

Financial Results for 2Q FY2016

SOHGO SECURITY SERVICES CO.,LTD.

Securities Code:2331 (1st Section of TSE)

Oct. 30,2015

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Section 2	Business Plan for FY2016
Section 3	Priority Measures
Section 4	Approach to Tokyo 2020 Olympic and Paralympic Games

1 Increase in sales and profit for four consecutive years on a interim basis

- **Achieved record high, both in sales and income (on a interim basis)**

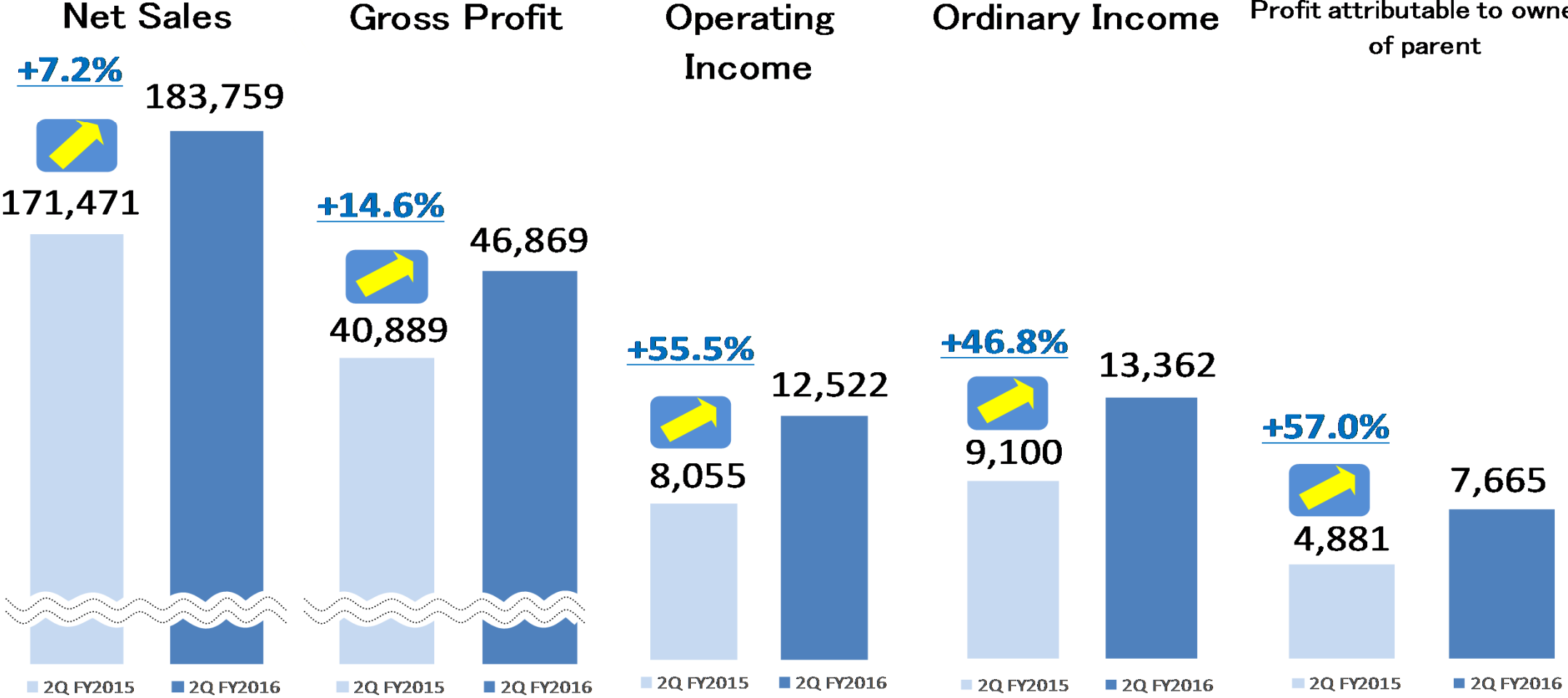
2 Steady growth in our mainstay Security Services segment

- **Strong performance in Electronic Security Services and Stationed Security Services**

