

SOHGO SECURITY SERVICES CO., LTD.

Securities Code: 2331 (1st Section of TSE)

Financial Results for FY 2013

Reporting Meeting

May 10, 2013



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Section 1	Financial Results for FY 2013
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Topics

1 Increased in sales and ordinary income

- Exceeded the sales, ordinary income and net income target

2 Increased in sales of Cash Deposit Machine On-line System

- Sharp increase in orders year on year

3 Increased orders for Home Security for rental apartments

- Increased orders from major housing developers

4 Alliance

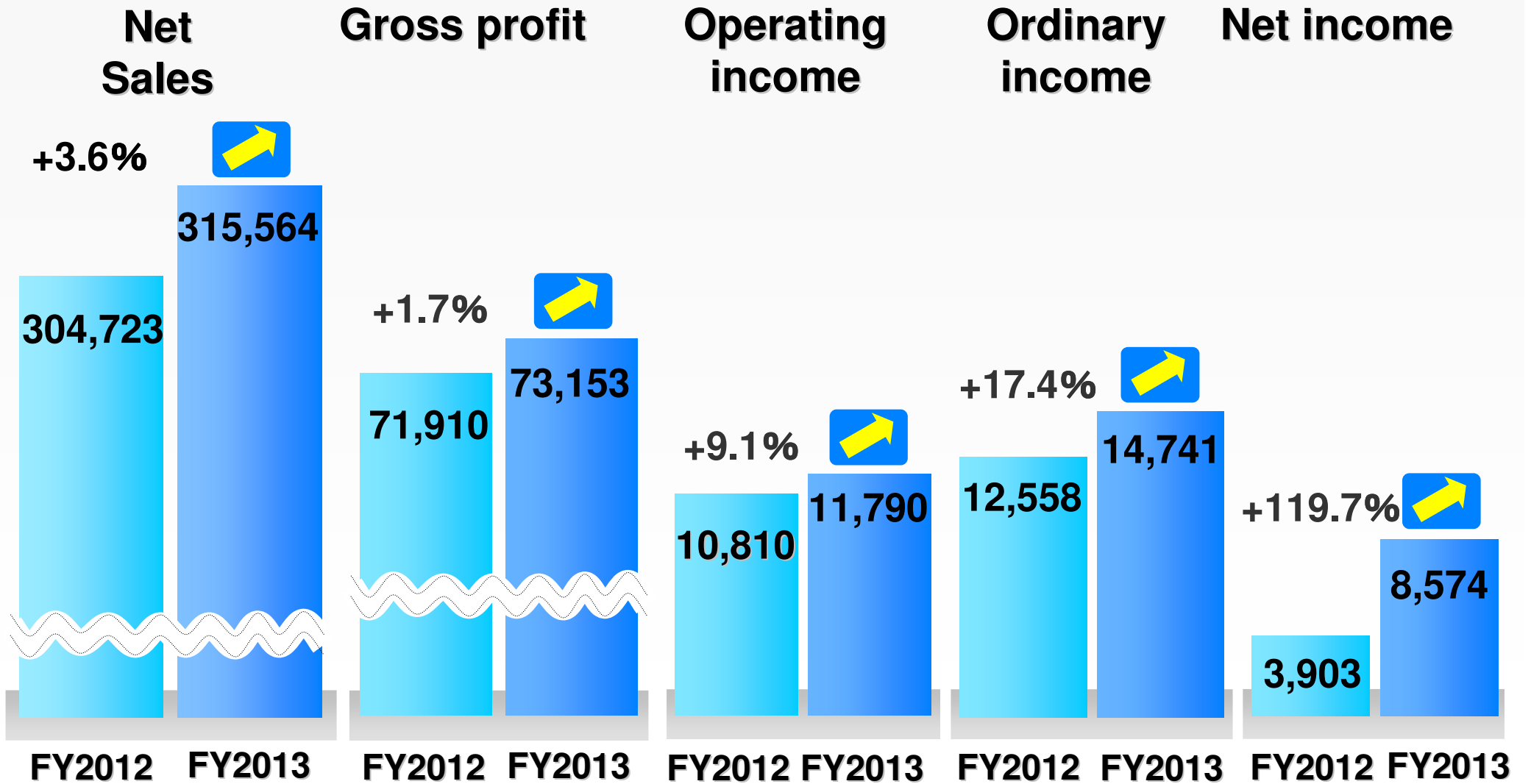
- Collaboration with HOCHIKI CORPORATION

5 Business synergies from a combination of Japan Facilio

- Increased sales through concerted effort

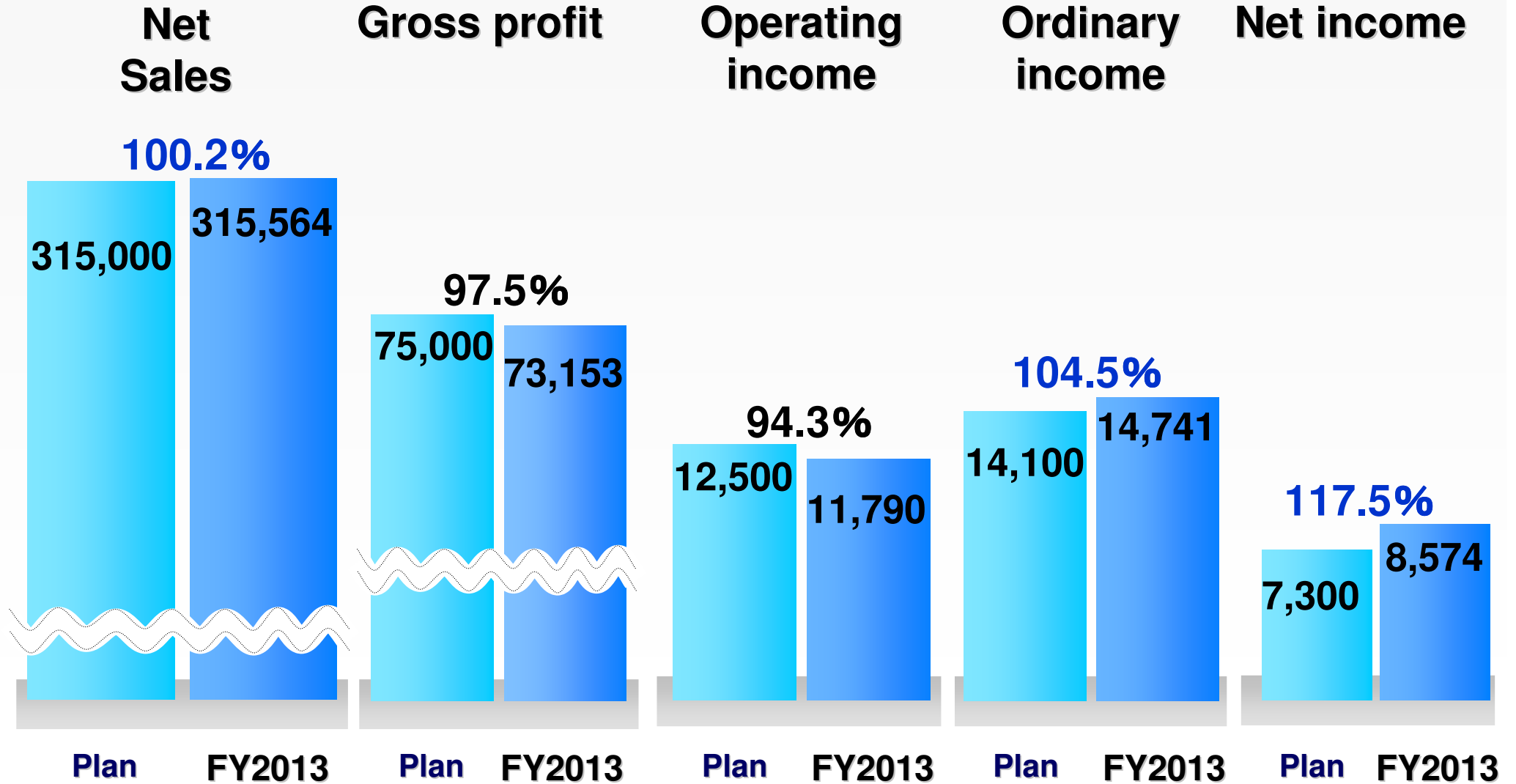
Summary of P/L

(Million of Yen)

