

**Consolidated Financial Results for the Third Quarter Ended December 31, 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 1<sup>st</sup> Sec.)

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

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

**1. Summary of the consolidated financial results for the third quarter ended December 31, 2014**  
**(April 1, 2014 – December 31, 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	%
Nine months ended								
December 31, 2014	263,432	10.1	13,903	8.3	15,329	7.6	8,479	14.3
December 31, 2013	239,330	2.9	12,833	41.7	14,243	25.5	7,416	14.0

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: Nine months ended December 31, 2014 ¥ 11,220 million 7.3%  
Nine months ended December 31, 2013 ¥ 10,461 million 23.5%

	Net income per share	Diluted net income per share
Nine months ended		
December 31, 2014	84.36	—
December 31, 2013	73.78	—

(2) Consolidated financial conditions

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Nine months ended				
December 31, 2014	369,443	193,483	46.2	1,697.50
Fiscal year ended				
March 31, 2014	342,495	180,205	46.2	1,574.74

Note: Equity capital: Nine months ended December 31, 2014 ¥ 170,629 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)	Nine months ended December 31, 2014	102,040,042 shares	Year ended March 31, 2014	102,040,042 shares
b Number of shares of treasury stock	Nine months ended December 31, 2014	1,521,654 shares	Year ended March 31, 2014	1,521,424 shares
c Average number of ordinary shares throughout the fiscal year	Nine months ended December 31, 2014	100,518,490 shares	Nine months ended December 31, 2013	100,519,005 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 January 19, 2015, SOHGO SECURITY SERVICES CO., LTD. acquired the stock of Azbil Care & Support Co., Ltd. on February 4, 2015.

## Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2014	As of December 31, 2014
Assets		
Current assets		
Cash and deposits	43,161	44,306
Cash for Transportation Security Services	98,579	107,085
Notes and accounts receivable-trade	36,055	37,827
Short-term investment securities	415	871
Raw materials and supplies	4,380	4,907
Costs on uncompleted construction contracts	343	977
Advances paid	6,370	6,711
Other	10,363	18,064
Allowance for doubtful accounts	(211)	(228)
Total current assets	199,458	220,523
Noncurrent assets		
Property, plant and equipment	68,225	68,557
Intangible assets		
Goodwill	769	9,671
Other	5,381	5,210
Total intangible assets	6,151	14,881
Investments and other assets		
Investment securities	34,466	37,232
Other	35,046	29,071
Allowance for doubtful accounts	(853)	(822)
Total investments and other assets	68,659	65,480
Total noncurrent assets	143,036	148,919
Total assets	342,495	369,443

	As of March 31, 2014	As of December 31, 2014
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	21,069	17,876
Short-term loans payable	59,637	77,670
Income taxes payable	4,203	1,421
Provision	1,310	827
Other	28,100	40,215
Total current liabilities	114,322	138,010
Noncurrent liabilities		
Bonds payable	20	122
Long-term loans payable	3,983	2,731
Net defined benefit liability	33,554	23,660
Provision for directors' retirement benefits	1,696	1,699
Asset retirement obligations	67	68
Other	8,645	9,666
Total noncurrent liabilities	47,968	37,949
Total liabilities	162,290	175,959
<b>Net assets</b>		
Shareholders' equity		
Capital stock	18,675	18,675
Capital surplus	32,117	32,117
Retained earnings	114,961	125,698
Treasury stock	(1,988)	(1,989)
Total shareholders' equity	163,766	174,502
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,969	7,004
Revaluation reserve for land	(5,343)	(5,343)
Foreign currency translation adjustment	46	104
Remeasurements of defined benefit plans	(6,148)	(5,638)
Total accumulated other comprehensive income	(5,475)	(3,872)
Minority interests	21,914	22,853
Total net assets	180,205	193,483
Total liabilities and net assets	342,495	369,443

## Consolidated Statements of Income

(Millions of yen)

	Nine months ended December 31, 2013	Nine months ended December 31, 2014
Net sales	239,330	263,432
Cost of sales	181,412	199,893
Gross profit	57,918	63,539
Selling, general and administrative expenses	45,085	49,635
Operating income	12,833	13,903
Non-operating income		
Interest income	183	178
Dividends income	501	528
Gain on sales of investment securities	69	60
Equity in earnings of affiliates	216	381
Other	1,369	1,359
Total non-operating income	2,340	2,508
Non-operating expenses		
Interest expenses	421	493
Loss on sales of investment securities	7	0
Loss on retirement of noncurrent assets	83	164
Other	417	425
Total non-operating expenses	930	1,082
Ordinary income	14,243	15,329
Extraordinary income		
Gain on sales of investment securities	25	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
Gain on extinguishment of tie-in shares	—	13
Total extraordinary losses	78	43
Income before income taxes	14,312	15,301
Income taxes	6,024	5,901
Income before minority interests	8,287	9,399
Minority interests in income	871	920
Net income	7,416	8,479

