Consolidated Financial Results for Fiscal Year Ended March 31, 2011

SOHGO SECURITY SERVICES CO., LTD

(Code No.:2331, TSE 1st Sec.)
(URL http://www.alsok.co.jp/ir/en/index.html)
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1. Summary of the consolidated financial results for fiscal year ended March 31, 2011 (April 1, 2010- March 31, 2011)

(1) Consolidated operating results

(Figures rounded down to the nearest million)

	Fiscal year ended	
	March 31, 2011	March 31, 2010
Sales % change from the previous year	¥279,272 million 0.2%	¥278,579 million –2.3%
Operating profit % change from the previous year	¥10,352 million 11.7%	¥9,270 million –6.8%
Recurring profit % change from the previous year	¥11,765 million 8.7%	¥10,819 million 1.8%
Net income % change from the previous year	¥4,706million 3.1%	¥4,563 million 8.0%
Net income per share	¥46.82	¥45.39
Diluted net income per share	—	—
ROE (Net income to equity)	3.3%	3.3%
Ordinary profit to total assets	4.2%	3.8%
Operating profit to sales	3.7%	3.3%

Note 1: Percentage shown in sales, operating profit, recurring profit and net income above represent the changes from the previous fiscal year.
Note 2: Comprehensive income: Year ended March 31, 2011 ¥5,059 million (–22.8%)
Year ended March 31, 2010 ¥6,552 million (—%)

(2) Consolidated financial conditions

(Figures rounded down to the nearest million)

	Fiscal year ended	
	March 31, 2011	March 31, 2010
Total assets	¥284,350 million	¥276,069 million
Net assets	¥162,178 million	¥158,674 million
Capital adequacy ratio	50.3%	50.9%
Net assets per share	¥1,421.67	¥1,397.90

Note: Equity capital: Year ended March 31, 2011 ¥142,926 million
Year ended March 31, 2010 ¥140,537 million

(3) Consolidated cash flows

(Figures rounded down to the nearest million)

	Fiscal year ended	
	March 31, 2011	March 31, 2010
Cash flows from operating activities	¥12,110million	¥15,038 million
Cash flows from investment activities	–¥12,265million	–¥15,854 million
Cash flows from financing activities	¥6,469 million	–¥7,702 million
Cash and cash equivalents at the end of the period	¥43,654 million	¥37,349 million

2. Dividend

(Record date)	Dividends per share					Total dividend (Annual)	Consolidated payout ratio	Consolidated dividends to net assets
	End of 1Q	End of 2Q	End of 3Q	Year-end	Annual			
Fiscal year ended March 31, 2010	—	¥10.00	—	¥10.00	¥20.00	¥2,010 million	44.1%	1.4%
Fiscal year ended March 31, 2011	—	¥10.00	—	¥10.00	¥20.00	¥2,010 million	42.7%	1.4%
Fiscal year ending March 31, 2012 (Forecast)	—	¥10.00	—	¥10.00	¥20.00	—	37.9%	—

3. Forecasts for the consolidated financial results for the fiscal year ending March 31, 2012 (April 1, 2011 – March 31, 2012)

(Figures rounded down to the nearest million)

	Sales	Operating profit	Recurring profit	Net income	Net income per share
Interim	¥149,000 million (7.9%)	¥5,700 million (–16.6%	¥6,500 million (–15.0%)	¥3,200 million (–9.7%)	¥31.83
Annual	¥301,800 million (8.1%)	¥9,900 million (–4.4%)	¥11,200 million (–4.8%)	¥5,300 million (12.6%)	¥52.72

Note 1: The forecasts for consolidated financial results shown above include risks and uncertain factors that may cause financial results to differ significantly from forecasts.

Note 2: Percentages shown in sales, operating profit, recurring profit and net income above represent the prospected changes from the previous year.

4. Others

(1) Changes in consolidated subsidiaries(Changes in scope of consolidation) : Yes
Added: 1—Japan Facilio Co., Ltd. Removed: —

(2) Changes in accounting principles, procedures and presentation methods for consolidated financial results
① Changes arising from revision of accounting standards : Yes
② Changes arising from other factors : No

(3) Number of shares outstanding(Ordinary shares)

① Number of shares issued (including treasury stock) :	Year ended March 31, 2011	102,040,042 shares
	Year ended March 31, 2010	102,040,042 shares
② Number of shares of treasury stock :	Year ended March 31, 2011	1,505,605 shares
	Year ended March 31, 2010	1,505,543 shares
③ Average number of ordinary shares throughout the fiscal year:	Year ended March 31, 2011	100,534,465 shares
	Year ended March 31, 2010	100,534,619 shares

(Reference) Non-consolidated Financial Results for Fiscal Year Ended March 31, 2011

1. Summary of the non-consolidated financial results for fiscal year ended March 31, 2011 (April 1, 2010- March 31, 2011)

(1) Non-consolidated operating results

(Figures rounded down to the nearest million)

	Fiscal year ended	
	March 31, 2011	March 31, 2010
Sales % change from the previous year	¥189,151 million –0.3%	¥189,706 million –3.2%
Operating profit % change from the previous year	¥2,463 million 5.6%	¥2,332 million 68.3%
Recurring profit % change from the previous year	¥5,818 million –14.4%	¥6,797 million 16.5%
Net income % change from the previous year	¥3,076 million –45.6%	¥5,651 million 28.6%
Net income per share	¥30.60	¥56.21
Diluted net income per share	—	—

Note: Percentage shown in sales, operating profit, recurring profit and net income above represent the changes from the previous fiscal year.

(2) Non-consolidated financial conditions

(Figures rounded down to the nearest million)

	Fiscal year ended	
	March 31, 2011	March 31, 2010
Total assets	¥187,452 million	¥190,501 million
Net assets	¥103,353 million	¥102,623 million
Capital adequacy ratio	55.1%	53.9%
Net assets per share	¥1,028.04	¥1,020.78

Note: Equity capital: Year ended March 31, 2011 ¥103,353 million
Year ended March 31, 2010 ¥102,623 million

Contents

1. Operating Results

(1) Analysis of Operating Results

A. Consolidated Financial Results for the Fiscal Year Ended March 31, 2011 (April 1, 2010–March 31, 2011)

In the fiscal year under review, the Japanese economy showed signs of recovery following such factors as the improvement of revenues of domestic corporations and the increase in exports to emerging nations. However, the Great East Japan Earthquake, which devastated Japan on March 11, 2011, caused sharp declines in production and consumer spending. The ALSOK Group was also adversely affected by this disaster. Certain sales offices and other facilities in the affected region were destroyed, several patrol cars were submerged by the tsunamis following the earthquake, and there were damages to our security equipment. There were also requests to temporary halt security services as well as a number of contract cancellations.

Under these circumstances, the Group strove to minimize the damages caused by the earthquake. We offered our support to the affected regions to aid in their recovery, while also working to confirm the safety of affected employees and ensure that no further harm befell them. At the same time, by continuing to offer high-quality products and services centered on the security services field, we aimed to further expand our business while responding to the increasingly more diverse and complex needs of society. We also focused on cultivating our human resources and advanced cost cutting initiatives including improving operational efficiency and rationality.

Due to the above factors, the Company's consolidated business results in the year under review were as follows.
Sales rose 0.2% year on year to ¥279,272 million. While there were decreases in sales from contracts and sales of equipment in our mainstay Electronic Security Services segment, these were offset by a large scale temporary security contract in the Stationed Security Services segment and increased contracts for our Total ATM Management System in the Transportation Security Services segment. In regard to profit, due to enhanced cost management, operating profit rose 11.7%, to ¥10,352 million, recurring profit increased 8.7%, to ¥11,765 million, and net income was up 3.1%, to ¥4,706 million.

Sales by Business Segment

Business Segment	Fiscal year ended March 31, 2011		Fiscal year ended March 31, 2010		YoY	
	Amount (¥ million)	Share (%)	Amount (¥ million)	Share (%)	Amount (¥ million)	Increase/ Decrease (%)
Electronic Security Services	138,463	49.6	138,929	49.9	−465	−0.3
Stationed Security Services	71,337	25.5	70,659	25.4	677	1.0
Transportation Security Services	47,692	17.1	46,868	16.8	824	1.8
Other Services	21,779	7.8	22,122	7.9	–343	–1.6
Total	279,272	100.0	278,579	100.0	692	0.2

Major factors behind segment results

Electronic Security Services

Our efforts to bolster sales of the “ALSOK Guard System” electronic security to corporate customers progressed favorably. We also actively worked to establish new customers in the individual user market. We saw strong sales of home security systems “ALSOK Home Security α” and “ALSOK Home Security X7.” Further, in response to the trend of the aging population, we launched “ALSOK Silver Pack,” a home security services package that includes all the functions necessary for elderly people. However, factors such as the economic recession resulted in lower revenues from contracts and sales of equipment, causing an overall decrease in sales.

