

# Consolidated Financial Results for Nine Months Ended December 31, 2007

## SOHGO SECURITY SERVICES CO., LTD

(Code No.:2331, TSE 1<sup>st</sup> Sec.)

(URL <http://ir.alsok.co.jp/english>)

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Date of the Board Meeting for the settlement of consolidated account: February 5, 2008

### 1. Summary of the consolidated financial results for nine months ended December 31, 2007 (April 1,2007- December 31, 2007)

#### (1) Consolidated operating results

(Figures rounded down to the nearest million)

|                                 | Nine months ended |                   | Year ended       |
|---------------------------------|-------------------|-------------------|------------------|
|                                 | December 31, 2007 | December 31, 2006 | March 31, 2007   |
| Sales                           | ¥212,433 million  | ¥205,097 million  | ¥276,560 million |
| % change from the previous year | 3.6%              | 3.5%              |                  |
| Operating profit                | ¥11,194 million   | ¥11,818 million   | ¥15,972 million  |
| % change from the previous year | △5.3%             | 72.3%             |                  |
| Recurring profit                | ¥12,229 million   | ¥12,794 million   | ¥16,917 million  |
| % change from the previous year | △4.4%             | 65.8%             |                  |
| Net income                      | ¥6,029 million    | ¥6,816 million    | ¥7,558 million   |
| % change from the previous year | △11.5%            | 165.1%            |                  |
| Basis net income per share      | ¥59.14            | ¥67.47            | ¥74.71           |
| Diluted net income per share    | ¥59.04            | ¥67.20            | ¥74.43           |

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

#### (2) Consolidated financial conditions

(Figures rounded down to the nearest million)

|                        | Nine months ended |                   | Year ended       |
|------------------------|-------------------|-------------------|------------------|
|                        | December 31, 2007 | December 31, 2006 | March 31, 2007   |
| Total assets           | ¥293,829 million  | ¥290,559 million  | ¥285,219 million |
| Net assets             | ¥154,819 million  | ¥150,608 million  | ¥151,816 million |
| Capital adequacy ratio | 46.8%             | 46.0%             | 47.2%            |
| Net assets per share   | ¥1,347.31         | ¥1315.47          | ¥1,322.82        |

(3) Consolidated cash flows

(Figures rounded down to the nearest million)

|  | Nine months ended |                   | Year ended      |
|--|-------------------|-------------------|-----------------|
|  | December 31, 2007 | December 31, 2006 | March 31, 2007  |
| Cash flows from operating activities               | △¥5,452 million   | △¥491 million     | ¥16,570 million |
| Cash flows from investing activities               | △¥6,072 million   | △¥7,334 million   | △¥8,813 million |
| Cash flows from financing activities               | ¥4,167 million    | ¥2,515 million    | △¥5,387 million |
| Cash and cash equivalents at the end of the period | ¥45,236 million   | ¥44,910 million   | ¥52,591 million |

**2. Dividend**

|                    |        | Fiscal year ended |                | Fiscal year ended       |
|--------------------|--------|-------------------|----------------|-------------------------|
|                    |        | March 31, 2008    | March 31, 2007 | March 31, 2008 forecast |
| Dividend per share | 1H     | ¥10.00            | ¥8.50          | —                       |
|                    | 2H     | —                 | ¥11.50         | ¥10.00                  |
|                    | Annual | —                 | ¥20.00         | ¥20.00                  |

**3. Forecasts for the consolidated financial results for the fiscal year ending March 31, 2008  
(April 1, 2007 — March 31, 2008)**

(Figures rounded down to the nearest million)

|        | Sales                      | Operating income          | Recurring profit          | Net income                | Net income per share |
|--------|----------------------------|---------------------------|---------------------------|---------------------------|----------------------|
| Annual | ¥285,900 million<br>(3.4%) | ¥16,000 million<br>(0.2%) | ¥17,000 million<br>(0.5%) | ¥9,300 million<br>(23.0%) | ¥91.21               |

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.

**4. Others**

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

**(Reference) Special instructions**

Sohgo Security Services Co., Ltd. has revised its previous financial forecast for the year ended March 31, 2008 for both consolidated and non-consolidated, which has been released on November 13, 2007.

