

# Financial Results for 2Q FY2020

SOHGO SECURITY SERVICES CO., LTD.

Securities Code : 2331 (1st Section of TSE)

October 31, 2019

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## 1 Achieved record high, both in sales and profit

On an interim basis, sales achieved an increase for 9 consecutive years, while the profit achieved an increase for 8 consecutive years

## 2 Increase in profit ratio

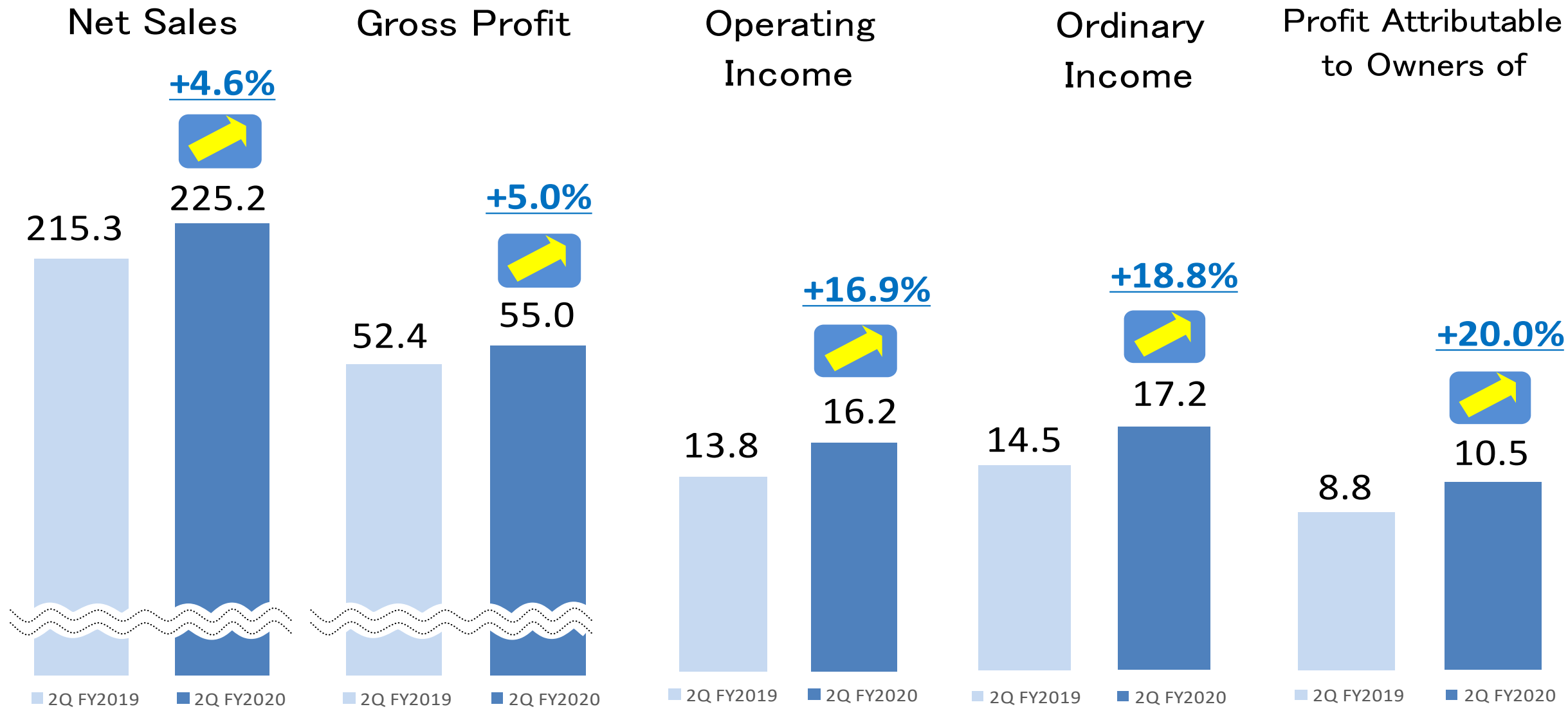
Operating income ratio improved 0.8 point  
Ordinary income ratio improved 1.0 point

## 3 Contribution to safe operation of G20 etc.

- G20 Osaka Summit 2019
- Rugby World Cup 2019

## 4 Promotion of M&A

**KEIHANSHIN SECURITY SERVICES**



(Billions of Yen)

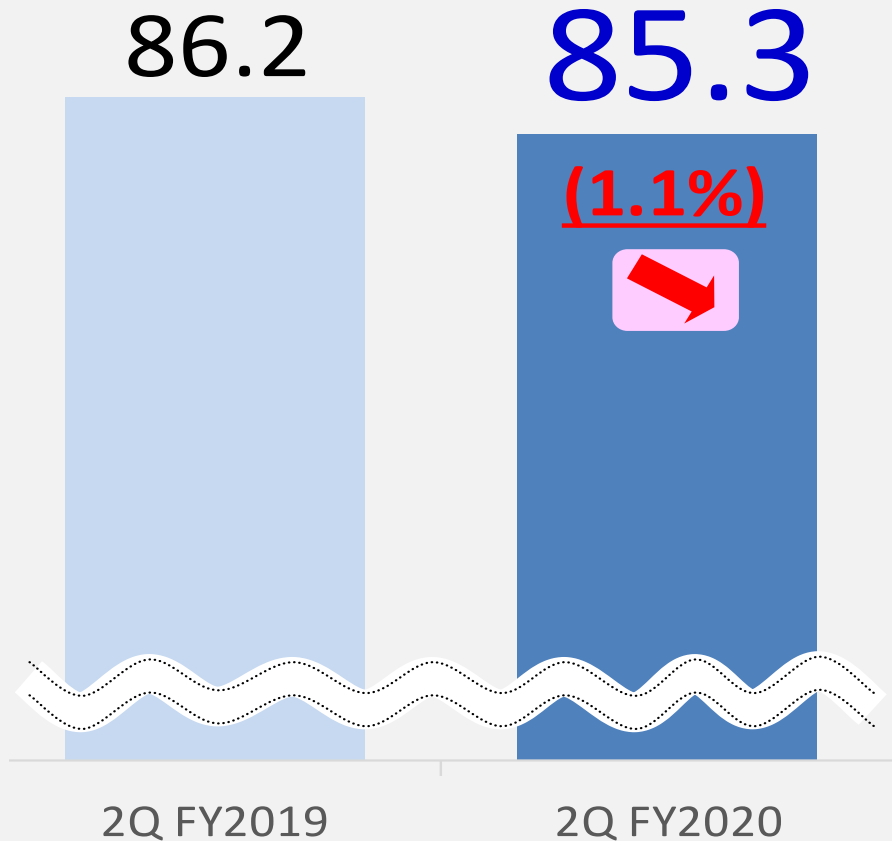
(Billions of Yen)	2Q FY2020	2Q FY2020 Business Plan	Gap	Achievement Ratio
Net Sales	<b>225.2</b>	<b>223.8</b>	<b>1.4</b>	<b>100.6%</b>
Operating Income	<b>16.2</b>	<b>15.3</b>	<b>0.9</b>	<b>106.0%</b>
Ordinary Income	<b>17.2</b>	<b>16.2</b>	<b>1.0</b>	<b>106.5%</b>
Profit Attributable to Owners of Parent	<b>10.5</b>	<b>10.1</b>	<b>0.4</b>	<b>104.7%</b>

