

Consolidated Financial Results for the Second Quarter Ended September 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>

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1. Summary of the consolidated financial results for the second quarter ended September 30, 2019
(April 1, 2019 - September 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	%
Six months ended								
September 30, 2019	225,204	4.6	16,222	16.9	17,256	18.8	10,574	20.0
September 30, 2018	215,384	2.5	13,879	7.3	14,521	5.1	8,815	9.4

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 Six months ended September 30, 2019 ¥ 11,571 million 13.3%
Six months ended September 30, 2018 ¥ 10,213 million (3.6%)

	Net income per share		Diluted net income per share	
	Yen		Yen	
Six months ended				
September 30, 2019	104.46		-	
September 30, 2018	87.08		-	

(2) Consolidated financial conditions

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Six months ended				
September 30, 2019	447,413	264,760	53.7	2,374.34
Fiscal year ended				
March 31, 2019	410,113	257,098	56.8	2,302.38

Reference: Equity capital Six months ended September 30, 2019 ¥ 240,367 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)

Annual	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
	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)	Six months ended September 30, 2019	102,040,042 shares	Year ended March 31, 2019	102,040,042 shares
b Number of shares of treasury stock	Six months ended September 30, 2019	804,787 shares	Year ended March 31, 2019	804,557 shares
c Average number of ordinary shares throughout the fiscal year	Six months ended September 30, 2019	101,235,368 shares	Six months ended September 30, 2018	101,235,424 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 September 30, 2019
Assets		
Current assets		
Cash and deposits	53,875	52,066
Cash for Transportation Security Services	72,546	111,531
Notes and accounts receivable-trade	54,926	50,926
Short-term investment securities	361	631
Raw materials and supplies	5,488	5,879
Costs on uncompleted construction contracts	371	608
Advances paid	5,986	6,650
Other	14,737	16,108
Allowance for doubtful accounts	(247)	(267)
Total current assets	208,047	244,134
Noncurrent assets		
Property, plant and equipment	89,442	90,218
Intangible assets		
Goodwill	20,952	20,221
Other	12,107	12,239
Total intangible assets	33,059	32,460
Investments and other assets		
Investment securities	41,649	41,051
Other	38,356	39,972
Allowance for doubtful accounts	(441)	(423)
Total investments and other assets	79,564	80,600
Total noncurrent assets	202,066	203,278
Total assets	410,113	447,413
Liabilities		
Current liabilities		
Notes and accounts payable-trade	22,993	20,925
Short-term loans payable	15,269	53,842
Income taxes payable	5,355	5,027
Provision	2,226	2,554
Other	46,660	38,972
Total current liabilities	92,505	121,321
Noncurrent liabilities		
Bonds payable	9	-
Long-term loans payable	6,253	5,199
Net defined benefit liability	27,619	28,289
Provision for directors' retirement benefits	1,881	1,573
Asset retirement obligations	454	460
Other	24,291	25,809
Total noncurrent liabilities	60,509	61,331
Total liabilities	153,015	182,653

Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2019	As of September 30, 2019
Net assets		
Shareholders' equity		
Capital stock	18,675	18,675
Capital surplus	34,243	34,243
Retained earnings	186,248	193,279
Treasury stock	(1,069)	(1,070)
Total shareholders' equity	238,097	245,127
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,315	6,110
Revaluation reserve for land	(4,281)	(4,281)
Foreign currency translation adjustment	(72)	(165)
Remeasurements of defined benefit plans	(6,978)	(6,423)
Total accumulated other comprehensive income	(5,015)	(4,760)
Minority interests	24,016	24,393
Total net assets	257,098	264,760
Total liabilities and net assets	410,113	447,413

