

Financial Results for FY2017

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

May 9, 2017



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Section 1	Financial Results for FY2017
Section 2	Business Plan for FY2018
Section 3	Priority Measures

1 Revenue growth for seven consecutive years/ Increase in profit for five consecutive years concerning net income

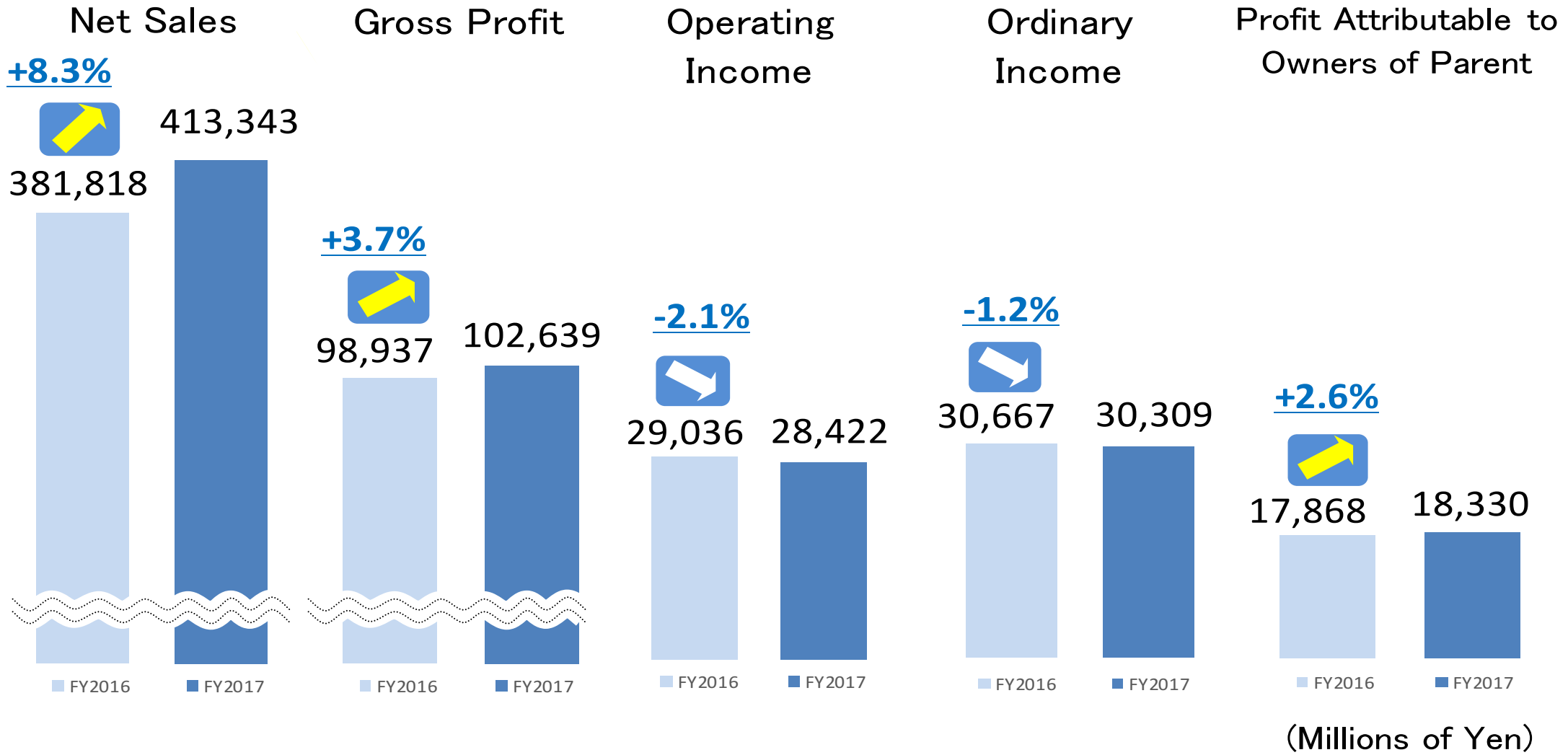
- Revenue growth for seven consecutive years in sales/
Marked 400 billion yen for the first time

2 Steady growth in long-term contract sales

- Strong sales in Station Security Services

3 Expansion of the Group dimension by M&A

- Subsidiary acquisition of Wisnet on May 2016
- Subsidiary acquisition of ALSOK SHOJITSU SECURITY SERVICE on February 2017



P/L for FY2017 (vs. Business Plan)

