

Consolidated Financial Results for Three Months Ended June 30, 2005

SOHGO SECURITY SERVICES CO., LTD

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

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

Representative: Atsushi Murai, President and Representative Director

For inquiries: Akira Ohnishi, Senior Executive Officer

(Phone: +81-3-3470-6811)

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, 2005 : None

2. Summary of the consolidated Financial results for the three months ended June 30, 2005 (April 1,2005- June 30, 2005)

(1) Consolidated operating results

(Figures rounded down to the nearest million)

	Three months ended June 30		Year ended March 31
	2005	2004	2005
Sales	¥65,371 million	¥62,347 million	¥257,789 million
% change from the previous year	4.8%	3.4%	3.4%
Operating income	¥2,544 million	¥2,906 million	¥10,962 million
% change from the previous year	△12.5%	△12.8%	△24.3%
Recurring profit	¥2,932 million	¥3,240 million	¥11,592 million
% change from the previous year	△9.5%	△10.1%	△25.2%
Net income	¥623 million	¥1,116 million	¥4,951million
% change from the previous year	△44.2%	△25.7%	△72.1%
Basis net income per share	¥6.46	¥11.38	¥47.54
Diluted net income per share	¥6.45	¥11.38	¥47.50

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

(Reference) The progress rate toward the interim business forecasts

(Figures rounded down to the nearest million)

	Sales	Operating income	Recurring profit	Net income
Three months ended June 30, 2005	¥65,371 million (49.7%)	¥2,544 million (65.8%)	¥2,932 million (70.2%)	¥623 million (81.9%)
Interim business forecast	¥131,525 million (100.0%)	¥3,866 million (100.0%)	¥4,176 million (100.0%)	¥760 million (100.0%)

Note: Percentages shown in sales, operating income, recurring profit and net income above represent the progress toward the interim business forecast.

(2) Consolidated financial conditions

(Figures rounded down to the nearest million)

	Three months ended		Year ended
	June 30, 2005	June 30, 2004	March 31, 2005
Total assets	¥279,766 million	¥264,426 million	¥282,206 million
Shareholders' equity	¥121,871 million	¥118,438 million	¥123,169 million
Shareholders' equity ratio	43.5%	44.8%	43.6%
Shareholders' equity per share	¥1,211.92	¥1,179.60	¥1,222.93

(3) Consolidated cash flows

(Figures rounded down to the nearest million)

	Three months ended		Year ended
	June 30, 2005	June 30, 2004	March 31, 2005
Cash flows from operating activities	△¥1,289 million	¥1,745 million	△¥7,820 million
Cash flows from investing activities	△¥2,546 million	△¥2,578 million	△¥15,161 million
Cash flows from financing activities	△¥366 million	△¥3,730 million	¥21,531 million
Cash and cash equivalents at the end of the period	¥40,161 million	¥41,251 million	¥44,364 million

3. Forecasts for the consolidated financial results for the fiscal year ending March 31, 2006

(April 1, 2005 — March 31, 2006)

(Figures rounded down to the nearest million)

	Sales	Operating income	Recurring profit	Net income
Half-year period	¥131,525 million (4.2%)	¥3,866 million (△5.6%)	¥4,176 million (△8.5%)	¥760 million (△35.3%)
Year ending March 31, 2006	¥265,935 million (3.2%)	¥11,817 million (7.8%)	¥12,349 million (6.5%)	¥5,319 million (7.4%)

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 ¥51.12.

Consolidated Balance Sheets

(Unit: ¥ million)

	Three months ended June 30, 2005		Year ended March 31, 2005		Change from the previous year		Three months ended June 30, 2004	
	Amount(¥)	Ratio(%)	Amount(¥)	Ratio(%)	Amount(¥)	Ratio(%)	Amount(¥)	Ratio(%)
Assets								
Current assets	149,164	53.3	150,901	53.5	△1,736	△1.2	134,600	50.9
Cash and deposits	84,346		90,186		△5,839	△6.5	87,678	
Notes and accounts receivable	18,032		17,970		62	0.3	15,315	
Other	46,785		42,744		4,041	9.5	31,606	
Fixed assets	130,601	46.7	131,305	46.5	△703	△0.5	129,825	49.1
Tangible fixed assets	59,153		59,194		△40	△0.1	58,557	
Intangible fixed assets	6,189		6,448		△258	△4.0	4,836	
Net investments and other assets	65,258		65,662		△404	△0.6	66,432	
Total assets	279,766	100.0	282,206	100.0	△2,439	△0.9	264,426	100.0
Liabilities								
Current liabilities	82,822	29.6	82,903	29.4	△80	△0.1	61,892	23.4
Trade notes and accounts payable	7,495		8,969		△1,473	△16.4	6,165	
Short-term borrowings	48,573		47,075		1,498	3.2	28,903	
Current portion of long-term debt	100		100		—	—	—	
Other	26,654		26,759		△105	△0.4	26,823	
Long-term liabilities	59,477	21.3	60,675	21.5	△1,198	△2.0	68,211	25.8
Total liabilities	142,300	50.9	143,579	50.9	△1,278	△0.9	130,104	49.2
Minority interests in consolidated subsidiaries	15,594	5.6	15,458	5.5	136	0.9	15,883	6.0
Shareholders' equity								
Common stock	17,159	6.1	17,152	6.1	7	0.0	16,989	6.4
Capital surplus	31,607	11.3	31,600	11.2	6	0.0	31,561	11.9
Retained earnings	76,179	27.2	77,444	27.4	△1,264	△1.6	73,615	27.9
Land revaluation account	△5,585	△2.0	△5,585	△2.0	—	—	△5,585	△2.1
Other securities valuation difference	2,536	0.9	2,583	0.9	△47	△1.8	1,883	0.7
Treasury stock	△26	△0.0	△25	△0.0	△0	△0.7	△25	△0.0
Total shareholders' equity	121,871	43.5	123,169	43.6	△1,297	△1.1	118,438	44.8
Total	279,766	100.0	282,206	100.0	△2,439	△0.9	264,426	100.0