3 ALSOK Becomes Tokyo 2020 Olympic and Paralympic Games Sponsor

- **Contribution to the Olympic Games in terms of security**

P/L for 2Q FY2016



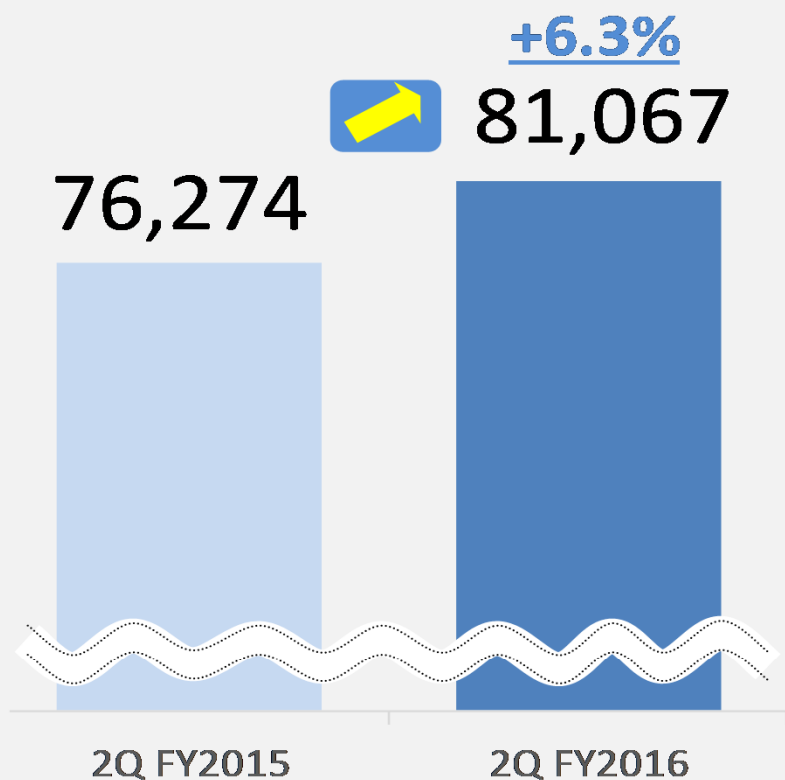
(Millions of Yen)

(Millions of Yen)	2Q FY2016	2Q FY2016 Business plan	Gap	Achievement Ratio
Net Sales	183,759	187,400	(3,640)	98.1%
Gross Profit	46,869	47,200	(330)	99.3%
Operating Income	12,522	11,600	922	108.0%
Ordinary Income	13,362	12,500	862	106.9%
Profit attributable to owners of parent	7,665	6,800	865	112.7%

Net sales by Service Type

(Millions of Yen)	2Q FY2016	2Q FY2015	Y o Y	Change
Security Services	154,261	145,004	9,257	6.4%
Electronic Security Services	81,067	76,274	4,793	6.3%
Stationed Security Services	46,086	42,875	3,211	7.5%
Transportation Security Services	27,106	25,854	1,251	4.8%
General Property Management and Fire Protection Services	24,024	24,912	(888)	(3.6%)
Long Term Care and Other Services	5,474	1,554	3,919	252.2%
Total	183,759	171,471	12,288	7.2%

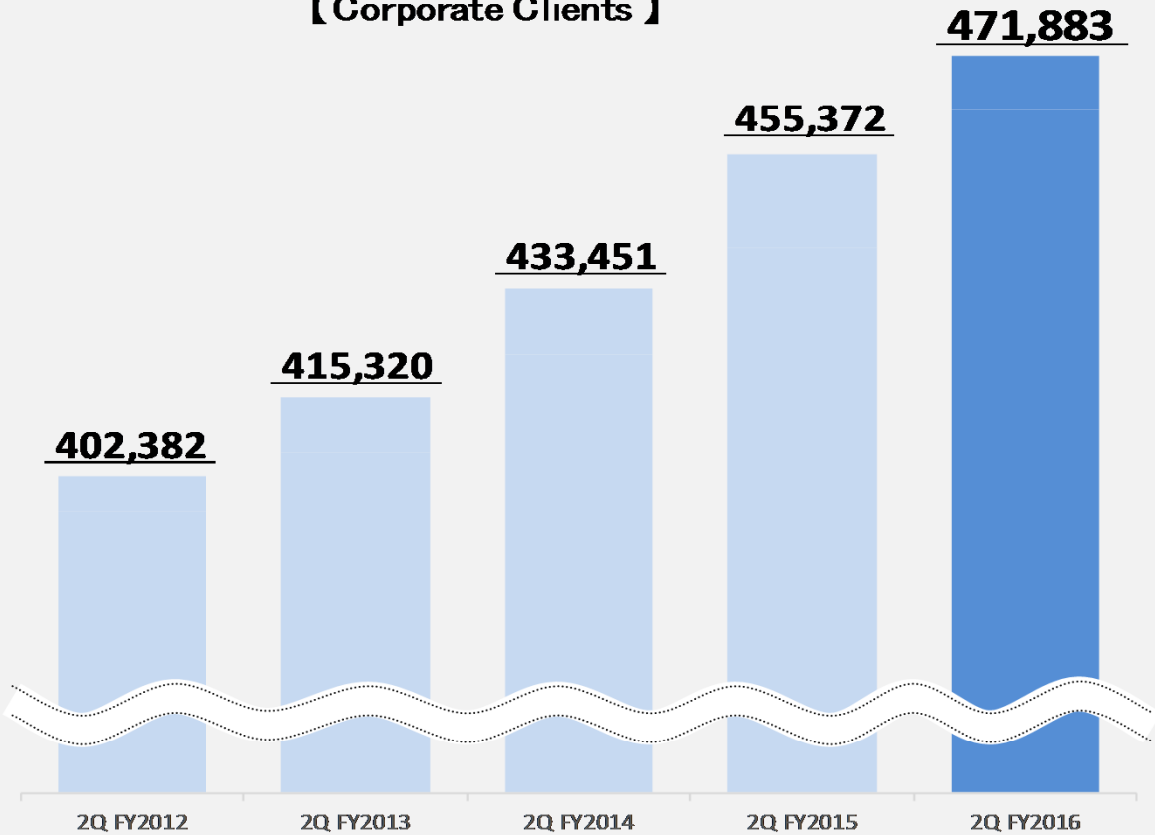
Sales (Millions of Yen)



