

SOHGO SECURITY SERVICES CO., LTD.

Securities Code: 2331 (1st Section of TSE)

Financial Results for FY 2014

Reporting Meeting

May 8, 2014

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Section 1	Financial Results for FY 2014
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1 Increase in sales and profit for four consecutive years

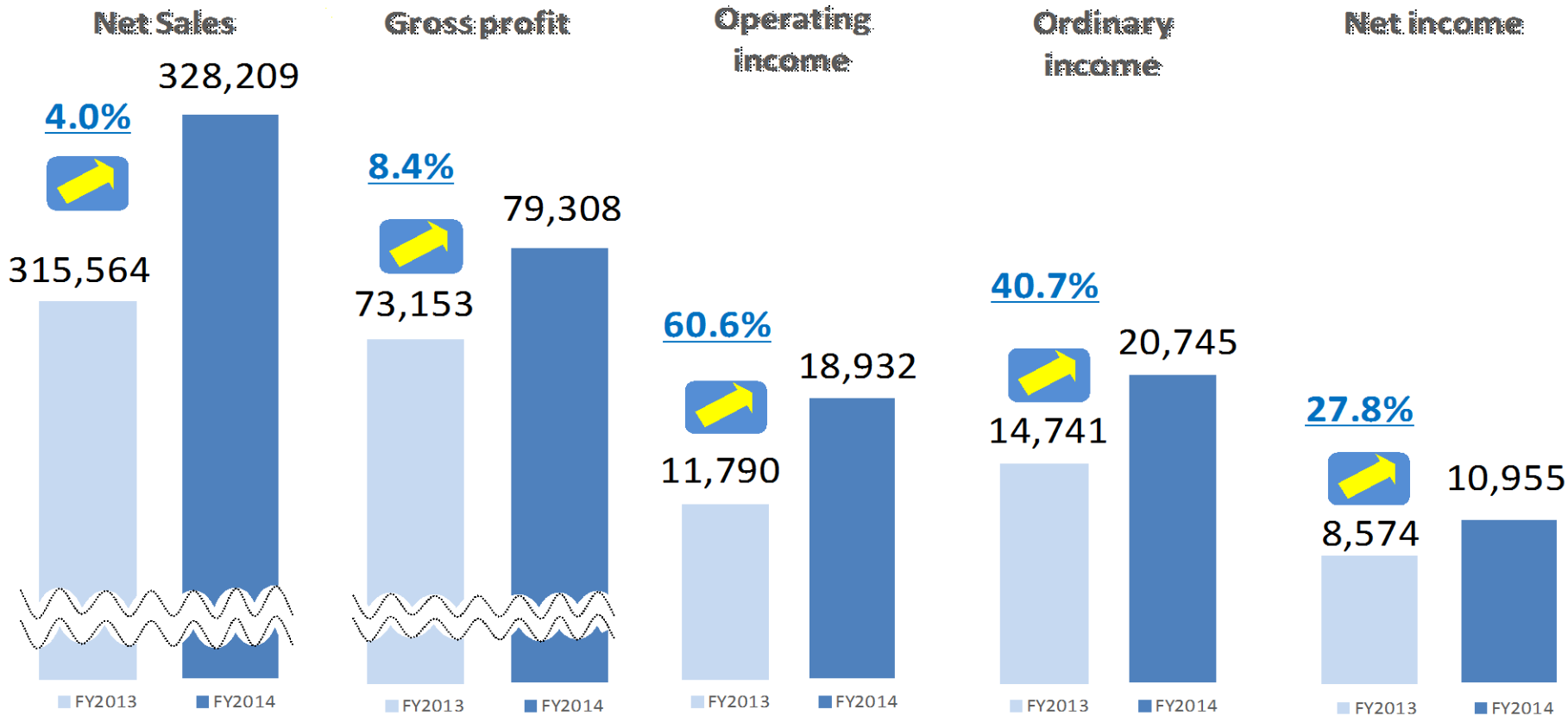
- Achieved a record high for ordinary income, exceeding the ¥20 billion mark

2 Steady growth in Security Services segment

- Sharp increase in surveillance camera sales
- Strong performance of Stationed Security Services

3 Sales expansion of ALSOK Group Companies

- Sales and profit increase steadily for Japan Facilio
- Successfully completed two M&A transactions



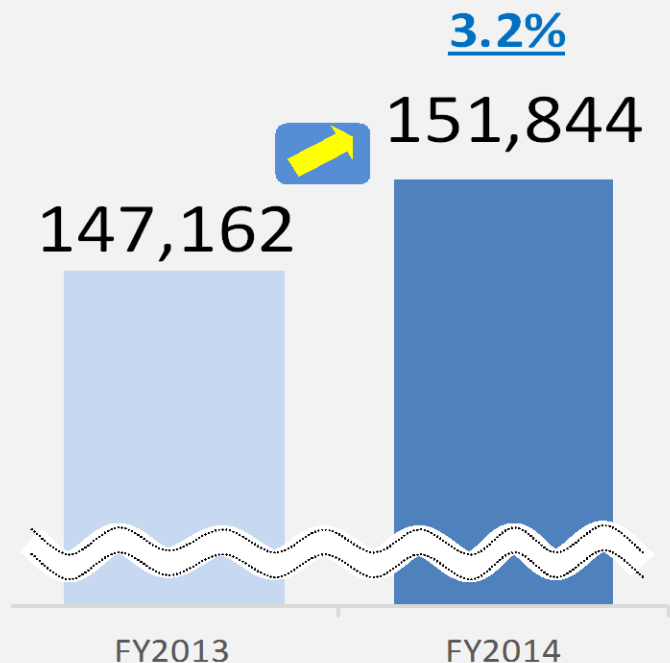
(Millions of Yen)

