

Financial Results for 2Q FY2017

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

October 28, 2016

Contents

Section 1	Financial Results for 2Q FY2017	2
Section 2	Business Plan for FY2017	20
Section 3	Priority Measures	23

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

1 Achieved record high, both in sales and income

- On an interim basis, sales achieved an increase for six consecutive years, while the profit achieved an increase for five consecutive years

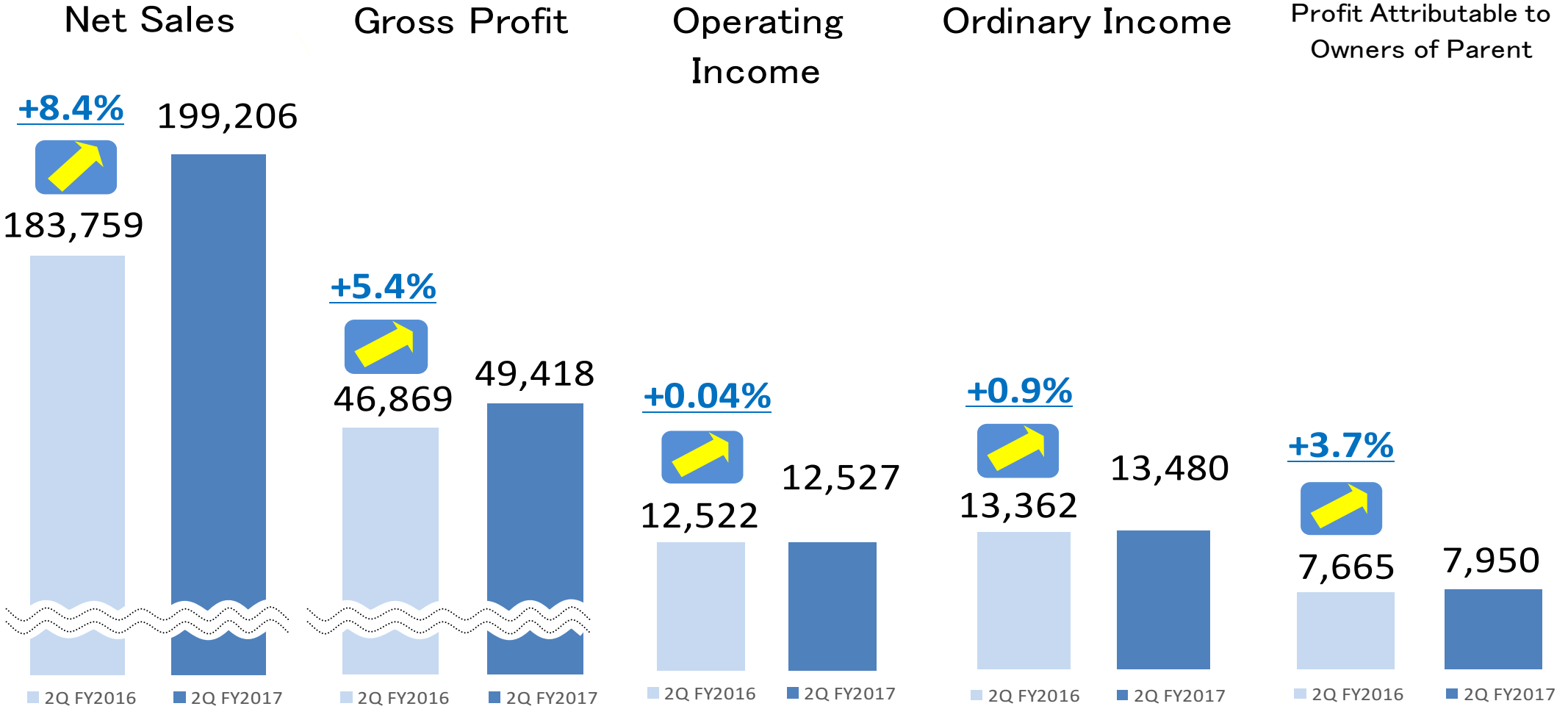
2 Steady growth in our mainstay security services segment

- Strong growth especially in stationed security services

3 Subsidiary Wisnet Co., Ltd. made a substantial contribution

- Sales of long-term care business greatly increased three times, year on year

P/L for 2Q FY2017



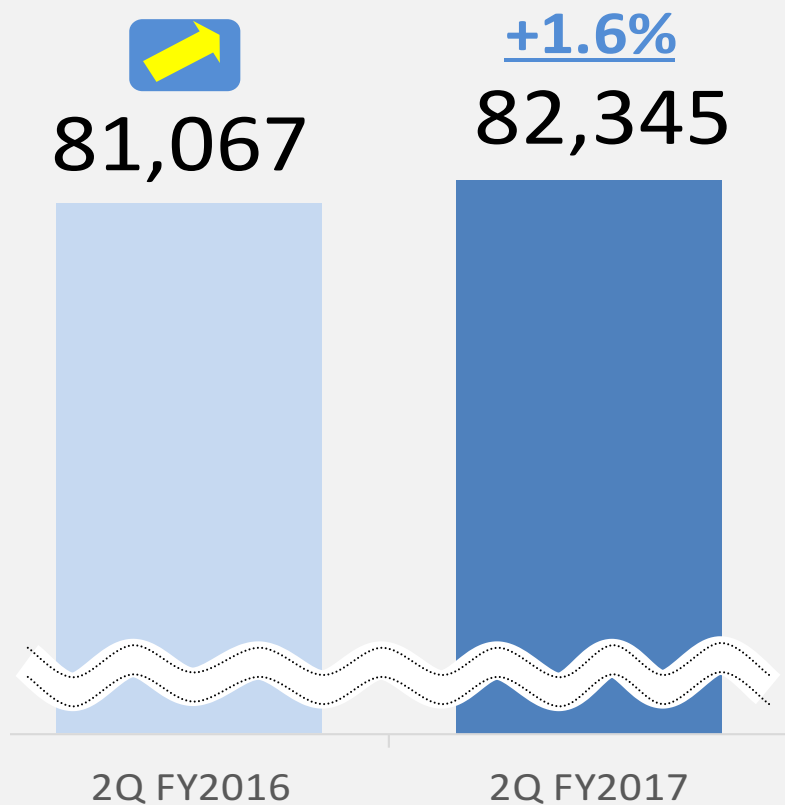
(Millions of Yen)

