

Financial Results for FY2019

SOHGO SECURITY SERVICES CO., LTD.

Securities Code: 2331

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Section 1	Financial Results for FY2019
Section 2	Business Plan for FY2020
Section 3	Priority Measures

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

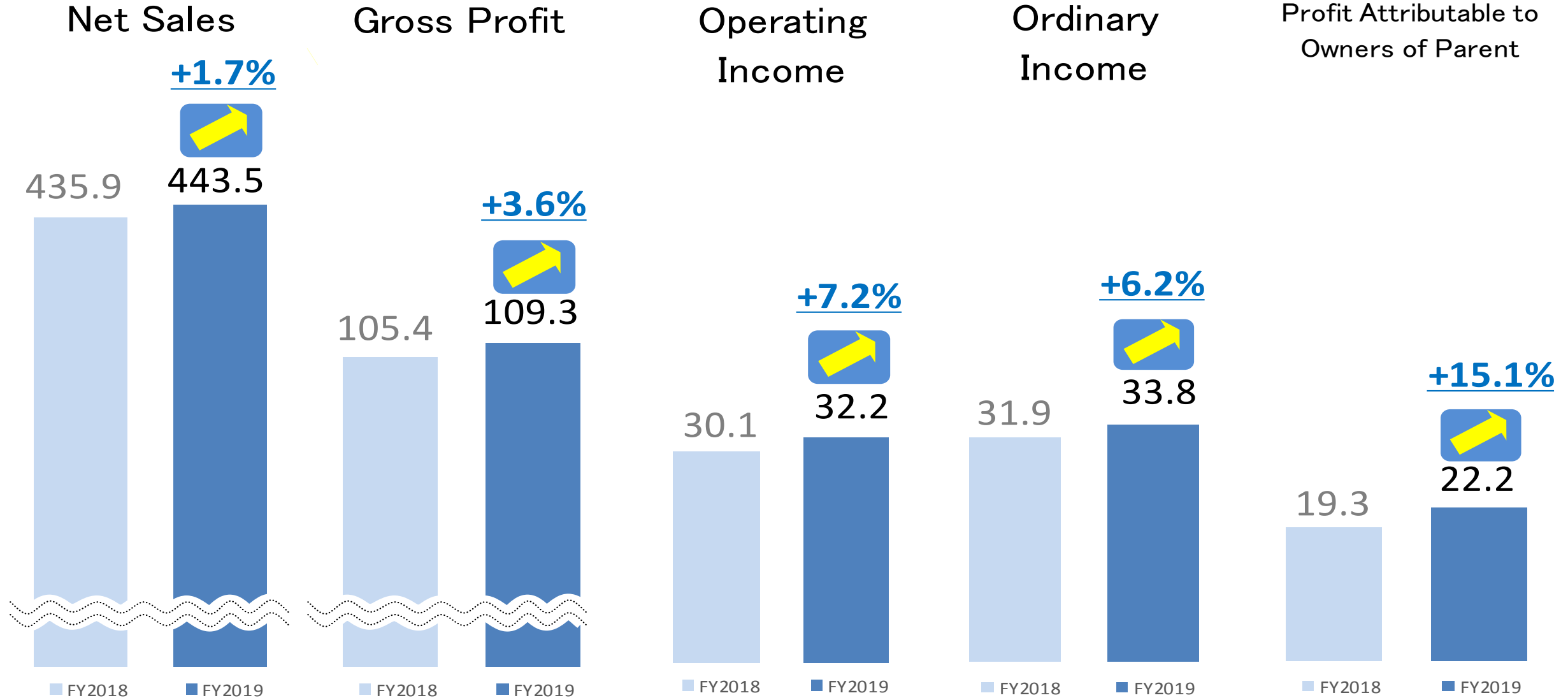
- Achieved record high, both in sales and income

2 Increase in profit ratio

- Operating income ratio improved 0.4%
Ordinary income ratio improved 0.3%

3 Promotion of M&A

- Care Plus Home visit rehabilitation massage service
- Sogokanzai Building management
- Health Support Services for medical institutions



(Billions of Yen)

P/L for FY2019(vs. Business Plan)

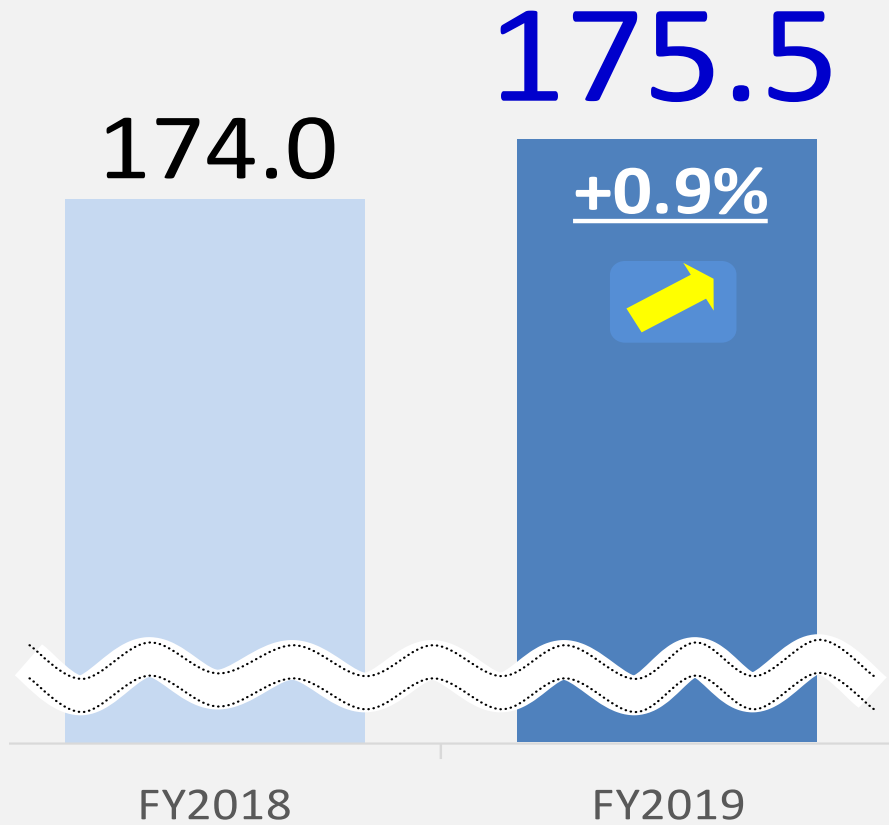
(Billions of Yen)	FY2019	FY 2019 Business Plan	Gap	Achievement Ratio
Net Sales	443.5	450.0	(6.4)	98.6%
Gross Profit	109.3	111.0	(1.6)	98.5%
Operating Income	32.2	33.1	(0.8)	97.5%
Ordinary Income	33.8	35.0	(1.1)	96.8%
Profit Attributable to Owners of Parent	22.2	22.0	0.2	101.2%

Net Sales by Services

(Billions of Yen)	FY2018	FY2019	Y o Y	Change
Security Services	344.3	349.7	5.4	1.6%
Electronic Security Services	174.0	175.5	1.5	0.9%
Stationed Security Services	110.0	111.9	1.8	1.7%
Transportation Security Services	60.2	62.2	2.0	3.4%
General Property Management and Fire Protection Services	61.9	62.9	0.9	1.5%
Long-Term Care Services	25.7	26.5	0.8	3.3%
Other Services	3.9	4.2	0.3	8.3%
Total	435.9	443.5	7.5	1.7%

