



Annual Report 2005

Year Ended March 2005 (April 1, 2004-March 31, 2005)

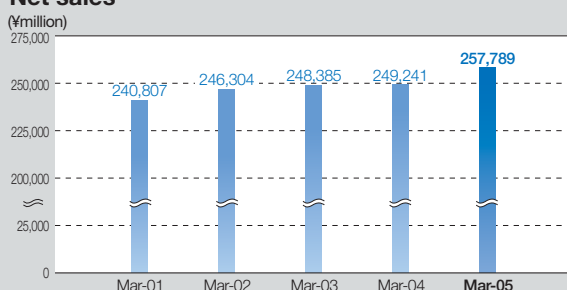


Consolidated Financial Highlights

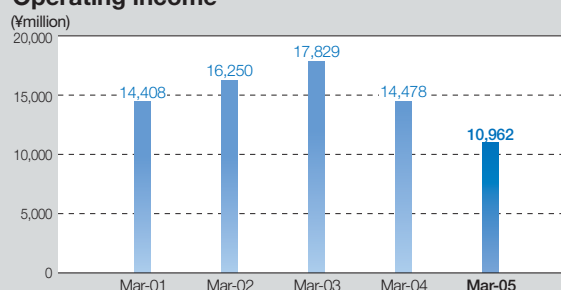
SOHGO SECURITY SERVICES CO., LTD.
Years ended 31st March

	Unit: Millions of yen				
	Year Ended March 2001	Year Ended March 2002	Year Ended March 2003	Year Ended March 2004	Year Ended March 2005
For the year:					
Net sales	¥ 240,807	¥ 246,304	¥ 248,385	¥ 249,241	¥ 257,789
Operating income	14,408	16,250	17,829	14,478	10,962
Recurring profit	13,770	16,558	18,396	15,490	11,592
Net income	7,023	6,686	7,549	17,752	4,951
At year end:					
Total assets	251,951	248,794	258,894	268,812	282,206
Shareholders' equity	68,836	75,880	102,924	119,532	123,169
Per share: (Unit:yen)					
Net income	86.91	79.77	79.84	175.11	47.54
Net assets	874.03	890.29	1,023.04	1,188.65	1,222.93

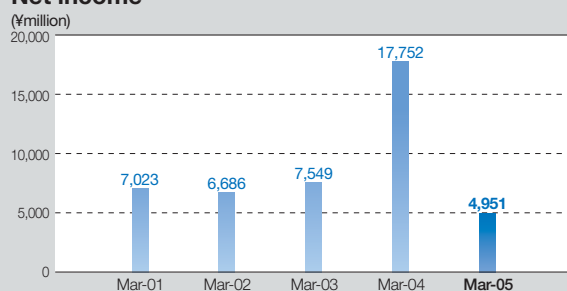
Net sales



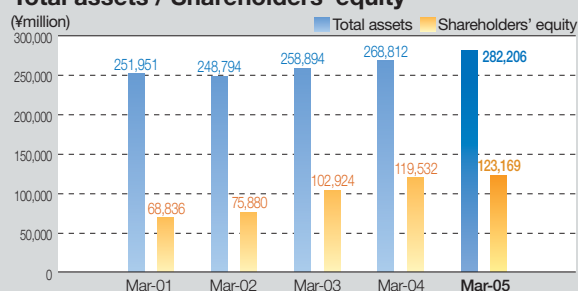
Operating income



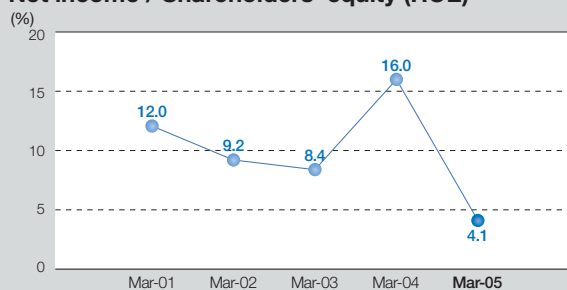
Net income



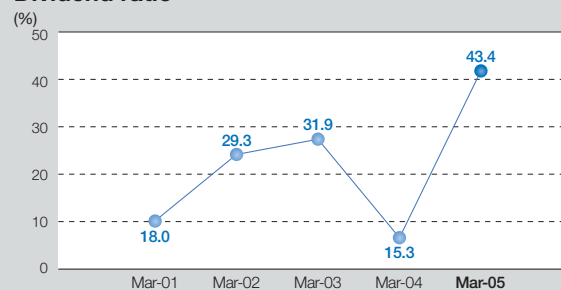
Total assets / Shareholders' equity



Net income / Shareholders' equity (ROE)



Dividend ratio



* ALSOK listed on the first section of the Tokyo Stock Exchange on October 25, 2002.

* In the term ended March 2004, ALSOK accounted a 19,666 million yen extraordinary gain in line with a return of the substitutional portion of the employee welfare pension fund.

Cautionary Statement regarding Forecast and Projections

Plans, forecasts, strategies, goals and beliefs of Sohgo Security Services Co., Ltd. (ALSOK) and those of the ALSOK Group that are expressed in this annual report and that are not founded in historical facts are simply projections of future performance. They are based on the expectations of the management of ALSOK and the ALSOK Group that are derived from information that is currently available. Readers are advised to be aware that the actual performance could differ materially from these projections, due to various factors and changes in such factors.

ALSOK Charter

Management principle

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

Management policy

1. Fundamental

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

2. Priority

Our top priority is to provide security services of the first rank, as reflected in profits, while meeting shareholder expectations and offering better working conditions for our employees.

3. Strategy

While we devote ourselves to security services, we also seek to offer diversified services to meet contemporary demands to the extent made possible by our cumulative expertise in the area of security operations.

4. Contribution to our society

We adhere to all government security policies and seek to make positive contributions to society.

Sohgo Security Services Co., Ltd. (“ALSOK”) was the first company to be awarded security business certification by the Tokyo Metropolitan Public Safety Commission, and as a pioneering corporation in Japan’s security services industry, listed on the First Section of the Tokyo Stock Exchange in October 2002.

Today, our sense of security is being eroded with a rise in the number of violent and disturbing crimes. At the same time, “information” has become a component of security protection, raising awareness about safety and expanding the concept of safety at a rapid pace. As the business management and operations of financial institutions and other corporations change dramatically, needs for outsourcing of services, including those for security services, have become increasingly diverse and expanded the scope of security services.

In this environment, the ALSOK Group (consisting of ALSOK, its 42 consolidated subsidiaries and 8 companies that are accounted for by the equity-method basis) strives to define the safety needs of society in the 21st century and stand ready to provide dependable security services to ensure the safety of our society.

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Corporate Overview Stock and Stockholder Information Shareholder Breakdown Changes in Stock Price

We will promote higher management efficiency and respond boldly to the expectations of our shareholders and investors, while revising our products and services to adequately meet diversifying needs toward “security.”

Atsushi Murai, President



On behalf of ALSOK, I would like to offer my deepest thanks to our shareholders, investors, customers and other stakeholders for your continued support.

Here, I will report on the ALSOK Group's business results and initiatives for the fiscal year ended March 2005 (April 1, 2004 - March 31, 2005), as well as the Group's future outlook.

Business Results

The consolidated accounting year under review saw a decline in the propensity for security service price cuts and contract terminations by financial institutions and other corporate customers. This was partially due to signs of an economic recovery, such as improved corporate earnings and a positive turn in the employment environment. At the same time, although the trend in public peace and order showed improvement due to a decline in the total number of crimes committed for the second consecutive year and an increase in the arrest rate, individual and family demand for security continued to rise due to the occurrence of bank transfer fraud, child kidnappings and other incidents that undermined

the nation's sense of peace and order. In this environment, the ALSOK Group benefited from increased sales of electronic security services to corporate customers thanks to efforts over the past three years to strengthen the Group's sales structure by increasing our sales force. We also achieved a steady expansion in sales of electronic security services to individuals, driven by sales of more than 6,000 contracts for “ALSOK Home Security 7”, a new product targeted at the individual market, within the first five months of its launch.

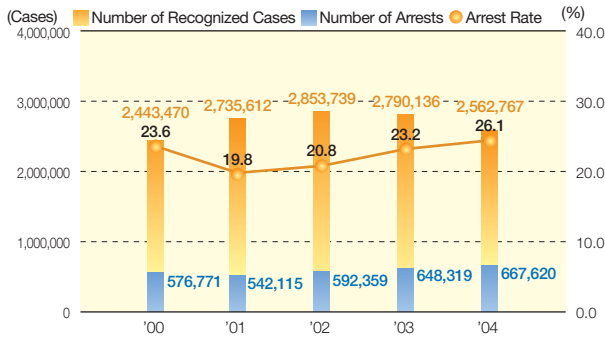
As a result, total sales in the consolidated accounting year ended March 2005 were 257,789 million yen (up 3.4% compared to the previous year). Yet despite engaging in various cost-cutting measures and efforts to strengthen the Group's profit base, increased labor costs arising from the increase in sales staff and reinforced efforts to comply with the Labor Law squeezed profits, and in the consolidated accounting year ended March 2005, operating income was 10,962 million yen (down 24.3% year-to-year), recurring profit was 11,592 million yen (down 25.2% year-to-year) and net income was 4,951 million yen (down 72.1% year-to-year). The decline in net income was

due to the accounting of a 19,666 million yen return of the substitutional portion of the employee welfare pension fund.



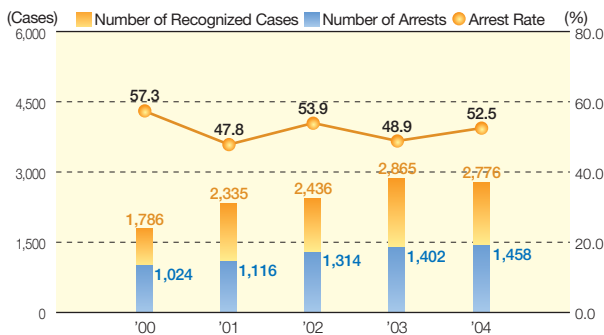
*Labor Law: An agreement on overtime and holiday work in the Labor-Management Agreement struck in regard to matters specified in laws such as the Labor Standards Law and Child Care and Family Care Leave Law. It is called the "Saburoku kyotei" because it is based on Article 36 of these laws.

Trend in the Number of Recognized Crimes and Related Arrests



(Source: The National Police Agency "Statistics on Investigation Activities, etc.")

Trend in the Number of Recognized Intrusive Robberies and Related Arrests



(Source: The National Police Agency "Statistics on Investigation Activities, etc.")

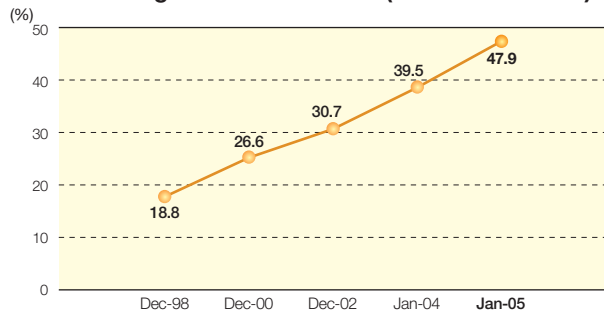
Growth Strategy

Background and Overview

In the survey implemented by the Government Public Relations Office, every year, more and more people choose "peace and order" as one of the areas that is presently moving in a bad direction in Japan, indicating a steady rise in concern for public peace and order. In response to the resulting increase and diversification in demand for security, the ALSOK Group will work to maximize its corporate value by consistently providing superior security services that meet the needs of the times.

The ALSOK Group has a nationwide security infrastructure that currently enables us to respond to alarms within the timeframe specified in the Security Business Law 24 hours a day, 365 days a year, and can adequately cater to new security contract growth. In the future, we will implement a growth strategy that aims to raise both sales and profits by leveraging this infrastructure to maximum effect.

Areas Moving in a Bad Direction (Peace and Order)



Question: What areas do you presently think are moving in a bad direction in Japan?

Method of Response: Multiple choice answer from 26 areas
Target: 10,000 people aged 20 or over

(From the "Public Opinion Poll on Social Awareness" issued by the Government Public Relations Office)

Efforts to Increase Sales

In the future, we will drive growth in sales through the expansion of our electronic security and transportation security services.

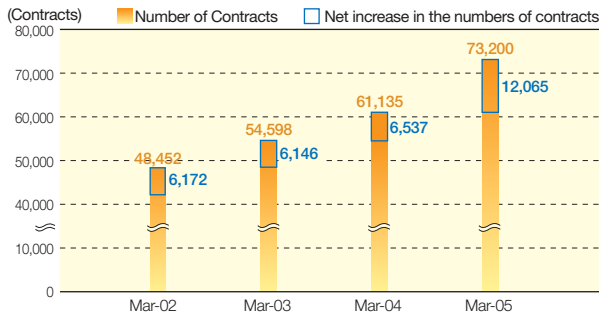
In the field of electronic security services, we will continue to develop both the corporate and individual markets by strengthening our sales efforts. However, notably in the individual market, we positioned 2004 as the “baseline year of improved home security” and launched “ALSOK Home Security 7” as a new product in November of the same year. Based on the dramatic growth in contracts for this product, we will focus our efforts



further on developing the individual market, and simultaneously work on developing other new products and services. In the field of transportation security services, we will expand

sales of the “Total ATM Management System” on the back of the rising outsourcing needs of financial institutions for ATM operations. Furthermore, sales of the “Cash Deposit Machine On-line System” to volume retailers are also expanding at a solid pace, and we will continue to focus on driving further growth.

Trend in Electronic Security Contracts in the Individual Market



Efforts to Increase Profits

Our strategy for profit growth calls for profit maximization by promoting increased streamlining and efficiency throughout the entire group. We will achieve such increased streamlining and efficiency in our security operations by implementing measures such as system integration at central guard stations and a switch from exclusive security lines to INS lines (digital communications network). We are also moving forward with the ADP (Accounting System Development Project) to completely overhaul our main systems, with the aim of increasing the efficiency of administrative functions such as sales office work, accounting and human resources, and are currently implementing a system introduction in stages scheduled for complete transfer in April 2006, thereby significantly cutting administrative costs.

Other Efforts

Various voices calling for safety are arising in conjunction with the changing times and social environment. The ALSOK Group will immediately identify those needs and deliver security services to meet them as Japan’s leading security services provider.

As one example, the ALSOK Group was the first in the security industry to launch a “School Safety Total Solutions Service (SSTS)”, which offers a customized service based on the know-how, products and services that we have accumulated to date to the educational market in response to a series of tragic incidents involving infants and school children.

In addition, in an increasing number of cases the ALSOK Group is being asked to participate in the construction and remodeling of large-scale shopping centers and other facilities from the planning phase because of our ability to provide

total facility management services as well as security services. In this way, we believe that there is sufficient room for us to develop and create new businesses that nimbly cater to changes in security needs arising from changes in social conditions and crime trends.

Furthermore, we have succeeded in developing a new patrolling security robot called “Security Robot D1”, as part of the security robot development initiative we have carried out since 1982 to support the reduced usage of human labor in security. In the future, we will offer a new form of security system using this robot at stationed security locations to effectively combine human and robot security.

In addition, we will work on acquiring ISO9001 certification throughout the entire Group in order to help improve customer satisfaction.

Efforts in Compliance, Risk Management and Corporate Governance

As a group which contributes to social safety, the ALSOK Group aims to be a group of socially moral companies with an exceptional code of honor and ethics. Accordingly, we work to provide superior security services by complying with all necessary laws pertaining to the security industry, and to be a superior company by enforcing compliance among all ALSOK directors and employees.

Moreover, as a group which makes contributing to safety our business, we position risk management



as an important management initiative, and implement measures to offset various management and business risks. At the same time, we

separate the management and executive functions, and actively work to implement corporate governance and promote information disclosure through IR activities to ensure that management is transparent and open to all shareholders and investors who are virtually our management partners.

Policy on Earnings Distribution

ALSOK sees the distribution of earnings to shareholders as a key management policy.

Based on this, our basic strategy is to distribute earnings

resulting from our business operations while retaining adequate operating funds. The funds retained are allocated to research and development for future business growth and development, and to capital investment in new business activities and qualitative improvements to information systems, thereby enhancing business performance.

The ALSOK Group will continue towards its aim to be a corporate group that enjoys the trust of shareholders and investors. We look forward to your continued support and guidance.



Atsushi Murai, President

村井 温

Segment Report

The business operations of the ALSOK Group can be broken down to two segments.

The Security Services segments consists of electronic security services, stationed security services and transportation security services.

Other Services, includes total building management services and disaster prevention management services.

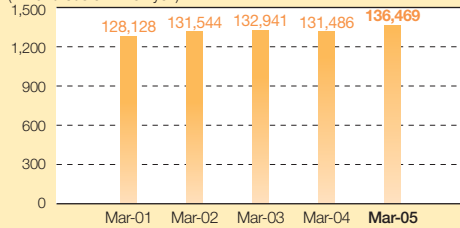
Breakdown of Sales	Business Segment	Overview of Operations
<p>Total Sales of ¥257,789 million in the Year Ended March 2005 (Sales in the preceding year were ¥249,241million.) [3.4% increase over the same period of the preceding year]</p> <p>Sales by Type of Service (in hundreds of million yen) Figures in brackets are the percentage of total sales</p> <p>Transportation Security Services 40,434 (15.7%) [7.8% increase]</p> <p>Other Services 15,886 (6.2%) [8.9% decrease]</p> <p>Stationed Security Services 64,998 (25.2%) [3.5% increase]</p> <p>Electronic Security Services 136,469 (52.9%) [3.8% increase]</p>	<p>Security Services</p> <p>Total Sales of ¥241,903 million (4.4% increase over the same period of the preceding year)</p>	<p>Electronic Security Services</p> <p>In our Electronic Security Services, we install alarm equipment on customer premises, remotely monitor the premises for intrusions, fires and equipment malfunctions from central guard stations over such communications lines as telephones and the Internet. In the event of an anomaly, our security guards on stand-by duty are dispatched to take proper action. These services consist of services to our corporate customers and those for our individual customers. The corporate customers consist of financial institutions, business enterprises, government offices, agencies and public corporations, whereas the individual customers refer to general residential users. The ALSOK Group offers a wide range of services to respond to the growing diversity of customer needs and sophistication of facilities and equipment while effectively utilizing existing assets, such as our manpower and networks that can flexibly respond to an increase in the number of subscriber contracts. Through these efforts, the ALSOK Group will continue to strengthen its position as one of the leading providers of these services. *See P10 for a service flowchart of ALSOK's electronic security services.</p> <p>Stationed Security Services</p> <p>In our Stationed Security Services, our security guards, who are stationed at customer premises, control access, patrol the premises, provide surveillance and give emergency responses when necessary. Crowd control at events, as well as personal protection of Japanese and foreign dignitaries, celebrities and corporate executives, is part of the stationed security services. The ALSOK Group is well recognized for its high-quality stationed security services, which are provided by qualified professionals who rank amongst the top in the industry.</p>
<p>Sales by Customer Type (in hundreds of million yen) Figures in brackets are the percentage of total sales</p> <p>Government Offices and Public Corporations 30,674 (11.9%) [3.5% increase]</p> <p>Individuals 7,049 (2.7%) [28.8% increase]</p> <p>Financial Institutions 82,047 (31.8%) [3.1% increase]</p> <p>Business Corporations 138,020 (53.5%) [2.6% increase]</p>	<p>Other Services</p> <p>Total Sales of ¥15,886 million (8.9% decrease from the preceding year)</p>	<p>Transportation Security Services</p> <p>In our Transportation Security Services, the Cash Transportation System and the Transportation Security System handle transportation of cash and negotiable securities to designated points. These systems form the core of this service segment. In addition, the Cash Deposit Machine On-line System*1 and the Currency Processing System handle collection of sales proceeds from and delivery of changes to retail stores. We also have the Total ATM Management System*2 to handle everything from collection and transportation of cash from convenience store and bank ATMs, to data management, maintenance and response to malfunctions. These services are expanding beyond cash transportation and growing to provide comprehensive services. Both the number of customers and sales are increasing. *See P12 - 13 for service flowcharts of 1 and 2 above.</p> <p>Other Services refer to total building management and disaster prevention management services, which include cleaning, environmental sanitation control, facility management, inspection of fire extinguishers, and telephone answering services. Anshin Mate, our position data services that come with notification capability, and "Security Robot D1", our new patrolling security robot, are also part of the Other Services.</p>

* The percentages in [] indicate (positive or negative) changes over the same period of the preceding year.