Contract sales	Y oY ratio	+4.9%
Construction sales	Y oY ratio	+15.6%
Equipment sales	Y oY ratio	+11.8%

- Strong performance in security services for individuals
Home security, watchover service
- Growing needs for security enhancement
Increase in equipment sales such as access control and surveillance camera

Increase in Contracts of Electronic Security Services
【Corporate Clients】



Total number of contracts **471,883**
(Y o Y **+3.6%**)

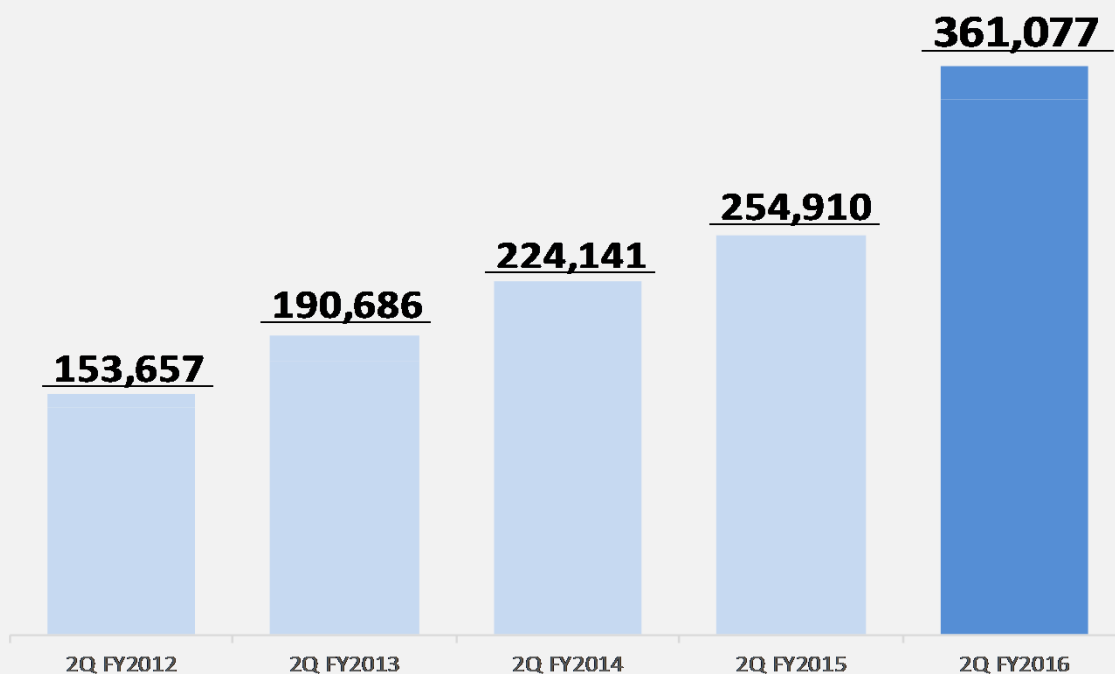
Newly booked contracts : *Decreased from 2Q FY2015*

Cancellations : *Increased from 2Q FY2015*

Newly booked contract price : *Increased from 2Q FY2015*

Average contract price : *Decreased from 2Q FY2015*

Increase in Contracts of Electronic Security Services
【Individual Clients】



Total number of contracts **361,077**
(Y o Y **+41.6%**)

Newly booked contracts : *Increased from 2Q FY2015*

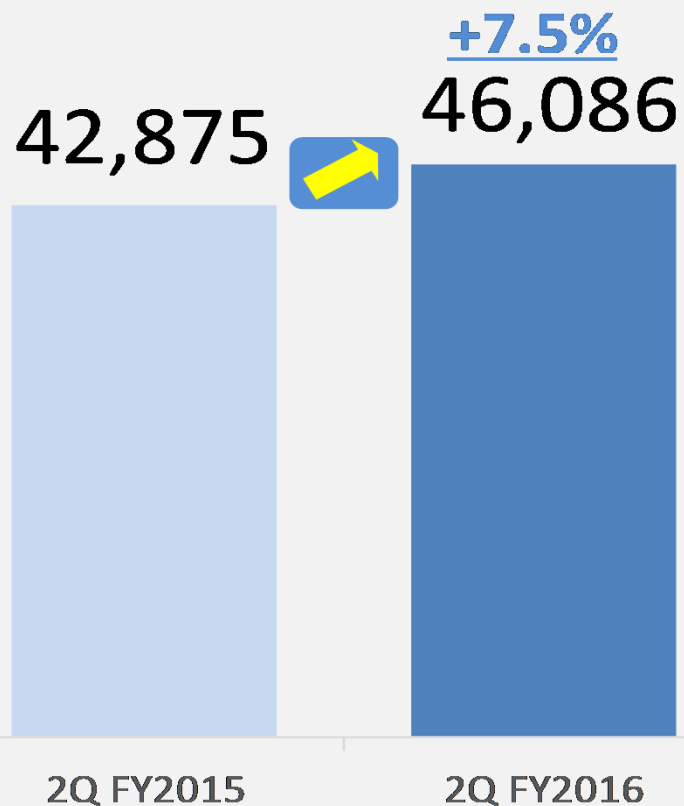
Cancellations : *Increased from 2Q FY2015*

Newly booked contract price : *Decreased from 2Q FY2015*

Average contract price : *Decreased from 2Q FY2015*

※Including the number of houses from complex housing, the total number of contracts count up to approximately 88 thousand houses.