# Net sales by Services

(Billions of Yen)	2Q FY2019	2Q FY2020	Y o Y	Change
Security Services	<b>172.4</b>	<b>175.9</b>	<b>3.5</b>	<b>2.0%</b>
Electronic Security Services	<b>86.2</b>	<b>85.3</b>	<b>(0.9)</b>	<b>(1.1%)</b>
Stationed Security Services	<b>55.2</b>	<b>58.3</b>	<b>3.0</b>	<b>5.5%</b>
Transportation Security Services	<b>30.9</b>	<b>32.3</b>	<b>1.4</b>	<b>4.6%</b>
General Property Management and Fire Protection Services	<b>27.6</b>	<b>33.3</b>	<b>5.6</b>	<b>20.4%</b>
Long Term Care Services	<b>13.1</b>	<b>13.6</b>	<b>0.4</b>	<b>3.4%</b>
Other Services	<b>2.0</b>	<b>2.2</b>	<b>0.2</b>	<b>10.5%</b>
<b>Total</b>	<b>215.3</b>	<b>225.2</b>	<b>9.8</b>	<b>4.6%</b>

## Sales

(Billions of Yen)

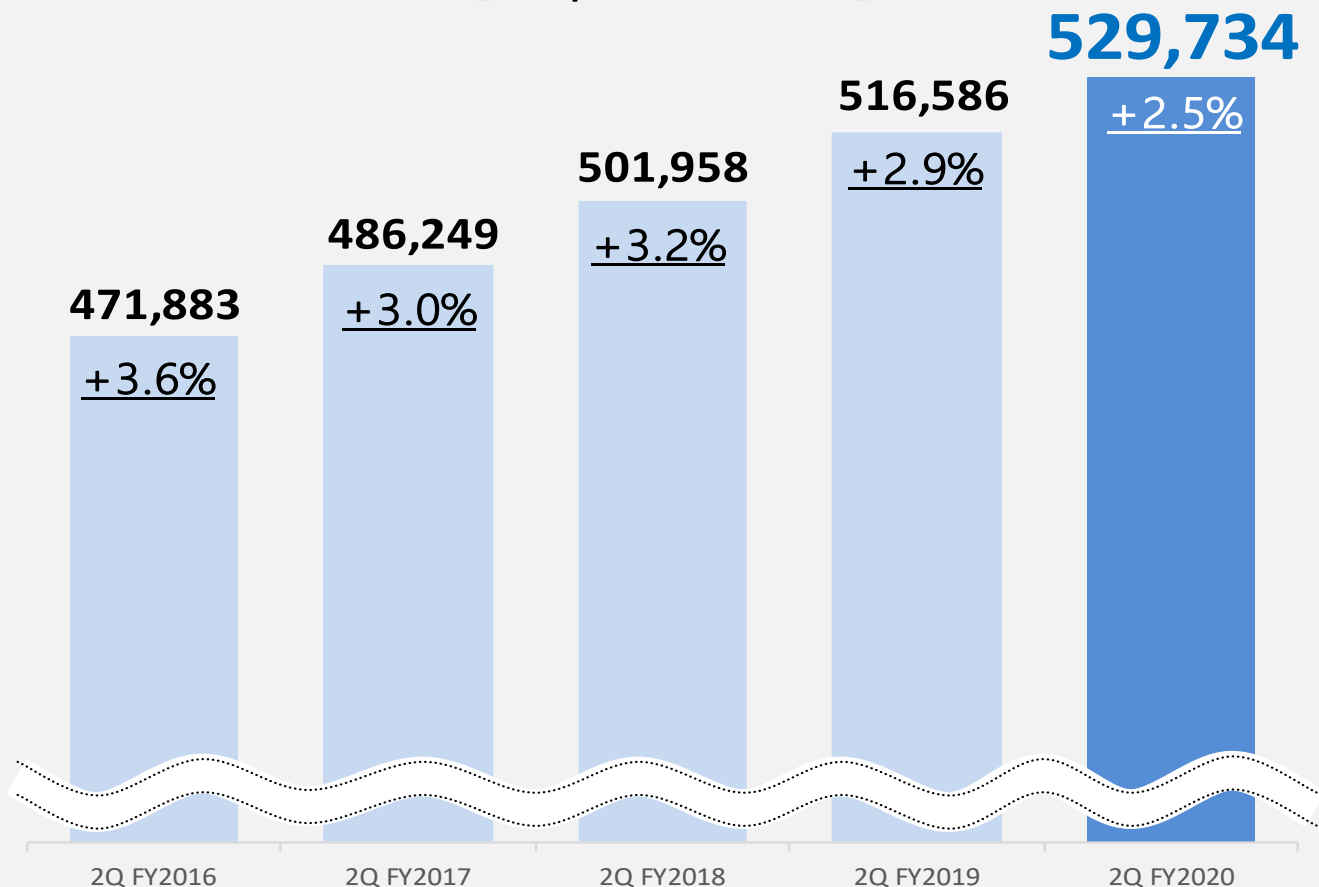


Contract Sales	69.3 billion yen	Y o Y ratio	+1.1%
Construction Sales	2.3 billion yen	Y o Y ratio	+0.1%
Equipment Sales	13.5 billion yen	Y o Y ratio	(11.4%)

