

Financial Results for FY2016

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

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Contents

Section 1	Financial Results for FY2016	2
Section 2	Business Plan for FY2017	20
Section 3	Priority Measures	23

Section 1	Financial Results for FY2016
Section 2	Business Plan for FY2017
Section 3	Priority Measures

1 Increase in sales and profit for six consecutive years

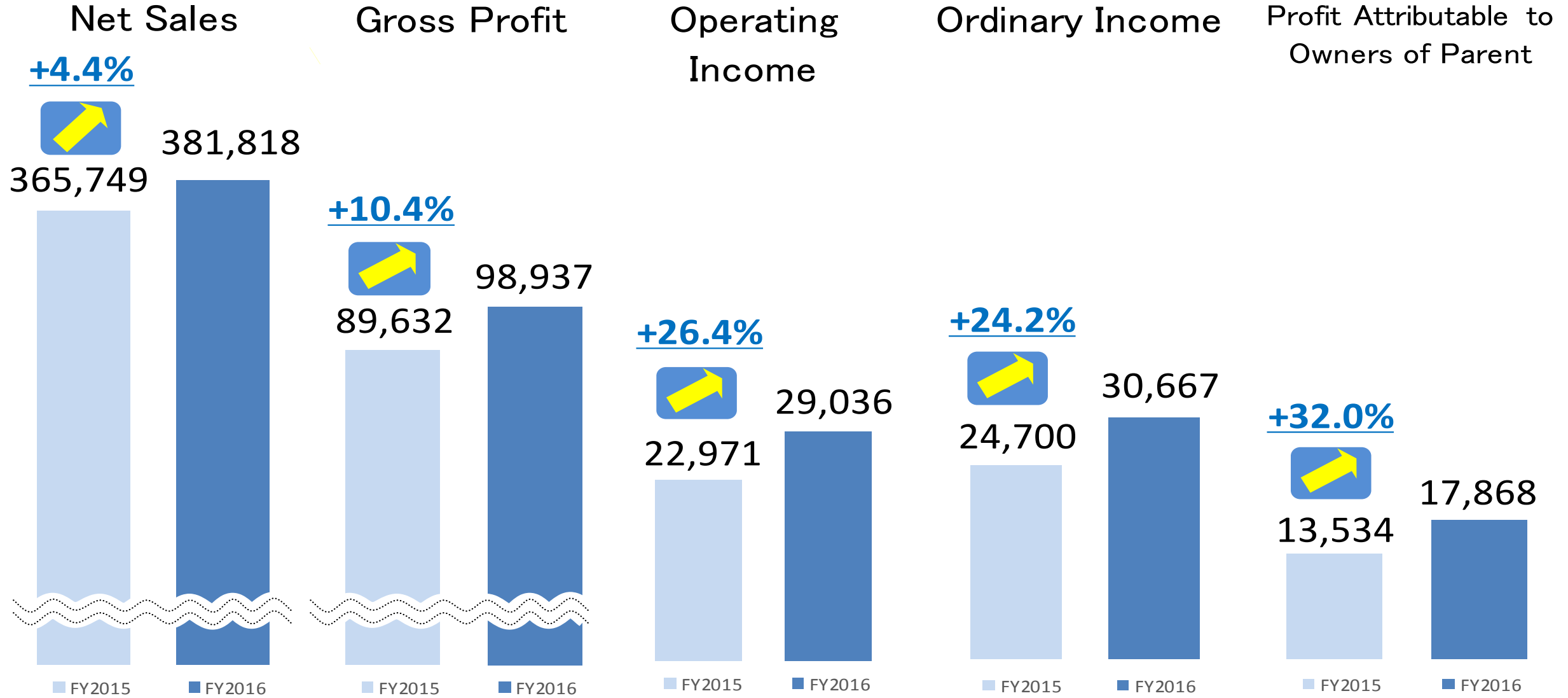
- Achieved record high, both in sales and income, ordinary income grew in double-figures for four consecutive years

2 Strong performance in our mainstay Security Services Segment

- Steady growth in Electronic Security Services, Stationed Security Services and Transportation Security Services

3 Significant improvement in profit ratio

- Made a big improvement in ordinary income ratio, which resulted in 8.0%



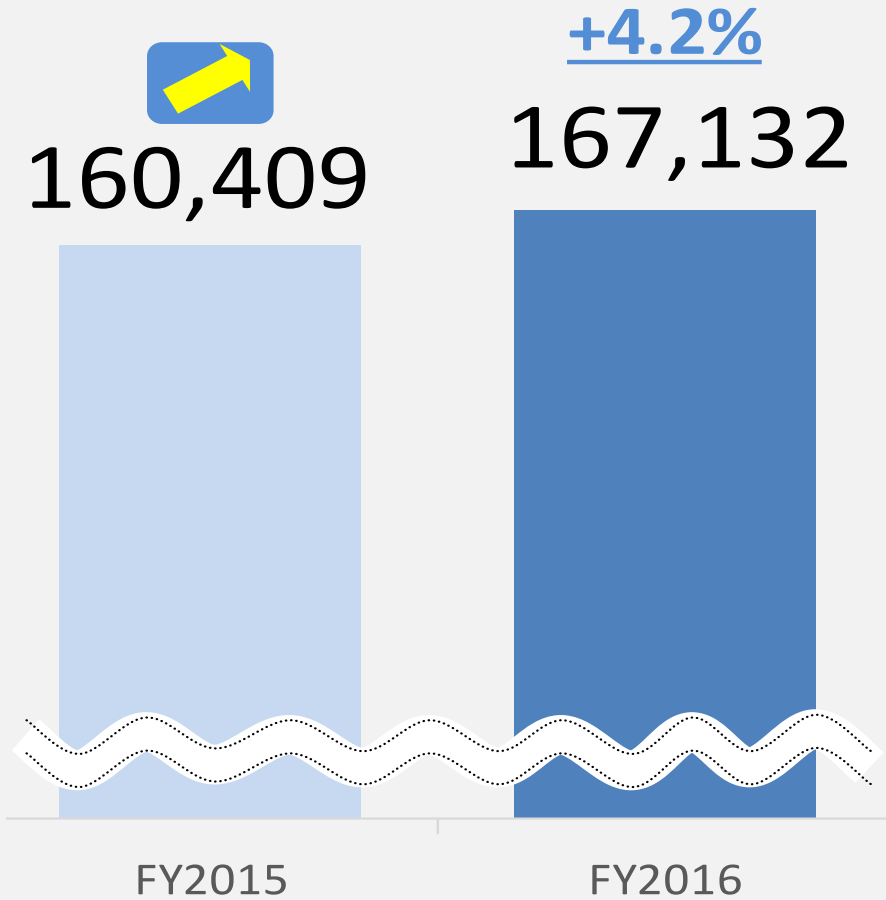
(Millions of Yen)