Sales (Millions of Yen)



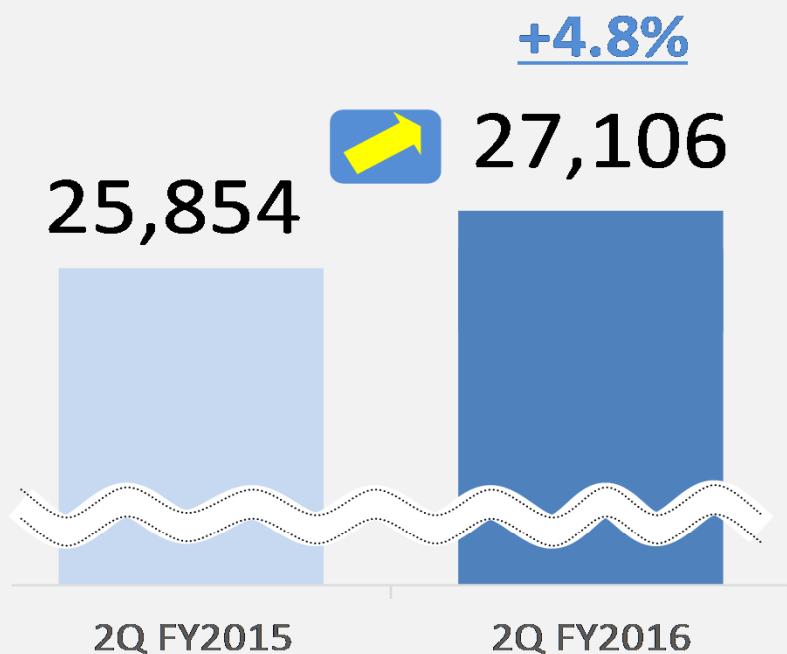
▪ **Attributable to long-term contracts**

Large-scale commercial facilities, major financial institutions

▪ **Increase in temporary security service contracts**

New contracts with large-scale events and public sector

Sales (Millions of Yen)



Total ATM Management System

Administrative units: approx. 54,300

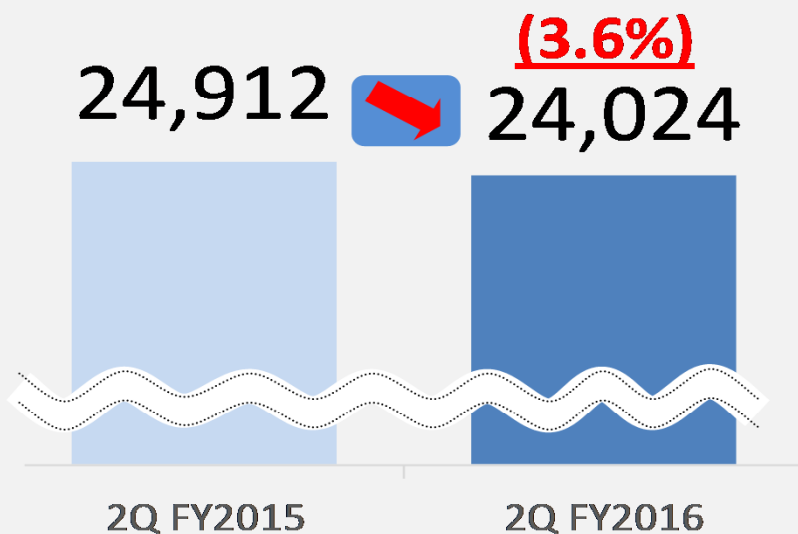
- Expansion of outsourcing needs from financial institutions
- Increased contract with major convenience store chain

Cash Deposit Machine On-line System

Units in operation: approx. 17,300

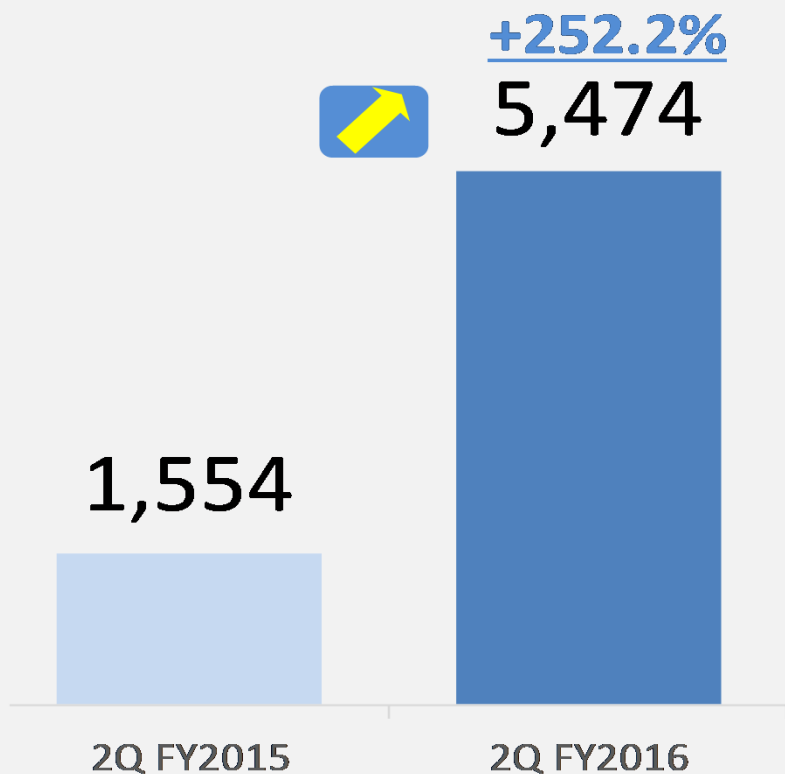
- Increased contract with carrier business, automobile dealers, and restaurants

