

SOHGO SECURITY SERVICES CO., LTD.
Securities Code: 2331(1st Section of TSE)

Financial Results for 2Q FY 2015

Reporting Meeting

October 31, 2014

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Financial Results for 2Q FY 2015

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Financial Forecast of FY 2015

1 Increase in sales and profit for three consecutive years in terms of Interim Financial Summary

- Achieved a record high for net sales in half period, exceeding ¥170 billion
- Best performance in profit

2 Steady growth in Security Services segment

- Strong performance in Stationed Security Services
- Strong growth in contract sales of Electronic Security Services

3 Revenue growth by M&A

- Contribution by subsidiary acquisition of ALSOK Souei and

NIPPON BUILDING MAINTENANCE

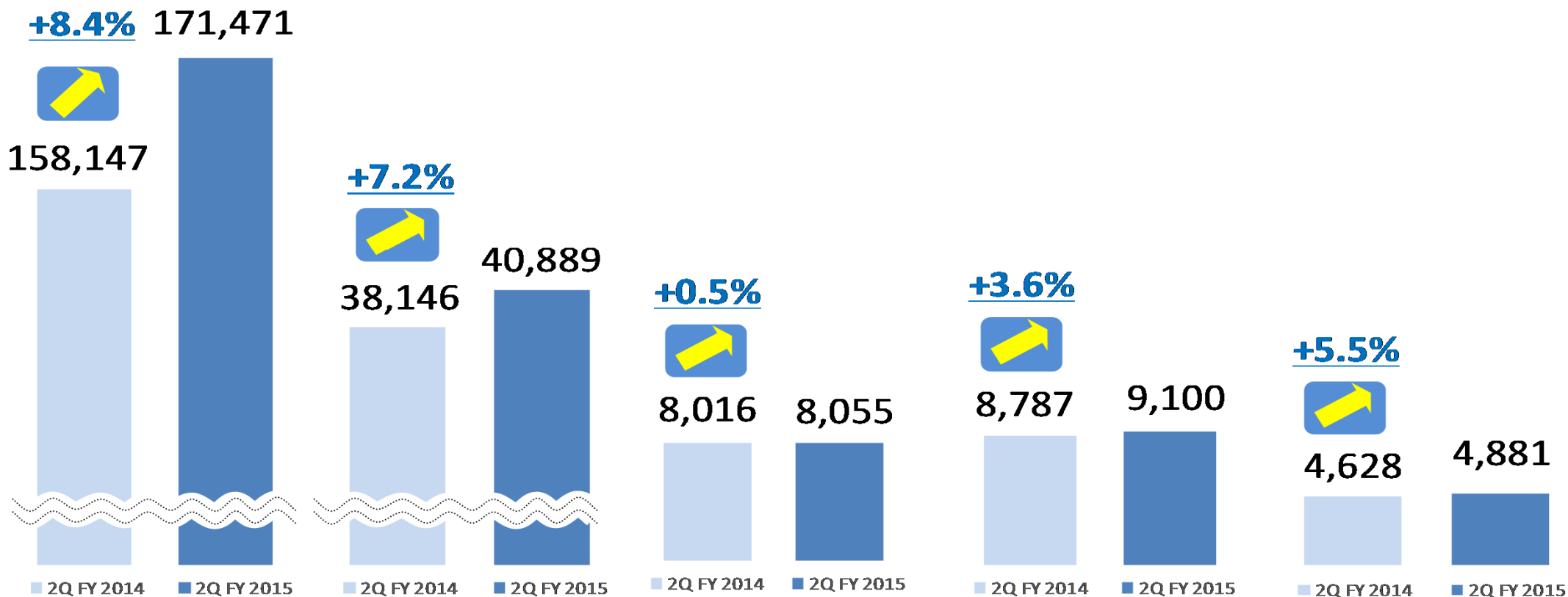
Net Sales

Gross Profit

Operating Income

Ordinary Income

Net Income

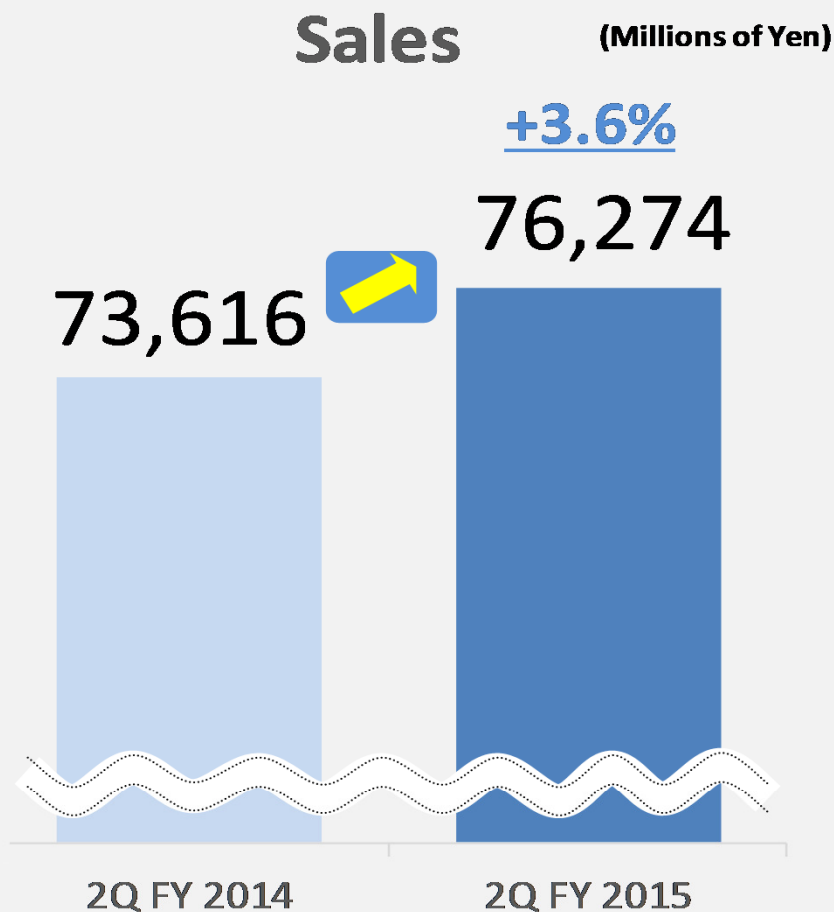


(Millions of Yen)

(Millions of Yen)	2Q FY 2015	Business Plan	Gap	Achievement Ratio
Net Sales	171,471	174,100	▲ 2,628	98.5%