Consolidated Statements of Income

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Net sales	215,384	225,204
Cost of sales	162,949	170,147
Gross profit	52,434	55,056
Selling, general and administrative expenses	38,554	38,833
Operating income	13,879	16,222
Non-operating income		
Interest income	90	91
Dividends income	484	463
Gain on sales of investment securities	12	29
Equity in earnings of affiliates	373	411
Other	864	1,197
Total non-operating income	1,825	2,193
Non-operating expenses		
Interest expenses	795	719
Financing expenses	148	158
Loss on sales of investment securities	9	34
Other	230	246
Total non-operating expenses	1,183	1,159
Ordinary income	14,521	17,256
Extraordinary income		
Gain on sales of investment securities	3	-
Gain on step acquisitions	-	26
Total extraordinary income	3	26
Extraordinary loss		
Loss on valuation of investment securities	63	30
Impairment loss	0	2
Loss on sales of non-current assets	56	102
Total extraordinary losses	121	135
Income before income taxes	14,403	17,147
Income taxes	4,979	5,836
Net Income	9,424	11,310
Profit attributable to non-controlling interests	608	735
Profit attributable to owners of parent	8,815	10,574

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Net income	9,424	11,310
Other comprehensive income		
Valuation difference on available-for-sale securities	(17)	(215)
Foreign currency translation adjustment	(64)	(36)
Remeasurements of defined benefit plans	822	545
Share of other comprehensive income of associates accounted for using equity method	49	(32)
Total other comprehensive income	789	260
Comprehensive income	10,213	11,571
(Contents)		
Comprehensive income attributable to owners of the parent	9,583	10,830
Comprehensive income attributable to non-controlling interests	630	740

Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Net cash provided by (used in) operating activities		
Income before income taxes	14,403	17,147
Depreciation and amortization	7,573	7,405
Impairment loss	0	2
Amortization of goodwill	877	887
Increase (decrease) in allowance for doubtful accounts	8	1
Increase (decrease) in net defined benefit liability	304	198
Increase (decrease) in provision for bonuses	250	329
Increase (decrease) in provision for directors' bonuses	(34)	(24)
Interest and dividends income	(575)	(554)
Interest expenses	795	719
Equity in (earnings) losses of affiliates	(373)	(411)
Loss (gain) on sales of noncurrent assets	57	106
Loss on retirement of noncurrent assets	74	132
Loss (gain) on sales of investment securities	(6)	4
Loss (gain) on valuation of investment securities	63	30
Loss (gain) on valuation of derivatives	10	43
Decrease (increase) in notes and accounts receivable-trade	5,522	4,020
Decrease (increase) in inventories	(631)	(620)
Increase (decrease) in notes and accounts payable-trade	(9,097)	(5,778)
Decrease (increase) in net defined benefit asset	(504)	(926)
Decrease in assets and liabilities for Transportation Security Services	2,091	(506)
Other	669	(1,997)
Subtotal	21,481	20,208
Interest and dividends income received	849	828
Interest expenses paid	(790)	(729)
Income taxes paid	(6,371)	(5,885)
Income taxes refund	96	66
Net cash provided by (used in) operating activities	15,265	14,489

Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Net cash provided by (used in) investing activities		
Decrease (increase) in time deposits	188	824
Purchase of property, plant and equipment	(5,669)	(5,890)
Proceeds from sales of property, plant and equipment	155	216
Purchase of intangible assets	(1,887)	(3,540)
Purchase of investment securities	(427)	(523)
Proceeds from sales of investment securities	445	450
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	(1)	1
Payments of long-term loans receivable	(24)	(77)
Collection of long-term loans receivable	75	32
Other	(13)	575
Net cash provided by (used in) investing activities	(8,896)	(7,748)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	665	(324)
Proceeds from long-term loans payable	145	225
Repayment of long-term loans payable	(1,716)	(1,582)
Redemption of bonds	(17)	(7)
Purchase of treasury stock	(0)	(1)
Repayments of lease obligations	(1,888)	(1,924)
Cash dividends paid	(3,037)	(3,544)
Cash dividends paid to minority shareholders	(453)	(423)
Net cash provided by (used in) financing activities	(6,303)	(7,580)
Effect of exchange rate change on cash and cash equivalents	(7)	(21)
Net increase (decrease) in cash and cash equivalents	58	(861)
Cash and cash equivalents at beginning of period	40,484	43,435
Increase in cash and cash equivalents from newly consolidated subsidiary	29	-
Cash and cash equivalents at end of period	40,572	42,573