

Consolidated Financial Results for the Second Quarter Ended September 30, 2013
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/ir/en/index.html>

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1. Summary of the consolidated financial results for the second quarter ended September 30, 2013
(April 1, 2013 – September 30, 2013)

(1) Consolidated operating results

(Figures rounded down to the nearest million)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended								
September 30, 2013	158,147	2.6	8,016	13.3	8,787	12.2	4,628	10.0
September 30, 2012	154,118	4.4	7,075	11.7	7,829	8.6	4,207	45.6

Note 1: Percentages shown in net sales, operating income, ordinary income, and net income above represent the changes from the previous fiscal year.

Note 2: Comprehensive income: Six months ended September 30, 2013 ¥ 6,186 million 22.9%
Six months ended September 30, 2012 ¥ 5,033 million 73.3%

	Net income per share	Diluted net income per share
Six months ended		
September 30, 2013	46.04	—
September 30, 2012	41.85	—

(2) Consolidated financial conditions

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Six months ended				
September 30, 2013	303,399	179,958	52.3	1,577.51
Fiscal year ended				
March 31, 2013	296,665	175,563	52.1	1,536.30

Note: Equity capital: Six months ended September 30, 2013 ¥ 158,569 million
Year ended March 31, 2013 ¥ 154,427 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, 2013	—	11.00	—	14.00	25.00
March 31, 2014	—	12.50			
Fiscal year ending					
March 31, 2014 (Forecast)			—	12.50	25.00

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

3. Forecasts for the consolidated financial results for the fiscal year ending March 31, 2014 (April 1, 2013 - March 31, 2014)

(Figures rounded down to the nearest million)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Annual	330,000	4.6	18,200	54.4	20,000	35.7	10,800	26.0	107.44

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 : Yes

c Changes arising from accounting estimate : Yes

d Restatement : No

Changes are conducted in accordance with Article 10-5 of the Ordinance on Terminology, Forms, and Preparation Methods of Quarterly Consolidated Financial Statements

(4) Number of shares outstanding (Ordinary shares)

a Number of shares issued (including treasury stock)	Six months ended September 30, 2013	102,040,042 shares	Year ended March 31, 2013	102,040,042 shares
b Number of shares of treasury stock	Six months ended September 30, 2013	1,521,055 shares	Year ended March 31, 2013	1,520,950 shares
c Average number of ordinary shares throughout the fiscal year	Six months ended September 30, 2013	100,519,035 shares	Six months ended September 30, 2012	100,534,288 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.

Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2013	As of September 30, 2013
Assets		
Current assets		
Cash and deposits	46,652	39,082
Cash for Transportation Security Services	64,094	74,444
Notes and accounts receivable-trade	31,309	28,796
Short-term investment securities	1,439	440
Raw materials and supplies	4,844	5,467
Costs on uncompleted construction contracts	825	1,024
Advances paid	5,732	5,928
Other	9,450	11,512
Allowance for doubtful accounts	(198)	(177)
Total current assets	164,149	166,519
Noncurrent assets		
Property, plant and equipment	60,149	62,452
Intangible assets		
Goodwill	1,129	955
Other	4,828	4,907
Total intangible assets	5,957	5,862
Investments and other assets		
Investment securities	32,243	33,135
Other	35,020	36,276
Allowance for doubtful accounts	(855)	(846)
Total investments and other assets	66,408	68,564
Total noncurrent assets	132,515	136,879
Total assets	296,665	303,399

	As of March 31, 2013	As of September 30, 2013
Liabilities		
Current liabilities		
Notes and accounts payable-trade	17,417	14,879
Short-term loans payable	23,038	35,618
Income taxes payable	3,732	1,901
Provision	1,250	1,396
Other	29,932	25,603
Total current liabilities	75,372	79,399
Noncurrent liabilities		
Bonds payable	30	25
Long-term loans payable	6,750	5,287
Provision for retirement benefits	28,783	28,409
Provision for directors' retirement benefits	1,624	1,624
Asset retirement obligations	93	66
Other	8,448	8,627
Total noncurrent liabilities	45,730	44,040
Total liabilities	121,102	123,440
Net assets		
Shareholders' equity		
Capital stock	18,675	18,675
Capital surplus	32,117	32,117
Retained earnings	106,731	109,892
Treasury stock	(1,987)	(1,987)
Total shareholders' equity	155,536	158,697
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,245	5,202
Revaluation reserve for land	(5,343)	(5,343)
Foreign currency translation adjustment	(10)	13
Total accumulated other comprehensive income	(1,109)	(128)
Minority interests	21,135	21,389
Total net assets	175,563	179,958
Total liabilities and net assets	296,665	303,399

Consolidated Statements of Income

(Millions of yen)

