

ANNUAL REPORT 2012

Fiscal year ended March 31, 2012

SOHGO SECURITY SERVICES CO., LTD.



The ALSOK Group is protecting the safety and security of Society with a spirit of gratitude and a samurai spirit.

SOHGO SECURITY SERVICES CO., LTD. (ALSOK), was established in July 1965. An innovator in the Japanese security services industry, the Company was the first to earn the Tokyo Metropolitan Public Safety Commission's security business certification. The Company listed on the First Section of the Tokyo Stock Exchange in October 2002 (securities code: 2331), subsequently adopting the corporate brand name "ALSOK" in 2003. Since then, ALSOK has continued to drive the industry as its leading company.

Since its founding, ALSOK has developed its operations in the security services industry based on its management philosophy centered on a spirit of gratitude and a tough yet fair, kind samurai spirit. The security services industry has come to play an ever more important role in today's diversified society, and ALSOK will continue to improve the quality of its security services in response to changing social needs and will help maintain safety and security throughout society.

MANAGEMENT PHILOSOPHY



Our business operations are based on management philosophy exemplified by a spirit of gratitude¹ and a samurai spirit². Our mission is to help maintain safety throughout society, an indispensable element of our lives, as well to make constant improvements to become the industry's leading company.

1. 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.

2. 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.

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.



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ABOUT CORPORATE REPORTS IN 2012

ALSOK's security services business protects the safety and security of society, and is therefore closely linked to corporate social responsibility (CSR).

In 2012, the Company has decided to construct its annual report, which explains the Company's economic value, and its CSR report, which describes its social and environmental initiatives, in a manner so that both these reports may supplement each other as a set. We believe this will allow us to better illustrate the link between our growth strategies for our security services business and our CSR activities, thus providing a more comprehensive view of the Company's corporate value. Moreover, to better portray the development of the Company's corporate value through the integration of its business and CSR activities more comprehensive design aspects have been employed.

The annual report will focus on describing how the products and services offered in ALSOK's security services business contribute to the resolution of various social issues. Its special feature will introduce some of the Company's products and services that respond to changing social needs.



The CSR report will focus on how ALSOK's security services business contributes to addressing social and environmental issues. The report will contain a special feature that explains the proactive approach of ALSOK Group employees who are supporting today's society.



Cautionary statement regarding forecasts and projections

Of the plans, strategies, and other matters of SOHGO SECURITY SERVICES CO., LTD. (ALSOK), and of the ALSOK Group, that are expressed in this annual report, the projections of future performance are not founded on historical facts. Readers are advised to be aware that actual performance could differ materially from these projections due to various factors such as economic circumstances, competitive conditions, and technological innovations.

Note

Figures in the Financial Highlights and Financial Section are based on the English translation of "Summary of Financial Results for the Fiscal Year Ended March 31, 2012." For notes on this Summary, please refer to the document "Financial Results for the Fiscal Year Ended March 31, 2012," available on the ALSOK IR website.
URL <http://www.alsok.co.jp/tr/en/library/results.html>

SIX 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.



PRINCIPAL BUSINESSES

Security Services

● Electronic Security Services

ALSOK's nationwide network of 37 Guard Centers remotely monitors clients' office buildings, residences, and other premises through security equipment installed by the Company. Should a disturbance, such as an intrusion, a fire, or an other emergency alert, be detected, the Guard Centers will respond appropriately; if necessary, security guards can be on the scene in less than 25 minutes from the detection of the disturbance.

● Stationed Security Services

Security guards stationed at office buildings, commercial facilities, hotels, and various other client facilities administer access control by monitoring or checking the identity of each person who enters or exits designated client facilities, and also conduct patrols to detect irregularities. Further, our disaster prevention centers and central management centers conduct monitoring activities.

● Transportation Security Services

We provide the Total ATM Management System for use by banks and convenience stores, the Cash Deposit Machine On-line System in which we manage the daily sales revenues of business owners, and the Cash Transport System service that provides safe transportation of cash, marketable securities, and other valuables.

* 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.

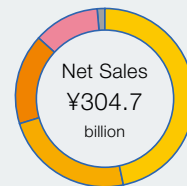
Total Building Management Services and Disaster Prevention Services

We provide operational and management support for buildings and condominiums including facility inspection, call center services, and renovation construction. In addition, we offer a range of disaster prevention support services, such as fire extinguishing equipment inspection and sales of residential fire alarms.

Other Services

We provide a wide range of products and services that exceed the boundaries of our conventional security services. These include information security services and the ALSOK DENPO telegram service.

Net Sales by Service Type
(Fiscal year ended March 31, 2012)



SECURITY SERVICES

● ELECTRONIC SECURITY SERVICES	46.9%
● STATIONED SECURITY SERVICES	23.4%
● TRANSPORTATION SECURITY SERVICES	16.4%

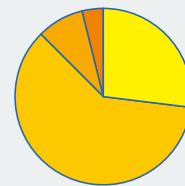
TOTAL BUILDING MANAGEMENT SERVICES AND DISASTER PREVENTION SERVICES

12.0%

OTHER SERVICES

1.3%

Net Sales by Client Type
(Fiscal year ended March 31, 2012)



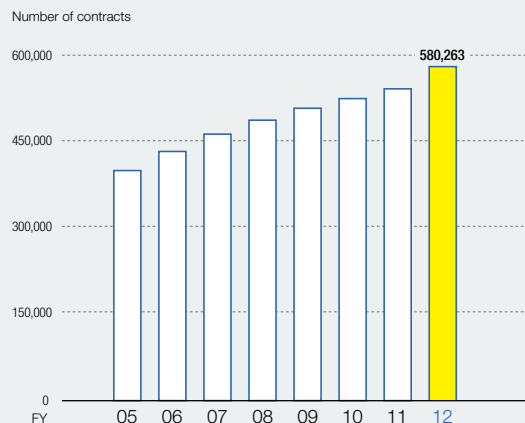
● FINANCIAL INSTITUTIONS	27.0%
● BUSINESS CORPORATIONS	60.6%
● GOVERNMENT OFFICES / JAPAN POST	8.7%
● INDIVIDUALS	3.7%

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 30% of total net sales, and have currently been entrusted with the management of an impressive nearly 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, 406,261 corporate customer facilities (up 2.4% year on year) and 174,002 residential households (up 19.9% year on year) are connected to ALSOK's Guard Centers through telecommunications lines, proving the stable growth potential of this business.

Number of Electronic Security Services Contracts



BUSINESS DOMAIN

Industry Trends

Total annual sales in the Japanese security services industry exceed ¥3 trillion¹. Presently, there are approximately 9,058¹ 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 ¥39.9 billion, and there is a wide gap between this company and ALSOK in terms of profitability.

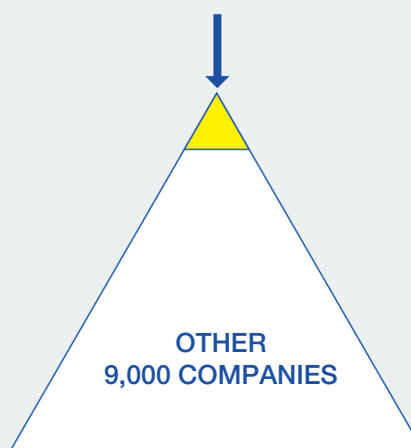
Moreover, the majority of security companies primarily offer stationed security services, including traffic control², which are labor-intensive services. Only a small percentage of these companies are capable of offering electronic and transportation security services, which require a large amount of 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.

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 ¥39.9 billion)



1. Source: "Overview of the Security Industry in 2011," National Police Agency
2. Some countries do not consider this part of security services.

GROWTH DRIVERS

Transportation Security Services that Benefit Financial Institutions

Approximately 30% of ALSOK's total net sales come from financial institutions. These institutions are increasingly outsourcing security operations. In response to this trend, ALSOK is progressively advancing its transportation security services, which have already established a strong reputation for reliability through its years of serving this industry. In addition, we are expanding our operations targeting financial institutions by actively entering into new areas, such as those represented by



our Cash Transport System and Total ATM Management System, with the aim of providing these institutions with total support for all their security needs.

Ability to Develop a Diverse Range of Products and Services

Our ALSOK Home Security system, which was initially launched in 2004, has continued to evolve through the addition of new features. Even today, growth in contracts for this system plays a key role in expanding the Company's net sales. Further, we began developing security robots in 1982. Aiming to improve the efficiency of stationed security operations and respond to labor shortfalls, we released the Reborg-Q security robot in December 2006. Now 20 of ALSOK's security robots are in use across Japan, a testament to the Company's industry leading technological capabilities. ALSOK was also the first company in the world to put into practical use face recognition technologies that can instantly recognize the faces of registered people and inform security staff as need.



HOME ALSOK Premium

OUR STRATEGY

Worsening perception of safety and security

Rise in violent and manipulative crimes
Increase in elderly citizens living alone
Shift toward nuclear families



Responses to changes in the operating environment for the financial, distribution, and retail industries

Total management support for cash transportation
Total management support for ATMs



Expansion of security services

Enlargement of crime prevention services

- Worsening perception of safety and security, concern about rise in violent and manipulative crimes
- Increased interest in home security due to more elderly citizens living alone and other factors

Approx. 2%

Penetration of home security in Japan)
(52.2 million households in 2009)

Shift from cash transportation to solutions for financial and distribution organizations

- Support for financial, distribution, and retail organizations with outsourcing services integrating cash collection, storage, and depositing into financial institutions

Approx. 30%

Percent of ALSOK's net sales from financial institutions

Protecting the safety and security of Japan's households



ALSOK Home Security α



Image monitoring services

Comprehensive cash management for financial, distribution, and retail organizations



Total ATM Management System

Changes in the Security Services Industry

New Security Needs

Large-scale natural disasters

Change in perceptions of disaster prevention and business continuity plans (BCPs)



Advancing information technologies

Spread of the Internet
Development of high-speed data transmission
Strengthening of information security



Diversification of security services

Development of disaster prevention and BCP-related services

- Response to needs created by reconstruction efforts after the Great East Japan Earthquake

Rise in information security needs

- Total support for security of personal, confidential, and other sensitive information

Approx. 41%

Companies experiencing information security breaches
(Over specific 1 year period)

Source: 2011 "Survey of Communication Utilization Trends,"
Ministry of Internal Affairs and Communications

Preparing for large-scale natural disasters with BCPs and disaster prevention services



Safety confirmation services

Securing clients' information assets



PC monitoring services

As a leader in the security services industry, the ALSOK Group has continued to provide a key piece of the social infrastructure that supports Japan's economy. The operating environment in the security services industry is changing at a rapid pace. To respond to these changes, the ALSOK Group is developing a new, more advanced business model and providing products and services that accurately respond to social needs, such as those created by the spread of information technologies, the declining birthrate, and the aging population in Japan. In these ways, ALSOK aims to continue protecting the safety and security of its customers and society.



HOME ALSOK Premium

Home security

- ALSOK Home Security α
- HOME ALSOK Premium
- ALSOK Silver Pack

Other new products

- HOME ALSOK RUSUTAKU Service
- ALSOK's emergency dispatch service for protecting children
- HOME ALSOK Pocket



HOME ALSOK Pocket
(Tablet PCs, smartphones)



Cash Deposit Machine On-line System lineup

Comprehensive cash management solutions

- Comprehensive management of convenience store ATMs
- Total ATM Management System for bank ATMs
- Cash Deposit Machine On-line System
- Cash collection, storage, and depositing into financial institutions (Surrogate sales revenue management)

Introduction of Products and Services that Accurately Respond to Social Needs



AED sales

Disaster prevention services

- Emergency earthquake alert system
- AED sales
- Residential fire alarm sales
- Disaster prevention item sales
- Radiation measurement services (Only for ALSOK Home Security users)



Information leakage inspection services

Information security services

- PC monitoring services
- Network monitoring services
- Information leakage inspection services
- PC Auditor
- Email-based intrusion response drills

Improving performance

CEO Atsushi Murai and COO Yukiyasu Aoyama explain business performance in the year under review and describe the strategies that will be implemented in pushing ALSOK to the next stage of growth.

Page 8 Greetings from Management

NEW SECURITY SERVICES MODEL

Future growth potential

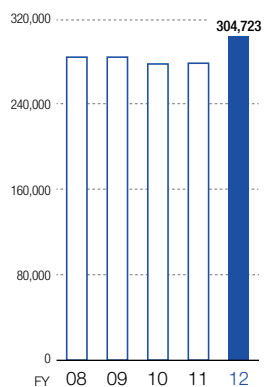
The special feature offers a detailed look at the services that are accelerating ALSOK's growth: its home security systems, Total ATM Management System, and Cash Deposit Machine On-line System.

Page 12 Special Feature: Growth Drivers to Support a New Security Services Model

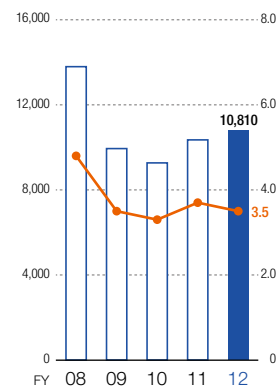
FINANCIAL HIGHLIGHTS

Fiscal year	Millions of yen		
	2010	2011	2012
Fiscal year			
Net sales	278,579	279,272	304,723
Operating income	9,270	10,352	10,810
Net income	4,563	4,706	3,903
Capital expenditures	10,712	11,288	10,498
Depreciation and amortization	12,597	12,457	13,007
At the end of fiscal year			
Total assets	276,069	284,350	283,593
Total net assets	158,674	162,178	165,634
Per share (yen)			
Net income	45.39	46.82	38.83
Net assets	1,397.90	1,421.67	1,446.93
Dividends	20.00	20.00	20.00
Ratios (%)			
Operating income margin	3.3	3.7	3.5
Return on assets (ROA)	3.8	4.2	4.4
Return on equity (ROE)	3.3	3.3	2.7

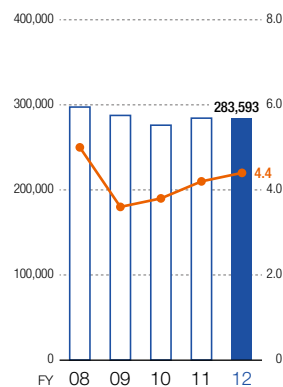
Net Sales
Millions of yen



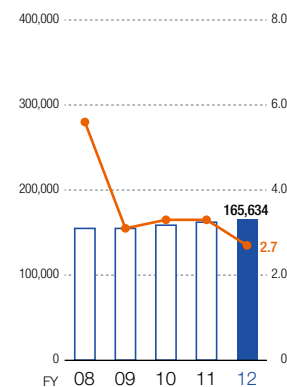
Operating Income / Operating Income Margin
Millions of yen / %



Total Assets / ROA
Millions of yen / %



Total Net Assets / ROE
Millions of yen / %



Launch of Large-Scale Security Operations at TOKYO SKYTREE TOWN®

May 22, 2012, marked the opening of TOKYO SKYTREE®, the world's tallest free-standing broadcasting tower with a height of 634 m. TOKYO SKYTREE TOWN, a commercial facility at the base of the tower, is anticipated to see over 29.1 million visitors each year, and ALSOK has been charged with providing stationed security services to protect the safety of this facility and its visitors. In this undertaking, we have developed a system that can ensure thorough security while also allowing staff to adapt flexibly to improve visitor convenience.