Changes in Business Performance

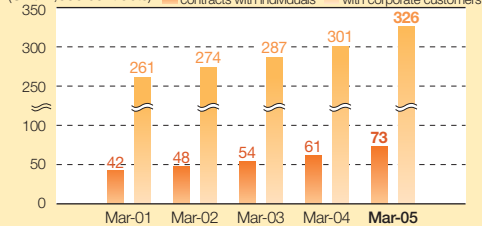
Changes in Sales

(In hundreds of million yen)



Changes in the Number of Corporate and Individual Contracts

(Unit: 1,000 contracts)



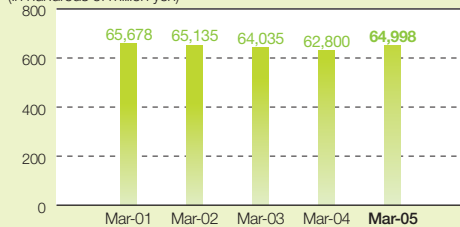
Results of the Year

We strengthened our sales structure by continuing to expand our sales force, mainly in the highly populated cities of Tokyo, Nagoya and Osaka, while also adding business offices and security shops. Sales to our corporate customers steadily grew, thanks to an increase in large orders with real estate companies and others, as well as a rise in new orders. Services to individual customers saw a sound increase in sales of ALSOK Home Security 7, which we launched in November 2004. Sales amounted to ¥136,469 million, a 3.8% increase over the same period a year ago.



Changes in Sales

(In hundreds of million yen)

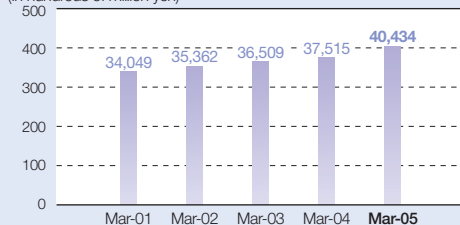


In spite of some cancellations that resulted from cutbacks at customers, orders grew as shopping centers and volume discount store chains opened new stores. In addition, ad hoc security services at events made contributions. As a result, sales rose to ¥64,998 million, up 3.5% from the same period a year ago.



Changes in Sales

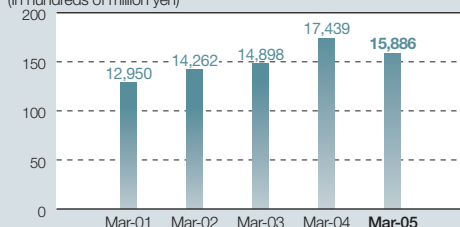
(In hundreds of million yen)



Sales of convenience store ATMs continued to grow at a healthy pace to 2,200 contracts, with over 10,000 ATM units in operation on a cumulative basis. In addition, outsourcing of services provided to financial institutions expanded. Consequently, sales grew steadily. Furthermore, orders for the Cash Deposit Machine On-line System, mainly from retailers, supermarkets and volume discount stores increased to 2,000 units (cumulative total: 4,800 units) at a solid pace. As a result, sales amounted to ¥40,434 million, a 7.8% increase over the same period a year ago.

Changes in Sales

(In hundreds of million yen)



Sales declined modestly from the preceding year for such reasons as a re-examination of contracts with major customers. However, orders for total building management services for school buildings grew steadily. Furthermore, sales of MMK (total ATM management system) and those of ALSOK Safety Confirmation Services, which are crisis management services, also grew at a sound pace. Additionally, we concentrated our efforts on the sale of Anshin Mate position data services with an alarm function. Sales of Other Services were ¥15,886 million, a decrease of 8.9% from the same period a year ago.

ALSOK's Growth Strategy

A leader in the domestic security industry, the ALSOK Group provides total security services, including electronic security, stationed security and transportation security services, on a nationwide basis 24 hours a day, 365 days a year. In this feature, we introduce the ALSOK Group's growth strategy for catering not just to the demands of customers but the demands of the times, and for promoting rapid business expansion.

ALSOK

Electronic
Security
Services

Creation of security know-how

ALSOK was founded in 1965, when there was a growing need for security at the business locations of corporations and financial institutions, spurred by rapid economic growth in Japan. Beginning with stationed security services in which security guards were stationed on-site to provide direct security and then commencing with electronic security services where security guards would rush to the scene upon receiving an alarm warning, ALSOK has launched a series of security services through to the present day, firmly establishing its know-how in the security industry.

Stationed
Security
Services

Transportation
Security
Services

ALSOK's core competencies

- ① Able to deliver service based on a nationwide network 24 hours a day, 365 days a year.
- ② Able to deliver total security services, including electronic security, stationed security and transportation security services.
- ③ Able to deliver high-quality security services due to assets such as our emergency response system.

Volume growth of
electronic security service
contracts

Expansion of
financial outsourcing
services

**Achievement of
management
objectives**

Toward increased sales

Increased business efficiency through
support system restructuring

Toward increased profits

Ready response to the “new age of security”

Amidst the continuing slump in the economy since the economic bubble burst, demand for security services targeted at individuals has risen due to a deterioration of the nation’s sense of peace and order in line with the worsening nature of crime. Furthermore, factors such as the rising need of companies to collectively outsource security and other related services to a single provider in conjunction with efforts to increase business efficiency have produced dramatic change in the environment surrounding security services. At ALSOK, we have structured our systems and services to respond readily to such change.

Expansion of security assets

In the process of taking on a stream of service contracts, we have striven to promote increased business volume and to expand security assets such as the equipment, facilities and personnel essential to delivering security services. At the same time, we have promoted both a shift to total security services and research and development through measures such as the launch of home security services and the development of security robots, building the foundation of the diversified service line-up we offer today.

The competitive strengths of ALSOK

Inventory of the largest security assets in the industry

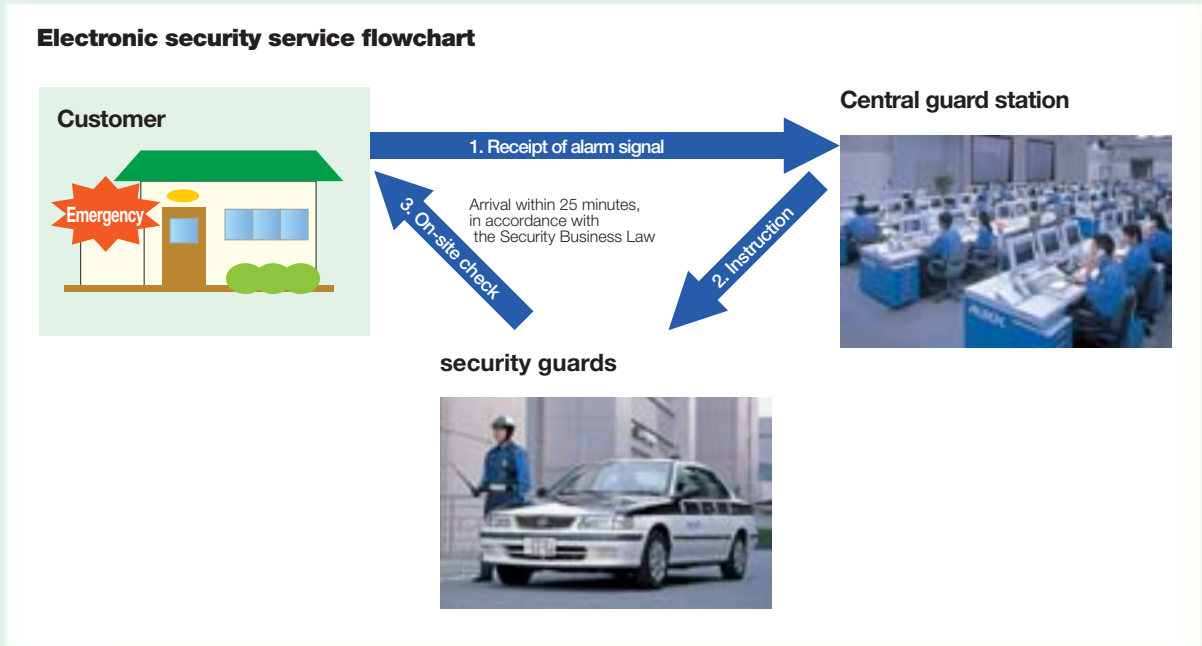
The security industry requires enormous advance investment, particularly in carrying out highly profitable electronic security services, because in addition to securing guards, security companies need to set up devices, information networks and monitoring centers that enable alarm warnings to be received accurately and speedily, as well as stand-by depots and a transportation fleet that enable urgent dispatch to customers. Through many years of investment, the ALSOK Group has maintained a nationwide security operation system, enabling us to provide high-quality services to new customers added into the existing network.

Flexible response to compliance requirements and amended laws

The security industry is subject to strong regulation demanding compliance with laws such as the Security Business Law. The ALSOK Group works to enhance its educational structure and to carry out systematic business operations in order to respond instantly to amendments which are made to these laws from time to time in reflection of social change.

Toward Increased Sales

Volume Growth of Electronic Security Service Contracts



Promotion of contract growth through sales reinforcement

The ALSOK Group possesses a fully established infrastructure for providing electronic security services, and any increase in customers therefore translates directly into an increase in profit. Based on this, we have hired more than 400 new sales staff in the past three years, with the aim of generating contract growth. At the same time, we have worked to strengthen our sales structure by reorganizing and expanding our sales bases, establishing 28 new sales offices and 22 “ALSOK Security Shops”, where we display and sell products as well as give face-to-face security advice. As a result, in the year ended March 2005, we had a net increase of our electronic security service contracts by 24,906 contracts (up 8.3% year-on-year) in the corporate market and a net increase by 12,065 contracts (up 19.7% year-on-year) in the individual market.

In the future, we will continue to promote increased sales of electronic security services by strengthening our sales structure to achieve further contract growth.

Further tapping of new business and accelerated growth of existing products and services in the individual market

The ALSOK Group positioned 2004 as the “baseline year of improved home security” in the individual market. While strengthening our sales structure by increasing full-time sales staff and rolling out new security shops, we also launched a new product named ALSOK Home Security 7 in November 2004, which generated 6,600 new contracts within its first



ALSOK Security Shop
Displays a wide variety of products including ALSOK Home Security 7 and crime prevention buzzers, and provides consulting on crime prevention to families.



five months, exceeding our initial sales forecast by 1,600 contracts. This new product has continued to grow since.

We approached the development of ALSOK Home Security 7 from a marketing perspective, identifying the price range that customers consider acceptable for home security and the essential functions they need. Based on this research, we narrowed down the essential functions of home security to the three functions of crime prevention, emergency alarm and fire alarm, and worked to reduce the cost of equipment to achieve a price in the 4,000 yen per month range. Naturally, all this comes with our existing high-quality electronic security service in which we dispatch security guards to the scene if an alarm sounds.

The number of inquiries we receive about our products is also rising, which we attribute to higher awareness not just of our products but of the ALSOK brand thanks to an aggressive advertising campaign. As the next step in our product strategy for the individual market, we plan a complete overhaul of our existing "Home Security" products in response to diversifying home security needs. At the same time, we will implement more aggressive advertising activities in order to achieve even greater awareness of the ALSOK brand.

Development of new products and services

Almost 40 years have passed since the ALSOK Group began providing electronic security services as a pioneer in the Japanese security industry. During this time, we have constantly striven to improve the functions of our products and to enhance our services in line with the times and customer needs. Going forward, we will continue to identify the voices calling for safety in the corporate and individual markets, where needs are growing increasingly sophisticated and diversified, and to develop new products which meet those needs.

New security needs in the electronic security services are expected to become even more diversified and segmented in the future. The mission of the ALSOK Group is to create and provide services that meet those needs in a comprehensive, timely manner, and to that end we will use our extensive know-how and pioneering high quality in electronic security services to promote flexible product and service development that extends beyond the borders of electronic security, such as the development of products combining electronic security with other security services as necessary.

Main components of ALSOK Home Security 7



Controller



Motion sensor



Fire alarm



ALSOK sticker



Opening and closing sensor

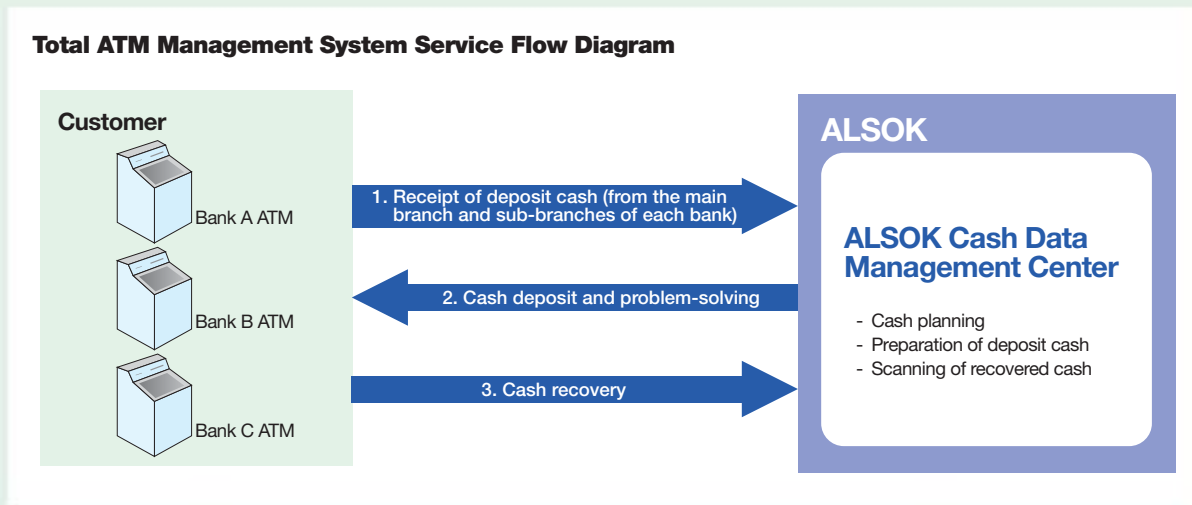


ALSOK light



Toward Increased Sales (continued)

Expansion of Financial Outsourcing Services



Capitalizing on the opportunities created by outsourcing off-premises ATM operations and the increase in convenience store ATMs.

Banks and other financial institution ATMs include ATMs installed inside the branch where the service counters are located and ATMs installed outside the branch in ATM corners where there are no service counters. The operational management of off-premises ATMs was previously performed by service companies that were established as subsidiaries of the banks, but mergers between the banks and moves to increase management streamlining and efficiency called the operation of ATM corners into review, leading to increased outsourcing needs. Furthermore, financial deregulation spurred the entry of companies from other industries into the financial market, leading to the appearance of new cash services designed to take advantage of operational management outsourcing, chief among which have been convenience store ATMs.

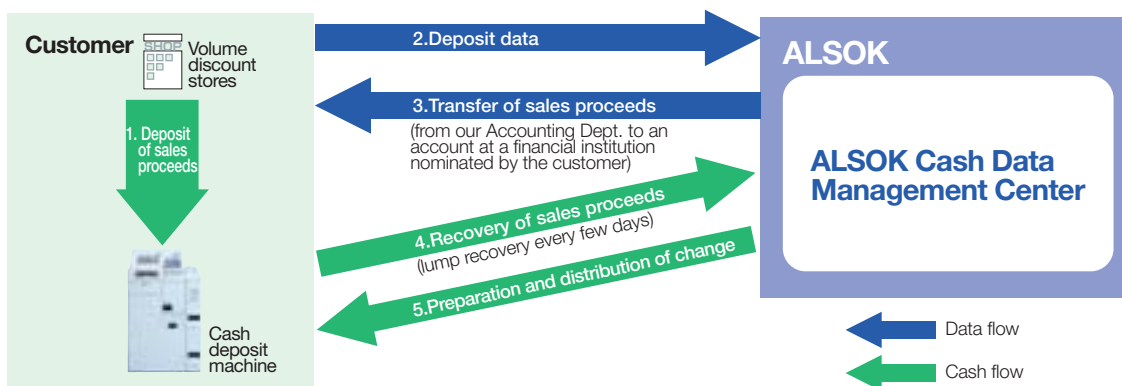
Backed by such financial deregulation, the ALSOK Group has developed a Total ATM Management System that offers a total ATM management service from operational planning to execution, adding functions such as cash scanning and the setting of cash deposit and recovery frequencies, which were previously performed by the business center of financial institutions, to the transportation security services we have traditionally offered, which

include safe cash transportation, problem-solving and cash/receipt charging.

Financial institutions have placed high expectations on the ALSOK Group in selecting an outsourcer for their ATM operations because they naturally put importance on the vendor's ability to ensure security when cash is involved, and because the ALSOK Group possesses cash data management centers as well as a transportation security network that can reach their many ATM locations nationwide.

In the future, the ALSOK Group will work to strengthen these services in order to increase sales of the Total ATM Management System. One such service is the operational outsourcing of on-premises ATMs. While the outsourcing of off-premises ATMs has increased rapidly, the trend in operational outsourcing of on-premises ATMs has shown comparatively slow but definite growth, and sufficient room remains for business expansion in the future. We are also experiencing growing interest in "joint loading transportation", which involves the joint operation of ATMs belonging to different financial institutions within the same region, as a means of promoting greater streamlining and efficiency. Furthermore, we already have a history of success in total operations production including various security services, and believe that there is sufficient room to expect new customer growth in the future.

