



Beyond

# ALSOK

**ANNUAL REPORT 2014**

Fiscal year ended March 31, 2014

**SOHGO SECURITY SERVICES CO., LTD.**

### Offering Customers Safety and Security 24 / 7

#### Electronic Security Services

At the core of ALSOK's security services are its Guard Centers, which are equipped with state-of-the-art IT and computer systems. These centers enable our highly trained and experienced staff to monitor the premises 24 hours a day, seven days a week and thereby ensuring that customers' assets are protected under any circumstances.



### Protecting the Safety of Various Facilities Stationed Security Services

ALSOK stations highly trained security guards at office buildings, commercial facilities, financial institutions, hotels, and other facilities. These guards provide high-quality security services that include protecting against crime and disaster and administering access management as well as maintaining a safe and comfortable atmosphere at clients' facilities.



### Safely Transporting Cash and Other Valuables Transportation Security Services

ALSOK provides the Total ATM Management System for use by banks and convenience stores, the Cash Deposit Machine On-line System in which it manages the daily sales revenues of businesses, and Cash Transport System service, which provides the safe transportation of cash, marketable securities, important documents, and other valuables.



### Managing Client's Buildings Total Management Services

ALSOK provides property management services that complement its security services and disaster prevention services with cleaning management, environmental hygiene management, facility management, and maintenance management. This package provides for more-comfortable building environments. Additionally, ALSOK manages financial institutions' unstaffed ATM locations and provides telephone reception services. By offering such comprehensive operation and management services, we are able to greatly reduce the labor burdens of the management staff at clients' buildings.



Responding to the safety and security needs of customers and society

## New business model that accurately responds to ever-changing social needs

Since being founded in 1965, the ALSOK Group has continued to expand its business by providing an important part of Japan's economic and social infrastructure as a leader in the Japanese security services industry. Amidst rapidly changing conditions in the security services industry, the Group is working to develop a new, more advanced business model. Based on this model, we will offer products and services that accurately respond to ever-changing social needs to ensure the safety and security of our customers and society.

**Going Beyond the Boundaries of Security Services  
Expanding Business Scope**

ALSOK is amassing the collective strength of subsidiaries that conduct building maintenance and facility installation to strengthen its Total Building Management and Disaster Prevention Services segment. We are also expanding into the nursing care business in which ALSOK can utilize its strengths to address the issues created by the progressively declining birthrate and aging of the population.



**Creating New Social Needs  
New Products and Services**

ALSOK is strengthening its monitoring services in new areas, including monitoring services for social infrastructure and accident prevention in manufacturing processes as well as network monitoring to protect systems from cyber-attacks.



**Operations Centered in Asia  
Overseas Expansion**

Leveraging the security expertise accumulated through domestic operations, ALSOK provides safety and security to Japanese companies operating overseas. The services we offer include analyzing security issues, developing security plans, and introducing these companies to our local security partners. Our comprehensive security operation and management services also include support for improving security quality.



**Responding to Lifestyle Changes  
Services for Individual Users**

ALSOK provides services that respond to the diverse lifestyle needs of customers that change based on age and other factors. We are developing a home security brand that provides safety and security combined with convenience.



ALSOK utilizes the management resources and expertise accumulated in its security services business to provide high-value-added services.

Protecting the safety and security of society in accordance with ALSOK's management philosophy

Constructing a new business model that accurately responds to social needs

# Beyond the TIME



# Beyond the

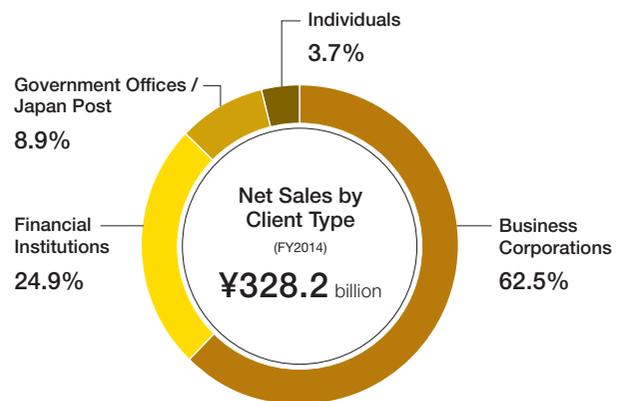
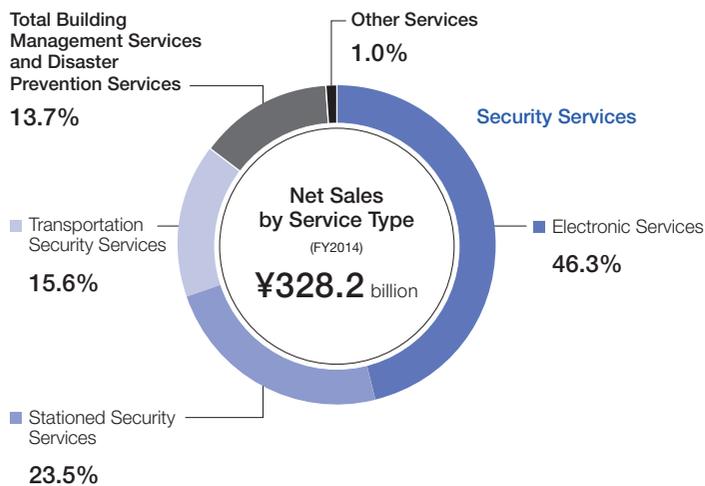


## Diverse range of human resources providing safety and security that spreads beyond the boundaries of security services

The ALSOK Group currently protects the lives and assets of approximately 440,000 corporate clients and 240,000 individual users. The Group also manages roughly 50,000 ATMs located throughout Japan. In this manner, we provide an important part of social infrastructure for supporting economic development and our daily lives. Our approximately 28,000 employees support daily security operations amidst ongoing technological innovation that continues to evolve products and services in response to changing social needs. These capable individuals tackle their work with a spirit of gratitude and a tough yet fair, kind samurai spirit as they work to provide safety and security that spreads beyond the boundaries of traditional security services.



# BOUNDARIES



440,028

Through its Electronic Security Services, ALSOK pledges to provide safety and security 24 hours a day, seven days a week by utilizing its highly trained security guards and sophisticated technologies.

Stationed Security Services sales

¥ 77.2 billion

ALSOK's stationed security services boast a leading share of the domestic market.

Number of home security contracts

Approx. 240,000

Our HOME ALSOK PREMIUM line uses state-of-the-art technologies to provide such features as image monitoring and remote control via smartphones.

BUSINESS

Three-year growth rate for Total Building Management and Disaster Prevention Services

163%

Sales of these services are growing rapidly due to synergies with security services (includes Japan Facilio Co., Ltd., which was converted to a subsidiary in 2011).

Cash Deposit Machine On-line System units in operation

Approx. 15,000

The Cash Deposit Machine On-line System allows for more-efficient management of cash from daily sales, while reducing management costs and transportation risks.

Number of ATMs managed throughout Japan

Approx. 50,000

The Total ATM Management System provides comprehensive support for ATM operations, ranging from malfunction response to cash replenishment, collection, and inquiry.

Overseas operations

10 regions

ALSOK is aggressively expanding into overseas markets, particular those in Asia.

## Corporate value improvement through profitability and trust

# Beyond

The ALSOK Group's services are based on the provision of safety and security to society, and our ability to continue developing our security services business comes from the trust that society places in us. As the ALSOK Group works to improve corporate value, we will pursue higher profitability while simultaneously moving beyond our business to implement various initiatives geared toward earning greater trust from society.

# 2,400

To protect customers' safety and security, ALSOK security guards are quickly dispatched from security stations located throughout Japan.

Aggregate number of ALSOK ANSHIN KYOSHITSU participants

## More than 1 million

More than 1 million elementary school students have participated in ALSOK ANSHIN KYOSHITSU safety classes since the program began 10 years ago.

# SOCIETY

Number of times ALSOK-supported athletes have participated in the Olympics

## 22 to date

ALSOK supports wrestling, judo, and other sports, and a number of world-class athletes are affiliated with the Company (includes retired employees).

Annual training sessions

## 576 times / year

Aiming to improve employee skills and otherwise cultivate human resources, ALSOK holds several specialized training sessions throughout each year.

Percent of employees returning to work after childcare or nursing care leave

## 91 %

The Company is promoting work-life balance and diversity with a full range of support systems.

Welfare vehicles donated through ALSOK ARIGATO UNDO

## 89 to date

Operated through membership fees and donations from executives and employees, the ALSOK ARIGATO UNDO movement donates welfare vehicles each year.

Ratio of employees with security consultant qualifications

## 1/4

These qualified employees are specialists in instituting crime and disaster prevention measures for the good of society.

# the BUSINESS

## Message from Management

**ALSOK is committed to creating new business models to respond to changing needs for safety and security.**



**Atsushi Murai**  
Chairman and  
Representative Director  
Chief Executive Officer (CEO)



**Yukiyasu Aoyama**  
President and  
Representative Director  
Chief Operating Officer (COO)

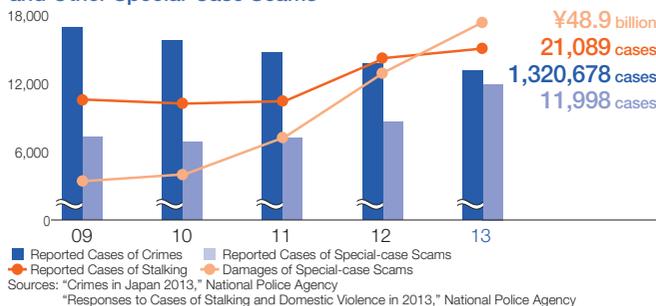
### Fourth Consecutive Year of Higher Sales and Income in the Year Ended March 31, 2014

In the year under review, the year ended March 31, 2014, the Japanese economy displayed a modest recovery trend created by improvements in corporate earnings, stock prices, the job market, and wages as well as solid increases in consumer spending and capital investment. However, cause for uncertainty remained in the forms of higher costs resulting from yen depreciation and labor shortages as well as issues in the global market. Accordingly, both the domestic and overseas operating environments remain opaque. Nevertheless, the start of preparations for the upcoming 2020 Summer Olympic and Paralympic Games, scheduled to be held in Tokyo, is expected to lend strength to the domestic recovery trend, and thereby create a virtuous cycle

of improvement. In regard to safety, the number of reported crimes is decreasing. Still, we see no end of crimes such as child abuse, stalking-related incidents, and crimes targeting senior citizens, such as bank transfer scams. As such, the citizens of Japan are facing even more reasons to feel insecure or threatened.

Under these circumstances, the ALSOK Group remained devoted to its mission of comprehensively providing products and services to help protect the safety and security of society. In this pursuit, we strengthened our mainstay security services business while also working to develop new services and businesses, with a particular focus on businesses that are highly compatible with our security business. We also continued to pursue improved operational efficiency and rationality.

### Report Cases of Crimes, Stalking, and Bank Transfer Scams and Other Special-Case Scams



### Business Performance Forecast



# yond

As a result of these efforts, consolidated net sales were up 4.0% year on year, to ¥328,209 million; operating income increased 60.6%, to ¥18,932 million; and net income rose 27.8%, to ¥10,955 million.

## The ALSOK Group's Continued Evolution to Match Changing Social Needs

Social needs for safety and security are ever-changing, and social trends like the aging of the population are catalysts for such change. To respond to this fluid environment, ALSOK is expanding beyond the boundaries of traditional security services to create new business models. In this endeavor, the Group is advancing the following four priority measures.

### ■ Developing the HOME ALSOK Brand for Protecting Safety and Security in a Variety of Circumstances

In 2004, we launched our line of ALSOK HOME SECURITY services. In the security market for individual users, we are currently seeing smooth growth in the number of contracts for our home security services, a result of our efforts to address unmet needs, such as those related to rental housing. In fact, we are witnessing greater growth in individual user contracts than in corporate customer contracts. Factors behind this growth include such trends as increasing numbers of elderly people and women living alone as well as the dilution of interpersonal relationships in local communities, which have contributed to rising demand for safety and security among residential households. Currently, only around 2% of all households in Japan are subscribed to home security systems, relatively low compared to the level of 20% seen in the United States. Accordingly, we can expect significant growth in contract numbers going forward.

To capture this growth potential and further evolve home security services, we launched the HOME ALSOK brand in 2012. The services offered through this brand go beyond the boundaries of traditional home security services that protect the facilities known as homes to provide security services matched to customers' lifestyle needs that offer comprehensive protection of safety and security for all aspects of customers' lives. Through this type of service, we hope to respond to the needs of all types of households, including those created by ongoing trends like the aging of the population and the rise in two-income households in the future.

Services offered as part of this brand include HOME ALSOK MIMAMORI SUPPORT, an emergency call and consultation service for senior citizens; HOME ALSOK

APARTMENT AND CONDOMINIUM PLAN, which equips rental housing units with crime and disaster prevention and monitoring precautions; and HOME ALSOK LADY'S SUPPORT, a service for protecting women from stalking. Another service of interest is HOME ALSOK PREMIUM, a security service that boasts advanced features such as Internet-based remote control for activating and deactivating security services as well as image monitoring services that survey the outside of contracted homes to prevent intrusions. This system is making great contributions toward expanding our market to encompass a wider variety of residences, effectively broadening the range of homes we can serve from standard housing to duplexes and housing combined with stores. Furthermore, in February 2014, we launched the new FLET's de ALSOK service in collaboration with NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION (NTT West). This service fully leverages the strengths of both ALSOK and NTT West. It monitors for intrusions using cameras equipped with specialized sensors, and also features remote control functionality that enables users to check the condition of their home in real-time via their PC.

In addition, we established ALSOK CARE Co., Ltd., in October 2012, and created a total of six bases located in Tokyo and Chiba Prefecture to provide nursing care services. ALSOK's nursing care business will utilize the management resources and infrastructure accumulated through our security services business in order to offer customers lifestyle support services of the highest possible value. In this manner, we aim to provide services that go beyond the traditional boundaries of home security.