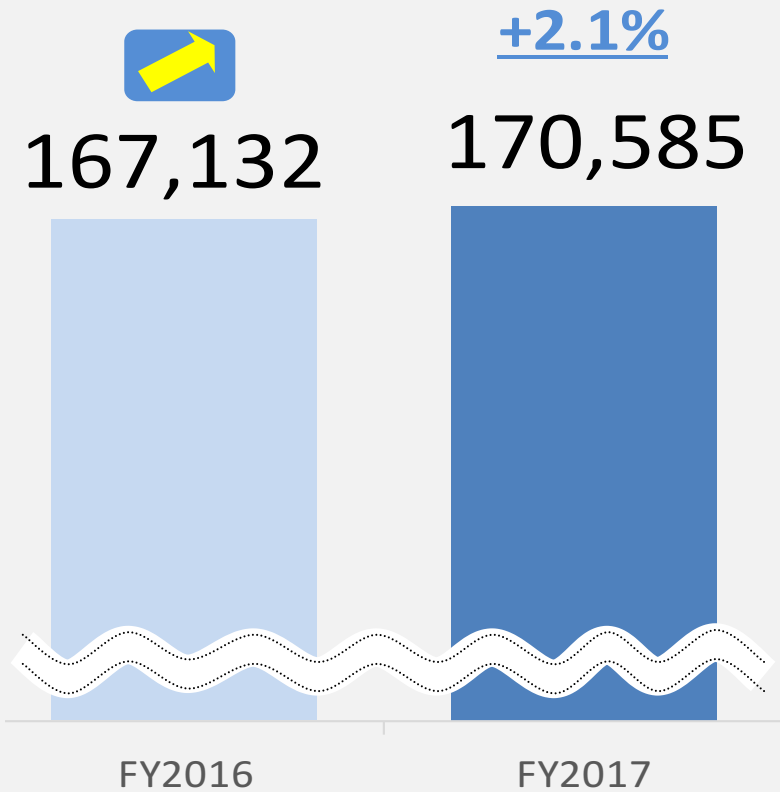
(Millions of Yen)	FY2017	FY2017 Business Plan	Gap	Achievement Ratio
Net Sales	413,343	425,000	(11,656)	97.3%
Gross Profit	102,639	106,900	(4,260)	96.0%
Operating Income	28,422	32,800	(4,377)	86.7%
Ordinary Income	30,309	35,000	(4,690)	86.6%
Profit Attributable to Owners of Parent	18,330	22,000	(3,669)	83.3%

Net sales by Services

(Millions of Yen)	FY2017	FY2016	Y o Y	Change
Security Services	329,027	315,730	13,296	4.2%
Electronic Security Services	170,585	167,132	3,453	2.1%
Stationed Security Services	102,322	93,904	8,418	9.0%
Transportation Security Services	56,119	54,694	1,424	2.6%
General Property Management and Fire Protection Services	55,961	54,976	985	1.8%
Long-term Care and Other Services	28,355	11,110	17,244	155.2%
Total	413,343	381,818	31,525	8.3%

Sales

(Millions of Yen)

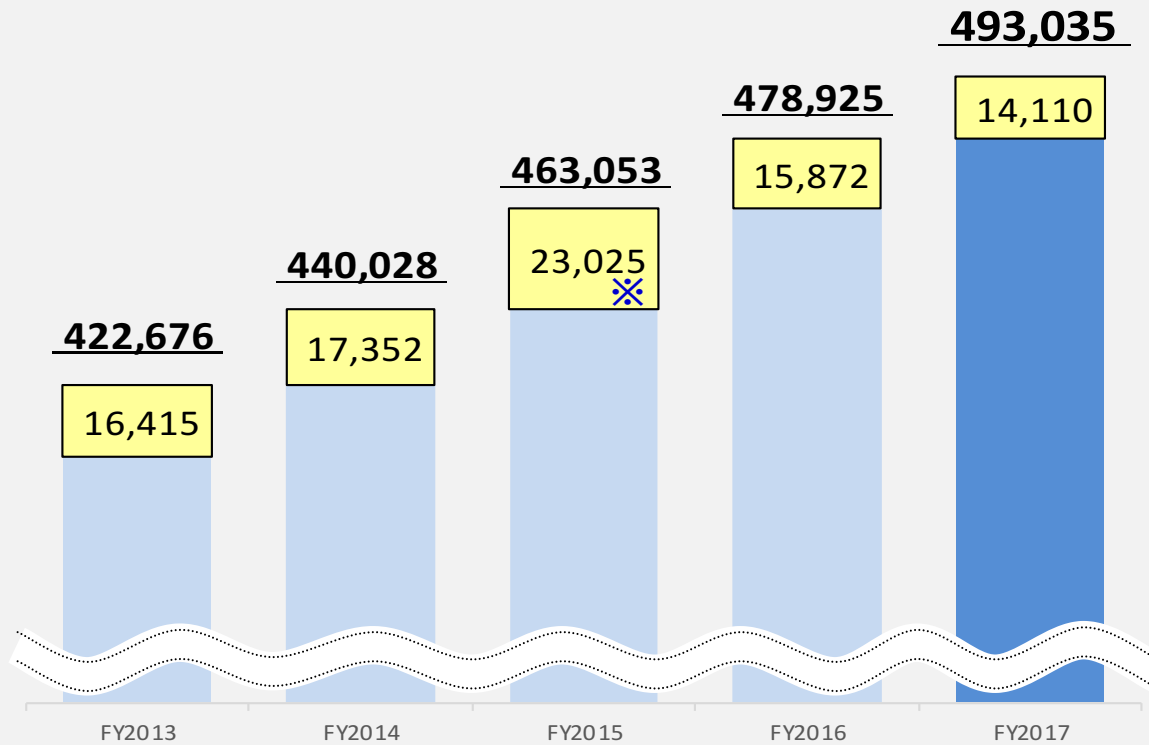


Contract Sales	YoY ratio	+1.6%
Construction Sales	YoY ratio	-0.2%
Equipment Sales	YoY ratio	+4.3%