Cash Deposit Machine On-line System business model chart

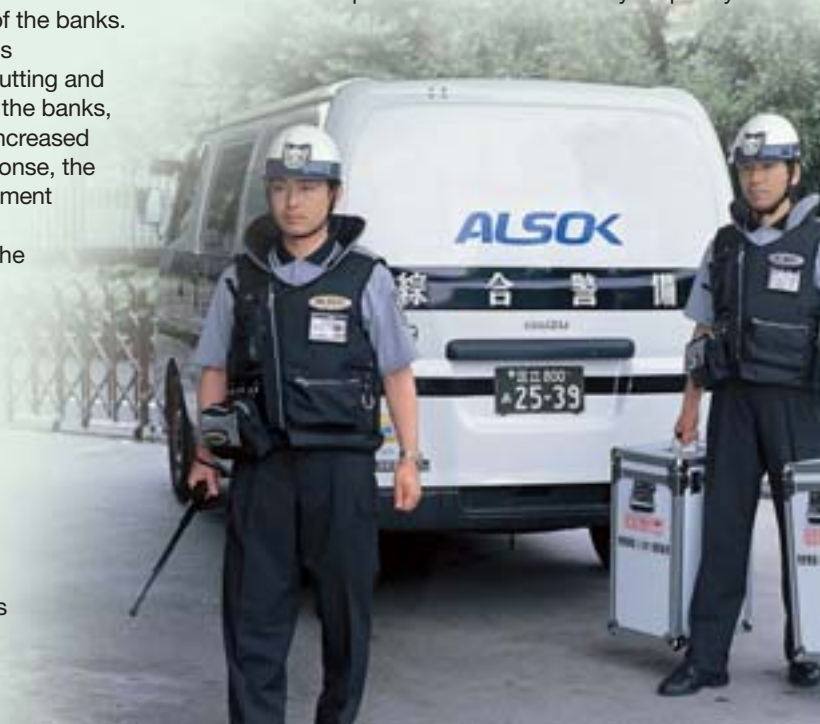


Implementation of an outsourcing service that captures retailers' needs for labor-saving sales management

From individually-run shops to large-scale chain stores, all retailers need to calculate, store and otherwise manage sales proceeds. Given cash theft and other risks present in the process from calculating and storing sales proceeds to transferring them into an account at a financial institution, retailers have traditionally outsourced these tasks to service companies established as subsidiaries of the banks. However, with the withdrawal of business subsidiaries from this field due to cost-cutting and restructuring measures implemented by the banks, the ALSOK Group began to receive an increased number of outsourcing requests. In response, the ALSOK Group developed a total management service for sales proceeds recovery and change distribution, and launched it as the Cash Deposit Machine On-line System. With the Cash Deposit Machine On-line System, all retailers need to do is enter their sales proceeds into the machine installed in the store, and the system takes care of everything else, including accurate calculation of the amount, safe storage and transfer into a designated account at a financial institution on the next business day. On top of that, the Cash Deposit Machine On-line System has gained popularity due to the benefits

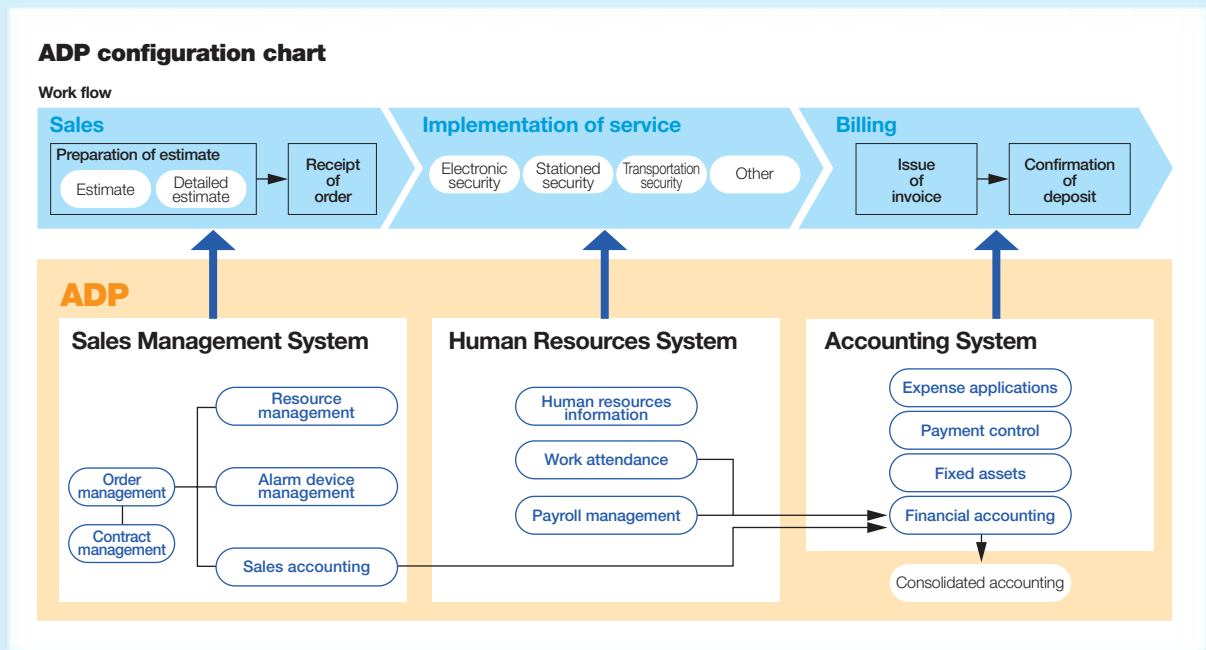
of outsourcing to a single provider, possible because the system has an in-built security feature in which the ALSOK Group transports the cash and distributes change through its transportation security services, and monitors the cash deposit machines through its electronic security services.

In the future, we will further raise our position as a leading company in this service by catering extensively to market needs in order to enhance our cash deposit machine series, etc., based on diversification of demand for deposit amounts and recovery frequency.



Toward increased profits

Increased Business Efficiency Through Support System Restructuring



Promotion of main systems development catering to a wide area of diversifying work

As we have reported, the ALSOK Group's electronic security services and other security services are continuing to expand rapidly, backed by the diversification of security needs seen in recent years. In line with this, we have faced a rising necessity to develop main support systems that enable us to increase profit by achieving greater streamlining and efficiency in our management and support functions, in turn by simplifying and speeding up the processing of our growing volume of increasingly complex office work and by expediting the collection and analysis of data essential to management planning. The resulting development project aims to integrate support systems that were previously operated separately by work to achieve increased efficiency, and to promote increased streamlining and efficiency on a comprehensive company-wide basis by closely linking management and the field in each business area. The ALSOK Group commenced work on this project, dubbed ADP (the Accounting System Development Project), in April 2003.

Benefits and Aim of Introducing ADP

We began by establishing a flow in the ADP development process that called for a revamp of our main support systems in the fields of sales, human resource and accounting, followed by integration of those systems to achieve greater streamlining. In the first step from 2002 through to the end of 2003, a project team of dedicated staff conducted an analysis of the current situation through discussion with management and staff in the field, not only identifying a vision of the ideal business process but also sharing the aim of ADP by gathering opinions using test screens where necessary. As a result, we



defined the system applications in the three fields as follows, and commenced full-scale system development.

Sales:

Entire office work process from receiving an order to issuing an invoice, confirming the deposit and accounting for the sale

Human resources:

Human resource information management, payroll calculation and work attendance management

Accounting:

Expense management, Liability payment management, Fixed asset management, Financial management

In the development process, we called for management of the data in each system to be performed through company-wide centralized management, and for ease of system operation, requiring users simply to follow operational instructions that appear on the screen. While promoting reduced labor intensity in terms of data entry by hand, we also promoted the use of paperless online networks for approval and internal communication processes, and aimed to reduce the use of ledgers by 60%, thereby striving to achieve cost cuts thoroughly. Furthermore, we decided to employ a VPN (Virtual Private Network) in order to ensure enhanced security. By striving to prevent outside access and information leaks and simultaneously employing measures such as encryption and constant data monitoring, we are working to build a completely secure security system.

Current status of ADP introduction and future outlook

ALSOK is introducing each of the systems in stages, commencing operation of almost all parts of the human resources and labor management system in April 2005.

Since then we have consecutively begun introducing the accounting and sales management systems, with completion scheduled for April 2006. Once the systems have been fully



Operation screen for a sales management system

introduced, staff in sales will, for example, will be able to develop an automated cost estimate by choosing essential services from a security service menu based on an evaluation of the customer's crime prevention needs and issue the estimate following online circulation along the necessary internal approval path, thereby reducing costs and labor intensity while improving customer service. We are investing approximately 4.5 billion yen in the ADP, but through its introduction we will reduce work volume and improve profit by implementing administrative cost cuts over several stages.

Furthermore, the systems are being built for easy upgrade, and following complete introduction in 2006 we plan to update them as necessary to achieve greater efficiency and streamlining, with a view to extending introduction to the entire ALSOK Group.



The ALSOK Group endeavors to build a strong structure of corporate governance to manage the corporation with soundness and transparency so as to continue to provide high-quality security services and be a corporate group that is trusted by all stakeholders. Furthermore, we regard compliance and risk management to be of great importance for our corporate group because we contribute to ensuring the safety of the society.

Corporate Governance

In an effort to achieve one of its management principles, which is to make contributions to the society and the public, the ALSOK Group endeavors to strengthen its corporate governance through such means as separation of the execution of management from supervision, speedy decision making, establishment of a corporate code of conduct and assurance of managerial transparency so as to continue to be an entity that is trusted by all of our stakeholders.

Adoption of the Executive Officer System

The executive officer system was adopted in June 2002 with a goal of building a strong system of management and that of operational supervision. Furthermore, at the same time we adopted a director system of seven directors.

Appointment of External Auditors

Three of the company's four auditors are external auditors. They help strengthen the neutrality and independence of the corporate oversight function.

Audit Department

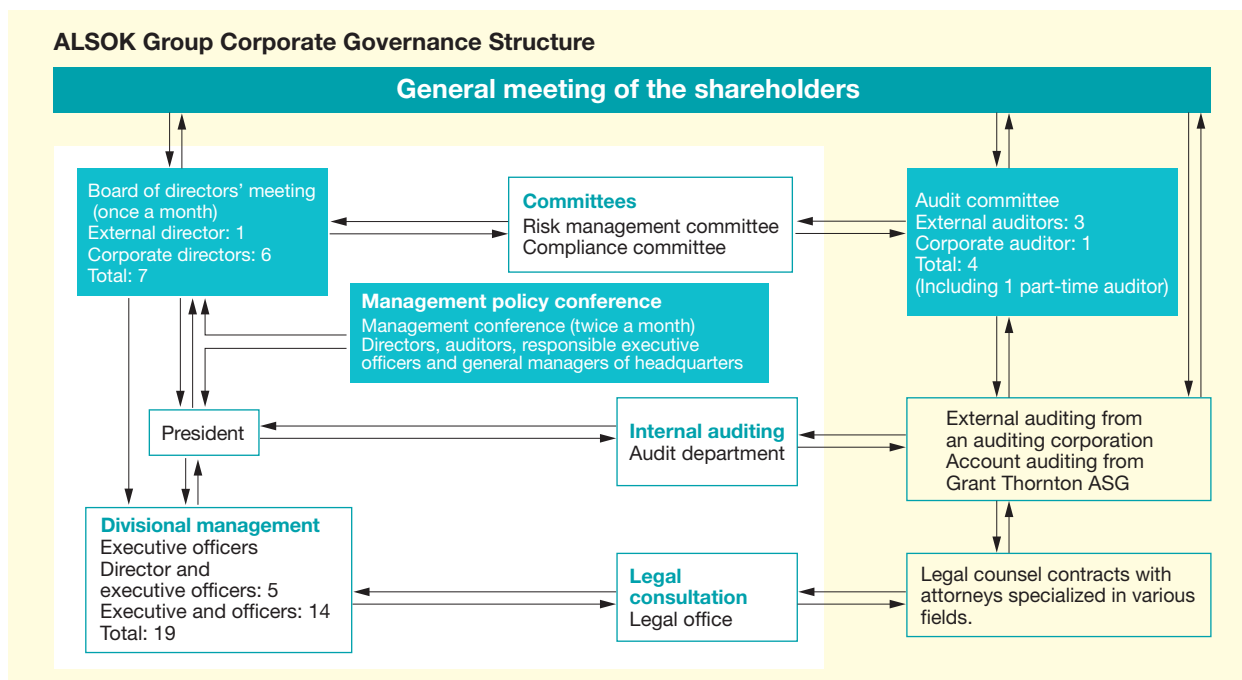
The Audit Department reports directly to the president to serve internal audit functions. It monitors assets, accounting and operational controls in connection with the activities of various departments at the head office and those of business offices in order to ensure that

operations are carried out effectively and in compliance with law.

The most recent activities in the area of corporate governance include the followings:

- 1) Effective April 1, 2005, seven directors (including one outside director) comprise the board of directors, which meets once a month as a general rule to make decisions on key management issues and supervise execution of operations.
- 2) One of the external auditors attends executive meetings to provide proper monitoring of managerial execution.
- 3) Auditors (the Audit Committee) and the Audit Department hold an Audit Communication Conference once a month as a general rule and exchange detailed information in an effort to strengthen the system of audits through cooperation.

The ALSOK Group has developed a disclosure policy and considers proactive, fair, timely information disclosure to be important. Furthermore, it is actively engaged in IR activities both at home and abroad by holding meetings to explain the company's business performance to investors and analysts, and by visiting institutional investors to give presentations. Looking ahead, the ALSOK Group aims to construct an organizational structure in which corporate governance will function even more effectively than it does today and continues to evaluate implementation of various systems while keeping a watchful eye on the trends of the society.



Compliance

In the security service business, compliance with the Security Business Law is of utmost importance. The ALSOK Group has always valued compliance since its inception. This philosophy applies to not only business operations but also management. The ALSOK Group has created a compliance committee and endeavors to comply with laws and regulations so as to continue to be a corporation that is indispensable to society. The Compliance Committee runs and manages the Compliance Campaign, which is a set of corporate-wide compliance activities that are implemented throughout the year in accordance with the company's compliance regulations, which were established in 2002. In addition, the committee ensures that all officers and employees are fully cognizant of compliance requirements and conducts periodic checks on business operations. A total of six themes are chosen for the Compliance Campaign annually (i.e. one theme is implemented every two months), and they are implemented at each of the business offices under the control of the head office.

The Latest Accomplishments in the Area of Compliance

- 1) Aiming for early detection and prevention of problems relating to corporate ethics, we created a whistle blower system. We established the "ALSOK Hotline" in April 2004 by integrating "Heart Call", which previously received complaints regarding sexual harassment and bullying. The ALSOK Hotline encompasses wholly owned subsidiaries as well as the parent company, accepts a wide range of complaints and provides consultation. The Hotline enables any employee to alert management by way of e-mail, a telephone call or a written memo when he/she comes across illegal, wrongful or unethical corporate behavior without fearing personal reprisal.
- 2) Matters that individual employees must heed in complying with laws and regulations were documented in the Code of Conduct in the Compliance Manual. In January 2005, the manual was distributed to all employees to ensure internal penetration of the compliance awareness.
- 3) We conduct biannual personal interviews of all employees, including contract workers, to accurately grasp the status of compliance with laws and regulations at the levels of individuals so that we may take action promptly.
- 4) Prior to the implementation of the Personal Information Protection Law in April 2005, we established the Information Asset Management Committee in September 2004 in an effort to establish a system of controls over personal information and other critical information, such as that about management, that the ALSOK Group holds, and provide education to employees.

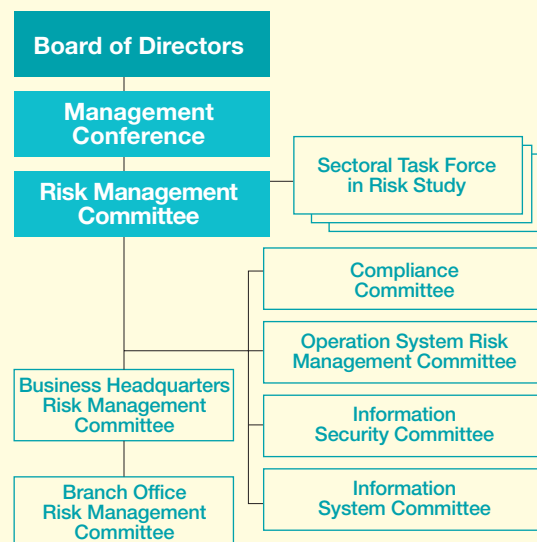
Moreover, we established the Privacy Policy in December 2004, and conducted disclosure of information on our Web site. In addition, the ALSOK Group has signed contracts with multiple law firms for their advice in their respective

fields of specialization to be fully prepared to deal with any legal issues. We will continue to strive to ensure the company's thorough compliance with laws and regulations.

Risk Management

Our business is to make contributions toward ensuring the safety of our society. The ALSOK Group thus deems its own risk management to be an important mission as well. In accordance with the Risk Management Rules that were established in 2002, we established Risk Management Committees at the company's headquarters and at each business office, so as to determine and evaluate risk exposure as well as to devise preventive measures and action plans for effective risk management on a company-wide basis. Furthermore, a task force in risk study was created under each of the four areas, consisting of Management, Controls, Operations and Sales. The task forces gather, analyze and evaluate risk information in their respective fields, and study measures to lower risks. In addition, we have built an organizational structure that is capable of promptly responding to the development of serious situations with the establishment of a communications system and the emergency headquarters. We are also taking steps to ensure that our employees are fully trained by distributing a manual to all staff. Additionally, we acquired the ISMS (Accreditation of Information Security Management System) in October 2004. The ISMS allows us to construct a control system and take action on data tampering on the Internet, hardware and software problems, and information leaks.

ALSOK Group Risk Management Control Structure



Fulfilling Social Responsibilities

Bearing in mind that the ALSOK Group is engaged in a mission of extremely high public interest, we are always committed to fulfilling our corporate social responsibility (CSR) in line with our corporate philosophy that places emphasis on a “Heart of Gratitude” and the “Samurai Spirit.”

Efforts Targeting the Market

ISO9001 Certification

ALSOK Group initiated the ISO Promotion Project in January 2002 to make further improvements in our customer services. As of today, our entire security service operation is ISO9001 certified (Year 2000 version). Furthermore, we expect all of our business offices to be certified in September 2005. We plan to expand these efforts to the rest of the ALSOK Group and are currently pressing forward with the certification of our wholly-owned subsidiaries. The objectives of the ISO Promotion Project are to expand the application of ISO certification to a greater number of business units and strengthen internal audits so as to raise the levels of service quality.



Promotion of Customer Satisfaction by the CS Committee

Paralleling our acquisition of ISO certification is the CS Committee in each group so that further improvements can be made to the levels of our customer satisfaction. Specifically, we listen to the voices expressed by our customers who contact our customer service office. These customer voices are shared by all employees over our Intranet. Through these means, we make every effort to place our customers at the core of our business. Additionally, we focus our efforts on ES (Employee Satisfaction) improvement and employee training. We conduct our activities from multiple angles so as to achieve CS that is unique to the ALSOK Group.

Security Advice

On our Web site, we provide easily comprehensible analysis of information that we have gained through our business activity about trends of crimes that people are apt to encounter in their residences and lives and the actions that they should take. The information is presented under the title “Basic Knowledge of Crime Prevention.” We also send mail to our customers upon request to deliver information periodically (at no cost to our customers). We are also working to shorten the time it takes for us to respond to customer inquiries in connection with such products for individuals as Home Security and Anshin Mate.

Customer Service Office

Our Customer Service Office receives complaints and opinions from our customers. We analyze and summarize the voices expressed by our customers who contact the Customer Service Office and use the data to improve our services and develop new products.

Environmental Efforts

CO₂ Reductions

In hopes of curbing environmental pollution by CO₂, we are stepping up our efforts to use motorcycles as business vehicles, and stop idling engines when vehicles are on standby. We also purchase diesel fuel-burning vehicles that meet regulations to the extent possible. Looking ahead, we will consider the purchase of hybrid and eco-friendly cars.

Waste Disposal

When disposing of obsolete electronic security equipment, we not only comply with the Waste Disposal Law but also hire qualified industrial waste treatment operators and receive manifests from them.

Use of Environmentally Friendly Packaging Materials

We strive to reduce environmental impact by using packaging and cushioning materials that do not contain toxic substances.

Promotion of Recycling

We promote the use of used secondary batteries through JBRC.*

* JBRC was established in April 2001 as an organization to recycle small rechargeable batteries in accordance with the Law for the Promotion of Effective Utilization of Resources, which came into effect in 2001. Members of the organization include small rechargeable battery makers, as well as makers and importers of equipment that uses such batteries.

Energy Conservation Efforts

We are implementing a company-wide campaign to reduce electric power consumption by cutting back on the use of lighting and air conditioning equipment that is deemed to be of low necessity or excessive.

Efforts in the Area of Employee Compensation and Education

Equal Opportunity Compensation Program

We administer various qualifying exams, and provide distance education and training courses to determine workers' comprehensive capabilities and personal integrity so as to hire people who best fit job types and levels. We strive to be fair and equitable with respect to rules concerning qualifications to sit for examinations and pay raise assessments.

Extensive Training Programs

We not only provide training that is required by the Security Business Law but also endeavor to expand various education programs to improve our employees' managerial competence and practical skills that are called for in respective job types, and promote practical skills in specialized duties.

A Wide Array of Distance Education Courses

We offer distance education programs with over 100 course offerings in diverse fields. They include Designated Courses for developing skills that are needed to take promotion tests and Recommended (Practical) Courses that provide support for the development of practical skills. Scholarship is offered for some of these courses. Numerous opportunities are therefore available for self improvement.

