

# Financial Results for 2Q FY2023

SOHGO SECURITY SERVICES CO., LTD.

Securities Code : 2331(TSE, Prime Market)

October 28, 2022

# Index

<b>Section 1</b>	<b>Financial Results for 2Q FY2023</b>	<b>2</b>
<b>Section 2</b>	<b>Business Plan for FY2023</b>	<b>22</b>
<b>Section 3</b>	<b>Priority Measures</b>	<b>25</b>

<b>Section 1</b>	<b>Financial Results for 2Q FY2023</b>
<b>Section 2</b>	<b>Business Plan for FY2023</b>
<b>Section 3</b>	<b>Priority Measures</b>

## 1 Sales and profit declined year-on-year, but the trend is solid

- On an interim basis, sales decreased for the first time in 12 years, and all items decreased for the first time in 14 years
- Steady trend in past 5 fiscal years

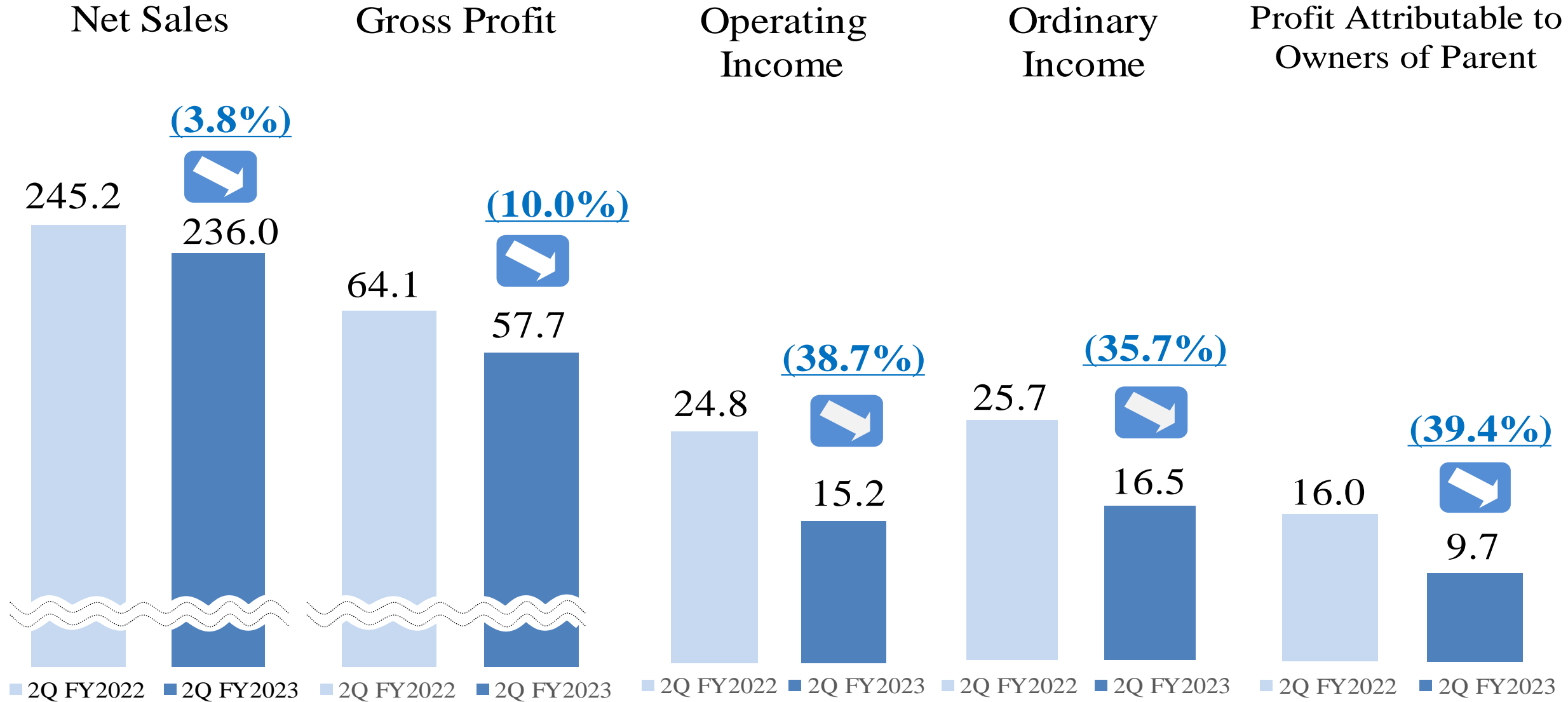
## 2 Promotion of M&A etc.

- Subsidiary acquisition of ALSOK JOYLIFE CO., LTD. and ALSOK LIFE SUPPORT CO., LTD.
- Joint Investment with SBI Regional Business Fund in TOBU Co., Ltd.

## 3 Contribution to the response to COVID-19

- Security at vaccination venues and hotels for mild cases
- Provision of products and services related to measures against infectious diseases

# Profit and Loss for 2Q FY2023



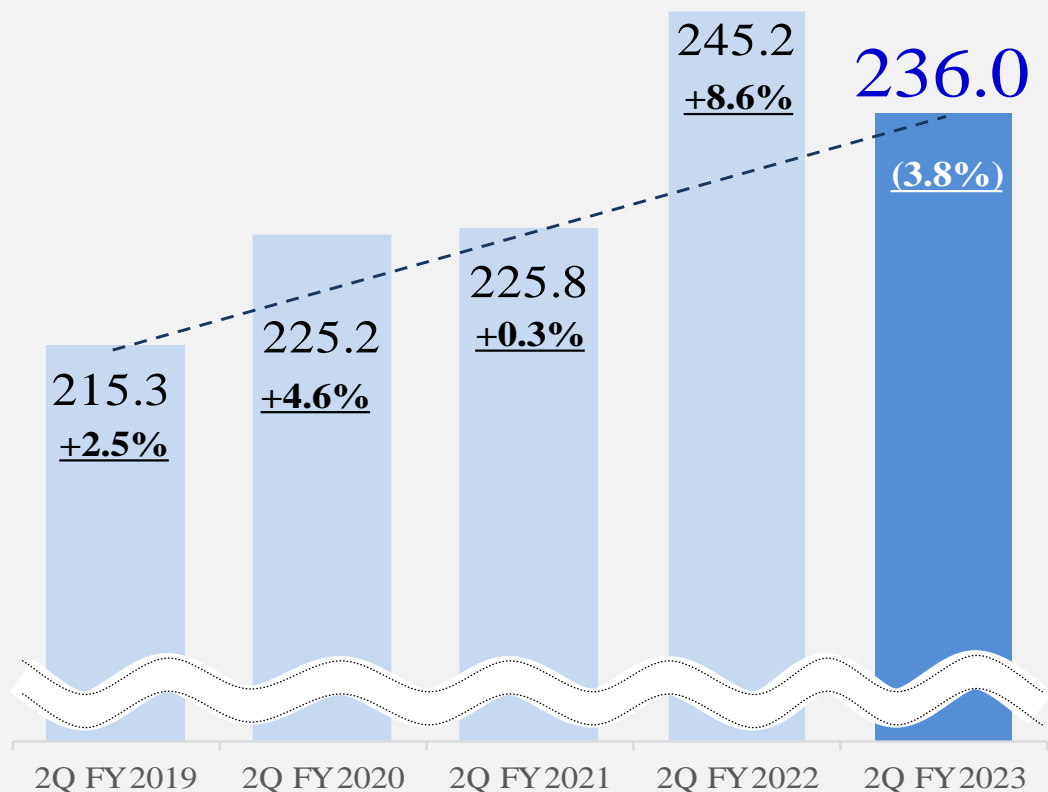
(Billions of Yen)