Sales (Millions of Yen)



- Increase in contracts for equipment management of facilities by the enhancement of cooperation within ALSOK Group
- Decrease in sales by construction operation
- Total number of AED units sold: 108,000

Sales (Millions of Yen)



Expansion of sales by HCM and ACS

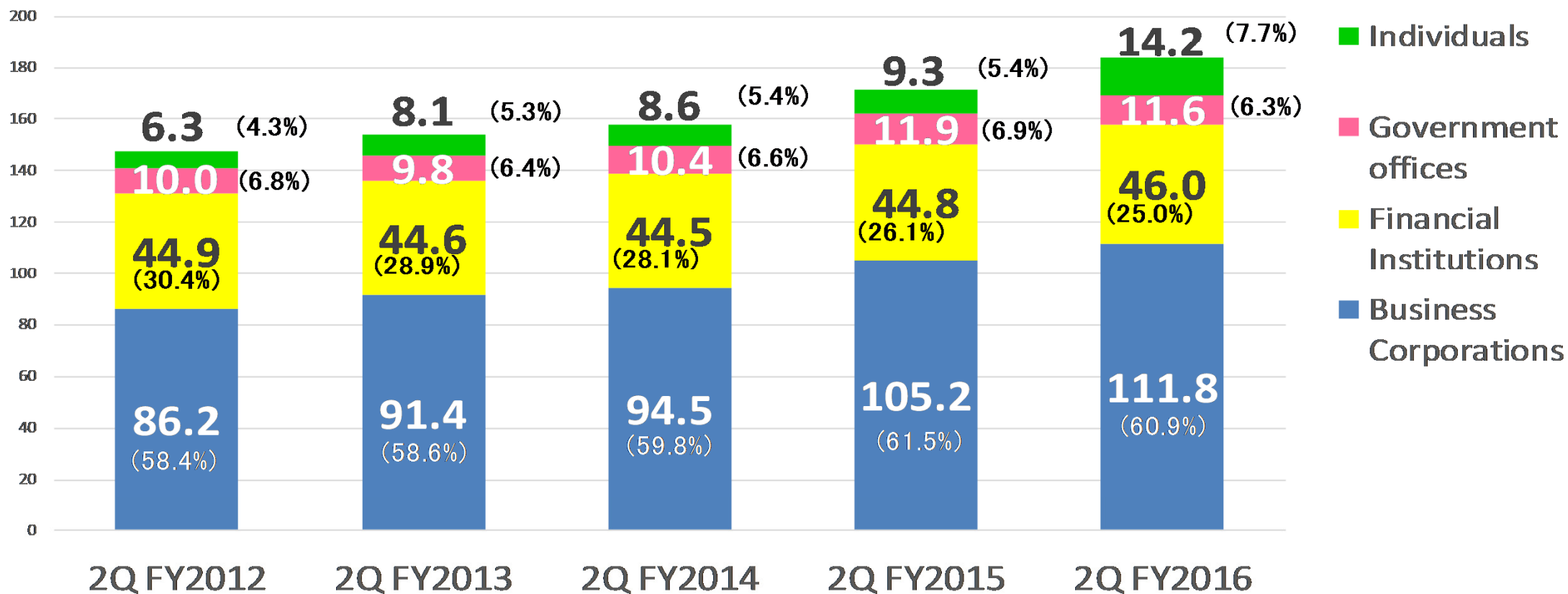
- HCM consolidated subsidiary from October 2014
- ACS consolidated subsidiary from January 2015

Scale of Long-Term Care business

Home visit care service bases	104
Day care centers	11
Elderly housings	20
Number of rooms	719

