

Financial Results for 2Q FY2021

SOHGO SECURITY SERVICES CO., LTD.

Securities Code : 2331 (1st Section of TSE)

October 30, 2020

Index

Section 1	Financial Results for 2Q FY2021	2
Section 2	Business Plan for FY2021	22
Section 3	Priority Measures	25

Section 1	Financial Results for 2Q FY2021
Section 2	Business Plan for FY2021
Section 3	Priority Measures

1 Achieved record high in net sales on interim basis

On interim basis, net sales achieved an increase for 10 consecutive years

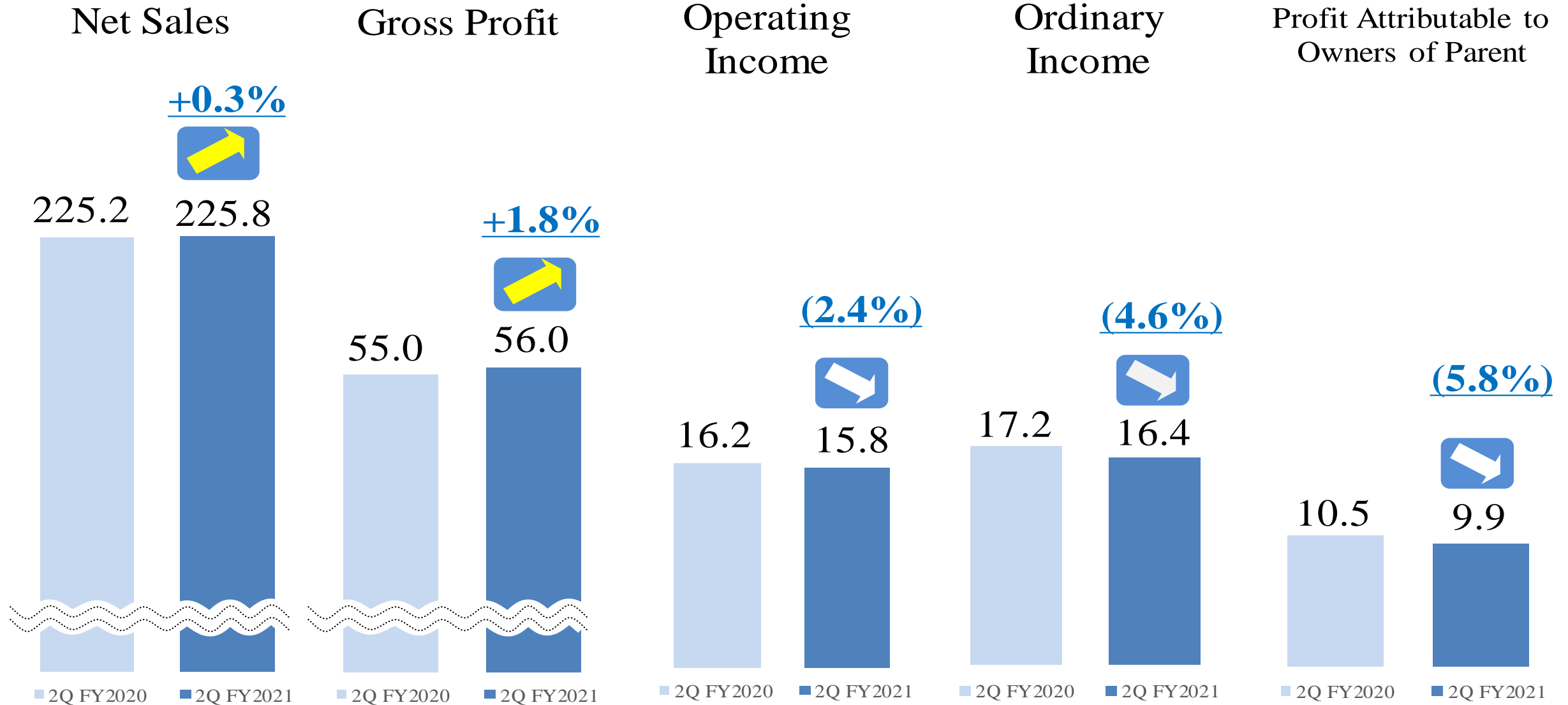
2 Profit slightly declined in year to year comparison

Operating income, ordinary income, and profit attributable to owners of parent slightly declined

3 Promotion of M&A

Subsidiary acquisition of Life Holdings Co., Ltd.

Profit and Loss for 2Q FY2021



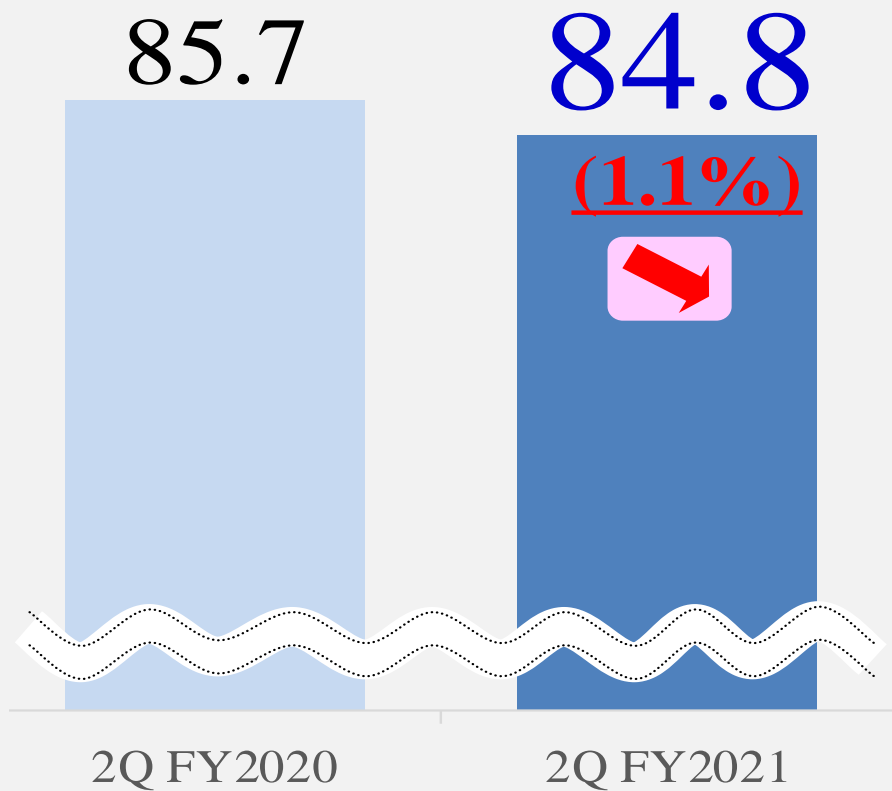
(Billions of Yen)

(Billions of Yen)	2Q FY2021	2Q FY2021 Business Plan	Gap	Achievement Ratio
Net Sales	225.8	232.0	(6.1)	97.4%
Operating Income	15.8	15.8	(0.0)	99.7%
Ordinary Income	16.4	16.6	(0.1)	99.2%
Profit Attributable to Owners of Parent	9.9	9.9	0.0	100.6%

Net sales by Services

(Billions of Yen)	2Q FY2020	2Q FY2021	Y o Y	Change
Security Services	176.4	173.0	(3.3)	(1.9%)
Electronic Security Services	85.7	84.8	(0.9)	(1.1%)
Stationed Security Services	58.3	55.6	(2.6)	(4.6%)
Transportation Security Services	32.3	32.6	0.2	0.8%
General Property Management and Fire Protection Services	32.9	30.2	(2.6)	(8.0%)
Long-Term Care Services	13.6	19.9	6.3	46.6%
Other Services	2.2	2.6	0.3	16.0%
Total	225.2	225.8	0.6	0.3%