**Profit and Loss for 2Q FY2023 (vs. Business Plan)**

(Billions of Yen)	2Q FY2023	2Q FY2023 Business Plan	Gap	Achievement Ratio
Net Sales	<b>236.0</b>	<b>245.3</b>	<b>(9.2)</b>	<b>96.2%</b>
Operating Income	<b>15.2</b>	<b>19.5</b>	<b>(4.2)</b>	<b>78.0%</b>
Ordinary Income	<b>16.5</b>	<b>20.0</b>	<b>(3.4)</b>	<b>82.8%</b>
Profit Attributable to Owners of Parent	<b>9.7</b>	<b>12.0</b>	<b>(2.2)</b>	<b>81.3%</b>

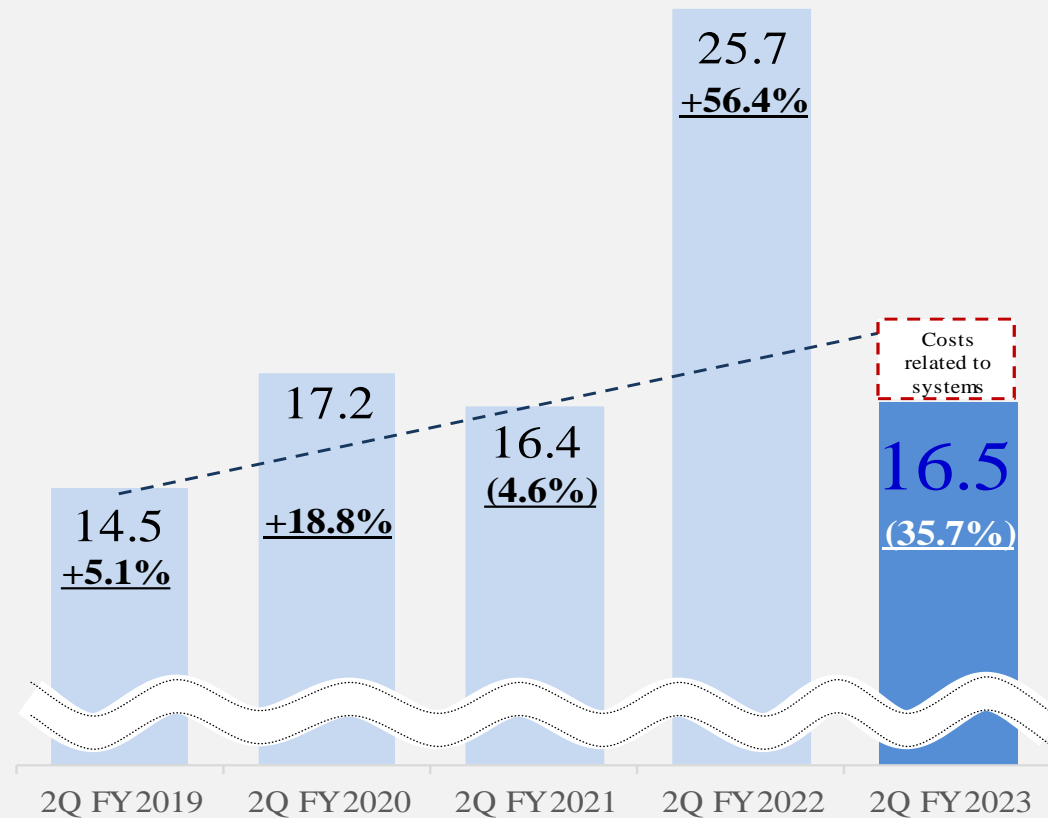
## Net Sales

(Billions of Yen)



## Ordinary Income

(Billions of Yen)

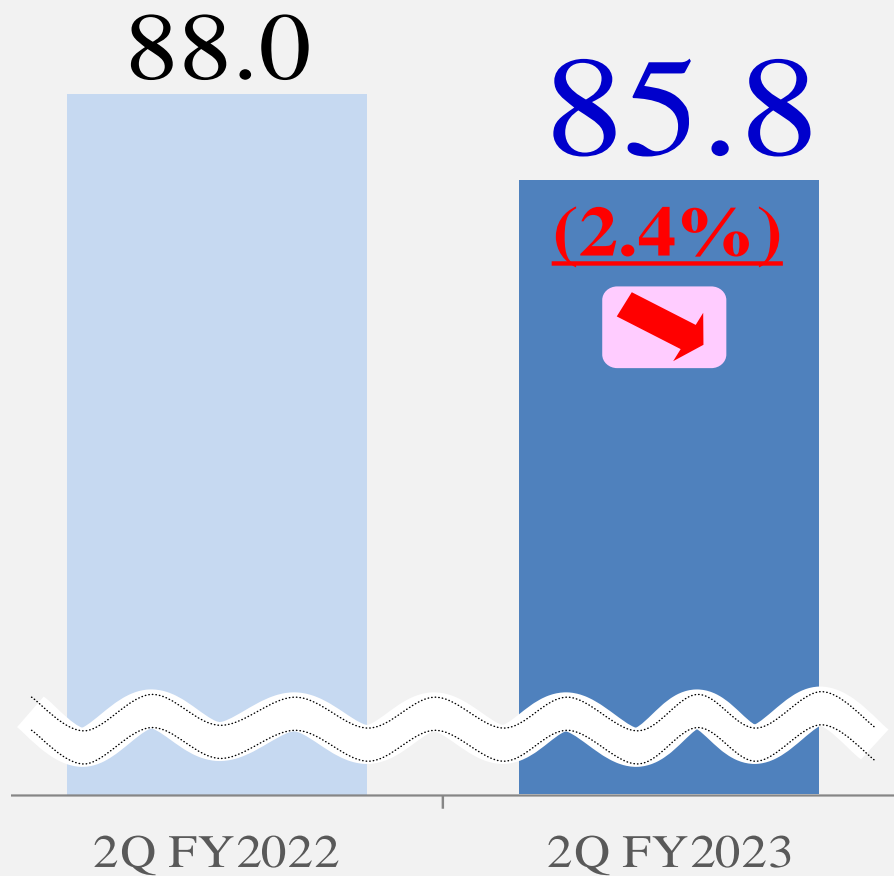


# Net sales by Services

(Billions of Yen)	2Q FY2022	2Q FY2023	Y o Y	Change
Security Services	<b>188.9</b>	<b>181.0</b>	<b>(7.9)</b>	<b>(4.2%)</b>
Electronic Security Services	<b>88.0</b>	<b>85.8</b>	<b>(2.1)</b>	<b>(2.4%)</b>
Stationed Security Services	<b>67.2</b>	<b>61.5</b>	<b>(5.7)</b>	<b>(8.5%)</b>
Transportation Security Services	<b>33.6</b>	<b>33.5</b>	<b>(0.1)</b>	<b>(0.2%)</b>
General Property Management and Fire Protection Services	<b>32.4</b>	<b>29.7</b>	<b>(2.7)</b>	<b>(8.6%)</b>
Long-Term Care Services	<b>20.8</b>	<b>22.6</b>	<b>1.8</b>	<b>9.1%</b>
Other Services	<b>3.0</b>	<b>2.6</b>	<b>(0.4)</b>	<b>(13.7%)</b>
Total	<b>245.2</b>	<b>236.0</b>	<b>(9.2)</b>	<b>(3.8%)</b>