() Sales Composition

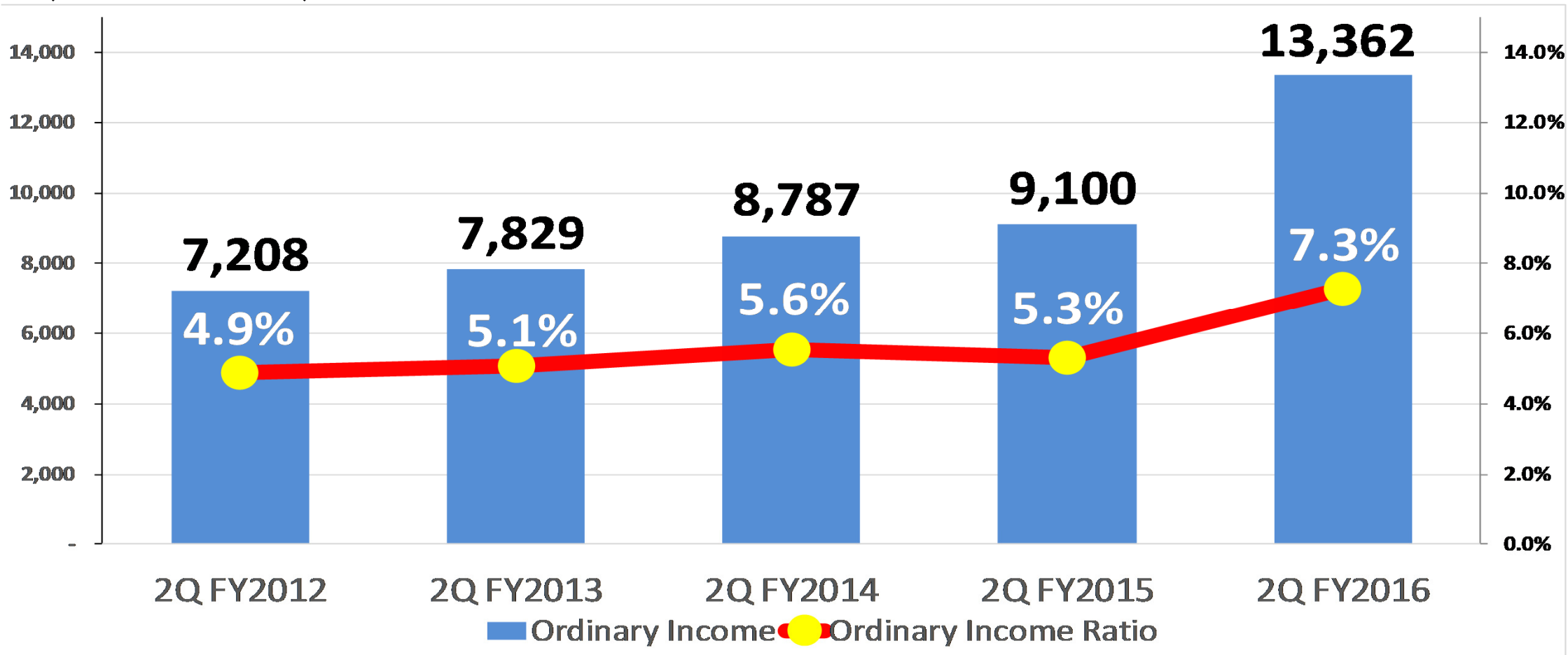
(Billions of Yen)



Analysis of the Profit and Loss

(Millions of Yen)	2Q FY2016	2Q FY2015	Y o Y	Change
Net Sales	183,759	171,471	12,288	+7.2%
Cost of Sales	136,889	130,582	6,307	+4.8%
Labor Cost	69,748	66,513	3,234	+4.9%
Expense	39,149	35,983	3,165	+8.8%
Depreciation	5,060	4,681	378	+8.1%
Cost of product sold & installation	22,931	23,403	(472)	(2.0%)
SG&A	34,347	32,833	1,513	+4.6%
Advertising expense	888	1,045	(156)	(15.0%)
Personnel cost	23,563	22,554	1,009	+4.5%
Others	9,110	8,452	657	+7.8%
Depreciation	784	781	2	+0.4%
Operating Income	12,522	8,055	4,467	+55.5%

(Millions of Yen)



Consolidated Balance Sheet

	(Millions of Yen)						
	2Q FY 2016	FY2015	Y o Y		2Q FY 2016	FY2015	Y o Y
Current assets	176,710	210,445	(33,734)	Current liabilities	92,834	130,464	(37,630)
Cash and Deposits	41,709	46,113	(4,404)	Notes and accounts payable	15,594	23,946	(8,352)
Cash for Transportation Security	69,162	96,760	(27,597)	Short-term loans payable	38,110	62,997	(24,886)
Services and Advances paid				Other	39,129	43,521	(4,391)
Notes and accounts receivable	38,357	44,020	(5,662)				
Raw materials and supplies	5,605	4,759	846	Noncurrent liabilities	39,444	39,035	408
Advances paid	5,597	6,301	(703)	Long-term loans payable	1,789	1,915	(125)
Other	16,276	12,490	3,786	Net defined benefit liability	25,590	25,484	106
				Other	12,064	11,635	428
Noncurrent assets	164,898	163,418	1,480	Total liabilities	132,278	169,500	(37,221)
Property, plant and equipment	73,361	71,704	1,656	Shareholders' equity	185,161	179,557	5,604
Intangible assets	16,080	16,853	(772)	Total valuation and	511	1,389	(878)
Investments and other assets	75,456	74,859	597	translation adjustments			
				Non-controlling interests	23,657	23,415	241
				Total net assets	209,330	204,363	4,967
Total assets	341,609	373,863	(32,254)	Total liabilities and net assets	341,609	373,863	(32,254)

Consolidated Cash Flows

(Millions of Yen)

	2Q FY2016	2Q FY2015	Y o Y
Net cash provided by (used in) operating activities	12,530	2,693	9,837
Net cash provided by (used in) investing activities	(6,385)	(6,887)	501
Net cash provided by (used in) financing activities	(10,360)	1,695	(12,055)
Cash and cash equivalents at end of period	33,747	33,294	453

