

Consolidated Financial Results for the Third Quarter Ended December 31, 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>

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1. Summary of the consolidated financial results for the third quarter ended December 31, 2019
(April 1, 2019 – December 31, 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	%
Nine months ended								
December 31, 2019	339,040	4.4	25,517	17.1	26,999	18.2	16,572	19.7
December 31, 2018	324,710	1.7	21,787	5.6	22,848	4.9	13,850	7.5

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
Nine months ended December 31, 2019 ¥ 19,104 million 30.8%
Nine months ended December 31, 2018 ¥ 14,602 million (14.5%)

	Net income per share		Diluted net income per share	
	Yen		Yen	
Nine months ended				
December 31, 2019	163.70		-	
December 31, 2018	136.81		-	

(2) Consolidated financial conditions

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Nine months ended				
December 31, 2019	462,095	268,824	52.8	2,410.13
Fiscal year ended				
March 31, 2019	410,113	257,098	56.8	2,302.38

Reference: Equity capital
Nine months ended December 31, 2019 ¥ 243,990 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	-	34.50	-		
Fiscal year ending					
March 31, 2020(Forecast)				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
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)	Nine months ended December 31, 2019	102,040,042 shares	Year ended March 31, 2019	102,040,042 shares
b Number of shares of treasury stock	Nine months ended December 31, 2019	804,856 shares	Year ended March 31, 2019	804,557 shares
c Average number of ordinary shares throughout the fiscal year	Nine months ended December 31, 2019	101,235,316 shares	Nine months ended December 31, 2018	101,235,434 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 December 31, 2019
Assets		
Current assets		
Cash and deposits	53,875	54,987
Cash for Transportation Security Services	72,546	114,376
Notes and accounts receivable-trade	54,926	50,613
Short-term investment securities	361	823
Raw materials and supplies	5,488	6,536
Costs on uncompleted construction contracts	371	1,165
Advances paid	5,986	7,315
Other	14,737	21,765
Allowance for doubtful accounts	(247)	(255)
Total current assets	208,047	257,327
Noncurrent assets		
Property, plant and equipment	89,442	90,431
Intangible assets		
Goodwill	20,952	19,767
Other	12,107	12,022
Total intangible assets	33,059	31,790
Investments and other assets		
Investment securities	41,649	42,330
Other	38,356	40,642
Allowance for doubtful accounts	(441)	(427)
Total investments and other assets	79,564	82,545
Total noncurrent assets	202,066	204,767
Total assets	410,113	462,095
Liabilities		
Current liabilities		
Notes and accounts payable-trade	22,993	21,498
Short-term loans payable	15,269	57,331
Income taxes payable	5,355	3,392
Provision	2,226	1,238
Other	46,660	47,965
Total current liabilities	92,505	131,426
Noncurrent liabilities		
Bonds payable	9	-
Long-term loans payable	6,253	4,853
Net defined benefit liability	27,619	28,885
Provision for directors' retirement benefits	1,881	1,597
Asset retirement obligations	454	460
Other	24,291	26,046
Total noncurrent liabilities	60,509	61,844
Total liabilities	153,015	193,270

Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2019	As of December 31, 2019
Net assets		
Shareholders' equity		
Capital stock	18,675	18,675
Capital surplus	34,243	34,243
Retained earnings	186,248	195,783
Treasury stock	(1,069)	(1,070)
Total shareholders' equity	238,097	247,631
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,315	6,919
Revaluation reserve for land	(4,281)	(4,281)
Foreign currency translation adjustment	(72)	(132)
Remeasurements of defined benefit plans	(6,978)	(6,146)
Total accumulated other comprehensive income	(5,015)	(3,641)
Minority interests	24,016	24,834
Total net assets	257,098	268,824
Total liabilities and net assets	410,113	462,095