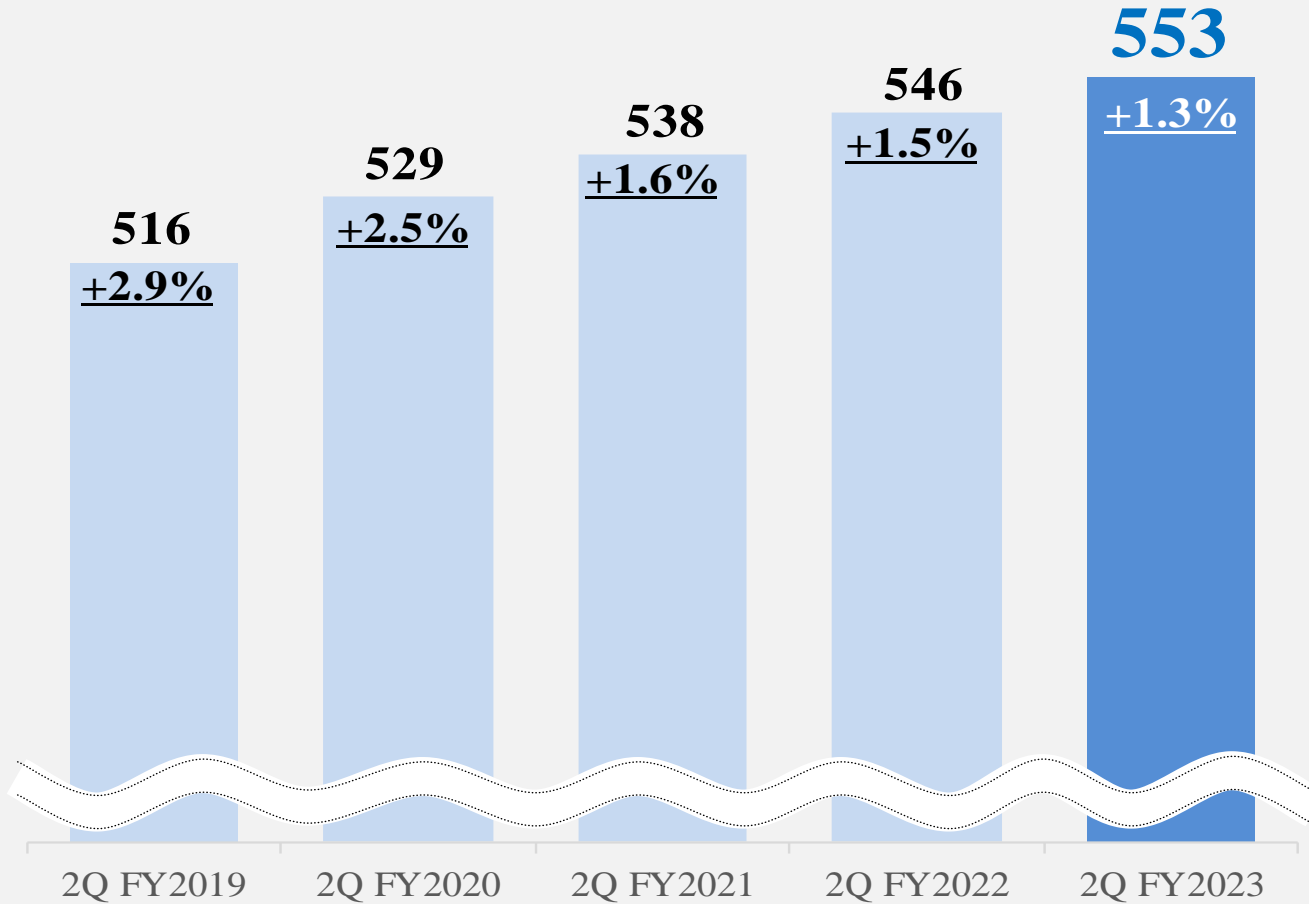
## Sales (Billions of Yen)



Contract Sales	70.0 billion yen	YoY Ratio	(2.3%)
Construction Sales	2.7 billion yen	YoY Ratio	(3.8%)
Equipment Sales	13.0 billion yen	YoY Ratio	(3.0%)

# Down 2.4% YoY

Increase in Contracts of Electronic Security Services (Thousands contracts)  
【Corporate Clients】



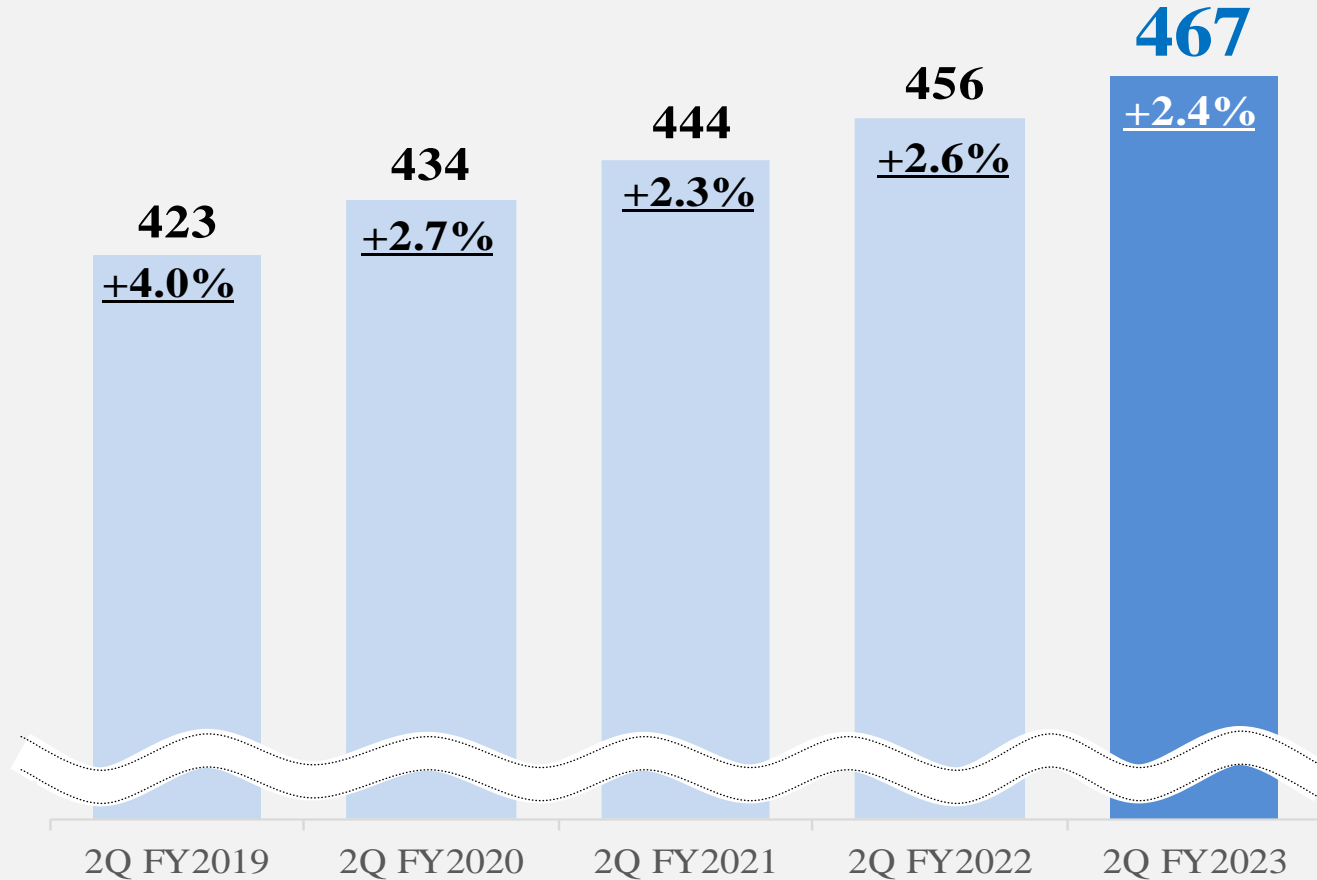
Total number of contracts **553** thousand

- Sales promotion of ALSOK-G7

Up **1.3%** YoY

Increase in Contracts of Electronic Security Services  
【Individual Clients】

(Thousand contracts)