Major items of 2Q FY2016

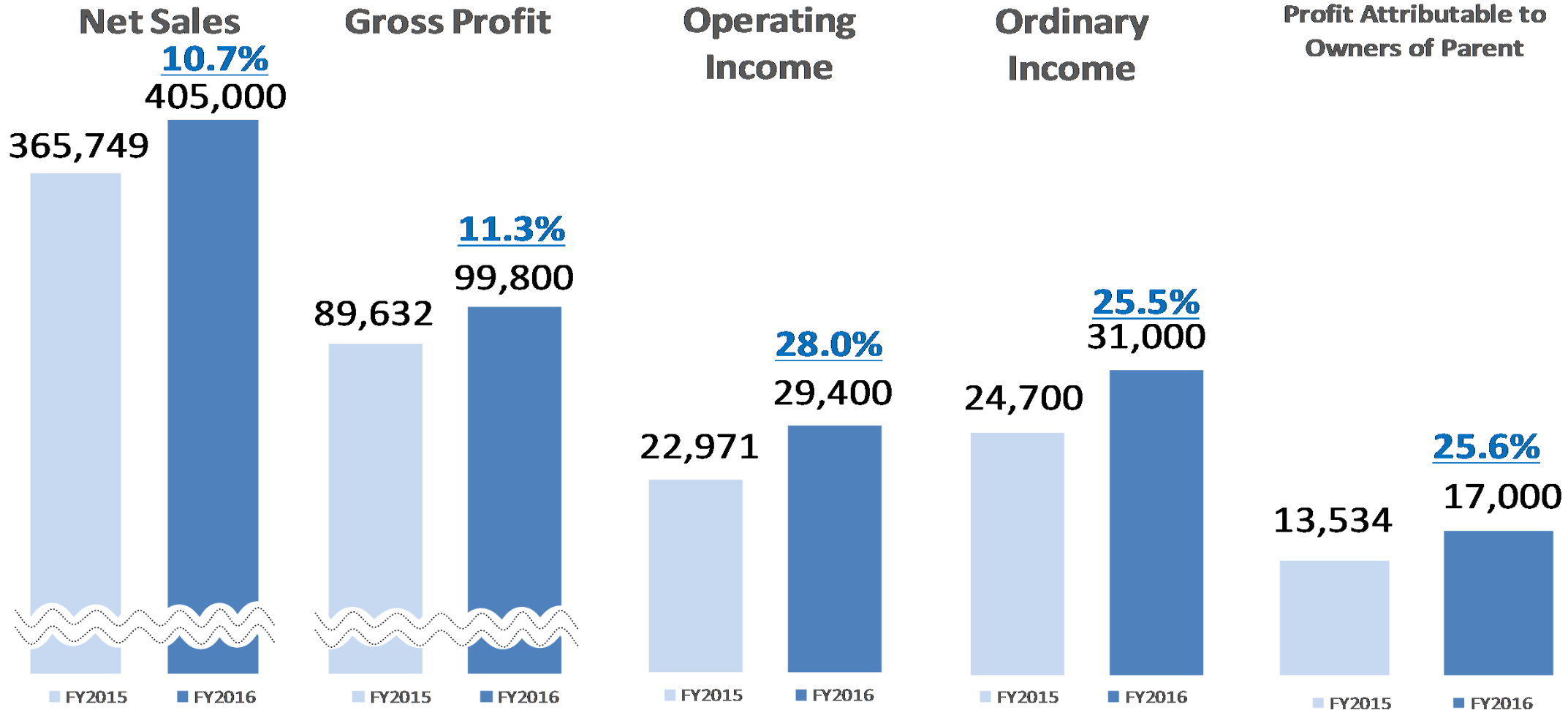


● Net cash provided by (used in) operating activities	Income before income tax	13,367
	Depreciation and amortization	5,844
	Increase (decrease) in notes and accounts receivable	5,651
	Increase (decrease) in notes and accounts payable	(8,804)
	Assets/Liabilities for TSS	9,471
● Net cash provided by (used in) operating activities	Purchase of property, plant and equipment	(6,641)
	Purchase of investment securities	(1,076)
● Net cash provided by (used in) operating activities	Net increase in short-term loans payable	(4,843)
	Repayment of long-term loans payable	(1,789)
	Cash dividends paid	(2,060)

Capital expenditures		(Millions of Yen)
2Q FY2014	2Q FY2015	2Q FY2016
6,653	5,206	7,106