(Millions of Yen)	2Q FY2017	2Q FY2017 Business Plan	Gap	Achievement Ratio
Net Sales	199,206	200,500	(1,293)	99.4%
Gross Profit	49,418	49,700	(281)	99.4%
Operating Income	12,527	12,600	(72)	99.4%
Ordinary Income	13,480	13,700	(219)	98.4%
Profit Attributable to Owners of Parent	7,950	8,400	(449)	94.6%

Net sales by Service Type

(Millions of Yen)	2Q FY2017	2Q FY2016	Y o Y	Change
Security Services	159,381	154,261	5,120	3.3%
Electronic Security Services	82,345	81,067	1,277	1.6%
Stationed Security Services	49,191	46,086	3,104	6.7%
Transportation Security Services	27,844	27,106	738	2.7%
General Property Management and Fire Protection Services	25,616	24,024	1,592	6.6%
Long-Term Care Services	12,503	3,809	8,693	228.2%
Other Services	1,704	1,665	39	2.4%
Total	199,206	183,759	15,446	8.4%

Sales (Millions of Yen)

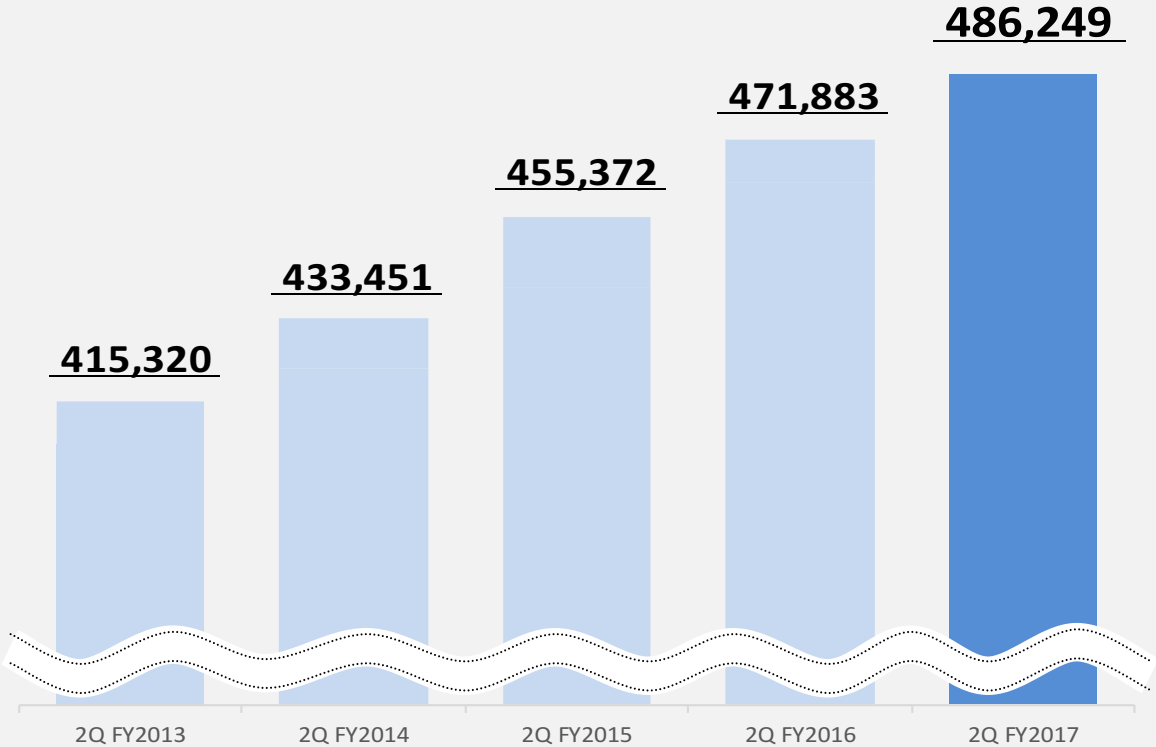


Contracts Sales	Y o Y ratio	+1.1%
Construction Sales	Y o Y ratio	-1.1%
Equipment Sales	Y o Y ratio	+4.2%