TOKYO SKYTREE is expected to serve as an important piece of social infrastructure, due to its broadcasting capabilities, and at the same time play a key role in disaster response efforts. Moreover, the tower has come to be a symbol of the revitalization of Japan following the Great East Japan Earthquake. At the base of this tower is TOKYO SKYTREE TOWN, a center for tourism and commercial activities that is helping invigorate the surrounding community that encompasses TOKYO Solamachi®, one of Japan's largest commercial facilities with a total of 312 shops. These facilities are consistently filled with visitors.

In providing security to these facilities, we flexibly adapt based on the needs of the situation through means such as utilizing image monitoring systems and other state-of-the-art crime prevention equipment. When one heads toward TOKYO SKYTREE's observation deck, they will receive quick and efficient guidance from ALSOK security guards and undergo a brief search of your belongings. At TOKYO Solamachi, our security guards will offer visitors directions, help track down lost possessions, and prevent people from tripping on escalators. They are also trained to offer such services to visitors from overseas. In these manners, we provide flexible security services based on the characteristics of each facility to ensure that all guests can have a safe and enjoyable visit.

Also, while TOKYO SKYTREE features superior levels of earthquake and fire resistance, ALSOK's staff is vigilant in its preparations for emergency situations, and is constantly conducting emergency response drills together with government organizations. Further, our staff manages the AEDs at TOKYO SKYTREE TOWN, and is ready to respond should a visitor undergo cardiopulmonary arrest or some other sudden ailment. Such is our commitment to protecting the safety of visitors.

As we continue to protect these facilities into the future, we will fully leverage the expertise we have accumulated through years of protecting various facilities to provide visitors with greater levels of safety and security and further solidify the strong reputation for reliability that we have established.



TOKYO SKYTREE TOWN®



Solami-zaka Plaza



Interior of TOKYO Solamachi®



Solamachi Plaza

©TOKYO-SKYTREE



GREETINGS FROM MANAGEMENT

ALSOK feels a strong sense of commitment toward its mission of protecting the safety and security of society. This commitment fuels our drive to fulfill our responsibility toward society through our security services.

Atsushi Murai

Chairman and Representative Director
Chief Executive Officer (CEO)



Yukiyasu Aoyama

President and Representative Director
Chief Operating Officer (COO)



Operating Results in the Fiscal Year Ended March 31, 2012

The year under review, the fiscal year ended March 31, 2012, got off to a difficult start due to the residual impacts of the Great East Japan Earthquake, which occurred on March 11, 2011. Later, post-earthquake reconstruction demand spurred on a recovery trend. Regardless, the operating environment continued to be plagued by unstable conditions as a result of the economic recession seen overseas following the sovereign debt crisis in Europe.

Amidst this adversity, the ALSOK Group worked to accomplish its mission as a security company of protecting the safety and security of society. In this pursuit, we strove to develop and provide new products and services that accurately meet the needs of society in our mainstay security services operations and through the provision of disaster response and information security products. At the same time, we cultivated our human resources to ensure that we are able to continue providing high-quality products and services, and endeavored to reduce costs by improving the efficiency and rationality of our operations.

These efforts proved to be successful, and in the year under review, net sales were up 9.1% year on year, to ¥304.7 billion, exceeding ¥300.0 billion for the first time in the history of the Company. This was primarily a result of Japan Facilio Co., Ltd., becoming a consolidated subsidiary, higher revenues from sales of equipment relating to electronic security services, increased

sales of disaster response products, and a rise in contracts for the Total ATM Management System provided as part of transportation security services.

Operating income increased 4.4%, to ¥10.8 billion. In the year under review, we experienced a rise in personnel costs as a result of the increase in employee numbers associated with the consolidation of Japan Facilio and efforts to support the regions affected by the earthquake. Retirement benefit expenses were also up following a change in discount rates. In addition, higher depreciation was recorded due to new contracts for Electronic Security Services and for the Cash Deposit Machine On-line System. In regard to cost of sales and selling, general and administrative (SG&A) expenses, we have continued to implement measures to control costs, and were able to successfully reduce certain expenses by ¥1.8 billion, exceeding our reduction target of ¥1.0 billion. Unfortunately though, net income was down 17.1%, to ¥3.9 billion. This was the result of a reduction in deferred tax assets that accompanied a change in the effective tax rate.

Reflected by the sales and profit growth, our efforts to bolster Group coordination and sales capabilities have gradually begun to bear fruit. In this way, I felt that the year under review was a year in which ALSOK began to shift from being a company that maintained a safe balance between “defensive” and “offensive” elements of management to displaying a strong drive toward reaching the next stage of growth.

Successes of Performance Improvement Measures

In the year under review, performance improvement measures were primarily focused on the following five areas.

Strengthening Sales Capabilities

In the year under review, we bolstered sales staff in accordance with established plans. At the same time, we have strengthened the Company's organizational management centered on the Sales Department in our Head Office and enhanced our training systems for sales personnel.

Introducing New Products

In April 2011, we launched our new ALSOK-GV service, a revolutionary new service that combines traditional electronic security services with a state-of-the-art image monitoring system. In the year under review, we received approximately 2,000 orders for this new service. Further, in response to the rise in demand for disaster response items, we expanded our lineup of products such as radiation dosimeters, disaster response kits, and collapsible helmets. Sales of these items were 12.4 times higher than in the previous fiscal year.

Conducting M&A Activities

In February 2011, Japan Facilio was converted into a consolidated subsidiary, which we expect will lead to the creation of synergy effects with other businesses. Also, effective January 1, 2012, consolidated subsidiary ALSOK Iwate Co., Ltd., acquired the security and insurance inspection operations of Nittesu Service Kamaishi Co., Ltd., a wholly owned subsidiary of Nippon Steel Corporation. The acquisition of these operations will enable us to develop synergies between Nittesu Service Kamaishi, which has established a firm sales foundation in Iwate Prefecture, and ALSOK Iwate, a subsidiary that similarly possesses a solid network in this area. We believe these synergies will help us achieve higher levels of flexibility, further reinforce our technological and sales capabilities, and expand our customer base.

Expanding Overseas

In August 2011, an overseas regional headquarters was established in Thailand, and a representative office was established in Gurgaon, India, during October of the same year. Further, our representative office in Kuala Lumpur, Malaysia, completed registration of a local subsidiary in February 2012. This subsidiary began official operations in April 2012.

Controlling Costs

We have been striving to control costs in individual cost categories, targeting a reduction of ¥1.0 billion in expenses. Such cost control initiatives have been implemented for some time now, and Companywide awareness is on the rise. As a result of these efforts, we managed to achieve a ¥1.5 billion year-on-year decrease in cost of sales, if labor costs and cost of sales from installations of equipment are excluded, and a ¥0.3 billion reduction in SG&A expenses, if personnel costs are excluded. In this manner, we successfully achieved cost reductions of ¥1.8 billion, greatly exceeding our goal.

Initiatives to Improve Corporate Value

The ALSOK Group will continue to act in accordance with the management policy it has held since its founding of "providing superior security services." At the same time, we will aim to grow into a forward-looking company with high profitability and growth potential, and become an ethical company superior in terms of morality. Looking ahead, the whole Group will work together as one to improve its corporate value.

In this pursuit, we have identified the following four key tasks that must be addressed.

The first task is strengthening our security services business. The main pillar of the ALSOK Group's management is its security services business. Going forward, we will continue to strengthen this business and will develop and provide new products and services and improve the quality of existing products and services to respond to diversifying customer needs. With regard to corporate clients, we are strengthening ALSOK's sales structure centered on the Sales Department in our Head Office, and advancing sales strategies such as focusing management resources on targeting major cities and other key areas. As for individual users, we are expanding our various sales channels by strengthening sales and other alliances with housing developers and other companies. Simultaneously, we are conducting the timely introduction of new products and services that are responsive to recently appearing needs. These offerings include those for household use, as well as those fine-tuned for use by the elderly.

The second task is diversifying businesses. While the ALSOK Group primarily engages in its mainstay security services business, it is also active in a wide range of other businesses that are highly compatible with its security services business. In the future, we will continue to consider the possibility of developing new businesses in which we can utilize the expertise we have acquired

through our security services business. We will also diversify our business through other means, such as establishing overseas operations and expanding the areas in which we already operate.

The third task is cultivating human resources. In order to continue practicing the management policy we have held since our founding of “providing superior security services,” securing superior human resources is of the utmost importance. Therefore, we will maintain our focus on employee education, strengthen recruiting efforts, fully utilize senior employees, and implement other human resource initiatives.

The fourth task is promoting corporate social responsibility (CSR). In its quest to promote CSR, the ALSOK Group takes steps to ensure strict legal compliance, including faithful observation of the Security Services Act and other relevant laws and regulations as well as the establishment of various management and monitoring systems. In addition, we are committed to fulfilling our responsibility toward society, and are enhancing our CSR activities to this end. With this goal, we continue to implement a number of social initiatives, such as our ALSOK Gratitude Movement and ALSOK ANSHIN Classes, and environmental initiatives, such as practicing idling stops, promoting environmentally friendly driving, and introducing hybrid vehicles into our fleet.

Forecasts for the Fiscal Year Ending March 31, 2013

In the fiscal year ending March 31, 2013, we anticipate that the Japanese economy will see a clear trend toward recovery due to the demand created by the reconstruction efforts following the Great East Japan Earthquake and the renewal of corporate activities. However, conditions in the global economy will likely remain unstable due to the sovereign debt crisis in Europe and the rising price of crude oil. Also, the electricity shortages in Japan as well as the impacts of the Great East Japan Earthquake and the ensuing incidents at the Tokyo Electric Power Company, Incorpo-



rated's Fukushima Daiichi Nuclear Power Station have yet to be resolved. For these reasons, it is important for us to take a watchful eye in monitoring trends in the economy.

In the security services industry, we expect to see an increase in the demand created by the post-earthquake reconstruction efforts as well as in demand for security, which will be driven by a rise in the desire for safety and security among the people of Japan, who—after experiencing the unprecedented March 11 earthquake—came to realize the crisis such a disaster created in their country. However, competition among security companies will become increasingly fierce and there will be new entries into the market by companies providing services and products relating to risk management and disaster response. Accordingly, we feel it is important that the ALSOK Group develop new strategies to respond to the diversification of customer needs while also expanding its conventional security services business.

At the same time, we will acquire new customers through the provision of products and services that meet social needs and work to raise the satisfaction levels of existing customers by enhancing the quality of our products and services.

By implementing these and other initiatives, we anticipate that, in the fiscal year ending March 31, 2013, the ALSOK Group will achieve net sales of ¥315.0 billion, up 3.4% year on year; operating income of ¥12.5 billion, an increase of 15.6%; and net income of ¥7.3 billion, 87.0% higher than the previous fiscal year.

Our Quest as the Leading Company in the Security Services Industry

The security services industry in Japan has been around for almost 40 years. As one of the earliest companies in this industry, ALSOK has continued to be an industry leader, working to maintain the safety and security of Japanese society as well as develop the industry. Throughout the years, we have undertaken a number of stationed security operations at major historical events, such as the 1970 World Exposition in Osaka and the 1972 Sapporo Olympics.

Over the years, the operating environment in the security services industry has continued to change with blinding speed. Amidst these changes, the ALSOK Group has constantly advanced its security services business model with the aim of further contributing to the safety and security of our customers and society as a whole. To this end, we provide a wide range of products and services that respond, in a concise manner, to social needs, such as those brought about by the spread of information technologies as well as the aging of the population and declining birthrate in Japan. Our latest venture to this extent is the shift to a

new management system. The new system, which grants us an even more solid management foundation, was put into place in April 2012.

In his new position as Chairman and CEO, Atsushi Murai will be responsible for implementing structural reforms throughout the Company, starting up new businesses, promoting M&A activities, and directing overseas expansion efforts. Meanwhile, new President Yukiyasu Aoyama will continue serving concurrently as COO and as President of the in-house ALSOK company established under the in-house company system, and will be in charge of guiding daily business activities.

Shareholder Returns

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.

Also, it is the policy of the ALSOK Group to issue dividends from retained earnings twice a year in the form of 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. In the year under review, we issued an interim dividend of ¥10 per share and a year-end dividend of ¥10 per share, making for total dividend payments of ¥20 per share and a consolidated payout ratio of 51.5%. This decision was made based on a comprehensive evaluation of the Company'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.

Growth Strategies that Integrate CSR Activities

As a security services company that works to protect the safety and security of society, CSR is a central part of ALSOK's business,



and we practice management with an emphasis on CSR accordingly. Based on our management guideline of "contribution to public welfare," we are leveraging the ALSOK Group's management resources and other strengths in conducting CSR activities. We believe this is the shortest path toward achieving our management goals.