Gross Profit	40,889	44,400	▲ 3,510	92.1%
Operating Income	8,055	11,500	▲ 3,444	70.0%
Ordinary Income	9,100	12,500	▲ 3,399	72.8%
Net Income	4,881	6,500	▲ 1,618	75.1%

Net Sales by Services

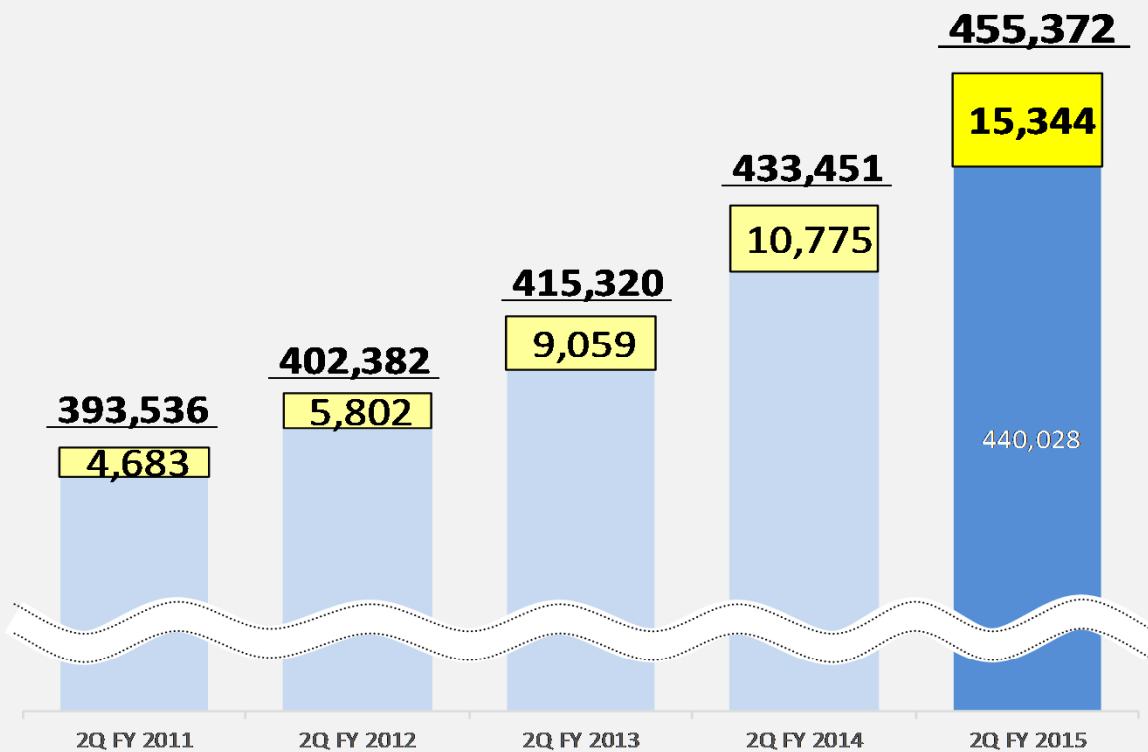
(Millions of Yen)	2Q FY 2015	2Q FY 2014	YoY	Change
Security Services	145,004	136,945	8,059	5.9%
Electronic Security Services	76,274	73,616	2,658	3.6%
Stationed Security Services	42,875	37,963	4,912	12.9%
Transportation Security Services	25,854	25,365	489	1.9%
Total Building Management Services and Disaster Prevention Services	26,467	21,202	5,265	24.8%
Total	171,471	158,147	13,324	8.4%



Contract Sales	YoY Ratio	+2.3%
Construction Sales	YoY Ratio	+2.8%
Equipment Sales	YoY Ratio	+11.3%

- Net increase in contracts growing steadily
- Strong earnings of surveillance camera and access management systems

Increase in Contracts of Electronic Security Services
【Corporate Clients】



[Net Increase : 15,344]

(YoY +4,569 +42.2%)

Newly booked contracts:

Increased from 2Q FY 2014

Cancellations:

Increased from 2Q FY 2014

Newly booked contract price:

