

Consolidated Financial Results for the Second Quarter Ended September 30, 2008

SOHGO SECURITY SERVICES CO., LTD

(Securities Code:2331, TSE 1st Sec.)

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

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Date of the Board Meeting for the settlement of consolidated account: November 11, 2008

Scheduled Date to File Quarterly Report: November 12, 2008

Scheduled Date for Dividend Payment: December 5, 2008

1. Summary of the consolidated financial results for the second quarter ended September 30, 2008

(April 1, 2008- September 30, 2008)

(1) Consolidated operating results

(Figures rounded down to the nearest million)

	Six months ended	
	September 30, 2008	September 30, 2007
Sales	¥142,195 million	¥139,781 million
% change from the previous year	—	2.9%
Operating profit	¥5,999 million	¥8,840 million
% change from the previous year	—	5.0%
Recurring profit	¥6,850 million	¥9,630 million
% change from the previous year	—	4.4%
Net income	¥2,990 million	¥4,683 million
% change from the previous year	—	- 6.9%
Net income per share	¥29.57	¥45.94
Diluted net income per share	¥29.57	¥45.85

(2) Consolidated financial conditions

(Figures rounded down to the nearest million)

	As of	
	September 30, 2008	March 31, 2008
Total assets	¥281,643 million	¥297,396 million
Net assets	¥155,582 million	¥154,904 million
Capital adequacy ratio	49.0%	46.2%
Net assets per share	¥1,372.48	¥1,356.35

Note: Equity capital; As of September 30, 2008 ¥137,982 million, As of March 31, 2008 ¥137,504 million

2. Dividend

(Record date)	Dividends per share				
	End of the first quarter	End of the second quarter	End of the third quarter	Year-end	Annual
Fiscal year ended March 31, 2008	—	¥10.00	—	¥10.00	¥20.00
Fiscal year ending March 31, 2009	—	¥10.00	/	/	/
Fiscal year ending March 31, 2009 (Forecast)	/	/	—	¥10.00	¥20.00

Note: Revisions to the forecast of dividends in this quarter; Yes

3. Forecasts for the consolidated financial results of the fiscal year ending March 31, 2009

(April 1, 2008 — March 31, 2009)

(Figures rounded down to the nearest million)

	Sales	Operating profit	Recurring profit	Net income	Net income per share
Annual	¥288,300 million 1.2%	¥10,200 million - 26.1%	¥11,400 million - 22.1%	¥5,100 million - 33.4%	¥50.44

Note 1: Revisions to the forecast of financial results in this quarter; Yes

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

4. Others

(1) Changes in significant subsidiaries during the period (Changes of specified subsidiaries during the period) : Yes

New: 1 company (Company name: URBAN SECURITY Co., Ltd.) Eliminated: —

(2) Adoption of the simplified accounting policies and typical accounting procedures for preparation of the quarterly consolidated financial statements : Yes

(3) Changes in accounting principles, procedures and presentation for preparing the quarterly consolidated financial statements

① Changes due to amendment to accounting standards : Yes

② Changes due to other than above : No

(4) Number of shares issued (Common stock)

① Number of shares issued (including treasury stock) : As of September 30, 2008 102,040,042 shares

As of March 31, 2008 102,039,042 shares

② Number of shares of treasury stock : As of September 30, 2008 1,504,890 shares

As of March 31, 2008 660,709 shares

③ Average number of shares (April 1, 2008 – September 30, 2008) : As of September 30, 2008 101,109,415 shares

As of September 30, 2007 101,948,408 shares

* Explanations about proper use of forecasts for consolidated financial results and other special instruction

1. The above-mentioned forecasts for the financial results of the fiscal year ending March 31, 2009, which has been announced on May 15, 2008, has been revised on November 11, 2008. For more details, please refer to the release of “Notice of Revision of Financial Forecast of Fiscal Year Ending March 31, 2009, and Distribution of Dividends and Revisions of Dividends Forecast”.

2. The above forecasts were prepared based on information obtainable as of the date of release of this document. Going forward, due to a variety of factors accrual results may differ from the estimated figures.

3. Effective from this fiscal year, “Accounting Standard for Quarterly Financial Reporting” (ASBJ Statement No.12) and “Guidance on Accounting Standard for Quarterly Financial Reporting ” (ASBJ Statement No.14) have been applied. In addition, quarterly financial statements were prepared in accordance with the “Regulation for Quarterly Consolidated Financial Statements”.