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

+2.1% YoY

Increase in Contracts of Electronic Security Services
【Corporate Clients】



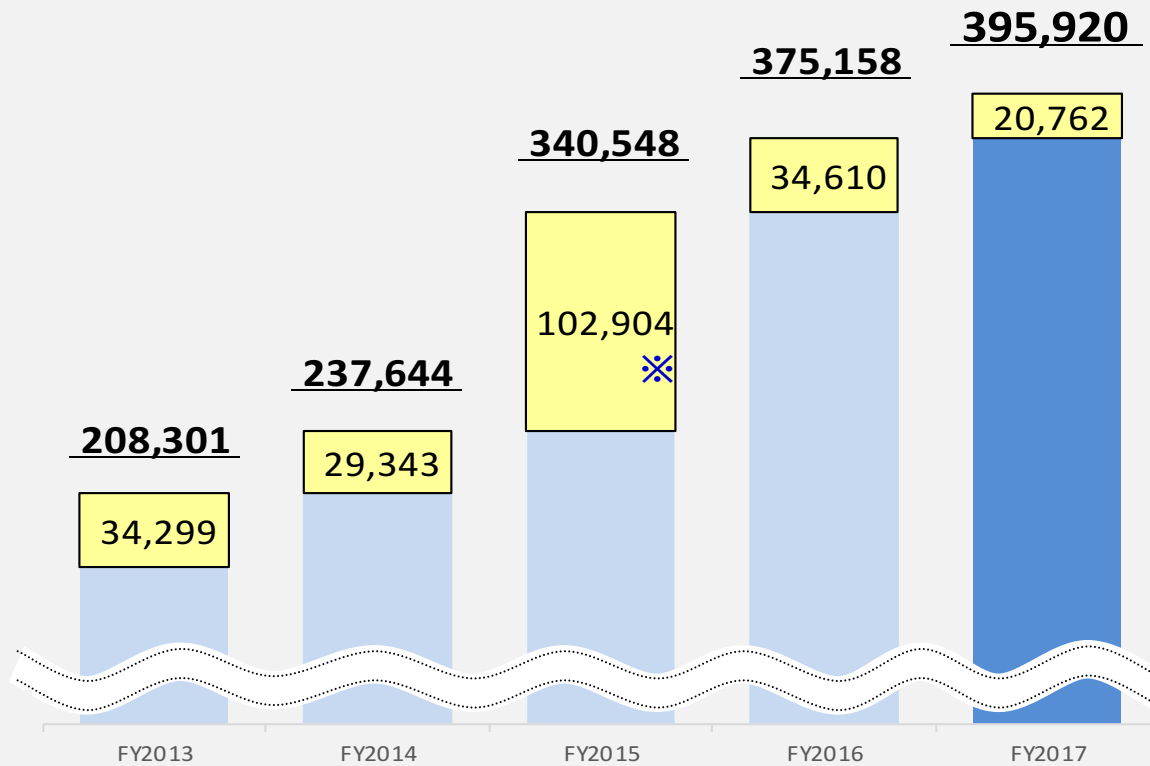
Total number of contracts **493,035**

- ALSOK-GV
- ALSOK-ST

+ 2.9% YoY

※ Includes 4,938 contracts of ALSOK Souei

Increase in Contracts of Electronic Security Services
【Individual Clients】



※ Includes 67,734 contracts of ALSOK Care & Support

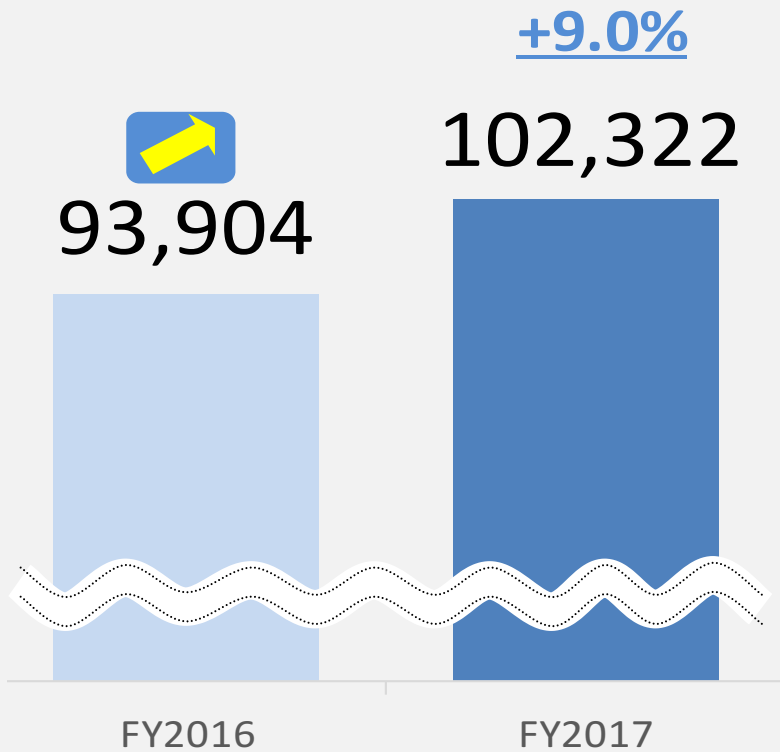
Total number of contracts **395,920**

- HOME ALSOK Premium
- HOME Security Basic

※ Including the number of houses from complex housing, the total number of contracts count up to approximately 1,060,000 houses.