- Contract sales increasing steadily
- Equipment sales show healthy growth

+1.6% Y o Y

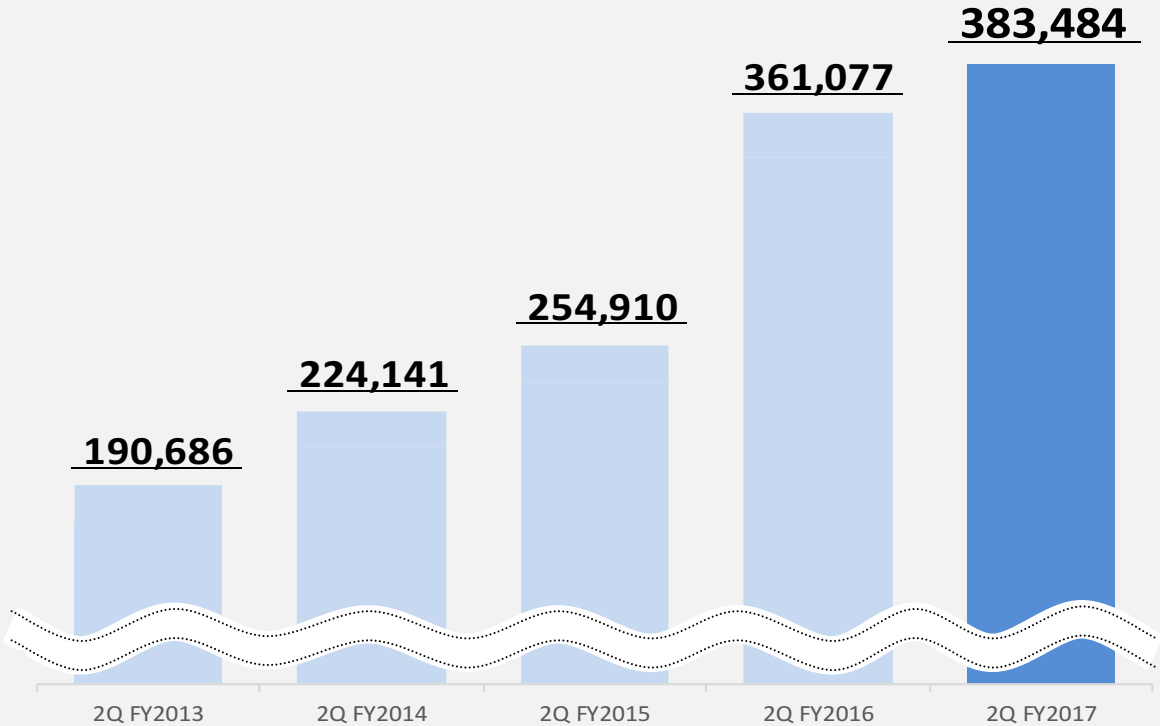
Increase in Contracts of Electronic Security Services
【Corporate Clients】



Total number of contracts **486,249**

- Increase of 14,366 (+3.0%) contracts from 2Q FY2016
- Average contract price decreased from 2Q FY2016

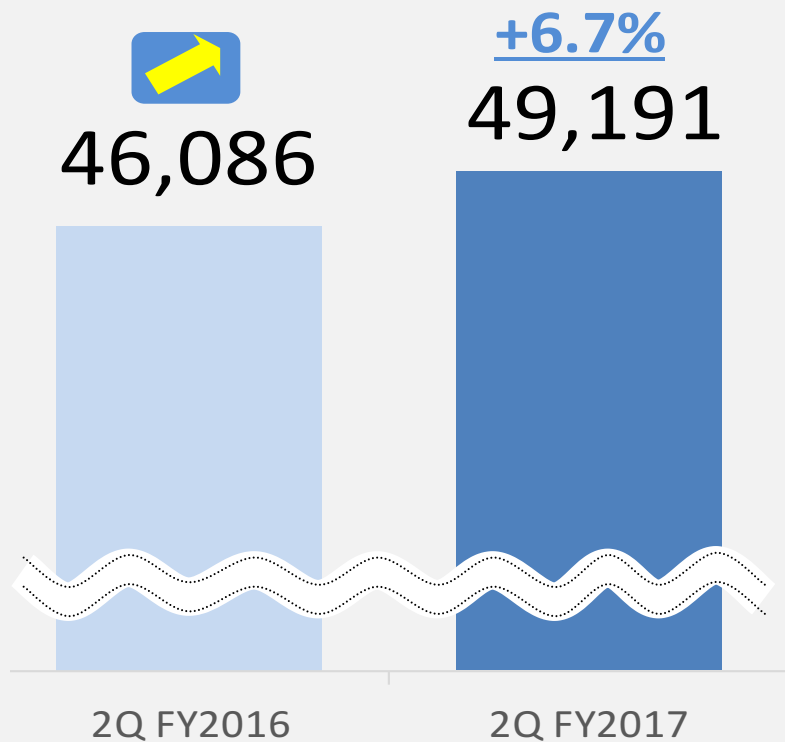
Increase in Contracts of Electronic Security Services
【Individual Clients】



Total number of contracts **383,484**

- Increase of 22,407 (+6.2%) contracts from 2Q FY2016
- Average contract price decreased from 2Q FY2016
- Including the number of houses from complex housing, the total number of contracts count up to approximately 1,020,000 houses (exceed 1,000,000 houses for the first time)

Sales (Millions of Yen)



