

Consolidated Financial Results for the Third Quarter Ended December 31, 2010

SOHGO SECURITY SERVICES CO., LTD

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

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

Representative: Atsushi Murai, President and Representative Director

Financial and Accounting : Hiraku Otani, Executive Officer

Date of the Board Meeting for the settlement of consolidated account: January 31, 2011

Scheduled Date to File Quarterly Report: February 10, 2011

1. Summary of the consolidated financial results for the third quarter ended December 31, 2010

(April 1, 2010 – December 31, 2010)

(1) Consolidated operating results

(Figures rounded down to the nearest million)

	Nine months ended	
	December 31, 2010	December 31, 2009
Sales	¥208,569 million	¥207,492 million
% change from the previous year	0.5%	-2.7%
Operating profit	¥8,731 million	¥7,875 million
% change from the previous year	10.9%	3.1%
Recurring profit	¥9,737 million	¥8,980 million
% change from the previous year	8.4%	3.9%
Net income	¥4,582 million	¥4,136 million
% change from the previous year	10.8%	17.6%
Net income per share	¥45.59	¥41.14
Diluted net income per share	—	—

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

(2) Consolidated financial conditions

(Figures rounded down to the nearest million)

	As of	
	December 31, 2010	March 31, 2010
Total assets	¥285,976 million	¥276,069 million
Net assets	¥161,296 million	¥158,674 million
Capital adequacy ratio	50.0%	50.9%
Net assets per share	¥1,421.26	¥1,397.90

Note: Equity capital: Nine months ended December 31, 2010 ¥142,885 million, Year ended March 31, 2010 ¥140,537 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, 2010	—	¥10.00	—	¥10.00	¥20.00
Fiscal year ending March 31, 2011	—	¥10.00	—		
Fiscal year ending March 31, 2011 (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, 2011 (April 1, 2010 – March 31, 2011)

	Sales	Operating profit	Recurring profit	Net income	Net income per share
Annual	¥281,900 million (1.2%)	¥9,500 million (2.5%)	¥11,100 million (2.6%)	¥5,200 million (13.9%)	¥51.72

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

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

4. Others

(1) Changes in consolidated subsidiaries (Changes in scope of consolidation): 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

(4) Number of shares outstanding (Ordinary shares)

① Number of shares issued (including treasury stock):

Nine months ended December 31, 2010 102,040,042 shares

Year ended March 31, 2010 102,040,042 shares

② Number of shares of treasury stock:

Nine months ended December 31, 2010 1,505,605 shares

Year ended March 31, 2010 1,505,543 shares

③ Average number of shares during the period (cumulative quarterly period):

Nine months ended December 31, 2010 100,534,474 shares

Nine months ended December 31, 2009 100,534,658 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, 2010	As of March 31, 2010
Assets		
Current assets		
Cash and deposits	41,992	44,408
Cash for Transportation Security Services	69,455	64,331
Notes and accounts receivable	20,402	20,803
Short-term investments in securities	1,138	1,859
Raw materials and supplies	4,137	3,269
Advance payment	8,505	5,389
Other	14,836	8,400
Allowance for doubtful accounts	-161	-184
Total current assets	160,306	148,279
Fixed assets		
Tangible fixed assets	58,635	58,351
Intangible fixed assets	4,573	5,203
Investments and other assets		
Investments in securities	25,008	26,010
Other	37,899	38,700
Allowance for doubtful accounts	-445	-475
Net investments and other assets	62,461	64,235
Total fixed assets	125,670	127,790
Total assets	285,976	276,069

Consolidated Balance Sheets

(Unit: ¥ million)

	As of December 31, 2010	As of March 31, 2010
Liabilities		
Current liabilities		
Trade notes and accounts payable	6,720	8,419
Short-term borrowings	45,876	40,114
Accrued income taxes	1,992	1,814
Allowance	520	1,121
Other	28,590	25,182
Total current liabilities	83,701	76,653
Long-term liabilities		
Bonds	1,100	2,200
Long-term borrowings	2,854	2,053
Accrued retirement benefits for employees	27,441	27,135
Accrued retirement benefits for directors and corporate auditors	1,660	1,703
Asset retirement obligations	89	—
Other	7,833	7,648
Total long-term liabilities	40,979	40,741
Total liabilities	124,680	117,394
Net Assets		
Shareholders' equity		
Common stock	18,675	18,675
Capital surplus	32,117	32,117
Retained earnings	98,250	95,556
Treasury stock	-1,974	-1,974
Total shareholders' equity	147,068	144,375
Valuation and translation adjustments		
Other securities valuation difference	1,219	1,560
Land revaluation account	-5,395	-5,395
Translation adjustment	-7	-2
Total valuation and translation adjustments	-4,183	-3,837
Minority interests in consolidated subsidiaries	18,410	18,137
Total net assets	161,296	158,674
Total	285,976	276,069

