Consolidated Financial Results for Fiscal Year Ended March 31, 2013
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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1. Summary of the consolidated financial results for fiscal year ended March 31, 2013 (April 1, 2012 – March 31, 2013)

(1) Consolidated operating results (Figures rounded down to the nearest million)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended								
March 31, 2013	315,564	3.6	11,790	9.1	14,741	17.4	8,574	119.7
March 31, 2012	304,723	9.1	10,810	4.4	12,558	6.7	3,903	(17.1)

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: Year ended March 31, 2013 ¥12,367 million 138.2%
Year ended March 31, 2012 ¥5,191 million 2.6%

	Net income per share	Diluted net income per share	ROE (Net income to equity)	Ordinary income to total assets	Operating income to sales
	Yen	Yen	%	%	%
Fiscal year ended					
March 31, 2013	85.30	—	5.7	5.1	3.7
March 31, 2012	38.83	—	2.7	4.4	3.5

Note: Equity in earnings of affiliates: Year ended March 31, 2013 ¥1,356 million
Year ended March 31, 2012 ¥156 million

Equity in earnings of affiliates in the year ended March 31, 2013, includes negative goodwill of ¥897 million associated with the acquisition of shares of HOCHIKI CORPORATION and its subsequent conversion to an affiliate accounted for under the equity method.

(2) Consolidated financial conditions

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Fiscal year ended				
March 31, 2013	296,665	175,563	52.1	1,536.30
March 31, 2012	283,593	165,634	51.3	1,446.93

Note: Equity capital: Year ended March 31, 2013 ¥154,427 million
Year ended March 31, 2012 ¥145,465 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended				
March 31, 2013	20,890	(12,713)	(8,136)	40,541
March 31, 2012	17,213	(10,859)	(9,908)	40,476

2. Dividend

(Figures rounded down to the nearest million)

	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			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended								
March 31, 2012	—	10.00	—	10.00	20.00	2,010	51.5	1.4
March 31, 2013	—	11.00	—	14.00	25.00	2,513	29.3	1.7
Fiscal year ending March 31, 2014 (Forecast)	—	12.50	—	12.50	25.00		23.3	

3. Forecasts for the consolidated financial results for the fiscal year ending March 31, 2014 (April 1, 2013 - March 31, 2014)

(Figures rounded down to the nearest million)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Interim	159,300	3.4	6,800	(3.9)	7,600	(2.9)	4,000	(4.9)	39.79
Annual	330,000	4.6	18,200	54.4	20,000	35.7	10,800	26.0	107.44

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 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

Added: — Removed: —

(2) Changes in accounting policies, changes in accounting estimates, and restatement

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

Changes are conducted in accordance with Article 14-7 of the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (changes that are difficult to distinguish between changes in accounting policies and changes in accounting estimates). For more details, please refer to page 18 "(5) Notes on the Preparation of the Consolidated Financial Results (Changes in Accounting Policies that are Difficult to Distinguish from Changes in Accounting Estimates)" under "4. Consolidated Financial Statements."

(3) Number of shares outstanding (Ordinary shares)

① Number of shares issued (including treasury stock)	Year ended March 31, 2013	102,040,042 shares	Year ended March 31, 2012	102,040,042 shares
② Number of shares of treasury stock	Year ended March 31, 2013	1,520,950 shares	Year ended March 31, 2012	1,505,754 shares
③ Average number of ordinary shares throughout the fiscal year	Year ended March 31, 2013	100,530,505 shares	Year ended March 31, 2012	100,534,367 shares

(Reference) Non-consolidated Financial Results for Fiscal Year Ended March 31, 2013

Summary of the non-consolidated financial results for fiscal year ended March 31, 2013 (April 1, 2012 – March 31, 2013)

(1) Non-consolidated operating results (Figures rounded down to the nearest million)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended								
March 31, 2013	196,784	1.9	3,854	14.2	7,241	2.1	5,208	35.6
March 31, 2012	193,122	2.1	3,375	37.0	7,093	21.9	3,840	24.8

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

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended		
March 31, 2013	51.81	—
March 31, 2012	38.20	—

(2) Non-consolidated financial conditions

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Fiscal year ended				
March 31, 2013	198,736	110,936	55.8	1,103.47
March 31, 2012	185,730	105,771	57.0	1,052.09

Note: Equity capital: Year ended March 31, 2013 ¥110,936 million
Year ended March 31, 2012 ¥105,771 million

*Indication of audit procedure implementation status

This summary of financial results is exempt from audit procedure based upon the Financial Instruments and Exchange Act. The audit procedure process had not been completed at the time of disclosure of this report.

*Explanation for Appropriate Use of Forecasts and Other Notes

The forward-looking statements such as operational forecasts contained in this summary of financial results are based on the information currently available to the Company and certain assumptions which are regarded as legitimate, and the Company does not promise the achievement of these results. Actual results may differ significantly from these forecasts due to various factors.

Please refer to page 2 "(1) Analysis of Operating Results" under "1. Operating Results" for more information regarding the presumptions for forecasts and cautionary statements regarding the use of forecasts.

Contents

1. Analysis of Operating Results and Financial Position

(1) Analysis of Operating Results

A. Consolidated Financial Results for the Fiscal Year Ended March 31, 2013 (April 1, 2012 – March 31, 2013)

In the fiscal year under review, the Japanese economy benefited from the rapidly expanding demand for reconstruction after the Great East Japan Earthquake. However, the sovereign debt crisis in Europe, rising price of crude oil, and ongoing concern for economic situations in the United States resulted in a persisting depression in overseas economic conditions, the impacts of which led to the continued instability of conditions in the domestic economy. Regardless, signs of recovery came in the form of the depreciation of the yen and rises in Japanese stock prices in reflection of the high expectations for the monetary policies implemented to combat deflation following the change in the political balance after the general election held at the end of 2012. While there still remains a sense of uncertainty with regard to international conditions, these developments represent hope for the future of the domestic economy.

Looking at the safety of Japan, while the number of reported crimes in Japan is declining, violent crimes arising from stalking and other disturbances have failed to decrease. In addition, bank transfer scams, skimming, and other increasingly more sinister cyber-crimes are worsening. In this manner, new reasons for the citizens of Japan to feel insecure and threatened continue to rise.

In this environment, the ALSOK Group worked to accomplish its mission as a security company of protecting the safety and security of society. As a result of these efforts, we saw favorable growth in equipment sales in our Electronic Security Services segment. We also conducted large-scale stationed security operations in our Stationed Security Services segment and recorded increased contracts for the Cash Deposit Machine On-line System in the Transportation Security Services segment. All these factors contributed to increased sales. Other contributing factors included the sales increases for Japan Facilio Co., Ltd., in Total Building Management Services and Disaster Prevention Services.

Due to the above factors, net sales rose 3.6% year on year, to ¥315,564 million; operating income was up 9.1%, to ¥11,790 million; ordinary income was up 17.4%, to ¥14,741 million; and net income jumped 119.7%, to ¥8,574 million.