Contribution to Society

ALSOK Anshin (Feeling Safe) Classes

Disturbing crimes that target elementary schools and their students are rising, bringing the safety of children to the forefront of the public's concerns. In light of this situation, the ALSOK Group began to offer ALSOK Anshin (Feeling Safe) Classes in Kanagawa Prefecture in October 2004. Our employees give lectures at elementary schools on crime prevention. The response to the classes far surpassed our expectations and requests began to pour in from all over Japan once the classes started. As a result, we



began to offer these classes nationwide in April 2005. They are offered free of charge as we deem them to be part of the ALSOK Group's social contribution program. The part of classes

adopt a role playing format. Depending on the age of the children, the classes are offered at three levels, consisting of Safely Commuting to and from School, Safely being Alone at Home, and What's a Safe Town?

ALSOK Thank You Campaign

The "ALSOK Thank You Campaign" was initiated in 1967 with the objectives of "appreciating the benefits received from the country and the society on a daily basis, and making contributions to the society within and beyond the national boundaries, based on genuine gratitude for the reciprocity of help that sustains us." This campaign is not financed by business profits but by membership fees collected from officers and employees of the ALSOK Group that endorse the objectives of the campaign, supplemented by donations from individuals and groups that are associated with the company. During the current year, monetary donations were made to programs that aid refugees in various parts of the world. In addition, donations of products that were manufactured by disabled people were made. Monies were also given to natural disaster victims within and outside of Japan, and vehicles for the handicapped were donated to welfare institutions.



Donations made for victims of Great Sumatra Earthquake and Indian Ocean Tsunami

Jun Murai Memorial Scholarship Fund

To commemorate the 12th anniversary of the death of Jun Murai, the company founder, and the 35th anniversary of the company's inception, the Jun Murai Memorial Scholarship Fund was established in July 2000. The fund grants scholarships to students who attend an engineering university or those who are enrolled in an engineering department of a university located in the prefecture of Kanagawa. These scholarships do not need to be repaid.

Financial Support of Foundations

We provide on-going financial support to both the Defense Research Center, a foundation that conducts investigations and research and makes recommendations on the security of Japan from a broad perspective, and the Japan Urban Security Research Institute, another foundation performs investigations and research concerning prevention of crimes in urban areas.

ALSOK Female Marching Band "VIVACE"

VIVACE is a marching band, formed by our female employees. The group parades and performs at events and ceremonies that are held in various parts of Japan as part of our public relations activities. The group made 55 appearances during the current year.



Sports Promotion

The ALSOK Group actively encourages its employees to practice martial arts as a way to train their bodies and minds. Knock-on effects are also hoped for in the form of improved quality of their security services. Tournaments are held within the company in judo, kendo, and jukendo. Group employees who work at various locations throughout Japan demonstrate the results of their everyday training in these competitions. We also hold judo classes at various locations to teach children the joy of judo and promote judo.



Major Products and Services

The ALSOK Group offers security products and services for the future in order to meet increasingly diversified and sophisticated security needs and contribute to securing a safe society.

ALSOK Home Security 7

Catering to rising home security needs with reasonably-priced, high-quality security

Latent demand for home security has grown at an increasing rate as the nation's sense of peace and order has deteriorated due to the incidence of malicious crimes against everyday families. Yet, at ALSOK Group we understood that many families were prevented from purchasing a home security plan due to the high monthly contract fees costing several tens of thousands of yen.

In response, the ALSOK Group launched the service named ALSOK Home Security 7 in November, 2004. This new service is priced at groundbreaking monthly fees starting in the 4,000 yen range (2,000 yen range when the equipment is purchased outright). ALSOK Home Security 7 includes the three basic functions of intrusion detection, emergency warning and fire detection at these affordable prices. A high-quality service which also includes the dispatch of a security staff to the scene when an alarm is triggered, ALSOK Home Security 7 fully meets the customer demands of thorough home security services.

ALSOK Home Security 7

Example of Introduction (in a 4LDK home)

Motion sensor
Sensor installed on the ceiling or walls of rooms to detect heat from human bodies.

Opening and closing sensor
Sensor installed on windows and doors to detect their opening and closing.

Sensor transmitter
Transmitter used as a set with the opening and closing sensor, etc., to transmit information from the sensor to the controller via radio signal.

ALSOK light
Installed in a noticeable place on an exterior wall, and signals an emergency by flashing.

ALSOK Sticker
Proof of being an ALSOK customer. It can also be expected to have an impact on controlling crime when posted outside the entrance to the home.

Remote emergency button
Portable emergency button for use in the bedroom or other rooms which transmits an alarm signal when the button is pressed in times of danger.

Fire detector (constant temperature type)
Installed on the ceiling of the kitchen or other rooms where there is a danger of fire for detection of a rise in surrounding temperature above a fixed level.

Controller
ALSOK Home Security 7 control panel installed on the wall of the living room or entrance.

Rental Plan (House)

(1) Controller x 1	(4) Sensor transmitter x 1
(2) Space sensor x 3	(5) Fire detector (constant temperature type) x 1
(3) Opening and closing sensor x 1	(6) Remote emergency button x 1

*Sensors added to the plan upon request or in accordance with the floor plan will be added to the equipment fee.

Comparison with the Conventional Home Security Service

	Conventional ALSOK Home Security Service	ALSOK Home Security 7
Functions	Security emergency/fire/gas/first-aid/Life Rhythm Medical health consultation, Telephone, First-aid information, Messaging, Home banking, Mail-order sales	Security Intrusion/emergency/fire
Fee	Security Fee for Rental Plan Example of house plan 10,500 yen/month Example of apartment plan 7,875 yen/month Each plus a deposit of 20,000 yen Security Fee for Outright Purchase Plan Example of house plan 4,725 yen/month Equipment cost: 410,655 yen Example of apartment plan 4,725 yen/month Equipment cost: 254,625 yen	Security Fee for Rental Plan Example of house plan 4,914 yen/month Example of apartment plan 4,200 yen/month Each plus a deposit of 20,000 yen Security Fee for Outright Purchase Plan Example of house plan 2,625 yen/month Equipment cost: 134,820 yen Example of apartment plan 2,520 yen/month Equipment cost: 99,645 yen

*The above price comparisons are calculated based on equivalent security content (and do not include installation). All prices shown include tax.

Patrolling Security Robot - Guard Robot D1

Security robot that performs stationed security with guards to achieve a new form of next-generational stationed security

Since 1982, the ALSOK Group has engaged in R&D for security robots aimed at increasing the efficiency of highly labor-intensive stationed security. Amidst forecasts of increased difficulty in securing talented young labor in the future as the graying of Japan progresses but with demand for security rising on the back of deteriorating peace and order, we developed the "Security Robot D1" as a patrolling security robot which will work together with and complement humans at stationed security sites in order to deliver stable, high-quality security services.

The Security Robot D1 is able to perform repeat tasks and patrols at stationed security sites because it features a reception and information function as well as a safety inspection function and the security functions of the Security Robot C4 (developed in 2002), which can automatically get on and off elevators in response to radio signals, and the improved "Security Robot i" (demonstrated at the Aichi Expo), which can perform outdoor security duties. During actual operation, the Security Robot D1 runs a pre-set route, sending images from inbuilt cameras to a monitoring device, and transmitting an alarm warning if it detects any abnormalities, such as human presence, fire, or water leakage. In addition, the images captured by the cameras are recorded inside the robot, allowing security guards to check them once the robot's patrol is completed.

In the future, the ALSOK Group will continue to lead the way as a pioneer in practical robot development, working to develop and commercialize robots that promote even higher security quality and lower human labor intensity.



Cash Deposit Machine On-line System

Provides total support for store operations through safe, streamlined management of sales proceeds

The cash machine used in this system is a machine to deposit cash for sales proceeds that is located in stores. With this service, the ALSOK Group not only calculates and stores cash deposited in the machine, but also monitors alarm signals transmitted by various crime prevention sensors installed inside the machine, and immediately dispatches a security staff to the scene if an alarm is triggered. Data from the sales proceeds deposited in the machine are sent to the ALSOK Cash Data Management Center, and the next business day we transfer the equivalent amount into the customer's designated bank account at a financial institution. Furthermore, we are also able to distribute cash change to the customer upon request.

The Cash Deposit Machine On-line System therefore not only makes the flow of managing sales proceeds and cash change smoother and more effective, it also reduces cash handling labor costs. In addition, it reduces risks during transportation because the ALSOK Group plans efficient recovery frequency and transports cash deposited in the machine.



Anshin Mate

Service using a convenient, easy-to-carry device for personal security outside the home

Anshin Mate is a service combining a positioning function, utilizing a global positioning system (GPS) and mobile phone base stations, with an alarm function. The current location of a person carrying the Anshin Mate can be confirmed via telephone, internet website or messages sent to a registered email address.

Furthermore, if the ALSOK Anshin Mate Call Center is



notified in the event of an emergency, security guards can rush to the scene on demand 24 hours a day, 365 days a year. The Anshin Mate weighs only 80 grams and can be easily carried.

Directors



Tsuneo Murai
Chairman



Atsushi Murai
President and Representative Director



Kanehiro Mashita
Representative Director



Akira Tamura
Representative Director



Shirou Hashio
Director



Masaomi Nakamura
Director



Akira Kanno
Director

Executive Officers

Atsushi Murai
President
Chairman, Board of Business Promotion
Chairman, Board of Security Operation

Akira Ohnishi
Senior Executive Officer
Accounting
General Manager of Accounting Department

Shozo Sato
Senior Executive Officer
General Manager of Central Japan Headquarters

Tohei Tani
Executive Officer
R&D General Manager of R&D Planning Department

Kanehiro Mashita
Senior Executive Officer
Corporate Planning
R&D
Compliance
Risk Management
Information assets management
Investor Relations

Shirou Hashio
Senior Executive Officer
Co-Chairman,
Board of Business Promotion

Masaomi Nakamura
Senior Executive Officer
General Manager of West Japan Headquarters

Hiroshi Oono
Executive Officer
Information Systems

Shozo Sawamura
Senior Executive Officer
Corporate customers,
Board of Business Promotion

Eiiti Morimoto
Executive Officer
General Manager,
Tokyo Headquarters

Seiichi Matsumoto
Executive Officer
Finance, Board of Business Promotion
General Manager, Finance

Akira Tamura
Senior Executive Officer
Co-Chairman,
Board of Business Promotion

Hiroki Hagiwara
Senior Executive Officer
Co-Chairman,
Board of Security Operation

Morikatsu Kiyotaki
Executive Officer
General Manager of Transportation Security Services Headquarters

Hideo Nakajima
Executive Officer
Home & Personal Business Department,
Board of Business Promotion
General Manager of Home & Personal Business Department

Satoshi Matsumoto
Senior Executive Officer
Corporate Administration / Audit

Ko Sato
Senior Executive Officer
General Manager of East Japan Headquarters

Satoshi Yamada
Executive Officer
HR planning
Overseas business operations

Toshio Yamura
Executive Officer
Deputy General Manager of West Japan Headquarters

Corporate Auditors

Takumi Someya
Corporate Auditor

Kazumasa Oizumi
Corporate Auditor

Harutoshi Itoh
Corporate Auditor

Teruo Kageyama
Corporate Auditor (part time)



Financial Section

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Business Environment during the Current Year

During the current fiscal year, the Japanese economy remained slack, mainly because of a fall in exports and inventory adjustments of IT-related products in the second half of the year. On the other hand, corporate profits improved and the employment climate recovered. Demand by our corporate customers, such as financial institutions, to reduce the price of our security services or cancel contracts began to recede. These positive factors, however, were not strong enough to enable full recovery of consumption. The overall economy thus remained in a plateau stage.

In the social environment, improvements were observed in safety as the total number of criminal offenses declined for the second year in a row while the arrest rate rose. In contrast, the number of frauds involving bank remittances and kidnapping incidents involving children grew, causing the public's sense of safety to erode. Demand for security protection for individuals and homes continues to grow, as the social situation did not permit the public to believe that the deviousness and atrociousness of crimes had been under control. Consequently, a variety of security services were in great demand to meet such needs.

Overall Business Performance of the Year

The Performance of the entire ALSOK Group in the current fiscal year (April 1, 2004 to March 31, 2005) was as follows:

Sales

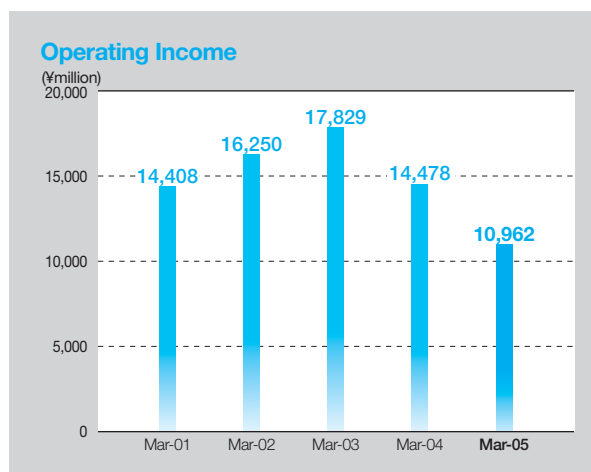
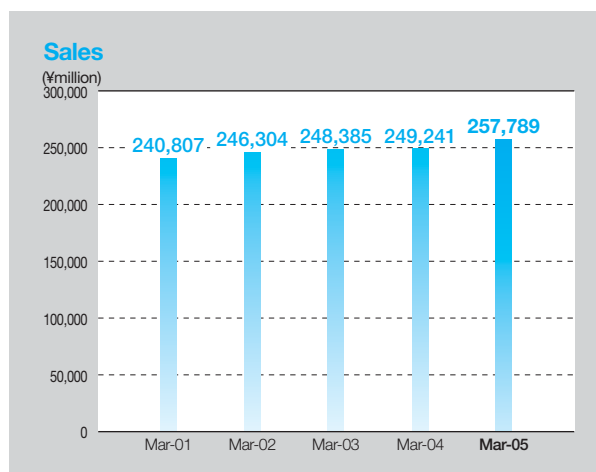
Sales amounted to ¥257,789 million, an increase of ¥8,548 million or 3.4% from the year-earlier level. One of the major reasons for the increase was the growth of sales of electronic securities services to corporate customers. This was a result of an expansion of our sales force last year to strengthen our sales organization. Another factor contributing to the sales increase was a healthy rise in the number of contracts for ALSOK Home Security 7, a new product for home security that was rolled out in November 2004. The change in the status of Fukushima Sohgo Security Services Co., Ltd. to a consolidated subsidiary, starting with the first half of this fiscal year, also helped boost the sales figure.

Gross Profits on Sales

Gross profits on sales amounted to ¥65,383 million, falling ¥955 million or 1.4% from the year-earlier level as the cost of sales increased by ¥9,503 million even though sales rose ¥8,548 million. Major reasons for the decrease were an increase of ¥4,533 million in labor cost in field operations, a ¥1,485 million increase in the cost of installation and that of equipment sold, which was a result of an increase in equipment sales, and a ¥1,145 million increase in rental payments, due to an increase of lease equipment and facilities that resulted from a rise in sales of Cash Deposit Machine On-line Systems.

Operating Income

Operating income amounted to ¥10,962 million, a decrease of ¥3,516 million or 24.3% over the preceding year, due to the drop of ¥955 million in gross



profit and a ¥2,560 million increase in selling, general and administrative expenses. One of the major reasons for the rise in the selling, general, and administrative expenses was a ¥1,859 million increase in the cost of labor in the administrative departments. This was due to a rise in the number of contracts, which increased work related to customer management. Another reason for the increased selling general, and administrative expenses was an increase in the sales force, which necessitated stepped-up personnel administration. The third reason was a ¥512 million increase in taxes and levies, resulting from the adoption of the pro forma standard taxation method.

Recurring Profit

Recurring profit amounted to ¥11,592 million, a decrease of ¥3,898 million or 25.2% over the preceding year. The decrease was due to the ¥3,516 million fall in operating income, combined with a ¥209 million decrease in non-operating income and a ¥171 million increase in non-operating expense. The major reason for the decrease in non-operating income was a change in the way Fukushima Sohgo Security Services Co., Ltd. was accounted for. The company had been accounted for on an equity basis until last year, but began to be treated as a consolidated subsidiary this year. This caused a ¥245 million drop in investment income under the equity method. The major reason for the rise in non-operating expense was amortization of bond issue expenses, amounting to ¥193 million.

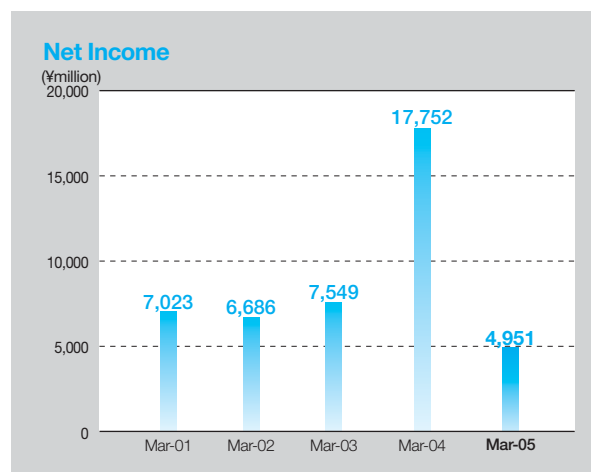
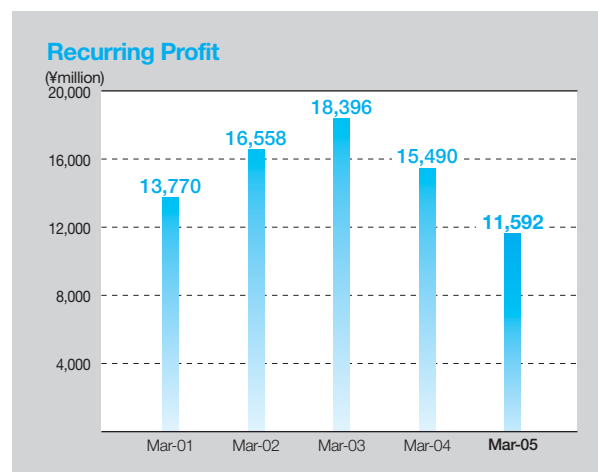
Net Income

Net income fell ¥12,801 million or 72.1% from the preceding year, to ¥4,951 million. The decrease is attributed to the ¥3,898 million decrease in recurring profit, a ¥18,966 million decrease in extraordinary gains, a ¥3,046 million decrease in extraordinary losses, and a ¥7,280 decrease in taxes and levies (total of corporate income tax, resident tax, business

tax, and adjustments to corporate income tax, etc.). The cause of the fall in extraordinary gains was the fact that ¥19,666 million had been reported last year as gains from exemption from future obligation of the government retirement benefit program whereas only ¥700 million in gains on sale of negotiable securities held for investment were reported this year. The main reasons for the drop in extraordinary losses were a ¥345 million decrease in the valuation loss on negotiable securities held for investment, and the fact that last year's figure included ¥1,323 million that had been expensed to the bad debt allowance account, as well as a ¥438 million loss on the sale of negotiable securities held for investment, such as shares of Ashikaga Financial Group, ¥608 million in losses upon disposal of fixed assets and fixed asset valuation losses, and ¥299 million in losses upon inventory disposal and valuation. The main reason for the drop in taxes and levies was a fall in taxable income, resulting from a lump-sum contribution to the government retirement benefit fund.

Material Event Affecting the Company's Business Results

Effective September 24, 2004, 100,000 shares of Fukushima Sohgo Security Services Co., Ltd. (representing 50% of the total outstanding shares of the company) were additionally acquired. As a result, Fukushima Sohgo Security Services Co., Ltd. became a wholly-owned subsidiary of ALSOK Co., Ltd. Effective October 1, 2004, the Tottori Branch Office and Shimane Branch Office of Sohgo Security Services Co., Ltd. were spun off by means of simplified new incorporation and separation, and were taken over by ALSOK San-in Co., Ltd., which was newly created as a wholly-owned subsidiary of ALSOK Co., Ltd.



Segment Performance Overview of the Current Year

The following is a segment report of the ALSOK Group for the current fiscal year (April 1, 2004 to March 31, 2005). The ALSOK Group consists of two business segments. One is the Security Services Segment, which includes electronic security services, stationed security services and transportation security services. The other is the Other Services, which includes such services as total building management services and disaster prevention inspections.