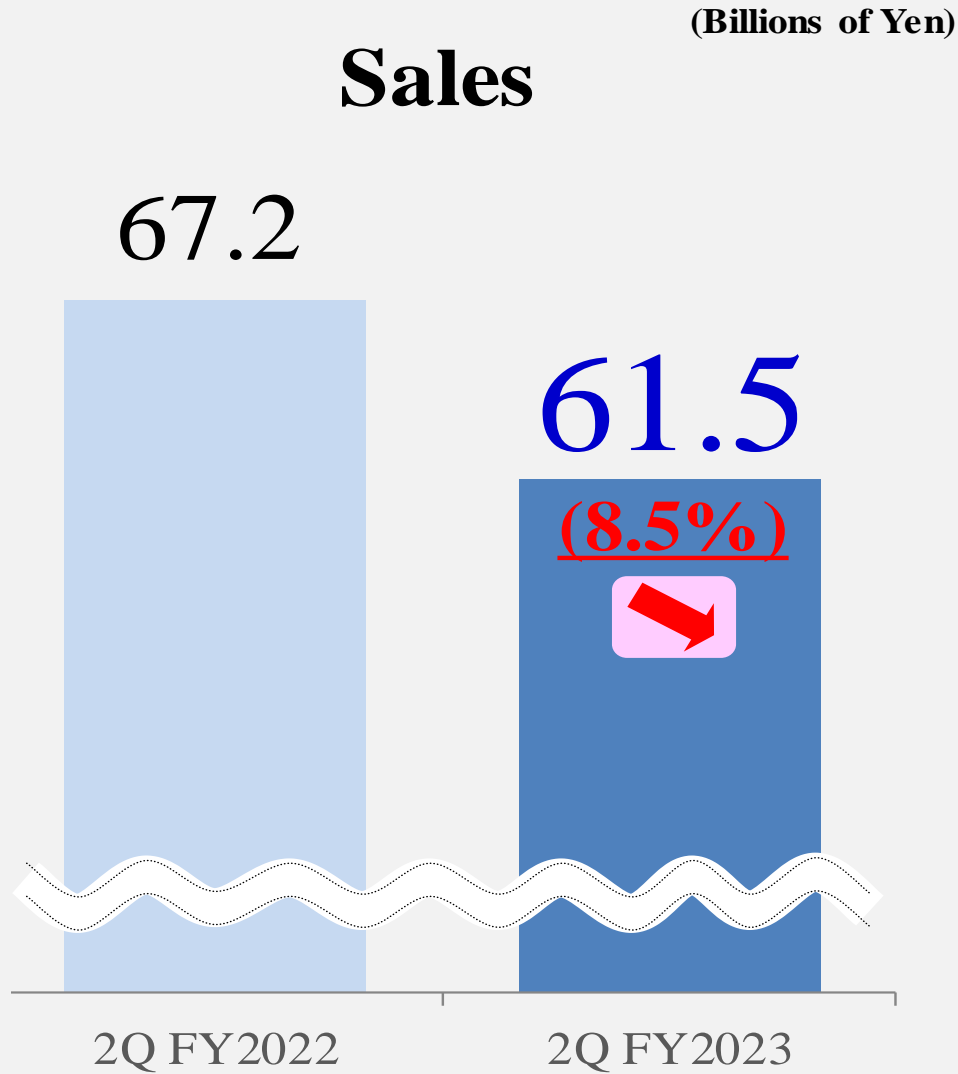


Total number of contracts **467 thousand**

- HOME Security Basic
- HOME ALSOK MIMAMORI Support

Note: Including the number of complex housing,  
the total number of contracts count up  
to approximately 1,300,000 houses.

Up **2.4%** YoY



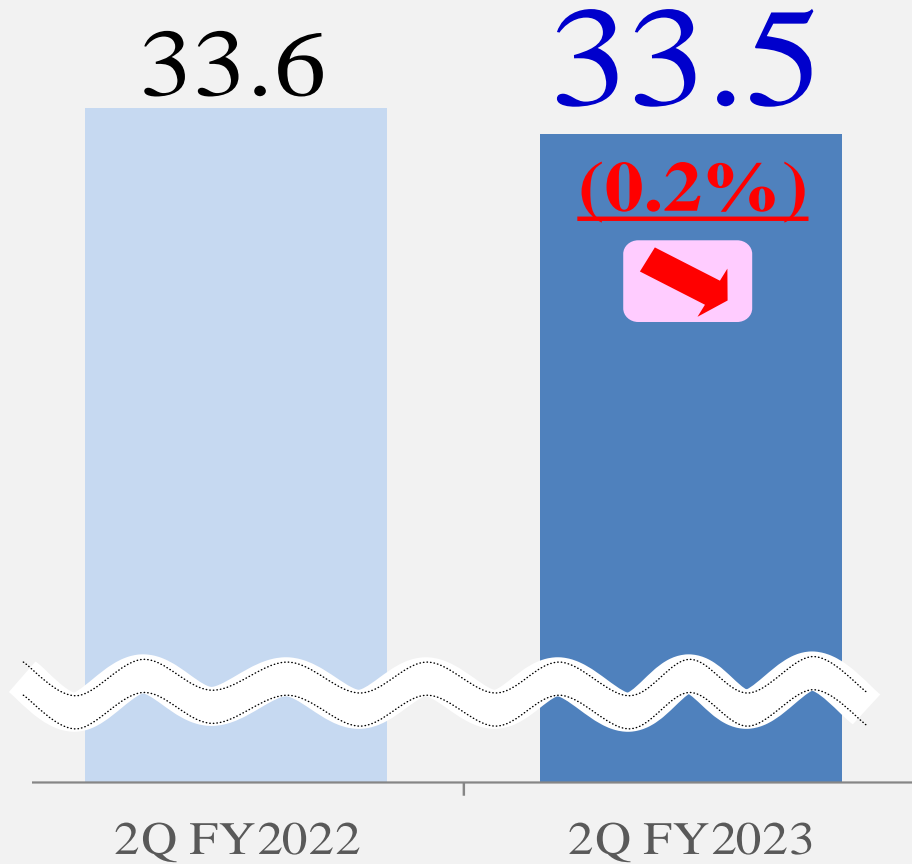
- Strong orders in security at accommodation facilities for people with mild cases of covid-19 and vaccination sites

- Decline in response to the Tokyo 2020 Games

**Down 8.5% YoY**

(Billions of Yen)

## Sales



- Total ATM Management System

approx. 73,300 units (down 1.2% YoY)

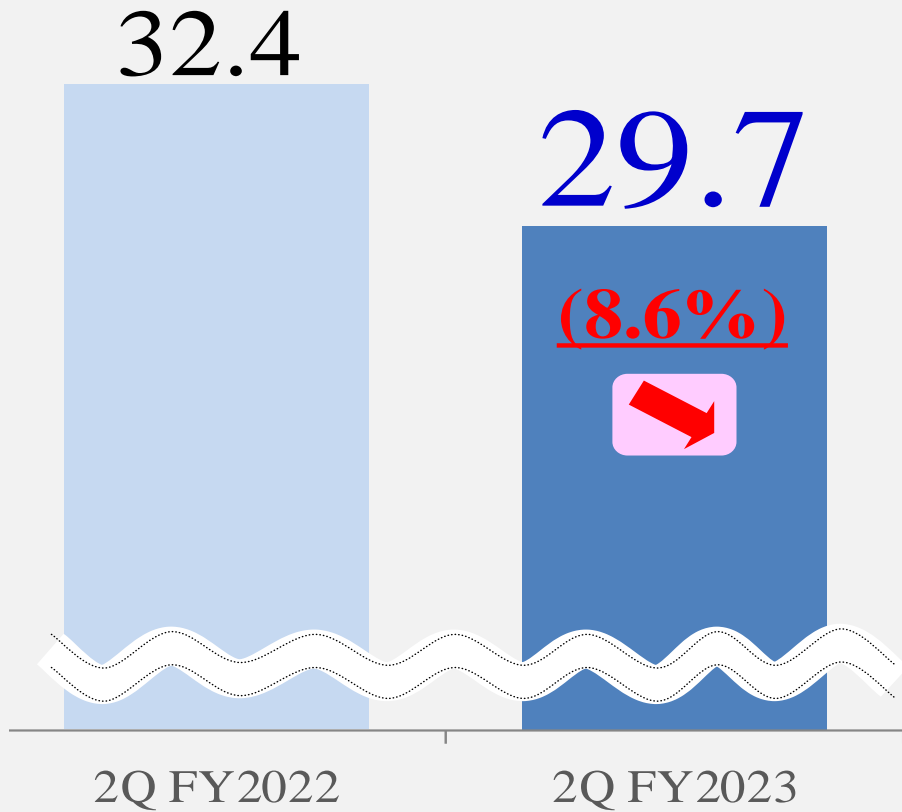
- Cash Deposit and Dispenser Machine On-line System

approx. 28,400 units (up 4.2% YoY)

