

# Consolidated Financial Results for Six Months Ended September 30, 2006

## SOHGO SECURITY SERVICES CO., LTD

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

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

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Date of the Board Meeting for the settlement of consolidated account: November 14, 2006

U.S. GAAP is not applied

### 1. Summary of the consolidated financial results for the six months ended September 30, 2006

(April 1, 2006- September 30, 2006)

#### (1) Consolidated operating results

(Figures rounded down to the nearest million)

	Six months ended September 30		Year ended March 31
	2006	2005	2006
Sales	¥135,833 million	¥131,597 million	¥267,545 million
% change from the previous year	3.2%	4.3%	
Operating income	¥8,420 million	¥4,218 million	¥12,246 million
% change from the previous year	99.6%	3.0%	
Recurring profit	¥9,222 million	¥4,919 million	¥13,102 million
% change from the previous year	87.5%	7.7%	
Net income	¥5,029 million	¥1,115 million	¥5,550 million
% change from the previous year	350.7%	△5.1%	
Basis net income per share	¥49.86	¥11.36	¥52.91
Diluted net income per share	¥49.67	¥11.34	¥52.76

Note: 1. Equity in earnings of affiliates

Six months ended September 30, 2006: ¥146 million

Six months ended September 30, 2005: ¥61 million

Year ended March 31, 2006: ¥259 million

2. Average number of shares outstanding during the fiscal year

Six months ended September 30, 2006: 101,360,703 shares

Six months ended September 30, 2005: 100,564,968 shares

Year ended March 31, 2006: 100,751,191 shares

3. Change in Accounting method; None

4. Percentages shown above represent the changes from the previous year.

(2) Consolidated financial conditions

(Figures rounded down to the nearest million)

	Six months ended		Year ended
	September 30, 2006	September 30, 2005	March 31, 2006
Total assets	¥277,749 million	¥278,536 million	¥282,829 million
Net assets	¥149,244 million	¥123,416 million	¥129,193 million
Capital adequacy ratio	47.7%	44.3%	45.7%
Net assets per share	¥1,306.34	¥1,226.93	¥1,274.27

Note:1. Number of shares outstanding

Six months ended September 30, 2006: 101,480,099 shares

Six months ended September 30, 2005: 100,589,379 shares

Year ended March 31, 2006: 101,192,940 shares

Note:2. 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)

	Six months ended		Year ended
	September 30, 2006	September 30, 2005	March 31, 2006
Cash flows from operating activities	¥9,263 million	¥11,302 million	¥29,106 million
Cash flows from investing activities	△¥5,562 million	△¥5,585 million	△¥14,897 million
Cash flows from financing activities	△¥8,892 million	△¥7,260 million	△¥8,351 million
Cash and cash equivalents at the end of the period	¥45,030 million	¥42,820 million	¥50,221 million

(4) Number of companies included in consolidated accounts

Consolidated subsidiaries: 43

Non-consolidated subsidiaries not accounted for under the equity method: None

Affiliates accounted for under the equity method: 8

(5) Change of the number of companies included in consolidated accounts: None

**2. Forecasts for the consolidated financial results for the fiscal year ending March 31, 2007  
(April 1, 2006 — March 31, 2007)**

(Figures rounded down to the nearest million)

	Sales	Operating income	Recurring profit	Net income
Year ending March 31, 2007	¥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 FYE2006 is ¥85.00.

## Consolidated Balance Sheets

(Unit: ¥ million)