(Millions of Yen)	FY 2014	Business Plan	Gap	Achievement Ratio
Net sales	328,209	330,000	-1,790	99.5%
Gross profit	79,308	81,200	-1,891	97.7%
Operating income	18,932	18,200	732	104.0%
Ordinary income	20,745	20,000	745	103.7%
Net income	10,955	10,800	155	101.4%

Net sales by Services

(Millions of Yen)	FY 2014	FY2013	YoY	Change
Security Services	280,179	271,898	8,280	3.0%
Electronic Security Services	151,844	147,162	4,681	3.2%
Stationed Security Services	77,284	73,881	3,403	4.6%
Transportation Security Services	51,050	50,854	196	0.4%
Total Building Management Services and Disaster Prevention Services	44,808	40,661	4,147	10.2%
Other Services	3,221	3,004	216	7.2%
Total	328,209	315,564	12,644	4.0%

Sales (Millions of Yen)

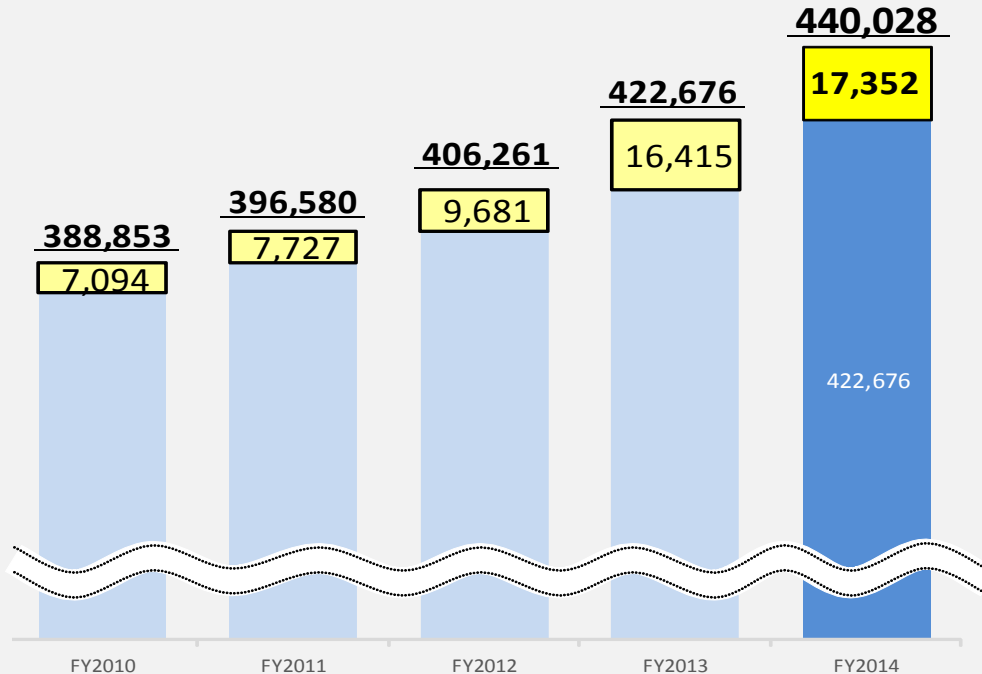


Contract sales	YoY ratio	1.3%
Construction sales	YoY ratio	10.5%
Equipment sales	YoY ratio	11.9%

- Achieved a 3.2% net increase for corporate clients
- Sales expansion of surveillance camera and access management systems

Overview of Electronic Security Services 【Corporate Clients】

Increase in Contracts of Electronic Security Services
【Corporate Clients】



[Net increase : 17,352]

(YoY +937 5.7%)

Newly booked contracts :

Increased from FY2013

Cancellations :

Decreased from FY2013

Newly booked contract price :

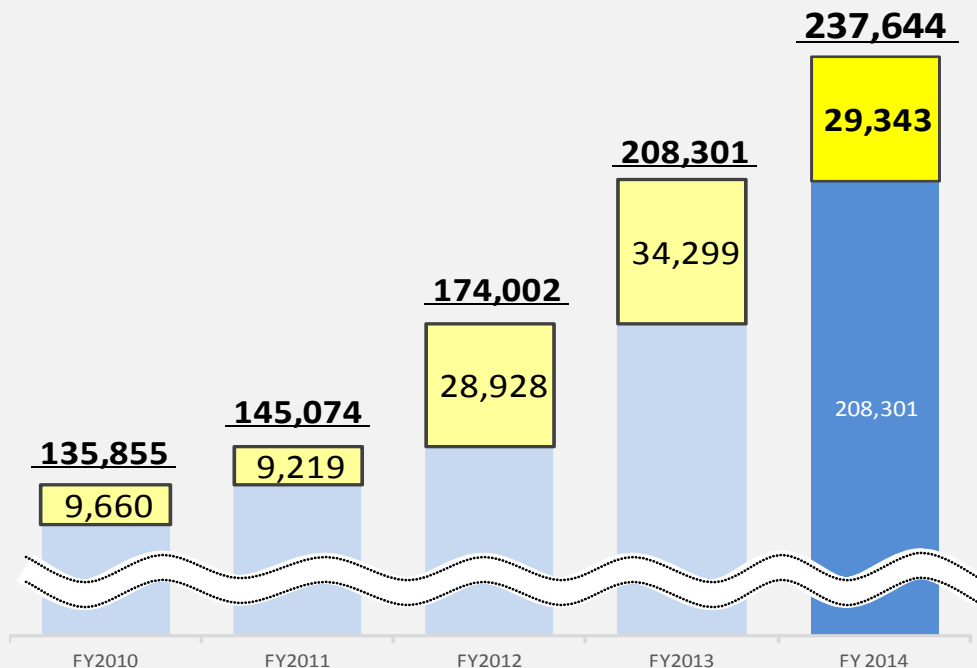
Increased from FY2013

Average contract price :