Consolidated Balance Sheets

(Unit: ¥ million)

	As of September 30, 2008	As of March 31, 2008
Assets		
Current assets		
Cash and deposits	50,120	57,375
Cash for Transportation Security Services	35,106	30,839
Notes and accounts receivable	20,813	22,460
Short-term investments in securities	1,417	1,265
Supplies	4,380	4,452
Advance payment	39,411	49,776
Other	8,251	6,272
Allowance for doubtful accounts	- 250	- 229
Total current assets	159,251	172,212
Fixed assets		
Tangible fixed assets	56,455	57,638
Intangible fixed assets		
Goodwill	92	147
Other	5,188	5,380
Total intangible fixed assets	5,281	5,528
Investments and other assets		
Investments in securities	24,952	27,354
Other	38,073	37,031
Allowance for doubtful accounts	- 2,371	- 2,369
Net investments and other assets	60,654	62,016
Total fixed assets	122,391	125,183
Total assets	281,643	297,396

Consolidated Balance Sheets

(Unit: ¥ million)

	As of September 30, 2008	As of March 31, 2008
Liabilities		
Current liabilities		
Trade notes and accounts payable	8,073	9,551
Short-term borrowings	49,685	60,766
Accrued income taxes	2,089	1,572
Allowance	1,125	992
Other	22,486	24,110
Total current liabilities	83,461	96,993
Long-term liabilities		
Bonds	5,500	6,600
Long-term borrowings	3,007	4,419
Accrued retirement benefits for employees	28,199	28,670
Accrued retirement benefits for directors and corporate auditors	1,598	1,575
Negative goodwill	81	—
Other	4,213	4,233
Total long-term liabilities	42,599	45,498
Total liabilities	126,060	142,491
Net Assets		
Shareholders' equity		
Common stock	18,675	18,674
Capital surplus	32,117	32,117
Retained earnings	92,696	90,720
Treasury stock	- 1,973	- 919
Total shareholders' equity	141,515	140,592
Valuation and translation adjustments		
Other securities valuation difference	1,864	2,310
Land revaluation account	- 5,395	- 5,395
Translation adjustment	- 2	- 2
Total valuation and translation adjustments	- 3,533	- 3,087
Minority interests in consolidated subsidiaries	17,599	17,399
Total net assets	155,582	154,904
Total	281,643	297,396

Consolidated Statements of Operations

(Unit: ¥ million)

	Six months ended September 30, 2008
Sales	142,195
Cost of sales	107,071
Gross profit on sales	35,124
Selling, general and administrative expenses	29,125
Operating profit	5,999
Other income	
Interest received	124
Dividends received	500
Equity in earnings of affiliates	122
Other	1,135
Total other income	1,883
Other expenses	
Interest	485
Other	546
Total other expenses	1,031
Recurring profit	6,850
Extraordinary profits	
Profits on sales of investment in securities	3
Total extraordinary profits	3
Extraordinary losses	
Impairment loss on investments in securities	673
Other	24
Total extraordinary losses	697
Income before income taxes	6,156
Income taxes	2,743
Minority interests in income of consolidated subsidiaries	422
Net income	2,990

Consolidated Statements of Cash Flows

(Unit: ¥ million)

	Six months ended September 30, 2008
Cash flows from operating activities	
Income before income taxes	6,156
Depreciation	5,295
Impairment loss	0
Depreciation of goodwill	54
Increase in allowance for doubtful accounts	21
Decrease in accrued retirement benefit for employees	- 496
Increase in allowance for bonuses	160
Decrease in allowance for director's bonuses	- 56
Interest income and dividend income	- 625
Interest expenses	485
Equity in earnings of affiliates	- 122
Loss on sales of fixed assets	10
Loss on disposals of fixed assets	144
Profit on sales of investments in securities	- 23
Impairment loss on investment in securities	673
Loss on revaluation of derivatives	46
Decrease in accounts receivable	1,778
Decrease in inventories	71
Decrease in accounts payable	- 2,957
Increase in prepaid pension	- 253
Decrease in assets and liabilities for Transportation Security Services	- 4,786
Other	- 1,237
Sub-total	4,342
Interest and dividend income, received	701
Interest expenses, paid	- 489
Income taxes, paid	- 3,016
Income tax, refund	738
Net cash provided by operating activities	2,276
Cash flows from investment activities	
Decrease of time deposits	11
Payments for purchases of tangible assets	- 3,988
Proceeds from sales of tangible assets	6
Payments for purchases of investments in securities	- 1,161
Proceeds from sales of investments in securities	1,828
Decrease in short-term loans	15
Long-term loans made	- 45
Long-term loans collected	80
Other	- 966
Net cash used in investment activities	- 4,218

