

Consolidated Financial Results for Six Months Ended September 30, 2005

SOHGO SECURITY SERVICES CO., LTD

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

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

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Date of the Board Meeting for the settlement of consolidated account: November 14, 2005

U.S. GAAP is not applied

1. Summary of the consolidated financial results for the six months ended September 30, 2005

(April 1, 2005- September 30, 2005)

(1) Consolidated operating results

(Figures rounded down to the nearest million)

	Six months ended September 30		Year ended March 31
	2005	2004	2005
Sales	¥131,597 million	¥126,203 million	¥257,789 million
% change from the previous year	4.3%	2.2%	
Operating income	¥4,218 million	¥4,094 million	¥10,962 million
% change from the previous year	3.0%	△28.1%	
Recurring profit	¥4,919 million	¥4,565 million	¥11,592 million
% change from the previous year	7.7%	△23.4%	
Net income	¥1,115 million	¥1,175 million	¥4,951 million
% change from the previous year	△5.1%	△51.3%	
Basis net income per share	¥11.36	¥11.97	¥47.54
Diluted net income per share	¥11.34	¥11.97	¥47.50

Note: 1. Equity in earnings of affiliates

Six months ended September 30, 2005: ¥61 million

Six months ended September 30, 2004: ¥80 million

Year ended March 31, 2005: ¥294 million

2. Average number of shares outstanding during the fiscal year

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

Six months ended September 30, 2004: 100,404,522 shares

Year ended March 31, 2005: 100,432,757 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, 2005	September 30, 2004	March 31, 2005
Total assets	¥278,536 million	¥271,398 million	¥282,206 million
Shareholders' equity	¥123,416 million	¥118,061 million	¥123,169 million
Shareholders' equity ratio	44.3%	43.5%	43.6%
Shareholders' equity per share	¥1,226.93	¥1,175.82	¥1,222.93

Note: Number of shares outstanding

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

Six months ended September 30, 2004: 100,407,191 shares

Year ended March 31, 2005: 100,550,784 shares

(3) Consolidated cash flows

(Figures rounded down to the nearest million)

	Six months ended		Year ended
	September 30, 2005	September 30, 2004	March 31, 2005
Cash flows from operating activities	¥11,302 million	¥6,585 million	△¥7,820 million
Cash flows from investing activities	△¥5,585 million	△¥8,893 million	△¥15,161 million
Cash flows from financing activities	△¥7,260 million	¥258 million	¥21,531 million
Cash and cash equivalents at the end of the period	¥42,820 million	¥43,765 million	¥44,364 million

(4) Number of companies included in consolidated accounts

Consolidated subsidiaries: 42

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, 2006

(April 1, 2005 — March 31, 2006)

(Figures rounded down to the nearest million)

	Sales	Operating income	Recurring profit	Net income
Year ending March 31, 2006	¥266,000 million (3.2%)	¥12,100 million (10.4%)	¥13,000 million (12.1%)	¥5,600 million (13.1%)

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 ¥53.89.

Consolidated Balance Sheets

(Unit: ¥ million)

	Six months ended September 30, 2005		Six months ended September 30, 2004		Change from the previous year	Year ended March 31, 2005	
	Amount(¥)	Ratio(%)	Amount(¥)	Ratio(%)	Amount(¥)	Amount(¥)	Ratio(%)
Assets							
Current assets							
Cash and deposits	87,523		92,146			90,186	
Notes and accounts receivable	17,297		15,841			17,970	
Short-term investments in securities	412		553			539	
Inventories	5,500		4,137			4,514	
Advance payment	25,372		20,908			25,700	
Deferred tax assets	6,243		3,437			6,051	
Other	4,331		3,957			6,101	
Allowance for doubtful accounts	△204		△178			△163	
Total current assets	146,476	52.6	140,802	51.9	5,674	150,901	53.5
Fixed assets							
Tangible fixed assets							
Buildings and structures	19,169		16,824			19,254	
Machinery, equipment and delivery equipment	18,046		19,007			18,319	
Land	17,005		17,091			17,103	
Construction in progress	619		2,348			865	
Other	3,768		3,341			3,651	
Total tangible fixed assets	58,609		58,612		△2	59,194	
Intangible fixed assets							
Software	3,218		2,945			2,972	
Consolidation adjustments account	609		1,178			853	
Other	2,578		1,456			2,622	
Total intangible fixed assets	6,407		5,580		826	6,448	
Investments and other assets							
Investments in securities	32,691		26,903			29,801	
Long-term loan	1,940		2,026			2,016	
Lease deposits	9,038		8,935			8,915	
Insurance reserve fund	5,793		5,093			5,720	
Prepaid pension expenses	876		—			1,380	
Deferred tax assets	16,641		23,041			17,436	
Other	2,250		2,658			2,621	
Allowance for doubtful accounts	△2,190		△2,255			△2,230	
Net investments and other assets	67,042		66,403			65,662	
Total fixed assets	132,059	47.4	130,595	48.1	1,463	131,305	46.5
Total assets	278,536	100.0	271,398	100.0	7,137	282,206	100.0

Contd.