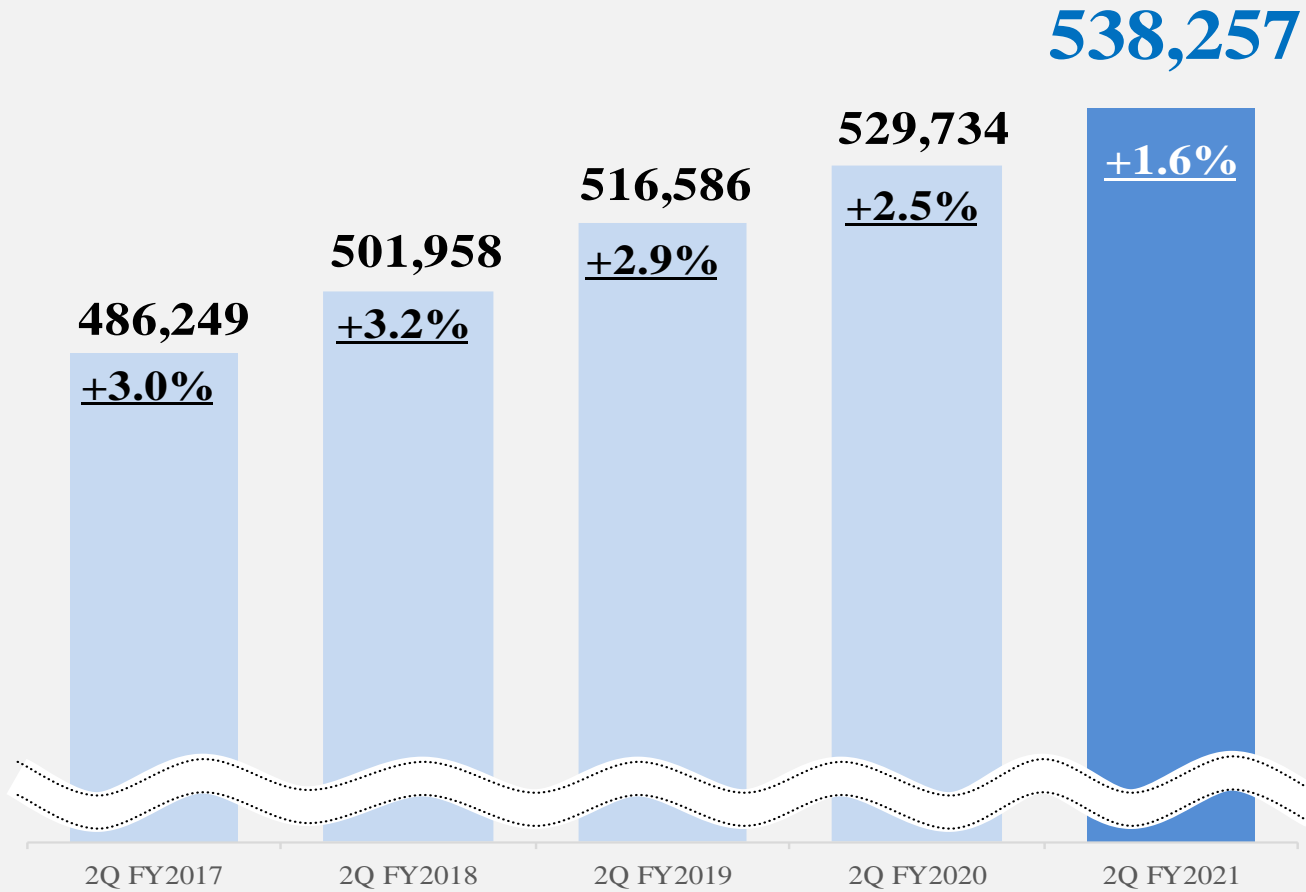
Sales (Billions of Yen)



Contract Sales	70.1 billion yen	Y o Y Ratio	+0.5%
Construction Slaes	2.4 billion yen	Y o Y Ratio	+2.5%
Equipment Sales	12.2 billion yen	Y o Y Ratio	(9.9%)

Down 1.1% YoY

Increase in Contracts of Electronic Security Services 【Corporate Clients】



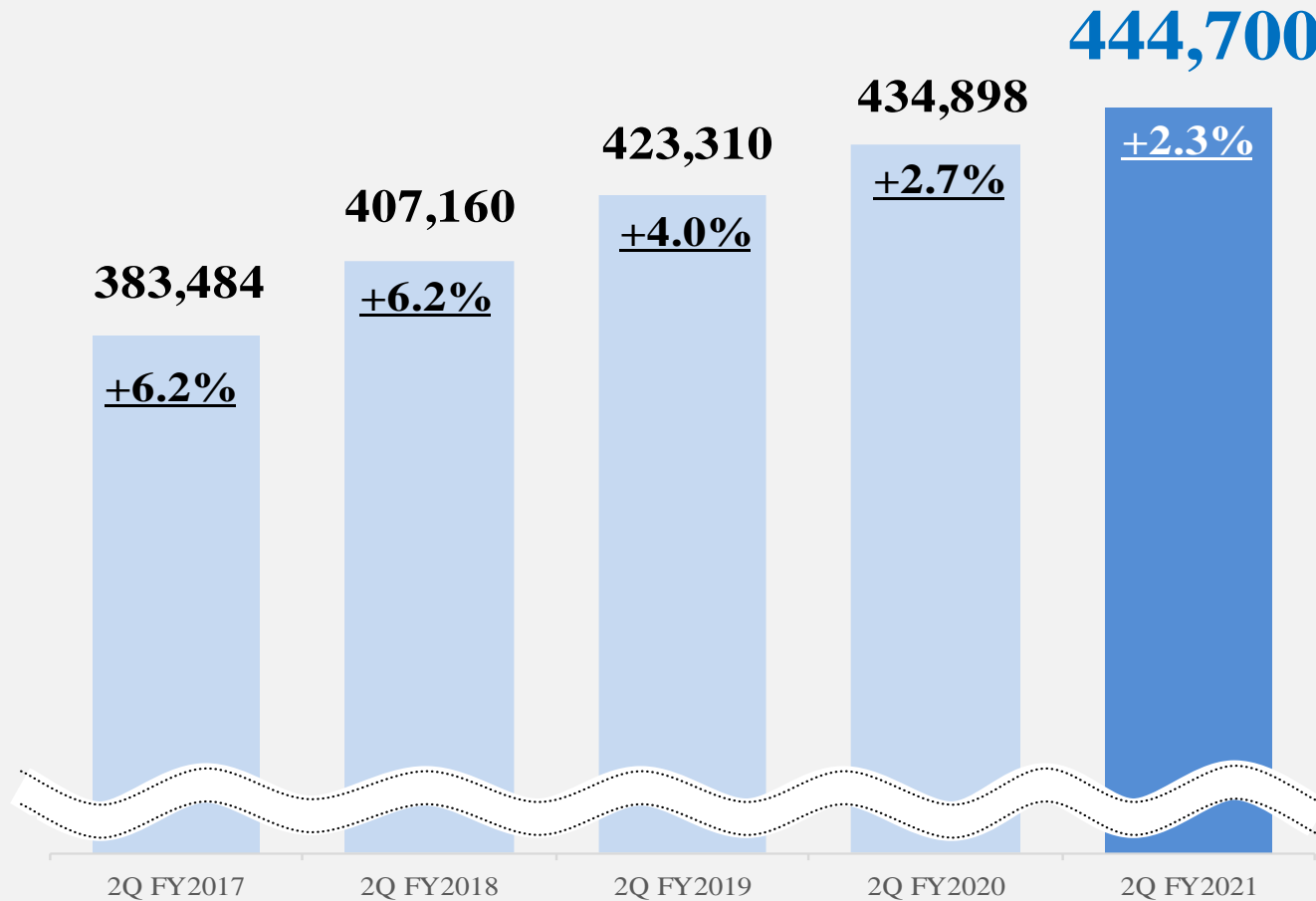
Total number of contracts

538,257

▪ ALSOK-G7(G-seven)

