

Financial Results for 2Q FY2019

SOHGO SECURITY SERVICES CO., LTD.

Securities Code: 2331 (1st Section of TSE)

October 31, 2018

目次

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

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Section 2	Business Plan for FY2019
Section 3	Priority Measures

1 Achieved record high, both in sales and profit

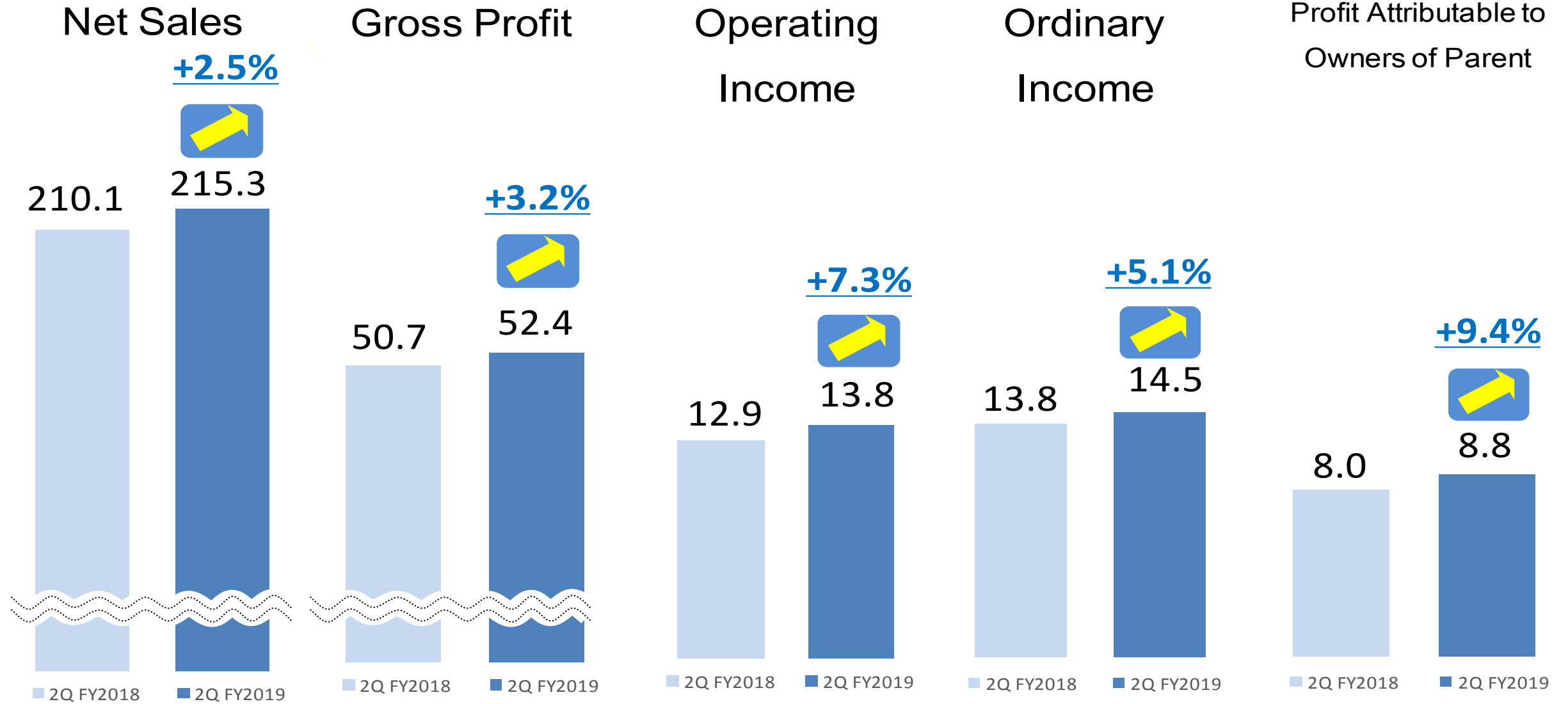
- On an interim basis, sales achieved an increase for 8 consecutive years, while the profit achieved an increase for 7 consecutive years

2 Steady growth in security services segment

- Both sales and profit in steady growth for electronic security and transportation security

3 Enhancement in long-term care business structure

- Improvement of profit ratio by rising occupancy ratio, operational efficiency etc.
- Subsidiary acquisition of Care Plus Co., Ltd. (Home visit rehabilitation massage) June 2018



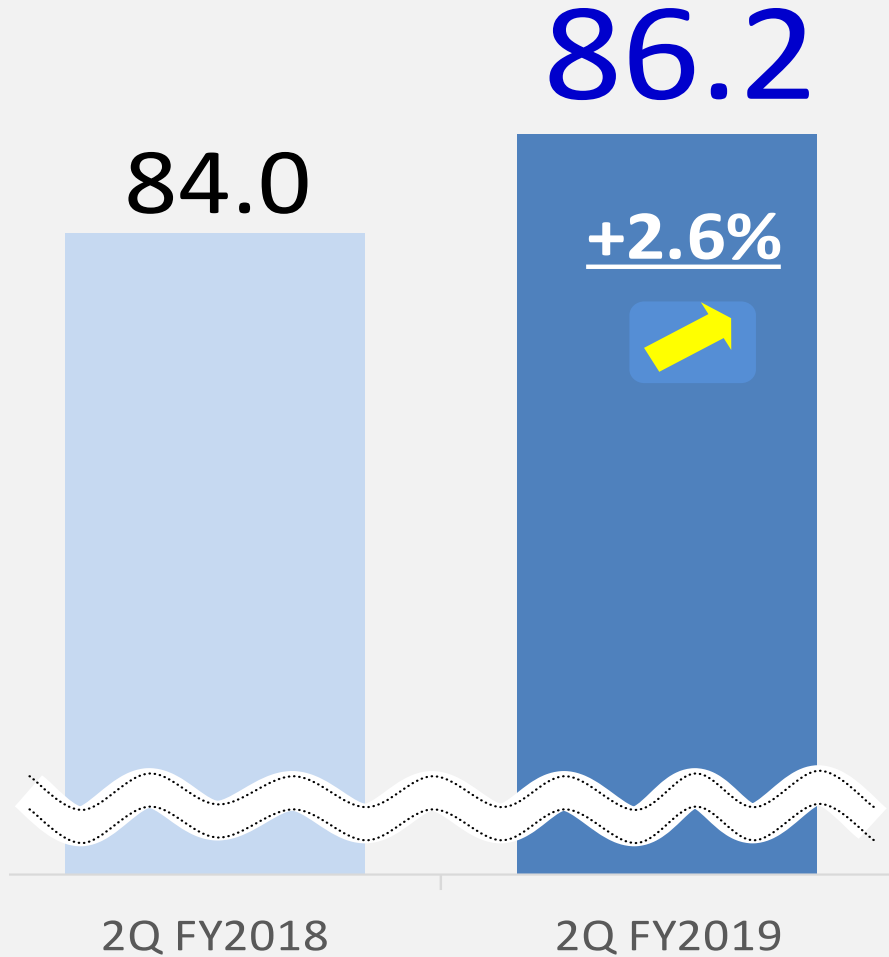
(Billions of Yen)

(Billions of Yen)	2Q FY2019	2Q FY2019 Business Plan	Gap	Achievement Ratio
Net Sales	215.3	217.5	(2.1)	99.0%
Operating Income	13.8	14.1	(0.2)	98.4%
Ordinary Income	14.5	14.9	(0.3)	97.5%
Profit Attributable to Owners of Parent	8.8	9.0	(0.1)	98.0%

Net sales by Services

(Billions of Yen)	2Q FY2018	2Q FY2019	Y o Y	Change
Security Services	168.5	172.4	3.8	2.3%
Electronic Security Services	84.0	86.2	2.2	2.6%
Stationed Security Services	55.1	55.2	0.1	0.3%
Transportation Security Services	29.4	30.9	1.5	5.2%
General Property Management and Fire Protection Services	26.7	27.6	0.8	3.3%
Long-Term Care Services	12.9	13.1	0.2	1.8%
Other Services	1.8	2.0	0.2	14.6%
Total	210.1	215.3	5.2	2.5%

Sales (Billions of Yen)