	Six months ended September 30, 2006		Six months ended September 30, 2005		Change from the previous year	Year ended March 31, 2006	
	Amount(¥)	Ratio(%)	Amount(¥)	Ratio(%)	Amount(¥)	Amount(¥)	Ratio(%)
<b>Assets</b>							
Current assets							
Cash and deposits	90,871		87,523			85,856	
Notes and accounts receivable	19,582		17,297			19,015	
Short-term investments in securities	576		412			409	
Inventories	4,774		5,500			4,458	
Advance payment	19,127		25,372			29,777	
Deferred tax assets	4,093		6,243			4,092	
Other	4,578		4,331			4,380	
Allowance for doubtful accounts	△151		△204			△182	
Total current assets	143,452	51.6	146,476	52.6	△3,024	147,808	52.3
Fixed assets							
Tangible fixed assets							
Buildings and structures	19,297		19,169			19,329	
Machinery, equipment and delivery equipment	17,667		18,046			17,795	
Land	17,867		17,005			17,097	
Construction in progress	1,408		619			1,598	
Other	3,491		3,768			3,687	
Total tangible fixed assets	59,732		58,609		1,122	59,508	
Intangible fixed assets							
Software	2,938		3,218			3,290	
Consolidation adjustments account	—		609			366	
Goodwill	312		—			—	
Other	2,796		2,578			2,795	
Total intangible fixed assets	6,048		6,407		△359	6,452	
Investments and other assets							
Investments in securities	35,545		32,691			36,400	
Long-term loan	1,906		1,940			1,921	
Lease deposits	8,929		9,038			9,081	
Insurance reserve fund	4,265		5,793			4,474	
Prepaid pension expenses	1,238		876			861	
Deferred tax assets	16,846		16,641			16,384	
Other	2,045		2,250			2,167	
Allowance for doubtful accounts	△2,263		△2,190			△2,230	
Net investments and other assets	68,515		67,042		1,473	69,059	
Total fixed assets	134,296	48.4	132,059	47.4	2,237	135,020	47.7
<b>Total assets</b>	<b>277,749</b>	<b>100.0</b>	<b>278,536</b>	<b>100.0</b>	<b>△787</b>	<b>282,829</b>	<b>100.0</b>

Contd.

## Consolidated Balance Sheets

(Unit: ¥ million)

	Six months ended September 30, 2006		Six months ended September 30, 2005		Change from the previous year	Year ended March 31, 2006	
	Amount(¥)	Ratio(%)	Amount(¥)	Ratio(%)	Amount(¥)	Amount(¥)	Ratio(%)
<b>Liabilities</b>							
Current liabilities							
Trade notes and accounts payable	7,938		7,317			8,693	
Short-term borrowings	36,614		43,571			43,350	
Current portion of bonds	1,100		600			500	
Accounts payable	11,324		9,499			10,976	
Accrued income taxes	2,787		2,381			2,130	
Accrued consumption taxes	1,734		1,384			1,537	
Allowance for bonuses	3,497		8,463			4,688	
Allowance for director's bonuses	124		—			—	
Other	8,614		8,414			8,036	
Total current liabilities	73,735	26.6	81,632	29.3	△7,896	79,913	28.2
Long-term liabilities							
Bonds	10,400		11,500			11,500	
Long-term borrowings	9,115		10,931			10,194	
Deferred tax liabilities	56		17			62	
Deferred income taxes on land revaluation	418		—			—	
Accrued retirement benefits for employees	29,458		29,817			29,903	
Accrued retirement benefits for directors and corporate auditors	1,459		1,560			1,653	
Other	3,860		3,692			3,764	
Total long-term liabilities	54,768	19.7	57,519	20.7	△2,750	57,077	20.2
Total liabilities	128,504	46.3	139,151	50.0	△10,647	136,990	48.4

Contd.

## Consolidated Balance Sheets

(Unit: ¥ million)

	Six months ended September 30, 2006		Six months ended September 30, 2005		Change from the previous year	Year ended March 31, 2006	
	Amount(¥)	Ratio(%)	Amount(¥)	Ratio(%)	Amount(¥)	Amount(¥)	Ratio(%)
<b>Minority interests in consolidated subsidiaries</b>	—	—	15,968	5.7	—	16,645	5.9
<b>Shareholders' equity</b>							
Common stock	—	—	17,193	6.2	—	17,830	6.3
Capital surplus	—	—	31,614	11.3	—	31,811	11.3
Retained earnings	—	—	76,063	27.3	—	79,642	28.2
Land revaluation account	—	—	△4,976	△1.8	—	△4,976	△1.8
Other securities valuation difference	—	—	3,549	1.3	—	4,911	1.7
Treasury stock	—	—	△26	△0.0	—	△27	△0.0
Total shareholders' equity	—	—	123,416	44.3	—	129,193	45.7
<b>Total</b>	—	—	278,536	100.0	—	282,829	100.0
<b>Net Assets</b>							
Shareholders' equity							
Common stock	18,093	6.5	—	—	—	—	—
Capital surplus	31,930	11.5	—	—	—	—	—
Retained earnings	83,591	30.1	—	—	—	—	—
Treasury stock	△5	△0.0	—	—	—	—	—
Total shareholders' equity	133,610	48.1	—	—	—	—	—
Valuation and translation adjustments							
Other securities valuation difference	4,352	1.5	—	—	—	—	—
Land revaluation account	△5,395	△1.9	—	—	—	—	—
Total valuation and translation adjustments	△1,043	△0.4	—	—	—	—	—
Minority interests in consolidated subsidiaries	16,677	6.0	—	—	—	—	—
Total net assets	149,244	53.7	—	—	—	—	—
<b>Total</b>	277,749	100.0	—	—	—	—	—

