

Consolidated Financial Results for the Third Quarter Ended December 31, 2012

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, 2013 at 14:00 (GMT+9)

Scheduled Date to File Quarterly Report: February 5, 2013

1. Summary of the consolidated financial results for the third quarter ended December 31, 2012

(April 1, 2012 – December 31, 2012)

(1) Consolidated operating results

(Figures rounded down to the nearest million)

	Nine months ended	
	December 31, 2011	December 31, 2012
Net sales	¥222,589 million	¥232,677 million
% change from the previous year	6.7%	4.5%
Operating income	¥8,088 million	¥9,058 million
% change from the previous year	(7.4)%	12.0%
Ordinary income	¥9,327 million	¥11,346 million
% change from the previous year	(4.2)%	21.6%
Net income	¥2,576 million	¥6,507 million
% change from the previous year	(43.8)%	152.6%
Net income per share	¥25.62	¥64.72
Diluted net income per share	—	—

Note 1: Percentages 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, 2012 ¥8,474 million 192.2%
Nine months ended December 31, 2011 ¥2,900 million (39.1)%

(2) Consolidated financial conditions

(Figures rounded down to the nearest million)

	As of	
	March 31, 2012	December 31, 2012
Total assets	¥283,593 million	¥303,352 million
Net assets	¥165,634 million	¥171,646 million
Capital adequacy ratio	51.3%	49.8%
Net assets per share	¥1,446.93	¥1,502.15

Note: Equity capital: Nine months ended December 31, 2012 ¥151,017 million
Year ended March 31, 2012 ¥145,465 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, 2012	—	¥10.00	—	¥10.00	¥20.00
Fiscal year ending March 31, 2013	—	¥11.00	—		
Fiscal year ending March 31, 2013 (Forecast)				¥11.00	¥22.00

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, 2013

(April 1, 2012 – March 31, 2013)

	Net sales	Operating income	Ordinary income	Net income	Net income per share
Annual	¥315,000 million 3.4%	¥12,500 million 15.6%	¥14,100 million 12.3%	¥7,300 million 87.0%	¥72.61

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: Yes

② Changes arising from other factors: No

③ Changes arising from accounting estimate: Yes

④ Restatement: No

(4) Number of shares outstanding (Ordinary shares)

① Number of shares issued (including treasury stock):
 Nine months ended December 31, 2012 102,040,042 shares
 Year ended March 31, 2012 102,040,042 shares

② Number of shares of treasury stock:
 Nine months ended December 31, 2012 1,505,779 shares
 Year ended March 31, 2012 1,505,754 shares

③ Average number of shares during the period (cumulative quarterly period):
 Nine months ended December 31, 2012 100,534,284 shares
 Nine months ended December 31, 2011 100,534,392 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 March 31, 2012 As of December 31, 2012

Assets

	As of March 31, 2012	As of December 31, 2012
Current assets		
Cash and deposits	48,553	46,451
Cash for Transportation Security Services	55,264	64,591
Notes and accounts receivable-trade	30,749	27,351
Short-term investment securities	2,744	489
Raw materials and supplies	5,625	5,074
Costs on uncompleted installation contracts	562	928
Advances paid	8,093	13,171
Other	8,646	16,581
Allowance for doubtful accounts	(179)	(239)
Total current assets	160,060	174,401
Noncurrent assets		
Property, plant and equipment	59,147	58,701
Intangible assets		
Goodwill	1,470	1,198
Other	5,078	4,756
Total intangible assets	6,548	5,955
Investments and other assets		
Investment securities	23,825	29,248
Other	34,744	35,776
Allowance for doubtful accounts	(731)	(730)
Total investments and other assets	57,837	64,293
Total noncurrent assets	123,533	128,950
Total assets	283,593	303,352

Consolidated Balance Sheets

(Unit: ¥ million)

	As of March 31, 2012	As of December 31, 2012
Liabilities		
Current liabilities		
Notes and accounts payable-trade	16,439	13,853
Short-term loans payable	21,924	38,034
Income taxes payable	1,929	2,289
Provision	1,220	569
Other	27,731	30,094
Total current liabilities	69,245	84,841
Noncurrent liabilities		
Bonds payable	40	30
Long-term loans payable	9,410	7,464
Provision for retirement benefits	28,346	29,051
Provision for directors' retirement benefits	1,699	1,599
Asset retirement obligations	91	93
Other	9,125	8,625
Total noncurrent liabilities	48,713	46,864
Total liabilities	117,958	131,705
Net assets		
Shareholders' equity		
Capital stock	18,675	18,675
Capital surplus	32,117	32,117
Retained earnings	100,267	104,663
Treasury stock	(1,974)	(1,987)
Total shareholders' equity	149,085	153,468
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	1,738	2,911
Revaluation reserve for land	(5,343)	(5,343)
Foreign currency translation adjustment	(14)	(18)
Total valuation and translation adjustments	(3,619)	(2,451)
Minority interests	20,168	20,629
Total net assets	165,634	171,646
Total liabilities and net assets	283,593	303,352

Consolidated Statements of Income

(Unit: ¥ million)