Sales by Business Segment

Business Segment	Fiscal year ended March 31, 2012		Fiscal year ended March 31, 2013		YoY	
	Amount (Millions of yen)	Share (%)	Amount (Millions of yen)	Share (%)	Amount (Millions of yen)	Increase/ Decrease (%)
Security Services						
Electronic Security Services	142,900	46.9	147,162	46.6	4,262	3.0
Stationed Security Services	71,326	23.4	73,881	23.4	2,555	3.6
Transportation Security Services	49,817	16.3	50,854	16.1	1,036	2.1
Total	264,044	86.7	271,898	86.2	7,854	3.0
Total Building Management Services and Disaster Prevention Services	36,608	12.0	40,661	12.9	4,052	11.1
Total for reportable segments	300,652	98.7	312,559	99.0	11,907	4.0
Others	4,070	1.3	3,004	1.0	(1,065)	(26.2)
Total	304,723	100.0	315,564	100.0	10,841	3.6

Major factors behind segment results

a. Security Services

Electronic Security Services

In services for corporate customers, we promoted sales of ALSOK-GV (read ALSOK G-five), a service that utilizes image sensors and high-speed Internet connections to provide real-time information relating to contracted facilities should a disturbance occur. This service has been combined with access control systems that enable the flow of people in and out of facilities to be monitored. Further, in October 2012, we introduced outdoor-use passive infrared sensors coupled with image sensors. This makes it possible to offer services that monitor intrusions into the premises as well as into buildings themselves.

In services for individual users, we launched the new HOME ALSOK brand of services for individual users, and started sales of the HOME ALSOK Premium home security system as part of this brand. At the same time, we promoted sales of the HOME ALSOK RUSUTAKU Service, which was designed to protect houses when they are unoccupied, and the ALSOK Silver Pack, a service pack that contains all the home security functions necessary to protect senior citizens.

Significant demand for more stringent security management drove strong sales of access management systems and security camera systems, and there was growth in sales of home security systems that were conducted in cooperation with major housing developers. As a result, net sales in the Electronic Security Services segment rose 3.0% year on year, to ¥147,162 million.

Stationed Security Services

In the year under review, we continued the large-scale stationed security operations at TOKYO SKYTREE TOWN®, and also received a number of orders for temporary large-scale security stationed security operations for events such as international conferences and high-participation marathons. Accordingly, net sales in the Stationed Security Services segment increased 3.6% year, to ¥73,881 million.

Transportation Security Services

By responding to the rising demand for sales revenue management outsourcing by retailers, restaurants, and the service industry, we achieved growth in contracts for the Cash Deposit Machine On-line System. Contracts for the Total ATM Management System were also up. Due to these factors, net sales in the Transportation Security Services segment increased 2.1%, to ¥50,854 million.

b. Total Building Management Services and Disaster Prevention Services

In year under review, the ALSOK Group was able to solidify its sales system for the facility installation and building management services offered by the central subsidiary of this segment, which contributed to sales growth. Sales of residential fire alarms and other disaster response products also drove higher sales. As a result, net sales in the Total Building Management Services and Disaster Prevention Services segment increased 11.1%, to ¥40,661 million.

B. Comparative Analysis of the Consolidated Statements of Income

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

	Fiscal year ended March 31, 2012		Fiscal year ended March 31, 2013		YoY	
	Amount (Millions of yen)	Share (%)	Amount (Millions of yen)	Share (%)	Amount (Millions of yen)	Increase/ Decrease (%)
Net sales	304,723	100.0	315,564	100.0	10,841	3.6
Cost of sales	232,812	76.4	242,410	76.8	9,598	4.1
Gross profit	71,910	23.6	73,153	23.2	1,242	1.7
Selling, general and administrative expenses	61,100	20.1	61,363	19.4	263	0.4
Operating income	10,810	3.5	11,790	3.7	979	9.1
Non-operating income	2,961	1.0	4,128	1.3	1,166	39.4
Non-operating expenses	1,214	0.4	1,177	0.4	(36)	(3.0)
Ordinary income	12,558	4.1	14,741	4.7	2,182	17.4
Extraordinary income	26	0.0	801	0.3	775	—
Extraordinary loss	1,207	0.4	294	0.1	(912)	(75.6)
Income taxes	6,806	2.2	5,597	1.8	(1,208)	(17.8)
Minority interests in income	667	0.2	1,075	0.3	408	61.2
Net income	3,903	1.3	8,574	2.7	4,671	119.7

In the year under review, net sales increased ¥10,841 million year on year, to ¥315,564 million.

Cost of sales was ¥242,410 million, primarily due to a ¥5,695 million increase in cost of sales from installation of equipment and a ¥2,878 million increased in labor costs.

Selling, general and administrative expenses were ¥61,363 million due to a ¥274 million increase in welfare and service expenses.

Ordinary income rose ¥2,182 million, or 17.4%, to ¥14,741 million, following higher net sales and a ¥1,199 increase in equity in earnings of affiliates.

Extraordinary income was up due to a ¥651 million increase in compensation income.

Extraordinary loss declined as a result of a ¥554 million decrease in loss on valuation of investment securities and a ¥416 million decrease in loss on retirement of noncurrent assets.

Net income increased ¥4,671 million, or 119.7%, to ¥8,574 million.

C. Forecast for the Fiscal Year Ending March 31, 2014

In the fiscal year ending March 31, 2014, we anticipate that conditions in the Japanese economy will be stimulated by the measures implemented by the new government administration to combat deflation. However, it will still be necessary to carefully monitor the impacts on the domestic economy of the increasingly complex circumstances in the global economy.

In the security industry, demand is forecast to continue growing due to the rising need for risk management and disaster response measures among companies and government organizations. However, intensified competition is expected to result in a harsh operating environment for the security industry during the fiscal year ending March 31, 2014. Amidst this competition, the ALSOK Group will further strengthen its core security services operations while also actively expanding into peripheral areas where we can generate synergies with security service operations and thereby better support the lives and businesses of our customers.

Going forward, we will further develop the HOME ALSOK brand of services for individual users that we launched during the year under review. We aim to evolve this brand from simply being a traditional home security service that protects the facilities known as homes to be a security service matched to customers' lifestyle needs that provides comprehensive protection of safety and security for all aspects of customers' lives. In this way, we will endeavor to provide safety and security to various different households, including those created by such trends as the aging of the population and the rise in two-income households. Further, we will advance the development of our nursing care business and other services to provide customers with even greater levels of safety, security, and convenience in the future.

In managing and operating our business, we will drastically reform workflow processes and develop more efficient and effective business systems while also improving quality. Through these efforts, we will target reductions in costs.

In the fiscal year ending March 31, 2014, the ALSOK Group forecasts net sales of ¥330,000 million, up 4.6% year on year, operating income of ¥18,200 million, up 54.4%, ordinary income of ¥20,000 million, up 35.7%, and net income of ¥10,800 million, up 26.0%, results that will be achieved through the implementation of initiatives such as those described above.

(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, 2012		As of March 31, 2013		YoY	
		Amount (Millions of yen)	Share (%)	Amount (Millions of yen)	Share (%)	Amount (Millions of yen)	Increase/ Decrease (%)
Assets	Current assets	160,060	56.4	164,149	55.3	4,089	2.6
	Noncurrent assets	123,533	43.6	132,515	44.7	8,982	7.3
	Total assets	283,593	100.0	296,665	100.0	13,071	4.6
Liabilities	Current liabilities	69,245	24.4	75,372	25.4	6,126	8.8
	Noncurrent liabilities	48,713	17.2	45,730	15.4	(2,982)	(6.1)
	Total liabilities	117,958	41.6	121,102	40.8	3,143	2.7
Total net assets		165,634	58.4	175,563	59.2	9,928	6.0

Total assets at the end of the year under review increased ¥13,071 million, or 4.6%, from the previous fiscal year-end, to ¥296,665 million. Total current assets increased ¥4,089 million, or 2.6%, to ¥164,149 million, and total noncurrent assets increased ¥8,982 million, or 7.3%, to ¥132,515 million.

The ¥4,089 million increase in current assets was primarily due to a ¥3,511 million increase in advances paid, a ¥2,958 million increase in cash for Transportation Security Services, and a ¥559 million increase in notes and accounts receivable-trade, which offset a ¥1,901 million decrease in cash and deposits and a ¥1,304 million decrease in short-term investment securities.

