

SOHGO SECURITY SERVICES CO., LTD.

Securities Code: 2331 (1st Section of TSE)

Financial Results for 2Q FY 2014

Reporting Meeting

October 31, 2013



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Topics

1 Steady growth in the number of contracts in Electronic Security Services

- Net increase in Corporate Clients +18.9%

2 Expansion of HOME ALSOK

- MIMAMORI SUPPORT For the elderly
- APARTMENT PLAN Security services for apartments
- LADY'S SUPPORT Measures against stalker

3 M & A

- Acquisition of the security division of Nissan Creative Services

4 8.2% sales Increase of Japan Facilio (YoY)

- Sales expansion in combination with Japan Facilio, as last year

Summary of P/L

(Million of Yen)	2Q FY 2014	2Q FY 2013	YoY	Change
Net sales	158,147	154,118	4,028	2.6%
Gross profit	38,146	37,253	893	2.4%
Operating income	8,016	7,075	940	13.3%
Ordinary income	8,787	7,829	958	12.2%
Net income	4,628	4,207	420	10.0%

P/L for 2Q FY 2014

(Million of Yen)	1Q FY 2014	Change	2Q FY 2014	Change
Net sales	77,210	1.6%	80,936	3.6%
Gross profit	18,600	- 0.2%	19,545	5.0%
Operating income	3,355	0.1%	4,660	25.2%
Ordinary income	3,676	1.9%	5,111	21.0%
Net income	1,861	- 4.3%	2,766	22.2%

P/L for 2Q FY 2014 (vs. Business Plan)

(Million of Yen)	2Q FY 2014	Business Plan	Gap	Achievement Ratio
Net sales	158,147	159,380	- 1,233	99.2%
Gross profit	38,146	38,617	- 471	98.8%
Operating income	8,016	6,827	1,189	117.4%
Ordinary income	8,787	7,621	1,166	115.3%
Net income	4,628	4,018	609	115.2%

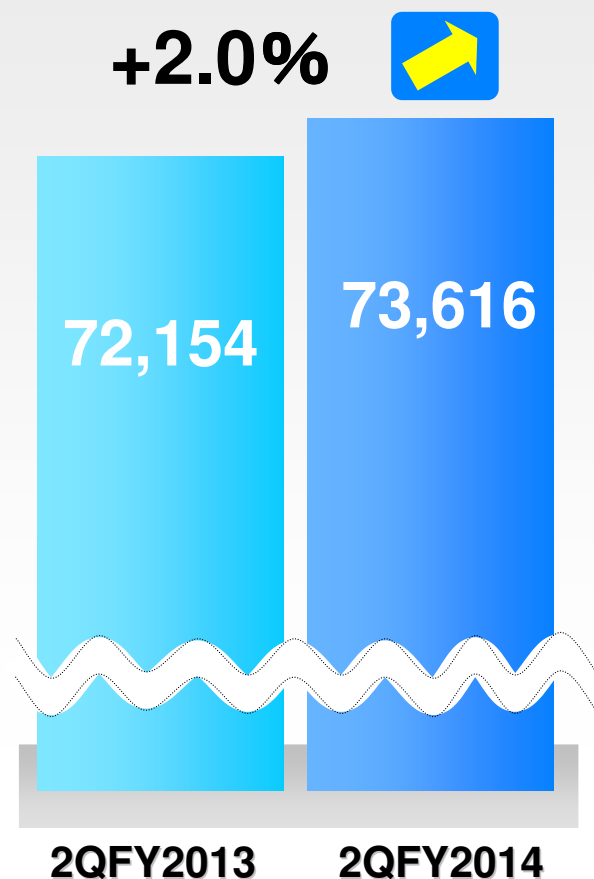
Net sales by Services

(Million of Yen)	2Q FY 2014	2Q FY2013	YoY	Change
Electronic Security Services	73,616	72,154	1,461	2.0%
Stationed Security Services	37,963	36,359	1,604	4.4%
Transportation Security Services	25,365	25,416	- 51	- 0.2%
Security Services	136,945	133,930	3,014	2.3%
Total Building Management Services and Disaster Prevention Services	19,630	18,674	955	5.1%
Other Services	1,572	1,513	58	3.9%
Total	158,147	154,118	4,028	2.6%

Overview of Electronic Security Services

Section 1

Sales (Million of Yen)



[**Sales : 73,616** (Million of Yen)]

(YoY +1,461 (Million of Yen) +2.0%)

[**Contract sales YoY ratio +1.5%**]

[**Construction sales YoY ratio +4.0%**]

[**Equipment sales YoY ratio +5.0%**]

- Steady growth of net increase
- Sales expansion of surveillance camera and access management system

Business Plan 74,164 (Million of Yen) (2Q FY2014)

Achievement ratio 99.3%

Overview of Electronic Security Services 【 Corporate Clients 】

	2Q FY 2014	2Q FY 2013	YoY	Change
Net increase in number of contracts for corporate clients	10,775	9,059	1,716	18.9%