	Nine months ended December 31, 2011	Nine months ended December 31, 2012
Net sales	222,589	232,677
Cost of sales	169,052	178,050
Gross profit	53,536	54,627
Selling, general and administrative expenses	45,448	45,569
Operating income	8,088	9,058
Non-operating income		
Interest income	195	151
Dividends income	426	424
Equity in earnings of affiliates	168	1,076
Other	1,556	1,436
Total non-operating income	2,347	3,089
Non-operating expenses		
Interest expenses	367	417
Loss on sales of investment securities	11	33
Loss on retirement of noncurrent assets	245	30
Other	482	319
Total non-operating expenses	1,107	801
Ordinary income	9,327	11,346
Extraordinary income		
Gain on sales of investment securities	24	141
Compensation income	—	617
Total extraordinary income	24	758
Extraordinary loss		
Loss on valuation of investment securities	285	146
Loss on retirement of noncurrent assets	403	—
Impairment loss	29	138
Loss on disaster	170	—
Other	0	—
Total extraordinary losses	888	284
Income before income taxes	8,463	11,820
Income taxes	5,439	4,609
Income before minority interests	3,024	7,210
Minority interests in income	447	703
Net income	2,576	6,507

Consolidated Statements of Comprehensive Income

(Unit: ¥ million)

	Nine months ended December 31, 2011	Nine months ended December 31, 2012
Income before minority interests	3,024	7,210
Other comprehensive income		
Valuation difference on available-for-sale securities	(189)	1,254
Revaluation reserve for land	51	—
Foreign currency translation adjustment	(2)	(7)
Share of other comprehensive income of associates accounted for using equity method	17	16
Total other comprehensive income	(123)	1,263
Comprehensive income	2,900	8,474
(Contents)		
Comprehensive income attributable to owners of the parent	2,523	7,675
Comprehensive income attributable to minority interests	376	799

Consolidated Statements of Cash Flows

(Unit: ¥ million)

	Nine months ended December 31, 2011	Nine months ended December 31, 2012
Net cash provided by (used in) operating activities		
Income before income taxes	8,463	11,820
Depreciation and amortization	9,474	8,851
Impairment loss	29	138
Amortization of goodwill	256	272
Amortization of negative goodwill	(60)	(60)
Increase (decrease) in allowance for doubtful accounts	(1)	58
Increase (decrease) in provision for retirement benefits	477	705
Increase (decrease) in provision for bonuses	(542)	(583)
Increase (decrease) in provision for directors' bonuses	(75)	(67)
Interest and dividends income	(622)	(575)
Interest expenses	367	417
Equity in (earnings) losses of affiliates	(168)	(1,076)
Loss (gain) on sales of noncurrent assets	(0)	13
Loss on retirement of noncurrent assets	648	30
Loss (gain) on sales of investment securities	(19)	(108)
Loss (gain) on valuation of investment securities	285	146
Loss (gain) on valuation of derivatives	114	(219)
Decrease (increase) in notes and accounts receivable-trade	0	3,400
Decrease (increase) in inventories	(826)	185
Increase (decrease) in notes and accounts payable-trade	275	(2,552)
Decrease (increase) in prepaid pension costs	524	(201)
Decrease in assets and liabilities for Transportation Security Services	(11,512)	(3,368)
Other	(2,676)	(4,879)
Subtotal	4,412	12,346
Interest and dividends income received	695	646
Interest expenses paid	(350)	(407)
Income taxes paid	(4,630)	(4,697)
Income taxes refund	602	458
Net cash provided by (used in) operating activities	729	8,345

Consolidated Statements of Cash Flows

(Unit: ¥ million)

	Nine months ended December 31, 2011	Nine months ended December 31, 2012
Net cash provided by (used in) investing activities		
Decrease (increase) in time deposits	(343)	(1,156)
Purchase of property, plant and equipment	(5,970)	(6,747)
Proceeds from sales of property, plant and equipment	6	131
Purchase of investment securities	(1,934)	(1,516)
Proceeds from sales of investment securities	1,283	2,906
Purchase of investments in subsidiaries	—	(245)
Purchase of stocks of subsidiaries and affiliates	—	(1,353)
Decrease (increase) in short-term loans receivable	(3)	8
Payments of long-term loans receivable	(91)	(41)
Collection of long-term loans receivable	105	107
Other	(651)	(2,271)
Net cash provided by (used in) investing activities	(7,599)	(10,177)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	5,278	5,481
Proceeds from long-term loans payable	940	615
Repayment of long-term loans payable	(2,755)	(2,834)
Proceeds from issuance of bonds	50	—
Redemption of bonds	(1,200)	(110)
Purchase of treasury stock	(0)	(0)
Repayments of lease obligations	(1,697)	(2,276)
Cash dividends paid	(2,010)	(2,111)
Cash dividends paid to minority shareholders	(227)	(186)
Net cash provided by (used in) financing activities	(1,622)	(1,422)
Effect of exchange rate change on cash and cash equivalents	(9)	(4)
Net increase (decrease) in cash and cash equivalents	(8,502)	(3,258)
Cash and cash equivalents at beginning of period	43,654	40,476
Increase in cash and cash equivalents from newly consolidated subsidiary	379	—
Cash and cash equivalents at end of period	35,532	37,217

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