

Consolidated Financial Results for the Third Quarter Ended December 31, 2011

Prepared in Conformity with Accounting Principles Generally Accepted in Japan (Japanese GAAP)

English Translation of the Original Japanese-Language Report

SOHGO SECURITY SERVICES CO., LTD

(Code No.:2331, TSE 1st Sec.)

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

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Date of the Board Meeting for the settlement of consolidated account: January 31, 2012 at 14:00 (GMT+9)

Scheduled Date to File Quarterly Report: February 7, 2012

1. Summary of the consolidated financial results for the third quarter ended December 31, 2011

(April 1, 2011 – December 31, 2011)

(1) Consolidated operating results

(Figures rounded down to the nearest million)

	Nine months ended	
	December 31, 2011	December 31, 2010
Net sales	¥222,589 million	¥208,569 million
% change from the previous year	6.7%	0.5%
Operating income	¥8,088 million	¥8,731 million
% change from the previous year	(7.4)%	10.9%
Ordinary income	¥9,327 million	¥9,737 million
% change from the previous year	(4.2)%	8.4%
Net income	¥2,576 million	¥4,582 million
% change from the previous year	(43.8)%	10.8%
Net income per share	¥25.62	¥45.59
Diluted net income per share	—	—

Note 1: Percentage shown in net sales, operating income, ordinary income and net income above represent the changes from the previous fiscal year.

Note 2: Comprehensive income: Nine months ended December 31, 2011 ¥2,900 million (39.1)%

Nine months ended December 31, 2010 ¥4,765 million —%

(2) Consolidated financial conditions

(Figures rounded down to the nearest million)

	As of	
	December 31, 2011	March 31, 2011
Total assets	¥299,191 million	¥284,350 million
Net assets	¥163,317 million	¥162,178 million
Capital adequacy ratio	47.9%	50.3%
Net assets per share	¥1,426.78	¥1,421.67

Note: Equity capital: Nine months ended December 31, 2011 ¥143,440 million

Year ended March 31, 2011

¥142,926 million

2. Dividend

(Record date)	Dividends per share				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Annual
Fiscal year ended March 31, 2011	—	¥10.00	—	¥10.00	¥20.00
Fiscal year ending March 31, 2012	—	¥10.00	—		
Fiscal year ending March 31, 2012 (Forecast)				¥10.00	¥20.00

Note: Revisions to the forecast of dividends in this quarter: No

3. Forecasts for the consolidated financial results for the fiscal year ending March 31, 2012

(April 1, 2011 – March 31, 2012)

	Nets sales	Operating income	Ordinary income	Net income	Net income per share
Annual	¥301,800 million 8.1%	¥9,900 million (4.4)%	¥11,200 million (4.8)%	¥5,300 million 12.6%	¥52.72

Notes: 1. Revisions to the forecast of financial results in this quarter: No

2. Percentages shown in net sales, operating income, ordinary income and net income above represent the prospected changes from the previous year.

4. Others

(1) Changes in consolidated subsidiaries (Changes in scope of consolidation): No

(2) Application of accounting which is simplified or exceptional for quarterly consolidated financial statements: Yes

(3) Changes in accounting principles, procedures and presentation methods for consolidated financial results

① Changes arising from revision of accounting standards: No

② Changes arising from other factors: No

③ Changes arising from accounting estimate: No

④ Restatement: No

(4) Number of shares outstanding (Ordinary shares)

① Number of shares issued (including treasury stock):
 Nine months ended December 31, 2011 102,040,042 shares
 Year ended March 31, 2011 102,040,042 shares

② Number of shares of treasury stock:
 Nine months ended December 31, 2011 1,505,754 shares
 Year ended March 31, 2011 1,505,605 shares

③ Average number of shares during the period (cumulative quarterly period):
 Nine months ended December 31, 2011 100,534,392 shares
 Nine months ended December 31, 2010 100,534,474 shares

* Explanations about proper use of forecasts for consolidated financial results and other special instruction

The above forecasts were prepared based on information obtainable as of the date of release of this document.

Going forward, due to a variety of factors accrual results may differ from the estimated figures.

Consolidated Balance Sheets

(Unit: ¥ million)

	As of December 31, 2011	As of March 31, 2011
Assets		
Current assets		
Cash and deposits	43,353	51,062
Cash for Transportation Security Services	72,664	57,676
Notes and accounts receivable-trade	25,736	25,722
Short-term investment securities	1,171	942
Raw materials and supplies	5,270	4,254
Costs on uncompleted construction contracts	1,067	1,256
Advances paid	8,374	5,862
Other	14,357	8,138
Allowance for doubtful accounts	(186)	(180)
Total current assets	171,809	154,735
Noncurrent assets		
Property, plant and equipment	59,343	59,514
Intangible assets		
Goodwill	1,455	1,712
Other	5,103	5,759
Total intangible assets	6,559	7,471
Investments and other assets		
Investment securities	24,475	24,699
Other	37,740	38,673
Allowance for doubtful accounts	(735)	(743)
Total investments and other assets	61,480	62,628
Total noncurrent assets	127,382	129,615
Total assets	299,191	284,350

Consolidated Balance Sheets

(Unit: ¥ million)