Sales

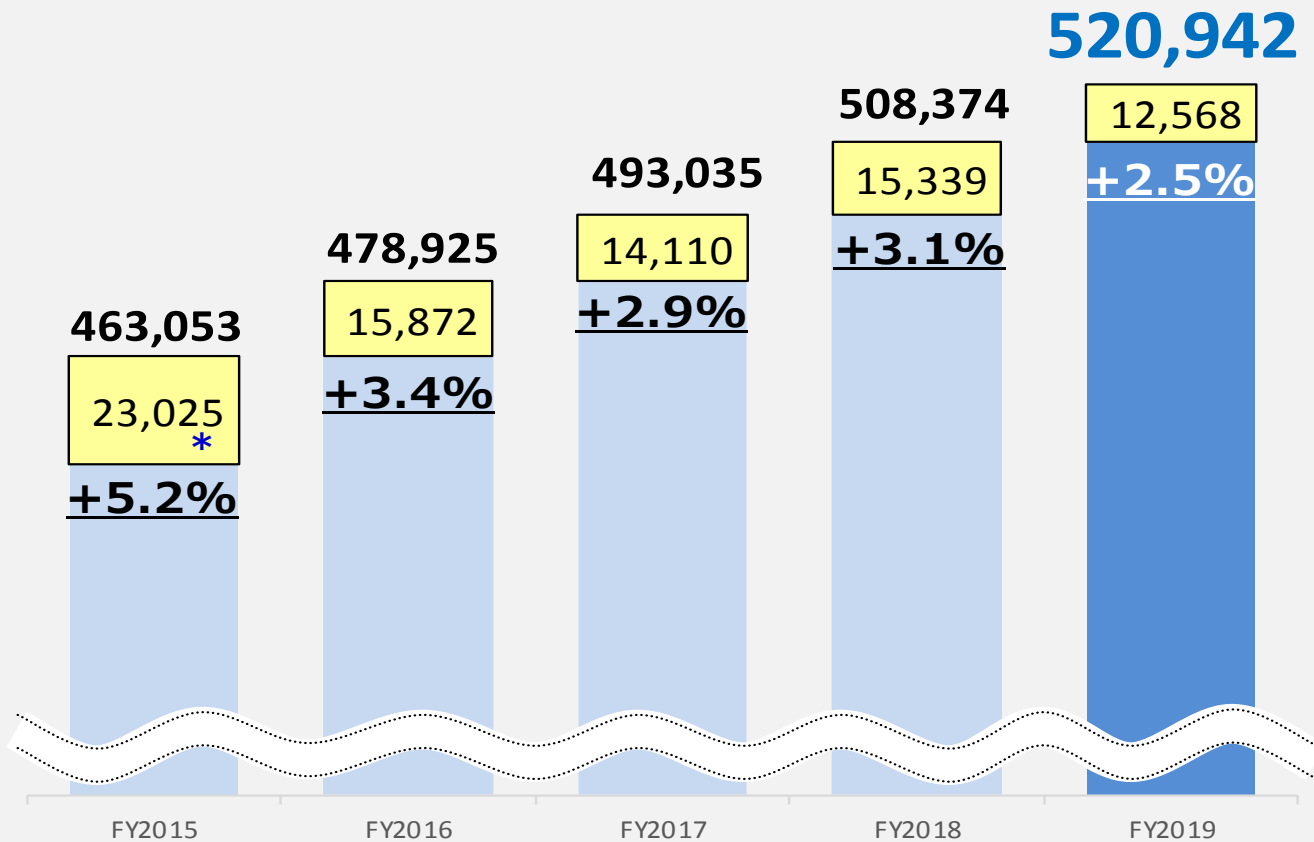
(Billions of Yen)



Contract Sales	137.6 billion yen	Y o Y Ratio	1.3
Construction Sales	4.9 billion yen	Y o Y Ratio	(1.2)
Equipment Sales	32.8 billion yen	Y o Y Ratio	(0.6)

Up 0.9% Y o Y

Increase in Contracts of Electronic Security Services
【Corporate Clients】



Total number of contracts

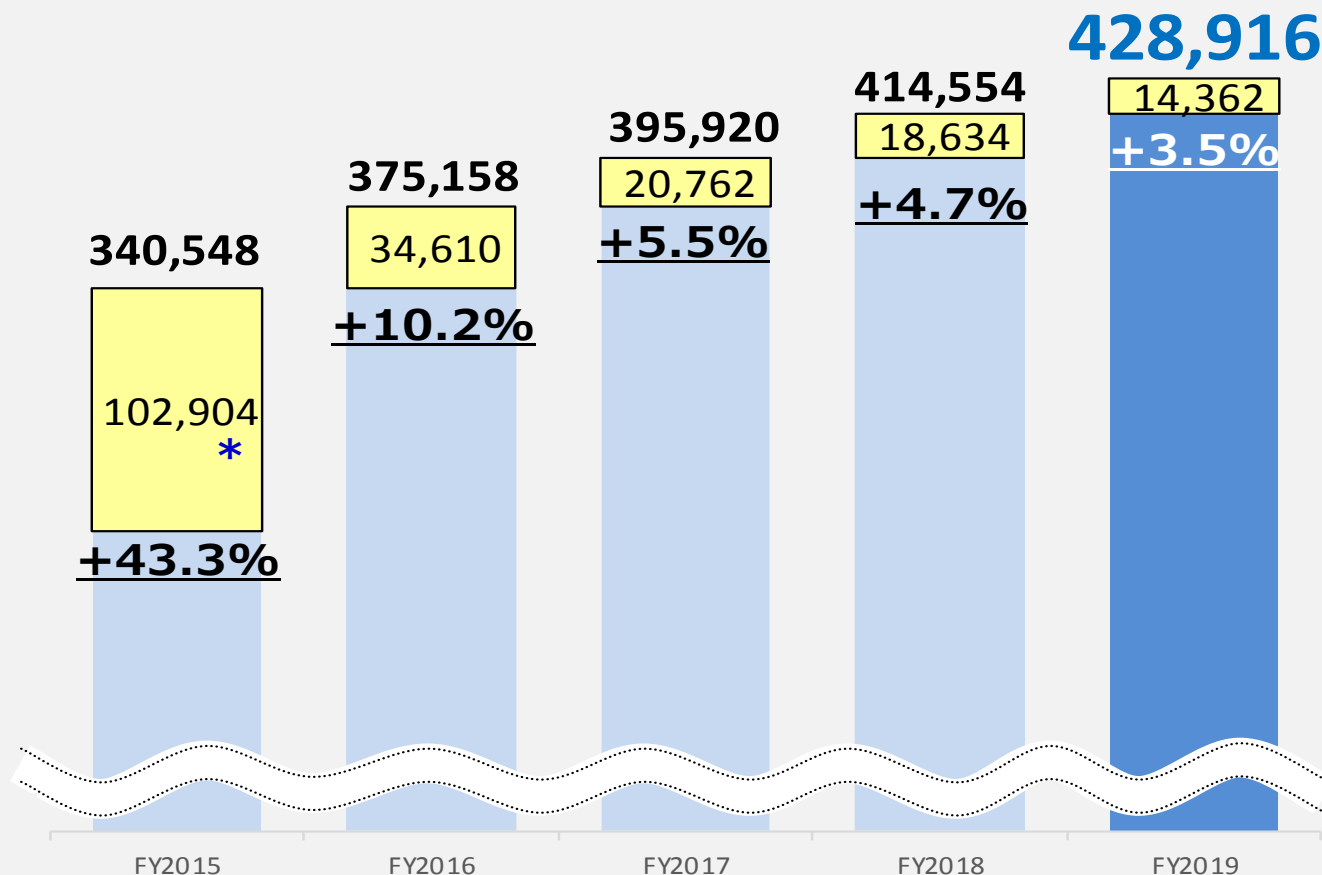
520,942

- ALSOK-ST
- ALSOK-GV

Up 2.5% Y o Y

* Includes approx. 4,900 contracts of ALSOK Souei.