### ■ Broadening Business Scope

ALSOK's business has continued to grow centered on security services, beginning with stationed security services, and then expanding to transportation security services and electronic security services to further meet social needs. We have also responded to rising customer needs by broadening our business scope for building management services, disaster prevention services, and information security services.

Each business is currently growing by responding accurately to user needs with services that add new value to traditional security services. Examples of such services include the Cash Deposit Machine On-line System, Total ATM Management System, ALSOK-GV (read ALSOK G-five), safety confirmation services, and cyber-attack prevention solutions.

In addition, we are broadening the scope of our business to include new fields outside of security services to further



evolve our services. This is being accomplished by strengthening alliances and conducting M&A activities with housing manufacturers and other companies in different industries and strengthening capital ties and coordination with affiliates. For example, in February 2011, Japan Facilio Co., Ltd., which conducts an equipment installation business, was converted into a consolidated subsidiary. Later in November 2012, Hochiki Corporation, a manufacturer of fire prevention and firefighting supplies, became an affiliated company of the Company accounted for by the equity method. In this way, we are conducting businesses that step outside of the boundaries of our security services business. Going forward, we plan to pursue synergies between our security services business and these businesses with the aim of creating greater value.

Furthermore in April 2014, ALSOK purchased the security services and building maintenance operations of Nissan Creative Services Co., Ltd., and also acquired Nippon Building Maintenance Co., Ltd.

#### ■ Developing Operations in Asia and Other Overseas Markets

Japanese companies are increasingly expanding their operations overseas, and the demand for security at their overseas bases continues to grow. At the ALSOK Group, we are committed to supporting such customers by leveraging the security expertise we have accumulated through our domestic operations to provide them with security services that are custom-tailored to the needs of each individual overseas base. In developing our overseas operations, we are constructing a network of six overseas subsidiaries. In 2007, we founded a subsidiary in Thailand, which was followed by the establishment of other overseas subsidiaries in Vietnam during 2009, Shanghai during 2010, Malaysia during 2012, and Indonesia and India during 2013. In 2014, we established a representative office in the Philippines, positioning us to further develop overseas operations.

#### ■ Thoroughly Revising Cost Structures

The ALSOK Group aims to prevent declines in profitability resulting from intensified competition while also strengthening revenue bases. To accomplish this, we have drastically revised cost structures and developed more-efficient, more-effective operating processes. These efforts have enabled us to improve the quality of services and simultaneously limit costs. Specific measures included expanding the range of duties handled by security staff, consolidating into our Head Office administrative functions that were previously dispersed among different bases, and centralizing cash processing functions. Through these and other measures, we are constantly pursuing improved operational efficiency and higher service quality.

#### Shareholder Returns Policy

The ALSOK Group realizes the importance of providing shareholder returns and thus prioritizes this in its management activities. Further, it regards the stability of shareholder dividends and the continuity of operations as important management issues. It therefore makes distributions to shareholders that reflect its business performance while also balancing the need to maintain internal reserves. These internal reserves are used to invest in R&D for future growth and development, qualitative upgrades to information systems, and capital investment for new businesses. Through such investments, ALSOK works to improve its business performance and increase its corporate value from the viewpoint of its shareholders and other investors.

In the year under review, we issued total dividend payments of ¥30 per share, which included an interim dividend of ¥12.50 per share and a year-end dividend of ¥17.50 per share, making for a consolidated payout ratio of 27.5%. This decision was made based on a comprehensive evaluation of the Group's performance in the year under review, forecast future performance, capital investment plans, and other factors. Going forward, we will continue to strengthen our financial position and secure internal reserves through improved profitability. At the same time, we intend to maintain stable distributions to shareholders, while taking into consideration such factors as our business performance and the payout ratio.

## Community Interactions Embodying the Management Philosophy

ALSOK's management philosophy is exemplified by a spirit of gratitude and a samurai spirit. Taking these values to heart, we remain ever mindful of what is expected of us by our customers and other stakeholders, and work to resolve the issues they face through our business.

### ■ Contributions to Crime and Disaster Prevention and Improved Lifestyles for Local Communities

In 2003, ALSOK began providing safety confirmation services. In the event of a disaster, companies enrolled in these services can send a batch email to all employees, who can then send confirmation of their safety simply by replying to the email. Demand for these services has continued to rise, due in part to the influences of the Great East Japan Earthquake of 2011. To respond to the requests of service users, we expanded and improved the functionality of these services in 2013. ALSOK safety confirmation services are now simpler and easier to use, even in times of panic.

Aiming to ensure children's safety, we have been holding ALSOK ANSHIN KYOSHITSU classes for crime prevention since 2004 at elementary schools throughout Japan, and 2014 thus marked the 10th anniversary of this program. Since the program's launch, more than 1 million children have participated in these classes. ALSOK ANSHIN KYOSHITSU classes foster awareness regarding crime prevention among children while simultaneously sharing crime prevention education know-how with educators and guardians.

In 2013, ALSOK began dealing in traps and monitoring systems to help protect farms and crops from suffering damages from deer, boars, monkeys, and other wildlife. The damages to farms across Japan from disruptive wildlife climb to more than ¥26.6 billion each year, and have been a consistently pressing issue for society. By providing damage prevention supplies, ALSOK aims to offer agricultural workers safety and security while lessening the burden placed on the national and municipal government organizations that have been charged with patrolling and trapping such animals.

Furthermore, ALSOK launched an emergency report and monitoring service in 2014. Provided in conjunction with Hochiki Corporation, this service monitors the safety of tunnels on a 24-hour-a-day basis, thereby reducing the need for local government employees to watch tunnels at night or on holidays and subsequently lowering management costs.



### ■ Support for the Healthy Development through Sports

ALSOK supports sports, such as judo and wrestling, with the goal of heightening team spirit among employees and thereby contributing to the development of the Company's business. The holding of the 2020 Summer Olympic and Paralympic Games in Tokyo is expected to help boost the economic activity in Japan while also raising interest in sports within the country. As a company that has produced numerous Olympic athletes and world champions, ALSOK is extraordinarily happy that Japan will be able to host this event.

In July 2015, we will celebrate the 50th anniversary of ALSOK's founding. Since it was founded in 1965, ALSOK has continued to be a leader in the security services industry, working to maintain the safety and security of Japanese society while providing an important part of social infrastructure for supporting economic development and our daily lives. We would not be able to celebrate this momentous event without our many supporters. The ALSOK Group will continue to develop its business and support the safety and security of customers and society by providing products and services that respond to social needs. At the same time, however, we will work to contribute to the realization of a sustainable society by supporting social welfare and cultural activities and providing disaster relief.

We look forward to the continued understanding and support of all our shareholders.

June 2014

Chairman and  
Representative Director  
Chief Executive Officer (CEO)

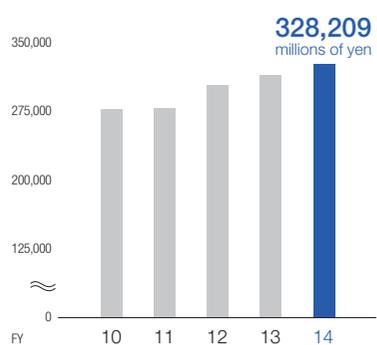
President and  
Representative Director  
Chief Operating Officer (COO)

# Financial Highlights

## Net Sales

¥328.2 billion

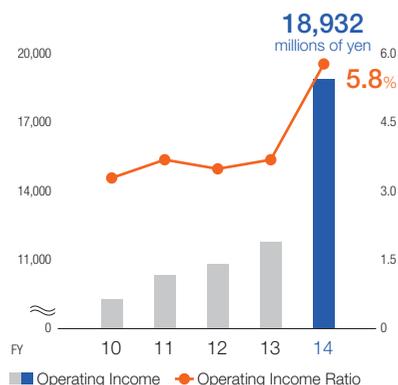
YOY 4.0 % UP



## Operating Income / Operating Income Ratio

Operating income ¥18.9 billion

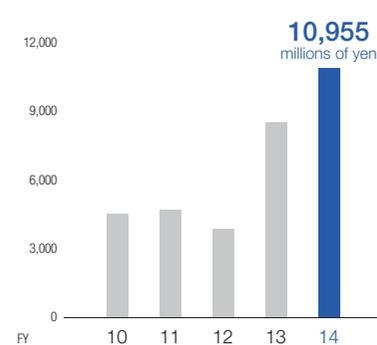
YOY 60.6 % UP



## Net Income

¥10.9 billion

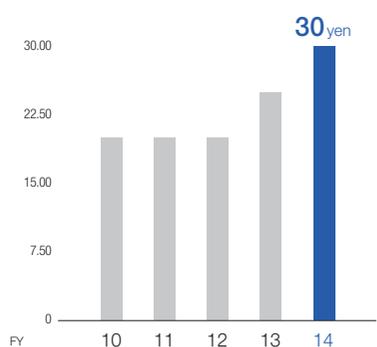
YOY 27.8 % UP



## Dividends per Share

¥30.00

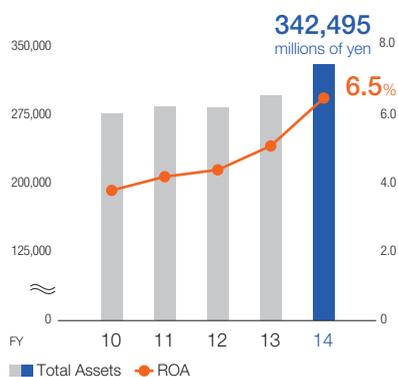
YOY 20.0 % UP



## Total Assets / ROA

ROA 6.5 %

YOY 1.4 percentage points UP



## Total Net Assets / ROE

ROE 7.0 %

YOY 1.3 percentage points UP



Millions of yen			
Fiscal years ended March 31	2012	2013	2014
<b>Fiscal year</b>			
Net sales	304,723	315,564	328,209
Operating income	10,810	11,790	18,932
Net income	3,903	8,574	10,955
Capital expenditures	10,498	13,249	19,617
Depreciation and amortization	13,007	12,213	9,198
<b>At the end of fiscal year</b>			
Total assets	283,593	296,665	342,495
Total net assets	165,634	175,563	180,205

Fiscal years ended March 31			
	2012	2013	2014
<b>Per share (yen)</b>			
Net income	38.83	85.30	108.99
Net assets	1,446.93	1,536.30	1,574.74
Dividends	20.00	25.00	30.00
<b>Ratios (%)</b>			
Operating income margin	3.5	3.7	5.8
Return on assets (ROA)	4.4	5.1	6.5
Return on equity (ROE)	2.7	5.7	7.0

# Business Model / Business Domain

## Business Model

With its Electronic Security Services, which account for approximately 50% of total net sales, and its Stationed Security Services and Transportation Security Services, ALSOK provides a comprehensive lineup of products and services that contributes to safety and security. Moreover, we possess a nationwide network of offices and operating bases, and we have established unshakable trust among banks and other financial institutions, which account for approximately 25% of total net sales, and have currently been entrusted with the management of an impressive approximately 50,000 ATMs located throughout Japan.

Further, the Electronic Security Services segment operates a business model in which clients from the previous fiscal year generally continue their contracts, thus allowing it to continue to grow. Presently, 440,028 corporate customer facilities (up 4.1% year on year) and 237,644 residential households (up 14.1% year on year) are connected to ALSOK's Guard Centers through telecommunications lines, proving the stable growth potential of this business.

## Business Domain

### Industry Trends

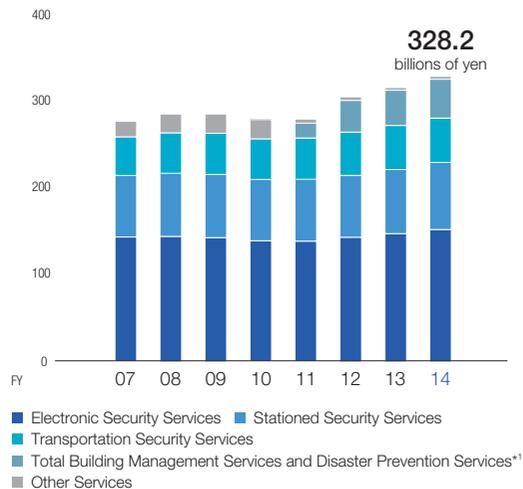
Total annual sales in the Japanese security services industry exceed ¥3 trillion<sup>1</sup>. Presently, there are approximately 9,133<sup>1</sup> security companies in Japan; however, the great majority of these security companies are small to medium-sized companies. Moreover, including ALSOK, there are currently only two companies with annual sales of more than ¥300 billion. The third-largest company has sales of approximately ¥41.4 billion, and there is a wide gap between this company and ALSOK in terms of profitability.

Moreover, the majority of security companies primarily offer stationed security services, including traffic control<sup>2</sup>, which are labor intensive services. Only a small percentage of these companies are capable of offering electronic and transportation security services, which require a large amount of capital investment. Looking forward, we anticipate that the reorganization of small to medium-sized companies in the industry will continue to progress.

### Security Characteristics

In the United States, when a security alarm signal is transmitted, police receive the information directly from the security company and rush to the scene. Japan's system, however, is more centered on the security company as, after a disturbance is detected, it is the security company's security guards that rush to the scene. Working together with the company's guard centers, these security guards address the situation, contacting the police, fire, and other designated bodies as deemed necessary. For this reason, security companies hold the keys to their clients' premises. As such, the Japanese system is significantly different from that of the United States.

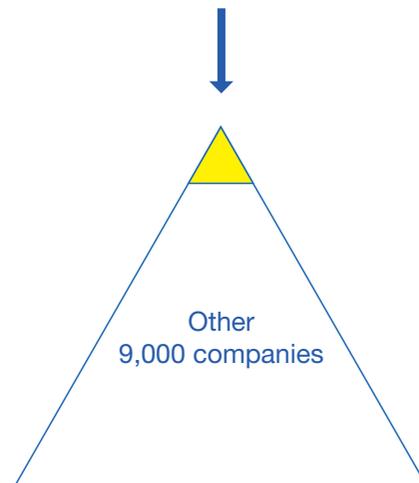
### Net Sales by Service Type



\*1 Previously included under Other Services, Total Building Management Services and Disaster Prevention Services will be disclosed as a separate segment from the fiscal year ended March 31, 2012, onward.

