

Consolidated Financial Results for Three Months Ended June 30, 2006

SOHGO SECURITY SERVICES CO., LTD

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

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Date of the Board Meeting for the settlement of consolidated account: August 3, 2006

1. Information related to the preparation of Quarterly Financial Statements

(1) Adoption of simplified accounting methods : Yes

(Details) · Depreciation method for fixed assets : The estimated amount is charged to the first quarter, out of the estimated expense on annual-basis.

· Calculation of income tax : Income taxes are calculated at the estimated rate on annual-basis, based on the statutory tax rate.

(2) Changes in accounting methods : No

(3) Changes in scope of consolidation and application of equity method from the financial results ended March 31, 2006 : None

2. Summary of the consolidated Financial results for the three months ended June 30, 2006 (April 1,2006- June 30, 2006)

(1) Consolidated operating results

(Figures rounded down to the nearest million)

	Three months ended June 30		Year ended March 31
	2006	2005	2006
Sales	¥66,890 million	¥65,371 million	¥267,545 million
% change from the previous year	2.3%	4.8%	
Operating income	¥3,609 million	¥2,544 million	¥12,246 million
% change from the previous year	41.8%	△12.5%	
Recurring profit	¥3,893 million	¥2,932 million	¥13,102 million
% change from the previous year	32.8%	△9.5%	
Net income	¥1,644 million	¥623 million	¥5,550million
% change from the previous year	164.0%	△44.2%	
Basis net income per share	¥16.48	¥6.46	¥52.91
Diluted net income per share	¥16.42	¥6.45	¥52.76

Note: Percentages shown above represent the changes from the previous year.

(2) Consolidated financial conditions

(Figures rounded down to the nearest million)

	Three months ended		Year ended
	June 30, 2006	June 30, 2005	March 31, 2006
Total assets	¥276,422 million	¥279,766 million	¥282,829 million
Net assets	¥145,720 million	¥121,871 million	¥129,193 million
Capital adequacy ratio	46.7%	43.5%	45.7%
Net assets per share	¥1,274.69	¥1,211.92	¥1,274.27

Note: In terms of net assets, capital adequacy ratio and net assets per share, the amount of three months ended June 30, 2005 and year ended March 31, 2006 are according to the past accounting method.

(3) Consolidated cash flows

(Figures rounded down to the nearest million)

	Three months ended		Year ended
	June 30, 2006	June 30, 2005	March 31, 2006
Cash flows from operating activities	△¥453 million	△¥1,289 million	29,106 million
Cash flows from investing activities	△¥3,478 million	△¥2,546 million	△¥14,897 million
Cash flows from financing activities	△¥4,376 million	△¥366 million	△¥8,351 million
Cash and cash equivalents at the end of the period	¥41,913 million	¥40,161 million	¥50,221 million

3. Forecasts for the consolidated financial results for the fiscal year ending March 31, 2007

(April 1, 2006 — March 31, 2007)

There are no changes in the forecasts announced on May 16, 2006.

(Reference)

(Figures rounded down to the nearest million)

	Sales	Operating income	Recurring profit	Net income
Interim	¥136,600 million (3.8%)	¥7,600 million (80.2%)	¥8,200 million (66.7%)	¥4,700 million (321.5%)
Annual	¥277,100 million (3.6%)	¥15,000 million (22.5%)	¥15,700 million (19.8%)	¥8,300 million (49.5%)

Note: 1. The forecasts for the consolidated financial results shown above refer to the company's outlook for the future including risks and uncertain factors, therefore future financial results may be significantly different from the forecast.

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

3. Forecasted net income per share for FYE2006 is ¥80.98.

Consolidated Balance Sheets

(Unit: ¥ million)