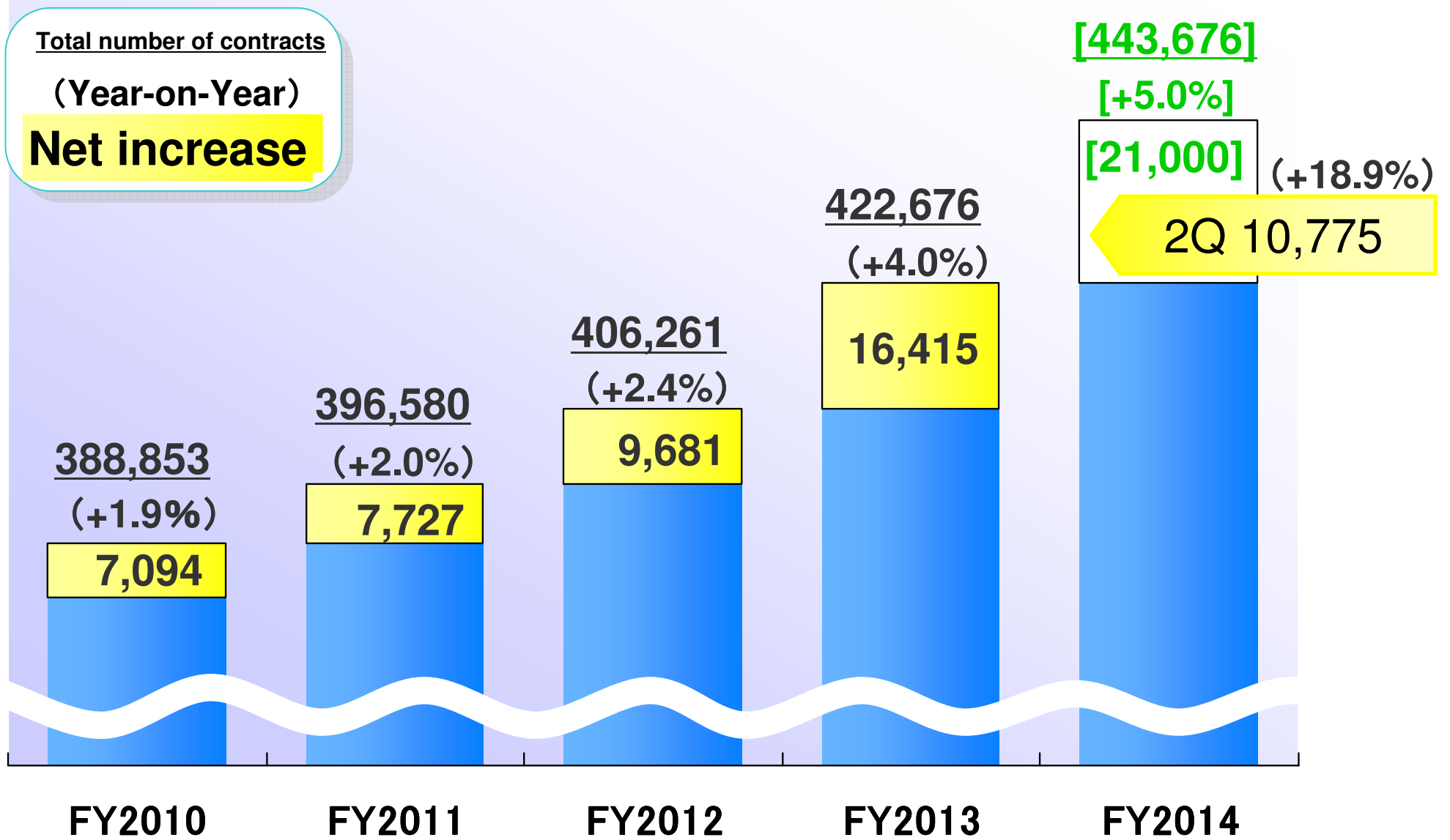
[Corporate Clients]

Newly booked contracts	:	Increased from 2Q FY 2013
Cancellations	:	Decreased from 2Q FY 2013
Newly booked contract price	:	Increased slightly from 2Q FY 2013
Average contract price	:	Decreased from 2Q FY 2013