Increase in Contracts of Electronic Security Services
【Individual Clients】



Total Number of contracts **428,916**

- Home Security Basic
- HOME ALSOK Premium

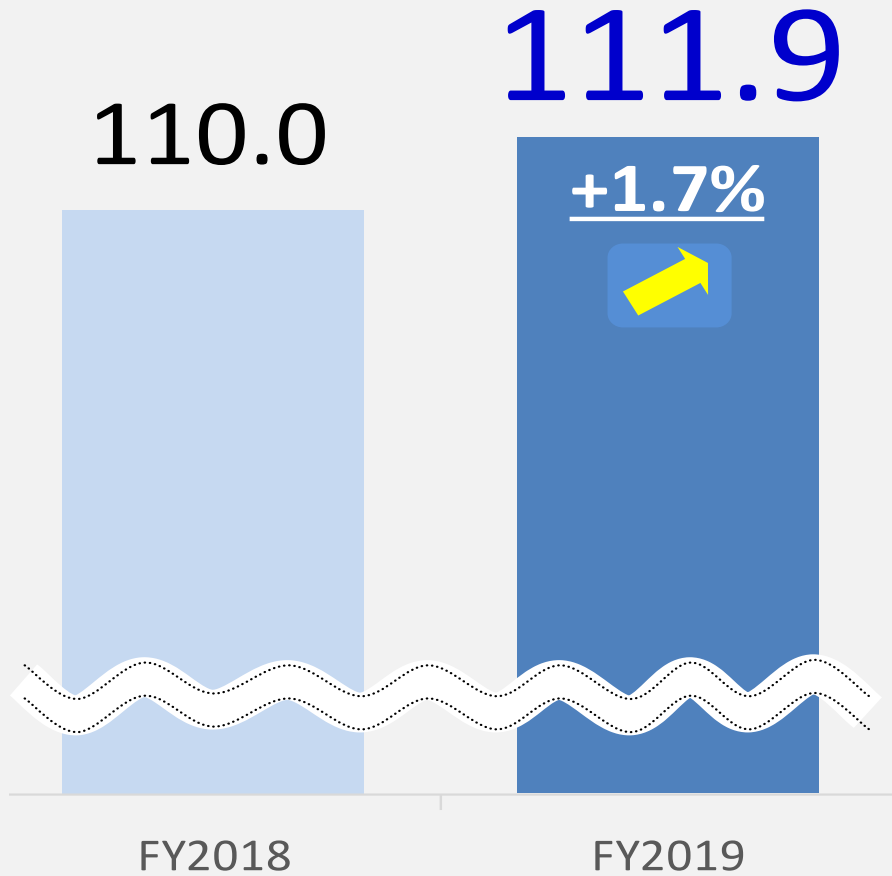
Note: Including the number of houses from complex housing, the total number of contracts count up to approximately 1,170,000 houses.

Up **3.5%** Y o Y

* Includes approx. 67,000 contracts of ALSOK Care & Support.

(Billions of Yen)

Sales



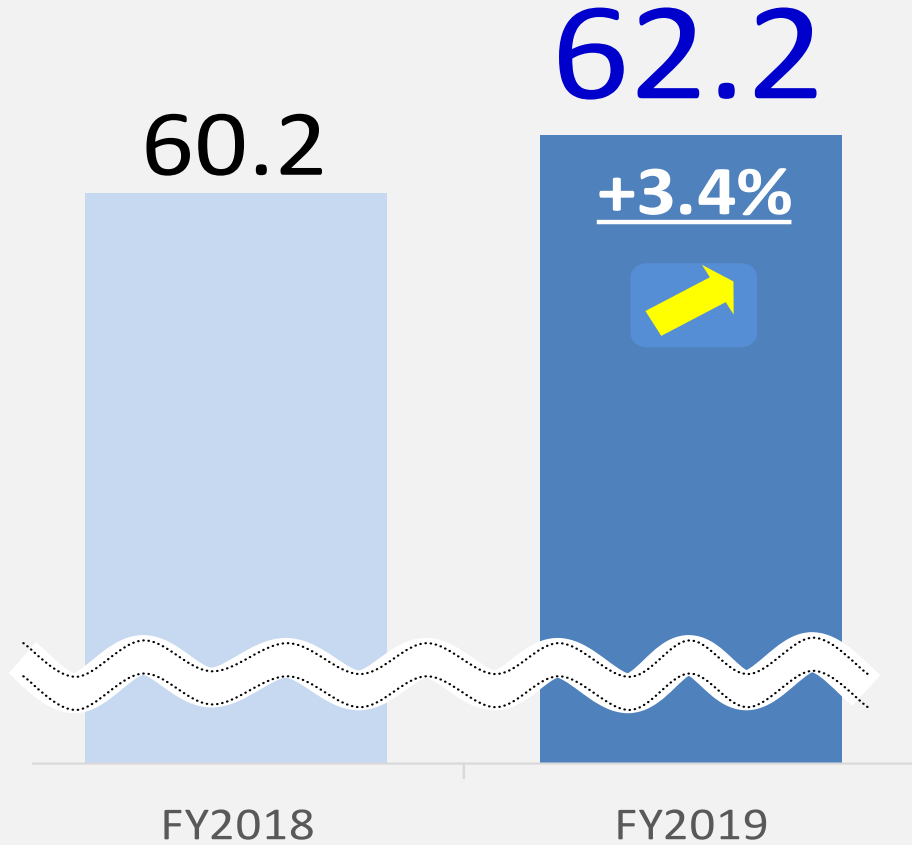
Long-term Contract Sales	90.7 billion yen	Y o Y Ratio	2.4
Short-term Contract Sales	20.3 billion yen	Y o Y Ratio	(2.1)

- Contracts of large-scale office buildings associated with redevelopment
- Outsourcing of security operations for manufacturers

Up 1.7% Y o Y

(Billions of Yen)

Sales



- | | | |
|-----------------------------|--|------------------|
| Total ATM Management System | [Administrative units]
approx. 71,900 | [Change]
4.9% |
|-----------------------------|--|------------------|

Expansion in outsourcing from financial institutions

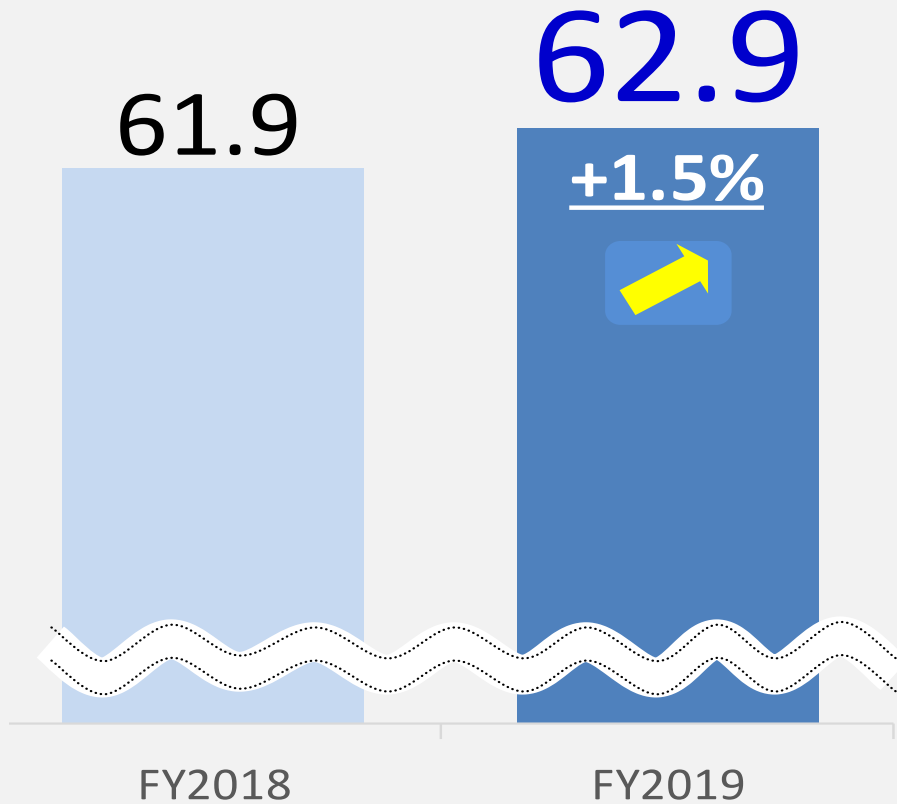
- | | | |
|---|--|------------------|
| Cash Deposit and Dispenser Machine On-line System | [Administrative units]
approx. 23,000 | [Change]
8.4% |
|---|--|------------------|

Expansion in sales as for the progress of work style reform

Up 3.4% Y o Y

(Billions of Yen)

