



Annual Report 2011

Fiscal year ended March 31, 2011

SOHGO SECURITY SERVICES CO., LTD. (ALSOK), was established in July 1965. An innovator in the Japanese security services industry, the Company was the first to earn the Tokyo Metropolitan Public Safety Commission's security business certification. The Company listed on the First Section of the Tokyo Stock Exchange in October 2002 (Securities code: 2331), subsequently adopting the corporate brand name "ALSOK" in 2003. Since then, ALSOK has continued to drive the industry as its leading company.

ALSOK's operations are divided into its three security service operations—Electronic Security Services, Stationed Security Services, and Transportation Security Services—and its Total Building Management Services and Disaster Prevention Services, which offer building management and operation services, fire extinguishing equipment inspection services, and other related support services. Having established a comprehensive nationwide security network, ALSOK is able to offer its services uniformly throughout Japan. Accordingly, ALSOK is the industry's leading company in providing high-quality security services, including service offerings for rapid responses to client emergencies.

Since its founding, ALSOK has conducted its operations based on its management philosophy, which is exemplified by always acting with a spirit of gratitude and a tough yet fair, kind samurai spirit. By putting our heart and soul into meeting clients' needs, we will continue to help maintain safety throughout society, an indispensable element of our daily lives.

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Cautionary statement regarding forecasts and projections

Of the plans, strategies, and other matters of SOHGO SECURITY SERVICES CO., LTD. (ALSOK), and of the ALSOK Group, that are expressed in this annual report, the projections on future performance are not founded on historical facts. Readers are advised to be aware that actual performance could differ materially from these projections due to various factors such as economic circumstances, competitive conditions, and technological innovations.

Note

Figures in the Consolidated Financial Results and Financial Section are based on the Financial Results for the Fiscal Year Ended March 31, 2011. For an English translation of the financial results for the fiscal year ended March 31, 2011, please refer to the document "Financial Results for the Fiscal Year Ended March 31, 2011," available on the ALSOK IR website. URL <http://www.alsok.co.jp/ir/en/library/results.html>

FIVE CONSECUTIVE YEARS OF INCLUSION IN PRINCIPAL SRI INDEX

Since 2007, ALSOK has been selected for inclusion in the FTSE4Good Global Index, a socially responsible investment (SRI) index. We believe this continued inclusion reflects recognition of ALSOK's active engagement in CSR activities.



FTSE4Good

ALSO is a corporate brand designed to increase public awareness of the Company and its corporate image. The official name remains SOHGO SECURITY SERVICES CO., LTD.

MANAGEMENT PHILOSOPHY



Our business operations are based on management philosophy exemplified by a spirit of gratitude¹ and a samurai spirit². Our mission is to help maintain safety throughout society, an indispensable element of our lives, as well to make constant improvements to become the industry's leading company.

1. Human beings in society agree to live and let others live. The spirit of gratitude is a humble feeling of thankfulness to all the people and things around ourselves.

2. The samurai spirit embodies a strong and honorable concept of discipline, purpose, and the will to succeed and develop.

MANAGEMENT POLICY

1. Fundamental Spirit

Under any conditions, we work hard to abide by our core principles as exemplified in a samurai spirit based on toughness, fairness, and generosity, and in a spirit of gratitude. We are also committed to developing the human resources needed to provide reliable services.

2. Priority

Our top priority is to provide security services of the first rank, as reflected in profits, while meeting shareholder expectations and enhancing the welfare of our employees.

3. Basic Strategy

While we devote ourselves to security services, we also seek to offer diversified services to meet contemporary demands to the extent made possible by our cumulative expertise in the area of security operations.

4. Contributing to Society

In the spirit of service, we adhere to all government security policies and seek to make positive contributions to society.

ALSOK'S STRENGTHS

Operating Base



Currently, Electronic Security Services accounts for approximately 50% of total sales. In addition to our other security services—Stationed Security Services and Transportation Security Services—we are developing additional support services, such as Total Building Management Services* as well as inspecting disaster prevention equipment within Other Services. Through such efforts, ALSOK provides a comprehensive lineup of products and services that contributes to safety and security.

Moreover, our nationwide network of offices and operating bases creates a great advantage for us in the security services industry. In addition, the Transportation Security Services business has a solid client base primarily consisting of banks and other financial institutions. As these services require the handling of large amounts of cash, trust is indispensable. One characteristic of ALSOK's service is the unshakable trust that the Company has established within the financial industry.

* A total package of property management services that complements our core security services and disaster prevention operations with such services as cleaning and facility management

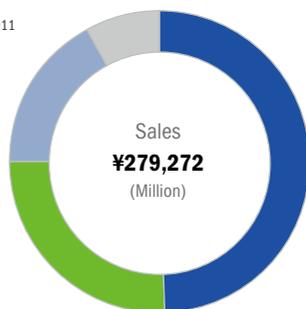
Business Model



The Electronic Security Services business offers services in which, in the event that sensors installed at a client's office or residence detects a disturbance, security staff will receive instructions and quickly be dispatched. ALSOK has already completed the upfront investment necessary for the construction of its Guard Centers, through which instructions can be sent, as well as depots and vehicles for security staff, and communications systems. This investment has enabled us to secure stable revenues. Further, the Electronic Security Services business operates a business model in which clients from the previous fiscal year generally continue their contracts and new contracts received are then added to that. Accordingly, even when contract cancellations are taken into consideration, contracts increase yearly. Therefore, it can be said that this is an incredibly stable business with strong growth potential.

Sales by Services

Fiscal year ended March 31, 2011



ELECTRONIC SECURITY SERVICES	49.6%
STATIONED SECURITY SERVICES	25.5%
TRANSPORTATION SECURITY SERVICES	17.1%
OTHER SERVICES	7.8%

Number of Electronic Security Services Contracts



Position in the Industry



Total annual sales in the Japanese security services industry exceed ¥3 trillion¹. Presently, there are approximately 9,010¹ security companies in Japan; however, the majority of these security companies are small to medium-sized companies. Moreover, including ALSOK, there are currently only 2 companies with annual sales of more than ¥200 billion. The third-largest company has sales of approximately ¥40.1 billion, and there is a wide gap between this company and ALSOK in terms of profitability.

Moreover, the majority of security companies primarily offer stationed security services, including traffic control², which are labor-intensive services. Only a small percentage of these companies are capable of offering electronic and transportation security services, which require a large amount of capital investment. Looking forward, we expect that the reorganization of small to medium-sized companies in the industry will continue to progress.

1. Source: "Overview of the Security Industry in 2010," National Police Agency
 2. Some countries do not consider this part of security services.

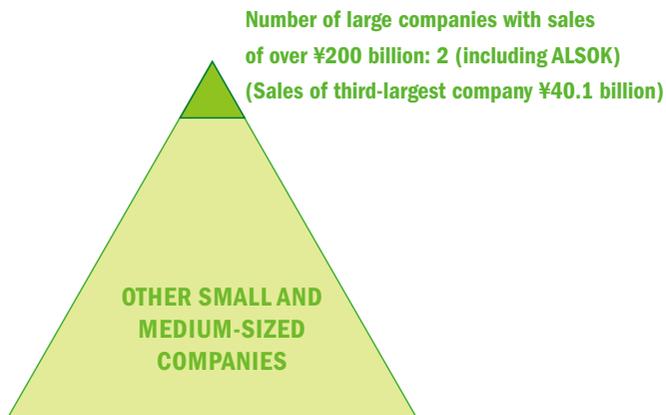
Growth Drivers



We believe the key to ALSOK's future growth lays in the expansion of our high profit margin home security services, which are part of the Electronic Security Services segment. The penetration rate of home security services is barely 1% of the total number of households in Japan. Accordingly, we believe this sector has a great deal of potential for growth. By leveraging our corporate electronic security infrastructure, we will work to increase home security contracts going forward.

The need for home security services has been steadily increasing as a result of such factors as the worsening of perceptions regarding public security and the growing number of seniors in Japan. In this environment, ALSOK released "ALSOK Home Security 7" in 2004. In 2008, we released the enhanced "ALSOK Home Security." ALSOK's home security services are currently available at the affordable price of only ¥3,000 per month. Further, as part of our efforts to capture new contracts, we have begun aggressive advertising campaigns centered on television commercials, which are the most effective tool to reaching customers in this segment. As a result of these initiatives, significant increases in the number of contracts have been recorded.

Overview of the Japanese Security Services Industry



Number of Individual Home Security Contracts



TRENDS IN JAPANESE SECURITY SERVICES INDUSTRY

Changes in Perception of Safety and Security among Citizens

The number of reported crimes in Japan has decreased for eight consecutive years since it peaked in 2002. However, recent surveys have shown a worsening of the perception of safety and security among the citizens of Japan, as seen through the high percentage of people who responded on surveys that public safety is deteriorating. In addition, there has been the emergence of new societal trends, such as increasing numbers of seniors and women living alone as well as the dilution of interpersonal relationships in local communities. Amidst these changes, crimes are becoming more diverse and complex. There are criminals who are not simply burglars interested in stealing valuables, but instead intend to cause bodily harm. This increase in violent criminals is one reason for the worsening of perceived safety. In such an environment, more people are increasingly turning their attention toward home security as a means to protect themselves and their family against crime.

Source: "Crimes in Japan 2010," National Police Agency

Growth in Outsourcing of Operations by Financial Institutions

The introduction of IT in Japanese financial institutions is advancing steadily. However, over half of the transactions in Japan are still currently conducted in cash. For this reason, Japan is often referred to as a cash-based society. In this society, financial institutions that handle cash have been working to lower the risk of cash transportation and to reduce costs. To these ends, banks have been actively outsourcing their security operations.

ALSOK possesses a variety of Transportation Security Services—such as its Cash Transport System, Cash Deposit Machine On-line System¹, and Total ATM Management System²—which it is continuing to develop on a nationwide scale. Further, through the experience and expertise accumulated over the years, and our ability to respond to sophisticated transportation security needs, our high-level security has earned a great deal of trust from within the financial industry.

1. A comprehensive support system that manages the physical collection and storage of sales proceeds and deposits cash into accounts at financial institutions as well as prepares change for customers
2. A service in which the operations of ATMs installed in financial institutions, convenience stores, or elsewhere are comprehensively managed by ALSOK

ALSOK-GV—Security System Utilizing Internet Connections

In April 2011, the Company launched the newest addition to its "ALSOK Guard System" lineup, "ALSOK-GV" (read ALSOK G-five). ALSOK-GV leverages the high-speed, high-volume communications made possible through the use of secure Internet connections to automatically send images of detected disturbances to ALSOK's Guard Centers. This allows ALSOK to offer comprehensive security services including crime and disaster prevention, reporting of emergency incidents, equipment monitoring, and facility management services. Further, the use of secure Internet connections helps limit the cost of communication. In addition, this service provides added security by installing backup lines so that security services can be continued even in the event that the main lines were to be rendered unusable.

Characteristics

Internet + Image Monitoring

Image sensors allow security staff to visually confirm disturbances remotely.

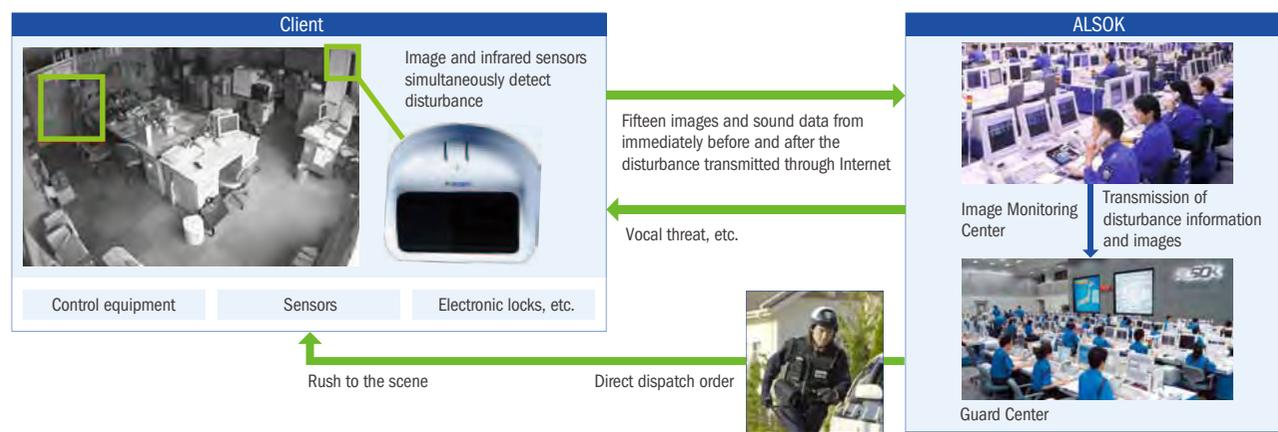
Onsite control equipment is linked through a direct connection, allowing real-time video confirmation of disturbances and direct contact between the customer and Image Monitoring Center security staff while viewing the images.

Information Provided by ALSOK

Customers can confirm information regarding the status of security, when employees arrive at and leave work, and when the building is accessed through a secure Internet connection.

Support of operational efficiency through assisting risk management, labor management, etc. is offered. Notification of failures to set security systems is provided.

