

Secure Growth Potential



Annual Report 2008
for the year ended March 31, 2008



SOHGO SECURITY SERVICES CO., LTD.

» Profile

SOHGO SECURITY SERVICES CO., LTD. (ALSOK) was established in July 1965. An innovator in the Japanese security services industry, the Company was the first to earn the Tokyo Metropolitan Public Safety Commission's security business certification. The Company listed on the First Section of the Tokyo Stock Exchange in October 2002 (Securities Code: 2331) and in 2003 adopted the corporate brand name "ALSOK"*.

ALSOK is a prominent player in the security field, able to offer comprehensive, round-the-clock Electronic, Stationed, and Transportation Security Services on a national scale. ALSOK contributes to the safety of society by offering high quality security, including rapid response to client emergencies. Building on its expertise and nationwide security network, the Group is now focusing on residential as well as corporate security.

*ALSOK is a corporate brand designed to increase public awareness of the Company and its corporate image. The official name remains SOHGO SECURITY SERVICES CO., LTD.

Contents

1	Consolidated Financial Highlights
2	A Conversation with the President
6	Special Feature: ALSOK's Sustainable Growth
10	At a Glance
12	Review of Operations
16	Corporate Governance
18	Corporate Social Responsibility
20	Directors and Auditors
21	Financial Section
21	Management's Discussion and Analysis
27	Risk Information
30	Consolidated Balance Sheets
32	Consolidated Statements of Operations
33	Consolidated Statements of Changes in Net Assets
34	Consolidated Statements of Cash Flows
35	Corporate Data

Cautionary statement regarding forecasts and projections

Of the plans, strategies and other matters of SOHGO SECURITY SERVICES CO., LTD. (ALSOK), and of the ALSOK Group, that are expressed in this annual report, the projections on future performance are not founded on historical facts. Readers are advised to be aware that the actual performance could differ materially from these projections due to various factors such as economic circumstances, competitive conditions and technological innovations.

Note: Figures in the Consolidated Financial Results and Financial Section are based on the English translation of the Summary of Financial Results for the Fiscal Year Ended March 2008. For notes on this Summary, please refer to the document "Financial Results for the Fiscal Year Ended March 2008" available on the ALSOK IR website.
URL http://ir.alsok.co.jp/english/library/05_00.html

Consolidated Financial Highlights

Years ended March 31	Millions of yen				Thousands of U.S. dollars* ⁴	
	2004	2005	2006	2007	2008	2008
Fiscal year						
Sales	¥249,241	¥257,789	¥267,545	¥276,560	¥284,996	\$2,852,815
Operating Profit.....	14,478	10,962	12,246	15,972	13,795	138,093
Net Income	17,752* ¹	4,951	5,550	7,558	7,653	76,613
Capital Expenditures	12,490	16,537	14,142	11,677	10,477	104,875
Depreciation	10,314	10,816	10,907	10,222	11,262	112,740
At the end of fiscal year						
Total Assets	268,812	282,206	282,829	285,219	297,396	2,976,942
Net Assets (former Shareholders' Equity)* ²	119,532	123,169	129,193	151,816	154,904	1,550,596
Per share (Yen/U.S. Dollars)						
Net Income	175.11* ¹	47.54	52.91	74.71	75.07	0.75
Net Assets	1,188.65	1,222.93	1,274.27	1,322.82	1,356.35	13.57
Dividend.....	17.00	17.00	17.00	20.00	20.00	0.20
Ratios (%)						
Operating Profit Margin	5.8	4.3	4.6	5.8	4.8	—
ROA (Return on Assets)* ³	5.9	4.2	4.6	6.0	5.0	—
ROE (Return on Equity).....	16.0* ¹	4.1	4.4	5.7	5.6	—

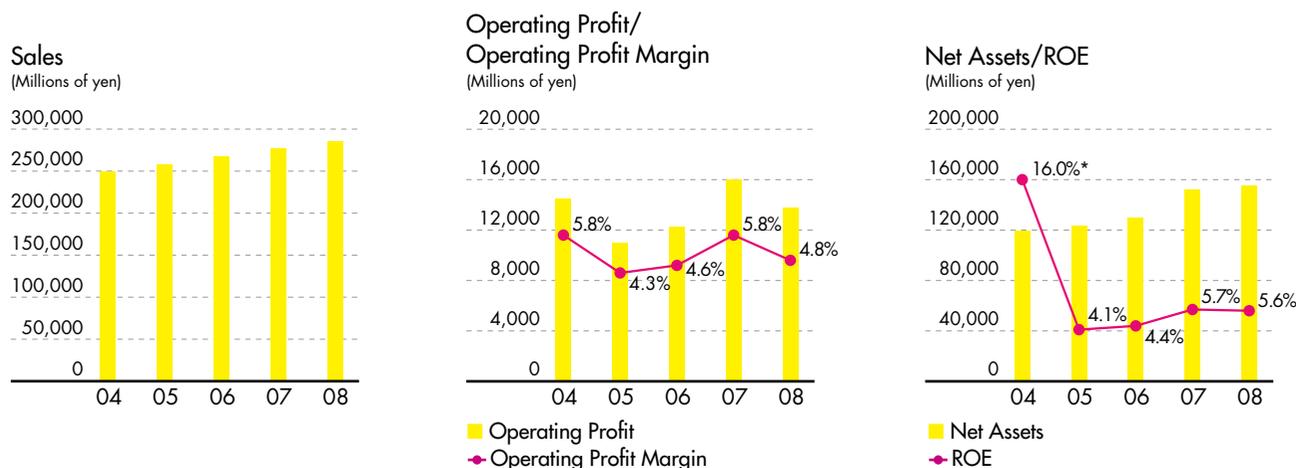
Note: Figures in this section are based on the English translation of the Summary of Financial Results for the Fiscal Year Ended March 2008.

*¹ The Company recognized ¥19,666 million in the year to March 2004 resulting from the return of Welfare Pension Fund assets to the government.

*² Subsequent to the revision of the accounting standard, we presented Net Assets including Minority Interests in Shareholders' Equity, effective for the fiscal year ended March 31, 2007.

*³ ROA= Recurring profit/Total assets (Avg. for year) ×100

*⁴ U.S. dollar amounts have been translated from yen, solely for the convenience of the reader, at the rate of ¥99.9 to U.S.\$1 prevailing on March 31, 2008.



* The Company recognized ¥19,666 million in the year to March 2004 resulting from the return of Welfare Pension Fund assets to the government, resulting in additional net income of ¥17,752 million.

» A Conversation with the President



QUESTION

Please tell us about trends in the security services sector.

ANSWER

There are currently 8,996 security companies in Japan, but most are small-scale, with about 70% generating annual sales of under ¥100 million. Only two companies, including ALSOK, generate annual sales of over ¥200 billion. In addition, the majority of security companies focus on stationed security and traffic control, with only 8.7%, or 787 companies offering Electronic Security Services and only 5.9%, or 532 companies offering Transportation Security Services. Only ALSOK offers the whole range of services—Electronic Security, Stationed Security and Transportation Security—on a nationwide basis.

The number of criminal offences has been declining in Japan in recent years, and statistics show improvement in public safety. In a Cabinet Office survey, however, 31.6% of people thought that public safety was deteriorating, and people are feeling less safe, in part due to the increase in brutal high-profile crimes.

As the rapid increase in home security in the individual user market shows, demand for security continues to increase, and security company services are spreading to many spheres of life. You can see this reflected in the growing need for crisis/information management-related services to deal with information leaks and other issues in the corporate user market.

ATSUSHI MURAI

President, CEO and COO



QUESTION

Could you tell us about business performance in the year ended March 31, 2008? Please also tell us about your initiatives for the year to March 31, 2009.

ANSWER

ALSOK's sales for the year ended March 31, 2008 increased 3.1% year on year. Operating profit fell, however, partly because sales in Electronic Security Services, our highest-margin business, grew less than expected.

The main reasons for the downturn in Electronic Security Services included a decrease in real working hours for sales staff. This was because during the first quarter, we introduced a new system to integrate sales and accounting, and our sales staff needed longer than expected to master its operation. We also experienced weak growth in new orders due to a fall in new housing starts following the implementation of the revised Building Standards Law, as well as a decline in apartment sales due to the economic slowdown and overall deterioration in business confidence. Branch consolidation in the consumer finance sector also had a greater impact than initially anticipated.

In the year to March 31, 2009, we plan to increase sales by 3.2% year on year. In order to reach this target, we are adding sales staff and increasing the number of sales engineers, who make high-level proposals during negotiations for large-scale projects. We are also taking steps to prevent contract cancellations by



strengthening client management in both the sales and operating departments.

We are also revising our sales structure. We will be dividing our nationwide operations into nine smaller blocks in order to bolster our regional sales strategy.

In a major new initiative, in June 2008, we launched the industry's first PC monitoring service, a new information security product that protects client data from the perspective of both physical security and IT security.

With regard to cost savings, we are reducing personnel costs in the management department through headcount reduction. In addition, since last year we have continuously cut the cost of installing alarm signal equipment on subscribers' premises through the introduction of a bidding system, while reducing procurement costs through overseas procurement and batch procurement.

We also set up a new budget control team in May 2008 to strengthen cost controls. The budget control team comprises managerial class personnel from the operations, sales, personnel, development and corporate planning departments, and is managed by the CFO. The team will monitor and analyze budgeted versus actual figures on a monthly basis more rigorously than before, and will provide prompt feedback to management when profits are coming under pressure. This system will be used to improve results, by ensuring that related departments take urgent action based on the team's feedback.



QUESTION

**Please tell us about areas where
ALSOK anticipates high growth.**

ANSWER

We expect growth in the home security business within Electronic Security Services and in Transportation Security Services.

Home security is still not widespread in Japan, and we are therefore focused on cultivating this market, which we believe has strong future growth potential. Since the release in 2004 of a new home security product available for a monthly fee of around ¥4,000, our home security business has seen double-digit annual growth in contracts. ALSOK has already established a nationwide infrastructure to meet corporate clients' Electronic Security Services needs, and so increasing the number of home security contracts using the same infrastructure will contribute to future profits. We are also embarking on the development of new products that incorporate new functions.

In Transportation Security Services, there is a trend among banks toward outsourcing of operations previously performed by bank personnel to security companies. Our "Total ATM Management System" is representative of this trend. Mega-banks and regional banks already had an increasing need to outsource operations of ATMs not located in their branches. Now the trend has spread even further, to credit unions and labor credit unions as well, and we are seeing further expansion. We have also started to get requests for operation of ATMs within bank branches. As the number of new bank-type ATMs in convenience stores increases Total ATM Management System is growing rapidly.





QUESTION

Please tell us about your views on Corporate Social Responsibility and ALSOK's specific initiatives.

ANSWER

ALSOK is proactively engaged in social contribution and environmental conservation initiatives, based on our management philosophy, which states a policy of contributing to safety of society.

The "ALSOK Gratitude Movement" and "ALSOK ANSHIN Classes" are prime examples of these activities.

The purpose of the ALSOK Gratitude Movement is to give services to society, both in Japan and abroad, based on an appreciation of the benefits we receive from society on a daily basis. These activities are funded by membership fees from employees and executive officers who support the movement's objectives.

ALSOK ANSHIN Classes, which form part of our social contribution activities, are nationwide volunteer activities aimed at raising crime prevention awareness among children. ALSOK security staff run lessons for elementary school classes, drawing children's attention to the hidden risks in daily life and giving advice so that they can live with peace of mind.



QUESTION

Please tell us about your shareholder return policy.

ANSWER

Since our initial stock market listing in 2002, we have emphasized the importance of shareholder return, making distributions that reflect our performance while also balancing the need to maintain our internal reserves. In line with this approach, we maintained an annual dividend of ¥20 in the year to March 31, 2008. We also initiated an acquisition of treasury stock in February 2008. In the year to March 31, 2009, we are planning a ¥2 increase to ¥22, equivalent to a consolidated payout ratio of 28.4%, and in future we are aiming for a 30% consolidated payout ratio.