Sales **85.3** Billion Yen



Increase in Contracts of Electronic Security Services  
【Corporate Clients】

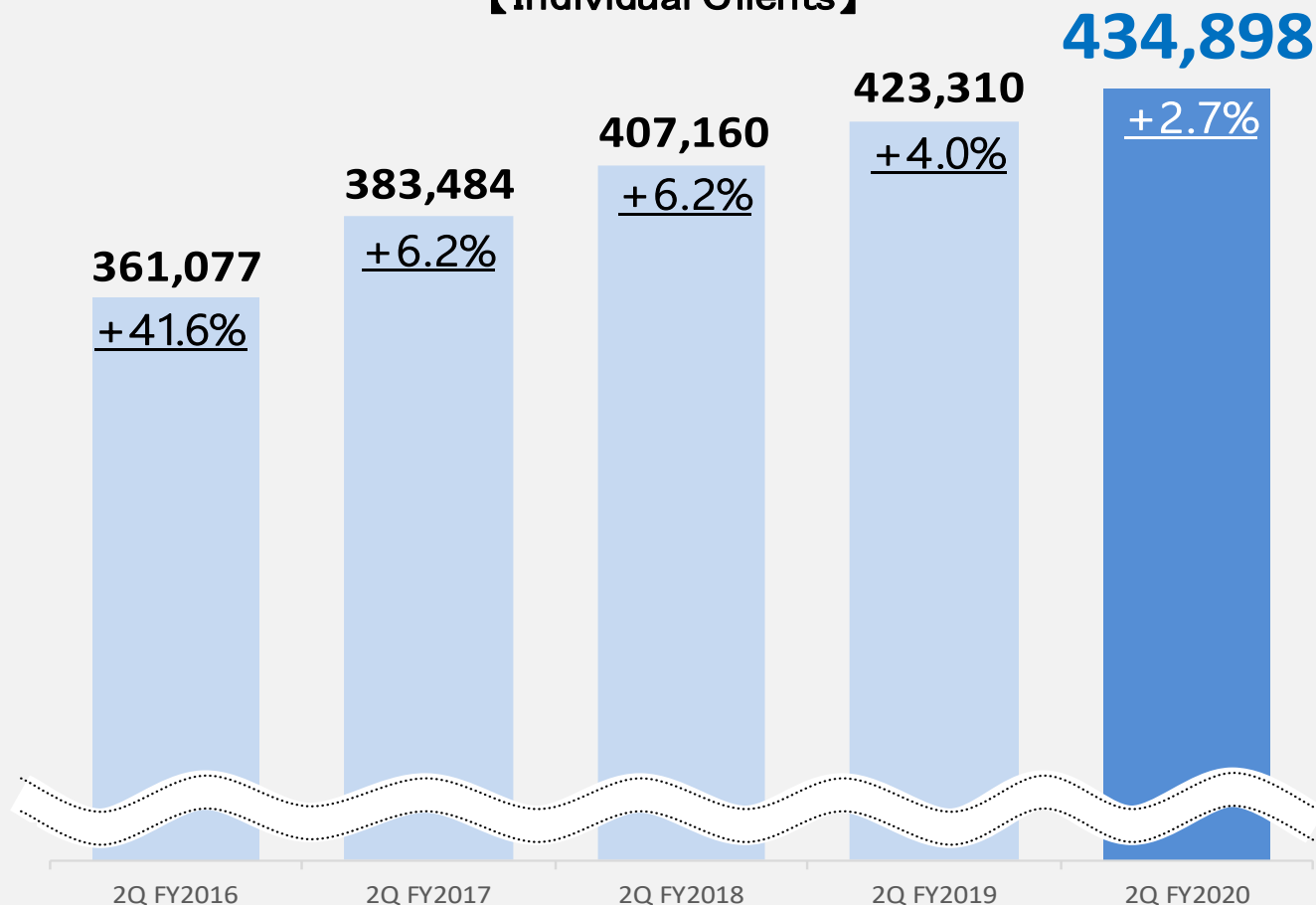


Total number of contracts **529,734**

- ALSOK-ST
- ALSOK-GV

Up **2.5%** YoY

Increase in Contracts of Electronic Security Services  
【Individual Clients】



Total number of contracts **434,898**

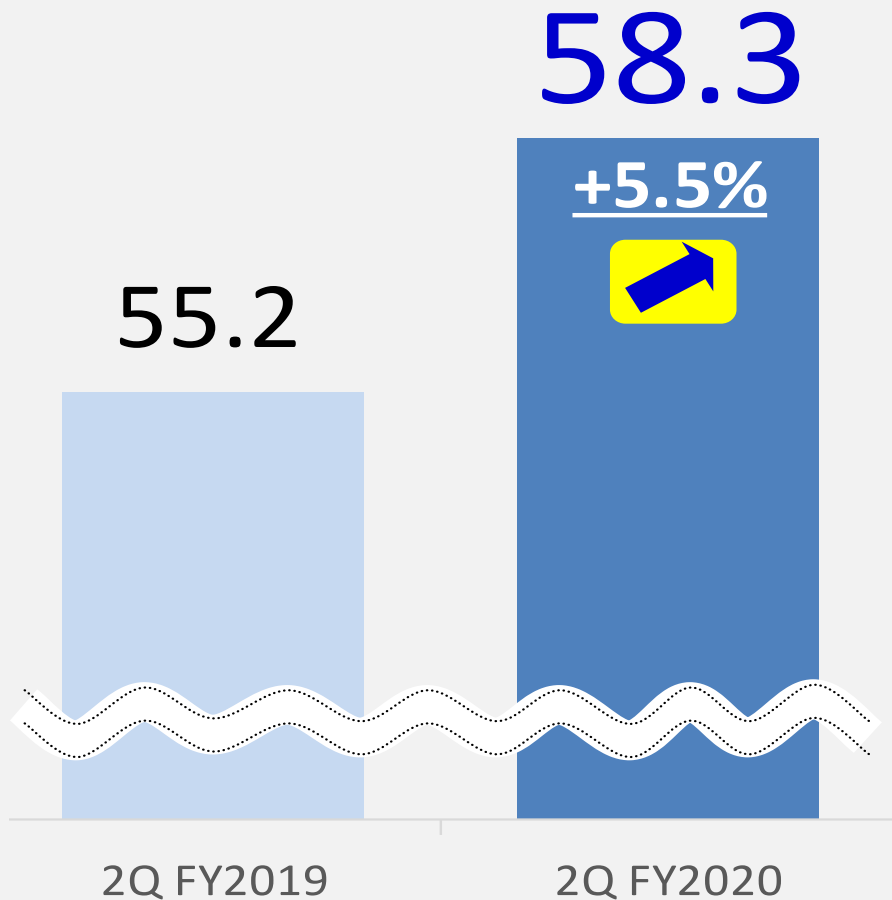
- Home Security Basic
- HOME ALSOK MIMAMORI Support

\* Including the number of houses from complex housing, the total number of contracts count up to approximately 1,180,000 houses.

**Up 2.7%** YoY

(Billions of Yen)

## Sales

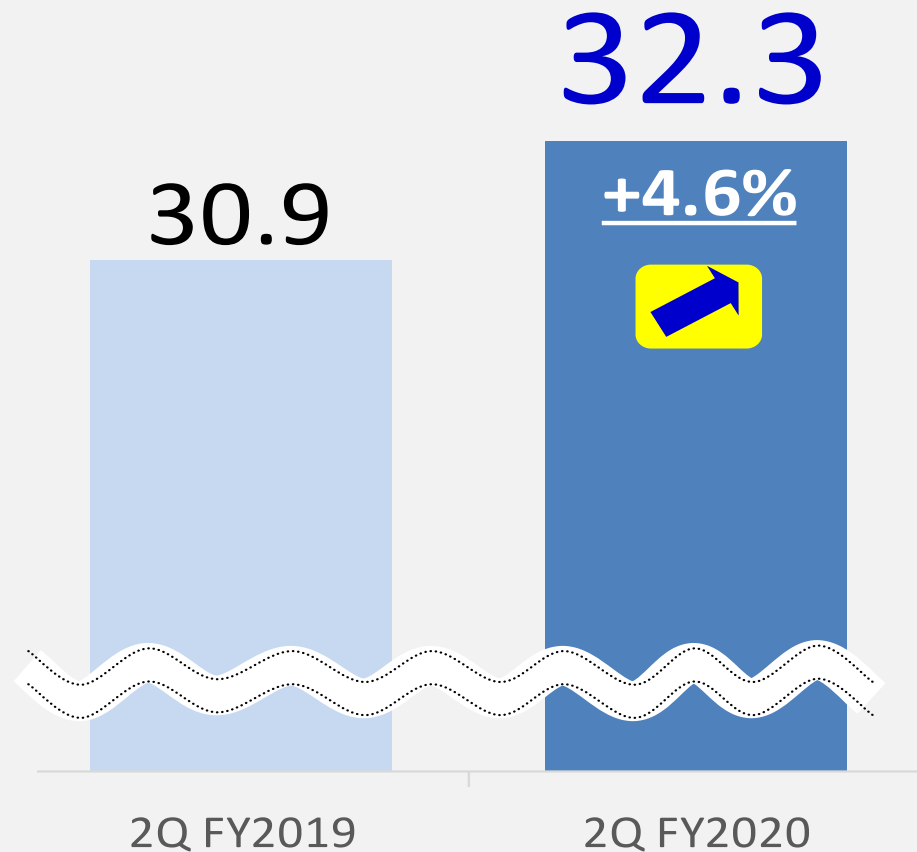


- Favorable long-term contracts
- Increase of large-scale security order

Sales **58.3** Billion Yen

(Billions of Yen)

