

Consolidated Financial Results for Nine Months Ended December 31, 2006

February 13, 2007

SOHGO SECURITY SERVICES CO., LTD

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

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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 third 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 nine months ended December 31, 2006

(April 1,2006- December 31, 2006)

(1) Consolidated operating results

(Figures rounded down to the nearest million)

	Nine months ended December 31		Year ended March 31
	2006	2005	2006
Sales	¥205,097 million	¥198,151 million	¥267,545 million
% change from the previous year	3.5%	3.8%	
Operating income	¥11,818 million	¥6,861 million	¥12,246 million
% change from the previous year	72.3%	13.8%	
Recurring profit	¥12,794 million	¥7,718 million	¥13,102 million
% change from the previous year	65.8%	14.5%	
Net income	¥6,816 million	¥2,571 million	¥5,550million
% change from the previous year	165.1%	31.8%	
Basis net income per share	¥67.47	¥25.81	¥52.91
Diluted net income per share	¥67.20	¥25.75	¥52.76

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

[Qualitative information about the consolidated progress of our business]

In this third-quarter the business results in all our business segments are as we planned. We marked 74.0% for the progress toward the business plan for FYE2007.

Compared to the corresponding period of the previous year, the amount of sales toward financial institutions and business corporations gained. And otherwise, the temporary security services for the financial institution-oriented “Spy Camera Image Capturing Patrol System” and the considerable amount of the monitoring camera system sellout has contributed to increase the sales, 3.5% higher than the corresponding period of the previous year.

Besides, the operating income, recurring profit and the net income has reached 76.2%, 79.0% and 79.3% of the annual forecast announced on November 14, 2006 respectively. In this third quarter, the provision for allowance for

bonuses decreased according to the revision in bonus system, and as a result the amount of operating income has become 11,818 million yen, 72.3% higher than the corresponding period of the previous year, and recurring profit has become 12,794 million yen, 65.8% higher.

As mentioned above, the business results are considered to be favorable toward the business plan for FYE2007.

Meanwhile, the full-scale launch of the new key management system will be postponed for a several months, because of the problem in this current system. However, the implication caused by this postponement is assumed to affect little to the business results for FYE2008.

(2) Consolidated financial conditions

(Figures rounded down to the nearest million)

	Nine months ended		Year ended
	December 31, 2006	December 31, 2005	March 31, 2006
Total assets	¥290,559 million	¥297,764 million	¥282,829 million
Net assets	¥150,608 million	¥125,526 million	¥129,193 million
Capital adequacy ratio	46.0%	42.2%	45.7%
Net assets per share	¥1,315.47	¥1,211.92	¥1,274.27

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

According to the past accounting method, the amount of net assets of nine months ended December 31, 2006 will be ¥133,613 million.

(3) Consolidated cash flows

(Figures rounded down to the nearest million)

	Nine months ended		Year ended
	December 31, 2006	December 31, 2005	March 31, 2006
Cash flows from operating activities	△¥491 million	△¥3,038 million	29,106 million
Cash flows from investing activities	△¥7,334 million	△¥10,202 million	△¥14,897 million
Cash flows from financing activities	¥2,515 million	¥11,439 million	△¥8,351 million
Cash and cash equivalents at the end of the period	¥44,910 million	¥42,562 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)

(Reference)

(Figures rounded down to the nearest million)

	Sales	Operating income	Recurring profit	Net income
Annual	¥277,100 million (3.6%)	¥15,500 million (26.6%)	¥16,200 million (23.6%)	¥8,600 million (55.0%)

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 FYE2007 is ¥85.00.

4. There are no changes in the forecasts announced on November 14, 2006.

Consolidated Balance Sheets

(Unit: ¥ million)