Security Services Segment

Electronic Security Services

In our corporate services segment, which provides services to financial institutions, business corporations, government offices and public corporations, sales continued at a steady pace, thanks to receding of the impact of cancellations and price cuts, mainly among financial institutions, while large orders were received from real estate-related companies and others and new orders grew. On the other hand, in the home service segment, which provides services to ordinary homes, sales of ALSOK Home Security 7, which was launched in November 2004, grew at a healthy pace, thanks to partnerships with housebuilders and an expansion of our sales network. As a result, sales of electronic security services amounted to ¥136,400 million, a 3.8% increase over the preceding year. Our analysis indicates that an expansion of our sales force and additions of business offices and security shops, mainly in the population-dense cities of Tokyo, Nagoya and Osaka, were particularly instrumental in the growth of orders.

Stationed Security Services

Sales rose to ¥64,998 million, a 3.5% increase over the preceding year. As the economy began to recover, new store openings of shopping centers and volume discount store outlets grew, generating an influx of orders. In addition, the number of contracts with universities increased while orders for ad-hoc assignments, such as for security services at events, contributed to the

increase in sales. Partially offsetting the increase were cancellations, due to streamlining by some customers.

Transportation Security Services

In addition to the amount of convenience store ATMs exceeding 10,000, outsourcing of services provided to financial institutions expanded. Consequently, sales grew steadily. Furthermore, orders for the Cash Deposit Machine On-line System, mainly from retailers, supermarkets and volume discount stores, increased at a solid pace to 2,000 units (cumulative result of 4,800 units). As a result, sales amounted to ¥40,434 million, a 7.8% increase over the same period a year ago. As a consequence of these results, sales of the Security Services Segment amounted to ¥241,903 million, an increase of 4.4% over the same period a year earlier.

Other Services

In the areas of total building management services and disaster prevention services, sales declined modestly from the preceding year for such reasons as a re-examination of contracts with major customers. Nonetheless, orders for integrated management services for school buildings grew steadily. Furthermore, sales of MMK (total ATM management services) and those of ALSOK Safety Confirmation Services (crisis management services) also grew at a sound pace. Additionally, we concentrated our efforts on the sale of the Anshin Mate service, which provides position data and comes with an alarm function. However, our efforts did not completely offset the drop in revenues, resulting from cancellation of large contracts last fiscal year. All combined, sales of the Other Services Segment were ¥15,886 million, a decrease of 8.9% from the same period a year ago.

Sales of Individual Segments and Their Percentage Breakdown

Segment		Year Ended March 2004		Year Ended March 2005		Changes	
		Sales In millions of yen	Percentage of Sales (%)	Sales In millions of yen	Percentage of Sales (%)	Amount In millions of yen	Rate of Change (%)
Security Services Segment	Electronic Security Services	131,486	52.7	136,469	52.9	4,983	3.8
	Stationed Security Services	62,800	25.2	64,998	25.2	2,198	3.5
	Transportation Security Services	37,515	15.1	40,434	15.7	2,919	7.8
	Subtotal	231,802	93.0	241,903	93.8	10,101	4.4
Other Services		17,439	7.0	15,886	6.2	(1,553)	(8.9)
Total		249,241	100.0	257,789	100.0	8,548	3.4

Assets, Liabilities and Shareholders Equity as of the End of the Year

The assets, liabilities and shareholders' equity as of the end of the current fiscal year (April 1, 2004 to March 31, 2005) were as follows:

Assets

Total assets stood at ¥282,206 million, an increase of ¥13,394 million or 5.0% over the year-earlier level. Current assets increased ¥9,011 million, or 6.4%, to ¥150,901 million. Non-current assets increased ¥4,383 million, or 3.5%, to ¥131,305 million. The major reasons for the increase in current assets were a ¥8,788 million increase in cash advances, attributed to an increase in the number of transportation security service contracts, a ¥2,745 million increase in deferred tax assets, a ¥1,784 million increase in accounts and notes receivable, and a ¥6,306 million decrease in cash and deposits, resulting from a lump-sum contribution from self-generated funds to the government retirement benefit program. The main reasons for the increase in non-current assets were a ¥2,976 million increase in buildings and structures, a ¥2,127 million increase in intangible assets (other), due mainly to investment in development of the ADP, a new core operation system, a ¥1,387 million (net) increase in investments in securities, a ¥1,380 million in prepaid pension cost, resulting from a lump-sum contribution to the government retirement benefit program, a ¥4,955 million decrease in deferred tax assets, a ¥787 million increase in insurance premiums, and a ¥782 million increase in alarms and other electronic equipment and delivery equipment.

Liabilities

Total liabilities stood at ¥143,579 million, a ¥8,748 million or 6.5% increase over the year-earlier level. Current liabilities were ¥82,903 million, up ¥13,823 million or 20.0%, whereas long-term liabilities decreased

¥5,074 million or 7.7% to ¥60,675 million. Major factors contributing to the increase in current liabilities were a ¥15,770 million increase in short-term borrowings, resulting from cash procurement to meet a rise in the number of transportation security service contracts, and a ¥2,220 million decrease in accrued corporate income taxes. The decrease in long-term liabilities were due primarily to a ¥13,343 million decrease in reserve for retirement benefit, attributed to such factors as a lump-sum contribution to the government retirement benefit program, a ¥3,123 million decrease in long-term borrowings in accordance with the repayment schedule, and a ¥11,000 million increase in corporate bond issues.

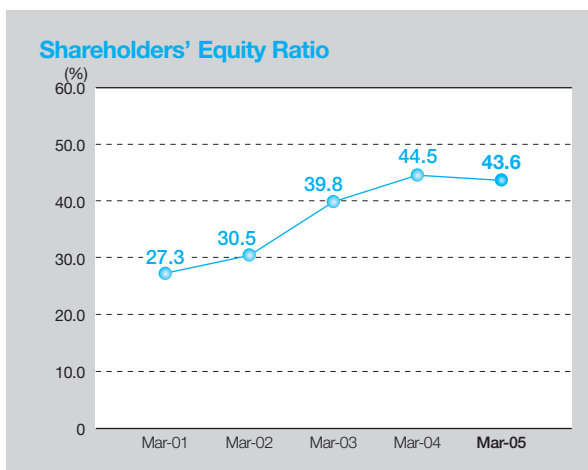
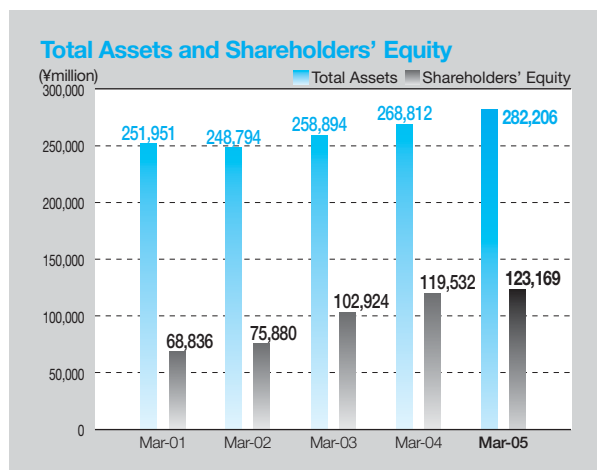
Shareholders' Equity

Total shareholders' equity amounted to ¥123,169 million, up ¥3,636 million or 3.0% from a year earlier level. The main reasons for the increase were a ¥3,262 million increase in retained earnings and a ¥343 million increase in other securities valuation difference.

Minority shareholders' interests were worth ¥15,458 million, a ¥1,008 million or a 7.0% increase over the year-earlier level.

Target Performance Indicators

The ALSOK Group regards an expansion of electronic security services and transportation security services, together with the promotion of streamlining and efficiency improvement of its entire operations, to be the key tasks for the improvement of its profitability. At present, we pay particular attention to the recurring profit ratio as the performance indicator to evaluate our efforts in these areas. Taking the future activities into consideration, we are in the process of evaluating such other indicators as the return on equity (ROE) to assess our business condition.



Cash Flows

Consolidated cash and cash equivalents (“funds”) during the current fiscal year declined ¥9,482 million (as compared to the previous year in which assets increased by ¥8,031 million), as a ¥13,654 million increase in funds from financing activities was offset by a ¥18,673 million decrease in funds from operating activities and a ¥4,463 million decrease in funds from investment activities, resulting in the year-end balance of ¥44,364 million.

Cash Flows from Operating Activities

Cash flows from operating activities decreased ¥7,820 million during the year (in contrast to a ¥10,852 million increase the preceding year). The major components of this were ¥11,974 million in net income before adjustments for taxes (a 62.3% reduction from the preceding year), ¥10,816 million in fund retention (up 4.9%), attributed to depreciation and amortization, ¥7,533 million in corporate income tax payments (up 10.8%), ¥14,810 million decrease in funds, due to a fall in accrued retirement benefit, (down 27.4%), and a ¥1,525 million decrease in funds, due to an increase in accounts receivable (in contrast to a ¥101 million fund increase, resulting from a decrease in accounts receivable in the preceding year), in addition to a ¥6,029 million fund decrease, due to an increase in cash advances to parallel a rise in the number of transportation service contracts (down 23.4%).

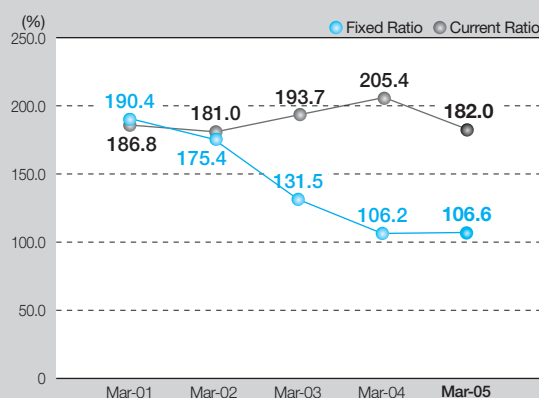
Cash Flows from Investment Activities

Cash flows from investment activities were ¥15,161 million, a 41.7% increase over the preceding year. This consisted mainly of ¥13,441 million outflow for the acquisition of fixed assets (up 17.5%), ¥2,644 million outflow for purchase of negotiable securities held for investment (down 0.1%), ¥3,142 million for software and other purchases, ¥1,632 million proceeds from sale of negotiable securities held for investment (down 54.6%), and a net fund increase of ¥2,529 million, due to a fall in term deposits (in contrast to a fund decrease of ¥918 million, resulting from an increase in term deposits the preceding year).

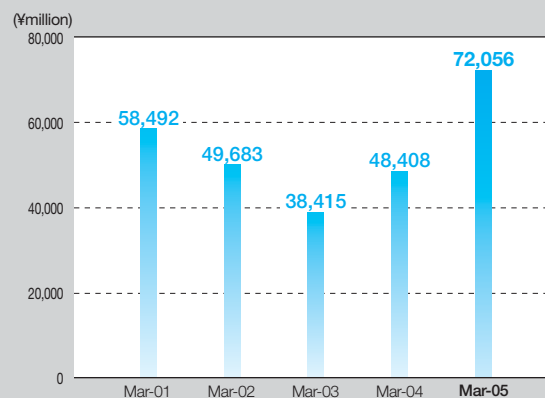
Cash Flows from Financing Activities

Cash flows from financing activities were ¥21,531 million, a 173.4% increase over the preceding year. This consisted mainly of a ¥15,773 million fund increase, due to a net increase in short-term borrowings (a 24.1% increase), a ¥2,640 million fund increase, due to long-term debt (down 78.8%), ¥6,061 million in repayment of long-term debt (down 3.5%), a ¥10,806 million fund increase (a 882.4% increase), and ¥1,706 million in dividend payments (down 15.0%). A net fund increase, due to a net increase in short-term borrowings, was caused mainly by an increase in cash advances for transportation security services.

Fixed Ratio and Current Ratio



Interest-bearing Debt



Forecast for Next Year

While there are projections that the Japanese economy will recover more rapidly in the year ending March 2006, there is also a growing number of risk factors, including concerns about a slowing of the American and European economies, which have achieved fast growth, and an additional hike in raw material prices. The ambiguity of the future outlook thus cannot be denied. Competition is expected to continue to be intense in the security service industry as the economy will not be fully out of the deflationary stage. Based on these factors, the consolidated results of the ALSOK Group in the year ending March 2006 are projected at ¥265,935 million in sales, a 3.2% increase over the current year, and ¥11,817 million in operating income (up 7.8%). Recurring profit is forecast at ¥12,349 million (a 6.5% increase), and net income at ¥5,319 million (up 7.4%).

Operational Risk Factors

Various security services that ALSOK Group offers contain the following types of risks relating to the company's operational and accounting conditions that can exert material influence on an investor's judgment:

1) Risks of being dependent on sales to a specific industry

Financial institutions account for 31.8% of the sales of the ALSOK Group. Changes in the economic environment of financial institutions may exert material impact on the business results of the ALSOK Group.

2) Risks of being dependent on electronic security services

Electronic security services represent 52.9% of the ALSOK group's sales. Continuous injection of capital is a requirement for the ongoing operation of electronic security services. Should it become unable to take on contracts of a certain size for a variety of reasons, the earnings of the ALSOK group can be affected.

3) Interest risks associated with cash for transportation security services

Cash for transportation security services that the ALSOK Group provides as part of its transportation security services (cash that is stored in ATMs (cash dispensers) that subsidiaries of financial institutions install at their corporate customers' premises, and cash for cash advances used for sales on Cash Deposit Machine On-line System) is provided from either the group's own funds or bank overdraft. The group charges its contract customers commissions for these cash advances to make up for the interest cost of procuring these funds. In the event that interest rate surges sharply, there is a possibility that the interest burden will affect the earnings of the ALSOK Group.

4) Risks of being dependent on a specific supplier

The ALSOK Group depends on NEC almost entirely for development and supply of center equipment, which is one of the principal alarm system components that are installed at the ALSOK Group's central guard stations. A certain level of center equipment inventory is maintained to meet the regularly anticipated supply volume, as well as for emergencies. However, operations of the ALSOK Group's central guard stations could be affected in the event that supply of center equipment is disrupted, due to such factors as a natural disaster.

5) Risks associated with keeping up with changes in the technological environment

In the services that the ALSOK Group provides, development of security-related equipment and adapting to information technology are essential. For this reason, the ALSOK Group's R&D group plays a central role in its ongoing efforts to develop security-related equipment and adapt to information technology. Should it fail to respond to changes in the technological environment in a timely manner, however, the ALSOK Group's earnings could be affected.

6) Risks associated with management of customer data

The ALSOK Group obtains a large amount of customer information when it signs security service contracts with our customers. Such information, which includes names, addresses and telephone numbers of customers and other individuals, is held in our database. The ALSOK Group recognizes the importance of protecting customer information. The ALSOK Group not only endeavors to strengthen controls over information by placing it under the supervision of the Information Security Committee but also subscribe to Personal Information Leakage Insurance, which is a comprehensive corporate insurance that covers all group companies. Nevertheless, there is a possibility that the ALSOK Group's performance and future business development will be affected for such reasons as indemnification claims being filed against the ALSOK Group or a drop in the ALSOK Group's credit standing in the event that a material problem develops in the area of customer information control, including incidents that are beyond the control of the company.

7) Risks associated with securing an adequate workforce

There has been a decline in the birth rate in Japan, accompanied with aging of the population over recent years. Whereas this can create greater demand for security services, there is a possibility that the ALSOK Group will face difficulty in recruiting young workers. Moreover, raising salaries to attract an adequate number of workers could affect the ALSOK Group's earnings because of higher labor costs.

8) Risks associated with legal restrictions

The conduct of ALSOK's security services operation by the ALSOK Group is subject to various legal restrictions. Future revisions and deletions of legal restrictions, as well as new additions, could affect the ALSOK Group's earnings (See table 1).

9) Risks associated with natural disasters

The ALSOK Group centrally monitors information about its security services at remote sites over its network. This network relies on information communication services that are provided by Class 1 communications providers. Serious damage on the communications lines, such as that inflicted by natural disasters or accidents, can pose an impediment to its remotely-controlled security services. The group is presently taking steps to protect its central guard stations against earthquakes and decentralize the monitoring locations. In the event of a natural disaster whose magnitude exceeds its assumptions, however, it would not be able to receive alarm signals from its customers and its operations would be suspended. In such an event, there is a possibility that the group's performance and future business development will be affected, due to such reasons as indemnification claims being filed against the group or a drop in the group's credit standing. Furthermore, there is a possibility that restoration of its central guard stations will require huge expenditures.

[table 1]

Major Services Affected	Major Laws and Regulations	Supervising Government Offices, etc.
Electronic Security Service Transportation Security Service Stationed Security Service	Security Business Law	National Public Safety Commission Prefectural public safety commissions
Electronic Security Service	Construction Industry Law Enforcement orders of the Construction Industry Law Enforcement regulations of the Construction Industry Law	Ministry of Land, Infrastructure and Transport
Stationed Security Service	Boiler and Pressure Vessel Safety Regulations	Labor standard supervision offices of prefectural labor standards bureaus
Transportation Security Service	Motor-truck Transport Business Law Freight Transport Business Law Road Trucking Vehicle Law Warehouse Business Law	Ministry of Land, Infrastructure and Transport
Other Services (Integrated Management, Disaster Prevention Service)	Fire Defense Law Fire prevention ordinances, etc. Law to ensure hygienic environment in buildings	Fire departments Ministry of Internal Affairs and Communications Local governments Ministry of Health, Labor and Welfare Prefectural governments

10) Risks associated with the dilution of stock value, resulting from the exercise of stock options

ALSOK offers stock options to its directors, executives and employees as an incentive to boost their desire to make contributions to the company and raise their morale.

As of March 31, 2005, there were 2,334,000 shares that could be acquired with the exercise of options. These shares represented 2.3% of the company's outstanding shares, which numbered 100,566,000. In the event that these stock options are exercised, the value of the shares held by shareholders would be diluted.

Stock options that had not yet been exercised at the end of the current fiscal year were as follows (See table 2 below):

[table 2] Stock Options Granted (As of March 31, 2005)

Date Resolution was Made at a General Meeting of Shareholders	Option Recipients	Type of Stock Covered	Number of Shares Available for Exercise	Exercise Price	Amount Paid Upon Exercise	Exercise Period
August 22, 2000	Directors and employees	Common Stock	925,000	¥1,385	¥1,281 million	Between September 1, 2002 and August 21, 2007
June 28, 2001	Directors and employees	Common Stock	722,000	¥1,382	¥998 million	Between July 1, 2003 and June 30, 2008
June 27, 2002	Executive Officers and employees	Common Stock	261,000	¥1,414	¥369 million	Between July 1, 2004 and June 30, 2009
June 27, 2003	Directors and employees	Common Stock	426,000	¥1,338	¥569 million	Between July 1, 2005 and June 30, 2010
Total	-	-	2,334,000	-	¥3,219 million	-

11) Related Party Transactions

ALSOK's representative directors serve as the board chairman of each of the following three foundations: the Japan Urban Security Research Institute, the Defense Research Center, and the Jun Murai Memorial Scholarship Fund. The board of directors of ALSOK approves and funds these foundations' annual operating expenses and annual scholarships that are necessary for the foundations to meet their individual objectives.

The activities of these foundations are as follows(See table 3 below):

[table 3]

Name	Activities
Japan Urban Security Research Institute	<ol style="list-style-type: none"> 1. Conducts study and research on urban crime prevention. 2. Plans and hosts lectures, symposiums, seminars and international conferences on urban crime prevention. 3. Aids organizations that conduct study, research or information activity regarding urban crime prevention. 4. Publishes research journals, informational newsletters, bulletins, etc. on the subject of urban crime prevention.
Defense Research Center	<ol style="list-style-type: none"> 1. Conducts study and research on defense. 2. Conducts international study and research on defense. 3. Conducts research and provides education about defense with grants from the government and other public offices. 4. Conducts public education activities on defense. 5. Publishes literature on defense.
Jun Murai Memorial Scholarship Fund	Offers scholarships to students studying at engineering universities and those studying engineering at other universities that are located within Kanagawa Prefecture.