Decreased from FY2013

Overview of Electronic Security Services 【Individual Clients】

Increase in Contracts of Electronic Security Services
【 Individual Clients】



[Net increase : 29,343]

(YoY -4,956 -14.4%)

Newly booked contracts:

Decreased from FY2013

Cancellation:

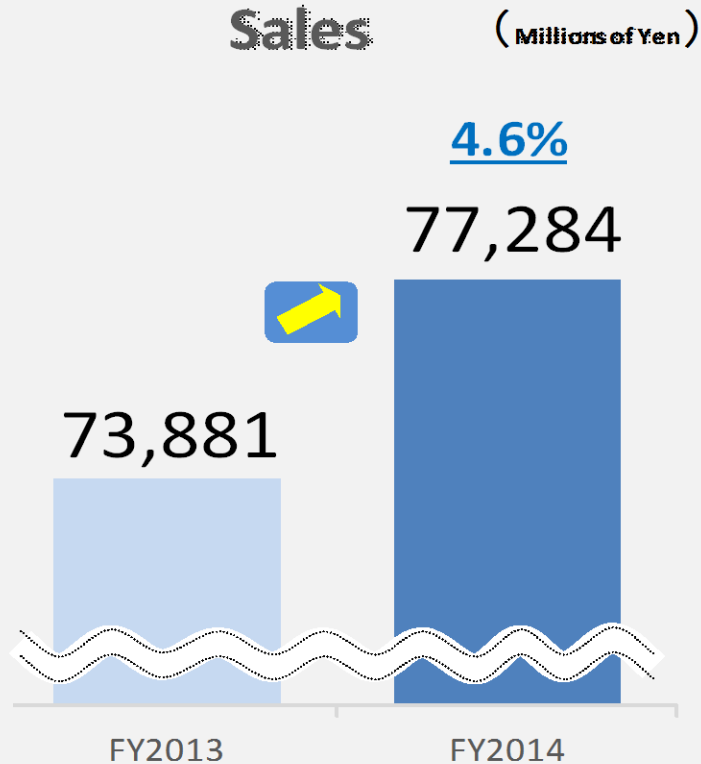
Decreased from FY2013

Newly booked contract price:

Increased from FY 2013

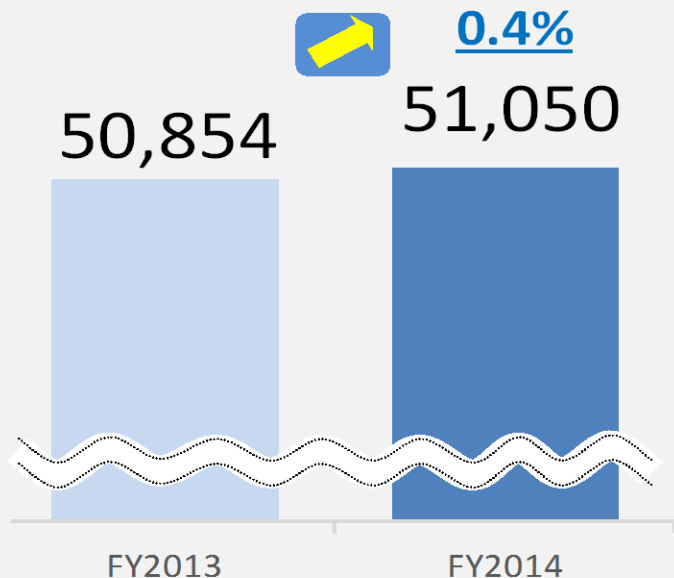
Average contract price:

Decreased from FY2013



- Attributable to large-scale contracts
 - Building in redevelopment districts
- Increase in temporary security service contracts
 - New contracts with public sector

Sales (Millions of Yen)



Total ATM Management System

: Net increase 901

- Increased contract with major banks

Bank ATMs located inside convenience stores

: Net increase 1,041

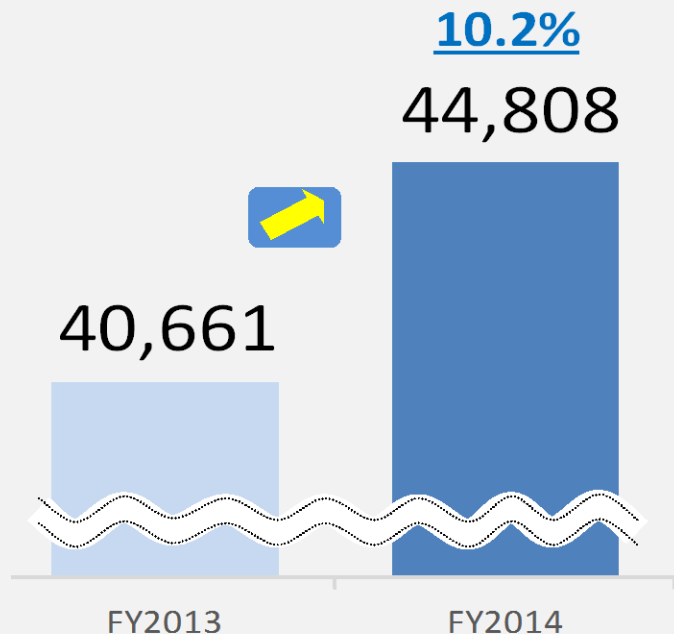
- Increased contract with major convenience store chain

Cash Deposit Machine On-line System

: Net increase 1,844

- Increased contract with restaurants and automobile dealers for small-sized machines

Sales (Millions of Yen)