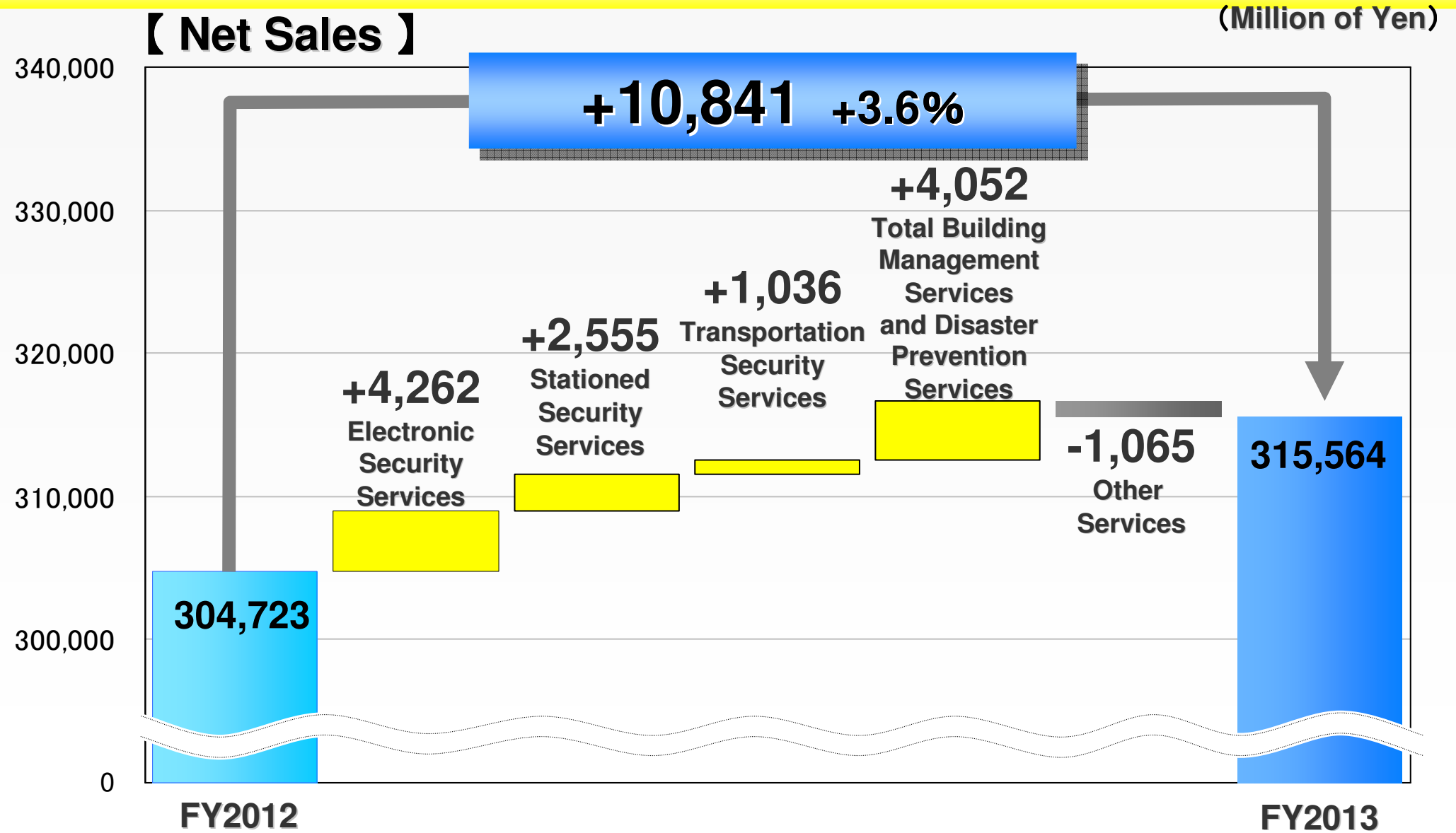


P/L for FY 2013 (vs. Business Plan)

(Million of Yen)



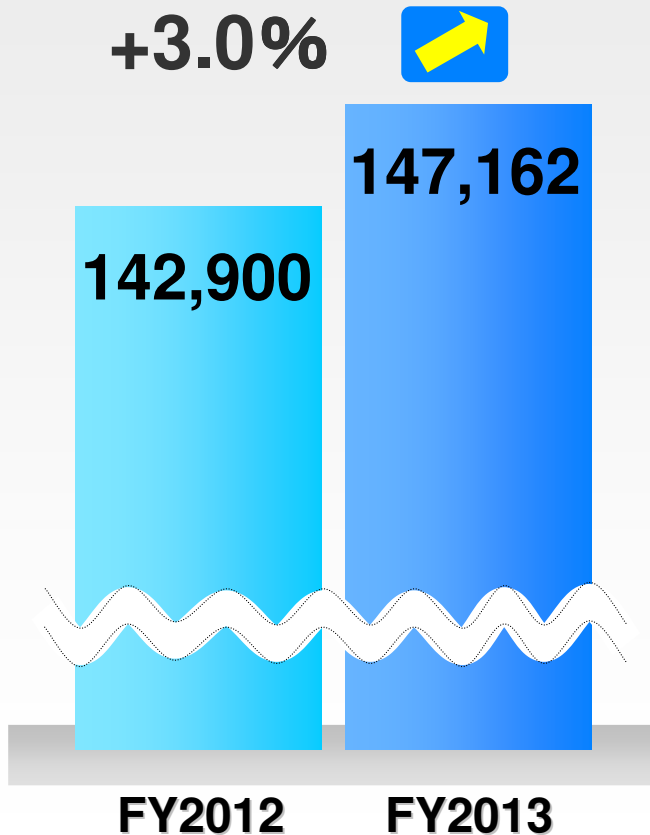
Net Sales Variance Analysis【YoY】



Overview of Electronic Security Services

(Million of Yen)

Sales



[Sales : 147,162 (Million of Yen)]

(YoY +4,262 (Million of Yen) +3.0%)

Contract sales YoY ratio + 1.0%

Construction sales YoY ratio + 4.1%

Equipment sales YoY ratio +14.8%

- Sales expansion of security system for rental apartment
- Increased sales of surveillance camera

Business Plan 146,158 (Million of Yen) (FY2013)

Achievement ratio 100.7%

Overview of Electronic Security Services

[Corporate Clients]

Net increase in number
of contracts
for corporate clients

[Net increase : 16,415]

(YoY +6,734 YoY ratio +69.6%)

