

Consolidated Financial Results for the Second Quarter Ended September 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>

Representative: Yukiyasu Aoyama, President and Representative Director

Financial and accounting: Hiraku Otani, Senior Executive Officer (Phone:+81-3-3423-2331)

1. Summary of the consolidated financial results for the second quarter ended September 30, 2014
(April 1, 2014 – September 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	%
Six months ended								
September 30, 2014	171,471	8.4	8,055	0.5	9,100	3.6	4,881	5.5
September 30, 2013	158,147	2.6	8,016	13.3	8,787	12.2	4,628	10.0

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: Six months ended September 30, 2014 ¥6,434 million (4.0%)
Six months ended September 30, 2013 ¥ 6,186 million 22.9%

	Net income per share	Diluted net income per share
Six months ended		
September 30, 2014	48.56	—
September 30, 2013	46.04	—

(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, 2014	318,441	190,456	52.8	1,671.71
Fiscal year ended				
March 31, 2014	342,495	180,205	46.2	1,574.74

Note: Equity capital: Six months ended September 30, 2014 ¥168,037 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	—	17.50			
Fiscal year ending					
March 31, 2015 (Forecast)			—	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
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)	Six months ended September 30, 2014	102,040,042 shares	Year ended March 31, 2014	102,040,042 shares
b Number of shares of treasury stock	Six months ended September 30, 2014	1,521,598 shares	Year ended March 31, 2014	1,521,424 shares
c Average number of ordinary shares throughout the fiscal year	Six months ended September 30, 2014	100,518,530 shares	Six months ended September 30, 2013	100,519,035 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.

(5) Subsequent event

As announced on October 10, 2014, SOHGO SECURITY SERVICES CO., LTD. Acquired the stock of HCM Corporation on October 31, 2014.

Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2014	As of September 30, 2014
Assets		
Current assets		
Cash and deposits	43,161	41,828
Cash for Transportation Security Services	98,579	74,629
Notes and accounts receivable-trade	36,055	36,206
Short-term investment securities	415	756
Raw materials and supplies	4,380	4,862
Costs on uncompleted construction contracts	343	642
Advances paid	6,370	5,951
Other	10,363	11,179
Allowance for doubtful accounts	(211)	(221)
Total current assets	199,458	175,836
Noncurrent assets		
Property, plant and equipment	68,225	68,761
Intangible assets		
Goodwill	769	1,674
Other	5,381	5,415
Total intangible assets	6,151	7,089
Investments and other assets		
Investment securities	34,466	36,433
Other	35,046	31,144
Allowance for doubtful accounts	(853)	(824)
Total investments and other assets	68,659	66,754
Total noncurrent assets	143,036	142,605
Total assets	342,495	318,441

	As of March 31, 2014	As of September 30, 2014
Liabilities		
Current liabilities		
Notes and accounts payable-trade	21,069	16,631
Short-term loans payable	59,637	38,806
Income taxes payable	4,203	2,015
Provision	1,310	1,642
Other	28,100	31,293
Total current liabilities	114,322	90,389
Noncurrent liabilities		
Bonds payable	20	75
Long-term loans payable	3,983	2,726
Net defined benefit liability	33,554	23,907
Provision for directors' retirement benefits	1,696	1,634
Asset retirement obligations	67	68
Other	8,645	9,184
Total noncurrent liabilities	47,968	37,595
Total liabilities	162,290	127,984
Net assets		
Shareholders' equity		
Capital stock	18,675	18,675
Capital surplus	32,117	32,117
Retained earnings	114,961	123,860
Treasury stock	(1,988)	(1,988)
Total shareholders' equity	163,766	172,664
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,969	6,419
Revaluation reserve for land	(5,343)	(5,343)
Foreign currency translation adjustment	46	57
Remeasurements of defined benefit plans	(6,148)	(5,760)
Total accumulated other comprehensive income	(5,475)	(4,626)
Minority interests	21,914	22,419
Total net assets	180,205	190,456
Total liabilities and net assets	342,495	318,441

Consolidated Statements of Income

(Millions of yen)

	Six months ended September 30, 2013	Six months ended September 30, 2014
Net sales	158,147	171,471
Cost of sales	120,000	130,582
Gross profit	38,146	40,889
Selling, general and administrative expenses	30,129	32,833
Operating income	8,016	8,055
Non-operating income		
Interest income	127	117
Dividends income	391	415
Gain on sales of investment securities	16	—
Equity in earnings of affiliates	86	197
Other	822	992
Total non-operating income	1,443	1,722
Non-operating expenses		
Interest expenses	278	326
Loss on sales of investment securities	3	—
Loss on retirement of noncurrent assets	52	68
Other	337	281
Total non-operating expenses	672	677
Ordinary income	8,787	9,100
Extraordinary income		
Gain on sales of investment securities	24	2
Compensation income	96	13
Gain on reversal of asset retirement obligation	25	—
Total extraordinary income	147	16
Extraordinary loss		
Loss on valuation of investment securities	8	29
Loss on retirement of noncurrent assets	66	—
Impairment loss	2	0
Total extraordinary losses	78	29
Income before income taxes	8,856	9,087
Income taxes	3,691	3,616
Income before minority interests	5,165	5,471
Minority interests in income	537	589
Net income	4,628	4,881