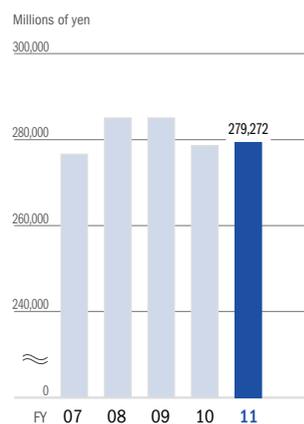
Flow of Service



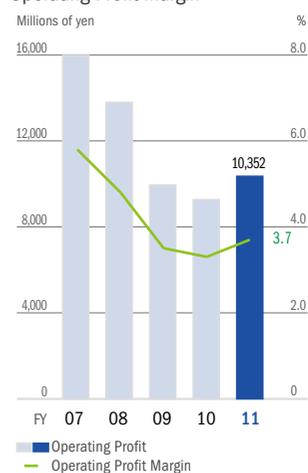
FINANCIAL HIGHLIGHTS

Fiscal years ended March 31	Millions of yen		
	2009	2010	2011
Fiscal year			
Sales	285,004	278,579	279,272
Operating Profit	9,943	9,270	10,352
Net Income	4,224	4,563	4,706
Capital Expenditures	11,977	10,712	11,288
Depreciation	11,988	12,597	12,457
At the end of fiscal year			
Total Assets	287,561	276,069	284,350
Total Net Assets	154,898	158,674	162,178
Per share (Yen)			
Net Income	41.90	45.39	46.82
Net Assets	1,364.33	1,397.90	1,421.67
Dividends	20.00	20.00	20.00
Ratios (%)			
Operating Profit Margin	3.5	3.3	3.7
ROA (Return on Assets)	3.6	3.8	4.2
ROE (Return on Equity)	3.1	3.3	3.3

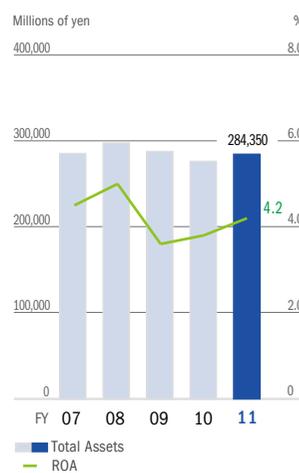
Sales



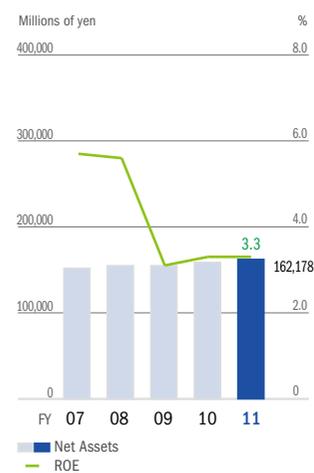
Operating Profit / Operating Profit Margin



Total Assets / ROA



Net Assets / ROE





President and
Representative Director
Chief Executive Officer (CEO)
Atsushi Murai

Responding to the changing needs of society and creating new value to boost our competitiveness

Operating Results in the Fiscal Year Ended March 31, 2011

In the fiscal year ended March 31, 2011, the Japanese economy showed signs of recovery, including growth in revenues realized by domestic companies as well as the increase in exports to emerging nations. However, the Great East Japan Earthquake, which occurred on March 11, 2011, caused sharp declines in both domestic production and consumer spending. The ALSOK Group was also adversely affected by the disaster itself. Some of our sales offices and other facilities in the affected regions were partially destroyed, several of our patrol cars were submerged by the tsunamis following the earthquake, and there was damage to our security equipment. In addition, we received requests to temporarily halt providing our security services and there were also many contract cancellations.

In this environment, we worked to minimize the damage caused by the earthquake. The ALSOK Group offered its support to the affected regions to aid in their recovery. At the same time, we quickly endeavored to ensure the safety of employees affected by this disaster. Throughout this time, we did not cease to offer customers anything other than high-quality products and services centered on security services. In this way, we aimed to further expand our business and respond to the ever more diverse and complex needs of society. We focused on further cultivating our human resources, while also implementing cost cutting initiatives that included measures to further enhance our operational efficiency.

Due to the above factors, sales in the year under review edged up 0.2% year on year, to ¥279.2 billion. While there was a decline in revenues from contracts as well as sales of equipment in our mainstay Electronic Security Services segment, this was offset by the combined effect of a large-scale temporary security contract in the Stationed Security Services segment, more-substantial contracts for our Total ATM Management System in the Transportation Security Services segment, and the contributions from Japan Facilio Co., Ltd., becoming a consolidated subsidiary. In regard to profit, due to enhanced cost management, operating profit rose 11.7%, to ¥10.3 billion, and net income was up 3.1%, to ¥4.7 billion.

Reflected by the sales and profit growth, our efforts to bolster Group coordination and sales capabilities have gradually began to bear fruit. In this way, I felt that the year under review was a year in which ALSOK began to shift from being a company that maintained a safe balance between “defensive” and “offensive” elements of management to displaying a strong drive toward reaching the next stage of growth.

Operating Environment

Addressing the changing operating environment

In the year under review, the structure of the global economy and society at large underwent significant change, and it could be said that we are entering a new era. Notable changes included the continued progression of globalization, the rising presence of emerging nations, and the increased ability to transmit information due to the advancement of information technologies. In Japan, as well, the operating environment for Japanese companies changed substantially due to such rapidly advancing trends as the decline in the birthrate as well as the realization of an aging, declining population. In addition, other similar changes included the rising maturity of the Japanese economy.

When one considers the current operating environment of the security services industry, and its anticipated future, it is clear that we cannot expect the ALSOK Group to continue to see the steady sales growth that we have achieved up until this point. The net gains in subscribers to the ALSOK Guard System, for corporate clients, and private home security services, for individual clients, have become less pronounced with each coming year. Also, we predict that competition between security providers will grow increasingly fierce in the future. Under these circumstances, I believe it is important that the ALSOK Group develop a new style of management—a style that uses our management philosophy as its driving force and leverages our strengths stemming from of extensive onsite experience, while maintaining a perspective focused on long-term business performance and customer satisfaction.

Responding to the Great East Japan Earthquake

Following the Great East Japan Earthquake, we quickly established a Level-2 Disaster Countermeasures Office within our Head Office. After the government reclassified the disaster as a catastrophe, this countermeasures headquarters was also reclassified to a Level-1 Disaster Countermeasures Office in order to help the Group better concentrate its efforts. Our subsequent response to the earthquake has included efforts to ensure the safety of affected clients, investigations of how contracted clients were affected, and the conducting of security patrols. Also, the day after the earthquake, eight employees were sent from the Head Office to help expedite the restoration of the affected Tohoku, Fukushima, and Ibaraki branches. Later, employees from Group companies and branches across Japan went to the affected regions to assist the support activities. An average of 100 employees contributed to these support activities each day, with over 4,000 employees contributing to date.

This disaster exceeded all expectations, and therefore created a number of difficult issues that needed to be addressed. However, through the collective efforts of the entire ALSOK Group, I believe we were able to significantly contribute to the safety of our clients and the affected regions. This also served to reaffirm the fact that all ALSOK employees conduct their duties with pride as a member of the security services industry and with a mindset that embodies the spirit of the ALSOK Group's management guideline of "Contribution to public welfare."

Going forward, the Group will fully leverage its responsiveness capabilities in order to contribute to the recovery effort over the medium term. By doing so, we hope to continue to offer our support to those affected by this disaster. Further, we are actively working to conserve electricity in light of the anticipated electricity shortages throughout the year.

Future Initiatives

Diversifying businesses

Looking ahead, one of the growth strategies the ALSOK Group will implement is the diversification of its business operations. We aim to diversify our business operations in a manner that will enable us to respond flexibly to social change, such as the changing perception of safety and security as well as the aging of the Japanese population. However, this diversification does not represent a change in security services as our core business, nor does it mean that we will haphazardly enter into any new field that we can. Rather, we will focus on entering into fields in which we can leverage the wealth of security services expertise we have



accumulated or those in which we can utilize our nationwide network of superior security staff. In doing so, we will develop new businesses in fields related to security services that have a strong affinity with our security services business. Concrete examples of such diversification efforts currently underway include our ATM repair services, the “Cosmo System;” Cash Deposit Machine On-line System; immediate dispatch service; telegram service; and other businesses that step beyond the boundaries of traditional security services.

Strengthening the security services business

With regard to corporate clients, we are strengthening the Company's sales structure centered on the Sales Department in our Head Office. At the same time, we are advancing sales strategies such as focusing management resources on targeting major cities and other key areas. As for individual users, we are expanding our various sales channels by strengthening sales partnerships and other alliances with third-party companies. Simultaneously, we are conducting the timely introduction of new products and services that are responsive to emerging market needs. These offerings include those for household use, as well as those fine-tuned for use by elderly people.

Additionally, we are considering possible M&A activities to further increase our share of the security services market and expand the scope of our operations with the ultimate objective of continuing to improve our operating results. We are also actively expanding overseas operations with a focus on Asia in addition to the continuation of our operations in Thailand, Vietnam, and China.

Forecasts for the Fiscal Year Ending March 31, 2012

In the fiscal year ending March 31, 2012, I believe that the residual influences of the Great East Japan Earthquake on the Japanese economy will be great and that economic conditions will consequently remain harsh. The effects of this disaster will also be felt by the entire security services industry. We forecast that the subsequent decrease in production activities by companies and the loss of consumer confidence will result in such negative occurrences as the cancellation of security contracts and the reduction of security charges. However, we anticipate that the economy will begin to recover during the second half of the fiscal year due to the demand created by efforts to recover from the effects of the earthquake and the recovery of corporate activities. Moreover, I feel that this disaster has served to increase the desire for safety and security among the citizens of Japan. Accordingly, we expect the demand for security services to increase in the future. Nevertheless, the recent economic trends and the increased competition between security service providers will likely create an even harsher operating environment.

In this operating environment, the ALSOK Group will continue to support the recovery efforts. Additionally, through these support activities, we will work to gather information to allow us to respond to the new needs created by the earthquake through the introduction of new products and services in a timely manner. Further, we will step up our implementation of flexible growth strategies that are responsive to the increasingly diverse perceptions of safety and security held by the citizens of Japan. We will also be responsive to changes in the social climate, such as the aging of the population. Going forward, we will work to tie such efforts to improvements in operating results.

While the current situation with regard to the effects of the Great East Japan Earthquake on the ALSOK Group is subject to change, we have formulated our consolidated business forecasts based on all factors perceivable at the current point in time. Should there be any significant changes, we will make an announcement as the need arises.

In the fiscal year ending March 31, 2012, the ALSOK Group forecasts sales of ¥301.8 billion, up 8.1% year on year, operating profit of ¥9.9 billion, down 4.4%, and net income of ¥5.3 billion, up 12.6%.

Shareholder Returns

The ALSOK Group regards the stability of shareholder dividends and the continuity of operations as important management issues. It therefore makes distributions to shareholders that reflect its business performance while also balancing the need to maintain internal reserves. These internal reserves are used to invest in R&D for future growth and development, qualitative upgrades to information systems, and capital investment for new businesses. Through such investments, ALSOK works to improve its business performance and increase its corporate value from the viewpoint of its shareholders and other investors. Also, it is the policy of the ALSOK Group to issue dividends from retained earnings twice a year in the form of interim and year-end dividends. The year-end dividend is decided at the General Shareholders' Meeting, while the interim dividend is decided by the Board of Directors. While considering future uncertainties, we chose to maintain the current level of the annual dividend at ¥20 per share for the year regardless of higher results. Yet, this dividend level will make for a consolidated payout ratio of 42.7%.

Going forward, we will continue to strengthen our financial position and secure internal reserves through improved profitability. At the same time, we intend to maintain stable distributions to shareholders, while taking into consideration such factors as our business performance and the payout ratio.

Growth Strategies that Integrate CSR Activities

As a security services company that works to protect the safety and security of society, corporate social responsibility (CSR) is a central part of ALSOK's business. Accordingly, we conduct CSR activities that leverage ALSOK's management resources and strengths, which in turn helps advance the growth of the Company. For this reason, we believe that the sincere practice of CSR activities is the shortest path toward achieving the ALSOK Group's management goals. However, in order to practice CSR-based management, we must first develop an understanding of the social issues that ALSOK can address through the utilization of its management resources and strengths. At the same time, we also realize the importance of securing superior human resources capable of aiding us on this quest.

With the goal of securing superior human resources, the ALSOK Group is aggressively implementing a number of human resources initiatives. These include the continuation of our focus on employee education, the bolstering of our hiring activities, and the active utilization of senior employees. We are also implementing CSR-based management in accordance with our management guideline of "Contribution to public welfare." Further, acting in accordance with socially accepted ethical standards and the corporate code of conduct, we are working to improve CSR awareness among employees and become an even more ethical company focused on compliance.

Moving forward, the ALSOK Group will continue to target higher operating results through the provision of products and services that are matched to customers' ever-changing needs for safety and security. In this endeavor, we will also further contribute to the development of a sustainable society by conducting social welfare, disaster relief, cultural, and other support activities.

We look forward to the continued support and encouragement of all our stakeholders.

August 2011



President and Representative Director
Chief Executive Officer (CEO)

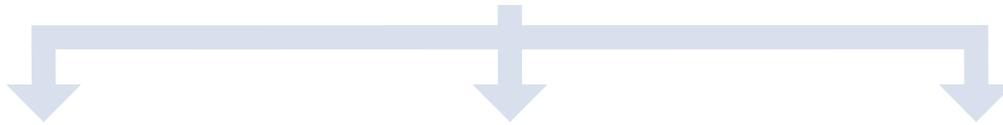
ALSOK's Response to the Great East Japan Earthquake

The Great East Japan Earthquake, which occurred on March 11, 2011, caused unprecedented damage across the northeastern coast of Japan. In response, the ALSOK Group exerted its collective strength to provide its support, sending employees to the affected regions and conducting other support activities. In this special feature, we will detail ALSOK's responses to the Great East Japan Earthquake.



Quickly Supporting the Affected Regions Utilizing the Group's Responsiveness

Within a mere nine minutes after the earthquake, ALSOK set up a Disaster Countermeasures Office within its Head Office, quickly assembled the relevant personnel, and began preparing disaster support initiatives to support the affected areas that would leverage the strength of the entire Group.



Sending over 4,000 employees to the affected regions

Shortly after the earthquake, we constructed a support system comprising roughly 100 employees from ALSOK offices nationwide. For approximately one month following the earthquake, over 4,000 employees were dispatched to the affected regions from transportation security services, facility monitoring, electronic security services, and maintenance divisions. These employees confirmed the damage sustained by contracted clients, conducted security patrols, performed maintenance on security systems, and offered other related services in the affected regions.



Reacting quickly in the affected regions

ALSOK Iwate Co., Ltd., which was based in an area that experienced an earthquake that registered over 6 on the seismic intensity scale, was quick to react. It had set up a Disaster Countermeasures Office within 4 minutes after the earthquake, and within 8 minutes it had confirmed the safety of all of its employees as well as the damages to its own facilities, subsequently making an initial report to the ALSOK Head Office. Further, after receiving permission from the relevant financial institutions, this company dispatched over 10 security staff wearing protective suits into the evacuation zone surrounding the Fukushima Daiichi Nuclear Power Station to collect the cash stored within ATMs in this area. These brave employees fulfilled this duty even under the difficult circumstances that prevailed.