To this extent, the ALSOK Group is aggressively implementing a number of human resource initiatives with the goal of securing superior human resources. These include the continuation of our focus on employee education, the bolstering of our hiring activities, and the active utilization of senior employees. Further, acting in accordance with socially accepted ethical standards and the corporate code of conduct, we are working to improve CSR awareness among employees and become an even more ethical company focused on compliance. At the same time, we will continue to target higher operating results through the provision of products and services that are matched to customers' ever-changing needs for safety and security. We will also contribute to the development of a sustainable society by conducting social welfare, disaster relief, cultural, and other support activities.

We look forward to the continued support and encouragement of all our stakeholders.

August 2012

Atsushi Murai *Yukiyasu Aoyama*

Chairman and
Representative Director
Chief Executive Officer (CEO)

President and
Representative Director
Chief Operating Officer (COO)

Growth Drivers to Support a New Security Services Model

Changing Social Needs

The security services market is divided into two main categories: individual and corporate users. In Japan, statistics have been showing improvements in public safety, but the perception of safety and security continues to worsen. As such, ALSOK is seeing increases in demand for security services from both individual and corporate users.

Rising Demand for Safety and Security Among Residential Households

In the individual user market, we are seeing net increases in contracts for home security systems in the Electronic Security Services segment that exceed the net increases in corporate contracts in this segment. This can be attributed to trends such 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.

Outsourcing of Cash Management

In the corporate user market, we have continued to experience growth in contracts for our Total ATM Management System for financial institutions and convenience stores. Recently, contracts for our Cash Deposit Machine On-line System, which is aimed at retailers and the service industry, have also been on the rise. This can be seen as a response to the trend of banks eliminating night deposit boxes and limiting cash collection and delivery services, a trend that has sparked growth in the demand for safe and accurate cash management services, particularly among retailers and the service industry.

HOME SECURITY

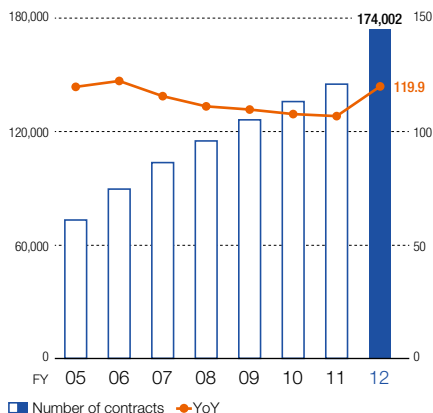


Growth Potential

At present, approximately 170,000 households use ALSOK's home security systems, and this number grows by around 10% each year. Regardless, the penetration rate of home security services is only 2% of the total number of households in Japan. This demonstrates that there is still a great deal of room for ALSOK to expand these services into the future.

Number of Individual Home Security Contracts

Number of contracts / %



Strengths

ALSOK utilizes the GPS functions of the mobile phones carried by its security guards to monitor their location at all times, and we have developed an order-issuing system that, in the event of a disturbance, automatically ascertains which security guards are closest to the scene.

Instantaneous Response Through ALSOK's Order-Issuing System



Introduction of New Products

We believe that the key to expanding usage of our home security systems will be improving convenience and responding flexibly to the diversifying needs of users. We aim to provide security services that exceed the traditional range of home security.

Evolution of New Products



HOME ALSOK Premium

- Remote control of security and premise closure confirmation through the Internet
- Newly added image monitoring service



HOME ALSOK RUSUTAKU Service



ALSOK's emergency dispatch service for protecting children



HOME ALSOK Pocket



Measures to Improve Performance

ALSOK is implementing a range of measures to improve performance. These include maintaining a clear understanding of changing social needs, based on which we will introduce new products and services that provide society with higher levels of safety and security.

Individual Users: Stronger Home Security Systems

With the launch of our new HOME ALSOK brand of services for individual users, we aim to further evolve home security. Moving away from simply protecting houses, we will expand the range of our services to offer security services that provide comprehensive protection for all aspects of customers' lives. These services will also be tailored to match the characteristics of customer lifestyles. With such services, we hope to provide safety and security throughout various different types of lifestyles, such as those created by the aging population and the rise in two-income households. Going forward, we will develop a more robust lineup for the individual user market by creating specific products and services that are fine-tuned to differing customer needs based on region, age, family structure, and health condition and that are also in tune with the times.

Corporate Clients: Robust Cash Deposit Machine On-line System

The Cash Deposit Machine On-line System is a service that provides optimal management of sales revenues through a combination of ALSOK's cash deposit machines equipped with internalized network-based information management functions and its transportation security network. This allows us to offer hassle-free cash management services matched to customer needs, and we anticipate that these services will come to be used by a wide range of customers, regardless of store size. Going forward, we will target higher orders for this system by leveraging the high levels of security we can provide as a security services company and the state-of-the-art systems we employ.

CASH DEPOSIT MACHINE ON-LINE SYSTEM

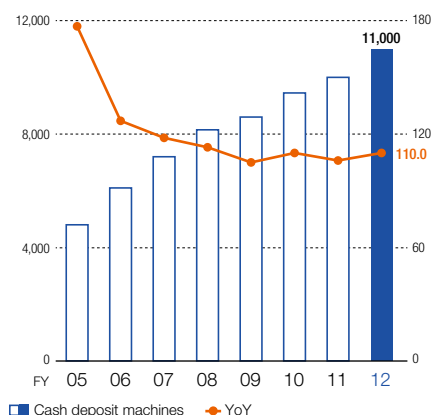


Growth Potential

We have received cumulative orders for 11,000 of the cash deposit machines that are part of ALSOK's Cash Deposit Machine On-line System. These machines are installed throughout Japan, and we continue to receive solid order numbers, recording net increases of 1,000 per year. With orders expanding centered on medium-sized and larger retailers, we recognize this as a field with strong growth potential.

Cumulative Orders of Cash Deposit Machines

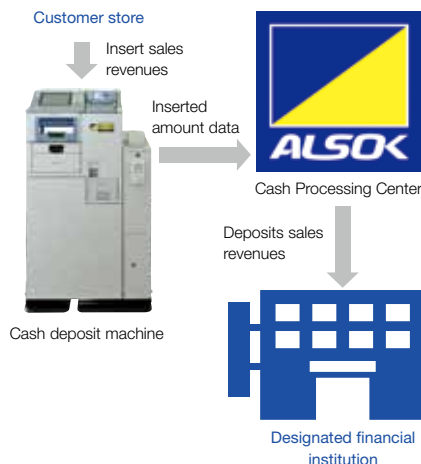
Number of machines / %



Strengths

Not only does the Cash Deposit Machine On-line System help protect sales revenues from theft, thus protecting the safety of employees, it also facilitates store management as a sales revenue management service that can make a store's financial information more transparent and accurate. Cash inserted into our cash deposit machines is managed and collected by the Company.

Cash Deposit Machine On-line System



Introduction of New Products

There has recently been a rising need for sales revenue management outsourcing services for relatively small-scale retailers and restaurants. ALSOK is developing small cash deposit machines equipped with change dispensing functions for these smaller stores.

Small Cash Deposit Machines



REVIEW OF OPERATIONS

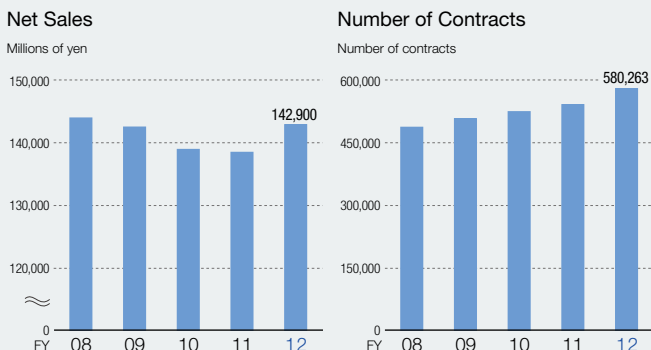
SECURITY SERVICES

ELECTRONIC SECURITY SERVICES

ALSOK's Electronic Security Services segment is the Company's flagship business, which accounts for 46.9% of its total net sales. This segment provides remote monitoring of clients' premises, principally residential households and office buildings, 24 hours a day, 365 days a year. Alarms installed at these premises are monitored from ALSOK's nationwide network of Guard Centers. Should a disturbance, such as an intrusion, fire, or other emergency alert, be detected, the Guard Centers will respond appropriately, and will even dispatch on-call security guards to the client's premises as necessary.



Tokyo Guard Center



Results in the Year Under Review

In the year under review, there were decreases in revenues from contracts as a result of security services contract cancellations stemming from the reorganization of financial institutions as well as contract cancellations and requests to temporarily halt security services following the Great East Japan Earthquake. However, revenues from equipment sales increased significantly due to strong sales of access management systems and security camera systems as well as sales of home security systems that were conducted in cooperation with housing developers, such as DAIWA HOUSE INDUSTRY CO., LTD.

In services for corporate customers, we launched "ALSOK-GV." In services for individual users, "ALSOK Home Security α" and "ALSOK Home Security X7" saw strong sales.

Due to these factors, net sales for Electronic Security Services rose 3.2% year on year, to ¥142.9 billion, showing an increase for the first time after three consecutive years of declines. At the end of the fiscal year, the number of corporate contracts stood at 406,261, up 2.4% year on year, and the number of individual user contracts was 174,002, 19.9% higher than at the end of the previous fiscal year, making for a 7.1% increase in total contracts, to 580,263.

Future Initiatives

Going forward, we will actively develop new services and products while strengthening our sales capabilities on an ongoing basis. In this way, we will work to continue providing services through our unique 24-hours-a-day, 365-days-a-year support system and offering customers ALSOK's brand of safety and security in a manner that coincides with changing customer needs.

In addition, we will continue to pursue alliances with housing-related companies into the future with the aim of further expanding sales channels. Higher Electronic Security Services contract numbers will also be targeted by enhancing services for individual users.

Topics

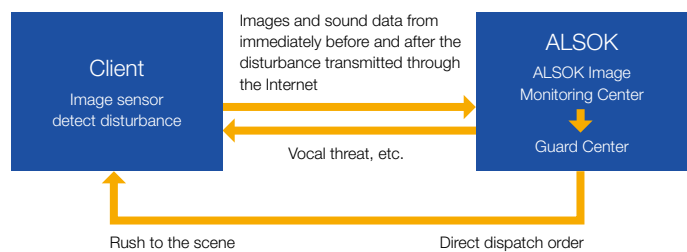
Strong Performance of ALSOK-GV

After being launched in April 2011, the new ALSOK-GV service achieved over 2,000 orders before March 31, 2012. This revolutionary new addition to the ALSOK Guard System lineup uses Internet-based video monitoring as its primary tool. If a disturbance is detected by the video identification system, an alarm is sounded and a number of images from around the time of the disturbance are sent to ALSOK's Image Monitoring Center. The Image Monitoring Center is then able to evaluate the situation and will dispatch security guards, inform clients, and issue other directions as deemed appropriate based on the situation.

This system also gives clients access to a specialized, login-secured website that can be accessed via PC. This website allows clients to view security information, such as a record of when employees arrived at or left the premises. In addition, the system enables clients to remotely turn on the security system from a smartphone or mobile phone when on the go.

In November 2012, we plan to introduce a service that allows records of when employees arrive at or leave work to be transferred to commercial salary calculation software, thus facilitating more-efficient labor management.

Flow of Service



Meeting Customer Needs with HOME ALSOK Premium

HOME ALSOK Premium includes new value-added features such as Internet-based remote control functions, which allow the system to be turned on or off via the Internet, as well as image monitoring capabilities that help prevent intrusions by watching the outside of the premises. These new features allow the system to provide security that matches the needs of a variety of residences, ranging from standard housing to duplexes and housing combined with stores.



HOME ALSOK Premium

STATIONED SECURITY SERVICES

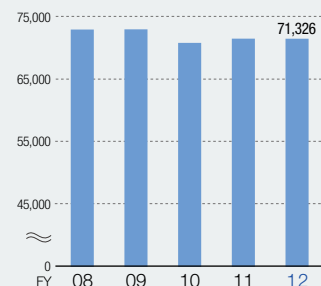
ALSOK's Stationed Security Services segment stations security guards at office buildings, commercial facilities, hotels, and various other client facilities. These security guards administer access control by monitoring or checking the identity of each person who enters or exits designated client facilities. 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, body guard services for VIPs, and other crucial security services.



Stationed security staff at an office building

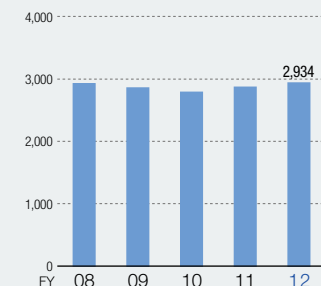
Net Sales

Millions of yen



Number of Contracts

Number of contracts



Results in the Year Under Review

In the year under review, the Great East Japan Earthquake caused some contract cancellations, but there was also a rise in new contracts, including large-scale contracts, and we also acquired large-scale contracts for temporary stationed security services. These factors contributed to sales.

As a result of these factors, net sales for Stationed Security Services were relatively unchanged at ¥71.3 billion. Meanwhile, contract numbers rose 2.4%, to 2,934, at the end of the fiscal year.

Further, on February 29, 2012, we began stationed security operations at TOKYO SKYTREE TOWN®, where we are dispatching one of the largest security forces assembled in the history of the Company.

Future Initiatives

ALSOK's stationed security services operations lead the industry in terms of scale. Leveraging the strength of the strong operating foundation that we have built in this area, we will continue to thoroughly protect the safety and security of clients and their facilities by fusing ALSOK's highly trained security staff with its state-of-the-art technologies.

ALSOK began developing security robots in 1982 with the goals of addressing labor shortfalls, alleviating the burden on security guards, and improving the quality of its security services. We have since put several of these robots to practical use nationwide, and currently boast a proven position as the industry leader in terms of research and development capabilities. Going forward, we will continue to develop and deploy robots that support the security of daily lives.

Topics

Introduction of TAWABO®, Japan's First Observation Deck Guide Robot, in Tokyo Tower

On August 1, 2012, Nippon Television City Corporation, owner of Tokyo Tower, officially announced the introduction of an ALSOK security robot (An9®-PR) to perform guidance functions on the observation deck of the tower. The observation deck of Tokyo Tower will be the first in Japan to feature such a guide robot.