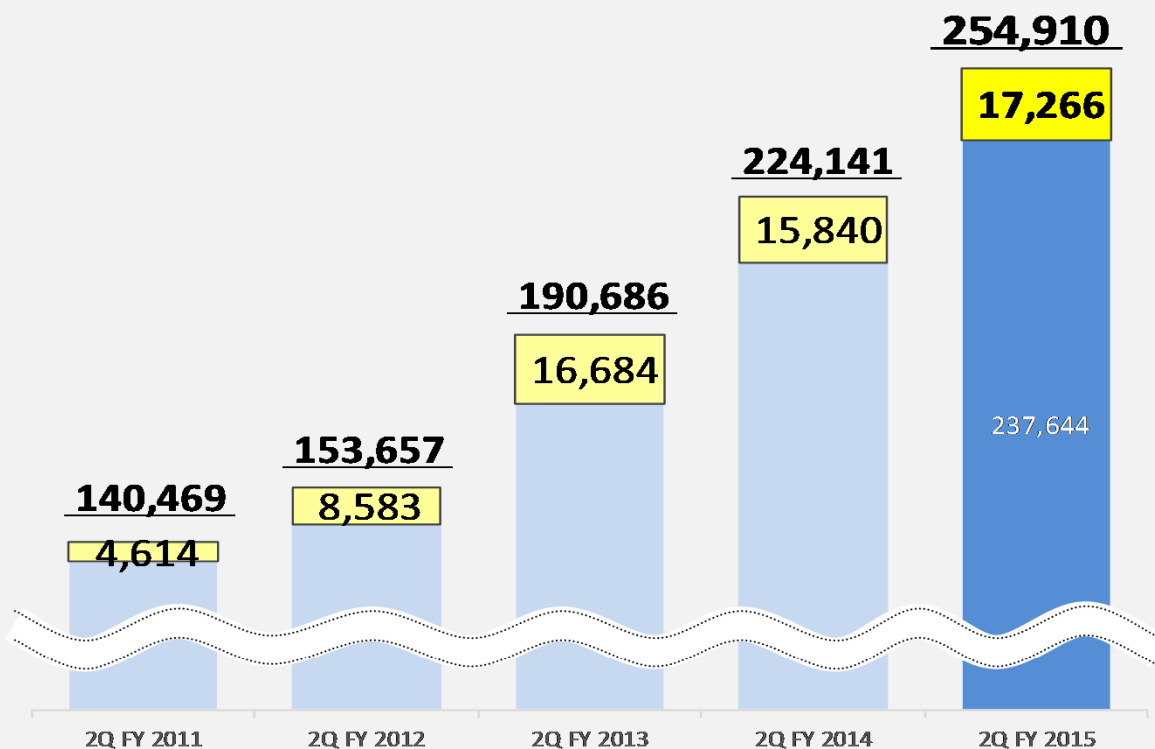
Increased from 2Q FY 2014

Average

Decreased from 2Q FY 2014

Contract Price:

Increase in Contracts of Electronic Security Services
【Individual Clients】



[Net Increase : **17,266**]

(YoY **+1,426** **+9.0%**)

Newly booked contracts:

Increased from 2Q FY 2014

Cancellations:

Increased from 2Q FY 2014

Newly booked contract price:

Decreased from 2Q FY 2014

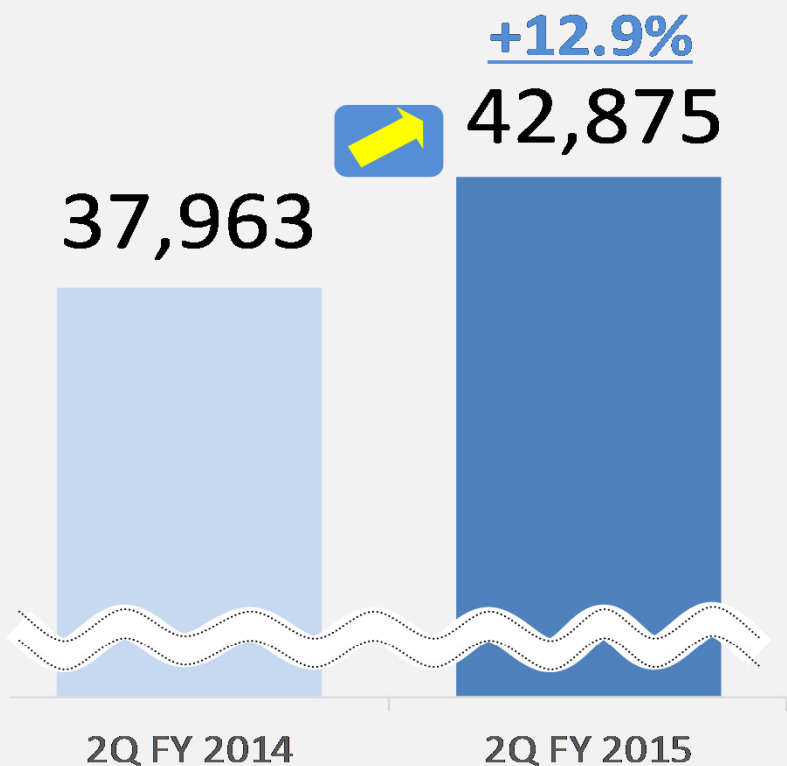
Average

Decreased from 2Q FY 2014

Contract Price:

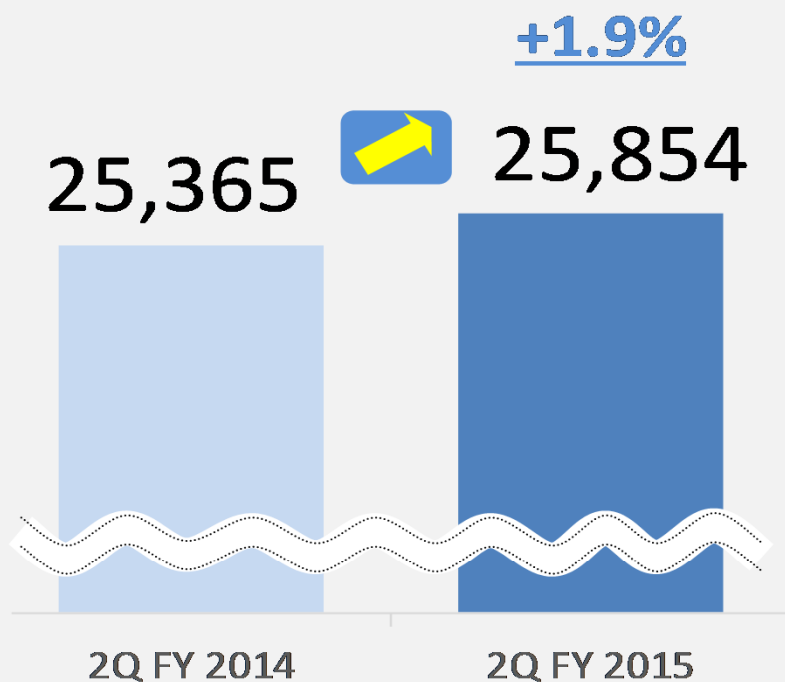
Decreased from 2Q FY 2014

Sales (Millions of Yen)



- **Attributable to large-scale contracts**
Buildings and factories in redevelopment districts
- **Increase in temporary security service contracts**
New contracts with public sector

Sales (Millions of Yen)



Total ATM Management System

:Net Increase 1,809

- Increased contract with major banks
- Increased contract with major convenience store chain

Cash Deposit Machine On-line System

:Net Increase 799

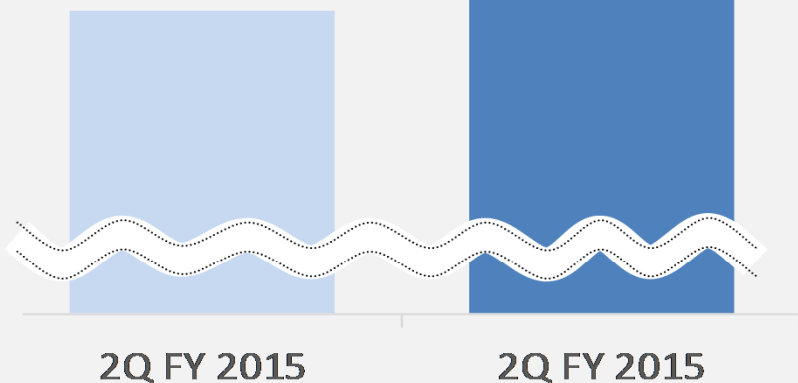
- Increased contract with restaurants, automobile dealers and carrier business

Sales (Millions of Yen)