(Millions of Yen)	FY2016	FY2016 Business Plan	Gap	Achievement Ratio
Net Sales	381,818	405,000	(23,181)	94.3%
Gross Profit	98,937	99,800	(862)	99.1%
Operating Income	29,036	29,400	(363)	98.8%
Ordinary Income	30,667	31,000	(332)	98.9%
Profit Attributable to Owners of Parent	17,868	17,000	868	105.1%

Net sales by Services

(Millions of Yen)	FY2016	FY2015	Y o Y	Change
Security Services	315,730	301,166	14,564	4.8%
Electronic Security Services	167,132	160,409	6,723	4.2%
Stationed Security Services	93,904	88,429	5,475	6.2%
Transportation Security Services	54,694	52,328	2,365	4.5%
General Property Management and Fire Protection Services	54,976	58,309	(3,332)	(5.7%)
Long Term Care and Other Services	11,110	6,273	4,836	77.1%
Total	381,818	365,749	16,068	4.4%

Sales (Millions of Yen)

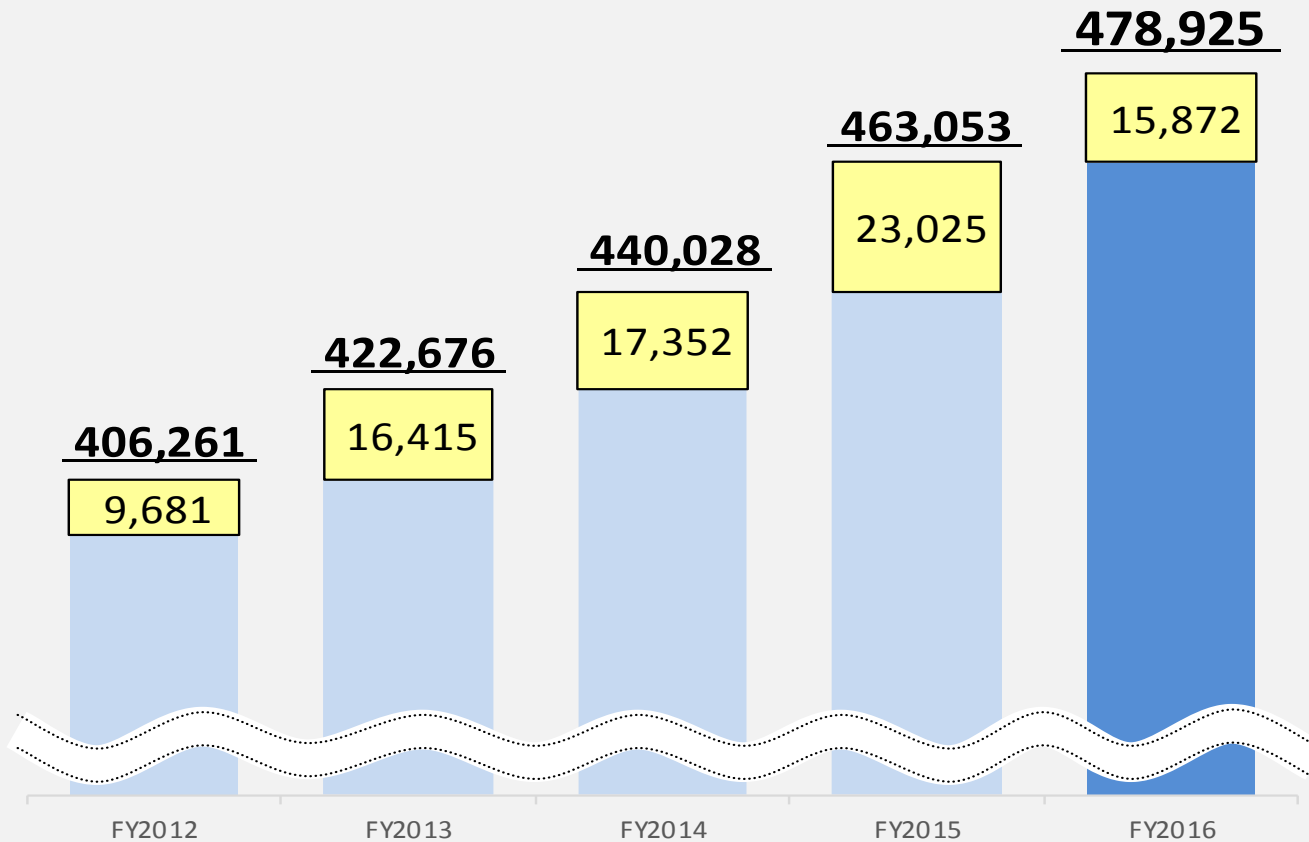


Contract Sales	Y o Y ratio	+3.3%
Construction Sales	Y o Y ratio	+9.6%
Equipment Sales	Y o Y ratio	+7.3%

- Steady growth in electronic security contracts
- Favorable growth in sales of equipment compared with the previous fiscal year

+4.2% Y o Y

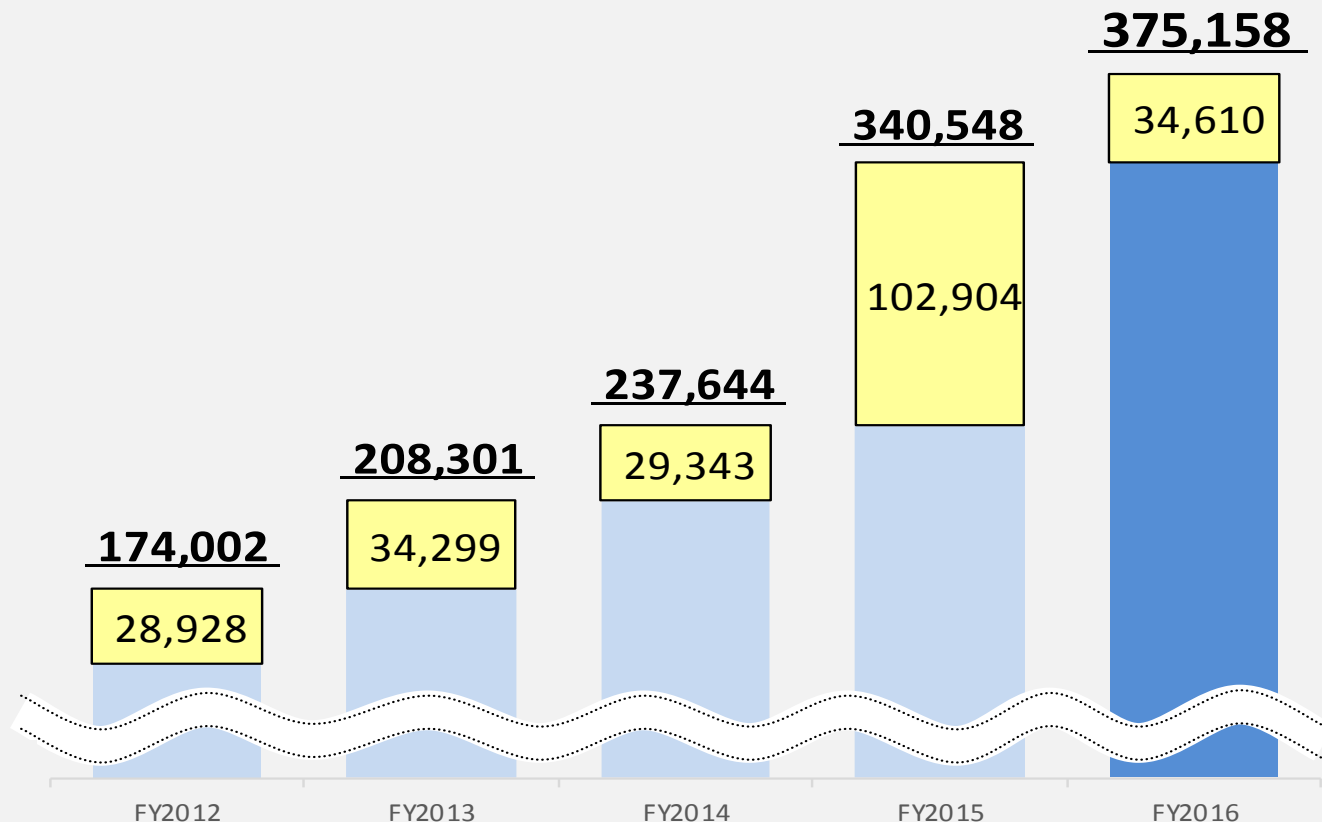
Increase in Contracts of Electronic Security Services
【Corporate Clients】