Our forecasts for the year to March 31, 2009 are ¥294,200 million in sales, ¥14,100 million in operating profit, and ¥7,900 million in net income. We are committed to achieving our sales and profit targets, and to meeting the expectations of our stakeholders.

We look forward to the continued support and understanding of all our stakeholders.

Atsushi Murai

ATSUSHI MURAI

President, CEO and COO

» **Special Feature**

ALSOK's Sustainable Growth

Point 1

What are the advantages in offering the full range of Electronic Security, Stationed Security and Transportation Security Services?

With over ¥284.9 billion in sales and 26,014 employees, ALSOK is one of the largest of the 8,996 security companies in Japan. ALSOK has a structure that allows us to offer a total package of security services nationwide, ranging across our mainstay Electronic Security, Stationed Security and Transportation Security operations.

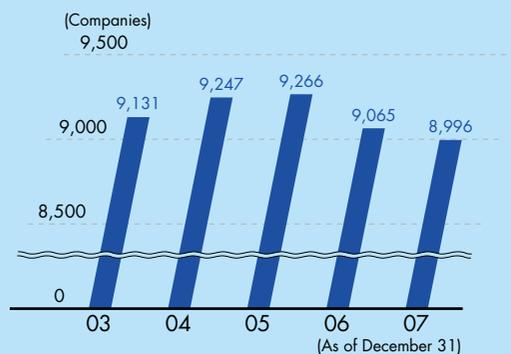
At ALSOK...

The majority of security companies focus on stationed security and traffic control, but by offering services in three areas, ALSOK achieves synergies by receiving orders for several security services from a single contracted client. An example of these synergies is the total package of security services we provide to banks, including Stationed Security in bank branches, Electronic Security in branches and at ATMs, and security for the transportation of cash and securities.

Moreover, our ability to respond quickly following a major earthquake or other emergency through cooperation between each of our services creates a relationship of trust with our clients. We recognize this as one of our strengths.

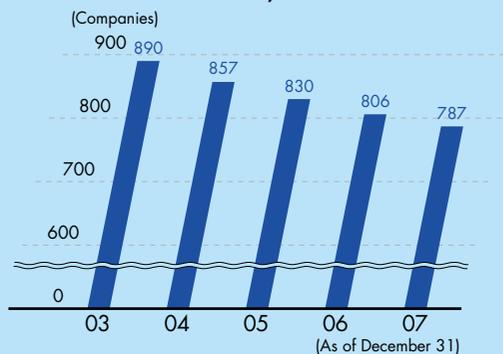
Security Industry Data

Number of Security Companies



Source: National Police Agency: Overview of the Security Services Industry in 2007

Number of Companies Providing Electronic Security Services



Source: National Police Agency: Overview of the Security Services Industry in 2007

Point 2

What are the benefits of having nationwide electronic security business?

ALSOK has developed a highly profitable Electronic Security business throughout Japan, and we already have an established infrastructure.

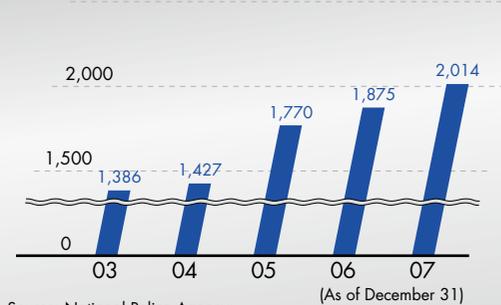
At ALSOK...

Only one other security company has a nationwide business. Having operations around the country allows us to provide a standard level of service to clients with locations throughout Japan, and helps us to gain contracts.

ALSOK has established a nationwide infrastructure of 2,100 depots. No new investment will be needed in the near term, even as the number of contracts increases, and in this sense a structure for profit growth is already in place.

Number of Facilities Covered by Electronic Security Services

(Thousands of contracts)



Source: National Police Agency:
Overview of the Security Services Industry in 2007

Point 3

How do you see the outsourcing requirements of financial institutions developing?

There is a growing trend among banks towards outsourcing operations previously performed in-house.

At ALSOK...

ALSOK has an established reputation for its services to financial institutions, and we have built good relationships with many financial institutions, including mega-banks, regional banks, credit unions and labor credit unions. Sales to financial institutions account for about 30% of our total sales.

Regulations on financial institutions were relaxed in the second half of the 1980s, giving rise to a large number of ATMs located at sites outside of bank branches. Seeking to improve efficiency as ATMs began operating 24 hours and became increasingly automated as banks closed for two days on the weekend, banks began commissioning ALSOK to perform various ATM-related services that they had once conducted, from cash supply, collection, and calculation to money management planning operations such as determining the amount of cash to stock in machines. ALSOK's Total ATM Management System, initially used mainly by mega-banks, continued to grow, spreading to regional banks, credit unions, and other financial institutions. More recently, ALSOK also serves ATMs located in bank branches.

Orders for Total ATM Management System are also growing across the board for banks with ATMs located primarily in convenience stores, which were created as the result of new types of financial institutions entering the market. Installments of these ATMs are increasing not only at convenience stores, but

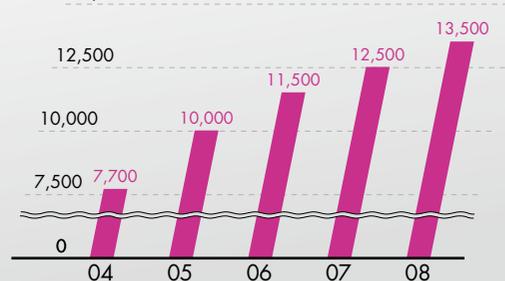
also at locations such as securities companies and airports, generating rapid growth for ALSOK's services.

In addition to financial institutions, there is a growing trend in the retail and distribution industries as well to make use of cash proceeds management services in order to avoid risk when transporting proceeds from sales and promote the efficient management of resources. In line with this trend, the number of contracts for ALSOK's "Cash Deposit Machine On-line System"* , which meets these needs, is growing steadily.

* See "Cash Deposit Machine On-line Systems: The Relationship to Cash on the Balance sheet and Cash advances paid" on P24 for a detailed explanation of this service.

Number of Convenience Store ATM Contracts

(ATM machines)



Point 4

What have been ALSOK's initiatives in the Japanese individual user market in recent years?

In recent years, there has been growing awareness of crime prevention among individuals who feel that public safety is deteriorating. Only 1% of all households have installed home security, and we are therefore focused on developing this market, which we believe has strong future growth potential.



Security staff



ALSOK Home Security X7 controller

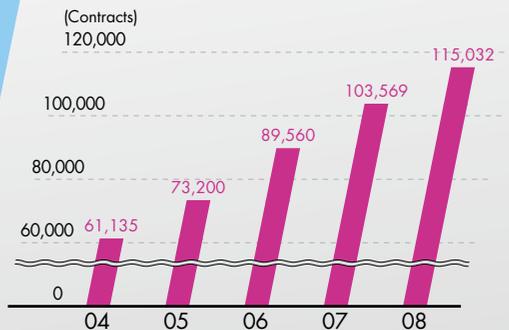
At ALSOK...

In the past, home security was aimed mainly at high-net-worth individuals. In order to accelerate the spread of these services, we conducted thorough market research. The majority of respondents said they would like to find a product under ¥5,000. As a result of this research, we developed "ALSOK Home Security 7", which is priced at around ¥4,000 per month and offers just the essential features for intrusion, fire, and emergencies. Although this is a straightforward service in which security staff are dispatched to the site when an alarm is triggered, ALSOK dramatically increased the number of contracts by launching ALSOK Home Security 7 at a price level not offered by our competitors, and we have safeguarded the security of many homes.

At the same time we have launched value-added services such as "ALSOK Home Security X7," an advanced version of ALSOK Home Security 7 that provides enhanced service content, including monitoring of the outside of the house using cameras, as well as the new PREMIUM SECURITY SERVICE, an exclusive service for high-net-worth individuals.

Going forward, we will continue to increase contracts through advertising, primarily through TV commercials, which elicit the greatest response, and aim to expand sales channels by building alliances with home manufacturers and contractors with locations nationwide, while developing new products with new features added.

Number of Contracts for Electronic Security Services Concluded with Individual Clients



Point 5

What is ALSOK doing to provide high-quality security services?

Security services by their very nature must be consistently error-free. ALSOK's clients praise us for our ability to meet this need.



Security staff training



Practice using fire extinguishers

At ALSOK...

ALSOK's top priority is to provide outstanding security in order to contribute to the safety of society. We are committed to raising the quality of our security services.

We believe that ongoing training, which starts when our employees first join the company, is what enables us to provide high-quality security services. Drawing from our many years of cumulative experience, we implement a unique training program that closely simulates the actual practice of security services.

Security personnel also receive training regarding attitude and personal appearance. By implementing specific training for each job type and providing training for each position by introducing a system of job promotion, the practical skills and management abilities in relation to specific duties and responsibilities are enhanced, resulting in high-quality services.

One of our clients' quality requirements is short response time. We are constantly looking for possible ways to reduce the time it takes to reach the client premises, such as by introducing mobile navigation systems* in order to improve quality.

* See P12-13 for details on the mobile navigation system.

ALSOK's Security Robot: A Message from the Developer

Yoichi Shimosasa, Manager of the R&D Engineering Department

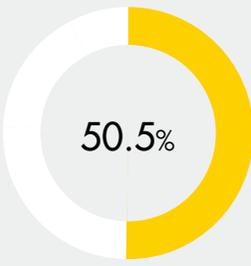
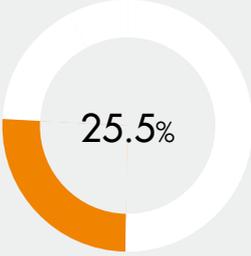
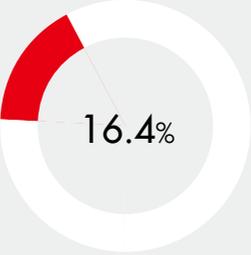
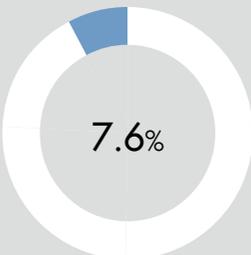
ALSOK's security robot serves both guide and security functions. During the day it is a reception and guide using the touch panel on its chest, while at night it conducts a non-disruptive, automatic security patrol that needs no human involvement round-the-clock, 365 days a year.

Although a robot is excellent at performing simple operations such as constant surveillance, it cannot apprehend a suspicious person. In order to take maximum advantage of the strong points both of humans and robots, in developing this, we emphasized collaboration between the two. Also, to enable the robot to move along the same route as humans, we enhanced various features to make it slow down and stop when people get near to avoid a collision. Of course there is room for improvement—in the future we will continue working on robot development to achieve even higher functionality.



