

Consolidated Financial Results for the Second Quarter Ended September 30, 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: October 31, 2012 at 13:00 (GMT+9)

Scheduled Date to File Quarterly Report: November 6, 2012

Scheduled Date of Payment of Dividend: December 3, 2012

1. Summary of the consolidated financial results for the second quarter ended September 30, 2012 (April 1, 2012 – September 30, 2012)

(1) Consolidated operating results

(Figures rounded down to the nearest million)

	Six months ended	
	September 30, 2011	September 30, 2012
Net sales	¥147,569 million	¥154,118 million
% change from the previous year	6.8%	4.4%
Operating income	¥6,336 million	¥7,075 million
% change from the previous year	(7.3) %	11.7%
Ordinary income	¥7,208 million	¥7,829 million
% change from the previous year	(5.8) %	8.6%
Net income	¥2,890 million	¥4,207 million
% change from the previous year	(18.5) %	45.6%
Net income per share	¥28.75	¥41.85
Diluted net income per share	—	—

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

2. Comprehensive income: Six months ended September 30, 2012 ¥5,033 million 73.3%
Six months ended September 30, 2011 ¥2,904 million (6.5) %

(2) Consolidated financial conditions

(Figures rounded down to the nearest million)

	As of	
	March 31, 2012	September 30, 2012
Total assets	¥283,593 million	¥281,617 million
Net assets	¥165,634 million	¥169,332 million
Capital adequacy ratio	51.3%	52.9%
Net assets per share	¥1,446.93	¥1,482.86

Note: Equity capital: Six months ended September 30, 2012 ¥149,078 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)

	Nets 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):	Six months ended September 30, 2012	102,040,042 shares
	Year ended March 31, 2012	102,040,042 shares
② Number of shares of treasury stock:	Six months ended September 30, 2012	1,505,754 shares
	Year ended March 31, 2012	1,505,754 shares
③ Average number of shares during the period (cumulative quarterly period):	Six months ended September 30, 2012	100,534,288 shares
	Six months ended September 30, 2011	100,534,432 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 September 30, 2012

	As of March 31, 2012	As of September 30, 2012
Assets		
Current assets		
Cash and deposits	48,553	46,417
Cash for Transportation Security Services	55,264	54,275
Notes and accounts receivable-trade	30,749	28,262
Short-term investment securities	2,744	1,588
Raw materials and supplies	5,625	5,150
Costs on uncompleted construction contracts	562	805
Advances paid	8,093	10,325
Other	8,646	9,193
Allowance for doubtful accounts	(179)	(240)
Total current assets	160,060	155,779
Noncurrent assets		
Property, plant and equipment	59,147	59,073
Intangible assets		
Goodwill	1,470	1,289
Other	5,078	4,836
Total intangible assets	6,548	6,126
Investments and other assets		
Investment securities	23,825	24,856
Other	34,744	36,522
Allowance for doubtful accounts	(731)	(740)
Total investments and other assets	57,837	60,637
Total noncurrent assets	123,533	125,837
Total assets	283,593	281,617

Consolidated Balance Sheets

(Unit: ¥ million)

As of March 31, 2012 As of September 30, 2012

Liabilities

Current liabilities

Notes and accounts payable-trade	16,439	13,403
Short-term loans payable	21,924	19,606
Income taxes payable	1,929	2,964
Provision	1,220	1,333
Other	27,731	27,804
Total current liabilities	69,245	65,111

Noncurrent liabilities

Bonds payable	40	35
Long-term loans payable	9,410	8,104
Provision for retirement benefits	28,346	28,723
Provision for directors' retirement benefits	1,699	1,573
Asset retirement obligations	91	92
Other	9,125	8,644
Total noncurrent liabilities	48,713	47,173
Total liabilities	117,958	112,284

Net assets

Shareholders' equity

Capital stock	18,675	18,675
Capital surplus	32,117	32,117
Retained earnings	100,267	103,470
Treasury stock	(1,974)	(1,974)
Total shareholders' equity	149,085	152,288

Valuation and translation adjustments

Valuation difference on available-for-sale securities	1,738	2,149
Revaluation reserve for land	(5,343)	(5,343)
Foreign currency translation adjustment	(14)	(15)
Total valuation and translation adjustments	(3,619)	(3,209)
Minority interests	20,168	20,254
Total net assets	165,634	169,332
Total liabilities and net assets	283,593	281,617

Consolidated Statements of Income

(Unit: ¥ million)

	Six months ended September 30, 2011	Six months ended September 30, 2012
Net sales	147,569	154,118
Cost of sales	111,114	116,865
Gross profit	36,455	37,253
Selling, general and administrative expenses	30,118	30,177
Operating income	6,336	7,075
Non-operating income		
Interest income	135	104
Dividends income	342	323
Equity in earnings of affiliates	84	111
Other	1,131	787
Total non-operating income	1,694	1,326
Non-operating expenses		
Interest expenses	243	273
Loss on sales of investment securities	11	33
Loss on retirement of noncurrent assets	168	19
Other	398	246
Total non-operating expenses	821	572
Ordinary income	7,208	7,829
Extraordinary income		
Gain on sales of investment securities	0	60
Compensation income	—	361
Total extraordinary income	0	421
Extraordinary loss		
Loss on valuation of investment securities	124	182
Impairment loss	29	138
Loss on disaster	160	—
Other	0	—
Total extraordinary losses	314	320
Income before income taxes	6,894	7,930
Income taxes	3,704	3,312
Income before minority interests	3,190	4,617
Minority interests in income	299	409
Net income	2,890	4,207

