

Consolidated Financial Results for the First Quarter Ended June 30, 2012
Prepared in Conformity with Accounting Principles Generally Accepted in Japan (Japanese GAAP)
 English Translation of the Original Japanese-Language Report

SOHGO SECURITY SERVICES CO., LTD

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

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

Representative: Yukiyasu Aoyama , President and Representative Director

Financial and Accounting : Hiraku Otani, Senior Executive Officer

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Date of the Board Meeting for the settlement of consolidated account: July 31, 2012 at 14:00 (GMT+9)

Scheduled Date to File Quarterly Report: August 7, 2012

1. Summary of the consolidated financial results for the first quarter ended June 30, 2012

(April 1, 2012 – June 30, 2012)

(1)Consolidated operating results

(Figures rounded down to the nearest million)

	Three months ended	
	June 30, 2011	June 30, 2012
Net sales	¥72,191 million	¥75,971 million
% change from the previous year	4.8%	5.2%
Operating income	¥2,929 million	¥3,352 million
% change from the previous year	(9.6)%	14.4%
Ordinary income	¥3,464 million	¥3,606 million
% change from the previous year	(1.1)%	4.1%
Net income	¥1,521 million	¥1,944 million
% change from the previous year	4.4%	27.8%
Net income per share	¥15.14	¥19.34
Diluted net income per share	—	—

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

Note 2: Comprehensive income: Three months ended June 30, 2012 ¥1,969 million 5.9%

Three months ended June 30, 2011 ¥1,859 million 70.2%

(2)Consolidated financial conditions

(Figures rounded down to the nearest million)

	As of	
	March 31, 2012	June 30, 2012
Total assets	¥283,593 million	¥281,195 million
Net assets	¥165,634 million	¥166,411 million
Capital adequacy ratio	51.3%	52.0%
Net assets per share	¥1,446.93	¥1,454.86

Note: Equity capital: Three months ended June 30, 2012 ¥146,263 million

Year ended March 31, 2012 ¥145,465 million

2. Dividend

(Record date)	Dividends per share				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Annual
Fiscal year ended March 31, 2012	—	¥10.00	—	¥10.00	¥20.00
Fiscal year ending March 31, 2013	—	—	—	—	—
Fiscal year ending March 31, 2013 (Forecast)	—	¥11.00	—	¥11.00	¥22.00

Note: Revisions to the forecast of dividends in this quarter: No

3. Forecasts for the consolidated financial results for the fiscal year ending March 31, 2013 (April 1, 2012 – March 31, 2013)

	Nets sales	Operating income	Ordinary income	Net income	Net income per share
Interim	¥155,600 million 5.4%	¥6,400 million 1.0%	¥7,400 million 2.7%	¥3,800 million 31.5%	¥37.80
Annual	¥315,000 million 3.4%	¥12,500 million 15.6%	¥14,100 million 12.3%	¥7,300 million 87.0%	¥72.61

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

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

4. Others

(1) Changes in consolidated subsidiaries (Changes in scope of consolidation): No

(2) Application of accounting which is simplified or exceptional for quarterly consolidated financial statements: Yes

(3) Changes in accounting principles, procedures and presentation methods for consolidated financial results

① Changes arising from revision of accounting standards: Yes

② Changes arising from other factors: No

③ Changes arising from accounting estimate: Yes

④ Restatement: No

(4) Number of shares outstanding (Ordinary shares)

① Number of shares issued (including treasury stock): Three months ended June 30, 2012 102,040,042 shares
Year ended March 31, 2012 102,040,042 shares

② Number of shares of treasury stock: Three months ended June 30, 2012 1,505,754 shares
Year ended March 31, 2012 1,505,754 shares

③ Average number of shares during the period (cumulative quarterly period):
Three months ended Jun 30, 2012 100,534,288 shares
Three months ended Jun 30, 2011 100,534,437 shares

* Explanations about proper use of forecasts for consolidated financial results and other special instruction

The above forecasts were prepared based on information obtainable as of the date of release of this document. Going forward, due to a variety of factors accrual results may differ from the estimated figures.