Up 1.6% YoY

Increase in Contracts of Electronic Security Services 【Individual Clients】



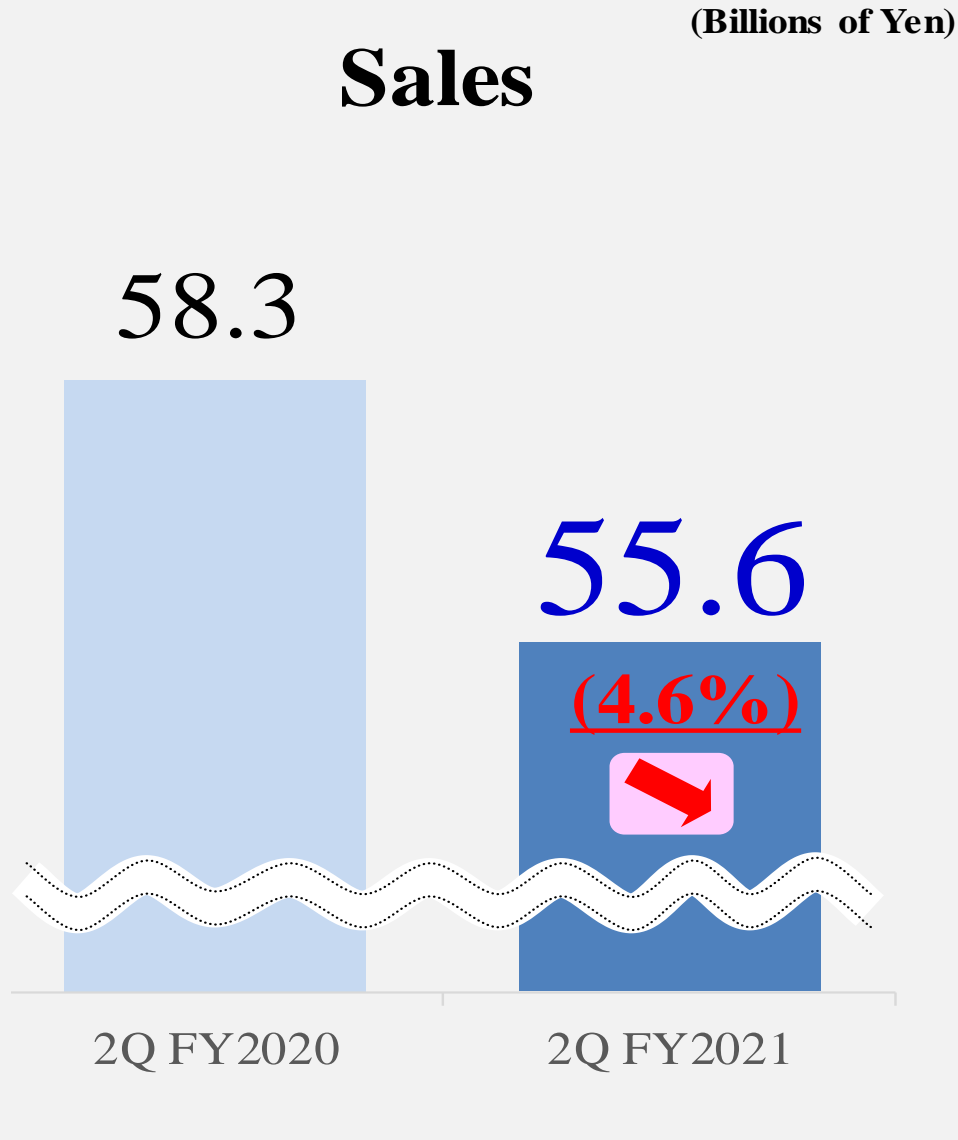
Total number of contracts

444,700

- Home Security Basic
- HOME ALSOK MIMAMORI Support

Note: Including the number of complex housing, the total number of contracts count up to approximately 1,230,000 houses.

Up 2.3% YoY

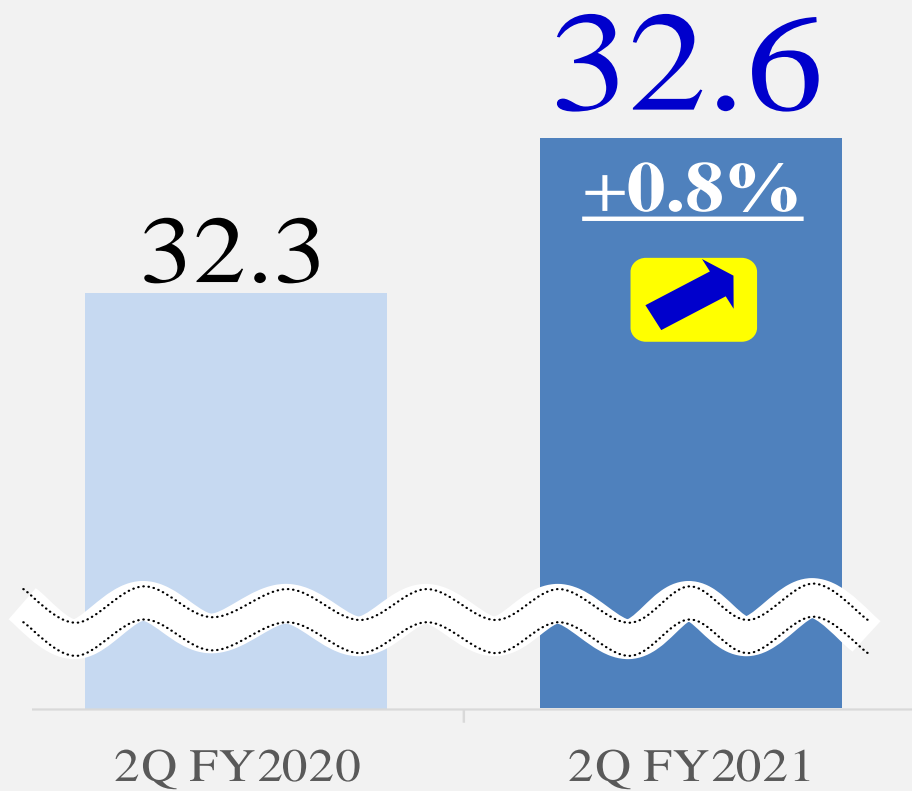


- Downturn of large-scale security orders from the recent fiscal year
- Reduction of short-term stationed security services due to cancellation of events

Down 4.6% YoY

Sales

(Billions of Yen)



▪ Total ATM Management System

approx. 74,100 units

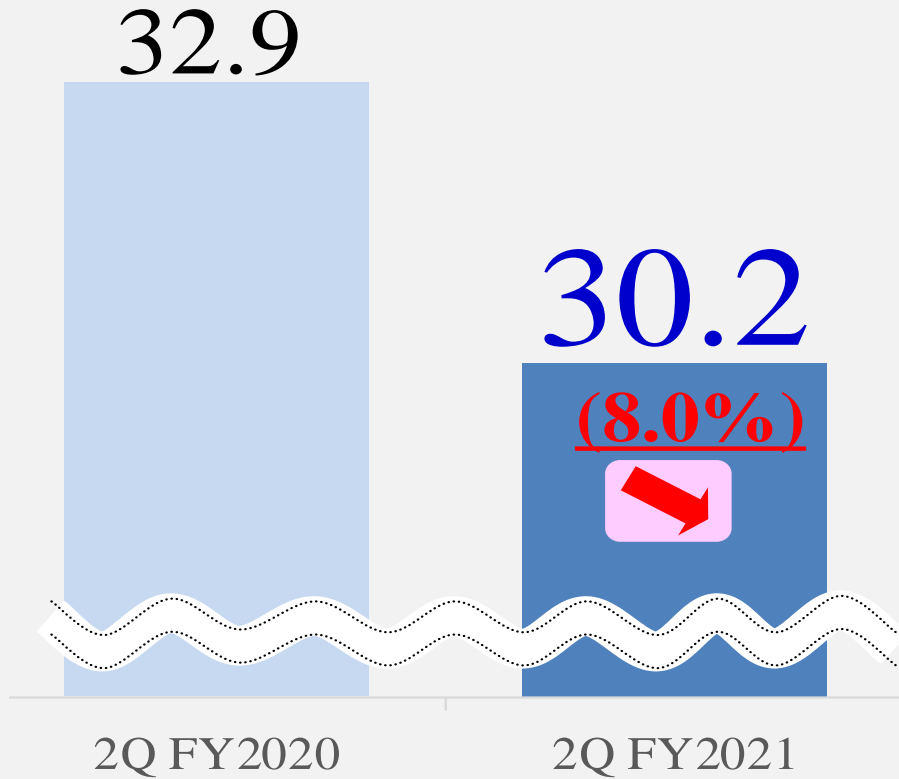
▪ Cash Deposit and Dispenser Machine On-line System

approx. 25,700 units

Up 0.8% YoY

(Billions of Yen)

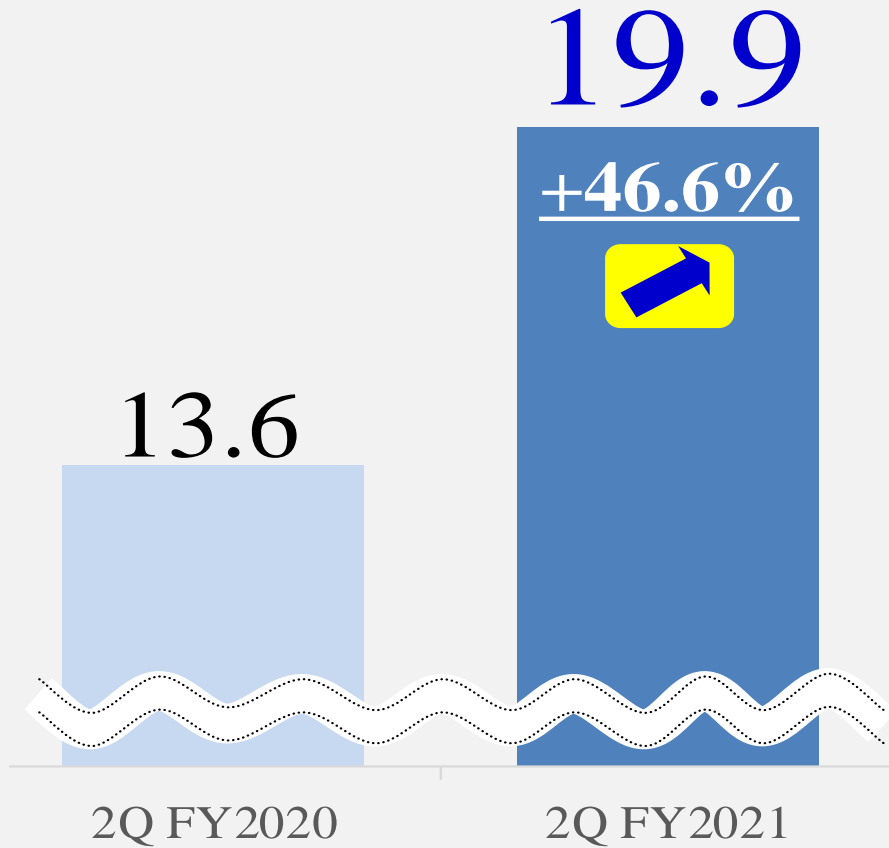
Sales



- Downturn of large-scale construction from recent fiscal year
- Strong performance in orders concerning antivirus products
- Total number of AED units sold approx. 202,000 units

