

# Consolidated Financial Results for Fiscal Year Ended March 31, 2007

## SOHGO SECURITY SERVICES CO., LTD

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

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

Representative: Atsushi Murai, President and Representative Director

For inquiries: Teruhiko Wakaki, General Manager of IR Office

(Phone: +81-3-3423-2331)

Date of the Board Meeting for the settlement of consolidated account: May 15, 2007

Scheduled Date of the General Meeting of Shareholders: June 28, 2007

Scheduled Date of Payment of Dividend: June 29, 2007

Scheduled Date of Filing Yukashoken-Houkokusho: June 28, 2007

### 1. Summary of the consolidated financial results for the fiscal year ended March 31, 2007 (April 1,2006- March 31, 2007)

#### (1) Consolidated operating results

(Figures rounded down to the nearest million)

	Fiscal year ended March 31	
	2007	2006
Sales	¥276,560 million	¥267,545 million
% change from the previous year	3.4 %	3.8%
Operating income	¥15,972 million	¥12,246 million
% change from the previous year	30.4%	11.7%
Recurring profit	¥16,917 million	¥13,102 million
% change from the previous year	29.1%	13.0%
Net income	¥7,558 million	¥5,550 million
% change from the previous year	36.2%	12.1%
Net income per share	¥74.71	¥52.91
Diluted net income per share	¥74.43	¥52.76
ROE(Net income to equity)	5.7%	4.4%
Ordinary profit to total assets	6.0%	4.6%
Operating income to sales	5.8%	4.6%

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

Note 2: Equity in earnings of affiliates : Year ended March 31, 2007 ¥256 million, Year ended March 31, 2006 ¥259 million

#### (2) Consolidated financial conditions

(Figures rounded down to the nearest million)

	Fiscal year ended	
	March 31, 2007	March 31, 2006
Total assets	¥285,219 million	¥282,829 million
Net assets	¥151,816 million	¥129,193 million
Capital adequacy ratio	47.2%	45.7%
Net assets per share	¥1,322.82	¥1,274.27

Note: Equity capital: Year ended March 31, 2007 ¥134,775 million, Year ended March 31, 2006 ¥129,193 million

(3) Consolidated cash flows

(Figures rounded down to the nearest million)

	Fiscal year ended	
	March 31, 2007	March 31, 2006
Cash flows from operating activities	¥16,570 million	¥29,106 million
Cash flows from investing activities	△¥8,813 million	△¥14,897 million
Cash flows from financing activities	△¥5,387 million	△¥8,351 million
Cash and cash equivalents at the end of the period	¥52,591 million	¥50,221 million

2. Dividend

		Fiscal year ended		Fiscal year ended
		March 31, 2007	March 31, 2006	March 31, 2008 forecast
Dividend per share	1H	¥8.50	¥8.50	¥10.00
	2H	¥11.50	¥8.50	¥10.00
	Annual	¥20.00	¥17.00	¥20.00
Total dividend (Annual)		¥2,034 million	¥1,714 million	
Consolidated payout ratio		26.8%	32.1%	20.5%
Consolidated dividends to total assets		1.5%	1.4%	

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
Interim	¥140,000 million (3.1%)	¥9,100 million (8.1%)	¥10,000 million (8.4%)	¥4,800 million (△4.6%)	¥47.29
Annual	¥285,900 million (3.4%)	¥17,800 million (11.4%)	¥18,600 million (9.9%)	¥9,900 million (31.0%)	¥97.54

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 : No

(3) Number of shares outstanding(Ordinary shares)

① Number of shares outstanding(including treasury stock) : Year ended March 31, 2007 101,889,342 shares

Year ended March 31, 2006 101,209,642 shares

② Number of shares of treasury stock : Year ended March 31, 2007 3,958 shares

Year ended March 31, 2006 16,702 shares

**(Reference) Non-consolidated Financial Results for Fiscal Year Ended March 31, 2007**

**1. Summary of the consolidated financial results for the fiscal year ended March 31, 2007 (April 1, 2006- March 31, 2007)**

(1) Non-consolidated operating results

(Figures rounded down to the nearest million)

	Fiscal year ended March 31	
	2007	2006
Sales	¥192,203 million	¥185,109 million
% change from the previous year	3.8%	3.9%
Operating income	¥4,514 million	¥2,589 million
% change from the previous year	74.3%	77.6%
Recurring profit	¥7,898 million	¥5,632 million
% change from the previous year	40.2%	9.3%
Net income	¥4,807 million	¥3,712 million
% change from the previous year	29.5%	△6.0%
Basis net income per share	¥47.36	¥36.45
Diluted net income per share	¥47.18	¥36.35