Consolidated Balance Sheets

(Unit: ¥ million)

	As of March 31, 2012	As of June 30, 2012
Assets		
Current assets		
Cash and deposits	48,553	45,801
Cash for Transportation Security Services	55,264	55,426
Notes and accounts receivable-trade	30,749	28,311
Short-term investment securities	2,744	684
Raw materials and supplies	5,625	5,716
Costs on uncompleted construction contracts	562	1,069
Advances paid	8,093	8,189
Other	8,646	13,453
Allowance for doubtful accounts	(179)	(241)
Total current assets	160,060	158,411
Noncurrent assets		
Property, plant and equipment	59,147	58,975
Intangible assets		
Goodwill	1,470	1,378
Other	5,078	4,827
Total intangible assets	6,548	6,206
Investments and other assets		
Investment securities	23,825	23,439
Other	34,744	34,907
Allowance for doubtful accounts	(731)	(745)
Total investments and other assets	57,837	57,601
Total noncurrent assets	123,533	122,783
Total assets	283,593	281,195

Consolidated Balance Sheets

(Unit: ¥ million)

	As of March 31, 2012	As of June 30, 2012
Liabilities		
Current liabilities		
Notes and accounts payable-trade	16,439	13,364
Short-term loans payable	21,924	20,768
Income taxes payable	1,929	951
Provision	1,220	576
Other	27,731	30,799
Total current liabilities	69,245	66,460
Noncurrent liabilities		
Bonds payable	40	35
Long-term loans payable	9,410	8,902
Provision for retirement benefits	28,346	28,754
Provision for directors' retirement benefits	1,699	1,546
Asset retirement obligations	91	92
Other	9,125	8,991
Total noncurrent liabilities	48,713	48,322
Total liabilities	117,958	114,783
Net assets		
Shareholders' equity		
Capital stock	18,675	18,675
Capital surplus	32,117	32,117
Retained earnings	100,267	101,206
Treasury stock	(1,974)	(1,974)
Total shareholders' equity	149,085	150,024
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	1,738	1,587
Revaluation reserve for land	(5,343)	(5,343)
Foreign currency translation adjustment	(14)	(5)
Total valuation and translation adjustments	(3,619)	(3,761)
Minority interests	20,168	20,148
Total net assets	165,634	166,411
Total liabilities and net assets	283,593	281,195

Consolidated Statements of Income

(Unit: ¥ million)

	Three months ended June 30, 2011	Three months ended June 30, 2012
Net sales	72,191	75,971
Cost of sales	54,039	57,332
Gross profit	18,152	18,639
Selling, general and administrative expenses	15,222	15,287
Operating income	2,929	3,352
Non-operating income		
Interest income	63	45
Dividends income	161	150
Equity in earnings of affiliates	21	38
Other	592	358
Total non-operating income	839	593
Non-operating expenses		
Interest expenses	123	126
Loss on sales of investment securities	—	27
Other	181	185
Total non-operating expenses	304	338
Ordinary income	3,464	3,606
Extraordinary income		
Gain on sales of investment securities	—	1
Compensation income	—	287
Total extraordinary income	—	288
Extraordinary loss		
Loss on valuation of investment securities	72	218
Loss on disaster	126	—
Total extraordinary losses	198	218
Income before income taxes	3,265	3,677
Income taxes	1,538	1,548
Income before minority interests	1,726	2,129
Minority interests in income	205	185
Net income	1,521	1,944

Consolidated Statements of Comprehensive Income

(Unit: ¥ million)

	Three months ended June 30, 2011	Three months ended June 30, 2012
Income before minority interests	1,726	2,129
Other comprehensive income		
Valuation difference on available-for-sale securities	121	(181)
Foreign currency translation adjustment	2	10
Share of other comprehensive income of associates accounted for using equity method	8	10
Total other comprehensive income	132	(160)
Comprehensive income	1,859	1,969
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	1,657	1,802
Comprehensive income attributable to minority interests	202	166