+ 5.5% YoY

Sales (Millions of Yen)



- Attributable to long-term contracts

Manufacturing business returning to one's original strengths

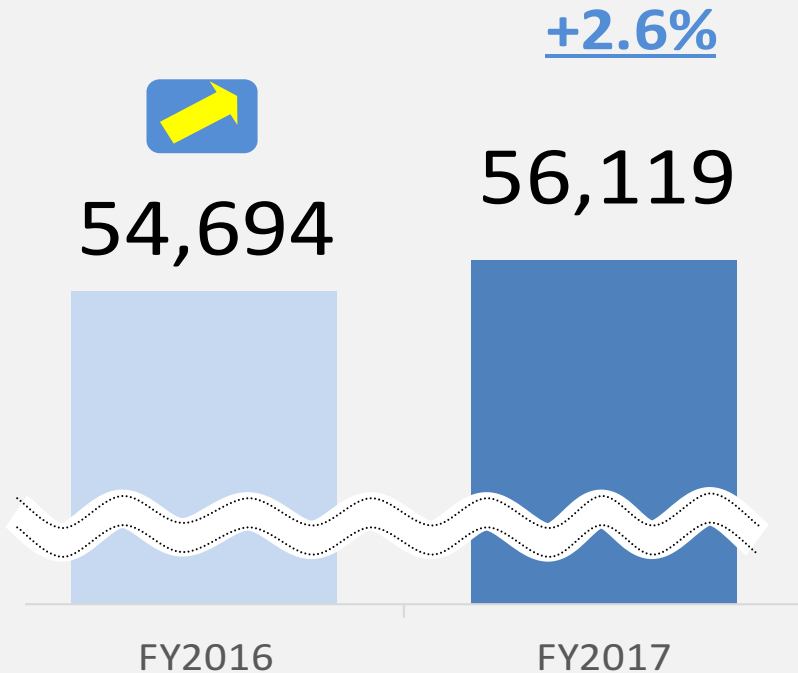
- Strong performance in temporary security service contracts

New contracts with enterprises and public events

+ 9.0% YoY

Sales

(Millions of Yen)



- Total ATM Management System

[Administrative units : approx. 63,500]

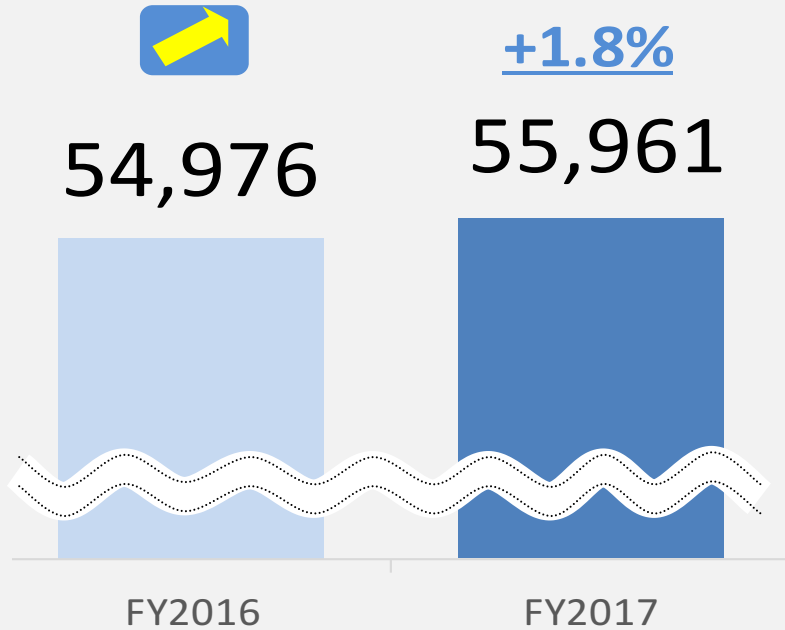
Increased needs of outsourcing from megabanks

- Cash Deposit Machine On-line System

[Units in operation : approx. 19,400]

+ 2.6% YoY

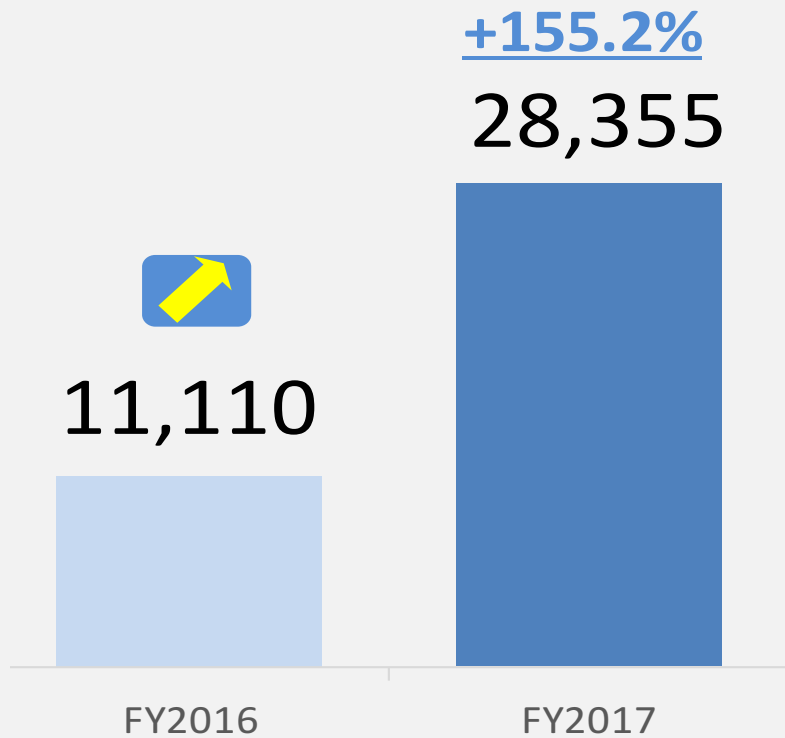
Sales (Millions of Yen)