Depreciation		(Millions of Yen)
2Q FY2014	2Q FY2015	2Q FY2016
4,444	5,463	5,844

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Dividends

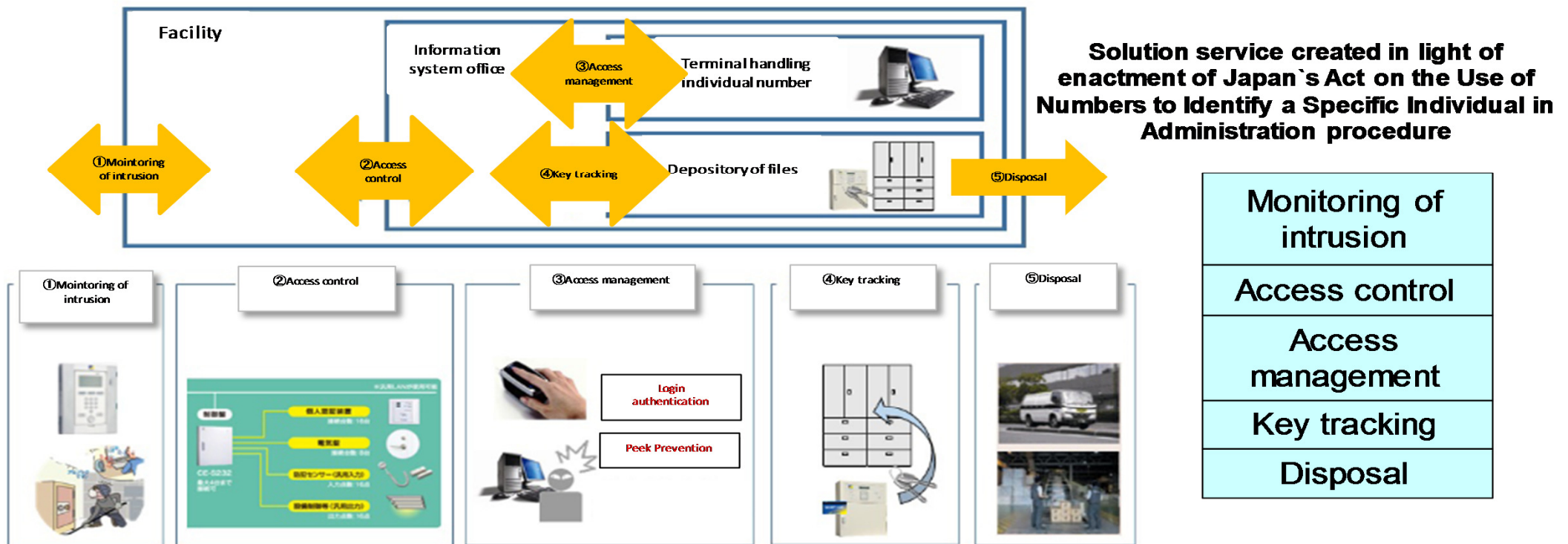
	FY2013	FY2014	FY2015	FY2016 (Plan)
Dividend per share (Yen)	25 (11)Interim (14)Year-end	30 (12)Interim (17.5)Year-end	38 (17.5)Interim (17.5)Year-end (3.0)Special	40 (20)Interim (20)Year-end
Payout ratio	29.3%	27.5%	28.2%	23.7%

※() represent dividends per share

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1 Approach to protect information

Solution for My Number (individual number) System



2 Approach to protect individuals (1)

Home Security Basic

Corresponding to diversifying communication environment and smartphone



GOOD DESIGN AWARD
2015年度受賞



- **3 ways of operation procedures (corresponds to smartphone)**
- **Enhancement of web features**
- **3G network built-in**
- **Compact sized controller**

2 Approach to protect individuals (2)

MAMOLOOK

A multifunctional mobile security terminal equipped with communications and safety confirmation functions to help protect senior citizens, children, and women when they are outside of the home



Watch over seniors

Watch over children

Watch over women



- **Emergency dispatch function responding to emergent situation**
- **Location identification function utilizing GPS**
- **Communication function by handsfree**
- **Guardman dispatched when requested by customers**

3 Approach to relations with energy

ALSOK Aerial Photography Services

Inspect the panels of large-scale solar power installations by aerial robots which detects trouble in a short time



EV rapid charger installation service

Provides service relating to the installation of rapid charge provision in one-stop



4 Approach to diversifying needs

Solution for volcanic disaster

Provides safety measure in one-stop for volcanic disaster cycle



Underpass Monitoring Service

Help prevent road flooding



Zone Security Management

Detects the alarm from precaution area and reporting to institutions concerned



5 Approach to cost reduction

- Improvement of operational efficiency by developing multifunctional human resources
- Continuous reduction in cost
 - Restrain of overtime work by efficiency of operation
【 Ratio of labor to the output】 Y o Y **0.8P** reduction
 - Reduction in administrative expenses
【Ratio of SG&A】 Y o Y **0.4P** reduction
- Promoting the integration of guard centers
 - April ~ September 2015 3 guard centers
 - October 2015 ~ March 2016 2 guard centers (plan)

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ALSOK Becomes Tokyo 2020 Olympic and Paralympic Games Sponsor



【Outline】

ALSOK has signed a Tokyo 2020 Official Partner (Tier 2) agreement with the Tokyo Organising Committee of the Olympic and Paralympic Games	Programme	Tokyo 2020 Sponsorship Programme Official Partner
	Category	Security Services and Planning

Sports Promotion

The collage features five sports-related images with labels in white boxes:

- Wrestling:** Two female athletes in red singlets, one with 'ALSOK' on the front, in a wrestling stance.
- Judo:** Two male athletes in white judo gi, one in a defensive posture.
- Track and Field:** Two male athletes in blue and yellow singlets running on a track.
- Weight Lifting:** Three athletes (two women and one man) in blue and yellow singlets.
- Shooting:** Two female athletes, one holding a rifle and another aiming.

The bottom right corner contains the slogan *ALways Security OK* and the **ALSOK** logo, which consists of a yellow triangle on a blue background.

Disclaimer

Figures regarding the company's current plans and strategies that are not historical facts are forecasts of future performance, which contain risks and uncertainties.

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.

ALways Security OK