Sales of Stationed Security, Transportation Security and Other Services are anticipated to exceed their annual business forecasts respectively because of their favorable growth. On the other hand, sales of Electronic Security Services, which has high profitability, is anticipated to be below its annual business forecast, therefore the Company has made a revision of financial forecast for the year ended March 31, 2008.

## 1. Forecast for consolidated financial results for year ended March 31, 2008 (April 1, 2007 ~ March 31, 2008)

(Unit: ¥ million, %)

|  | Sales            | Operating profit | Recurring profit | Net income     |
|--|------------------|------------------|------------------|----------------|
| Previous Forecast (A)                    | ¥285,900 million | ¥17,800 million  | ¥18,600 million  | ¥9,900 million |
| Revised Forecast (B)                     | ¥285,900 million | ¥16,000 million  | ¥17,000 million  | ¥9,300 million |
| Change (B-A)                             | —                | △¥1,800 million  | △¥1,600 million  | △¥600 million  |
| Change (%)                               | —                | △10.1%           | △8.6%            | △6.1%          |
| Results for year ended<br>March 31, 2007 | ¥276,560 million | ¥15,972 million  | ¥16,917 million  | ¥7,558 million |

## 2. Forecast for non-consolidated financial results for year ended March 31, 2008 (April 1, 2007 ~ March 31, 2008)

(Unit: ¥ million, %)

|  | Sales            | Operating profit | Recurring profit | Net income     |
|--|------------------|------------------|------------------|----------------|
| Previous Forecast (A)                    | ¥199,900 million | ¥6,700 million   | ¥10,400 million  | ¥7,300 million |
| Revised Forecast (B)                     | ¥199,900 million | ¥4,900 million   | ¥9,600 million   | ¥7,100 million |
| Change (B-A)                             | —                | △¥1,800 million  | △¥800 million    | △¥200 million  |
| Change (%)                               | —                | △26.9%           | △7.7%            | △2.7%          |
| Results for year ended<br>March 31, 2007 | ¥192,203 million | ¥4,514 million   | ¥7,898 million   | ¥4,807 million |

**Consolidated Balance Sheets**

(Unit: ¥ million)

|                                  | Nine months ended<br>December 31, 2007 |              | Fiscal year ended<br>March 31, 2007 |              | Change       | Nine months ended<br>December 31, 2006 |              |
|----------------------------------|--|--------------|-------------------------------------|--------------|--------------|--|--------------|
|                                  | Amount(¥)                              | Ratio(%)     | Amount(¥)                           | Ratio(%)     | Amount(¥)    | Amount(¥)                              | Ratio(%)     |
| <b>Assets</b>                    |  |              |                                     |              |              |  |              |
| Current assets                   |  |              |                                     |              |              |  |              |
| Cash and deposits                | 99,427                                 |              | 100,411                             |              | △984         | 102,926                                |              |
| Notes and accounts receivable    | 22,562                                 |              | 20,879                              |              | 1,683        | 19,220                                 |              |
| Other                            | 46,117                                 |              | 31,945                              |              | 14,172       | 34,861                                 |              |
| Total current assets             | 168,108                                | 57.2         | 153,237                             | 53.7         | 14,870       | 157,007                                | 54.0         |
| Fixed assets                     |  |              |                                     |              |              |  |              |
| Tangible fixed assets            | 57,824                                 |              | 59,700                              |              | △1,876       | 59,077                                 |              |
| Intangible fixed assets          | 4,864                                  |              | 6,121                               |              | △1,257       | 5,847                                  |              |
| Investments and other assets     | 63,031                                 |              | 66,159                              |              | △3,127       | 68,626                                 |              |
| Total fixed assets               | 125,720                                | 42.8         | 131,981                             | 46.3         | △6,260       | 133,551                                | 46.0         |
| <b>Total assets</b>              | <b>293,829</b>                         | <b>100.0</b> | <b>285,219</b>                      | <b>100.0</b> | <b>8,610</b> | <b>290,559</b>                         | <b>100.0</b> |
|                                  |  |              |                                     |              |              |  |              |
| <b>Liabilities</b>               |  |              |                                     |              |              |  |              |
| Current liabilities              |  |              |                                     |              |              |  |              |
| Trade notes and accounts payable | 8,713                                  |              | 9,401                               |              | △688         | 7,511                                  |              |
| Short-term borrowings            | 50,883                                 |              | 41,769                              |              | 9,114        | 48,784                                 |              |
| Current portion of bonds         | 2,700                                  |              | 2,200                               |              | 500          | 1,100                                  |              |
| Other                            | 28,118                                 |              | 27,920                              |              | 197          | 27,632                                 |              |
| Total current liabilities        | 90,415                                 | 30.8         | 81,291                              | 28.5         | 9,123        | 85,028                                 | 29.3         |
| Long-term liabilities            | 48,594                                 | 16.5         | 52,111                              | 18.3         | △3,516       | 54,922                                 | 18.9         |
| <b>Total liabilities</b>         | <b>139,009</b>                         | <b>47.3</b>  | <b>133,402</b>                      | <b>46.8</b>  | <b>5,607</b> | <b>139,951</b>                         | <b>48.2</b>  |