Total number of contracts **478,925**
(Y o Y **+3.4%**)

Newly booked contracts : **Decreased from FY2015**
Cancellations : **Increased from FY2015**
Newly booked contract price : **Increased from FY2015**
Average contract price : **Decreased from FY2015**

Increase in Contracts of Electronic Security Services
【Individual Clients】



Total number of contracts **375,158**
(Y o Y **+10.2%**)

Newly booked contracts : **Decreased from FY2015**

Cancellations : **Increased from FY2015**

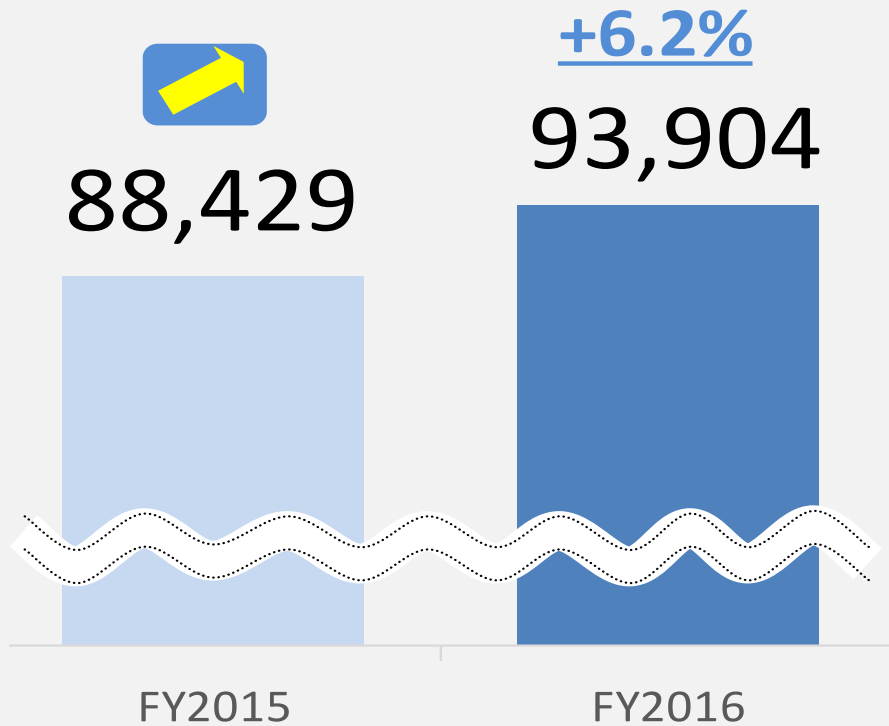
Newly booked contract price : **Decreased from FY2015**

Average contract price : **Decreased from FY2015**

※ Including the number of houses from complex housing, the total number of contracts count up to approximately 920,000 houses.

Sales

(Millions of Yen)



- Attributable to long-term Contracts

Large-scale commercial facilities, financial institutions

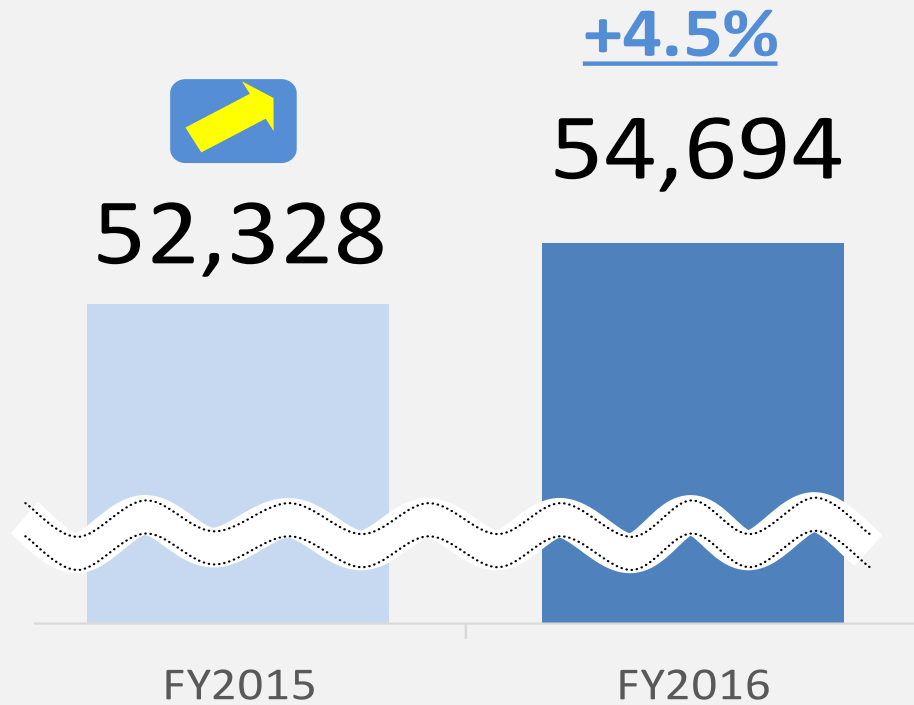
- Strong performance in temporary security service contracts

New contracts with enterprises and public events

+6.2% YoY

Sales

(Millions of Yen)