- Attributable to long-term contracts

Large-scale manufactures, financial institutions

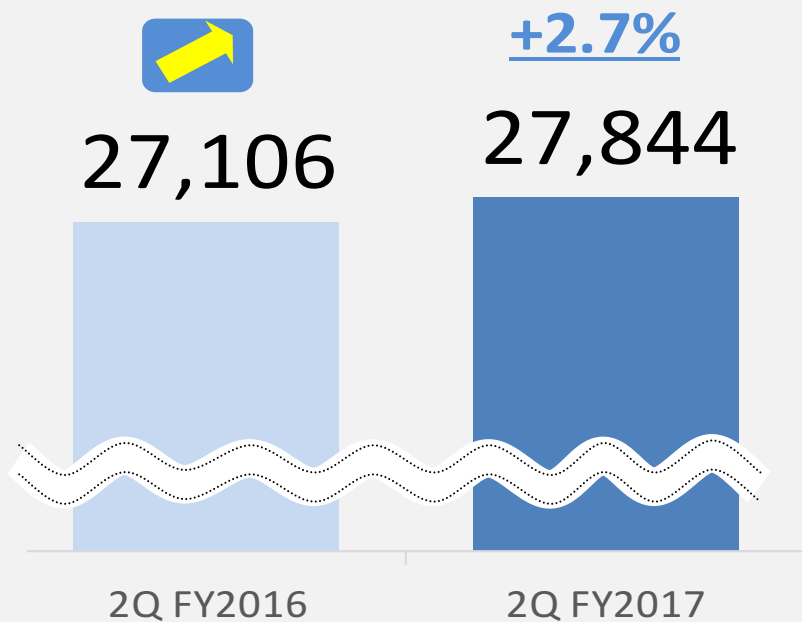
- Strong performance in temporary security service contracts

New contracts with public sector and security for summits

+6.7% Y o Y

Sales

(Millions of Yen)



- Total ATM Management System

[Administrative units : approx. 62,100]

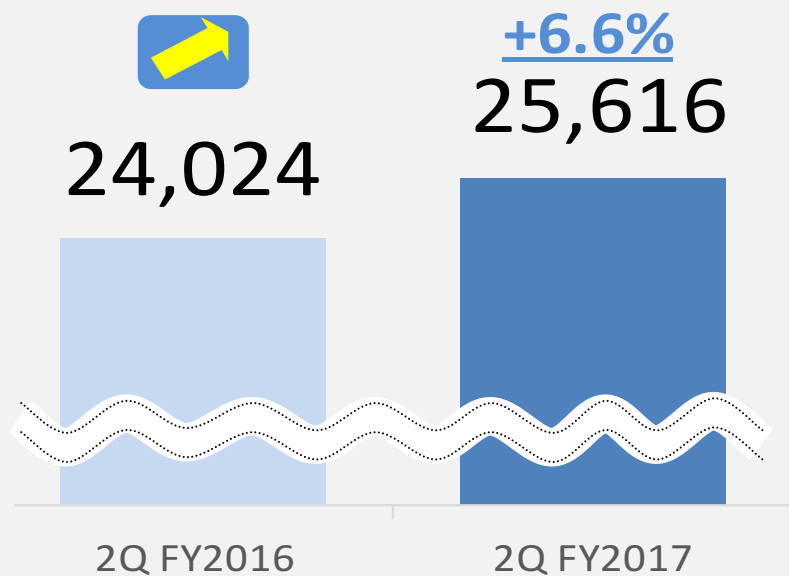
Increased needs of outsourcing from megabanks

- Cash Deposit On-line System

[Units in operation : approx. 18,600]

+2.7% Y o Y

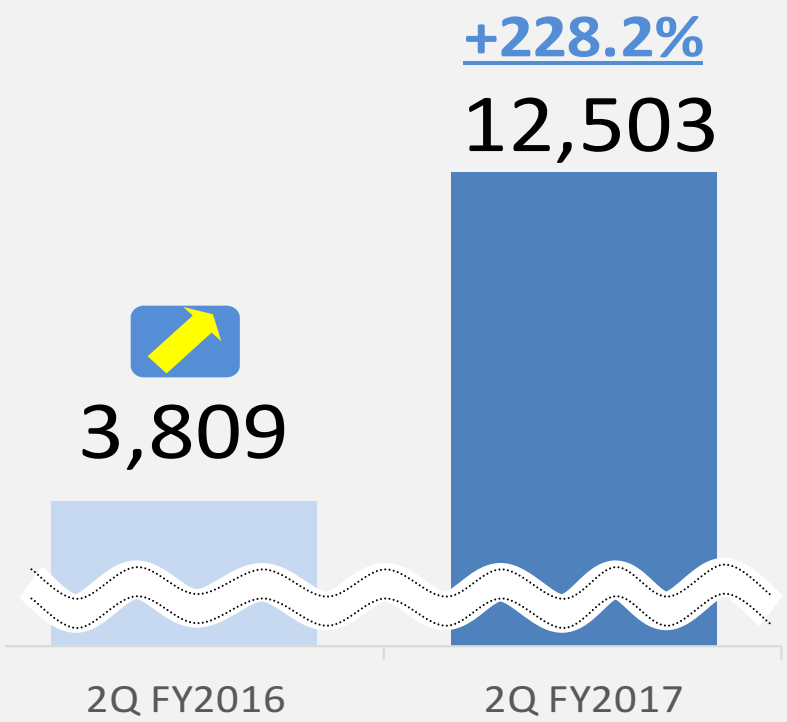
Sales (Millions of Yen)