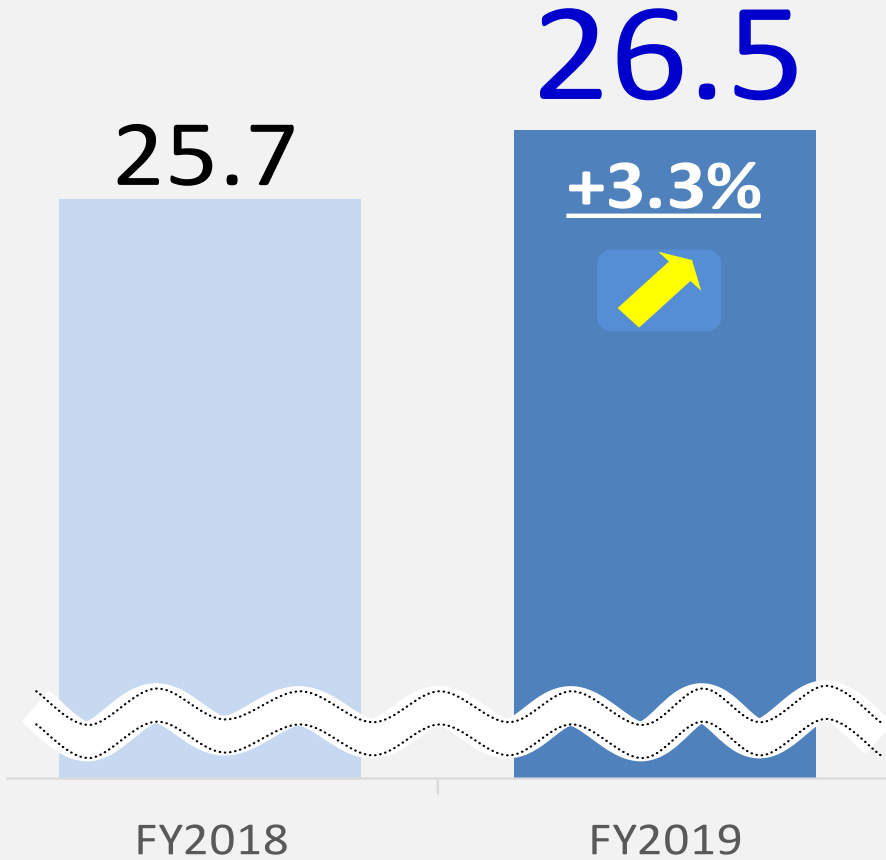
Sales



- Strong performance in contract sales and equipment sales of building management and fire protection etc.
- Provision for natural disasters
Strong sales in disaster stockpile items
- Total number of AED units sold : approx. 171,900

Up 1.5% Y o Y

Sales (Billions of Yen)



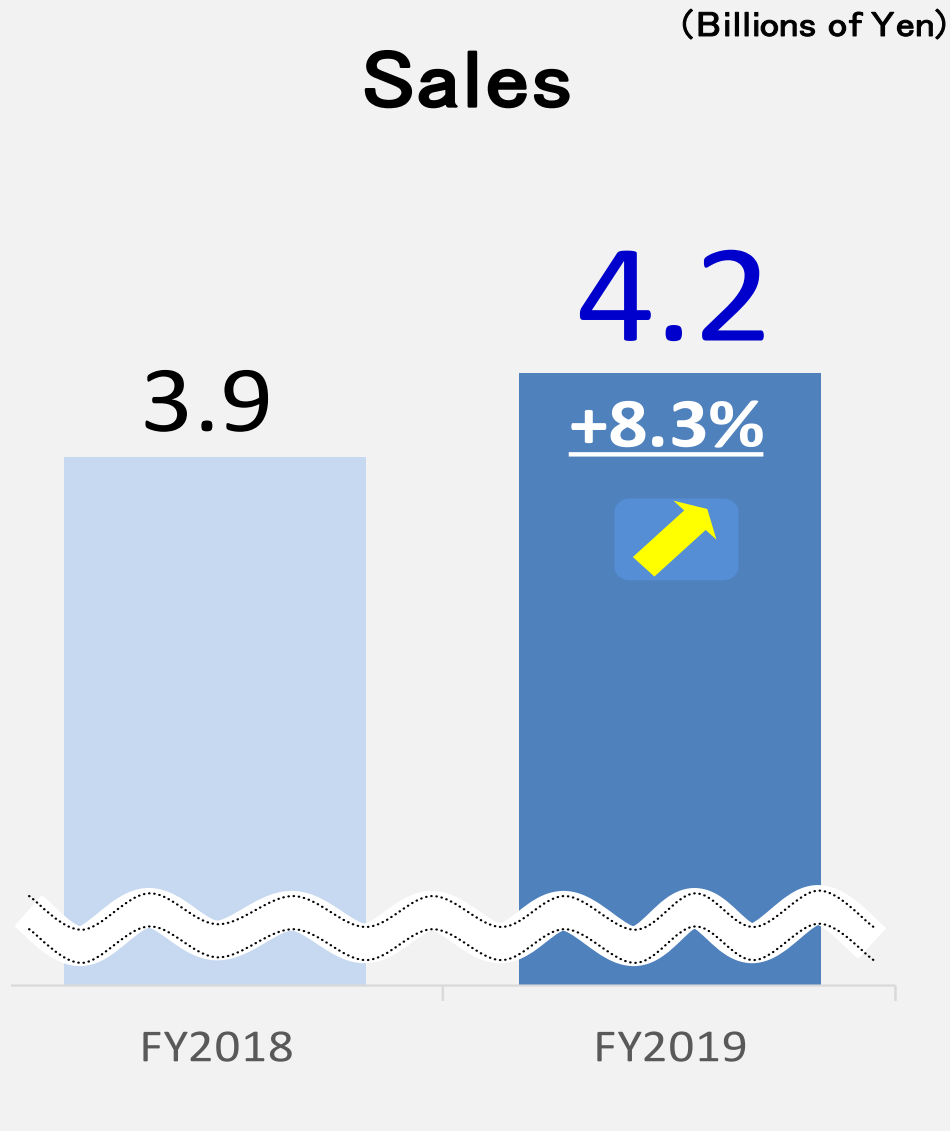
- Increase in occupancy ratio and residents of care facilities

Occupancy ratio Up 5.7pt Y o Y

Residents of care facilities Up 117 people Y o Y

- Subsidiary acquisition of Care Plus

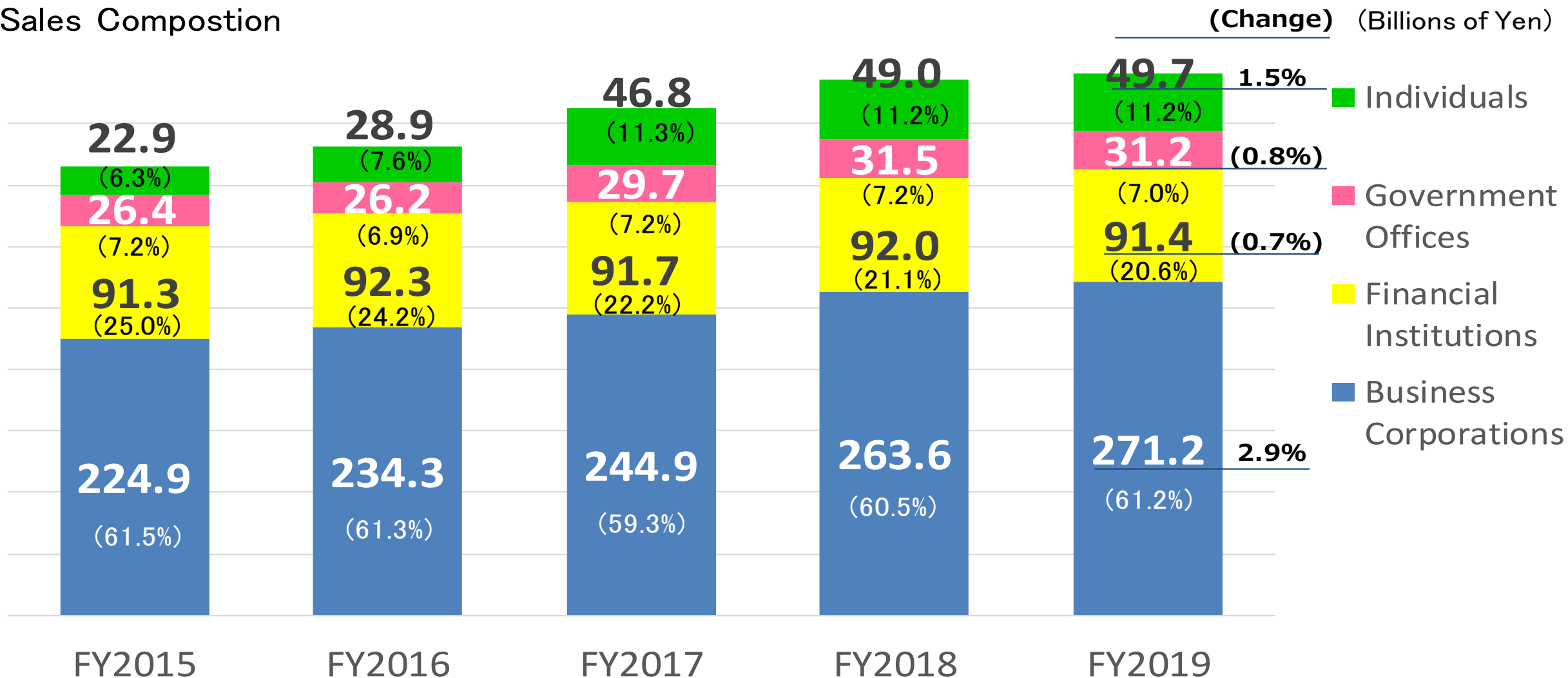
Up 3.3% Y o Y



- Information Security
- Safety Confirmation System
- ALSOK Denpo (Telegraph service)