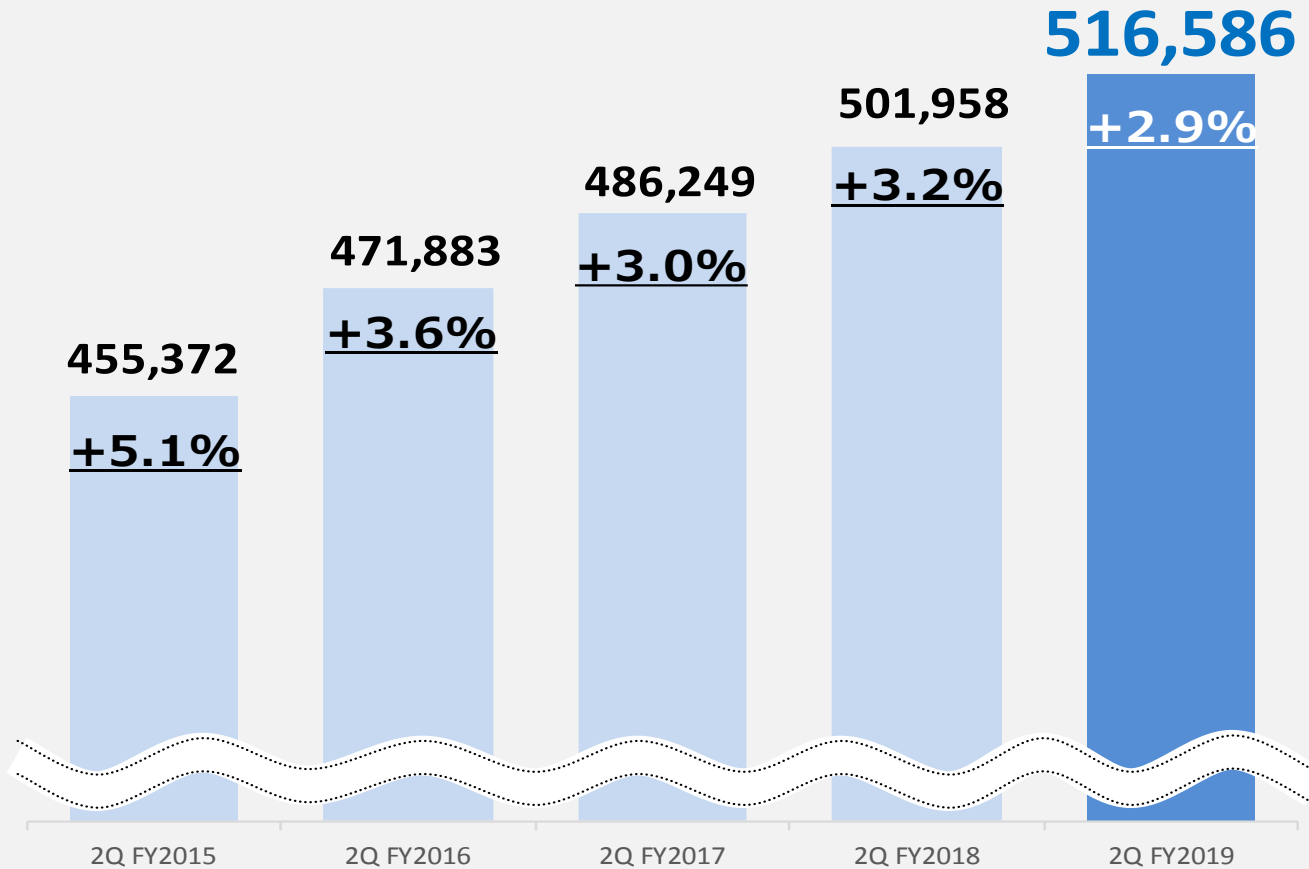
Contract Sales 68.6 billion yen YoY ratio 1.9%

Construction Sales 2.3 billion yen YoY ratio (1.6%)