Due to the factors above, sales in the Electronic Security Services segment fell 0.3% to ¥138,463 million.

Stationed Security Services

Increases in new contracts, including large-scale contracts, as well as a large-scale contract for temporary security services contributed to higher sales.

Due to the factors above, sales in the Stationed Security Services segment rose 1.0% to ¥71,337 million.

Transportation Security Services

The progressing trend of financial institutions outsourcing security services as well as increased contracts for our Total ATM Management System helped boost sales. We also continued to promote sales of our Cash Deposit Machine On-line System.

Due to the factors above, sales in the Transportation Security Services segment rose 1.8% to ¥47,692 million.

Other Services

While sales of automatic external defibrillators (AEDs) remained strong, sales of household fire detectors failed to increase to the same extent as was seen in the previous fiscal year, adversely affecting sales. We also continued to promote sales of the multi-function ATM MMK, as part of our telecommunication-related business efforts. At the same time, we began sales of “ECO Mieru,” a new environmentally friendly product that supports customers in constructing reports related to the Revision Law Concerning Rational Use of Energy.

Due to the factors above, sales in the Other Services segment fell 1.6%, to ¥21,779 million.

B. Comparative Analysis of the Consolidated Statements of Operations

The following chart is a year-on-year comparison of the ALSOK Group's consolidated statements of operations.

	Fiscal year ended March 31, 2011		Fiscal year ended March 31, 2010		YoY	
	Amount (¥ million)	Share (%)	Amount (¥ million)	Share (%)	Amount (¥ million)	Increase/ Decrease (%)
Sales	279,272	100.0	278,579	100.0	692	0.2
Cost of sales	209,364	75.0	210,097	75.4	–732	–0.3
Gross profit on sales	69,908	25.0	68,482	24.6	1,425	2.1
Selling, general and administrative expenses	59,555	21.3	59,211	21.3	343	0.6
Operating profit	10,352	3.7	9,270	3.3	1,082	11.7
Other income	2,788	1.0	2,969	1.1	–180	–6.1
Other expenses	1,375	0.5	1,419	0.5	-44	–3.1
Recurring profit	11,765	4.2	10,819	3.9	946	8.7
Extraordinary profits	92	0.0	77	0.0	14	19.2
Extraordinary losses	2,074	0.7	244	0.1	1,829	748.9
Income taxes	4,281	1.5	5,096	1.8	–815	–16.0
Minority interests in income of consolidated subsidiaries	795	0.3	992	0.4	–196	–19.8
Net income	4,706	1.7	4,563	1.6	143	3.1

In the year under review, sales increased ¥692 million year on year, to ¥279,272 million.

Cost of sales was ¥209,364 million, primarily due to a ¥736 million decrease in labor expenses.

Selling, general and administrative expenses were ¥59,555 million due to the effects of cost cutting measures, which offset a ¥595 million increase in salaries expenses and other personnel costs.

Recurring profit rose ¥946 million, or 8.7%, to ¥11,765 million, following higher sales and lower cost of sales.

Extraordinary profits were up due to a ¥14 million increase in profit on sales of investments in securities.

Extraordinary losses rose as a result of a ¥1,301 million increase in impairment loss on investments in securities, a ¥340 million loss following the adoption of the Accounting Standard for Asset Retirement Obligations, and a ¥219 million disaster loss.

Net income increased ¥143 million, or 3.1%, to ¥4,706 million.

C. Forecast for the Fiscal Year Ending March 31, 2012

In the fiscal year ending March 31, 2012, we anticipate that the economic environment in Japan will continue to be greatly affected by the residual influences of the Great East Japan Earthquake, and will therefore remain incredibly harsh. The security services industry will also be unable to escape the affects of the earthquake. We project that the subsequent decrease in production activities by corporations and the trend toward reduced consumer spending will result in such negative occurrences as the cancellation of security contracts and the reduction of security fees. However, we expect that the economy will begin to recover during the second half of the fiscal year due to the demand created by efforts to recover from the effects of the earthquake, and due to the renewal of corporate activities. Moreover, we believe that this earthquake has served to increase the desire for security and safety among the citizens of Japan.

Against this backdrop, while we expect the demand for security services to increase in the future, the recent economic trends and the increased competition between security service providers will create an even harsher operating environment.

The ALSOK Group will continue to support the recovery of the people and regions affected by the earthquake. Additionally, through these support activities, we will work to gather information to allow us to respond to the new needs create by the earthquake by introducing new products and new services in a timely manner. Further, we will redouble our efforts to implement flexible growth strategies responsive to the increasingly diverse vision of security and safety held by people and to changes in the social climate, such as the aging of the population. Through these efforts, we will aim to improve our business performance.

In regard to the effects of the Great East Japan Earthquake on the ALSOK Group, while the current situation is subject to change, the Group's consolidate business forecasts have been made based all factors perceivable at this point in time. Should there be any significant changes, we will consider the need to publish special disclosure documents.
In the fiscal year ending March 31, 2012, the ALSOK Group forecasts sales of ¥301,800 million, up 8.1% year on year, operating profit of ¥9,900 million, down 4.4%, recurring profit of ¥11,200 million, down 4.8%, and net income of ¥5,300 million, up 12.6%.

(2) Analysis of Financial Position

A. Comparative Analysis of the Consolidated Balance Sheets

The following table shows a year-on-year comparison of the ALSOK Group's consolidated balance sheets.

		As of March 31, 2011		As of March 31, 2010		YoY	
		Amount (¥ million)	Share (%)	Amount (¥ million)	Share (%)	Amount (¥ million)	Increase/ Decrease (%)
Assets	Current	154,735	54.4	148,279	53.7	6,456	4.4
	Fixed	129,615	45.6	127,790	46.3	1,824	1.4
	Total	284,350	100.0	276,069	100.0	8,281	3.0
Liabilities	Current liabilities	71,771	25.3	76,653	27.8	–4,881	–6.4
	Long-term liabilities	50,400	17.7	40,741	14.7	9,659	23.7
	Total liabilities	122,172	43.0	117,394	42.5	4,777	4.1
Total net assets		162,178	57.0	158,674	57.5	3,503	2.2

Total assets at the end of the year under review rose ¥8,281 million, or 3.0%, from the previous fiscal year-end, to ¥284,350 million. Total current assets increased ¥6,456 million, or 4.4%, to ¥154,735 million, and total fixed assets rose ¥1,824 million, or 1.4%, to ¥129,615 million.

The ¥6,456 million increase in current assets was primarily due to a ¥6,653 million increase in cash and deposits and a ¥4,919 million increase in notes and accounts receivable (Japan Facilio Co., Ltd. becoming a consolidated subsidiary resulted in a ¥4,149 million increase in cash and deposits and a ¥5,317 million increase in notes and accounts receivable), which offset the ¥6,655 million decrease in cash for transportation security.

The ¥1,824 million increase in fixed assets was mainly attributable to a ¥2,169 million increase in buildings and structures.

Total liabilities at the end of the year under review rose ¥4,777 million, or 4.1%, for the previous fiscal year-end, to ¥122,172 million. Total current liabilities fell ¥4,881 million, or 6.4%, to ¥71,771 million, and total long-term liabilities rose ¥9,659 million, or 23.7%, to ¥50,400 million.

The ¥4,881 million decrease in current liabilities was a result of factors such as the ¥13,767 million decrease in short-term borrowings, which offset a ¥4,964 million increase in trade notes and accounts payable associated with Japan Facilio Co., Ltd. becoming a consolidated subsidiary.

The ¥9,659 million increase in long-term liabilities was due to a ¥10,172 million increase in long-term borrowings and other factors.

Total net assets at March 31, 2011, were up ¥3,503 million, or 2.2%, from the previous fiscal year-end, to ¥162,178 million.

B. Analysis of Cash and Cash Equivalents (hereafter referred to as "cash")

(¥ million)

	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2010	YoY
Cash flows from operating activities	12,110	15,038	–19.5
Cash flows from investment activities	–12,265	–15,854	–22.6
Cash flows from financing activities	6,469	–7,702	—
Effect of exchange rate changes on cash and cash equivalents	–8	0	—
Net increase/decrease (–) in cash and cash equivalents	6,305	–8,517	—
Cash and cash equivalents at beginning of the year	37,349	45,866	–18.6
Balance of cash and cash equivalents at the end of the year	43,654	37,349	16.9

Cash flows from operating activities
As a result of our operating activities in the year under review, net cash provided by operating activities decreased19.5% year on year, to ¥12,110 million. Principal items included ¥9,784 million in income before income taxes, a decrease of 8.2% year on year; ¥12,457 million in depreciation, an decrease of 1.1%; and ¥12,457 million in decrease in assets and liabilities for Transportation Security Services, a year-on-year decrease of ¥7,646 million, or 16.7%.