The robot was named TAWABO (from "tower" and "robot"), a name that was selected from among 1,310 submissions from the general public. Weighing in at 200 kilograms with an impressive stature of 160cm in height, this robot is decorated with a tower-like antenna on his head and rivets covering his body. This design was inspired by Tokyo Tower itself.

After receiving his employee ID from Nippon Television City Corp. President Shin Maeda, TAWABO undertook his first assignment, running a lap around the observation deck while explaining to visitors the sites that can be seen from the tower in Japanese, English, Chinese, and Korean.

ALSOK has long been a pioneer in security robot development, and deployed approximately 20 of ALSOK's automated service robots, which are currently in operation throughout Japan. Going forward, we will continue to research, develop, and sell service robots that focus on interactions with humans by supporting security guards, providing guidance to facility visitors, and other means.



TAWABO®, a robot that provides guidance at the observation deck of Tokyo Tower

TRANSPORTATION SECURITY SERVICES

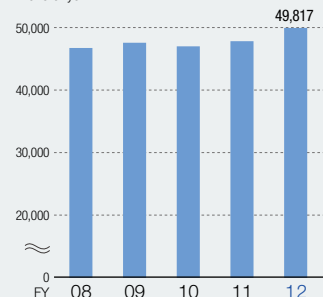
ALSOK's Transportation Security Services segment includes its mainstay Total ATM Management System for use by banks and convenience stores and its Cash Deposit Machine On-line System in which we manage the daily sales revenues of business owners. In addition, the segment offers services to financial institutions, such as its Cash Transport System service that provides safe and speedy transportation of cash, marketable securities, and other valuables using cash transportation vehicles.



Cash transportation

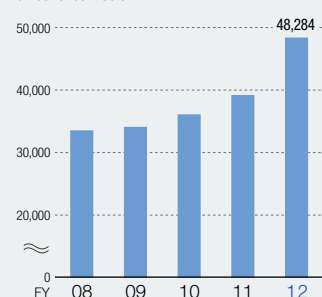
Net Sales

Millions of yen



Number of Contracts

Number of contracts



Results in the Year Under Review

In the year under review, contracts for the Total ATM Management System continued to see strong growth, regardless of the impacts of the Great East Japan Earthquake. This was a result of the increase in the outsourcing of security services by financial institutions. Likewise, contracts for convenience store ATMs and the Cash Deposit Machine On-line System were up. These factors drove an increase in sales.

Due to the above, net sales in the Transportation Security Services segment were up 4.5% year-on-year, to ¥49.8 billion, and contract numbers at year-end rose an impressive 23.6%, to 48,284.

Future Initiatives

ALSOK's Total ATM Management System has seen strong growth in contracts to manage bank ATMs located off-bank premises where bank staff are not present. In addition, ALSOK has received exclusive orders for its Total ATM Management System service to manage the operations of ATMs installed at a major convenience store chain, thereby fueling the steady growth in the sales of this service.

In considering sales channels, we realize that ATMs are not only limited to those located in convenience stores. ATMs are also located in public places where people gather, such as airports, train stations, expressway service areas, and electronics retailers. Accordingly, ALSOK will redouble its sales efforts promoting its Total ATM Management System service to target ATMs located in such locations in pursuit of higher revenues going forward.

Topics

Total ATM Management System

The Total ATM Management System offers comprehensive support for operating and managing ATMs. Targeting the ATMs of financial institutions located inside stores or in other locations as well as convenience store ATMs, we restock machines with cash, provide cash counting and collection services, and respond to any malfunctions that may occur. In addition, this service offers cash management planning services that propose the amount of cash to be replenished as well as how often and when cash should be collected and replenished in order to ensure operational efficiency.

We currently manage nearly 50,000 ATMs throughout Japan, with a particularly large number of those belonging to Seven Bank, Ltd. This impressive figure is a reflection of the unshakable reputation for reliability ALSOK has established among its customers through its efforts to provide "security services of the first rank," as described in its Management Policies.

Cash Deposit Machine On-line System

ALSOK's Cash Deposit Machine On-line System is a comprehensive support system that manages the physical collection and storage of sales proceeds and deposits cash into accounts at financial institutions as well as prepares change for customers. All the customer must do is install one of our cash deposit machines in the office or on the premises of their distribution, retail, amusement, or other facilities. When sales proceeds are inserted into these machines, they automatically calculate the amount and transmit this information to ALSOK. Based on this data, ALSOK will deposit money into a specified bank account, and then will collect the cash stored within the machine at an appropriate interval to ensure maximum efficiency. In these ways, this system frees clients from the chore of tracking the money manually. Further, as there is no need to take the money off the premises, this system helps eliminate risks thereby ensuring the safety of customer revenues while increasing the convenience of managing these revenues.

This service offers security backed by ALSOK's extensive expertise in managing cash deposit machines and ATMs as well as its wealth of experience providing transportation security services. Currently, 11,000 of our cash deposit machines are in operation nationwide.



Cash deposit machine lineup

TOTAL BUILDING MANAGEMENT SERVICES AND DISASTER PREVENTION SERVICES / OTHER SERVICES

ALSOK provides a range of services to ensure the safety, security, and comfort of buildings, while also helping building managers reduce labor requirements and costs. These services include facility operation and management services, such as environmental hygiene management, maintenance, and amenity provision, as well as fire prevention support in which the Company supports clients' fire prevention efforts in a variety of ways, including the inspection of fire extinguishing equipment.

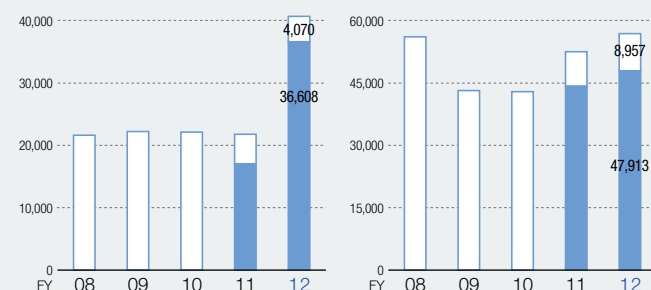
* Previously included under Other Services, Total Building Management Services and Disaster Prevention Services will be disclosed as a separate segment from the fiscal year ended March 31, 2012, onward.



Inspection of fire extinguishing equipment

Net Sales

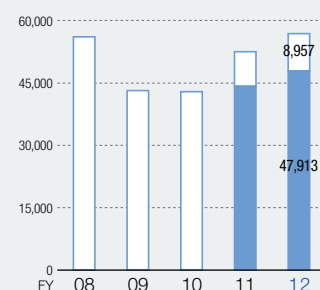
Millions of yen



■ Total Building Management Services and Disaster Prevention Services
□ Other Services

Number of Contracts

Number of contracts



Results in the Year Under Review

In the year under review, sales increased as a result of Japan Facilio Co., Ltd., becoming a consolidated subsidiary in February 2011, and a rise in sales of disaster response products after the March 2011 Great East Japan Earthquake. Consequently, net sales of Total Building Management Services and Disaster Prevention Services and Other Services increased 86.8% year on year, to ¥40.6 billion, and year-end contract numbers were up 8.3%, to 56,870.

Future Initiatives

In Total Building Management Services and Disaster Prevention Services, the consolidation of Japan Facilio strengthened ALSOK's organizational and sales systems in the area of air conditioning, plumbing, and electrical construction. Leveraging this new found strength, ALSOK will strive to further improve the quality of its total package of property management services and other services in this area by pursuing synergies between its Total Building Management Services and Disaster Prevention Services. In these ways, ALSOK will continue to differentiate itself from competitors.

As one facet of our efforts to develop new services and products, we will continue introducing products related to environmental preservation, such as the "ECO MIE-RU Plus" automated energy usage data calculation service that is compatible with the 2010 revision to the Act on the Rational Use of Energy. In addition, the Great East Japan Earthquake, which occurred on March 11, 2011, resulted in a substantial increase in concern for safety and security among customers. Going forward, we will aggressively expand our lineup of disaster response products that meet such changes in customer needs.

Topics

Synergies with Japan Facilio

Japan Facilio, which became a consolidated subsidiary in February 2011, conducts and manages construction centered on the installation of air conditioning, plumbing sanitation, electrical, and other equipment, and is often contracted by general contractors to conduct certain parts of construction. The consolidation of this company will enable us to develop a system under which Japan Facilio will provide immediate response in cases when repairs or other construction are needed as part of our security services.

Further, we anticipate that this consolidation and the subsequent synergies generated will enable us to respond to a wider range of customer needs as we are now able to offer comprehensive management services spanning from security to equipment installation in an integrated manner.

ALSOK DENPO (Other Services)

The ALSOK DENPO service has entered into its third year. Through this service, we offer telegrams for a number of occasions, whether expressing congratulations, condolences, or some other sentiment. Our 3D telegrams, in particular, are proving to be immensely popular. Customers can now send flowers together with telegrams. We are constantly working to respond to customers' increasingly high expectations for convenience through this and other means.

<http://alsok-denpo.com/shop/> (Japanese only)

Safety Confirmation Services (Other Services)

With ALSOK's safety confirmation services, should a natural disaster or some other emergency situation occur, the system will send all registered users an email designed to confirm their safety. This service also provides communication tools that allow users to collectively send mails to all other users to inform them of emergency meeting places or other matters, collect information, or perform other tasks to respond to emergency situations. Following the Great East Japan Earthquake in March 2011, we experienced an increase in corporate client contracts for these services.

Basic Corporate Governance Policy

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’s Board of Directors consists of seven directors, two of which are outside directors. ALSOK also employs the corporate auditor system and has established the Board of Corporate Auditors consisting of four corporate auditors, three of which are outside corporate auditors. Due to the above, the Company believes that the corporate auditors are able to conduct effective audits and that the governance controls for management are functioning properly.

The Board of Directors meets, in principle, once a month, and is responsible for making decisions regarding important management issues and overseeing operational execution.

The Management Committee, which is headed by the Chairman and Representative Director, meets, in principle, twice a month. This committee is responsible for deciding what issues are to be presented to the Board of Directors and discussing business policies based on decisions made by the Board of Directors.

The Board of Corporate Auditors meets, in principle, once a month, and holds discussions based on reports of important audit-related issues, after which it makes any necessary recommendations. There is one corporate auditor who attends meetings of the Management Committee, monitoring it to ensure the appropriateness of managerial execution.

ALSOK strives to clarify the division of roles in management oversight 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 Chief Operating Officer (COO) on April 1, 2011.

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.

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, 2012, 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 employee education and training divisions, 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 Group formulated risk management rules in 2002. The Group 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.

Compensation for Directors and Corporate Auditors

Amount of Compensation

Number of members and total compensation for each classification in the fiscal year ended March 31, 2012, are as follows.

Directors (Excluding outside directors)	8 members	¥196 million
Corporate auditors (Excluding outside corporate auditors)	2 members	¥23 million
Outside directors and corporate auditors	7 members	¥53 million
Total	17 members	¥272 million

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.

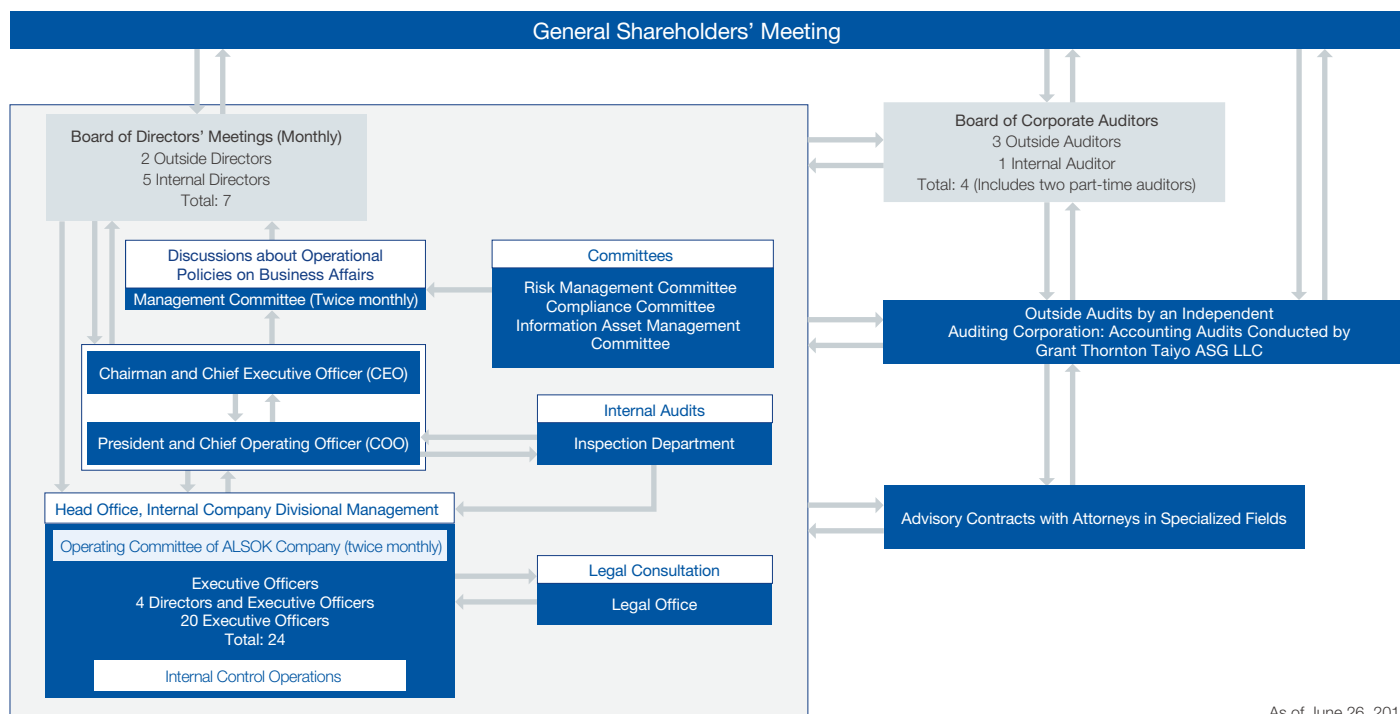
The compensation of directors, is a fixed amount calculated according to their positions and whether they are an outside director or not, while bonuses for directors are calculated based on an evaluation of the operational execution performance of individual directors in the previous fiscal year conducted 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.