## Sales



- Total ATM Management System approx. 73,800 units

Expansion in outsource from megabanks

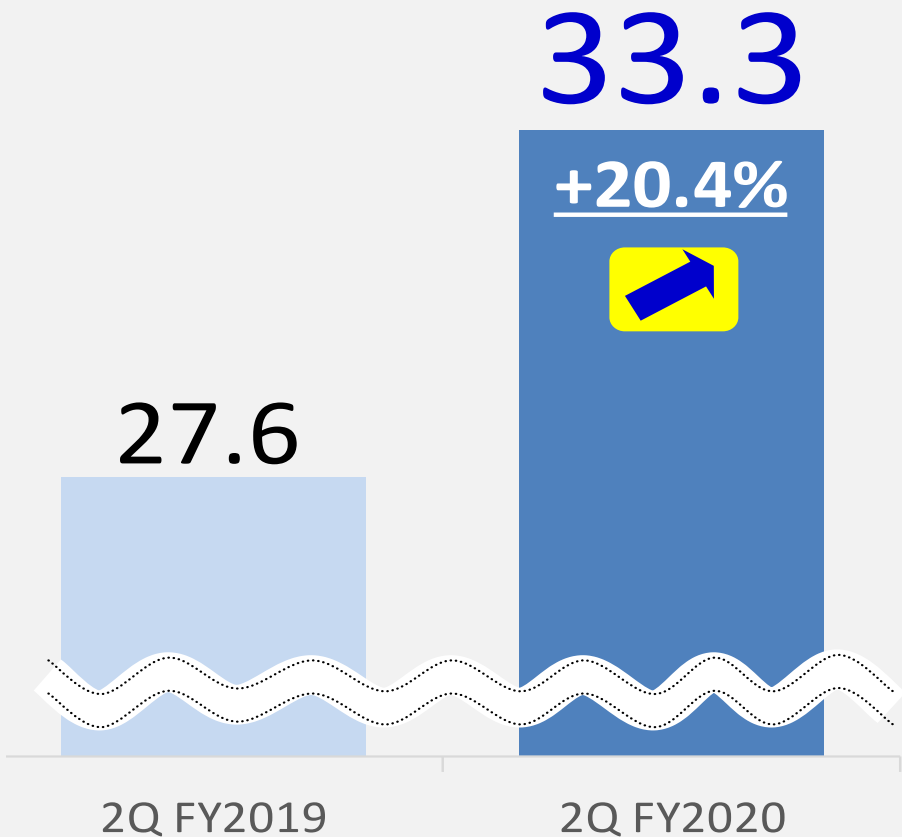
- Cash Deposit and Dispenser Machine On-line System approx. 23,900 units

Strong orders from retailing business  
as for the labor scarcity

Sales **32.3** Billion Yen

(Billions of Yen)

# Sales

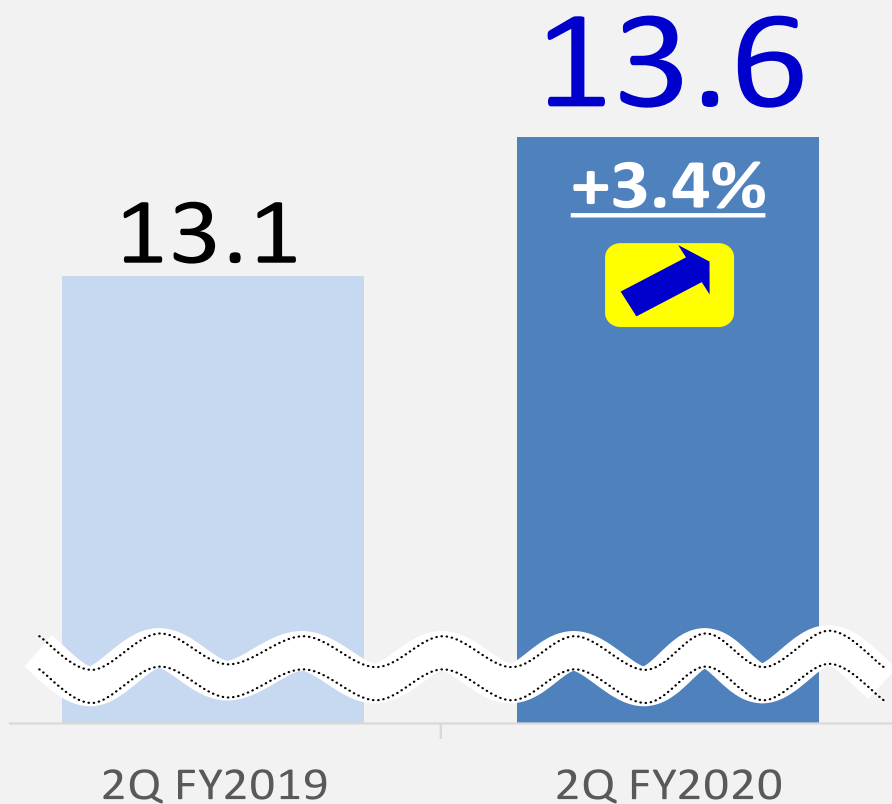


- Strong performance in long-term contracts as for general management, cleaning etc.
- Strong performance in construction revenue of equipment work section
- An advance in demand of disaster-related products such as disaster stockpile items, private electric generator etc.
- Total number of AED units sold: approx. 181,000

Sales **33.3** Billion Yen

## Sales

(Billions of Yen)

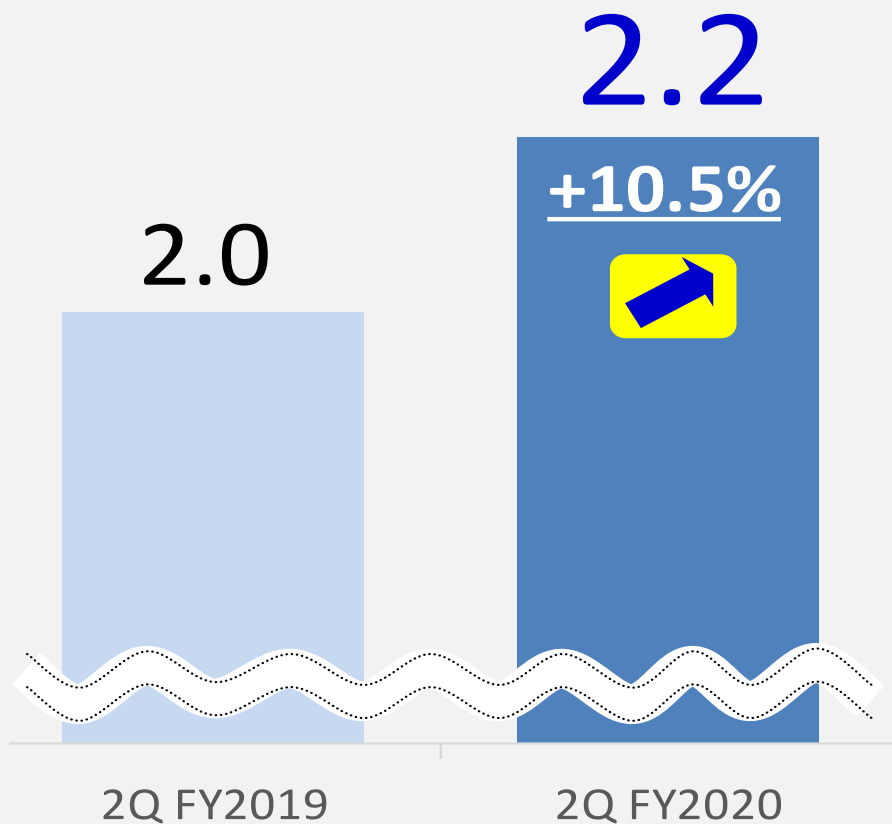


- Improvement in occupancy ratio
- Subsidiary acquisition of Care Plus Co., Ltd.