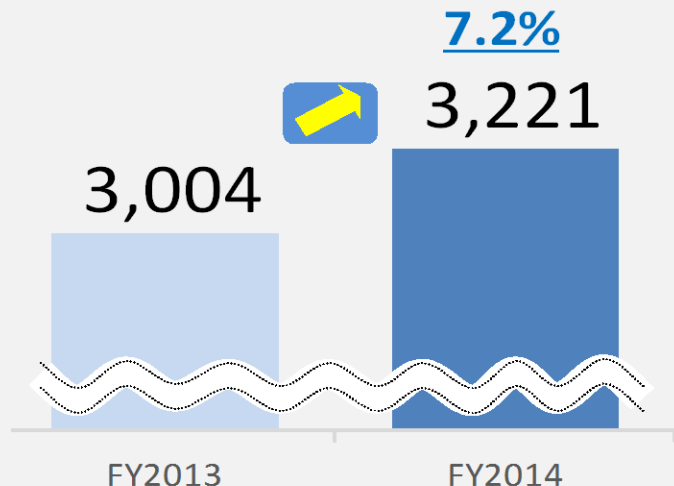
- Sharp increase in sales of Japan Facilio
- Sales expansion for AEDs

【Financial results of Japan Facilio】

【Millions of Yen】	FY2013	FY2014	YoY	
	results	results	Gap	Change
Net sales	22,764	26,343	3,578	15.7%
Operating income	427	1,179	751	175.7%
Ordinary income	444	1,224	780	175.6%

Sales

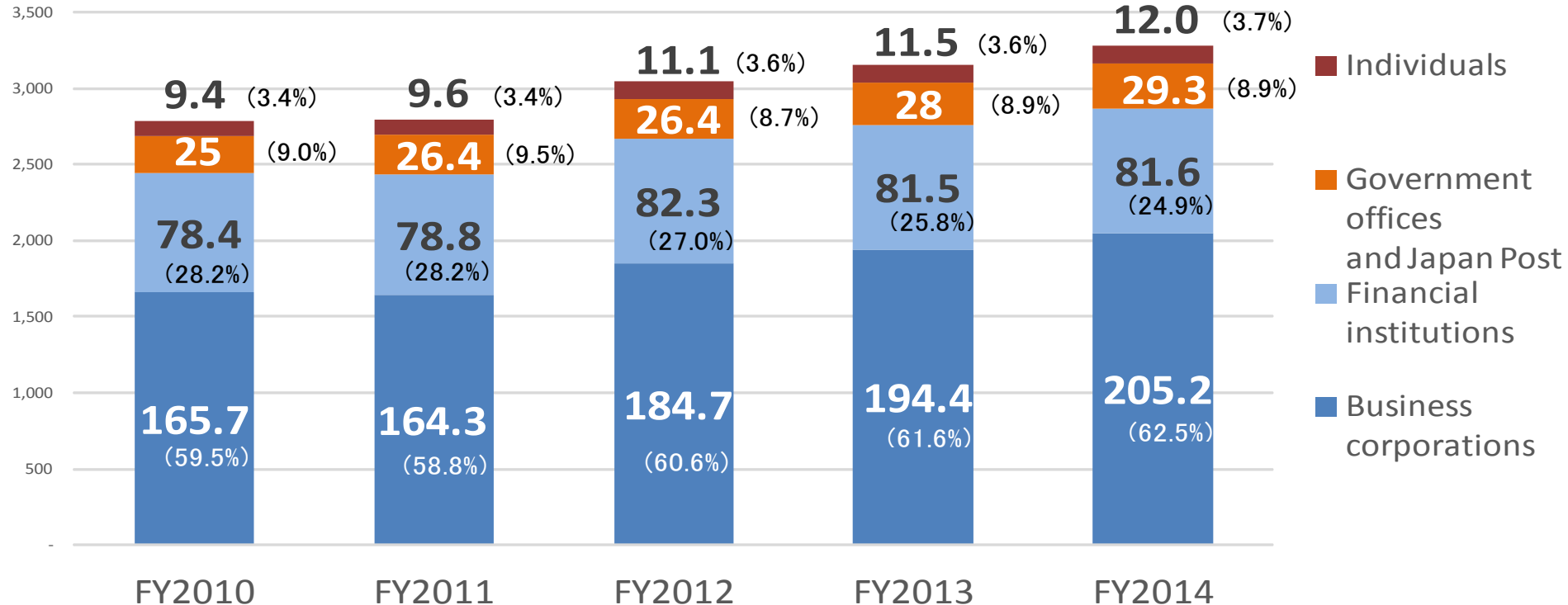
(Millions of Yen)



- ALSOK Safety confirmation Service
Net increase : 172
- ALSOK DENPO (Telegram Service)
Number of annual contract : 38,175

() Sales Composition

(Billions of yen)