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 borrowings.

Cash flows from investing activities
Net cash used in investment activities in the year under review was ¥12,265 million, a 22.6% year-on-year decrease. The primary factors were ¥9,898 million used to acquire fixed assets, up 8.1% from the previous fiscal year, and ¥2,451 million used to acquire stock in a subsidiary following the addition of Japan Facilio Co., Ltd. to the scope of consolidation.

Cash flows from financing activities
Net cash provided by financing activities was ¥6,469 million, compared to net cash used by financing activities of ¥7,702 million in the previous fiscal year. The main elements were ¥14,050 million for payments on repayment of long-term debt.

C. Trends in Cash Flow Indicators for the ALSOK Group

	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2009
Shareholders' equity ratio	50.3%	50.9%	47.7%
Shareholders' equity ratio on a market value basis	32.0%	39.4%	29.5%
Interest-bearing liabilities to cash flow ratio	358.4%	309.7%	324.7%
Interest coverage ratio	20.1times	24.0 times	20.7 times

Shareholders' equity ratio is shareholders' equity divided by total assets.
Shareholders' equity ratio on a market value basis is market capitalization divided by total assets.
Interest-bearing liabilities to cash flow ratio is interest-bearing liabilities divided by cash flow.
Interest coverage ratio is cash flow divided by interest expense.

Note 1: All indicators are calculated based on the consolidated financial statements.
Note 2: Market capitalization is calculated by multiplying the closing share price at the end of the fiscal year by the total number of shares issued and outstanding at the end of the fiscal year (excluding treasury stock).
Note 3: Cash flow is net cash provided by operating activities.
Note 4: Interest-bearing liabilities are all liabilities on which interest is paid on the consolidated balance sheets.

2. Status of the Corporate Group

a. On April 1, 2010, Sokei Building Service Co., Ltd. established ALSOK Suruga Co., Ltd. through an corporate spin-off to conduct the Stationed Security Services operations of its Shizuoka Branch.
b. On April 1, 2010, Kitakanto Keiso Services Co., Ltd., a subsidiary of Kitakanto Sohgo Security Services Co., Ltd., was made an equity method affiliate of the Company.
c. On November 18, 2010, ALSOK (Shangai) Co., Ltd. was established in the People's Republic of China to respond to the security demands of Japanese corporations establishing operations in China. It primarily conducts equipment sales and related consulting.
d. On February 28, 2011, the Company made Japan Facilio Co., Ltd., a company that primarily engages in plumbing and electrical construction, into a consolidated subsidiary.
e. On April 1, 2011, ALSOK Miyagi Kanzai Co., Ltd., ALSOK Iwate Kanzai Co., Ltd., ALSOK Yamagata Kanzai Co., Ltd., and ALSOK Akita Kanzai Co., Ltd. were established through corporate spin-offs from Tohoku Sogo Kanzai Co., Ltd. in order to take over its operations.
f. On April 1, 2011, Yamaguchi-sogokeibihosyo CO., LTD., a consolidated subsidiary of the Company, absorbed wholly owned subsidiary Yamaguchi kanzai Co., Ltd.

3. Management Policies

(1) Basic Corporate Management Policy

The basic corporate management policy of the Company and the ALSOK Group is to "Conduct bold and comprehensive management reforms including 'promoting group management,' 'innovating revenue structures,' and 'making more sophisticated security operations' in order to further solidify the Group's growth foundations, improve Group value, and strengthen the Group's competitive edge into the 21st century."

Our management philosophy is "Our business operations are based on a management philosophy exemplified by a spirit of gratitude and a samurai spirit. 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."

(2) Stance on Target Management Indicators

The ALSOK Group believes that expanding its Electronic Security Services business as well as improving the rationality and efficiency of all of its business activities are essentials tasks for increasing profitability. Accordingly, it is focusing on the recurring profit ratio as an important management indicator.

Going forward, we will focus on indicators such as the net income to equity ratio (ROE) while taking in to consideration extraordinary factors that could significantly affect equity capital or net assets.

(3) Medium- and Long-term Corporate Strategy

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 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.

(4) Pressing Issues for the Company

a. Strengthening the Security Services Business

The main pillar of the ALSOK Group's management is its security services business with Electronic Security Services as its mainstay business. Going forward, we will continue to work to respond to diversifying customer needs, develop and provide new services, and improve the quality of our products and services.

With regard to corporate clients, we are strengthening the Company's sales structure centered on the Sales Department in the corporate headquarters, 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 outside companies. Simultaneously, we are conducting the timely introduction of new products and services that are responsive to recently appearing needs. These products include those for household use, as well as those fine-tuned for use by elderly people.

b. 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 development of new business in which we can utilize the expertise we have acquired through the security services business while also diversifying our business through other means, such as establishing overseas operations and expanding the areas in which we operate.

c. 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 essential. Therefore, we will maintain our focus on employee education, strengthen recruiting efforts, fully utilize senior employees, and implement other human resource initiatives.

d. Promoting CSR

One of the Group management policies is “social contribution.” Accordingly, we are practicing management based on corporate social responsibility (CSR).

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 ethical company focused on compliance.

e. Responding to the Great East Japan Earthquake

Following the Great East Japan Earthquake, which occurred on March 11, 2011, there were reductions in production by corporations and decreases in consumer spending. These and other post-earthquake factors are currently affecting the movement of the economy, which in turn has the potential to greatly influence the Group’s performance. However, we believe the demand created by recovery efforts and the renewal of corporate activities will fuel the recovery of the economy.

The Group will continue to support the recovery of the people and regions affected by the earthquake. Additionally, through these support activities, we will work to gather information to allow us to respond to the new needs create by the earthquake by introducing new products and new services in a timely manner.

We are also actively implementing electricity conservation initiatives in light of the projected electricity shortages.

(5) Other important items in management of the Company

a. In order to fully utilize the wealth of experience held by senior employees, the Company established a subsidiary, ALSOK EAGLES CO., LTD., on April 1, 2011, to rehire ALSOK employees after they have reached mandatory retirement age.

b. In order to integrate the management of operations in Yamaguchi Prefecture and better utilizing management resources in this area, thus strengthening regional management foundations, Yamaguchi-sogokeibihosyo CO., LTD., a consolidated subsidiary of the Company, absorbed wholly owned subsidiary Yamaguchi kanzai Co., Ltd., on April 1, 2011.

c. On April 1, 2011, Tohoku Sogo Kanzai Co., Ltd., which managed security services operations in northern Japan, was dissolved. Subsequently, operations in Miyagi Prefecture were transferred to ALSOK Miyagi Kanzai Co., Ltd., operations in Iwate Prefecture were transferred to ALSOK Iwate Kanzai Co., Ltd., operations in Yamagata Prefecture were transferred to ALSOK Yamagata Kanzai Co., Ltd., and operations in Akita Prefecture were transferred to ALSOK Akita Kanzai Co., Ltd.

4. Consolidated Financial Statement

Consolidated Balance Sheets

(Unit: ¥ million)

	As of March 31, 2011	As of March 31, 2010
Assets		
Current assets		
Cash and deposits (Note 3)	51,062	44,408
Cash for Transportation Security Services (Note 1)	57,676	64,331
Notes and accounts receivable	25,722	20,803
Lease receivables and lease investment assets	1,358	1,385
Short-term investments in securities	942	1,859
Raw materials and supplies	5,511	3,269
Advance payment	5,862	5,389
Deferred tax assets	1,755	2,331
Other	5,024	4,683
Allowance for doubtful accounts	–180	–184
Total current assets	154,735	148,279
Fixed assets		
Tangible fixed assets		
Buildings and structures (Note 3)	40,455	36,079
Machinery, equipment and delivery equipment	20,243	18,073
Land (Notes 2 and 3)	19,699	18,620
Leased assets	6,313	4,179
Construction in progress	4,294	3,203
Other	2,752	3,025
Total tangible fixed assets	59,514	58,351
Intangible fixed assets		
Software	4,308	3,941
Goodwill	1,712	—
Other	1,451	1,262
Total intangible fixed assets	7,471	5,203
Investments and other assets		
Investments in securities (Notes 3 and 4)	24,699	26,010
Long-term loans	613	597
Lease deposits	7,989	8,469
Insurance reserve fund	2,795	3,165
Prepaid pension fund	3,517	3,752
Deferred tax assets	14,634	14,000
Other	9,122	8,714
Allowance for doubtful accounts	-743	-475
Net investments and other assets	62,628	64,235
Total fixed assets	129,615	127,790
Total assets	284,350	276,069

Contd.