Annual business plan : 21,000 net increase Progress 51.3%

Increase in Contracts of Electronic Security Services

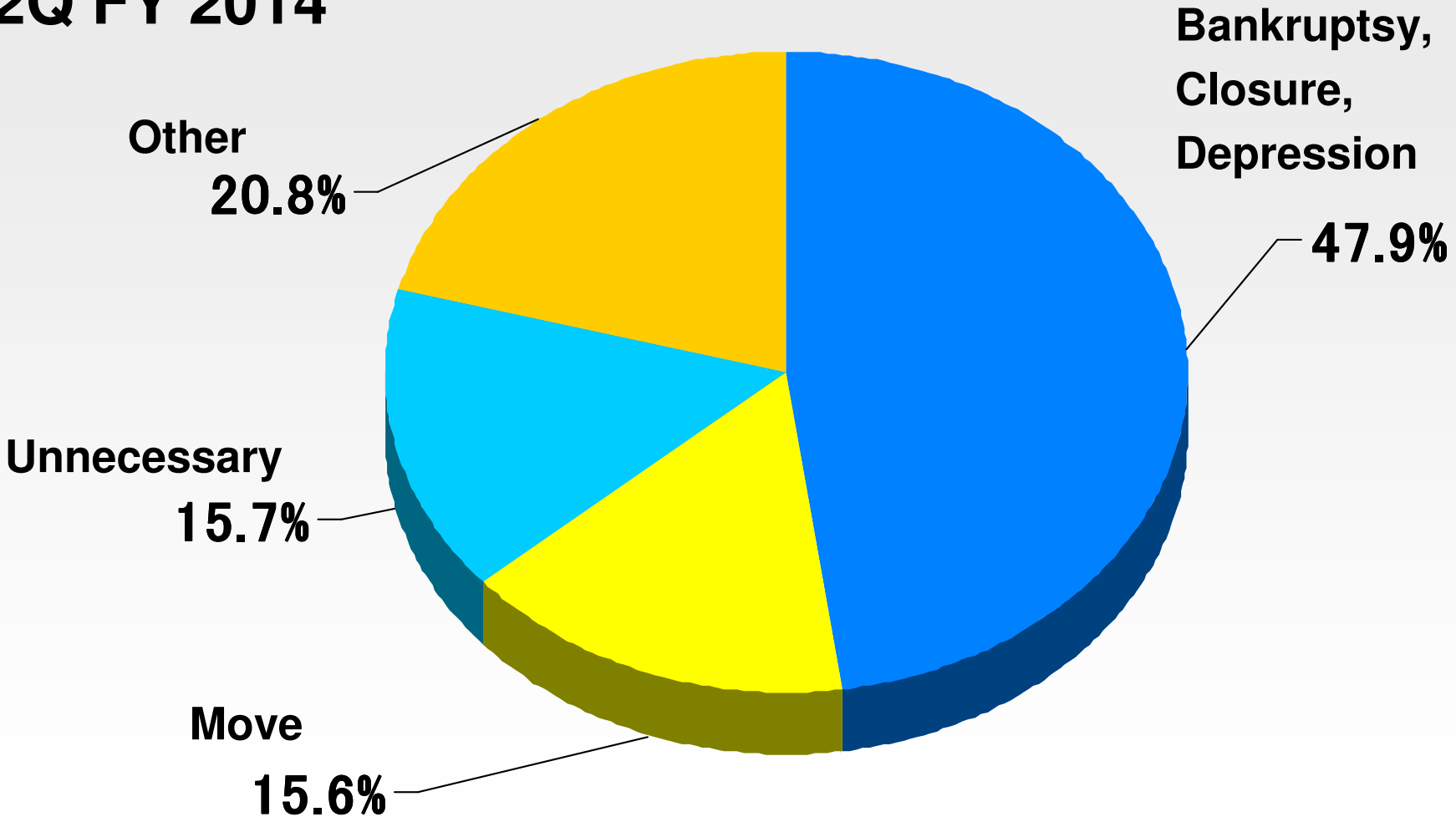
【Corporate Clients】



Overview of Electronic Security Services for Corporate Clients

[Reason of Cancellation]

2Q FY 2014



Overview of Electronic Security Services 【Individual Clients】

	2Q FY 2014	2Q FY 2013	YoY	Change
Net increase in number of contracts for individual clients	15,840	16,684	- 844	- 5.1%

[Individual Clients]

Newly booked contracts : Decreased from 2Q FY 2013

Cancellation : Decreased from 2Q FY 2013

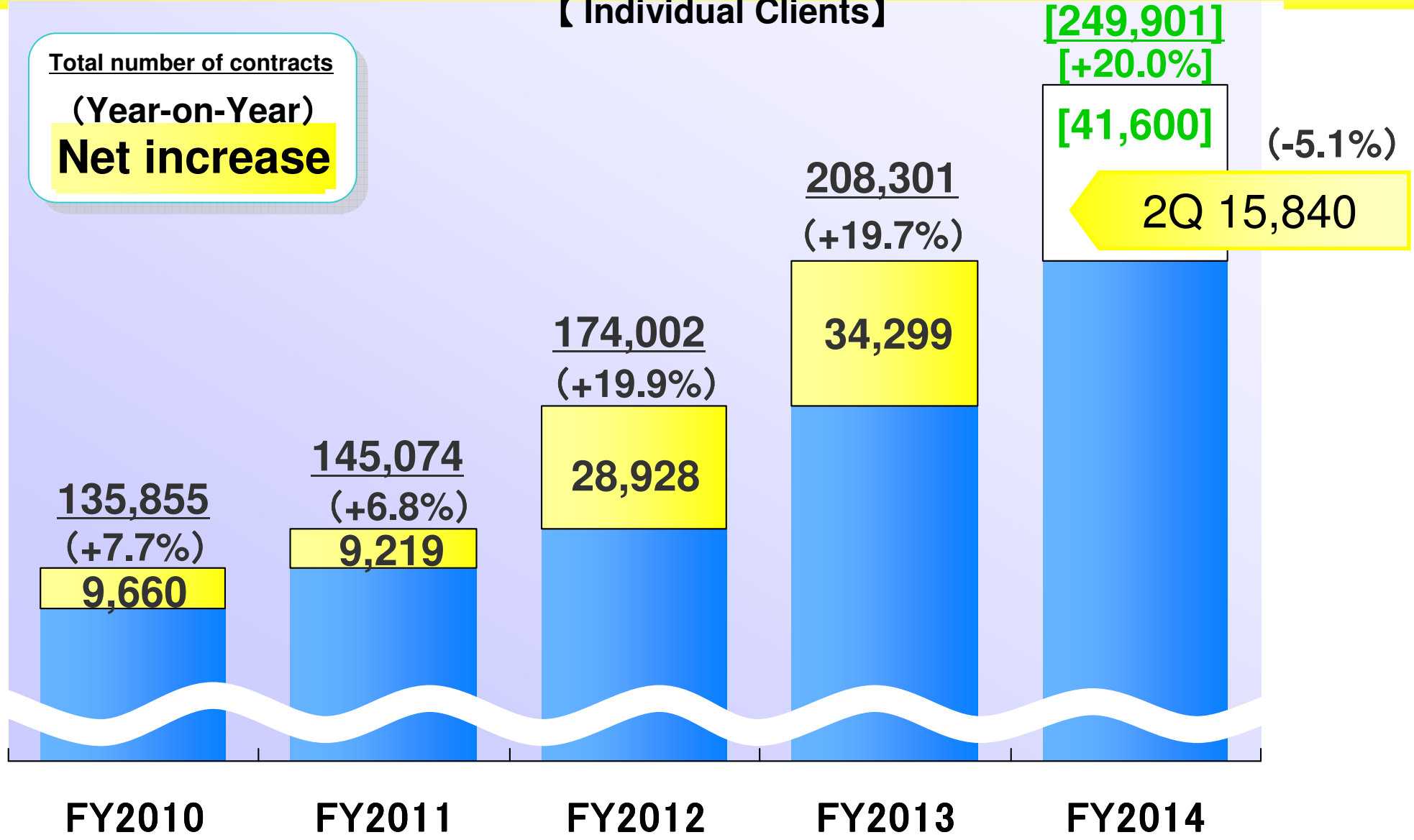
Newly booked contract price : Increased from 2Q FY 2013