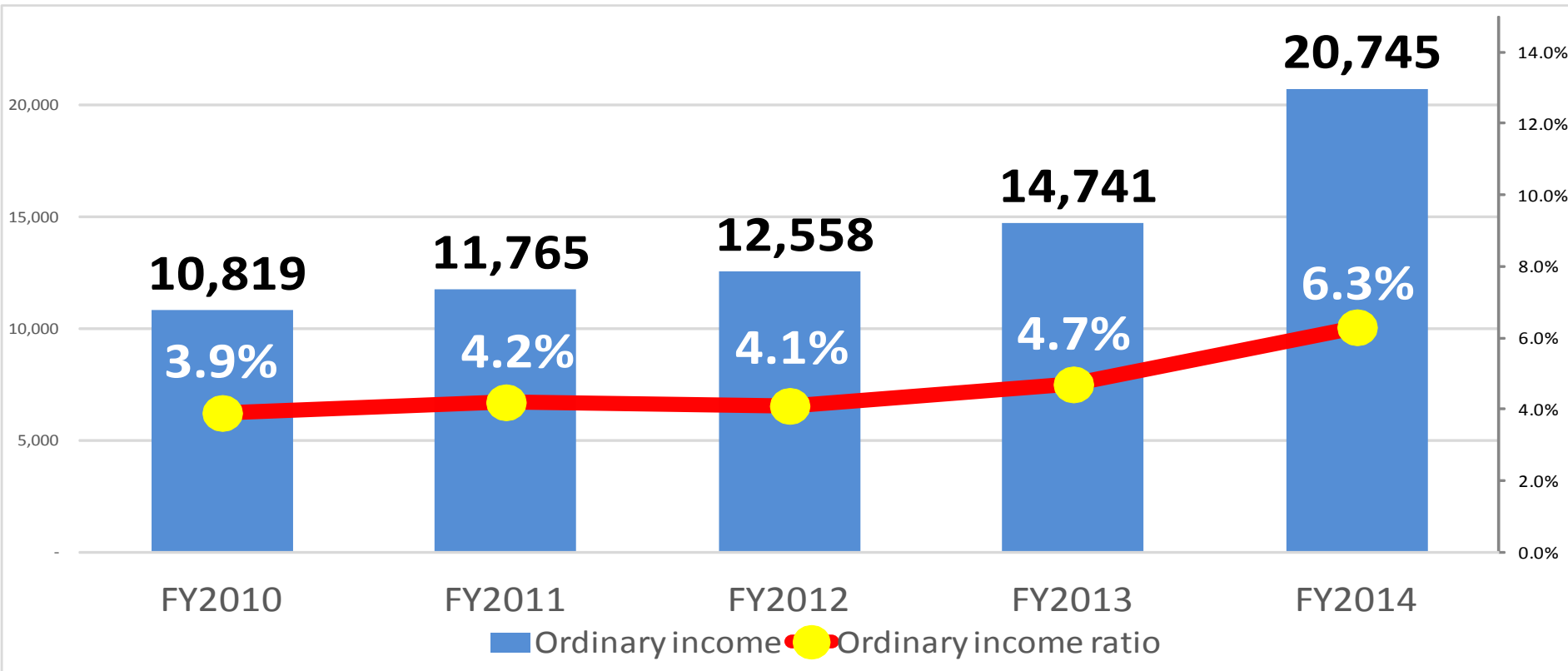


Analysis of the Profit and Loss

(Billions yen)	Major items	YoY Amount	Change
Net sales	328.2	12.6	4.0%
Cost of sales	248.9	6.4	2.7%
Labor cost	121.7	1.0	
Expense	65.9	2.4	
Depreciation	7.8	-2.6	
Cost of product sold & installation	53.4	5.6	
SG&A	60.3	-0.9	-1.6%
Advertising expenses	2.0	-0.2	
Personnel cost	40.8	-0.4	
Others	16.0	0.1	
Depreciation	1.3	-0.3	
Operating income	18.9	7.1	60.6%

Trends in the Ordinary Income

(Millions of Yen)





1 Further strengthening of Sales Capabilities


(1) For Individual Clients

◆ HOME ALSOK

Release of Services

- 
 レディースサポート

LADY'S SUPPORT
May 2013
- 
 アパート・マンションプラン

APARTMENT・CONDO PLAN
August 2013
- 
 みまもりサポート

MIMAMORI SUPPORT
September 2013

◆ Expansion of ALSOK CARE Newly established 3 bases to 6 bases

(2) Sales expansion for Corporate Clients and Financial Institutions

- **The ALSOK Group demonstrates all its strength**
- **Meeting the needs of mega-solar plants**
- **Increasing outsourcing contract for ATM operations**
- **Increase in the number of contracts through business alliances**

2 New Service

- **Emergency alert system for the elderly** (May 2013)
Consultation service is offered to the aging society
- **Trap monitoring system** (July 2013)
Preventive measures against destructive wild animals
- **FLET'S de ALSOK** (January 2014)
Home security service in collaboration with NTT WEST
- **Tunnel emergency alert monitoring system** (January 2014)
Responding to emergency calls from tunnels

3 Promotion of M&A

- **Nissan Creative Services Co., Ltd. 【NICS】**

Acquisition of security and building maintenance division of NICS
ALSOK Souei Co., Ltd. (Conversion to a Subsidiary in April 2014)

Estimated annual sales: approx. JPY 10 billion

- **NIPPON BUILDING MAINTENANCE CO., LTD. 【NBM】**

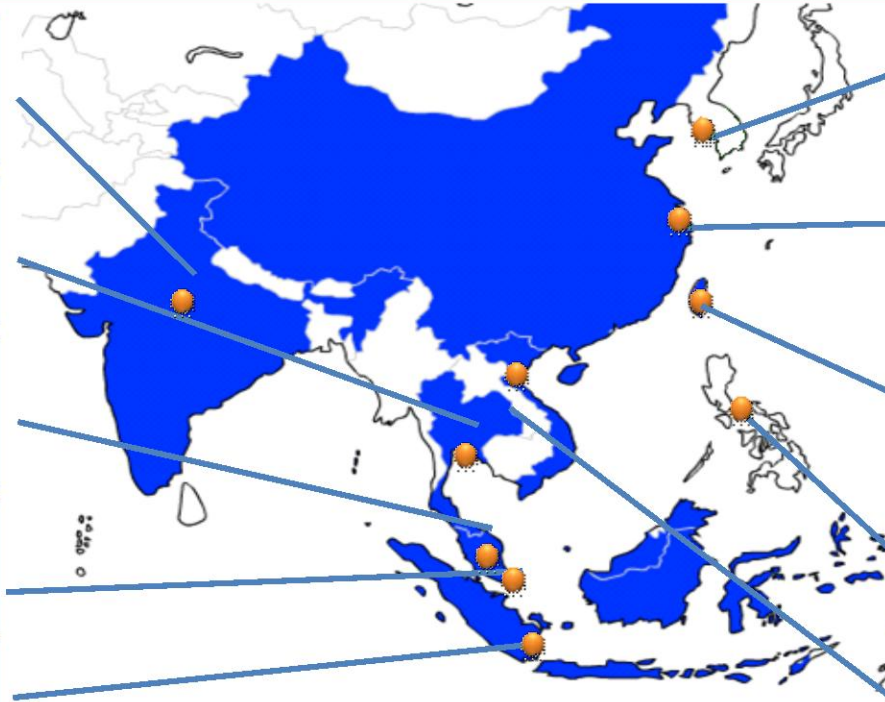
Total building maintenance company since 1955