# Down 0.2% YoY

(Billions of Yen)

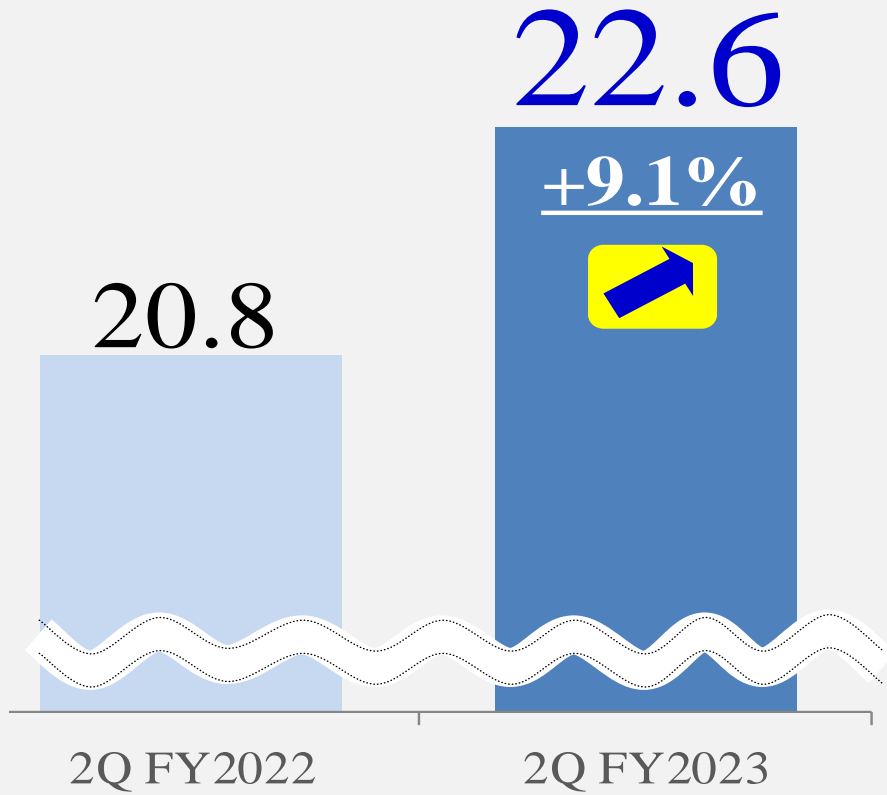
## Sales



- Decline in orders concerning antivirus products
- Decline in response to the Tokyo 2020 Games
- Decline in construction revenue of construction section

**Down 8.6% YoY**

## Sales (Billions of Yen)



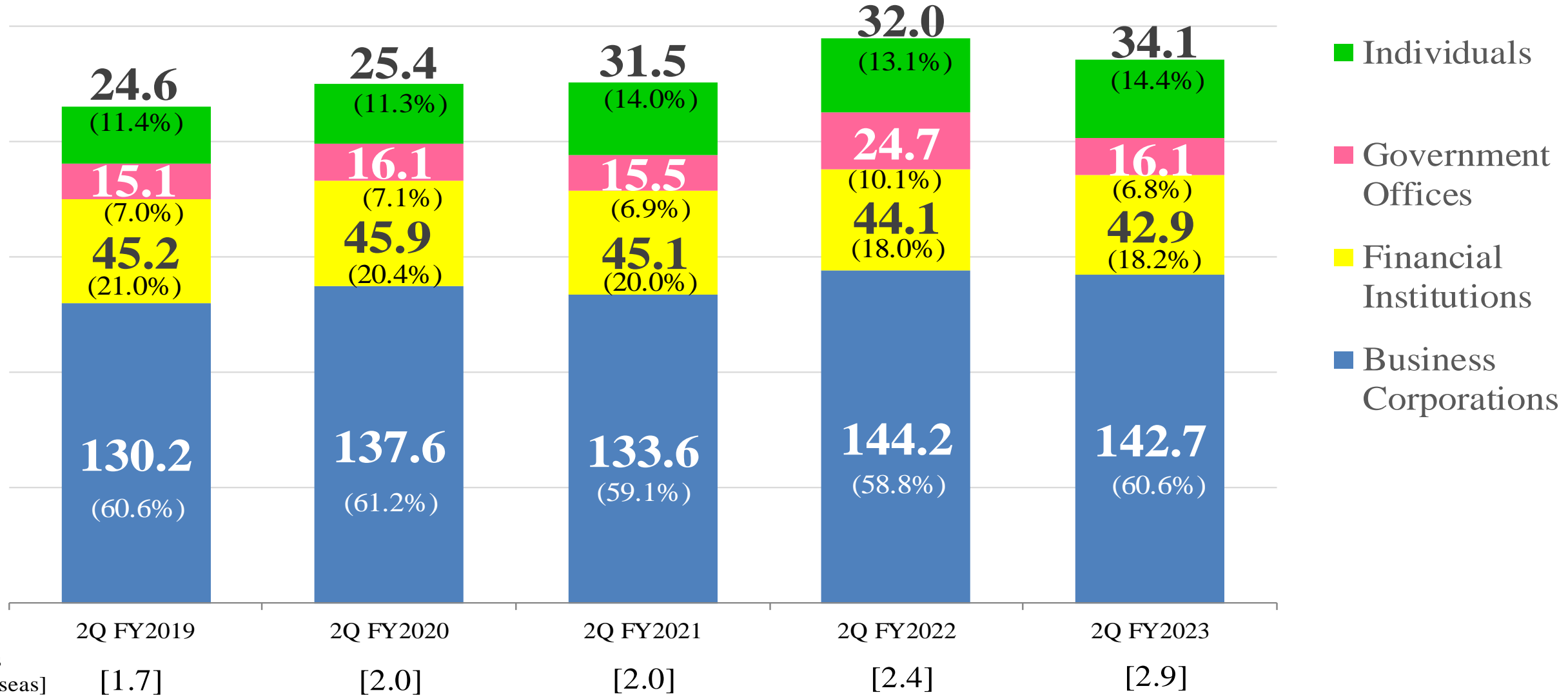
### ▪ Effects of M&A

ALSOK JOYLIFE CO., LTD. and ALSOK LIFE SUPPORT CO., LTD.