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

(2) Non-consolidated financial conditions

(Figures rounded down to the nearest million)

	Fiscal year ended	
	March 31, 2007	March 31, 2006
Total assets	¥198,772 million	¥200,087 million
Net assets	¥96,662 million	¥93,493 million
Capital adequacy ratio	48.6%	46.7%
Net assets per share	¥948.74	¥923.40

Note: Equity capital: Year ended March 31, 2007 ¥96,662 million, Year ended March 31, 2006 ¥93,493 million

**2. Forecasts for the non-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
Interim	¥97,800 million (3.8%)	¥3,100 million (△17.5%)	¥7,100 million (△2.2%)	¥4,900 million (△13.8%)	¥48.27
Annual	¥199,900 million (4.0%)	¥6,700 million (48.4%)	¥10,400 million (31.7%)	¥7,300 million (51.9%)	¥71.92

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.

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

## Consolidated Balance Sheets

(Unit: ¥ million)

	Fiscal year ended March 31, 2007		Fiscal year ended March 31, 2006		Change from the previous year
	Amount(¥)	Ratio(%)	Amount(¥)	Ratio(%)	Amount(¥)
<b>Assets</b>					
Current assets					
Cash and deposits	100,411		85,856		
Notes and accounts receivable	20,879		19,015		
Short-term investments in securities	706		409		
Inventories	4,092		4,458		
Advance payment	19,684		29,777		
Deferred tax assets	2,433		4,092		
Other	5,200		4,380		
Allowance for doubtful accounts	△172		△182		
Total current assets	153,237	53.7	147,808	52.3	5,428
Fixed assets					
Tangible fixed assets					
Buildings and structures	19,037		19,329		
Machinery, equipment and delivery equipment	16,920		17,795		
Land	17,883		17,097		
Construction in progress	2,319		1,598		
Other	3,539		3,687		
Total tangible fixed assets	59,700	20.9	59,508	21.0	192
Intangible fixed assets					
Software	2,853		3,290		
Consolidation adjustments account	—		366		
Goodwill	257		—		
Other	3,010		2,795		
Total intangible fixed assets	6,121	2.1	6,452	2.3	△330
Investments and other assets					
Investments in securities	34,618		36,400		
Long-term loan	1,920		1,921		
Lease deposits	8,885		9,081		
Insurance reserve fund	3,274		4,474		
Prepaid pension expenses	1,988		861		
Deferred tax assets	15,827		16,384		
Other	1,857		2,167		
Allowance for doubtful accounts	△2,214		△2,230		
Net investments and other assets	66,159	23.3	69,059	24.4	△2,900
Total fixed assets	131,981	46.3	135,020	47.7	△3,039
<b>Total assets</b>	<b>285,219</b>	<b>100.0</b>	<b>282,829</b>	<b>100.0</b>	<b>2,389</b>

Contd.

## Consolidated Balance Sheets

(Unit: ¥ million)

	Fiscal year ended March 31, 2007		Fiscal year ended March 31, 2006		Change from the previous year
	Amount(¥)	Ratio(%)	Amount(¥)	Ratio(%)	Amount(¥)
<b>Liabilities</b>					
Current liabilities					
Trade notes and accounts payable	9,401		8,693		
Short-term borrowings	41,769		43,350		
Current portion of bonds	2,200		500		
Accounts payable	13,183		10,976		
Accrued income taxes	2,628		2,130		
Accrued consumption taxes	1,961		1,537		
Allowance for bonuses	1,858		4,688		
Allowance for director's bonuses	223		—		
Other	8,064		8,036		
Total current liabilities	81,291	28.5	79,913	28.2	1,377
Long-term liabilities					
Bonds	9,300		11,500		
Long-term borrowings	7,773		10,194		
Deferred tax liabilities	38		62		
Deferred income taxes on land revaluation	418		—		
Accrued retirement benefits for employees	29,157		29,903		
Accrued retirement benefits for directors and corporate auditors	1,545		1,653		
Other	3,878		3,764		
Total long-term liabilities	52,111	18.3	57,077	20.2	△4,965
Total liabilities	133,402	46.8	136,990	48.4	△3,587

**Contd.**

## Consolidated Balance Sheets

(Unit: ¥ million)