### Overview of the Japanese Security Services Industry

Number of large companies with sales of over ¥300 billion: 2 (including ALSOK)  
(Sales of third-largest company ¥41.4 billion)



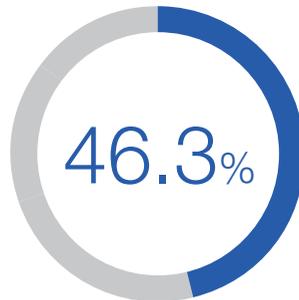
1 Source: "Overview of the Security Industry in 2013," National Police Agency  
2 Some countries do not consider this part of security services.

# Review of Operations

## Security Services

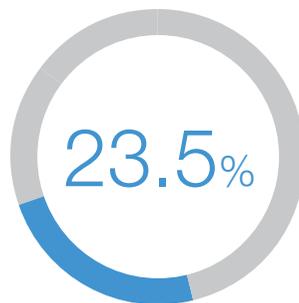
Net Sales by Service Type (FY2014)

Net Sales (FY2014)



¥ 151.8 billion

ALSOK's Electronic Security Services segment provides services in which sensors are used to notify Guard Centers of disturbances so that security guards can be dispatched to the scene. We offer a wide range of services, including HOME ALSOK PREMIUM for individual users and ALSOK-GV for corporate customers



¥ 77.2 billion

ALSOK's Stationed Security Services segment stations security guards at office buildings and various other customer facilities. These security guards administer access control by monitoring or checking the identity of each person who enters or exits designated customer facilities. In addition, they also conduct patrols to detect irregularities. Further, our disaster prevention centers and central management centers conduct monitoring activities. We also offer security for events and other crucial security services.



¥ 51.0 billion

ALSOK's Transportation Security Services segment includes its mainstay Total ATM Management System for use by banks and convenience stores, its Cash Deposit Machine On-line System in which we manage the daily sales revenues of business owners, and the Cash Transport System service offered to financial institutions.

## Total Building Management Services and Disaster Prevention Services / Other Services

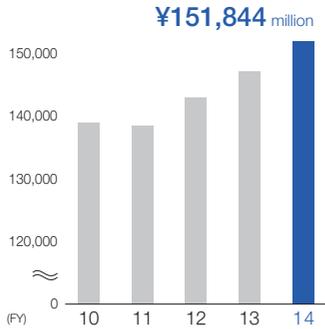


¥ 48.0 billion

ALSOK provides a broad range of other services. These include comprehensive management services offered through collaboration with consolidated subsidiary Japan Facilio Co., Ltd., and Nippon Building Maintenance Co., Ltd., in which we provide integrated services spanning from security to facility installation on a contract basis. The Company also conducts AED sales, and provides safety confirmation services, the ALSOK DENPO service, and information security services.

Results in the Year Under Review

Future Initiatives



Contracts for corporate clients showed firm growth, rising 4.1% year on year. In addition, sales of access management systems and security camera systems increased following higher demand for crime prevention measures in food product factories and other facilities. Contracts for individual users also saw solid growth due to the benefits of alliances with major housing developers.

Going forward, we will continue responding to customer needs by actively developing new products and services, pursuing alliances with housing developers, and strengthening sales proposals, such as security camera system proposals for manufacturers. Through the implementation of this strategy, for the year ending March 31, 2015, we are targeting a net increase in electronic security services contracts, with individual user home security contracts expected to rise 10.9%, or 26,000 contracts, and electronic security services for corporate customers forecast to grow 5.0%, to 22,000.



Our stationed security services business is one of the largest in the industry. In the year ended March 31, 2014, we received stationed security contracts for large-scale facilities, such as buildings that have undergone redevelopment in Tokyo, as well as contracts for temporary security operations from public institutions. The numerous contracts acquired resulted in substantial sales growth.

We will continue to provide high-quality stationed security services as we work to expand orders from large-scale facilities.

Going forward, demand for security is expected to increase due to a rise in road infrastructure and building development projects in preparation for the 2020 Summer Olympic and Paralympic Games, which are scheduled to be held in Tokyo. By catering to this demand, we aim to expand sales.

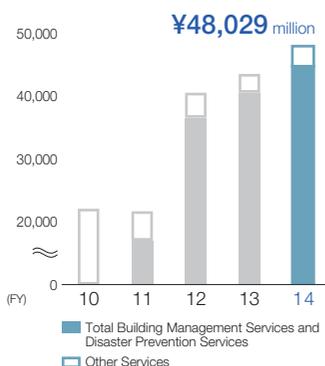


The number of contracts for the Total ATM Management System showed a net increase of approximately 900, with new orders coming largely from major banks. As for convenience store ATMs, there was a net increase of 1,000 in the number of ATMs managed stemming from the establishment of new stores by a convenience store chain that contracts the Company.

Meanwhile, the number of cash deposit machines operated under the Cash Deposit Machine On-line System saw a net increase of 1,800. We were successful in responding to higher demand for outsourcing of sales revenues management, capturing new contracts primarily from restaurants and automotive dealers.

ALSOK has launched an expanded version of the Cash Deposit Machine On-line System that utilizes cash deposit machines boasting new features like change dispensing and money changing functions. This new system is currently available to certain sections of the corporate world, and we aim to capture additional sales revenue management demand using this system.

At the same time, we will target increased sales of the Total ATM Management System by responding to growing outsourcing needs among financial institutions.



In the Total Building Management and Disaster Prevention Services segment, sales expanded due to the benefits of collaborative business ventures with Japan Facilio. Sales of AEDs and fire extinguishing equipment were also impressive.

In other services, contracts for safety confirmation services showed solid growth, while the number of telegrams delivered through ALSOK DENPO increased due to this service being employed by financial institutions.

In the year ending March 31, 2015, ALSOK Souei Co., Ltd., and Nippon Building Maintenance were converted into consolidated subsidiaries. With these new additions to the ALSOK Group, we will be able to provide a comprehensive range of facility and property management services on a one-stop basis. These services will range from security to facility installation and building management. Leveraging these services, we will target increased sales.

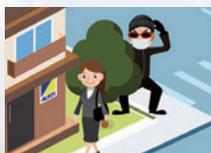
## TOPICS

# New Business Model for Responding Accurately to Social Needs

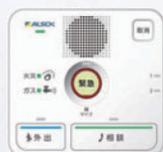
As a leader in the Japanese security services industry, the ALSOK Group has continued to provide an important part of Japan's economic and social infrastructure. The security services industry is undergoing rapid changes brought on by such trends as the spread of information and communications technologies, declining birthrate, and aging population. Accordingly, the ALSOK Group is working to construct a business model that goes beyond traditional security services to provide safety and security to our customers and society.



Service for rental housing with convenient Internet-based functions



Safety protection for women that have fallen victim to stalking



A carefully selected lineup of services designed to be easily understood by senior citizens

## Bolstering Lineup of Services for Individual Users

ALSOK is going beyond traditional home security services, which only protect people's homes, to provide services that match customers lifestyles to let them live every moment of their lives with safety and security.

We have expanded our lineup to include a variety of services that protect people and their families. For customers living in rental housing, we provide HOME ALSOK APARTMENT AND CONDOMINIUM PLAN. HOME ALSOK MIMAMORI SUPPORT was designed to be easy to use for senior citizens. HOME ALSOK LADY'S SUPPORT, meanwhile, protects women living alone from the threat of stalking. These are only some of ALSOK's high-value-added services.

## Developing Operations in Asia and Other Overseas Markets

The ALSOK Group began actively developing operations abroad in 2007 in the midst of a rise in Japanese companies expanding their businesses overseas. Today, we have an overseas network consisting of subsidiaries and representative offices that mainly provide security and related consulting services to Japanese companies in 10 regions in Asia and other areas. Leveraging the security expertise we have accumulated through domestic operations to date, we provide Japanese companies expanding overseas with comprehensive security support. To help each customer construct the security system that best meets their needs, we offer a range of services spanning from analyzing the security issues faced overseas and developing security plans to introducing these companies to our local security partners and managing security staff. We are also focusing on training local security staff members with the aim of providing security services overseas that are of the same high caliber as those we offer in Japan.

Seoul Representative Office  
Established in October 2012

愛龍所克商易(上海)有限公司  
(Overseas subsidiary in Shanghai)  
Established in December 2010

ALSOK India Private Limited  
Established in March 2013

Taiwan Shin Kong Security Co., Ltd.  
Established in January 1980

ALSOK (Thailand) Co., Ltd.  
Established in October 2007

Manila Representative Office  
Established in April 2014

ALSOK (Vietnam) Co., Ltd.  
Established in November 2009

ALSOK MALAYSIA SDN. BHD.  
Established in March 2012

PT. ALSOK INDONESIA  
Established in February 2013

The Company's connection with Taiwan Shin Kong Security Co., Ltd., is limited to investment.

## Expanding Business Scope

ALSOK has continued to grow its business centered on security services. We have also been expanding the scope of our business. These efforts began when we brought Sokei Building Service Co., Ltd., and its building maintenance business into the Group, which was followed by the inclusion of Japan Facilio and its plumbing and electrical installation business. The most recent additions to the Group are ALSOK Souei and Nippon Building Maintenance, which were both acquired in April 2014.

By amassing the collective strength of these companies, the ALSOK Group is developing facility and property management operations targeting office buildings and other facilities, including those large in scale. In addition, we have also entered into the nursing care business to address the issues expected to arise as the population of Japan continues to age. By adopting a new perspective to create the next evolutionary step in our security and nursing care services, we will expand beyond simply protecting homes to provide safety and security matched to the needs of each individual customer. In this manner, we will increase the scale of our operations in both the public and private sectors.

### Facility Management



Facility operation and management services that encompass hygiene, security, and other concerns

### Nursing Care



Nursing care operations conducted out of six ALSOK CARE locations in the Tokyo metropolitan area and Chiba Prefecture

## Developing New Products and Services

To respond to new social needs, ALSOK is developing new products and services by adapting the monitoring service technologies developed as part of security services. Specific examples of new services include monitoring services for roads and other social infrastructure as well as services that monitor manufacturing processes to prevent accidents and protect safety, particularly with regard to food safety, an area of rising concern. In addition, we are addressing the new social issue of Internet-based money transfer scams through network monitoring and website falsification detection services. In this manner, we are creating new services that help us protect security in areas that differ from our traditional service targets.

### Social Infrastructure Monitoring



Monitoring services that serve as countermeasures for road deterioration and disasters

### Safety Monitoring Services for Manufacturing Processes



Services that augment manufacturing process monitoring infrastructure by using security cameras and access management equipment

### Information Security



Internet and network monitoring services that help detect threats and recover from their damages

Providing customers and society with safety and security that goes beyond traditional security services

Beyond **ALSOK**

# Management Philosophy



Our business operations are based on a management philosophy exemplified by a spirit of gratitude<sup>1</sup> and a samurai spirit<sup>2</sup>. Our mission is to help maintain safety throughout society, an indispensable element of our lives, as well as to make constant improvements to become the industry's leading company.

<sup>1</sup> Human beings in society agree to live and let others live. The spirit of gratitude is a humble feeling of thankfulness to all the people and things around ourselves.  
<sup>2</sup> The samurai spirit embodies a strong and honorable concept of discipline, purpose, and the will to succeed and develop.

## Management Policies

### 1 Fundamental Spirit

Under any conditions, we work hard to abide by our core principles as exemplified in a samurai spirit based on toughness, fairness, and generosity, and in a spirit of gratitude. We are also committed to developing the human resources needed to provide reliable services.

### 2 Priority

Our top priority is to provide security services of the first rank, as reflected in profits, while meeting shareholder expectations and enhancing the welfare of our employees.

### Basic CSR Policy

Since its founding in July 1965, ALSOK has continued its advancement in the security services industry under a management philosophy based on always acting with a spirit of gratitude and a tough yet fair, kind samurai spirit. These two spirits encapsulate the devotion we feel toward accomplishing our mission of protecting the safety and security of society. We feel that corporate social responsibility (CSR) is a means of exercising our management philosophy by working to resolve the issues faced by customers and society through our business activities.

Based on this management philosophy, ALSOK has established the management policies and the code of conduct as well as a number of regulations and internal rules. Further, the Company has outlined issues to address in these activities, giving a clear structure to the CSR ideals.

For more-detailed information regarding the Company's CSR activities, please refer to its CSR report.

CSR report

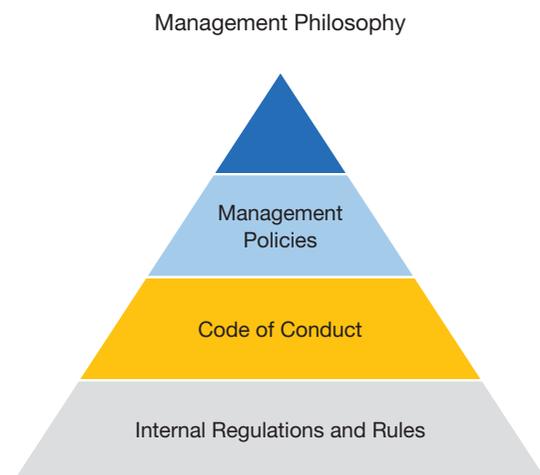
<http://www.alsok.co.jp/company/society/csrmessage.html>

### 3 Basic Strategy

While we devote ourselves to security services, we also seek to offer diversified services to meet contemporary demands to the extent made possible by our cumulative expertise in the area of security operations.

### 4 Contributing to Society

In the spirit of service, we adhere to all government security policies and seek to make positive contributions to society.



# Corporate Governance

## Basic Corporate Governance Policy and System

The ALSOK Group advocates “contribution to public welfare” as one of its management guidelines, and focuses its efforts on ensuring public safety, an indispensable part of human existence. Meanwhile, to continue to be a corporate group that is trusted by all stakeholders, we strive to reinforce groupwide corporate governance with measures that separate managerial execution and oversight functions, allow swifter decision making, establish and encourage strong corporate ethics, and provide transparency in business management.