The ¥8,982 million increase in noncurrent assets was mainly attributable to a ¥8,418 million increase in investment securities reflecting the acquisition of shares of stock in HOCHIKI CORPORATION and other companies

Total liabilities at the end of the year under review increased ¥3,143 million, or 2.7%, from the previous fiscal year-end, to ¥121,102 million. Total current liabilities increased ¥6,126 million, or 8.8%, to ¥75,372 million, and total noncurrent liabilities decreased ¥2,982 million, or 6.1%, to ¥45,730 million.

The ¥6,126 million increase in current liabilities was a result of factors such as the ¥1,803 million increase in income taxes payable, a ¥1,754 million increase in accounts payable-other, a ¥1,507 million increase in short-term loans payable, and a ¥977 million increase in accounts payable-trade.

The ¥2,982 million decrease in noncurrent liabilities was due to a ¥2,659 million decrease in long-term loans payable.

Total net assets at March 31, 2013, were up ¥9,928 million, or 6.0%, from the previous fiscal year-end, to ¥175,563 million.

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

(Millions of yen)

	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013	YoY (%)
Net cash provided by (used in) operating activities	17,213	20,890	21.4
Net cash provided by (used in) investing activities	(10,859)	(12,713)	17.1
Net cash provided by (used in) financing activities	(9,908)	(8,136)	(17.9)
Effect of exchange rate change on cash and cash equivalents	(4)	(11)	138.4
Net increase (decrease) in cash and cash equivalents	(3,558)	28	—
Cash and cash equivalents at beginning of period	43,654	40,476	(7.3)
Increase in cash and cash equivalents from newly consolidated subsidiary	379	—	—
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	—	36	—
Cash and cash equivalents at end of period	40,476	40,541	0.2

a. Cash flows from operating activities

As a result of our operating activities in the year under review, net cash provided by operating activities increased 21.4% year on year, to ¥20,890 million. Principal items increasing cash included ¥15,248 million in income before income taxes, an increase of 34.0% year on year; ¥12,213 million in depreciation and amortization, a decrease of 6.1%; and ¥2,347 million in increase in notes and accounts payable-trade, a decrease of 53.8%. Conversely, major items decreasing cash included ¥5,122 million in decrease in assets and liabilities for Transportation Security Services, a year-on-year decrease of 22.4%; and ¥4,729 in income taxes paid, a year-on-year increase of 2.1%.

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

b. Cash flows from investing activities

Net cash used in investing activities in the year under review was ¥12,713 million, a 17.1% year-on-year increase. The primary factors were ¥10,888 million in purchase of property, plant and equipment, up 26.5% from the previous fiscal year; and ¥2,239 million in purchase of investment securities, up 11.3%.

c. Cash flows from financing activities

Net cash used in financing activities was ¥8,136 million, a 17.9% year-on-year decrease. The main elements were ¥3,768 million in repayment of long-term loans payable, up 1.5%; ¥2,753 million in repayment of lease obligations, up 3.1%; and ¥2,111 million in cash dividends paid, up 5.0%.

C. Trends in Cash Flow Indicators for the ALSOK Group

	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013
Shareholders' equity ratio	50.3%	51.3%	52.1%
Shareholders' equity ratio on a market value basis	32.0%	34.8%	46.5%
Interest-bearing liabilities to cash flow ratio	358.4%	182.9%	142.8%
Interest coverage ratio	20.1 times	34.1 times	36.9 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).

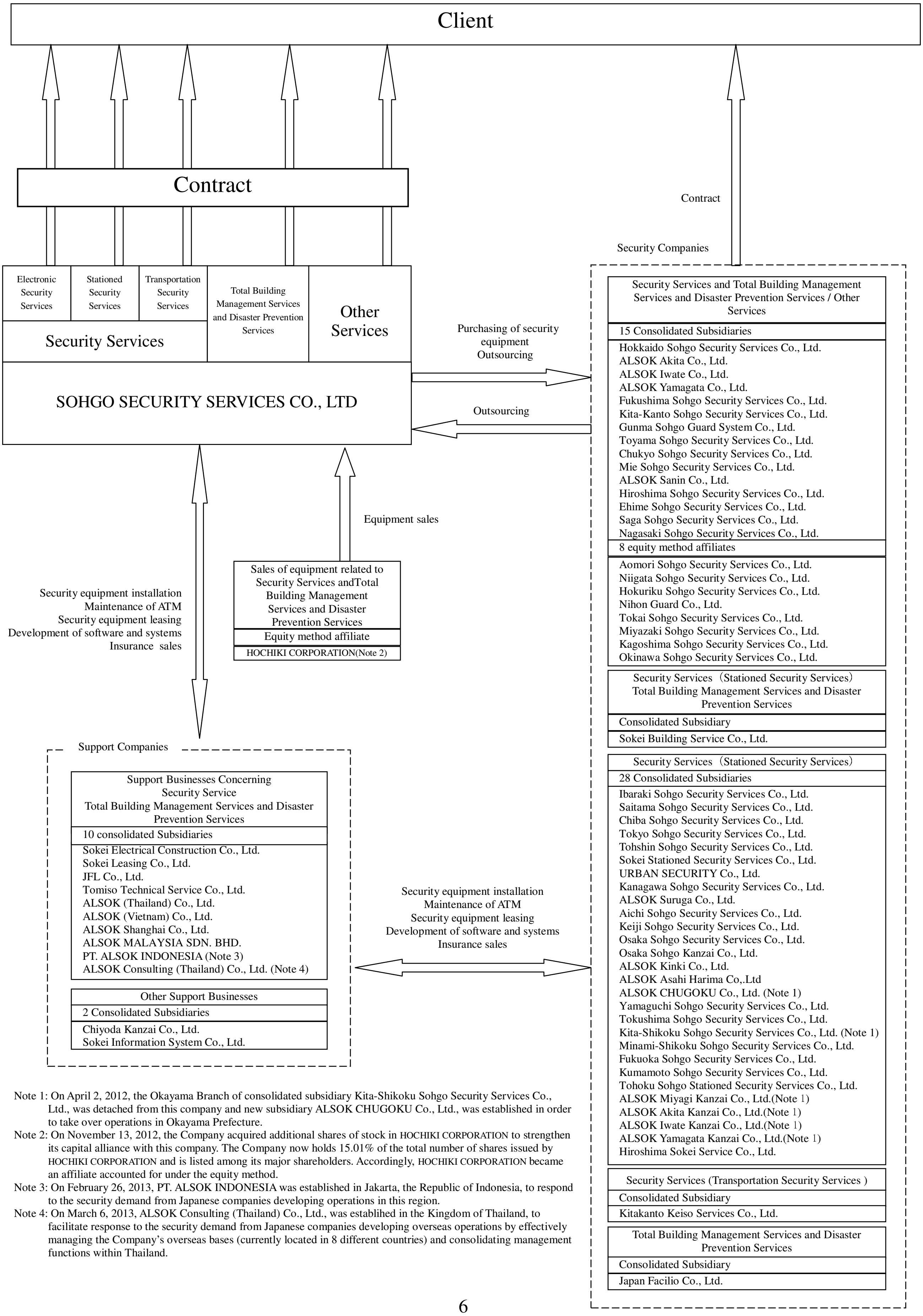
Note 3: Cash flow is net cash provided by (used in) operating activities.

Note 4: Interest-bearing liabilities are all liabilities on which interest is paid on the consolidated balance sheets.