+69.6%

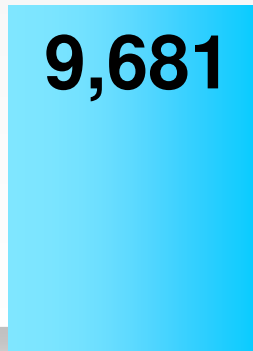


Newly booked contracts : Increased from FY2012

Cancellations : Decreased from FY2012

**Newly booked contract price : Declined from
FY2012**

Price cut : Increased from FY2012



16,415

9,681

FY2012

FY2013

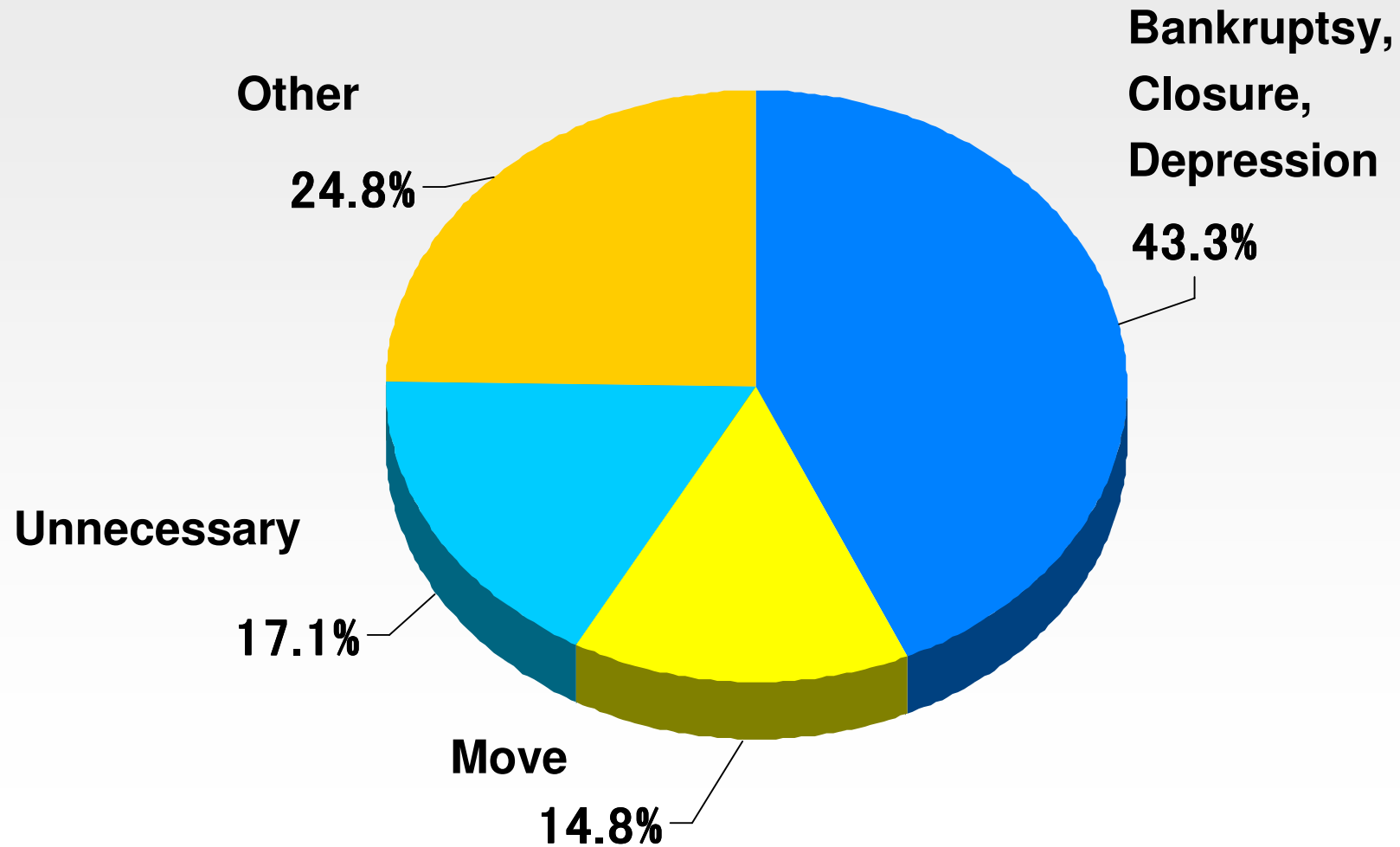
Annual business plan 11,000 (FY2013)

Achievement ratio 149.2%

Overview of Electronic Security Services for Corporate Clients

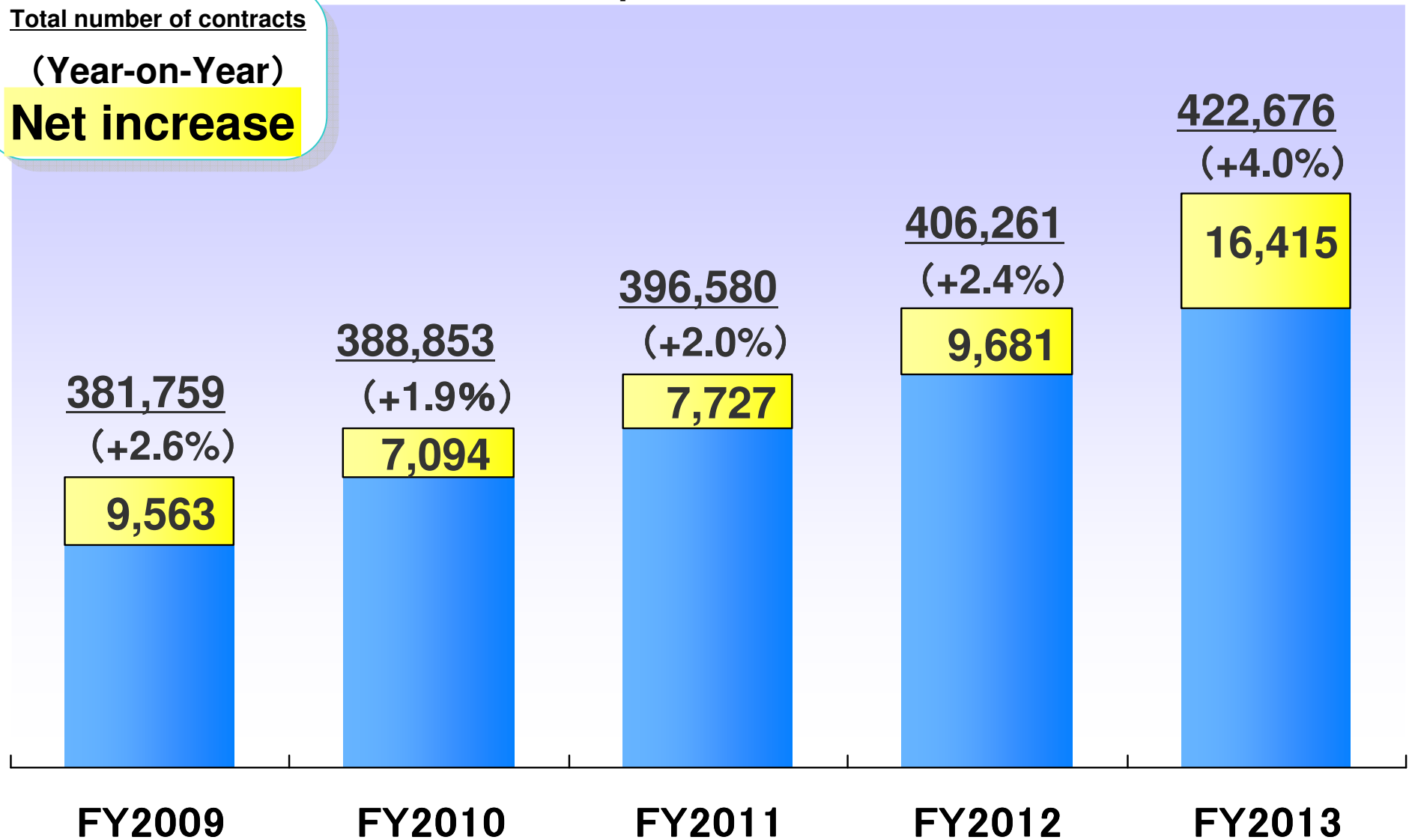
【Reason of Cancellation】

FY 2013



Increase in Contracts of Electronic Security Services 【Corporate Clients】

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

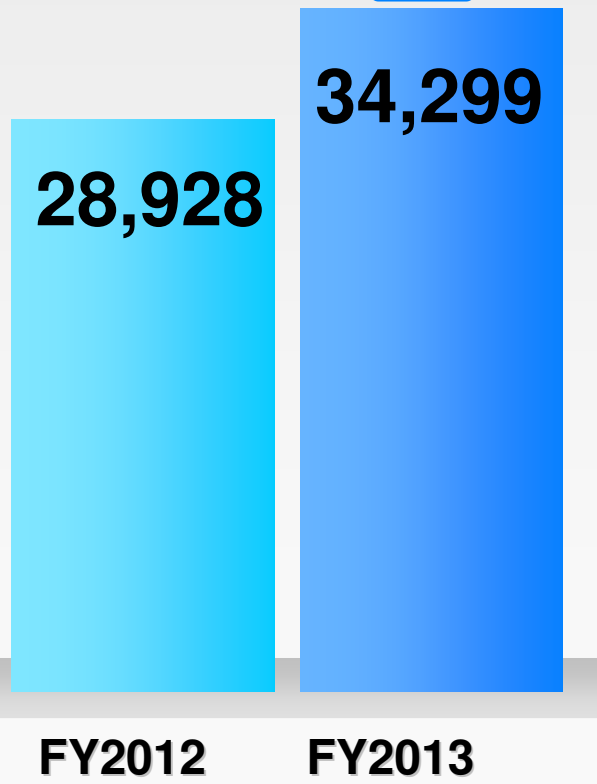


Overview of Electronic Security Services

[Individual Clients]

**Net increase in number
of contracts
for individual clients**

+18.6%



[Net increase : 34,299]

(YoY +5,371 +18.6%)

**Newly booked contracts : Increased sharply
from FY2012**

- **Attributable to the increased sales of home security system for rental apartment**