Consolidated Balance Sheets

(Unit: ¥ million)

	As of March 31, 2011	As of March 31, 2010
Liabilities		
Current liabilities		
Trade notes and accounts payable	13,384	8,419
Short-term borrowings (Notes 1 and 3)	25,094	40,114
Current portion of long-term debt (Notes 3)	3,688	—
Current portion of bonds	2,300	2,200
Accounts payable	11,614	12,055
Lease obligations	1,653	1,212
Accrued income taxes	1,826	1,814
Accrued consumption taxes	1,384	1,625
Allowance for bonuses	937	923
Allowance for directors' bonuses	193	198
Differed tax liabilities	1	7
Other	9,693	8,082
Total current liabilities	71,771	76,653
Long-term liabilities		
Bonds	100	2,200
Long-term borrowings (Note 3)	12,226	2,053
Lease obligations	4,250	3,539
Deferred tax liabilities	93	135
Deferred income taxes on land revaluation	418	418
Accrued retirement benefits for employees	28,099	27,135
Accrued retirement benefits for directors and corporate auditors	1,641	1,703
Asset retirement obligations	89	—
Negative goodwill	303	384
Other	3,178	3,170
Total long-term liabilities	50,400	40,741
Total liabilities	122,172	117,394
Net Assets		
Shareholders' equity		
Common stock	18,675	18,675
Capital surplus	32,117	32,117
Retained earnings	98,374	95,556
Treasury stock	−1,974	−1,974
Total shareholders' equity	147,192	144,375
Other comprehensive income		
Other securities valuation difference	1,139	1,560
Land revaluation account (Note 2)	−5,395	−5,395
Translation adjustments	−10	−2
Total other comprehensive income	−4,265	−3,837
Minority interests in consolidated subsidiaries	19,251	18,137
Total net assets	162,178	158,674
Total	284,350	276,069

Consolidated Statements of Operations and Consolidated Statements of Comprehensive Income

Consolidated Statements of Operations

(Unit: ¥ million)

	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2010
Sales	279,272	278,579
Cost of sales (Note 5)	209,364	210,097
Gross profit on sales	69,908	68,482
Selling, general and administrative expenses (Notes 1 and 2)	59,555	59,211
Operating profit	10,352	9,270
Other income		
Interest received	300	258
Dividends received	405	566
Profit on sales of investments in securities	18	39
Rental income	177	179
Gain from insurance claim	128	124
Equity in earnings of affiliates	364	318
Depreciation of negative goodwill	80	20
Received penalties for contracts cancellation	331	317
Other	981	1,143
Total other income	2,788	2,969
Other expenses		
Interest	604	626
Loss on sales of investments in securities	6	13
Loss on disposals of fixed assets (Note 3)	246	333
Financing expenses	157	174
Other	360	272
Total other expenses	1,375	1,419
Recurring profit	11,765	10,819
Extraordinary profits		
Profit on sales of investments in securities	92	77
Total extraordinary profits	92	77
Extraordinary losses		
Impairment loss on investments in securities	1,499	198
Loss on sales of investments in securities (Note 4)	4	30
Impairment loss (Note 4)	9	15
Disaster loss	219	—
Loss on adjustment for changes of accounting standard for asset retirement obligations	340	—
Total extraordinary losses	2074	244
Income before income taxes	9,784	10,652
Income taxes	3,741	3,640
Income taxes adjustment	539	1,456
Total income taxes	4,281	5,096
Net income before adjusting for minority interests	5,502	—
Minority interests in income of consolidated subsidiaries	795	992
Net income	4,706	4,563

Consolidated Statements of Operations

(Unit: ¥ million)

	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2010
Net income before adjusting for minority interests	5,502	—
Other comprehensive income		
Other securities valuation difference	−421	—
Translation adjustments	−9	—
Share of other comprehensive income accounted for using equity method	−11	—
Total other comprehensive income (Note2)	−443	—
Comprehensive income (Note1)	5,059	—
(Contents)		
Comprehensive income attributable to Owners of the parent	4,276	—
Comprehensive income attributable to minority interests	783	—

Consolidated Statements of Changes in Net Assets

(Unit: ¥ million)

	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2010
Shareholders' equity		
Common stock		
Balance at the end of previous period	18,675	18,675
Changes during the period		
Total changes of items during the period	—	—
Balance at the end of period	18,675	18,675
Capital surplus		
Balance at the end of previous period	32,117	32,117
Changes during the period		
Total changes of items during the period	—	—
Balance at the end of period	32,117	32,117
Retained earnings		
Balance at the end of previous period	95,556	93,004
Changes during the period		
Cash dividends	–2,010	–2,010
Net income	4,706	4,563
Change of scope of equity method	121	—
Total changes of items during the period	2,817	2,552
Balance at the end of period	98,374	95,556
Treasury stock		
Balance at the end of previous period	–1,974	–1,974
Changes during the period		
Purchase of treasury stock	–0	–0
Total changes of items during the period	–0	–0
Balance at the end of period	–1,974	–1,974
Total shareholders' equity		
Balance at the end of previous period	144,375	141,822
Changes during the period		
Cash dividends	–2,010	–2,010
Net income	4,706	4,563
Change of scope of equity method	121	—
Purchase of treasury stock	–0	–0
Total changes of items during the period	2,817	2,552
Balance at the end of period	147,192	144,375

Contd.

Consolidated Statements of Changes in Net Assets

(Unit: ¥ million)

	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2010
Other comprehensive income		
Other securities valuation difference		
Balance at the end of previous period	1,560	738
Changes during the period		
Net amount of changes excluding shareholders' equity	−420	821
Total changes of items during the period	−420	821
Balance at the end of period	1,139	1,560
Land revaluation account		
Balance at the end of previous period	−5,395	−5,395
Changes during the period		
Total changes of items during the period	—	—
Balance at the end of period	−5,395	−5,395
Translation adjustments		
Balance at the end of previous period	−2	−3
Changes during the period		
Net amount of changes excluding shareholders' equity	−7	0
Total changes of items during the period	−7	0
Balance at the end of period		−2
Total other comprehensive income		
Balance at the end of previous period	−3,837	−4,660
Changes during the period		
Net amount of changes excluding shareholders' equity	−428	822
Total changes of items during the period	−428	822
Balance at the end of period	−4,265	−3,837
Minority interests in consolidated subsidiaries		
Balance at the end of previous period	18,137	17,735
Changes during the period		
Net amount of changes excluding shareholders' equity	1,114	401
Total changes of items during the period	1,114	401
Balance at the end of period	19,251	18,137

Contd.

Consolidated Statements of Changes in Net Assets

(Unit: ¥ million)

	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2010
Total net assets		
Balance at the end of previous period	158,674	154,898
Changes during the period		
Cash dividends	−2,010	−2,010
Net income	4,706	4,563
Change of scope of equity method	121	—
Purchase of treasury stock	−0	−0
Net amount of changes excluding shareholders’ equity	686	1,224
Total changes of items during the period	3,503	3,776
Balance at the end of period	162,178	158,674

Consolidated Statements of Cash Flows

(Unit: ¥ million)

	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2010
Cash flows from operating activities		
Income before income taxes	9,784	10,652
Depreciation	12,457	12,597
Impairment loss	9	15
Depreciation of goodwill	—	37
Depreciation of negative goodwill	–80	–20
Increase/decrease(-) in allowance for doubtful accounts	–109	–31
Increase/decrease(-) in accrued retirement benefit for employees	-63	–637
Increase/decrease(-) in allowance for bonuses	–0	46
Increase/decrease(-) in allowance for director's bonuses	–4	23
Interest income and dividend income	–706	–825
Interest expenses	604	626
Equity in earnings of affiliates	–364	–318
Loss on sales of fixed assets	-6	–1
Loss on disposals of fixed assets	246	333
Profit on sales of investments in securities	–100	–73
Impairment loss on investment in securities	1,499	198
Loss on revaluation of derivatives	95	–41
Loss on adjustment for changes of accounting standard for asset retirement obligations	340	—
Increase(-)/decrease in accounts receivable	397	58
Increase(-)/decrease in inventories	–984	979
Decrease in accounts payable	–792	–627
Increase in prepaid pension	235	413
Decrease in assets and liabilities for Transportation Security Services	–7,646	–6,551
Other	517	923
Sub-total	15,327	17,779
Interest and dividend income, received	807	857
Interest expenses, paid	–610	–622
Income taxes, paid	–4,363	–4,162
Income tax, refund	949	1,185
Net cash provided by operating activities	12,110	15,038
Cash flows from investment activities		
Increase(-)/decrease of time deposits	639	477
Payments for purchases of tangible assets	–9,898	–9,155
Proceeds from sales of tangible assets	26	12
Payments for purchases of investments in securities	–1,966	–1,685
Proceeds from sales of investments in securities	2,052	1,411
Payment for purchase of subsidiaries's stocks (Note 2)	–2,451	–160
Increase(-)/decrease in short-term loans	0	6
Long-term loans made	–113	–105
Long-term loans collected	94	144
Other	–648	–6,799
Net cash used in investment activities	–12,265	–15,854

Contd.