	Nine months ended December 31, 2006		Year ended March 31, 2006		Change from the previous year		Nine months ended December 31, 2005	
	Amount(¥)	Ratio(%)	Amount(¥)	Ratio(%)	Amount(¥)	Ratio(%)	Amount(¥)	Ratio(%)
Assets								
Current assets	157,007	54.0	147,808	52.3	9,198	6.2	164,115	55.1
Cash and deposits	102,926		85,856		17,069		107,268	
Notes and accounts receivable	19,220		19,015		204		18,420	
Other	34,861		42,936		△8,075		38,425	
Fixed assets	133,551	46.0	135,020	47.7	△1,469	△1.1	133,649	44.9
Tangible fixed assets	59,077		59,508		△431		58,853	
Intangible fixed assets	5,847		6,452		△605		6,709	
Net investments and other assets	68,626		69,059		△432		68,085	
Total assets	290,559	100.0	282,829	100.0	7,729	2.7	297,764	100.0
Liabilities								
Current liabilities	85,028	29.3	79,913	28.2	5,115	6.4	97,516	32.7
Trade notes and accounts payable	7,511		8,693		△1,181		7,508	
Short-term borrowings	48,784		43,350		5,433		62,276	
Current portion of long-term debt	1,100		500		600		500	
Other	27,632		27,369		263		27,230	
Long-term liabilities	54,922	18.9	57,077	20.2	△2,154	△3.8	58,311	19.6
Total liabilities	139,951	48.2	136,990	48.4	2,960	2.2	155,827	52.3
Minority interests in consolidated subsidiaries	—	—	16,645	5.9	—	—	16,410	5.5
Shareholders' equity								
Common stock	—	—	17,830	6.3	—	—	17,584	5.9
Capital surplus	—	—	31,811	11.3	—	—	31,740	10.7
Retained earnings	—	—	79,642	28.2	—	—	76,663	25.8
Land revaluation account	—	—	△4,976	△1.8	—	—	△4,976	△1.7
Other securities valuation difference	—	—	4,911	1.7	—	—	4,540	1.5
Treasury stock	—	—	△27	△0.0	—	—	△26	△0.0
Total shareholders' equity	—	—	129,193	45.7	—	—	125,526	42.2
Total	—	—	282,829	100.0	—	—	297,764	100.0

Contd.

Consolidated Balance Sheets

(Unit: ¥ million)

	Nine months ended December 31, 2006		Year ended March 31, 2006		Change from the previous year		Nine months ended December 31, 2005	
	Amount(¥)	Ratio(%)	Amount(¥)	Ratio(%)	Amount(¥)	Ratio(%)	Amount(¥)	Ratio(%)
Net Assets								
Shareholders' equity			—	—	—	—	—	—
Common stock	18,195	6.3	—	—	—	—	—	—
Capital surplus	31,954	11.0	—	—	—	—	—	—
Retained earnings	84,516	29.1	—	—	—	—	—	—
Treasury stock	△5	△0.0	—	—	—	—	—	—
Total shareholders' equity	134,660	46.4	—	—	—	—	—	—
Valuation and translation adjustments			—	—	—	—	—	—
Other securities valuation difference	4,349	1.5	—	—	—	—	—	—
Land revaluation account	△5,395	△1.9	—	—	—	—	—	—
Total valuation and translation adjustments	△1,046	△0.4	—	—	—	—	—	—
Minority interests in consolidated subsidiaries	16,994	5.8	—	—	—	—	—	—
Total net assets	150,608	51.8	—	—	—	—	—	—
Total	290,559	100.0	—	—	—	—	—	—

Consolidated Statements of Operations

(Unit: ¥ million)

	Nine months ended December 31, 2006		Nine months ended December 31, 2005		Change from the previous year		Year ended March 31, 2006	
	Amount(¥)	Ratio(%)	Amount(¥)	Ratio(%)	Amount(¥)	Ratio(%)	Amount(¥)	Ratio(%)
Net sales	205,097	100.0	198,151	100.0	6,946	3.5	267,545	100.0
Cost of sales	150,545	73.4	148,682	75.0	1,862	1.3	199,144	74.4
Gross profit on sales	54,552	26.6	49,469	25.0	5,083	10.3	68,400	25.6
Selling, general and administrative expenses	42,734	20.8	42,607	21.5	126	0.3	56,154	21.0
Operating income	11,818	5.8	6,861	3.5	4,957	72.3	12,246	4.6
Other income	2,399	1.1	2,198	1.1	201	9.2	2,898	1.1
Other expenses	1,423	0.7	1,341	0.7	82	6.1	2,041	0.8
Recurring profit	12,794	6.2	7,718	3.9	5,076	65.8	13,102	4.9
Extraordinary profits	125	0.1	273	0.1	△148	△54.2	353	0.1
Extraordinary losses	437	0.2	831	0.4	△394	△47.4	1,252	0.4
Income before income taxes	12,482	6.1	7,160	3.6	5,322	74.3	12,203	4.6
Income taxes	4,880	2.4	3,761	1.9	1,119	29.8	5,567	2.1
Minority interests in income of consolidated subsidiaries	785	0.4	828	0.4	△42	△5.1	1,085	0.4
Net income	6,816	3.3	2,571	1.3	4,245	165.1	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					
Issue of new shares	364	139			503
Dividend of surplus			△1,722		△1,722
Director's bonuses			△220		△220
Net income			6,816		6,816
Purchase of treasury stock				△0	△0
Disposal of treasury stock		4		22	26
Net amount of changes in the interim period other than shareholders' equity					
Total	364	143	4,873	21	5,402
Balance at December 31, 2006	18,195	31,954	84,516	△5	134,660

Contd.