### ■ Corporate Governance System

The Company employs the corporate auditor system, effectively creating a double-check function through which operational execution is overseen by the Board of Directors while the Board of Corporate Auditors conducts audits. ALSOK strives to clarify the division of roles in management and business execution as well as expedite management decision making. To this end, it implemented the executive officer system in June 2002, an in-house company system in April 2010, and also appointed a chief executive officer (CEO) and a chief operating officer (COO) on April 1, 2011.

Corporate governance system	Company with Auditors
Chairman of the Board of Directors	Chairman and Representative Director
Number of directors	8 (of which 2 are outside directors)
Number of corporate auditors	4 (of which 3 are outside corporate auditors)
Ratio of outside directors and corporate auditors to total directors and corporate auditors	42%
Number of independent officers	5
Number of meetings of the Board of Directors and attendance by outside directors and corporate auditors in the year under review	16 times <ul style="list-style-type: none"> <li>• Outside directors: 1 attended 88% of meetings, 1 attended 94% of meetings held after their appointment</li> <li>• Outside corporate auditors: All attended 100% of meetings</li> </ul>
Number of meetings of the Board of Corporate Auditors and attendance by outside directors and corporate auditors in the year under review	18 times <ul style="list-style-type: none"> <li>• All outside directors and corporate auditors attended 100% of meetings</li> </ul>

### ■ Reasons for Appointment and Duties of Outside Directors and Outside Corporate Auditors

The Company employs two outside directors and three outside corporate auditors; applications have been submitted to the Tokyo Stock Exchange identifying each of these individuals as independent officers. Each outside director and outside corporate auditor offers their opinions based on the experience and expertise acquired during their professional career. Further, these independent officers are free of circumstances that would cause them to hold conflicting interests with the general shareholders of the Company. In total, these factors enhance the ability of outside directors and corporate auditors to effectively monitor management.

Also, outside directors and outside corporate auditors attend meetings of the Board of Directors, at which they offer their opinions on the matters at hand. They receive briefings on the issues to be discussed at meetings of the Board of Directors the day prior to the meeting, allowing them to more effectively monitor management. The participation of the outside directors in these meetings enables them to monitor the operational execution of other directors with

regard to Internal Control Operations and other matters from an independent standpoint.

The outside corporate auditors coordinate with the Inspection Department and the independent auditing corporation employed by the Company in regard to audits by corporate auditors, internal audits, and accounting audits. To facilitate this coordination, the outside corporate auditors periodically exchange information with these bodies. They also evaluate the legality of the measures implemented by Internal Control Operations. To this end, they perform both operational and accounting audits of the organization and review all relevant documents.

Due to the above, the Company believes that the outside corporate auditors are able to conduct effective audits and that the governance controls for management are functioning properly.

## Compensation for Directors and Corporate Auditors

### ■ Amount of Compensation

The number of members and total compensation for each classification in the fiscal year ended March 31, 2014, are as follows.

Classification	Members	Total compensation (Millions of yen)
Directors (Excluding outside directors)	5 members	213
Corporate auditors (Excluding outside corporate auditors)	1 member	23
Outside directors and corporate auditors	5 members	56
Total	11 members	292

### ■ Policies and Decisions Regarding Compensation

An annual limit of ¥400 million for compensation of directors and ¥120 million for compensation of corporate auditors has been set by a meeting of the general shareholders. The compensation of directors is a fixed amount calculated according to their positions and whether they are an outside director or not. Meanwhile, bonuses for directors include a fixed amount based on their positions and an additional bonus based on an evaluation of the operational execution performance of individual directors in the previous fiscal year conducted in accordance with predetermined standards. Decisions regarding the compensation of directors are made by the Board of Directors. The compensation of corporate auditors is decided in accordance with standards set by the Board of Corporate Auditors.

## Internal Control System

The management of the ALSOK Group carried out an evaluation of the state and implementation of the Group’s internal control system as of March 31, 2014, based on the Financial Instruments and Exchange Act and other applicable laws and regulations. The evaluation was conducted based on generally accepted standards for evaluating internal control for financial reporting in Japan.

This evaluation by management found that the internal control system for the ALSOK Group is effective, which has been noted in the report on the internal control system. The independent auditing corporation, Grant Thornton Taiyo ASG LLC, has also expressed an opinion that the result of the evaluation by the management noted in the internal control report is accurate.

## ■ Compliance

The Company has a Compliance Committee, which is headed by the executive officer in charge of compliance. The committee strives to install an unwavering awareness of compliance in all executive officers and employees based on the compliance rules formulated in November 2002, and periodically verifies the status of compliance in business and other activities. Further, the Company conducts ALSOK Groupwide Compliance Activities to promote compliance on a groupwide basis. Moreover, together with the Education & Training Department, we are implementing corporate ethics training and taking other steps to cultivate and thoroughly entrench a compliance-based mindset.

The ALSOK Hotline was set up in April 2004 to facilitate the early identification and prevention of corporate ethics issues. This hotline allows employees to report any issues that they may witness.

## ■ Risk Management System

The Company places particular importance on risk management, which is central to its business of protecting the safety and security of society.

Accordingly, the Company formulated risk management rules in 2002. The Company then established the Risk Management Committee based on these risk management rules and assigned the executive officer in charge of risk management as its chairperson. In addition, individual risk management assessment bodies have also been set up at the Head Office and each individual business office to undertake exhaustive, companywide risk management activities. Further, the Company has developed organizational structures to ensure that it can respond quickly

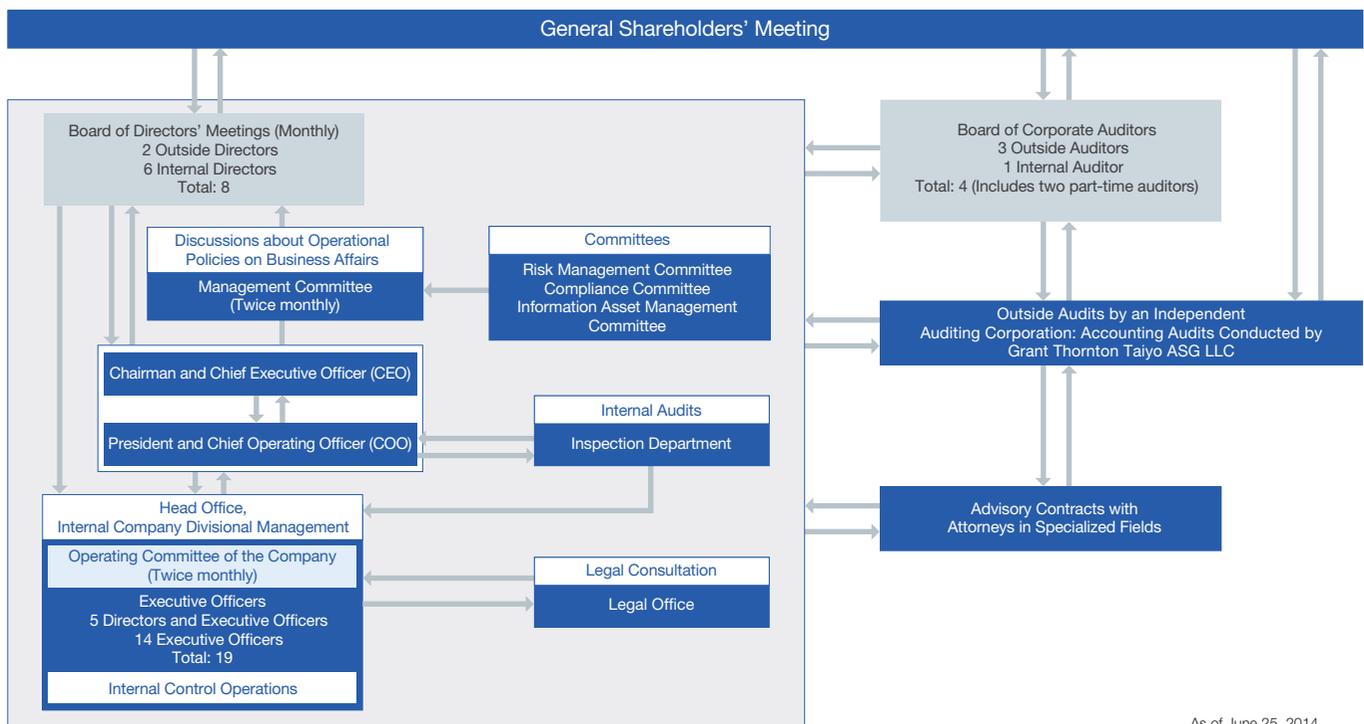
should a serious emergency occur, thereby calling for the Company to relay urgent orders throughout the organization, set up a response headquarters, or take other emergency response measures.

Further, the Company established the Information Asset Management Committee chaired by the executive officer in charge of information asset management in September 2004. The purpose of the committee is to respond as swiftly as possible to changes in the information asset management environment, such as the full implementation of the Personal Information Protection Law in April 2005. The committee undertakes such activities as the development of a management structure for the management of personal, business, and other important information in the Company's possession as well as the promotion of employee education on this topic.

## Disclosure and IR Activities

ALSOK has formulated its Disclosure Policy based on which it actively conducts impartial and timely information disclosure. In addition, it has revised its investor relations (IR) website to provide investors and other stakeholders with greater ease in finding the information they seek. We also aim to foster a deeper understanding among overseas institutional investors of the security services industry in Japan and the growth strategies of the ALSOK Group. To this end, we provide English-language translations of financial summaries and other documents on our English-language IR website.

ALSOK's English-language IR website  
<http://www.alsok.co.jp/en/ir/>



As of June 25, 2014

# Directors, Corporate Auditors, and Executive Officers As of June 27, 2014

## Directors



**Atsushi Murai**  
Chairman and Representative Director  
Chief Executive Officer (CEO)



**Yukiyasu Aoyama**  
President and Representative Director  
Senior Executive President  
Chief Operating Officer (COO)  
President of ALSOK Company  
Chief Officer of Business Promotion Division



**Yuichi Miyazawa**  
Director  
Senior Executive Officer  
Strategic Business  
Management Company  
Regional Management



**Kiyomi Hara**  
Director  
Senior Executive Officer  
Deputy Chief Officer of  
Business Promotion Division  
Corporate Customer Sales Promotion  
Sales Promotion



**Yoshiro Kuribayashi**  
Director  
Senior Executive Officer  
Human Resources  
Corporate Ethics  
Deputy Chief Officer of Business  
Promotion Division (HOME ALSOK)



**Hirohisa Hokari**  
Director  
Senior Executive Officer  
General Affairs / Corporate Planning  
Deputy Chief Officer of  
Business Promotion Division  
Financial Institution Services  
Compliance  
Risk Management  
Information Asset Management  
Investor Relations



**Takashi Oizumi**  
Director (Outside Director)



**Seiki Miyamoto**  
Director (Outside Director)

## Corporate Auditors

**Takao Fujikawa**  
Corporate Auditor

**Makoto Uenoyama**  
Corporate Auditor  
(Outside Corporate Auditor)

**Hideto Sudo**  
Corporate Auditor  
(Outside Corporate Auditor)

**Takeshi Oiwa**  
Corporate Auditor  
(Outside Corporate Auditor)

## Executive Officers

**Hiraku Otani**  
Senior Executive Officer  
Financial & Accounting  
International Affairs  
Procurement  
Internal Control  
Chief Officer of Overseas  
Regional Headquarters

**Masahiro Kawaguchi**  
Senior Executive Officer  
Chief Officer of R&D Planning Dept.

**Masashi Terao**  
Senior Executive Officer  
Security Operations

**Tsuyoshi Murai**  
Senior Executive Officer  
Deputy Chief Officer of  
Business Promotion Division  
Business Planning & Management  
Regional Financial Institution Services

**Shigeki Nomura**  
Senior Executive Officer  
Deputy Chief Officer of Business  
Promotion Division (Central Japan)  
Chief Officer of Regional Division (II)

**Takayoshi Nagao**  
Senior Executive Officer  
Deputy Chief Officer of Business  
Promotion Division (Kansai)

**Toshiro Yoshioka**  
Executive Officer  
Corporate Planning & Administration  
General Manager of Corporate Planning &  
Administration Dept.

**Eiji Kuwabara**  
Executive Officer  
Marketing & Products Planning Dept.  
General Manager of Marketing &  
Products Planning Dept.

**Yukio Yonago**  
Executive Officer  
Second in Charge of Strategic Business  
President of ALSOK Souei Co., Ltd.

**Ikuji Kayaki**  
Executive Officer  
Second in Charge of Security Operations  
General Manager of Security  
Operations Dept. (I)

**Makoto Imai**  
Executive Officer  
Chief Officer of Regional Division (I)

**Shinichi Honjo**  
Executive Officer  
Chief Officer of Regional Division (II)

**Shigeyoshi Kuroki**  
Executive Officer  
Chief Officer of Regional Division (V)

**Masato Yagi**  
Executive Officer  
Chief Officer of Regional Division (VII)

## Financial Section

# Management Indexes

Fiscal years ended March 31	2005	2006	2007	2008
<b>Profitability</b>				
Gross profit margin (%)	25.4	25.6	26.6	25.5
Operating income margin (%)	4.3	4.6	5.8	4.8
Ordinary income margin (%)	4.5	4.9	6.1	5.1
Return on assets (ROA) (%)	4.2	4.6	6.0	5.0
Return on equity (ROE) (%)	4.1	4.4	5.7	5.6
EV/EBITDA (times) <sup>1</sup>	6.3	7.4	6.9	5.0
<b>Stability</b>				
Equity capital ratio (%)	43.6	45.7	47.2	46.2
Equity capital ratio on market-value basis (%)	55.0	67.5	77.2	47.4
Interest-bearing liabilities (millions of yen)	72,056	65,544	61,042	74,485
Interest coverage ratio (times) <sup>2</sup>	15.5	12.3	14.9	15.2
<b>Efficiency</b>				
Total asset turnover ratio (times)	0.9	0.9	1.0	1.0
Shareholders' equity turnover ratio (times)	2.1	2.1	2.1	2.1
Tangible fixed assets turnover ratio (times)	4.6	4.6	4.8	5.0
<b>Per share information</b>				
Net assets per share (yen)	1,222.9	1,274.3	1,322.8	1,356.4
Net income per share (yen)	47.5	52.9	74.7	75.1
Dividends per share (yen)	17	17	20	20
Consolidated dividend payout ratio (%)	35.8	32.1	26.8	26.6
<b>Other information</b>				
Number of employees (consolidated)	24,185	24,703	25,302	26,014

1 Method of calculation for EV/EBITDA is as follows:

EV (Enterprise value) = Market capitalization + Interest-bearing liabilities – Short-term liquidity (Cash and deposits + Short-term investments in securities)

EBITDA (Earnings before interest, tax, depreciation and amortization) = Operating income + Depreciation and amortization

2 Due to changes in the method of calculation, interest coverage ratios for the fiscal year ended March 31, 2006, and earlier are calculated differently than with those from subsequent fiscal years.