- Total ATM Management System

[Administrative units : approx.60,300]

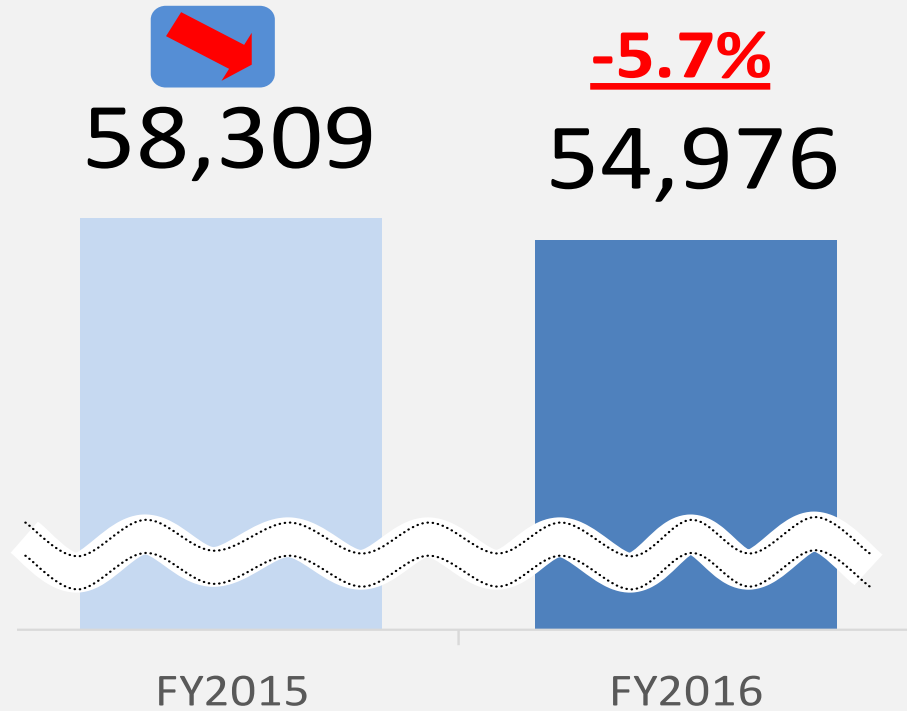
Increased needs of outsourcing from megabanks

- Cash Deposit Machine On-line System

[Units in operation : approx.18,000]

+4.5% Y o Y

Sales (Millions of Yen)

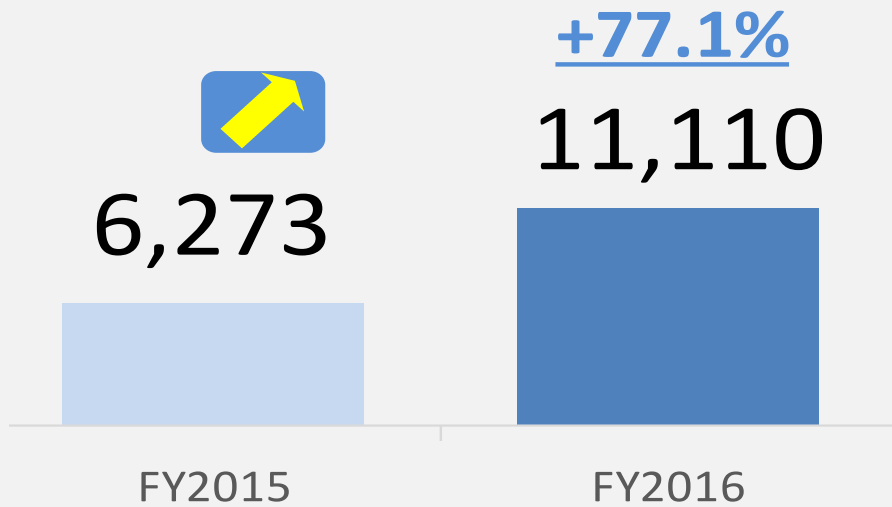


- Strong performance in building management and fire protection
- Total number of AED units sold: approx. 117,000
- Retroaction of large-scale construction from the previous fiscal year

-5.7% Y o Y

Sales

(Millions of Yen)