Consolidated Statements of Operations

(Unit: ¥ million)

	Three months ended June 30, 2005		Three months ended June 30, 2004		Change from the previous year		Year ended March 31, 2005	
	Amount(¥)	Ratio(%)	Amount(¥)	Ratio(%)	Amount(¥)	Ratio(%)	Amount(¥)	Ratio(%)
Net sales	65,371	100.0	62,347	100.0	3,023	4.8	257,789	100.0
Cost of sales	48,743	74.6	45,876	73.6	2,867	6.2	192,405	74.6
Gross profit on sales	16,627	25.4	16,471	26.4	156	1.0	65,383	25.4
Selling, general and administrative expenses	14,082	21.5	13,564	21.7	518	3.8	54,421	21.1
Operating income	2,544	3.9	2,906	4.7	△361	△12.5	10,962	4.3
Other income	779	1.2	637	1.0	142	22.3	2,552	1.0
Other expenses	392	0.6	303	0.5	88	29.3	1,922	0.8
Recurring profit	2,932	4.5	3,240	5.2	△308	△9.5	11,592	4.5
Extraordinary income	—	—	700	1.1	△700	—	700	0.2
Extraordinary losses	76	0.1	89	0.1	△13	△15.0	317	0.1
Income before income taxes	2,855	4.4	3,850	6.2	△995	△25.8	11,974	4.6
Income taxes	1,887	2.9	2,387	3.8	△499	△20.9	5,778	2.2
Minority interests in income of consolidated subsidiaries	345	0.5	347	0.6	△2	△0.7	1,244	0.5
Net income	623	1.0	1,116	1.8	△493	△44.2	4,951	1.9

Consolidated Statements of Cash Flows

(Unit: ¥ million)

	Three months ended June	Three months ended June	Year ended March 31,
	30, 2005	30, 2004	2005
	Amount (¥)	Amount (¥)	Amount (¥)
Cash flows from operating activities			
Income before income tax	2,855	3,850	11,974
Depreciation	2,605	2,573	10,816
Amortization of goodwill	121	124	569
Increase/decrease(Δ) in allowance for doubtful accounts	32	14	Δ7
Increase/decrease(Δ) in accrued retirement benefit	Δ415	222	Δ14,810
Decrease in allowance for bonuses	Δ2,699	Δ2,834	Δ117
Interest income and dividend income	Δ275	Δ216	Δ628
Interest expenses	247	154	733
Equity in earnings of affiliates	Δ30	Δ16	Δ294
Loss on sales of fixed assets	0	Δ48	Δ30
Loss on disposals of fixed assets	68	78	461
Loss on sales of investments in securities	—	Δ700	Δ719
Impairment loss on investment in securities	8	89	96
Increase(Δ)/decrease in accounts receivable	Δ62	1,134	Δ1,525
Increase(Δ)/decrease in inventories	Δ689	Δ433	Δ687
Increase/decrease(Δ) in accounts payable	Δ1,299	Δ3,588	225
Increase in prepaid pension cost	499	—	Δ1,380
Other	Δ602	5,490	Δ4,880
Sub-total	365	5,893	Δ204
Interest and dividend income, received	308	248	633
Interest expenses, paid	Δ186	Δ135	Δ715
Income taxes, paid	Δ1,777	Δ4,260	Δ7,533
Net cash provided by operating activities	Δ1,289	1,745	Δ7,820
Cash flows from investment activities			
Decrease in time deposits	224	115	2529
Payments for purchases of tangible assets	Δ2,396	Δ4,151	Δ13,441
Proceeds from sales of tangible assets	0	67	113
Payments for purchases of investments in securities	Δ408	Δ703	Δ2,644
Proceeds from sales and redemption of investments	256	840	1,632
Proceeds from increase of investments in consolidated subsidiaries	—	1,542	—
Payments for increase of investments in consolidated subsidiaries	—	—	Δ257
Increase/decrease(Δ) in short-term loans	0	Δ2	Δ0
Long-term loans made	Δ27	Δ38	Δ120
Long-term loans collected	52	77	171
Other	Δ247	Δ324	Δ3,142
Net cash used in investments activities	Δ2,546	Δ2,578	Δ15,161

Contd.

Consolidated Statements of Cash Flows

(Unit: ¥ million)

	Three months ended June	Three months ended June	Year ended March 31,
	30, 2005	30, 2004	2005
	Amount (¥)	Amount (¥)	Amount (¥)
Cash flows from financing activities			
Increase/decrease(Δ) in short-term borrowings	2,017	Δ2,052	15,773
Proceeds from long-term debt	300	1,450	2,640
Payments on replacement of long-term debt	Δ837	Δ1,301	Δ6,061
Proceeds from issue of new bonds	—	—	10,806
Proceeds from issue of new shares	13	23	224
Payments for acquisition of treasury stock	Δ0	Δ0	Δ0
Dividends paid	Δ1,709	Δ1,706	Δ1,706
Dividends paid to minority shareholders	Δ151	Δ143	Δ143
Net cash provided by/ (used in) financing activities	Δ366	Δ3,730	21,531
Net increase/decrease(Δ) in cash and cash equivalents	Δ4,203	Δ4,563	Δ1,450
Cash and cash equivalents at beginning of the year	44,364	45,814	45,814
Balance of cash and cash equivalents at the end	40,161	41,251	44,364