	Six months ended September 30, 2012	Six months ended September 30, 2013
Net sales	154,118	158,147
Cost of sales	116,865	120,000
Gross profit	37,253	38,146
Selling, general and administrative expenses	30,177	30,129
Operating income	7,075	8,016
Non-operating income		
Interest income	104	127
Dividends income	323	391
Gain on sales of investment securities	-	16
Equity in earnings of affiliates	111	86
Other	787	822
Total non-operating income	1,326	1,443
Non-operating expenses		
Interest expenses	273	278
Loss on sales of investment securities	33	3
Loss on retirement of noncurrent assets	19	52
Other	246	337
Total non-operating expenses	572	672
Ordinary income	7,829	8,787
Extraordinary income		
Gain on sales of investment securities	60	24
Compensation income	361	96
Gain on reversal of asset retirement obligations	-	25
Total extraordinary income	421	147
Extraordinary loss		
Loss on valuation of investment securities	182	8
Loss on retirement of noncurrent assets	-	66
Impairment loss	138	2
Total extraordinary losses	320	78
Income before income taxes	7,930	8,856
Income taxes	3,312	3,691
Income before minority interests	4,617	5,165
Minority interests in income	409	537
Net income	4,207	4,628

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Six months ended September 30, 2012	Six months ended September 30, 2013
Income before minority interests	4,617	5,165
Other comprehensive income		
Valuation difference on available-for-sale securities	405	963
Foreign currency translation adjustment	0	(2)
Share of other comprehensive income of associates accounted for using equity method	10	60
Total other comprehensive income	416	1,021
Comprehensive income	5,033	6,186
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	4,618	5,608
Comprehensive income attributable to minority interests	415	577

	Six months ended September 30, 2012	Six months ended September 30, 2013
Net cash provided by (used in) operating activities		
Income before income taxes	7,930	8,856
Depreciation and amortization	5,690	4,444
Impairment loss	138	2
Amortization of goodwill	181	184
Amortization of negative goodwill	(40)	(40)
Increase (decrease) in allowance for doubtful accounts	70	(29)
Increase (decrease) in provision for retirement benefits	372	(373)
Increase (decrease) in provision for bonuses	191	216
Increase (decrease) in provision for directors' bonuses	(78)	(71)
Interest and dividends income	(428)	(518)
Interest expenses	273	278
Equity in (earnings) losses of affiliates	(111)	(86)
Loss (gain) on sales of noncurrent assets	10	1
Loss on retirement of noncurrent assets	19	119
Gain on Reversal of asset retirement obligations	-	(25)
Loss (gain) on sales of investment securities	(26)	(37)
Loss (gain) on valuation of investment securities	182	8
Loss (gain) on valuation of derivatives	4	(27)
Decrease (increase) in notes and accounts receivable-trade	2,486	2,513
Decrease (increase) in inventories	231	(822)
Increase (decrease) in notes and accounts payable-trade	(4,015)	(6,786)
Decrease (increase) in prepaid pension costs	(91)	(534)
Decrease in assets and liabilities for Transportation Security Services	(3,425)	1,284
Other	1,085	(1,492)
Subtotal	10,652	7,064
Interest and dividends income received	520	658
Interest expenses paid	(273)	(285)
Income taxes paid	(2,825)	(5,481)
Income taxes refund	458	32
Net cash provided by (used in) operating activities	8,532	1,988

Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2012	Six months ended September 30, 2013
Net cash provided by (used in) investing activities		
Decrease (increase) in time deposits	(1,204)	342
Purchase of property, plant and equipment	(4,570)	(5,588)
Proceeds from sales of property, plant and equipment	129	11
Purchase of investment securities	(859)	(660)
Proceeds from sales of investment securities	2,474	925
Purchase of investments in subsidiaries	(145)	(30)
Decrease (increase) in short-term loans receivable	2	(7)
Payments of long-term loans receivable	(29)	(26)
Collection of long-term loans receivable	69	53
Other	(2,335)	(1,657)
Net cash provided by (used in) investing activities	(6,467)	(6,637)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(13)	859
Proceeds from long-term loans payable	400	150
Repayment of long-term loans payable	(1,871)	(1,755)
Redemption of bonds	(55)	(5)
Purchase of treasury stock	—	(0)
Repayments of lease obligations	(1,670)	(1,440)
Cash dividends paid	(1,005)	(1,407)
Cash dividends paid to minority shareholders	(186)	(304)
Net cash provided by (used in) financing activities	(4,401)	(3,903)
Effect of exchange rate change on cash and cash equivalents	(2)	(8)
Net increase (decrease) in cash and cash equivalents	(2,339)	(8,561)
Cash and cash equivalents at beginning of period	40,476	40,541
Increase in cash and cash equivalents from newly consolidated subsidiary	—	36
Cash and cash equivalents at end of period	38,136	32,016

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, 2013	YoY(%)
Security Services		
Electronic Security Services	657,592	8.5
Stationed Security Services	3,137	3.9
Transportation Security Services	53,674	7.1
Total	714,403	8.4
Total Building Management Services and Disaster Prevention Services	59,149	14.5
Total for reportable segments	773,552	8.8
Others	12,240	15.3
Total	785,792	8.9

b. Sales

Sales for each business category are as follows.

(Millions of yen)

Business segment	Six months ended September 30, 2013	YoY(%)
Security Services		
Electronic Security Services	73,616	2.0
Stationed Security Services	37,963	4.4
Transportation Security Services	25,365	(0.2)
Total	136,945	2.3
Total Building Management Services and Disaster Prevention Services	19,630	5.1
Total for reportable segments	156,575	2.6
Others	1,572	3.9
Total	158,147	2.6

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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