### Gross Profit Margin

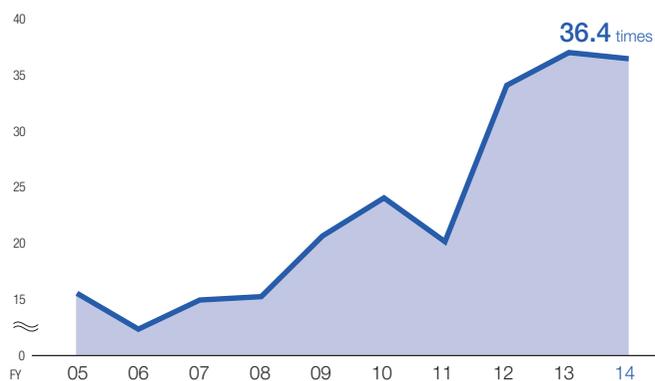


### Equity Capital Ratio

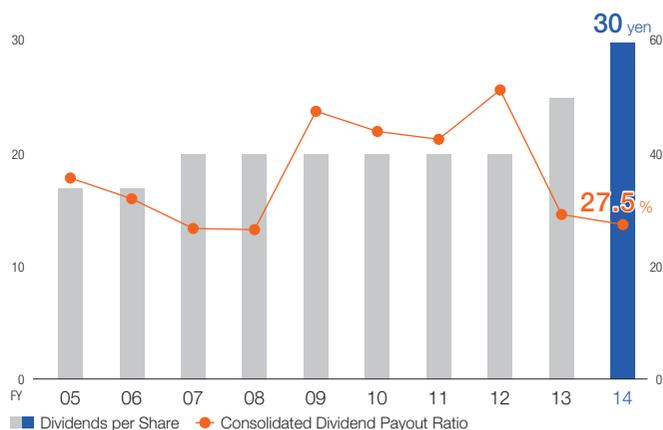


	2009	2010	2011	2012	2013	2014
	24.3	24.6	25.0	23.6	23.2	24.2
	3.5	3.3	3.7	3.5	3.7	5.8
	3.7	3.9	4.2	4.1	4.7	6.3
	3.6	3.8	4.2	4.4	5.1	6.5
	3.1	3.3	3.3	2.7	5.7	7.0
	2.8	2.0	1.2	1.1	2.7	5.1
	47.7	50.9	50.3	51.3	52.1	46.2
	29.5	39.4	32.0	34.8	46.5	63.5
	62,635	46,568	43,408	31,483	29,827	63,650
	20.7	24.0	20.1	34.1	36.9	36.4
	1.0	1.0	1.0	1.1	1.1	1.0
	2.1	2.0	2.0	2.1	2.1	2.1
	5.0	4.9	4.9	5.2	5.4	5.2
	1,364.3	1,397.9	1,421.7	1,446.9	1,536.3	1,574.7
	41.9	45.4	46.8	38.8	85.3	108.9
	20	20	20	20	25	30
	47.7	44.1	42.7	51.5	29.3	27.5
	26,960	27,322	27,790	27,868	28,054	28,091

Interest Coverage Ratio



Dividends per Share / Consolidated Dividend Payout Ratio



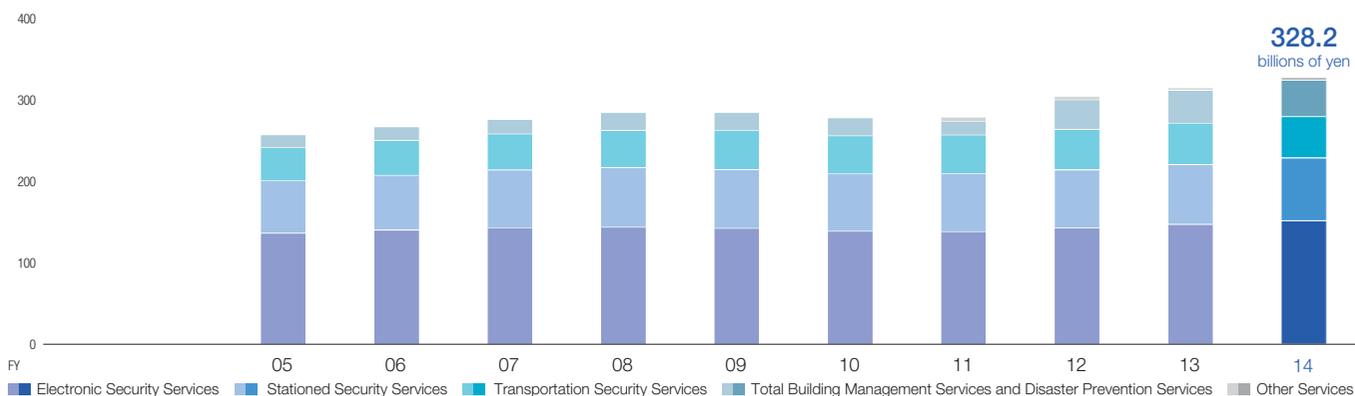
Financial Section

# Breakdown of Sales / Number of Contracts

## Net Sales by Service Type

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Billions of yen										
Security Services										
Electronic Security Services	136.4	140.2	143.2	143.9	142.5	138.9	138.4	142.9	147.1	151.8
Stationed Security Services	64.9	67.5	70.9	72.7	72.8	70.6	71.3	71.3	73.8	77.2
Transportation Security Services	40.4	42.8	44.5	46.6	47.4	46.8	47.6	49.8	50.8	51.0
Total Building Management Services and Disaster Prevention Services <sup>1</sup>	—	—	—	—	—	—	17.0	36.6	40.6	44.8
Other Services	15.8	16.8	17.8	21.6	22.2	22.1	4.7	4.0	3.0	3.2
<b>Total</b>	<b>257.7</b>	<b>267.5</b>	<b>276.5</b>	<b>284.9</b>	<b>285.0</b>	<b>278.5</b>	<b>279.2</b>	<b>304.7</b>	<b>315.5</b>	<b>328.2</b>

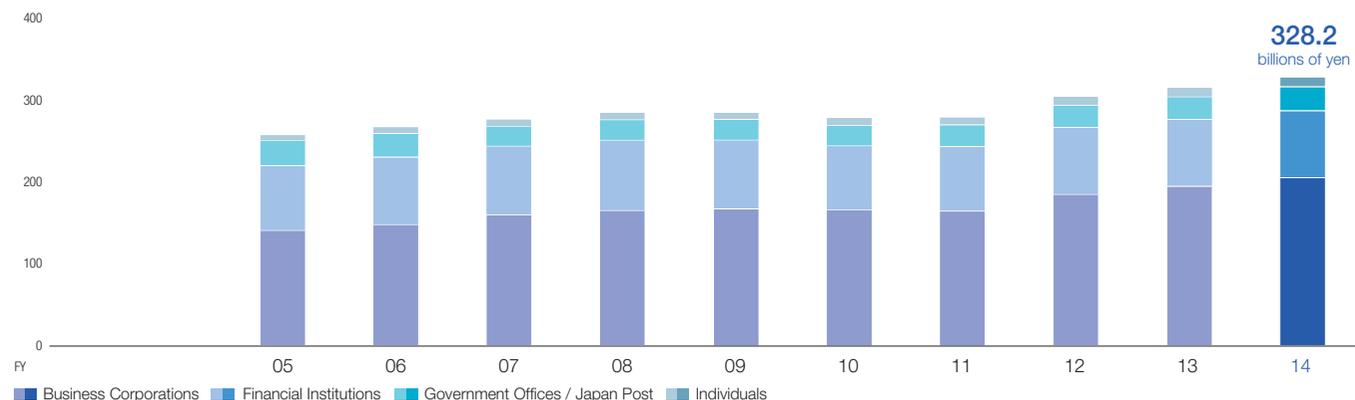
1 Previously included under Other Services, Total Building Management Services and Disaster Prevention Services will be disclosed as a separate segment from the fiscal year ended March 31, 2012, onward.



## Net Sales by Client Type

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Billions of yen										
Business corporations	140.7	147.8	159.6	165.0	166.8	165.7	164.3	184.7	194.4	205.2
Financial institutions	79.3	82.2	84.1	86.0	84.3	78.4	78.8	82.3	81.5	81.6
Government offices / Japan Post	30.6	29.8	24.2	24.9	24.7	25.0	26.4	26.4	28.0	29.3
Individuals <sup>2</sup>	7.0	7.5	8.5	8.9	9.1	9.4	9.6	11.1	11.5	12.0
<b>Total</b>	<b>257.7</b>	<b>267.5</b>	<b>276.5</b>	<b>284.9</b>	<b>285.0</b>	<b>278.5</b>	<b>279.2</b>	<b>304.7</b>	<b>315.5</b>	<b>328.2</b>

2 Excludes contracts to companies and government agencies for services such as HOME ALSOK APARTMENT AND CONDOMINIUM PLAN and HOME ALSOK MIMAMORI SUPPORT, even in cases when the service itself is provided to an individual user.

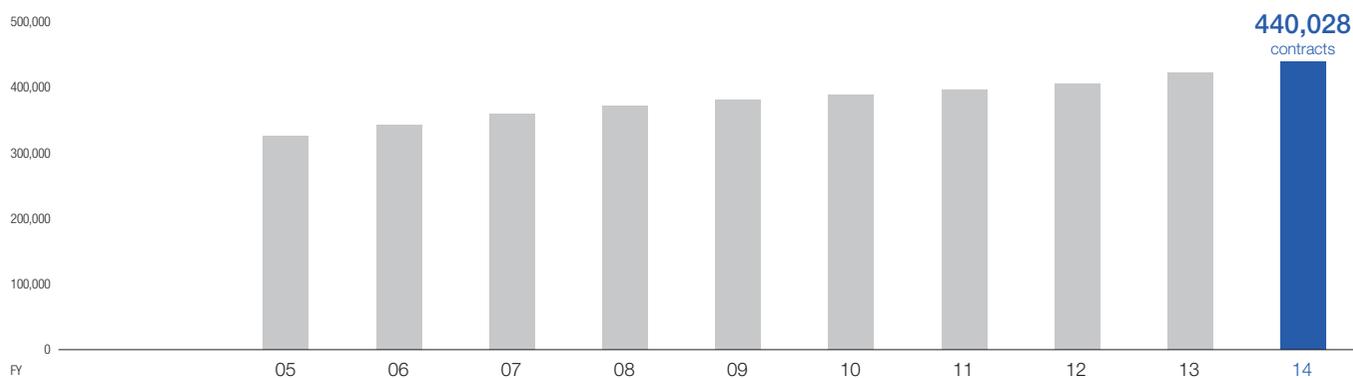


## Number of Contracts

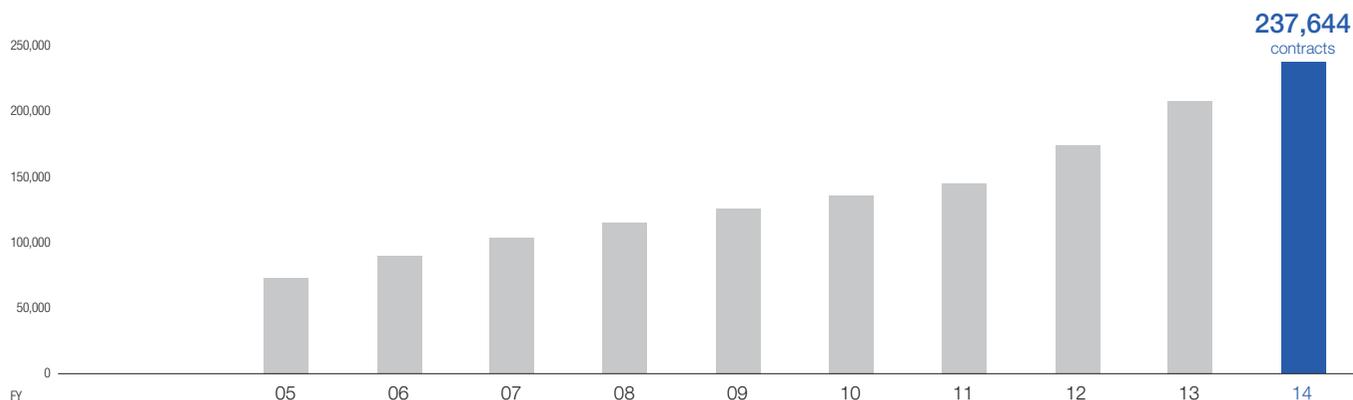
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Number of contracts										
Security Services										
Electronic Security Services	399,680	432,852	462,913	487,228	507,954	524,708	541,654	580,263	630,977	677,672
For Corporate Clients	326,480	343,292	359,344	372,196	381,759	388,853	396,580	406,261	422,676	440,028
For Individual Users	73,200	89,560	103,569	115,032	126,195	135,855	145,074	174,002	208,301	237,644
Stationed Security Services	2,651	2,726	2,843	2,922	2,854	2,785	2,866	2,934	3,020	3,227
Transportation Security Services	26,699	29,519	32,980	33,397	33,960	35,963	39,065	48,284	51,698	55,420
Total Building Management Services and Disaster Prevention Services <sup>3</sup>	—	—	—	—	—	—	44,212	47,913	54,903	63,004
Other Services	57,312	54,505	57,425	56,099	43,171	42,909	8,307	8,957	11,989	13,725
<b>Total</b>	<b>486,342</b>	<b>519,602</b>	<b>556,161</b>	<b>579,646</b>	<b>587,939</b>	<b>606,365</b>	<b>636,104</b>	<b>688,351</b>	<b>752,587</b>	<b>813,048</b>

<sup>3</sup> Previously included under Other Services, Total Building Management Services and Disaster Prevention Services will be disclosed as a separate segment from the fiscal year ended March 31, 2012, onward.