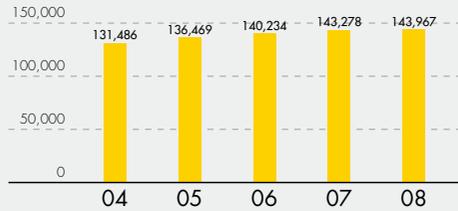
Manager Yoichi Shimosasa and ALSOK's security robot

At a Glance

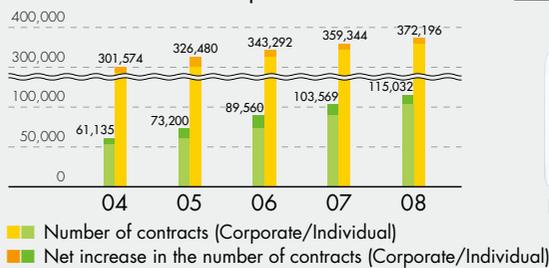
Business Segment	Breakdown of Sales	Overview of Operations
<p>Security Services</p>	 <p>50.5%</p>	<p>Electronic Security Services</p> <p>ALSOK's Electronic Security Services provides remote monitoring of client premises 24 hours a day, 365 days a year from our Guard Centers (Monitoring Centers). Our clients are residential households and corporate buildings, including businesses and financial institutions. Guard Centers respond to alarms warning of intrusions*¹, fires, and other emergency situations*² by dispatching on-call security staff to the client's premises to check locks, inspect the property inside and out for any irregularities, and respond to the situation as needed.</p> <p>In Europe and the United States, when a security alarm is sounded, police receive the information directly from the security company and rush to the scene. Japan's system is significantly different: security staff employed by the security company are the ones who rush to the client premises and respond as needed. Because security staff are given keys to the client's home or facility, a high level of trust is essential when signing a contract.</p> <p>*1 When the sensor perceives that a thief or other intruder has entered through a door or window. *2 When a client pushes an emergency button due to sudden illness or injury, or from a sense of personal danger.</p>
<p>Total Sales of ¥263,371 million</p>	 <p>25.5%</p>	<p>Stationed Security Services</p> <p>ALSOK's Stationed Security Services stations security guards at large-scale facilities such as banks and shopping malls. Security guards administer access control by monitoring or checking the identity of each person who enters or exits the front or side entrances of a designated facility. Patrol activities include inspections inside and outside the facility and target early detection of suspicious persons and objects and unusual events in order to prevent crimes, accidents, and problems with the facility. Our disaster prevention centers and central management centers conduct monitoring activities to confirm whether any crimes or accidents have occurred and ascertain any problems with facilities.</p>
<p>Other Services</p>	 <p>16.4%</p>	<p>Transportation Security Services</p> <p>ALSOK's Transportation Security Services provides services for ATMs located in banks or convenience stores, including supplying and collecting cash and cash calculation, as well as cash management planning services, such as determining how much cash to stock in ATMs and the frequency of cash supply and collection. We also provide a safe and efficient service for logistics companies and retailers in which we transfer clients' daily cash takings to their designated bank accounts, as well as operating safe and speedy transportation services for cash or marketable securities on behalf of financial institutions. Cash transportation vehicles can be used, for example, to move cash or marketable securities between specified locations, such as the headquarters and branch offices of a bank.</p>
<p>Total Sales of ¥21,624 million</p>	 <p>7.6%</p>	<p>ALSOK also operates a number of additional services other than security. Total Building Management Services cover cleaning management, environmental hygiene management, facility management and telephone reception services. Disaster Prevention Services include the inspection and installation of fire extinguishers and related equipment and sales of various disaster prevention equipment and gear, as well as sales of automated external defibrillators (AEDs), and an immediate dispatch service that sends security staff to the scene of car accidents upon request.</p>

Changes in Sales and Contracts

Change in Sales
(Millions of yen)



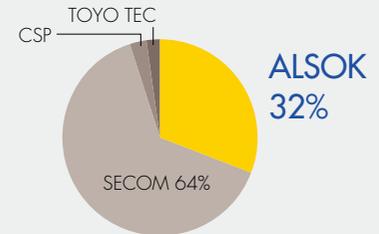
Number of Contracts for Electronic Security Services Concluded with Corporate and Individual Clients



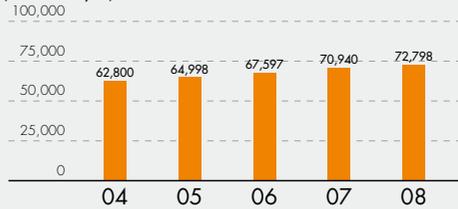
Home security controller

Market Data*

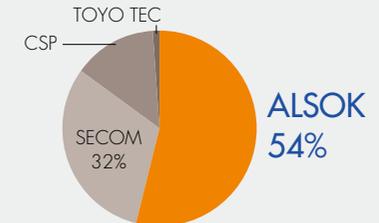
ALSOK's rank No. 2
Electronic Security Services Market Share Among Listed Companies



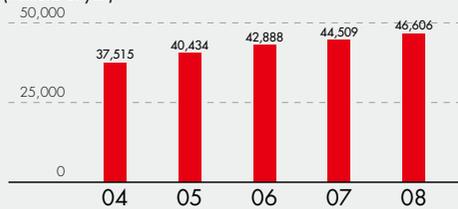
Change in Sales
(Millions of yen)



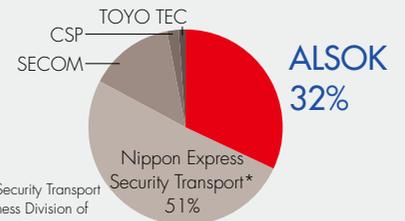
ALSOK's rank No. 1
Stationed Security Services Market Share Among Listed Companies



Change in Sales
(Millions of yen)

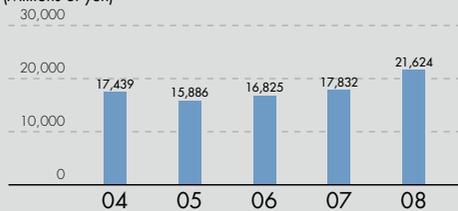


ALSOK's rank No. 2
Transportation Security Services Market Share Among Listed Companies



* The Security Transport Business Division of Nippon Express

Change in Sales
(Millions of yen)



Automated external defibrillator (AED)

* (ALSOK estimations based on National Police Agency: Overview of the Security Services Industry in 2007; Weekly Diamond December 8, 2007 issue; and individual company data)

Review of Operations



Security Services/Electronic Security Services

Sales: ¥143,967 million



ALSOK's Guard Center (Monitoring Center)



Security staff

Electronic Security Services Initiatives

ALSOK's Electronic Security Services provide financial institutions, businesses, government offices, public interest corporations and individuals with systems optimized for each specific client. The number of corporate Electronic Security Services contracts has increased steadily, particularly for financial institutions and other business enterprises. For individual clients, the number of contracts has shown significant growth since the release of ALSOK Home Security 7 in 2004.

In recent years, installations of access control systems have become increasingly popular as a basic system for information management and internal control. In May 2006, ALSOK launched the Gate Control System, which limits costs by enabling use of existing PC and LANs and also makes possible interaction with break-in monitoring and other equipment in addition to access control. In January 2008, the Company developed the Gate Control System Net (GTACS-NET), which allows integrated management of user data and history data for multiple sites. To date we have installed it at a number of businesses with multiple offices or locations.

In 1994, ALSOK was one of the first in the Japanese security industry to market an electronic security system that made use of image information. In 2004, we substantially overhauled the functions and released ALSOK-MP. In addition to a security alarm, the system is equipped with a function that can simultaneously transmit images and audio. Because it allows the ALSOK Guard Center to gain an instant understanding of the situation at the client premises, installations at banks and convenience stores with a large volume of general customer traffic have increased.

From the perspective of operation efficiency, after receiving an alarm signal from a client premise, ALSOK aims to further reduce the time it takes for dispatched security staff to respond and enhance the efficiency of dispatch command. The Company therefore improved its conventional system, which made use of mobile phone handsets, and in March 2007 introduced a mobile navigation system that takes advantage of GPS functions.

Because the dispatcher can use the location coordinates obtained from the GPS-equipped handsets security staff carry, the system can automatically determine which member of the staff can reach the location most quickly and issue instructions for getting there. This reduces the amount of time it takes to reach the client site.

Moreover, because client address information can be automatically transmitted via Bluetooth® to a car navigation system, this system supports dispatch response even by staff who are outside of their normal area. This flexibility also reduces the

training time needed when new employees join the company or staff are transferred to a new area, resulting in lower operating costs.

This mobile system has received high evaluation for its efficient instruction. In March 2008, at the MCPC Awards 2008 run by the Mobile Computing Promotion Consortium, the system won the Grand Prix and the Minister of Internal Affairs and Communications' Prize.

For the fiscal year ending March 2009, we will concentrate on acquiring new contracts and retaining existing contracts; we plan for Electronic Security Services sales of ¥148 billion.



Security Services/Stationed Security Services

Sales: ¥72,798 million

Stationed Security Services Initiatives

Stationed Security Services prevents incidents from occurring through the stationing of security guards. As companies begin exercising stricter controls on entry, ALSOK is receiving an increasing number of new orders for access control from facilities such as large office buildings and factories, and seeing steady growth.

In 2007, the new business of PFI (private finance initiative) prison operations began. The number of prisons has grown, accompanying the growth in the prison population, but the number of prison guards remains low, and there is a need to control operating costs. Certain prisons have therefore been entrusted to private enterprises with the aim of achieving efficient operation. ALSOK has received orders for two of the four PFI prisons in operation nationwide. In October 2007, we began operation of the Harima Rehabilitation Program Center, and in October 2008, the Shimane Asahi Rehabilitation Program Center will begin operations. Together, these two long-term contracts for large-scale PFI operations will provide ALSOK with a stable source of profit.

Another initiative is ALSOK's R&D on security robots which began in 1982. The purpose of this initiative is to increase the efficiency of high-labor intensity stationed security and address the labor shortfall that is predicted in Japan as the number of children declines and the population ages. ALSOK has one of the most preeminent track records in the field of security robot development. In December 2006, ALSOK launched "Reborg-Q," a new security system that combines security guards with robots, which oversee tasks that machines can perform better than humans. Prior to Reborg-Q, we had incorporated a wide range of functions into robots, but during the fiscal year ending March 2009 we plan to put into practical use the world's first face recognition function, which



Security guard on access control duty



Prison guards and ALSOK security guards saluting (two ALSOK guards on the right)



ALSOK's security robot

instantly alerts security guards if a robot recognizes a pre-registered face.

For the fiscal year ending March 2009, ALSOK has received orders for security at international events, including the G8 Hokkaido Toyako Summit. We are planning for sales of ¥75.8 billion in Stationed Security Services.



Security Services/Transportation Security Services

Sales: ¥46,606 million



Security staff with a Cash Transportation Vehicle



Total ATM Management System
(cash supply and collection)



Cash deposit machine

Transportation Security Services Initiatives

Transportation Security Services used to primarily provide safe and rapid transportation of cash and securities for financial institutions. Recently, however, there has been a growing trend to outsource tasks that used to be performed by bank employees, including cash management for ATMs at locations both within and remote from bank branches. In this environment, total management for ATM operations has become our primary service.

In addition, banks without staffed branch locations are increasingly installing ATMs in convenience stores, while installation of ATMs at locations such as airports and securities companies is also increasing. ALSOK's orders are growing in all these areas.

In terms of non-financial institutions, businesses such as retail shops and distributors used to deposit daily cash takings in the bank overnight or store cash in a safe in the office. However, the need for safe and efficient management of these proceeds from sales is increasing in response to issues such as elimination of overnight deposit services and downsizing of delivery and collection services at banks. There is also a need to avoid risk when transporting cash to overnight storage and to efficiently manage operating funds. Our Cash Deposit Machine On-line System has received high praise for meeting these needs, and orders have expanded significantly over the past several years.

In 2007, we launched the "Confidential Document Collection and Recycling Disposal Service" as an information leak prevention measure, which is of great importance to companies. Through this service, we implement safe and secure handling of confidential documents from collection to disposal in complete confidentiality.

In the fiscal year ending March 2009, we predict growth in our main total ATM management outsourcing for convenience stores and Cash Deposit Machine On-line System contracts. We are planning for sales of ¥48.5 billion in Transportation Security Services.



Other Services

Sales: ¥21,624 million

Initiatives in Other Services

ALSOK engages in a variety of other services, including Total Building Management Services, which provides comprehensive building management services including management of air conditioning and elevator equipment and cleaning management. We also offer Disaster Prevention Services, including sales and inspection of various disaster prevention equipment and gear, including fire extinguishers and fire alarms.

In the past, use of automated external defibrillators (AEDs) was permitted only by medical staff and emergency response personnel. In July 2004, it became possible for members of the general public to use these devices in lifesaving situations, and units have been installed in schools, stations, and other public places. In the future, further growth is expected in this area due to increases in installation.

Moreover, in June 2006, the Fire Defense Law was amended to stipulate that all new homes be equipped with residential fire alarm devices, resulting in increased sales of these devices across the country. Existing homes, however, were granted a deferment period until June 2011, and so a considerable volume of additional demand is expected.

ALSOK is also focusing its efforts on provision of solution services to schools and medical institutions. A series of crimes targeting schools and young children has shocked society, while there is the danger of suspicious persons entering medical institutions and kidnapping newborns, and violence inside of hospitals. To address these problems, ALSOK provides both “soft” solutions, such as crime prevention consulting, and “hard” services, in the form of access control using camera surveillance and other equipment.