- Strong performance in contract sales of building and fire protection
- Total number of AED units sold : approx. 135,000

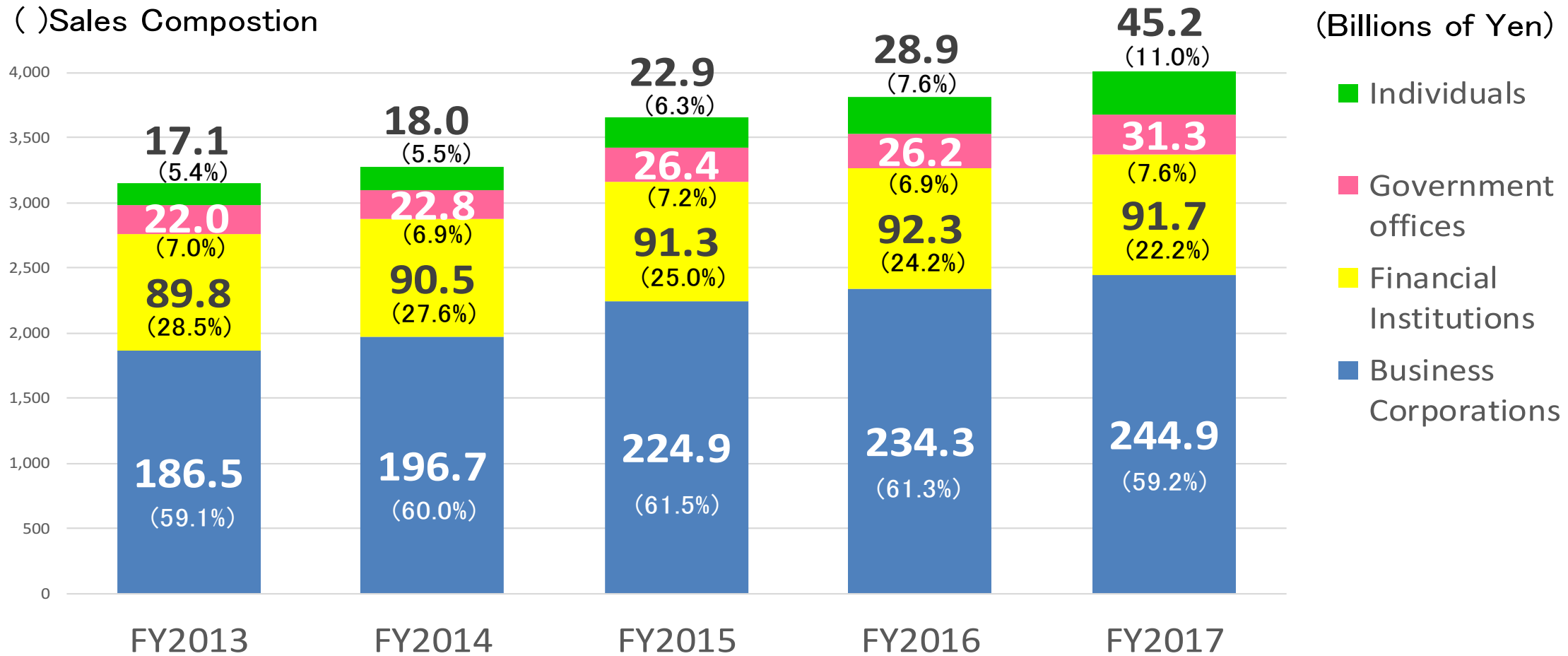
+ 1.8% YoY

Sales (Millions of Yen)