Consolidated Statements of Cash Flows

(Unit: ¥ million)

	Three months ended June 30, 2011	Three months ended June 30, 2012
Net cash provided by (used in) operating activities		
Income before income taxes	3,265	3,677
Depreciation and amortization	2,917	2,759
Amortization of goodwill	85	91
Amortization of negative goodwill	(20)	(20)
Increase (decrease) in allowance for doubtful accounts	(17)	75
Increase (decrease) in provision for retirement benefits	292	403
Increase (decrease) in provision for bonuses	(422)	(503)
Increase (decrease) in provision for directors' bonuses	(141)	(139)
Interest and dividends income	(225)	(195)
Interest expenses	123	126
Equity in (earnings) losses of affiliates	(21)	(38)
Loss (gain) on sales of noncurrent assets	(0)	—
Loss on retirement of noncurrent assets	18	0
Loss (gain) on sales of investment securities	—	25
Loss (gain) on valuation of investment securities	72	218
Loss (gain) on valuation of derivatives	47	33
Decrease (increase) in notes and accounts receivable-trade	3,582	2,436
Decrease (increase) in inventories	(582)	(598)
Increase (decrease) in notes and accounts payable-trade	(2,901)	(3,961)
Decrease (increase) in prepaid pension costs	196	(21)
Decrease in assets and liabilities for Transportation Security Services	(5,778)	(3,623)
Other	(623)	(682)
Subtotal	(133)	63
Interest and dividends income received	292	271
Interest expenses paid	(111)	(124)
Income taxes paid	(2,768)	(2,531)
Income taxes refund	—	3
Net cash provided by (used in) operating activities	(2,720)	(2,317)

Consolidated Statements of Cash Flows

(Unit: ¥ million)

	Three months ended June 30, 2011	Three months ended June 30, 2012
Net cash provided by (used in) investing activities		
Decrease (increase) in time deposits	897	232
Purchase of property, plant and equipment	(1,789)	(1,945)
Proceeds from sales of property, plant and equipment	0	—
Purchase of investment securities	(658)	(330)
Proceeds from sales of investment securities	108	2,208
Decrease (increase) in short-term loans receivable	(5)	(0)
Payments of long-term loans receivable	(29)	(13)
Collection of long-term loans receivable	41	39
Other	55	(159)
Net cash provided by (used in) investing activities	(1,380)	29
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	2,075	2,318
Proceeds from long-term loans payable	350	400
Repayment of long-term loans payable	(951)	(937)
Redemption of bonds	(50)	(55)
Repayments of lease obligations	(508)	(773)
Cash dividends paid	(1,005)	(1,005)
Cash dividends paid to minority shareholders	(227)	(186)
Net cash provided by (used in) financing activities	(317)	(239)
Effect of exchange rate change on cash and cash equivalents	0	6
Net increase (decrease) in cash and cash equivalents	(4,418)	(2,520)
Cash and cash equivalents at beginning of period	43,654	40,476
Increase in cash and cash equivalents from newly consolidated subsidiary	379	—
Cash and cash equivalents at end of period	39,616	37,955

Information regarding production, orders, and sales

a. Production

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

(Number of contracts)

Business segment	As of June 30, 2012	YoY(%)
Security Services		
Electronic Security Services	595,602	8.8
Stationed Security Services	3,011	3.9
Transportation Security Services	49,279	6.9
Total	647,892	8.7
Total Building Management Services and Disaster Prevention Services	51,478	13.8
Total for reportable segments	699,370	9.0
Others	10,152	14.1
Total	709,522	9.1

b. Sales

Sales for each business category are as follows.

(¥ million)

Business segment	Three months ended June 30, 2012	YoY(%)
Security Services		
Electronic Security Services	35,912	5.7
Stationed Security Services	18,032	3.4
Transportation Security Services	12,708	3.3
Total	66,652	4.6
Total Building Management Services and Disaster Prevention Services	8,544	17.6
Total for reportable segments	75,197	5.9
Others	774	(35.2)
Total	75,971	5.2

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

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

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