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## Consolidated Balance Sheets

(Unit: ¥ million)

|  | Nine months ended<br>December 31, 2007 |          | Fiscal year ended<br>March 31, 2007 |          | Change    | Nine months ended<br>December 31, 2006 |          |
|--|--|----------|-------------------------------------|----------|-----------|--|----------|
|  | Amount(¥)                              | Ratio(%) | Amount(¥)                           | Ratio(%) | Amount(¥) | Amount(¥)                              | Ratio(%) |
| <b>Net Assets</b>                                  |  |          |                                     |          |           |  |          |
| Shareholders' equity                               |  |          |                                     |          |           |  |          |
| Common stock                                       | 18,655                                 | 6.4      | 18,536                              | 6.5      | 119       | 18,195                                 | 6.3      |
| Capital surplus                                    | 32,098                                 | 10.9     | 32,047                              | 11.2     | 50        | 31,954                                 | 11.0     |
| Retained earnings                                  | 89,096                                 | 30.3     | 85,258                              | 29.9     | 3,838     | 84,516                                 | 29.1     |
| Treasury stock                                     | △7                                     | △0.0     | △6                                  | △0.0     | △1        | △5                                     | △0.0     |
| Total shareholders' equity                         | 139,842                                | 47.6     | 135,835                             | 47.6     | 4,006     | 134,660                                | 46.4     |
| Valuation and translation<br>adjustments           |  |          |                                     |          |           |  |          |
| Other securities valuation difference              | 2,987                                  | 1.0      | 4,335                               | 1.5      | △1,348    | 4,349                                  | 1.5      |
| Land revaluation account                           | △5,395                                 | △1.8     | △5,395                              | △1.9     | —         | △5,395                                 | △1.9     |
| Translation adjustment                             | 1                                      | 0.0      | —                                   | —        | 1         | —                                      | —        |
| Total valuation and translation<br>adjustments     | △2,407                                 | △0.8     | △1,060                              | △0.4     | △1,347    | △1,046                                 | △0.4     |
| Minority interests in<br>consolidated subsidiaries | 17,384                                 | 5.9      | 17,040                              | 6.0      | 343       | 16,994                                 | 5.8      |
| Total net assets                                   | 154,819                                | 52.7     | 151,816                             | 53.2     | 3,002     | 150,608                                | 51.8     |
| <b>Total</b>                                       | 293,829                                | 100.0    | 285,219                             | 100.0    | 8,610     | 290,559                                | 100.0    |

## Consolidated Statements of Operations

(Unit: ¥ million)