+24.8%

 **26,467**

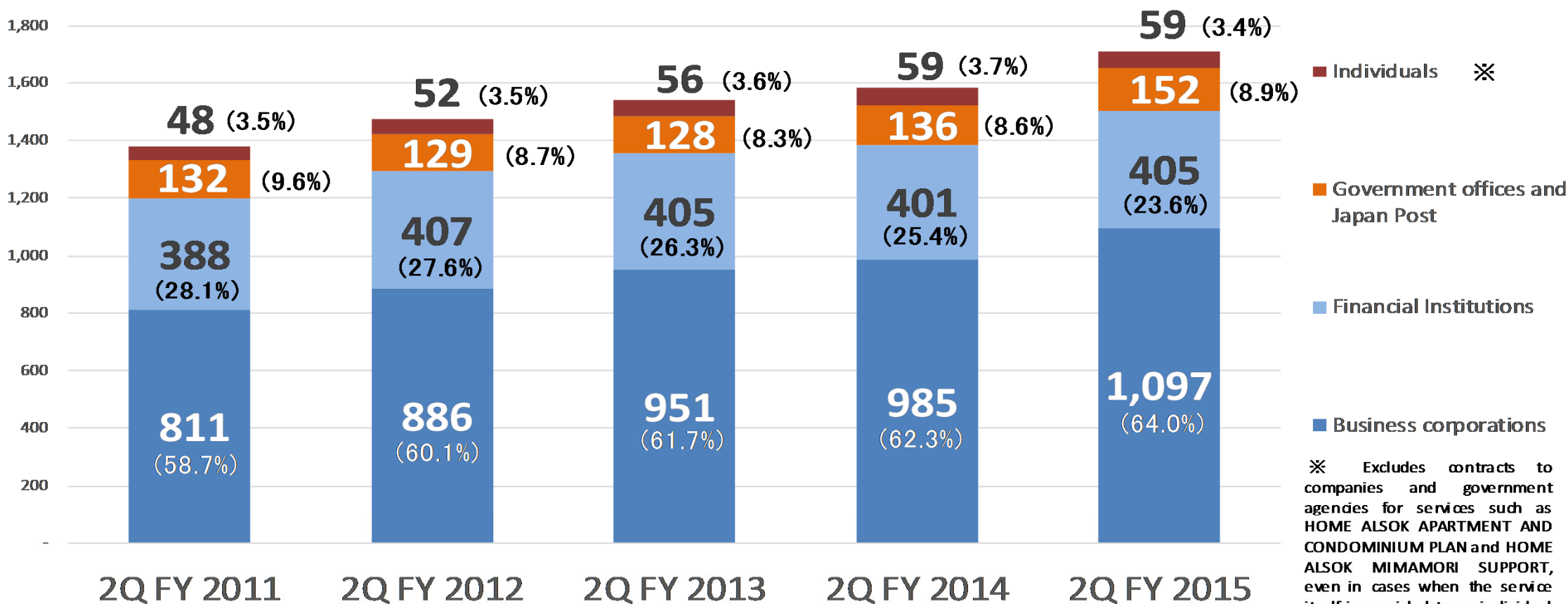
21,202



- Significant increase in sales by
2 acquired companies
- Strong sales for AEDs
- ALSOK Safety confirmation service
Net Increase : 179
- ALSOK DENPO (Telegram Service)
Number of contract : 21,411

() Sales Composition

(Billions of Yen)



Analysis of the Profit and Loss

(Billions of Yen)	2Q FY 2015	YoY Amount	Change
Net sales	1,714	133	+8.4%
Cost of sales	1,305	105	+8.8%
Labor cost	665	60	+10.1%
Expense	359	32	+10.0%
Depreciation	46	9	+24.2%
Cost of product sold & installation	234	3	+1.4%
SG&A	328	27	+9.0%
Advertising expenses	10	0.5	+5.4%
Personnel cost	225	19	+9.7%
Others	84	5	+7.0%
Depreciation	7	1	+15.8%
Operating income	80	0.3	+0.5%

Consolidated Balance Sheet

(Millions of Yen)

	2Q FY 2015	FY 2014	YoY		2Q FY 2015	FY 2014	YoY
Current assets	1,758	1,994	▲ 236	Current liabilities	903	1,143	▲ 239
Cash and deposits	418	431	▲ 13	Accounts payable-trade	141	177	▲ 35
Cash for transportation Security	804	1,045	▲ 241	Short-term loans	388	596	▲ 208
Services and Advances paid				Other	373	368	4
Accounts receivable-trade	337	334	2				
Raw materials and supplies	48	43	4	Noncurrent liabilities	375	479	▲ 103
Prepaid expenses	24	21	2	Long-term loans payable	27	39	▲ 12
Other	125	118	7	Lease obligations	55	55	
				Provision for retirement benefits	239	335	▲ 96
Noncurrent assets	1,426	1,430	▲ 4	Other	53	49	4
Property, plant and equipment	687	682	5	Total liabilities	1,279	1,622	▲ 343
Intangible assets	70	61	9	Shareholders' equity	1,726	1,637	88
Other investments	667	686	▲ 19	Total valuation and translation	▲ 46	▲ 54	8
				Minority interests	224	219	5
				Total net assets	1,904	1,802	102
Total Assets	3,184	3,424	▲ 240	Total liabilities and net	3,184	3,424	▲ 240

Consolidated Cash Flows

(Millions of Yen)

	2Q FY 2015	2Q FY 2014	YoY
Net cash provided by (used in) operating activities	2,693	1,988	705
Net cash provided by (used in) investing activities	▲ 6,887	▲ 6,637	▲ 249
Net cash provided by (used in) financing activities	1,695	▲ 3,903	5,598
Cash and cash equivalents at end of period	33,294	32,016	1,278

Major items of FY 2015

● Net cash provided by (used in) operating activities	Income before income tax	9,087
	Depreciation and amortization	5,463
	Increase in notes and accounts payable-trade	▲ 7,181
	Increase in Net defined benefit asset	▲ 793
	Assets/Liabilities for TSS	▲ 3,563
● Net cash provided by (used in) investing activities	Purchase of property, plant and equipment	▲ 4,676
	Purchase of investment in subsidiaries	▲ 1,608
● Net cash provided by (used in) financing activities	Net increase in short-term loans payable	6,440
	Repayment of long-term loans payable	▲ 1,632
	Cash dividends paid	▲ 1,759

Capital expenditures		(Millions of Yen)
2Q FY 2013	2Q FY 2014	2Q FY 2015
5,527	6,653	5,206

Depreciation		(Millions of Yen)
2Q FY 2013	2Q FY 2014	2Q FY 2015
5,690	4,444	5,463

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1 Increase in Sales of HOME ALSOK

Home Security

Strong sales in APARTMENT AND CONDOMINIUM PLAN

Service for autonomous community

Good progress in emergency alert system for the elderly

Approach for long-term care business

Besides the expansion of ALSOK CARE, 2 long-term care business companies have been acquired

Other services

Crime prevention seminar for women have launched along with ALSOK HOTTO LIFE

(Crime prevention seminar for the elderly)