(Facility management, cleaning, security and construction)

Acquisition of 77.1% of shares

Estimated annual sales: approx. JPY 9 billion

4 Overseas Operations



ALSOK India
March 2013

ALSOK Thailand
October 2007

ALSOK MALAYSIA
March 2012

Singapore
Representative Office
May 2012

ALSOK INDONESIA
February 2013

Seoul Representative Office
October 2012

ALSOK Shanghai
December 2010

TAIWAN SHIN KONG SECURITY
January 1980

Manila Representative Office
April 2014

NEW

ALSOK Vietnam
November 2009

5 Revision of Cost Structure

- **Consolidating back office functions**
- **Merging with subsidiaries to reduce indirect costs**
「Sokei Electrical Construction」 「Sokei Information System」
- **Improving the efficiency of cash management operations**
New cash processing center in operation, updating its facilities to reduce power cost

Consolidated Balance Sheet

	FY2014	FY2013	YoY		FY2014	FY2013	YoY
<u>Current assets</u>	199.4	164.1	35.3	<u>Current liabilities</u>	114.3	75.3	38.9
Cash and deposits	43.1	46.6	-3.4	Accounts payable-trade	17.7	14.3	3.4
Cash for Transportation				Short-term loans payable	59.6	23.0	36.5
Security Services and Advances paid	104.5	69.6	34.8	Other	36.8	37.9	-1.0
Accounts receivable- trade	33.4	29.8	3.5	<u>Noncurrent liabilities</u>	47.9	45.7	2.2
Raw materials and supplies	4.3	4.8	-0.4	Long-term loans payable	3.9	6.7	-2.7
Prepaid expenses	2.1	2.1	0.0	Provision for retirement benefits	0.0	28.7	-28.7
Other	11.8	11.0	0.8	Net defined benefit liability	33.5	0.0	33.5
<u>Noncurrent assets</u>	143.0	132.5	10.5	Other	10.4	10.1	0.2
Property, plant and equipment	68.2	60.1	8.0	Total liabilities	162.2	121.1	41.1
Intangible assets	6.1	5.9	0.1	Shareholders' equity	163.7	155.5	8.2
Net defined benefit asset	0.0	3.0	-3.0	Total valuation and translation adjustments	0.6	-1.1	1.7
Deferred tax assets	12.6	10.6	1.9	Remeasurements of defined benefit plans, net of tax	-6.1	0.0	-6.1
Investments and other assets	55.9	52.7	3.2	Minority interests	21.9	21.1	0.7
Total assets	342.4	296.6	45.8	Total net assets	180.2	175.5	4.6
				Total liabilities and net assets	342.4	296.6	45.8

Consolidated Cash Flows

(Millions of Yen)

	FY2014	FY2013	YoY
Net cash provided by (used in) operating activities	21,056	20,890	165
Net cash provided by (used in) investing activities	-16,701	-12,713	-3,987
Net cash provided by (used in) financing activities	-9,142	-8,136	-1,005
Cash and cash equivalents at end of period	35,791	40,541	-4,749

Major items of FY2014

● Net cash provided by (used in) operating activities	Income before income tax	20,911
	Depreciation and amortization	9,198
	Increase in notes and accounts receivable-trade	-4,744
	Increase in Net defined benefit asset	-1,279
	Assets/Liabilities for TSS	2,329
● Net cash provided by (used in) investing activities	Purchase of property, plant and equipment	-15,224
	Purchase of investment securities	-878
● Net cash provided by (used in) financing activities	Repayment of long-term loans payable	-3,388
	Repayments of lease obligations	-2,793
	Cash dividends paid	-2,664

Capital expenditures

(Millions of Yen)