### Number of Contracts for Corporate Clients



### Number of Contracts for Individual Users



# Management's Discussion and Analysis

## Analysis of Business Performance

### ■ Operating Environment

In the fiscal year under review, in Japan, the benefits of the financial and fiscal policies implemented as part of the "Abenomics" economic plan bore results, generating improvements in corporate earnings, the job market, and stock prices, while also driving increases in consumer spending and capital investment. Due to these factors, gradual improvements are now being seen in the domestic economy. Regardless, cause for concern still remains in the forms of lower demand as a rebound from the demand rush that preceded the consumption tax hike as well as rising costs resulting from yen depreciation and soaring resource prices, and the possibility of economic downturn overseas. Nevertheless, business in Japan is picking up in light of the upcoming 2020 Summer Olympic and Paralympic Games, scheduled to be held in Tokyo, and favorable economic conditions are projected amidst this recovery trend.

### ■ Operating Results

In this environment, the ALSOK Group continued working to respond to diversifying customer needs by strengthening its mainstay security services business while also expanding its lineup of new businesses and products, with a particular focus placed on those peripheral businesses that are highly compatible with the security services business. At the same time, we pursued increased efficiency and rationality in operations, actively cutting costs by absorbing and merging Group companies and consolidating operations.

Due to the above factors, net sales rose 4.0% year on year, to ¥328,209 million; operating income was up 60.6%, to ¥18,932 million; and net income jumped 27.8%, to ¥10,955 million.

## Sales by Business Segment

### ■ Security Services

#### Electronic Security Services

In services for corporate clients, the Company worked to respond to the demand for more stringent security by promoting sales of its security systems, primarily ALSOK-GV (read ALSOK G-five), a service that combines image sensors with state-of-the-art IT systems. Sales of access control systems and security camera systems also increased.

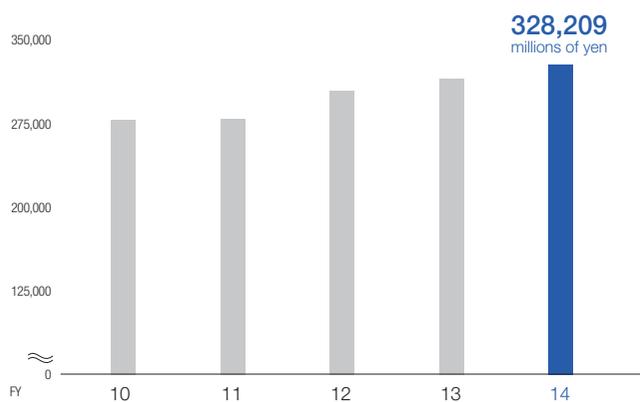
In services for individual users, we aggressively pursued sales. To aid this pursuit, we leveraged HOME ALSOK Premium, a home security service equipped with cutting-edge security technologies, as well as our lineup of new products, which included the HOME ALSOK APARTMENT AND CONDOMINIUM PLAN, which was launched for housing complexes in August 2013, and HOME ALSOK MIMAMORI SUPPORT, an emergency report and consultation service for senior citizens launched in September 2013. We also strengthened alliances with housing developers and real estate companies.

As a result, net sales in the Electronic Security Services segment rose 3.2% year on year, to ¥151,844 million.

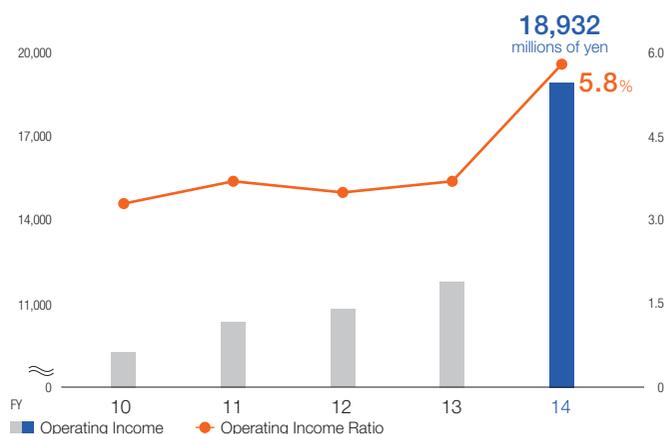
#### Stationed Security Services

In the year under review, we received a number of orders for other large-scale stationed security operations, and continued stationed security operations at TOKYO SKYTREE TOWN®. Accordingly, net sales in the Stationed Security Services segment increased 4.6% year on year, to ¥77,284 million.

## Net Sales



## Operating Income / Operating Income Ratio



### Transportation Security Services

In the year under review, we achieved growth in new contracts for the Cash Deposit Machine On-line System as a wider range of industries subscribed to this service. Contracts for the Total ATM Management System also showed strong increases. Due to these factors, net sales in the Transportation Security Services segment increased 0.4% year on year, to ¥51,050 million.

### ■ Total Building Management Services and Disaster Prevention Services

In the year under review, leveraging the comprehensive strength of the ALSOK Group, Japan Facilio Co., Ltd., achieved higher sales, while sales of AEDs and other equipment proved favorable. As a result, net sales in the Total Building Management Services and Disaster Prevention Services segment increased 10.2% year on year, to ¥44,808 million.

### ■ Analysis of Individual Items

In the year under review, net sales increased ¥12,644 million year on year, to ¥328,209 million.

Cost of sales was ¥248,900 million, primarily due to a ¥5,643 million increase in cost of sales from procurement of products and installation of equipment and a ¥1,013 million increase in labor costs.

Selling, general and administrative expenses were ¥60,375 million due to a ¥397 million decrease in retirement benefit expenses and a ¥365 million decrease in depreciation and amortization.

Extraordinary income was down due to a ¥526 million decrease in compensation income.

Extraordinary loss declined as a result of a ¥142 million decrease in loss on extinguishment of tie-in shares and ¥135 million decrease in impairment loss.

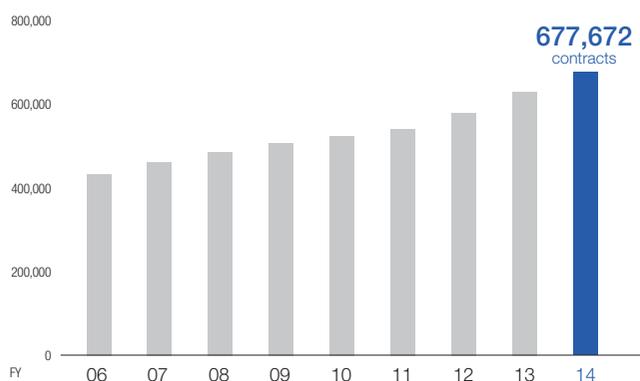
Net income increased ¥2,380 million, or 27.8%, to ¥10,955 million.

### ■ Forecast for the Fiscal Year Ending March 31, 2015

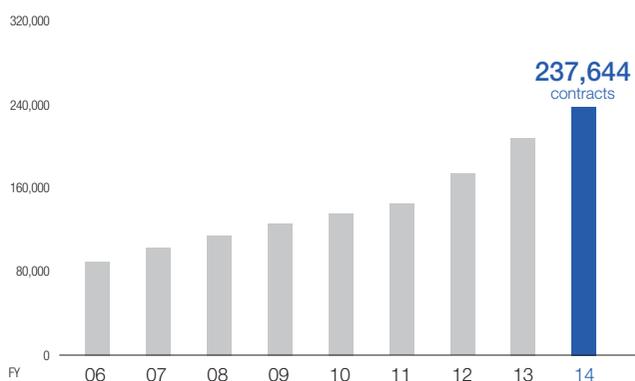
In the fiscal year ending March 31, 2015, the recovery trend in the Japanese economy is expected to become more prominent due to the anticipations regarding the benefits of Abenomics and improvements in corporate activities. However, it will still be necessary to carefully monitor the impacts on the domestic economy of the consumption tax hike and the increasingly unclear circumstances in the global economy.

In the security industry, traditional security needs will remain present. At the same time, we expect to see expanding business opportunities resulting from the accelerated development of social infrastructure as part of national resilience improvement plans, post-Great East Japan Earthquake reconstruction efforts, and preparations for 2020 Summer Olympic and Paralympic Games. However, intensified competition is forecast to create a harsh operating environment for the security industry during the fiscal year ending March 31, 2015. Success under these difficult conditions will require that we promote the further differentiation of our products and services.

Number of Electronic Security Services Contracts



Number of Contracts for Individual Users



In the fiscal year ending March 31, 2015, ALSOK Souei Co., Ltd., and Nippon Building Maintenance Co., Ltd., will join the ALSOK Group, greatly increasing the range of services we can provide. Accordingly, greater synergies will be pursued within the Group as it develops its mainstay security services business while also creating products and services that are always in line with the needs of the changing times. In addition, the Group will also actively expand into new business fields, such as nursing care, as it works to improve operating results.

In the fiscal year ending March 31, 2015, the ALSOK Group forecasts net sales of ¥365,000 million, up 11.2% year on year, operating income of ¥27,800 million, up 46.8%, ordinary income of ¥30,000 million, up 44.6%, and net income of ¥16,000 million, up 46.1%, results that will be achieved through the implementation of initiatives such as those described above.

## Financial Position

### Assets

Total assets at the end of the year under review increased ¥45,829 million, or 15.4%, from the previous fiscal year-end, to ¥342,495 million. Total current assets increased ¥35,309 million, or 21.5%, to ¥199,458 million, and total noncurrent assets increased ¥10,520 million, or 7.9%, to ¥143,036 million.

The ¥35,309 million increase in current assets was primarily due to a ¥34,485 million increase in cash for Transportation Security Services, and a ¥4,746 million increase in notes and accounts receivable-trade, which offset a ¥3,490 million decrease in cash and deposits and a ¥1,024 million decrease in short-term investment securities.

The ¥10,520 million increase in noncurrent assets was mainly attributable to a ¥4,439 million increase in machinery, equipment and vehicles, net and a ¥3,297 million increase in land.

### Liabilities

Total liabilities at the end of the year under review increased ¥41,188 million, or 34.0%, from the previous fiscal year-end, to ¥162,290 million. Total current liabilities increased ¥38,949 million, or 51.7%, to ¥114,322 million, and total noncurrent liabilities increased ¥2,238 million, or 4.9%, to ¥47,968 million.

The ¥38,949 million increase in current liabilities was a result of factors such as a ¥36,771 million increase in short-term loans payable, and a ¥3,651 million increase in notes and accounts payable-trade.

The ¥2,238 million increase in noncurrent liabilities was due to the recording of ¥33,554 million in net defined benefit liability, which offset a ¥28,783 million decrease in provision for retirement benefits and a ¥2,766 million decrease in long-term loans payable.

### Net Assets

Total net assets at March 31, 2014, were up ¥4,641 million, or 2.6%, from the previous fiscal year-end, to ¥180,205 million.

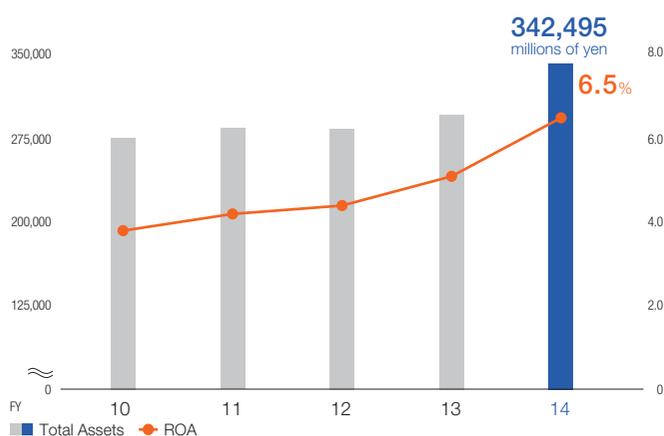
### Cash and Cash Equivalents

The balance of cash and cash equivalents (hereafter referred to as "cash") at March 31, 2014, was ¥40,541 million, up from ¥40,476 million at March 31, 2013. This increase was because net cash provided by operating activities was ¥21,056 million, net cash used in investing activities was ¥16,701 million, and net cash used in financing activities was ¥9,142 million.

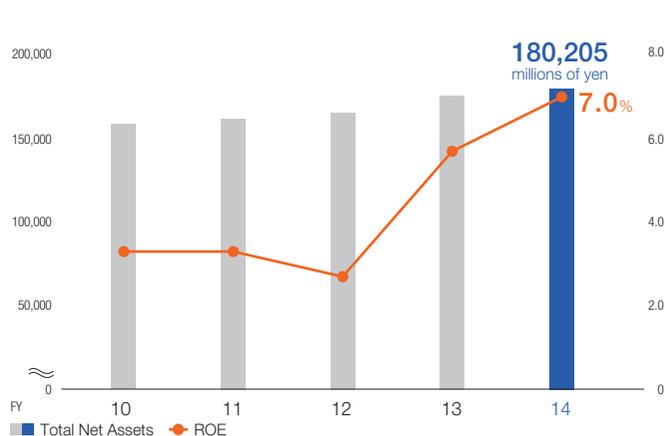
### Cash Flows from Operating Activities

As a result of our operating activities in the year under review, net cash provided by operating activities increased 0.8% year on year, to ¥21,056 million. Principal items increasing cash included ¥20,911 million in income before income taxes, an increase of 37.1% year on

### Total Assets / ROA



### Total Net Assets / ROE



year; ¥9,198 million in depreciation and amortization, a decrease of 24.7%; ¥2,329 million in increase in assets and liabilities for Transportation Security Services, a decrease of 145.5%; and ¥1,801 million in increase in notes and accounts payable-trade, a decrease of 23.3%. Conversely, major items decreasing cash included ¥7,900 million in income taxes paid, a year-on-year increase of 67.0%; and ¥4,744 million in increase in notes and accounts receivable-trade, a year-on-year increase of 843.3%.