- Expansion of sales by Wisnet

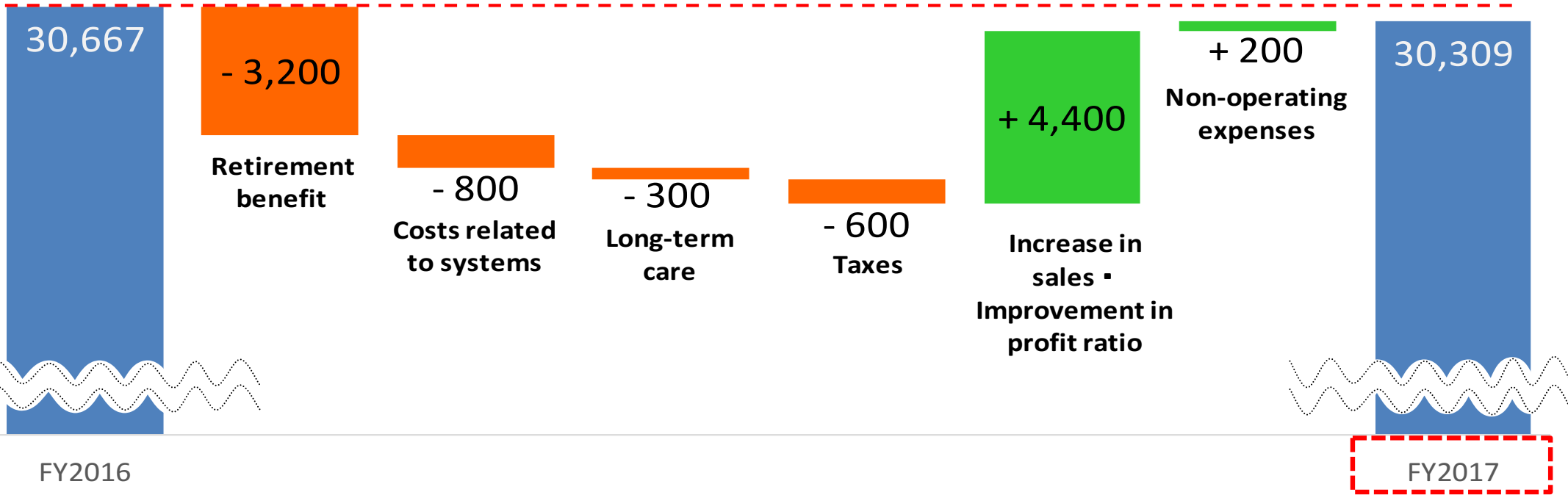
+ 155.2% YoY



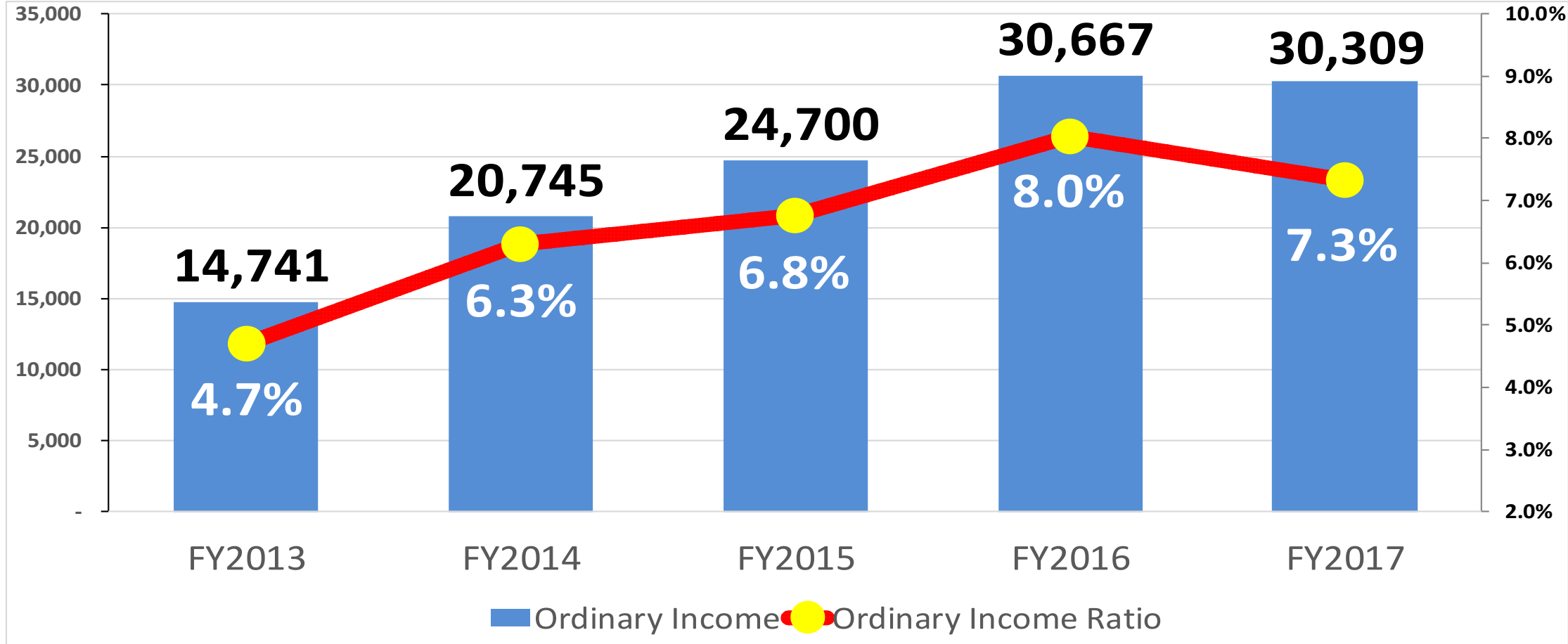
Analysis of the Profit and Loss

(Millions of Yen)	FY2017	FY2016	Y o Y	Change
Net Sales	4,133	3,818	315	8.3%
Cost of Sales	3,107	2,828	278	9.8%
Labor Cost	1,539	1,389	149	10.7%
Depreciation	118	104	13	13.0%
Other (rent expenses etc.)	900	787	113	14.4%
Cost of product sold & installation	549	547	2	0.4%
SG&A	742	699	43	6.2%
Personnel Cost	494	470	23	5.0%
Taxes and dues	29	17	11	63.9%
Other	218	210	7	3.8%
Operating Income	284	290	(6)	(2.1%)
Non-operating expenses	18	16	2	15.7%
Ordinary Income	303	306	(3)	(1.2%)

(Millions of Yen)



(Millions of Yen)



Consolidated Balance Sheet

(Millions of Yen)