Consolidated Statements of Cash Flows

(Unit: ¥ million)

	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2010
Cash flows from financing activities		
Increase/decrease(-) in short-term borrowings	−267	−94
Proceeds from long-term debt	14,050	500
Payments on repayment of long-term debt	−1,441	−2,662
Payments for redemption of bonds	−2,200	−2,200
Proceeds from minority shareholders	14	—
Payments for purchase of treasury stock	−0	−0
Repayments of lease obligations	−1,402	−1,037
Dividends paid	−2,010	−2,010
Dividends paid to minority shareholders	−273	−196
Net cash used in financing activities	6,469	−7,702
Effect of exchange rate changes on cash and cash equivalents	−8	0
Net decrease in cash and cash equivalents (Note1)	6,305	−8,517
Cash and cash equivalents at beginning of the year	37,349	45,866
Balance of cash and cash equivalents at the end of the period (Note 1)	43,654	37,349

Events or situations giving cause for serious doubt regarding the premise of a going concern
Not applicable

Notes on the Basic Important Points for Preparing the Consolidated Financial Statements of Fiscal year ended March 31, 2011

Items	Fiscal year ended March, 31, 2010	Fiscal year ended March, 31, 2011
1. Scope of consolidation	(1) Number of consolidated subsidiaries: 48 Name of significant consolidated subsidiaries: Sokei Stationed Security Service Co., Ltd. Kita-Kanto Sohgo Security Services Co., Ltd. Hiroshima Sohgo Security Services Co., Ltd. Sokei Building Service Co., Ltd. Fukushima Sohgo Security Services Co., Ltd. On April 1, 2009, Tohoku Sohgo Security Services Co., Ltd. was split and its various regional businesses absorbed by the following successor companies in an incorporation-type company split: the Akita region business was transferred to ALSOK AKITA Co., Ltd.; the Iwate region business was transferred to ALSOK IWATE Co., Ltd.; and the Yamagata region business was transferred to ALSOK YAMAGATA Co., Ltd. Tohoku Sohgo Security Services Co., Ltd., was absorbed by the Company. On November 30, 2009, ALSOK (Vietnam) Co., Ltd., was established in the Socialist Republic of Vietnam.	(1) Number of consolidated subsidiaries: 51 Name of significant consolidated subsidiaries Sokei Stationed Security Service Co., Ltd. Kitakanto Sohgo Security Services Co., Ltd. Hiroshima Sohgo Security Services Co., Ltd. Sokei Building Service Co., Ltd. Fukushima Sohgo Security Services Co., Ltd. On April 1, 2010, Sokei Building Service Co., Ltd. established ALSOK Suruga Co., Ltd. through a corporate spin-off to conduct the Stationed Security Services operations of its Shizuoka Branch. ALSOK Suruga Co., Ltd. is a consolidated subsidiary of the Company. ALSOK (Shanghai) Co., Ltd. was established in the People's Republic of China and was added to the scope of consolidation. As the Company acquired shares equivalent to 88.82% (16,236,834 shares) of the total shares issued by Japan Facilio Co., Ltd., it was added to the scope of consolidation.
	(2) Name of non-consolidated subsidiaries: Ehime Sokei Services Co., Ltd. [Rationale for exclusion of non-consolidated subsidiaries, etc., from the scope of consolidation] Each of the non-consolidated subsidiaries is small in scale in terms of amount of assets, operating revenues (or sales), net income and retained earnings; each has little influence on the finances and performance of the Group and has little materiality as a whole.	(2) Name of non-consolidated subsidiaries: Ehime Sokei Services Co., Ltd. [Rationale for exclusion of non-consolidated subsidiaries, etc., from the scope of consolidation] Each of the non-consolidated subsidiaries is small in scale in terms of amount of assets, operating revenues (or sales), net income and retained earnings; each has little influence on the finances and performance of the Group and has little materiality as a whole.

2. Application of equity method	(1) Number of affiliates accounted for under the equity method: 8 Name of significant affiliates: Niigata Sohgo Security Services Co., Ltd. Hokuriku Sohgo Security Services Co., Ltd. (2) Major unconsolidated subsidiaries and affiliates not accounted for under the equity method Kitakanto Transportation Security Services Co., Ltd. Ehime Sokei Services Co., Ltd. [Rationale for non-application of the equity method] Each of the subsidiaries or affiliates to which the equity method is not applied is small in scale in terms of net income and retained earnings; each has little influence on the finances and performance of the Group and has little materiality as a whole. Thus, they are accounted for at cost.	(1) Number of affiliates accounted for under the equity method: 9 Name of significant affiliates: Niigata Sohgo Security Services Co., Ltd. Hokuriku Sohgo Security Services Co., Ltd. Kitakanto Keiso Services Co., Ltd. was accounted for under the equity method beginning in the year under review due to its increased significance. (2) Major unconsolidated subsidiaries and affiliates not accounted for under the equity method Ehime Sokei Services Co., Ltd. [Rationale for non-application of the equity method] Same as left.
	―――――	[Change in accounting policy] In the year under review, the Company adopted the Accounting Standard for Equity Method of Accounting for Investments (ASBJ Statement No.16, March 10, 2008) and Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method (PITF No.24, March 10, 2008), and made the necessary changes to its consolidated financial statements. The affect on recorded profits and losses was minimal.

3. Matters concerning fiscal year-end of consolidated subsidiaries	The date of settlement of accounts for ALSOK (Vietnam) Co., Ltd., a consolidated subsidiary of the Company, is December 31. The financial statements presented on this date are used for the preparation of consolidated financial statements. However, transactions with material importance between January 1 and March 31, the date of settlement of consolidated accounts, are adjusted as necessary based on the terms of consolidation.	The date of settlement of accounts for ALSOK (Vietnam) Co., Ltd., a consolidated subsidiary of the Company, is December 31. The financial statements presented on this date are used for the preparation of consolidated financial statements. However, transactions with material importance between January 1 and March 31, the date of settlement of consolidated accounts, are adjusted as necessary based on the terms of consolidation. The date of settlement of accounts for ALSOK (Shanghai) Co., Ltd., a consolidated subsidiary of the Company, is December 31. The financial statements presented on this date are used for the preparation of consolidated financial statements. However, transactions with material importance between January 1 and March 31, the date of settlement of consolidated accounts, are adjusted as necessary based on the terms of consolidation. Additionally, the date of settlement of accounts for Japan Facilio Co., Ltd., a consolidated subsidiary of the Company, is September 30. Pro forma statements prepared as of the date of settlement of consolidated accounts are used for the preparation of consolidated financial statements.
4. Matters concerning accounting methods	(1) Valuation basis and method of major assets a. Marketable securities Other marketable securities With market value: By the mark-to-market method based on market values on the date of settlement of consolidated accounts (valuation differences are reported as a separate component of net assets and the sale price is determined by the moving average method); derivatives embedded bonds that cannot be treated separately are reported using the mark-to-market method) Without market value: At cost, using the moving average method b. Derivatives By the mark-to-market method.	(1) Valuation basis and method of major assets a. Marketable securities Other marketable securities With market value: Same as left. Without market value: Same as left. b. Derivatives Same as left.

	c. Inventories Inventories are principally stated using the first-in first-out method (for the value stated in the balance sheet, the book value is written down based on the decreased profitability). Change in accounting policy From the beginning of April 2008, however, the Company has applied "Accounting Standard for Measurement of Inventories" (Accounting Standards Board of Japan (ASBJ) Statement No. 9, July 5, 2006). As a result of this change, operating profit, recurring profit and income before income taxes each decreased by ¥7 million.	c. Inventories Same as left.
	(2) Depreciation method for major depreciable assets a. Tangible fixed assets (excluding lease assets) Stated at cost. Depreciation is computed using the declining-balance method, while the straight-line method is applied to buildings (excluding annexed facilities) acquired after April 1, 1998, at rates based on the estimated useful lives of the assets. The range of useful lives is principally as follows: Buildings and structures: 38 to 50 years Machinery, equipment and delivery equipment: 3 to 5 years	(2) Depreciation method for major depreciable assets a. Tangible fixed assets (excluding lease assets) Same as left.
	b. Intangible fixed assets (excluding lease assets) Straight-line method Software used for internal purposes is recorded at cost less accumulated amortization and is amortized using the straight-line method over five years (the estimated useful life of the software).	b. Intangible fixed assets (excluding lease assets) Same as left.
	c. Lease assets The straight-line method has been applied, using the lease period as the useful life and taking the residual value as zero. The Company has continued to treat finance leases other than those that transfer ownership that commenced before the first fiscal year in which the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13) were applied as operating leases.	c. Lease assets Same as left.

