

**Consolidated Financial Results for the Third Quarter Ended December 31, 2015**  
**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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**1. Summary of the consolidated financial results for the third quarter ended December 31, 2015**  
**(April 1, 2015 – December 31, 2015)**

(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	%
Nine months ended								
December 31, 2015	279,284	6.0	19,700	41.7	20,966	37.0	12,218	44.1
December 31, 2014	263,432	10.1	13,903	8.3	15,329	7.6	8,479	14.3

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: Nine months ended December 31, 2015      ¥ 12,845 million      14.5%  
Nine months ended December 31, 2014      ¥ 11,220 million      7.3%

	Net income per share		Diluted net income per share	
	Yen		Yen	
Nine months ended				
December 31, 2015	121.55		-	
December 31, 2014	84.36		-	

(2) Consolidated financial conditions

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Nine months ended				
December 31, 2015	367,837	212,733	51.3	1,876.81
Fiscal year ended				
March 31, 2015	373,863	204,363	48.4	1,800.15

Note: Equity capital:                      Nine months ended December 31, 2015      ¥ 188,653 million  
Year ended March 31, 2015      ¥ 180,947 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, 2015	-	17.50	-	20.50	38.00
March 31, 2016	-	20.00	-		
Fiscal year ending					
March 31, 2016 (Forecast)				20.00	40.00

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, 2016 (April 1, 2015 - March 31, 2016)

(Figures rounded down to the nearest million)

Annual	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
	405,000	10.7	29,400	28.0	31,000	25.5	17,000	25.6	169.12

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

(4) Number of shares outstanding (Ordinary shares)

a Number of shares issued (including treasury stock)	Nine months ended December 31, 2015	102,040,042 shares	Year ended March 31, 2015	102,040,042 shares
b Number of shares of treasury stock	Nine months ended December 31, 2015	1,521,763 shares	Year ended March 31, 2015	1,521,699 shares
c Average number of ordinary shares throughout the fiscal year	Nine months ended December 31, 2015	100,518,296 shares	Nine months ended December 31, 2014	100,518,490 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, 2015	As of December 31, 2015
<b>Assets</b>		
Current assets		
Cash and deposits	46,113	41,752
Cash for Transportation Security Services	96,760	85,938
Notes and accounts receivable-trade	44,020	41,300
Short-term investment securities	861	469
Raw materials and supplies	4,759	6,707
Costs on uncompleted construction contracts	393	808
Advances paid	6,301	6,189
Other	11,479	19,644
Allowance for doubtful accounts	(243)	(255)
Total current assets	210,445	202,554
Noncurrent assets		
Property, plant and equipment	71,704	72,924
Intangible assets		
Goodwill	11,172	10,424
Other	5,681	5,114
Total intangible assets	16,853	15,539
Investments and other assets		
Investment securities	38,629	38,644
Other	36,782	38,531
Allowance for doubtful accounts	(552)	(357)
Total investments and other assets	74,859	76,818
Total noncurrent assets	163,418	165,282
Total assets	373,863	367,837

	As of March 31, 2015	As of December 31, 2015
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	23,946	17,199
Short-term loans payable	62,997	55,946
Income taxes payable	4,232	3,008
Provision	1,647	904
Other	37,641	38,372
<b>Total current liabilities</b>	<b>130,464</b>	<b>115,431</b>
<b>Noncurrent liabilities</b>		
Bonds payable	115	58
Long-term loans payable	1,915	1,773
Net defined benefit liability	25,484	25,839
Provision for directors' retirement benefits	1,725	1,636
Asset retirement obligations	68	75
Other	9,726	10,290
<b>Total noncurrent liabilities</b>	<b>39,035</b>	<b>39,672</b>
<b>Total liabilities</b>	<b>169,500</b>	<b>155,104</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	18,675	18,675
Capital surplus	32,117	32,117
Retained earnings	130,753	138,900
Treasury stock	(1,989)	(1,989)
<b>Total shareholders' equity</b>	<b>179,557</b>	<b>187,704</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	8,235	7,697
Revaluation reserve for land	(5,293)	(5,293)
Foreign currency translation adjustment	173	141
Remeasurements of defined benefit plans	(1,725)	(1,595)
<b>Total accumulated other comprehensive income</b>	<b>1,389</b>	<b>949</b>
Minority interests	23,415	24,079
<b>Total net assets</b>	<b>204,363</b>	<b>212,733</b>
<b>Total liabilities and net assets</b>	<b>373,863</b>	<b>367,837</b>

## Consolidated Statements of Income

(Millions of yen)

	Nine months ended December 31, 2014	Nine months ended December 31, 2015
Net sales	263,432	279,284
Cost of sales	199,893	207,661
Gross profit	63,539	71,623
Selling, general and administrative expenses	49,635	51,923
Operating income	13,903	19,700
Non-operating income		
Interest income	178	155
Dividends income	528	599
Gain on sales of investment securities	60	24
Equity in earnings of affiliates	381	443
Other	1,359	1,100
Total non-operating income	2,508	2,323
Non-operating expenses		
Interest expenses	493	496
Financing expenses	204	232
Loss on sales of investment securities	0	2
Loss on retirement of non-current assets	164	140
Other	220	155
Total non-operating expenses	1,082	1,027
Ordinary income	15,329	20,996
Extraordinary income		
Gain on sales of investment securities	2	40
Compensation income	13	33
Total extraordinary income	16	73
Extraordinary loss		
Loss on valuation of investment securities	29	2
Impairment loss	0	75
Loss on extinguishment of tie-in shares	13	-
Total extraordinary losses	43	77
Income before income taxes	15,301	20,992
Income taxes	5,901	7,687
Net Income	9,399	13,304
Profit attributable to non-controlling interests	920	1,086
Profit attributable to owners of parent	8,479	12,218