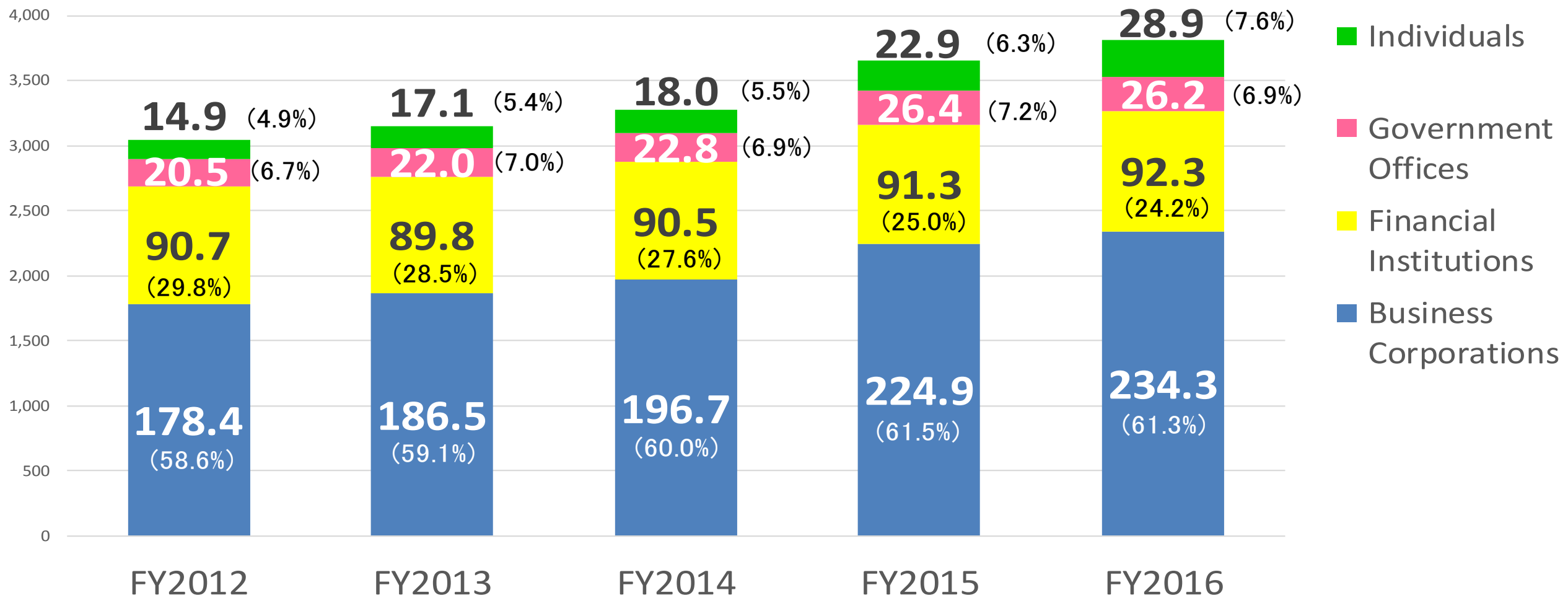


- Expansion of sales by HCM and ALSOK Care & Support

+77.1% Y o Y

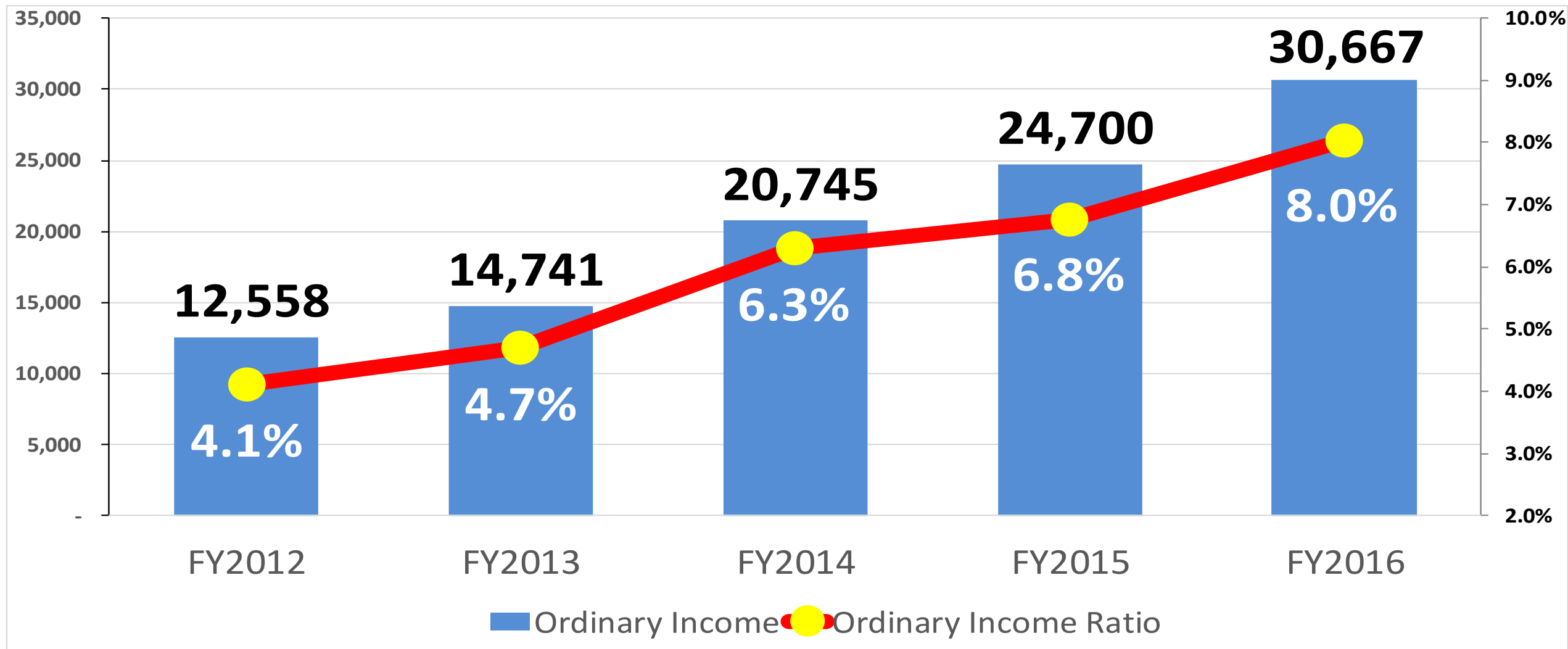
() Sales Composition

(Billions of Yen)



(Millions of Yen)	FY2016	FY2015	Y o Y	Change
Net Sales	381,818	365,749	16,068	4.4%
Cost of Sales	282,880	276,116	6,763	2.4%
Labor Cost	138,966	134,988	3,978	2.9%
Expense	78,710	73,824	4,885	6.6%
Depreciation	10,471	9,754	716	7.3%
Cost of product sold & installation	54,732	57,549	(2,816)	(4.9%)
SG&A	69,901	66,660	3,240	4.9%
Advertising expense	2,309	1,929	380	19.7%
Personnel cost	47,025	45,725	1,299	2.8%
Others	18,927	17,428	1,498	8.6%
Depreciation	1,638	1,577	61	3.9%
Operating income	29,036	22,971	6,065	26.4%

(Millions of Yen)



Consolidated Balance Sheet

(Millions of Yen)

	FY2016	FY2015	Y o Y		FY2016	FY2015	Y o Y
<u>Current assets</u>	188,013	210,445	(22,432)	<u>Current liabilities</u>	87,222	130,464	(43,242)
Cash and Deposits	42,750	46,113	(3,363)	Notes and accounts payable	22,602	23,946	(1,343)
Cash for Transportation Security	73,142	96,760	(23,617)	Short-term loans payable	23,738	62,997	(39,258)
Services and advances paid				Other	40,880	43,521	(2,640)
Notes and accounts receivable	45,643	44,020	1,623				
Raw materials and supplies	6,150	4,759	1,391	<u>Noncurrent liabilities</u>	56,717	39,035	17,681
Advances paid	6,030	6,301	(271)	Long-term loans payable	11,928	1,915	10,013
Other	14,296	12,490	1,805	Net defined benefit liability	31,210	25,484	5,725
				Other	13,578	11,635	1,942
<u>Noncurrent assets</u>	161,548	163,418	(1,869)	Total liabilities	143,939	169,500	(25,560)
Property, plant and equipment	77,340	71,704	5,635	Shareholders' equity	193,352	179,557	13,794
Intangible assets	15,394	16,853	(1,459)	Total valuation and	(11,912)	1,389	(13,302)
Investments and other assets	68,813	74,859	(6,045)	translation adjustments			
				Non-controlling interests	24,182	23,415	766
				Total net assets	205,622	204,363	1,258
Total assets	349,561	373,863	(24,301)	Total liabilities and net assets	349,561	373,863	(24,301)

Consolidated Cash Flows

(Millions of Yen)

	FY2016	FY2015	Y o Y
Net cash provided by (used in) operating activities	19,678	19,666	11
Net cash provided by (used in) investing activities	(12,808)	(24,295)	11,486
Net cash provided by (used in) financing activities	(9,176)	6,596	(15,773)
Cash and cash equivalents at end of period	35,630	37,976	(2,345)