## Consolidated Statements of Operations

(Unit: ¥ million)

	Six months ended September 30, 2006		Six months ended September 30, 2005		Change from the previous year	Year ended March 31, 2006	
	Amount(¥)	Ratio(%)	Amount(¥)	Ratio(%)	Amount(¥)	Amount(¥)	Ratio(%)
Net sales	135,833	100.0	131,597	100.0	4,236	267,545	100.0
Cost of sales	99,025	72.9	98,972	75.2	53	199,144	74.4
Gross profit on sales	36,807	27.1	32,625	24.8	4,182	68,400	25.6
Selling, general and administrative expenses	28,387	20.9	28,406	21.6	△19	56,154	21.0
Operating income	8,420	6.2	4,218	3.2	4,202	12,246	4.6
Other income							
Interest received	196		107			301	
Dividends received	416		414			463	
Profit on sales of investments in securities, net	35		0			122	
Rental income	209		188			381	
Gain from insurance claim	81		134			167	
Equity in earnings of affiliates	146		61			259	
Dividend income on insurance policies	188		190			204	
Other	496	1.3	530	1.2	144	997	1.1
Other expenses							
Interest	458		505			1,034	
Loss on sales of investments in securities, net	—		5			9	
Loss on disposals of fixed assets	193		140			472	
Other	317	0.7	274	0.7	43	525	0.8
Recurring profit	9,222	6.8	4,919	3.7	4,303	13,102	4.9

Contd.

## Consolidated Statements of Operations

(Unit: ¥ million)

	Six months ended September 30, 2006		Six months ended September 30, 2005		Change from the previous year	Year ended March 31, 2006	
	Amount(¥)	Ratio(%)	Amount(¥)	Ratio(%)	Amount(¥)	Amount(¥)	Ratio(%)
Extraordinary profits							
Profit on sales of investments in securities, net	114		132			299	
Restitution income	—		53			53	
Other	11	0.1	—	0.1	△61	—	0.1
Extraordinary losses							
Impairment loss on investments in securities	74		16			33	
Loss on disposal and impairment of fixed assets	—		—			120	
Loss on disposal of inventories	96		—			196	
Loss on disposal of software	—		311			432	
Loss on sale of land	—		39			39	
Special retirement expense	—		51			106	
Provision for doubtful accounts	—		59			59	
Impairment loss	83		263			263	
Bad debt loss	183		—			—	
Other extraordinary losses	—	0.3	87	0.6	△392	—	0.4
Income before income taxes	8,910	6.6	4,275	3.2	4,634	12,203	4.6
Income taxes	3,393		2,605			4,291	
Income taxes adjustment	—	2.5	—	2.0	788	1,275	2.1
Minority interests in income of consolidated subsidiaries	487	0.4	555	0.4	△67	1,085	0.4
Net income	5,029	3.7	1,115	0.8	3,913	5,550	2.1

## Consolidated Statements of Capital Surplus and Retained Earnings

(Unit: ¥ million)

	Six months ended September 30, 2005	Year ended March 31, 2006
	Amount(¥)	Amount(¥)
<b>Capital surplus</b>		
Balance at beginning of the period	31,600	31,600
Increase in capital surplus		
Exercise of stock options	13	210
Balance at end of the period	31,614	31,811
<b>Retained earnings</b>		
Balance at beginning of the period	77,444	77,444
Increase of retained earnings		
Net income	1,115	5,550
Decrease of retained earnings		
Cash dividends	1,709	2,563
Directors' bonuses	178	178
Reversal of land revaluation account	609	609
Balance at end of the period	76,063	79,642