Consolidated Statements of Cash Flows

(Unit: ¥ million)

	Six months ended September 30, 2008
Cash flows from financing activities	
Decrease in short-term borrowings	- 167
Proceeds from long-term debt	600
Payments on repayment of long-term debt	- 2,036
Payments for redemption of bonds	- 1,600
Proceeds from issue of new shares	1
Payments for acquisition of treasury stock	- 1,053
Dividends paid	- 1,013
Dividends paid to minority shareholders	- 190
Net cash used in financing activities	- 5,460
Effect of exchange rate changes on cash and cash equivalents	- 0
Net decrease in cash and cash equivalents	- 7,403
Cash and cash equivalents at beginning of the year	49,790
Change in cash and cash equivalents due to newly consolidated subsidiaries	162
Balance of cash and cash equivalents at the end of the period	42,549

[Reference] Financial Statements for the First Half of Fiscal Year Ended March 31, 2008

(Summary) Consolidated Statements of Operations (Unit: ¥ million)

	Six months ended September 30, 2007	
	Amount(¥)	Ratio(%)
Sales	139,781	100.0
Cost of sales	101,803	72.8
Gross profit on sales	37,978	27.2
Selling, general and administrative expenses	29,138	20.9
Operating profit	8,840	6.3
Other income		1.4
Interest received	221	
Dividends received	551	
Profit on sales of investments in securities	2	
Rental income	218	
Gain from insurance claim	98	
Equity in earnings of affiliates	145	
Dividend income on insurance policies	125	
Received penalties for contracts cancellation	204	
Other	345	
Other expenses		0.8
Interest	488	
Loss on disposals of fixed assets	193	
Other	441	
Recurring profit	9,630	6.9
Extraordinary profits		0.3
Profit on sales of investments in securities	49	
Restitution income	287	
Extraordinary losses		0.2
Impairment loss on investments in securities	102	
Loss on disposal and impairment of fixed assets	120	
Impairment loss	12	
Income before income taxes	9,732	7.0
Income taxes	4,654	3.3
Minority interests in income of consolidated subsidiaries	393	0.3
Net income	4,683	3.4

[Reference] Financial Statements for the First Half of Fiscal Year Ended March 31, 2008

(Summary) Consolidated Statements of Cash Flows (Unit: ¥ million)

	Six months ended September 30, 2007
	Amount (¥)
Cash flows from operating activities	
Income before income taxes	9,732
Depreciation	5,228
Impairment loss	12
Depreciation of goodwill	54
Increase in allowance for doubtful accounts	80
Decrease in accrued retirement benefit for employees	- 234
Decrease in allowance for bonuses	- 942
Decrease in allowance for director's bonuses	- 111
Interest income and dividend income	- 773
Interest expenses	488
Equity in earnings of affiliates	- 145
Loss on sales of fixed assets	5
Loss on disposals of fixed assets	193
Loss on sales of investments in securities	- 51
Impairment loss on investment in securities	102
Increase in accounts receivable	- 727
Increase in inventories	- 223
Decrease in accounts payable	- 2,044
Increase in prepaid pension	- 681
Other	- 2,545
Sub-total	7,417
Interest and dividend income, received	833
Interest expenses, paid	- 489
Income taxes, paid	- 4,292
Income tax, refund	533
Net cash provided by operating activities	4,002
Cash flows from investment activities	
Increase of time deposits	- 1,077
Payments for purchases of tangible assets	- 4,515
Proceeds from sales of tangible assets	245
Payments for purchases of investments in securities	- 1,668
Proceeds from sales of investments in securities	2,659
Decrease in short-term loans	1
Long-term loans made	- 141
Long-term loans collected	280
Other	- 389
Net cash used in investments activities	- 4,606

(Unit: ¥ million)

	Six months ended September 30, 2007
	Amount (¥)
Cash flows from financing activities	
Decrease in short-term borrowings	- 1,840
Proceeds from long-term debt	400
Payments on repayment of long-term debt	- 3,155
Payments for redemption of bonds	- 1,100
Proceeds from issue of new shares	145
Proceeds from issue of new shares to minority shareholders	2
Payments for acquisition of treasury stock	- 0
Dividends paid	- 1,171
Dividends paid to minority shareholders	- 197
Net cash provided by/ (used in) financing activities	- 6,918
Net increase/decrease(-) in cash and cash equivalents	- 7,521
Cash and cash equivalents at beginning of the year	52,591
Balance of cash and cash equivalents at the end of the period	45,069