	FY2017	FY2016	Y o Y		FY2017	FY2016	Y o Y
<u>Current assets</u>	199,627	188,013	11,613	<u>Current Liabilities</u>	98,104	87,222	10,882
Cash and deposits	55,587	42,750	12,836	Notes and accounts payable	21,426	22,602	(1,176)
Cash for Transportation Security	66,745	73,142	(6,397)	Short-term Loans payable	27,438	21,122	6,315
Services and advances paid				Other	49,240	43,496	5,743
Notes and accounts receivable	50,118	45,643	4,475				
Lease receivable and investment assets	4,336	4,114	221	<u>Noncurrent Liabilities</u>	65,542	56,717	8,824
Raw materials and supplies	5,375	6,150	(774)	Long-term loans payable	11,161	11,928	(767)
Costs on uncompleted construction	451	436	14	Lease obligations	19,429	8,235	11,194
Advances paid	6,340	6,030	310	Net defined benefit liability	29,572	31,210	(1,638)
Deferred tax assets	2,183	1,880	303	Other	5,379	5,343	35
Allowance for doubtful accounts	(197)	(236)	39				
Other	8,685	8,101	583	Total liabilities	163,647	143,939	19,707
<u>Noncurrent assets</u>	186,250	161,548	24,701	Shareholders' equity	205,737	193,352	12,385
Property, plant and equipment	86,974	77,340	9,634	Total valuation and	(9,114)	(11,912)	2,797
Intangible assets	25,000	15,394	9,606	translation adjustments			
Investments and other assets	74,275	68,813	5,461	Non-controlling interests	25,607	24,182	1,425
				Total net assets	222,230	205,622	16,607
Total assets	385,877	349,561	36,315	Total liabilities and net assets	385,877	349,561	36,315

Consolidated Cash Flows

(Millions of Yen)

	FY2017	FY2016	Y o Y
Net cash provided by (used in) operating activities	54,561	19,678	34,883
Net cash provided by (used in) investing activities	(22,055)	(12,808)	(9,246)
Net cash provided by (used in) financing activities	(20,582)	(9,176)	(11,405)
Cash and cash equivalents at end of period	47,549	35,630	11,919

Major items of FY2017



● Net cash provided by (used in) operating activities	Income before income tax	30,215
	Depreciation and amortization	13,773
	Share of loss of entities accounted for using equity method	(1,420)
	Increase (decrease) in notes and accounts payable	(2,300)
	Assets/Liabilities for Transportation Security Services	18,157
● Net cash provided by (used in) investing activities	Purchase of property, plant and equipment	(11,006)
	Purchase of shares of subsidiaries resulting in change in scope of consolidation	(6,424)
● Net cash provided by (used in) financing activities	Net increase (decrease) in shorty-term loans payable	(5,989)
	Repayments of lease obligations	(4,265)
	Cash dividends paid	(5,780)

■ Capital Expenditures

(Millions of Yen)