Up 8.3% Y o Y

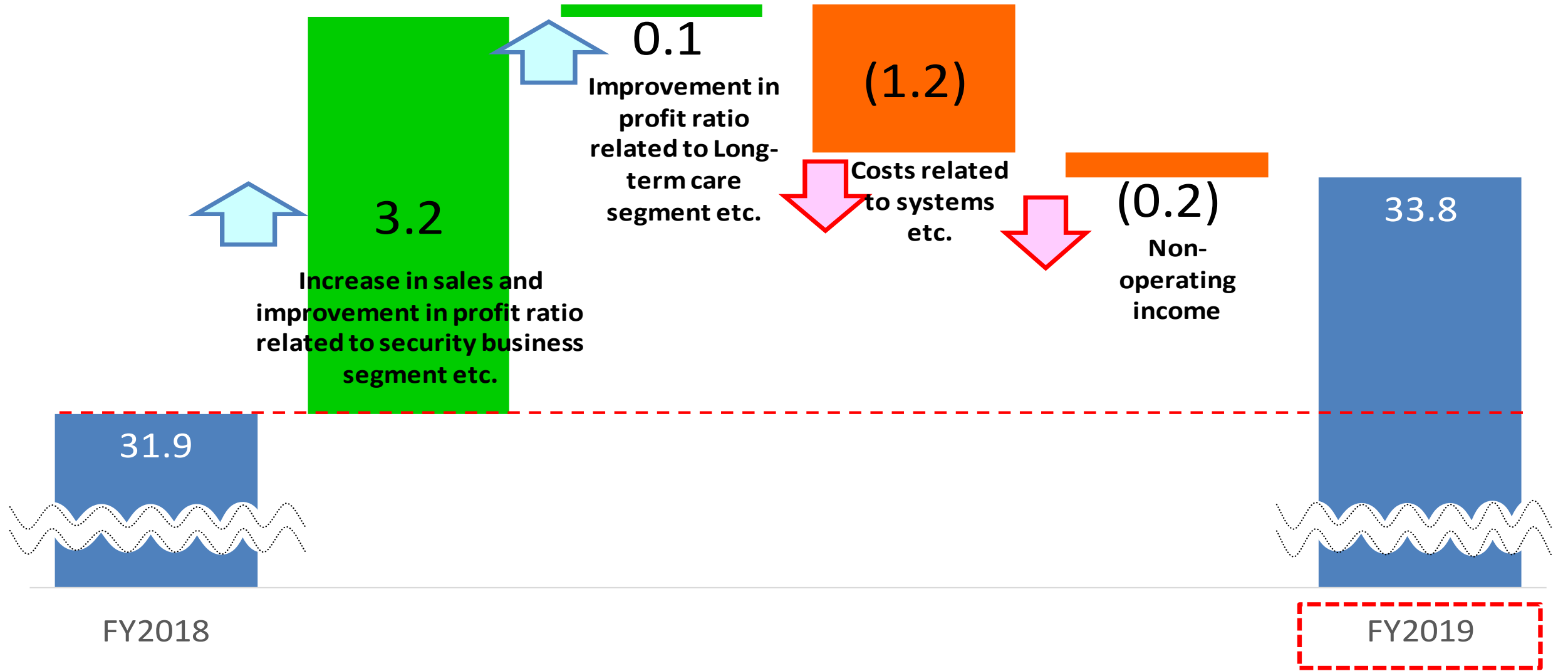
() Sales Composition



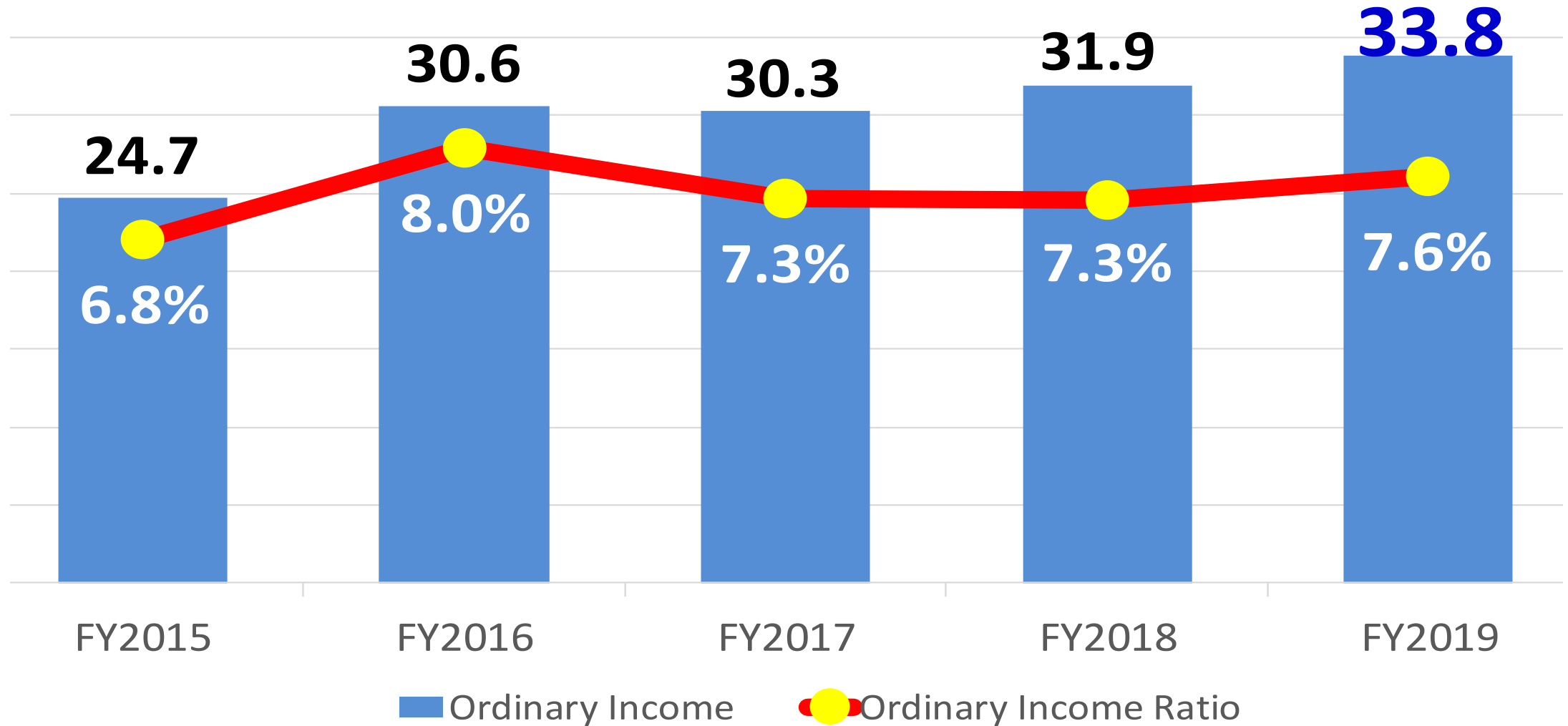
Analysis of the Profit and Loss

(Billions of Yen)	FY2018	FY2019	Y o Y	Change
Net Sales	435.9	443.5	7.5	+1.7%
Cost of Sales	330.4	334.1	3.7	+1.1%
Labor cost	163.7	163.9	0.1	+0.1%
Expense	42.9	45.2	2.3	+5.4%
Depreciation	12.2	13.1	0.8	+7.3%
Others	52.8	53.5	0.6	+1.3%
Cost of product sold & installation	58.7	58.3	(0.3)	(0.6%)
SG & A	75.3	77.0	1.6	+2.2%
Advertising expenses	2.5	2.5	(0.0)	(0.3%)
Personnel cost	49.6	49.6	0.0	+0.1%
Depreciation	1.8	1.9	0.0	+2.9%
Others	21.2	22.8	1.5	+7.5%
Operating Income	30.1	32.2	2.1	+7.2%

(Billions of Yen)



(Billions of Yen)



Consolidated Balance Sheet

(Billions of Yen)