	(3) Accounting criteria for major allowances a. Allowance for doubtful accounts To prepare for losses on doubtful accounts from account receivable and loans, general provisions are determined on the basis of past credit loss experience, and specific provisions, such as loss apprehensive credits, are determined by considering individual collectability.	(3) Accounting criteria for major allowances a. Allowance for doubtful accounts Same as left.
	b. Allowance for bonuses Allowance for bonuses is provided for the current portion of the future expected payment, in order to prepare for the payment of bonuses to employees.	b. Allowance for bonuses Same as left.
	c. Allowance for directors' bonuses Allowance for directors' bonus is provided for the current portion of the future expected payment, in order to prepare for the payment of bonuses to directors and corporate auditors.	c. Allowance for directors' bonuses Same as left.
	d. Retirement benefit and pension plans for employees Retirement benefits for employees are provided based on the actuarially calculated retirement benefit obligation and pension assets. Past service liabilities are amortized from the date incurred using the straight-line method over a certain period (5 years) less than the remaining average service period. Unrecognized actuarial gains or losses are amortized using the straight-line method over a certain period (10 years) less than the remaining average service period from the date incurred. Amortization of unrecognized actuarial gains or losses begins in the year following that in which it was incurred.	d. Retirement benefit and pension plans for employees Same as left.
	[Change in Accounting Policy] Effective April 1, 2009, the Company has adopted the "Accounting Standard for Retirement Benefits (Part 3)" (Accounting Standards Board of Japan (ASBJ) Statement No. 19, July 31, 2008). This adoption had no impact on operating income, recurring income, and income before income taxes.	―――――
	e. Retirement benefit plan for directors and corporate auditors The accrued liabilities are provided for in full on an annual basis, based on the amount which the ALSOK Group would be required to pay under the relevant rules and bylaws if all members resigned at each balance sheet date.	e. Retirement benefit plan for directors and corporate auditors Same as left.

	(4) Important accounting standard for income and expenses The accounting standard used for income relating to finance leases When lease payment is received it is accounted using the method for sale amount and cost of sale. (5) Hedge accounting a. Method of hedge accounting Gains or losses on derivatives are deferred until maturity of the hedged transactions. And the interest rate swaps, which qualify for hedge accounting and meet specific matching criteria, are not remeasured at market value, but the differential paid or received under the swap agreements is charged to income. b. Hedging instruments and hedged items Hedging instruments and hedged items to which hedge accounting was applied in the current fiscal year are as follows: Hedging instruments: interest rate Hedged items: Bank loans c. Hedge policy For the purpose of reducing financial costs and exposures to market risks resulting from fluctuations in interest rates, the interest rate fluctuation risk is hedged in accordance with internal rules. d. Hedge effective assessment Assessment of hedge effectiveness is passed for interest rate swaps which qualify for hedge accounting and meet specific matching criteria, as they are considered highly hedge effective. (6) Method and period for amortization of goodwill ――――― (7) Scope of funds used to prepare consolidated cash flow statements ――――― (8) Other important matters Accounting for consumption tax Excluded from transaction amounts.	(4) Important accounting standard for income and expenses Same as left. (5) Hedge accounting a. Method of hedge accounting Same as left. b. Hedging instruments and hedged items Same as left. c. Hedge policy Same as left. d. Hedge effective assessment Same as left. (6) Method and period for amortization of goodwill Goodwill is amortized evenly over a 5-year period. Additionally, negative goodwill incurred before March 31, 2010 is amortized evenly over a 5-year period. (7) Scope of funds used to prepare consolidated cash flow statements Cash on hand, deposits withdrawable at immediate notice and easily convertible short-term investments redeemable within 3 months of acquisition with minimal risk of fluctuations in value. (8) Other important matters Accounting for consumption tax Same as left.
5. Matters concerning valuation of assets and liabilities of consolidated subsidiaries	The assets and liabilities of consolidated subsidiaries are valued using the all-fair-value method.	―――――

6. Matters concerning goodwill and negative goodwill amortization	Goodwill and negative goodwill are amortized evenly over a 5-year period.	—
7. Scope of funds used to prepare consolidated cash flow statements	Cash on hand, deposits withdrawable at immediate notice and easily convertible short-term investments redeemable within 3 months of acquisition with minimal risk of fluctuations in value.	—

Change of the Basic Important Points for Preparing the Consolidated Financial Statements of This Year

Fiscal year ended March, 31, 2010	Fiscal year ended March, 31, 2011
[Change in Method of Accounting for Cash for Transportation Security Services] Cash contained in the Cash Deposit Machine On-line System was previously accounted for under advance payment in current assets. To be in accordance with the actual management procedure effective April 1, 2009, it has been included in cash for Transportation Security Services. If this new accounting standard had been adopted in the previous fiscal year, the figures for cash for Transportation Security Services and advance payments in the fiscal year ended March 31, 2009, would have been ¥69,346 million and ¥5,385 million, respectively.	――――――
――――――	[Change in Method of Accounting for Asset Retirement Obligations] The Company adopted the Accounting Standard for Asset Retirement Obligations (Statement No.18, March 31, 2008) and the Guidance on Accounting Standard for Asset Retirement Obligations (Guidance No.21, March 31, 2008) starting in the fiscal year ended March 31, 2011. This resulted in a ¥21 million decrease in operating and recurring profit, as well as a ¥361 million decrease in income before income taxes.
――――――	[Change in Method of Accounting for Business Combinations] The Company adopted the Accounting Standard for Business Combination (Statement No.21, December 26, 2008), the Accounting Standard for Consolidated Financial Statements (Statement No.22, December 26, 2008), the Partial amendments to Accounting Standard for Research and Development Costs (Statement No.23, December 26, 2008), the Revised Accounting Standard for Business Divestitures (ASBJ Statement No.7, December 26, 2008), the Revised Accounting Standard for Equity Method of Accounting for Investments (ASBJ Statement No.16, December 26, 2008), and the Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No.10, December 26, 2008) starting in the fiscal year ended March 31, 2011.

Change of Presentation Method

Fiscal year ended March, 31, 2010	Fiscal year ended March, 31, 2011
—	[Consolidated Balance Sheets] In the previous fiscal year, current portion of long-term debt was included in short-term borrowings of current liabilities. As current portion of long-term debt was more significant in the fiscal year ended March 31, 2011, it is now displayed as a separate item. The value for current portion of long-term debt included in short-term borrowings of current liabilities in the fiscal year ended March 31, 2010, was ¥1,251 million.
[Consolidated Statements of Operations] In the previous fiscal year, financing expenses were included in other of other expenses. As financing expenses now account for over 10% of total other expenses, effective April 1, 2009, these expenses are displayed as a separate item. The value for financing expenses included under other in other expenses in the fiscal year ended March 31, 2009, was ¥154 million.	[Consolidated Statements of Operations] Based on the Accounting Standard for Consolidated Financial Statements (ASBJ Statement No.22), the Company implemented the measures outlined in the Cabinet Office Order to Revise the Ordinance on Terminology, Forms, and Preparation Methods of Financial Statements (Cabinet Office Order 5, March 24, 2009) starting in the year ended March 31, 2011. Accordingly, net income before adjusting for minority interests has been as a new item on the consolidated statements of operations.

Additional information

Fiscal year ended March, 31, 2010	Fiscal year ended March, 31, 2011
—	The Company adopted the Accounting Standard for Presentation of Comprehensive Income (ASBJ Statement No.25, June 30 2010) starting in the fiscal year ended March 31, 2011. However, the values listed under other comprehensive income and accumulated other comprehensive income for the fiscal year ended March 31, 2010, are the values for valuation and translation adjustments and total valuation and translation adjustments respectively.