For the fiscal year ending March 31, 2009, we anticipate growth in orders for Total Building Management Services and Disaster Prevention Services, including AEDs and residential fire alarms, and are planning for sales of ¥21.8 billion in Other Services.



Automated external defibrillator (AED)



ALSOK's fire alarm device (smoke detector)

Corporate Governance

The ALSOK Group advocates "Contribution to public welfare" as one of its management guidelines, and focuses its efforts on ensuring public safety. Meanwhile, to continue to be a corporate group trusted by all stakeholders, we strive to reinforce Group-wide corporate governance with measures for the separation of execution and oversight functions in management, swifter decision-making, establishment of corporate ethics, and transparency in business management.

Board of Directors and the Executive Officer System

ALSOK's Board of Directors has eight members, including one outside director.

Outside Director

Outside director Akira Kanno attended all 14 Board of Directors' meetings held during the year ended March 31, 2008. Based on his extensive experience and insight from his work at a financial institution, he offered appropriate comments on the deliberation of the agenda and other matters.

Board of Directors' meetings are held once a month, in principle, to make decisions and oversee business execution regarding important business decisions.

Meetings of the Management Committee, which are chaired by the president, CEO and COO, are held twice a month, in principle, to discuss major decision-making matters. The Company implemented an executive officer system in June 2002 to clarify the division of roles in management and business execution and accelerate the decision-making process in business execution.

Auditing System

In order to ensure appropriate and sufficient supervisory functions, three of the Company's four auditors are outside auditors.

Outside Auditors

The three outside auditors attended all 14 Board of Directors' meetings and all 13 Board of Auditors' meetings held during the year ended March 31, 2008.

At the meetings, the outside auditor Kazumasa Oizumi made appropriate remarks on the deliberation of the agenda and other matters, based on his broad experience in diverse business areas, particularly as a corporate sales manager at his previous post.

Outside auditor Teruo Kageyama made appropriate remarks on the deliberation of the agenda and other matters on the basis of his experience and abilities as an executive manager gained while serving as president of another company.

Outside auditor Tassei Iijima worked for many years at a financial institution, and currently serves as president of another company. Based on the wealth of experience gained through these activities, he made appropriate remarks on the deliberation of the agenda and other matters at the Board of Directors' meetings and Board of Auditors' meetings.

The Company's auditors (Board of Auditors) and Grant Thornton Taiyo ASG, which conducts the Company's accounting audits, hold a meeting once a month in principle to pursue collaboration within the auditing structure via the enhanced exchange of information regarding the agenda items of the Board of Directors' meetings and issues of mutual awareness.

An Inspection Department that reports directly to the president, CEO and COO has also been established as an internal auditing entity. The major duties of the Inspection Department are to supervise the activities of the departments at the Head Office and other business offices to ensure that asset management, accounting management and business management are being implemented effectively in compliance with relevant laws.

The Company's auditors (Board of Auditors) and the Inspection Department hold "auditing operations liaison meetings" once a month, in principle. In addition to periodic in-depth exchanges of information and the reinforcement of collaboration in the auditing structure, they promote the sharing of information regarding the issues that they have identified in internal governance with Grant Thornton Taiyo ASG. Information is shared through reports of the results of management supervision produced by the Inspection Department.

Disclosure and IR

Placing great importance on the active, impartial, and prompt disclosure of information, the ALSOK Group has formulated a Disclosure Policy, available for viewing on our website. The Group is also making active IR efforts outside of Japan by preparing English-language versions of materials for earnings results briefings, creating an English-language website, and conducting overseas IR activities in Europe, North America, and Asia by the president, CEO and COO and executive officer in charge of IR.

Compliance

The Group implements security operations under the Security Business Law and has constantly placed extremely high priority on compliance since its foundation.

Currently, the Company has a Compliance Committee for legal complaints, which is headed by the executive officer in charge of compliance, and is making every effort to comply with laws and regulations. The Committee strives to install an unwavering awareness of compliance in all executive officers and employees based on the compliance rules formulated in November 2002, and periodically verifies the status of compliance in business and other activities.

In addition, the "ALSOK Hotline" was set up in April 2004 to

facilitate early identification and prevention of corporate ethics problems. If employees encounter illegal or improper conduct or unethical behavior involving the Company, they are able to report it by e-mail, via telephone, or in writing without fear of detrimental treatment.

Given ALSOK's involvement in direct business transactions with corporations and individual clients, in September 2004, the Company also established an Information Asset Management Committee chaired by the executive officer in charge of information asset management. The purpose of the Committee is to respond as swiftly as possible to changes in the regulatory environment, such as the full implementation of the Personal Information Protection Law in April 2005. The Committee undertakes such activities as development of a management structure for personal information, business and other important information in the Company's possession and promotion of employee education on this topic.

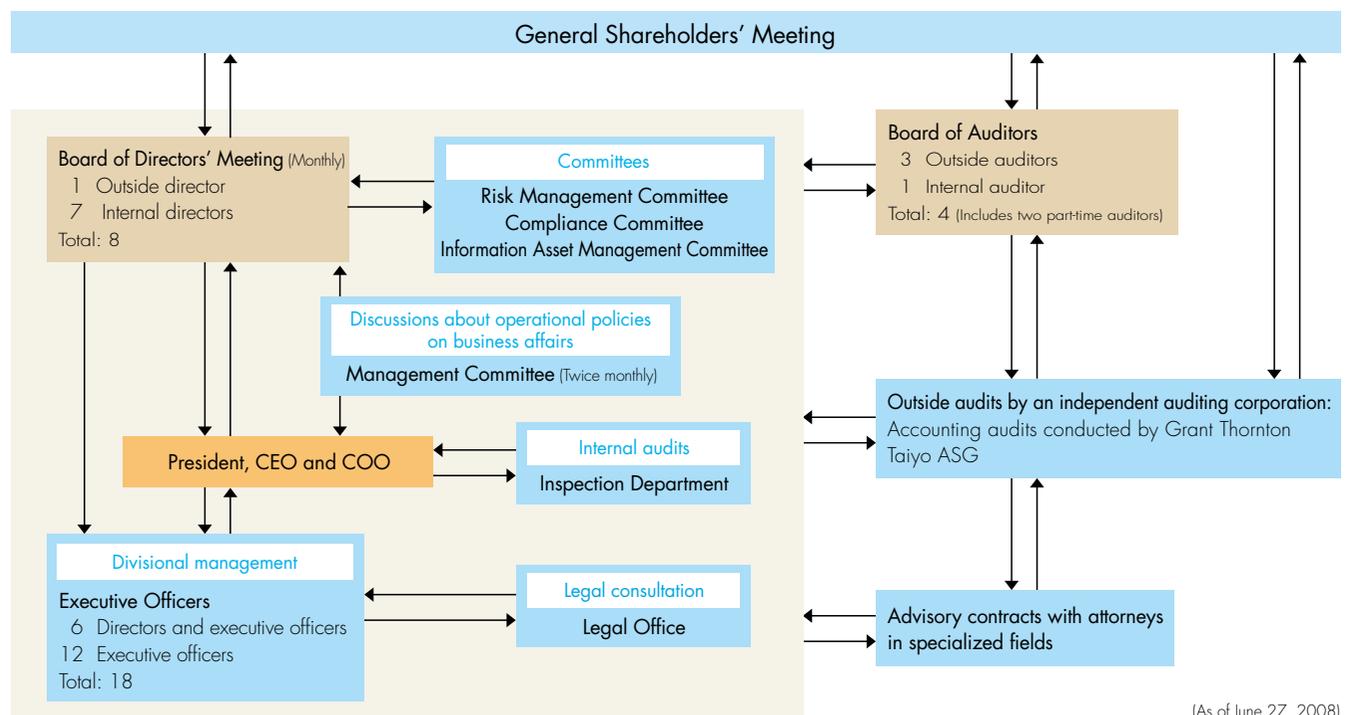
Moreover, ALSOK has entered into advisory contracts with eight law offices in Japan, and is developing a fully secure system for legal responses in all specialized fields. In order to maintain compliance, the Company regularly seeks guidance from attorneys, thereby indirectly involving legal practitioners in corporate governance.

Risk Management

The Group gives especially high priority to the development of a risk management structure to implement security operations with the aim of ensuring public safety.

We organized a Risk Management Committee based on the risk management rules formulated in December 2002 and assigned the executive officer in charge of risk management as chairperson. Individual risk management assessment organizations have also been set up at the Head Office and each individual business office to undertake exhaustive, Company-wide risk management activities, to identify and assess risks, and to formulate preventative measures and proposals for countermeasures.

Moreover, sector-specific risk assessment subcommittees have been set up under the Risk Management Committee to collect, analyze and assess sector-specific risk information in each of the fields of business management, administration, operations, and sales, and to examine measures for alleviating risk. In regard to the establishment of an emergency liaison system and emergency headquarters in the event of the occurrence of a serious incident, the corporate structure has been improved to be capable of a rapid emergency response. The Company obtained ISMS (Information Security Management System) certification in October 2004. As a result, development and implementation of countermeasures against alteration or falsification of information on the Internet, hardware or software problems, and information leakage are fully under way.



(As of June 27, 2008)

Corporate Social Responsibility

The ALSOK Group's Stakeholders



The ALSOK Charter

Management Philosophy

Our business operations are based on a management philosophy exemplified by a spirit of gratitude*¹ and the samurai spirit*². Our mission is to help maintain safety throughout society, an indispensable element of our lives, as well as to make constant improvements to become the industry's leading company.

*¹ Human beings in society agree to live and let others live. The spirit of gratitude is a humble feeling of thankfulness to all the people and things around ourselves.

*² Like a samurai, proud, reliable, capable, of noble character, committed to cooperation and solidarity, with outstanding tactical skills and a strong sense of responsibility. The samurai spirit embodies a strong and honorable concept of discipline, purpose, and the will to succeed and develop.

Management Policy

1. Fundamental spirit

Under all conditions, we work hard to abide by our core principles as exemplified in the samurai spirit based on strength, fairness, and generosity, and in a constant spirit of gratitude. We are also committed to developing the human resources needed to provide reliable services.

2. Priorities

Our top priority is to provide security services of the first rank, as reflected in profits, while meeting shareholder expectations and enhancing the welfare of our employees.

3. Basic strategy

While we devote ourselves to the core business of security services, we also endeavor to fully leverage our accumulated security expertise to offer diversified services that meet current needs.

4. Social contribution

In the spirit of service, we adhere to all government security policies and seek to make positive contributions to society.

ALSOK's Social Contribution Activities

ALSOK ANSHIN Classes: Raising Children's Safety-Consciousness

As crime against elementary schools and young children increases, child safety has become an important issue for society. In order to fulfill its responsibilities as a corporate citizen and a security company, ALSOK voluntarily dispatches our staff of protection professionals to teach ALSOK ANSHIN crime-prevention classes. This program has won recognition for its contributions to society, earning the Asahi Corporate Citizen Award in September 2007 and the Chief Cabinet Secretary's Award in November 2007. Classes were held 5,172 times during fiscal 2008, and as of March 31, 2008 about 440,000 children had participated since the program began. The ALSOK Group continues to work to protect the safety of as many children as possible.



An ALSOK ANSHIN Classes in session

Social Service Through the ALSOK Gratitude Movement

The ALSOK Gratitude Movement was launched in 1967 for the purpose of providing services to society both in Japan and overseas. The movement is based on the doctrine of the need to appreciate the benefits received daily from the nation and society and to uphold a spirit of "live-and-let-live gratitude." These activities are supported not by business revenues, but through membership fees from employees, executives and other members of the Group who agree with its objectives.