Sales **13.6** Billion Yen

## Sales

(Billions of Yen)

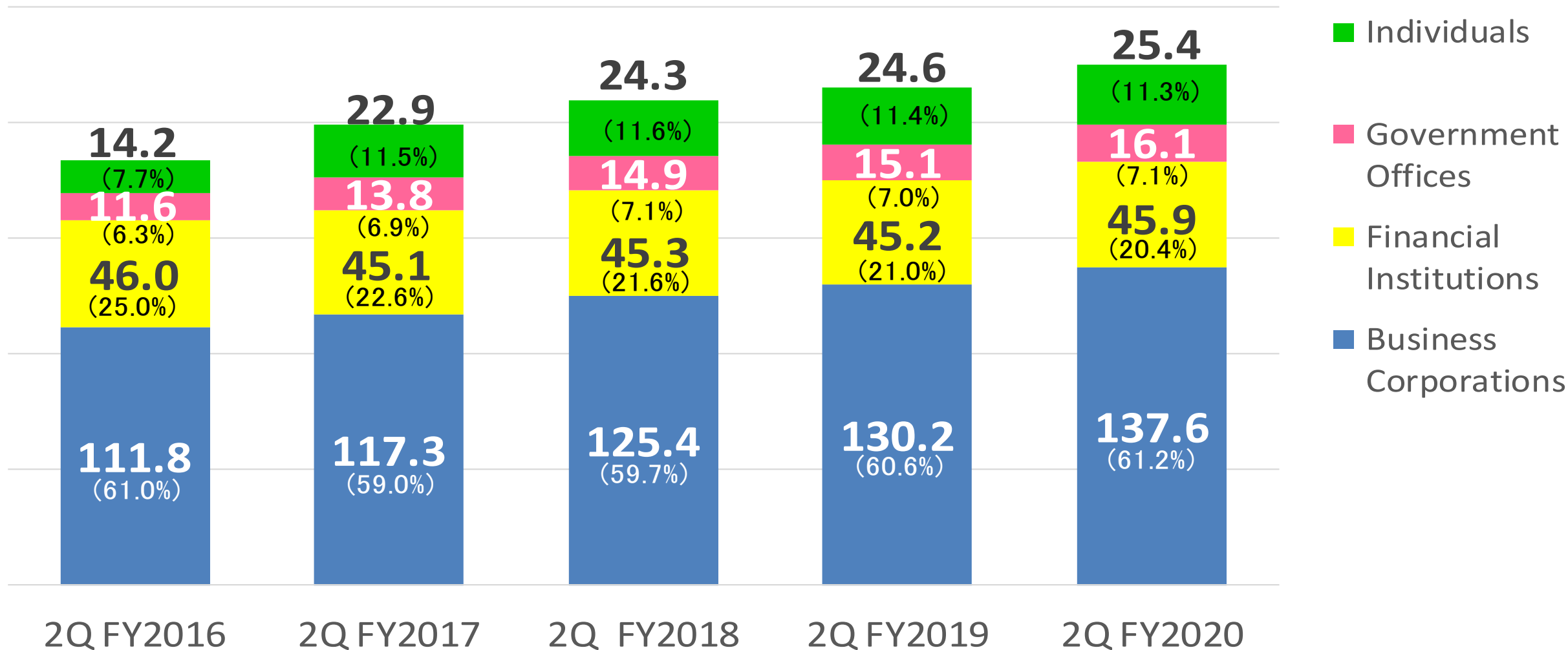


- Information Security
- Safety Confirmation System
- MAMOLOOK, MIMAMORI Tag etc.

Sales **2.2** Billion Yen

( )Sales Compostion

(Billions of Yen)