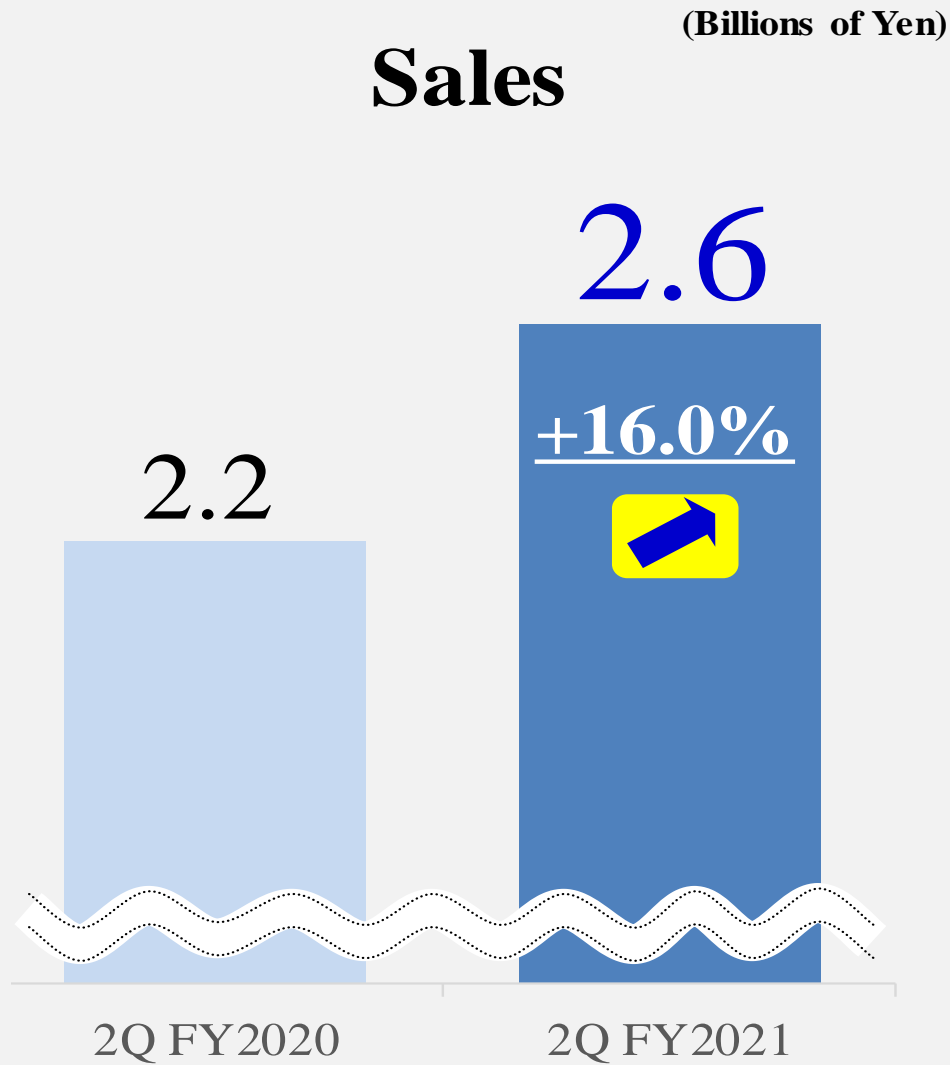
Down 8.0% YoY

Sales (Billions of Yen)



- Increase in occupancy ratio and residents of care facilities
- Effect by M&A
Life Holdings Co., Ltd.

Up 46.6% YoY

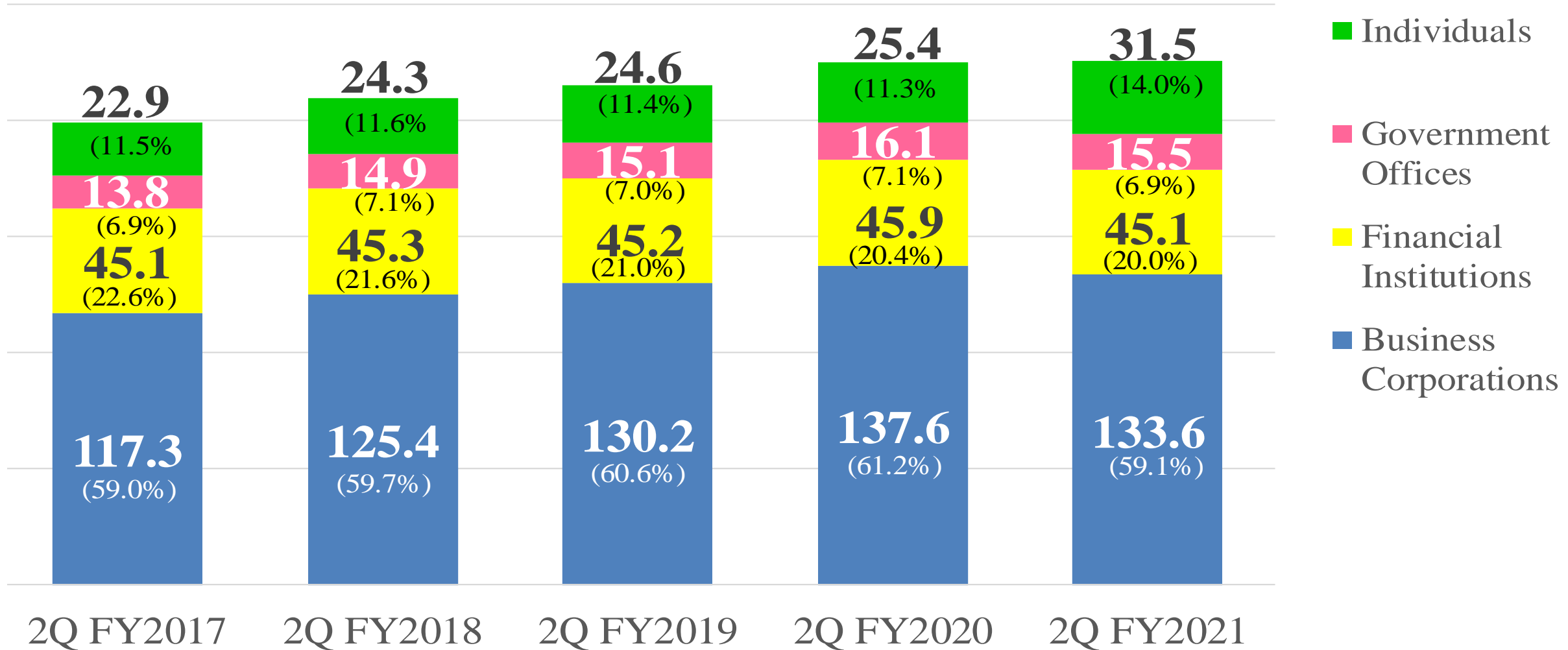


- Information Security
- Safety Confirmation System
- MAMOLOOK etc.
- Effect by M&A
MBIC Life Co., Ltd.

Up 16.0% YoY

()Sales Compostion

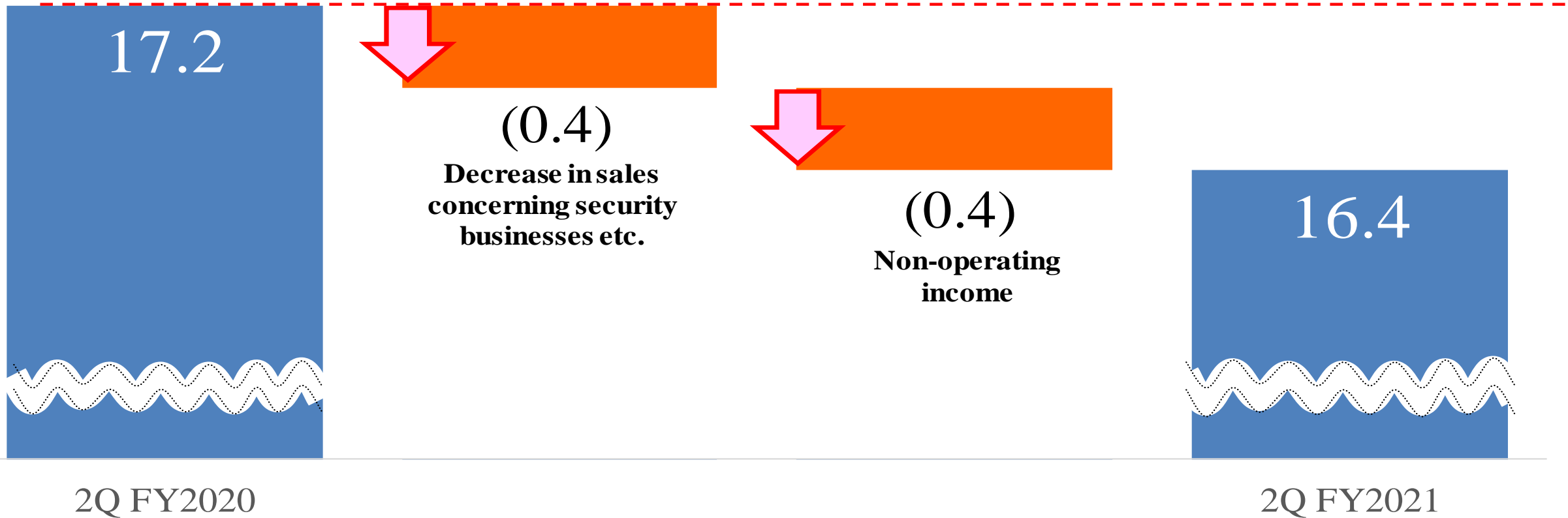
(Billions of Yen)