## Consolidated Statements of Comprehensive Income

(Millions of yen)

	Nine months ended December 31, 2014	Nine months ended December 31, 2015
Net income	9,399	13,304
Other comprehensive income		
Valuation difference on available-for-sale securities	1,155	(576)
Foreign currency translation adjustment	11	(28)
Remeasurements of defined benefit plans	443	105
Share of other comprehensive income of associates accounted for using equity method	210	40
Total other comprehensive income	1,820	(459)
Comprehensive income	11,220	12,845
(Contents)		
Comprehensive income attributable to owners of the parent	10,082	11,778
Comprehensive income attributable to non-controlling interests	1,138	1,067

## Consolidated Statements of Cash Flows

(Millions of yen)

	Nine months ended December 31, 2014	Nine months ended December 31, 2015
Net cash provided by (used in) operating activities		
Income before income taxes	15,301	20,992
Depreciation and amortization	8,358	8,939
Impairment loss	0	75
Amortization of goodwill	497	824
Amortization of negative goodwill	(60)	-
Increase (decrease) in allowance for doubtful accounts	(24)	(182)
Increase (decrease) in net defined benefit liability	515	251
Increase (decrease) in provision for bonuses	(920)	(659)
Increase (decrease) in provision for directors' bonuses	(138)	(82)
Interest and dividends income	(706)	(755)
Interest expenses	493	496
Equity in (earnings) losses of affiliates	(381)	(443)
Loss (gain) on sales of noncurrent assets	1	(0)
Loss on retirement of noncurrent assets	164	140
Loss (gain) on sales of investment securities	(62)	(62)
Loss (gain) on valuation of investment securities	29	2
Loss (gain) on valuation of derivatives	(211)	9
Decrease (increase) in notes and accounts receivable-trade	138	2,706
Decrease (increase) in inventories	(1,099)	(2,371)
Increase (decrease) in notes and accounts payable-trade	(2,392)	(5,614)
Decrease (increase) in net defined benefit asset	(1,301)	(1,553)
Decrease in assets and liabilities for Transportation Security Services	(17,299)	10,533
Other	3,089	(6,887)
Subtotal	3,991	26,358
Interest and dividends income received	830	898
Interest expenses paid	(485)	(487)
Income taxes paid	(8,476)	(8,778)
Income taxes refund	100	11
Net cash provided by (used in) operating activities	(4,039)	18,003

## Consolidated Statements of Cash Flows

(Millions of yen)

	Nine months ended December 31, 2014	Nine months ended December 31, 2015
Net cash provided by (used in) investing activities		
Decrease (increase) in time deposits	(703)	719
Purchase of property, plant and equipment	(6,806)	(8,765)
Proceeds from sales of property, plant and equipment	1	67
Purchase of investment securities	(589)	(1,300)
Proceeds from sales of investment securities	729	1,177
Purchase of shares of subsidiaries	(498)	-
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(8,761)	-
Decrease (increase) in short-term loans receivable	(12)	(28)
Payments of long-term loans receivable	(78)	(29)
Collection of long-term loans receivable	113	70
Other	375	62
Net cash provided by (used in) investing activities	(16,230)	(8,026)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	25,291	(4,739)
Proceeds from long-term loans payable	900	590
Repayment of long-term loans payable	(2,473)	(2,619)
Redemption of bonds	(50)	(57)
Purchase of treasury stock	(0)	(0)
Repayments of lease obligations	(1,505)	(2,285)
Cash dividends paid	(3,518)	(4,071)
Cash dividends paid to minority shareholders	(401)	(406)
Net cash provided by (used in) financing activities	18,241	(13,589)
Effect of exchange rate change on cash and cash equivalents	23	(27)
Net increase (decrease) in cash and cash equivalents	(2,004)	(3,640)
Cash and cash equivalents at beginning of period	35,791	37,976
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	177	-
Cash and cash equivalents at end of period	33,964	34,336

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 December 31, 2015	YoY(%)
Security Services		
Electronic Security Services	845,384	16.7
Stationed Security Services	3,807	5.5
Transportation Security Services	61,106	4.7
Total	910,297	15.8
General Property Management and Fire Protection Services	80,411	11.2
Total for reportable segments	990,708	15.4
Long-term Care and Other Services	31,375	108.3
Total	1,022,083	17.0

b. Sales

Sales for each business category are as follows.

(Millions of yen)

Business segment	Nine months ended December 31, 2015	YoY(%)
Security Services		
Electronic Security Services	122,617	5.8
Stationed Security Services	69,794	6.5
Transportation Security Services	40,809	4.6
Total	233,221	5.8
General Property Management and Fire Protection Services	37,688	(4.3)
Total for reportable segments	270,909	4.3
Long-term Care and Other Services	8,374	133.5
Total	279,284	6.0

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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