|  | Nine months ended<br>December 31, 2007 |          | Nine months ended<br>December 31, 2006 |          | YoY       | Fiscal year ended<br>March 31, 2007 |          |
|--|--|----------|--|----------|-----------|-------------------------------------|----------|
|  | Amount(¥)                              | Ratio(%) | Amount(¥)                              | Ratio(%) | Amount(¥) | Amount(¥)                           | Ratio(%) |
| Net sales  | 212,433                                | 100.0    | 205,097                                | 100.0    | 7,335     | 276,560                             | 100.0    |
| Cost of sales  | 157,458                                | 74.1     | 150,545                                | 73.4     | 6,912     | 203,080                             | 73.4     |
| Gross profit on sales  | 54,975                                 | 25.9     | 54,552                                 | 26.6     | 422       | 73,479                              | 26.6     |
| Selling, general and administrative<br>expenses              | 43,780                                 | 20.6     | 42,734                                 | 20.8     | 1,046     | 57,507                              | 20.8     |
| Operating profit   | 11,194                                 | 5.3      | 11,818                                 | 5.8      | △623      | 15,972                              | 5.8      |
| Other income   | 2,749                                  | 1.3      | 2,399                                  | 1.1      | 350       | 3,269                               | 1.2      |
| Other expenses   | 1,714                                  | 0.8      | 1,423                                  | 0.7      | 291       | 2,324                               | 0.9      |
| Recurring profit   | 12,229                                 | 5.8      | 12,794                                 | 6.2      | △564      | 16,917                              | 6.1      |
| Extraordinary profits  | 337                                    | 0.1      | 125                                    | 0.1      | 211       | 125                                 | 0.1      |
| Extraordinary losses   | 301                                    | 0.1      | 437                                    | 0.2      | △135      | 802                                 | 0.3      |
| Income before income taxes                                   | 12,265                                 | 5.8      | 12,482                                 | 6.1      | △217      | 16,241                              | 5.9      |
| Income taxes   | 5,624                                  | 2.7      | 4,880                                  | 2.4      | 744       | 7,822                               | 2.9      |
| Minority interests in income of<br>consolidated subsidiaries | 610                                    | 0.3      | 785                                    | 0.4      | △175      | 859                                 | 0.3      |
| Net income   | 6,029                                  | 2.8      | 6,816                                  | 3.3      | △786      | 7,558                               | 2.7      |

## Consolidated Statements of Cash Flows

(Unit: ¥ million)

|  | Nine months ended<br>December 31, 2007 | Nine months ended<br>December 31, 2006 | YoY        | Fiscal year ended<br>March 31, 2007 |
|--|--|--|------------|-------------------------------------|
|  | Amount (¥)                             | Amount (¥)                             | Amount (¥) | Amount (¥)                          |
| <b>Cash flows from operating activities</b>              |  |  |            |                                     |
| Income before income taxes                               | 12,265                                 | 12,482                                 |            | 16,241                              |
| Depreciation   | 8,165                                  | 7,401                                  |            | 10,222                              |
| Impairment loss  | 12                                     | 83                                     |            | 83                                  |
| Depreciation of goodwill                                 | 82                                     | 81                                     |            | 109                                 |
| Increase/decrease(Δ) in allowance for doubtful accounts  | 90                                     | Δ1                                     |            | Δ26                                 |
| Decrease(Δ) in accrued retirement benefit for employees  | Δ154                                   | Δ333                                   |            | Δ746                                |
| Decrease(Δ) in allowance for bonuses                     | Δ1,526                                 | Δ4,050                                 |            | Δ2,829                              |
| Increase/decrease(Δ) in allowance for director's bonuses | Δ101                                   | 132                                    |            | 223                                 |
| Interest income and dividend income                      | Δ920                                   | Δ761                                   |            | Δ964                                |
| Interest expenses  | 723                                    | 693                                    |            | 957                                 |
| Equity in earnings of affiliates                         | Δ260                                   | Δ242                                   |            | Δ256                                |
| Loss on sales of fixed assets                            | 7                                      | 0                                      |            | 2                                   |
| Loss on disposals of fixed assets                        | 297                                    | 333                                    |            | 497                                 |
| Loss on sales of investments in securities               | Δ219                                   | Δ153                                   |            | Δ117                                |
| Impairment loss on investment in securities              | 168                                    | 73                                     |            | 122                                 |
| Increase(Δ) in accounts receivable                       | Δ1,683                                 | Δ204                                   |            | Δ1,864                              |
| Increase(Δ)/decrease in inventories                      | Δ620                                   | Δ669                                   |            | 366                                 |
| Increase/decrease(Δ) in accounts payable                 | Δ805                                   | 227                                    |            | 2,381                               |
| Increase(Δ)/decrease in prepaid pension                  | Δ1,031                                 | Δ668                                   |            | Δ1,127                              |
| Other  | Δ13,971                                | Δ10,646                                |            | Δ1,821                              |
| Sub-total  | 518                                    | 3,779                                  | Δ3,260     | 21,453                              |
| Interest and dividend income, received                   | 977                                    | 758                                    |            | 1,027                               |
| Interest expenses, paid                                  | Δ505                                   | Δ650                                   |            | Δ970                                |
| Income taxes, paid                                       | Δ7,004                                 | Δ4,965                                 |            | Δ5,526                              |
| Income tax, refund                                       | 561                                    | 586                                    |            | 586                                 |
| Net cash provided by operating activities                | Δ5,452                                 | Δ491                                   | Δ4,961     | 16,570                              |
|  |  |  |            |                                     |
| <b>Cash flows from investment activities</b>             |  |  |            |                                     |
| Increase(Δ) of time deposits                             | Δ1,219                                 | Δ245                                   |            | Δ298                                |
| Payments for purchases of tangible assets                | Δ6,219                                 | Δ7,160                                 |            | Δ10,585                             |
| Proceeds from sales of tangible assets                   | 230                                    | 2                                      |            | 5                                   |
| Payments for purchases of investments in securities      | Δ1,866                                 | Δ1,857                                 |            | Δ3,146                              |
| Proceeds from sales of investments in securities         | 3,276                                  | 1,633                                  |            | 3,767                               |
| Increase(Δ)/decrease in short-term loans                 | Δ33                                    | 7                                      |            | 4                                   |
| Long-term loans made                                     | Δ228                                   | Δ146                                   |            | Δ177                                |
| Long-term loans collected                                | 337                                    | 140                                    |            | 178                                 |
| Other  | Δ350                                   | 291                                    |            | 1,439                               |
| Net cash used in investments activities                  | Δ6,072                                 | Δ7,334                                 | 1,261      | Δ8,813                              |

