

Consolidated Financial Results for the First Quarter Ended June 30, 2019
Prepared in Conformity with Accounting Principles Generally Accepted in Japan (Japanese GAAP)
English Translation of the Original Japanese-Language Report

SOHGO SECURITY SERVICES CO., LTD.

(Code No.2331, TSE 1st Sec.)

URL <https://www.alsok.co.jp/en/ir/index.html>

Representative: Yukiyasu Aoyama, President and Representative Director

Financial and accounting: Koji Kishimoto, Senior Executive Officer (Phone: +81-3-3470-6811)

1. Summary of the consolidated financial results for the first quarter ended June 30, 2019 (April 1, 2019 - June 30, 2019)

(1) Consolidated operating results

(Figures rounded down to the nearest million)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended								
June 30, 2019	109,423	4.7	7,181	21.0	7,717	26.9	4,547	31.3
June 30, 2018	104,531	2.4	5,937	6.0	6,079	1.0	3,462	2.1

Note 1: Percentage shown in net sales, operating income, ordinary income, and profit attributable to owners of parent above represent the changes from the previous fiscal year.

Note 2: Comprehensive income Three months ended June 30, 2019 ¥ 4,604 million 17.1%
Three months ended June 30, 2018 ¥ 3,931 million (20.3%)

	Net income per share		Diluted net income per share	
	Yen		Yen	
Three months ended				
June 30, 2019	44.92		-	
June 30, 2018	34.21		-	

(2) Consolidated financial conditions

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Three months ended				
June 30, 2019	418,388	257,818	55.9	2,309.25
Fiscal year ended				
March 31, 2019	410,113	257,098	56.8	2,302.38

Reference: Equity capital Three months ended June 30, 2019 ¥ 233,778 million
Year ended March 31, 2019 ¥ 233,082 million

2. Dividend

	Dividends per share				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended					
March 31, 2019	-	31.00	-	35.00	66.00
March 31, 2020	-				
Fiscal year ending					
March 31, 2020(Forecast)		34.50	-	34.50	69.00

Note : Revisions to the dividend forecast in this quarter: No

3. Forecasts for the consolidated financial results for the fiscal year ending March 31, 2020 (April 1, 2019 - March 31, 2020)

(Figures rounded down to the nearest million)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Interim	223,800	3.9	15,300	10.2	16,200	11.6	10,100	14.6	99.77
Annual	465,000	4.8	34,600	7.2	36,500	7.7	23,000	3.3	227.19

Note : Revisions to the forecast of financial results in this quarter: No

4. Others

(1) Changes in consolidated subsidiaries (Changes in scope of consolidation) : No

Added: - Removed: -

(2) Application of accounting which is simplified or exceptional for quarterly consolidated financial statements: Yes

(3) Changes in accounting policies, changes in accounting estimates, and restatement

a Changes arising from revision of accounting standards : No

b Changes arising from other factors : No

c Changes arising from accounting estimate : No

d Restatement : No

(4) Number of shares outstanding (Ordinary shares)

a Number of shares issued (including treasury stock)	Three months ended June 30, 2019	102,040,042 shares	Year ended March 31, 2019	102,040,042 shares
b Number of shares of treasury stock	Three months ended June 30, 2019	804,653 shares	Year ended March 31, 2019	804,557 shares
c Average number of ordinary shares throughout the fiscal year	Three months ended June 30, 2019	101,235,424 shares	Three months ended June 30, 2018	101,235,443 shares

* This summary of financial results is exempt from quarterly review procedures.

* Explanation for Appropriate Use of Forecasts and Other Notes

The forward-looking statements such as operational forecasts contained in this summary of financial results are based on the information currently available to the Company and certain assumptions which are regarded as legitimate, and the Company does not promise the achievement of these results. Actual results may differ significantly from these forecasts due to various factors.

Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2019	As of June 30, 2019
Assets		
Current assets		
Cash and deposits	53,875	50,976
Cash for Transportation Security Services	72,546	83,646
Notes and accounts receivable-trade	54,926	48,432
Short-term investment securities	361	456
Raw materials and supplies	5,488	5,833
Costs on uncompleted construction contracts	371	514
Advances paid	5,986	6,371
Other	14,737	21,771
Allowance for doubtful accounts	(247)	(256)
Total current assets	208,047	217,745
Noncurrent assets		
Property, plant and equipment	89,442	89,101
Intangible assets		
Goodwill	20,952	20,653
Other	12,107	11,924
Total intangible assets	33,059	32,578
Investments and other assets		
Investment securities	41,649	40,341
Other	38,356	39,039
Allowance for doubtful accounts	(441)	(417)
Total investments and other assets	79,564	78,962
Total noncurrent assets	202,066	200,642
Total assets	410,113	418,388
Liabilities		
Current liabilities		
Notes and accounts payable-trade	22,993	19,424
Short-term loans payable	15,269	28,218
Income taxes payable	5,355	1,472
Provision	2,226	1,583
Other	46,660	48,985
Total current liabilities	92,505	99,684
Noncurrent liabilities		
Bonds payable	9	9
Long-term loans payable	6,253	5,733
Net defined benefit liability	27,619	28,213
Provision for directors' retirement benefits	1,881	1,780
Asset retirement obligations	454	455
Other	24,291	24,694
Total noncurrent liabilities	60,509	60,885
Total liabilities	153,015	160,569

Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2019	As of June 30, 2019
Net assets		
Shareholders' equity		
Capital stock	18,675	18,675
Capital surplus	34,243	34,243
Retained earnings	186,248	187,252
Treasury stock	(1,069)	(1,069)
Total shareholders' equity	238,097	239,101
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,315	5,754
Revaluation reserve for land	(4,281)	(4,281)
Foreign currency translation adjustment	(72)	(95)
Remeasurements of defined benefit plans	(6,978)	(6,701)
Total accumulated other comprehensive income	(5,015)	(5,323)
Minority interests	24,016	24,040
Total net assets	257,098	257,818
Total liabilities and net assets	410,113	418,388

Consolidated Statements of Income

(Millions of yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019
Net sales	104,531	109,423
Cost of sales	79,331	82,852
Gross profit	25,199	26,571
Selling, general and administrative expenses	19,262	19,389
Operating income	5,937	7,181
Non-operating income		
Interest income	45	45
Dividends income	200	197
Equity in earnings of affiliates	30	57
Gain on sales of investment securities	12	3
Dividend income of insurance	88	268
Other	346	550
Total non-operating income	724	1,122
Non-operating expenses		
Interest expenses	386	357
Financing expenses	75	77
Loss on sales of investment securities	9	5
Other	110	146
Total non-operating expenses	581	586
Ordinary income	6,079	7,717
Extraordinary income		
Gain on step acquisitions	-	26
Total extraordinary income	-	26
Extraordinary loss		
Loss on valuation of investment securities	62	29
Loss on sales of non-current assets	55	102
Total extraordinary losses	118	132
Income before income taxes	5,961	7,611
Income taxes	2,204	2,669
Net Income	3,757	4,942
Profit attributable to non-controlling interests	294	394
Profit attributable to owners of parent	3,462	4,547

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019
Net income	3,757	4,942
Other comprehensive income		
Valuation difference on available-for-sale securities	(150)	(569)
Foreign currency translation adjustment	(93)	12
Remeasurements of defined benefit plans	411	272
Share of other comprehensive income of associates accounted for using equity method	7	(53)
Total other comprehensive income	174	(337)
Comprehensive income	3,931	4,604
(Contents)		
Comprehensive income attributable to owners of the parent	3,663	4,240
Comprehensive income attributable to non-controlling interests	268	364

Consolidated Statements of Cash Flows

(Millions of yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019
Net cash provided by (used in) operating activities		
Income before income taxes	5,961	7,611
Depreciation and amortization	3,798	3,722
Amortization of goodwill	421	443
Increase (decrease) in allowance for doubtful accounts	(19)	(14)
Increase (decrease) in net defined benefit liability	318	336
Increase (decrease) in provision for bonuses	(633)	(603)
Increase (decrease) in provision for directors' bonuses	(74)	(61)
Interest and dividends income	(246)	(242)
Interest expenses	386	357
Equity in (earnings) losses of affiliates	(30)	(57)
Loss (gain) on sales of noncurrent assets	(0)	104
Loss on retirement of noncurrent assets	38	76
Loss (gain) on sales of investment securities	(3)	2
Loss (gain) on valuation of investment securities	62	29
Loss (gain) on valuation of derivatives	3	37
Decrease (increase) in notes and accounts receivable-trade	9,217	6,523
Decrease (increase) in inventories	(459)	(479)
Increase (decrease) in notes and accounts payable-trade	(7,280)	(3,491)
Decrease (increase) in net defined benefit asset	(178)	(388)
Decrease in assets and liabilities for Transportation Security Services	2,532	(3,698)
Other	(1,800)	(2,453)
Subtotal	12,015	7,754
Interest and dividends income received	442	437
Interest expenses paid	(385)	(359)
Income taxes paid	(4,799)	(4,549)
Income taxes refund	-	45
Net cash provided by (used in) operating activities	7,273	3,328
Net cash provided by (used in) investing activities		
Decrease (increase) in time deposits	176	797
Purchase of property, plant and equipment	(3,217)	(3,008)
Proceeds from sales of property, plant and equipment	204	195
Purchase of intangible assets	(1,824)	(3,386)
Purchase of investment securities	(144)	(180)
Proceeds from sales of investment securities	293	123
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(1,737)	-
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	-	210
Decrease (increase) in short-term loans receivable	(1)	(2)
Payments of long-term loans receivable	(9)	(11)
Collection of long-term loans receivable	21	19
Other	(13)	535
Net cash provided by (used in) investing activities	(6,252)	(4,708)

Consolidated Statements of Cash Flows

(Millions of yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	4,692	5,210
Proceeds from long-term loans payable	155	145
Repayment of long-term loans payable	(860)	(769)
Redemption of bonds	(10)	-
Purchase of treasury stock	(0)	(0)
Repayments of lease obligations	(938)	(1,205)
Cash dividends paid	(3,037)	(3,544)
Cash dividends paid to minority shareholders	(454)	(424)
Net cash provided by (used in) financing activities	(453)	(588)
Effect of exchange rate change on cash and cash equivalents	(17)	2
Net increase (decrease) in cash and cash equivalents	550	(1,965)
Cash and cash equivalents at beginning of period	40,484	43,435
Increase in cash and cash equivalents from newly consolidated subsidiary	31	-
Cash and cash equivalents at end of period	41,065	41,470