Cash donations:	The Office of the UN High Commissioner for Refugees (UNHCR), Médecins du Monde Japon, Japan Mine Action Service, the Japan Committee for UNICEF, and the Japan Guide Dog Association
Disaster relief funds:	Sumatra Island earthquake, U.S. hurricane, Pakistan earthquake
Other donations:	Welfare vehicles for wheelchair users, field glasses to the 2007 National Sports Festival

Promoting Sports Within the Company and Beyond

ALSOK believes that promoting sports among employees fosters and improves employees' self-defense skills and physical and mental endurance, serving to strengthen the company's business, particularly in terms of improving security capabilities. Based on this belief, the Company holds in-house tournaments in sports such as judo, kendo, and jukendo (bayonet fighting), promoting the practice of martial arts among employees. ALSOK has supported many top-class athletes; eight employees will be participating in the Beijing Olympic Games in 2008. The Company also runs children's judo classes in order to spread enjoyment of the sport.



Employees participate in an in-house martial arts tournament

Efforts for Environmental Conservation

Environmental Initiatives Based on Green Purchasing Guidelines

ALSOK works throughout the Company to reduce CO₂ emissions and promote green purchasing, recycling, and energy conservation based on our Green Purchasing Guidelines, formulated in 2006. During fiscal 2008, we reduced our annual CO₂ emissions by 4.1% year on year.

The Company launched an eco-driving policy in the year ending March 31, 2008. In the year ending March 31, 2009, the Company aims to reduce CO₂ emissions from vehicles by

at least an additional 120 tons. To this end, ALSOK will initiate full-scale operation of hybrid vehicles for our Transportation Security Services and Electronic Security Services, aiming to have approximately 50 hybrid vehicles on the road within the year.

Initiatives for Quality Improvement

Acquisition of ISO 9001 Certification

Aiming to improve the quality of security services offered and increase customer satisfaction, ALSOK obtained ISO 9001 certification in September 2002. As of March 2008, 26 Group companies have completed certification. We intend to acquire certification for the entire Group.



ALSOK Achieves Listing in FTSE4Good Index

ALSOK has been selected for the first time for inclusion in the FTSE Group's* FTSE4Good Index, an index that promotes socially responsible investment (SRI). This appointment reflects the FTSE Group's recognition of ALSOK's active engagement in environmental conservation and social contribution activities.

* The FTSE Group, an independent organization jointly owned by The Financial Times and the London Stock Exchange, compiles and manages indices widely used by investors around the world.



FTSE4Good

Directors and Auditors

(As of August 5, 2008)

Directors



Tsuneo Murai
Chairman of the Board



Atsushi Murai
President, CEO and COO



Akira Tamura
Representative Director



Satoshi Matsumoto
Director



Akira Ohnishi
Director



Ko Sato
Director



Akira Ichikawa
Director



Akira Kanno
Director (Outside Director)

Executive Officers

Atsushi Murai*
President, CEO and COO

Akira Tamura*
Executive Vice President
Deputy Chief Officer of Business
Promotion Division

Satoshi Matsumoto*
Executive Vice President
CSO (Chief Strategy Officer)
CCO (Chief Compliance Officer)
Investor Relations

Akira Ohnishi*
Executive Vice President
CFO (Chief Financial Officer)

Ko Sato*
Senior Executive Officer
Human Resources
Corporate Ethics

Hiroshi Ohno
Senior Executive Officer
R&D
Information Systems

Shozo Sawamura
Senior Executive Officer
Deputy Chief Officer of Business
Promotion Division

Yukiyasu Aoyama
Senior Executive Officer
Chief Officer of Security
Operations Division

Shiro Hashio
Senior Executive Officer
Chief Officer of East Japan
Headquarters

Akira Ichikawa*
Senior Executive Officer
Chief Officer of West Japan
Headquarters

Matsuo Honjo
Executive Officer
Chief Officer of Tokyo
Headquarters

Takashi Ueno
Executive Officer
Chief Officer of Mid Japan
Headquarters

Masashi Terao
Executive Officer
Chief Officer of Transportation
Security Services Headquarters

Takao Fujikawa
Executive Officer
General Affairs

Satoshi Yamada
Executive Officer
HR Planning
Recruiting
International Affairs

Susumu Hoshino
Executive Officer
R&D

Kiyomi Hara
Executive Officer
Corporate Marketing, Business
Promotion Division

Mikio Yoshioka
Executive Officer
Deputy Chief Officer of Security
Operations Division

Seiichi Matsumoto
Executive Officer
Deputy Chief Officer of East
Japan Headquarters

Yuichi Miyazawa
Executive Officer
Deputy Chief Officer of West
Japan Headquarters

Corporate Auditors

Kazumasa Oizumi
Corporate Auditor
(Outside Corporate Auditor)

Hideo Nakajima
Corporate Auditor

Teruo Kageyama
Corporate Auditor
(Outside Corporate Auditor, part-time)

Tassei Iijima
Corporate Auditor
(Outside Corporate Auditor, part-time)

The persons marked with an asterisk (*) concurrently serve as directors.

Financial Section

Management's Discussion and Analysis

Status of the ALSOK Group

The ALSOK Group consists of 45 consolidated subsidiaries and 8 equity-method affiliates engaged in Security Services (Electronic Security Services, Stationed Security Services, and Transportation Security Services) and Other Services such as Total Building Management, fire prevention, and information security. The Company and 13 consolidated subsidiaries, as well as 8 equity-method affiliates, are engaged in the security business and other businesses, and are developing a nationwide network. 23 consolidated subsidiaries are primarily engaged in the provision of Stationed Security Services. Sokei Building Service Co., Ltd. and one other company provide Stationed Security Services, while Sokei Electrical Construction Co., Ltd. and 7 subsidiaries engage in other businesses.

Business Environment

Japan's domestic social environment during the year ended March 31, 2008 showed signs of statistical improvements regarding safety, with the number of crimes reported declining for the sixth consecutive year, while the arrest rate improved. Nevertheless, street crime and burglary remained at high levels, high-profile cases and incidents have fueled concern for personal safety among the general public, and safety awareness remained high. Meanwhile, a rising number of incidents of information leakage through file sharing software has prompted businesses to upgrade their security systems.

These social and corporate conditions are stimulating demand for the security industry to provide a broad spectrum of services.

Crimes Reported
(Thousands of cases)



Source: National Police Agency: Overview of the Security Services Industry in 2007

Analysis of Income and Expenses

Sales

Security Services Segment

Electronic Security Services

In Electronic Security Services, corporate client sales were impacted by contract cancellations from closures and consolidation of branch networks, such as consumer finance outlets. However, sales were boosted by the start of a new security system for the privatized postal service ordered in the previous fiscal year, as well as brisk orders, particularly from the real estate industry. The number of corporate contracts rose 3.6% to 372,196.

Individual consumption was sluggish, and housing starts were down due to the adoption of revised building standards, both of which negatively impacted the sales environment. However, the Company worked to boost sales through various measures including alliances with housing construction firms, resulting in an increase in the number of contracts for ALSOK Home Security 7. Altogether, the number of individual contracts amounted to 115,032, up 11.1% from the previous fiscal year.

As a result, sales of Electronic Security Services rose 0.5% year on year to ¥143,967 million.

Stationed Security Services

While there were no major orders from financial institutions for provisional security services, compared to the large number of such orders during the year ended March 31, 2007, orders from new studios of broadcasting stations and operation of large

Arrest Rate
(%)



Source: National Police Agency: Overview of the Security Services Industry in 2007

Note: Figures in this section are based on the English translation of the Summary of Financial Results for the Fiscal Year Ended March 2008. For notes on this Summary, please refer to the document "Financial Results for the Fiscal Year Ended March 2008" available on the ALSOK IR website.
URL http://ir.alsok.co.jp/english/library/05_00.html

Sales by segment are as follows:

Business Segment		2007		2008		YoY	
		Amount (Millions of yen)	Share (%)	Amount (Millions of yen)	Share (%)	Amount (Millions of yen)	Increase/(Decrease) (%)
Security Services	Electronic Security Services	143,278	51.8	143,967	50.5	688	0.5
	Stationed Security Services	70,940	25.7	72,798	25.5	1,857	2.6
	Transportation Security Services	44,509	16.1	46,606	16.4	2,097	4.7
	Total	258,727	93.6	263,371	92.4	4,643	1.8
Other Services		17,832	6.4	21,624	7.6	3,792	21.3
Total		276,560	100.0	284,996	100.0	8,435	3.1

new commercial facilities, as well as orders for a prison financed by a PFI (public financing initiative) contributed to sales growth. Sales for Stationed Security Services amounted to ¥72,798 million, up 2.6% from the previous fiscal year.

Transportation Security Services

Outsourced services by financial institutions aimed at avoiding operational risk and reducing costs continued to expand for labor credit unions and credit unions, in addition to mega-banks and regional banks. Orders for cash management and cash transportation services were steady, while sales for Cash Deposit Machine On-line Systems installed at general business sites, primarily service providers, were also strong. As a result, sales for Transportation Security Services rose 4.7% to ¥46,606 million.

As a result, sales for the Security Services segment rose 1.8% year on year to ¥263,371 million.

Other Services Segment

Sales increased in the Other Services segment on steady growth in sales of automated external defibrillators (AEDs) and residential fire alarm devices, and with the contribution from a service, ordered in the previous fiscal year, to dispatch security staff to the scene of car accidents. Orders were steady for ALSOK's proprietary "MMK" multimedia ATM and the "ALSOK Safety Confirmation Service" for corporate disaster control.

Consequently, sales for Other Services increased 21.3% to ¥21,624 million.

Cost of Sales

The cost of sales increased ¥9,206 million, or 4.5% year on year, to ¥212,287 million.

One major factor behind this rise was increased labor costs, which rose by ¥4,017 million due to the addition of personnel for Stationed Security Services and technical personnel as an upfront investment for provision of high-quality security services, as

Sales

(Billions of yen)



Operating Profit/Operating Profit Margin

(Billions of yen)

(%)



■ Operating Profit
◆ Operating Profit Margin

well as raises to base salaries and higher bonus payments associated with changes to the applicable bonus payment period. Other key contributors to the higher cost of sales were increased outsourcing expenses due to increased orders for Stationed Security Services and Total Building Management Services such as building maintenance in the Other Services segment (up ¥1,927 million), and a ¥1,796 million increase in lease payments associated with growth in orders for Cash Deposit Machine On-line Systems and higher lease payments for alarm equipment accompanying the introduction of the new postal services' crime prevention system. Depreciation increased by ¥512 million as a result of changes in the depreciation method resulting from revision of the taxation system in April 2007.

Selling, General and Administrative Expenses

Selling, general and administrative expenses rose ¥1,406 million, or 2.4%, to ¥58,913 million. Personnel expenses rose ¥1,930 million due to the addition of sales staff and higher base salaries, as well as higher bonus payments associated with changes to the applicable bonus payment period. In addition, depreciation increased by ¥528 million as a result of changes in the depreciation method resulting from revision of the taxation system in April 2007. Moreover, other selling, general and administrative expenses fell ¥873 million due to elimination of the ¥800 million Accounting system Development Project (ADP*) commission fee incurred during the previous fiscal year.

* A new system that integrates sales and accounting systems.

Operating Profit

Operating profit declined ¥2,176 million, or 13.6% year on year, to ¥13,795 million due to failure to meet sales targets for Electronic Security Services.

Other Income and Expenses

Other income and expenses increased ¥77 million, or 2.4% year on year, to ¥334.7 million as a result of a ¥131 million increase in profit on sales of investments in securities.

Other expenses rose ¥176 million, or 7.6% year on year, to ¥2,500 million due to such factors as loss on revaluation of derivatives of ¥540 million.

Extraordinary Profits and Losses and Net Income

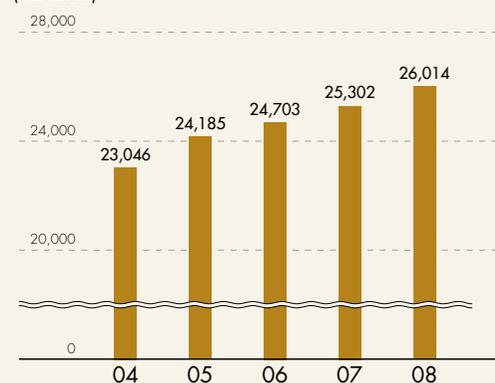
Extraordinary profits rose to ¥752 million due to an increase of ¥349 million in profit on sales of investments in securities, net, and ¥287 million in restitution income arising from a proposed business site relocation by ALSOK. Extraordinary losses declined by ¥391 million, or 48.9%, to ¥410 million. The main reason for the decline in extraordinary losses was the absence of a ¥410 million loss on disposal and impairment of inventories and a ¥185 million bad debt loss recorded in fiscal 2007. However, the Company booked a ¥120 million loss on disposal of fixed assets associated with a proposed business site relocation.