Contd.

## Consolidated Statements of Cash Flows

(Unit: ¥ million)

|  | Nine months ended<br>December 31, 2007 | Nine months ended<br>December 31, 2006 | YoY        | Fiscal year ended<br>March 31, 2007 |
|--|--|--|------------|-------------------------------------|
|  | Amount (¥)                             | Amount (¥)                             | Amount (¥) | Amount (¥)                          |
| <b>Cash flows from financing activities</b>                        |  |  |            |                                     |
| Increase/decrease(Δ) in short-term borrowings                      | 10,371                                 | 5,007                                  |            | Δ2,415                              |
| Proceeds from long-term debt                                       | 650                                    | 2,200                                  |            | 2,950                               |
| Payments on repayment of long-term debt                            | Δ3,551                                 | Δ2,877                                 |            | Δ4,536                              |
| Payments for redemption of bonds                                   | Δ1,100                                 | Δ500                                   |            | Δ500                                |
| Proceeds from issue of new shares                                  | 167                                    | 498                                    |            | 928                                 |
| Proceeds from issue of new shares to minority shareholders         | 20                                     | —                                      |            | —                                   |
| Payments for acquisition of treasury stock                         | Δ1                                     | Δ0                                     |            | Δ1                                  |
| Proceeds from disposal of parent company's share by subsidiary     | —                                      | 63                                     |            | 63                                  |
| Dividends paid   | Δ2,191                                 | Δ1,722                                 |            | Δ1,722                              |
| Dividends paid to minority shareholders                            | Δ197                                   | Δ153                                   |            | Δ153                                |
| Net cash provided by/ (used in) financing activities               | 4,167                                  | 2,515                                  | 1,652      | Δ5,387                              |
|  |  |  |            |                                     |
| <b>Effect of exchange rate change on cash and cash equivalents</b> | 2                                      | —                                      | 2          | —                                   |
|  |  |  |            |                                     |
| <b>Net increase/decrease(Δ) in cash and cash equivalents</b>       | Δ7,357                                 | Δ5,311                                 | Δ2,046     | 2,369                               |
|  |  |  |            |                                     |
| <b>Cash and cash equivalents at beginning of the year</b>          | 52,591                                 | 50,221                                 | 2,369      | 50,221                              |
|  |  |  |            |                                     |
| <b>Balance of cash and cash equivalents at the end of the year</b> | 45,236                                 | 44,910                                 | 325        | 52,591                              |