

Consolidated Financial Results for the First Quarter Ended June 30, 2014
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 first quarter ended June 30, 2014 (April 1, 2014 – June 30, 2014)

(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	%
Three months ended								
June 30, 2014	82,267	6.5	3,206	(4.4)	3,493	(5.0)	1,722	(7.4)
June 30, 2013	77,210	1.6	3,355	0.1	3,676	1.9	1,861	(4.3)

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

Note 2: Comprehensive income: Three months ended June 30, 2014 ¥ 2,398 million (17.5%)
Three months ended June 30, 2013 ¥ 2,906 million 47.6%

	Net income per share	Diluted net income per share
Three months ended		
June 30, 2014	17.14	—
June 30, 2013	18.51	—

(2) Consolidated financial conditions

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Three months ended				
June 30, 2014	333,844	186,850	49.2	1,635.09
Fiscal year ended				
March 31, 2014	342,495	180,205	46.2	1,574.74

Note: Equity capital: Three months ended June 30, 2014 ¥164,356 million
Year ended March 31, 2014 ¥158,290 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, 2014	—	12.50	—	17.50	30.00
March 31, 2015	—				
Fiscal year ending					
March 31, 2015 (Forecast)		17.50	—	17.50	35.00

Note 1: Revisions to the dividend forecast in this quarter: No

3. Forecasts for the consolidated financial results for the fiscal year ending March 31, 2015 (April 1, 2014 - March 31, 2015)

(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
Interim	174,100	10.1	11,500	43.5	12,500	42.2	6,500	40.4	64.66
Annual	365,000	11.2	27,800	46.8	30,000	44.6	16,000	46.1	159.17

Note 1: 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

Changes are conducted in accordance with Article 10-2 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)	Three months ended June 30, 2014	102,040,042 shares	Year ended March 31, 2014	102,040,042 shares
b Number of shares of treasury stock	Three months ended June 30, 2014	1,521,484 shares	Year ended March 31, 2014	1,521,424 shares
c Average number of ordinary shares throughout the fiscal year	Three months ended June 30, 2014	100,518,582 shares	Three months ended June 30, 2013	100,519,059 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, 2014	As of June 30, 2014
Assets		
Current assets		
Cash and deposits	43,161	42,781
Cash for Transportation Security Services	98,579	85,443
Notes and accounts receivable-trade	36,055	33,090
Short-term investment securities	415	354
Raw materials and supplies	4,380	5,041
Costs on uncompleted construction contracts	343	495
Advances paid	6,370	6,033
Other	10,363	17,750
Allowance for doubtful accounts	(211)	(217)
Total current assets	199,458	190,774
Noncurrent assets		
Property, plant and equipment	68,225	68,796
Intangible assets		
Goodwill	769	1,733
Other	5,381	5,595
Total intangible assets	6,151	7,328
Investments and other assets		
Investment securities	34,466	35,678
Other	35,046	32,115
Allowance for doubtful accounts	(853)	(848)
Total investments and other assets	68,659	66,944
Total noncurrent assets	143,036	143,069
Total assets	342,495	333,844

Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2014	As of June 30, 2014
Liabilities		
Current liabilities		
Notes and accounts payable-trade	21,069	16,347
Short-term loans payable	59,637	52,925
Income taxes payable	4,203	723
Provision	1,310	1,052
Other	28,100	37,033
Total current liabilities	114,322	108,082
Noncurrent liabilities		
Bonds payable	20	75
Long-term loans payable	3,983	3,352
Net defined benefit liability	33,554	24,560
Provision for directors' retirement benefits	1,696	1,641
Asset retirement obligations	67	67
Other	8,645	9,213
Total noncurrent liabilities	47,968	38,910
Total liabilities	162,290	146,993
Net assets		
Shareholders' equity		
Capital stock	18,675	18,675
Capital surplus	32,117	32,117
Retained earnings	114,961	120,701
Treasury stock	(1,988)	(1,988)
Total shareholders' equity	163,766	169,505
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,969	6,034
Revaluation reserve for land	(5,343)	(5,343)
Foreign currency translation adjustment	46	43
Remeasurements of defined benefit plans	(6,148)	(5,883)
Total accumulated other comprehensive income	(5,475)	(5,148)
Minority interests	21,914	22,494
Total net assets	180,205	186,850
Total liabilities and net assets	342,495	333,844

Consolidated Statements of Income

(Millions of yen)

	Three months ended June 30, 2013	Three months ended June 30, 2014
Net sales	77,210	82,267
Cost of sales	58,610	62,325
Gross profit	18,600	19,942
Selling, general and administrative expenses	15,244	16,735
Operating income	3,355	3,206
Non-operating income		
Interest income	54	53
Dividends income	169	168
Equity in earnings of affiliates	—	5
Other	409	393
Total non-operating income	634	621
Non-operating expenses		
Interest expenses	140	161
Equity in losses of affiliates	1	—
Other	171	172
Total non-operating expenses	313	333
Ordinary income	3,676	3,493
Extraordinary income		
Gain on sales of investment securities	24	2
Compensation income	88	—
Total extraordinary income	113	2
Extraordinary loss		
Loss on valuation of investment securities	8	29
Loss on retirement of noncurrent assets	64	—
Total extraordinary losses	73	29
Income before income taxes	3,716	3,466
Income taxes	1,606	1,475
Income before minority interests	2,110	1,990
Minority interests in income	249	268
Net income	1,861	1,722