Increase (decrease) in assets and liabilities for Transportation Security Services includes the increases and decreases in funds procured for transportation security services that are included in cash for Transportation Security Services and short-term loans payable.

#### Cash Flows from Investing Activities

Net cash used in investing activities in the year under review was ¥16,701 million, a 31.4% year-on-year increase. The primary factors were ¥15,224 million in purchase of property, plant and equipment, up 39.8% from the previous fiscal year.

#### Cash Flows from Financing Activities

Net cash used in financing activities was ¥9,142 million, a 12.4% year-on-year increase. The main elements were ¥3,388 million in repayment of long-term loans payable, down 10.1%; ¥2,793 million in repayment of lease obligations, up 1.5%; and ¥2,664 million in cash dividends paid, up 26.2%.

#### ■ Basic Policy on Distribution of Profits and Dividends

The ALSOK Group considers a return of earnings to shareholders to be a top management priority, and our basic policy is to distribute profits to shareholders based on our operating results while fortifying internal reserves. The Group uses internal reserves for investments in R&D required for future growth and development, qualitative upgrades to information systems, and capital investment for new businesses as it works to improve corporate value.

Also, it is the policy of the ALSOK Group to issue dividends from retained earnings twice a year, as interim and year-end dividends. The year-end dividend is decided at the General Shareholders' Meeting, while the interim dividend is decided by the Board of Directors.

For the fiscal year ended March 31, 2014, in consideration of results in the year under review, results forecasts for the next fiscal year, and capital investment plans, the Company paid an annual dividend of ¥30 per share, including an interim dividend of ¥12.5 per share, for a consolidated payout ratio of 27.5%.

#### Risk Information

Of the risks that could impact the ALSOK Group's business operations and financial position, the following items could potentially have a significant effect on the decision making of investors. The forward-looking statements below were deemed appropriate by the Group at the time of writing.

##### (1) Dependency on sales from a specific business sector

Sales from the financial institutions sector accounted over 20% of the Group's total net sales in the fiscal year ended March 31, 2014. Consequently, factors resulting from trends in the economic environment surrounding financial institutions, including large declines in contract revenues or the possible cancellation of existing security service contracts due to the elimination or consolidation of branch locations, could have a considerable effect on the Group's operating performance. For this reason, the ALSOK Group works to develop and maintain strong relationships with existing customers, promote sales to other industries, and acquire new customers.

##### (2) Electronic Security Services

Of the Group's total net sales, 46.3% are dependent on the Electronic Security Services segment. Electronic Security Services operations are based on the premise of continual capital investment for developing and maintaining operational infrastructures such as the establishment of Guard Centers and depots, vehicles for electronic security services, and communications systems, as well as personnel expenses for Guard Center staff and security staff. Should the Group fail to enter into a certain volume of electronic security services contracts due to any of a wide range of factors associated with the Group's electronic security services, the Group's operating performance could be affected. For this reason, the Group is working to mitigate this risk through the diversification of its business operations.

##### (3) Transportation Security Services

The Group uses its own funds or funds financed through overdrafts as cash to be used in the operation of the cash deposit machines installed by the subsidiaries of financial institutions in business partners' stores and offices or cash used to deposit advances for Cash Deposit Machine On-line System contracts. Should interest rates associated with the procurement of such cash increase, the higher interest burden could impact the Group's business operations. For this reason, should there be an increase in interest rates associated with cash procured for these purposes, the Group must renegotiate the pricing conditions defined in contracts between the Group and its customers. Further, the Company has subscribed to cash securities transport insurance to cover any damage or loss that may occur during the transportation or storage of such cash.

#### (4) Dependency on a specified equipment supplier

The Group is highly dependent on one single equipment supplier for the development and provision of the equipment used in its Guard Centers, which are a core element of the Group's electronic security services. Should any difficulty occur in the provision of such equipment due to a major natural disaster or other reason, the operation of Guard Centers could be affected. Accordingly, the Group takes precautionary measures to avoid this risk, including entering into a master agreement for commodity purchases regarding the equipment used in Guard Centers as well as the equipment used to provide electronic security services to secure the necessary supply of equipment. It also stockpiles a certain amount of equipment to be used in case of an emergency.

#### (5) Adaptation to changes in the technological environment

The development of security-related equipment and the adoption of state-of-the-art IT technologies are indispensable to the Group's adequate provision of security services, due to the need to deal with "increasingly complicated and heinous crimes," "obsolescence of existing facilities due to the sophistication of information communication infrastructures," and "advances in a wide range of operations applying IT technology." Should our adaptation to technological progress fall behind the changes in the technological environment, the Group's operating performance could be affected. Therefore, the ALSOK Group continues to make efforts in the development of security-related equipment and advanced IT technologies principally within the Company's R&D Department. At the same time, we work to mitigate risks by staying abreast of the latest technology trends in communications, devices, and other related technologies.

#### (6) Management of personal information

In concluding a security service contract with a customer, the Group obtains a significant amount of information about the customer including the names, addresses, and phone numbers of related parties, as well as various information about the customer's premises where security services are to be employed, and utilizes that essential information for the execution of security services, business activities, etc. Should any major problem occur with regard to the management of this information, including any unforeseeable accidents, the resulting decline in public trust in the Group or monetary claims for damages could affect the operating performance and future business development of the Group.

To mitigate this risk, the Group implements various information security measures to protect information with which it is entrusted by customers. These measures include implementing employee education programs regarding personal information security, thoroughly monitoring third-party business partners providing outsourced services, and other necessary and appropriate measures to protect customer information from leakage, loss, or damage. As a further precaution, the ALSOK Group has subscribed to Leakage of personal Information Insurance, which covers all Group companies.

#### (7) Securing human resources

In recent years, Japanese society has been rapidly aging due to the combination of an extended average life expectancy and a sharp drop in the birthrate. Although it can be anticipated that these trends will lead to a rise in the need for ALSOK's security services, it could become more difficult to recruit younger workers in this labor-intensive industry. Should it become necessary that personnel expenses such as wages be increased in order to secure quality human resources, the Group's operating performance could be affected. The Group is taking steps to address this risk and ensure its ability to secure high-quality human resources, including the development of a subsidiary to rehire experienced employees that have reached the mandated retirement age and the institution of a system that allows employees wishing to be rehired to be placed in the optimal position anywhere in the Group. This system was instituted in conjunction with the revision of Law Concerning Stabilization of Employment of Older Persons.

#### (8) Legal restrictions

In its provision of various security services, the Group is subject to a variety of statutory restrictions including the major ones stated in the table on page 29.

Should any of these statutory restrictions be amended or abolished, or any new legal provisions additionally established, the Group's operating performance could be affected.

#### (9) Response to natural disasters

Should any serious failure take place in the Company's security systems due to a natural disaster, accident, or other reason, signal transmission/reception from/to contracted customers could be rendered impossible, which could cause difficulties such as the suspension of security services. In such cases, the resulting claims for damages or the decline in public trust of the Group could affect the operating performance and future business development of the Group. In addition, it could become necessary to incur significant expenses to recover damaged Guard Centers and other facilities.

For this reason, the Group has established a support center backup system as part of business continuity plan measures for security systems to ensure the continuity of Guard Center operations in the event of a disaster. In addition, to protect the servers that receive transmissions from around the country, we have developed a redundancy system that entails establishing second backup centers for high-priority servers. Going forward, we will continue to institute measures for all stages of operations to mitigate risks related to large-scale, wide-spread disasters.

(10) Pandemics

Should a pandemic of a bacteria or virus occur, it could have an effect on the operating performance and future business development of the Group. Therefore, the Group is currently taking measures to prepare for such an eventuality. Measures include raising staff awareness regarding preventive measures, distribution of preventative kits, securing stockpiles of preventative supplies, as well as formulating a business continuity plan and action plan for such an eventuality.

(11) Major natural disasters

Should a major earthquake, storm, flood, or other natural disaster occur, or a long-term blackout occur as a result of such a disaster, it is possible that the Group's network systems or other infrastructure

may cease functioning, which could disrupt the Group's ability to provide security and other services. In addition, it is possible that Group assets located on customers' premises, such as security alarms, could be damaged due to such disasters. This could force the Company to repair or replace these assets. Therefore, a major earthquake, storm, flood, or other natural disaster could impact the Group's operating performance or financial position.

For this reason, based on prior experience, the Group has established disaster response manuals in accordance with its business continuity plan and disaster response regulations, stockpiled necessary disaster prevention items, and developed a flexible nationwide response network. It also institutes periodic training and conducts other precautionary measures in preparation for a major natural disaster.

Major operations	Relevant laws	Competent authorities, etc.
Electronic Security Services Stationed Security Services Transportation Security Services	Security Business Law / Road Traffic Law	National Public Safety Commission
	Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors	Japan Fair Trade Commission / Small and Medium Enterprise Agency
	Telecommunications Business Law / Radio Law	Ministry of Internal Affairs and Communications
Electronic Security Services Total Building Management Services and Disaster Prevention Services	Construction Business Act	Ministry of Land Infrastructure / Transport and Tourism
	Act on Ensuring Fair Electric Business Practices	Ministry of Economy, Trade and Industry
Electronic Security Services	Electrical Appliance and Material Safety Act	Ministry of Economy, Trade and Industry
	The Specified Commercial Transactions Act	Ministry of Economy, Trade and Industry / Consumer Affairs Agency
	Consumer Contract Act	Consumer Affairs Agency
Transportation Security Services and Other Services	Truck Transport Business Law / Freight Forwarding Business Law / Road Trucking Vehicle Law	Ministry of Land, Infrastructure, Transport and Tourism
Transportation Security Services	Warehousing Business Law	Ministry of Land, Infrastructure, Transport and Tourism
Stationed Security Services	Act on Penal Detention Facilities and Treatment of Inmates and Detainees	Ministry of Justice
	Act on Special Districts for Structural Reform	Cabinet Office
Total Building Management Services and Disaster Prevention Services	Fire and Disaster Management Act	Ministry of Internal Affairs and Communications
	Fire Prevention Ordinance	Each municipality
	Pharmaceutical Affairs Law / Act on Maintenance of Sanitation in Buildings	Ministry of Health, Labour and Welfare
	Waste Disposal Act	Ministry of the Environment
	Building Lots and Building Transaction / Business Law Architect Act / Act on Advancement of Proper Condominium Management	Ministry of Land, Infrastructure, Transport and Tourism
Other Services	Electricity Business Act / Law Concerning the Securing of Safety and the Optimization of Transaction of Liquefied Petroleum Gas	Ministry of Economy, Trade and Industry
	Correspondence Delivery Act	Ministry of Internal Affairs and Communications
	Worker Dispatching Act	Ministry of Health, Labour and Welfare
	Long-Term Care Insurance Act	Ministry of Health, Labour and Welfare / Each prefecture / Each municipality
	Insurance Business Law / Financial Instruments and Exchange Act / Act on Prevention of Transfer of Criminal Proceeds	Financial Services Agency
	Law about the adequacy of duties of the detective business	National Public Safety Commission
	Personal Information Protection Law	Consumer Affairs Agency / Ministry of Economy, Trade and Industry / National Public Safety Commission
Act on Special Measures to Prevent and Correct Shift for Consumption Tax	Japan Fair Trade Commission / Small and Medium Enterprise Agency / Consumer Affairs Agency / National Public Safety Commission	

# Consolidated Balance Sheets

	Millions of yen	
As of March 31, 2014 and 2013	2013	2014
<b>Assets</b>		
Current assets		
Cash and deposits	46,652	43,161
Cash for Transportation Security Services	64,094	98,579
Notes and accounts receivable-trade	31,309	36,055
Lease receivables and investment assets	1,228	1,986
Short-term investment securities	1,439	415
Raw materials and supplies	4,844	4,380
Costs on uncompleted construction contracts	825	343
Advances paid	5,732	6,370
Deferred tax assets	1,972	1,842
Other	6,249	6,534
Allowance for doubtful accounts	(198)	(211)
Total current assets	164,149	199,458
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	41,614	42,165
Accumulated depreciation	(22,452)	(22,982)
Buildings and structures, net	19,162	19,183
Machinery, equipment and vehicles	114,400	119,885
Accumulated depreciation	(103,123)	(104,169)
Machinery, equipment and vehicles, net	11,277	15,716
Land	19,635	22,933
Lease assets	10,879	11,092
Accumulated depreciation	(4,941)	(5,529)
Lease assets, net	5,937	5,562
Construction in progress	881	1,410
Other	12,632	12,882
Accumulated depreciation	(9,377)	(9,462)
Other, net	3,255	3,419
Total property, plant and equipment	60,149	68,225
Intangible assets		
Software	3,191	3,681
Goodwill	1,129	769
Other	1,637	1,699
Total intangible assets	5,957	6,151
Investments and other assets		
Investment securities	32,243	34,466
Long-term loans receivable	539	456
Lease and guarantee deposits	8,031	7,798
Insurance funds	1,970	2,004
Prepaid pension cost	3,059	—
Net defined benefit asset	—	50
Deferred tax assets	10,647	12,638
Other	10,771	12,097
Allowance for doubtful accounts	(855)	(853)
Total investments and other assets	66,408	68,659
Total noncurrent assets	132,515	143,036
Total assets	296,665	342,495