Up 9.1% YoY

( ) Sales Composition

(Billions of Yen)

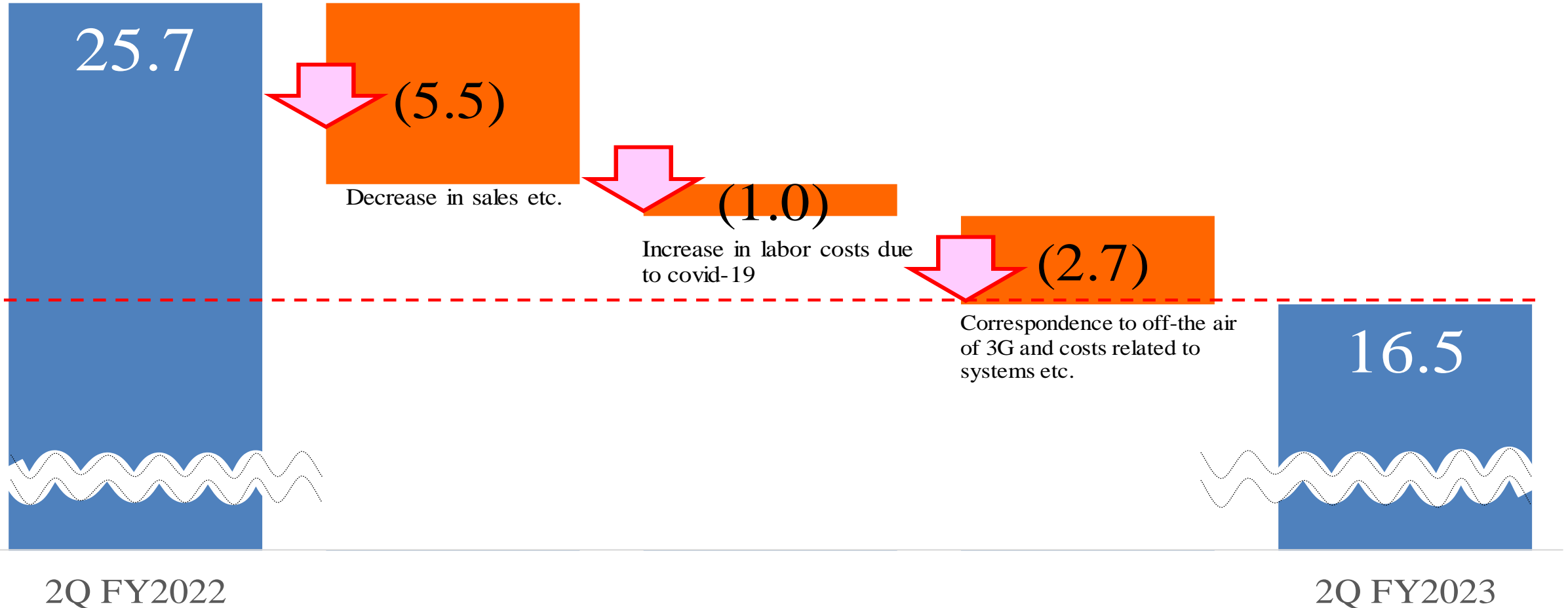




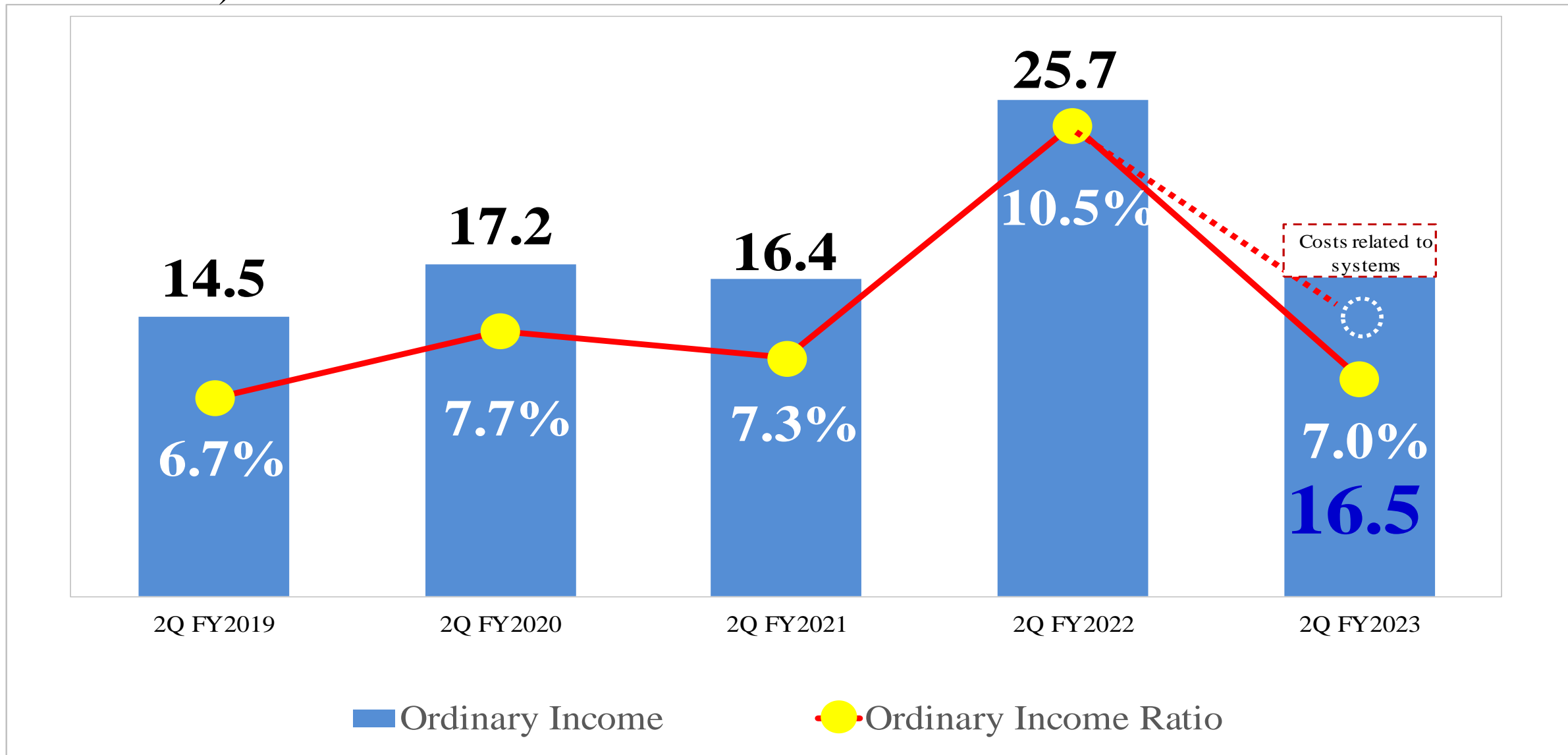
# Analysis of the Profit and Loss

(Billions of Yen)	2Q FY2022	2Q FY2023	Y o Y	Change
Net Sales	245.2	236.0	(9.2)	(3.8%)
Cost of Sales	181.1	178.3	(2.8)	(1.6%)
Labor Cost	86.3	85.4	(0.8)	(1.0%)
Expense	30.2	29.7	(0.5)	(1.7%)
Depreciation	6.8	7.0	0.1	2.2%
Others	32.2	30.7	(1.5)	(4.7%)
Cost of Product Sold & Installation	25.4	25.3	(0.0)	(0.4%)
SG&A	39.2	42.5	3.2	8.2%
Advertising Expenses	1.6	1.0	(0.6)	(39.9%)
Personnel Cost	24.6	25.7	1.0	4.4%
Depreciation	1.1	1.8	0.6	53.1%
Others	11.7	13.9	2.1	18.2%
Operating Income	24.8	15.2	(9.6)	(38.7%)

(Billions of Yen)



(Billions of Yen)



# Consolidated Balance Sheet

(Billions of Yen)