Notes on the Preparation of the Consolidated Financial Results
Consolidated Balance Sheets

Fiscal year ended March, 31, 2010	Fiscal year ended March, 31, 2011
*1. Cash for transportation security services Cash for transportation security services on the consolidated balance sheets are restricted as to use by the ALSOK Group. Short-term borrowings from banks include ¥33,986 million relating to this operation. In addition to cash and deposits presented on the consolidated balance sheet, the ALSOK Group has off-balance cash of ¥241,656 million deposited from clients in the course of conducting transportation security services.	*1. Cash for transportation security services Cash for transportation security services on the consolidated balance sheets are restricted as to use by the ALSOK Group. Short-term borrowings from banks include ¥20,187million relating to this operation. In addition to cash and deposits presented on the consolidated balance sheet, the ALSOK Group has off-balance cash of ¥346,964 million deposited from clients in the course of conducting transportation security services.
*2. Based on the Law concerning Land Revaluation (Law No. 34, promulgated on March 31, 1998, and Law No. 24, amended March 31, 1999), the ALSOK Group revalued its land used for business purposes on March 31, 2002.	*2. Based on the Law concerning Land Revaluation (Law No. 34, promulgated on March 31, 1998, and Law No. 24, amended March 31, 1999), the ALSOK Group revalued its land used for business purposes on March 31, 2002.
Land revaluation The method for calculating the value of land is based on prices computed as per a formula publicized by the Commissioner of the National Tax Administration after making reasonable adjustments such as those for land shape in order to calculate the value of land on which the calculation of the landholding tax is based as stipulated in Article 16 of the Landholding Tax Law (Law No. 69 of 1991) provided in Article 2, Item 4 of the Enforcement Regulations of the Law Concerning Revaluation of Land (Ordinance No. 119 enforced on March 31, 1998). Amount by which the market price at the end of the current fiscal year for revaluated land is lower than the book value after revaluation: ¥818 million	Land revaluation The method for calculating the value of land is based on prices computed as per a formula publicized by the Commissioner of the National Tax Administration after making reasonable adjustments such as those for land shape in order to calculate the value of land on which the calculation of the landholding tax is based as stipulated in Article 16 of the Landholding Tax Law (Law No. 69 of 1991) provided in Article 2, Item 4 of the Enforcement Regulations of the Law Concerning Revaluation of Land (Ordinance No. 119 enforced on March 31, 1998). Amount by which the market price at the end of the current fiscal year for revaluated land is lower than the book value after revaluation: ¥1,064 million
*3 Assets pledged as collateral and obligations collateralized by the assets Assets pledged as collateral are as follows: (¥ million) Cash and deposits 245 Buildings and structures 1,899 Land 2,882 Investments in securities 26 Total 50,53	*3 Assets pledged as collateral and obligations collateralized by the assets Assets pledged as collateral are as follows: (¥ million) Cash and deposits 445 Buildings and structures 2,231 Land 3,088 Investments in securities 26 Total 5,792
The obligations collateralized by the above assets are as follows: (¥ million) Short-term borrowings 657 Long-term borrowings 1,016 Total 1,674	The obligations collateralized by the above assets are as follows: (¥ million) Short-term borrowings 162 Current portion of long-term debt 598 Long-term borrowings 1,604 Total 2,364
*4. Investments in non-consolidated subsidiaries and affiliated companies are as follows: Investments in securities (stocks) ¥5,784 million	*4. Investments in non-consolidated subsidiaries and affiliated companies are as follows: Investments in securities (stocks) ¥6,136million

Consolidated Statements of Operations

Fiscal year ended March, 31, 2010

*1. Selling, general and administrative expenses comprise the following:

	(¥ million)
Advertising	2,254
Salaries and allowances	32,174
Provision for bonuses	304
Provision for directors′ bonuses	198
Provision for directors′ retirement benefits	203
Provision of allowance for doubtful accounts	52
Welfare and service	4,966
Retirement benefit expenses	1,653
Rent	5,454
Depreciation	2,385
Taxes and duties	1,163
Communication	1,246

*2. Total amount of research and development expenses
Research and development expenses included in administrative expenses are ¥648 million.

*3. Loss on disposal of tangible fixed assets

	(¥ million)
Machinery and equipment	237
Others	95
Total	333

*4. Impairment losses
For the fiscal year ended March 31, 2010 the ALSOK Group recorded impairment losses as follows:

Type	Purpose	Impairment losses
Land	Vacant lot	¥15million

Assets groups of the Company and consolidated subsidiaries are classified by unit of individual property for nonperforming assets and by unit of managerial accounting for performing assets in business.

Aforementioned impairment losses were recorded at the amount by which the book value of each asset exceeded its estimated recoverable value, ¥15million for land for the year ended March 31, 2010.

The recoverable value for this assets group is calculated using the fair value cost to sell. The fair value cost to sell is calculated by deducting the price calculated reflecting appropriate adjustments for land shape based on the land assessments length measured along the road and the estimated disposal costs from prices based on appraisals.

*5 Inventories at the end of the period were written down from book value following decrease in profitability, and the following loss on disposal and impairment of inventories was included in the cost of sales.

–¥0 million

Fiscal year ended March, 31, 2011

*1. Selling, general and administrative expenses comprise the following:

	(¥ million)
Advertising	2,374
Salaries and allowances	32,436
Provision for bonuses	305
Provision for directors′ bonuses	193
Provision for directors′ retirement benefits	118
Provision of allowance for doubtful accounts	22
Welfare and service	5,153
Retirement benefit expenses	1,803
Rent	5,176
Depreciation	2,261
Taxes and duties	1,178
Communication	1,240

*2. Total amount of research and development expenses
Research and development expenses included in administrative expenses are ¥681million.

*3. Loss on disposal of tangible fixed assets

	(¥ million)
Machinery and equipment	94
Others	152
Total	246

*4. Impairment losses
For the fiscal year ended March 31, 2011, the ALSOK Group recorded impairment losses as follows:

Type	Purpose	Impairment losses
Land	Vacant lot	¥9 million

Assets groups of the Company and consolidated subsidiaries are classified by unit of individual property for nonperforming assets and by unit of managerial accounting for performing assets in business.

Aforementioned impairment losses were recorded at the amount by which the book value of each asset exceeded its estimated recoverable value, ¥15 million for land for the year ended March 31, 2010.

The recoverable value for this assets group is calculated using the fair value cost to sell. The fair value cost to sell is calculated by deducting the price calculated reflecting appropriate adjustments for land shape based on the land assessments length measured along the road and the estimated disposal costs from prices based on appraisals.

*5 Inventories at the end of the period were written down from book value following decrease in profitability, and the following loss on disposal and impairment of inventories was included in the cost of sales.

–¥1 million

Consolidated statements of comprehensive income

Fiscal year ended March 31, 2011

*1. Comprehensive income in the previous fiscal year

	(¥ million)
Comprehensive income attributable to owners of the parent	5,390
Comprehensive income attributable to minority interests	1,161
Total	6,552

*2. Other comprehensive income in the previous fiscal year

	(¥ million)
Other securities valuation difference	979
Translation adjustments	4
Share of other comprehensive income counted for using equity method	11
Total	995

Consolidated Statements of Changes in Net Assets

Fiscal year ended March, 31, 2010

1. Matters concerning type and total number of issued shares and treasury stock

(Shares)

	Number of shares as of March 31, 2010	Number of increased shares during the fiscal year	Number of decreased shares during the fiscal year	Number of shares as of March 31, 2011
Issued shares				
Common stock	102,039,042	—	—	102,040,042
Total	102,039,042	—	—	102,040,042
Treasury stock				
Common stock (Note)	1,505,245	298	—	1,505,543
Total	1,505,245	298	—	1,505,543

Note: The increase of 298 shares of common stock to the amount of treasury stock is due to the purchase of odd lots.

2. Matters concerning stock acquisition rights and treasury stock acquisition rights

(thousand shares)

	Items of stock acquisition rights	Type of shares subject to the stock acquisition rights	Number of shares subject to the stock acquisition rights				Balance as of March 31, 2011 (¥ million)
			As of March 31, 2010	Increase	Decrease	As of March 31, 2011	
Submitting Company (Parent Company)	2002 Stock acquisition rights (Note)	Common stock	57	—	57	—	—
	2003 Stock acquisition rights (Note)	Common stock	220	—	10	210	—
Total		—	227	—	67	210	—

Note: The previous fiscal year decrease is a result of the exercise or invalidation of subscription rights.