Keeping the lights on

Following the earthquake, Guard Centers in the affected regions recorded 101,639 alarms from contracted facilities, which included reports of cut power lines and power outages. The Guard Centers' own power generators also began running low on fuel. In response, employees from branches and Group companies nationwide came together under the cry of "keep the lights on," working unceasingly to transport fuel to these Guard Centers. Through these valiant efforts, the Guard Centers were able to secure the fuel supplies necessary to keep their emergency power generators running, thereby continuing to provide services to its clients.



Major Activities to Support the Affected Regions and People



Conducting employee volunteer activities

Starting on April 8, 2011, ALSOK began conducting volunteer programs as a reflection of the goodwill of its employees. Through these programs, alternating shifts of over 10 employees helped clear debris in accordance with directions provided by the volunteer centers set up by local governments in the affected areas. Additionally, the Company donated approximately 400,000 highly functional masks, which are useful when working with debris and can help prevent infections, as well as food supplies and other relief items to the various evacuation shelters in these areas. Moreover, we are offering our assistance to the agricultural workers of Fukushima Prefecture, one of the areas that was significantly affected, who are suffering due to bad publicity following the nuclear accidents at the Fukushima Daiichi Nuclear Power Station. We are collecting orders for agricultural products produced in these areas at all ALSOK offices in Japan, which we then fill by purchasing such products through members of the JA Agricultural Cooperation Association.



Donating to the restoration effort

In order to contribute to the fast recovery of the affected areas, the entire ALSOK Group is working to offer monetary support to the restoration effort. We have collected donations through the ALSOK Gratitude Movement and the Sohgo Security Alliance. Further, athletes associated with the ALSOK Group collected donations through street fund-raising activities. The Group also conducted charity auctions. All the donations collected through these initiatives were donated to the Japan Red Cross Society. Additionally, we collected donations from approximately 25,000 employees of the ALSOK Group as well as consolidated subsidiary SKS of Taiwan. To date, the ALSOK Group has donated a total of ¥122,456,999 to the restoration effort.



Employing earthquake victims

One of the ways the Group aims to support people that suffered due to the earthquake is through offering them employment at the Company. We have implemented special hiring programs targeting students that had employment agreements dissolved and people who lost their job or their workplace due to the direct or indirect effects of this disaster. As part of these efforts, we have decided to employ a set number of students from the affected areas and increase the number of opportunities for people to be screened for employment in these areas. We have set aside approximately 100 positions for students that had employment agreements with companies affected by the earthquake dissolved and other such people damaged by the earthquake.

ALSOK'S Responsiveness—The Disaster Countermeasures Office



The Great East Japan Earthquake exceeded all expectations, and the ALSOK Group's Tohoku Branch and Group companies in the area that suffered damage as a direct result of the disaster. However, due to the swift actions of the entire Group, we were able to continue our operations in the affected regions. As ALSOK's business is providing safety and security to society, we place incredible importance on risk management. Accordingly, in preparation for such major disasters, we had developed a business continuity plan (BCP), constructed a flexible nationwide response network, and conducted emergency response training. Due to these preemptive initiatives, we were quickly able to develop appropriate responses to this disaster.

ALSOK has constructed an information website relating to the Great East Japan Earthquake (Japanese only), which can be accessed through its home page. On this website, we post regular updates on the status of the affected areas as well as information about our support and other related activities.

REVIEW OF OPERATIONS

Electronic Security Services



Tokyo Guard Center

ALSOK's Electronic Security Services segment provides remote monitoring of clients' premises 24 hours a day, 365 days a year, from its nationwide network of Guard Centers. The premises serviced are residential households and office buildings. At the Guard Centers, ALSOK staff monitor alarms that warn of intrusions, fires, and other emergency alerts and dispatch on-call security guards to the client's premises.

Results in the Year Under Review

In the year under review, services for corporate clients contributed to the Company's sales through strong sales growth of the "ALSOK Guard System" electronic security system and significant revenues from large-scale construction contracts from businesses relocating operations. However, overall sales from contracts were down as a result of contract price reductions with financial institutions as well as a decline in large-scale contracts for equipment sales.

In services for individual clients, we promoted sales of "ALSOK Home Security α" home security systems. Further, in response to the trend of the aging population, we launched "ALSOK Silver Pack," a home security services package that includes services directly suited to the needs of seniors. In these ways, we worked to capture additional individual client contracts. However, such factors as the economic recession resulted in a decrease in new contracts and increased contract cancellations.

As a result of the above, sales in the Electronic Security Services segment fell 0.3% year on year, to ¥138.4 billion.

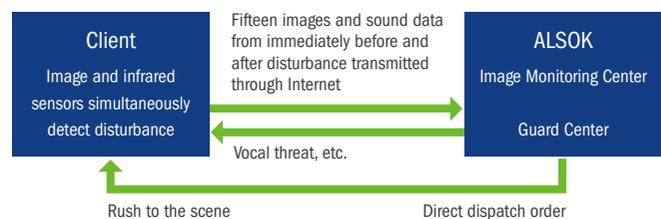
Future Initiatives

We will continue to develop and provide new services, as well as improve the quality of our existing products and services, to respond to diversifying client needs. Particularly for corporate clients, we are strengthening the Company's sales structure to be more centered on the Sales Department in our Head Office, and advancing such sales strategies as focusing management resources on efforts targeting major cities and other key areas. As for individual clients, we are expanding our various sales channels by strengthening sales partnerships and other alliances with third-party companies. Simultaneously, we are conducting the timely introduction of new products and services that reflect newly evolving market needs. Such new products and services include household products as well as products that suit the needs of seniors.

Topics ALSOK-GV

In April 2011, the Company launched the newest addition to its ALSOK Guard System lineup, "ALSOK-GV" (read ALSOK G-five). This offering is a next-generation Guard System that uses Internet-based video monitoring as its primary tool. It realizes higher quality security services that are faster and more precise than previous offerings through the use of a video identification system. In addition, it fully leverages the high-speed, high-volume, two-way communications made possible through the use of Internet lines. Utilizing these features, ALSOK-GV supports corporate clients by providing security services when no one is at the office, while also serving as a solution for internal control and labor management issues by comprehensively managing access, recording when employees arrive at and leave work, and tracking such information.

Flow of Service



ALSOK Silver Pack

In November 2010, ALSOK launched the "ALSOK Silver Pack," a home security services package that functions suited to the lives and life styles of seniors. Services offered through this package include the Emergency Report Service, which allows clients to contact ALSOK's security staff with a simple press of their "emergency pendant," a call button attached to a necklace. Another service offered is the Emergency Registry Service, which allows clients to record their medical information, including the hospitals at which they have received treatment and any medical conditions they might have, to be called upon in an emergency. Additionally, we install residential fire alarms and offer fire monitoring services to prevent fires by carefully monitoring the temperatures and the presence of smoke in homes. The ALSOK Silver Pack bundles these three basic services and offers them at an affordable price.

Stationed Security Services



Stationed security staff at an office building

ALSOK's Stationed Security Services segment stations security guards at office buildings and other client facilities. These security guards administer access control by monitoring or checking the identity of each person who enters or exits office buildings and other designated client facilities. In addition, they also patrol the inside and perimeter of the area being guarded to detect suspicious people or other irregularities. Further, our disaster prevention centers and central management centers conduct monitoring activities to help prevent crime and disasters as well as to ascertain any problems with the facilities they are stationed at.

Results in the Year Under Review

In the year under review, new orders contributed to sales growth, including large-scale stationed security contracts with regional airports, major real estate developers, and university facilities. Additionally, ALSOK conducted temporary stationed security at the Convention of Biological Diversity's tenth meeting of the Conference of the Parties (COP 10), held in October 2010, and the APEC Economic Leaders' Meeting, held in November 2010, to ensure that these events were safely completed without incident. These temporary stationed security operations further contributed to sales.

As a result of the above, sales in the Stationed Security Services segment increased 1.0% year on year, to ¥71.3 billion.

Future Initiatives

ALSOK's stationed security services operations leads the industry in terms of scale. Leveraging the strength of the strong operating foundation we have built in this area, we will continue to thoroughly protect the safety of people and facilities by fusing ALSOK's highly trained security staff with its state-of-the-art technologies.

The Company also possesses the industry's most sophisticated research and development capabilities in the field of security robots.

ALSOK began developing these security robots with the goals of addressing the labor shortfall stemming from the trend of a lower birthrate and aging population in Japan, thereby alleviating the burden on security guards, and improving the quality of its security services. We have since put these robots to practical use nationwide. Going forward, we will continue to advance the development of security robots while

calling upon our 20 years of technological experience and expertise. Through these efforts, we aim to help provide people with peace of mind in their daily lives.

Currently, there are 17 such robots in operation in locations across Japan. These robots vigilantly perform their security and guide duties on a daily basis.

Topics

Stationed Security Operations at Tokyo Sky Tree

In November 2010, ALSOK entered into an agreement to provide stationed security services at the Tokyo Sky Tree tower, which is scheduled to open in spring 2012. Tokyo Sky Tree is a broadcasting tower that will serve as a major broadcasting facility for digital terrestrial broadcasts in Japan. In addition to its broadcasting facilities, the tower also houses two observatories at heights of 350m and 450m, respectively. Further, the site of the tower spans an impressive 230,000m² area and contains a number of different facilities, including an aquarium, a dome theater, and commercial facilities containing approximately 300 different specialty shops. It also houses rental office space and even schools. The Company is scheduled to begin providing stationed security services at the construction site of the tower before actual operations at the tower commence.

Given the appeal of Tokyo Sky Tree as a tourist destination, it is expected that a total of 25 million people will visit this site each year. Accordingly, we anticipate that the number of ALSOK security staff assigned to this site will exceed any other project ALSOK has won to date. In undertaking this endeavor, we will fully leverage the wealth of security-related expertise that ALSOK has accumulated while conducting nearly 3,000 stationed security contracts in the 46 years since its founding. During



Reborg-Q, security robot

An9-PR, security robot

this undertaking, which could quite possibly be the largest stationed security operation of the century, we plan to fully exercise the strengths born out of this expertise.

Transportation Security Services



Cash transportation

ALSOK's Transportation Security Services segment includes its mainstay Total ATM Management System and Cash Deposit Machine On-line System services. In addition, the segment provides services to financial institutions, such as its Cash Transport System service, for the safe and speedy transportation of cash and marketable securities between specified locations using cash transportation vehicles.

Results in the Year Under Review

In the year under review, the Company continued to be faced with the trends of contract cancellation and downward pressure on contract prices with financial institutions. However, the effects of these trends were offset by increases in contracts for the Total ATM Management System, a result driven by the continued outsourcing of security services by megabanks and JAPAN POST BANK, thereby contributing to higher segment sales overall. We also continued to promote sales of the Cash Deposit Machine On-line System, acquiring a number of large-scale security contracts with major delivery companies and convenience stores accordingly.

As a result of the above, sales in the Transportation Security Services segment increased 1.8% year on year, to ¥47.6 billion.

Future Initiatives

ALSOK has expanded its Total ATM Management System service amidst the increasing trend of financial institutions outsourcing ATM management operations to improve operational effectiveness and efficiency. In particular, the Company has seen strong growth in contracts to manage bank ATMs located outside off-bank premises where bank staff are not present. In addition, ALSOK has received exclusive orders for its Total ATM Management System service to manage the operations of ATMs installed at a major convenience store chain, thereby fueling the steady growth in the number of contracts for this service.

The trend of outsourcing ATM management operations is expected to continue accelerating. However, ATMs are not only limited to those located in convenience stores. ATMs are also located in public places where people gather, such as airports, train stations, expressway service areas, and electronics retailers. Accordingly, ALSOK will redouble its sales efforts promoting its Total ATM Management System service to target ATMs located in such locations in pursuit of higher revenues going forward.

Topics

Total ATM Management System

ALSOK's Total ATM Management System is a service where the operations of ATMs installed in facilities such as banks or convenience stores are comprehensively managed by the Company. This service offers cash management planning services that propose the amount of cash to be replenished as well as how often cash should be collected and replenished in order to ensure operational efficiency. The service also includes the actual physical replenishment, collection, and counting of cash. Further, in case of trouble, such as when cash or cash cards become stuck in an ATM, ALSOK's security staff are quickly dispatched to respond. ALSOK's Total ATM Management System service has established an unshakable reputation for reliability, reflected by the approximately 16,000 ATMs currently managed under this system in Japan.

Cash Deposit Machine On-line System

ALSOK's Cash Deposit Machine On-line System is a comprehensive support system geared toward distributors and retailers that manages the physical collection and storage of sales proceeds and deposits cash into accounts at financial institutions as well as prepares change for customers. All one must do is insert money bills or coins into the cash deposit machine and it will accurately and automatically calculate the amount, thereby freeing clients from the chore of tracking the money manually. Further, as there is no need to take the money off the premises, this system helps ensure the safety of customer revenues while increasing the convenience of managing these revenues. In addition, ALSOK manages all steps of this process, thereby allowing clients to eliminate unnecessary related costs. This service also offers the sense of security that only ALSOK can provide due to its sophisticated technologies related to cash dispensers and ATMs as well as its strong track record in transportation security services.



Cash deposit machine lineup

Total Building Management Services, Disaster Prevention Services, and Other Services



* Cancellation of contracts due to termination of Anshin-Mate service in the fiscal year ended March 31, 2009.



Inspection of fire extinguishing equipment

ALSOK provides a range of services to ensure the safety, security, and comfort of buildings, while also helping building managers reduce labor requirements and costs. These services include facility operation and management services, such as environmental hygiene management, maintenance, and amenity provision, as well as fire prevention support in which the Company supports clients' fire prevention efforts in a variety of ways, including the inspection of fire extinguishing equipment.

Results in the Year Under Review

In the year under review, while we continued to promote sales of AEDs (automatic external defibrillators), sales of residential fire alarms and products that serve as countermeasures for influenza failed to reach the same level as seen in the previous fiscal year, thereby adversely affecting segment sales overall. We also strengthened sales promotion efforts for the MMK multi-function ATM, as part of our telecommunication-related business efforts. At the same time, we began sales of "ECO MIE-RU," a new environmentally friendly product that supports clients in reporting based on the revised Act on the Rational Use of Energy.