Cancellations : Increased from FY2012

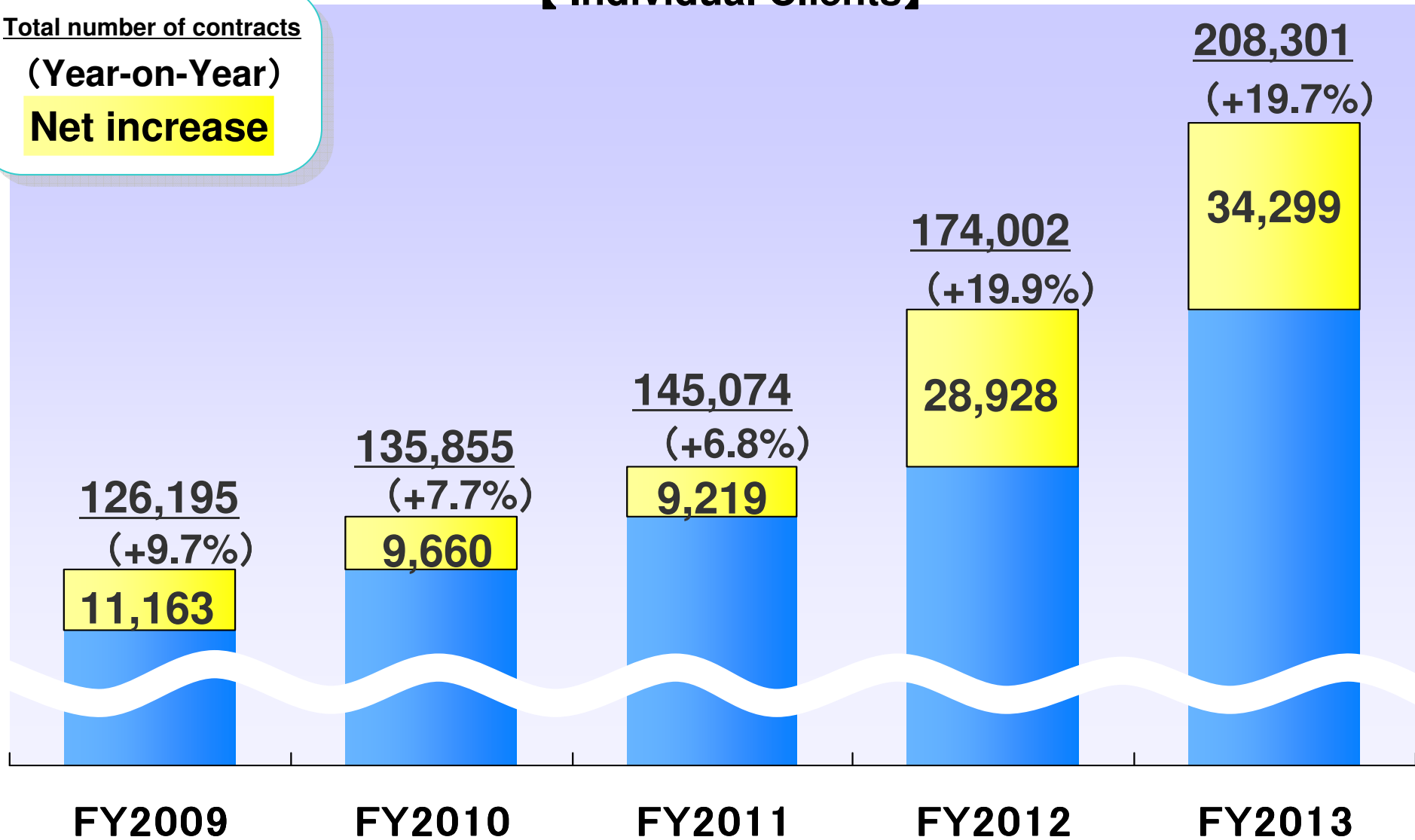
**Newly booked contract price : Inclined from
FY2012**

Annual business plan 37,000 (FY2013)

Achievement ratio 92.7%

Increase in Contracts of Electronic Security Services 【 Individual Clients 】

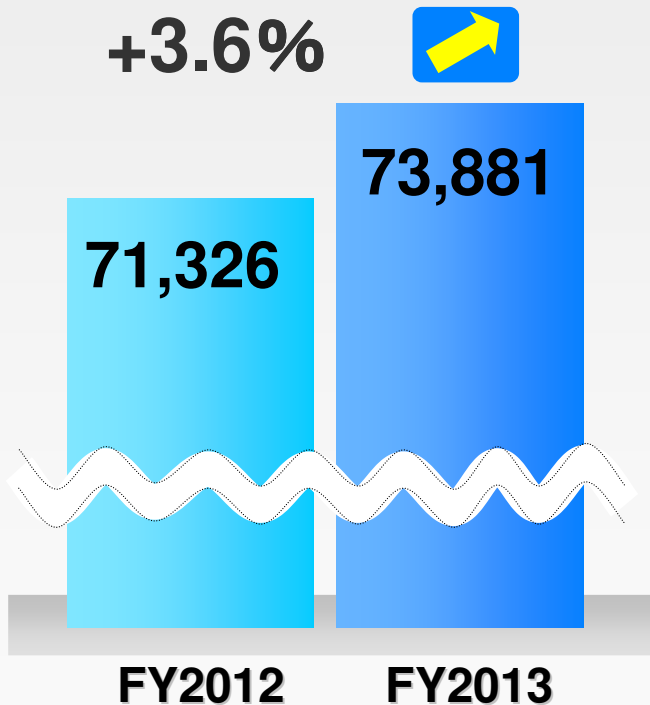
Total number of contracts
(Year-on-Year)
Net increase



Overview of Stationed Security Services

(Million of Yen)

Sales



[Sales : 73,881 (Million of Yen)]

(YoY +2,555 (Million of Yen) +3.6%)

- **Attributable to TOKYO SKYTREE TOWN®**
(Start of security service : March, 2012)
and other large-scale contracts
- **Temporary security service at IMF and World Bank Annual Meetings in Tokyo**

Annual business plan 74,384 (Million of Yen) (FY2013)

Achievement ratio 99.3%

Overview of Transportation Security Services

(Million of Yen)

Sales

+2.1%



49,817

50,854

FY2012

FY2013

[Sales : 50,854 (Million of Yen)]
 (YoY +1,036 (Million of Yen) +2.1%)

Total ATM Management System

Net increase 580 contracts

- Increased outsourcing by regional financial institutions

Bank ATMs located off-bank premises and inside convenience stores

Net increase 1,350 contracts

- In proportion to planned opening of new stores

Cash Deposit Machine On-line System

Net increase 2,150 contracts

- Increased contract of small-sized machine for major restaurant chain

Annual business plan 51,629 (Million of Yen) (FY2013)

Achievement ratio 98.5%

Overview of Total Building Management Services and Disaster Prevention Services

(Million of Yen)

Sales

+11.1%



36,608

40,661

FY2012

FY2013

[Sales : 40,661 (Million of Yen)]

(YoY +4,052 (Million of Yen) +11.1%)

- **Attributable to sales increase of Japan Facilio (Sharp increase in contracts through cooperative sales activities)**

Annual business plan 39,585 (Million of Yen) (FY2013)
Achievement ratio 102.7%

Financial results of Japan Facilio

(million of Yen)

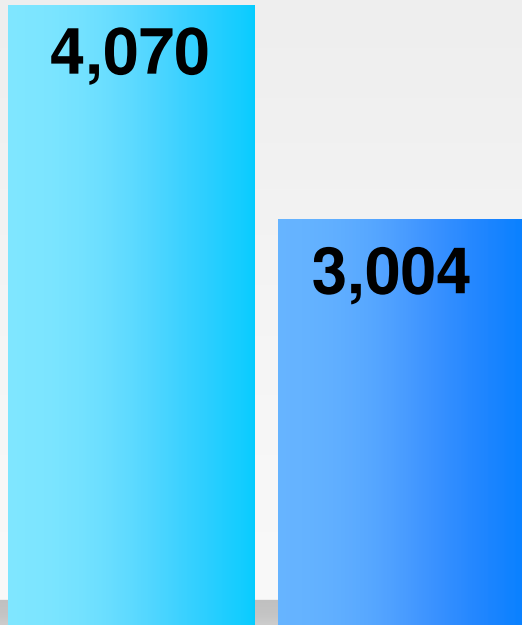
	FY2013			FY2012		
	results	Business Plan	Achievement ratio	results	YoY	Change
Net sales	22,764	21,000	108.4%	19,292	3,472	18.0%
Operating income	427	125	342.1%	▲223	651	—
Ordinary income	444	130	341.9%	▲117	561	—

Overview of Other Services

(Million of Yen)