- Construction work sector increased considerably Y o Y
- Strong performance in building management and fire protection
- Total number of AED units sold : approx.125,000

+6.6% Y o Y

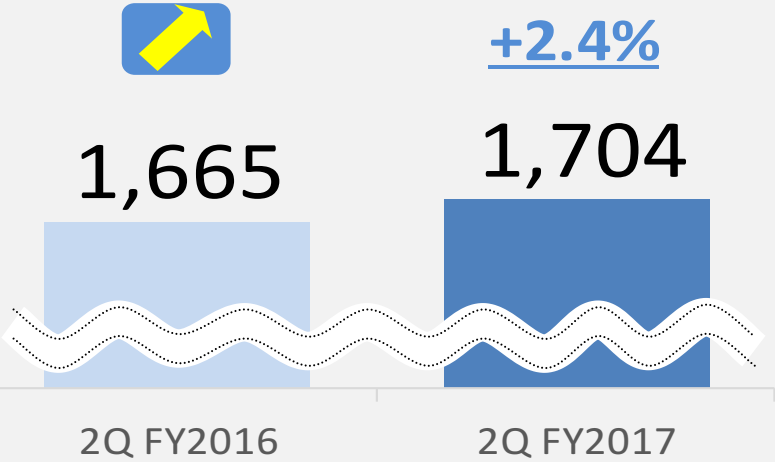
Sales (Millions of Yen)



- Expansion of sales by the subsidiary Wisnet

+228.2% Y o Y

Sales (Millions of Yen)

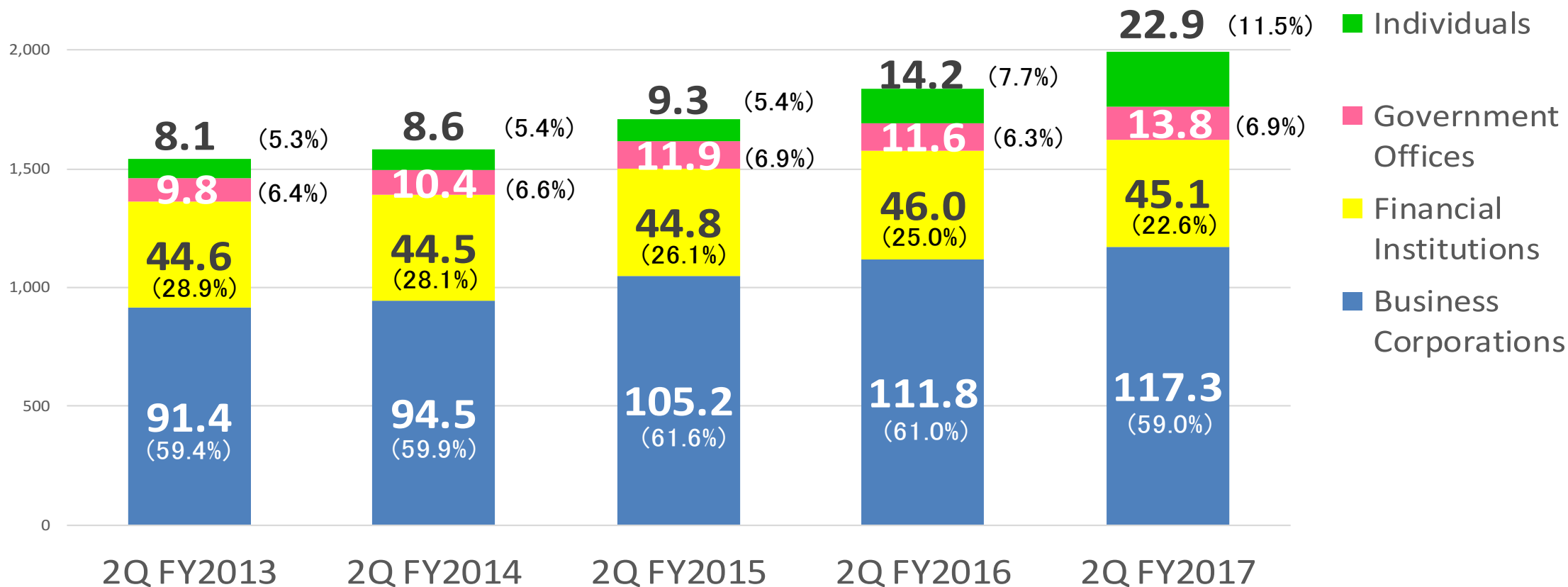


- Information security
- MAMOLOOK
- Denpo (telegram)

+2.4% Y o Y

() Sales Composition

(Billions of Yen)



Analysis of the Profit and Loss

(Millions of Yen)	2Q FY2017	2Q FY2016	Y o Y	Change
Net Sales	199,206	183,759	15,446	+8.4%
Cost of Sales	149,788	136,889	12,898	+9.4%
Labor cost	76,115	69,748	6,366	+9.1%
Expense	44,101	39,149	4,951	+12.6%
Depreciation	5,702	5,060	642	+12.7%
Cost of product sold	23,868	22,931	936	+4.1%
SG&A	36,890	34,347	2,543	+7.4%
Advertising expense	1,343	888	454	+51.2%
Personnel cost	24,708	23,563	1,144	+4.9%
Others	9,881	9,110	771	+8.5%
Depreciation	957	784	172	+22.0%
Operating Income	12,527	12,522	5	+0.04%