	Fiscal year ended March 31, 2007		Fiscal year ended March 31, 2006		Change from the previous year
	Amount(¥)	Ratio(%)	Amount(¥)	Ratio(%)	Amount(¥)
<b>Minority interests in consolidated subsidiaries</b>	—	—	16,645	5.9	—
<b>Shareholders' equity</b>					
Common stock	—	—	17,830	6.3	—
Capital surplus	—	—	31,811	11.3	—
Retained earnings	—	—	79,642	28.2	—
Land revaluation account	—	—	△4,976	△1.8	—
Other securities valuation difference	—	—	4,911	1.7	—
Treasury stock	—	—	△27	△0.0	—
Total shareholders' equity	—	—	129,193	45.7	—
<b>Total</b>	—	—	282,829	100.0	—
<b>Net Assets</b>					
Shareholders' equity					
Common stock	18,536	6.5	—	—	—
Capital surplus	32,047	11.2	—	—	—
Retained earnings	85,258	29.9	—	—	—
Treasury stock	△6	△0.0	—	—	—
Total shareholders' equity	135,835	47.6	—	—	—
Valuation and translation adjustments					
Other securities valuation difference	4,335	1.5	—	—	—
Land revaluation account	△5,395	△1.9	—	—	—
Total valuation and translation adjustments	△1,060	△0.4	—	—	—
Minority interests in consolidated subsidiaries	17,040	6.0	—	—	—
Total net assets	151,816	53.2	—	—	—
<b>Total</b>	285,219	100.0	—	—	—

## Consolidated Statements of Operations

(Unit: ¥ million)

	Fiscal year ended March 31, 2007		Fiscal year ended March 31, 2006		Change from the previous year
	Amount(¥)	Ratio(%)	Amount(¥)	Ratio(%)	Amount(¥)
Net sales	276,560	100.0	267,545	100.0	9,014
Cost of sales	203,080	73.4	199,144	74.4	3,936
Gross profit on sales	73,479	26.6	68,400	25.6	5,078
Selling, general and administrative expenses	57,507	20.8	56,154	21.0	1,352
Operating income	15,972	5.8	12,246	4.6	3,725
Other income					
Interest received	372		301		
Dividends received	592		463		
Profit on sales of investments in securities, net	39		122		
Rental income	425		381		
Gain from insurance claim	118		167		
Equity in earnings of affiliates	256		259		
Received penalties for contracts cancellation	518		293		
Other	945	1.2	907	1.1	371
Other expenses					
Interest	957		1,034		
Loss on sales of investments in securities, net	35		9		
Loss on disposals of fixed assets	497		472		
Other	833	0.9	525	0.8	282
Recurring profit	16,917	6.1	13,102	4.9	3,815

**Contd.**

## Consolidated Statements of Operations

(Unit: ¥ million)

	Fiscal year ended March 31, 2007		Fiscal year ended March 31, 2006		Change from the previous year
	Amount(¥)	Ratio(%)	Amount(¥)	Ratio(%)	Amount(¥)
Extraordinary profits					
Profit on sales of investments in securities, net	114		299		
Restitution income	—		53		
Other	11	0.1	—	0.1	△227
Extraordinary losses					
Impairment loss on investments in securities	122		33		
Loss on disposal and impairment of fixed assets	—		552		
Loss on disposal of inventories	410		196		
Special retirement expense	—		106		
Loss on sale of land	—		39		
Provision for doubtful accounts	—		59		
Impairment loss	83		263		
Bad debt loss	185	0.3	—	0.4	△449
Income before income taxes	16,241	5.9	12,203	4.6	4,037
Income taxes	5,106		4,291		
Income taxes adjustment	2,716	2.9	1,275	2.1	2,255
Minority interests in income of consolidated subsidiaries	859	0.3	1,085	0.4	△225
Net income	7,558	2.7	5,550	2.1	2,007



## Consolidated Statements of Capital Surplus and Retained Earnings

(Unit: ¥ million)

	Fiscal year ended
	March 31, 2006
	Amount(¥)
Capital surplus	
Balance at beginning of the period	31,600
Increase in capital surplus	
Exercise of stock options	210
Decrease in capital surplus	
Transfer to retained earnings	—
Balance at end of the period	31,811
Retained earnings	
Balance at beginning of the period	77,444
Increase of retained earnings	
Net income	5,550
Transfer from capital surplus	—
Decrease of retained earnings	
Cash dividends	2,563
Directors' bonuses	178
Reversal of land revaluation account	609
Balance at end of the period	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	705	232			938
Dividend of surplus			△862		△862
Dividend of surplus*			△859		△859
Director's bonuses*			△220		△220
Net income			7,558		7,558
Purchase of treasury stock				△1	△1
Disposal of treasury stock		4		22	26
Net amount of changes in the interim period other than shareholders' equity					
Total	705	236	5,615	20	6,577
Balance at March 31, 2007	18,536	32,047	85,258	△6	135,835