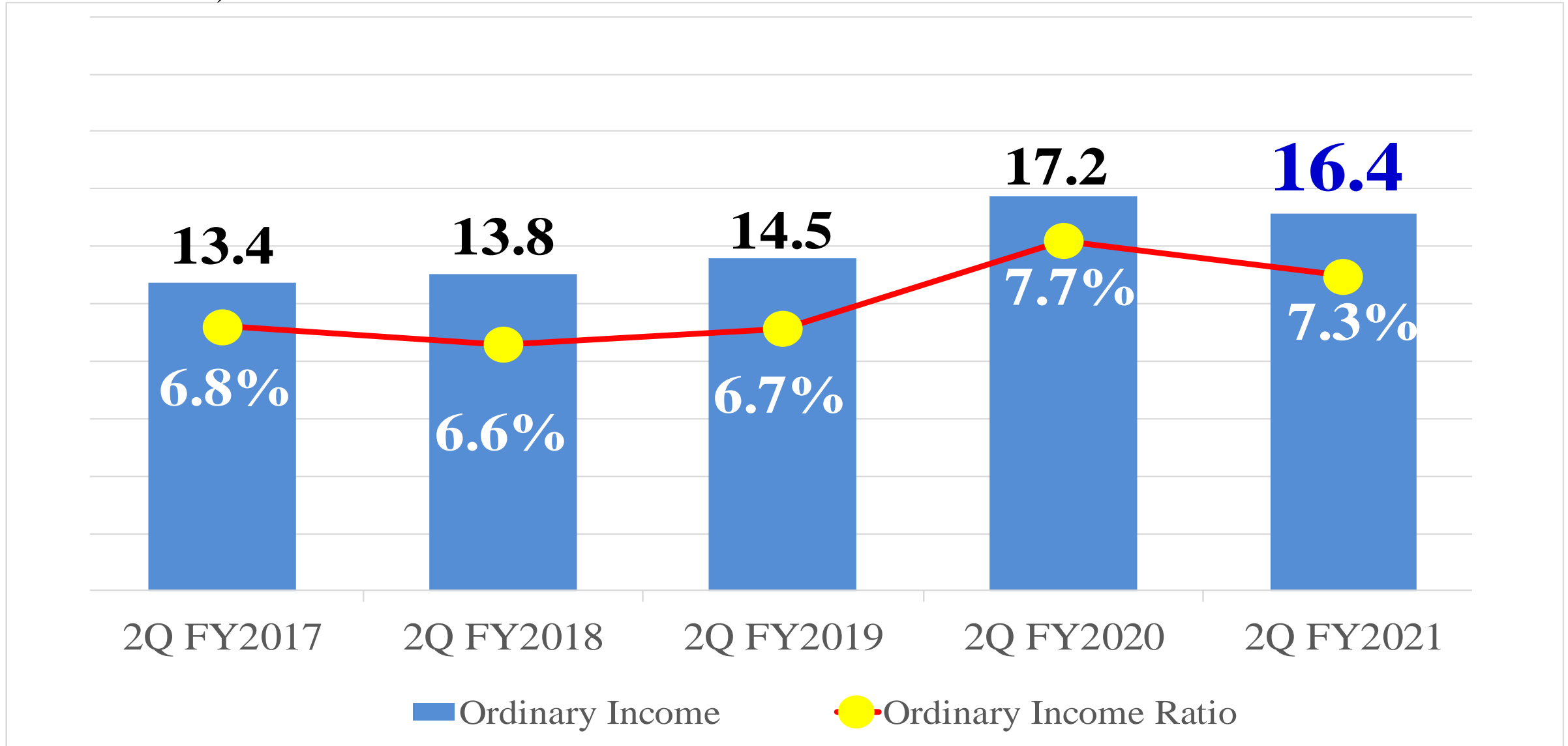
Analysis of the Profit and Loss

(Billions of Yen)	2Q FY2020	2Q FY2021	Y o Y	Change
Net Sales	225.2	225.8	0.6	0.3%
Cost of Sales	170.1	169.8	(0.3)	(0.2%)
Labor Cost	83.3	85.3	1.9	2.4%
Expense	24.3	24.0	(0.2)	(1.0%)
Depreciation	6.3	6.7	0.3	6.2%
Others	27.7	29.0	1.3	4.7%
Cost of Product Sold & Installation	28.3	24.6	(3.7)	(13.2%)
SG&A	38.8	40.2	1.3	3.6%
Advertising Expenses	1.3	1.2	(0.0)	(7.5%)
Personnel Cost	24.9	25.7	0.8	3.2%
Depreciation	1.0	1.1	0.1	13.0%
Others	11.5	12.0	0.5	4.7%
Operating Income	16.2	15.8	(0.3)	(2.4%)

(Billions of Yen)



(Billions of Yen)



Consolidated Balance Sheet

(Billions of Yen)

	2Q FY2021	FY2020	Y o Y		2Q FY2021	FY2020	Y o Y
<u>Current assets</u>	223.8	229.4	(5.6)	<u>Current liabilities</u>	100.1	98.4	1.7
Cash and deposits	56.3	56.3	(0.0)	Notes and accounts payable	18.5	25.3	(6.8)
Cash for Transportation Security	87.5	87.5	0.0	Short-term loans payable	32.5	18.8	13.7
Servises and paid				Income taxes payable	5.0	6.9	(1.8)
Notes and accounts receivable	47.8	56.0	(8.1)	Provision	2.7	2.4	0.3
Securities	0.5	0.6	(0.1)	Other	41.2	44.9	(3.6)
Raw materials and supplies	8.0	7.0	1.0				
Costs on uncompleted construction contracts	0.5	0.3	0.1	<u>Noncurrent liabilities</u>	73.2	59.9	13.3
Advances paid	5.8	6.2	(0.4)	Long-term loans payable	5.5	4.7	0.8
Other	17.4	15.5	1.9	Retirement benefit liability	28.0	27.5	0.5
Allowance for doubtful accounts	(0.2)	(0.2)	(0.0)	Provision for retirement benefits for directors (and other officers)	1.6	1.6	0.0
				Asset retirement obligations	0.4	0.4	0.0
<u>Noncurrent assets</u>	228.5	199.3	29.2	Other	37.5	25.5	11.9
Property, plant, and equipment	100.6	90.4	10.1				
Intagible assets	44.8	32.5	12.2				
Investments and other assets	83.0	76.2	6.7	Total liabilities	173.4	158.3	15.0
				Total net assets	278.9	270.4	8.4
Total assets	452.3	428.7	23.5	Total liabilities and net assets	452.3	428.7	23.5

(Billions of Yen)

	2Q FY2020	2Q FY2021	Y o Y
Net cash provided by (used in) operating activities	14.4	26.6	12.1
Net cash provided by (used in) investing activities	(7.7)	(21.6)	(13.8)
Net cash provided by (used in) financing activities	(7.5)	(4.4)	3.1
Cash and cash equivalents at end of period	42.5	49.3	6.7