(Unit: ¥ million)

	Valuation and translation adjustments			Minority interests in consolidated subsidiaries	Net assets
	Other securities valuation difference	Land revaluation account	Total valuation and translation adjustments		
Balance at March 31, 2006	4,911	△4,976	△64	16,645	145,839
Changes during the period					
Issue of new shares					503
Dividend of surplus					△1,722
Director's bonuses					△220
Net income					6,816
Purchase of treasury stock					△0
Disposal of treasury stock					26
Net amount of changes in the interim period other than shareholders' equity	△562	△418	△981	348	△633
Total	△562	△418	△981	348	4,768
Balance at December 31, 2006	4,349	△5,395	△1,046	16,994	150,608

Consolidated Statements of Cash Flows

(Unit: ¥ million)

	Nine months ended December 31, 2006	Nine months ended December 31, 2005	Year ended March 31, 2006
	Amount (¥)	Amount (¥)	Amount (¥)
Cash flows from operating activities			
Income before income taxes	12,482	7,160	12,203
Depreciation	7,401	8,008	10,907
Impairment loss	83	263	263
Amortization of goodwill	—	364	486
Depreciation of goodwill	81	—	—
Increase/decrease(Δ) in allowance for doubtful accounts	Δ1	1	19
Decrease(Δ) in accrued retirement benefit for employees	Δ333	Δ427	Δ599
Decrease in allowance for bonuses	Δ4,050	Δ3,916	Δ587
Increase in allowance for director's bonuses	132	—	—
Interest income and dividend income	Δ761	Δ623	Δ765
Interest expenses	693	759	1,034
Equity in earnings of affiliates	Δ242	Δ163	Δ259
Loss on sales of fixed assets	0	0	43
Loss on disposals of fixed assets	333	215	592
Loss on sales of investments in securities	Δ153	Δ244	Δ414
Impairment loss on investment in securities	73	17	33
Increase in accounts receivable	Δ204	Δ450	Δ1,044
Increase(Δ)/decrease in inventories	Δ669	Δ887	55
Increase/decrease(Δ) in accounts payable	227	Δ110	Δ185
Increase(Δ)/decrease in prepaid pension	Δ668	518	518
Other	Δ10,646	Δ11,816	8,540
Sub-total	3,779	Δ1,329	30,845
Interest and dividend income, received	758	662	790
Interest expenses, paid	Δ650	Δ686	Δ1,023
Income taxes, paid	Δ4,965	Δ3,801	Δ3,622
Income tax, refund	586	2,117	2,117
Net cash provided by operating activities	Δ491	Δ3,038	29,106
Cash flows from investment activities			
Increase of time deposits	Δ245	Δ676	Δ1,522
Payments for purchases of tangible assets	Δ7,160	Δ7,885	Δ11,485
Proceeds from sales of tangible assets	2	108	70
Payments for purchases of investments in securities	Δ1,857	Δ2,274	Δ4,429
Proceeds from sales of investments in securities	1,633	1,822	3,062
Decrease in short-term loans	7	13	13
Long-term loans made	Δ146	Δ66	Δ113
Long-term loans collected	140	140	170
Other	291	Δ1,382	Δ662
Net cash used in investments activities	Δ7,334	Δ10,202	Δ14,897

Contd.

Consolidated Statements of Cash Flows

(Unit: ¥ million)

	Nine months ended December 31, 2006	Nine months ended December 31, 2005	Year ended March 31, 2006
	Amount (¥)	Amount (¥)	Amount (¥)
Cash flows from financing activities			
Increase/decrease(Δ) in short-term borrowings	5,007	16,171	Δ2,878
Proceeds from long-term debt	2,200	927	1,716
Payments on repayment of long-term debt	Δ2,877	Δ3,413	Δ5,248
Payments for redemption of bonds	Δ500	Δ100	Δ100
Proceeds from issue of new shares	498	570	876
Payments for acquisition of treasury stock	Δ0	Δ1	Δ1
Proceeds from disposal of parent company's share by subsidiary	63	—	—
Dividends paid	Δ1,722	Δ2,563	Δ2,563
Dividends paid to minority shareholders	Δ153	Δ151	Δ151
Net cash provided by/ (used in) financing activities	2,515	11,439	Δ8,351
Net increase/decrease(Δ) in cash and cash equivalents	Δ5,311	Δ1,801	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	44,910	42,562	50,221