2 New Service

- ALSOK Facility Management Support May 2014
- Self security “HOME ALSOK ALBO eye”
(Web camera with sensor) September 2014
- Checkup for solar panel utilized by flying robot October 2014

3 Promotion of M&A and Alliance

- **【August 2014】** Alliance with Sompo Japan Nipponkoa Group
High value added for automobile insurance
Collaboration of long-term care business to correspond for low birth rate and longevity

- **【September 2014】** ANTEI CARE acquisition of stock

Long term care business

Attendent service base 1

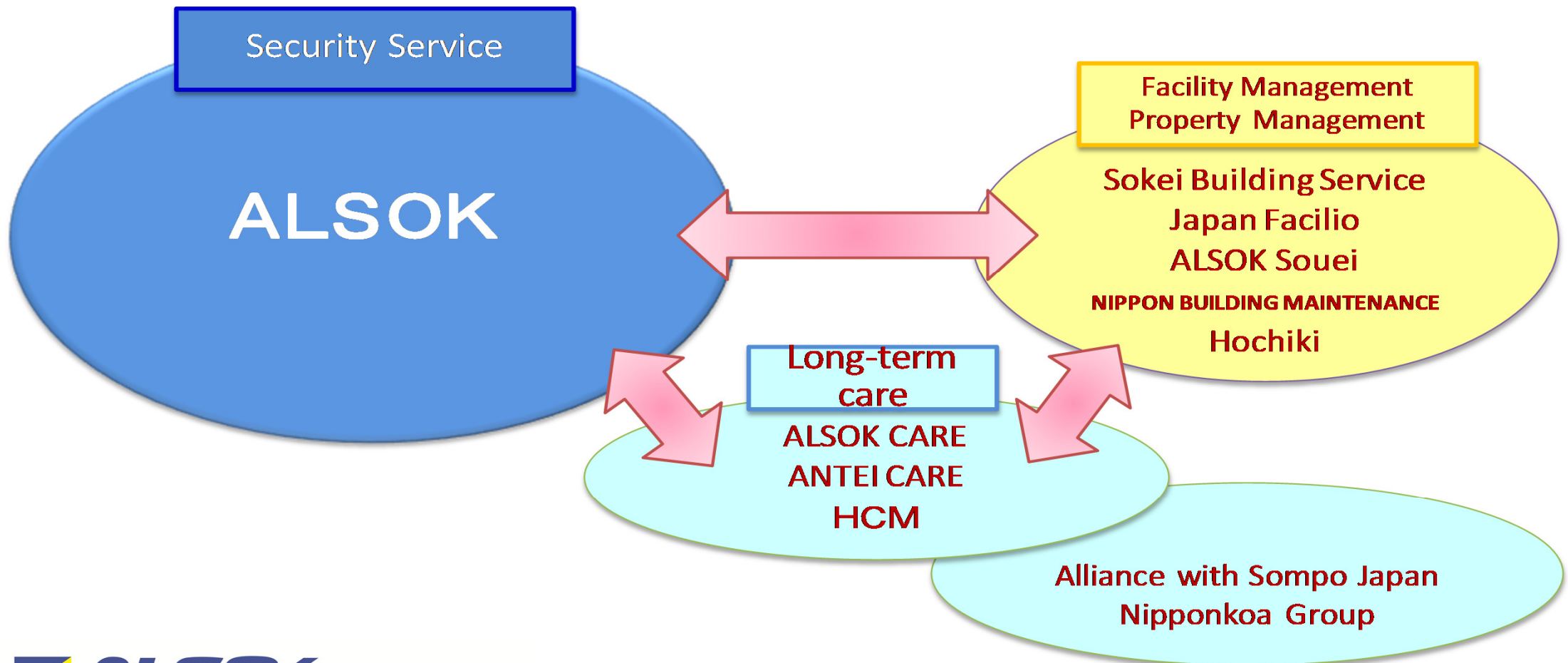
- **【October 2014】** HCM Corporation acquisition of stock

Long term care business

Attendent service base 74 Day care center 2

Residential care home 5 Other services 12

4 Expansion of Business



5 Overseas Operations

ALSOK Thailand
Launched the service of ALSOK G-V
(October 2014)

ALSOK Consulting(Thailand)
Myanmar Branch
(November 2014)