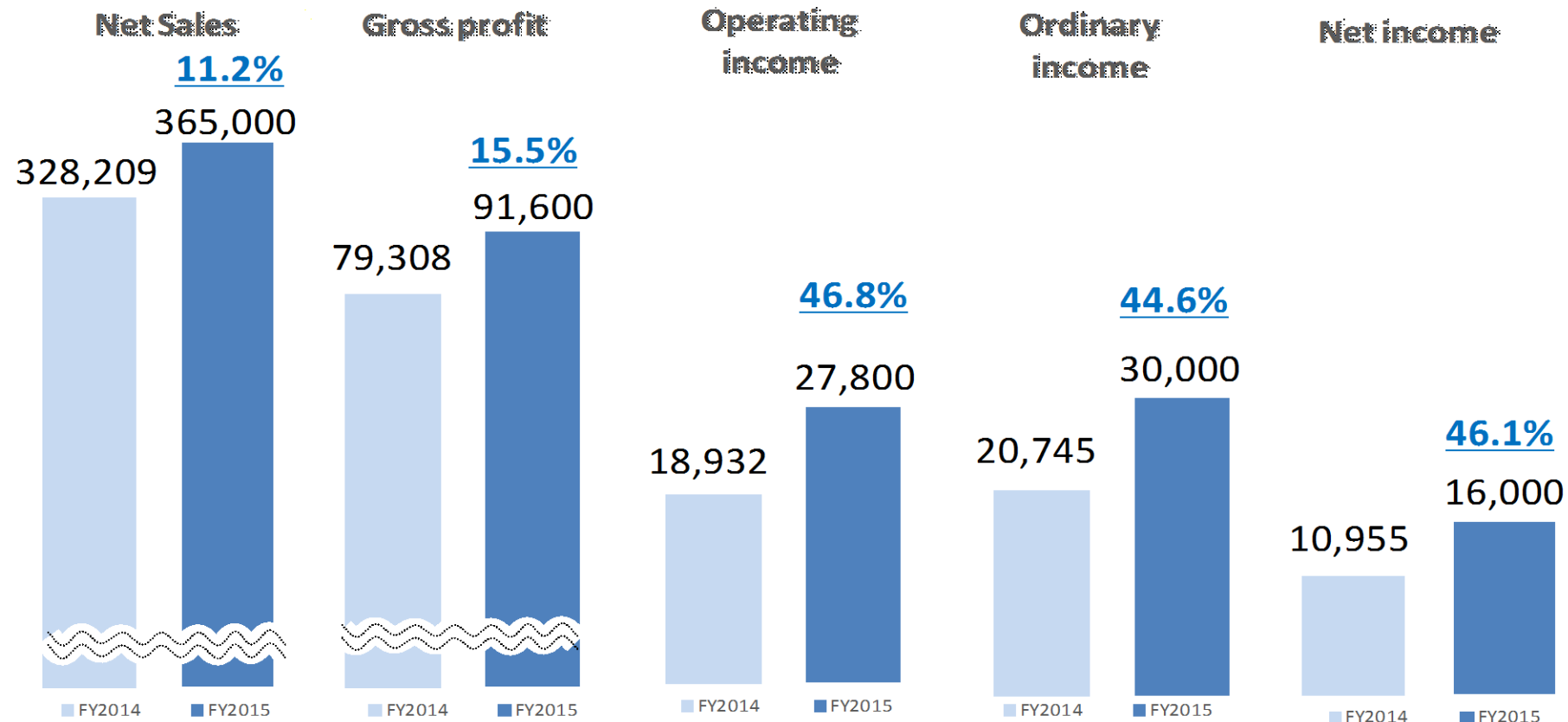
FY2012	FY2013	FY2014
10,498	13,249	19,617

Depreciation

(Millions of Yen)

FY2012	FY2013	FY2014
13,007	12,213	9,198

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(Billions of yen)	Major items	YoY	Change
Net sales	365.0	36.7	11.2%
Cost of sales	255.7	6.8	2.8%
Labor cost	122.4	0.7	
Expense	76.1	2.3	
Cost of product sold & installation	57.1	3.7	
SG&A	62.1	1.8	3.0%
Advertising expenses	1.9	-0.1	
Personnel cost	41.8	0.9	
Others	18.4	0.9	
Operating income	27.8	8.9	46.8%

※Net sales above include the figures of ALSOK Souei and Nippon Building Maintenance.

Cost of sales and SG&A don't include the figures of the both company.

**1 Net increase in number of contracts for
Electronic Security Services**

	Net increase	Change
Net increase in number of contracts	48,000	7.1%
Corporate Clients	22,000	5.0%
Individual Clients	26,000	10.9%

2 Other

(Millions of Yen)	Amount	YoY	Change
Capital expenditures	16,400	-3,217	-16.3%
Depreciation	11,400	2,202	23.9%

	FY2012	FY2013	FY2014	FY2015 (Plan)
Dividend per share (Yen)	20 (10)	25 (11) Interim (14) Year-end	30 (12.5) Interim (17.5) Year-end	35 (17.5)
Payout ratio	51.5%	29.3%	27.5%	22.0%

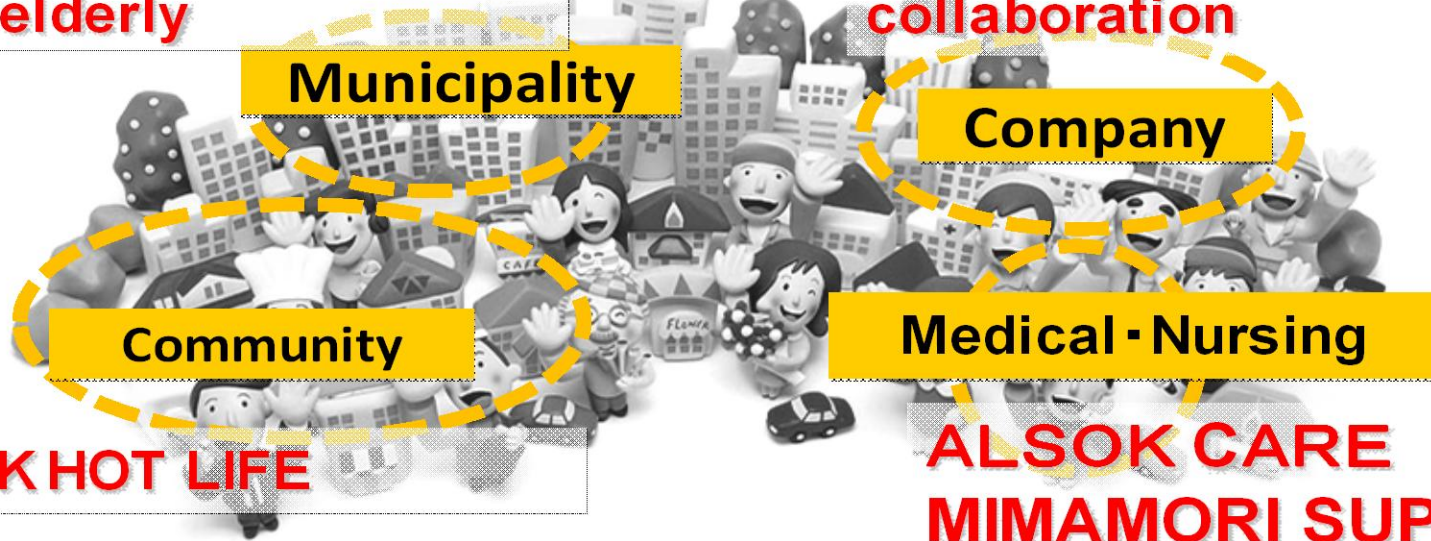
*Note: Amounts stated inside the () are the Interim dividend per share.