Annual business plan: 41,600:Progress 38.1%

Increase in Contracts of Electronic Security Services

【 Individual Clients 】

Total number of contracts
(Year-on-Year)
Net increase

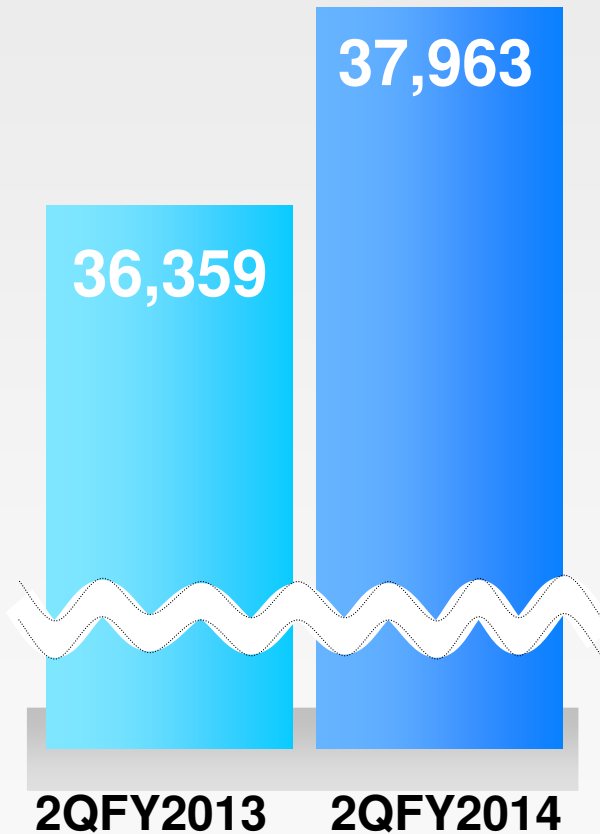


Overview of Stationed Security Services

Section 1

Sales (Million of Yen)

+4.4%



[Sales : 37,963 (Million of Yen)]

(YoY +1,604 (Million of Yen) +4.4%)

- Attributable to large-scale contracts
- Increase of Temporary Security Services contracts

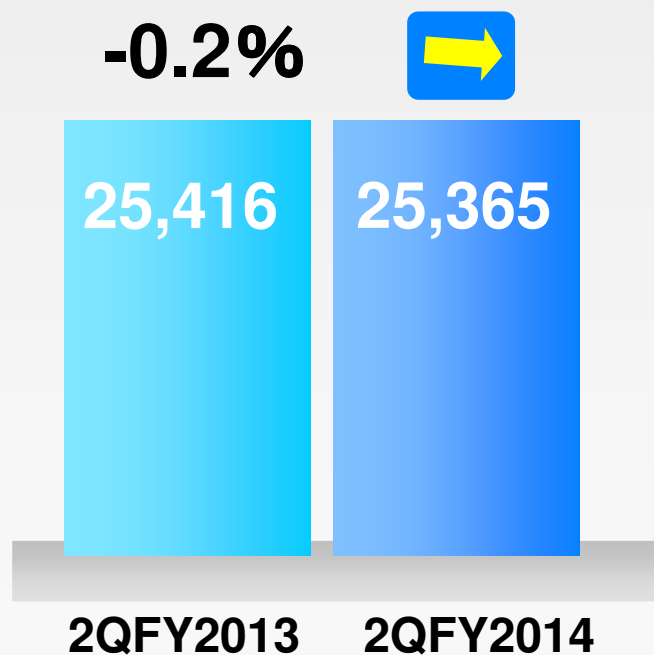
Business plan 37,785 (Million of Yen) (2Q FY2014)

Achievement ratio 100.5%

Overview of Transportation Security Services

Section 1

Sales (Million of Yen)



[Sales : 25,365 (Million of Yen)]

(YoY - 51 (Million of Yen) - 0.2%)

Total ATM Management System : Net increase 528

- Steady growth in the number of outsourcing contracts
- Sales decrease due to price cut