Major items of FY2016

● Net cash provided by (used in) operating activities	Income before income tax	30,682
	Depreciation and amortization	12,109
	Decrease (increase) in notes and accounts receivable	(1,640)
	Decrease (increase) in net defined benefit asset	(2,083)
	Assets/Liabilities for TSS	(3,538)
● Net cash provided by (used in) operating activities	Purchase of property, plant and equipment	(13,736)
	Purchase of investment securities	(2,692)
● Net cash provided by (used in) operating activities	Net increase (decrease) in short-term loans payable	(10,900)
	Proceeds from long-term loans payable	12,690
	Cash dividends paid	(4,071)

■ Capital expenditures

(Millions of Yen)

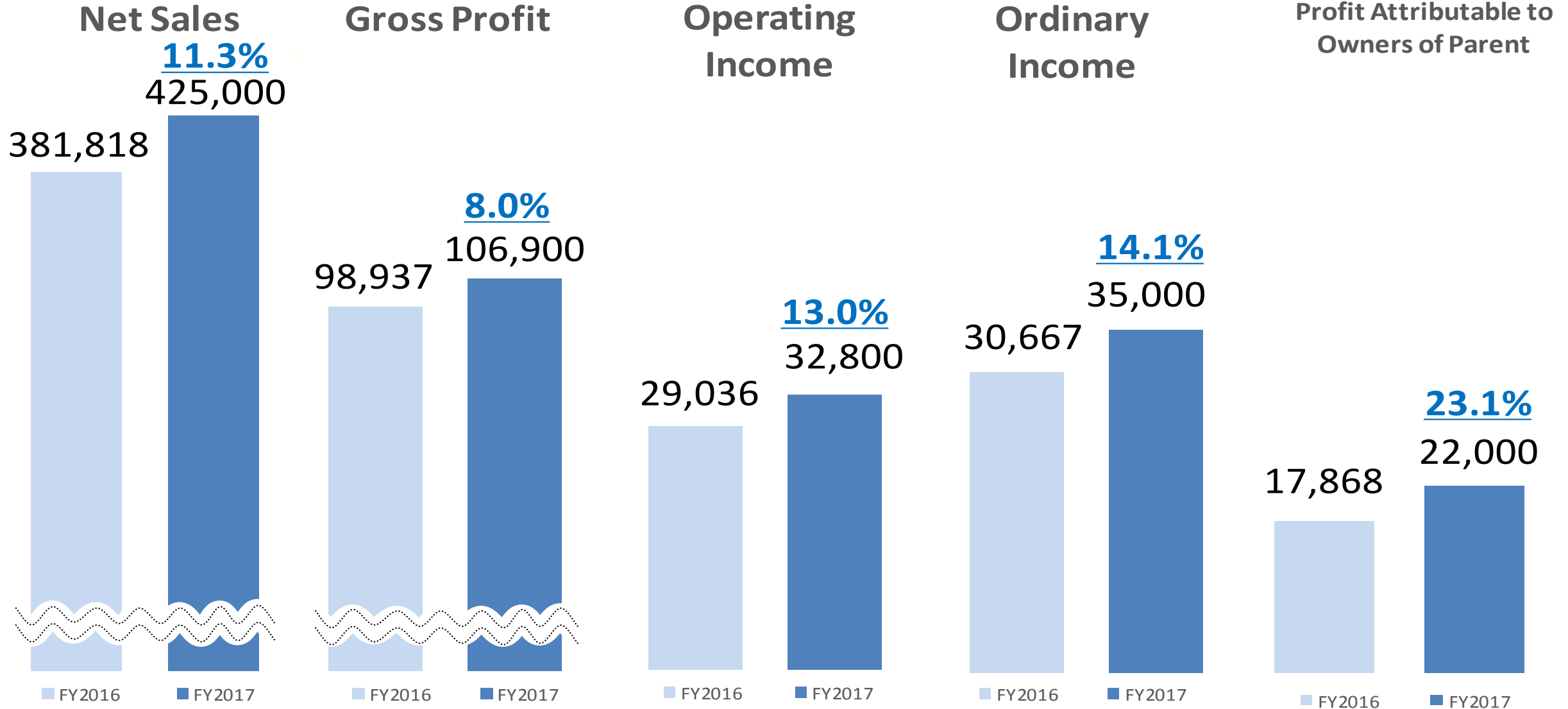
FY2014	FY2015	FY2016
19,617	13,627	14,875

■ Depreciation

(Millions of Yen)

FY2014	FY2015	FY2016
9,198	11,331	12,109

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(Millions of Yen)

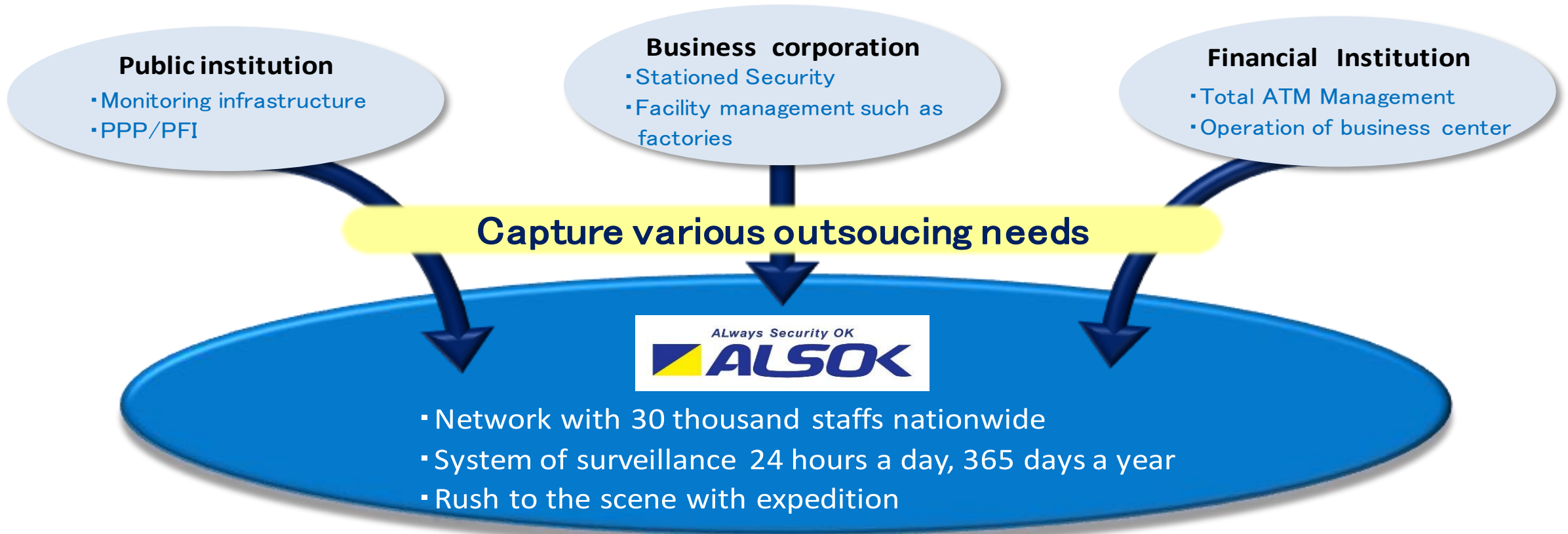
	FY2014	FY2015	FY2016	FY2017 (Forecast)
Dividends per share (Yen)	30 (12.5)Interim (17.5)Year-end	38 (17.5)Interim (17.5)Year-end (3.0)Special	50 (20.0)Interim (30.0)Year-end	55 (27.5)Interim (27.5)Year-end
Payout ratio	27.5%	28.2%	28.1%	25.1%