Disclosure and IR Activities

Placing great importance on the active, impartial, and prompt disclosure of information, ALSOK has formulated its Disclosure Policy, available for viewing on its website. In particular, we have developed separate sections for individual and institutional investors, making it easy for both types of investors to find the information they need (information for individual investors is available in Japanese only). Additionally, the Company offers presentations explaining our financial results, engages in investor relations (IR) activities toward domestic institutional investors, responds to interviews, and conducts presentations for individual investors. The Group is also making active IR efforts for investors outside of Japan by preparing English-language translations of financial summaries and other documents, available on its English-language website. We also conduct overseas IR activities to foster a deeper understanding among overseas institutional investors of the security services industry in Japan and the growth strategies of the ALSOK Group.

ALSOK's IR website
<http://www.alsok.co.jp/ir/en/index.html>



As of June 26, 2012

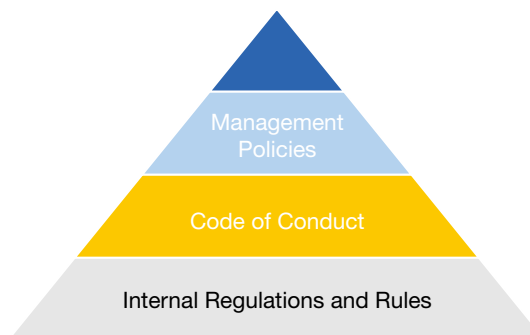
CSR ACTIVITIES

Basic CSR Policy

ALSOK's management philosophy is based on always acting with a spirit of gratitude and a tough yet fair, kind samurai spirit, and we feel that corporate social responsibility (CSR) is a means of exercising this philosophy by working to resolve the issues faced by customers and society through our business activities.

We strive to practice CSR activities that exemplify our management philosophy on a daily basis. To this end, the ALSOK Group has formulated its management guidelines, code of conduct, and internal regulations and rules to identify issues needing to be addressed with regard to these activities. Further, we conduct a number of social contribution activities that utilize ALSOK's security expertise and management resources to express our spirit of gratitude.

Management Philosophy



CSR Activities in the Year Under Review and Future Initiatives

The Company compiles reports on its CSR activities based on ISO 26000, an international standard for social responsibility released in 2010, and employs a format based on the core subjects of this standard. For more-detailed information regarding the Company's CSR activities, please refer to its CSR report and CSR activities website.

CSR activities website (Japanese only)
<http://www.alsok.co.jp/company/society/>

ISO 26000 Core Subjects	ALSOK CSR Issues	Results of Major Initiatives
Organizational Governance	CSR Management	<ul style="list-style-type: none"> Published the ALSOK CSR Newsletter to inform employees about CSR activities Held seminars aimed at spreading CSR as part of training for newly promoted managers Published the CSR Activities Guide for use in CSR training Reported on CSR activities through reports and on our website
	Corporate Governance	<ul style="list-style-type: none"> Appointed a CEO and a COO in April 2011 Designated the five outside directors and corporate auditors as independent officers Expanded the scope of availability of the ALSOK Hotline to Group companies Revised the business continuity plan
Human Rights / Labor Practices	Developing Human Resources and Building a Comfortable Workplace Environment	<ul style="list-style-type: none"> Conducted 16 voluntary education classes Internally posted job offerings for important positions, such as those related to new business Held 145 Employee Satisfaction (ES) Meetings Made the entire Company a non-smoking zone starting from October 2011
The Environment	Consideration for the Global Environment	<ul style="list-style-type: none"> Reduced fleet fuel usage by 2.4% year on year in the year under review Reduced CO₂ emissions by 4.9% year on year in the year under review Reached 65% transfer from security vehicle standby to facility standby Introduced paperless contracts in July 2010
Fair Operating Practices	Providing Proper Security Services	<ul style="list-style-type: none"> Tested 3,395 employees' understanding of the Act on Specified Commercial Transactions Conducted periodic training program on the Antimonopoly Act and Subcontract Act Took measures in relation to antisocial groups Strengthened information management systems
Consumer Issues	Improving Security Service Quality and Client Satisfaction	<ul style="list-style-type: none"> Held the 2nd annual Sohgo Security Alliance Quality Improvement Tournament Held 12th annual judo tournament and 4th ALSOK annual self-defense tournament Issued 40,712 Good Service Thanks Cards (GST Cards) in the year under review Conducted 36,176 outbound calls to customers
Community Involvement and Development	Contributing to Local Communities	<ul style="list-style-type: none"> Donated 83 specialized vehicles to social welfare organizations on a cumulative basis Held ALSOK ANSHIN classes at 834 schools Helped spread usage of specialized residential fire alarms for the hearing impaired Provided scholarships totaling ¥14.4 million to 40 university students

DIRECTORS, CORPORATE AUDITORS, AND EXECUTIVE OFFICERS

As of October 1, 2012

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



Shinya Kuwayama

Director
Senior Executive Officer
General Affairs / Corporate Planning
Human Resources
Corporate Ethics
Compliance
Risk Management
Information Asset Management
Investor Relations



Yuichi Miyazawa

Director
Senior Executive Officer
Chief Officer of R&D Planning Dept.
Information Systems
Product and Service Planning



Kiyomi Hara

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



Takashi Oizumi

Director (Outside Director)



Seiki Miyamoto

Director (Outside Director)

Corporate Auditors

Takao Fujikawa

Corporate Auditor

Yoshihiro Onozawa

Corporate Auditor
(Outside Corporate Auditor)

Hideto Sudo

Corporate Auditor
(Outside Corporate Auditor)

Takeshi Oiwa

Corporate Auditor
(Outside Corporate Auditor)

Executive Officers

Yoshimasa Hara

Senior Executive Officer
Strategic Business
International Affairs
Management Company
Regional Management

Hiraku Otani

Senior Executive Officer
Financial & Accounting
Internal Control
Procurement

Masashi Terao

Senior Executive Officer
Security Operations

Hirohisa Hokari

Senior Executive Officer
Deputy Chief Officer of Business
Promotion Division
Business Planning & Management
Financial Institution Services
Transportation Security Services

Mikio Yoshioka

Senior Executive Officer
Deputy Chief Officer of Business
Promotion Division (Central Japan)
Chief Officer of Regional Division (III)

Takayoshi Nagao

Senior Executive Officer
Deputy Chief Officer of Business
Promotion Division (Kansai)
Chief Officer of Regional Division (VIII)

Yoshiro Kuribayashi

Senior Executive Officer
Deputy Chief Officer of Business
Promotion Division
Chief Officer of Regional Division (I)

Seiichi Matsumoto

Executive Officer
President and Representative Director of
Sokei Building Service Co., Ltd.

Toshiro Yoshioka

Executive Officer
Corporate Planning & Administration
General Manager of Corporate Planning &
Administration Dept.

Shigeki Nomura

Executive Officer
Human Resources
General Manager of Human Resources Dept.

Masahiro Kawaguchi

Executive Officer
R&D Planning
General Manager of R&D Planning Dept.

Masahiro Masuda

Executive Officer
IT
President and Representative Director of
Sokei Information System Co., Ltd.

Eiji Kuwabara

Executive Officer
Marketing & Products Planning Dept.
General Manager of Marketing &
Products Planning Dept.

Shigeyoshi Kuroki

Executive Officer
Marketing Promotion
Regional Management Support
General Manager of Marketing Promotion Dept.

Tsuyoshi Murai

Executive Officer
Total Building Management
President of Japan Facilio Co., Ltd.

Yukio Yonago

Executive Officer
Chief Officer of Regional Division (II)

Ikuji Kayaki

Executive Officer
Chief Officer of Regional Division (IV)

Makoto Imai

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

	2003	2004	2005	2006
Profitability				
Gross profit margin (%)	27.7	26.6	25.4	25.6
Operating income margin (%)	7.2	5.8	4.3	4.6
Ordinary income margin (%)	7.4	6.2	4.5	4.9
Return on assets (ROA) (%)	7.2	5.9	4.2	4.6
Return on equity (ROE) (%)	8.4	16.0	4.1	4.4
EV/EBITDA (times) ¹	3.5	3.9	6.3	7.4
Stability				
Equity capital ratio (%)	39.8	44.5	43.6	45.7
Equity capital ratio on market-value basis (%)	56.0	54.2	55.0	67.5
Interest-bearing liabilities (millions of yen)	38,415	48,408	72,056	65,544
Interest coverage ratio (times) ²	19.3	19.4	15.5	12.3
Efficiency				
Total asset turnover ratio (times)	1.0	0.9	0.9	0.9
Shareholders' equity turnover ratio (times)	2.8	2.2	2.1	2.1
Tangible fixed assets turnover ratio (times)	4.7	4.6	4.6	4.6
Per share information				
Net assets per share (yen)	1,023.0	1,188.7	1,222.9	1,274.3
Net income per share (yen)	79.8	175.1	47.5	52.9
Dividends per share (yen)	20 (3) ³	17	17	17
Consolidated dividend payout ratio (%)	25.1	9.7	35.8	32.1
Other information				
Number of employees (consolidated)	22,734	23,046	24,185	24,703

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

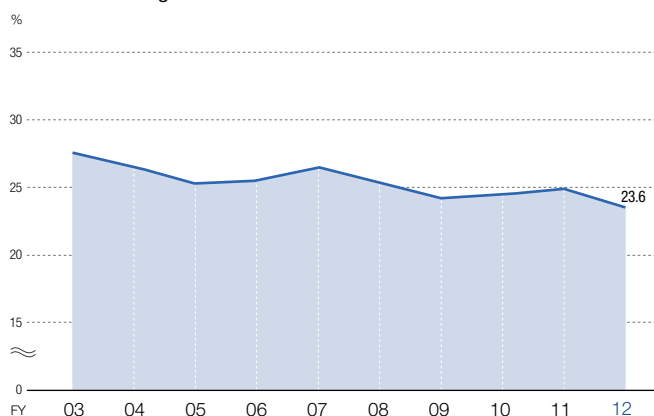
EV (Enterprise value) = Market capitalization + Interest-bearing liabilities – Short-term liquidity (Cash and deposits + Short-term investments in securities)

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

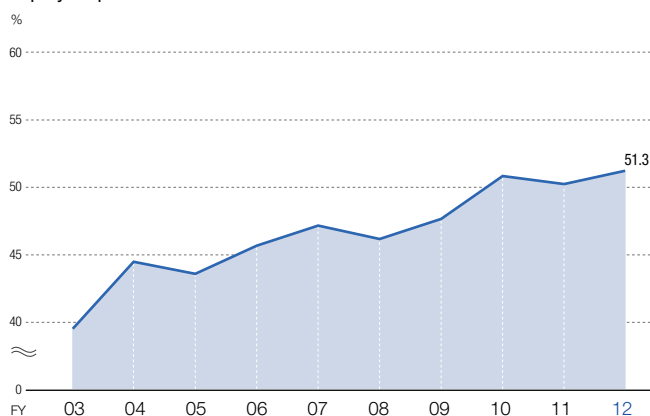
² Due to changes in the method of calculation, interest coverage ratios for the fiscal year ended March 31, 2006, and earlier are calculated differently than with those from subsequent fiscal years.

³ The ¥20 value for dividends per share includes a ¥3 commemorative dividend associated with the Company becoming listed on the Tokyo Stock Exchange.

Gross Profit Margin

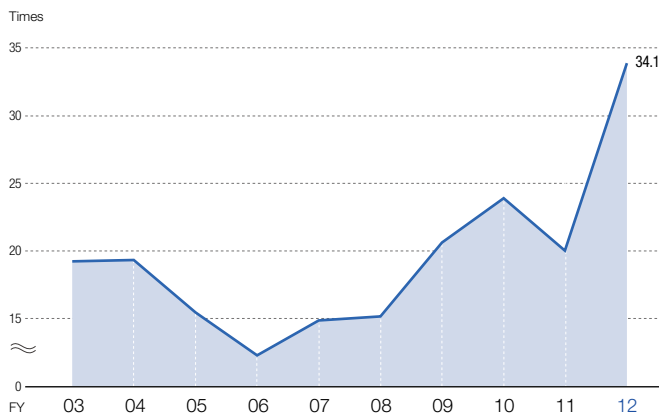


Equity Capital Ratio

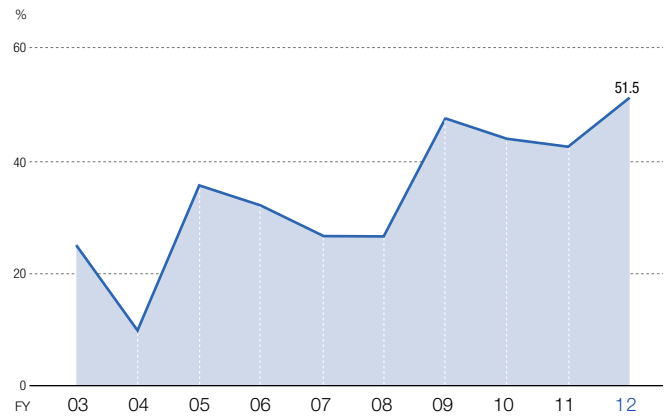


	2007	2008	2009	2010	2011	2012
	26.6	25.5	24.3	24.6	25.0	23.6
	5.8	4.8	3.5	3.3	3.7	3.5
	6.1	5.1	3.7	3.9	4.2	4.1
	6.0	5.0	3.6	3.8	4.2	4.4
	5.7	5.6	3.1	3.3	3.3	2.7
	6.9	5.0	2.8	2.0	1.2	1.1
	47.2	46.2	47.7	50.9	50.3	51.3
	77.2	47.4	29.5	39.4	32.0	34.8
	61,042	74,485	62,635	46,568	43,408	31,483
	14.9	15.2	20.7	24.0	20.1	34.1
	1.0	1.0	1.0	1.0	1.0	1.1
	2.1	2.1	2.1	2.0	2.0	2.1
	4.8	5.0	5.0	4.9	4.9	5.2
	1,322.8	1,356.4	1,364.3	1,397.9	1,421.7	1,446.9
	74.7	75.1	41.9	45.4	46.8	38.8
	20	20	20	20	20	20
	26.8	26.6	47.7	44.1	42.7	51.5
	25,302	26,014	26,960	27,322	27,790	27,868