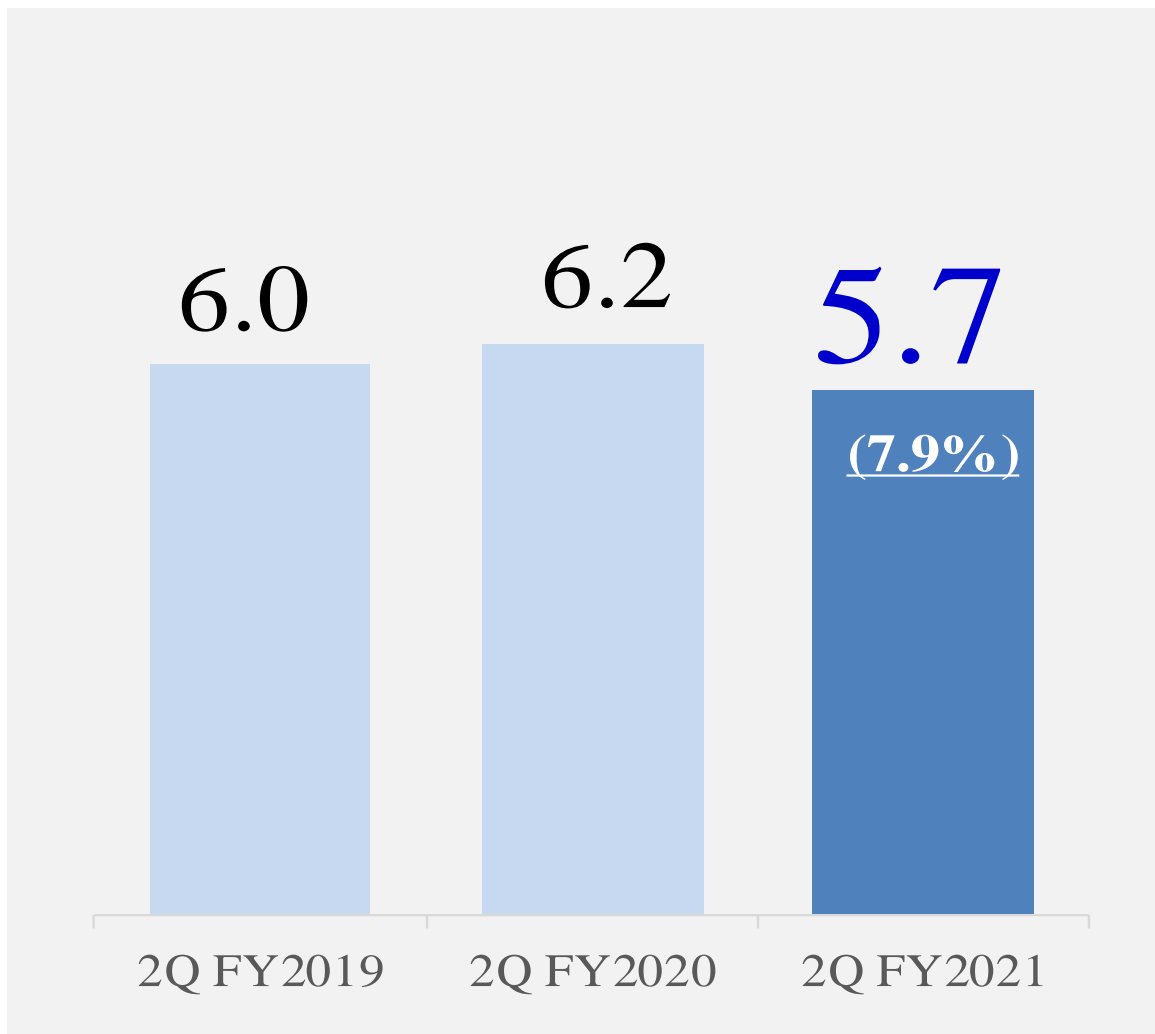
Major items of 2Q FY2021



● Net cash provided by (used in) operating activities	Income before tax	16.5
	Increase/decrease in assets/liabilities for Transportation Security Services	11.5
	decrease in trade receivables	9.6
	Depreciation	7.9
	Decrease in trade payables	(9.4)
	Income taxes paid	(7.4)
● Net cash provided by (used in) investing activities	Purchase of shares of subsidiaries resulting in change in scope of consolidation	(13.6)
	Purchase of property, plant, and equipment	(5.6)
● Net cash provided by (used in) financing activities	Increase(decrease) in short-term borrowings(net)	2.0
	Dividends paid	(3.5)
	Repayments of lease obligations	(2.7)

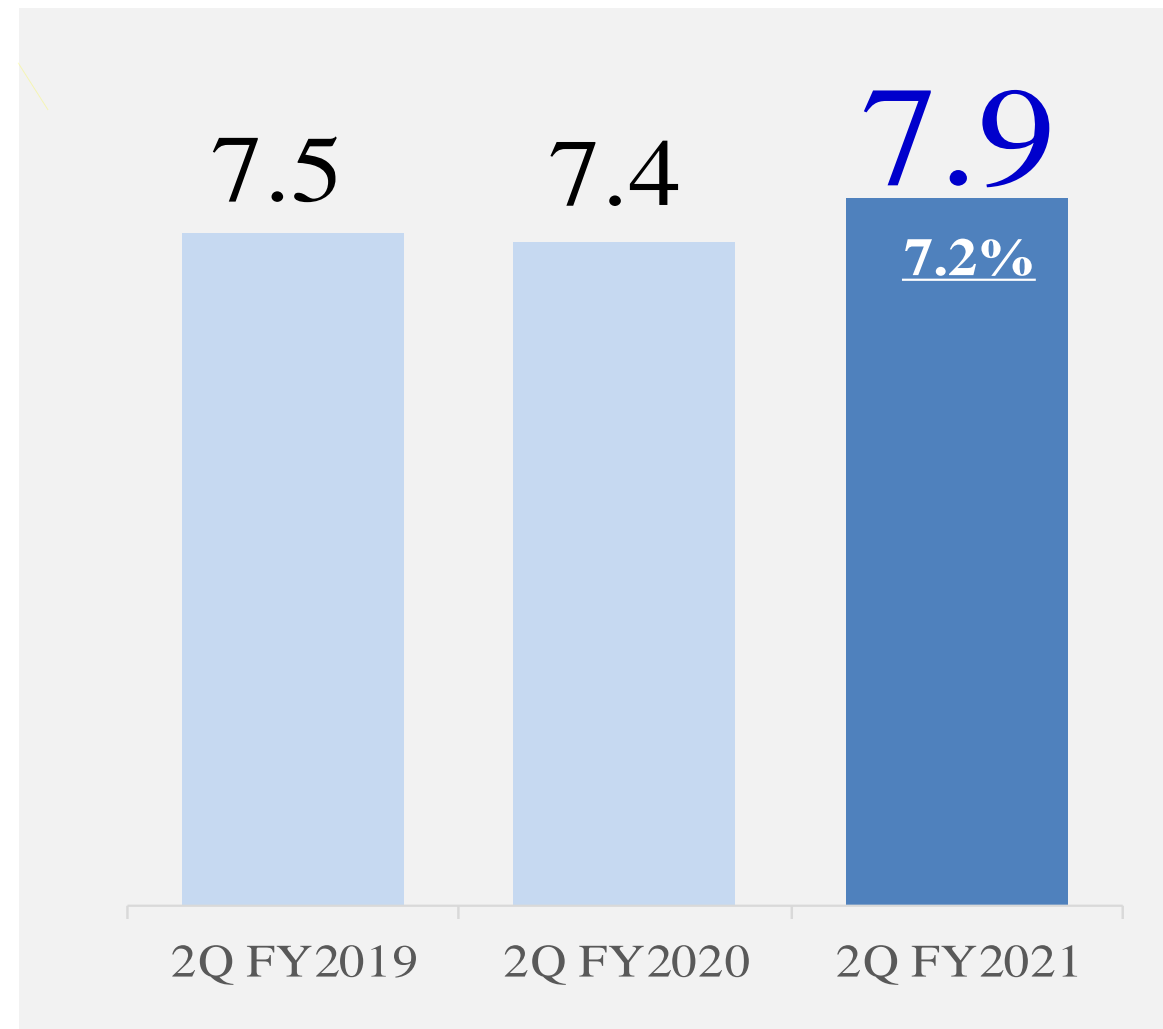
■ Capital Expenditures

(Billions of Yen)