**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					938
Dividend of surplus					△862
Dividend of surplus*					△859
Director's bonuses*					△220
Net income					7,558
Purchase of treasury stock					△1
Disposal of treasury stock					26
Net amount of changes in the interim period other than shareholders' equity	△576	△418	△995	394	△600
Total	△576	△418	△995	394	5,977
Balance at March 31, 2007	4,335	△5,395	△1,060	17,040	151,816

\*Note: Appropriation of retained earnings resolved at General Shareholders' Meeting held in June, 2006.

## Consolidated Statements of Cash Flows

(Unit: ¥ million)

	Fiscal year ended March 31, 2007	Fiscal year ended March 31, 2006	Change from the previous year
	Amount (¥)	Amount (¥)	Amount (¥)
<b>Cash flows from operating activities</b>			
Income before income taxes	16,241	12,203	
Depreciation	10,222	10,907	
Impairment loss	83	263	
Amortization of goodwill	—	486	
Depreciation of goodwill	109	—	
Increase/decrease(Δ) in allowance for doubtful accounts	Δ26	19	
Decrease(Δ) in accrued retirement benefit for employees	Δ746	Δ599	
Decrease(Δ) in allowance for bonuses	Δ2,829	Δ587	
Increase in allowance for director's bonuses	223	—	
Interest income and dividend income	Δ964	Δ765	
Interest expenses	957	1,034	
Equity in earnings of affiliates	Δ256	Δ259	
Loss on sales of fixed assets	2	43	
Loss on disposals of fixed assets	497	592	
Loss on sales of investments in securities	Δ117	Δ414	
Impairment loss on investment in securities	122	33	
Increase(Δ) in accounts receivable	Δ1,864	Δ1,044	
Decrease in inventories	366	55	
Increase/decrease(Δ) in accounts payable	2,381	Δ185	
Increase(Δ)/decrease in prepaid pension	Δ1,127	518	
Other	Δ1,821	8,540	
Sub-total	21,453	30,845	Δ9,391
Interest and dividend income, received	1,027	790	
Interest expenses, paid	Δ970	Δ1,023	
Income taxes, paid	Δ5,526	Δ3,622	
Income tax, refund	586	2,117	
Net cash provided by operating activities	16,570	29,106	Δ12,535
<b>Cash flows from investment activities</b>			
Increase(Δ) of time deposits	Δ298	Δ1,522	
Payments for purchases of tangible assets	Δ10,585	Δ11,485	
Proceeds from sales of tangible assets	5	70	
Payments for purchases of investments in securities	Δ3,146	Δ4,429	
Proceeds from sales of investments in securities	3,767	3,062	
Decrease in short-term loans	4	13	
Long-term loans made	Δ177	Δ113	
Long-term loans collected	178	170	
Other	1,439	Δ662	
Net cash used in investments activities	Δ8,813	Δ14,897	6,083

Contd.

## Consolidated Statements of Cash Flows

(Unit: ¥ million)

	Fiscal year ended March 31, 2007	Fiscal year ended March 31, 2006	Change from the previous year
	Amount (¥)	Amount (¥)	Amount (¥)
<b>Cash flows from financing activities</b>			
Decrease in short-term borrowings	△2,415	△2,878	
Proceeds from long-term debt	2,950	1,716	
Payments on repayment of long-term debt	△4,536	△5,248	
Payments for redemption of bonds	△500	△100	
Proceeds from issue of new shares	928	876	
Payments for acquisition of treasury stock	△1	△1	
Proceeds from disposal of parent company's share by subsidiary	63	—	
Dividends paid	△1,722	△2,563	
Dividends paid to minority shareholders	△153	△151	
Net cash provided by/ (used in) financing activities	△5,387	△8,351	2,963
<b>Net increase/decrease(Δ) in cash and cash equivalents</b>	2,369	5,857	△3,487
<b>Cash and cash equivalents at beginning of the year</b>	50,221	44,364	5,857
<b>Balance of cash and cash equivalents at the end of the year</b>	52,591	50,221	2,369