Equipment Sales 15.3 billion yen YoY ratio 7.1%

+2.6% YoY

Increase in Contracts of Electronic Security Services

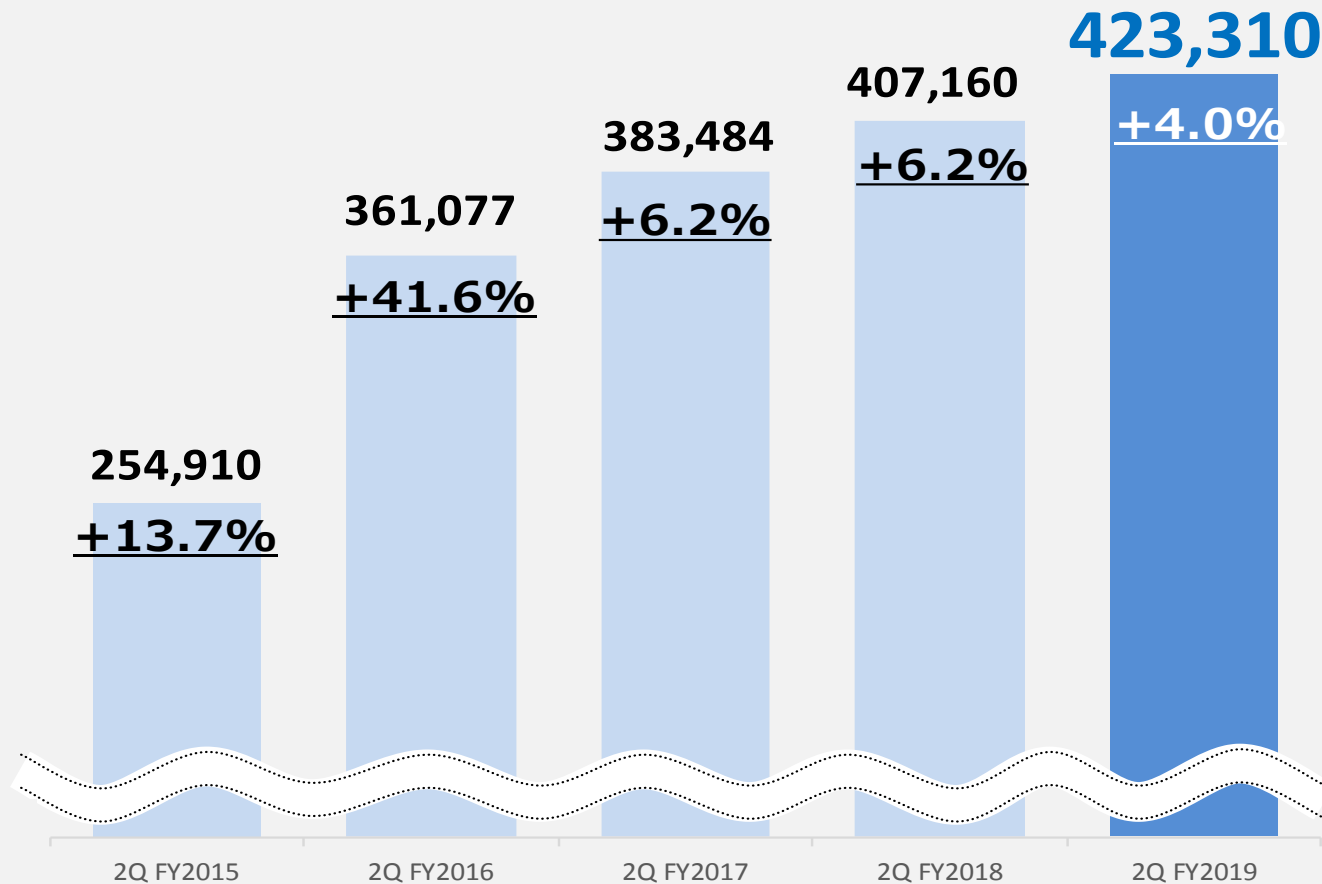


Total number of contracts **516,586**

- ALSOK-ST
- ALSOK-GV

+2.9% Y o Y

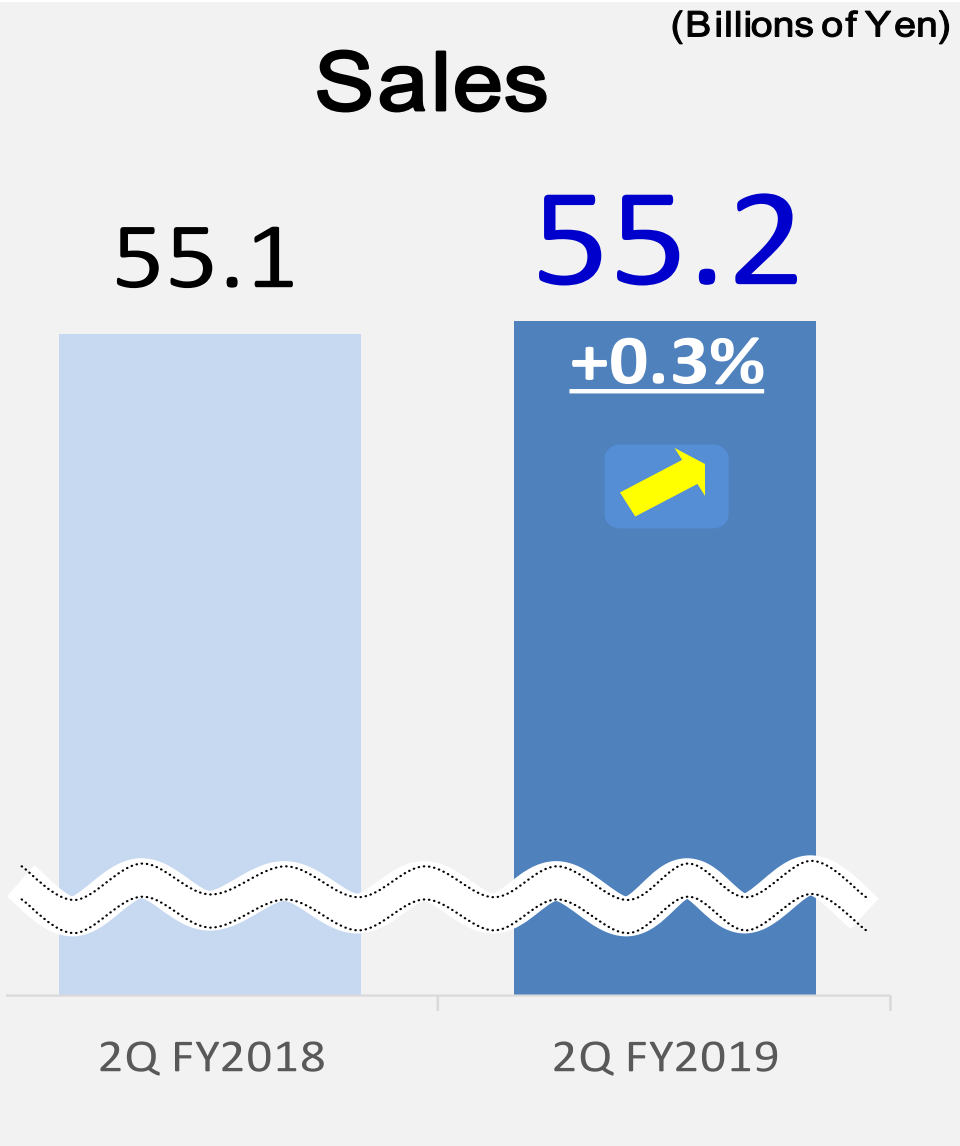
Increase in Contracts of Electronic Security Services



Total number of contracts **423,310**

- Home Security Basic
- Watch over services for municipal governments
- * Including the number of houses from complex housing, the total number of contracts count up to approximately 1,130,000 houses.

+4.0% Y o Y

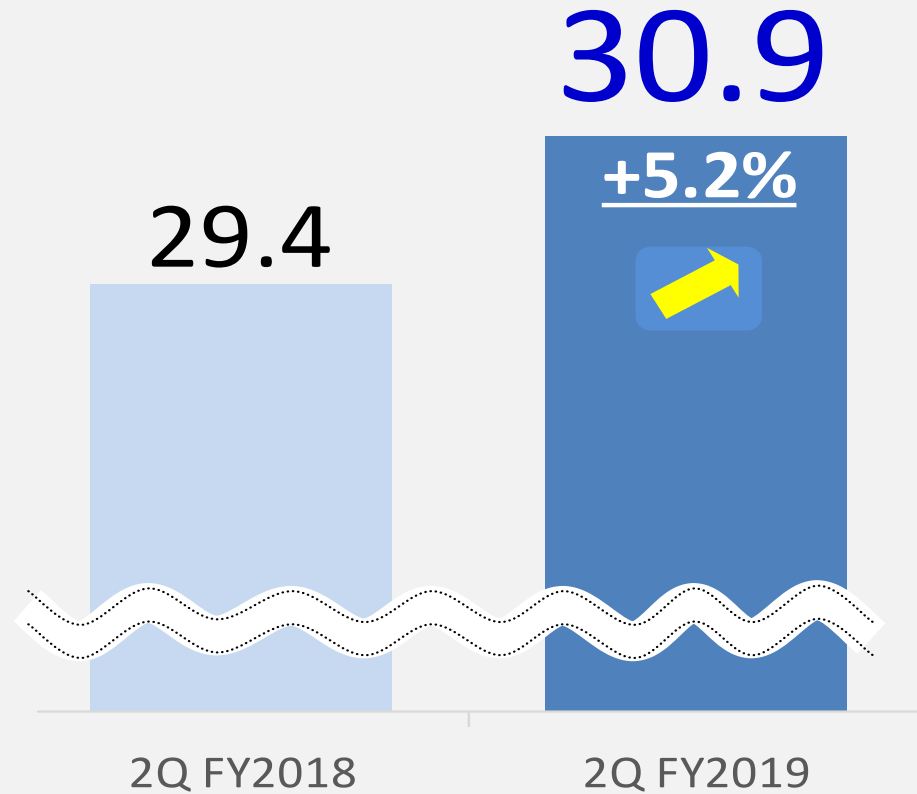


- In spite of favorable long-term contracts, the sales increased slightly due to labor scarcity

+0.3% Y o Y

Sales

(Billions of Yen)

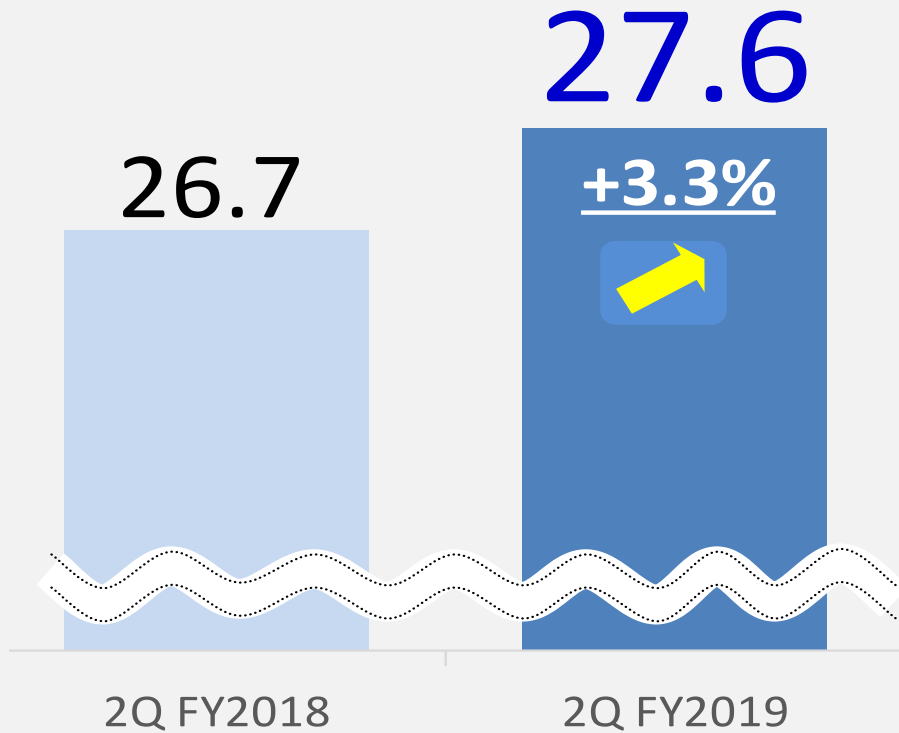


- Total ATM Management System approx. 70,400 units
Expansion in outsource from megabanks
- Cash Deposit and Dispenser Machine On-line System approx. 22,100 units
Expansion in sales as for the progress of work style reform

+5.2% Y o Y

(Billions of Yen)