Consolidated Balance Sheets

SOHGO SECURITY SERVICES CO., LTD.
As at 31st March, 2004 and 2005

	In millions of yen		In thousands of US dollars (Note 3)
	As at 31st March		As at 31st March
	2005	2004	2005
(Assets)			
Current assets:			
Cash and deposits (Notes 5, 6 & 8)	¥ 90,186	¥ 96,492	\$ 839,802
Notes and accounts receivable	17,971	16,186	167,341
Short-term investments in securities (Notes 6 & 16)	539	664	5,021
Inventories	4,514	3,779	42,037
Advance payment	25,701	16,912	239,321
Deferred tax assets (Note 18)	6,051	3,306	56,350
Other	6,102	4,716	56,818
Allowance for doubtful accounts	(163)	(165)	(1,521)
Total current assets	150,901	141,890	1,405,169
Property, plant and equipment:			
Land (Notes 8 & 14)	17,103	16,400	159,263
Buildings and structures (Note 8)	32,055	27,549	298,490
Machinery, equipment and delivery equipment	98,662	92,746	918,728
Construction in progress	866	1,377	8,063
Other	12,378	11,593	115,259
Total	161,064	149,665	1,499,803
Accumulated depreciation	(101,869)	(94,523)	(948,593)
Net property, plant and equipment	59,195	55,142	551,210
Investments and other assets:			
Intangible assets	6,448	4,705	60,044
Investments in securities (Notes 8, 10 & 16)	29,801	28,414	277,507
Deferred tax assets (Note 18)	17,436	22,392	162,364
Other assets	20,655	18,481	192,337
Allowance for doubtful accounts	(2,230)	(2,211)	(20,766)
Net investments and other assets	72,110	71,781	671,486
Total	¥ 282,206	¥ 268,813	\$ 2,627,865

	In millions of yen		In thousands of US dollars (Note 3)
	As at 31st March		As at 31st March
	2005	2004	2005
(Liabilities and shareholders' equity)			
Current liabilities:			
Notes and accounts payable, trade	¥ 8,969	¥ 8,285	\$ 83,519
Short-term borrowings (Notes 7 & 8)	41,968	25,905	390,798
Current portion of long-term debt (Notes 7 & 8)	5,207	5,399	48,489
Accounts payable	10,901	11,072	101,507
Accrued income taxes	1,325	3,546	12,341
Allowance for bonuses	5,275	5,167	49,122
Other	9,258	9,706	86,208
Total current liabilities	82,903	69,080	771,984
Long-term liabilities:			
Long-term debt (Notes 7 & 8)	24,882	17,104	231,693
Accrued retirement benefits for employees (Note 9)	30,503	43,846	284,037
Accrued retirement benefits for directors and corporate auditors	2,350	2,213	21,884
Deferred tax liabilities	10	—	89
Other	2,931	2,588	27,300
Total long-term liabilities	60,676	65,751	565,003
Minority interests in consolidated subsidiaries:	15,458	14,449	143,944
Shareholders' equity:			
Common stock-authorized: 300,000,000 shares in 2004 and 2005 issued: 100,404,142 shares in 2004 and 100,566,742 shares in 2005	17,152	16,966	159,720
Capital surplus	31,601	31,756	294,262
Retained earnings	77,444	74,182	721,149
Land revaluation account (Note 14)	(5,586)	(5,586)	(52,016)
Other securities valuation difference	2,584	2,240	24,060
Treasury stock: 15,286 shares in 2004 and 15,958 shares in 2005	(26)	(25)	(241)
Total shareholders' equity	123,169	119,533	1,146,934
Total	¥ 282,206	¥ 268,813	\$ 2,627,865

Consolidated Statements of Operations

SOHGO SECURITY SERVICES CO., LTD.
Years ended 31st March, 2003, 2004 and 2005

	In millions of yen			In thousands of US dollars (Note 3)
	Year ended 31st March			Year ended 31st March
	2005	2004	2003	2005
Net sales (Note 20)	¥ 257,790	¥ 249,241	¥ 248,385	\$ 2,400,502
Cost of sales	192,406	182,902	179,582	1,791,656
Gross profit on sales	65,384	66,339	68,803	608,846
Selling, general and administrative expenses (Notes 12& 20)	54,421	51,860	50,974	506,764
Operating income	10,963	14,479	17,829	102,082
Other income:				
Interest and dividends	629	496	422	5,854
Equity in earnings of affiliates	295	540	515	2,743
Gain on exemption from future obligation of the governmental program (Note 9)	—	19,666	—	—
Profit on sales of investments in securities, net	720	—	—	6,701
Other	1,594	1,615	1,794	14,858
	3,238	22,317	2,731	30,156
Other expenses:				
Interest	733	764	939	6,828
Loss on sales of investments in securities, net (Note 16)	—	328	63	—
Loss on disposals of property, plant and equipment	462	599	555	4,300
Impairment loss on investments in securities (Note 16)	97	442	959	899
Loss on disposal and impairment of intangible assets	—	609	—	—
Loss on disposal of inventories	—	300	—	—
Special retirement expense	221	180	—	2,056
Provision for doubtful accounts	—	1,324	—	—
Provision for loss on debt guarantees	—	—	20	—
Other	713	458	606	6,646
	2,226	5,004	3,142	20,729
Income before income taxes	11,975	31,792	17,418	111,509
Income taxes (Note 18)				
Current	3,130	7,238	6,612	29,144
Deferred	2,649	5,821	2,069	24,667
	5,779	13,059	8,681	53,811
Income before minority interests	6,196	18,733	8,737	57,698
Minority interests in income of consolidated subsidiaries	1,244	980	1,188	11,586
Net income	¥ 4,952	¥ 17,753	¥ 7,549	\$ 46,112

Consolidated Statements of Changes in Shareholders' Equity

SOHGO SECURITY SERVICES CO., LTD.
Years ended 31st March, 2003, 2004 and 2005

	In millions of yen							
	Number of shares issued	Common stock	Capital surplus	Retained earnings	Land revaluation account	Other securities valuation difference	Treasury stock	Total
Balance at 31st March, 2002	6,556,234	¥ 7,471	¥ 16,992	¥ 55,482	¥ (5,586)	¥ 1,522	¥ —	¥ 75,881
Stock split, 1:13, as at 1st August, 2002	78,674,808	—	—	—	—	—	—	—
Issuance of shares in public offering as at 25th October, 2002	15,000,000	9,255	12,832	—	—	—	—	22,087
Exercises of stock options	139,500	194	—	—	—	—	—	194
Net income	—	—	—	7,549	—	—	—	7,549
Other securities valuation difference	—	—	—	—	—	(843)	—	(843)
Cash dividends	—	—	—	(1,580)	—	—	—	(1,580)
Bonuses to directors	—	—	—	(340)	—	—	—	(340)
Treasury stock acquired, net	—	—	—	—	—	—	(23)	(23)
Balance at 31st March, 2003	100,370,542	¥ 16,920	¥ 29,824	¥ 61,111	¥ (5,586)	¥ 679	¥ (23)	¥ 102,925
Exercise of stock options	33,600	46	—	—	—	—	—	46
Increase from merger (Note 13)	—	—	2,729	—	—	—	—	2,729
Decrease due to change of consolidated subsidiaries, net	—	—	(797)	(2,444)	—	—	—	(3,241)
Net income	—	—	—	17,753	—	—	—	17,753
Other securities valuation difference	—	—	—	—	—	1,561	—	1,561
Cash dividends	—	—	—	(2,007)	—	—	—	(2,007)
Bonuses to directors	—	—	—	(231)	—	—	—	(231)
Treasury stock acquired, net	—	—	—	—	—	—	(2)	(2)
Balance at 31st March, 2004	100,404,142	¥ 16,966	¥ 31,756	¥ 74,182	¥ (5,586)	¥ 2,240	¥ (25)	¥ 119,533
Exercise of stock options	162,600	186	39	—	—	—	—	225
Transfer to retained earnings from capital surplus	—	—	(194)	194	—	—	—	—
Net income	—	—	—	4,952	—	—	—	4,952
Other securities valuation difference	—	—	—	—	—	344	—	344
Cash dividends	—	—	—	(1,707)	—	—	—	(1,707)
Bonuses to directors	—	—	—	(177)	—	—	—	(177)
Treasury stock acquired, net	—	—	—	—	—	—	(1)	(1)
Balance at 31st March, 2005	100,566,742	¥ 17,152	¥ 31,601	¥ 77,444	¥ (5,586)	¥ 2,584	¥ (26)	¥ 123,169

	In thousands of US dollars (Note 3)							
	Number of shares issued	Common stock	Capital surplus	Retained earnings	Land revaluation account	Other securities valuation difference	Treasury stock	Total
Balance at 31st March, 2004	100,404,142	\$ 157,988	\$ 295,706	\$ 690,767	\$ (52,016)	\$ 20,857	\$ (232)	\$ 1,113,070
Exercises of stock options	162,600	1,732	367	—	—	—	—	—
Transfer to retained earnings from capital surplus	—	—	(1,811)	1,811	—	—	—	2,099
Net income	—	—	—	46,112	—	—	—	46,112
Other securities valuation difference	—	—	—	—	—	3,203	—	3,203
Cash dividends	—	—	—	(15,889)	—	—	—	(15,889)
Bonuses to directors	—	—	—	(1,652)	—	—	—	(1,652)
Treasury stock acquired, net	—	—	—	—	—	—	(9)	(9)
Balance at 31st March, 2005	100,566,742	\$ 159,720	\$ 294,262	\$ 721,149	\$ (52,016)	\$ 24,060	\$ (241)	\$ 1,146,934

Consolidated Statements of Cash Flows

SOHGO SECURITY SERVICES CO., LTD.
Years ended 31st March, 2003, 2004 and 2005

	In millions of yen			In thousands of US dollars (Note 3)
	Year ended 31st March			Year ended 31st March
	2005	2004	2003	2005
Cash flows from operating activities				
Income before income taxes	¥ 11,975	¥ 31,792	¥ 17,418	\$ 111,509
Depreciation	10,817	10,315	9,966	100,725
Amortisation of goodwill	569	509	784	5,302
Increase/(decrease) in allowance for doubtful accounts	(7)	1,713	(15)	(67)
Decrease in accrued retirement benefit for employees	(14,811)	(20,407)	(2,050)	(137,914)
Decrease in provision for loss on debt guarantees	—	(400)	—	—
Increase/(decrease) in allowance for bonuses	(118)	444	(1,178)	(1,098)
Interest income and dividend income	(629)	(496)	(422)	(5,854)
Interest expenses	733	764	939	6,828
Equity in earnings of affiliates	(295)	(540)	(515)	(2,743)
Loss on sales and disposals of property, plant and equipment, net	432	603	557	4,020
Loss/(Profit) on sales of investments in securities	(720)	328	63	(6,701)
Impairment loss on investment in securities	97	442	959	899
(Increase)/decrease in accounts receivable	(1,526)	101	1,054	(14,207)
Increase in inventories	(687)	(400)	(429)	(6,397)
Increase/(decrease) in accounts payable	226	1,513	(3,299)	2,100
Increase in prepaid pension	(1,380)	—	—	(12,851)
Other	(4,880)	(8,392)	(8,790)	(45,451)
Sub-total	(204)	17,889	15,042	(1,900)
Interest and dividend income, received	633	567	544	5,895
Interest expenses, paid	(716)	(805)	(938)	(6,666)
Income taxes, paid	(7,533)	(6,798)	(6,427)	(70,150)
Net cash provided by / (used in) operating activities	¥ (7,820)	¥ 10,853	¥ 8,221	\$ (72,821)

	In millions of yen			In thousands of US dollars (Note 3)
	Year ended 31st March			Year ended 31st March
	2005	2004	2003	2005
Cash flows from investment activities				
(Increase)/decrease of time deposits	¥ 2,530	¥ (919)	¥ 2,088	\$ 23,558
Payments for purchases of property, plant and equipment	(13,441)	(11,435)	(11,525)	(125,165)
Proceeds from sales of property, plant and equipment	113	15	9	1,053
Payments for purchases of investments in securities	(2,644)	(2,648)	(10,256)	(24,624)
Proceeds from sales and redemption of investments in securities	1,632	3,598	3,192	15,197
Proceeds from sales of investments in unconsolidated subsidiaries	—	8	—	—
Payments purchases of investments in consolidated subsidiaries	(258)	—	—	(2,399)
Decrease/(Increase) in short-term loans	(1)	8	3	(5)
Long-term loans made	(121)	(364)	(283)	(1,124)
Long-term loans collected	171	275	216	1,594
Other	(3,143)	764	962	(29,266)
Net cash used in investment activities	(15,162)	(10,698)	(15,594)	(141,181)
Cash flows from financing activities				
Decrease in short-term borrowings	15,773	12,712	(4,059)	146,877
Proceeds from long-term debt	13,446	13,560	2,350	125,208
Payments on repayment of long-term debt	(6,062)	(16,279)	(9,559)	(56,448)
Proceeds from issue of new shares	225	63	22,297	2,092
Payments for acquisition of treasury stock	(1)	(2)	(50)	(9)
Dividends paid	(1,706)	(2,007)	(1,580)	(15,889)
Dividends paid to minority shareholders	(143)	(171)	(148)	(1,334)
Net cash provided by financing activities	21,532	7,876	9,251	200,497
Net increase/(decrease) in cash and cash equivalents	(1,450)	8,031	1,878	(13,505)
Cash and cash equivalents at beginning of year	45,814	37,783	35,905	426,618
Balance of cash and cash equivalents at end of year (Note 6) ...	¥ 44,364	¥ 45,814	¥ 37,783	\$ 413,113

1 Nature of operations

Sohgo Security Services Co., Ltd. (the "Company") was incorporated in Tokyo, Japan in 1965. The Company and its consolidated subsidiaries (hereinafter collectively referred to as "ALSOK") are primarily engaged in security services in Japan, comprising electronic security services, stationed security services, transportation security services, and total building management, fire-prevention and other services. The electronic security services are ALSOK's principal business activities, providing on-line centralised security services for commercial and residential premises. ALSOK also develops, and sells security equipment.

2 Basis of presentation

ALSOK maintains their books of account in conformity with the financial accounting standards of Japan, which may differ from International Accounting Standards and generally accepted accounting practices and standards of the country of the reader.

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related regulations, and in conformity with accounting principles generally accepted in Japan. The consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

Certain disclosures contained herein are not required as part of the basic financial statements in Japan but have been presented as additional information. In addition, certain reclassifications have been made to the accompanying consolidated financial statements in order to present them in a form which is more familiar to readers outside Japan.

3 Financial statement translation

The accompanying financial statements are stated in Japanese yen ("¥"), the currency of the country in which the Company was incorporated and currently operates. Translation to US dollars has been calculated using the approximate exchange rate on 31st March, 2005 of ¥ 107.39= 1.00 US dollar, and has been included solely for the convenience of readers outside Japan. This translation should not be interpreted as a representation that Japanese yen could be converted into US dollars at this or any other exchange rate.

4 Significant accounting policies

(a) Consolidation

The consolidated financial statements include the accounts of the Company and those companies in which the Company, directly or indirectly, is able to exercise control over operations. Investments over which ALSOK has the ability to exercise significant influence are accounted for under the equity method. The excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary at the date of acquisition is included in the balance sheets as "intangible assets", being amortised over a period of five years. All significant intercompany balances and transactions have been eliminated on consolidation. All material unrealised profit included in assets resulting from intercompany transactions has been eliminated.

The Company consolidated 39, 38, and 42 subsidiaries for the year ended 31st March, 2003, 2004, and 2005, respectively. Other subsidiaries were not consolidated and not accounted for under equity method as they were not significant in terms of total assets, net sales, retained earnings, net income or net loss.

Nine and eight affiliates were accounted for under the equity method for each of two years ended 31st March, 2004, and 2005, respectively. Other affiliates were not accounted for under equity method as they were not significant in terms of retained earnings, net income or net loss.

The subsidiaries and affiliates are summarised below:

(1) Significant consolidated subsidiaries:

Sokei Stationed Security Service Co., Ltd. (*1)

Tohoku Sohgo Security Services Co., Ltd.
 Kita-Kanto Sohgo Security Services Co., Ltd.
 Hiroshima Sohgo Security Services Co., Ltd.
 Sokei Building Service Co., Ltd.
 Fukushima Sohgo Security Services Co., Ltd.(*2)

(2) Unconsolidated subsidiaries not accounted for under the equity method:

Ehime Sokei Services Co., Ltd

(3) Significant affiliates accounted for under the equity method:

Fukushima Sohgo Security Services Co., Ltd.

(for the years ended 31st March 2003 and 2004)(*2)

Niigata Sohgo Security Services Co., Ltd.

Hokuriku Sohgo Security Services Co., Ltd.

(4) Major affiliates not accounted for under the equity method:

Kitakanto Transportation Security Services Co., Ltd.

Chukyo Sohgo Kanzai Co., Ltd.

(*1) Sokei Stationed Security Service Co., Ltd. was consolidated as it was newly established in the year ended 31st March, 2004.

(*2) Fukushima Sohgo Security Service Co., Ltd. was consolidated as it became a wholly owned subsidiary in the current fiscal year.

The financial year-end of all consolidated subsidiaries is the same as the consolidation date.

(b) Foreign currency transactions

All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. The foreign exchange gains and losses from translation are recognised in the statements of operations.

(c) Revenue recognition

Revenue is recognised from security services over the contractual period, or in the case of specific services, when the services are rendered. Merchandise sales are recognised as products are shipped, or in the case of installations, when the installations are completed.

Subscribers are generally requested to prepay a portion of service charges, which is recognised as unearned revenue and

released to income evenly over the service period.

(d) Cash and cash equivalents

For the purpose of the statements of cash flows, all highly liquid investments with an insignificant risk of change in value, and which have maturities of generally three months or less when acquired, have been treated as cash equivalents.

(e) Valuation of securities

Securities are classified into one of the following three categories; trading securities, held-to-maturity securities, or other securities. Other securities with a market value are principally carried at market value. The difference, net of tax, between the acquisition cost and the carrying value of other securities, including unrealised gains and losses, is recognised as "Other securities valuation differences" in "shareholders' equity". Other securities without a market value are principally carried at cost. The cost of other securities sold is computed using the moving average method.

ALSOK classifies investment in securities as other securities. Securities which mature within one year are presented as current assets and others are presented as non-current assets.

(f) Inventories

Inventories are mainly stated at cost on a first-in first-out basis.

(g) Allowance for doubtful accounts

Allowance for doubtful accounts is provided to the extent that uncollectable amounts are anticipated. General provisions are determined on the basis of past credit loss experience, and specific provisions, such as loss apprehensive credits, are determined by considering individual collectability.

(h) Property, plant and equipment

Property, plant and equipment are stated at cost. Depreciation is computed using the declining-balance method, while the straight-line method is applied to buildings (excluding annexed facilities) acquired after 1st April, 1998, at rates based on the estimated useful lives of the assets. The range of useful lives is principally as follows.

Buildings and structures	38 to 50 years
Machinery, equipment and delivery equipment	three to five years

(i) Intangible assets

Intangible assets principally comprise software, goodwill and private leased circuit rights. Software used for internal purposes is recorded at cost less accumulated amortisation and is amortised using the straight-line method over five years (the estimated useful life of the software). Goodwill is calculated as cost less the net asset value of the subsidiary acquired and is amortised using the straight-line method over five years. Private leased circuit rights are stated at cost and are amortised using the straight-line method over five years.

(j) Income taxes

ALSOK provides for income taxes applicable to all items included in the consolidated statements of operations regardless of when the taxes are payable. Deferred income taxes are recorded to reflect the impact of temporary differences between assets and liabilities recognised for financial reporting purposes and any amounts recognised for tax purposes. The deferred taxes are calculated by applying currently enacted tax laws to the temporary differences.