ALSOK India

ALSOK Vietnam

ALSOK MALAYSIA



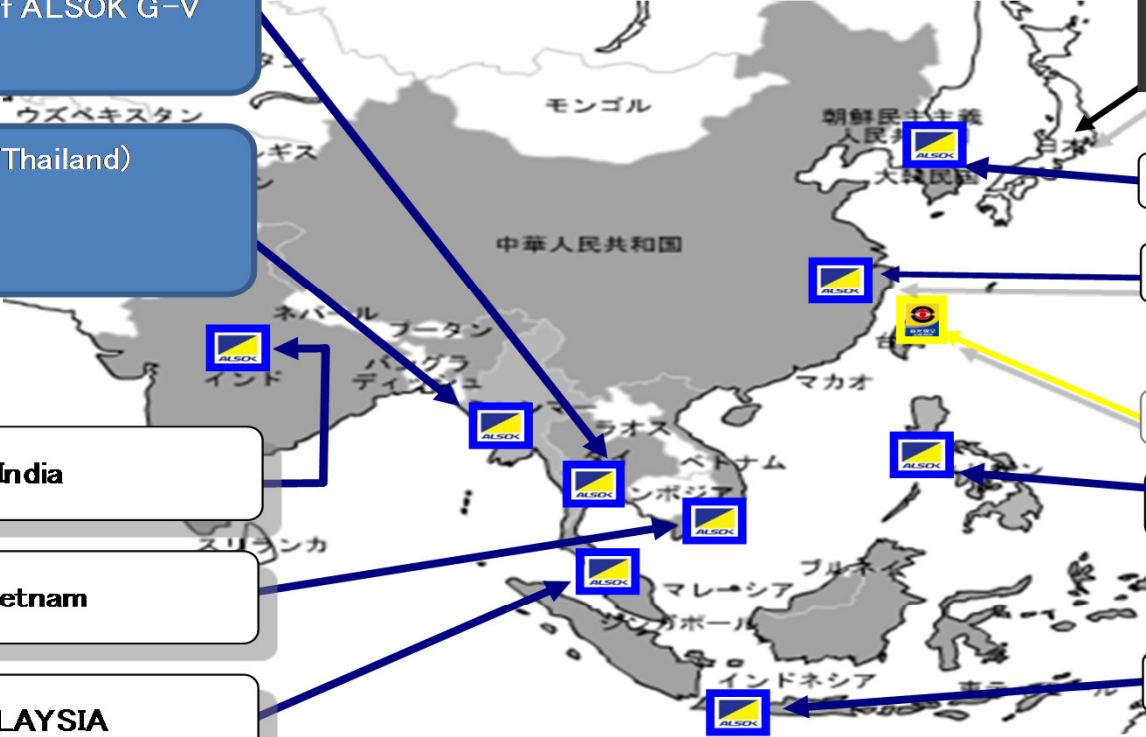
Seoul Representative Office

ALSOK Shanghai

TAIWAN SHIN KONG SECURITY

Manila Representative Office

ALSOK INDONESIA



6 Revision of Cost Structure

【Field Division】

Improvement in productivity

- Multitasking of security guards
- Reorganization of areas in operation
- Intensification of staffs in security service division

【Administrative Division】

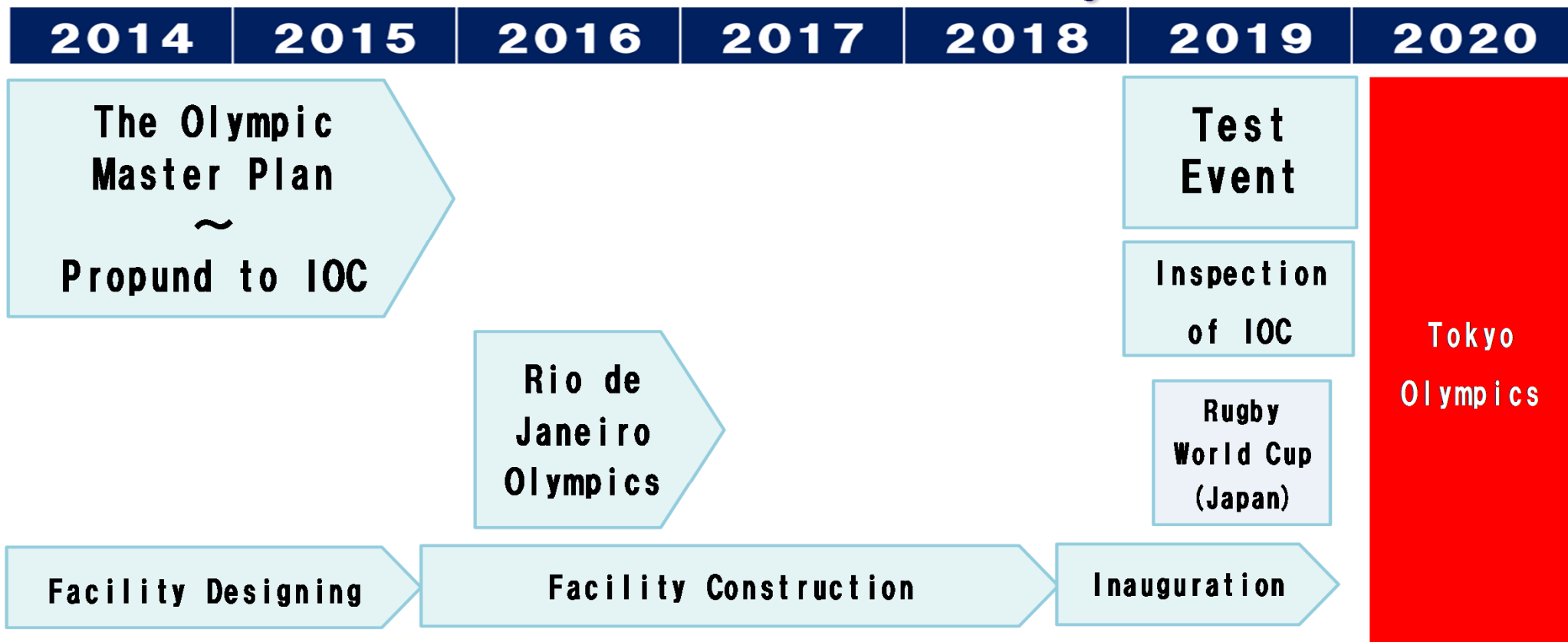
Implementing intensification of administrative division