	FY2019	FY2018	Y o Y		FY2019	FY2018	Y o Y
<u>Current assets</u>	208.0	194.5	13.5	<u>Current liabilities</u>	92.5	92.4	0.0
Cash and deposits	53.8	47.5	6.3	Notes and accounts payable	22.9	23.4	(0.4)
Cash for Transportation Security	72.5	68.7	3.8	Short-term loans payable	12.3	14.4	(2.1)
Services and advances paid				Accounts payable	24.7	22.7	1.9
Notes and accounts receivable	54.9	52.2	2.6	Other	32.4	31.8	0.5
Other	26.6	25.9	0.7	<u>Noncurrent liabilities</u>	60.5	62.7	(2.2)
				Long-term loans payable	6.2	8.4	(2.2)
				Lease obligations	21.2	21.9	(0.7)
				Retirement benefit liability	27.6	27.3	0.2
				Other	5.3	4.9	0.4
				Total liabilities	153.0	155.2	(2.2)
<u>Noncurrent assets</u>	202.0	202.1	(0.0)	Shareholders' equity	238.0	223.0	15.0
Property, plant and equipment	89.4	91.2	(1.8)	Total valuation and translation adjustments	(5.0)	(4.7)	(0.2)
Intangible assets	33.0	30.3	2.7	Non-controlling interests	24.0	23.1	0.8
Investments and other assets	79.5	80.5	(0.9)	Total net assets	257.0	241.3	15.7
Total assets	410.1	396.6	13.4	Total liabilities and net assets	410.1	396.6	13.4

Consolidated Cash Flows

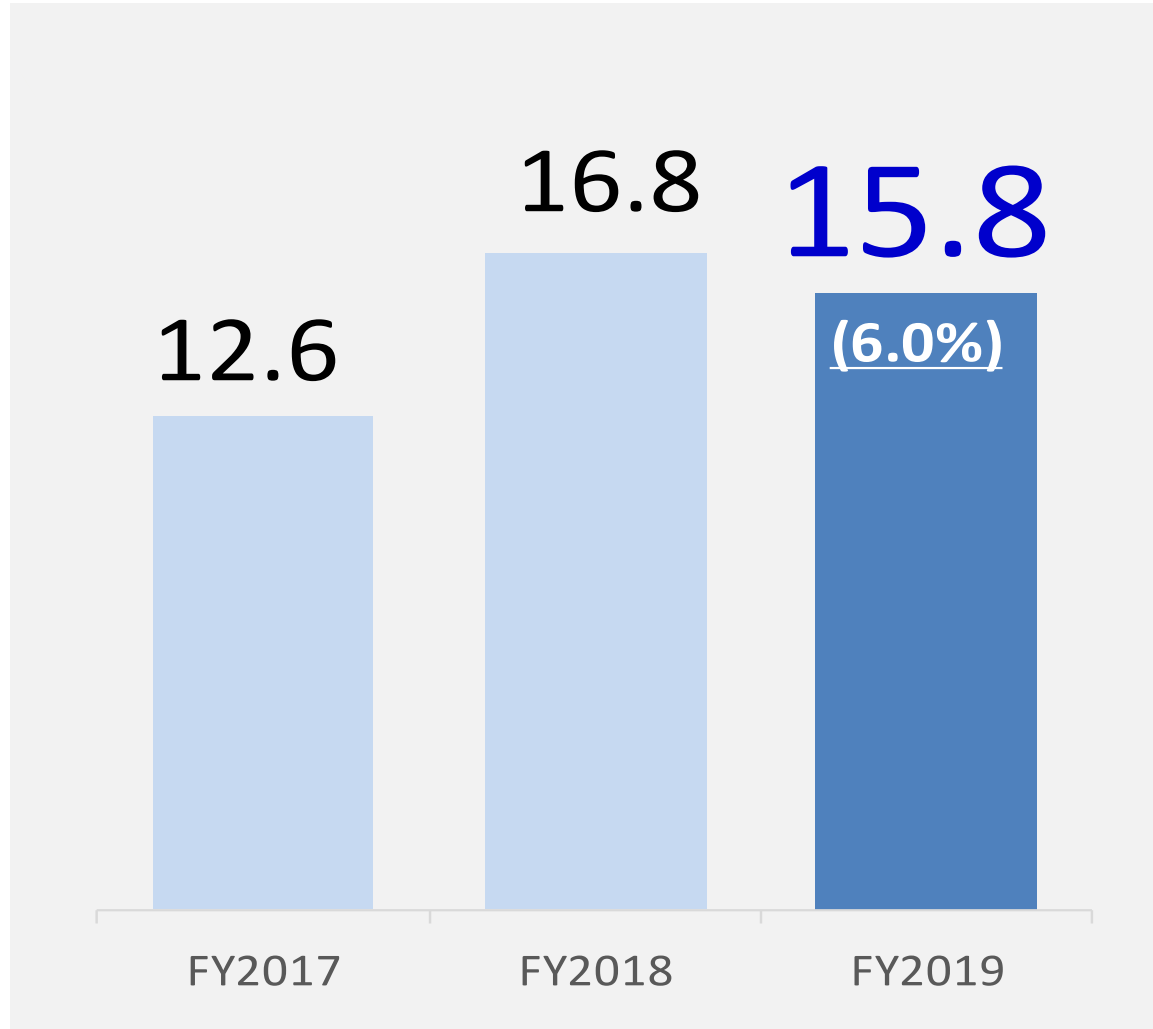
(Billions of Yen)

	FY2018	FY2019	Y o Y
Net cash provided by (used in) operating activities	25.4	28.7	3.2
Net cash provided by (used in) investing activities	(19.1)	(14.9)	4.2
Net cash provided by (used in) financing activities	(13.4)	(10.9)	2.4
Cash and cash equivalents at end of period	40.4	43.4	2.9