Sales

-26.2% 



FY2012

FY2013

[Sales : 3,004 (Million of Yen)]

(YoY -1,065 (Million of Yen) -26.2%)

ALSOK Safety confirmation Service

Net increase 171 contracts

ALSOK DENPO (Telegram Service)

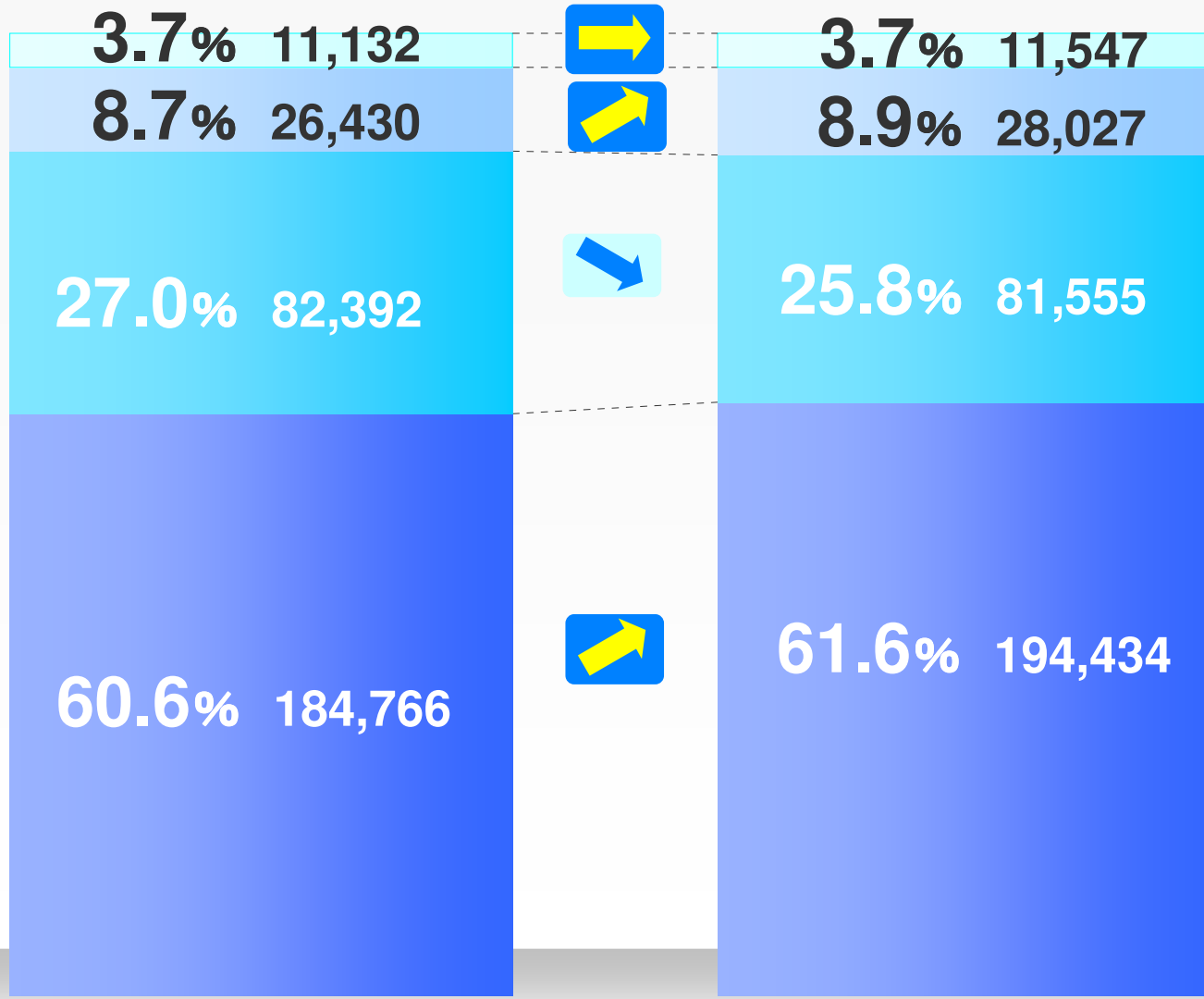
Number of contracts 27,667contracts

Annual business plan 3,281 (Million of Yen) (FY2013)

Achievement ratio 91.6%

Sales Composition by Client Type

(Million of Yen)



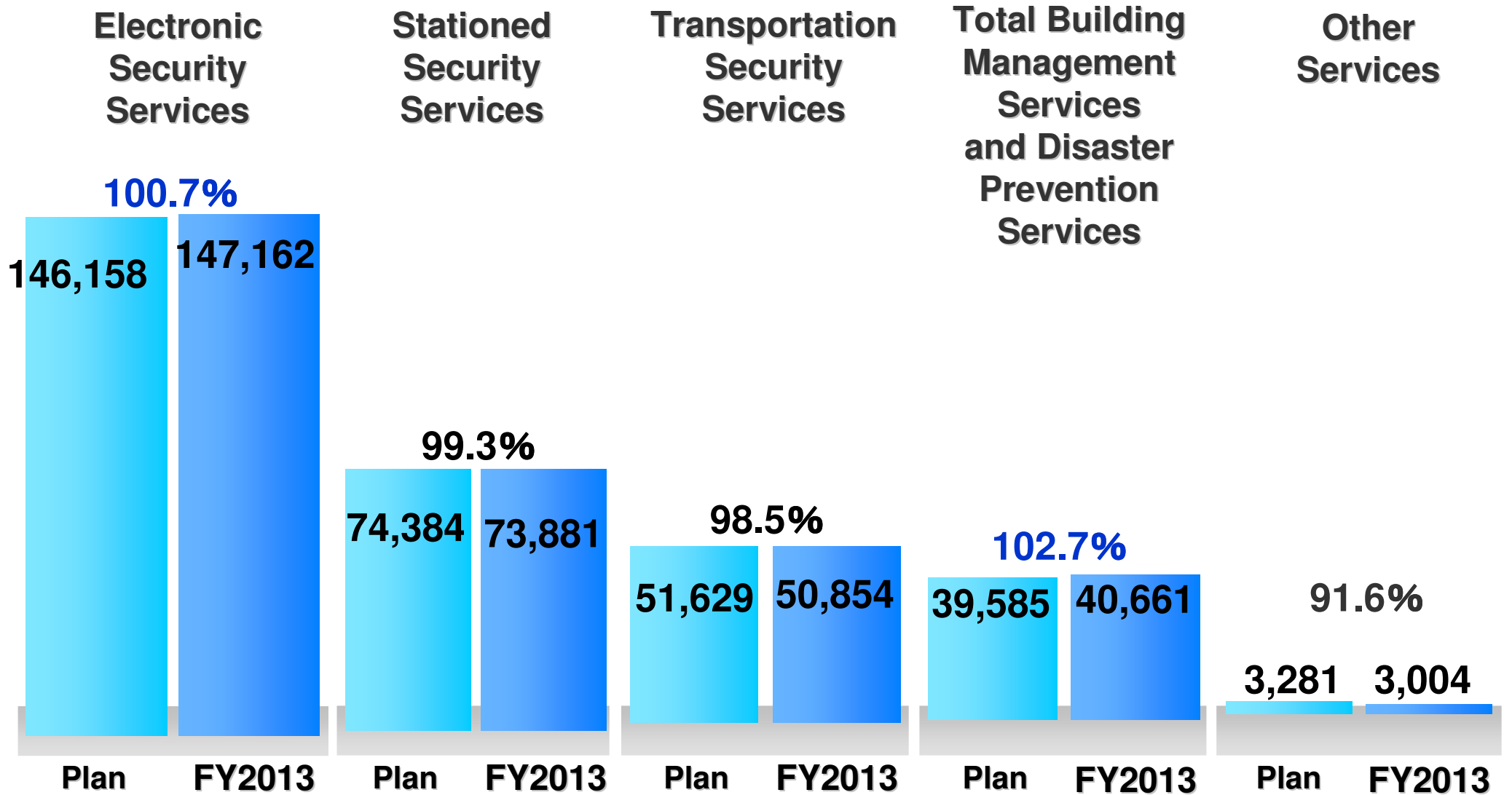
- Individuals
- Government offices and Japan Post
- Financial institutions
- Business corporations

FY2012

FY2013

Net sales by Services (vs. Business Plan)

(Million of Yen)