Interest Coverage Ratio



Consolidated Dividend Payout Ratio



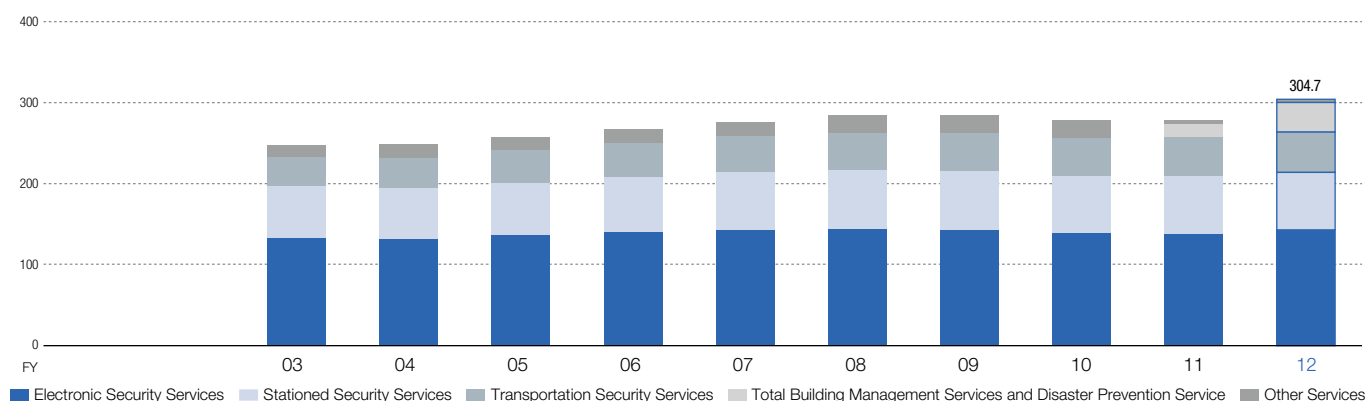
BREAKDOWN OF SALES / NUMBER OF CONTRACTS

Net Sales by Service Type

	Billions of yen									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Security Services										
Electronic Security Services	132.9	131.4	136.4	140.2	143.2	143.9	142.5	138.9	138.4	142.9
Stationed Security Services	64.0	62.8	64.9	67.5	70.9	72.7	72.8	70.6	71.3	71.3
Transportation Security Services	36.5	37.5	40.4	42.8	44.5	46.6	47.4	46.8	47.6	49.8
Total Building Management Services and Disaster Prevention Services ¹	—	—	—	—	—	—	—	—	17.0	36.6
Other Services	14.8	17.4	15.8	16.8	17.8	21.6	22.2	22.1	4.7	4.0
Total	248.3	249.2	257.7	267.5	276.5	284.9	285.0	278.5	279.2	304.7

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.

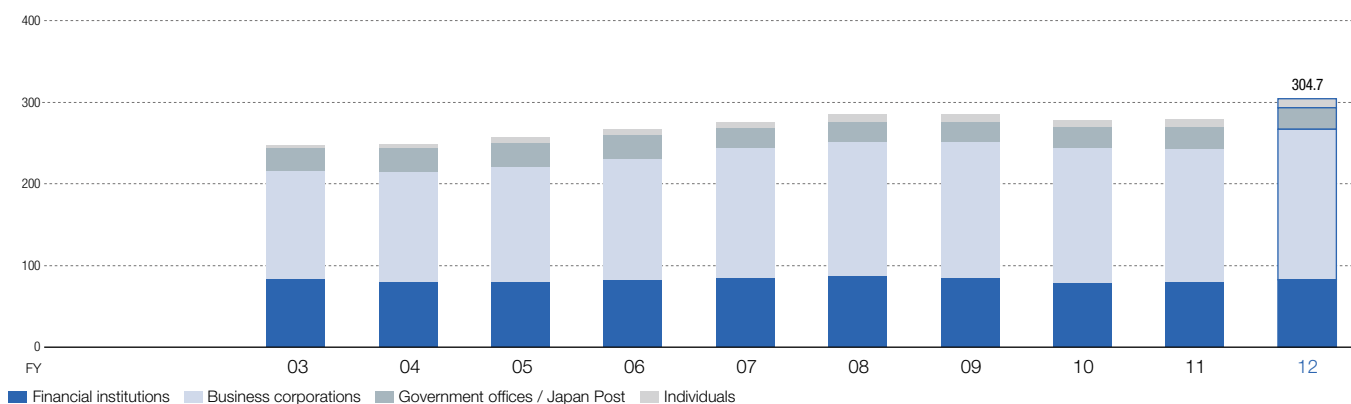
Billions of yen



Net Sales by Client Type

	Billions of yen									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Financial institutions	82.9	79.5	79.3	82.2	84.1	86.0	84.3	78.4	78.8	82.3
Business corporations	132.0	134.5	140.7	147.8	159.6	165.0	166.8	165.7	164.3	184.7
Government offices / Japan Post	28.4	29.6	30.6	29.8	24.2	24.9	24.7	25.0	26.4	26.4
Individuals	4.9	5.4	7.0	7.5	8.5	8.9	9.1	9.4	9.6	11.1
Total	248.3	249.2	257.7	267.5	276.5	284.9	285.0	278.5	279.2	304.7

Billions of yen



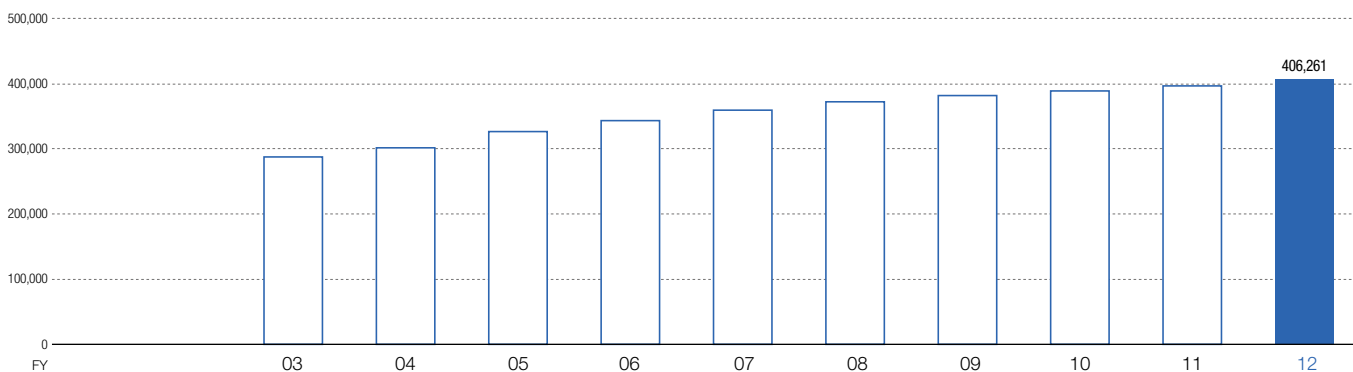
Number of Contracts

	Number of contracts									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Security Services										
Electronic Security Services	342,170	362,709	399,680	432,852	462,913	487,228	507,954	524,708	541,654	580,263
For Corporate Clients	287,572	301,574	326,480	343,292	359,344	372,196	381,759	388,853	396,580	406,261
For Individual Clients	54,598	61,135	73,200	89,560	103,569	115,032	126,195	135,855	145,074	174,002
Stationed Security Services	2,470	2,340	2,651	2,726	2,843	2,922	2,854	2,785	2,866	2,934
Transportation Security Services	19,331	22,284	26,699	29,519	32,980	33,397	33,960	35,963	39,065	48,284
Total Building Management Services and Disaster Prevention Services ²	—	—	—	—	—	—	—	—	44,212	47,913
Other Services	41,472	53,414	57,312	54,505	57,425	56,099	43,171	42,909	8,307	8,957
Total	405,443	440,747	486,342	519,602	556,161	579,646	587,939	606,365	636,104	688,351

² 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.

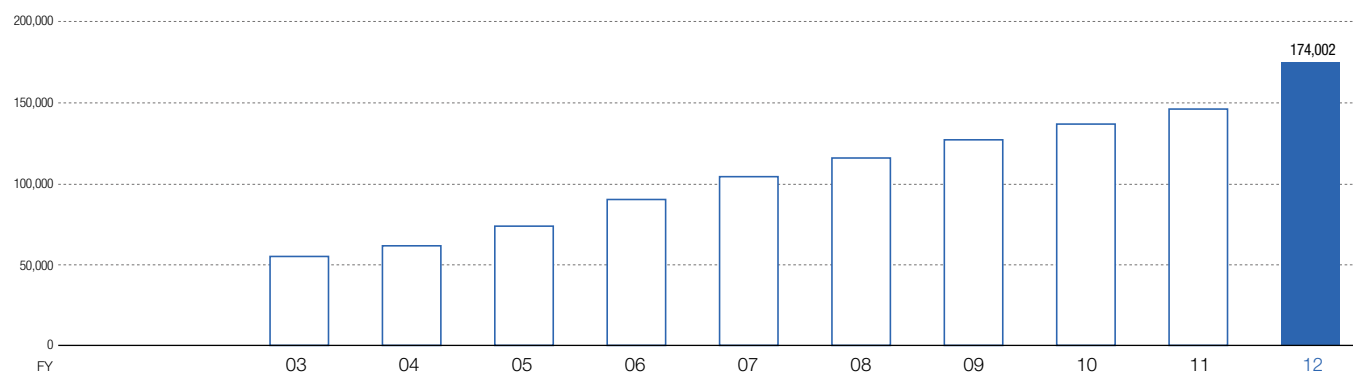
Number of Contracts for Corporate Clients

Number of contracts



Number of Contracts for Individual Clients

Number of contracts



MANAGEMENT'S DISCUSSION AND ANALYSIS

In the previous fiscal year, ended March 31, 2011, the Company acquired Japan Facilio Co., Ltd., a company that conducts building management and disaster prevention services. As a result, the Company reviewed its reportable segments, and from the fiscal year under review the Company is disclosing information for Total Building Management Services and Disaster Prevention Services, which had previously been included in other businesses, as a separate segment.

Consequently, the Company has two reportable segments. The Security Services segment comprises electronic security services, stationed security services, and transportation security services. The Total Building Management Services and Disaster Prevention Services segment includes facility construction, operation, and management services, environmental hygiene management, cleaning services, fire extinguishing equipment inspection and installation, and sales of various disaster prevention equipment. To facilitate year-on-year comparisons, results for the previous fiscal year have been restated in accordance with the new reportable segments.

The "Others" category, which is not a reportable segment, includes the provision of MMK multi-function ATMs, security solutions operations, information security services, and emergency dispatch services in which employees are sent to accident sites.

Analysis of Business Performance

Business Performance

In the fiscal year under review, ended March 31, 2012, the Japanese economy started off facing harsh conditions due to the Great East Japan Earthquake, which occurred on March 11, 2011. Later, some recovery was seen in the Japanese economy due to demand stimulated by the reconstruction effort following the earthquake. Conversely, factors such as the government debt crisis in Europe resulted in a deterioration of global economic conditions. Accordingly, the economy remained unstable throughout the year.

In this environment, the ALSOK Group worked to accomplish its mission as a security company—protecting the safety and security of

society. In this pursuit, we strove to develop and provide new products and services that accurately meet the needs of society, not only in our mainstay security services operations but also in such areas as disaster response and information security products. In addition, we cultivated our human resources to ensure that we are able to continue providing high-quality products and services, and we endeavored to reduce costs by improving the efficiency and rationality of our operations.

Net sales rose 9.1% year on year, to ¥304.7 billion, exceeding ¥300.0 billion for the first time in the history of the Company. Factors contributing to this increase included the decision to make Japan Facilio a consolidated subsidiary, higher revenues from sales of equipment relating to electronic security services, a rise in sales of disaster response products, and an increase in contracts for the Total ATM Management System provided as part of transportation security services. Operating income was up 4.4%, to ¥10.8 billion, as a result of further cost reduction initiatives, and ordinary income was up 6.7%, to ¥12.5 billion. However, net income was down 17.1%, to ¥3.9 billion, following an increase in income taxes adjustment, which was the result of a reduction in deferred tax assets that accompanied a change in the effective tax rate.

Sales by Business Segment

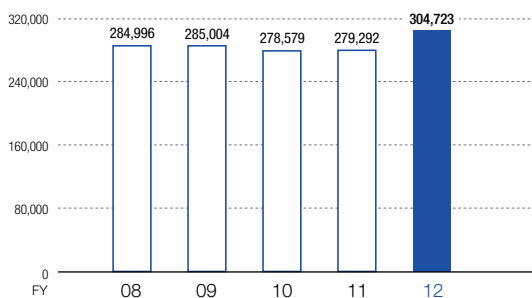
Security Services

Electronic Security Services

In services for corporate customers, we launched ALSOK-GV (read "ALSOK G-five"). This service, which utilizes image sensors and high-speed Internet connections, enables the confirmation in real time of the situation at contracted facilities in the event of a disturbance. In services for individual users, we continued to promote sales of "ALSOK Home Security α" and "ALSOK Home Security X7." In the fiscal year under review, revenues from contracts declined. The principal reasons for this decrease were cancellations of security services contracts as a result of mergers of financial institutions as well as cancellations of contracts and requests for temporary suspension of security services

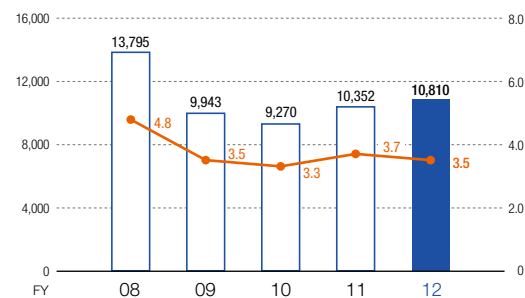
Net Sales

Millions of yen



Operating Income / Operating Income Margin

Millions of yen



Notes: Figures in this section are based on the English translation of "Summary of Financial Results for the Fiscal Year Ended March 31, 2012."