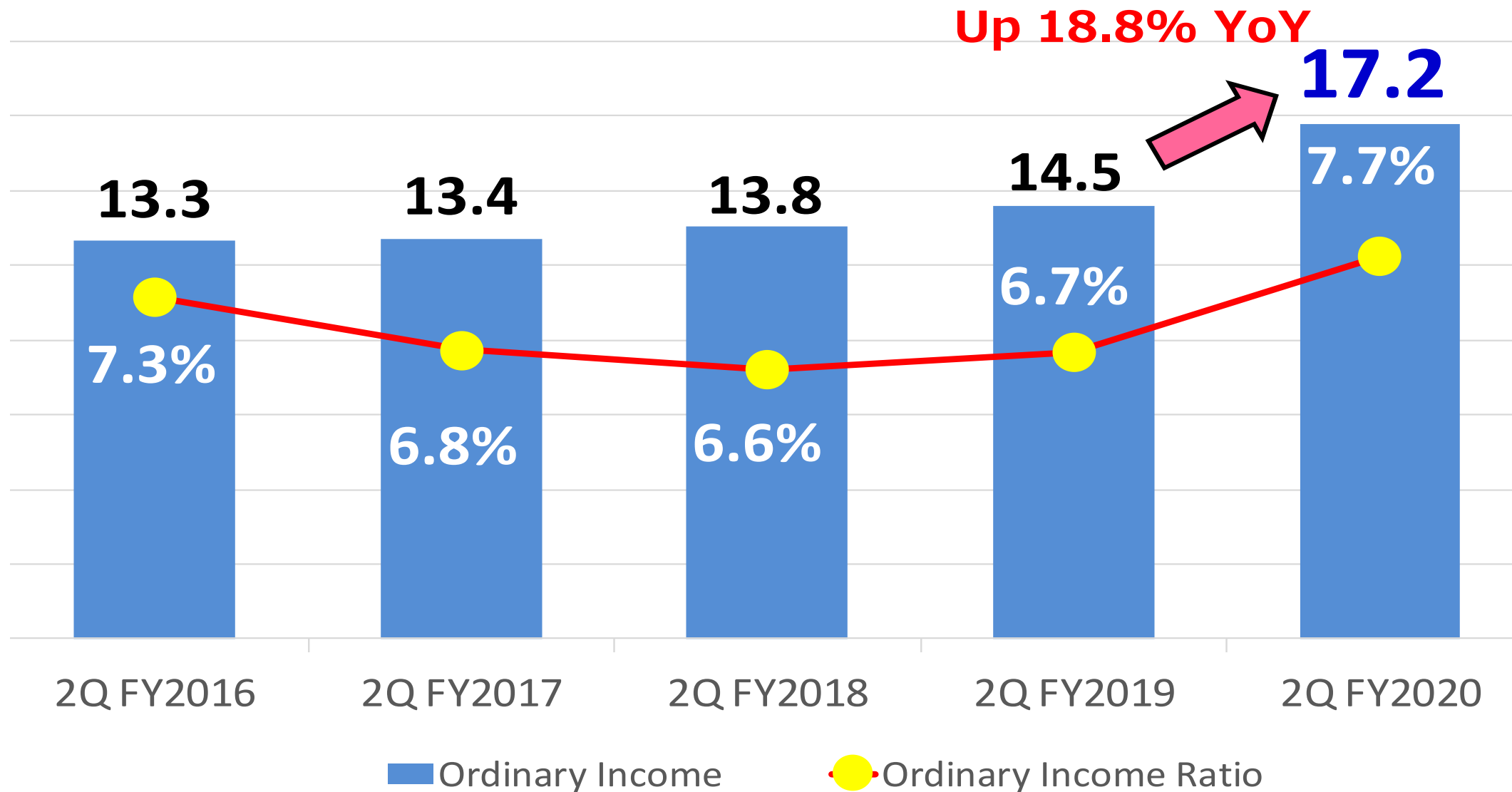




# Analysis of the Profit and Loss

(Billions of Yen)	2Q FY2019	2Q FY2020	Y o Y	Change
Net Sales	215.3	225.2	9.8	+4.6%
Cost of Sales	162.9	170.1	7.1	+4.4%
Labor cost	82.3	83.3	1.0	+1.3%
Expense	22.0	24.3	2.2	+10.4%
Depreciation	6.6	6.3	(0.2)	(3.5)
Others	26.7	27.7	0.9	+3.7%
Cost of product sold & installation	25.2	28.3	3.1	+12.3%
SG & A	38.5	38.8	0.2	+0.7%
Advertising expenses	1.2	1.3	0.0	+8.0%
Personnel cost	25.0	24.9	(0.0)	(0.3)
Depreciation	0.9	1.0	0.0	+6.8%
Others	11.3	11.5	0.1	+1.8%
Operating Income	13.8	16.2	2.3	+16.9%

(Billions of Yen)



# Consolidated Balance Sheet

(Billions of Yen)

	2Q FY2020	FY2019	Y o Y		2Q FY2020	FY2019	Y o Y
<b><u>Current assets</u></b>	<b>244.1</b>	<b>208.0</b>	<b>36.0</b>	<b><u>Current liabilities</u></b>	<b>121.3</b>	<b>92.5</b>	<b>28.8</b>
Cash and deposits	52.0	53.8	(1.8)	Notes and accounts payable	20.9	22.9	(2.0)
Cash for Transportation Security	111.5	72.5	38.9	Short-term loans payable	53.8	15.2	38.5
Services and paid				Income taxes payable	5.0	5.3	(0.3)
Notes and accounts receivable	50.9	54.9	(3.9)	Provision	2.5	2.2	0.3
Securities	0.6	0.3	0.2	Other	38.9	46.6	(7.6)
Raw materials and supplies	5.8	5.4	0.3				
Costs on uncompleted construction contracts	0.6	0.3	0.2	<b><u>Noncurrent liabilities</u></b>	<b>61.3</b>	<b>60.5</b>	<b>0.8</b>
Advances paid	6.6	5.9	0.6	Bonds payable	—	0.0	(0.0)
Other	16.1	14.7	1.3	Long-term loans payable	5.1	6.2	(1.0)
Allowance for doubtful accounts	(0.2)	(0.2)	(0.0)	Retirement benefit liability	28.2	27.6	0.6
				Provision for retirement benefits	1.5	1.8	(0.3)
<b><u>Noncurrent assets</u></b>	<b>203.2</b>	<b>202.0</b>	<b>1.2</b>	for directors (and other officers)			
Property, plant, and equipment	90.2	89.4	0.7	Asset retirement obligations	0.4	0.4	0.0
Intangible assets	32.4	33.0	(0.5)	Other	25.8	24.2	1.5
Investments and other assets	80.6	79.5	1.0	<b>Total liabilities</b>	<b>182.6</b>	<b>153.0</b>	<b>29.6</b>
				<b>Total net assets</b>	<b>264.7</b>	<b>257.0</b>	<b>7.6</b>
<b>Total assets</b>	<b>447.4</b>	<b>410.1</b>	<b>37.2</b>	<b>Total liabilities and net assets</b>	<b>447.4</b>	<b>410.1</b>	<b>37.2</b>

# Consolidated Cash Flows

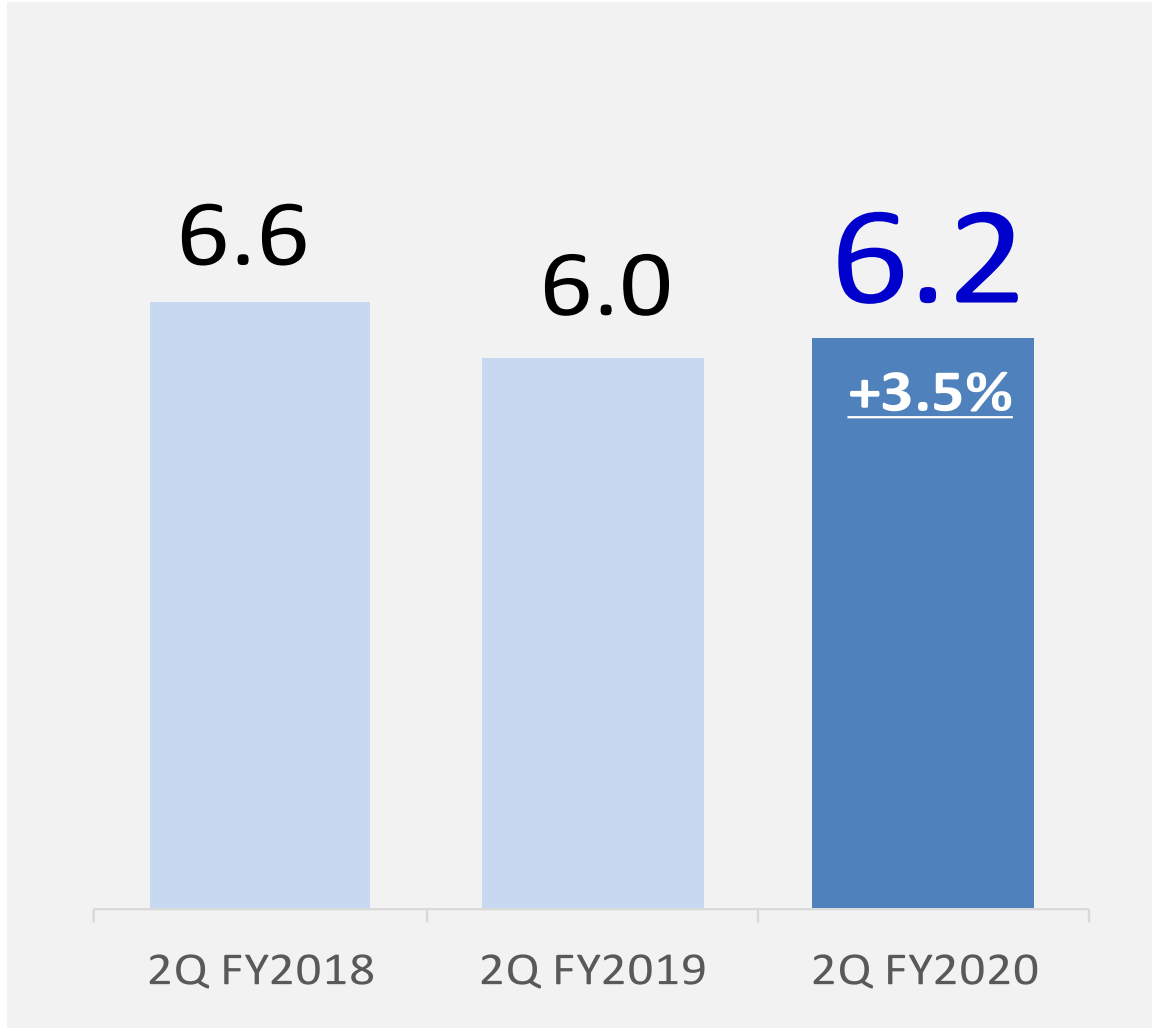
(Billions of Yen)