※() represent dividends per share

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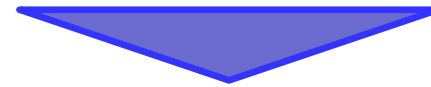
1 Correspondence to the expanding outsource needs

- Concentration to core business of private business and financial institutions in the situation of labor scarcity
- Increase in private consignment of monitoring infrastructure and facilities for public sector

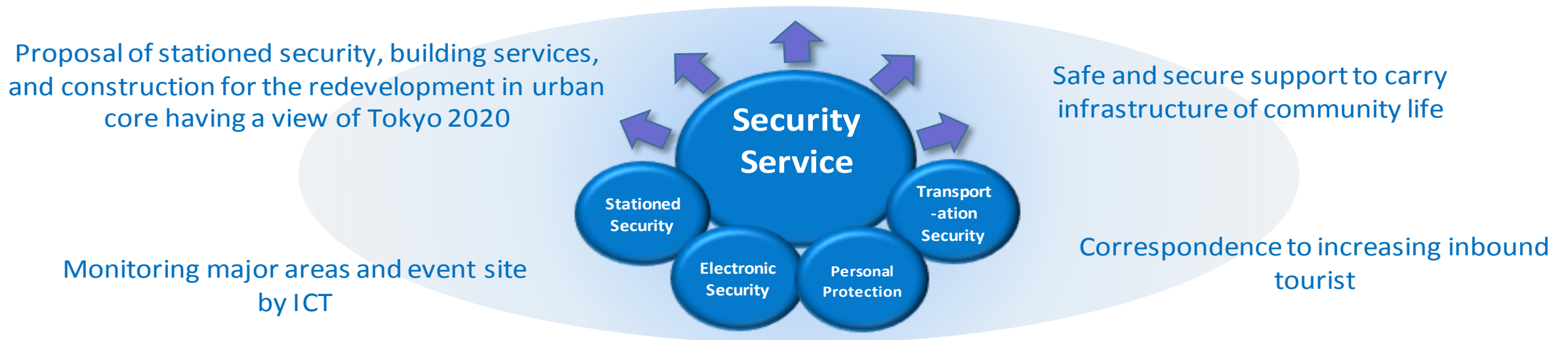


2 Correspondence to diversifying security needs

- Correspondence to international conferences and international events
- Correspondence to redevelopment in urban core having a view of Tokyo 2020
- Correspondence to inbound, support for social infrastructure, and disaster reconstruction assistance



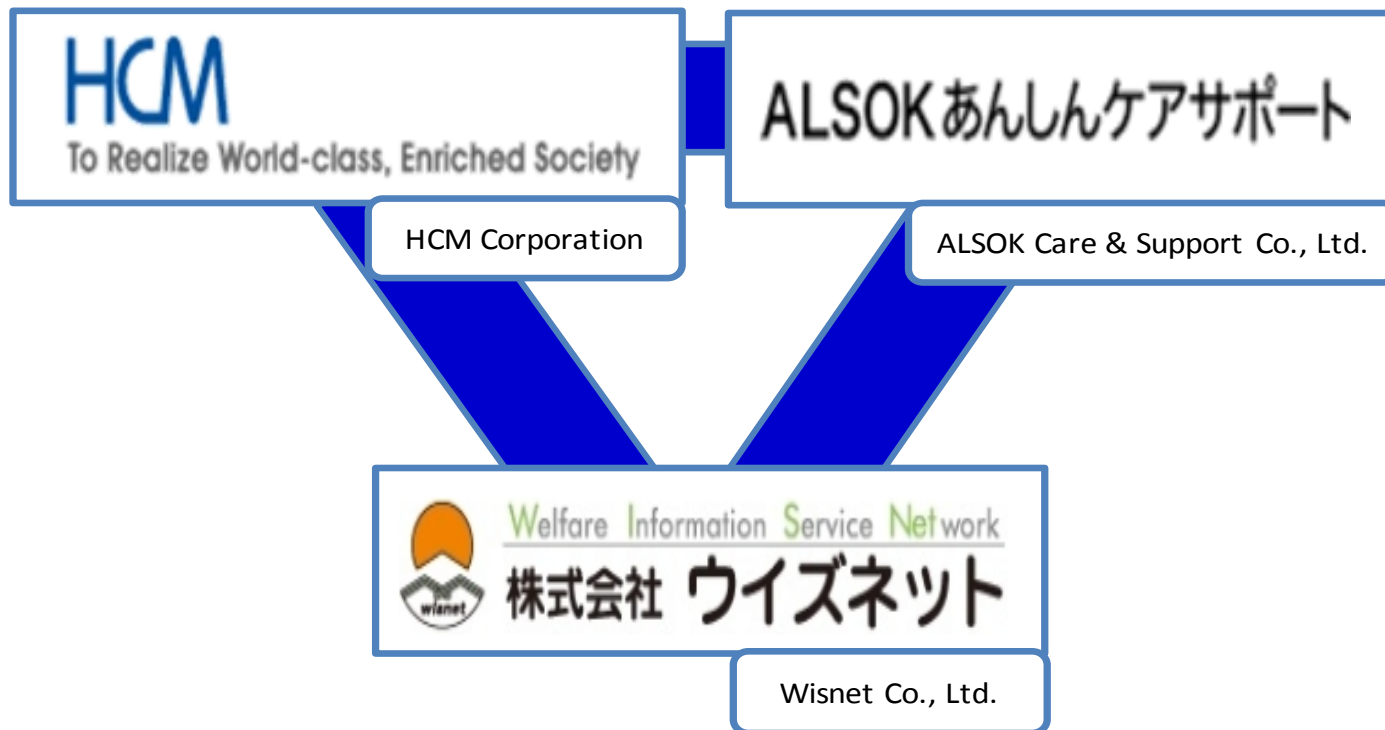
As calls have been growing louder for safety and security, service needs is getting more diverse