Consolidated Balance Sheet

(Millions of Yen)

	2Q FY2017	FY2016	Y o Y		2Q FY2017	FY2016	Y o Y
Current assets	183,028	188,013	(4,984)	Current liabilities	77,496	87,222	(9,725)
Cash and Deposits	57,304	42,750	14,553	Notes and accounts payable	16,546	22,602	(6,056)
Cash for Transportation Security	56,385	73,142	(16,757)	Short-term loans payable	20,494	23,738	(3,244)
Services and advances paid				Other	40,455	40,880	(425)
Notes and accounts receivable	41,875	45,643	(3,767)				
Raw materials and supplies	6,037	6,150	(113)	Noncurrent liabilities	68,323	56,717	11,606
Advances paid	6,209	6,030	179	Long-term loans payable	12,396	11,928	467
Other	15,216	14,296	920	Net defined benefit liability	31,569	31,210	359
				Other	24,357	13,578	10,779
Noncurrent assets	173,583	161,548	12,035	Total liabilities	145,820	143,939	1,880
Property, plant and equipment	85,708	77,340	8,368	Shareholders' equity	198,122	193,352	4,769
Intangible assets	18,001	15,394	2,607	Total valuation and	(11,779)	(11,912)	133
Investments and other assets	69,872	68,813	1,058	translation adjustments			
				Non-controlling interests	24,448	24,182	266
				Total net assets	210,791	205,622	5,169
Total assets	356,612	349,561	7,050	Total liabilities and net assets	356,612	349,561	7,050

Consolidated Cash Flows

(Millions of Yen)

	2Q FY2017	2Q FY2016	Y o Y
Net cash provided by (used in) operating activities	23,875	12,530	11,344
Net cash provided by (used in) investing activities	(5,204)	(6,385)	1,181
Net cash provided by (used in) financing activities	(4,782)	(10,360)	5,577
Cash and cash equivalents at end of period	49,498	33,747	15,751

Major items of 2Q FY2017

● Net cash provided by (used in) operating activities	Income before income tax	13,469
	Depreciation and amortization	6,660
	Decrease (increase) in notes and accounts receivable	6,409
	Increase (decrease) in notes and accounts payable	(8,962)
	Assets/Liabilities for TSS	8,694
● Net cash provided by (used in) operating activities	Purchase of property, plant and equipment	(4,608)
	Purchase of investment securities	(1,712)
● Net cash provided by (used in) operating activities	Net increase (decrease) in short-term loans payable	3,257
	Repayments of lease obligations	(2,042)
	Cash dividends paid	(3,015)

■ Capital expenditures

(Millions of Yen)