All of corporation enterprise tax was presented in income taxes through the year ended 31st March 2004. As the taxation of corporations by the size of their business was applied for taxable year beginning after 1st April 2004, the Company changed to present this taxation portion of ¥421 million (\$3,921 thousand) in selling, general and administrative expenses for the current fiscal year.

(k) Allowance for bonuses

Allowance for bonuses is provided for the current portion of the future expected payment, in order to prepare for the payment of bonuses to employees.

Employer's share of social insurance contribution on bonus had been recognized as expense when it was paid until the fiscal year ended 31st March 2003. Alongside a revision in the Welfare Pension Insurance Law, a "total salary" method" was introduced for calculation of social insurance contribution from April 2003. As the effect of this revision was material, the Company changed to recognise employer's share of social insurance contribution as expense when bonus is accrued for the current fiscal year. As a result of this change, for the year ended 31st March 2004, gross

profit on sales is decreased by ¥384 million, and operating income and income before income taxes are decreased by ¥556 million compared with the same accounting procedure as the previous fiscal year.

(l) Retirement benefit and pension plans for employees

The Company and most of its consolidated subsidiaries have contributory and non-contributory defined benefit pension plans and unfunded retirement plans covering substantially all eligible employees after three years of service.

Retirement benefits for employees are provided based on the actuarially calculated retirement benefit obligation and pension assets.

Past service liabilities are amortised from the date incurred using the straight-line method over a certain period (five years) less than the remaining average service period.

Unrecognised actuarial gains or losses are amortised using the straight-line method over a certain period (10 years) less than the remaining average service period from the date incurred.

Amortisation of unrecognised actuarial gains or losses begins in the year following that in which incurred.

(m) Retirement benefit plan for directors and corporate auditors

The Company and most of its consolidated subsidiaries have retirement benefit plans for directors and corporate auditors. The accrued liabilities are provided for in full on an annual basis, based on the amount which ALSOK would be required to pay under the relevant rules and bylaws if all members resigned at each balance sheet date.

(n) Reserves for losses on debt guarantees

ALSOK has provided for losses on debt guarantees, determined with respect to the financial position and other conditions of the guarantees.

(o) Leases

Finance leases, except for those where the legal title of the underlying property is transferred from the lessor to the lessee at the end of the lease term, are accounted for in the same manner as operating leases.

(p) Derivatives and hedge accounting

Derivative transactions are appraised by the mark-to-market method.

For derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions. And the interest rate swaps, which qualify for hedge accounting and meet specific matching criteria, are not remeasured at market value but the differential paid or received under the swap agreements are charged to income.

ALSOK has a policy to use derivatives only for the purpose of reducing financial costs and exposures to market risks resulting from fluctuations in interest rates, and not for trading or speculative purpose. Assessment of hedge effectiveness is passed for interest rate swaps which qualify for hedge accounting and meet specific matching criteria, as they are considered highly hedge effective. Management also believes there is very little risk from market rate change in interest rate swaps transactions. In accordance with its internal rules, ALSOK controls various aspects of derivative transactions including authorization levels, transaction volumes, and execution by accounting division.

(g) Accounting for consumption tax

The consumption tax imposed on revenue from customers for ALSOK's services is withheld by ALSOK at the time of receipt and subsequently paid to the national government. The consumption tax withheld upon recognition of revenue and the consumption tax paid by ALSOK on the purchase of products, merchandise and services from vendors, are not included in the related accounts in the accompanying consolidated statements of operations. The consumption tax paid is generally offset against the balance of consumption tax withheld, and the net balance is included in current assets or current liabilities as appropriate.

(f) Appropriation of retained earnings

Under the Commercial Code of Japan, retained earnings with respect to a given financial period are appropriated by resolution of the shareholders at a general meeting to be held subsequent to the close of such financial period. The accounts for that period do not, therefore, reflect such appropriations.

5 Cash and deposits

Cash and deposits on balance sheets include cash for transportation security services of ¥41,282 million and ¥38,847 million (\$ 361,741 thousand) as at 31st March, 2004 and 2005 respectively, which are restricted as to use by ALSOK. Short-term borrowings from banks include ¥21,983 million and ¥36,492 million (\$ 339,805 thousand) as at 31st March, 2004 and 2005 respectively, relating to this operation.

In addition to cash and deposits presented on the consolidated balance sheet, ALSOK has off-balance cash of ¥174,902 million and ¥233,952 million (\$ 2,178,529 thousand) at 31st March, 2004 and 2005 respectively, deposited from clients in the course of conducting transportation security services.

6 Cash and cash equivalents

A reconciliation between the balance of cash and deposits in the consolidated balance sheets and the balance of cash and cash equivalents in the consolidated statements of cash flows is as follows.

	In millions of yen		In thousands of US dollars
	As at 31st March		As at 31st March
	2005	2004	2005
Cash and deposit accounts			
per balance sheets	¥ 90,186	¥ 96,492	\$ 839,802
Deposits to mature			
in excess of three months	(7,323)	(9,801)	(68,194)
Cash for transportation security services	(38,848)	(41,282)	(361,742)
Short-term investments (securities) to be redeemed within three months of acquisition date	349	405	3,247
Cash and cash equivalents per statements of cash flows	¥ 44,364	¥ 45,814	\$ 413,113

7 Short-term borrowings and long-term debt

Short-term borrowings represent bank loans which are due within one year. The average interest rates for outstanding short-term borrowings are both 1.4% as at 31st March, 2004 and 2005.

The long-term debt as at 31st March, 2004 and 2005 is comprised of the following:

	In millions of yen		In thousands of US dollars
	As at 31st March		As at 31st March
	2005	2004	2005
Loans, principally from banks, due 2004 to 2013 with interest rates ranging from 0.53% to 3.8% for 2004 balance, due 2005 to 2013 with interest rates ranging from 0.53 % to 2.9 % for 2005 balance			
Secured	¥ 1,745	¥ 1,837	\$ 16,253
Unsecured	16,244	19,566	151,256
Unsecured 1.03% bonds			
No.9 due 2012 March	5,500	—	51,215
Unsecured 1.03% bonds			
No.10 due 2012 March	3,000	—	27,936
Unsecured 1.03% bonds			
No.11 due 2012 March	2,000	—	18,623
Unsecured 1.03% bonds			
No.12 due 2012 March	500	—	4,656
Unsecured 0.49% bonds			
No.1 due 2006 May (*1)	300	300	2,794
Unsecured 0.50% bonds			
No.2 due 2006 May (*1)	200	200	1,862
Unsecured 1.53% bonds			
No.1 due 2008 July (*2)	500	500	4,656
Unsecured 1.70% bonds			
No.1 due 2005 December (*3)	100	100	931
	30,089	22,503	280,182
Less – current portion due within one year	5,207	5,399	48,489
Total	¥ 24,882	¥ 17,104	\$231,693

(*1) Issued by Hiroshima Sohgo Security Services Co.,Ltd.

(*2) Issued by Kita-Kanto Sohgo Security Services Co.,Ltd.

(*3) Issued by Tohoku Sohgo Security Services Co.,Ltd.

The aggregate annual maturities of long-term debt (including the current portion) outstanding at 31st March, 2005 are summarised as follows:

	In millions of yen	In thousands of US dollars
	As at 31st March	As at 31st March
	2005	2005
Year ending 31st March		
2006	¥ 5,207	\$ 48,489
2007	4,465	41,577
2008	6,416	59,743
2009	5,743	53,478
2010	3,689	34,349
Thereafter	4,569	42,546
Total	¥ 30,089	\$ 280,182

8 Assets pledged as collateral

The following assets were pledged as collateral on 31st March, 2004 and 2005

	In millions of yen		In thousands of US dollars
	As at 31st March		As at 31st March
	2005	2004	2005
Cash and deposits	¥ 10	¥ 75	\$ 93
Land	4,675	4,617	43,530
Buildings and structures	2,124	1,993	19,778
Investments in securities	—	10	—
Total	¥ 6,809	¥ 6,695	\$ 63,401

The obligations collateralised by the above assets on 31st March, 2004 and 2005 are as follows:

	In millions of yen		In thousands of US dollars
	As at 31st March		As at 31st March
	2005	2004	2005
Short-term borrowings	¥ 175	¥ 173	\$ 1,630
Current portion of long-term debt	567	530	5,278
Long-term debt	1,178	1,306	10,974
Total	¥ 1,920	¥ 2,009	\$ 17,882

9 Retirement benefit

(1) Outline of retirement benefit plan

The Company and certain consolidated subsidiaries, have contributory defined benefit plans, which are pursuant to the Japanese Welfare Pension Insurance Law. The contributory pension plans, established in September 1970, cover a portion of the governmental welfare pension program, under which the contributions are made by the companies and their employees, and an additional portion representing the substituted non-contributory pension plans. To supplement the aforementioned welfare pension plan, the companies also have tax-eligible non-contributory defined benefit pension plans established in March 1999. The remaining indemnities are covered by severance payments made by the companies.

The consolidated subsidiaries, other than those having plans as described above, have defined benefit plans (tax-eligible non-contributory defined benefit pension plan and lump-sum severance indemnities plan, and defined contribution plan of Retirement Allowance Mutual Aid System of Medium and Small Enterprises.)

The Company and certain consolidated subsidiaries obtained an approval of exemption from future obligation to pay benefits for the substituted portion of the governmental welfare pension program by the Ministry of Health, Labour and Welfare on 1st March 2004. The Company and certain consolidated subsidiaries regarded benefit obligation and plan assets on the substituted portion of the governmental welfare pension program as having disappeared on the approval date of exemption, and accounted it in accordance with a transitional measurement of the implementation guidance on the accounting standard for employees' retirement benefits. ALSOK recognized a gain on exemption from future pension obligation of the governmental program in the amount of ¥19,666 million for the year ended 31st March, 2004. Also, the amount of transferred obligation to the government, equivalent to the minimum actuarial reserve, is estimated as ¥36,603 million on 31st March, 2004.

The Company and certain consolidated subsidiaries obtained an approval of return for past obligations and plan assets on the substituted portion of the governmental welfare pension program by the Ministry of Health, Labour and Welfare on 1st April 2005.

On 1st April 2005, the Company and certain subsidiaries transferred their Sohgo Securities Service welfare pension fund scheme and tax-eligible non-contributory defined benefit pension plan to a defined benefit private pension plan. Alongside this transfer, prior service cost (decrease in obligation) will accrue in the first half period of the fiscal year ending 31st March 2006 and be amortised using the straight-line method over five years from

the accrual.

(2) The following table sets out the status of the plans, and the amounts recognised in the consolidated balance sheets as at 31st March, 2004 and 2005 for ALSOK's defined benefit plans:

	In millions of yen		In thousands of US dollars
	Year ended 31st March		Year ended 31st March
	2005	2004	2005
Retirement benefit obligation	¥ (78,899)	¥ (75,752)	\$ (734,687)
Plan assets	43,303	23,190	403,232
Unfunded retirement benefit obligation	(35,596)	(52,562)	(331,465)
Unrecognised actuarial gain	6,552	9,921	61,016
Unrecognised prior service cost (decrease in obligation) (*1)	(79)	(1,205)	(737)
Net amount recognised in the balance sheet	(29,123)	(43,846)	(271,186)
Prepaid pension cost (*2)	1,380	—	12,851
Net retirement benefit liability	¥ (30,503)	¥ (43,846)	\$ (284,037)

(*1) Prior service cost (decrease in obligation) has accrued as a result of the following.

(For the fiscal year ended 31st March 2004)

Alongside a revision in the Welfare Pension Insurance Law, which was enacted in March 2000, the rule was revised with respect to a rise in the initial age of payment relevant to the substituted portion. Secondly, and effective from 1st April, 2000, the "Sohgo Security Services welfare pension fund scheme" was transformed into an "additional type" fund scheme from a "substitution type" fund.

(For the fiscal year ended 31st March 2005)

Certain subsidiaries modified their lump-sum severance indemnities plan.

(*2) In the current year, one-time contribution of ¥15,805 million (\$147,176 thousand) was made to Sohgo Securities Service welfare pension fund scheme on a consolidated basis in order to fulfill the shortage of plan asset for transfer of pension scheme to a defined benefit private pension plan. As the result, certain subsidiaries recorded excess amounts over retirement benefit liability in prepaid pension cost.

(*3) Certain subsidiaries have adopted a simplified method in the computation of their retirement benefit obligation in conformity with the accounting standard for employees' retirement benefits.

(3) The components of retirement benefit expenses are outlined as follows:

	In millions of yen			In thousands of US dollars
	Year ended 31st March			Year ended 31st March
	2005	2004	2003	2005
Service cost (*1)(*4)	¥ 4,624	¥ 5,143	¥ 5,678	\$ 43,054
Interest cost	1,892	3,354	3,499	17,625
Expected return on plan assets	(581)	(1,282)	(1,495)	(5,414)
Recognised actuarial gain	1,223	2,640	1,138	11,393
Amortisation of				
prior service cost (*2)(*3)	(1,161)	(2,828)	(2,810)	(10,818)
Extra severance payment	222	198	179	2,068
Net periodic benefit cost	6,219	7,225	6,189	57,908
Gain on exemption				
from future pension obligation				
of the governmental program	—	(19,666)	—	—
Total	¥ 6,219	¥ (12,441)	¥ 6,189	\$ 57,908

(*1) For the fiscal years ended 31st March 2003 and 2004, employees' contributions to welfare pension fund are deducted.

(*2) This is the appropriated amount for the current period related to prior service obligations described in (2)(*1).

(*3) For the year ended 31st March 2005, this was after deduction of the amount relevant to recognized gain on exemption from future obligation of the governmental program in the year ended 31 March 2004.

(*4) Retirement benefit expenses for consolidated subsidiaries adopting a simplified method in conformity with the accounting standard for the employees' retirement benefits are included.

(4) The assumptions used in accounting for the above plans were as follows:

	2005	2004	2003
Discount rate	2.5%	2.5%	2.5%
Expected return on assets	2.5%	2.5%	3.0%
Amortisation period of			
prior service cost	5 years	5 years	5 years
Recognition period of			
actuarial gain/loss			
(Amortisation commences			
from next year)	10 years	10 years	10 years

Estimated retirement benefits are equally allocated over service period.

10 Investments in non-consolidated subsidiaries and affiliated companies

ALSOK's investments in non-consolidated subsidiaries and affiliated companies were ¥5,476 million and ¥4,387 million (\$40,853 million) as at 31st March, 2004 and 2005 respectively.

11 Assets and liabilities of the consolidated subsidiary changed from an affiliated company

The Company acquired Fukushima Sohgo Security Service Co., Ltd. ("Fukushima") on 30th September 2004, a deemed acquisition date, through additional purchasing of stocks. Fukushima becomes a consolidated subsidiary from an affiliate accounted for under equity method. Fukushima's assets and liabilities as of the acquisition date, acquisition cost and the net cash outflow on the acquisition are summarized below:

	In millions of yen	In thousands of US dollars
Current assets	¥ 2,599	\$ 24,202
Non-current assets	2,601	24,220
Goodwill recognised in		
a consolidation	549	5,112
Current liabilities	(1,036)	(9,647)
Long-term liabilities	(1,500)	(13,968)
Minority interests	(1,413)	(13,158)
Acquisition cost for		
Fukushima	1,800	16,761
Cash and cash equivalents		
owned by Fukushima	(1,542)	(14,359)
Net cash outflow for		
the acquisition of		
Fukushima	¥ 258	\$ 2,402

12 Selling, general and administrative expenses

Selling, general and administrative expenses comprise the following.

	In millions of yen			In thousands of US dollars
	Year ended 31st March			Year ended 31st March
	2005	2004	2003	2005
Advertising	¥ 2,003	¥ 1,997	¥ 1,975	\$ 18,650
Salaries and allowances	28,911	27,135	27,292	269,214
Retirement benefit expenses	1,591	1,731	1,359	14,814
Welfare and service	4,425	4,209	3,965	41,205
Depreciation	1,562	1,489	1,405	14,544
Rent	5,053	5,133	5,447	47,055
Taxes and duties	1,137	624	812	10,584
Communication	1,227	1,123	1,051	11,423
Research and development	542	859	647	5,047
Other	7,970	7,560	7,021	74,228
Total	¥ 54,421	¥ 51,860	¥ 50,974	\$ 506,764

13 Non-cash financing activities

On 1st April 2003, the Company merged with Sokei Electrical Industry Co., Ltd. ("SEI"), a wholly owned subsidiary. As SEI was a supplier of security services for ALSOK group, the merger was a part of restructuring, aiming at the improvement of business efficiency. As a result of this merger, profit or loss was not affected, and capital surplus on the consolidated financial statement increased by ¥2,729 million. Assets and liabilities transferred from SEI to the Company are summarized below:

	In millions of yen
(Asset)	
Current assets	¥ 5,021
Property, plant and equipment	1,554
Intangible assets	75
Investments and other assets	592
(Liabilities)	
Current liabilities	¥ 3,406
Long-term liabilities	379

14 Land revaluation account

Based on the Law concerning Land Revaluation (Law No.34, promulgated on 31st March, 1998, and Law No.24, amended 31st March, 1999), ALSOK revalued its land used for business purposes on 31st March, 2002. The revaluation difference has been shown as land revaluation account indicated under shareholders' equity. No deferred tax assets have been accounted for as revaluation, in view of the unlikelihood of disposing of such land.

The value of land is based on the official notice prices calculated as directed by public notification of the Commissioner of the National Tax Administration and as provided for in the Law Concerning Public Notification of Land Prices, as stipulated in Article 2-4 of the Ordinance Implementing the Law Concerning Land Revaluation (Government Ordinance No.119, promulgated on 31st March, 1998), after making reasonable adjustments.

Net book value of land used for business purposes:

	In millions of yen	In thousands of US dollars
Before revaluation	¥ 10,946	\$ 101,929
After revaluation	5,360	49,913
Balance of land revaluation account	¥ 5,586	\$ 52,016

Date of revaluation was as at 31st March, 2002. As at 31st March, 2005, the total fair value of revalued land is less than the total book value by ¥ 1,120 million (\$10,425 thousand).

15 Leases

A) Lessee leases

a) Finance leases

1) The following pro-forma amounts represent the acquisition cost, accumulated depreciation and net book value of leased property as at 31st March, 2004 and 2005 which would have been reflected in the balance sheet if finance lease accounting had been applied to the finance lease transactions currently accounted for as operating leases.

	In millions of yen As at 31st March		
	2005		
	Acquisition cost	Accumulated depreciation	Net book value
Machinery, equipment and delivery equipment	¥ 12,388	¥ 7,171	¥ 5,217
Other	413	255	158
Total	¥ 12,801	¥ 7,426	¥ 5,375

	In millions of yen As at 31st March		
	2004		
	Acquisition cost	Accumulated depreciation	Net book value
Machinery, equipment and delivery equipment	¥ 13,762	¥ 8,547	¥ 5,215
Other	466	347	119
Total	¥ 14,228	¥ 8,894	¥ 5,334

	In thousands of US dollars As at 31st March		
	2005		
	Acquisition cost	Accumulated depreciation	Net book value
Machinery, equipment and delivery equipment	\$ 115,357	\$ 66,774	\$ 48,583
Other	3,840	2,376	1,464
Total	\$ 119,197	\$ 69,150	\$ 50,047

2) Future minimum lease payments for finance lease transactions accounted for as operating leases are summarised as follows:

	In millions of yen		In thousands of US dollars	
	As at 31st March		As at 31st March	
	2005		2005	
Due within one year	¥ 2,138		\$ 19,909	
Due after one year	3,601		33,533	
Total	¥ 5,739		\$ 53,442	

3) Lease payments, equivalent for depreciation and equivalent for interest expense are as follows:

	In millions of yen		In thousands of US dollars	
	As at 31st March		As at 31st March	
	2005	2004	2005	
Lease payments	¥ 2,620	¥ 2,604	\$ 24,401	
Depreciation equivalent	2,499	3,011	23,268	
Interest expense equivalent	¥ 176	¥ 189	\$ 1,643	

The amounts equivalent for depreciation are calculated using the straight-line method, written off over the lease period, with no remaining residual value. The difference between total lease payments and the amount equivalent to acquisition costs is regarded as interest expense and allocated to each period using the interest method.

b) Operating lease

Future minimum lease payments for non-cancellable operating leases are summarised as follows:

	In millions of yen		In thousands of US dollars	
	As at 31st March		As at 31st March	
	2005		2005	
Due within one year	¥ 2,073		\$ 19,302	
Due after one year	12,192		113,536	
Total	¥ 14,265		\$ 132,838	

B) Lessor leases

1) The following pro-forma amounts represent the acquisition cost, accumulated depreciation and net book value of leasing property as at 31st March, 2004 and 2005.