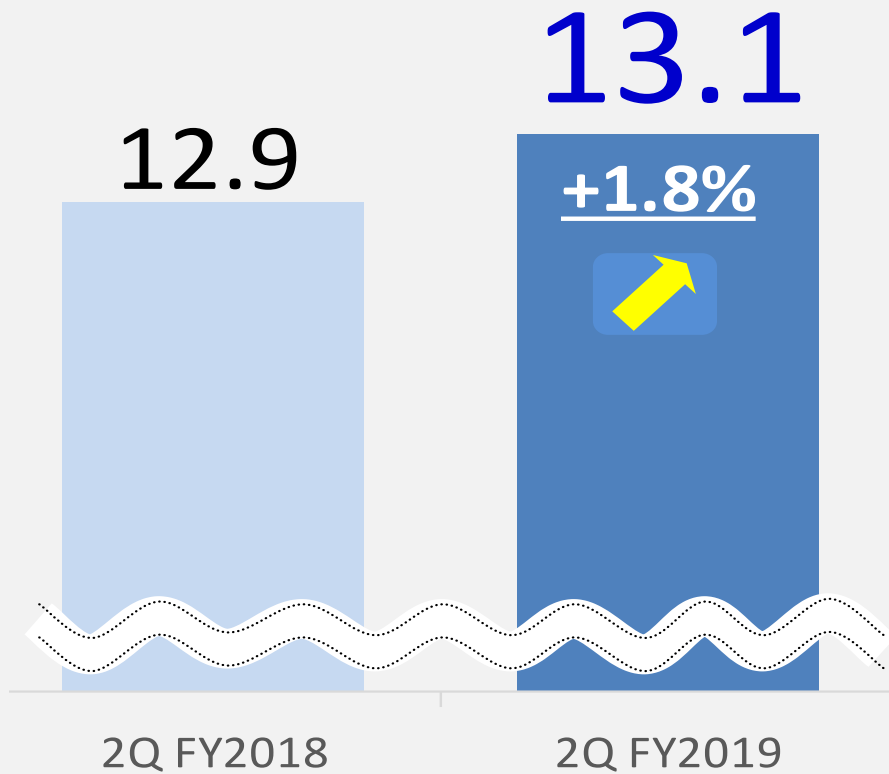
Sales



- General management, cleaning, and repair work for buildings contributed to the sales
- Strong performance in equipment work section with a strong construction needs as a backdrop
- Total number of AED units sold: approx. 163,000

+3.3% Y o Y

Sales (Billions of Yen)

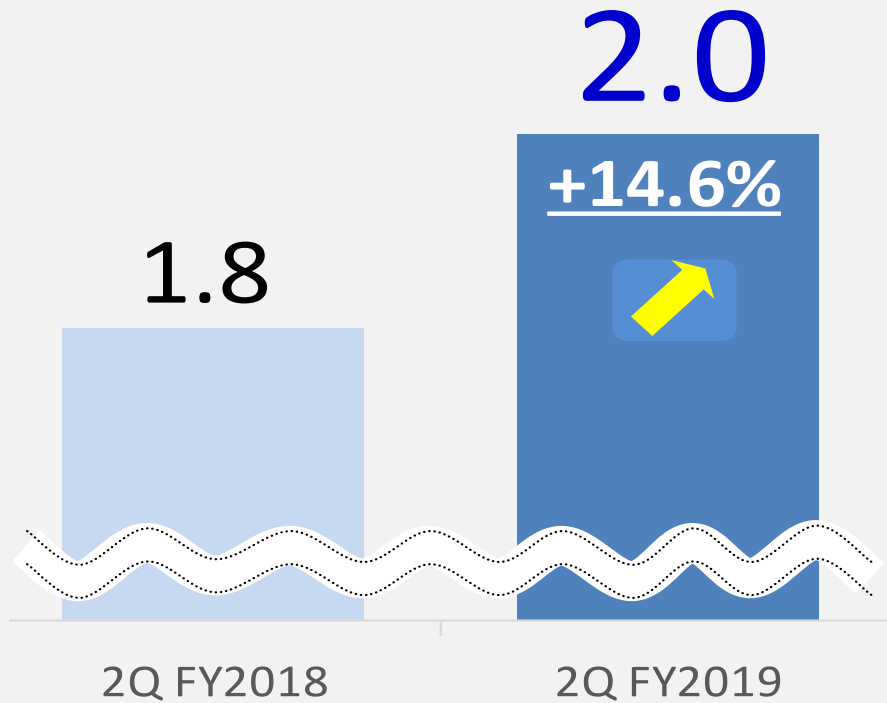


- Improvement in occupancy ratio
- Subsidiary acquisition of Care Plus Co., Ltd.

+1.8% Y o Y

Sales

(Billions of Yen)

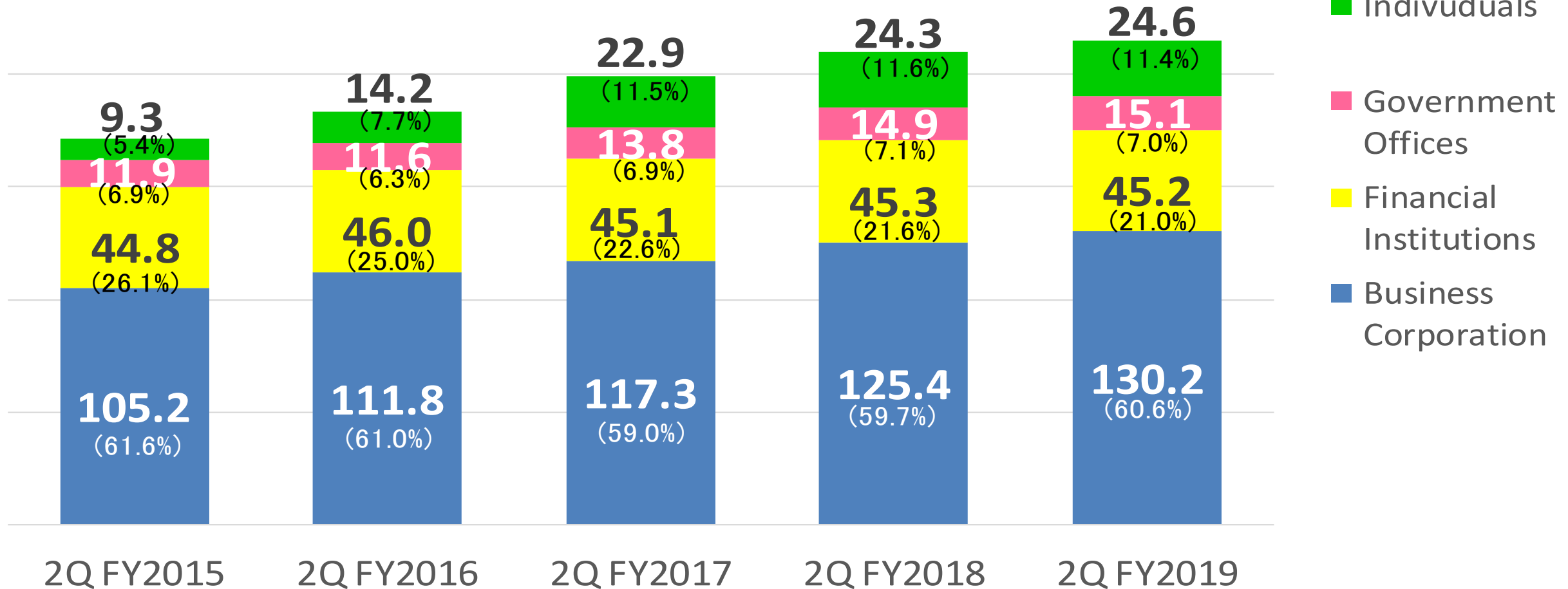


- Information Security
- Safety Confirmation System
- MAMOLOOK, MIMAMORI Tag etc.