Consolidated Balance Sheets

(Unit: ¥ million)

	Six months ended September 30, 2005		Six months ended September 30, 2004		Change from the previous year	Year ended March 31, 2005	
	Amount(¥)	Ratio(%)	Amount(¥)	Ratio(%)	Amount(¥)	Amount(¥)	Ratio(%)
Liabilities							
Current liabilities							
Trade notes and accounts payable	7,317		7,100			8,969	
Short-term borrowings	43,571		34,781			47,075	
Current portion of bonds	600		—			100	
Accounts payable	9,499		9,963			10,900	
Accrued income taxes	2,381		2,113			1,325	
Accrued consumption taxes	1,384		1,271			1,367	
Allowance for bonuses	8,463		8,707			5,275	
Other	8,414		8,373			7,890	
Total current liabilities	81,632	29.3	72,312	26.6	9,319	82,903	29.4
Long-term liabilities							
Bonds	11,500		1,100			12,000	
Long-term borrowings	10,931		14,906			12,881	
Deferred tax liabilities	17		—			9	
Accrued retirement benefits for employees	29,817		45,317			30,502	
Accrued retirement benefits for directors and corporate auditors	1,560		2,205			2,350	
Other	3,692		2,687			2,931	
Total long-term liabilities	57,519	20.7	66,216	24.4	△8,697	60,675	21.5
Total liabilities	139,151	50.0	138,529	51.0	622	143,579	50.9
Minority interests in consolidated subsidiaries	15,968	5.7	14,808	5.5	1,159	15,458	5.5
Shareholders' equity							
Common stock	17,193	6.2	16,992	6.3	201	17,152	6.1
Capital surplus	31,614	11.3	31,561	11.6	52	31,600	11.2
Retained earnings	76,063	27.3	73,667	27.2	2,395	77,444	27.4
Land revaluation account	△4,976	△1.8	△5,585	△2.1	609	△5,585	△2.0
Other securities valuation difference	3,549	1.3	1,451	0.5	2,098	2,583	0.9
Treasury stock	△26	△0.0	△25	△0.0	△1	△25	△0.0
Total shareholders' equity	123,416	44.3	118,061	43.5	5,355	123,169	43.6
Total	278,536	100.0	271,398	100.0	7,137	282,206	100.0

Consolidated Statements of Operations

(Unit: ¥ million)

	Six months ended September 30, 2005		Six months ended September 30, 2004		Change from the previous year	Year ended March 31, 2005	
	Amount(¥)	Ratio(%)	Amount(¥)	Ratio(%)	Amount(¥)	Amount(¥)	Ratio(%)
Net sales	131,597	100.0	126,203	100.0	5,393	257,789	100.0
Cost of sales	98,972	75.2	94,847	75.2	4,125	192,405	74.6
Gross profit on sales	32,625	24.8	31,356	24.8	1,268	65,383	25.4
Selling, general and administrative expenses	28,406	21.6	27,261	21.6	1,145	54,421	21.1
Operating income	4,218	3.2	4,094	3.2	123	10,962	4.3
Other income							
Interest received	107		103			257	
Dividends received	414		176			371	
Profit on sales of investments in securities, net	0		21			33	
Rental income	188		172			350	
Gain from insurance claim	134		110			165	
Equity in earnings of affiliates	61		80			294	
Dividend income on insurance policies	190		—			—	
Other	530	1.2	575	1.0	387	1,079	1.0
Other expenses							
Interest	505		318			733	
Loss on sales of investments in securities, net	5		2			13	
Loss on disposals of fixed assets	140		200			461	
Amortization of bond issue cost	—		—			193	
Other	274	0.7	247	0.6	157	519	0.8
Recurring profit	4,919	3.7	4,565	3.6	353	11,592	4.5

Contd.

Consolidated Statements of Operations

(Unit: ¥ million)

	Six months ended September 30, 2005		Six months ended September 30, 2004		Change from the previous year	Year ended March 31, 2005	
	Amount(¥)	Ratio(%)	Amount(¥)	Ratio(%)	Amount(¥)	Amount(¥)	Ratio(%)
Extraordinary profits							
Profit on sales of investments in securities, net	132		700			700	
Restitution income	53	0.1	—	0.5	△513	—	0.2
Extraordinary losses							
Impairment loss on investments in securities	16		167			96	
Loss on disposal of software	311		—			—	
Loss on sale of land	39		—			—	
Special retirement expense	51		—			220	
Provision for doubtful accounts	59		—			—	
Impairment loss	263		—			—	
Other extraordinary losses	87	0.6	—	0.1	662	—	0.1
Income before income taxes	4,275	3.2	5,098	4.0	△822	11,974	4.6
Income taxes	2,605		3,251			3,129	
Income taxes adjustment	—	2.0	—	2.6	△646	2,648	2.2
Minority interests in income of consolidated subsidiaries	555	0.4	671	0.5	△115	1,244	0.5
Net income	1,115	0.8	1,175	0.9	△59	4,951	1.9