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1 HOME ALSOK

Emergency alert system for the elderly

Sales expansion through collaboration



ALSOK HOT LIFE

**ALSOK CARE
MIMAMORI SUPPORT**

Exceeding the boundaries of traditional home security services to respond to diverse needs

2 New security services

a. Social infrastructure monitoring service

Responding to national resilience improvement plans

- Road facilities maintenance, disaster response measures

b. Providing services for manufacturers

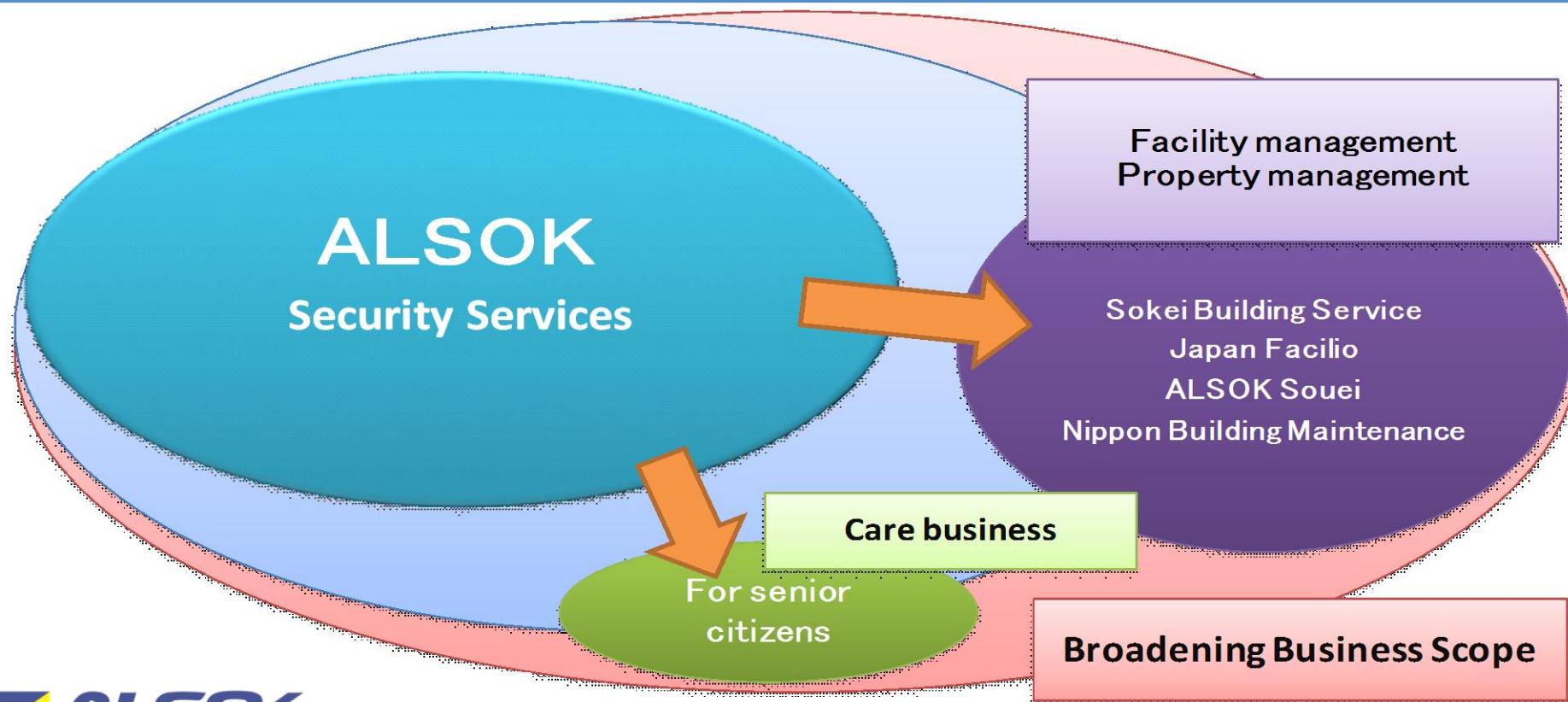
- Sales expansion of surveillance camera and access management systems

c. Information security services

Security measures against cyber attacks

- Network monitoring and IT security solutions
- Homepage falsification detection and restoration support

3 Broadening Business Scope



4 Promotion of M&A

- **Targeting security, building management and disaster response businesses**
- **Actively developing new businesses and services synergistic with security services business**

5 Revision of cost structure

- Streamlining security services divisions
- Integrating administrative divisions to enhance efficiency
- Reorganizing to reduce costs

6 Preparations for 2020 Summer Olympic and Paralympic Games

Create new businesses



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.