As a result of the above, sales in the Other Services segment fell 1.6% year on year, to ¥21.7 billion.

Future Initiatives

The consolidation of Japan Facilio Co., Ltd., in December 2010 strengthened ALSOK's ability to perform air conditioning, plumbing, and electrical construction. Leveraging this new found strength, ALSOK will strive to further improve the quality of its services in this area, pursuing synergies between its Total Building Management Services and Disaster Prevention Services as well as expanding the scope of its total package of property management services. In these ways, ALSOK will continue to differentiate itself from competitors.

Further, we believe that the Great East Japan Earthquake strengthened the desire of the citizens of Japan for safety and security. The ALSOK Group will continue to support the recovery efforts of the people and regions affected by the earthquake. Additionally, through these support activities, we will work to gather information to allow us to respond to the new needs created by the earthquake through the introduction of new disaster prevention-related products in a timely manner.

Topics

MKK Multi-function ATM—Innovating Multi-media Distribution

The MMK multi-function ATM is an innovative new automatic accounting system featuring a number of convenient new functions that further developments in the handling of new money bills and financial institutions. Needless to say, the MMK possesses all the functions people have come to expect from a conventional ATM—including loan issuing, money transfer, and cashing functions—provided through a network of servers. In addition, it also features ticket reservation and issuing functions, as well as online shopping and information search functions.

When clients adopt this product, ALSOK assumes responsibility for guaranteeing the security and accuracy of the clients' financial processes. However, the services offered by ALSOK do not stop there. We also offer services that take advantage of the state-of-the-art information technologies ALSOK has developed through its security services operations to provide customers with comprehensive ATM management support. Through these services, we are consequently able to offer distribution network solutions that help reduce operating costs.

ECO MIE-RU Plus

In 2008, energy conservation laws were revised, making environmental preservation measures an important management issue for all companies. In response to this, ALSOK released "ECO MIE-RU Plus" in March 2011, an upgraded version of ECO MIE-RU, which the Company released in March 2010.

Under the revised legislation, companies have been required to submit energy usage reports since 2010. ECO MIE-RU Plus is a service offered by ALSOK, as an application service provider (ASP)*, that supports companies in reporting based on the revised legislation. It automatically collects energy usage data from sensors equipped on electricity, gas, and plumbing facilities through secured Internet connections. After this information is collected, it is automatically used to calculate and report on energy usage in compliance with the relevant laws. This product not only assists clients in reporting, it also helps eliminate unnecessary energy usage during the implementation of security measures when no one is in the office, thereby allowing clients to reduce costs and improve operational efficiency.

* A service provider that rents services to users through the Internet

Basic Corporate Governance Policy

The ALSOK Group advocates “Contribution to public welfare” as one of its management guidelines, and focuses its efforts on ensuring public safety, an indispensable part of human existence. Meanwhile, to continue to be a corporate group that is trusted by all stakeholders, we strive to reinforce Group-wide corporate governance with measures that separate managerial execution and oversight functions, allow swifter decision making, establish and encourage strong corporate ethics, and provide transparency in business management.

Corporate Governance System

The Company’s Board of Directors consists of seven directors, two of which are outside directors. ALSOK also employs the corporate auditor system and has established the Board of Corporate Auditors consisting of four corporate auditors, three of which are outside corporate auditors.

The Board of Directors meets, in principle, once a month, and is responsible for making decisions regarding important management issues and overseeing operational execution.

The Management Committee, which is headed by the President and Representative Director, meets, in principle, twice a month. This committee is responsible for deciding what issues are to be presented to the Board of Directors and discussing business policies based on decisions made by the Board of Directors.

The Board of Corporate Auditors meets, in principle, once a month, and holds discussions based on audit reports, after which it makes any necessary recommendations. There is one corporate auditor who attends meetings of the Management Committee, monitoring it to ensure the appropriateness of managerial execution.

ALSOK strives to clarify the division of roles in management oversight and business execution as well as expedite management decision making. To this end, it implemented the executive officer system in June 2002, a company-wide system in April 2010, and also appointed a Chief Executive Officer (CEO) and Chief Operating Officer (COO) on April 1, 2011.

Reasons for Utilizing Current Governance System

The Company employs outside directors and corporate auditors as they are able to monitor management from a perspective that is independent from the ranks of management. Each outside director and corporate auditor offers their opinions based on the experience and expertise acquired during their professional career. Further, these independent officers are free of circumstances that would cause them to hold conflicting interests with the general shareholders of the Company. In total, these factors enhance the ability of outside directors and corporate auditors to effectively monitor management.

Also, outside directors and corporate auditors attend meetings of the Board of Directors, at which they offer their opinions on the matters at hand. They receive briefings on the issues to be discussed at meetings of the Board of Directors the day prior to the meeting, allowing them to more effectively monitor management. The participation of the outside directors in these meetings enables them to monitor the operational execution of other directors with regard to Internal Control Operations and other matters from an independent standpoint.

The outside corporate auditors coordinate with the Inspection Department and the

independent auditing corporation employed by the Company in regard to audits by corporate auditors, internal audits, and accounting audits. To facilitate this coordination, the outside corporate auditors periodically exchange information with these bodies. They also evaluate the legality of the measures implemented by Internal Control Operations. To this end, they perform both operational and accounting audits of the organization and review all relevant documents.

Due to the above, the Company believes that the outside corporate auditors are able to conduct effective audits and that the governance controls for management are functioning properly. Further, two of the outside directors are independent directors as defined by the Tokyo Stock Exchange. Accordingly, the Company has judged that the currently adopted corporate governance system sufficiently secures the impartiality and transparency of management.

Internal Control System

The management of the ALSOK Group carried out an evaluation of the state and implementation of the Group’s internal control system as of March 31, 2011, based on the Financial Instruments and Exchange Act and other applicable laws and regulations. The evaluation was conducted based on generally accepted standards for evaluating internal control for financial reporting in Japan.

This evaluation by management found that the internal control system for the ALSOK Group is effective, which has been noted in the report on the internal control system. The independent auditing corporation, Grant Thornton Taiyo ASG, has also expressed an opinion that the result of the evaluation by the management noted in the internal control report is accurate.

Disclosure and IR Activities

Placing great importance on the active, impartial, and prompt disclosure of information, ALSOK has formulated its Disclosure Policy, available for viewing on its website. In particular, we have developed separate sections for individual and institutional investors, making it easy for both types of investors to find the information they need (information for individual investors is available in Japanese only). Additionally, the President offers presentations explaining our financial results, and the Company engages in IR activities toward domestic institutional investors, responds to interviews, and conducts presentations for individual investors. The Group is also making active IR efforts outside of Japan by preparing English-language translations of financial summaries and other documents, available on its English-language website. The President and the executive officer in charge of investor relations also conduct overseas IR activities to foster a deeper understanding among overseas institutional investors of the security services industry in Japan and the growth strategies of the ALSOK Group.

Risk Management System

The Company places particular importance on risk management, which is central to its business of protecting the safety of society.

Accordingly, the Group formulated risk management rules in 2002. The Group then established the Risk Management Committee based on these risk management rules and assigned the executive officer in charge of risk management as its chairperson.

In addition, individual risk management assessment bodies have also been set up at the Head Office and each individual business office to undertake exhaustive, company-wide risk management activities. Further, the Company has developed organizational structures to ensure that it can respond quickly should a serious emergency occur, thereby calling for the Company to relay urgent orders throughout the organization, set up a response headquarters, or take other emergency response measures.

In regard to compliance, the Company has established the Compliance Committee, which is headed by the executive officer in charge of compliance. The committee strives to install an unwavering awareness of compliance in all executive officers and employees based on the compliance rules formulated in 2002, periodically verifying the status of compliance in business and other activities.

In addition, the "ALSOK Hotline" was set up in April 2004 to facilitate early identification and prevention of corporate ethics issues. This telephone hotline allows employees to report any issues they may have identified.

Further, the Company established the Information Asset Management Committee chaired by the executive officer in charge of information asset management in September 2004. The purpose of the committee is to respond as swiftly as possible to changes in the information asset management environment, such as the full implementation of the Personal Information Protection Law in April 2005. The committee undertakes such activities as the development of a management structure for the storage and retrieval of personal, business, and other important information in the Company's possession as well as promotion of employee education on this topic.

In response to legal risks, such as lawsuits and other legal disputes, the Company has established the Legal Office, which works in cooperation with the related divisions to address legal issues should they arise.

Moreover, ALSOK has entered into advisory contracts with eight law offices in Japan with the aim of further strengthen its ability to prevent the materialization of risks.

Compensation for Directors and Corporate Auditors

Amount of Compensation

Number of members and total compensation for each classification are as follows.

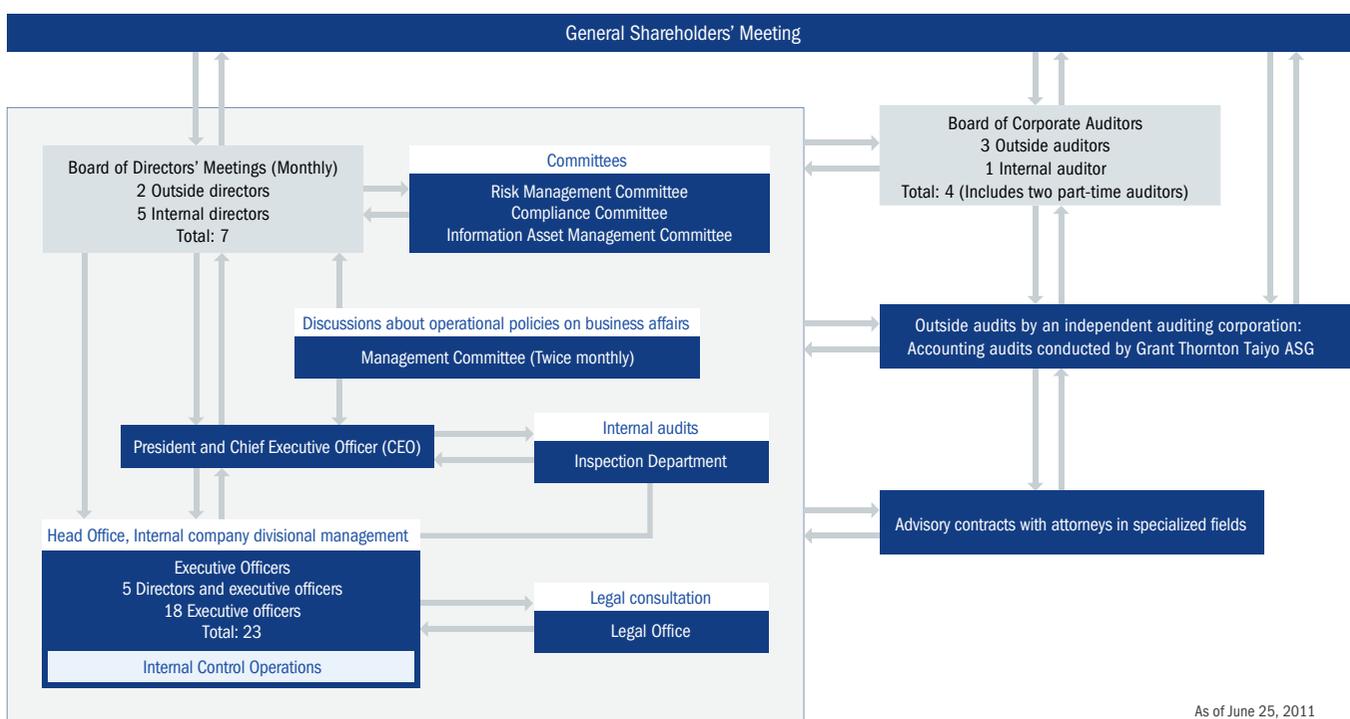
Directors (Excluding outside directors)	9 members	¥203 million
Corporate auditors (Excluding outside corporate auditors)	2 members	¥28 million
Outside directors and corporate auditors	5 members	¥51 million
Total	16 members	¥283 million

Policies and Decisions Regarding Compensation

An annual limit of ¥400 million for compensation of directors and ¥120 million for compensation of corporate auditors has been set by a meeting of the general shareholders.

The compensation of directors, excluding outside directors, is a fixed amount calculated based on an evaluation of individual director performance of operational execution in the previous fiscal year conducted in accordance with predetermined standards. Decisions regarding the compensation of directors are made by the Board of Directors.

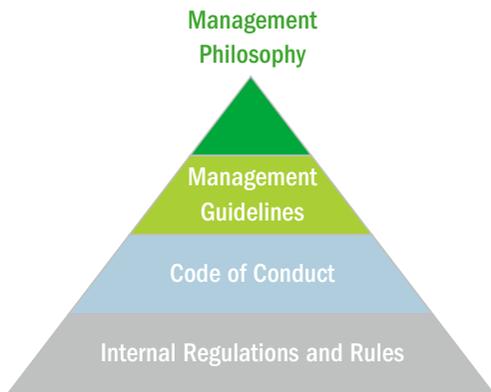
The compensation of corporate auditors is decided in accordance with standards set by the Board of Corporate Auditors.



As of June 25, 2011

Basic CSR Policy

ALSOK's management philosophy is based on always acting with a spirit of gratitude and a tough yet fair, kind samurai spirit, and we feel that corporate social responsibility (CSR) is a means of exercising this philosophy. Therefore, we strive to practice CSR activities that exemplify our management philosophy on a daily basis. To this end, the ALSOK Group has formulated its management guidelines, code of conduct, and internal regulations and rules to identify issues needing to be addressed with regard to these activities. Further, we conduct a number of social contribution activities that utilize ALSOK's security expertise and management resources to express our spirit of gratitude.



ALSOK's Social Contribution Activities

The ALSOK Group implemented a number of social contribution activities geared to offering support to the people and regions affected by the Great East Japan Earthquake, which occurred on March 11, 2011. These included donating monetary to support relief efforts to the Japanese Red Cross Society as well as sending relief items and dispatching employee volunteers to the affected regions immediately following the earthquake. (For more details, please refer to the special feature on pages 10 and 11 of this report.)