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Six months ended September 30, 2013	Six months ended September 30, 2014
Income before minority interests	5,165	5,471
Other comprehensive income		
Valuation difference on available-for-sale securities	963	489
Foreign currency translation adjustment	(2)	(6)
Remeasurements of defined benefit plans	—	328
Share of other comprehensive income of associates accounted for using equity method	60	151
Total other comprehensive income	1,021	963
Comprehensive income	6,186	6,434
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	5,608	5,730
Comprehensive income attributable to minority interests	577	704

Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2013	Six months ended September 30, 2014
Net cash provided by (used in) operating activities		
Income before income taxes	8,856	9,087
Depreciation and amortization	4,444	5,463
Impairment loss	2	0
Amortization of goodwill	184	257
Amortization of negative goodwill	(40)	(40)
Increase (decrease) in allowance for doubtful accounts	(29)	(25)
Increase (decrease) in provision for retirement benefits	(373)	—
Increase (decrease) in net defined benefit liability	—	98
Increase (decrease) in provision for bonuses	216	(89)
Increase (decrease) in provision for directors' bonuses	(71)	(132)
Interest and dividends income	(518)	(532)
Interest expenses	278	326
Equity in (earnings) losses of affiliates	(86)	(197)
Loss (gain) on sales of noncurrent assets	1	0
Loss on retirement of noncurrent assets	119	68
Gain on reversal of asset retirement obligation	(25)	—
Loss (gain) on sales of investment securities	(37)	(2)
Loss (gain) on valuation of investment securities	8	29
Loss (gain) on valuation of derivatives	(27)	(178)
Decrease (increase) in notes and accounts receivable-trade	2,513	972
Decrease (increase) in inventories	(822)	(724)
Increase (decrease) in notes and accounts payable-trade	(6,786)	(7,181)
Decrease (increase) in prepaid pension costs	(534)	—
Increase (decrease) in net defined benefit asset	—	(793)
Decrease in assets and liabilities for Transportation Security Services	1,284	(3,563)
Other	(1,492)	5,045
Subtotal	7,064	7,887
Interest and dividends income received	658	680
Interest expenses paid	(285)	(339)
Income taxes paid	(5,481)	(5,636)
Income taxes refund	32	100
Net cash provided by (used in) operating activities	1,988	2,693

Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2013	Six months ended September 30, 2014
Net cash provided by (used in) investing activities		
Decrease (increase) in time deposits	342	(895)
Purchase of property, plant and equipment	(5,588)	(4,676)
Proceeds from sales of property, plant and equipment	11	2
Purchase of investment securities	(660)	(440)
Proceeds from sales of investment securities	925	319
Purchase of investments in subsidiaries	(30)	(498)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	—	(1,110)
Decrease (increase) in short-term loans receivable	(7)	(13)
Payments of long-term loans receivable	(26)	(47)
Collection of long-term loans receivable	53	79
Other	(1,657)	395
Net cash provided by (used in) investing activities	(6,637)	(6,887)
Net increase (decrease) in short-term loans payable	859	6440
Proceeds from long-term loans payable	150	360
Repayment of long-term loans payable	(1,755)	(1,632)
Redemption of bonds	(5)	(25)
Purchase of treasury stock	(0)	(0)
Repayments of lease obligations	(1,440)	(1,286)
Cash dividends paid	(1,407)	(1,759)
Cash dividends paid to minority shareholders	(304)	(401)
Net cash provided by (used in) financing activities	(3,903)	1,695
Effect of exchange rate change on cash and cash equivalents	(8)	0
Net increase (decrease) in cash and cash equivalents	(8,561)	(2,497)
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	32,016	33,294

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, 2014	YoY(%)
Security Services		
Electronic Security Services	710,282	8.0
Stationed Security Services	3,564	13.6
Transportation Security Services	57,213	6.6
Total	771,059	7.9
Total Building Management Services and Disaster Prevention Services	69,887	18.2
Total for reportable segments	840,946	8.7
Others	14,630	19.5
Total	855,576	8.9

b. Sales

Sales for each business category are as follows.

(Millions of yen)

Business segment	Six months ended September 30, 2014	YoY(%)
Security Services		
Electronic Security Services	76,274	3.6
Stationed Security Services	42,875	12.9
Transportation Security Services	25,854	1.9
Total	145,004	5.9
Total Building Management Services and Disaster Prevention Services	24,912	26.9
Total for reportable segments	169,917	8.5
Others	1,554	(1.1)
Total	171,471	8.4

Note: 1. Values have not been adjusted for income taxes and other taxes.

2. No one customer accounts for over 10% of total sales.

For inquiries: Yasuo Ishiwata,

General Manager of IR Office

Phone: +81-3-3423-2331

E-mail: alsok-ir@alsok.co.jp

URL: <http://www.alsok.co.jp/en/ir/index.html>