Millions of yen

As of March 31, 2014 and 2013	2013	2014
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	17,417	21,069
Short-term loans payable	19,700	56,472
Current portion of long-term loans payable	3,337	3,165
Current portion of bonds	10	10
Accounts payable-other	15,532	13,672
Lease obligations	2,487	2,506
Income taxes payable	3,732	4,203
Accrued consumption taxes	2,052	1,680
Provision for bonuses	1,048	1,072
Provision for directors' bonuses	202	238
Deferred tax liabilities	0	0
Other	9,850	10,230
Total current liabilities	75,372	114,322
Noncurrent liabilities		
Bonds payable	30	20
Long-term loans payable	6,750	3,983
Lease obligations	5,141	5,510
Deferred tax liabilities	55	33
Deferred tax liabilities for land revaluation	366	366
Provision for retirement benefits	28,783	—
Net defined benefit liability	—	33,554
Provision for directors' retirement benefits	1,624	1,696
Asset retirement obligations	93	67
Negative goodwill	141	60
Other	2,743	2,674
Total noncurrent liabilities	45,730	47,968
Total liabilities	121,102	162,290

<b>Net Assets</b>		
Shareholders' equity		
Shareholders' equity	18,675	18,675
Capital stock	32,117	32,117
Capital surplus	106,731	114,961
Retained earnings	(1,987)	(1,988)
Treasury stock	155,536	163,766
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,245	5,969
Revaluation reserve for land	(5,343)	(5,343)
Foreign currency translation adjustment	(10)	46
Remeasurements of defined benefit plans	—	(6,148)
Total valuation and translation adjustments	(1,109)	(5,475)
Minority interests	21,135	21,914
Total net assets	175,563	180,205
Total liabilities and net assets	296,665	342,495

# Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

## Consolidated Statements of Income

	Millions of yen	
Fiscal year ended March 31, 2014 and 2013	2013	2014
<b>Net sales</b>	315,564	328,209
<b>Cost of sales</b>	242,410	248,900
<b>Gross profit</b>	73,153	79,308
<b>Selling, general and administrative expenses</b>	61,363	60,375
<b>Operating income</b>	11,790	18,932
<b>Non-operating income</b>		
Interest income	259	250
Dividends income	435	512
Gain on sales of investment securities	93	123
Rent income	246	243
Gain from insurance claim	81	114
Equity in earnings of affiliates	1,356	517
Amortization of negative goodwill	80	80
Penalty income	444	336
Other	1,130	945
<b>Total non-operating income</b>	4,128	3,124
<b>Non-operating expenses</b>		
Interest expenses	566	578
Loss on sales of investment securities	33	7
Loss on retirement of noncurrent assets	109	151
Financing expenses	171	258
Other	297	314
<b>Total non-operating expenses</b>	1,177	1,311
<b>Ordinary income</b>	14,741	20,745
<b>Extraordinary income</b>		
Gain on sales of investment securities	150	108
Compensation income	651	124
Gain on reversal of asset retirement obligations	—	25
<b>Total extraordinary income</b>	801	258
<b>Extraordinary loss</b>		
Loss on valuation of investment securities	13	23
Loss on retirement of noncurrent assets	—	66
Impairment loss	138	2
Loss on extinguishment of tie-in shares	142	—
<b>Total extraordinary loss</b>	294	92
<b>Income before income taxes</b>	15,248	20,911
<b>Income taxes-current</b>	6,063	8,372
<b>Income taxes-deferred</b>	(465)	481
<b>Total income taxes</b>	5,597	8,853
<b>Income before minority interests</b>	9,650	12,057
<b>Minority interests in income</b>	1,075	1,102
<b>Net income</b>	8,574	10,955

## Consolidated Statements of Comprehensive Income

	Millions of yen	
Fiscal year ended March 31, 2014 and 2013	2013	2014
<b>Income before minority interests</b>	9,650	12,057
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	2,651	1,761
Foreign currency translation adjustment	(18)	7
Share of other comprehensive income of associates accounted for using equity method	83	81
<b>Total other comprehensive income (Note)</b>	2,716	1,850
<b>Comprehensive income</b>	12,367	13,908
(Contents)		
Comprehensive income attributable to owners of the parent	11,085	12,736
Comprehensive income attributable to minority interests	1,281	1,171

# Consolidated Statements of Changes in Net Assets

Fiscal year ended March 31, 2014 and 2013	Millions of yen	
	2013	2014
<b>Shareholders' equity</b>		
Capital stock		
Balance at the beginning of current period	18,675	18,675
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	18,675	18,675
Capital surplus		
Balance at the beginning of current period	32,117	32,117
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	32,117	32,117
Retained earnings		
Balance at the beginning of current period	100,267	106,731
Changes of items during the period		
Dividends from surplus	(2,111)	(2,664)
Net income	8,574	10,955
Change of scope of consolidation	—	(60)
Total changes of items during the period	6,463	8,230
Balance at the end of current period	106,731	114,961
Treasury stock		
Balance at the beginning of current period	(1,974)	(1,987)
Changes of items during the period		
Change in equity in affiliates accounted for by equity method-treasury stock	(12)	—
Purchase of treasury stock	(0)	(0)
Total changes of items during the period	(12)	(0)
Balance at the end of current period	(1,987)	(1,988)
Total shareholders' equity		
Balance at the beginning of current period	149,085	155,536
Changes of items during the period		
Dividends from surplus	(2,111)	(2,664)
Net income	8,574	10,955
Change in equity in affiliates accounted for by equity method-treasury stock	(12)	—
Purchase of treasury stock	(0)	(0)
Change of scope of consolidation	—	(60)
Total changes of items during the period	6,450	8,229
Balance at the end of current period	155,536	163,766

Fiscal year ended March 31, 2014 and 2013	Millions of yen	
	2013	2014
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities		
Balance at the beginning of current period	1,738	4,245
Changes of items during the period		
Net changes of items other than shareholders' equity	2,506	1,724
Total changes of items during the period	2,506	1,724
Balance at the end of current period	4,245	5,969
Revaluation reserve for land		
Balance at the beginning of current period	(5,343)	(5,343)
Changes of items during the period		
Net changes of items other than shareholders' equity	—	0
Total changes of items during the period	—	0
Balance at the end of current period	(5,343)	(5,343)
Foreign currency translation adjustment		
Balance at the beginning of current period	(14)	(10)
Changes of items during the period		
Net changes of items other than shareholders' equity	4	56
Total changes of items during the period	4	56
Balance at the end of current period	(10)	46
Remeasurements of defined benefit plans		
Balance at the beginning of current period	—	—
Changes of items during the period		
Net changes of items other than shareholders' equity	—	(6,148)
Total changes of items during the period	—	(6,148)
Balance at the end of current period	—	(6,148)
Total valuation and translation adjustments		
Balance at the beginning of current period	(3,619)	(1,109)
Changes of items during the period		
Net changes of items other than shareholders' equity	2,510	(4,366)
Total changes of items during the period	2,510	(4,366)
Balance at the end of current period	(1,109)	(5,475)
<b>Minority interests</b>		
Balance at the beginning of current period	20,168	21,135
Changes of items during the period		
Net changes of items other than shareholders' equity	966	778
Total changes of items during the period	966	778
Balance at the end of current period	21,135	21,914
<b>Total net assets</b>		
Balance at the beginning of current period	165,634	175,563
Changes of items during the period		
Dividends from surplus	(2,111)	(2,664)
Net income	8,574	10,955
Change in equity in affiliates accounted for by equity method-treasury stock	(12)	—
Purchase of treasury stock	(0)	(0)
Change of scope of consolidation	—	(60)
Net changes of items other than shareholders' equity	3,477	(3,587)
Total changes of items during the period	9,928	4,641
Balance at the end of current period	175,563	180,205

# Consolidated Statements of Cash Flows

Millions of yen

Fiscal year ended March 31, 2014 and 2013	2013	2014
<b>Net cash provided by (used in) operating activities</b>		
Income before income taxes	15,248	20,911
Depreciation and amortization	12,213	9,198
Impairment loss	138	2
Amortization of goodwill	363	370
Amortization of negative goodwill	(80)	(80)
Loss (gain) on extinguishment of tie-in shares	142	—
Increase (decrease) in allowance for doubtful accounts	142	11
Increase (decrease) in provision for retirement benefits	429	—
Increase (decrease) in net defined benefit liability	—	(310)
Increase (decrease) in provision for bonuses	28	24
Increase (decrease) in provision for directors' bonuses	1	36
Interest and dividends income	(695)	(762)
Interest expenses	566	578
Equity in (earnings) losses of affiliates	(1,356)	(517)
Loss (gain) on sales of noncurrent assets	13	1
Loss on retirement of noncurrent assets	109	218
Gain on reversal of asset retirement obligations	—	(25)
Loss (gain) on sales of investment securities	(210)	(222)
Loss (gain) on valuation of investment securities	13	23
Loss (gain) on valuation of derivatives	(292)	(180)
Decrease (increase) in notes and accounts receivable-trade	(502)	(4,744)
Decrease (increase) in inventories	484	956
Increase (decrease) in notes and accounts payable-trade	2,347	1,801
Decrease (increase) in prepaid pension costs	(258)	—
Decrease (increase) in net defined benefit asset	—	(1,279)
Decrease in assets and liabilities for Transportation Security Services	(5,122)	2,329
Other	1,216	257
Subtotal	24,941	28,597
Interest and dividends income received	783	900
Interest expenses paid	(564)	(574)
Income taxes paid	(4,729)	(7,900)
Income taxes refund	458	32
Net cash provided by (used in) operating activities	20,890	21,056
<b>Net cash provided by (used in) investing activities</b>		
Decrease (increase) in time deposits	550	63
Purchase of property, plant and equipment	(10,888)	(15,224)
Proceeds from sales of property, plant and equipment	140	10
Purchase of investment securities	(2,239)	(878)
Proceeds from sales of investment securities	3,410	1,627
Purchase of investments in subsidiaries	(245)	(30)
Purchase of stocks of subsidiaries and affiliates	(1,353)	—
Decrease (increase) in short-term loans receivable	8	3
Payments of long-term loans receivable	(69)	(74)
Collection of long-term loans receivable	132	158
Other	(2,158)	(2,356)
Net cash provided by (used in) investing activities	(12,713)	(16,701)
<b>Net cash provided by (used in) financing activities</b>		
Net increase (decrease) in short-term loans payable	75	(439)
Proceeds from long-term loans payable	715	459
Repayment of long-term loans payable	(3,768)	(3,388)
Redemption of bonds	(110)	(10)
Proceeds from stock issuance to minority shareholders	3	—
Purchase of treasury stock	(0)	(0)
Repayments of lease obligations	(2,753)	(2,793)
Cash dividends paid	(2,111)	(2,664)
Cash dividends paid to minority shareholders	(186)	(304)
Net cash provided by (used in) financing activities	(8,136)	(9,142)
Effect of exchange rate change on cash and cash equivalents	(11)	2
Net increase (decrease) in cash and cash equivalents	28	(4,785)
Cash and cash equivalents at beginning of period	40,476	40,541
Increase in cash and cash equivalents from newly consolidated subsidiary	—	36
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	36	—
Cash and cash equivalents at end of period	40,541	35,791

# Corporate Information / Stock Information As of March 31, 2014

## Corporate Information

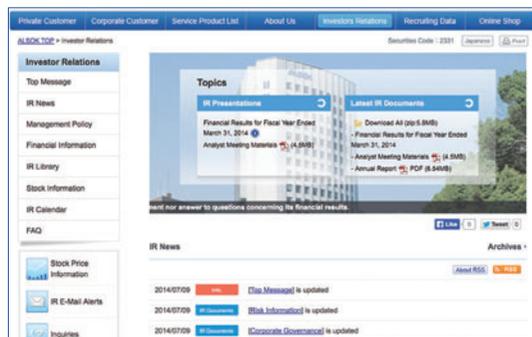
Corporate Name	SOHGO SECURITY SERVICES CO., LTD.
Head Office	1-6-6 Motoakasaka, Minato-ku, Tokyo 107-8511, Japan
Established	July 16, 1965
Capital	¥18,675,011,600
Fiscal Year-End	March 31
Employees	(Consolidated) 28,091 (Non-consolidated) 12,422
Business Operations	Head office / 10 Headquarters / 65 Branches / 40 Offices / 232 Sales Offices

## Stock Information

Total Number of Shares Authorized	300,000,000
Number of Shares Issued	102,040,042 (incl. 1,506,354 shares of treasury stock)
Number of Shareholders at the End of the Preceding Fiscal Period	11,235
Stock Listing	First Section of Tokyo Stock Exchange
Securities Code	2331
Minimum Trading Lot	100

## ALSOK's IR Website

ALSOK's corporate information can be viewed online in English. Our website features a variety of content aimed to help interested parties find out more about ALSOK's business and operating results, including a message from the president, a business overview, and financial information. Please visit the website below for more information.



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

## Contact: IR Office

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FAX. +81-3-3470-1565  
Email [alsok-ir@alsok.co.jp](mailto:alsok-ir@alsok.co.jp)

## Distribution of Shares by Shareholder Type



## Major Shareholders (Top 10)

Name	Number of shares held (1,000 shares)	Percentage of shares held (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	7,890	7.84
SOHGO CORPORATION	7,388	7.34
Employees Shareholding Association	5,846	5.81
Saitama Machinery Co., Ltd.	5,283	5.25
Trust & Custody Services Bank, Ltd. as trustee for Mizuho Bank Ltd. Retirement Benefit Trust1 Northern Trust Co. (AVFC)	4,261	4.23
Kamakura Corporation	4,150	4.12
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,890	3.86
Tokio Marine & Nichido Fire Insurance Co., Ltd.	3,420	3.40
Atsushi Murai	2,985	2.96
Kizuna Corporation	2,950	2.93

\* Treasury stock (1,506,354 shares) has been excluded.



**SOHGO SECURITY SERVICES CO., LTD.**

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**Seven consecutive years of inclusion in principal SRI index**

Since 2007, ALSOK has been selected for inclusion in the FTSE4Good Global Index, a socially responsible investment (SRI) index. We believe this continued inclusion reflects recognition of ALSOK's active engagement in CSR activities.



FTSE4Good