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Three months ended June 30, 2013	Three months ended June 30, 2014
Income before minority interests	2,110	1,990
Other comprehensive income		
Valuation difference on available-for-sale securities	784	80
Foreign currency translation adjustment	(8)	(3)
Remeasurements of defined benefit plans	—	212
Share of other comprehensive income of associates accounted for using equity method	19	118
Total other comprehensive income	795	408
Comprehensive income	2,906	2,398
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	2,649	2,049
Comprehensive income attributable to minority interests	256	349

Consolidated Statements of Cash Flows

(Millions of yen)

	Three months ended June 30, 2013	Three months ended June 30, 2014
Net cash provided by (used in) operating activities		
Income before income taxes	3,716	3,466
Depreciation and amortization	2,193	2,671
Amortization of goodwill	92	126
Amortization of negative goodwill	(20)	(20)
Increase (decrease) in allowance for doubtful accounts	(27)	(5)
Increase (decrease) in provision for retirement benefits	299	—
Increase (decrease) in net defined benefit liability	—	329
Increase (decrease) in provision for bonuses	(509)	(635)
Increase (decrease) in provision for directors' bonuses	(137)	(175)
Interest and dividends income	(224)	(221)
Interest expenses	140	161
Equity in (earnings) losses of affiliates	1	(5)
Loss (gain) on sales of noncurrent assets	2	(0)
Loss on retirement of noncurrent assets	86	37
Loss (gain) on sales of investment securities	(24)	(2)
Loss (gain) on valuation of investment securities	8	29
Loss (gain) on valuation of derivatives	(33)	32
Decrease (increase) in notes and accounts receivable-trade	5,275	4,146
Decrease (increase) in inventories	(1,106)	(752)
Increase (decrease) in notes and accounts payable-trade	(3,999)	(6,666)
Decrease (increase) in prepaid pension costs	(222)	—
Increase (decrease) in net defined benefit asset	—	(275)
Decrease in assets and liabilities for Transportation Security Services	(5,423)	(1,673)
Other	(2,344)	1,883
Subtotal	(2,257)	2,448
Interest and dividends income received	304	299
Interest expenses paid	(150)	(169)
Income taxes paid	(3,514)	(3,927)
Net cash provided by (used in) operating activities	(5,617)	(1,348)

Consolidated Statements of Cash Flows

(Millions of yen)

	Three months ended June 30, 2013	Three months ended June 30, 2014
Net cash provided by (used in) investing activities		
Decrease (increase) in time deposits	86	424
Purchase of property, plant and equipment	(2,725)	(2,416)
Proceeds from sales of property, plant and equipment	8	1
Purchase of investment securities	(397)	(222)
Proceeds from sales of investment securities	343	206
Purchase of investments in subsidiaries resulting in change in scope of consolidation	—	(1,110)
Decrease (increase) in short-term loans receivable	(6)	6
Payments of long-term loans receivable	(17)	(62)
Collection of long-term loans receivable	37	90
Other	(12)	(402)
Net cash provided by (used in) investing activities	(2,684)	(3,485)
Net increase (decrease) in short-term loans payable	4,761	(7,992)
Proceeds from long-term loans payable	150	160
Repayment of long-term loans payable	(884)	(814)
Redemption of bonds	(5)	(25)
Purchase of treasury stock	(0)	(0)
Repayments of lease obligations	(727)	(538)
Cash dividends paid	(1,407)	(1,759)
Cash dividends paid to minority shareholders	(304)	(401)
Net cash provided by (used in) financing activities	1,582	4,613
Effect of exchange rate change on cash and cash equivalents	(11)	(5)
Net increase (decrease) in cash and cash equivalents	(6,729)	(225)
Cash and cash equivalents at beginning of period	40,541	35,791
Increase in cash and cash equivalents from newly consolidated subsidiary	36	—
Cash and cash equivalents at end of period	33,847	35,566

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 June 30, 2014	YoY(%)
Security Services		
Electronic Security Services	697,051	7.8
Stationed Security Services	3,524	13.2
Transportation Security Services	56,312	6.4
Total	756,887	7.7
Total Building Management Services and Disaster Prevention Services	67,126	17.8
Total for reportable segments	824,013	8.5
Others	14,197	21.6
Total	838,210	8.7

b. Sales

Sales for each business category are as follows.

(Millions of yen)

Business segment	Three months ended June 30, 2014	YoY(%)
Security Services		
Electronic Security Services	37,111	1.7
Stationed Security Services	20,810	10.5
Transportation Security Services	12,858	1.4
Total	70,780	4.1
Total Building Management Services and Disaster Prevention Services	10,715	26.7
Total for reportable segments	81,496	6.6
Others	771	2.0
Total	82,267	6.5

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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