+14.6% Y o Y

() Sales Composition

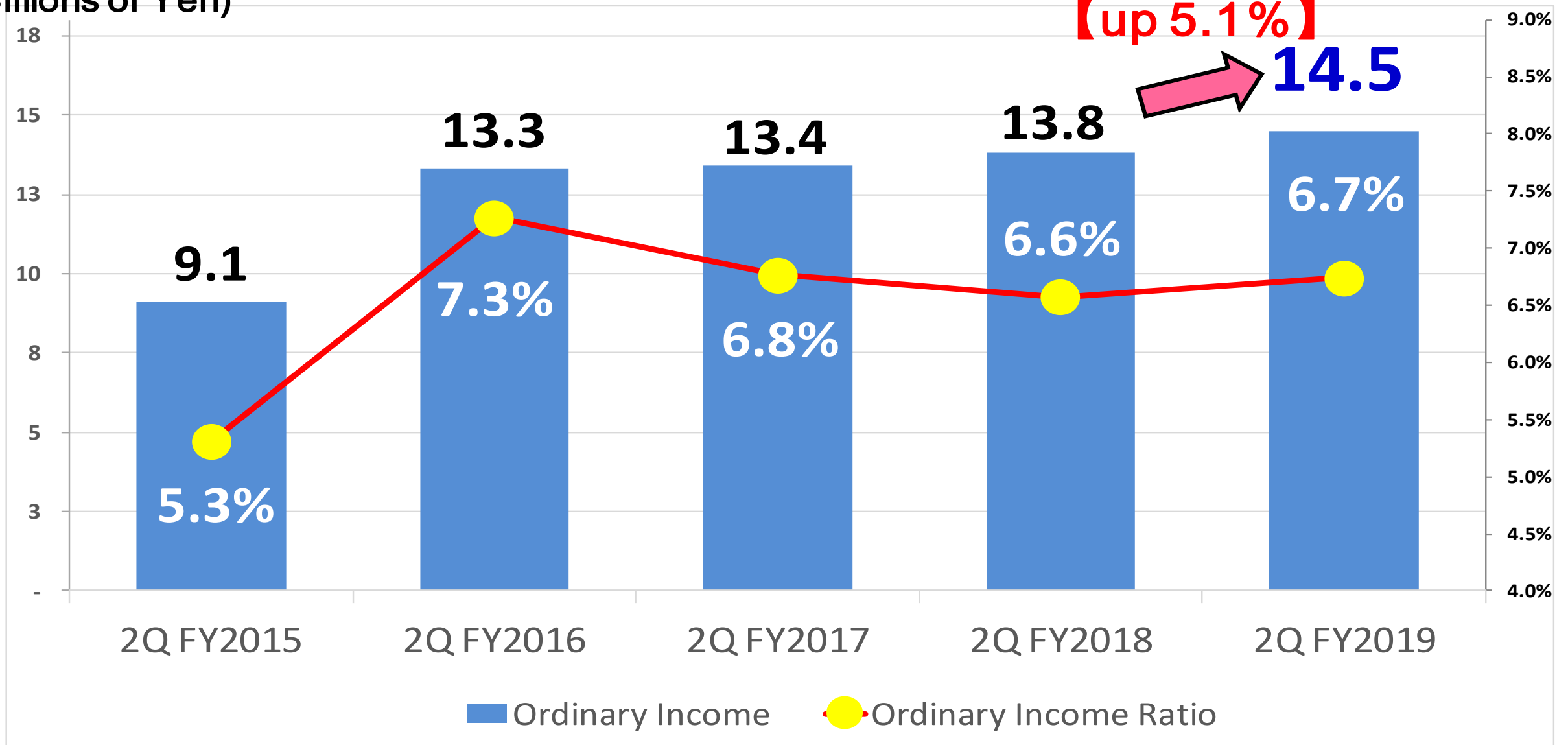
(Billions of Yen)



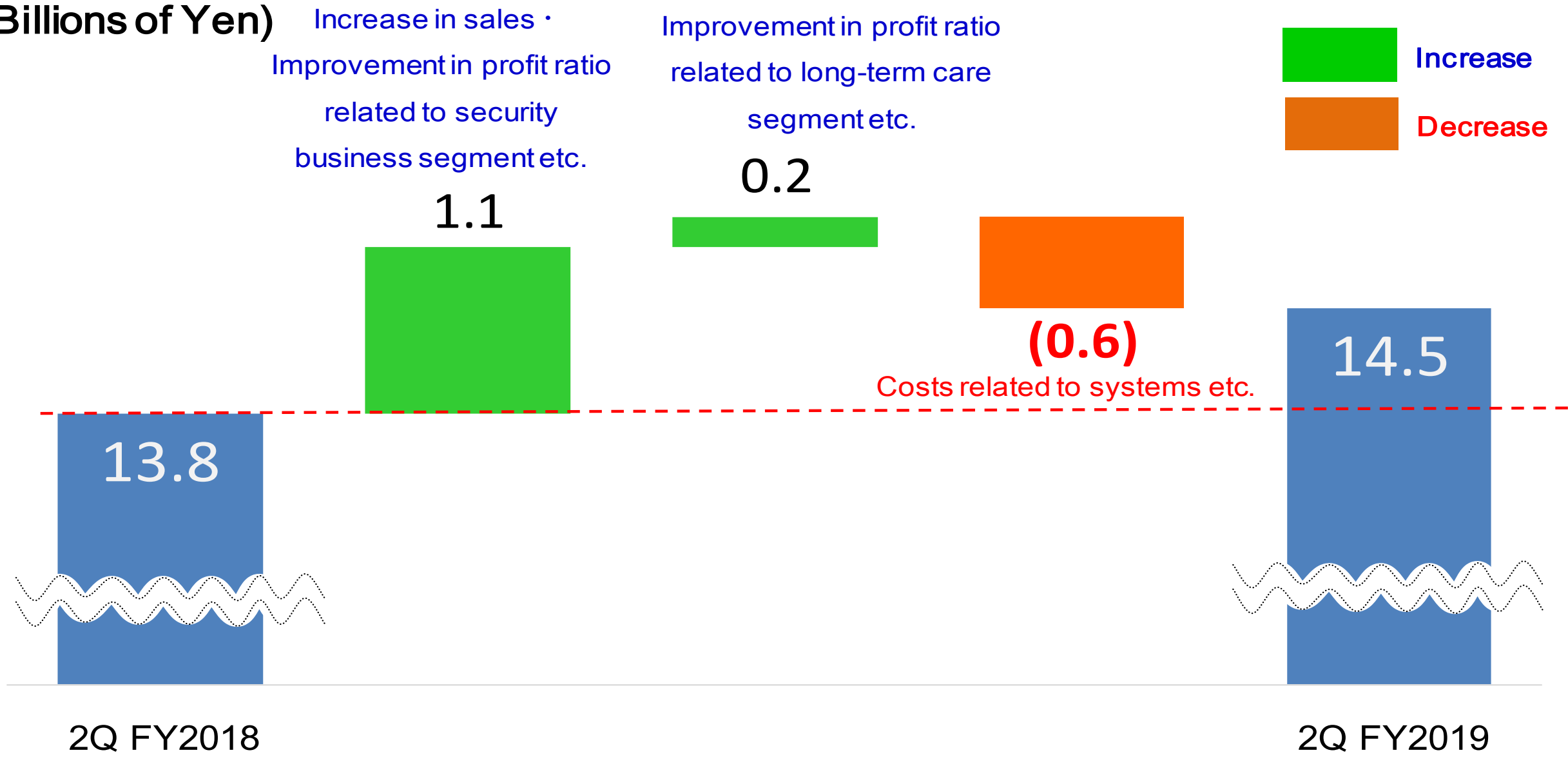
Analysis of the Profit and Loss

(Billions of Yen)	2Q FY2018	2Q FY2019	Y o Y	Change
Net Sales	210.1	215.3	5.2	2.5%
Cost of Sales	159.3	162.9	3.6	2.3%
Labor Cost	81.8	82.3	0.4	0.6%
Expense	21.0	22.0	0.9	4.5%
Depreciation	5.8	6.6	0.7	13.7%
Others	26.3	26.7	0.4	1.5%
Cost of product sold & installation	24.2	25.2	0.9	4.0%
SG&A	37.8	38.5	0.6	1.8%
Advertising expenses	1.2	1.2	(0.0)	(4.8%)
Personnel cost	24.9	25.0	0.0	0.3%
Depreciation	0.9	0.9	0.0	1.1%
Others	10.6	11.3	0.6	6.4%
Operating Income	12.9	13.8	0.9	7.3%

(Billions of Yen)



(Billions of Yen)



(Billions of Yen)