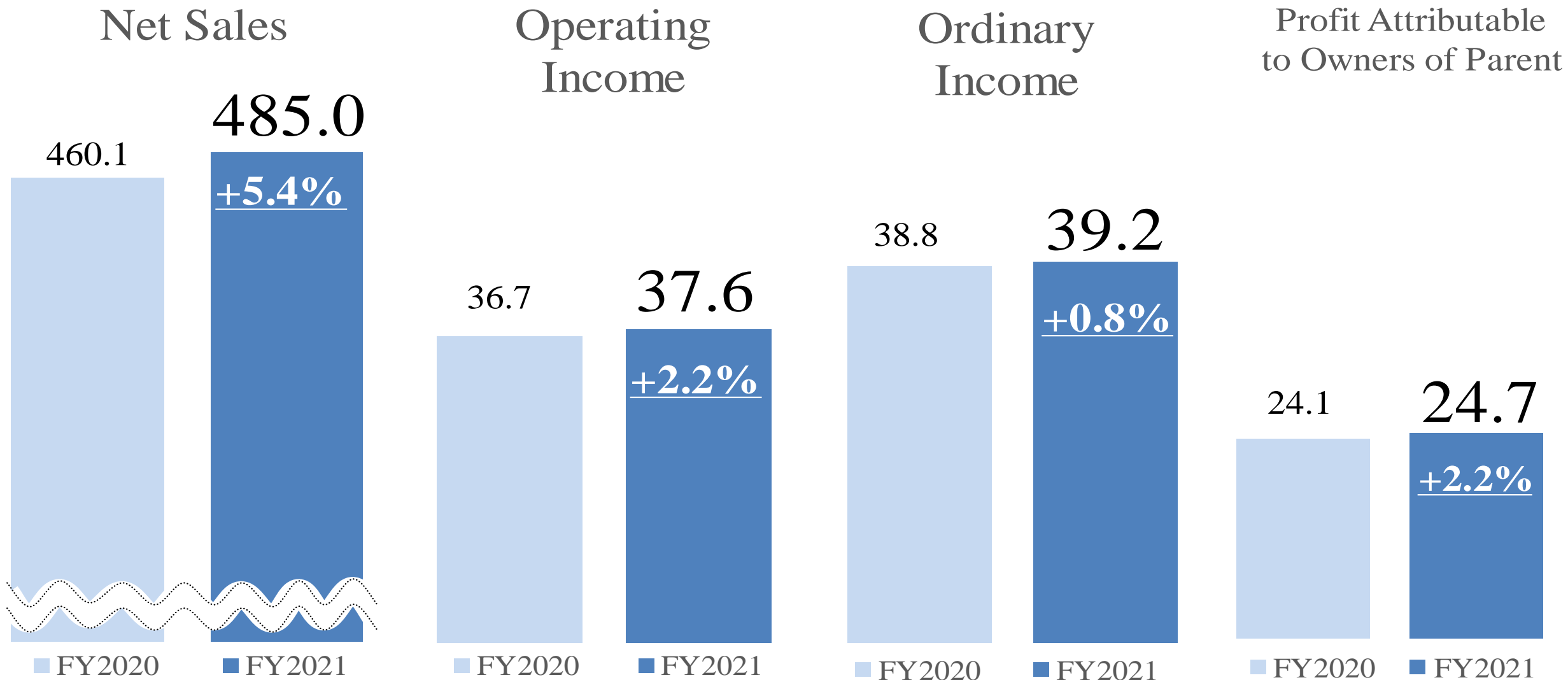


■ Depreciation

(Billions of Yen)



Section 1	Financial Results for 2Q FY2021
Section 2	Business Plan for FY2021
Section 3	Priority Measures



Note: Decrease in sales with little more than 6 billion yen is anticipated due to the spread of Covid-19

(Billions of Yen)

	FY2018	FY2019	FY2020	FY2021 (Forecast)
Dividends per share (Yen)	60 (30.0)Interim (30.0)Year-end	66 (31.0)Interim (35.0)Year-end	70 (34.5)Interim (35.5)Year-end	70 (35.0)Interim (35.0)Year-end
Payout ratio	31.3%	30.0%	29.3%	28.7%

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

Section 1	Financial Results for 2Q FY2021
Section 2	Business Plan for FY2021
Section 3	Priority Measures

- 1 Development of New Services
- 2 Approach Towards Cutting-edge Technology
- 3 Tokyo 2020 Olympic and Paralympic Games

(1) New service utilizing ALSOK-G7


ALSOK-G7

Basic configuration

Intrusion
Fire
Emergency

Ascertainment by live images

Regardless of day and night, by the image sensor with sophisticated microphone, the image of the stores can be viewed via customer's smartphones and computers.



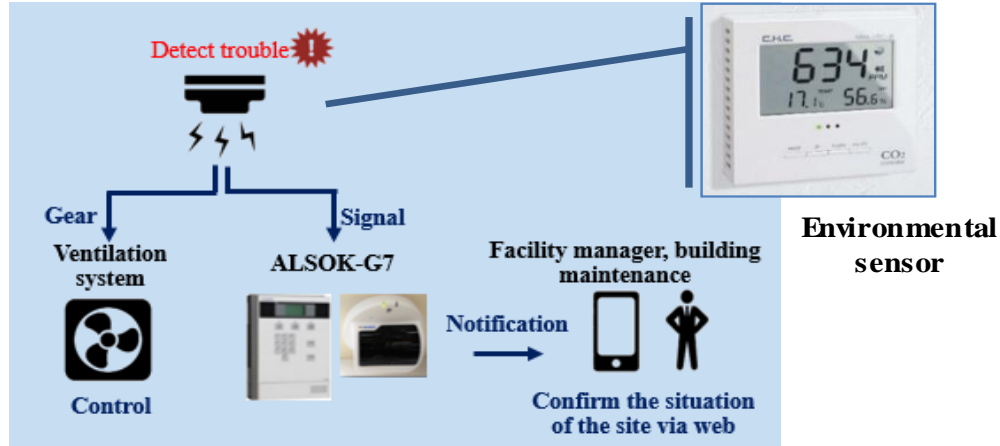
An abundance of optional services is added to provide the most suitable plan to accommodate each customer needs

Correspondence to new needs

Facilitate Ventilate Solution

Utilize to prevent the spread of Covid-19

Detect the increase of carbon dioxide concentration
Facilitate ventilation by gearing with ALSOK-G7



New optional services

Image ascertainment of access

Simple equipment control

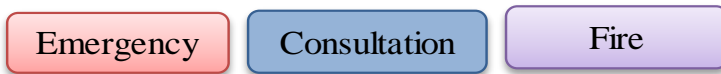
Tablet display

Image accumulation (cloud)

(2) Watch over service utilizing HOME ALSOK MIMAMORI Support

HOME ALSOK MIMAMORI Support

Basic configuration



Countermeasures against disasters cooperating with local municipalities and various services setting "community-based care" as the key point



【New Functions】

- Coordination with MIMAMORI Tags
- Heatstroke
- Reading out early warning emails

Correspondence to new needs

Formulating the network of watchover on communities

【Watch over of elderly with dementia】

- Early detection of elderly with dementia roaming around

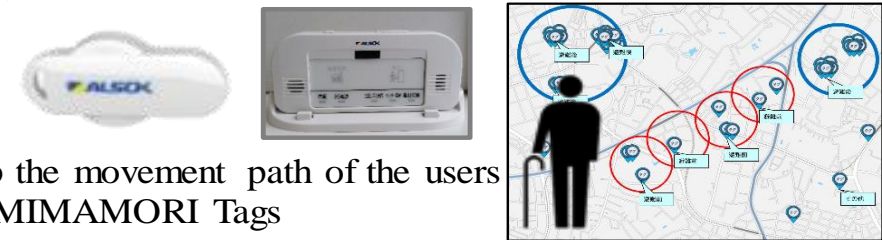
➔ **Realization of local convivial society**

Utilization in the event of a disaster

【Evacuation support】

- Notification of the start and completion of evacuation to the family
- Grasp the location of survivor
- Aggregation of the numbers of evacuee by municipalities

➔ **Realization of the streamline of rescue and data aggregation**



Grasp the movement path of the users with MIMAMORI Tags

(3) Other services

a. Working from Home Solution

Protect the environment working from home from cyber attacks

- Wireless LAN router with function of cyber security measures for households

"SECURIE"

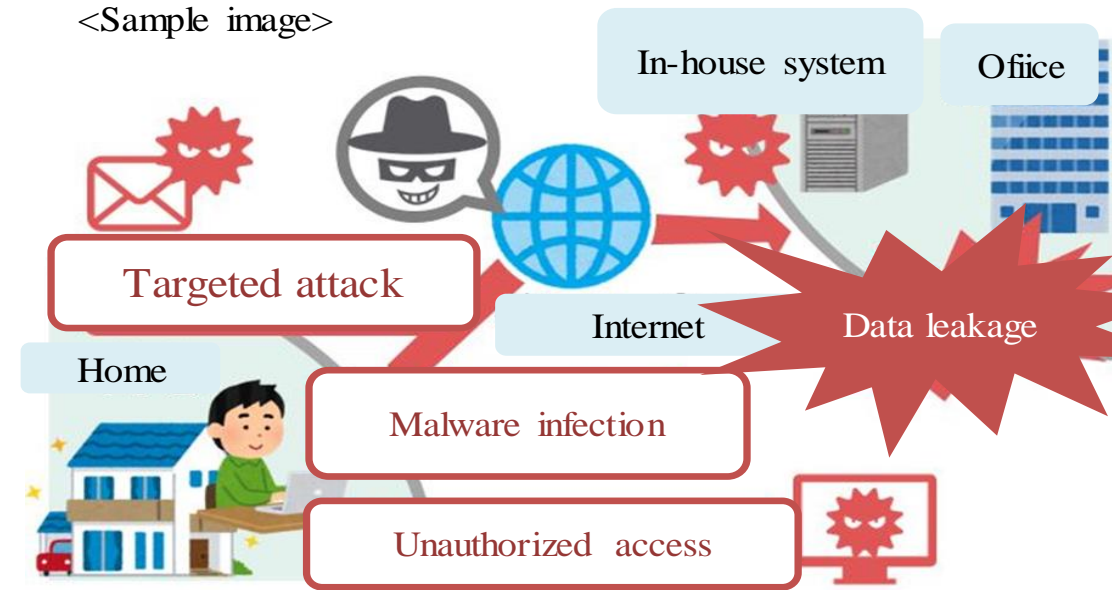
- Able to access the office desktop while ensuring robust security

"Soliton SecureDesktop"

b. Covid-19 Tests (Scheduled to start mid-November 2020)

Scheduled to start 3 types of Covid-19 test at MBIC Life Co., Ltd.