Consolidated Statements of Operations

(Unit: ¥ million)

	Nine months ended December 31, 2010	Nine months ended December 31, 2009
Sales	208,569	207,492
Cost of sales	155,403	155,595
Gross profit on sales	53,166	51,897
Selling, general and administrative expenses	44,434	44,021
Operating profit	8,731	7,875
Other income		
Interest received	209	163
Dividends received	396	561
Equity in earnings of affiliates	221	270
Other	1,322	1,209
Total other income	2,149	2,205
Other expenses		
Interest	438	465
Loss on disposals of fixed assets	187	252
Other	517	383
Total other expenses	1,143	1,100
Recurring profit	9,737	8,980
Extraordinary profits		
Profit on sales of investments in securities	92	3
Total extraordinary profits	92	3
Extraordinary losses		
Impairment loss on investments in securities	312	264
Impairment loss	9	15
Loss on adjustment for changes of accounting standard for asset retirement obligations	340	—
Other	0	1
Total extraordinary losses	662	281
Income before income taxes	9,167	8,702
Income taxes	4,027	3,838
Income before minority interests	5,139	—
Minority interests in income of consolidated subsidiaries	556	727
Net income	4,582	4,136

Consolidated Statements of Cash Flows

(Unit: ¥ million)

	Nine months ended December 31, 2010	Nine months ended December 31, 2009
Cash flows from operating activities		
Income before income taxes	9,167	8,702
Depreciation	9,065	9,187
Impairment loss	9	15
Amortization of goodwill	—	37
Amortization of negative goodwill	-60	—
Increase/decrease(-) in allowance for doubtful accounts	-52	22
Increase/decrease(-) in accrued retirement benefit for employees	305	77
Increase/decrease(-) in allowance for bonuses	-534	-502
Increase/decrease(-) in allowance for director's bonuses	-65	-40
Interest income and dividend income	-605	-725
Interest expenses	438	465
Equity in earnings of affiliates	-221	-270
Loss on sales of fixed assets	-6	0
Loss on disposals of fixed assets	187	252
Profit on sales of investments in securities	-102	-41
Impairment loss on investment in securities	312	264
Loss on revaluation of derivatives	186	37
Loss on adjustment for changes of accounting standard for asset retirement obligations	340	—
Increase(-)/decrease in accounts receivable	400	1,534
Increase(-)/decrease in inventories	-867	27
Increase/decrease(-) in accounts payable	-1,182	-2,576
Increase(-)/decrease in prepaid pension	153	321
Decrease in assets and liabilities for transportation Security Services	-7,609	-14,015
Other	-3,781	-3,268
Sub-total	5,476	-494
Interest and dividend income, received	715	789
Interest expenses, paid	-418	-440
Income taxes, paid	-4,367	-4,012
Income tax, paid, received	949	1,185
Net cash provided by operating activities	2,355	-2,972

Consolidated Statements of Cash Flows

(Unit: ¥ million)

	Nine months ended December 31, 2010	Nine months ended December 31, 2009
Cash flows from investment activities		
Increase(-)/decrease of time deposits	887	567
Payments for purchases of tangible assets	-7,269	-6,513
Proceeds from sales of tangible assets	22	3
Payments for purchases of investments in securities	-1,299	-1,255
Proceeds from sales of investments in securities	1,490	945
Payments for purchases of investments in subsidiaries	—	-160
Increase(-)/decrease in short-term loans	-6	-38
Long-term loans made	-78	-74
Long-term loans collected	87	113
Other	4	-282
Net cash used in investment activities	-6,161	-6,693
Cash flows from financing activities		
Increase/decrease(-) in short-term borrowings	4,935	4,822
Proceeds from long-term debt	1,950	500
Payments on repayment of long-term debt	-997	-2,237
Redemption of bonds	-1,100	-1,100
Proceeds from stock issuance to minority share holders	14	—
Payments for purchase of treasury stock	-0	-0
Repayments of lease obligations	-1,019	-726
Dividends paid	-2,010	-2,010
Dividends paid to minority shareholders	-273	-196
Net cash used in financing activities	1,499	-948
Effect of exchange rate changes on cash and cash equivalents	-5	0
Net decrease in cash and cash equivalents	-2,312	-10,614
Cash and cash equivalents at beginning of the year	37,349	45,866
Balance of cash and cash equivalents at the end of the period	35,036	35,251

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