Consolidated Statements of Comprehensive Income

(Unit: ¥ million)

	Six months ended September 30, 2011	Six months ended September 30, 2012
Income before minority interests	3,190	4,617
Other comprehensive income		
Valuation difference on available-for-sale securities	(304)	405
Foreign currency translation adjustment	1	0
Share of other comprehensive income of associates accounted for using equity method	16	10
Total other comprehensive income	(285)	416
Comprehensive income	2,904	5,033
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	2,686	4,618
Comprehensive income attributable to minority interests	217	415

Consolidated Statements of Cash Flows

(Unit: ¥ million)

	Six months ended September 30, 2011	Six months ended September 30, 2012
Net cash provided by (used in) operating activities		
Income before income taxes	6,894	7,930
Depreciation and amortization	6,079	5,690
Impairment loss	29	138
Amortization of goodwill	171	181
Amortization of negative goodwill	(40)	(40)
Increase (decrease) in allowance for doubtful accounts	(15)	70
Increase (decrease) in provision for retirement benefits	93	372
Increase (decrease) in provision for bonuses	198	191
Increase (decrease) in provision for directors' bonuses	(81)	(78)
Interest and dividends income	(478)	(428)
Interest expenses	243	273
Equity in (earnings) losses of affiliates	(84)	(111)
Loss (gain) on sales of noncurrent assets	(0)	10
Loss on retirement of noncurrent assets	168	19
Loss (gain) on sales of investment securities	7	(26)
Loss (gain) on valuation of investment securities	124	182
Loss (gain) on valuation of derivatives	140	4
Decrease (increase) in notes and accounts receivable-trade	1,675	2,486
Decrease (increase) in inventories	(70)	231
Increase (decrease) in notes and accounts payable-trade	(3,482)	(4,015)
Decrease (increase) in prepaid pension costs	380	(91)
Decrease in assets and liabilities for Transportation Security Services	(7,254)	(3,425)
Other	535	1,085
Subtotal	5,236	10,652
Interest and dividends income received	547	520
Interest expenses paid	(236)	(273)
Income taxes paid	(2,856)	(2,825)
Income taxes refund	602	458
Net cash provided by (used in) operating activities	3,293	8,532

Consolidated Statements of Cash Flows

(Unit: ¥ million)

	Six months ended September 30, 2011	Six months ended September 30, 2012
Net cash provided by (used in) investing activities		
Decrease (increase) in time deposits	173	(1,204)
Purchase of property, plant and equipment	(4,089)	(4,570)
Proceeds from sales of property, plant and equipment	0	129
Purchase of investment securities	(1,520)	(859)
Proceeds from sales of investment securities	1,022	2,474
Purchase of investments in subsidiaries	—	(145)
Decrease (increase) in short-term loans receivable	(12)	2
Payments of long-term loans receivable	(66)	(29)
Collection of long-term loans receivable	65	69
Other	(352)	(2,335)
Net cash provided by (used in) investing activities	(4,779)	(6,467)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(64)	(13)
Proceeds from long-term loans payable	450	400
Repayment of long-term loans payable	(1,898)	(1,871)
Redemption of bonds	(1,150)	(55)
Purchase of treasury stock	(0)	—
Repayments of lease obligations	(1,296)	(1,670)
Cash dividends paid	(1,005)	(1,005)
Cash dividends paid to minority shareholders	(227)	(186)
Net cash provided by (used in) financing activities	(5,192)	(4,401)
Effect of exchange rate change on cash and cash equivalents	(5)	(2)
Net increase (decrease) in cash and cash equivalents	(6,683)	(2,339)
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	37,351	38,136

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	As of September 30, 2012	YoY(%)
Security Services		
Electronic Security Services	606,006	9.0
Stationed Security Services	3,020	3.8
Transportation Security Services	50,121	5.9
Total	659,147	8.7
Total Building Management Services and Disaster Prevention Services	51,663	12.9
Total for reportable segments	710,810	9.0
Others	10,617	13.7
Total	721,427	9.1

b. Sales

Sales for each business category are as follows.

(¥ million)

Business segment	Six months ended September 30, 2012	YoY(%)
Security Services		
Electronic Security Services	72,154	4.5
Stationed Security Services	36,359	3.5
Transportation Security Services	25,416	3.1
Total	133,930	4.0
Total Building Management Services and Disaster Prevention Services	18,674	14.6
Total for reportable segments	152,605	5.2
Others	1,513	(38.4)
Total	154,118	4.4

Note: 1. Values have not been adjusted for income taxes and other taxes.

2. No one customer accounts for over 10% of total sales.

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