Consolidated Statements of Income

(Millions of yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Net sales	324,710	339,040
Cost of sales	245,157	255,093
Gross profit	79,552	83,947
Selling, general and administrative expenses	57,765	58,430
Operating income	21,787	25,517
Non-operating income		
Interest income	135	145
Dividends income	635	622
Gain on sales of investment securities	13	37
Equity in earnings of affiliates	636	711
Other	1,405	1,665
Total non-operating income	2,825	3,183
Non-operating expenses		
Interest expenses	1,194	988
Financing expenses	227	235
Loss on sales of investment securities	11	42
Loss on retirement of non-current assets	104	201
Other	225	233
Total non-operating expenses	1,764	1,701
Ordinary income	22,848	26,999
Extraordinary income		
Gain on sales of investment securities	17	-
Gain on sales of shares of subsidiaries	1	-
Gain on step acquisitions	-	26
Total extraordinary income	19	26
Extraordinary loss		
Loss on valuation of investment securities	221	24
Impairment loss	0	139
Loss on sales of non-current assets	56	102
Total extraordinary losses	278	266
Income before income taxes	22,588	26,758
Income taxes	7,789	9,034
Net Income	14,799	17,724
Profit attributable to non-controlling interests	948	1,151
Profit attributable to owners of parent	13,850	16,572

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Net income	14,799	17,724
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,313)	606
Foreign currency translation adjustment	(58)	(44)
Remeasurements of defined benefit plans	1,233	818
Share of other comprehensive income of associates accounted for using equity method	(57)	0
Total other comprehensive income	(196)	1,380
Comprehensive income	14,602	19,104
(Contents)		
Comprehensive income attributable to owners of the parent	13,771	17,947
Comprehensive income attributable to non-controlling interests	830	1,157

Consolidated Statements of Cash Flows

(Millions of yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Net cash provided by (used in) operating activities		
Income before income taxes	22,588	26,758
Depreciation and amortization	11,340	11,135
Impairment loss	0	139
Amortization of goodwill	1,331	1,331
Increase (decrease) in allowance for doubtful accounts	33	(6)
Increase (decrease) in net defined benefit liability	697	586
Increase (decrease) in provision for bonuses	(1,125)	(973)
Increase (decrease) in provision for directors' bonuses	(53)	(36)
Interest and dividends income	(770)	(768)
Interest expenses	1,194	988
Equity in (earnings) losses of affiliates	(636)	(711)
Loss (gain) on sales of noncurrent assets	58	107
Loss on retirement of noncurrent assets	104	201
Loss (gain) on sales of investment securities	(19)	5
Loss (gain) on valuation of investment securities	221	24
Loss (gain) on valuation of derivatives	6	35
Decrease (increase) in notes and accounts receivable-trade	7,749	4,336
Decrease (increase) in inventories	(865)	(1,834)
Increase (decrease) in notes and accounts payable-trade	(7,315)	(1,861)
Decrease (increase) in net defined benefit asset	(682)	(1,318)
Decrease in assets and liabilities for Transportation Security Services	(2,664)	(3,222)
Other	(3,346)	(2,046)
Subtotal	27,846	32,870
Interest and dividends income received	1,036	1,046
Interest expenses paid	(1,184)	(997)
Income taxes paid	(11,062)	(10,124)
Income taxes refund	96	66
Net cash provided by (used in) operating activities	16,732	22,861

Consolidated Statements of Cash Flows

(Millions of yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Net cash provided by (used in) investing activities		
Decrease (increase) in time deposits	(871)	631
Purchase of property, plant and equipment	(8,483)	(8,923)
Proceeds from sales of property, plant and equipment	164	208
Purchase of intangible assets	(2,011)	(4,239)
Purchase of investment securities	(693)	(570)
Proceeds from sales of investment securities	829	568
Payments for acquisition of businesses	-	(28)
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	(2)	(13)
Payments of long-term loans receivable	(35)	(93)
Collection of long-term loans receivable	92	53
Other	49	699
Net cash provided by (used in) investing activities	(12,699)	(11,495)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	7,907	2,571
Proceeds from long-term loans payable	360	460
Repayment of long-term loans payable	(2,523)	(2,248)
Redemption of bonds	(17)	(7)
Purchase of treasury stock	(0)	(1)
Repayments of lease obligations	(2,836)	(2,918)
Cash dividends paid	(6,176)	(7,036)
Cash dividends paid to minority shareholders	(453)	(423)
Net cash provided by (used in) financing activities	(3,740)	(9,604)
Effect of exchange rate change on cash and cash equivalents	(10)	(19)
Net increase (decrease) in cash and cash equivalents	282	1,741
Cash and cash equivalents at beginning of period	40,484	43,435
Increase in cash and cash equivalents from newly consolidated subsidiary	32	-
Cash and cash equivalents at end of period	40,799	45,177