For notes on this Summary, please refer to the document "Financial Results for the Fiscal Year Ended March 31, 2012," available on the ALSOK IR website.

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

following the Great East Japan Earthquake. However, revenues from equipment sales increased significantly due to sales of access management systems and security camera systems as well as to sales of home security systems through tie-ups with major housing developers.

Consequently, net sales in the Electronic Security Services segment rose 3.2%, to ¥142.9 billion.

Stationed Security Services

The Great East Japan Earthquake caused some contract cancellations, but there was a rise in new contracts, including large-scale contracts, and we also acquired contracts for temporary stationed security services. These factors contributed to higher sales. Further, on February 29, 2012, we began stationed security operations at TOKYO SKYTREE TOWN.

Due to these factors, net sales in the Stationed Security Services segment were basically unchanged from the previous fiscal year, at ¥71.3 billion.

Transportation Security Services

Contributions to higher sales were made by continued growth in contracts for the Total ATM Management System, which resulted from increased outsourcing of security services by financial institutions, and by a rise in contracts for the Cash Deposit Machine On-line System.

As a result, net sales in the Transportation Security Services segment were up 4.5%, to ¥49.8 billion.

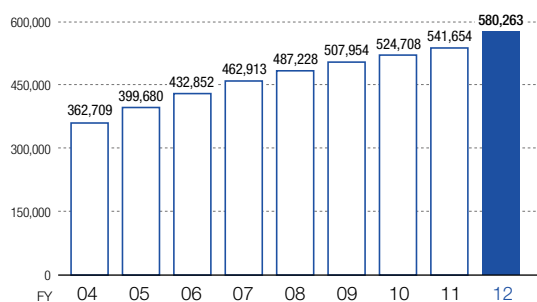
Total Building Management Services and Disaster Prevention Services

Contributions to sales were made by the inclusion of Japan Facilio as a consolidated subsidiary and by a rise in sales of disaster response products after the Great East Japan Earthquake.

Consequently, net sales in the Total Building Management Services and Disaster Prevention Services segment increased 115.0%, to ¥36.6 billion.

Number of Electronic Security Services Contracts

Number of contracts



Analysis of Individual Items

In the year under review, net sales increased ¥25.4 billion year on year, to ¥304.7 billion.

Cost of sales increased ¥23.4 billion, to ¥232.8 billion, due primarily to construction costs at Japan Facilio and to an increase in cost of sales resulting from a large order for home security system supply plans for apartments.

Selling, general and administrative expenses were ¥61.1 billion due to an increase of ¥1.3 billion in salaries and other personnel costs and a ¥0.3 billion increase in amortization of goodwill. The increase in personnel costs was attributable to the inclusion of Japan Facilio and to a rise in retirement benefit expenses.

Due in part to the increase in net sales, ordinary income rose ¥0.7 billion, or 6.7%, to ¥12.5 billion.

Extraordinary income declined due to a decrease of ¥66 million in gain on sales of investment securities.

Extraordinary losses were down as a result of a decrease of ¥931 million in loss on valuation of investment securities.

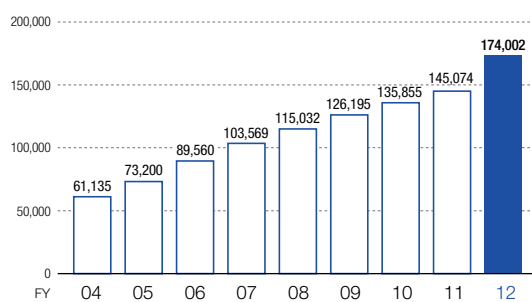
Net income decreased ¥803 million, or 17.1%, to ¥3.9 billion.

Forecast for the Fiscal Year Ending March 31, 2013

In the fiscal year ending March 31, 2013, we anticipate that the Japanese economy will see a clear trend toward recovery due to the demand created by the reconstruction efforts following the Great East Japan Earthquake and to demand from the restoration of corporate activities. However, conditions in the global economy will likely remain unstable due to the government debt crisis in Europe and the rising price of crude oil. Also, in Japan the electricity shortages and the impact of the Great East Japan Earthquake and the ensuing incidents at the Fukushima Daiichi Nuclear Power Station have yet to be resolved. For these reasons, it is important for us to remain vigilant in monitoring the recovery of the economy.

Number of Individual Home Security Contracts

Number of contracts



In the security services industry, we expect to see an increase in the demand created by the post-earthquake reconstruction efforts. We also anticipate higher demand for security services as the experience of the Great East Japan Earthquake has fostered a sense of crisis among people in Japan and driven an increase in their awareness of safety and security. However, competition among security companies will become increasingly fierce and there will be an increase in companies entering the market for the provision of services and products relating to risk management and disaster response. Accordingly, we feel it is important that the ALSOK Group develop new strategies to respond to the diversification of customer needs while also expanding its conventional security services business. Furthermore, we will strive to acquire new customers through the provision of products and services that meet social needs, and we will work to raise the level of satisfaction of existing customers by improving the quality of our products and services.

In the fiscal year ending March 31, 2013, the ALSOK Group forecasts net sales of ¥315.0 billion, up 3.4% year on year; operating income of ¥12.5 billion, up 15.6%; and net income of ¥7.3 billion, up 87.0%.

Financial Position

Assets

Total assets at the end of the year under review were ¥283.5 billion, a decline of ¥0.7 billion, or 0.3%, from the previous fiscal year-end. Total current assets increased ¥5.3 billion, or 3.4%, to ¥160.0 billion, and total noncurrent assets decreased ¥6.1 billion, or 4.7%, to ¥123.5 billion.

The ¥5.3 billion increase in current assets was primarily due to a ¥5.0 billion increase in notes and accounts receivable–trade, a ¥2.2 billion increase in advances paid, and a ¥1.8 billion increase in short-term investment securities, which offset a ¥2.5 billion decrease in cash and deposits and a ¥2.4 billion decrease in cash for Transportation Security Services.

The ¥6.0 billion decrease in total noncurrent assets was mainly attributable to a ¥2.6 billion decrease in deferred tax assets, a ¥0.8 billion decrease in investment securities, a ¥0.8 billion decrease in software, and a ¥0.7 billion decrease in prepaid pension cost.

Liabilities

Total liabilities at the end of the year under review were down ¥4.2 billion, or 3.4%, from the previous fiscal year-end, to ¥117.9 billion. Total current liabilities decreased ¥2.5 billion, or 3.5%, to ¥69.2 billion, and total noncurrent liabilities decreased ¥1.6 billion, or 3.3%, to ¥48.7 billion.

The ¥2.5 billion decrease in current liabilities was a result of factors such as the ¥6.9 billion decrease in short-term loans payable and a ¥2.1 billion decrease in current portion of bonds, which offset a ¥3.0 billion increase in notes and accounts payable–trade and a ¥2.1 billion increase in accounts payable–other.

The ¥1.6 billion decrease in noncurrent liabilities was due to a ¥2.8 billion decrease in long-term loans payable, which offset a ¥1.3 billion increase in lease obligations.

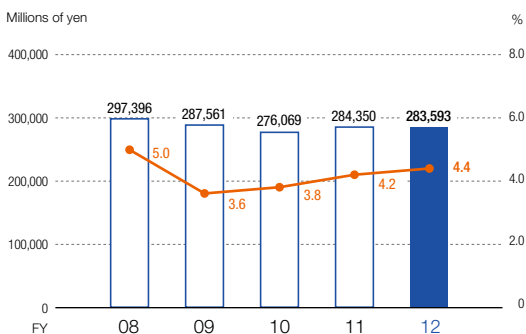
Net Assets

Total net assets at March 31, 2012, were up ¥3.4 billion, or 2.1%, from the previous fiscal year-end, to ¥165.6 billion.

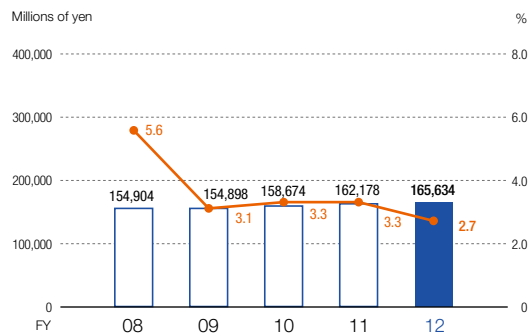
Cash and Cash Equivalents

The balance of cash and cash equivalents (hereafter referred to as “cash”) at March 31, 2012, was ¥40.4 billion, down from ¥43.6 billion at March 31, 2011. This decrease was a result of net cash provided by operating activities was ¥17.2 billion, net cash used in investment activities was ¥10.8 billion, and net cash used in financing activities was ¥9.9 billion.

Total Assets / ROA



Net Assets / ROE



Cash Flows from Operating Activities

Net cash provided by operating activities increased 42.1% year on year, to ¥17.2 billion. Principal items included ¥11.3 billion in income before income taxes, an increase of 16.3% year on year; ¥13.0 billion in depreciation and amortization, an increase of 4.4%; and ¥6.5 billion in decrease in assets and liabilities for Transportation Security Services, a year-on-year decrease of 13.7%.

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 Investment Activities

Net cash used in investment activities in the year under review was ¥10.8 billion, an 11.5% year-on-year decrease. The primary factors were ¥8.6 billion in purchase of property, plant and equipment, down 13.0% from the previous fiscal year; and ¥2.0 billion in purchase of investment securities, up 2.4%.

Cash Flows from Financing Activities

Net cash used in financing activities was ¥9.9 billion. The main elements were ¥3.7 billion in repayment of long-term loans payable, ¥2.6 billion in repayments of lease obligations, and ¥2.3 billion in redemption of bonds.

Basic Policy on Distribution of Profits and Dividends

The Company 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. ALSOK 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 its operating performance.

Also, it is the policy of the ALSOK Group to issue dividends from retained earnings twice a year, an interim and a year-end dividend. 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, 2012, in consideration of results in the fiscal year under review, results forecasts for the next fiscal year, and capital investment plans, the Company paid an annual dividend of ¥20 per share, including an interim dividend of ¥10 per share, for a non-consolidated payout ratio of 52.4%.

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 for 27.0% of the Group's total net sales in the fiscal year ended March 31, 2012. Consequently, trends in the economic environment surrounding financial institutions, including 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, 46.9% are dependent on the Electronic Security Services segment. Electronic Security Services operations is 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. However, 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 clients. 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 is the 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 risk 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 client, the Group obtains a significant amount of information about the client including the names, addresses, and phone numbers of related parties, as well as various information about the client'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.

(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 31.

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) Natural disasters

The Group has constructed a security network in each region, through which it conducts centralized remote monitoring of various information relating to its security services. One of the major network components is the telecommunication infrastructure that connects the client's premises, Guard Centers, depots, etc. The operation of this telecommunication infrastructure depends on the communication services provided by the contracted type-I carrier. Accordingly, should any serious failure take place in the telecommunication infrastructure due to a natural disaster or other reason, or were a natural disaster of unprecedented scale to occur, normal signal transmission/reception from/to contracted clients could become unavailable, causing serious operational 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, anti-seismic measures have been adopted and/or support center backup has been established for various operationally critical systems, including at Guard Centers, on the premise that

such a natural disaster might occur in the area where a Guard Center is established or various types of system malfunctions might happen. Through these precautions, the Group aims to mitigate against the materialization of such risks.

(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) Scheduled power outages effects on server operation

The Group anticipates that its business infrastructure and the operation of the servers of its core systems could be affected by scheduled power outages. While these servers are equipped with emergency power supplies, it is possible that the frequency or timing of power outages could force us to halt operation of these servers, which would cause a subsequent delay in conducting necessary operational processes. Therefore, the Company is developing measures to mitigate the effects of this risk by conducting employee training on

how to minimize the effects of power outages. The Company is also evaluating the degree of importance of specific systems so that it can halt operation of less important systems in hopes of extending the period over which more-vital systems may be operated.

(12) Major natural disasters

Should a major natural disaster occur in the Tokyo metropolitan area, it is possible that the processing capabilities of the Group's network systems could be impeded, which may disrupt the Group's ability to provide security and other services. Moreover, if a major natural disaster occurred outside of the Tokyo metropolitan area, it is possible that Group assets located on clients' premises, such as security alarms, could be damaged. This could force the Company to repair or replace these assets, which may require the usage of large amounts of materials. Therefore, major natural disasters could impact the Group's operating performance or financial position.

For this reason, based on prior experience, the Group has formulated a business continuity plan and disaster response regulations, established manuals for responding to earthquakes with epicenters located directly below the Tokyo metropolitan area, stockpiled necessary disaster prevention items, and developed a nationwide response network. It also institutes periodic training in preparation for disasters and conducts other precautionary measures.