FY2015	FY2016	FY2017
13,627	14,875	12,614

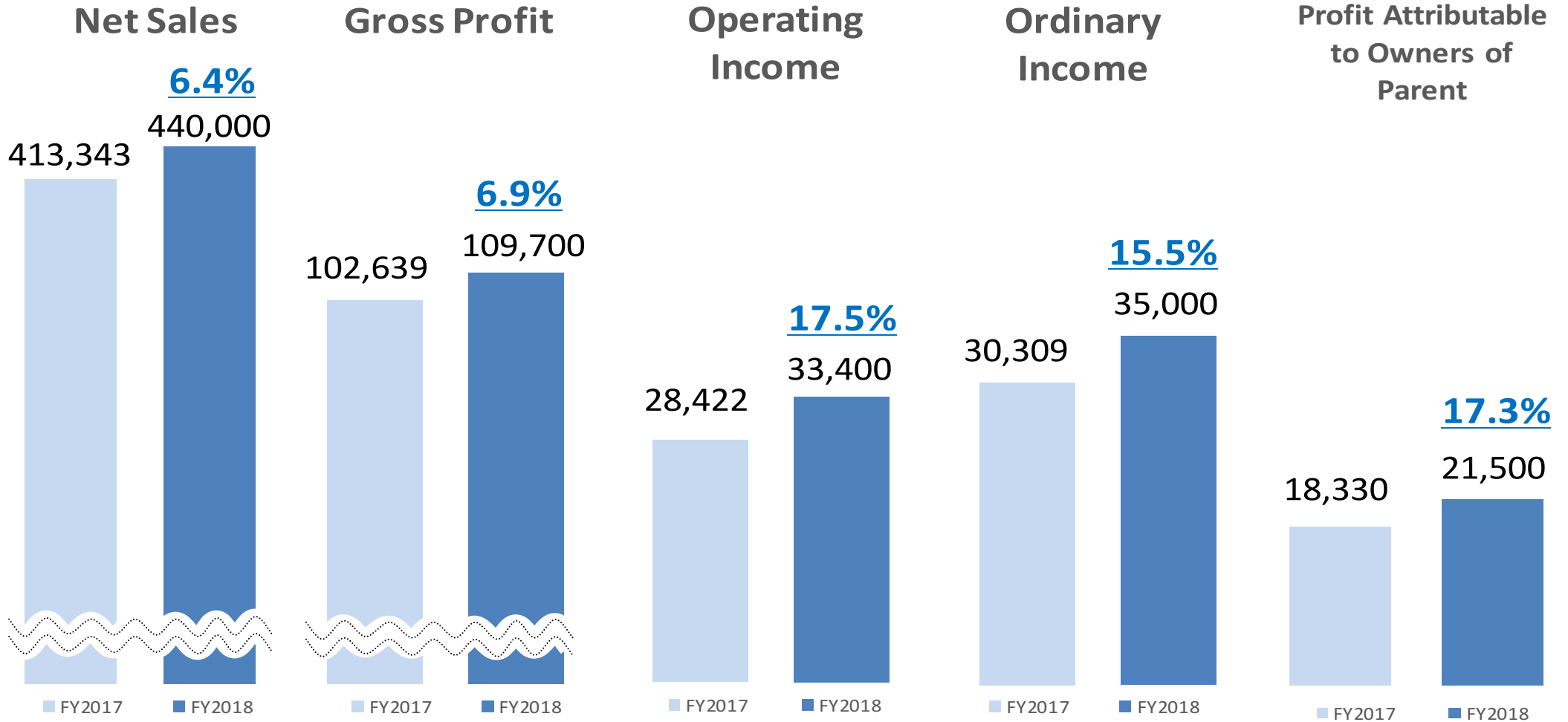
■ Depreciation

(Millions of Yen)

FY2015	FY2016	FY2017
11,331	12,109	13,773

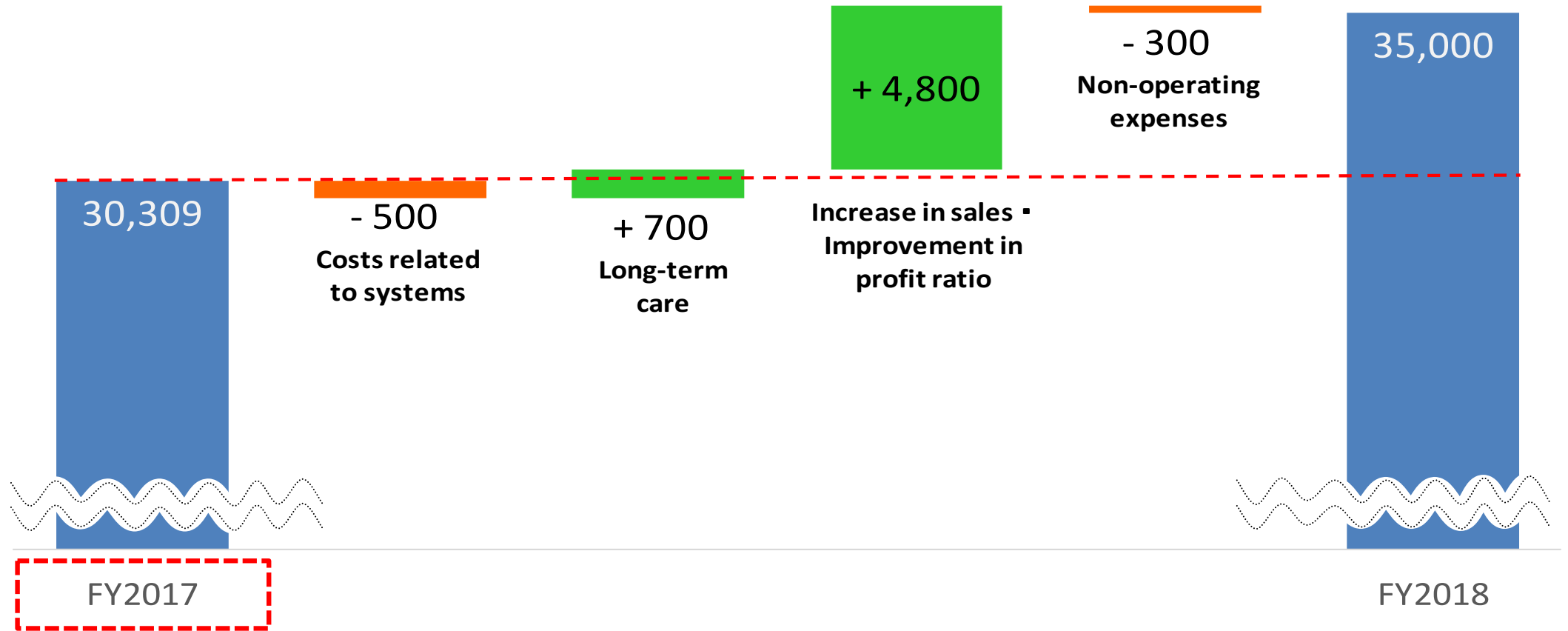
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Business Plan for FY2018



(Millions of Yen)

(Millions of Yen)



	FY2015	FY2016	FY2017	FY2018 (Forecast)
Dividends per share (Yen)	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	60 (30.0)Interim (30.0)Year-end
Payout ratio	28.2%	28.1%	30.2%	28.0%

※() represent dividends per share for interim and year-end

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Operating principle

Provide various services corresponding to the needs of society

- ① **Correspondence to diversifying security needs**
(Security of key facilities and large-scale events)
- ② **Correspondence to outsource needs**
(Facility management, operation of business center)
- ③ **Enhancement of services for senior citizens**
(Long-term care service, regional monitoring services)

Priority items

- ① Strengthen sales force
- ② Development of new products and services (security and long-term care)
Creating new services utilizing state-of-the-art technology
- ③ Expansion of operations by M&A
- ④ Improvement of productivity and promotion of Work Style Reform

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.