ALSOK ANSHIN Classes—Social Contribution that Creates Smiles

As crime against elementary school students increases, child safety has become an important issue for society. ALSOK saw addressing this issue as part of its mission toward society as a security services company. It therefore began offering ALSOK ANSHIN classes, a series of crime-prevention classes for elementary school students, in October 2004. Since then, over 740,000 children have participated in these classes. In these classes, ALSOK employees teach children about crime prevention with the aim of raising their awareness regarding such issues. ALSOK ANSHIN classes also serve as an opportunity for ALSOK to transmit its crime-prevention education know-how to the teachers and parents of these children. By raising crime awareness among children, ALSOK hopes to help promote a safer society.



ALSOK ANSHIN class in progress

ALSOK Gratitude Movement

The ALSOK Gratitude Movement is an embodiment of the spirit of gratitude originally defined by ALSOK's founder, the late Jun Murai. The movement was launched to provide services to benefit society both in and outside of Japan. It is based on the doctrine of the need to appreciate the benefits received daily from the nation and society as well as to uphold a spirit of "live-and-let-live gratitude." Supported not by business revenues, but through donations from employees, executives, and other



Car equipped with wheelchair lift donated by ALSOK

members of the Group who agree with its objectives, the movement supports a range of activities including social welfare and disaster relief activities.

Sports Promotion

ALSOK has five in-house sports clubs including its judo and wrestling clubs. These clubs have produced a number of Olympic medalists and international champions. As a security services company, ALSOK believes that promoting sports among employees helps improve the quality of the security services it offers by fostering and improving employee self-defense skills as well as physical and mental endurance. Based on this belief, the



Saori Yoshida (Wrestling) [JOC/JWF-026]

Company holds annual in-house martial arts tournaments for all Group employees.

Pavilions at KidZania Tokyo and Koshien

ALSOK has set up pavilions at KidZania Tokyo and KidZania Koshien, amusement parks for children based on the theme of a city for kids. At these pavilion, known as "Security Centers," children can experience the work of a transportation security services employee as they transport "KidZos," the official currency of KidZania, through a city built in 2/3 scale. Children must work as a team to fulfill the important mission



Training at the KidZania Security Center

of protecting the client's assets, thereby helping them learn responsibility and the importance of teamwork.

DIRECTORS, CORPORATE AUDITORS, AND EXECUTIVE OFFICERS

As of August 1, 2011

Directors



Atsushi Murai
President and
Representative Director
Chief Executive Officer (CEO)



Yukiyasu Aoyama
Senior Executive Vice President
Representative Director
President of ALSOK Company
Chief Operating Officer (COO)
Human Resources
Corporate Ethics
Chief Officer of
Business Promotion Division



Shinya Kuwayama
Director
Senior Executive Officer
General Affairs/Corporate Planning
Compliance
Risk Management
Information Assets Management
Investor Relations



Yuichi Miyazawa
Director
Senior Executive Officer
Chief Officer of R&D Planning Dept.
Information Systems
Kansai Area



Kiyomi Hara
Director
Senior Executive Officer
Deputy Chief Officer of Business
Promotion Division



Akira Kanno
Director (Outside Director)



Takashi Oizumi
Director (Outside Director)

Corporate Auditors

Takao Fujikawa
Corporate Auditor

Yoshihiro Onozawa
Corporate Auditor
(Outside Corporate Auditor)

Hideto Sudo
Corporate Auditor
(Outside Corporate Auditor)

Takeshi Oiwa
Corporate Auditor
(Outside Corporate Auditor)

Executive Officers

Hiraku Otani
Senior Executive Officer
Financial & Accounting
Internal Control

Mikio Yoshioka
Senior Executive Officer
Security Operations

Takayoshi Nagao
Senior Executive Officer
Deputy Chief Officer of
Business Promotion Division
Business Planning & Management
Sales Promotion

Yoshiro Kuribayashi
Senior Executive Officer
Chief Officer of Regional Division (I)

Toshiro Yoshioka
Executive Officer
Corporate Planning & Administration
General Manager of Corporate Planning &
Administration Dept.
General Manager of Research Center

Seiichi Matsumoto
Executive Officer
President and Representative Director of
Sokei Building Service Co., Ltd.

Eiji Kuwabara
Executive Officer
Marketing & Products Planning Dept.
General Manager of Marketing &
Products Planning Dept.

Yoshimasa Hara
Executive Officer
Strategic Business
International Affairs
General Manager of
Strategic Business Enhance Dept.
General Manager of
International Affairs Dept.

Shigeki Nomura
Executive Officer
Human Resources
General Manager of Human Resources Dept.

Masahiro Kawaguchi
Executive Officer
R&D Planning
General Manager of R&D Planning Dept.

Masahiro Masuda
Executive Officer
IT
President and Representative Director of
Sokei Information System Co., Ltd.

Hideo Yoshikawa
Executive Officer
President and Representative Director of
Sokei Electrical Construction Co., Ltd.

Kazumasa Oizumi
Executive Officer
Regional Management

Hirohisa Hokari
Executive Officer
Business Planning
Financial Institutions
Marketing Sales Promotion
General Manager of Business Planning Dept.

Tsuyoshi Murai
Executive Officer
Total Building Management
President of JAPAN FACILIO CO., LTD.

Yukio Yonago
Executive Officer
Chief Officer of Regional Division (II)

Keiji Suzuki
Executive Officer
Chief Officer of Regional Division (III)

Makoto Imai
Executive Officer
Chief Officer of Regional Division (V)

Masao Hama
Executive Officer
Chief Officer of Regional Division (VI)

Masashi Terao
Executive Officer
Chief Officer of Regional Division (VII)

Management Indexes

Fiscal years ended March 31

	2003	2004	2005
Profitability			
Gross profit margin (%)	27.7	26.6	25.4
Operating profit margin (%)	7.2	5.8	4.3
Recurring profit margin (%)	7.4	6.2	4.5
Return on assets (ROA) (%)	7.2	5.9	4.2
Return on equity (ROE) (%)	8.4	16.0	4.1
EV/EBITDA (times) ¹	3.5	3.9	6.3
Stability			
Equity capital ratio (%)	39.8	44.5	43.6
Equity capital ratio on market-value basis (%)	56.0	54.2	55.0
Interest-bearing liabilities (millions of yen)	38,415	48,408	72,056
Interest coverage ratio (times) ²	19.3	19.4	15.5
Efficiency			
Total asset turnover ratio (times)	1.0	0.9	0.9
Shareholders' equity turnover ratio (times)	2.8	2.2	2.1
Tangible fixed assets turnover ratio (times)	4.7	4.6	4.6
Per share information			
Net assets per share (yen)	1,023.0	1,188.7	1,222.9
Net income per share (yen)	79.8	175.1	47.5
Dividends per share (yen)	20 (3)	17	17
Consolidated dividend payout ratio (%)	25.1	9.7	35.8
Other information			
Number of employees (consolidated)	22,734	23,046	24,185

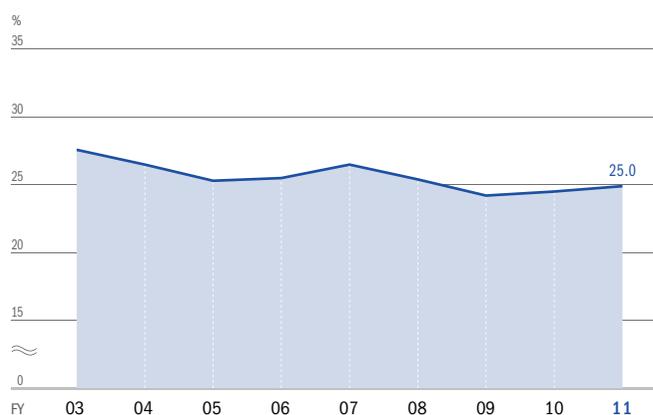
1. Method of calculation for EV/EBITDA is as follows:

EV (Enterprise value) = Market capitalization + Interest-bearing liabilities – Short-term liquidity (Cash and deposits + Short-term investments in securities)

EBITDA (Earnings before interest, tax, depreciation and amortization) = Operating profit + Depreciation

2. Due to changes in the method of calculation, interest coverage ratios for the fiscal year ended March 31, 2006 and earlier are calculated differently than with those from subsequent fiscal years.

Gross Profit Margin



Equity Capital Ratio

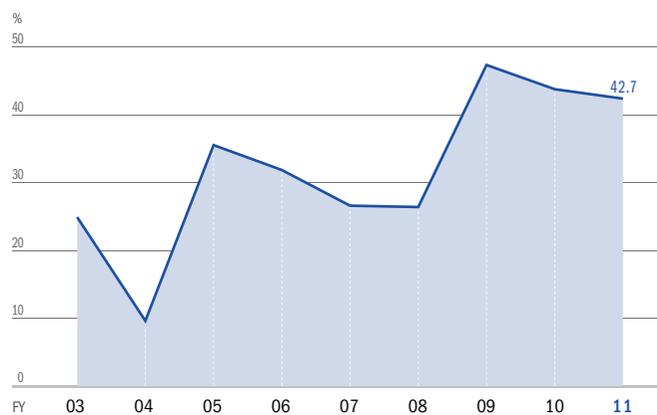


2006	2007	2008	2009	2010	2011
25.6	26.6	25.5	24.3	24.6	25.0
4.6	5.8	4.8	3.5	3.3	3.7
4.9	6.1	5.1	3.7	3.9	4.2
4.6	6.0	5.0	3.6	3.8	4.2
4.4	5.7	5.6	3.1	3.3	3.3
7.4	6.9	5.0	2.8	2.0	1.2
45.7	47.2	46.2	47.7	50.9	50.3
67.5	77.2	47.4	29.5	39.4	32.0
65,544	61,042	74,485	62,635	46,568	43,408
12.3	14.9	15.2	20.7	24.0	20.1
0.9	1.0	1.0	1.0	1.0	1.0
2.1	2.1	2.1	2.1	2.0	2.0
4.6	4.8	5.0	5.0	4.9	4.9
1,274.3	1,322.8	1,356.4	1,364.3	1,397.9	1,421.7
52.9	74.7	75.1	41.9	45.4	46.8
17	20	20	20	20	20
32.1	26.8	26.6	47.7	44.1	42.7
24,703	25,302	26,014	26,960	27,322	27,790

Interest Coverage Ratio



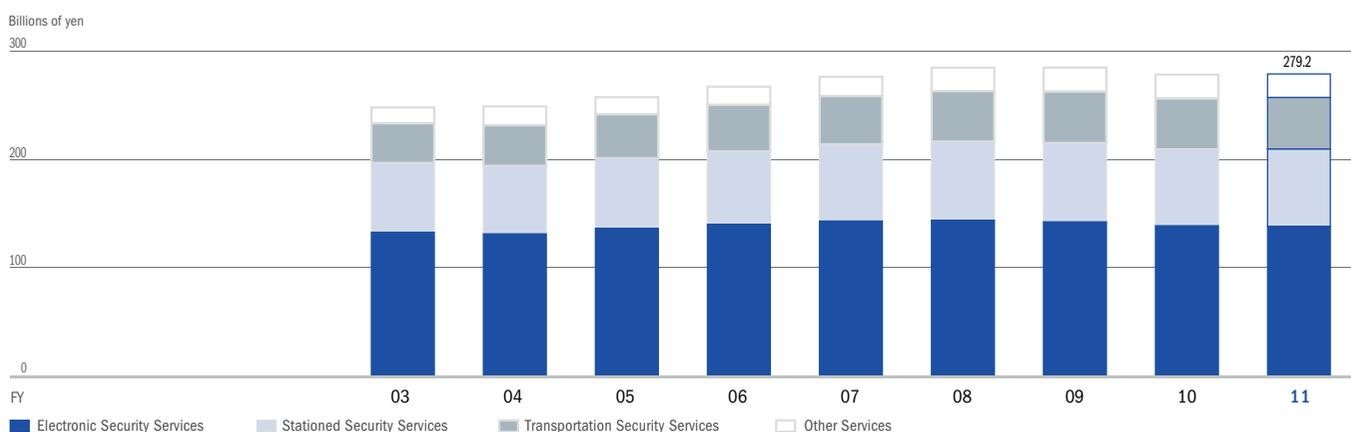
Consolidated Dividend Payout Ratio



Breakdown of Sales / Number of Contracts

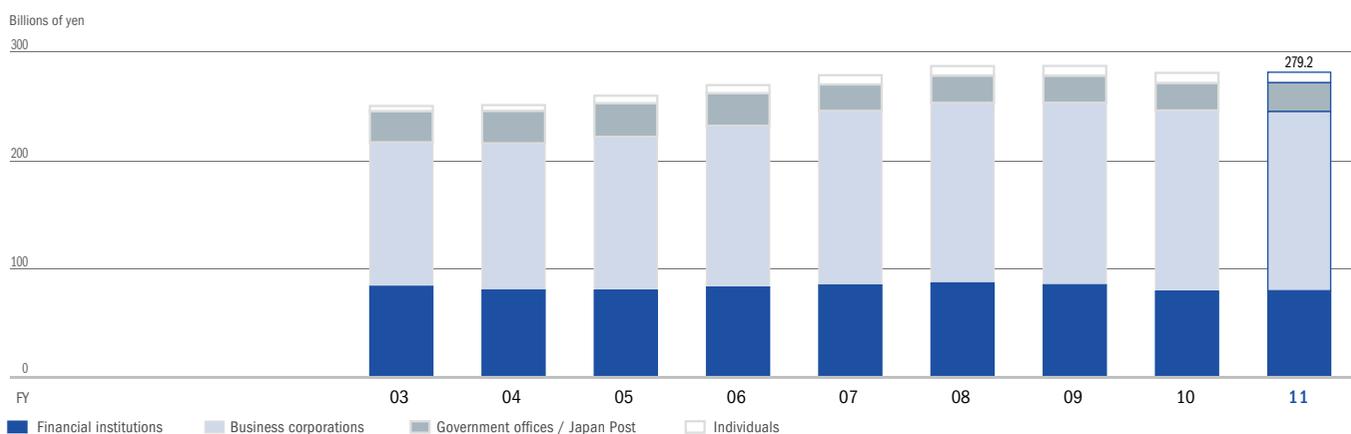
Sales by Services

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Electronic Security Services	132.9	131.4	136.4	140.2	143.2	143.9	142.5	138.9	138.4
Stationed Security Services	64.0	62.8	64.9	67.5	70.9	72.7	72.8	70.6	71.3
Transportation Security Services	36.5	37.5	40.4	42.8	44.5	46.6	47.4	46.8	47.6
Other Services	14.8	17.4	15.8	16.8	17.8	21.6	22.2	22.1	21.7
Total	248.3	249.2	257.7	267.5	276.5	284.9	285.0	278.5	279.2