Progress of Measures to Improve Operating Results for FY 2013

1 Individual user market



- Launch of New brand 「HOME ALSOK」
 - ◇ 「HOME ALSOK Premium」
 - ◇ 「HOME ALSOK RUSUTAKU Service」
Service to protect houses when they are unoccupied
 - ◇ 「ALSOK KODOMOMUKE KAKETUKE Service」
Emergency dispatch service for protecting children
 - ◇ 「HOME ALSOK Pocket」 extend its functions
 - ◇ Provide life support service including nursing care



Progress of Measures to Improve Operating Results for FY 2013

2 Strengthening Sales Capabilities

- **Systematic Marketing**
- **Strengthen business infrastructures targeting major cities**

3 Cash Deposit Machine On-line System

- **Sales effort targeted at major restaurant chain**

4 Products and services

- **ALSOK-G V (G-Five)**
Enhance monitoring (images) function from a smartphone
Coordination with commercial salary calculation software
- **Network Camera**
Line up of low price package

Progress of Measures to Improve Operating Results for FY 2013

5 Overseas Operations

(1) Overseas subsidiary company

Indonesia (February in 2013)

India (April in 2013)

(2) Overseas branch office

Beijing branch office (ALSOK Shanghai) (August in 2012)

(3) Overseas Representative Office

Singapore (May in 2012)

Korea (October in 2012)

Progress of Measures to Improve Operating Results for FY 2013

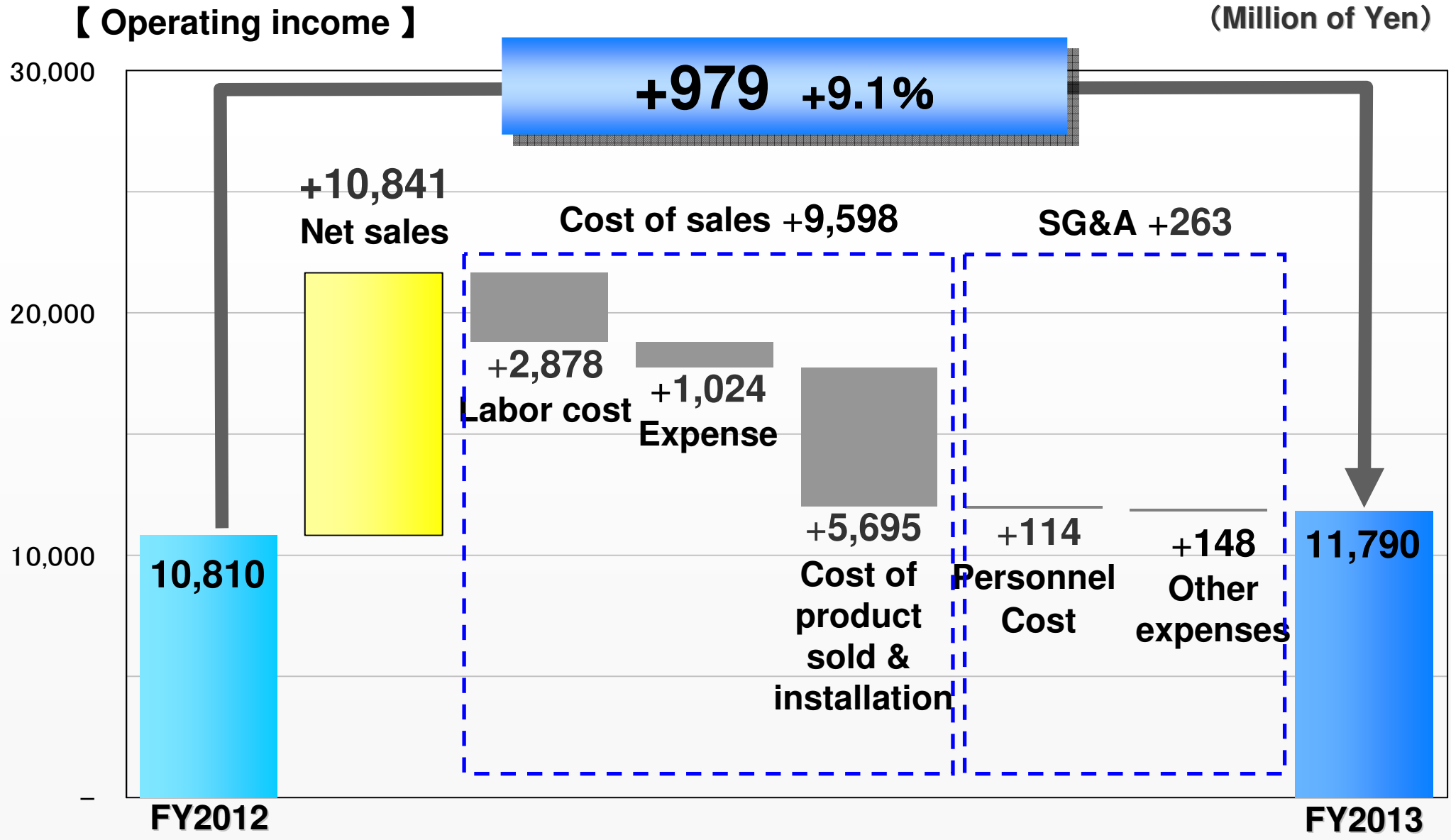
6 Review of cost structure

- **Expand shared services in back office operations**
- **Electronic security staffs capable of maintenance work of security equipments installed in client's premises**
- **Improving the rationality and efficiency of cash management operations**

7 Alliance

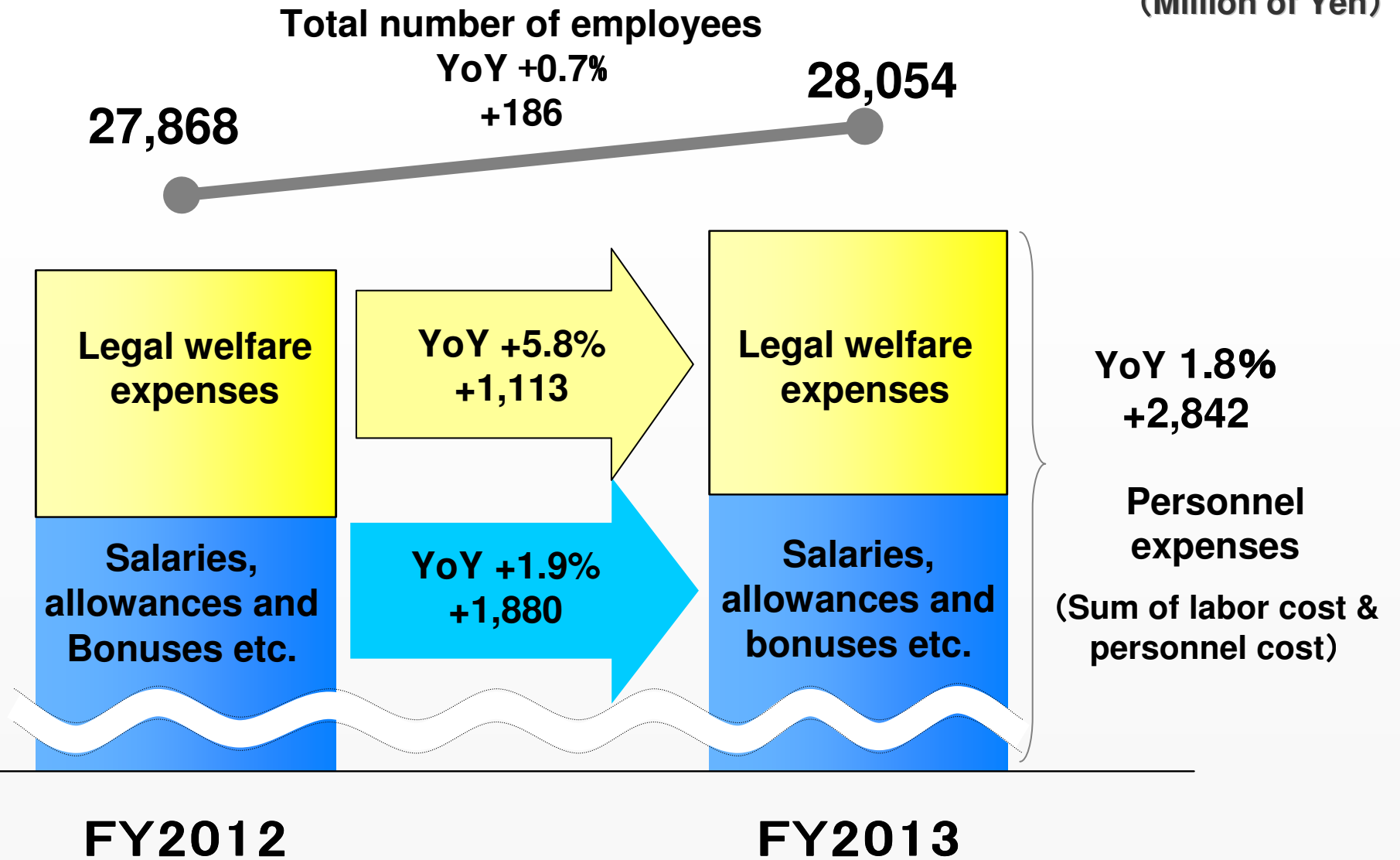
- **Alliance with HOCHIKI CORPORATION**
- **Strengthening of alliance in development, sales and overseas operations including business matching**