3 Enhancement of services for senior citizens (1)

3 companies of long-term care business ⇒

Enhancement of facility services and in-home services

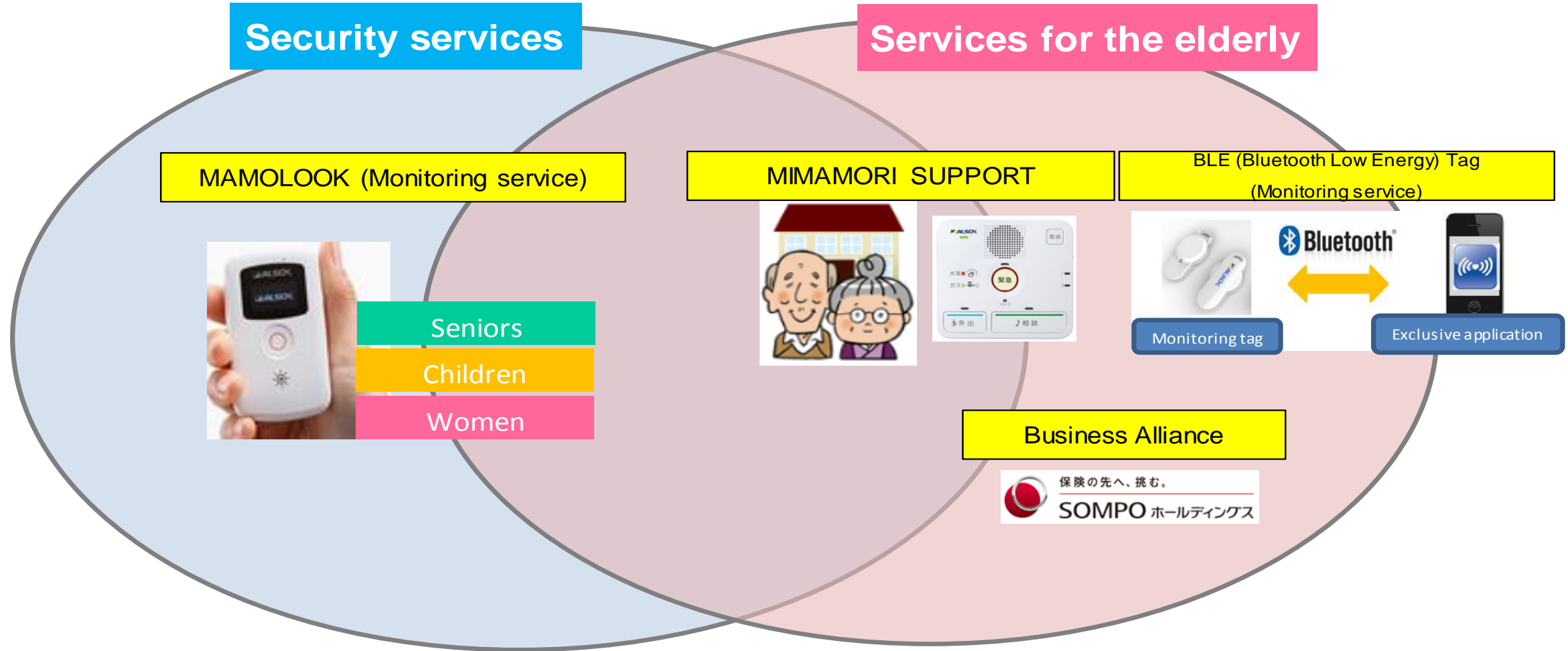


【ALSOK Long-term care business】

Net Sales	Slightly less than 30 Billion yen
Users	approx. 14,000 users
Facility	approx. 180 facilities
long-term care	
In-home	approx. 220 facilities
long-term care	
Others	approx. 30 facilities

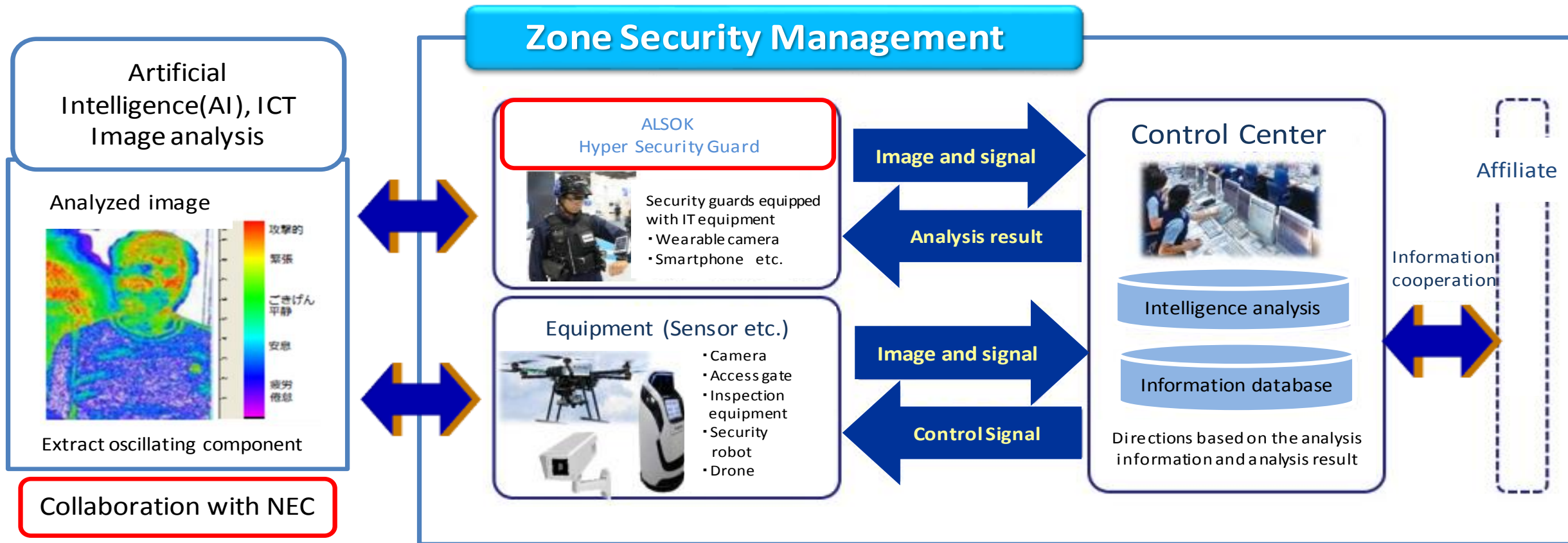
3 Enhancement of services for senior citizens (2)

Services for the elderly unique to security company



4 ICT for security operations ~movement toward Tokyo 2020 Olympic and Paralympic Games~

Example of utilizing ICT



5 Approach to cost reduction

■ Improvement of productivity by developing multifunctional human resources

- Expand the multitasking of security guards to group
- Amplification for the tasks of stationed security guards
- Nurture technician to all-around engineer

■ Reduction of overtime work by operational efficiency

【Ratio of personnel cost】 Plan to reduce 1.9 P in fiscal year ending March 2017

Sports Promotion



Wrestling



Judo



Track and Field



Weight Lifting



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.