Bank ATMs located inside convenience stores

: Net increase 529

- Increased contract with major convenience store chain

Cash Deposit Machine On-line System

: Net increase 917

- Increased contract with retailers for small-sized machines

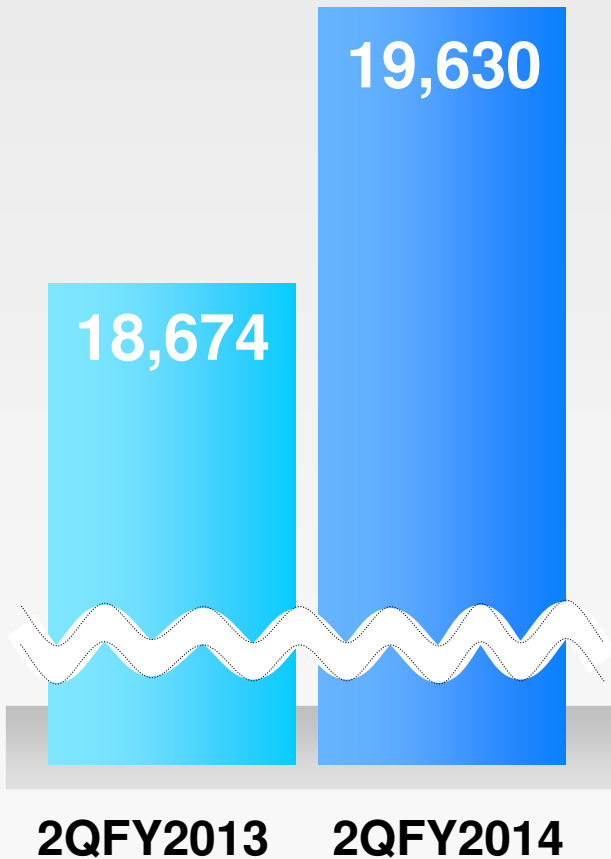
Business plan 26,066 (Million of Yen) (2QFY2014)

Achievement ratio 97.3%

Overview of Total Building Management Services and Disaster Prevention Services

Sales (Million of Yen)

+5.1%



[Sales : 19,630 (Million of Yen) **]**

(YoY +955 (Million of Yen) **+5.1%)**

- **Attributable to sales increase of Japan Facilio**

Business plan 19,780 (Million of Yen) **(2Q FY2014)**

Achievement ratio 99.2%

Financial results of Japan Facilio

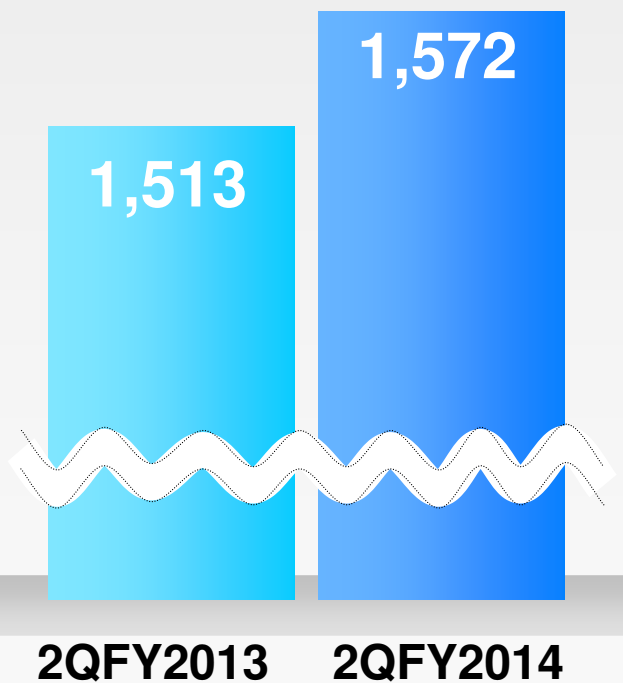
(Million of Yen)

	2QFY2014			2QFY2013	YoY	Change
	Results	Business Plan	Achievement ratio	Results		
Net sales	10,794	10,564	102.2%	9,978	815	8.2%
Operating income	213	10	2089.8%	-94	307	—
Ordinary income	245	32	755.5%	-78	324	—

Overview of Other Services

Sales (Million of Yen)

+3.9%



[Sales : 1,572 (Million of Yen)]

(YoY +58 (Million of Yen) +3.9%)

- **ALSOK Safety Confirmation Service**
Net increase 110 contracts YoY +35.8%
- **ALSOK DENPO (Telegram Service)**
Number of contracts 16,969 contracts
YoY +74.1%

Business plan 1,583 (Million of Yen) (2Q FY2014)

Achievement ratio 99.3%

Net Sales by Client Type

(Million of Yen)	2Q FY 2014 (% to total sales)	2Q FY 2013 (% to total sales)	YoY	Change
Business corporations	98,504 (62.3%)	95,129 (61.7%)	3,375	3.5%
Financial institutions	40,139 (25.4%)	40,539 (26.3%)	- 400	- 1.0%
Government offices and Japan Post	13,600 (8.6%)	12,816 (8.3%)	784	6.1%
Individuals	5,903 (3.7%)	5,632 (3.7%)	271	4.8%
Total	158,147 (100.0%)	154,118 (100.0%)	4,028	2.6%