Major Changes in P/L



Personnel Expenses

(Million of Yen)



Consolidated Balance Sheet

(Million of Yen)

	FY2013	FY2012	YoY		FY2013	FY2012	YoY
Current assets	164,149	160,060	4,089	Current liabilities	75,372	69,245	6,126
Cash and deposits	46,652	48,553	-1,901	Accounts payable-trade	17,417	16,439	977
Cash for Transportation Security Services and Advances paid	69,630	63,076	6,554	Short-term loans payable	19,700	18,193	1,507
accounts receivable- trade	31,309	30,749	559	Current portion of bonds	10	110	-100
Raw materials and supplies	4,844	5,625	-781	Other	38,243	34,502	3,741
Other	11,713	12,055	-342	Noncurrent liabilities	45,730	48,713	-2,982
Noncurrent assets	132,515	123,533	8,982	Long-term loans payable	6,750	9,410	-2,659
Property, plant and equipment	60,149	59,147	1,002	Other	38,979	39,302	-323
Intangible assets	5,957	6,548	-590	Total liabilities	121,102	117,958	3,143
Investments and other assets	66,408	57,837	8,570	Shareholders' equity	155,536	149,085	6,450
Total assets	296,665	283,593	13,071	Valuation and translation adjustments	-1,109	-3,619	2,510
				Minority interests	21,135	20,168	966
				Total net assets	175,563	165,634	9,928
				Total liabilities and net assets	296,665	283,593	13,071

Consolidated Cash Flows

(Million of Yen)

	FY2013	FY2012	YoY
Net cash provided by (used in) operating activities	20,890	17,213	3,676
Net cash provided by (used in) investing activities	-12,713	-10,859	-1,854
Net cash provided by (used in) financing activities	-8,136	-9,908	1,772
Cash and cash equivalents at end of period	40,541	40,476	65

Major items of 03/12



● Net cash provided by (used in) operating activities	Income before income tax	15,248
	Depreciation and amortization	12,213
	Equity in earnings of affiliates	-1,356
	Increase in notes and accounts payable-trade	2,347
	Assets/Liabilities for TSS	-5,122
● Net cash provided by (used in) investing activities	Purchase of property, plant and equipment	-10,888
	Purchase of investment securities	-2,239
● Net cash provided by (used in) financing activities	Repayment of long-term loans payable	-3,768
	Repayments of lease obligations	-2,753
	Cash dividends paid	-2,111

Capital Expenditures and Others

Capital expenditures

(Million of Yen)

FY2011	FY2012	FY2013
11,288	10,498	13,249

Depreciation

(Million of Yen)

FY2011	FY2012	FY2013
12,457	13,007	12,213

R&D expense

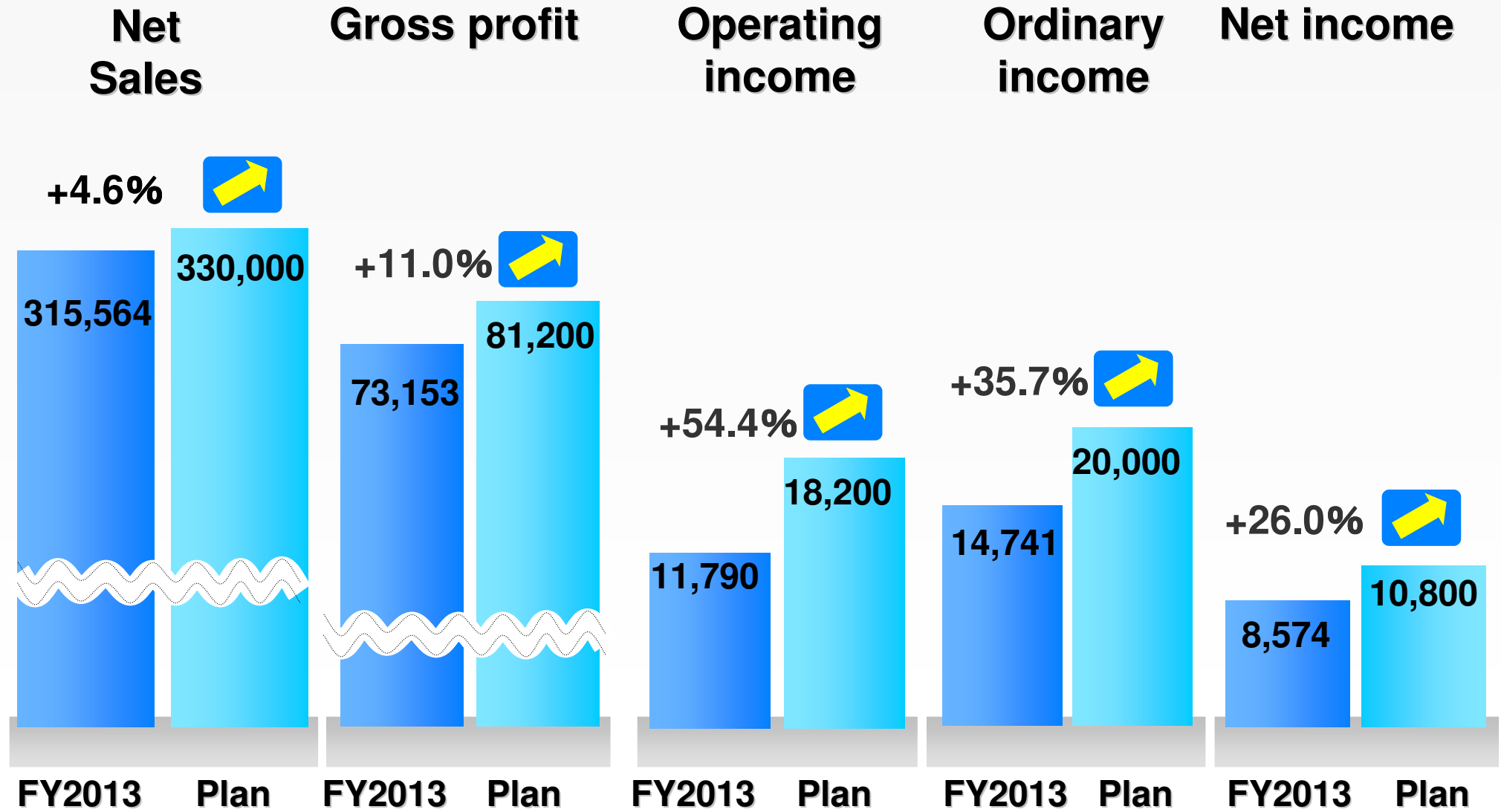
(Million of Yen)