	2Q FY2019	FY2018	Y o Y		2Q FY2019	FY2018	Y o Y
<u>Current assets</u>	190.4	194.5	(4.1)	<u>Current Liabilities</u>	83.7	92.4	(8.6)
Cash and deposits	47.4	47.5	(0.1)	Notes and accounts payable	16.5	23.4	(6.8)
Cash for Transportation Security	66.2	68.7	(2.4)	Short-term loans payable	19.6	17.6	2.0
Services and advances paid				Income taxes payable	4.3	5.7	(1.4)
Notes and accounts receivable	47.3	52.2	(4.9)	Provision	2.5	2.3	0.2
Securities	0.4	0.3	0.1	Other	40.7	43.3	(2.6)
Raw materials and supplies	6.0	5.7	0.3				
Costs on uncompleted construction contracts	0.7	0.4	0.3	<u>Noncurrent Liabilities</u>			
Advances paid	8.1	6.5	1.6	Bonds payable	61.8	62.7	(0.8)
Other	14.1	13.1	1.0	Long-term loans payable	0.0	0.0	0.0
Allowance for doubtful accounts	(0.2)	(0.2)	0.0	Retirement benefit liability	7.1	8.4	(1.2)
				Provision for retirement benefits	27.9	27.3	0.6
<u>Noncurrent assets</u>	203.3	202.1	1.2	for directors (and other officers)	1.8	1.8	0.0
Property, plant and equipment	90.2	91.2	(1.0)	Asset retirement obligations	0.1	0.1	0.0
Intangible assets	30.8	30.3	0.5	Others	24.7	25.0	(0.2)
Investments and other assets	82.3	80.5	1.7	Total liabilities	145.6	155.2	(9.5)
				Total net assets	248.1	241.3	6.7
Total assets	393.7	396.6	(2.8)	Total liabilities and net assets	393.7	396.6	(2.8)

(Billions of Yen)

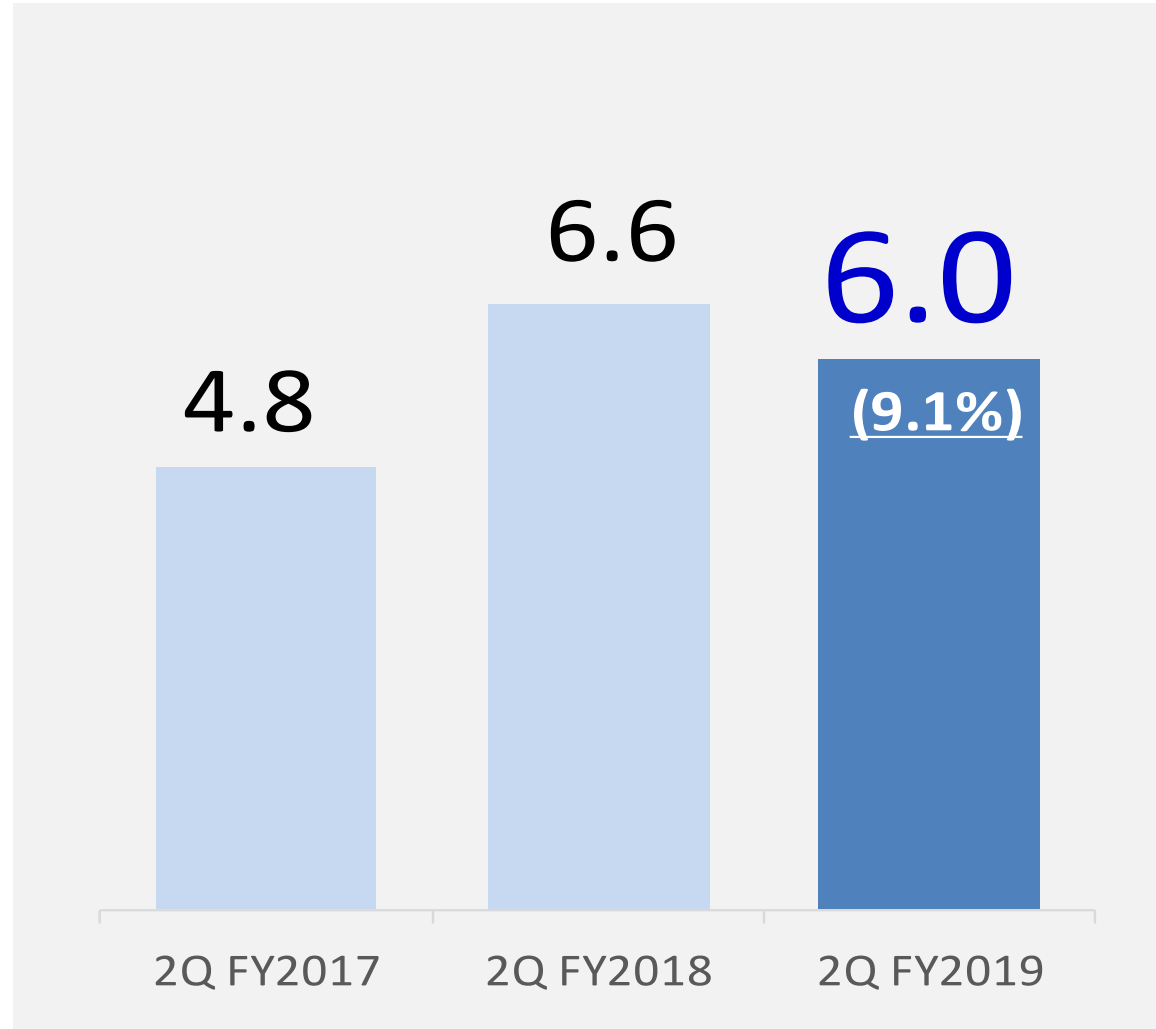
	2Q FY2018	2Q FY2019	Y o Y
Net cash provided by (used in) operating activities	9.0	15.2	6.2
Net cash provided by (used in) investing activities	(11.7)	(8.8)	2.8
Net cash provided by (used in) financing activities	(1.5)	(6.3)	(4.7)
Cash and cash equivalents at end of period	43.2	40.5	(2.7)

Major items of 2Q FY2019

● Net cash provided by (used in) operating activities	Income before income tax	14.4
	Depreciation and amortization	7.5
	Decrease (increase) in notes and accounts receivable	5.5
	Increase (decrease) in notes and accounts payable	(9.0)
	Income taxes paid	(6.3)
● Net cash provided by (used in) investing activities	Purchase of property, plant and equipment	(5.6)
	Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1.7)
● Net cash provided by (used in) financing activities	Repayments of long-term loans payable	(1.7)
	Repayments of lease obligations	(1.8)
	Cash dividends paid	(3.0)