Cost Analysis

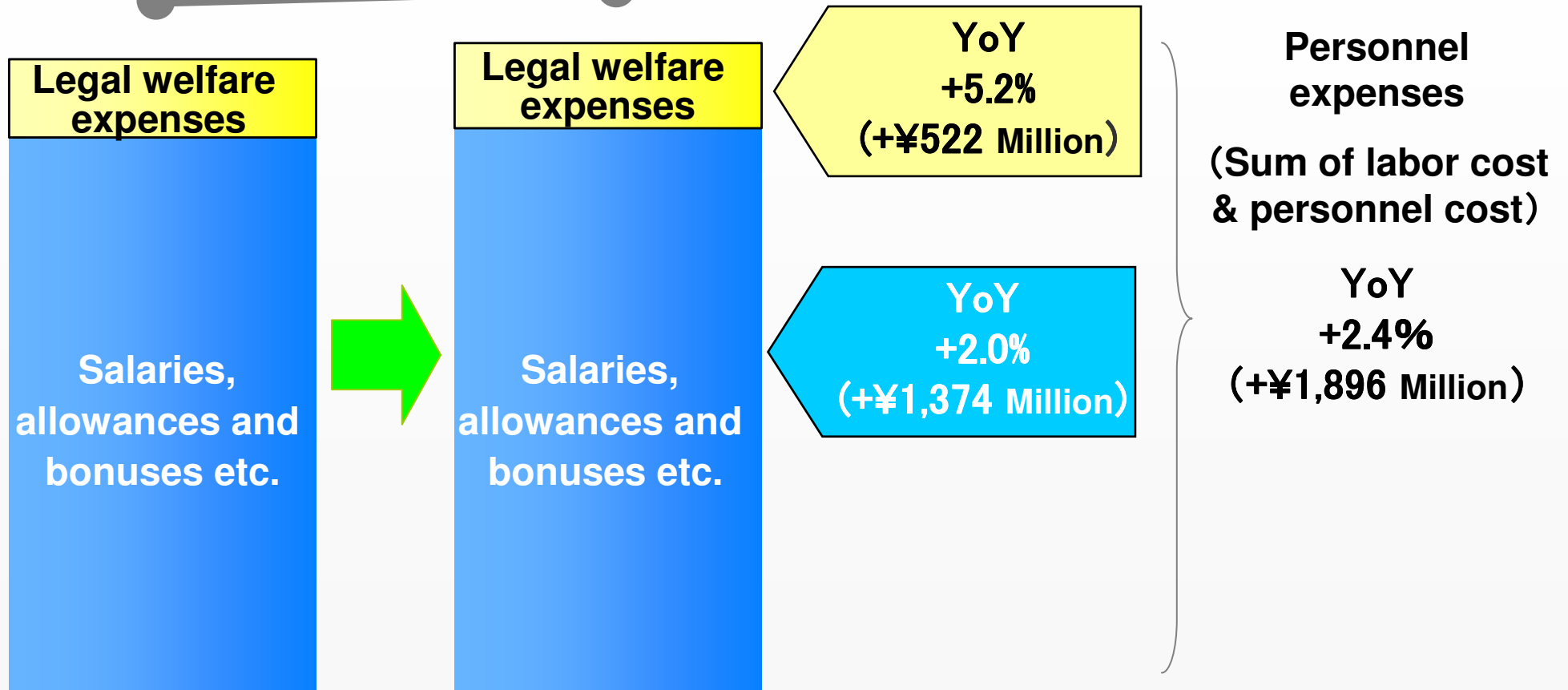
(Million of Yen)	2Q FY 2014 (Contents)	YoY Amount
Net sales	¥158,147	+¥4,028 (+2.6%)
Cost of sales	¥120,000	+¥3,135 (+2.7%)
Labor cost	¥60,435	+¥1,638
Expense	¥36,487	+¥162
(Depreciation)	(¥3,769)	(-¥1,069)
Cost of product sold & installation	¥23,077	+¥1,333
SG&A	¥30,129 Million	-¥47 million (-0.2%)
Advertising expenses	¥991	-¥75
Personnel cost	¥20,564	+¥257
Others	¥8,573	-¥229
(Depreciation)	(¥674)	(-¥176)
Operating income	¥8,016 Million	+¥940 Million (+13.3%)

Personnel Expenses

Total number of employees
YoY +0.4% +127

28,285

28,412



Consolidated Balance Sheet

Section 1

(Million of Yen)

	FY2014 2Q	FY2013	YoY		FY2014 2Q	FY2013	YoY
Current assets	166,519	164,149	2,369	Current liabilities	79,399	75,372	4,027
Cash and deposits	39,082	46,652	-7,569	Accounts payable-trade	14,879	17,417	-2,538
Cash for Transportation Security Services and Advances paid	80,210	69,630	10,579	Short-term loans payable	35,618	23,038	12,580
Accounts receivable- trade	28,796	31,309	-2,512	Current portion of bonds	10	10	0
Raw materials and supplies	5,467	4,844	622	Other	28,891	34,906	-6,014
Other	12,962	11,713	1,249	Noncurrent liabilities	44,040	45,730	-1,689
Noncurrent assets	136,879	132,515	4,364	Long-term loans payable	5,287	6,750	-1,462
Property, plant and equipment	62,452	60,149	2,302	Other	38,753	38,979	-226
Intangible assets	5,862	5,957	-95	Total liabilities	123,440	121,102	2,338
Investments and other assets	68,564	66,408	2,156	Shareholders' equity	158,697	155,536	3,160
				Valuation and translation adjustments	-128	-1,109	980
				Minority interests	21,389	21,135	253
				Total net assets	179,958	175,563	4,395
Total assets	303,399	296,665	6,733	Total liabilities and net assets	303,399	296,665	6,733

Consolidated Cash Flows

(Million of Yen)