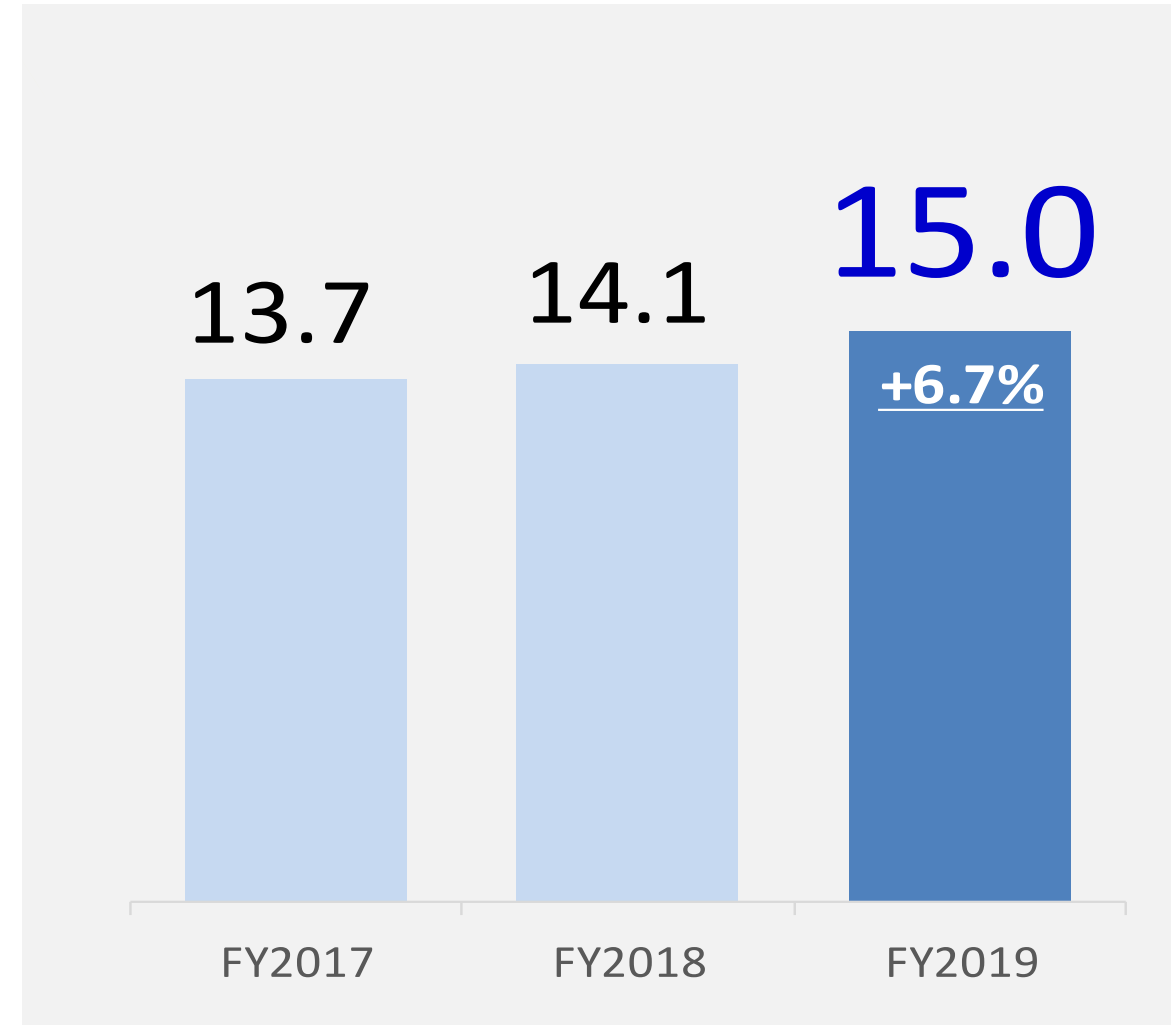
Major items of FY2019

● Net cash provided by (used in) operating activities	Income before income tax	34.4
	Depreciation and amortization	15.0
	Decrease(Increase) in trade receivables	(2.0)
	Increase/decrease in assets/liabilities for Transportation Security Services	(7.7)
	Income taxes paid	(11.2)
● Net cash provided by (used in) investing activities	Purchase of property, plant and equipment	(11.3)
	Purchase of intangible assets	(2.5)
	Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1.7)
● Net cash provided by (used in) financing activities	Repayments of lease obligations	(3.8)
	Cash dividends paid	(6.1)

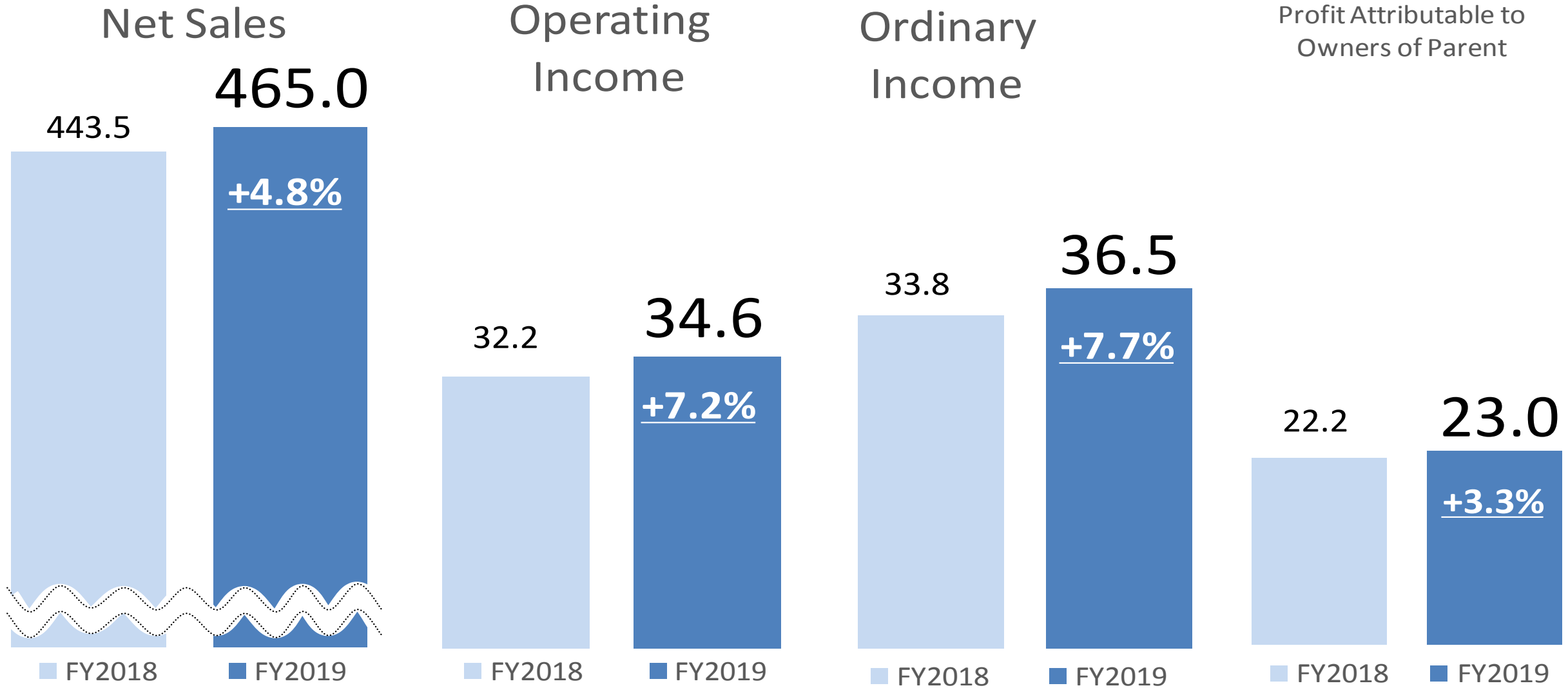
■ Capital expenditures (Billions of Yen)



■ Depreciation (Billions of Yen)

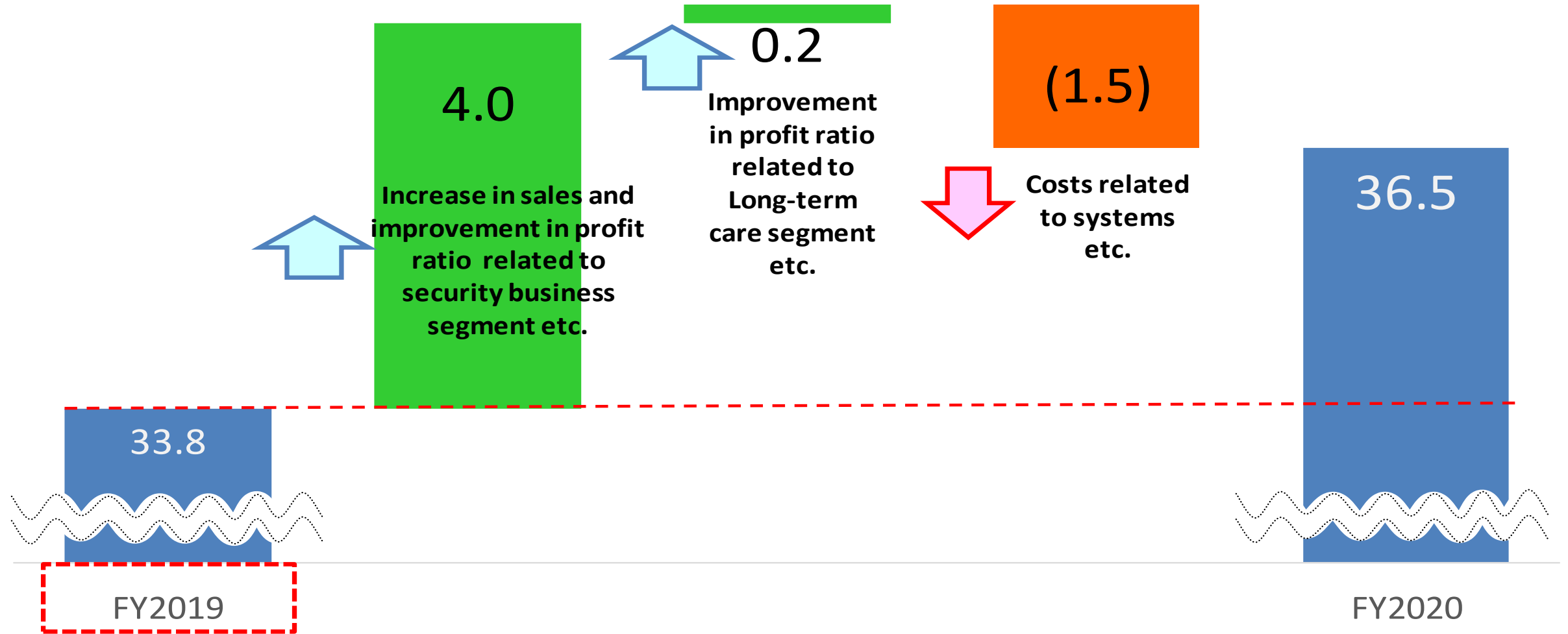


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(Billions of Yen)

(Billions of Yen)



	FY2017	FY2018	FY2019	FY2020 (Forecast)
Dividends per share (Yen)	55 (27.5)Interim (27.5)Year-end	60 (30.0)Interim (30.0)Year-end	66 (31.0)Interim (35.0)Year-end	69 (34.5)Interim (34.5)Year-end
Payout ratio	30.2%	31.3%	30.0%	30.4%

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

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Grand Design 2020 Basic Policies

I . Enhancement of existing business to correspond to diversifying needs of customers

II . Sophistication of security model and improvement in productivity

III . Business expansion in elderly market

IV . Stable securement and active promotion of human resources

V . Correspondence to Tokyo 2020 Olympic and Paralympic Games

☆ Enhancement of existing business to correspond to diversifying needs of customers

Correspondence to diversifying social needs

■ "Integration of security and equipments"

Comprehensive Building Management Service, a service to pursuit the optimization of equipment attached to buildings

Facility management
Factory, Plant, Infrastructure etc.