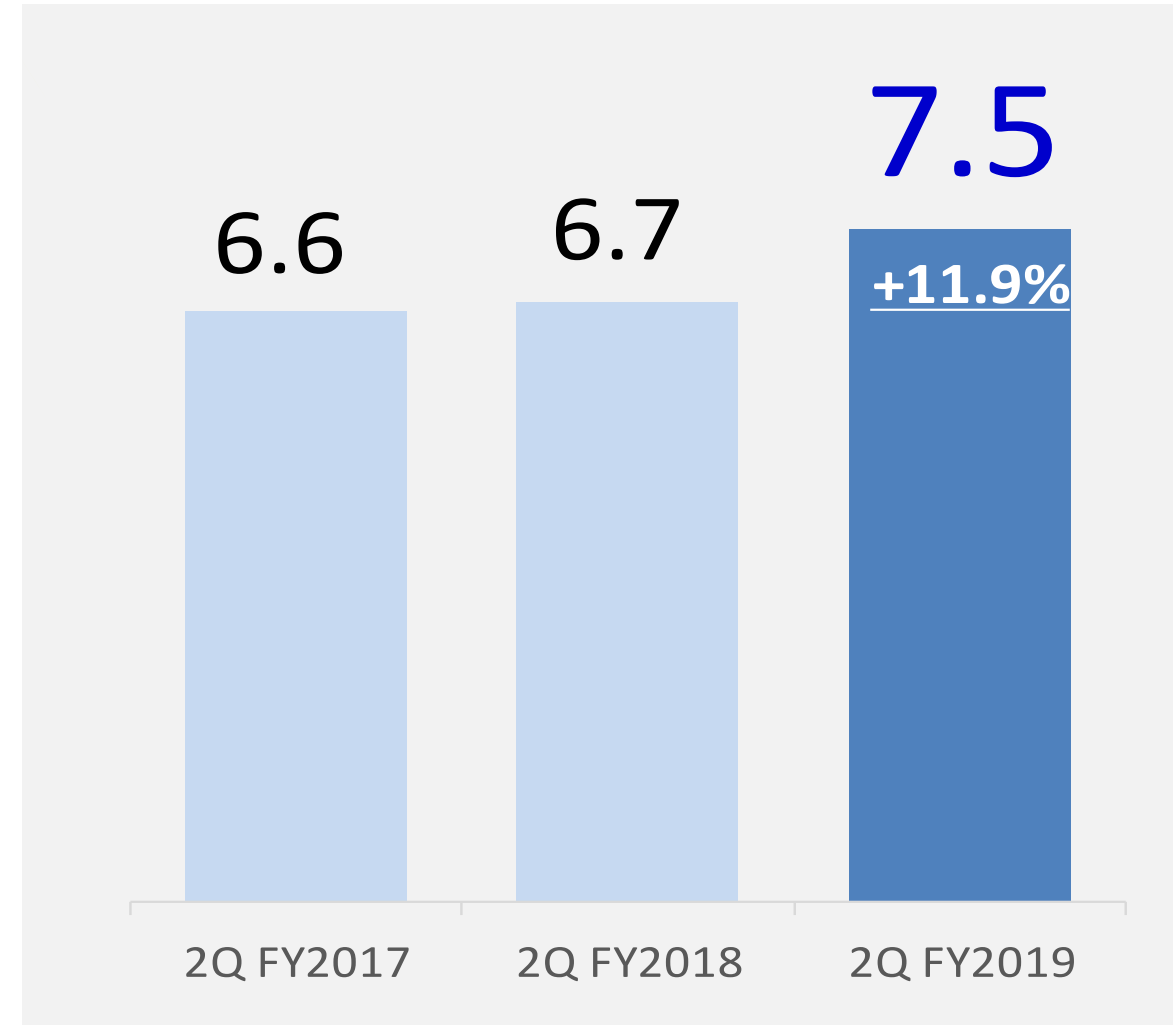
■ Capital expenditures

(Billions of Yen)

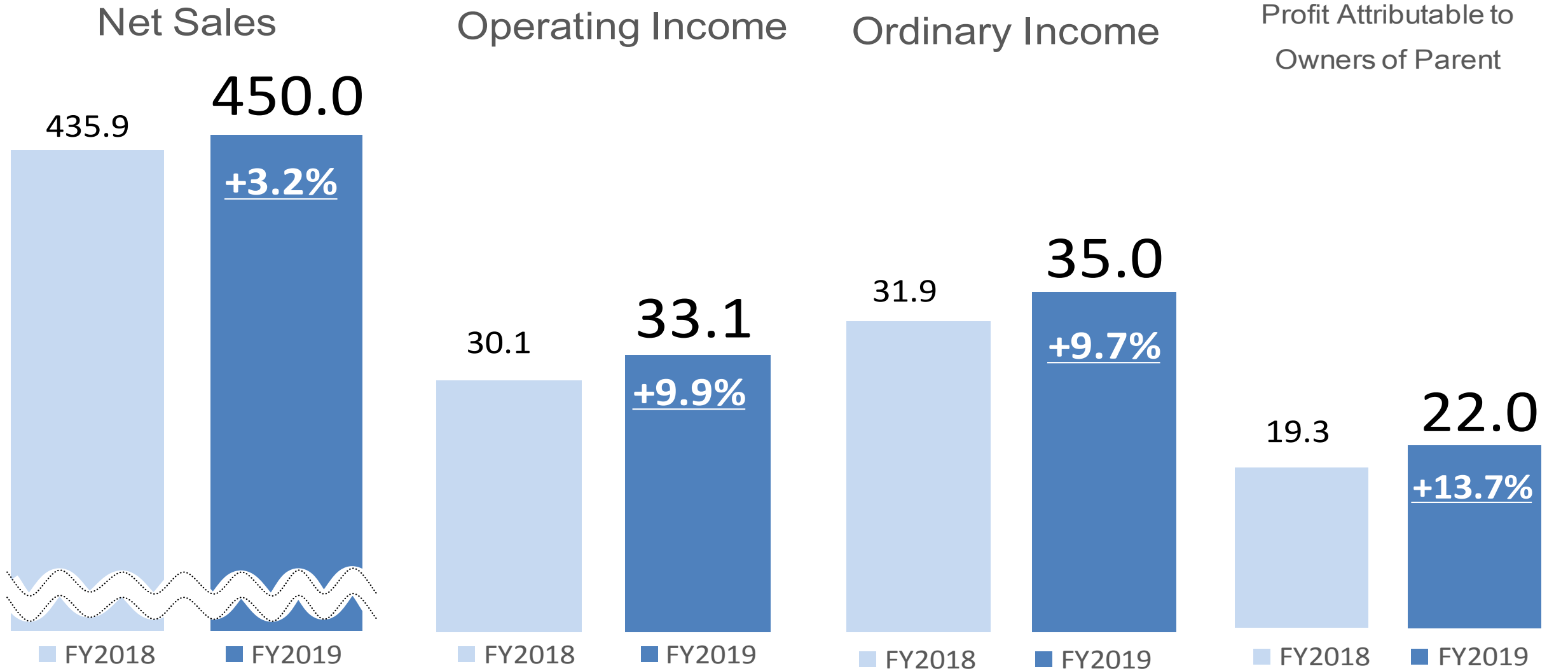


■ Depreciation

(Billions of Yen)



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(Billions of Yen)

	FY2016	FY2017	FY2018	FY2019 (Forecast)
Dividends per share (Yen)	50 (20.0)Interim (30.0)Year-end	55 (27.5)Interim (27.5)Year-end	60 (30.0)Interim (30.0)Year-end	62 (31.0)Interim (31.0)Year-end
Payout ratio	28.1%	30.2%	31.3%	28.5%

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

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Priority Measures

Changes in business environment

Structural issues of Japanese Society

Declining birthrate and aging population Labor scarcity Work Style Reform etc.

Diversifying risks

Natural disasters and abnormal climate occurring at a high level etc.

Correspondent products and services

- Cash deposit and dispenser machine on-line system
- Outsource from corporates, public sector, and financial fields
- Correspond to cashless
- Access control and management system
- Products for the elderly (HOME ALSOK Mimamori Support etc.)

- ALSOK BCP solution service
- Safety confirmation service
- Emergency supplies(stockpiles in case of disaster, accumulator)
- Infrastructure monitoring such as underpass monitoring etc.

+

Innovation of technology (AI, IoT, 5G, robots, high definition camera etc.)

Challenging the utilization of new technology and focusing on developing new products and services

Development initiatives, New products and services①

■ New products and services

① ALSOK Multi QR payment solution

- A compatible terminal to Line Pay, Alipay, WeChat pay etc.
- Contributes to the efficiency of store operation by cashless



Development initiatives, New products and services①

■ New products and services

② 3D Laser Radar Sensor

- Able to detect only the figure (person) by eliminating factors of false report
- High accuracy of detection performance and high environment resistance