	2Q FY2014	2Q FY2013	YoY
Net cash provided by (used in) operating activities	1,988	8,532	- 6,544
Net cash provided by (used in) investing activities	- 6,637	- 6,467	-169
Net cash provided by (used in) financing activities	- 3,903	- 4,401	498
Cash and cash equivalents at end of period	32,016	38,136	- 6,120



Major items of 2Q FY2014

● Net cash provided by (used in) operating activities	Income before income tax	8,856
	Depreciation and amortization	4,444
	Decrease (increase) in notes and accounts receivable-trade	2,513
	Increase in notes and accounts payable-trade	- 6,786
	Assets/Liabilities for TSS	1,284
● Net cash provided by (used in) investing activities	Purchase of property, plant and equipment	- 5,588
	Purchase of investment securities	-660
● Net cash provided by (used in) financing activities	Repayment of long-term loans payable	- 1,755
	Repayments of lease obligations	- 1,440
	Cash dividends paid	- 1,407

Capital Expenditures and Others

Section 1

Capital expenditures

(Million of Yen)

2Q FY2012	2Q FY2013	2Q FY2014
4,754	5,527	6,653

Depreciation

(Million of Yen)

2Q FY2012	2Q FY2013	2Q FY2014
6,079	5,690	4,444

R&D expense

(Million of Yen)

2Q FY2012	2Q FY2013	2Q FY2014
282	259	203



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Priority Measures

1 For Individual Clients

Release of Services

◆ HOME ALSOK

- MIMAMORI SUPPORT 
みまもりサポート **September 2013**
- APARTMENT・CONDO PLAN 
アパート・マンションプラン **August 2013**
- LADY'S SUPPORT 
レディースサポート **May 2013**

◆ Expansion of ALSOK CARE

Newly established 3 bases in the first half-year to 6 bases

Priority Measures

2 Sales expansion for Corporate Clients and Financial Institutions

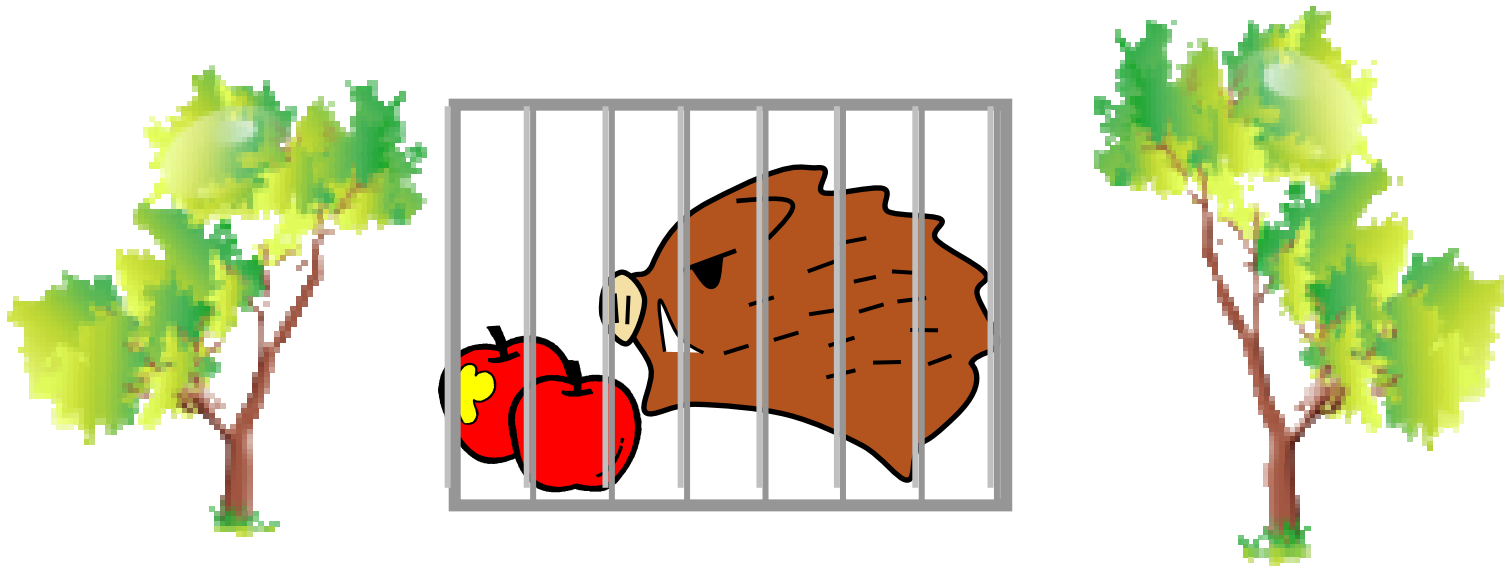
- **The ALSOK Group demonstrates all its strength**
 - **Maximizing synergies with Japan Facilio and Hochiki Corporation**
- **Meeting the needs of mega-solar projects**
- **Expansion of outsourcing contract for ATM operations**
- **Increase in the number of contracts through business matching**

Priority Measures

3 New Service

- **Trap Monitoring System for harmful wildlife**
Email with images will be sent to people in charge when the trap is activated

Release of Service: August 1, 2013



Priority Measures

4 Promotion of M&A

- **Acquisition of the security and building maintenance division of Nissan Creative Services Co., Ltd.**