	As of December 31, 2011	As of March 31, 2011
Liabilities		
Current liabilities		
Notes and accounts payable-trade	11,843	13,384
Short-term loans payable	39,988	28,782
Income taxes payable	2,807	1,826
Provision	555	1,130
Other	30,474	26,646
Total current liabilities	85,668	71,771
Noncurrent liabilities		
Bonds payable	40	100
Long-term loans payable	10,306	12,226
Provision for retirement benefits	28,638	28,099
Provision for directors' retirement benefits	1,631	1,641
Asset retirement obligations	91	89
Other	9,496	8,244
Total noncurrent liabilities	50,205	50,400
Total liabilities	135,874	122,172
Net assets		
Shareholders' equity		
Capital stock	18,675	18,675
Capital surplus	32,117	32,117
Retained earnings	98,940	98,374
Treasury stock	(1,974)	(1,974)
Total shareholders' equity	147,758	147,192
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,039	1,139
Revaluation reserve for land	(5,343)	(5,395)
Foreign currency translation adjustment	(13)	(10)
Total accumulated other comprehensive income	(4,318)	(4,265)
Minority interests	19,877	19,251
Total net assets	163,317	162,178
Total liabilities and net assets	299,191	284,350

Consolidated Statements of Income

(Unit: ¥ million)

	Nine months ended December 31, 2011	Nine months ended December 31, 2010
Net sales	222,589	208,569
Cost of sales	169,052	155,403
Gross profit	53,536	53,166
Selling, general and administrative expenses	45,448	44,434
Operating income	8,088	8,731
Non-operating income		
Interest income	195	209
Dividends income	426	396
Equity in earnings of affiliates	168	221
Other	1,556	1,322
Total non-operating income	2,347	2,149
Non-operating expenses		
Interest expenses	367	438
Loss on retirement of noncurrent assets	245	187
Other	494	517
Total non-operating expenses	1,107	1,143
Ordinary income	9,327	9,737
Extraordinary income		
Gain on sales of investment securities	24	92
Total extraordinary income	24	92
Extraordinary loss		
Loss on valuation of investment securities	285	312
Loss on retirement of noncurrent assets	403	—
Impairment loss	29	9
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	340
Loss on disaster	170	—
Other	0	0
Total extraordinary losses	888	662
Income before income taxes	8,463	9,167
Income taxes	5,439	4,027
Income before minority interests	3,024	5,139
Minority interests in income	447	556
Net income	2,576	4,582

Consolidated Statements of Comprehensive Income

(Unit: ¥ million)

	Nine months ended December 31, 2011	Nine months ended December 31, 2010
Income before minority interests	3,024	5,139
Other comprehensive income		
Valuation difference on available-for-sale securities	(189)	(361)
Revaluation reserve for land	51	—
Foreign currency translation adjustment	(2)	(9)
Share of other comprehensive income of associates accounted for using equity method	17	(3)
Total other comprehensive income	(123)	(374)
Comprehensive income	2,900	4,765
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	2,523	4,237
Comprehensive income attributable to minority interests	376	527

Consolidated Statements of Cash Flows

(Unit: ¥ million)

	Nine months ended December 31, 2011	Nine months ended December 31, 2010
Net cash provided by (used in) operating activities		
Income before income taxes	8,463	9,167
Depreciation and amortization	9,474	9,065
Impairment loss	29	9
Amortization of goodwill	256	—
Amortization of negative goodwill	(60)	(60)
Increase (decrease) in allowance for doubtful accounts	(1)	(52)
Increase (decrease) in provision for retirement benefits	477	305
Increase (decrease) in provision for bonuses	(542)	(534)
Increase (decrease) in provision for directors' bonuses	(75)	(65)
Interest and dividends income	(622)	(605)
Interest expenses	367	438
Equity in (earnings) losses of affiliates	(168)	(221)
Loss (gain) on sales of noncurrent assets	(0)	(6)
Loss on retirement of noncurrent assets	648	187
Loss (gain) on sales of investment securities	(19)	(102)
Loss (gain) on valuation of investment securities	285	312
Loss (gain) on valuation of derivatives	114	186
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	340
Decrease (increase) in notes and accounts receivable-trade	0	400
Decrease (increase) in inventories	(826)	(867)
Increase (decrease) in notes and accounts payable-trade	275	(1,182)
Decrease (increase) in prepaid pension costs	524	153
Decrease in assets and liabilities for Transportation Security Services	(11,512)	(7,609)
Other	(2,676)	(3,781)
Subtotal	4,412	5,476
Interest and dividends income received	695	715
Interest expenses paid	(350)	(418)
Income taxes paid	(4,630)	(4,367)
Income taxes refund	602	949
Net cash provided by (used in) operating activities	729	2,355

Consolidated Statements of Cash Flows

(Unit: ¥ million)

	Nine months ended December 31, 2011	Nine months ended December 31, 2010
Net cash provided by (used in) operating activities		
Decrease (increase) in time deposits	(343)	887
Purchase of property, plant and equipment	(5,970)	(7,269)
Proceeds from sales of property, plant and equipment	6	22
Purchase of investment securities	(1,934)	(1,299)
Proceeds from sales of investment securities	1,283	1,490
Decrease (increase) in short-term loans receivable	(3)	(6)
Payments of long-term loans receivable	(91)	(78)
Collection of long-term loans receivable	105	87
Other	(651)	4
Net cash provided by (used in) operating activities	(7,599)	(6,161)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	5,278	4,935
Proceeds from long-term loans payable	940	1,950
Repayment of long-term loans payable	(2,755)	(997)
Proceeds from issuance of bonds	50	—
Redemption of bonds	(1,200)	(1,100)
Proceeds from stock issuance to minority shareholders	—	14
Purchase of treasury stock	(0)	(0)
Repayments of lease obligations	(1,697)	(1,019)
Cash dividends paid	(2,010)	(2,010)
Cash dividends paid to minority shareholders	(227)	(273)
Net cash provided by (used in) financing activities	(1,622)	1,499
Effect of exchange rate change on cash and cash equivalents	(9)	(5)
Net increase (decrease) in cash and cash equivalents	(8,502)	(2,312)
Cash and cash equivalents at beginning of period	43,654	37,349
Increase in cash and cash equivalents from newly consolidated subsidiary	379	—
Cash and cash equivalents at end of period	35,532	35,036

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