Sales by Client Industry

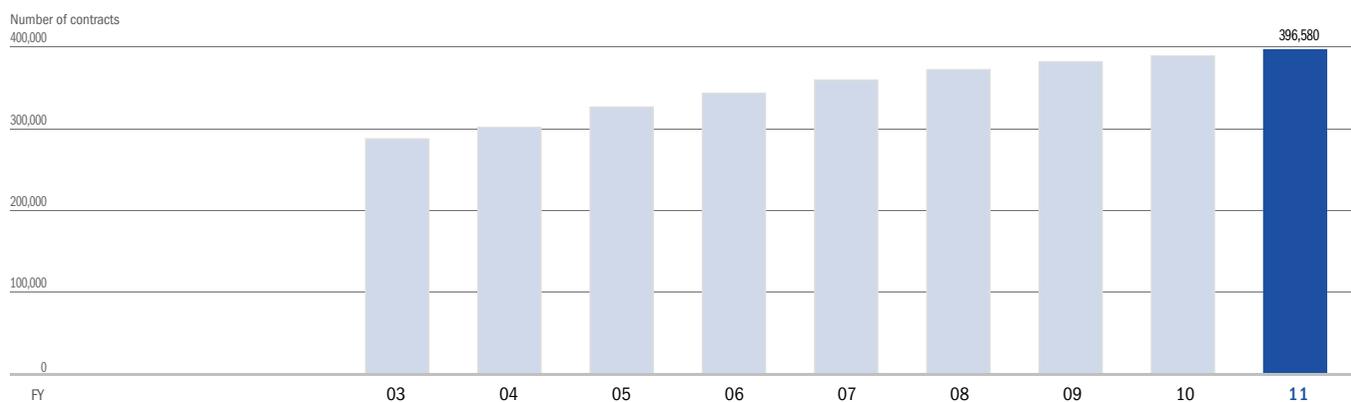
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Financial institutions	82.9	79.5	79.3	82.2	84.1	86.0	84.3	78.4	78.8
Business corporations	132.0	134.5	140.7	147.8	159.6	165.0	166.8	165.7	164.3
Government offices / Japan Post	28.4	29.6	30.6	29.8	24.2	24.9	24.7	25.0	26.4
Individuals	4.9	5.4	7.0	7.5	8.5	8.9	9.1	9.4	9.6
Total	248.3	249.2	257.7	267.5	276.5	284.9	285.0	278.5	279.2



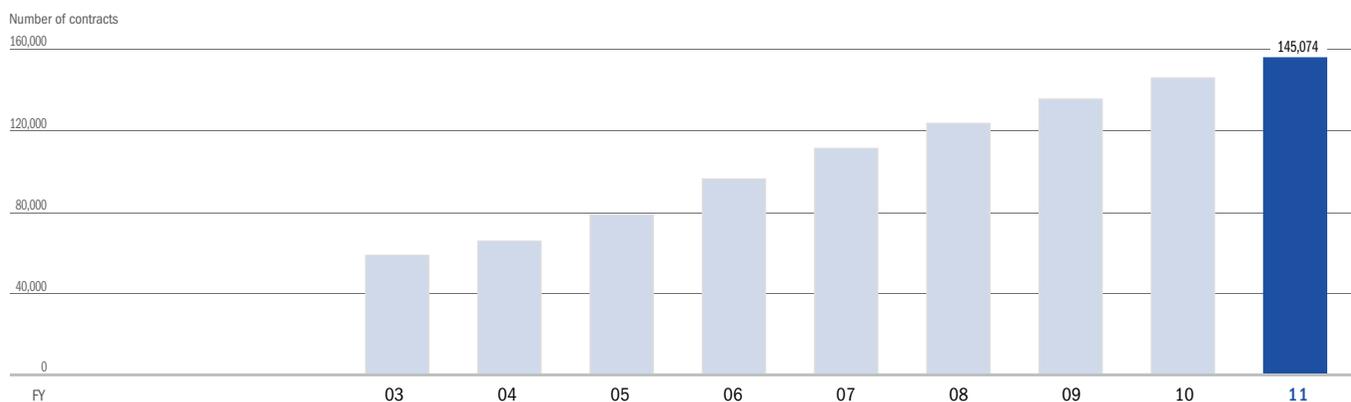
Number of Contracts

	Number of contracts								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Electronic Security Services	342,170	362,709	399,680	432,852	462,913	487,228	507,954	524,708	541,654
For Corporate Clients	287,572	301,574	326,480	343,292	359,344	372,196	381,759	388,853	396,580
For Individual Clients	54,598	61,135	73,200	89,560	103,569	115,032	126,195	135,855	145,074
Stationed Security Services	2,470	2,340	2,651	2,726	2,843	2,922	2,854	2,785	2,866
Transportation Security Services	19,331	22,284	26,699	29,519	32,980	33,397	33,960	35,963	39,065
Other Services	41,472	53,414	57,312	54,505	57,425	56,099	43,171	42,909	52,519
Total	405,443	440,747	486,342	519,602	556,161	579,646	587,939	606,365	636,104

Number of Contracts for Corporate Clients



Number of Contracts for Individual Clients



Management's Discussion and Analysis

The ALSOK Group's operations are divided into four service areas centered on security services. These service areas consist of Electronic Security Services, Stationed Security Services, Transportation Security Services, and Other Services.

Analysis of Business Performance

Business Performance

In the year under review, the fiscal year ended March 31, 2011, sales increased 0.2% year on year, to ¥279.2 billion. While there were decreases in revenues from contracts and sales of equipment in our mainstay Electronic Security Services segment, these were offset by a large-scale temporary security contract in the Stationed Security Services segment and increased contracts for ALSOK's Total ATM Management System in the Transportation Security Services segment. In regard to profit, operating profit increased 11.7%, to ¥10.3 billion, and net income increased 3.1%, to ¥4.7 billion, largely as a result of improved cost management.

In the year under review, the Japanese economy showed signs of recovery due to such factors as improved corporate profitability and increased exports to emerging nations. However, the Great East Japan Earthquake, which occurred on March 11, 2011, caused sharp declines in production levels and consumer spending. The ALSOK Group was also directly affected by this disaster. A number of sales offices and other facilities in the affected regions were partially destroyed, several patrol cars were submerged by the tsunamis following the earthquake, and there was damage to security equipment. The Company also received requests to temporarily halt its security services as well as a number of contract cancellations.

Under these circumstances, the ALSOK Group strove to minimize the damages caused by the earthquake. The Group also offered its support to the recovery efforts in the affected regions, while also work-

ing to ensure the safety of affected employees. At the same time, by continuing to offer high-quality products and services centered on the security services field, the Company aimed to further expand its business while responding to the increasingly more diverse and complex security-related needs of society. We also focused on cultivating our human resources and advanced cost cutting initiatives, including improving the efficiency and effectiveness of operations.

Net Sales by Segment

Electronic Security Services

In Electronic Security Services, the ALSOK Group promoted sales of the electronic security system "ALSOK Guard System" for corporate clients. It also actively worked to establish new customers in the individual user market. This included sales promotion initiatives for the "ALSOK Home Security α" and "ALSOK Home Security X7" home security systems as well as the launch of the "ALSOK Silver Pack," a home security service package that features functions suited to the lives and life styles of seniors. This offering was launched in response to the aging population trend seen in Japan. However, factors such as the economic recession resulted in lower revenues from contracts and sales of equipment, causing an overall decrease in segment sales.

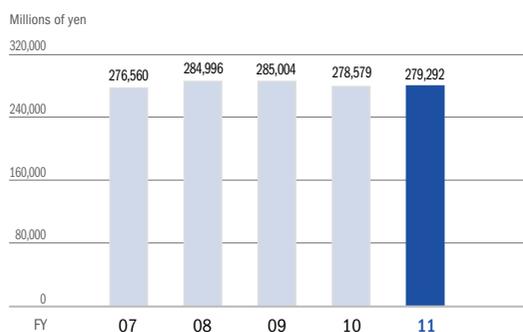
Due to the factors above, sales in the Electronic Security Services segment decreased 0.3%, to ¥138.4 billion.

Stationed Security Services

In Stationed Security Services, there were increases in new contracts, including large-scale contracts, as well as a large-scale contract for temporary security services, which contributed to higher sales.

Due to the factors above, sales in the Stationed Security Services segment increased 1.0%, to ¥71.3 billion.

Sales



Operating Profit / Operating Profit Margin



Notes: Figures in this section are based on the English translation of "Summary of Financial Results for the Fiscal Year Ended March 31, 2011."

For notes on this Summary, please refer to the document "Financial Results for the Fiscal Year Ended March 31, 2011" available on the ALSOK IR website.

URL <http://www.alsok.co.jp/ir/en/library/results.html>

Transportation Security Services

In Transportation Security Services, the increasing trend of financial institutions to outsource security services as well as increased contracts for our Total ATM Management System helped boost sales. The Company also continued to promote sales of its Cash Deposit Machine On-line System.

Due to the factors above, sales in the Transportation Security Services segment increased 1.8%, to ¥47.6 billion.

Other Services

In Other Services, sales of AEDs (automated external defibrillators) remained strong, but sales of residential fire alarms failed to reach the heights seen in the previous fiscal year, which had an adverse effect on sales. Further, as part of its telecommunication-related business efforts, ALSOK continued to promote sales of the MMK multi-function ATM. In addition, the Company launched “ECO MIE-RU,” a new environmentally friendly service offering that helps customers reporting based on the revised Act on the Rational Use of Energy.

Due to the factors above, sales in the Other Services segment decreased 1.6%, to ¥21.7 billion.

Analysis of Individual Items

In the year under review, sales increased ¥0.6 billion year on year, to ¥279.2 billion.

Cost of sales was ¥209.3 billion, primarily due to a ¥0.7 billion decrease in labor expenses.

Selling, general and administrative expenses were ¥59.5 billion due to the effects of cost cutting measures, which offset a ¥0.5 billion increase in salaries expenses and other personnel costs.

Recurring profit rose ¥0.9 billion, or 8.7%, to ¥11.7 billion, following higher sales and lower cost of sales.

Extraordinary profits were higher due to a ¥14 million increase in profit on sales of investments in securities. Extraordinary losses rose as a result of a ¥1.3 billion increase in impairment loss on investments in securities, a ¥0.3 billion loss following the adoption of the Accounting Standard for Asset Retirement Obligations, and a ¥0.2 billion loss on disaster.

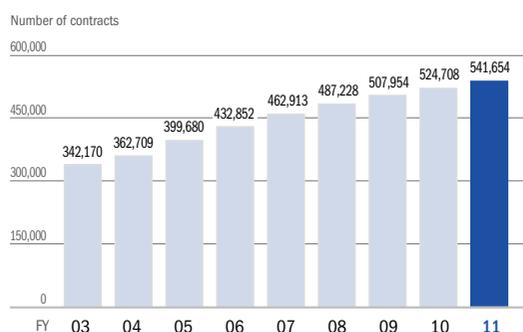
Net income increased ¥0.1 billion, or 3.1%, to ¥4.7 billion.

Forecast for the Fiscal Year Ending March 31, 2012

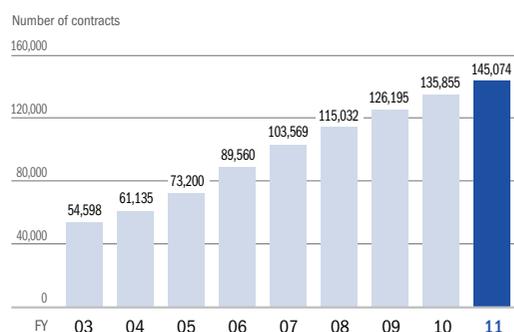
In the fiscal year ending March 31, 2012, ALSOK anticipates that the economic environment in Japan will continue to be greatly affected by the residual impact of the Great East Japan Earthquake, and will therefore remain incredibly harsh. The security services industry will also be unable to escape the effects of the earthquake. The Company projects that the effects of the subsequent decrease in production activities by companies and the loss of consumer confidence will include the cancellation of security contracts and the reduction in negotiated security fees. However, it is anticipated that the economy will begin to recover during the second half of the fiscal year due to the demand created by efforts to recover from the effects of the earthquake, and due to the recovery of business activities in Japan. Moreover, the Company believes that this earthquake has served to increase the desire for safety and security among the citizens of Japan. Against this backdrop, we expect the demand for security services to increase in the future. However, the recent economic trends and the increased competition between security service providers will create an even harsher operating environment.

The ALSOK Group will continue to support the recovery of the people and regions affected by the earthquake. Additionally, through these support activities, we will work to gather information to allow us to respond to the new needs created by the earthquake by introducing

Number of Electronic Security Services Contracts



Number of Individual Home Security Contracts



new products and services in a timely manner. Further, we will re-double our efforts to implement flexible growth strategies responsive to the increasingly diverse perceptions of safety and security held by people and to changes in the social climate, such as the aging of the population. Through these efforts, we will aim to improve our business performance.

In regard to the effects of the Great East Japan Earthquake on the ALSOK Group, while the current situation is subject to change, the Group's consolidated business forecasts have been made based on all information available and best estimates made at this point in time. Should there be any significant changes, we will consider the need to publish special disclosure documents to supplement these forecasts.

In the fiscal year ending March 31, 2012, the ALSOK Group forecasts sales of ¥301.8 billion, up 8.1% year on year, operating profit of ¥9.9 billion, down 4.4%, and net income of ¥5.3 billion, up 12.6%.

Financial Position

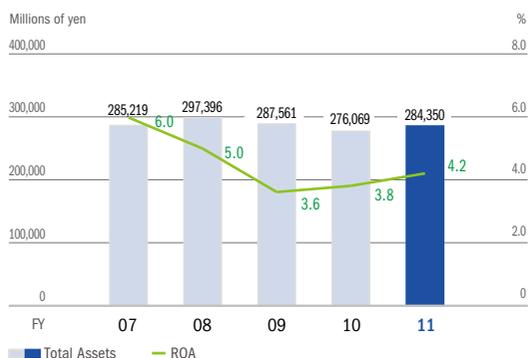
Assets

Total assets at March 31, 2011, increased ¥8.2 billion, or 3.0%, from the previous fiscal year-end, to ¥284.3 billion. Total current assets increased ¥6.4 billion, or 4.4%, to ¥154.7 billion, and total fixed assets rose ¥1.8 billion, or 1.4%, to ¥129.6 billion.