	Three months ended June 30, 2006		Year ended March 31, 2006		Change from the previous year		Three months ended June 30, 2005	
	Amount(¥)	Ratio(%)	Amount(¥)	Ratio(%)	Amount(¥)	Ratio(%)	Amount(¥)	Ratio(%)
Assets								
Current assets	141,777	51.3	147,808	52.3	△6,031	△4.1	149,164	53.3
Cash and deposits	78,706		85,856		△7,150	△8.3	84,346	
Notes and accounts receivable	18,463		19,015		△552	△2.9	18,032	
Other	44,608		42,936		1,671	3.9	46,785	
Fixed assets	134,644	48.7	135,020	47.7	△375	△0.3	130,601	46.7
Tangible fixed assets	60,192		59,508		683	1.1	59,153	
Intangible fixed assets	6,247		6,452		△204	△3.2	6,189	
Net investments and other assets	68,204		69,059		△854	△1.2	65,258	
Total assets	276,422	100.0	282,829	100.0	△6,406	△2.3	279,766	100.0
Liabilities								
Current liabilities	71,841	26.0	79,913	28.2	△8,071	△10.1	82,822	29.6
Trade notes and accounts payable	7,212		8,693		△1,480	△17.0	7,495	
Short-term borrowings	38,486		43,350		△4,864	△11.2	48,573	
Current portion of long-term debt	—		500		△500	△100.0	100	
Other	26,141		27,369		△1,227	△4.5	26,654	
Long-term liabilities	58,860	21.3	57,077	20.2	1,783	3.1	59,477	21.3
Total liabilities	130,701	47.3	136,990	48.4	△6,288	△4.6	142,300	50.9
Minority interests in consolidated subsidiaries	—	—	16,645	5.9	—	—	15,594	5.6
Shareholders' equity								
Common stock	—	—	17,830	6.3	—	—	17,159	6.1
Capital surplus	—	—	31,811	11.3	—	—	31,607	11.3
Retained earnings	—	—	79,642	28.2	—	—	76,179	27.2
Land revaluation account	—	—	△4,976	△1.8	—	—	△5,585	△2.0
Other securities valuation difference	—	—	4,911	1.7	—	—	2,536	0.9
Treasury stock	—	—	△27	△0.0	—	—	△26	△0.0
Total shareholders' equity	—	—	129,193	45.7	—	—	121,871	43.5
Total	—	—	282,829	100.0	—	—	279,766	100.0

Contd.

Consolidated Balance Sheets

(Unit: ¥ million)

	Three months ended June 30, 2006		Year ended March 31, 2006		Change from the previous year		Three months ended June 30, 2005	
	Amount(¥)	Ratio(%)	Amount(¥)	Ratio(%)	Amount(¥)	Ratio(%)	Amount(¥)	Ratio(%)
Net Assets								
Shareholders' equity			—	—	—	—	—	—
Common stock	17,999	6.5	—	—	—	—	—	—
Capital surplus	31,883	11.5	—	—	—	—	—	—
Retained earnings	80,207	29.0	—	—	—	—	—	—
Treasury stock	△27	△0.0	—	—	—	—	—	—
Total shareholders' equity	130,063	47.0	—	—	—	—	—	—
Valuation and translation adjustments			—	—	—	—	—	—
Other securities valuation difference	4,544	1.7	—	—	—	—	—	—
Land revaluation account	△5,395	△2.0	—	—	—	—	—	—
Total valuation and translation adjustments	△850	△0.3	—	—	—	—	—	—
Minority interests in consolidated subsidiaries	16,508	6.0	—	—	—	—	—	—
Total net assets	145,720	52.7	—	—	—	—	—	—
Total	276,422	100.0	—	—	—	—	—	—

Consolidated Statements of Operations

(Unit: ¥ million)

	Three months ended June 30, 2006		Three months ended June 30, 2005		Change from the previous year		Year ended March 31, 2006	
	Amount(¥)	Ratio(%)	Amount(¥)	Ratio(%)	Amount(¥)	Ratio(%)	Amount(¥)	Ratio(%)
Net sales	66,890	100.0	65,371	100.0	1,519	2.3	267,545	100.0
Cost of sales	48,718	72.8	48,743	74.6	△24	△0.1	199,144	74.4
Gross profit on sales	18,172	27.2	16,627	25.4	1,544	9.3	68,400	25.6
Selling, general and administrative expenses	14,562	21.8	14,082	21.5	480	3.4	56,154	21.0
Operating income	3,609	5.4	2,544	3.9	1,064	41.8	12,246	4.6
Other income	899	1.3	779	1.2	120	15.4	2,898	1.1
Other expenses	615	0.9	392	0.6	223	56.9	2,041	0.8
Recurring profit	3,893	5.8	2,932	4.5	961	32.8	13,102	4.9
Extraordinary profits	—	—	—	—	—	—	353	0.1
Extraordinary losses	9	0.0	76	0.1	△66	△87.5	1,252	0.4
Income before income taxes	3,883	5.8	2,855	4.4	1,027	36.0	12,203	4.6
Income taxes	1,993	3.0	1,887	2.9	105	5.6	5,567	2.1
Minority interests in income of consolidated subsidiaries	245	0.3	345	0.5	△99	△28.8	1,085	0.4
Net income	1,644	2.5	623	1.0	1,021	164.0	5,550	2.1

Consolidated Statements of Changes in Net Assets

(Unit: ¥ million)

	Shareholders' Equity				Total shareholders' equity
	Common stock	Capital surplus	Retained earnings	Treasury stock	
Balance at March 31, 2006	17,830	31,811	79,642	△27	129,258
Changes during the period					
Exercise of stock options	169	72			241
Net income			1,644		1,644
Dividend of surplus			△859		△859
Bonuses to directors			△220		△220
Treasury stock acquired				△0	△0
Other securities valuation difference					
Land revaluation account					
Minority interests in consolidated subsidiaries					
Total	169	72	564	△0	805
Balance at June 30, 2006	17,999	31,883	80,207	△27	130,063

Contd.