Due to the reason above, streamlining of back work come to fruition

Aim for the improvement of profit

7 Preparation for 2020 Summer Olympic and Paralympic Games

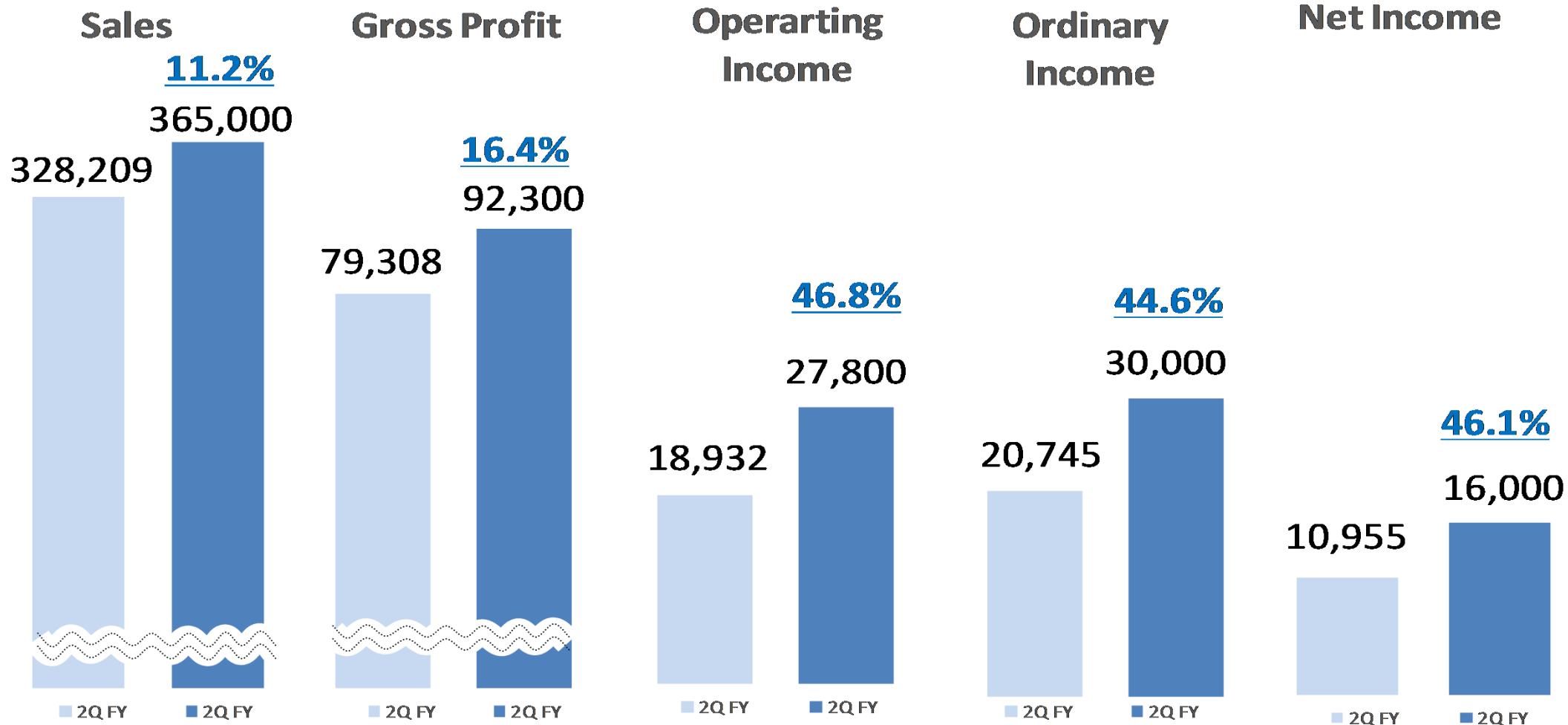
Formulation of the method for new security



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(Millions of Yen)

Dividends

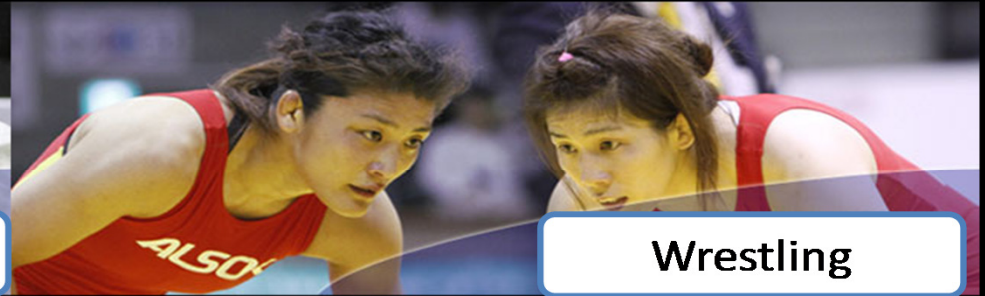
	FY 2012	FY 2013	FY 2014	FY 2015 (Plan)
Dividends per share (Yen)	20 (10)	25 (11) Interim (14) Year-end	30 (12.5) Interim (17.5) Year-end	35 (17.5)
Payout Ratio	51.5%	29.3%	27.5%	22.0%

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

Sports Support



Judo



Wrestling



Track and Field



Weight Lifting

To be launched on April 2015

Shooting

ALways Security OK
ALSOK

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.

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