As a result, net income for the period increased ¥95 million, or 1.3%, from the previous fiscal year to ¥7,653 million.

Labor Cost Ratio (%)



Number of Employees (Individuals)



Financial Position

Assets

Total assets at March 31, 2008 were ¥297,396 million, up ¥12,177 million, or 4.3%, from the previous year.

Current Assets

Current assets rose ¥18,975 million, or 12.4% compared to the end of the previous fiscal year, to ¥172,212 million. A major reason for the rise in current assets was an increase of ¥30,185 million in advance payment, primarily for Transportation Security Services, which offset a ¥12,197 million decrease in cash and deposits (including cash used in Transportation Security Services). Cash Deposit Machine On-line Systems account for the majority of advance payments. Because the final day of the fiscal year ended March 31, 2008 fell on a Monday, that day ALSOK transferred sums equivalent to the amount of cash deposited over the weekend to clients' designated bank accounts, resulting in a significant increase in advance payments.

Fixed Assets

Fixed assets declined by ¥6,797 million, or 5.2% compared to the end of the previous fiscal year, to ¥125,183 million. Major contributors to this decrease were a ¥7,263 million decline in investments in securities due to falling stock prices and sales of stock, and a ¥1,529 million increase in prepaid pension cost.

Liabilities

Total liabilities at March 31, 2008 had increased ¥9,089 million, or 6.8%, from the previous fiscal year-end to ¥142,491 million. Current liabilities increased ¥15,702 million, or 19.3%,

Cash Deposit Machine On-line Systems:

The Relationship to Cash on the Balance Sheet and Cash Advances Paid

The majority of cash for transportation security services and cash advances paid are used for Cash Deposit Machine On-line Systems. The process of Cash Deposit Machine On-line Systems is explained below.

① Depositing of proceeds from sales

After closing sales for the day, staff at the client store place the day's cash takings into a cash deposit machine installed in the store's office.

② Deposit data transmitted to ALSOK

The cash deposit machine automatically calculates the amount of cash deposited, and transmits the data to ALSOK via telephone connection.

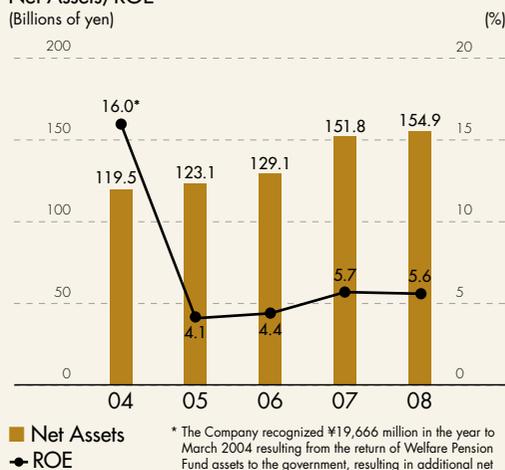
③ Transfer of sales cash to client's bank account

Based on the transmitted data, on the next business day ALSOK makes a transfer to the client's designated bank account. The amount transferred is entered on the balance sheet as "advance payment." Because transfers cannot be made on weekends or holidays, the amount of advances paid increases just after a holiday.

④ Collection of cash stored in the cash deposit machine

ALSOK's cash transportation vehicles collect the cash deposited in each store's machines at the most efficient intervals. When it is collected, it is recorded on the balance sheet as "cash for transportation security services", and the amount of advance payment decreases.

Net Assets/ROE
(Billions of yen)



Contracts for Cash Deposit Machine On-line Systems
(Number of contracts)



to ¥96,993 million, primarily reflecting an increase of ¥18,996 million in short-term borrowings for Transportation Security Services and other business areas, as well as a decline of ¥1,050 million in allowance for bonuses.

Long-term liabilities decreased ¥6,613 million, or 12.7% from the previous fiscal year-end, to ¥45,498 million. The major reasons for the decline were a decrease of ¥3,354 million in long-term borrowings due to scheduled repayments, and a transfer of ¥2,700 million to the current portion of bonds.

Net Assets

Total net assets at March 31, 2008 had increased ¥3,088 million, or 2.0%, from the previous fiscal year-end to ¥154,904 million. Major factors for this increase in net assets were a ¥5,462 million rise in retained earnings, and a ¥2,027 million decrease in total valuation and translation adjustments. The rise in retained earnings reflected ¥7,653 million in net income and dividends of ¥2,191 million.

Cash Flows

The balance of cash and cash equivalents at March 31, 2008 was ¥49,790 million. Consolidated cash inflow provided by operating activities amounted to ¥14,986 million, while net cash used in investment activities and financing activities was ¥8,283 million and ¥9,500 million, respectively, resulting in an overall decrease of ¥2,800 million, or 5.3% year on year.

Cash flows from operating activities

Net cash provided by operating activities was ¥14,986 million. The major components were ¥14,983 million in income before income taxes (a decrease of 7.7% year on year), ¥11,262 million in depreciation (up 10.2%), a ¥1,580 million decrease

in cash due to an increase in accounts receivable (down 15.2%), a ¥1,529 million decrease (up 35.7%) in cash due to an increase in prepaid pension cost, and ¥6,754 million in income taxes paid (up 22.2%).

Cash flows from investment activities

Net cash used in investment activities was ¥8,283 million, a 6.0% decrease from the previous fiscal year. The primary factors were ¥9,138 million in payments for purchases of tangible assets (down 13.7%), ¥2,518 million in payments for purchases of investments in securities (down 20.0%), and ¥5,700 million in proceeds from sales and redemption of investments in securities (up 51.3%).

Cash flows from financing activities

Net cash used in financing activities was ¥9,500 million, down 76.3% from the previous fiscal year. The main elements were ¥5,240 million for payments on repayment of long-term debt (up 15.5%), ¥2,200 million in payments for redemption of bonds, and ¥2,191 million in dividends paid (up 27.2%).

Capital Expenditures and Depreciation

During the fiscal year ended March 31, 2008, the Company made capital expenditures of ¥10,477 million aimed at improving capacity and upgrading equipment in its expanding range of services, particularly the Security Services segment. Spending on Electronic Security Services included ¥6,172 million for installation of alarm signal equipment (including ¥775 million for construction in progress) and ¥2,148 million for building repair and installation of furniture and fixtures, for a total of ¥8,321 million in capital expenditures, etc. The Company spent a total of ¥437 million on Stationed Security Services for installation of furniture and fixtures, while in the Transportation Security Services segment, ¥266 million was spent

Breakdown of cash and cash equivalents

(Millions of yen)

	Previous Consolidated Fiscal Year (April 1, 2006–March 31, 2007)	Consolidated Fiscal Year Under Review (April 1, 2007–March 31, 2008)	YoY
Cash flows from operating activities	16,570	14,986	(1,583)
Cash flows from investment activities	(8,813)	(8,283)	530
Cash flows from financing activities	(5,387)	(9,500)	(4,113)
Effect of exchange rate changes on cash and cash equivalents	–	(4)	(4)
Net increase/decrease in cash and cash equivalents	2,369	(2,800)	(5,170)
Cash and cash equivalents at beginning of the year	50,221	52,591	2,369
Balance of cash and cash equivalents at the end of the year	52,591	49,790	(2,800)

Breakdown of capital expenditures

(Millions of yen)

Segment	Total	Breakdown of Amount	Purpose
Electronic Security Services	8,321	6,172	Installation of alarm signal equipment (including ¥775 million for construction in progress)
		2,148	Building repair and installation of furniture and fixtures
Stationed Security Services	437		Installation of furniture and fixtures, etc.
Transportation Security Services	1,146	266	Building renovation
		879	Installation of furniture and fixtures
Other Services	571		Total Building Management, Disaster Prevention Services, etc.

on renovation of buildings and ¥879 million on installation of furniture and fixtures, for a total of ¥1,146 million. Spending on Other Services totaled ¥571 million, primarily in the Total Building Management and Disaster Prevention Services. Due to changes to the depreciation method resulting from revision of the taxation system in April 2007, depreciation rose ¥1,040 million, or 10.2%, to ¥11,262 million.

Consolidated forecasts for fiscal year ending March 31, 2009

(Millions of yen)

Business Segment		2009 (projected)	Change (%)
Sales	Electronic Security Services	148,000	2.8
	Stationed Security Services	75,800	4.1
	Transportation Security Services	48,500	4.2
	Other Services	21,800	1.0
Total		294,200	3.2
Operating Profit		14,100	2.2
Net Income		7,900	3.2

Basic Policy on Distribution of Profits and Dividends

The Company considers the return of earnings to shareholders a top management priority, and our basic policy is to distribute profits to shareholders based on our operating results while increasing internal reserves. ALSOK uses internal reserves for investment in R&D required for future growth and development, qualitative upgrades to information systems, and capital investment for new businesses, as it works to improve its business performance.

Regarding acquisition of treasury stock, the company exercises a flexible capital structure policy that is responsive to changes in the operating environment.

The Company conducted acquisitions of treasury stock from February 2008, resulting in a cumulative total of 656,000 shares acquired by March 31, 2008.

In line with these basic policies, for the year ended March 31, 2008, the Company has decided to pay a total annual dividend of ¥20 per share. For the year ending March 31, 2009, the Company plans to pay an interim dividend of ¥11 per share and a year-end dividend of ¥11 per share for an annual dividend of ¥22 per share.

Capital Expenditures

(Billions of yen)



Depreciation

(Billions of yen)



Risk Information

Of the matters related to the ALSOK Group's business and accounting circumstances, the following items could potentially have a significant effect on the judgment of investors.

Future-related descriptions in the content below were deemed appropriate by the Group as of the end of the fiscal year under review.

(1) Dependency on sales from a specific business sector

Sales from the financial institutions sector accounted for 30.2% of the Group's total sales in the year ended March 31, 2008.

Consequently, trends in the economic environment surrounding financial institutions, including the possible cancellations of existing security service contracts due to the elimination or consolidation of branch locations, could have a considerable effect on the Group's operating performance.

(2) Electronic Security business

Of the Group's total sales, 50.5% are dependent on the Electronic Security business. The smooth operation of the Electronic Security business is based on the premise of continued capital investment for structuring and maintaining operational infrastructures such as the preparation of Guard Centers and depots, vehicles for Electronic Security Services and communications systems, as well as personnel expenses for Guard Center staff and security staff. Should the Group fail to enter into a certain volume of Electronic Security contracts due to any of a wide range of factors associated with the Group's Electronic Security business, the Group's operating performance could be affected.

(3) Cash used for Transportation Security Services

The Group supplies its own funds or funds financed through overdrafts as cash to be stored in the CD machines installed by the subsidiaries of financial institutions in their business partners' stores and offices and cash used to deposit advances for Cash Deposit Machine On-line System contracts.

Although ALSOK receives fees for advancing these funds from the contracted clients to compensate for the burden of interest for procuring the cash required for the Transportation Security

Services, the burden of interest could have a considerable effect on the Group's operating performance in the event of a rapid rise in interest rates.

(4) Dependency on a specified equipment supplier

The Group mostly depends on NEC Corporation for the development and provision of the center equipment that has been and is to be installed inside the Guard Centers. As for transactions involving the center equipment, the Group enters into a master agreement for commodity purchases to provide for anticipated quantities of items and additionally holds certain levels of spare items for maintenance to allow for emergencies. Should any difficulty occur in the provision of such center equipment due to a natural disaster or for whatever reason, the normal operation of the Guard Centers could be affected.

(5) Adaptation to changes in the technological environment

The development of security-related equipment and the adoption of state-of-the-art IT technologies are indispensable to the Group's adequate provision of security services, due to the need to deal with "increasingly complicated and heinous crimes," "obsolescence of existing facilities due to the sophistication of information communication infrastructures" and "advances in a wide range of operations applying IT technology."