(Unit: ¥ million)

	Valuation and translation adjustments	Minority interests in consolidated subsidiaries	Net assets
Balance at March 31, 2006	△64	16,645	145,839
Changes during the period			
Exercise of stock options			241
Net income			1,644
Dividend of surplus			△859
Bonuses to directors			△220
Treasury stock acquired			△0
Other securities valuation difference	△367		△367
Land revaluation account	△418		△418
Minority interests in consolidated subsidiaries		△137	△137
Total	△786	△137	△118
Balance at June 30, 2006	△850	16,508	145,720

Consolidated Statements of Cash Flows

(Unit: ¥ million)

	Three months ended June	Three months ended June	Year ended March 31,
	30, 2006	30, 2005	2006
	Amount (¥)	Amount (¥)	Amount (¥)
Cash flows from operating activities			
Income before income tax	3,883	2,855	12,203
Depreciation	2,377	2,605	10,907
Impairment loss	—	—	263
Amortization of goodwill	27	121	486
Increase/decrease(Δ) in allowance for doubtful accounts	106	32	19
Increase/decrease(Δ) in accrued retirement benefit for employees	Δ227	Δ415	Δ599
Decrease in allowance for bonuses	Δ3,352	Δ2,699	Δ587
Interest income and dividend income	Δ298	Δ275	Δ765
Interest expenses	226	247	1,034
Equity in earnings of affiliates	Δ51	Δ30	Δ259
Loss on sales of fixed assets	Δ0	0	43
Loss on disposals of fixed assets	89	68	592
Loss on sales of investments in securities	0	—	Δ414
Impairment loss on investment in securities	9	8	33
Increase(Δ)/decrease in accounts receivable	552	Δ62	Δ1,044
Increase(Δ)/decrease in inventories	Δ174	Δ689	55
Increase/decrease(Δ) in accounts payable	Δ1,504	Δ1,299	Δ185
Increase(Δ)/decrease in prepaid pension cost	Δ120	499	518
Other	1,106	Δ602	8,540
Sub-total	2,649	365	30,845
Interest and dividend income, received	332	308	790
Interest expenses, paid	Δ186	Δ186	Δ1,023
Income taxes, paid	Δ3,248	Δ1,777	Δ3,622
Income taxes, refund	—	—	2,117
Net cash provided by operating activities	Δ453	Δ1,289	29,106
Cash flows from investment activities			
Increase(Δ)/decrease of time deposits	Δ422	224	Δ1,522
Payments for purchases of tangible assets	Δ3,172	Δ2,396	Δ11,485
Proceeds from sales of tangible assets	0	0	70
Payments for purchases of investments in securities	Δ923	Δ408	Δ4,429
Proceeds from sales of investments in securities	724	256	3,602
Increase/decrease(Δ) in short-term loans	Δ0	0	13
Long-term loans made	Δ17	Δ27	Δ113
Long-term loans collected	44	52	170
Other	288	Δ247	Δ662
Net cash used in investments activities	Δ3,478	Δ2,546	Δ14,897

Contd.

Consolidated Statements of Cash Flows

(Unit: ¥ million)

	Three months ended June	Three months ended June	Year ended March 31,
	30, 2006	30, 2005	2006
	Amount (¥)	Amount (¥)	Amount (¥)
Cash flows from financing activities			
Increase/decrease(Δ) in short-term borrowings	Δ4,640	2,017	Δ2,878
Proceeds from long-term debt	2,200	300	1,716
Payments on replacement of long-term debt	Δ660	Δ837	Δ5,248
Payments for redemption of bonds	Δ500	—	Δ100
Proceeds from issue of new shares	238	13	876
Payments for acquisition of treasury stock	Δ0	Δ0	Δ1
Dividends paid	Δ859	Δ1,709	Δ2,563
Dividends paid to minority shareholders	Δ153	Δ151	Δ151
Net cash provided by/ (used in) financing activities	Δ4,376	Δ366	Δ8,351
Net increase/decrease(Δ) in cash and cash equivalents	Δ8,308	Δ4,203	5,857
Cash and cash equivalents at beginning of the year	50,221	44,364	44,364
Balance of cash and cash equivalents at the end of the year	41,913	40,161	50,221