## Consolidated Statements of Comprehensive Income

(Millions of yen)

	Nine months ended December 31, 2013	Nine months ended December 31, 2014
Income before minority interests	8,287	9,399
Other comprehensive income		
Valuation difference on available-for-sale securities	2,064	1,155
Foreign currency translation adjustment	(7)	11
Remeasurements of defined benefit plans	—	443
Share of other comprehensive income of associates accounted for using equity method	117	210
Total other comprehensive income	2,174	1,820
Comprehensive income	10,461	11,220
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	9,497	10,082
Comprehensive income attributable to minority interests	964	1,138

## Consolidated Statements of Cash Flows

(Millions of yen)

	Nine months ended December 31, 2013	Nine months ended December 31, 2014
Net cash provided by (used in) operating activities		
Income before income taxes	14,312	15,301
Depreciation and amortization	6,791	8,358
Impairment loss	2	0
Amortization of goodwill	277	497
Amortization of negative goodwill	(60)	(60)
Increase (decrease) in allowance for doubtful accounts	(38)	(24)
Increase (decrease) in provision for retirement benefits	(180)	—
Increase (decrease) in net defined benefit liability	—	515
Increase (decrease) in provision for bonuses	(562)	(920)
Increase (decrease) in provision for directors' bonuses	(66)	(138)
Interest and dividends income	(685)	(706)
Interest expenses	421	493
Equity in (earnings) losses of affiliates	(216)	(381)
Loss (gain) on sales of noncurrent assets	1	1
Loss on retirement of noncurrent assets	150	164
Gain on reversal of asset retirement obligation	(25)	—
Loss (gain) on sales of investment securities	(86)	(62)
Loss (gain) on valuation of investment securities	8	29
Loss (gain) on valuation of derivatives	(224)	(211)
Decrease (increase) in notes and accounts receivable-trade	(322)	138
Decrease (increase) in inventories	(376)	(1,099)
Increase (decrease) in notes and accounts payable-trade	(3,603)	(2,392)
Decrease (increase) in prepaid pension costs	(957)	—
Decrease (increase) in net defined benefit asset	—	(1,301)
Decrease in assets and liabilities for Transportation Security Services	(1,121)	(17,299)
Other	(4,394)	3,089
Subtotal	9,042	3,991
Interest and dividends income received	797	830
Interest expenses paid	(416)	(485)
Income taxes paid	(7,954)	(8,476)
Income taxes refund	32	100
Net cash provided by (used in) operating activities	1,502	(4,039)

## Consolidated Statements of Cash Flows

(Millions of yen)

	Nine months ended December 31, 2013	Nine months ended December 31, 2014
Net cash provided by (used in) investing activities		
Decrease (increase) in time deposits	536	(703)
Purchase of property, plant and equipment	(8,234)	(6,806)
Proceeds from sales of property, plant and equipment	10	1
Purchase of investment securities	(832)	(589)
Proceeds from sales of investment securities	1,288	729
Purchase of investments in subsidiaries	(30)	(498)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	—	(8,761)
Decrease (increase) in short-term loans receivable	6	(12)
Payments of long-term loans receivable	(58)	(78)
Collection of long-term loans receivable	140	113
Other	(1,949)	375
Net cash provided by (used in) investing activities	(9,121)	(16,230)
Net increase (decrease) in short-term loans payable	5,019	25,291
Proceeds from long-term loans payable	450	900
Repayment of long-term loans payable	(2,529)	(2,473)
Redemption of bonds	(10)	(50)
Purchase of treasury stock	(0)	(0)
Repayments of lease obligations	(1,695)	(1,505)
Cash dividends paid	(2,664)	(3,518)
Cash dividends paid to minority shareholders	(304)	(401)
Net cash provided by (used in) financing activities	(1,733)	18,241
Effect of exchange rate change on cash and cash equivalents	(9)	23
Net increase (decrease) in cash and cash equivalents	(9,362)	(2,004)
Cash and cash equivalents at beginning of period	40,541	35,791
Increase (decrease) in cash and cash equivalents from newly consolidated subsidiary	36	—
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	—	177
Cash and cash equivalents at end of period	31,215	33,964



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, 2014	YoY(%)
Security Services		
Electronic Security Services	724,380	8.3
Stationed Security Services	3,609	12.4
Transportation Security Services	58,384	6.7
Total	786,373	8.2
Total Building Management Services and Disaster Prevention Services	72,290	17.4
Total for reportable segments	858,663	8.9
Others	15,063	19.3
Total	873,726	9.1

b. Sales

Sales for each business category are as follows.

(Millions of yen)

Business segment	Nine months ended December 31, 2014	YoY(%)
Security Services		
Electronic Security Services	115,876	4.2
Stationed Security Services	65,553	14.1
Transportation Security Services	39,017	2.2
Total	220,446	6.6
Total Building Management Services and Disaster Prevention Services	39,399	30.9
Total for reportable segments	259,845	9.7
Others	3,586	51.0
Total	263,432	10.1

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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