3. Matters concerning dividends

(1) Dividends paid

Date of resolution	Type of shares	Total dividends (¥ million)	Dividends per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 25, 2009	Common stock	1,005	10.0	March 31, 2009	June 26, 2009
Board of Directors Meeting on November 5, 2009	Common stock	1,005	10.0	September 30, 2009	December 4, 2009

(2) Dividends with a record date in the previous fiscal year but with an effective date in the next fiscal year

Date of resolution	Type of shares	Total dividends (¥ million)	Dividend resource	Dividends per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 25, 2010	Common stock	1,005	Retained earnings	10.0	March 31, 2010	June 28, 2010

Fiscal year ended March, 31, 2011

1. Matters concerning type and total number of issued shares and treasury stock

(Shares)

	Number of shares as of March 31, 2009	Number of increased shares during the fiscal year	Number of decreased shares during the fiscal year	Number of shares as of March 31, 2010
Issued shares				
Common stock	102,040,042	—	—	102,040,042
Total	102,040,042	—	—	102,040,042
Treasury stock				
Common stock (Note)	1,505,543	62	—	1,505,605
Total	1,505,543	62	—	1,505,605

Note: The increase of 62 shares of common stock to the amount of treasury stock is due to the purchase of odd lots.

2. Matters concerning stock acquisition rights and treasury stock acquisition rights

(thousand shares)

	Items of stock acquisition rights	Type of shares subject to the stock acquisition rights	Number of shares subject to the stock acquisition rights				Balance as of March 31, 2011 (¥ million)
			As of March 31, 2010	Increase	Decrease	As of March 31, 2011	
Submitting Company	2003 Stock acquisition rights (Note)	Common stock	210	—	210	—	—
Total		—	210	—	210	—	—

Note: The current fiscal year decrease is a result of the invalidation of stock acquisition rights.

3. Matters concerning dividends

(1) Dividends paid

Date of resolution	Type of shares	Total dividends (¥ million)	Dividends per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 25, 2010	Common stock	1,005	10.0	March 31, 2010	June 28, 2010
Board of Directors Meeting on October 29, 2010	Common stock	1,005	10.0	September 30, 2010	December 3, 2010

(2) Dividends with a record date in the current fiscal year but with an effective date in the next fiscal year

Date of resolution	Type of shares	Total dividends (¥ million)	Dividend resource	Dividends per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 24, 2011	Common stock	1,005	Retained earnings	10.0	March 31, 2011	June 27, 2011

Consolidated Statements of Cash Flows

Fiscal year ended March, 31, 2010

Reconciliation of each item in the Consolidated Balance Sheets and cash and cash equivalents in the Consolidated Statements of Cash Flows:

(As of March 31, 2010)
(¥ million)

Cash and deposits	44,408
Deposits to mature in excess of 3 months	–8,081
Short-term investments (securities) to be redeemed within 3 months of acquisition date	1,021
Cash and cash equivalents	37,349

Fiscal year ended March, 31, 2011

Reconciliation of each item in the Consolidated Balance Sheets and cash and cash equivalents in the Consolidated Statements of Cash Flows:

(As of March 31, 2011)
(¥ million)

Cash and deposits	51,062
Deposits to mature in excess of 3 months	–7,645
Short-term investments (securities) to be redeemed within 3 months of acquisition date	238
Cash and cash equivalents	43,654

Major assets and liabilities of companies that became subsidiaries following the acquisition of stock

The assets and liabilities of Japan Facilio Co., Ltd. at the time of its addition to the scope of consolidation due to the Company's acquisition of its stock, the cost of acquiring the stock in Japan Facilio Co., Ltd., and the net amount paid to acquire Japan Facilio Co., Ltd. are as follows.

(¥ million)

Current assets	10,838
Fixed assets	2,511
Goodwill	1,712
Current liabilities	6,766
Long-term liabilities	1,308
Minority interests	589
Cost of acquiring Japan Facilio Co., Ltd.	6,398
Cash and cash equivalents of Japan Facilio Co., Ltd.	3,946
Deduction: Amount paid to acquire Japan Facilio Co., Ltd.	2,451

Segment information and other related information

a. Business segments

Previous fiscal year (From April 1, 2009, to March 31, 2010)

Business segment information disclosure has been omitted as the security business accounts for more than 90% of total sales, operating profits and total assets of all segments.

b. Geographical segments

Previous fiscal year (From April 1, 2009, to March 31, 2010)

Geographical segment information disclosure has been omitted as sales in Japan account for more than 90% of total sales, operating profits and total assets of all segments.

c. Net sales by region

Previous fiscal year (From April 1, 2009, to March 31, 2010)

Net sales by region information disclosure has been omitted as overseas sales account for less than 10% of total consolidated sales.

d. Segment information

Previous fiscal year (From April 1, 2009, to March 31, 2010)

Segment information is omitted as security services is the ALSOK Group's only business segment.

Current fiscal year (From April 1, 2010, to March 31, 2011)

Segment information is omitted as security services is the ALSOK Group's only business segment.

e. Related information

Current fiscal year (From April 1, 2010, to March 31, 2011)

1. Products and services information

Information regarding products and services is omitted as sales of a single category of products and services to customers account for over 90% of the total sales recorded on the consolidated statements of operations.

2. Regional information

(1) Sales

Information regarding regional sales is omitted as sales to customers in Japan account for over 90% of the total sales recorded on the consolidated statements of operations.

(2) Fixed assets

Information regarding fixed assets in specific is omitted as the value of fixed assets in Japan account for over 90% of the total value of fixed assets recorded on the consolidated statements of operations.

3. Major customer information

Information regarding major customers is omitted as there are no customers to which over 10% of the total sales recorded on the consolidated statements of operations can be attributed.

Additional information

Current fiscal year (From April 1, 2010, to March 31, 2011)

Beginning in the year under review, the Company has applied the Revised Accounting Standard for Disclosures about Segments of an Enterprise and Related information (ASBJ Statement No.17, March 27, 2009) and the Accounting Standard for Disclosures about Segments of an Enterprise and Related information (ASBJ Guidance No.20, March 31, 2008).

Per share information

(¥)

Fiscal year ended March, 31, 2010		Fiscal year ended March, 31, 2011	
Net assets per share	¥1,397.90	Net assets per share	¥1,421.67
Net income per share	¥45.39	Net income per share	¥46.82
Fully diluted net income per share is not shown because no dilutive shares existed.		Fully diluted net income per share is not shown because no dilutive shares existed.	

Note 1: The following is the basis for calculating net income per share (basic and diluted).

(¥ million)

	Fiscal year ended March, 31, 2010	Fiscal year ended March, 31, 2011
(1) Net income per share		
Net income	4,563	4,706
Amount not belonging to ordinary shareholders	—	—
Net income attributable to common stock	4,563	4,706
Weighted average numbers of ordinary shares (thousands of shares)	100,534	100,534
Overview of residual shares not included in the calculation of net income per share (diluted) because of lack of dilution effort	2,779 stock acquisition rights of two types (571 stock acquisition rights decided at the Ordinary General Meeting of Shareholders June 27, 2002, and 2,208 decided at the Ordinary General Meeting of Shareholders June 27, 2003). Stock acquisition rights were decided by extraordinary resolution pursuant to article 280-20 of the old Commercial Code of Japan and article 280-21 of the current Commercial Code of Japan.	2,108 stock acquisition rights of one type (2,108 stock acquisition rights decided at the Ordinary General Meeting of Shareholders June 27, 2003). Stock acquisition rights were decided by extraordinary resolution pursuant to article 280-20 of the old Commercial Code of Japan and article 280-21 of the current Commercial Code of Japan.

Note 2: The basis for calculating net assets per share is as follows:

	Fiscal year ended March, 31, 2010	Fiscal year ended March, 31, 2011
Total net assets (¥ million)	158,674	162,178
Amount deducted from total net assets (¥ million)	18,137	19,251
(minority interests)	(18,137)	(19,251)
Net assets at end of year relating to common stock (¥ million)	140,537	142,926
Amount of common stock at end of year used for calculating net assets per share (thousands of shares)	100,534	100,534

Significant subsequent event
Not applicable

5. Other
Information regarding production, orders, and sales

(1) Production
The ALSOK Group dues not conduct production. Contracts for each business category are as follows.

(Number of contracts)

Business segment	Fiscal year ended March, 31, 2010	Fiscal year ended March, 31, 2011	YoY (%)
Electronic Security Services	524,708	541,654	3.2
Stationed Security Services	2,785	2,866	2.9
Transportation Security Services	35,963	39,065	8.6
Other Services	42,909	52,519	22.4
Total	606,365	636,104	4.9

(2) Sales
Sales for each business category are as follows.

(¥ million)

Business segment	Fiscal year ended March, 31, 2010	Fiscal year ended March, 31, 2010	YoY (%)
Electronic Security Services	138,929	138,463	–0.3
Stationed Security Services	70,659	71,337	1.0
Transportation Security Services	46,868	47,692	1.8
Other Services	22,122	21,779	–1.6
Total	278,579	279,272	0.2

Note 1: Values have not been adjusted for income taxes and other taxes.
Note 2: No one customer accounts for over 10% of total sales.