■ Security to protect people

Community development where everyone can live in peace

"MIMAMORI Tag"

Community watchover for children and women
ALSOK Accident Site Support
(support at the scene of accident) etc.

■ Approach towards disaster prevention and disaster mitigation

Correspondence to natural disasters which occur frequently

ALSOK BCP Solution Service
Drone Aerial Photography Service
Monitoring the water level etc.

■ Corrspondence towards outsourcing needs

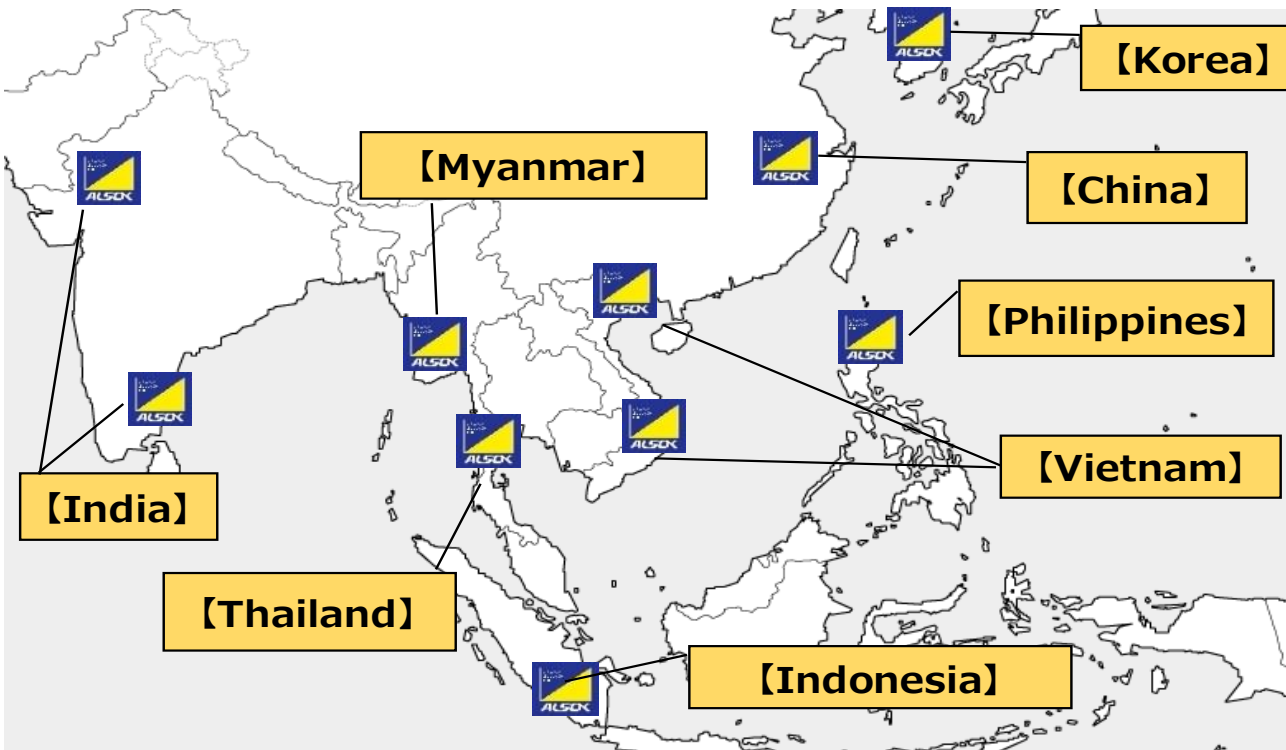
Providing products and services to compensate for the decrease in working population

Cash Deposit and Dispenser Machine On-line System
ATM Business Center(for financial institution)
PPP/PFI (for public sector) etc.



☆ Enhancement of existing business to correspond to diversifying needs of customers

Approach towards overseas business



Current Status

Field to expand

Customer Base

- Japanese-affiliated companies
- For corporate customers



- Local companies
- For individual customers

Business Base

- Stationed Security Services
- Sales of equipments



- Electronic Security Services
- Total Building Management and Fire Protection Services

☆ Sophistication of security model and improvement in productivity

Approach pursuing labor-saving and efficiency

REBORG-Z



Enhancement of the moving function

Enhancement in disaster prevention and disaster mitigation

Enhancement of image analysis function

Multilingual support

Staff Cooperation System



Planned to be utilized at Tokyo 2020 Olympic and Paralympic Games

ALSOK-G7

In preparation

(Next generation type security service utilizing the technology of image analysis)

Approach towards the utilization of high technology

A I

5 G

Image analysis

I o T

High-definition camera

Promoting innovative changes of business model taking diversifying and sophisticating needs and labor scarcity into account

☆ Business expansion in elderly market

Reinforce cooperation with security business and long-term care business



Security

Long-term care

Medical

Home Security

- Home Security Basic
- HOME ALSOK Premium

Mobile Security

- MAMOLOOK

Management of vacant house

- HOME ALSOK RUSUTAKU Service

Local monitoring network

- MIMAMORI Tag

Emergency alert system

- ALSOK MIMAMORI Support
- 493 municipal governments (as of March 31, 2019)

Prevention of bank transfer fraud

- Tobila Phone

Collaboration with insurance companies etc.

In-home care support

- Home-visit care
- Day Care
- Pay nursing home
- Welfare equipment

Cooperation

Home visit
rehabilitaion massage
Care Plus Co., Ltd.

☆ Stable securement and active promotion of human resources

Approach towards the promotion of Work style reform

Securement of human resource

- Reinforcement of human resource
- Appropriate use of senior human resource
- Promotion of diversity

Management of the personnel

- Allocate personnel appropriately according as the change of labor demand
- Reinforcement of proper personnel allocation

Productivity improvement

- Human resource development
- Streamline the wage system
(Basic pay increase for **5 consecutive years**)

ALSOK Work Style Reform Action Plan

- Correct long overtime work **Overtime working hours→Reduce by 5%**
- Increase the use of paid leaves **Rate of annual paid leave use→Improve by 10%**
- Promote flexible work styles **Number of female employees→Improve by 5%**

External Evaluation



■ Kurumin
Certified by
Ministry of
Health, Labour
and Welfare



■ Eruboshi
Certified by
Ministry of
Health, Labour
and Welfare



■ White 500
Certified by
Ministry of
Economy, Trade
and Industry

ESG



FTSE4Good



FTSE Blossom
Japan



2018 Constituent
MSCI Japan ESG
Select Leaders Index



Member of SNAM
Sustainability Index
2018

☆ Correspondence to Tokyo 2020 Olympic and Paralympic Games

2019

2020

■ G20 Ministerial Meeting

G20 Summit

■ Rugby World Cup 2019

- Many large-scale events upcoming this year

This will be the year to demonstrate the ability of the security industry!

■ Tokyo 2020 Olympic and Paralympic Games

- As a official partner
 - Promote preparation of operation structure for the performance
- As a co-leader of Joint Venture Group for Tokyo 2020 Games Security
 - Contribute with great number of security staffs and reinforce cooperation with affiliated companies

The preparation of operation structure will fully be in progress, for the aim to contribute for the safe and secure operation!



【24 hours security】

The colors divided evenly in ALSOK yellow and ALSOK blue express day and night

【Sense of speed and prohibition】

The slash express the sense of speed to rush to the site, and prohibition and warning to prevent intrusion

【ALSOK】 Soft and fair goes far

Each letter have a soft curve but solidly connected as to make the framework of the word look smooth



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.