FY2011	FY2012	FY2013
681	561	495

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Business Plan for FY 2014

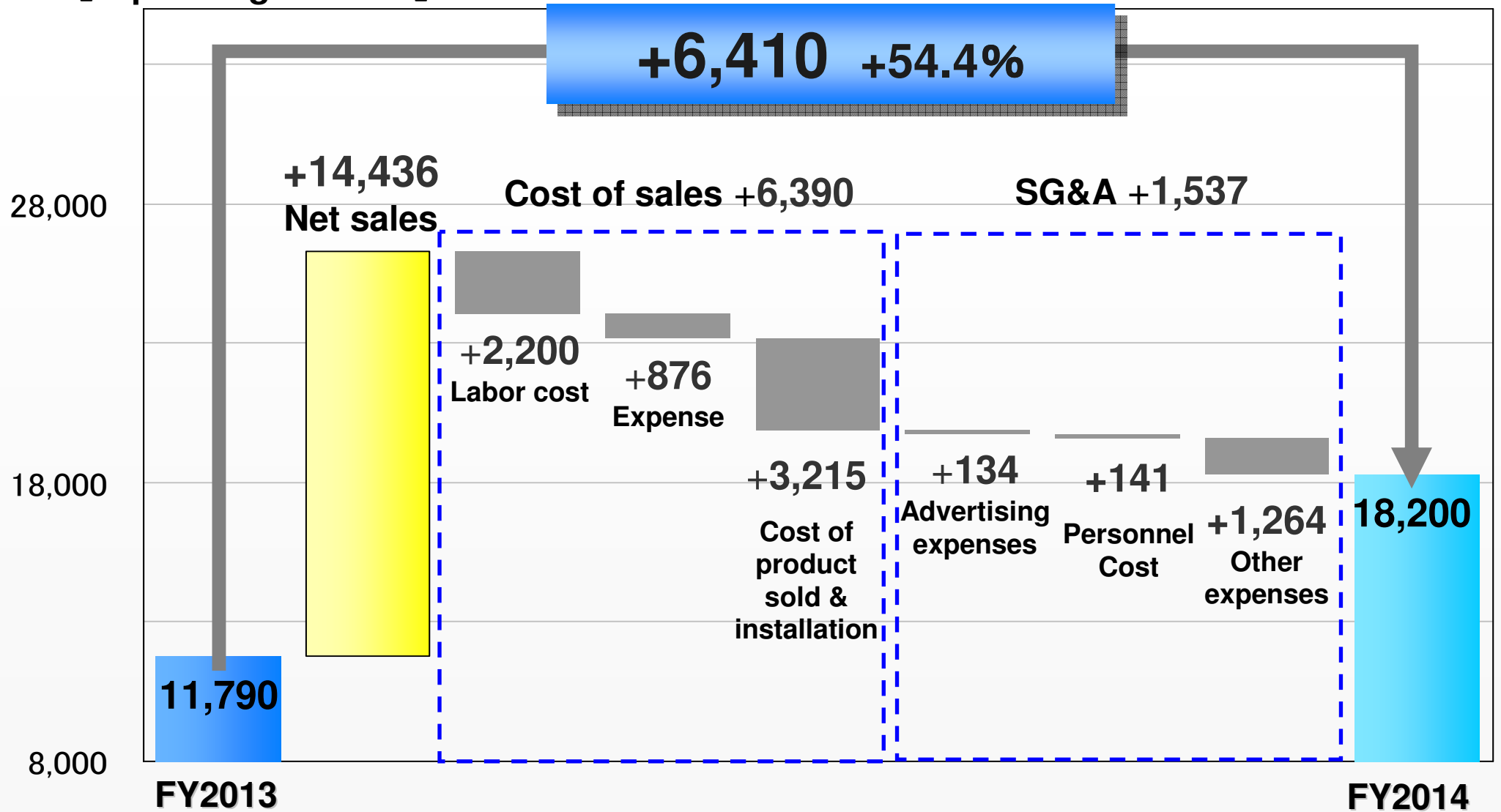
(Million of Yen)



Major Changes in P/L (Plan) for FY 2014

【 Operating income 】

(Million of Yen)



Other Plans for FY 2014

1 Net increase in number of contracts for Electronic Security Services

	Net increase	YoY	Change
Net increase in number of contracts	62,600	11,886	23.4%
Corporate Clients	21,000	4,585	5.0%
Individual Clients	41,600	7,301	20.0%

2 Other

(Million of Yen)	Amount	YoY	Change
Capital expenditures	17,000	3,751	28.3%
Depreciation	9,500	-2,713	-22.2%

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.

Section 1	Financial Results for FY 2013
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Measures to Improve Operating Results

1 Initiatives

(1) Strengthening Sales Capabilities

- Focusing on training of sales staff
- Sales activities with tablet devices

(2) Increase sales from individuals user

-  Promotion
- Nursing care operations 「ALSOK CARE」
- Launch new products and services

Measures to Improve Operating Results

(3) Increase sales from Business corporations

- Redouble sales effort toward existing customer
- Strengthening sales activities in energy and public infrastructure related business
- Promote sales of Cash Deposit Machine On-line System

(4) Increase sales from Financial institutions

- Adapt to changes in the market environment
- Respond to outsourcing needs

Measures to Improve Operating Results

(5) Expansion of Overseas Operations



(6) Active promotion of M&A

(7) Launch of new businesses

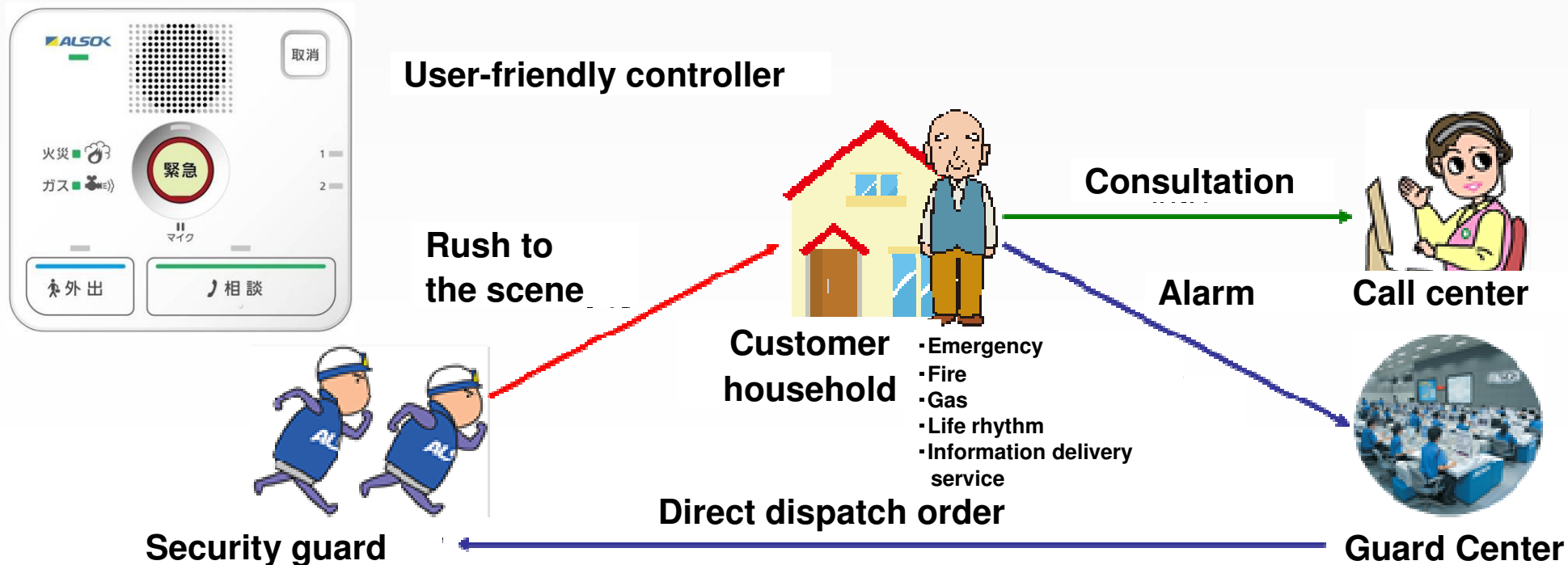
Measures to Improve Operating Results

2 New Products and Services

(1) Emergency alert system for the elderly

- Rushing to customer household and offering consultation service through our 24-hour-a-day, 365-days-a-year support system

Overview the system



Measures to Improve Operating Results

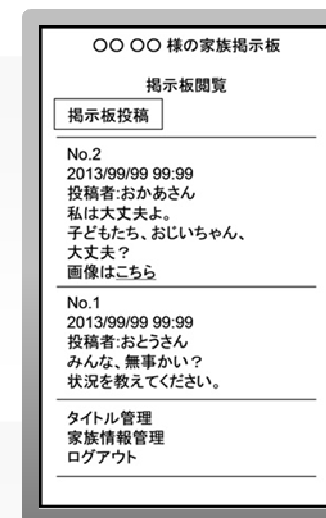
(2) Safety confirmation Service

- Enhance its function

(3) BCP solution service

(4) Risk consulting services

- For mega solar power plant



家族掲示板画面



Measures to Improve Operating Results

3 Revision of cost structure

- (1) Expanding shared services (consolidating back office operations into a shared operation)**
- (2) Streamlining in security services division and security equipment installation division**
- (3) Improving the rationality and efficiency of cash management operations in Transportation Security Services**

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.