The ¥6.4 billion increase in current assets was primarily due to a ¥6.6 billion increase in cash and deposits and a ¥4.9 billion increase in notes and accounts receivable (as a result of the inclusion of newly consolidated subsidiary Japan Facilio Co., Ltd., there was a ¥4.1 billion increase in cash and deposits and a ¥5.3 billion increase in notes and accounts receivable), which offset the ¥6.6 billion decrease in cash for Transportation Security Services.

The ¥1.8 billion increase in fixed assets was mainly attributable to a ¥2.1 billion increase in buildings and structures.

Total Assets / ROA



Liabilities

Total liabilities at March 31, 2011, increased ¥4.7 billion, or 4.1%, from the previous fiscal year-end, to ¥122.1 billion. Total current liabilities fell ¥4.8 billion, or 6.4%, to ¥71.7 billion, and total long-term liabilities rose ¥9.6 billion, or 23.7%, to ¥50.4 billion.

The ¥4.8 billion decrease in current liabilities was a result of factors such as the ¥13.7 billion decrease in short-term borrowings, which offset a ¥4.9 billion increase in trade notes and accounts payable associated with Japan Facilio Co., Ltd. becoming a consolidated subsidiary.

The ¥9.6 billion increase in long-term liabilities was due to a ¥10.1 billion increase in long-term borrowings and other factors.

Net assets

Total net assets at March 31, 2011, were up ¥3.5 billion, or 2.2%, from the previous fiscal year-end, to ¥162.1 billion.

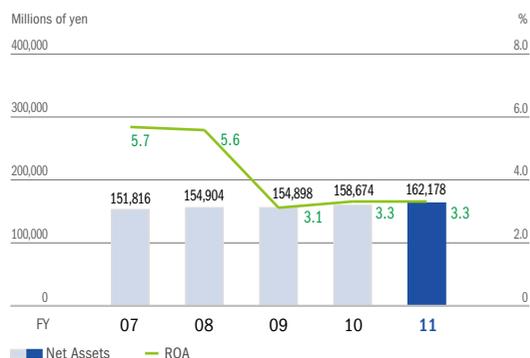
Cash and Cash Equivalents

The balance of cash and cash equivalents (hereafter referred to as "cash") at March 31, 2011, was ¥43.6 billion, up ¥6.3 billion year on year from ¥37.3 billion at March 31, 2010. Net cash provided by operating activities was ¥12.1 billion, net cash used in investment activities was ¥12.2 billion, and net cash provided by financing activities was ¥6.4 billion.

Cash Flows from Operating Activities

As a result of our operating activities in the year under review, net cash provided by operating activities decreased 19.5% year on year, to ¥12.1 billion. Principal items included ¥9.7 billion in income before income taxes, a decrease of 8.2% year on year; ¥12.4 billion in depreciation, a decrease of 1.1%; and ¥7.6 billion in assets and liabilities for Transportation Security Services, a year on year increase of 16.7%.

Net Assets / ROE



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

Cash Flows from Investment Activities

Net cash used in investment activities in the year under review was ¥12.2 billion, a 22.6% year on year decrease. The primary factors were ¥9.8 billion used to acquire fixed assets, up 8.1% from the previous fiscal year, and ¥2.4 billion used to acquire stock in a subsidiary following the addition of Japan Facilio Co., Ltd. to the scope of consolidation.

Cash Flows from Financing Activities

Net cash from financing activities in the year under review was ¥6.4 billion, representing an improvement of ¥14.1 billion. The main element was ¥14.0 billion for payments on repayment of long-term debt.

Basic Policy on Distribution of Profits and Dividends

The Company considers a return of earnings to shareholders to be a top management priority, and our basic policy is to distribute profits to shareholders based on our operating results while fortifying internal reserves. ALSOK uses internal reserves for investments in R&D required for future growth and development, qualitative upgrades to information systems, and capital investment for new businesses as it works to improve its operating performance.

Also, it is the policy of the ALSOK Group to issue dividends from retained earnings twice a year, an interim and a year-end dividend. The year-end dividend is decided at the General Shareholders' Meeting, while the interim dividend is decided by the Board of Directors.

In the fiscal year ended March 31, 2011, the Company paid an interim dividend of ¥10 per share and a year-end dividend of ¥10 per share, for an annual dividend of ¥20 per share, making for a payout ratio of 65.4%. In the fiscal year ending March 31, 2012, the Company plans to pay an interim dividend of ¥10 per share and a year-end dividend of ¥10 per share, for an annual dividend of ¥20 per share.

Risk Information

In relation to the ALSOK Group, the following items could potentially have a significant effect on the decision making of investors. The forward-looking statements below were deemed appropriate by the Group at the time of writing.

(1) Dependency on sales from a specific business sector

Sales from the financial institutions sector accounted for 28.2% of the Group's total sales in the fiscal year ended March 31, 2011. Consequently, trends in the economic environment surrounding financial in-

stitutions, including the possible cancellation of existing security service contracts due to the elimination or consolidation of branch locations, could have a considerable effect on the Group's operating performance. For this reason, the ALSOK Group works to develop and maintain strong relationships with existing customers, promote sales to other industries, and acquire new customers.

(2) Electronic Security Services

Of the Group's total sales, 49.6% are dependent on the Electronic Security Services segment. Electronic Security Services operations is based on the premise of continual capital investment for developing and maintaining operational infrastructures such as the establishment of Guard Centers and depots, vehicles for electronic security services, and communications systems, as well as personnel expenses for Guard Center staff and security staff. Should the Group fail to enter into a certain volume of electronic security services contracts due to any of a wide range of factors associated with the Group's electronic security services, the Group's operating performance could be affected. However, the Group is working to mitigate this risk through the diversification of its business operations.

(3) Transportation Security Services

The Group uses its own funds or funds financed through overdrafts as cash to be used in the operation of the cash deposit machines installed by the subsidiaries of financial institutions in business partners' stores and offices or cash used to deposit advances for Cash Deposit Machine On-line System contracts. For this reason, should there be an increase in interest rates associated with cash procured for these purposes, the Group must renegotiate the pricing conditions defined in contracts between the Group and its clients. Further, the Company has subscribed to cash securities transport insurance to cover any damage or loss that may occur during the transportation or storage of such cash.

(4) Dependency on a specified equipment supplier

The Group is highly dependent on one single equipment supplier for the development and provision of the equipment used in its Guard Centers, which is the core element of the Group's electronic security services. Should any difficulty occur in the provision of such equipment due to a major natural disaster or other reason, the operation of Guard Centers could be affected. Accordingly, the Group takes precautionary measures to avoid this risk, including entering into a master agreement for commodity purchases regarding the equipment used in Guard Centers as well as the equipment used to provide electronic security services to secure the necessary supply of equipment. It also stockpiles a certain amount of equipment to be used in case of an emergency.

(5) Adaptation to changes in the technological environment

The development of security-related equipment and the adoption of state-of-the-art IT technologies are indispensable to the Group's adequate provision of security services, due to the need to deal with "increasingly complicated and heinous crimes," "obsolescence of existing facilities due to the sophistication of information communication infrastructures," and "advances in a wide range of operations applying IT technology." Should our adaptation to technological progress fall behind the changes in the technological environment, the Group's operating performance could be affected. Therefore, the ALSOK Group continues to make efforts in the development of security-related equipment and advanced IT technologies principally within the Group's R&D Department. At the same time, we work to mitigate risk by staying abreast of the latest technology trends in communications, devices, and other related technologies.

(6) Management of personal information

In concluding a security service contract with a client, the Group obtains a significant amount of information about the client including the names, addresses, and phone numbers of related parties, as well as various information about the client's premises where security services are to be employed, and utilizes that essential information for the execution of security services, business activities, etc. Should any major problem occur with regard to the management of this information, including any unforeseeable accidents, the resulting decline in public trust in the Group or monetary claims for damages could affect the operating performance and future business development of the Group.

To mitigate this risk, the Group implements various information security measures to protect information with which it is entrusted by customers. These measures include implementing employee education programs regarding personal information security, thoroughly monitoring third-party business partners providing outsourced services, and other necessary and appropriate measures to protect customer information from leakage, loss, or damage. As a further precaution, the ALSOK Group has subscribed to Leakage of Personal Information Insurance, which covers all Group companies.

(7) Securing human resources

In recent years, Japanese society has been rapidly aging due to the combination of an extended average life expectancy and a sharp drop in the birthrate. Although it can be anticipated that these trends will lead to a rise in the need for ALSOK's security services, it could become more difficult to recruit younger workers in this labor-intensive industry. Should it become necessary that personnel expenses such as wages be increased in order to secure quality human resources,

the Group's operating performance could be affected. The Group is taking steps to address this risk and ensure its ability to secure high-quality human resources, including the development of a new subsidiary to rehire experienced employees that have reached the mandated retirement age.

(8) Legal restrictions

In its provision of various security services, the Group is subject to a variety of statutory restrictions including the major ones stated in the table below.

Should any of these statutory restrictions be amended or abolished, or any new legal provisions additionally established, the Group's operating performance could be affected.

(9) Natural disasters

The Group has constructed a security network in each region, through which it conducts centralized remote monitoring of various information relating to its security services. One of the major network components is the telecommunication infrastructure that connects the client's premises, Guard Centers, depots, etc. The operation of this telecommunication infrastructure depends on the communication services provided by the contracted type-I carrier. Accordingly, should any serious failure take place in the telecommunication infrastructure due to a natural disaster or other reason, or were a natural disaster of unprecedented scale to occur, normal signal transmission/reception from/to contracted clients could become unavailable, causing serious operational difficulties, such as the suspension of security services. In such cases, the resulting claims for damages or the decline in public trust of the Group could affect the operating performance and future business development of the Group. In addition, it could become necessary to incur significant expenses to recover damaged Guard Centers and other facilities.

For this reason, anti-seismic measures have been adopted and/or support center backup has been established for various operationally critical systems, including at Guard Centers, on the premise that such a natural disaster might occur in the area where a Guard Center is established or various types of system malfunctions might happen. Through these precautions, the Group aims to mitigate against the materialization of such risks.

(10) Pandemics

Should a pandemic of a bacteria or virus occur, it could have an effect on the operating performance and future business development of the Group. Therefore, the Group is currently taking measures to prepare for such an eventuality. Measures include raising staff awareness regarding preventive measures, distribution of preventative kits, securing

stockpiles of preventative supplies, as well as formulating a business continuity plan and action plan for such an eventuality.

(11) Scheduled power outages effects on server operation

The Group anticipates that its business infrastructure and the operation of the servers of its core systems could be affected by the power outages scheduled by the Tokyo Electric Power Company as a result of the accidents at the Fukushima Daiichi Nuclear Power Station. While these servers are equipped with emergency power supplies, it is possible that the frequency or timing of power outages could force us to halt operation of these servers, which would cause a subsequent delay in conducting necessary operational processes. Therefore, the Company is developing measures to mitigate the effects of this risk by conducting employee training on how to minimize the effects of power outages. The Company is also evaluating the degree of importance of specific systems so that it can halt operation of less important systems in hopes of extending the period over which more-vital systems may be operated.

(12) Major natural disasters

Should a major earthquake, storm, flood, etc. occur, or should there be a long-term power outage associated with such a disaster, it is possible that the Group's networks or other operational infrastructure could cease functioning, which may disrupt its ability to provide security and other services. Moreover, it is possible that such a disaster could damage Group assets located on clients' premises, such as security alarms, forcing the Company to repair or replace these assets. Therefore, the occurrence of a major earthquake, storm, flood, etc. could impact the Group's operating performance or financial position.

Therefore, the Group has developed a number of precautionary measures based on its wealth of security-related experience and expertise. It has formulated a disaster response plan in accordance with disaster response regulations, established a business continuity plan and other response manuals, stockpiled necessary disaster prevention items, and developed a flexible nationwide response network. It also institutes periodic disaster prevention training and conducts other precautionary measures.