2. Status of the Corporate Group

〔Structure of our company group〕

Major group companies by business segment and the structure of ALSOK Group are as follows.
Only significant business contracts are stated.



Note 1: On April 2, 2012, the Okayama Branch of consolidated subsidiary Kita-Shikoku Sohgo Security Services Co., Ltd., was detached from this company and new subsidiary ALSOK CHUGOKU Co., Ltd., was established in order to take over operations in Okayama Prefecture.

Note 2: On November 13, 2012, the Company acquired additional shares of stock in HOCHIKI CORPORATION to strengthen its capital alliance with this company. The Company now holds 15.01% of the total number of shares issued by HOCHIKI CORPORATION and is listed among its major shareholders. Accordingly, HOCHIKI CORPORATION became an affiliate accounted for under the equity method.

Note 3: On February 26, 2013, PT. ALSOK INDONESIA was established in Jakarta, the Republic of Indonesia, to respond to the security demand from Japanese companies developing operations in this region.

Note 4: On March 6, 2013, ALSOK Consulting (Thailand) Co., Ltd., was establihed in the Kingdom of Thailand, to facilitate response to the security demand from Japanese companies developing overseas operations by effectively managing the Company’s overseas bases (currently located in 8 different countries) and consolidating management functions within Thailand.

3. Management Policies

(1) Basic Corporate Management Policy

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 as to make constant improvements to become the industry's leading company." Based on this management philosophy, we have developed a management policy stating that our top priority is to provide security services of the first rank. This policy encourages us to generate appropriate profits through these security services and contribute to society by leveraging our security expertise to provide a diverse range of services that meet contemporary demands.

(2) Stance on Target Management Indicators

The ALSOK Group believes that expanding its security services and other operations 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 ordinary income ratio as an important management indicator.

Going forward, we will focus on indicators such as the net income to equity ratio (ROE).

(3) Medium- and Long-term Corporate Strategy

The ALSOK Group will continue to strengthen its security services operations, while also remaining in tune with the needs of society and developing businesses and services that leverage the foundation of safety and security provided by its security services operations to support comfortable and convenient lifestyles and business activities around the world. At the same time, we will drastically reform cost structures to improve profitability.

(4) Pressing Issues for the Company

As members of the ALSOK Group, we are professionals at protecting safety and security. As such professionals, we aim to support the safety and security of all aspects of society through services that originate from our security services. The ALSOK Group provides safety and security, which can be considered an important part of social infrastructure, and we therefore maintain a strong sense of responsibility and practice strict compliance and high-ethical standards. In this manner, we are working to improve corporate value.

A. Responding to Diversifying Needs of Customers

Customers' needs for safety and security are diversifying, and it is therefore important that the ALSOK Group continue to provide high-quality products and services that accurately respond to these needs.

For corporate clients, we provide the ALSOK-GV security system, which allows disturbances at contracted facilities to be confirmed via images, as well as other highly sophisticated security services that utilize state-of-the-art information technologies. We also provide a number of other services that offer smooth support for the various business activities of corporate clients, such as the Cash Deposit Machine On-line System, which helps clients manage sales revenues.

For individual users, we launched the new HOME ALSOK home security brand based on the concept of further evolving home security services. We aim to develop ALSOK into a company that goes farther than simply protecting the facilities known as homes to provide comprehensive protection of safety and security for all aspects of customers' lives. Accordingly, we will enhance our lineup of products and services that provide safety and security for various different households, including senior citizens living alone and two-income households.

B. Expanding Business Scope

The ALSOK Group is actively developing new businesses and services that are based on protecting safety and security while also making customers' lives and business activities more convenient. By conducting M&A activities and strengthening capital and other alliances with affiliates, we will expand the scope of our business to include such areas as nursing care.

C. Expanding Overseas

As the trend of Japanese companies expanding their operations overseas accelerates into the future, it can be expected that the demand for security services for the overseas bases of these companies will increase. The ALSOK Group will leverage the security expertise accumulated through its operations in Japan to provide security services custom-tailored to meet the specific needs of individual overseas bases, and thereby expand its own business overseas to offer our customers more comprehensive support.

D. Reforming Cost Structure to Improve Profitability

The ALSOK Group is drastically reforming its cost structure to improve overall profitability and combat the declines in profitability resulting from intensified competition. To this end, we are expanding the range of duties handled by our security guards, consolidating back office functions, and implementing other measures to realize more efficient and effective operational procedures in order to improve service quality while reducing costs.

(5) Other Important Items in Management of the Company

There are no applicable items.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2012	As of March 31, 2013
Assets		
Current assets		
Cash and deposits (Note 4)	48,553	46,652
Cash for Transportation Security Services (Note 1)	55,264	58,222
Notes and accounts receivable-trade (Note 2)	30,749	31,309
Lease receivables and investment assets	1,450	1,228
Short-term investment securities	2,744	1,439
Raw materials and supplies	5,625	4,844
Costs on uncompleted installation contracts	562	825
Advances paid	8,093	11,604
Deferred tax assets	1,718	1,972
Other	5,477	6,249
Allowance for doubtful accounts	(179)	(198)
Total current assets	160,060	164,149
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	41,290	41,614
Accumulated depreciation	(21,433)	(22,452)
Buildings and structures, net (Note 4)	19,857	19,162
Machinery, equipment and vehicles	109,906	114,400
Accumulated depreciation	(99,283)	(103,123)
Machinery, equipment and vehicles, net	10,622	11,277
Land (Notes 3 and 4)	19,671	19,635
Lease assets	9,046	10,879
Accumulated depreciation	(3,149)	(4,941)
Lease assets, net	5,897	5,937
Construction in progress	512	881
Other	11,832	12,632
Accumulated depreciation	(9,246)	(9,377)
Other, net	2,585	3,255
Total property, plant and equipment	59,147	60,149
Intangible assets		
Software	3,492	3,191
Goodwill	1,470	1,129
Other	1,585	1,637
Total intangible assets	6,548	5,957
Investments and other assets		
Investment securities (Notes 4 and 5)	23,825	32,243
Long-term loans receivable	601	539
Lease and guarantee deposits	7,724	8,031
Insurance funds	2,585	1,970
Prepaid pension cost	2,801	3,059
Deferred tax assets	11,951	10,647
Other	9,079	10,771
Allowance for doubtful accounts	(731)	(855)
Total investments and other assets	57,837	66,408
Total noncurrent assets	123,533	132,515
Total assets	283,593	296,665

(Millions of yen)

	As of March 31, 2012	As of March 31, 2013
Liabilities		
Current liabilities		
Notes and accounts payable-trade	16,439	17,417
Short-term loans payable (Notes 1 and 4)	18,193	19,700
Current portion of long-term loans payable (Note 4)	3,730	3,337
Current portion of bonds	110	10
Accounts payable-other	13,778	15,532
Lease obligations	2,231	2,487
Income taxes payable	1,929	3,732
Accrued consumption taxes	2,064	2,052
Provision for bonuses	1,019	1,048
Provision for directors' bonuses	200	202
Deferred tax liabilities	0	0
Other	9,547	9,850
Total current liabilities	69,245	75,372
Noncurrent liabilities		
Bonds payable	40	30
Long-term loans payable (Note 4)	9,410	6,750
Lease obligations	5,556	5,141
Deferred tax liabilities	89	55
Deferred tax liabilities for land revaluation	366	366
Provision for retirement benefits	28,346	28,783
Provision for directors’ retirement benefits	1,699	1,624
Asset retirement obligations	91	93
Negative goodwill	222	141
Other	2,890	2,743
Total noncurrent liabilities	48,713	45,730
Total liabilities	117,958	121,102
Net Assets		
Shareholders’ equity		
Shareholders’ equity	18,675	18,675
Capital stock	32,117	32,117
Capital surplus	100,267	106,731
Retained earnings	(1,974)	(1,987)
Treasury stock	149,085	155,536
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,738	4,245
Revaluation reserve for land (Note 3)	(5,343)	(5,343)
Foreign currency translation adjustment	(14)	(10)
Total valuation and translation adjustments	(3,619)	(1,109)
Minority interests	20,168	21,135
Total net assets	165,634	175,563
Total liabilities and net assets	283,593	296,665