The ALSOK Group continues to make efforts in the development of security-related equipment and advanced IT technologies principally in the R&D Department of the Group. However, should our adaptation to technological progress fall behind the changes in the technological environment of society, the Group's operating performance could be affected.

(6) Management of client information

Recognizing the importance of information management, the Group endeavors to upgrade and strengthen information management by the execution of appropriate internal audits and the written confirmation of safety management. In concluding a security service contract with a client, the Group obtains a

significant amount of information about the client including the names, addresses and phone numbers of related parties, as well as various information about the client premises where security services are to be employed, and utilizes that essential information for the execution of security services and client management. As a precaution, the ALSOK Group has enrolled in an insurance policy for personal information leakage, an umbrella policy covering all Group companies. However, should any major problems occur with regard to the management of client information, including any unforeseeable accidents, the resulting claims for damages and the decline in public trust of the Group could affect the operating performance and future business development of the Group.

(7) Ensuring human resources

In recent years, Japanese society has been rapidly aging due to a combination of extended average life expectancy with a sharp drop in the birthrate. Although it can be anticipated that these trends will lead to a rise in the need for ALSOK's security services, it could become more difficult to recruit younger workers in this labor-intensive industry. Should personnel expenses such as wages be increased with the aim of securing good human resources, the Group's operating performance could be affected.

(8) Legal restrictions

In its provision of various security and other business services, the Group is subject to a variety of statutory restrictions including the major ones stated in the table below.

Should any of these statutory restrictions be amended or abolished or any new legal provisions additionally established, the Group's operating performance could be affected.

Major operation	Relevant laws	Competent authorities, etc.
Electronic Security Services, Stationed Security Services and Transportation Security Services	Security Business Law	National Public Safety Commission and Prefectural Public Safety Commission(s)
Electronic Security Services	Construction Industry Law, Enforcement Ordinance of the Construction Industry Law and Enforcement Regulations of the Construction Industry Law	Ministry of Land, Infrastructure, Transport and Tourism
	Electrical Appliance and Material Safety Act	Ministry of Economy, Trade and Industry
Stationed Security Services	Ordinance of Boiler and Pressure Vessels	Competent Labor Standards Supervision Office(s) of the Prefectural Labor Standards Bureau(s)
Transportation Security Services	Truck Transport Business Law, Freight Forwarding Business Law, Road Trucking Vehicle Law and Warehousing Business Law	Ministry of Land, Infrastructure, Transport and Tourism
Other Services (Total Building Management, Disaster Prevention Services and other operations)	Fire Defense Law	Ministry of Internal Affairs and Communications
	Fire Prevention Ordinance, etc.	Each firefighting headquarters Each municipality
	Law for Maintenance of Sanitation in Buildings	Ministry of Health, Labor and Welfare Prefectural governments
	Pharmaceutical Affairs Law	Ministry of Health, Labor and Welfare

(9) Natural disasters and other problems

The Group closely monitors various information relating to security services through its regionally segmented supervision network.

One of the major network components is the telecommunications lines that connect the client premises, the Guard Centers, depots and so forth. The operation of the telecommunications lines depends on the communications services provided by the contracted type-I carrier. Accordingly, should any serious failure take place in the telecommunications lines due to a natural disaster or an accident, there could be difficulties in the operation of Guard Centers conducting remote monitoring.

Anti-seismic measures have been adopted and/or support center backup has been established for various systems, including at Guard Centers, on the premise that such a natural disaster might occur in the area where a Guard Center is established or various types of system malfunctions might happen. Nevertheless, in the event that a natural disaster of unprecedented scale were to occur, normal signal transmission/reception from/to the contracted clients would become unavailable, causing serious difficulties such as the suspension of our security services.

In such cases, the resulting claims for damages and the decline in public trust of the Group could affect the operating

performance and future business development of the Group and concurrently it could become necessary to pay huge expenses to recover damaged Guard Centers and other facilities.

(10) Stock acquisition rights (stock options)

ALSOK has introduced a stock option system to grant an incentive to directors, executive officers and certain employees to increase their willingness to contribute to ALSOK and raise morale.

As of March 31, 2008, the number of shares subject to the stock acquisition rights was 405 thousand, which corresponded to 0.4% of the total number of shares issued of 102,039 thousand. Should these stock acquisition rights be exercised in mass within a shorter period, the value of shares held by shareholders could be diluted.

The unexercised stock options as of the end of the fiscal year were as indicated below.

Stock options granted (as of March 31, 2008)

Date of resolution at General Shareholders' Meeting	Qualified grantees	Type of shares subject to the stock acquisition rights	Number of shares subject to the stock acquisition rights	Exercise value per share	Total amount to be subscribed upon exercise of the rights	Exercise period
June 28, 2001	Directors and certain employees	Common stock	119 thousand	¥1,382	¥165 million	July 1, 2003, through June 30, 2008
June 27, 2002	Executive officers and certain employees	Common stock	57 thousand	¥1,414	¥80 million	July 1, 2004, through June 30, 2009
June 27, 2003	Directors and certain employees	Common stock	228 thousand	¥1,338	¥306 million	July 1, 2005, through June 30, 2010
Total	—	—	405 thousand	—	¥551 million	—

Consolidated Balance Sheets

ALSOK and Subsidiaries

	As of March 31, 2008		As of March 31, 2007		YoY
	Amount (¥ million)	Share (%)	Amount (¥ million)	Share (%)	Amount (¥ million)
Assets					
Current assets					
Cash and deposits	57,375		61,029		
Cash for transportation security services	30,839		39,382		
Notes and accounts receivable	22,460		20,879		
Short-term investments in securities	1,265		706		
Inventories	4,452		4,092		
Advance payment	49,776		19,684		
Deferred tax assets	1,689		2,433		
Other	4,583		5,200		
Allowance for doubtful accounts	(229)		(172)		
Total current assets	172,212	57.9	153,237	53.7	18,975
Fixed assets					
Tangible fixed assets					
Buildings and structures	19,554		19,037		
Machinery, equipment and delivery equipment	15,364		16,920		
Land	17,933		17,883		
Construction in progress	1,129		2,319		
Other	3,657		3,539		
Total tangible fixed assets	57,638	19.4	59,700	20.9	(2,062)
Intangible fixed assets					
Software	4,574		2,853		
Goodwill	147		257		
Other	806		3,010		
Total intangible fixed assets	5,528	1.9	6,121	2.1	(593)
Investments and other assets					
Investments in securities	27,354		34,618		
Long-term loan	1,815		1,920		
Lease deposits	8,460		8,885		
Insurance reserve fund	3,421		3,274		
Prepaid pension cost	3,518		1,988		
Deferred tax assets	16,111		15,827		
Other	3,704		1,857		
Allowance for doubtful accounts	(2,369)		(2,214)		
Net investments and other assets	62,016	20.8	66,159	23.3	(4,142)
Total fixed assets	125,183	42.1	131,981	46.3	(6,797)
Total Assets	297,396	100.0	285,219	100.0	12,177

Note: Figures in this section are based on the English translation of the Summary of Financial Results for the Fiscal Year Ended March 2008. For notes on this Summary, please refer to the document "Financial Results for the Fiscal Year Ended March 2008" available on the ALSOK IR website.

URL http://ir.alsok.co.jp/english/library/05_00.html

	As of March 31, 2008		As of March 31, 2007		YoY
	Amount (¥ million)	Share (%)	Amount (¥ million)	Share (%)	Amount (¥ million)
Liabilities					
Current liabilities					
Trade notes and accounts payable	9,551		9,401		
Short-term borrowings	60,766		41,769		
Current portion of bonds	2,700		2,200		
Accounts payable	11,724		13,183		
Accrued income taxes	1,572		2,628		
Accrued consumption taxes	1,619		1,961		
Allowance for bonuses	807		1,858		
Allowance for directors' bonuses	184		223		
Other	8,066		8,064		
Total current liabilities	96,993	32.6	81,291	28.5	15,702
Long-term liabilities					
Bonds	6,600		9,300		
Long-term borrowings	4,419		7,773		
Deferred tax liabilities	25		38		
Deferred income taxes on land revaluation	418		418		
Accrued retirement benefits for employees	28,670		29,157		
Accrued retirement benefits for directors and corporate auditors	1,575		1,545		
Other	3,788		3,878		
Total long-term liabilities	45,498	15.3	52,111	18.3	(6,613)
Total liabilities	142,491	47.9	133,402	46.8	9,089
Net Assets					
Shareholders' equity					
Common stock	18,674	6.2	18,536	6.5	137
Capital surplus	32,117	10.8	32,047	11.2	69
Retained earnings	90,720	30.5	85,258	29.9	5,462
Treasury stock	(919)	(0.3)	(6)	(0.0)	(913)
Total shareholders' equity	140,592	47.2	135,835	47.6	4,756
Valuation and translation adjustments					
Other securities valuation difference	2,310	0.8	4,335	1.5	(2,025)
Land revaluation account	(5,395)	(1.8)	(5,395)	(1.9)	-
Translation adjustment	(2)	(0.0)	-	-	(2)
Total valuation and translation adjustments	(3,087)	(1.0)	(1,060)	(0.4)	(2,027)
Minority interests in consolidated subsidiaries	17,399	5.9	17,040	6.0	359
Total net assets	154,904	52.1	151,816	53.2	3,088
Total	297,396	100.0	285,219	100.0	12,177

Consolidated Statements of Operations

ALSOK and Subsidiaries

	Fiscal year ended March 31, 2008		Fiscal year ended March 31, 2007		YoY
	Amount (¥ million)	Share (%)	Amount (¥ million)	Share (%)	Amount (¥ million)
Sales	284,996	100.0	276,560	100.0	8,435
Cost of sales	212,287	74.5	203,080	73.4	9,206
Gross profit on sales	72,709	25.5	73,479	26.6	(770)
Selling, general and administrative expenses	58,913	20.7	57,507	20.8	1,406
Operating profit	13,795	4.8	15,972	5.8	(2,176)
Other income	3,347	1.2	3,269	1.2	77
Interest received	395		372		
Dividends received	667		592		
Profit on sales of investments in securities, net	170		39		
Rental income	441		425		
Gain from insurance claim	132		118		
Equity in earnings of affiliates	329		256		
Received penalties for contracts cancellation	438		518		
Other	772		945		
Other expenses	2,500	0.9	2,324	0.9	176
Interest	988		957		
Loss on sales of investments in securities, net	16		35		
Loss on disposals of fixed assets	470		497		
Loss on revaluation of derivatives	540		-		
Other	484		833		
Recurring profit	14,642	5.1	16,917	6.1	(2,275)
Extraordinary profits	752	0.3	125	0.1	626
Profit on sales of investments in securities, net	464		114		
Restitution income	287		-		
Other	-		11		
Extraordinary losses	410	0.1	802	0.3	(391)
Impairment loss on investments in securities	231		122		
Loss on sales of investments in securities	45		-		
Loss on disposal and impairment of inventories	-		410		
Loss on disposal of fixed assets	120		-		
Impairment loss	12		83		
Bad debt loss	-		185		
Income before income taxes	14,983	5.3	16,241	5.9	(1,257)
Income taxes	4,603		5,106		
Deferred income taxes	1,982	2.3	2,716	2.9	(1,236)
Minority interests in income of consolidated subsidiaries	744	0.3	859	0.3	(115)
Net income	7,653	2.7	7,558	2.7	95

Consolidated Statements of Changes in Net Assets

ALSOK and Subsidiaries

	Shareholders' equity				Total
	Common stock	Capital surplus	Retained earnings	Treasury stock	
Fiscal year ended March 31, 2007 (April 1, 2006 – March 31, 2007)					
Balance on March 31, 2006	17,830	31,811	79,642	(27)	129,258
Changes during the period					
Issuance of new shares	705	232			938
Cash dividends			(862)		(862)
Cash dividends*			(859)		(859)
Directors' 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 excluding shareholders' equity					
Total changes	705	236	5,615	20	6,577
Balance on March 31, 2007	18,536	32,047	85,258	(6)	135,835

