans receivable	21	(1)
Payments of long-term loans receivable	(33)	(24)
Collection of long-term loans receivable	51	75
Other	(1,027)	(499)
Net cash provided by (used in) investing activities	(11,717)	(8,896)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	5,150	665
Proceeds from long-term loans payable	358	145
Repayment of long-term loans payable	(1,725)	(1,716)
Redemption of bonds	(27)	(17)
Purchase of treasury stock	(0)	(0)
Repayments of lease obligations	(2,080)	(1,888)
Cash dividends paid	(2,764)	(3,037)
Cash dividends paid to minority shareholders	(500)	(453)
Net cash provided by (used in) financing activities	(1,589)	(6,303)
Effect of exchange rate change on cash and cash equivalents	(6)	(7)
Net increase (decrease) in cash and cash equivalents	(4,264)	58
Cash and cash equivalents at beginning of period	47,549	40,484
Increase in cash and cash equivalents from newly consolidated subsidiary	-	29
Cash and cash equivalents at end of period	43,285	40,572