	2Q FY2023	2Q FY2022	Y o Y		2Q FY2023	2Q FY2022	Y o Y
<b><u>Current assets</u></b>	<b>218.1</b>	<b>233.8</b>	<b>(15.7)</b>	<b><u>Current liabilities</u></b>	<b>89.0</b>	<b>90.3</b>	<b>(1.3)</b>
Cash and deposits	57.2	71.3	(14.1)	Notes and accounts payable	21.2	23.0	(1.8)
Cash for Transportation Security Services	74.7	76.7	(1.9)	Short-term loans payable	9.5	11.2	(1.6)
Notes and accounts receivable-trade, and contract assets	57.2	56.4	0.7	Income taxes payable	4.1	6.7	(2.5)
Securities	0.4	0.3	0.0	Provision	2.5	2.1	0.4
Raw materials and supplies	8.9	7.5	1.4	Other	51.4	47.0	4.3
Costs on uncompleted construction contracts	0.5	0.2	0.3	<b><u>Noncurrent liabilities</u></b>	<b>73.0</b>	<b>70.3</b>	<b>2.6</b>
Advances paid	6.4	6.8	(0.4)	Bonds payable	-	-	-
Other	12.5	14.4	(1.8)	Long-term loans payable	2.0	2.1	(0.1)
Allowance for doubtful accounts	(0.1)	(0.1)	(0.0)	Retirement benefit liability	27.3	27.1	0.1
				Provision for retirement benefits for directors (and other officers)	1.5	1.5	0.0
<b><u>Noncurrent assets</u></b>	<b>277.6</b>	<b>254.4</b>	<b>23.2</b>	Asset retirement obligations	0.8	0.4	0.3
Property, plant, and equipment	115.0	103.3	11.6	Other	41.2	39.0	2.2
Intangible assets	46.3	39.7	6.5	<b>Total liabilities</b>	<b>162.0</b>	<b>160.7</b>	<b>1.2</b>
Investments and other assets	116.3	111.2	5.0				
				<b>Total net assets</b>	<b>333.7</b>	<b>327.5</b>	<b>6.1</b>
<b>Total assets</b>	<b>495.7</b>	<b>488.2</b>	<b>7.4</b>	<b>Total liabilities and net assets</b>	<b>495.7</b>	<b>488.2</b>	<b>7.4</b>

(Billions of Yen)

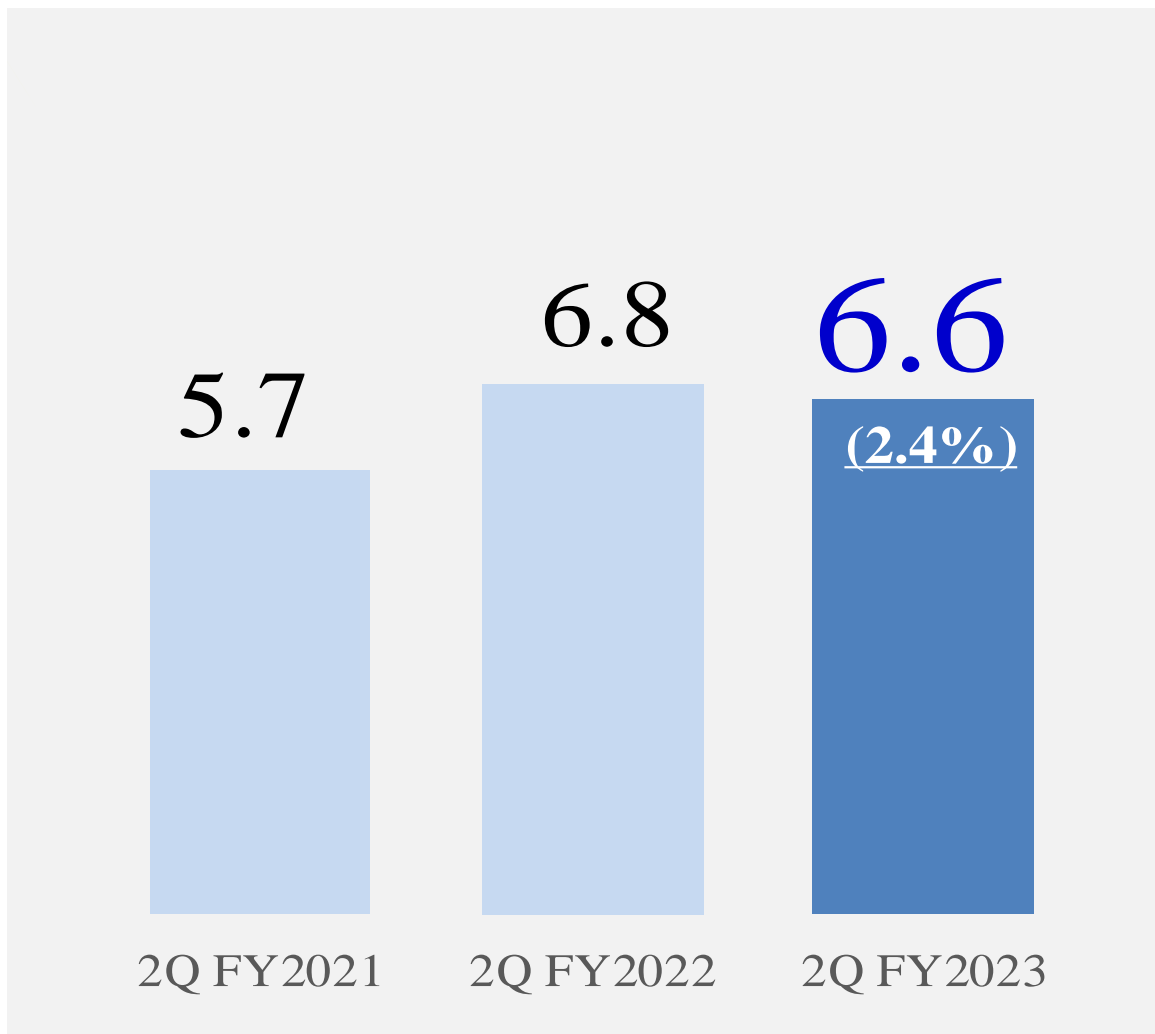
	2Q FY2022	2Q FY2023	Y o Y
Net cash provided by (used in) operating activities	21.1	12.4	(8.6)
Net cash provided by (used in) investing activities	(4.8)	(16.0)	(11.2)
Net cash provided by (used in) financing activities	(8.9)	(10.0)	(1.0)
Cash and cash equivalents at end of period	60.4	50.4	(9.9)