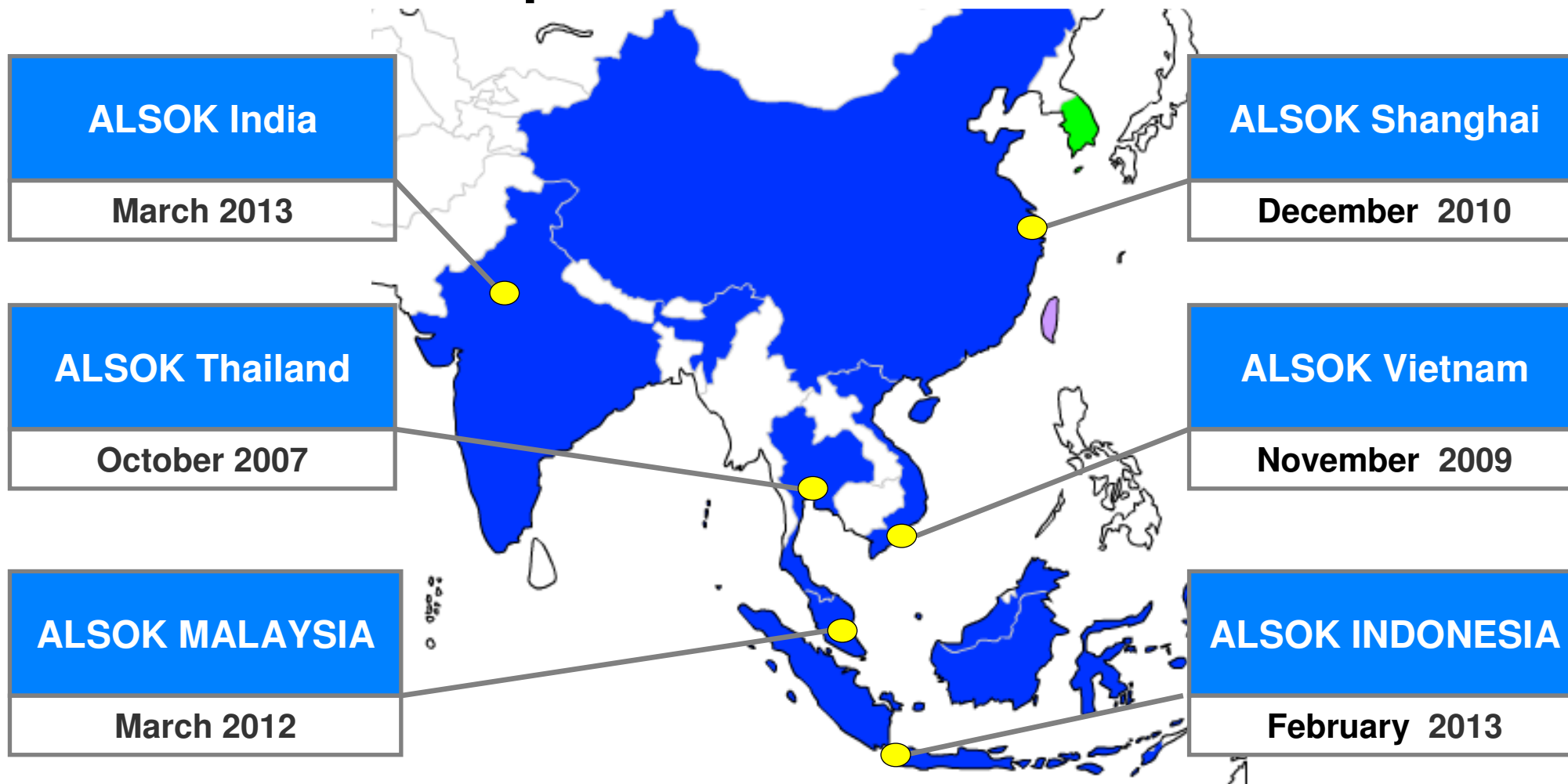
Nature of business: Security service and Facility management

Estimated sales: ¥10 Billion

Date of purchase of shares: April 1, 2014(Plan)

Priority Measures

5 Overseas Operations



Priority Measures

6 Revision of Cost Structure

- **Consolidating back office operations**

Consolidating office administrations in sales, human resources and general affairs to be based in Tokyo

- **Streamlining security services division and security equipment installation division**

ALSOK will enhance the efficiency of security equipment installation operations through absorption of Sokei Electrical Construction Co., Ltd. which is an wholly-owned subsidiary along with the dedicated electric construction

- **Improving the rationality and efficiency of cash management operations in Transportation Security Services**

Saving labor and power cost through consolidating cash processing centers and updating the facilities



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Financial Forecast of FY 2014

Section 3

(Billion of Yen)	Amount	Margin	YoY	Change
Net sales	330.0	—	14.4	4.6%
Gross profit	81.2	24.6%	8.0	11.0%
Operating income	18.2	5.5%	6.4	54.4%
Ordinary income	20.0	6.1%	5.2	35.7%
Net income	10.8	3.3%	2.2	26.0%

Dividends

	FY2011	FY2012	FY2013	FY2014(Plan)
Dividend per share [Yen]	20 (10)	20 (10)	25 (11) Interim (14) Year-end	25 (12.5)
Payout ratio	42.7%	51.5%	29.3%	23.3%

*Note: Amounts stated inside the () are the Interim dividend per share.

Disclaimer

Figures regarding the company's current plans and strategies that are not historical facts are forecasts of future performance, which contain risks and uncertainty.

Actual performance may differ widely from these figures as a result of economic conditions, competitive situation, progress in technology and other factors. Investors are advised to use independent judgement before making any investment.