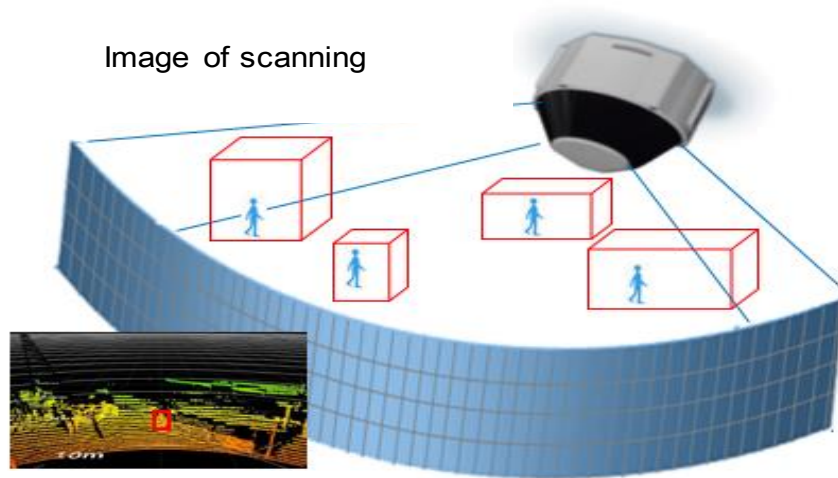


Image of 3D laser radar



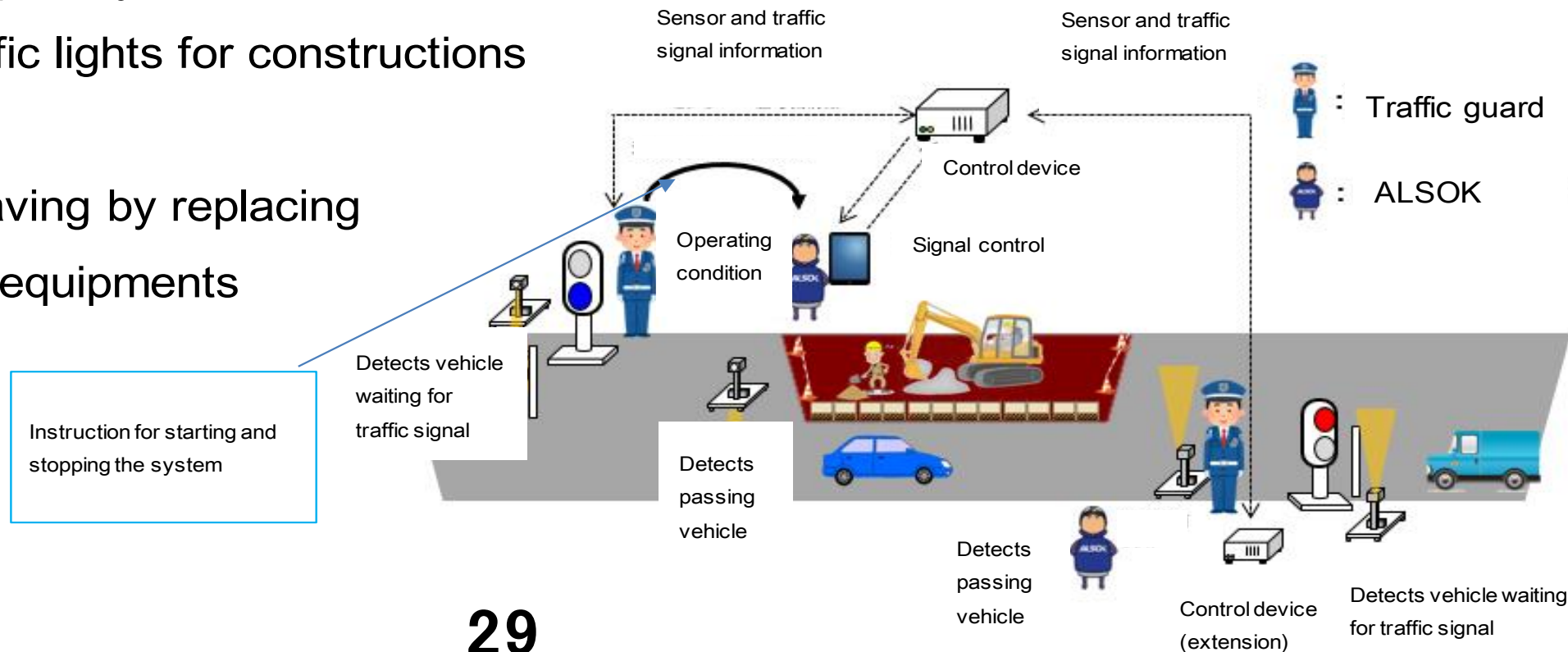
Development initiatives, New products and services①

■ New Products and services

③ ALSOK Traffic Guide System

In trial operation from June

- Traffic guide support system combined with sensor and traffic lights for constructions
- Work for labor saving by replacing traffic guides to equipments



Development initiatives, New products and services②

■ Challenge to new technology

① High functionality of robots

Further evolution of state of the art security robot “REBORG®-X”



Development initiatives, New products and services②

■Challenge to new technology

②New security model with enhanced image monitoring

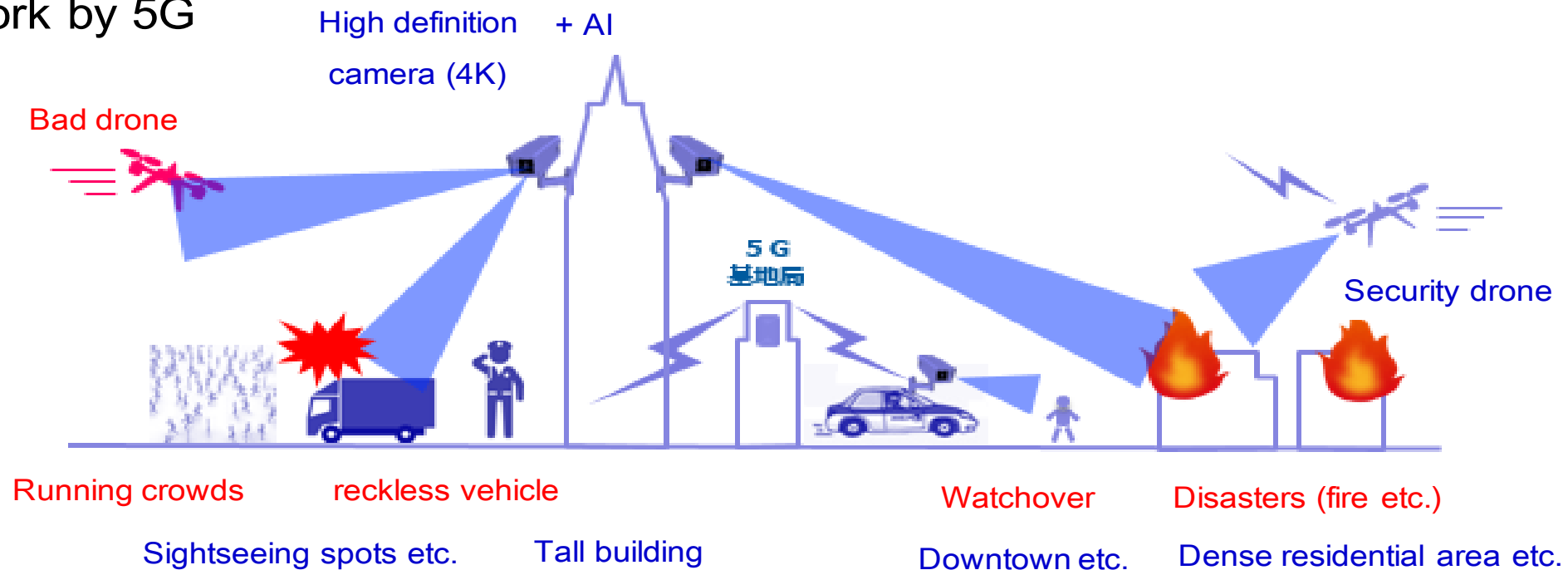
- Prevention beforehand and escalation prevention of damages at facilities
- Deterrence of terrorism and crimes at public space

Development initiatives, New products and services②

■Challenge to new technology

③Urban space security

Aim to structure new platform utilizing high definition image (4K) and communication network by 5G



Approach towards large-scale events

■ Upcoming large-scale events(2019-2020)

< 2019 >

G20 Summit (June28 - 29, Osaka)

Tokyo International Conference on African Development (August 28 - 30, Yokohama)

Rugby World Cup (September 20 - November 2, 12 venues nationwide)

Sokuirei-seiden-no-gi (Enthronement Ceremony) (October 22, Tokyo)

< 2020 >

United Nations Congress on Crime Prevention and Criminal Justice (April 20-27, Kyoto)

Tokyo 2020 Olympic and Paralympic Games (July 24 - August 9, August 25 - September 6)

■ Rugby World Cup 2019

Contributes to security plan development service and security service for venues throughout the country

Approach towards large-scale events

■Tokyo 2020 Olympic and Paralympic Games

- ①Responsibility as an official partner
- ②Play a key role in security joint venture

ALSOK Zone Security Management®“Staff Cooperation System”

⇒ Establish advanced event security

ALSOK Group will mobilize collective efforts to contribute to safe and secure operation of large-scale events

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.