- PCR test
- Antigen test
- Antibody test



Specimen collection kit



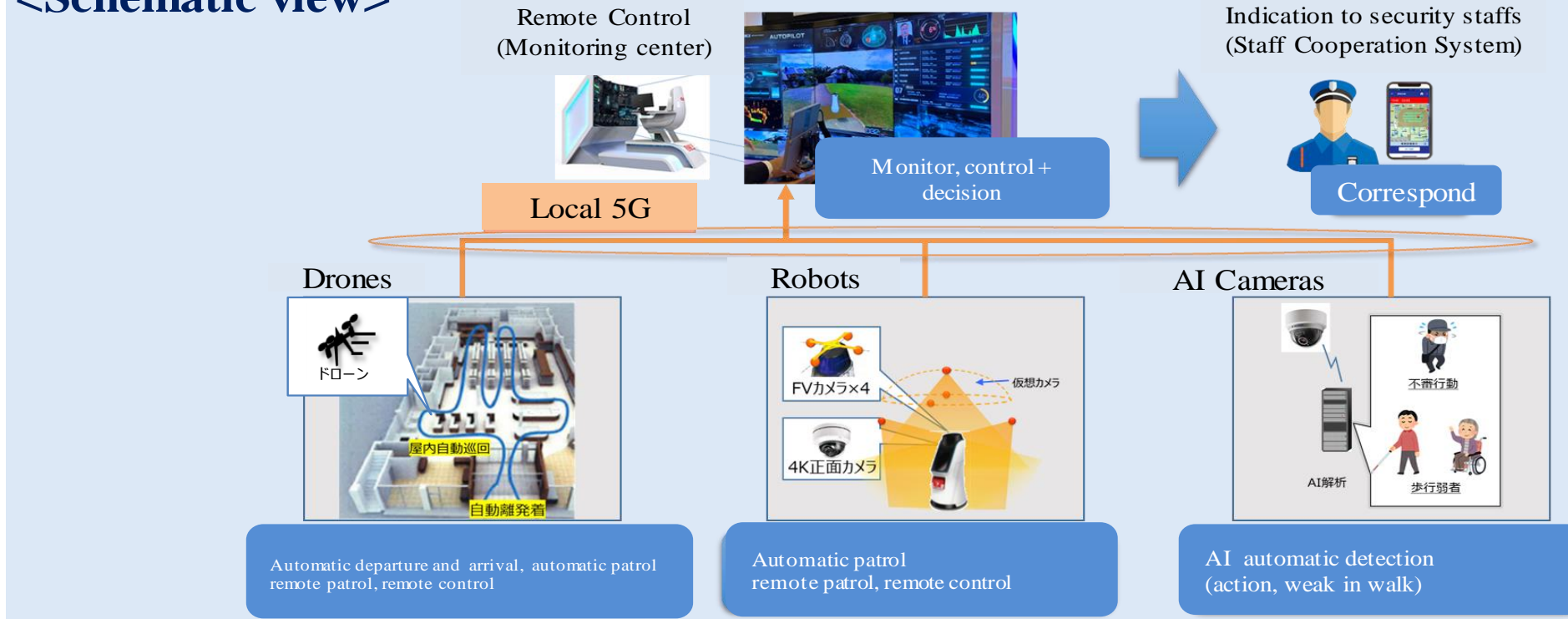
Materials to return the sampling

(1) Sophistication of security business utilizing local 5G

■ Commission "Development demonstrations for realizing local 5G services to solve local issues"
The Ministry of Internal Affairs and Communications

- Demonstration experiment scheduled at Haneda Airport Terminal 3 Station
Consortium with Keikyu Corporation and NTT Communications Corporation

<Schematic view>



(2) Labor saving and streamlining of security business utilizing AI drones

- Indoor demonstration experiment of autonomus flying drone at Tokyo SKYTREE TOWN
 - Indoor automatic patrol is possible with drones embarked with AI

<Schematic view>

Guard Center



AI Drones



(3) Realization towards remote control business of automatic drive vehicle

- Conducted remote control business in "Demonstration experiment of route bus automatic drive on public road" with Gunma prefecture etc.

<Schematic view>

Automatic driving bus



【Envisaged events】

- Troubles inside the vehicle
- Fire
- Falling objects on roads etc.

Images inside and
outside of the bus



Remote Control
Dispatch to the site

Monitoring center



【ALSOK's role】

- Crime prevention, disaster prevention, and security enforcement inside the vehicle
- Social watchover utilizing vehicle-mounted camera
- Remote control, dispatch to the site

Tokyo 2020 Olympic and Paralympic Games

■ The Olympic Games

- Torch Relay
March 25, 2021 - July 23, 2021
- Period
July 23, 2021 - August 8, 2021



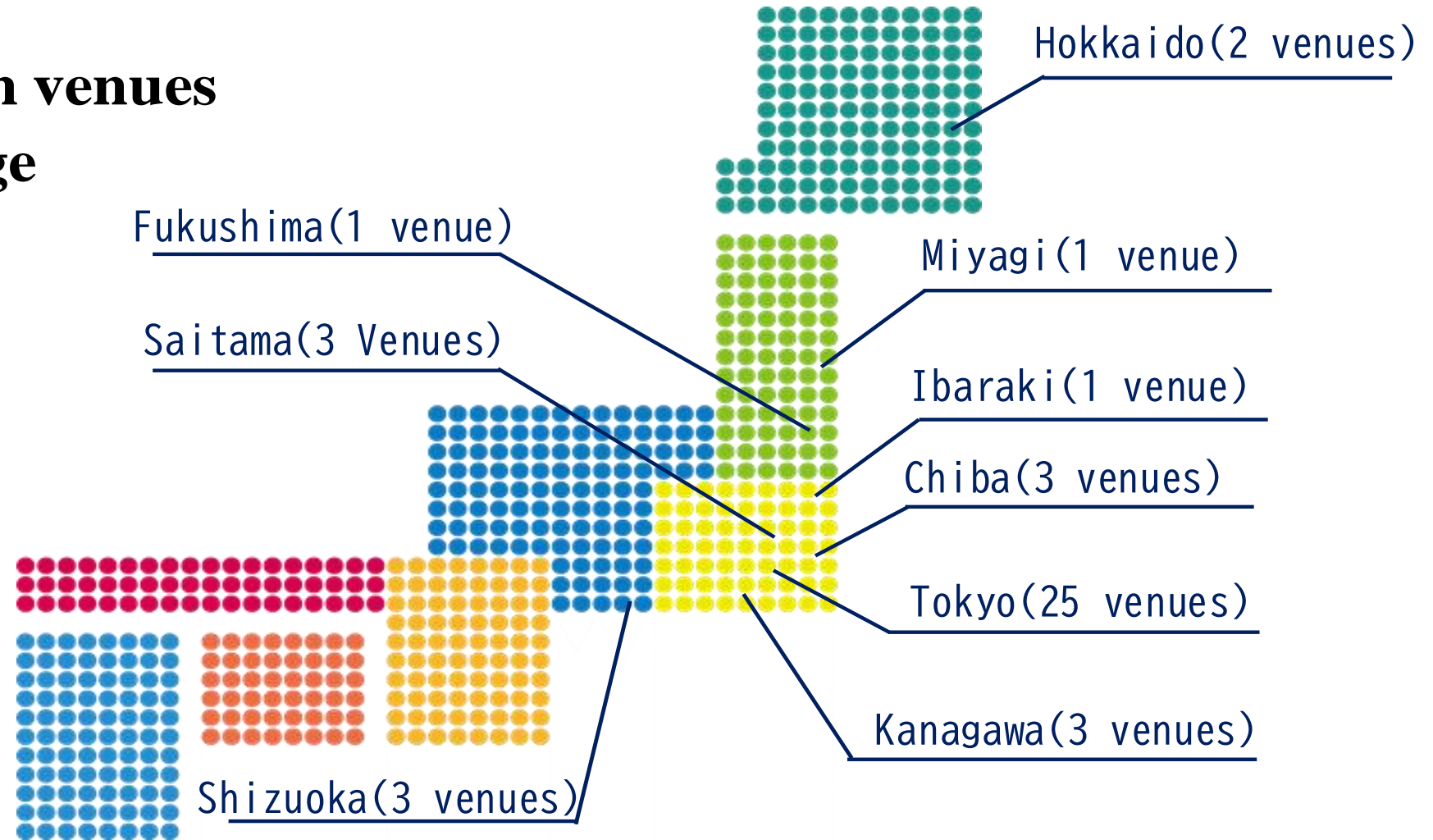
*Demonstration experiment of admission inspection

■ The Paralympic Games

- Torch Relay
August 12, 2021 - August 24, 2021
- Period
August 24, 2021 - September 5, 2021

Tokyo 2020 Olympic and Paralympic Games

- **42 Competition venues**
- **Olympic Village**



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.