	Valuation and translation adjustments			Minority interests in consolidated subsidiaries	Total
	Other securities valuation difference	Land revaluation account	Total		
Balance on March 31, 2006	4,911	(4,976)	(64)	16,645	145,839
Changes during the period					
Issuance of new shares					938
Cash dividends					(862)
Cash dividends*					(859)
Directors' bonuses*					(220)
Net income					7,558
Purchase of treasury stock					(1)
Disposal of treasury stock					26
Net amount of changes excluding shareholders' equity	(576)	(418)	(995)	394	(600)
Total changes	(576)	(418)	(995)	394	5,977
Balance on March 31, 2007	4,335	(5,395)	(1,060)	17,040	151,816

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

	Shareholders' equity				Total
	Common stock	Capital surplus	Retained earnings	Treasury stock	
Fiscal year ended March 31, 2008 (April 1, 2007 – March 31, 2008)					
Balance on March 31, 2007	18,536	32,047	85,258	(6)	135,835
Changes during the period					
Issuance of new shares	137	69			207
Cash dividends			(2,191)		(2,191)
Net income			7,653		7,653
Purchase of treasury stock				(913)	(913)
Net amount of changes excluding shareholders' equity					
Total changes	137	69	5,462	(913)	4,756
Balance on March 31, 2008	18,674	32,117	90,720	(919)	140,592

	Valuation and translation adjustments			Minority interests in consolidated subsidiaries	Total
	Other securities valuation difference	Land revaluation account	Translation adjustments		
Balance on March 31, 2007	4,335	(5,395)	–	17,040	151,816
Changes during the period					
Issuance of new shares					207
Cash dividends					(2,191)
Net income					7,653
Purchase of treasury stock					(913)
Net amount of changes excluding shareholders' equity	(2,025)	–	(2)	359	(1,668)
Total changes	(2,025)	–	(2)	359	3,088
Balance on March 31, 2008	2,310	(5,395)	(2)	17,399	154,904

Consolidated Statements of Cash Flows

ALSOK and Subsidiaries

	Fiscal year ended March 31, 2008	Fiscal year ended March 31, 2007	YoY
	Amount (¥ million)	Amount (¥ million)	Amount (¥ million)
Cash flows from operating activities			
Income before income taxes	14,983	16,241	
Depreciation	11,262	10,222	
Impairment loss	12	83	
Depreciation of goodwill	109	109	
Increase/(decrease) in allowance for doubtful accounts	212	(26)	
(Decrease) in accrued retirement benefit for employees	(486)	(746)	
(Decrease) in allowance for bonuses	(1,050)	(2,829)	
Increase/(decrease) in allowance for directors' bonuses	(38)	223	
Interest income and dividend income	(1,063)	(964)	
Interest expenses	988	957	
Equity in earnings of affiliates	(329)	(256)	
Loss on sales of fixed assets	1	2	
Loss on disposals of fixed assets	590	497	
Loss on sales of investments in securities	(572)	(117)	
Impairment loss on investment in securities	231	122	
Loss on revaluation of derivatives	540	-	
(Increase) in accounts receivable	(1,580)	(1,864)	
(Increase)/decrease in inventories	(359)	366	
Increase/(decrease) in accounts payable	(606)	2,381	
(Increase)/decrease in prepaid pension cost	(1,529)	(1,127)	
Other	(294)	(1,821)	
Sub-total	21,022	21,453	(430)
Interest and dividend income, received	1,133	1,027	
Interest expenses, paid	(989)	(970)	
Income taxes, paid	(6,754)	(5,526)	
Income tax, refund	574	586	
Net cash provided by operating activities	14,986	16,570	(1,583)
Cash flows from investment activities			
(Increase)/decrease of time deposits	646	(298)	
Payments for purchases of tangible assets	(9,138)	(10,585)	
Proceeds from sales of tangible assets	378	5	
Payments for purchases of investments in securities	(2,518)	(3,146)	
Proceeds from sales and redemption of investments in securities	5,700	3,767	
(Increase)/decrease in short-term loans	(17)	4	
Long-term loans made	(259)	(177)	
Long-term loans collected	365	178	
Other	(3,439)	1,439	
Net cash used in investment activities	(8,283)	(8,813)	530
Cash flows from financing activities			
Increase/(decrease) in short-term borrowings	246	(2,415)	
Proceeds from long-term debt	750	2,950	
Payments on repayment of long-term debt	(5,240)	(4,536)	
Payments for redemption of bonds	(2,200)	(500)	
Proceeds from issue of new shares	205	928	
Proceeds from minority shareholders	40	-	
Payments for acquisition of treasury stock	(913)	(1)	
Proceeds from disposal of parent company's shares by subsidiary	-	63	
Dividends paid	(2,191)	(1,722)	
Dividends paid to minority shareholders	(197)	(153)	
Net cash used in financing activities	(9,500)	(5,387)	(4,113)
Effect of exchange rate changes on cash and cash equivalents	(4)	-	(4)
Net increase/(decrease) in cash and cash equivalents	(2,800)	2,369	(5,170)
Cash and cash equivalents at beginning of the year	52,591	50,221	2,369
Balance of cash and cash equivalents at the end of the year	49,790	52,591	(2,800)

Corporate Data (As of March 31, 2008)

Profile

Corporate Name	SOHGO SECURITY SERVICES CO., LTD.
Head Office	1-6-6 Motoakasaka, Minato-ku, Tokyo 107-8511, Japan
Telephone	+81-3-3470-6811
Established	July 16, 1965
Capital	18,674,342,600 yen
Employees	(Consolidated) 26,014 (Non-consolidated) 12,217
Business Operations	Head office/5 Headquarters/ 58 Branches/44 Offices/ 231 Sales Offices
URL	http://www.alsok.co.jp/

Stock Information

Stock Listing	First Section, Tokyo Stock Exchange
Securities Code	2331
Minimum Trading Lot	100
Total Number of Shares Authorized	300,000,000
Number of Shares Issued	102,039,042 (incl. 660,709 shares of treasury stock)
Number of Shareholders at the End of the Preceding Fiscal Period	9,649

Major Shareholders

Name	Number of shares held (1,000 shares)	Investment ratio (%) *1
SOHGO CORPORATION	7,388	7.24
Tsuneo Murai *2	7,288	7.14
Employees Shareholding Association	5,622	5.51
Saitama Machinery Co., Ltd.	5,283	5.17
Japan Trustee Services Bank, Ltd. (trust account)	5,023	4.92
Trust & Custody Services Bank, Ltd. as trustee for Mizuho Bank Ltd. Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.*3	4,261	4.17
The Master Trust Bank of Japan, Ltd. (trust account)	4,066	3.98
Tokio Marine & Nichido Fire Insurance Co., Ltd.	3,420	3.35
Atsushi Murai	2,960	2.90
Japan Trustee Services Bank, Ltd. (Sumitomo Mitsui Banking Corporation retirement benefits trust account re-entrusted by Chuo Mitsui Asset Trust and Banking Company, Limited)*4	2,735	2.68

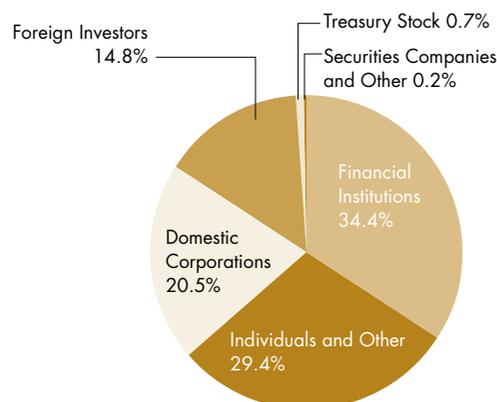
*1 Investment ratios shown are rounded to the nearest thousandth of a percent, (the third place after the decimal point).

*2 The number of shares above held by Tsuneo Murai includes 2.5 million shares (2.45%) held in the name of Kamukura Shoji Co., Ltd.

*3 The shares held by the Mizuho Trust & Banking Co., Ltd. Retirement Benefits Trust Account entrusted to Mizuho Bank, Ltd. are shares entrusted by Mizuho Bank as a contribution to retirement benefits.

*4 The shares held by Japan Trustee Services Bank, Ltd. (shares re-entrusted by Chuo Mitsui Asset Trust and Banking Company, Limited and for the Sumitomo Mitsui Banking Corporation. Retirement Benefit Trust Account) are shares entrusted by Sumitomo Mitsui Banking Corporation as a contribution to retirement benefits.

Distribution of Shares by Shareholder Type



The ALSOK Group

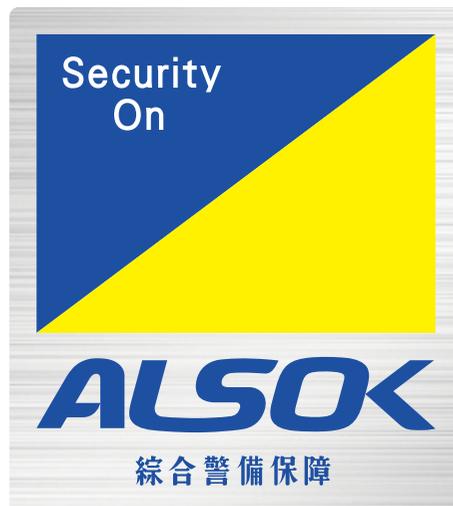
Hokkaido Sohgo Security Services Co., Ltd.	ALSOK Shimane Asahi Co., Ltd.
Tohoku Sohgo Security Services Co., Ltd.	Hiroshima Sohgo Security Services Co., Ltd.
Fukushima Sohgo Security Services Co., Ltd.	Yamaguchi Sohgo Security Services Co., Ltd.
Ibaraki Sohgo Security Services Co., Ltd.	Tokushima Sohgo Security Services Co., Ltd.
Kita-Kanto Sohgo Security Services Co., Ltd.	Kita-Shikoku Sohgo Security Services Co., Ltd.
Gunma Sohgo Guard System Co., Ltd.	Ehime Sohgo Security Services Co., Ltd.
Saitama Sohgo Security Services Co., Ltd.	Minami-Shikoku Sohgo Security Services Co., Ltd.
Chiba Sohgo Security Services Co., Ltd.	Fukuoka Sohgo Security Services Co., Ltd.
Sokei Building Service Co., Ltd.	Saga Sohgo Security Services Co., Ltd.
Chiyoda Kanzai Co., Ltd.	Nagasaki Sohgo Security Services Co., Ltd.
Tokyo Sohgo Security Services Co., Ltd.	Kumamoto Sohgo Security Services Co., Ltd.
Tohshin Sohgo Security Services Co., Ltd.	ALSOK (Thailand) Co., Ltd.
Sokei Electrical Construction Co., Ltd.	Tohoku Sohgo Kanzai Co., Ltd.
Sokei Information System Co., Ltd.	Tohoku Sohgo Stationed Security Services Co., Ltd.
Sokei Leasing Co., Ltd.	Tomiso Technical Service Co., Ltd.
JFL Co., Ltd.	Hiroshima Sokei Service Co., Ltd.
Sokei Stationed Security Services Co., Ltd.	Setouchi Sokei Service Co., Ltd.
Kanagawa Sohgo Security Services Co., Ltd.	Yamaguchi Kanzai Co., Ltd.
Toyama Sohgo Security Services Co., Ltd.	Aomori Sohgo Security Services Co., Ltd.
Chukyo Sohgo Security Services Co., Ltd.	Niigata Sohgo Security Services Co., Ltd.
Aichi Sohgo Security Services Co., Ltd.	Hokuriku Sohgo Security Services Co., Ltd.
Mie Sohgo Security Services Co., Ltd.	Nihon Guard Co., Ltd.
Keiji Sohgo Security Services Co., Ltd.	Tokai Sohgo Security Services Co., Ltd.
Osaka Sohgo Security Services Co., Ltd.	Miyazaki Sohgo Security Services Co., Ltd.
Osaka Sohgo Kanzai Co., Ltd.	Kagoshima Sohgo Security Services Co., Ltd.
ALSOK Kinki Co., Ltd.	Okinawa Sohgo Security Services Co., Ltd.
ALSOK Sanin Co., Ltd.	

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Securities Code: 2331