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013
Net sales	304,723	315,564
Cost of sales (Note 6)	232,812	242,410
Gross profit	71,910	73,153
Selling, general and administrative expenses (Note 1 and 2)	61,100	61,363
Operating income	10,810	11,790
Non-operating income		
Interest income	297	259
Dividends income	435	435
Gain on sales of investment securities	16	93
Rent income	246	246
Gain from insurance claim	136	81
Equity in earnings of affiliates (Note 7)	156	1,356
Amortization of negative goodwill	80	80
Penalty income	335	444
Other	1,256	1,130
Total non-operating income	2,961	4,128
Non-operating expenses		
Interest expenses	504	566
Loss on sales of investment securities	13	33
Loss on retirement of noncurrent assets (Note 3)	137	109
Financing expenses	155	171
Other	403	297
Total non-operating expenses	1,214	1,177
Ordinary income	12,558	14,741
Extraordinary income		
Gain on sales of investment securities	26	150
Compensation income	—	651
Total extraordinary income	26	801
Extraordinary loss		
Loss on valuation of investment securities	567	13
Loss on sales of investment securities	0	—
Loss on retirement of noncurrent assets (Note 4)	416	—
Impairment loss (Note 5)	46	138
Loss on disaster	174	—
Loss on extinguishment of tie-in shares	—	142
Total extraordinary loss	1,207	294
Income before income taxes	11,377	15,248
Income taxes-current	4,177	6,063
Income taxes-deferred	2,629	(465)
Total income taxes	6,806	5,597
Income before minority interests	4,571	9,650
Minority interests in income	667	1,075
Net income	3,903	8,574

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013
Income before minority interests	4,571	9,650
Other comprehensive income		
Valuation difference on available-for-sale securities	570	2,651
Revaluation reserve for land	52	—
Foreign currency translation adjustment	(4)	(18)
Share of other comprehensive income of associates accounted for using equity method	2	83
Total other comprehensive income (Note)	620	2,716
Comprehensive income	5,191	12,367
(Contents)		
Comprehensive income attributable to owners of the parent	4,549	11,085
Comprehensive income attributable to minority interests	641	1,281

(3) Consolidated Statements of Changes in Net Assets

(Millions of yen)

	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013
Shareholders' equity		
Capital stock		
Balance at the beginning of current period	18,675	18,675
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	18,675	18,675
Capital surplus		
Balance at the beginning of current period	32,117	32,117
Changes of items during the period		
Total changes of items during the period	—	—
Balance at the end of current period	32,117	32,117
Retained earnings		
Balance at the beginning of current period	98,374	100,267
Changes of items during the period		
Dividends from surplus	(2,010)	(2,111)
Net income	3,903	8,574
Reversal of revaluation reserve for land	0	—
Total changes of items during the period	1,893	6,463
Balance at the end of current period	100,267	106,731
Treasury stock		
Balance at the beginning of current period	(1,974)	(1,974)
Changes of items during the period		
Purchase of treasury stock	(0)	(0)
Change in equity in affiliates accounted for by equity method-treasury stock	—	(12)
Total changes of items during the period	(0)	(12)
Balance at the end of current period	(1,974)	(1,987)
Total shareholders' equity		
Balance at the beginning of current period	147,192	149,085
Changes of items during the period		
Dividends from surplus	(2,010)	(2,111)
Net income	3,903	8,574
Reversal of revaluation reserve for land	0	—
Change in equity in affiliates accounted for by equity method-treasury stock	—	(12)
Purchase of treasury stock	(0)	(0)
Total changes of items during the period	1,893	6,450
Balance at the end of current period	149,085	155,536

(Millions of yen)

	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities		
Balance at the beginning of current period	1,139	1,738
Changes of items during the period		
Net changes of items other than shareholders' equity	598	2,506
Total changes of items during the period	598	2,506
Balance at the end of current period	1,738	4,245
Revaluation reserve for land		
Balance at the beginning of current period	(5,395)	(5,343)
Changes of items during the period		
Net changes of items other than shareholders' equity	51	—
Total changes of items during the period	51	—
Balance at the end of current period	(5,343)	(5,343)
Foreign currency translation adjustment		
Balance at the beginning of current period	(10)	(14)
Changes of items during the period		
Net changes of items other than shareholders' equity	(4)	4
Total changes of items during the period	(4)	4
Balance at the end of current period	(14)	(10)
Total valuation and translation adjustments		
Balance at the beginning of current period	(4,265)	(3,619)
Changes of items during the period		
Net changes of items other than shareholders' equity	645	2,510
Total changes of items during the period	645	2,510
Balance at the end of current period	(3,619)	(1,109)
Minority interests		
Balance at the beginning of current period	19,251	20,168
Changes of items during the period		
Net changes of items other than shareholders' equity	917	966
Total changes of items during the period	917	966
Balance at the end of current period	20,168	21,135
Total net assets		
Balance at the beginning of current period	162,178	165,634
Changes of items during the period		
Dividends from surplus	(2,010)	(2,111)
Net income	3,903	8,574
Reversal of revaluation reserve for land	0	—
Change in equity in affiliates accounted for by equity method-treasury stock	—	(12)
Purchase of treasury stock	(0)	(0)
Net changes of items other than shareholders' equity	1,563	3,477
Total changes of items during the period	3,456	9,928
Balance at the end of current period	165,634	175,563

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013
Net cash provided by (used in) operating activities		
Income before income taxes	11,377	15,248
Depreciation and amortization	13,007	12,213
Impairment loss	46	138
Amortization of goodwill	351	363
Amortization of negative goodwill	(80)	(80)
Loss (gain) on extinguishment of tie-in shares	—	142
Increase (decrease) in allowance for doubtful accounts	(13)	142
Increase (decrease) in provision for retirement benefits	185	429
Increase (decrease) in provision for bonuses	47	28
Increase (decrease) in provision for directors' bonuses	0	1
Interest and dividends income	(732)	(695)
Interest expenses	504	566
Equity in (earnings) losses of affiliates	(156)	(1,356)
Loss (gain) on sales of noncurrent assets	3	13
Loss on retirement of noncurrent assets	554	109
Loss (gain) on sales of investment securities	(28)	(210)
Loss (gain) on valuation of investment securities	567	13
Loss (gain) on valuation of derivatives	19	(292)
Decrease (increase) in notes and accounts receivable-trade	(5,011)	(502)
Decrease (increase) in inventories	(676)	484
Increase (decrease) in notes and accounts payable-trade	5,079	2,347
Decrease (increase) in prepaid pension costs	715	(258)
Decrease in assets and liabilities for Transportation Security Services	(6,597)	(5,122)
Other	1,783	1,216
Subtotal	20,944	24,941
Interest and dividends income received	802	783
Interest expenses paid	(503)	(564)
Income taxes paid	(4,632)	(4,729)
Income taxes refund	602	458
Net cash provided by (used in) operating activities	17,213	20,890

(Millions of yen)