## 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	262	115			377
Dividend of surplus			△859		△859
Director's bonuses			△220		△220
Net income			5,029		5,029
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	262	119	3,948	21	4,352
Balance at September 30, 2006	18,093	31,930	83,591	△5	133,610

**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					377
Dividend of surplus					△859
Director's bonuses					△220
Net income					5,029
Purchase of treasury stock					△0
Disposal of treasury stock					26
Net amount of changes in the interim period other than shareholders' equity	△559	△418	△978	31	△946
Total	△559	△418	△978	31	3,405
Balance at September 30, 2006	4,352	△5,395	△1,043	16,677	149,244

## Consolidated Statements of Cash Flows

(Unit: ¥ million)

	Six months ended September 30, 2006	Six months ended September 30, 2005	Year ended March 31, 2006
	Amount (¥)	Amount (¥)	Amount (¥)
<b>Cash flows from operating activities</b>			
Income before income taxes	8,910	4,275	12,203
Depreciation	4,837	5,184	10,907
Impairment loss	83	263	263
Amortization of goodwill	—	243	486
Depreciation of goodwill	54	—	—
Increase in allowance for doubtful accounts	1	1	19
Decrease(Δ) in accrued retirement benefit for employees	Δ444	Δ685	Δ599
Increase/decrease(Δ) in allowance for bonuses	Δ1,191	3,188	Δ587
Increase in allowance for director's bonuses	124	—	—
Interest income and dividend income	Δ613	Δ522	Δ765
Interest expenses	458	505	1,034
Equity in earnings of affiliates	Δ146	Δ61	Δ259
Loss on sales of fixed assets	0	1	43
Loss on disposals of fixed assets	193	140	592
Loss on sales of investments in securities	Δ149	Δ126	Δ414
Impairment loss on investment in securities	74	16	33
Increase(Δ)/decrease in accounts receivable	Δ566	673	Δ1,044
Increase(Δ)/decrease in inventories	Δ316	Δ985	55
Decrease in accounts payable	Δ209	Δ3,381	Δ185
Increase(Δ)/decrease in prepaid pension	Δ377	504	518
Other	965	1,668	8,540
Sub-total	11,689	10,904	30,845
Interest and dividend income, received	621	572	790
Interest expenses, paid	Δ471	Δ499	Δ1,023
Income taxes, paid	Δ3,162	Δ1,744	Δ3,622
Income tax, refund	586	2,070	2,117
Net cash provided by operating activities	9,263	11,302	29,106
<b>Cash flows from investment activities</b>			
Increase(Δ)/decrease of time deposits	Δ180	431	Δ1,522
Payments for purchases of tangible assets	Δ5,280	Δ4,945	Δ11,485
Proceeds from sales of tangible assets	1	94	70
Payments for purchases of investments in securities	Δ1,492	Δ1,088	Δ4,429
Proceeds from sales of investments in securities	1,196	423	3,062
Decrease in short-term loans	2	6	13
Long-term loans made	Δ76	Δ56	Δ113
Long-term loans collected	91	93	170
Other	174	Δ545	Δ662
Net cash used in investments activities	Δ5,562	Δ5,585	Δ14,897

Contd.

## Consolidated Statements of Cash Flows

(Unit: ¥ million)

	Six months ended September 30, 2006	Six months ended September 30, 2005	Year ended March 31, 2006
	Amount (¥)	Amount (¥)	Amount (¥)
<b>Cash flows from financing activities</b>			
Decrease in short-term borrowings	△7,604	△2,939	△2,878
Proceeds from long-term debt	2,200	320	1,716
Payments on repayment of long-term debt	△2,411	△2,834	△5,248
Payments for redemption of bonds	△500	—	△100
Proceeds from issue of new shares	373	53	876
Payments for acquisition of treasury stock	△0	△0	△1
Proceeds from disposal of parent company's share by subsidiary	63	—	—
Dividends paid	△859	△1,709	△2,563
Dividends paid to minority shareholders	△153	△151	△151
Net cash provided by/ (used in) financing activities	△8,892	△7,260	△8,351
<b>Net increase/decrease(Δ) in cash and cash equivalents</b>	△5,191	△1,543	5,857
<b>Cash and cash equivalents at beginning of the year</b>	50,221	44,364	44,364
<b>Balance of cash and cash equivalents at the end of the year</b>	45,030	42,820	50,221