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
	Act on Specified Commercial Transactions	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 Defense Law	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
	Solid Waste Disposal Act	Ministry of the Environment
	Real Estate Transaction Act / Act on Architects and Building Engineers	Ministry of Land, Infrastructure, Transport and Tourism
	Act on Ensuring Fair Electric Business Practices / Act on Ensuring Safety and Fair Transactions Regarding Liquid Petroleum Gas	Ministry of Economy, Trade and Industry
Other Services	Correspondence Delivery Act	Ministry of Internal Affairs and Communications
	Worker Dispatching Act	Ministry of Health, Labour and Welfare
	Insurance Business Law / Financial Instruments and Exchange Act / Act on Prevention of Transfer of Criminal Proceeds	Financial Services Agency
	Act on Regulation of Private Detective Services	National Public Safety Commission

CONSOLIDATED BALANCE SHEETS

	Millions of yen	
	2011	2012
As of March 31, 2012 and 2011		
Assets		
Current assets		
Cash and deposits	51,062	48,553
Cash for Transportation Security Services	57,676	55,264
Notes and accounts receivable—trade	25,722	30,749
Lease receivables and investment assets	1,358	1,450
Short-term investment securities	942	2,744
Raw materials and supplies	4,254	5,625
Costs on uncompleted installation contracts	1,256	562
Advances paid	5,862	8,093
Deferred tax assets	1,755	1,718
Other	5,024	5,477
Allowance for doubtful accounts	(180)	(179)
Total current assets	154,735	160,060
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	40,455	41,290
Accumulated depreciation	(20,212)	(21,433)
Buildings and structures, net	20,243	19,857
Machinery, equipment and vehicles	108,197	109,906
Accumulated depreciation	(96,676)	(99,283)
Machinery, equipment and vehicles, net	11,521	10,622
Land	19,699	19,671
Lease assets	6,313	9,046
Accumulated depreciation	(2,019)	(3,149)
Lease assets, net	4,294	5,897
Construction in progress	1,003	512
Other	11,552	11,832
Accumulated depreciation	(8,800)	(9,246)
Other, net	2,752	2,585
Total property, plant and equipment	59,514	59,147
Intangible assets		
Software	4,308	3,492
Goodwill	1,712	1,470
Other	1,451	1,585
Total intangible assets	7,471	6,548
Investments and other assets		
Investment securities	24,699	23,825
Long-term loans receivable	613	601
Lease and guarantee deposits	7,989	7,724
Insurance funds	2,795	2,585
Prepaid pension cost	3,517	2,801
Deferred tax assets	14,634	11,951
Other	9,122	9,079
Allowance for doubtful accounts	(743)	(731)
Total investments and other assets	62,628	57,837
Total noncurrent assets	129,615	123,533
Total assets	284,350	283,593

Millions of yen

As of March 31, 2012 and 2011

	2011	2012
Liabilities		
Current liabilities		
Notes and accounts payable–trade	13,384	16,439
Short-term loans payable	25,094	18,193
Current portion of long-term loans payable	3,688	3,730
Current portion of bonds	2,300	110
Accounts payable–other	11,614	13,778
Lease obligations	1,653	2,231
Income taxes payable	1,826	1,929
Accrued consumption taxes	1,384	2,064
Provision for bonuses	937	1,019
Provision for directors' bonuses	193	200
Deferred tax liabilities	1	0
Other	9,693	9,547
Total current liabilities	71,771	69,245
Noncurrent liabilities		
Bonds payable	100	40
Long-term loans payable	12,226	9,410
Lease obligations	4,250	5,556
Deferred tax liabilities	93	89
Deferred tax liabilities for land revaluation	418	366
Provision for retirement benefits	28,099	28,346
Provision for directors' retirement benefits	1,641	1,699
Asset retirement obligations	89	91
Negative goodwill	303	222
Other	3,178	2,890
Total noncurrent liabilities	50,400	48,713
Total liabilities	122,172	117,958
Net Assets		
Shareholders' equity		
Capital stock	18,675	18,675
Capital surplus	32,117	32,117
Retained earnings	98,374	100,267
Treasury stock	(1,974)	(1,974)
Total shareholders' equity	147,192	149,085
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	1,139	1,738
Revaluation reserve for land	(5,395)	(5,343)
Foreign currency translation adjustment	(10)	(14)
Total valuation and translation adjustments	(4,265)	(3,619)
Minority interests	19,251	20,168
Total net assets	162,178	165,634
Total liabilities and net assets	284,350	283,593

CONSOLIDATED STATEMENTS OF INCOME AND CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Consolidated Statements of Income

	Millions of yen	
Fiscal year ended March 31, 2012 and 2011	2011	2012
Net sales	279,272	304,723
Cost of sales	209,364	232,812
Gross profit	69,908	71,910
Selling, general and administrative expenses	59,555	61,100
Operating income	10,352	10,810
Non-operating income		
Interest income	300	297
Dividends income	405	435
Gain on sales of investment securities	18	16
Rent income	177	246
Gain on insurance claim	128	136
Equity in earnings of affiliates	364	156
Amortization of negative goodwill	80	80
Penalty income	331	335
Other	981	1,256
Total non-operating income	2,788	2,961
Non-operating expenses		
Interest expenses	604	504
Loss on sales of investment securities	6	13
Loss on retirement of noncurrent assets	246	137
Financing expenses	157	155
Other	360	403
Total non-operating expenses	1,375	1,214
Ordinary income	11,765	12,558
Extraordinary income		
Gain on sales of investment securities	92	26
Total extraordinary income	92	26
Extraordinary loss		
Loss on valuation of investment securities	1,499	567
Loss on sales of investment securities	4	0
Loss on retirement of noncurrent assets	—	416
Impairment loss	9	46
Loss on disaster	219	174
Loss on adjustment for changes of accounting standard for asset retirement obligations	340	—
Total extraordinary losses	2,074	1,207
Income before income taxes	9,784	11,377
Income taxes—current	3,741	4,177
Income taxes—deferred	539	2,629
Total income taxes	4,281	6,806
Income before minority interests	5,502	4,571
Minority interests in income	795	667
Net income	4,706	3,903

Consolidated Statements of Comprehensive Income

	Millions of yen	
Fiscal year ended March 31, 2012 and 2011	2011	2012
Income before minority interests	5,502	4,571
Other comprehensive income		
Valuation difference on available-for-sale securities	(421)	570
Revaluation reserve for land	—	52
Foreign currency translation adjustment	(9)	(4)
Share of other comprehensive income of associates accounted for using equity method	(11)	2
Total other comprehensive income	(443)	620
Comprehensive income	5,059	5,191
(Contents)		
Comprehensive income attributable to owners of the parent	4,276	4,549
Comprehensive income attributable to minority interests	783	641

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Fiscal year ended March 31, 2012 and 2011	Millions of yen		Fiscal year ended March 31, 2012 and 2011	Millions of yen	
	2011	2012		2011	2012
Shareholders' equity			Valuation and translation adjustments		
Capital stock			Valuation difference on available-for-sale securities		
Balance at the beginning of current period	18,675	18,675	Balance at the beginning of current period	1,560	1,139
Changes of items during the period			Changes of items during the period		
Total changes of items during the period	—	—	Net changes of items other than shareholders' equity	(420)	598
Balance at the end of current period	18,675	18,675	Total changes of items during the period	(420)	598
Capital surplus			Balance at the end of current period	1,139	1,738
Balance at the beginning of current period	32,117	32,117	Revaluation reserve for land		
Changes of items during the period			Balance at the beginning of current period	(5,395)	(5,395)
Total changes of items during the period	—	—	Changes of items during the period		
Balance at the end of current period	32,117	32,117	Net changes of items other than shareholders' equity	—	51
Retained earnings			Total changes of items during the period	—	51
Balance at the beginning of current period	95,556	98,374	Balance at the beginning of current period	(5,395)	(5,343)
Changes of items during the period			Foreign currency translation adjustment		
Dividends from surplus	(2,010)	(2,010)	Balance at the beginning of current period	(2)	(10)
Net income	4,706	3,903	Changes of items during the period		
Reversal of revaluation reserve for land	—	0	Net changes of items other than shareholders' equity	(7)	(4)
Change of scope of equity method	121	—	Total changes of items during the period	(7)	(4)
Total changes of items during the period	2,817	1,893	Balance at the end of current period	(10)	(14)
Balance at the end of current period	98,374	100,267	Total valuation and translation adjustments		
Treasury stock			Balance at the beginning of current period	(3,837)	(4,265)
Balance at the beginning of current period	(1,974)	(1,974)	Changes of items during the period		
Changes of items during the period			Net changes of items other than shareholders' equity	(428)	645
Purchase of treasury stock	(0)	(0)	Total changes of items during the period	(428)	645
Total changes of items during the period	(0)	(0)	Balance at the end of current period	(4,265)	(3,619)
Balance at the end of current period	(1,974)	(1,974)	Minority interests		
Total shareholders' equity			Balance at the beginning of current period	18,137	19,251
Balance at the beginning of current period	144,375	147,192	Changes of items during the period		
Changes of items during the period			Net changes of items other than shareholders' equity	1,114	917
Dividends from surplus	(2,010)	(2,010)	Total changes of items during the period	1,114	917
Net income	4,706	3,903	Balance at the end of current period	19,251	20,168
Reversal of revaluation reserve for land	—	0	Total net assets		
Change of scope of equity method	121	—	Balance at the beginning of current period	158,674	162,178
Purchase of treasury stock	(0)	(0)	Changes of items during the period		
Total changes of items during the period	2,817	1,893	Dividends from surplus	(2,010)	(2,010)
Balance at the end of current period	147,192	149,085	Net income	4,706	3,903
			Reversal of revaluation reserve for land	—	0
			Change of scope of equity method	121	—
			Purchase of treasury stock	(0)	(0)
			Net changes of items other than shareholders' equity	686	1,563
			Total changes of items during the period	3,503	3,456
			Balance at the end of current period	162,178	165,634

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Millions of yen	
	2011	2012
Fiscal year ended March 31, 2012 and 2011		
Net cash provided by (used in) operating activities		
Income before income taxes	9,784	11,377
Depreciation and amortization	12,457	13,007
Impairment loss	9	46
Amortization of goodwill	—	351
Amortization of negative goodwill	(80)	(80)
Increase (decrease) in allowance for doubtful accounts	(109)	(13)
Increase (decrease) in provision for retirement benefits	(63)	185
Increase (decrease) in provision for bonuses	(0)	47
Increase (decrease) in provision for directors' bonuses	(4)	0
Interest and dividends income	(706)	(732)
Interest expenses	604	504
Equity in (earnings) losses of affiliates	(364)	(156)
Loss (gain) on sales of noncurrent assets	(6)	3
Loss on retirement of noncurrent assets	246	554
Loss (gain) on sales of investment securities	(100)	(28)
Loss (gain) on valuation of investment securities	1,499	567
Loss (gain) on valuation of derivatives	95	19
Loss on adjustment for changes of accounting standard for asset retirement obligations	340	—
Decrease (increase) in notes and accounts receivable–trade	397	(5,011)
Decrease (increase) in inventories	(984)	(676)
Increase (decrease) in notes and accounts payable–trade	(792)	5,079
Decrease (increase) in prepaid pension costs	235	715
Increase (decrease) in assets and liabilities for Transportation Security Services	(7,646)	(6,597)
Other, net	517	1,783
Subtotal	15,327	20,944
Interest and dividends income received	807	802
Interest expenses paid	(610)	(503)
Income taxes paid	(4,363)	(4,632)
Income taxes refund	949	602
Net cash provided by (used in) operating activities	12,110	17,213
Net cash provided by (used in) investing activities		
Decrease (increase) in time deposits	639	(600)
Purchase of property, plant and equipment	(9,898)	(8,609)
Proceeds from sales of property, plant and equipment	26	6
Purchase of investment securities	(1,966)	(2,013)
Proceeds from sales of investment securities	2,052	1,451
Purchase of investments in subsidiaries	(2,451)	—
Decrease (increase) in short-term loans receivable	0	(18)
Payments of long-term loans receivable	(113)	(121)
Collection of long-term loans receivable	94	134
Other, net	(648)	(1,089)
Net cash provided by (used in) investing activities	(12,265)	(10,859)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(267)	2
Proceeds from long-term loans payable	14,050	940
Repayment of long-term loans payable	(1,441)	(3,713)
Proceeds from issuance of bonds	—	50
Redemption of bonds	(2,200)	(2,300)
Proceeds from stock issuance to minority shareholders	14	—
Purchase of treasury stock	(0)	(0)
Proceeds from disposal of treasury stock of subsidiaries in consolidation	—	20
Repayments of lease obligations	(1,402)	(2,669)
Cash dividends paid	(2,010)	(2,010)
Cash dividends paid to minority shareholders	(273)	(227)
Net cash provided by (used in) financing activities	6,469	(9,908)
Effect of exchange rate change on cash and cash equivalents	(8)	(4)
Net increase (decrease) in cash and cash equivalents	6,305	(3,558)
Cash and cash equivalents at beginning of period	37,349	43,654
Increase in cash and cash equivalents from newly consolidated subsidiary	—	379
Cash and cash equivalents at end of period	43,654	40,476

CORPORATE INFORMATION / STOCK INFORMATION

As of March 31, 2012

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) 27,868 (Non-consolidated) 12,683
Business Operations	Head office / 10 Headquarters 60 Branches / 41 Offices / 246 Sales Offices

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/ir/en/>

Contact: IR Office

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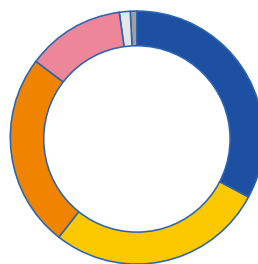


If you have any questions, please do not hesitate to contact us.

STOCK INFORMATION

Total Number of Shares Authorized	300,000,000
Number of Shares Issued	102,040,042 (incl. 1,505,754 shares of treasury stock)
Number of Shareholders at the End of the Preceding Fiscal Period	9,976
Stock Listing	First Section of Tokyo Stock Exchange
Securities Code	2331
Minimum Trading Lot	100

Distribution of Shares by Shareholder Type



Financial Institutions	33.0%
Domestic Corporations	27.6%
Individuals and Other	24.7%
Foreign Investors	12.5%
Treasury Stock	1.5%
Securities Companies and Other	0.7%

Major Shareholders (Top 10)

Name	Number of shares held (1,000 shares)	Percentage of shares held ² (%)
SOHGO CORPORATION	7,388	7.34
Employees Shareholding Association	6,628	6.59
Saitama Machinery Co., Ltd.	5,283	5.25
Japan Trustee Services Bank, Ltd. (trust account)	4,559	4.53
Kamakura Corporation	4,300	4.27
Trust & Custody Services Bank, Ltd. as trustee for Mizuho Bank Ltd. Retirement Benefit Trust ¹	4,261	4.23
Northern Trust Co. (AVFC) Sub Account American Clients	3,471	3.45
Tokio Marine & Nichido Fire Insurance Co., Ltd.	3,420	3.40
Atsushi Murai	3,010	2.99
Kizuna Corporation	2,950	2.93

- The shares held by the Mizuho Trust & Banking Co., Ltd. Retirement Benefit Trust Account entrusted to Mizuho Bank, Ltd., are shares entrusted by Mizuho Bank as a contribution to retirement benefits.
- Treasury stock (1,505,754 shares) has been excluded.



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