	2Q FY 2019	2Q FY2020	Y o Y
Net cash provided by (used in) operating activities	15.2	14.4	(0.7)
Net cash provided by (used in) investing activities	(8.8)	(7.7)	1.1
Net cash provided by (used in) financing activities	(6.3)	(7.5)	(1.2)
Cash and cash equivalents at end of period	40.5	42.5	2.0

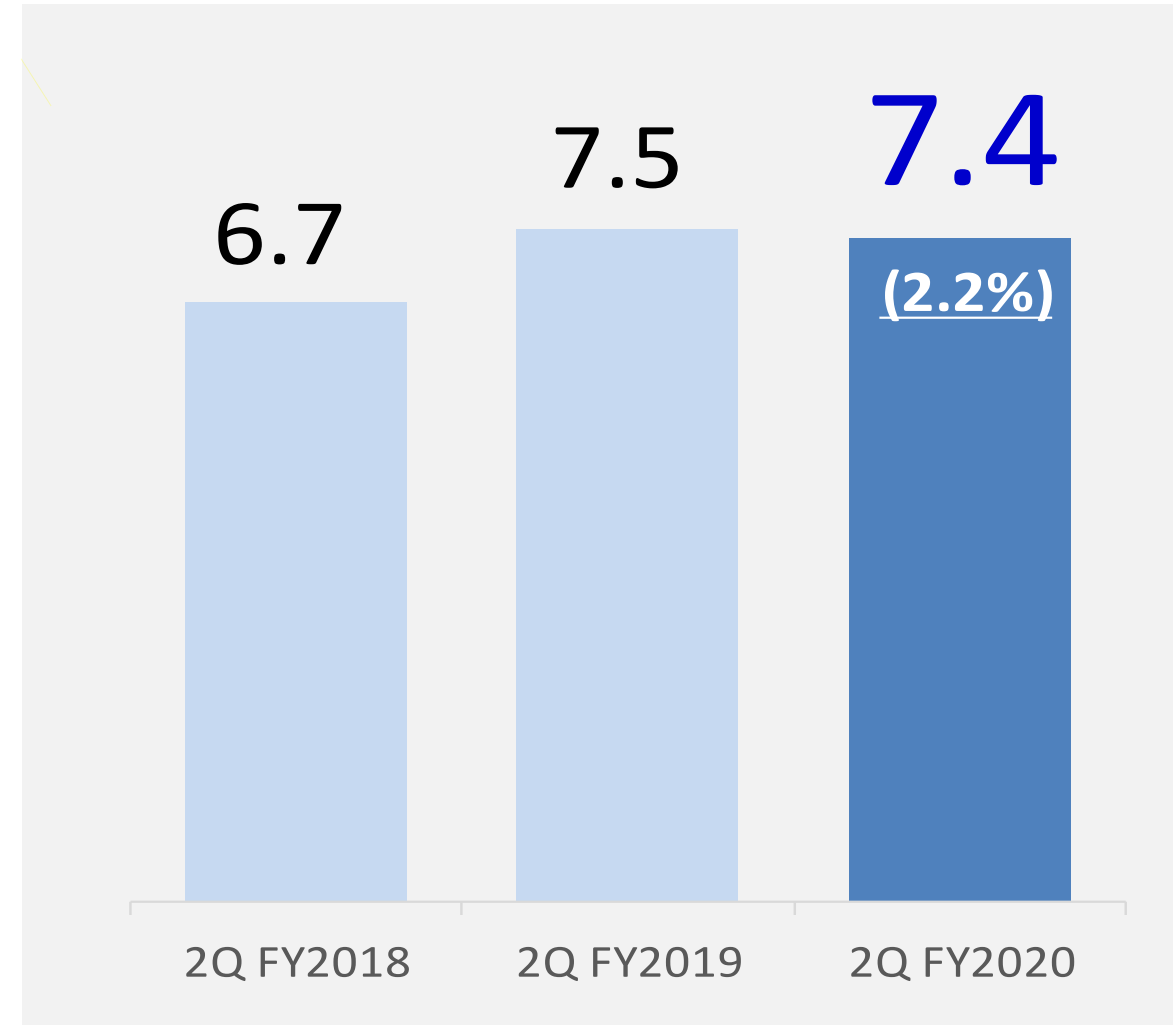
## Major items of 2Q FY2020

● Net cash provided by (used in) operating activities	Income before income tax	17.1
	Depreciation and amortization	7.4
	Decrease (increase) in notes and accounts receivable	4.0
	Increase (decrease) in notes and accounts payable	(5.7)
	Income taxes paid	(5.8)
● Net cash provided by (used in) investing activities	Purchase of property, plant and equipment	(5.8)
	Purchase of shares of subsidiaries resulting in change in scope of consolidation	(3.5)
● Net cash provided by (used in) financing activities	Repayments of long-term loans payable	(1.5)
	Repayments of lease obligations	(1.9)
	Cash dividends paid	(3.5)

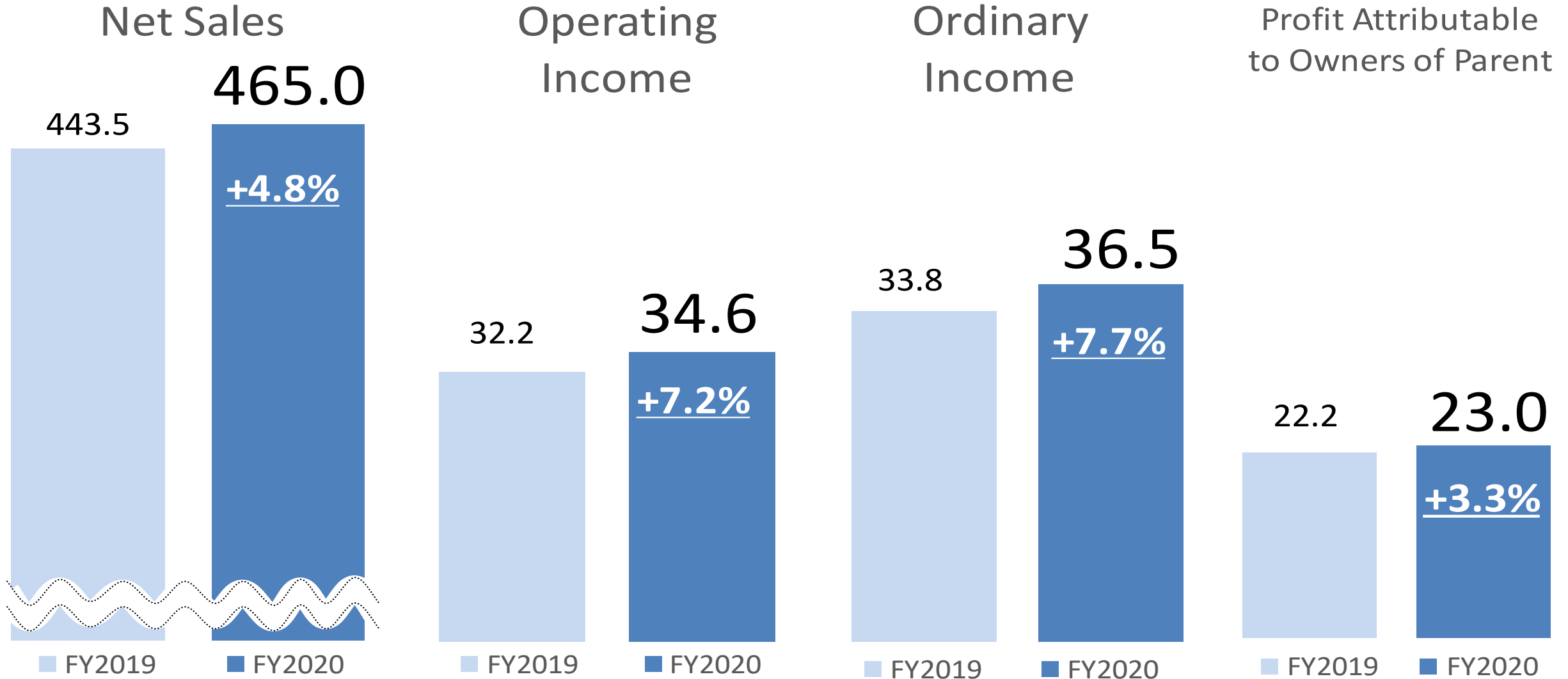
■ Capital expenditures (Billions of Yen)