## Major items of 2Q FY2023

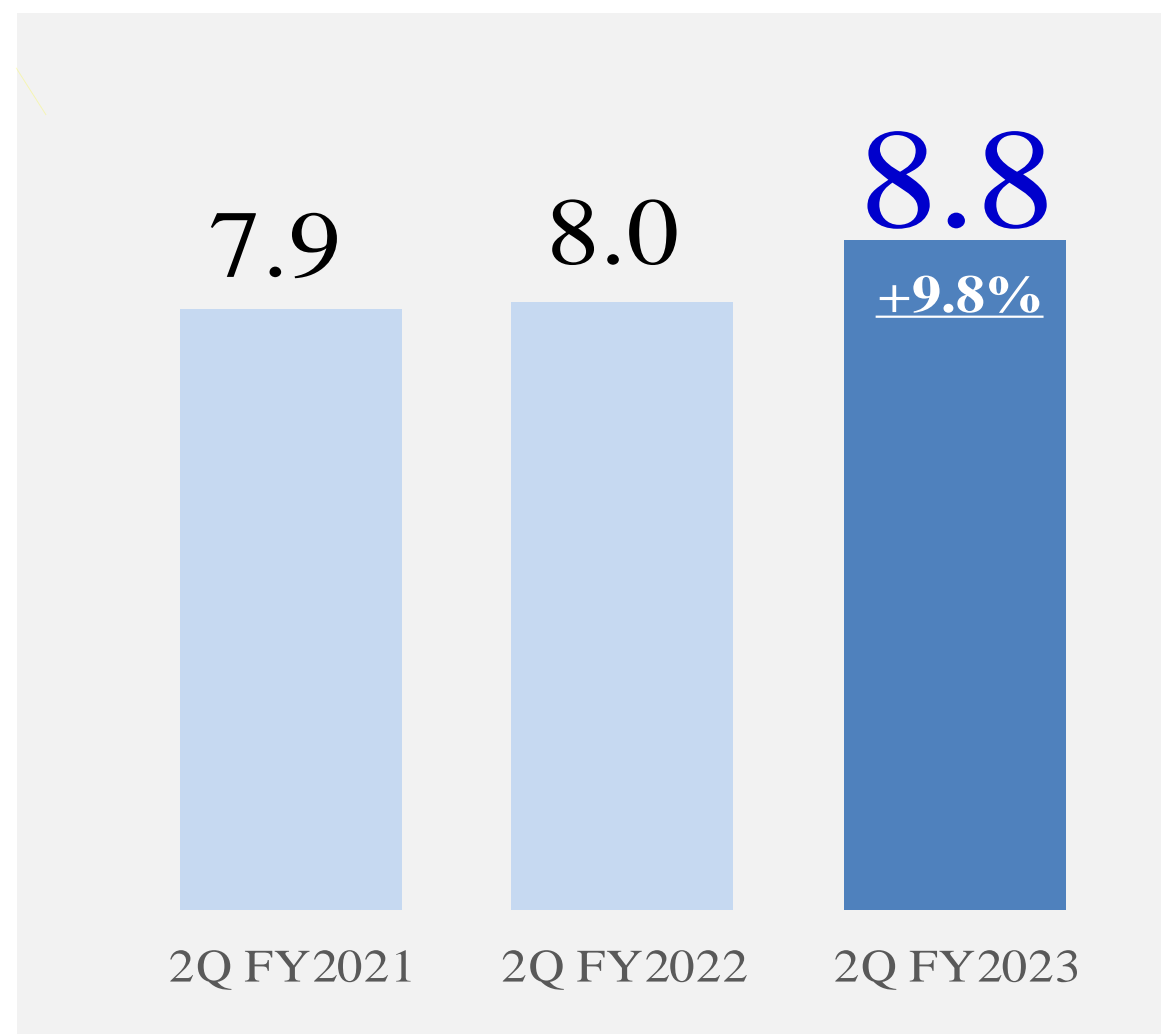


● Net cash provided by (used in) operating activities	Income before income taxes	16.5
	Depreciation	8.8
	Income taxes paid	(8.3)
	Increase (decrease) in trade payables	(7.0)
● Net cash provided by (used in) investing activities	Purchase of shares of subsidiaries resulting in change in scope of consolidation	(9.3)
	Purchase of property, plant and equipment	(6.6)
● Net cash provided by (used in) financing activities	Dividends paid	(4.4)
	Repayment of lease obligations	(2.1)
	Repayments of long-term borrowings	(1.4)
	Increase (decrease) in short-term borrowings	(1.3)

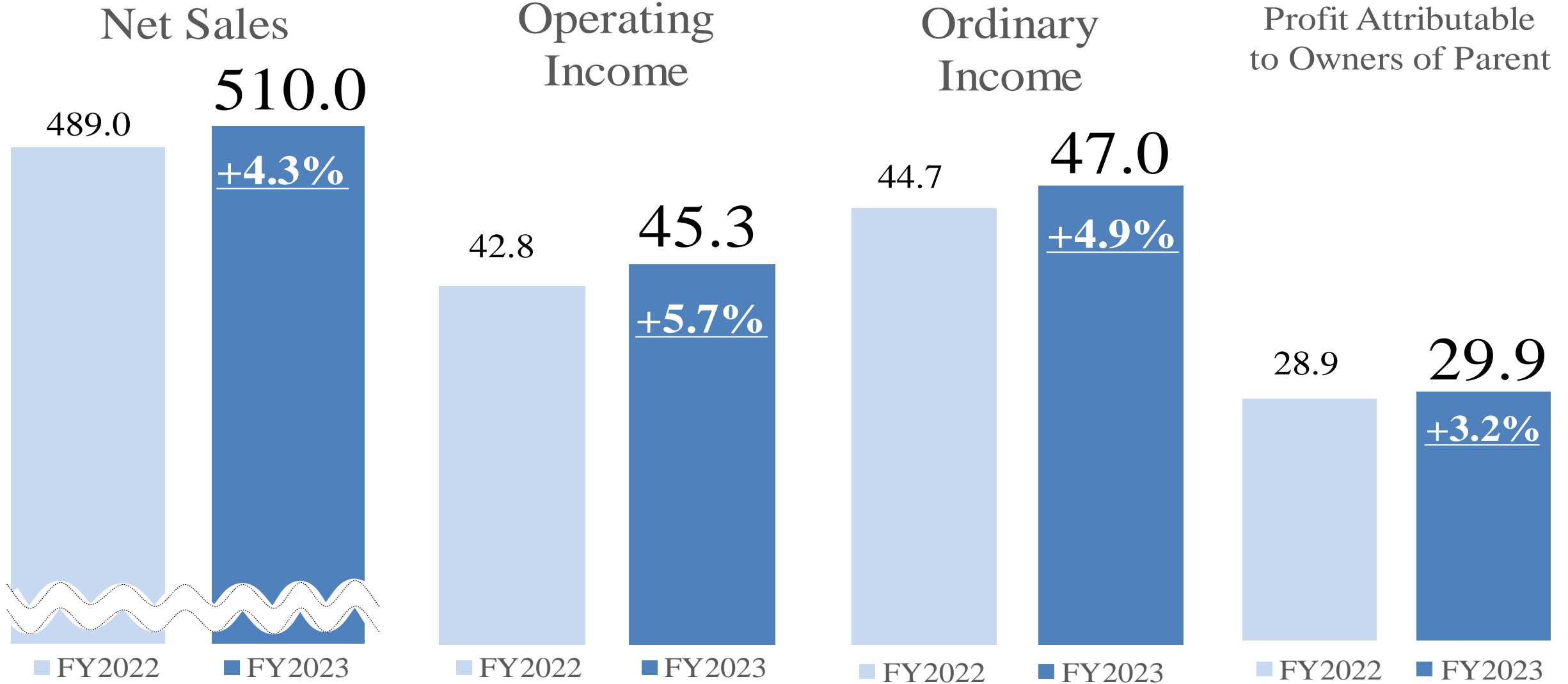
## ■ Capital expenditures (Billions of Yen)



## ■ Depreciation (Billions of Yen)



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(Billions of Yen)



	<b>FY2020</b>	<b>FY2021</b>	<b>FY2022</b>	<b>FY2023</b> (Forecast)
<b>Dividends per share (Yen)</b>	<b>70</b> (34.5)Interim (35.5)Year-end	<b>72</b> (35.0)Interim (37.0)Year-end	<b>82</b> (38.0)Interim (44.0)Year-end	<b>86</b> (43.0)Interim (43.0)Year-end
<b>Payout ratio</b>	<b>29.3%</b>	<b>29.1%</b>	<b>28.7%</b>	<b>29.1%</b>

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

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## Initiative

### Expansion of services utilizing drones

Automatic drone patrol service (Scheduled to start in November 2022)

Realization of labor saving and efficiency of security, in addition to improving the quality of security

#### Feature

- Autonomous flight, automatic charging
- Human detection by AI
- Real-time image confirmation in the security room

#### Existing service

- Solar panel inspection service (Started in 2014)
- Exterior wall investigation service (Started in 2019)
- Bridge inspection support service (Started in 2021)



Indoor patrol flight by drone



Real-time image monitoring in the security room

## Initiative

### **Promotion of digitalization to improve productivity**

- Digitalization of on-site education utilizing video management system
- Promoting efficiency utilizing RPA



### **Efforts to address environmental issues**

- Efforts toward decarbonization utilizing EV charging facilities etc.  
Partnership agreement for building a decarbonized society and realizing regional economic revitalization (August 2022) (ALSOK FUKUSHIMA CO., LTD. and ALSOK SOUEI Co., Ltd.)
- Disclosed four items (governance, strategy, risk management, metrics and targets) required by TCFD (October 2022)



## Initiative

### Promotion of M&A, etc.

- Subsidiary acquisition of ALSOK JOYLIFE CO., LTD. and ALSOK LIFE SUPPORT CO., LTD. (June 2022)

Expanding the development area of the long-term care business

17 facilities in 4 prefectures of Kansai, approx. 1,200 rooms acquired as business base



ALSOK LIFE SUPPORT CO., LTD. Rose Life Takanohara

- Joint Investment with SBI Regional Business Fund in TOBU Co., Ltd. (September 2022)

Expansion of base network for building maintenance business

# 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.**