	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013
Net cash provided by (used in) investing activities		
Decrease (increase) in time deposits	(600)	550
Purchase of property, plant and equipment	(8,609)	(10,888)
Proceeds from sales of property, plant and equipment	6	140
Purchase of investment securities	(2,013)	(2,239)
Proceeds from sales of investment securities	1,451	3,410
Purchase of investments in subsidiaries	–	(245)
Purchase of stocks of subsidiaries and affiliates	–	(1,353)
Decrease (increase) in short-term loans receivable	(18)	8
Payments of long-term loans receivable	(121)	(69)
Collection of long-term loans receivable	134	132
Other	(1,089)	(2,158)
Net cash provided by (used in) investing activities	(10,859)	(12,713)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	2	75
Proceeds from long-term loans payable	940	715
Repayment of long-term loans payable	(3,713)	(3,768)
Proceeds from issuance of bonds	50	–
Redemption of bonds	(2,300)	(110)
Proceeds from stock issuance to minority shareholders	–	3
Purchase of treasury stock	(0)	(0)
Proceeds from disposal of treasury stock of subsidiaries in consolidation	20	–
Repayments of lease obligations	(2,669)	(2,753)
Cash dividends paid	(2,010)	(2,111)
Cash dividends paid to minority shareholders	(227)	(186)
Net cash provided by (used in) financing activities	(9,908)	(8,136)
Effect of exchange rate change on cash and cash equivalents	(4)	(11)
Net increase (decrease) in cash and cash equivalents	(3,558)	28
Cash and cash equivalents at beginning of period	43,654	40,476
Increase in cash and cash equivalents from newly consolidated subsidiary	379	–
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	–	36
Cash and cash equivalents at end of period (Note)	40,476	40,541

(5) Notes on the Preparation of the Consolidated Financial Results

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, 2013

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 58

Name of significant consolidated subsidiaries

Japan Facilio Co., Ltd.
Sokei Stationed Security Service Co., Ltd.
Kitakanto Sohgo Security Services Co., Ltd.
Sokei Building Service Co., Ltd.
Hiroshima Sohgo Security Services Co., Ltd.

On April 2, 2012, the Okayama Branch of consolidated subsidiary Kita-Shikoku Sohgo Security Services Co., Ltd., was detached from this company and new subsidiary ALSOK CHUGOKU Co., Ltd., was established in order to take over operations in Okayama Prefecture.

On February 26, 2013, PT. ALSOK INDONESIA was established in the Republic of Indonesia, and is subsequently included in the scope of consolidation.

On March 6, 2013, ALSOK Consulting (Thailand) Co., Ltd., was established in the Kingdom of Thailand, and is subsequently included in 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 the amount of assets, net 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: 9

Name of significant affiliates:

HOCHIKI CORPORATION
Niigata Sohgo Security Services Co., Ltd.
Hokuriku Sohgo Security Services Co., Ltd.

On November 13, 2012, shares of stock in HOCHIKI CORPORATION were acquired, and this company subsequently became an affiliate accounted for under the equity method.

Further, as the deemed acquisition date of these shares was December 31, 2012, the conversion of HOCHIKI CORPORATION to an affiliate accounted for under the equity method occurred during the fiscal year under review. Accordingly, negative goodwill of ¥897 million associated with this conversion was recorded under equity in earnings of affiliates.

(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]

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; the influence on the finances and performance of the Group of each when the equity method is not applied is little and each has little materiality as a whole. Thus, they are accounted for at cost.

3. Matters concerning fiscal year-end of consolidated subsidiaries

The date of settlement of accounts for consolidated subsidiaries ALSOK (Vietnam) Co., Ltd., ALSOK (Shanghai) Co., Ltd., ALSOK MALAYSIA SDN. BHD., and PT. ALSOK INDONESIA is December 31. The financial statements presented on this date are used for the preparation of the consolidated financial statements of the Company. However, transactions with material importance between January 1 and March 31, the date of settlement of the consolidated accounts, are adjusted as necessary based on the terms of consolidation.

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 the consolidated accounts (valuation differences are reported as a separate component of net assets and the sale price is determined by the moving-average method); derivative embedded bonds that cannot be treated separately are reported using the mark-to-market method (sale price is determined by the moving-average method)

Without market value:

At cost, using the moving-average method

B. Derivatives

By the mark-to-market method

C. Inventories

Raw materials and supplies

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).

Costs on uncompleted installation contracts

Evaluated individually at cost

(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: 15 to 50 years

Machinery, equipment and delivery equipment: 3 to 5 years

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).

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 commencing before the first fiscal year in which the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13) were applied as operating leases.

(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.

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.

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.

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 (principally 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 (principally 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.

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.

(4) Important accounting standard for income and expenses

A. 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.

B. The accounting standard used for balance of completed installation contracts and costs of completed installation contracts

For contracts started in the year under review, the percentage-of-completion method has been applied for recognizing sales from installation projects; otherwise, the completed-contract method has been applied. For contracts using the percentage-of-completion method, the cost ratio method is used for calculating installation costs.

(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 swaps

Hedged items: bank loans and bonds

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 omitted for interest rate swaps accounted by exceptional accounting that qualify for hedge accounting and meet specific matching criteria, as they are considered highly hedge effective.

(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

Consumption tax and regional consumption taxes are accounted for using the tax exclusion method. However, consumption tax and regional consumption taxes not eligible for deduction are charged to expenses in the applicable fiscal year.

Changes in Accounting Policies that are Difficult to Distinguish from Changes in Accounting Estimates

In the year under review, the Company and its domestic consolidated subsidiaries changed depreciation method for property, plant and equipment acquired on or after April 1, 2012, in accordance with the revised Corporation Tax Law.

Because of the change, depreciation decreased ¥450 million in the year under review and operating income, ordinary income, and income before income taxes for the year under review each increased ¥450 million compared to the amount calculated by previous method.

Consolidated Balance Sheets

*1. Cash for Transportation Security Services

Fiscal year ended March, 31, 2012

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 ¥13,283 million relating to this operation.

Fiscal year ended March, 31, 2013

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 ¥14,715 million relating to this operation.

*2. Notes maturing on the closing date of the fiscal year

Notes maturing on the closing date of the consolidated fiscal year are deemed to have been settled on the date of clearing for the purpose of accounting treatment. As the closing date of the fiscal year ended March 31, 2012, and the fiscal year ended March 31, 2013, was a banking holiday, the following notes maturing on the closing date of the fiscal year are included in the outstanding balance.

	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013
Notes receivable	¥190 million	¥31 million

*3. 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).

	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013
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:	¥1,121 million	¥1,198 million

*4. Assets pledged as collateral and obligations collateralized by the assets

Assets pledged as collateral are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013
Cash and deposits	445	445
Buildings and structures	2,134	2,553
Land	3,083	3,620
Investment securities	26	26
Total	5,689	6,646

The obligations collateralized by the above assets are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013
Short-term loans payable	50	350
Current portion of long-term loans payable	643	811
Long-term loans payable	1,207	1,636
Total	1,901	2,798

*5. Investments in non-consolidated subsidiaries and affiliated companies are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013
Investment securities	5,996	9,101

Consolidated Statements of Operations

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

(Millions of yen)

	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013
Advertising expenses	2,241	2,266
Salaries and allowances	33,385	33,253
Provision for bonuses	332	345
Provision for directors' bonuses	200	202
Provision for directors' retirement benefits	154	102
Provision of allowance for doubtful accounts	100	208
Welfare expenses	5,269	5,543
Retirement benefit expenses	2,057	2,015
Rent expenses	5,020	5,023
Depreciation	2,142	1,743
Taxes and dues	1,209	1,197
Communication expenses	1,224	1,234

*2. Total amount of research and development expenses

Research and development expenses included in administrative expenses are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013
	561	495

*3. Loss on retirement of noncurrent assets

(Millions of yen)

	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013
Machinery and equipment	56	9
Others	80	99
Total	137	109

*4. Loss on retirement of noncurrent assets

(Millions of yen)

	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013
Machinery and equipment	127	—
Software	275	—
Others	13	—
Total	416	—

*5. Impairment losses

For the fiscal year ended March 31, 2012, the ALSOK Group recorded impairment losses as follows:

Type	Purpose	Impairment losses
Land	Vacant lot	¥46 million

Asset 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, ¥46 million for land (Yokosuka City, Kanagawa Prefecture; Futaba District, Fukushima; Ube City, Yamaguchi Prefecture) for the year ended March 31, 2012.