■ Depreciation (Billions of Yen)



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(Billions of Yen)

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

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



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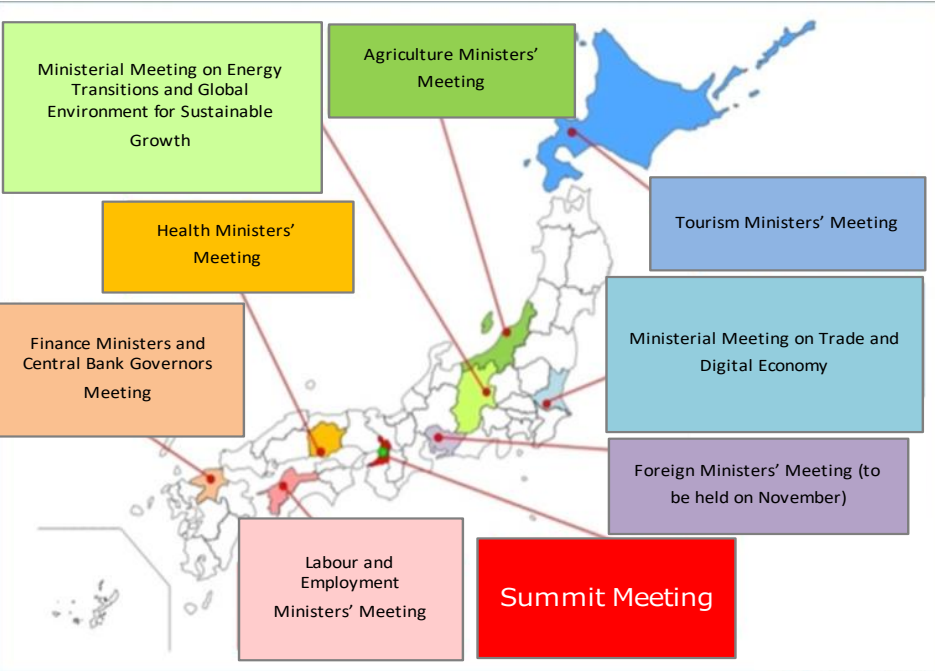
## ☆ Priority measures of ALSOK Group

- ① Large-scale security
- ② Products and services launched this fiscal year
- ③ Products and services to be launched hereafter
- ④ Initiatives for the SDGs

## ☆ G20 Osaka Summit 2019 & Rugby World Cup 2019

### G20 Osaka Summit 2019

### Rugby World Cup 2019



Contributed in security operation at each venue and nearby roads etc.

- Mobilized over 14,000 security guards in total at 12 venues

Contributed to safe operation by ALSOK Zone Security System "Staff Cooperation System"

- Introduced at 5 venues as to reinforce cooperation between security guards and convention staffs with the efficiency of security guards

Participated in the security field at 9 venues with over 9,900 people in total

ALSOK exerted Group's collective strengths, and contributed to the safe operation of Rugby World Cup 2019

## ☆ Tokyo 2020 Olympic and Paralympic Games

- Contribute in the security field as an official partner at Tokyo 2020 Games and as a co-leader of Joint Venture Group for Tokyo 2020 Games Security
- Prepare for every risk envisaged and contribute to safe operation

ALSOK will exert Group's collective strengths, play a key role in the security field, and contribute to safe operation of Tokyo 2020 Olympic and Paralympic Games

## ☆ Products and services launched this fiscal year

### REBORG®-Z

- Furthering the efficiency of Stationed Security
- Functional enhancement  
(**detection of suspicious object, initial fire extinguishing** etc.)

(June 2019)

#### 【Introduction results】

##### ■ Mt. Fuji Shizuoka Airport

The first security robot to be introduced at public area outside the restraining area of domestic airport



##### ■ SAKURA MACHI Kumamoto

Introduction of "Kumamon" designed robot which patrols and guide inside the facility



### QR settlement terminal

- Point Reward Project for Consumers Using Cashless by Ministry of Economy, Trade, and Industry)  
Registered as business supporting affiliated stores

(June 2019)

- Expansion of Cashless Settlement Business  
Launch of the multi settlement terminal "PAYGATE Station"

(October 2019)



**Fulfilling settlement support**



**Credit card support**

☆ Products and services to be launched hereafter

## ALSOK – G7

"Next generation type security service" with image monitoring service utilizing the technology of image analysis as a standard function

### New function

Image accumulation

Tablet display

Information notice of registered people

Detection of suspicious object being left



## Next MIMAMORI Support

Besides conventional function, a new function to widely watch over people's lives is added

### New function

Heatstroke

Safety confirmation

Early detection of dementia loitering

Evacuation assistance in the event of disaster

- Mounted LTE line makes introduction possible in houses with no communication line
- Construction unnecessary



## ☆ Initiatives for the SDGs

### Material Theme 1 Providing Trustworthy Security Services

case

- Promoting compliance
- Business Continuity Plan and preparation for emergencies
- In-House competitions



### Material Theme 2 Providing Products and Services That Help Resolve Social Issues

case

- Building a safe and secure community utilizing AI and robots
- Service for children, women, elderly
- Long-term care Service



### Material Theme 3 Cultivating Human Resources and Building a Comfortable Workplace Environment

case

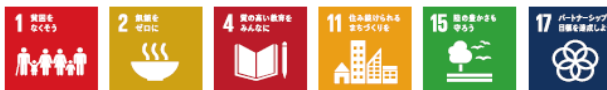
- Development of human resources that embody ALSOK's philosophy
- Respect for human rights and diversity
- Active overseas employees



### Material Theme 4 Contributing to Local Communities through Active Communication

case

- Post-disaster restoration support
- Sports promotion activities
- Contributions to safety for communities utilizing the know-how of security services



## 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

 <p>■ Kurumin Certified by Ministry of Health, Labour, and welfare</p>	 <p>■ Eruboshi Certified by Ministry of Health, labour and welfare</p>	 <p>■ White 500 Certified by Ministry of Economy, Trade, and Industry</p>
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## ESG

 <p>FTSE4Good</p>	 <p>FTSE Blossom Japan</p>	 <p>2019 Constituent MSCI ジャパンESG セレクト・リーダーズ指数</p>	 <p>Member of SNAM Sustainability Index 2019</p>
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# 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.