Major operations	Relevant laws	Competent authorities, etc.
Electronic Security Services	Security Business Law	National Public Safety Commission (National Police Agency)
	Road Traffic Law	
Stationed Security Services	Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors	Japan Fair Trade Commission Small and Medium Enterprise Agency
Transportation Security Services	Telecommunications Business Law	Ministry of Internal Affairs and Communications
	Radio Law	
Electronic Security Services	Construction Business Act	Ministry of Land, Infrastructure, Transport and Tourism
Other Services	Act on Ensuring Fair Electric Business Practices	Ministry of Economy, Trade and Industry
Electronic Security Services	Electrical Appliance and Material Safety Act	Ministry of Economy, Trade and Industry
Transportation Security Services	Truck Transport Business Law	Ministry of Land, Infrastructure, Transport and Tourism
	Freight Forwarding Business Law	
	Road Trucking Vehicle Law	
Other Services	Road Trucking Vehicle Law	
Transportation Security Services	Warehousing Business Law	Ministry of Land, Infrastructure, Transport and Tourism
Other Services	Fire Defense Law	Ministry of Internal Affairs and Communications
	Correspondence Delivery Act	
	Fire Prevention Ordinance	Each municipality
	Pharmaceutical Affairs Law	Ministry of Health, Labor and Welfare
	Act on Maintenance of Sanitation in Buildings	
	Worker Dispatching Act	
	Solid Waste Disposal Act	Ministry of the Environment
	Insurance Business Law	Financial Services Agency
	Law on Sales of Financial Products	
	Act on Prevention of Transfer of Criminal Proceeds	
	Consumer Contract Act	
	Act on Regulation of Private Detective Services	National Public Safety Commission (National Police Agency)
	Real Estate Transaction Act	Ministry of Land, Infrastructure, Transport and Tourism
	Act on Architects and Building Engineers	
	Act on Improving Management of Condominiums	
	Act on Ensuring Fair Electric Business Practices	Ministry of Economy, Trade and Industry
	Act on Ensuring Safety and Fair Transactions Regarding Liquid Petroleum Gas	
Act on Specified Commercial Transactions		

Consolidated Balance Sheets

As of March 31, 2011 and 2010	Millions of yen	
	2010	2011
Assets		
Current assets		
Cash and deposits	44,408	51,062
Cash for Transportation Security Services	64,331	57,676
Notes and accounts receivable	20,803	25,722
Lease receivables and lease investment assets	1,385	1,358
Short-term investments in securities	1,859	942
Raw materials and supplies	3,269	5,511
Advance payment	5,389	5,862
Deferred tax assets	2,331	1,755
Other	4,683	5,024
Allowance for doubtful accounts	(184)	(180)
Total current assets	148,279	154,735
Fixed assets		
Tangible fixed assets		
Buildings and structures	36,079	40,455
Depreciation and amortization	(18,005)	(20,212)
Buildings and structures, net	18,073	20,243
Machinery, equipment and delivery equipment	106,395	108,197
Depreciation and amortization	(93,570)	(96,676)
Machinery, equipment and delivery equipment, net	12,825	11,521
Land	18,620	19,699
Leased assets	4,179	6,313
Depreciation and amortization	(975)	(2,019)
Leased assets, net	3,203	4,294
Construction in progress	2,604	1,003
Other	11,481	11,552
Depreciation and amortization	(8,456)	(8,800)
Other, net	3,025	2,752
Total tangible fixed assets	58,351	59,514
Intangible fixed assets		
Software	3,941	4,308
Goodwill	–	1,712
Other	1,262	1,451
Total intangible fixed assets	5,203	7,471
Investments and other assets		
Investments in securities	26,010	24,699
Long-term loans	597	613
Lease deposits	8,469	7,989
Insurance reserve fund	3,165	2,795
Prepaid pension fund	3,752	3,517
Deferred tax assets	14,000	14,634
Other	8,714	9,122
Allowance for doubtful accounts	(475)	(743)
Net investments and other assets	64,235	62,628
Total fixed assets	127,790	129,615
Total assets	276,069	284,350

As of March 31, 2011 and 2010	Millions of yen	
	2010	2011
Liabilities		
Current liabilities		
Trade notes and accounts payable	8,419	13,384
Short-term borrowings	40,114	25,094
Current portion of long-term debt	–	3,688
Current portion of bonds	2,200	2,300
Accounts payable	12,055	11,614
Lease obligations	1,212	1,653
Accrued income taxes	1,814	1,826
Accrued consumption taxes	1,625	1,384
Allowance for bonuses	923	937
Allowance for directors' bonuses	198	193
Differed tax liabilities	7	1
Other	8,082	9,693
Total current liabilities	76,653	71,771
Long-term liabilities		
Bonds	2,200	100
Long-term borrowings	2,053	12,226
Lease obligations	3,539	4,250
Deferred tax liabilities	135	93
Deferred income taxes on land revaluation	418	418
Accrued retirement benefits for employees	27,135	28,099
Accrued retirement benefits for directors and corporate auditors	1,703	1,641
Asset retirement obligations	–	89
Negative goodwill	384	303
Other	3,170	3,178
Total long-term liabilities	40,741	50,400
Total liabilities	117,394	122,172
Net Assets		
Shareholders' equity		
Common stock	18,675	18,675
Capital surplus	32,117	32,117
Retained earnings	95,556	98,374
Treasury stock	(1,974)	(1,974)
Total shareholders' equity	144,375	147,192
Other comprehensive income		
Other securities valuation difference	1,560	1,139
Land revaluation account	(5,395)	(5,395)
Translation adjustments	(2)	(10)
Total other comprehensive income	(3,837)	(4,265)
Minority interests in consolidated subsidiaries	18,137	19,251
Total net assets	158,674	162,178
Total liabilities and net assets	276,069	284,350

Consolidated Statements of Operations and Consolidated Statements of Comprehensive Income

Consolidated Statements of Operations

	Millions of yen	
Fiscal year ended March 31, 2011 and 2010	2010	2011
Sales	278,579	279,272
Cost of sales	210,097	209,364
Gross profit on sales	68,482	69,908
Selling, general and administrative expenses	59,211	59,555
Operating profit	9,270	10,352
Other income		
Interest received	258	300
Dividends received	566	405
Profit on sales of investments in securities	39	18
Rental income	179	177
Gain from insurance claim	124	128
Equity in earnings of affiliates	318	364
Depreciation of negative goodwill	20	80
Received penalties for contracts cancellation	317	331
Other	1,143	981
Total other income	2,969	2,788
Other expenses		
Interest	626	604
Loss on sales of investments in securities	13	6
Loss on disposals of fixed assets	333	246
Financing expenses	174	157
Other	272	360
Total other expenses	1,419	1,375
Recurring profit	10,819	11,765
Extraordinary profits		
Profit on sales of investments in securities	77	92
Total extraordinary profits	77	92
Extraordinary losses		
Impairment loss on investments in securities	198	1,499
Loss on sales of investments in securities	30	4
Impairment loss	15	9
Disaster loss	–	219
Loss on adjustment for changes of accounting standard for asset retirement obligations	–	340
Total extraordinary losses	244	2,074
Income before income taxes	10,652	9,784
Income taxes	3,640	3,741
Income taxes adjustment	1,456	539
Total income taxes	5,096	4,281
Net income before adjusting for minority interests	–	5,502
Minority interests in income of consolidated subsidiaries	992	795
Net income	4,563	4,706

Consolidated Statements of Comprehensive Income

	Millions of yen	
Fiscal year ended March 31, 2011 and 2010	2010	2011
Net income before adjusting for minority interests	–	5,502
Other comprehensive income		
Other securities valuation difference	–	(421)
Translation adjustments	–	(9)
Share of other comprehensive income accounted for using equity method	–	(11)
Total other comprehensive income	–	(443)
Comprehensive income	–	5,059
(Contents)		
Comprehensive income attributable to owners of the parent	–	4,276
Comprehensive income attributable to minority interests	–	783

Consolidated Statements of Changes in Net Assets

Fiscal year ended March 31, 2011 and 2010	Millions of yen	
	2010	2011
Shareholders' equity		
Common stock		
Balance at the end of previous period	18,675	18,675
Changes during the period		
Total changes of items during the period	—	—
Balance at the end of period	18,675	18,675
Capital surplus		
Balance at the end of previous period	32,117	32,117
Changes during the period		
Total changes of items during the period	—	—
Balance at the end of period	32,117	32,117
Retained earnings		
Balance at the end of previous period	93,004	95,556
Changes during the period		
Cash dividends	(2,010)	(2,010)
Net income	4,563	4,706
Change of scope of equity method	—	121
Total changes of items during the period	2,552	2,817
Balance at the end of period	95,556	98,374
Treasury stock		
Balance at the end of previous period	(1,974)	(1,974)
Changes during the period		
Purchase of treasury stock	(0)	(0)
Total changes of items during the period	(0)	(0)
Balance at the end of period	(1,974)	(1,974)
Total shareholders' equity		
Balance at the end of previous period	141,822	144,375
Changes during the period		
Cash dividends	(2,010)	(2,010)
Net income	4,563	4,706
Change of scope of equity method	—	121
Purchase of treasury stock	(0)	(0)
Total changes of items during the period	2,552	2,817
Balance at the end of period	144,375	147,192

Fiscal year ended March 31, 2011 and 2010	Millions of yen	
	2010	2011
Other comprehensive income		
Other securities valuation difference		
Balance at the end of previous period	738	1,560
Changes during the period		
Net amount of changes excluding shareholders' equity	821	(420)
Total changes of items during the period	821	(420)
Balance at the end of period	1,560	1,139
Land revaluation account		
Balance at the end of previous period	(5,395)	(5,395)
Changes during the period		
Net amount of changes excluding shareholders' equity	—	—
Total changes of items during the period	—	—
Balance at the end of period	(5,395)	(5,395)
Translation adjustments		
Balance at the end of previous period	(3)	(2)
Changes during the period		
Net amount of changes excluding shareholders' equity	0	(7)
Total changes of items during the period	0	(7)
Balance at the end of period	(2)	(10)
Total other comprehensive income		
Balance at the end of previous period	(4,660)	(3,837)
Changes during the period		
Net amount of changes excluding shareholders' equity	822	(428)
Total changes of items during the period	822	(428)
Balance at the end of period	(3,837)	(4,265)
Minority interests in consolidated subsidiaries		
Balance at the end of previous period	17,735	18,137
Changes during the period		
Net amount of changes excluding shareholders' equity	401	1,114
Total changes of items during the period	401	1,114
Balance at the end of period	18,137	19,251
Total net assets		
Balance at the end of previous period	154,898	158,674
Changes during the period		
Cash dividends	(2,010)	(2,010)
Net income	4,563	4,706
Change of scope of equity method	—	121
Purchase of treasury stock	(0)	(0)
Net amount of changes excluding shareholders' equity	1,224	686
Total changes of items during the period	3,776	3,503
Balance at the end of period	158,674	162,178

Consolidated Statements of Cash Flows

	Millions of yen	
Fiscal year ended March 31, 2011 and 2010	2010	2011
Cash flows from operating activities		
Income before income taxes	10,652	9,784
Depreciation	12,597	12,457
Impairment loss	15	9
Depreciation of goodwill	37	—
Depreciation of negative goodwill	(20)	(80)
Increase/(decrease) in allowance for doubtful accounts	(31)	(109)
Increase/(decrease) in accrued retirement benefit for employees	(637)	(63)
Increase/(decrease) in allowance for bonuses	46	(0)
Increase/(decrease) in allowance for directors' bonuses	23	(4)
Interest income and dividend income	(825)	(706)
Interest expenses	626	604
Equity in earnings of affiliates	(318)	(364)
Loss on sales of fixed assets	(1)	(6)
Loss on disposals of fixed assets	333	246
Profit on sales of investments in securities	(73)	(100)
Impairment loss on investment in securities	198	1,499
(Gain)/loss on revaluation of derivatives	(41)	95
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	340
(Increase)/decrease in accounts receivable	58	397
(Increase)/decrease in inventories	979	(984)
Decrease in accounts payable	(627)	(792)
Increase in prepaid pension	413	235
Decrease in assets and liabilities for Transportation Security Services	(6,551)	(7,646)
Other	923	517
Sub-total	17,779	15,327
Interest and dividend income, received	857	807
Interest expenses, paid	(622)	(610)
Income taxes, paid	(4,162)	(4,363)
Income tax, refund	1,185	949
Net cash provided by operating activities	15,038	12,110
Cash flows from investment activities		
(Increase)/decrease of time deposits	477	639
Payments for purchases of tangible assets	(9,155)	(9,898)
Proceeds from sales of tangible assets	12	26
Payments for purchases of investments in securities	(1,685)	(1,966)
Proceeds from sales of investments in securities	1,411	2,052
Payment for purchase of subsidiaries's stocks	(160)	(2,451)
(Increase)/decrease in short-term loans	6	0
Long-term loans made	(105)	(113)
Long-term loans collected	144	94
Other	(6,799)	(648)
Net cash used in investment activities	(15,854)	(12,265)
Cash flows from financing activities		
Increase/(decrease) in short-term borrowings	(94)	(267)
Proceeds from long-term debt	500	14,050
Payments on repayment of long-term debt	(2,662)	(1,441)
Payments for redemption of bonds	(2,200)	(2,200)
Proceeds from minority shareholders	—	14
Payments for purchase of treasury stock	(0)	(0)
Repayments of lease obligations	(1,037)	(1,402)
Dividends paid	(2,010)	(2,010)
Dividends paid to minority shareholders	(196)	(273)
Net cash used in financing activities	(7,702)	6,469
Effect of exchange rate changes on cash and cash equivalents	0	(8)
Net decrease in cash and cash equivalents	(8,517)	6,305
Cash and cash equivalents at beginning of the year	45,866	37,349
Balance of cash and cash equivalents at the end of the period	37,349	43,654

CORPORATE INFORMATION / STOCK INFORMATION

As of March 31, 2011

Corporate Information

Corporate Name	SOHGO SECURITY SERVICES CO., LTD.
Head Office	1-6-6 Motoakasaka, Minato-ku, Tokyo 107-8511, Japan
Established	July 16, 1965
Capital	¥18,675,011,600
Fiscal Year-End	March 31
Employees	(Consolidated) 27,790 (Non-consolidated) 12,812
Business Operations	Head office / 9 Headquarters 58 Branches / 45 Offices / 241 Sales Offices

ALSOK's IR Website

ALSOK's corporate information can be viewed online in English. Our website features a variety of content aimed to help interested parties find out more about ALSOK's business and operating results, including a message from the president, a business overview, and financial information. Please visit the website below for more information.



<http://www.alsok.co.jp/ir/en/>

Contact: IR Office

TEL. +81-3-3423-2331
FAX. +81-3-3470-1565
E-mail alsok-ir@alsok.co.jp



If you have any questions, please do not hesitate to contact us.

Stock Information

Total Number of Shares Authorized	300,000,000
Number of Shares Issued	102,040,042 (incl. 1,505,605 shares of treasury stock)
Number of Shareholders at the End of the Preceding Fiscal Period	10,626
Stock Listing	First Section of Tokyo Stock Exchange
Securities Code	2331
Minimum Trading Lot	100

Distribution of Shares by Shareholder Type



Major Shareholders (Top 10)

Name	Number of shares held (1,000 shares)	Percentage of shares held ² (%)
SOHGO CORPORATION	7,388	7.34
Employees Shareholding Association	6,481	6.44
Saitama Machinery Co., Ltd.	5,283	5.25
Japan Trustee Services Bank, Ltd. (trust account)	4,517	4.49
Kamakura Corporation	4,300	4.27
Trust & Custody Services Bank, Ltd. as trustee for Mizuho Bank Ltd. Retirement Benefit Trust	4,261	4.23
Northern Trust Co. (AVFC) Sub Account American Clients	3,476	3.45
Tokio Marine & Nichido Fire Insurance Co., Ltd.	3,420	3.40
Atsushi Murai	2,996	2.98
Kizuna Corporation	2,950	2.93

- The shares held by the Mizuho Trust & Banking Co., Ltd. Retirement Benefit Trust Account entrusted to Mizuho Bank, Ltd. are shares entrusted by Mizuho Bank as a contribution to retirement benefits.
- Treasury stock (1,505,605 shares) has been excluded.



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