Consolidated Statements of Capital Surplus and Retained Earnings

(Unit: ¥ million)

	Six months ended September 30, 2005	Six months ended September 30, 2004	Change from the previous year	Year ended March 31, 2005
	Amount(¥)	Amount(¥)	Amount(¥)	Amount(¥)
Capital surplus				
Balance at beginning of the period	31,600	31,755	△155	31,755
Increase in capital surplus				
Exercise of stock options	13	—	13	39
Decrease in capital surplus				
Transfer to retained earnings	—	194	△194	194
Balance at end of the period	31,614	31,561	52	31,600
Retained earnings				
Balance at beginning of the period	77,444	74,181	3,262	74,181
Increase of retained earnings				
Net income	1,115	1,175		4,951
Transfer from capital surplus	—	194	△255	194
Decrease of retained earnings				
Cash dividends	1,709	1,706		1,706
Directors' bonuses	178	177		177
Reversal of land revaluation account	609	—	613	—
Balance at end of the period	76,063	73,667	2,395	77,444

Consolidated Statements of Cash Flows

(Unit: ¥ million)

	Six months ended September 30, 2005	Six months ended September 30, 2004	Year ended March 31, 2005
	Amount (¥)	Amount (¥)	Amount (¥)
Cash flows from operating activities			
Income before income taxes	4,275	5,098	11,974
Depreciation	5,184	5,097	10,816
Impairment loss	263	—	—
Amortization of goodwill	243	248	569
Increase/decrease(Δ) in allowance for doubtful accounts	1	33	Δ7
Increase/decrease(Δ) in accrued retirement benefit for employees	Δ685	3	Δ14,810
Increase/decrease(Δ) in allowance for bonuses	3,188	3,314	Δ117
Interest income and dividend income	Δ522	Δ279	Δ628
Interest expenses	505	318	733
Equity in earnings of affiliates	Δ61	Δ80	Δ294
Loss on sales of fixed assets	1	Δ47	Δ30
Loss on disposals of fixed assets	140	200	461
Loss on sales of investments in securities	Δ126	Δ719	Δ719
Impairment loss on investment in securities	16	167	96
Increase(Δ)/decrease in accounts receivable	673	603	Δ1,525
Increase(Δ)/decrease in inventories	Δ985	Δ310	Δ687
Increase/decrease(Δ) in accounts payable	Δ3,381	Δ2,667	225
Increase/decrease(Δ) in prepaid pension	504	—	Δ1,380
Other	1,668	Δ51	Δ4,880
Sub-total	10,904	10,928	Δ204
Interest and dividend income, received	572	316	633
Interest expenses, paid	Δ499	Δ312	Δ715
Income taxes, paid	Δ1,744	Δ4,347	Δ7,533
Income tax, refund	2,070	—	—
Net cash provided by operating activities	11,302	6,585	Δ7,820
Cash flows from investment activities			
Increase(Δ)/decrease of time deposits	431	Δ180	2529
Payments for purchases of tangible assets	Δ4,945	Δ6,998	Δ13,441
Proceeds from sales of tangible assets	94	68	113
Payments for purchases of investments in securities	Δ1,088	Δ1,554	Δ2,644
Proceeds from sales of investments in securities	423	1,159	1,632
Payments purchases of investments in consolidated subsidiaries	—	Δ257	Δ257
Increase(Δ)/decrease in short-term loans	6	7	Δ0
Long-term loans made	Δ56	Δ52	Δ120
Long-term loans collected	93	93	171
Other	Δ545	Δ1,179	Δ3,142
Net cash used in investments activities	Δ5,585	Δ8,893	Δ15,161

Contd.

Consolidated Statements of Cash Flows

(Unit: ¥ million)

	Six months ended September 30, 2005	Six months ended September 30, 2004	Year ended March 31, 2005
	Amount (¥)	Amount (¥)	Amount (¥)
Cash flows from financing activities			
Increase/decrease(Δ) in short-term borrowings	Δ2,939	2,937	15,773
Proceeds from long-term debt	320	1,880	2,640
Payments on repayment of long-term debt	Δ2,834	Δ2,734	Δ6,061
Proceeds from issue of new bonds	—	—	10,806
Proceeds from issue of new shares	53	25	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	Δ7,260	258	21,531
Net increase/decrease(Δ) in cash and cash equivalents	Δ1,543	Δ2,049	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 of the year	42,820	43,765	44,364