The recoverable value for this asset 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.

For the fiscal year ended March 31, 2013, the ALSOK Group recorded impairment losses as follows:

Type	Purpose	Impairment losses
Buildings	Dormitory	¥31 million
Land	Dormitory / vacant lot	¥107 million
Equipment and furnishings	Dormitory equipment and furnishings	¥0 million

Asset 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, ¥31 million for buildings (Sakai City, Osaka Prefecture), ¥107 million for land (primarily Sakai City, Osaka Prefecture; Yokosuka City, Kanagawa Prefecture; Ube City, Yamaguchi Prefecture), and ¥0 million for equipment and furnishings, making for a total of ¥138 million for the year ended March 31, 2013.

The recoverable value for this asset 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.

*6. 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.

Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013
¥8 million	¥(7) million

*7. Equity in earnings of affiliates

Fiscal year ended March 31, 2013

Equity in earnings of affiliates include negative goodwill of ¥897 million associated with applying the equity method of accounting to HOCHIKI CORPORATION following the acquisition of shares of stock in this company.

Consolidated Statements of Comprehensive Income

* Amount of recycling and amount of income tax effect associated with other comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013
Valuation difference on available-for-sale securities:		
Amount recognized in the period under review	282	4,095
Amount of recycling	431	36
Before income tax effect adjustment	713	4,132
Amount of income tax effect	(142)	(1,480)
Valuation difference on available-for-sale securities	570	2,651
Revaluation reserve for land:		
Amount of income tax effect	52	—
Foreign currency translation adjustment:		
Amount recognized in the period under review	(4)	(18)
Share of other comprehensive income of associates accounted for using equity method:		
Amount recognized in the period under review	(0)	83
Amount of recycling	2	—
Share of other comprehensive income of associates accounted for using equity method	2	83
Total other comprehensive income	620	2,716

Consolidated Statements of Changes in Net Assets

Fiscal year ended March, 31, 2012

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

	Number of shares as of April 1, 2011	Number of increased shares during the fiscal year	Number of decreased shares during the fiscal year	Number of shares as of March 31, 2012
Issued shares				
Common stock	102,040,042	—	—	102,040,042
Total	102,040,042	—	—	102,040,042
Treasury stock				
Common stock (Note 1)	1,505,605	149	—	1,505,754
Total	1,505,605	149	—	1,505,754

Note : The increase of 149 shares of common stock in the amount of treasury stock is due to the purchase of odd lots.

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

Not applicable.

3. Matters concerning dividends

(1) Dividends paid

Date of resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 24, 2011	Common stock	1,005	10.0	March 31, 2011	June 27, 2011
Board of Directors Meeting on October 31, 2011	Common stock	1,005	10.0	September 30, 2011	December 5, 2011

(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 (Millions of yen)	Dividend resource	Dividends per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 26, 2012	Common stock	1,005	Retained earnings	10.0	March 31, 2012	June 27, 2012

Fiscal year ended March, 31, 2013

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

	Number of shares as of April 1, 2012	Number of increased shares during the fiscal year	Number of decreased shares during the fiscal year	Number of shares as of March 31, 2013
Issued shares				
Common stock	102,040,042	—	—	102,040,042
Total	102,040,042	—	—	102,040,042
Treasury stock				
Common stock (Note 1)	1,505,754	15,196	—	1,520,950
Total	1,505,754	15,196	—	1,520,950

Note : The increase of 15,196 shares of common stock in the amount of treasury stock is due to the purchase of odd lots and the rise in shares associated with equity in affiliates.

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

Not applicable.

3. Matters concerning dividends

(1) Dividends paid

Date of resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 26, 2012	Common stock	1,005	10.0	March 31, 2012	June 27, 2012
Board of Directors Meeting on October 31, 2012	Common stock	1,105	11.0	September 31, 2012	December 3, 2012

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

The following proposals will be made at the Ordinary General Meeting of Shareholders scheduled to be held on June 25, 2013.

Date of resolution	Type of shares	Total dividends (Millions of yen)	Dividend resource	Dividends per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 25, 2013	Common stock	1,407	Retained earnings	14.0	March 31, 2013	June 26, 2013

Consolidated Statements of Cash Flows

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

(Millions of yen)

	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013
Cash and deposits	48,553	46,652
Deposits to mature in excess of 3 months	(8,315)	(7,765)
Short-term investments (securities) to be redeemed within 3 months of acquisition date	238	1,238
Other (deposits at securities companies)	—	416
Cash and cash equivalents	40,476	40,541

Segment Information and Other Related Information

1. Segment Information

(1). Outline of Reportable Segments

The reportable segments the Company reports are the business units for which the Company is able to obtain respective financial information separately in order for the Board of Directors, etc., to evaluate regularly in determining how to allocate resources and assess their business performance.

The Group has two reportable segments: Security Services, which conducts electronic security services, stationed security services, and transportation security services; and Total Building Management Services and Disaster Prevention Services, which conducts activities including facility operation and management services, environmental hygiene management, cleaning services, fire extinguishing equipment inspection and installation, and sales of various disaster prevention equipment.

(2). Method of Calculating Sales and Income (Loss) and Other Items by Reportable Segments

Accounting method for reportable segments is the same as presentations on "Notes on the Basic Important Points for Preparing the Consolidated Financial Statements of Fiscal year ended March 31, 2013."

Income by reportable segments is calculated based on operating income.

Intersegment sales are calculated based on market prices.

Change in Depreciation Method

In the year under review, the Company and its domestic consolidated subsidiaries changed depreciation method for property, plant and equipment acquired on or after April 1, 2012, in accordance with the revised Corporation Tax Law.

Because of this change, income by reportable segment increased ¥401 million for Security Services, ¥42 million for Total Building Management Services and Disaster Prevention Services, and ¥6 million for Others compared to the amount calculated by the previous method.

(3). Information on Sales and Income (Loss) and Other Items by Reportable Segments

A. For the year ended March 31, 2012

(Millions of yen)

	Reportable segments			Others*1	Total	Elimination and corporate*2	Consolidation *3
	Security Services	Total Building Management Services and Disaster Prevention Services	Total				
Net sales							
Outside sales	264,044	36,608	300,652	4,070	304,723	－	304,723
Intersegment sales	2,874	133	3,008	331	3,339	(3,339)	－
Total	266,918	36,742	303,660	4,401	308,062	(3,339)	304,723
Income by reportable segment	17,256	1,253	18,509	966	19,476	(8,665)	10,810
Depreciation	11,849	432	12,281	687	12,969	37	13,007
Amortization of goodwill	8	342	351	0	351	－	351

Note 1: The "Others" category incorporates operations not included in reportable segments, including the provision of MMK multi-function ATMs, security solutions operations, information security services, and emergency dispatch services in which employees are sent to accident sites.

Note 2: The ¥8,665million deduction to income by reportable segment under eliminations and corporate represents companywide expenses that cannot be attributed to any specific reportable segment. These expenses are primarily administrative costs not associated with specific reportable segments.