2Q FY2015	2Q FY2016	2Q FY2017
5,206	7,106	4,822

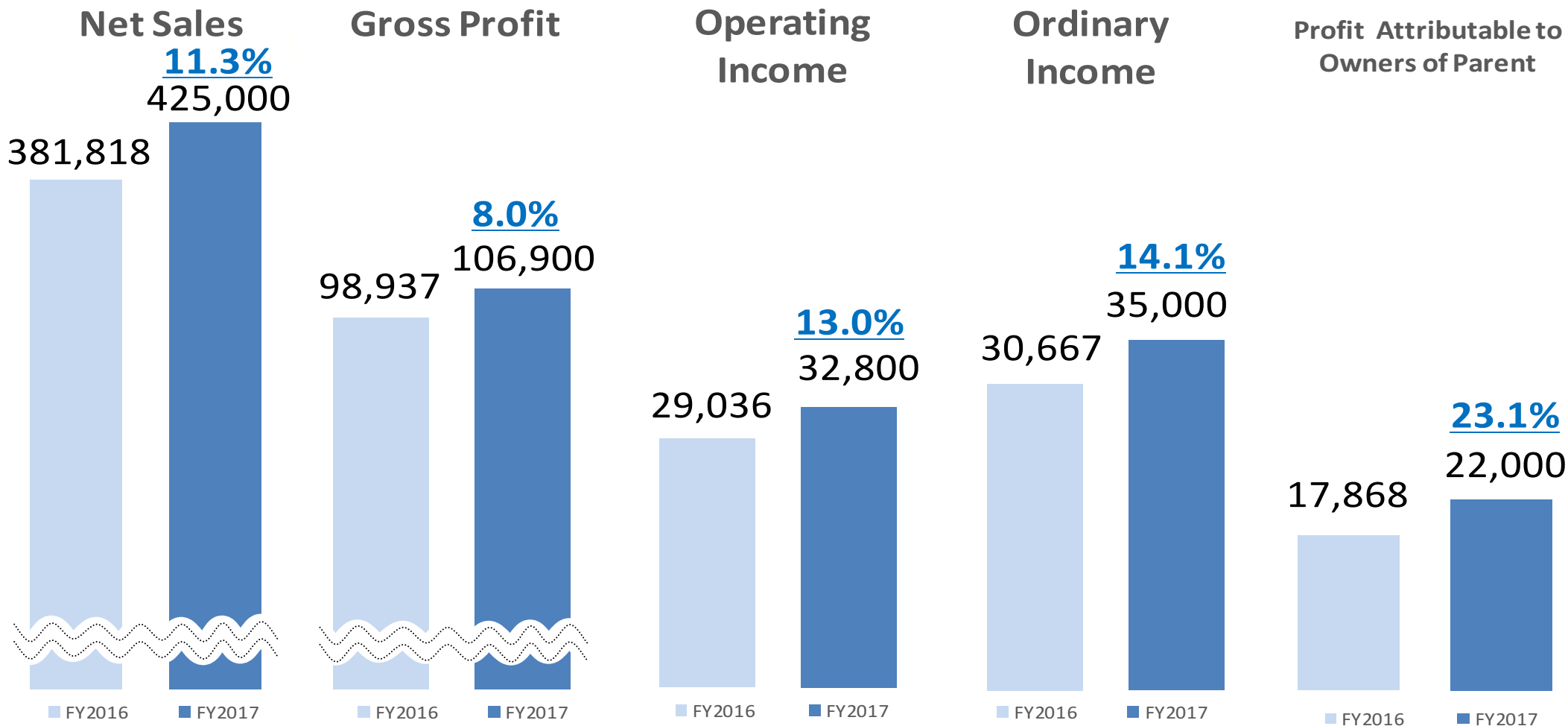
■ Depreciation

(Millions of Yen)

2Q FY2015	2Q FY2016	2Q FY2017
5,463	5,844	6,660

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

Buisness Plan for FY2017



(Millions of Yen)

	FY2014	FY2015	FY2016	FY2017 (Forecast)
Dividends per share (Yen)	30 (12.5)Interim (17.5)Year-end	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
Payout ratio	27.5%	28.2%	28.1%	25.1%

※() represent dividends per share

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

1 Approach to the enhancement of outsource needs

■ Financial Institutions

- Enhancement of the in-house
- Operation of business center
- Correspondence to inbound



■ Corporate

- Enhancement of the movement consigning the security business operated in-house

Large-scale manufacture

■ Public Sector

□ Infrastructure Monitoring

- Tunnels and roads
- Bridges
- Harbors



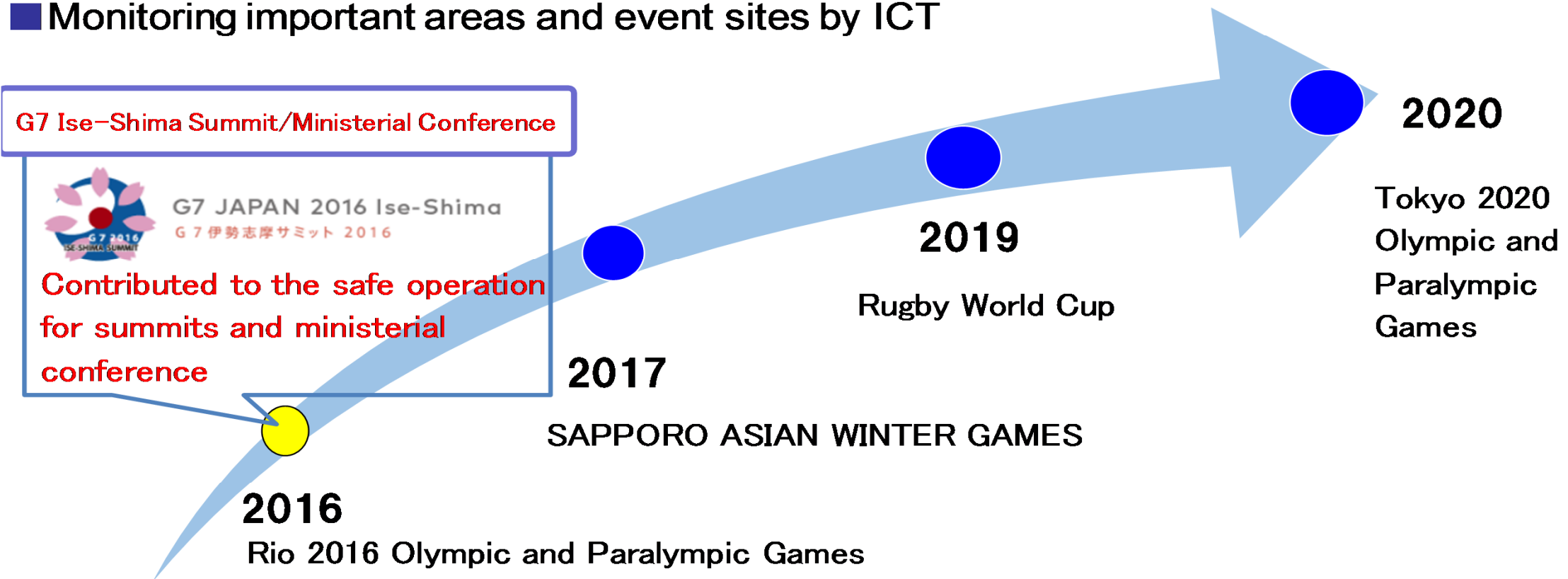
□ Private consignment of equipment

PPP and PFI
Sendai Subway



2 Approach to diversifying security needs

■ Monitoring important areas and event sites by ICT



Corresponding to large-scale events with all one's strength

3 Approach to the enhancement of services for senior citizens

Long-term care

Welfare Information Service Network
株式会社 ウイズネット
HCM
To Realize World-class, Enriched Society
ALSOK あんしんケアサポート

Net Sales : 25.7 billion yen
(Ranks in 8th place in the long-term care industry)
Users : 12,800 users
Facilities : 137 facilities
* As of March 31, 2016

大切な人を見守りたい方へ
身に着け安心 ((♡)) 位置確認!!
みまもりタグ
あれ? いない!
こんな経験はありませんか?