	In millions of yen As at 31st March					
	2005					
	Acquisition cost		Accumulated depreciation		Net book value	
Machinery, equipment and delivery equipment	¥ 795	¥ (792)	¥ 400	¥ (398)	¥ 395	¥ (394)

	In millions of yen As at 31st March					
	2004					
	Acquisition cost		Accumulated depreciation		Net book value	
Machinery, equipment and delivery equipment	¥ 785	¥ (782)	¥ 380	¥ (379)	¥ 405	¥ (403)

	In thousands of US dollars As at 31st March					
	2005					
	Acquisition cost		Accumulated depreciation		Net book value	
Machinery, equipment and delivery equipment	\$ 7,400	\$(7,378)	\$ 3,721	\$(3,706)	\$ 3,679	\$(3,672)

2) Future minimum unearned lease payments for finance lease transactions accounted for as operating leases are summarised as follows:

	In millions of yen		In thousands of US dollars	
	As at 31st March		As at 31st March	
	2005	2005	2005	2005
Due within one year	¥ 151	¥ (151)	\$ 1,408	\$(1,403)
Due after one year	269	(268)	2,506	(2,503)
Total	¥ 420	¥ (419)	\$ 3,914	\$(3,906)

3) Earned lease payments, equivalent for depreciation and equivalent for interest income are as follows:

	In millions of yen				In thousands of US dollars	
	As at 31st March				As at 31st March	
	2005		2004		2005	
Earned lease payments	¥ 200	¥ (199)	¥ 220	¥ (219)	\$ 1,863	\$(1,857)
Depreciation equivalent	167	(167)	183	(182)	1,556	(1,552)
Interest income equivalent	¥ 32	¥ (32)	¥ 36	¥ (36)	\$ 300	\$(299)

(Note) The amounts included in brackets relate to the respective amounts to the left and show the value of items that have been sub-leased to clients.

The amounts equivalent for depreciation are calculated using the straight-line method, written off over the lease period, with no remaining residual value. The difference between total lease payments and the amount equivalent to acquisition costs is regarded as interest expense and allocated to each period using the interest method.

16 Securities

(1) Information regarding marketable other securities as at 31st March, 2004 and 2005 is as follows:

	In millions of yen As at 31st March		
	2005		
	Acquisition cost	Carrying value	Unrealised gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
(1) Stocks	¥ 5,311	¥ 9,993	¥ 4,682
(2) Debt securities			
a. National and local			
government bond	344	351	7
b. Corporate bond	1,869	1,912	43
(3) Others	332	343	11
Sub-total	7,856	12,599	4,743
Securities whose acquisition cost exceeds their carrying value:			
(1) Stocks	1,054	846	(208)
(2) Debt securities			
a. National and local			
government bond	50	50	0
b. Corporate bond	1,459	1,359	(100)
(3) Others	1,981	1,940	(41)
Sub-total	4,544	4,195	(349)
Total	¥ 12,400	¥ 16,794	¥ 4,394

	In millions of yen As at 31st March		
	2004		
	Acquisition cost	Carrying value	Unrealised gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
(1) Stocks	¥ 4,282	¥ 8,315	¥ 4,033
(2) Debt securities			
a. National and local			
government bond	99	100	1
b. Corporate bond	1,600	1,666	66
(3) Others	229	249	20
Sub-total	6,210	10,330	4,120
Securities whose acquisition cost exceeds their carrying value:			
(1) Stocks	1,458	1,285	(173)
(2) Debt securities			
a. National and local			
government bond	—	—	—
b. Corporate bond	803	789	(14)
(3) Others	2,185	2,109	(76)
Sub-total	4,446	4,183	(263)
Total	¥ 10,656	¥ 14,513	¥ 3,857

	In thousands of US dollars As at 31st March, 2005		
	2005		
	Acquisition cost	Carrying value	Unrealised gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
(1) Stocks	\$ 49,456	\$ 93,051	\$ 43,595
(2) Debt securities			
a. National and local			
government bond	3,201	3,265	64
b. Corporate bond	17,399	17,809	410
(3) Others	3,093	3,195	102
Sub-total	73,149	117,320	44,171
Securities whose acquisition cost exceeds their carrying value:			
(1) Stocks	9,817	7,873	(1,944)
(2) Debt securities			
a. National and local			
government bond	466	466	0
b. Corporate bond	13,584	12,660	(924)
(3) Others	18,447	18,061	(386)
Sub-total	42,314	39,060	(3,254)
Total	\$ 115,463	\$ 156,380	\$ 40,917

(Note) Impairment losses of ¥862 million and ¥375 million, derived from other marketable securities, were charged to income for the years ended 31st March 2003 and 2004 respectively. No impairment loss was charged to income for the year ended 31st March 2005.

(2) Proceeds from sales of securities amounted to ¥1,893 million, ¥1,486 million and ¥967 million (\$9,000 thousand) with an aggregate gross gain of ¥26 million, ¥111 million and ¥733 million (\$6,829 thousand) and aggregate gross losses of ¥89 million, ¥439 million and ¥14 million (\$128 thousand) for each of the three years ended 31st March, 2005 respectively.

(3) Carrying value of major non-marketable securities classified as other securities as at 31st March, 2004 and 2005 is summarised as follows.

	In millions of yen		In thousands of US dollars
	As at 31st March		As at 31st March
	2005	2004	2005
Unlisted stocks (excluding OTC stocks)	¥ 7,927	¥ 7,979	\$ 73,811
Unlisted corporate bonds	¥ 1,221	¥ 1,099	\$ 11,367
Other	¥ 12	¥ 10	\$ 116

(4) The redemption schedule for securities with maturity dates classified as other securities as at 31st March, 2004 and 2005 is summarised as follows.

	In million of yen As at 31st March			
	2005			
	Due in one year or less	Due after one year through five years	Due after five years through 10 years	Due after 10 years
(1) Debt securities				
a. National and local				
government bond	¥ —	¥ 196	¥ —	¥ 153
b. Corporate bond	—	1,823	495	568
(2) Others	100	12	100	901
Total	¥ 100	¥ 2,031	¥ 595	¥ 1,622

	In million of yen As at 31st March			
	2004			
	Due in one year or less	Due after one year through five years	Due after five years through 10 years	Due after 10 years
(1) Debt securities				
a. National and local				
government bond	¥ —	¥ 98	¥ —	¥ —
b. Corporate bond	407	1,495	292	200
(2) Others	10	3	317	898
Total	¥ 417	¥ 1,596	¥ 609	¥ 1,098

	In thousands of US dollars As at 31st March			
	2005			
	Due in one year or less	Due after one year through five years	Due after five years through 10 years	Due after 10 years
(1) Debt securities				
a. National and local				
government bond	\$ —	\$ 1,821	\$ —	\$ 1,426
b. Corporate bond	—	16,984	4,609	5,284
(2) Others	931	110	931	8,390
Total	\$ 931	\$ 18,915	\$ 5,540	\$ 15,100

17 Derivative financial instruments

For the year ended 31st March, 2004 and 2005, ALSOK entered into a derivative transaction, interest rate swap, to hedge interest fluctuation risk arising from certain bank loan in accordance with internal rules. As the interest rate swap transaction qualifies for hedge accounting and meets specific matching criteria, it is not applicable to the disclosure of market value information.

18 Income taxes and deferred tax assets and liabilities

(1) Significant components of ALSOK's deferred tax assets and liabilities on 31st March, 2004 and 2005 are as follows:

	In millions of yen		In thousands of US dollars
	As at 31st March		As at 31st March
	2005	2004	2005
Deferred tax assets:			
Accrued enterprise tax	¥ 239	¥ 333	\$ 2,226
Allowance for bonuses	2,279	2,106	21,224
Allowance for doubtful accounts	869	890	8,093
Excess of maximum depreciation	1,036	628	9,645
Installation cost for signal equipment on subscribers' premises	3,712	3,833	34,565
Accrued retirement benefit for employees	11,287	15,573	105,108
Accrued retirement benefit for directors and corporate auditors	953	880	8,874
Valuation losses on investment in securities	150	145	1,400
Amount of loss carried forward	3,571	—	33,253
Others	1,159	2,899	10,794
Total deferred tax assets	25,255	27,287	235,182
Deferred tax liabilities:			
Special depreciation reserve	(25)	(20)	(231)
Valuation differences in other securities	(1,753)	(1,569)	(16,326)
Total deferred tax liabilities	(1,778)	(1,589)	(16,557)
Net deferred tax assets	¥ 23,477	¥ 25,698	\$ 218,625

Net deferred tax assets are stated on the consolidated balance sheet as below.

	In millions of yen		In thousands of US dollars
	As at 31st March		As at 31st March
	2005	2004	2005
Current asset -			
Deferred tax assets	¥ 6,051	¥ 3,306	\$ 56,350
Non-current asset -			
Deferred tax assets	17,436	22,392	162,364
Non-current liability -			
Deferred tax liabilities	10	—	89
Net deferred tax assets	¥ 23,477	¥ 25,698	\$ 218,625

(2) Reconciliation of the differences between the statutory tax rate and the effective income tax rate is as follows:

	Year ended 31st March		
	2005	2004	2003
Statutory tax rate	40.7%	40.7%	42.1%
Increase (reduction) in taxes resulting from:			
Items that may not be incorporated in losses permanently, including entertainment expenses, etc.	0.9	0.5	1.1
Items that may not be incorporated in profits permanently, including dividend income, etc.	(0.2)	(0.0)	(0.1)
Inhabitants equalisation tax	2.8	1.1	1.5
Amortisation of goodwill	1.9	0.7	1.9
Equity in earnings of affiliates	(1.0)	(0.7)	(1.2)
Adjustment of deferred tax assets and liabilities due to tax rate change	—	—	4.7
Others	3.2	(1.2)	(0.2)
Effective income tax rate	48.3%	41.1%	49.8%

(3) Income tax rate change

Accompanying the revision of local income tax law (Law No.9, promulgated on 31st March, 2003), statutory tax rate used for the calculation of non-current portion of net deferred tax assets is changed to 40.7% for the year ended 31st March, 2003, from 42.1% through the year ended 31st March, 2002. As a result, net deferred tax assets decreased and deferred income taxes increased by ¥814 million for the year ended 31st March, 2003.

19 Segmental information

(1) Business segments

Business segment information disclosure has been omitted as the security business accounts for more than 90 per cent of total sales, operating profits and total assets of all segments for each of the three years ended 31st March, 2005.

(2) Geographical segments

Geographical segment information disclosure is not applicable to ALSOK as there have been no consolidated subsidiary or material branch office which is located in a country or region other than Japan, as at 31st March, 2003, 2004 and 2005.

(3) Net sales by region

Net sales by region information disclosure is not applicable to ALSOK, as there have been no overseas sales for each of the three years ended 31st March, 2005.

20 Related party transactions

Transactions and related balances with related parties such as certain officers and major shareholders for each of the three years ended 31st March, 2005 were as follows:

	In millions of yen			In thousands of US dollars
	Year ended 31st March			Year ended 31st March
	2005	2004	2003	2005
Donation to foundations (included in selling, general and administrative expenses)	¥ 108	¥ 170	¥ 168	\$ 1,003
Free-lending of office space (included in selling, general and administrative expenses) (*1)	¥ 27	¥ 27	¥ 29	\$ 249
Balance related to the above	¥ —	¥ —	¥ —	\$ —

(*1) ALSOK lends leased office space to certain non-profit organisations of related parties free of charge. The above amount of free-lending of office space is the amount ALSOK paid to the lessor. The terms of this lease were equivalent to those of an arm's-length transaction.

21 Per share informationn

	In yen			In USD
	2005	2004	2003	2005
Net income per share - Basic	¥ 47.54	¥ 175.11	¥ 79.84	\$ 0.44
- Diluted	¥ 47.50	¥ 174.99	¥ 79.56	\$ 0.44
Net assets per share	¥ 1,222.93	¥ 1,188.65	¥ 1,023.04	\$ 11.39

The basis for calculation of net income per share - basic and diluted is as follows:

	In millions of yen		In thousands of US dollars
	Year ended 31st March	As at 31st March	As at 31st March
	2005	2004	2005
Net income per share - basic			
Net income	¥ 4,952	¥ 17,753	\$ 46,112
Amount not belonging to ordinary shareholders	178	177	1,656
-Of which bonuses to directors by appropriation of retained earnings	(203)	(205)	(1,887)
-Of which the Company's share of bonuses to directors by appropriation of retained earnings for prior fiscal year of the companies accounted for under the equity method	(△25)	(△28)	(△231)
Net income attributable to common stock	4,774	17,576	44,456
Weighted average number of ordinary shares (thousands of shares)	100,432	100,372	100,432
Net income per share - diluted			
Adjustment to net income	—	—	—
Increase of ordinary shares (thousands of shares)	¥ 82	¥ 69	\$ 82

For the computation of dilutive net income per share for the year ended 31st March, 2004, 9,680 stock rights are not included because they are anti-dilutive. 9,680 Stock rights compose of 4,680 rights under the resolution of the shareholders' meeting held on 27th June 2003 and 5000 rights under the resolution of the shareholders' meeting held on 27th June 2004. These stock rights are issued by the special resolution of shareholders' meeting under the article 280-20 and 280-21 of the Commercial Code of Japan.

Independent Auditors' Report

To the Shareholders and Board of Directors of Sohgo Security Services Co., Ltd.

We have examined the consolidated balance sheets of Sohgo Security Services Co., Ltd. and subsidiaries as at 31st March, 2004 and 2005, and the related consolidated statements of operations, changes in shareholders' equity and cash flows for each of the three years ended 31st March, 2005, all expressed in Japanese yen.

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Sohgo Security Services Co., Ltd. and consolidated subsidiaries as at 31st March, 2004 and 2005, and the results of their operations and their cash flows for each of the three years ended 31st March, 2005 in conformity with accounting principles generally accepted in Japan.

The United States dollar amounts in the accompanying consolidated financial statements with respect to the year ended 31st March, 2005 are presented solely for the convenience of readers outside Japan. Our examination also included the translation of Japanese yen amounts into United States dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

Grant Thornton ASG

Tokyo, Japan
29th June, 2005

Corporate Information

(As of 31st March, 2005)

Corporate Information

SOHGO SECURITY SERVICES CO., LTD.

Head Office 1-6-6 Motoakasaka, Minato-ku,
Tokyo, 107-8511

Established July 16, 1965

Capital 17,152,288,700 yen

Employees 24,185 (Consolidated)

Offices 5 business head quarters, 58 branch offices,
44 offices, 203 sales offices
(As of August 1, 2005)

Stock Information

Stock Listing Tokyo Stock Exchange

Code 2331

Total Number of Shares Authorized 300,000,000

Number of Shares Issued 100,566,742

Number of shareholders at the end of the preceding fiscal period. 11,572

Major Shareholders:

	Name	Number of Shares Held (1,000 Shares)	Investment ratio(%)
1	Tsuneo Murai	9,051	9.00
2	SOHGO CORPORATION	7,388	7.34
3	Employee stock ownership plan	6,604	6.56
4	Saitama Machinery Co., Ltd.	5,283	5.25
5	Japan Trustee Services Bank, Ltd. (trust account)	5,121	5.09
6	Trust & Custody Services Bank, Ltd as trustee for Mizuho Bank Ltd. Retirement Benefit Trust Account re-trusted by Mizuho Trust and Banking Co., Ltd.	3,261	4.23
7	Tokio Marine & Nichido Fire Insurance Co., Ltd.	3,420	3.40
8	Atsushi Murai	2,941	2.92
9	The Chase Manhattan Bank NA London	2,877	2.86
10	Japan Trustee Services Bank, Ltd. (Sumitomo Mitsui Banking Corporation retirement benefits trust account re-trusted by Mitsui Asset Trust and Banking Company, Ltd.)	2,735	2.72

* 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. The Company holds 1,180 shares (controlling share 0.0%) and 2,000 preferred shares (controlling share 0.0%) in Mizuho Bank's holding company, Mizuho Financial Group, Ltd.

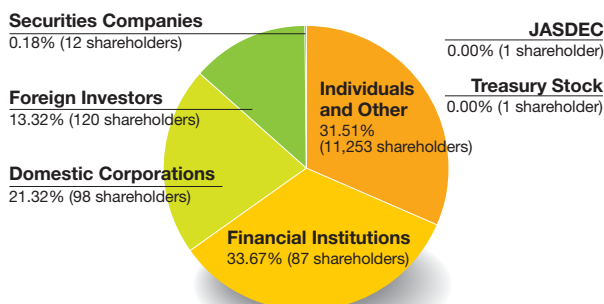
* The shares held by Japan Trustee Services Bank, Ltd. (Sumitomo Mitsui Banking Corporation retirement benefits trust account re-trusted by Mitsui Asset Trust and Banking Company, Ltd.) are shares entrusted by Mitsui Asset Trust and Banking Company, Ltd. as contributions to retirement benefits. The Company holds 152 shares (controlling share 0.0%) in Sumitomo Mitsui Banking Corporation's holding company, Sumitomo Mitsui Financial Group.

IR Contact

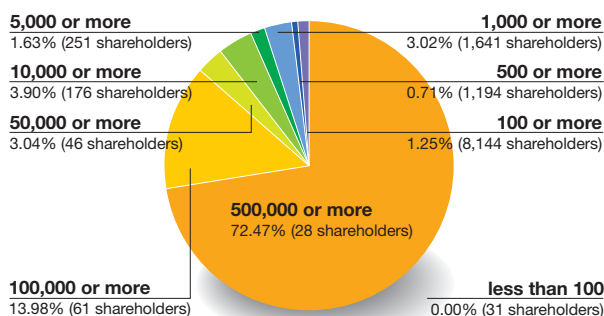
IR Department
Phone: +81-3-3423-2331
Fax: +81-3-3470-1565
E-mail: alsok-ir@alsok.co.jp

Breakdown of Shareholders

Number of Shares by Shareholder Type (Number of shareholders in parentheses)



Number of Shares by Trading Unit (Number of shareholders in parentheses)



The ALSOK Group

Hokkaido Sohgo Security Services Co., Ltd. Tokai Sohgo Security Services Co., Ltd.
Aomori Sohgo Security Services Co., Ltd. Chukyo Sohgo Security Services Co., Ltd.
Tohoku Sohgo Security Services Co., Ltd. Aichi Sohgo Security Services Co., Ltd.
Fukushima Sohgo Security Services Co., Ltd. Mie Sohgo Security Services Co., Ltd.
Ibaraki Sohgo Security Services Co., Ltd. Keiji Sohgo Security Services Co., Ltd.
Kita-Kanto Sohgo Security Services Co., Ltd. Osaka Sohgo Security Services Co., Ltd.
Gunma Sohgo Guard System Co., Ltd. Osaka Sohgo Kanzai Co., Ltd.
Saitama Sohgo Security Services Co., Ltd. ALSOK Sanin Co., Ltd.
Chiba Sohgo Security Services Co., Ltd. Hiroshima Sohgo Security Services Co., Ltd.
Sokei Building Service Co., Ltd. Yamaguchi Sohgo Security Services Co., Ltd.
Chiyoda Kanzai Co., Ltd. Tokushima Sohgo Security Services Co., Ltd.
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ALSOK

SOHGO SECURITY SERVICES CO., LTD.

1-6-6 Motoakasaka, Minato-ku, Tokyo
107-8511 Japan
Phone: +81-3-3470-6811

<http://www.alsok.co.jp/>



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