Note 3: Income by reportable segment has been adjusted for the operating income figure on the Consolidated Statements of Income.

Note 4: Assets are not allocated to specific reportable segments.

B. For the year ended March 31, 2013

(Millions of yen)

	Reportable segments			Others*1	Total	Elimination and corporate*2	Consolidation *3
	Security Services	Total Building Management Services and Disaster Prevention Services	Total				
Net sales							
Outside sales	271,898	40,661	312,559	3,004	315,564	－	315,564
Intersegment sales	3,258	199	3,457	336	3,794	(3,794)	－
Total	275,156	40,860	316,017	3,341	319,358	(3,794)	315,564
Income by reportable segment	17,920	2,133	20,054	416	20,471	(8,681)	11,790
Depreciation	11,169	536	11,706	472	12,179	34	12,213
Amortization of goodwill	20	343	363	0	363	－	363

Note 1: The "Others" category incorporates operations not included in reportable segments, including the provision of MMK multi-function ATMs, security solutions operations, information security services, and emergency dispatch services in which employees are sent to accident sites.

Note 2: The ¥8,681million deduction to income by reportable segment under eliminations and corporate represents companywide expenses that cannot be attributed to any specific reportable segment. These expenses are primarily administrative costs not associated with specific reportable segments.

Note 3: Income by reportable segment has been adjusted for the operating income figure on the Consolidated Statements of Income.

Note 4: Assets are not allocated to specific reportable segments.

2. Relative Information

(1). For the Fiscal Year Ended March 31, 2012

A. Product and services information

Product and services information is omitted as it is the same as segment information.

B. Regional information

a. Net 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 Income.

b. Property, plant and equipment

Information regarding property, plant and equipment in specific is omitted as the value of property, plant and equipment in Japan accounts for over 90% of the total value recorded on the Consolidated Balance Sheets.

C. 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 Income can be attributed.

(2). For the Fiscal Year Ended March 31, 2013

A. Product and services information

Product and services information is omitted as it is the same as segment information.

B. Regional information

a. Net 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 Income.

b. Property, plant and equipment

Information regarding property, plant and equipment in specific is omitted as the value of property, plant and equipment in Japan accounts for over 90% of the total value recorded on the Consolidated Balance Sheets.

C. 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 Income can be attributed.

3. Information on Impairment Loss in Noncurrent Assets by Reportable Segment

(1). For the Fiscal Year Ended March 31, 2012

There were no impairment losses attributed to reportable segments. An impairment loss of ¥46 million was recorded of which ¥46 million was on the value of land.

(2). For the Fiscal Year Ended March 31, 2013

There were no impairment losses attributed to reportable segments. An impairment loss of ¥138 million was recorded of which ¥31 million was on the value of buildings, ¥107 million was on the value of land, and ¥0 million was on the value of equipment and furnishings.

4. Information on Amortization of Goodwill and Unamortized Balance by Reportable Segment

(1). For the Fiscal Year Ended March 31, 2012

Amortization of goodwill and unamortized balance

Information regarding amortization of goodwill is omitted as it is the same as the information disclosed in segment information.

On March 31, 2012, the balance of unamortized goodwill was ¥1,470 million. As assets are not allocated to specific reportable segments, the balance of unamortized goodwill at the end of the fiscal year is not included in reportable segments.

Amortization of negative goodwill and unamortized balance related to business combinations performed before April 1, 2010

Amortization of negative goodwill and unamortized balance related to business combinations performed before April 1, 2010, is as follows. Amortization of negative goodwill and unamortized balance is not included in reportable segments.

(Millions of yen)

Amortization of negative goodwill	80
Balance at end of period	222

(2). For the Fiscal Year Ended March 31, 2013

Amortization of goodwill and unamortized balance

Information regarding amortization of goodwill is omitted as it is the same as the information disclosed in segment information.

On March 31, 2012, the balance of unamortized goodwill was ¥1,129 million. As assets are not allocated to specific reportable segments, the balance of unamortized goodwill at the end of the fiscal year is not included in reportable segments.

Amortization of negative goodwill and unamortized balance related to business combinations performed before April 1, 2010

Amortization of negative goodwill and unamortized balance related to business combinations performed before April 1, 2010, is as follows. Amortization of negative goodwill and unamortized balance is not included in reportable segments.

(Millions of yen)

Amortization of negative goodwill	80
Balance at end of period	141

5. Information on Negative Goodwill by Reportable Segment

(1). For the Fiscal Year Ended March 31, 2012

Not applicable.

(2). For the Fiscal Year Ended March 31, 2013

Negative goodwill of ¥897 million associated with the conversion of HOCHIKI CORPORATION into an affiliate accounted for under the equity method following the acquisition of shares of stock in this company was recorded under equity in earnings of affiliates on the Consolidated Statements of Operations. This negative goodwill is not allocated to specific reportable segments.

Per Share Information

	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013
Net assets per share	¥1,446.93	¥1,536.30
Net income per share	¥38.83	¥85.30

Note 1: Fully diluted net income per share is not shown because no applicable shares existed.

Note 2: The following is the basis for calculating net income per share (basic and diluted).

	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013
Net income per share		
Net income (Millions of yen)	3,903	8,574
Amount not belonging to ordinary shareholders (Millions of yen)	—	—
Net income attributable to common stock (Millions of yen)	3,903	8,574
Weighted-average numbers of ordinary shares (Thousands of shares)	100,534	100,530

Note 3: The basis for calculating net assets per share is as follows.

	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013
Total net assets (Millions of yen)	165,634	175,563
Amount deducted from total net assets (Millions of yen)	20,168	21,135
(minority interests)	(20,168)	(21,135)
Net assets at end of year relating to common stock (Millions of yen)	145,465	154,427
Amount of common stock at end of year used for calculating net assets per share (Thousands of shares)	100,534	100,519

Significant subsequent events

Not applicable

5. Other

(1) Changes in Directors, Corporate Auditors, and Executive Officers

A. Change in representative director

Not applicable

B. Change in other directors, corporate auditors, and executive officers

a. New corporate auditor candidates

Makoto Uenoyama, Corporate Auditor (Outside Corporate Auditor)
(Currently consultant to Panasonic Corporation)

b. Retiring corporate auditors

Yoshihiro Onozawa, Corporate Auditor (Outside Corporate Auditor)

C. Scheduled date of changes

June 25, 2013

(2) Information Regarding Production, Orders, and Sales

A. Production

The ALSOK Group does not conduct production. Contracts for each business category are as follows.

(Number of contracts)

Business segment	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013	YoY (%)
Security Services			
Electronic Security Services	580,263	630,977	8.7
Stationed Security Services	2,934	3,020	2.9
Transportation Security Services	48,284	51,698	7.1
Total	631,481	685,695	8.6
Total Building Management Services and Disaster Prevention Services	47,913	54,903	14.6
Total for reportable segments	679,394	740,598	9.0
Others	8,957	11,989	33.9
Total	688,351	752,587	9.3

B. Sales

Sales for each business category are as follows.

(Millions of yen)

Business segment	Fiscal year ended March 31, 2012	Fiscal year ended March 31, 2013	YoY (%)
Security Services			
Electronic Security Services	142,900	147,162	3.0
Stationed Security Services	71,326	73,881	3.6
Transportation Security Services	49,817	50,854	2.1
Total	264,044	271,898	3.0
Total Building Management Services and Disaster Prevention Services	36,608	40,661	11.1
Total for reportable segments	300,652	312,559	4.0
Others	4,070	3,004	(26.2)
Total	304,723	315,564	3.6

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.