Launch Date December 2016

ALSOK
Services for Senior Citizens

ご高齢者向け緊急通報サービス
みまもりサポート
レンタルモデルプラン 月額2,400円

通話付きGPS端末
まもるっく
お買上げプラン 月額1,100円

4 Approach to the ICT of security operations

Introduction of the **advanced technology** utilized with the cutting-edge ICT

Wearable Camera



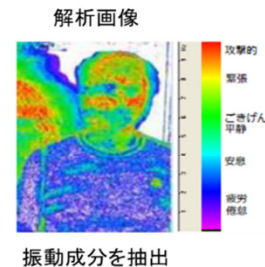
Drone



Reborg-X



Emotion Recognition



Tough Smartphone



Etc.

- AI
- Big data
- I o T

■ Corresponding with the efficiency of ICT to labor scarcity

⇒ Improvement in efficiency(streamline) and productivity of security

5 Overseas expansion

Conventional

Mainly with the support of overseas advance of Japanese-affiliated companies, provision of security consulting, security services, and sales of security equipments

Onward

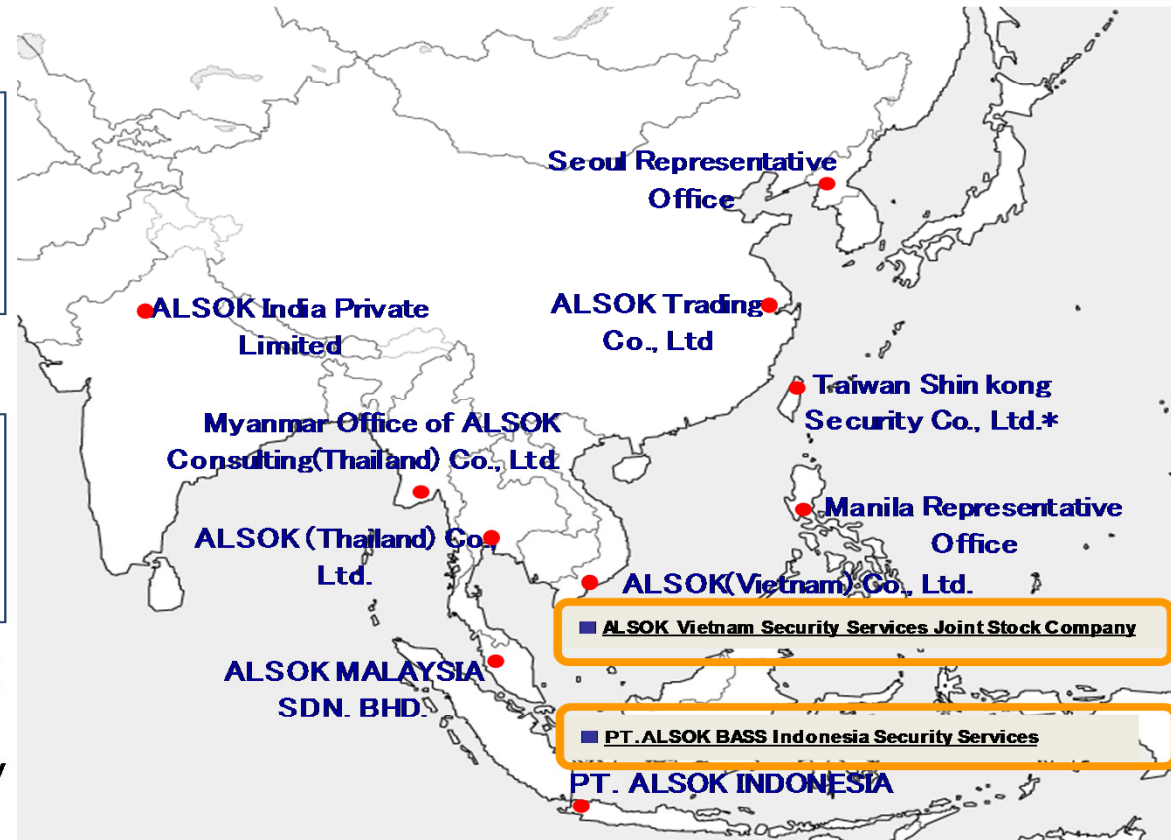
Expand one's security system and provision of high-quality security services taking in ALSOK's knowhow and technology

■ ALSOK Vietnam Security Services Joint Stock Company

Execution of agreement in July

■ PT. ALSOK BASS Indonesia Security Services

Execution of agreement in October



* The Company's connection with Taiwan Shin Kong Security Co., Ltd. is limited to investment

6 Approach to cost reduction

- Improvement of productivity by developing multifunctional human resources
 - Expanding the multitasking of security guards to group companies
 - Amplification for the tasks of stationed security guards
 - Nurture technician to all-around engineer

- Integration of guard centers
 - Reorganizing into 4 guard centers from 8 guard centers

Rio 2016 Olympic and Paralympic Games Result



ALSOK is the JOC Official Partner (Security Service and Planning)

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.

