

Consolidated Financial Results for the First Quarter Ended June 30, 2021
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 first quarter ended June 30, 2021
(April 1, 2021 – June 30, 2021)

(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, 2021	117,012	6.2	9,759	32.3	10,037	31.0	6,098	35.4
June 30, 2020	110,188	0.7	7,378	2.7	7,664	(0.7)	4,503	(1.0)

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, 2021 ¥ 6,372 million 4.9%
Three months ended June 30, 2020 ¥ 6,071 million 31.9%

	Net income per share		Diluted net income per share	
	Yen		Yen	
Three months ended				
June 30, 2021	60.24		-	
June 30, 2020	44.48		-	

(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, 2021	470,528	306,515	59.5	2,763.38
Fiscal year ended				
March 31, 2021	481,465	304,427	57.6	2,741.27

Reference: Equity capital Three months ended June 30, 2021 ¥ 279,750 million
Year ended March 31, 2021 ¥ 277,512 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, 2021	-	35.00	-	37.00	72.00
March 31, 2022	-				
Fiscal year ending					
March 31, 2022(Forecast)		38.00	-	38.00	76.00

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

3. Forecasts for the consolidated financial results for the fiscal year ending March 31, 2022 (April 1, 2021 - March 31, 2022)

(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	249,000	10.2	19,100	20.6	19,800	20.2	12,500	25.5	123.48
Annual	500,500	6.5	42,100	13.2	43,500	10.9	27,500	9.9	271.65

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 : Yes

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, 2021	102,040,042 shares	Year ended March 31, 2021	102,040,042 shares
b Number of shares of treasury stock	Three months ended June 30, 2021	805,083 shares	Year ended March 31, 2021	805,021 shares
c Average number of ordinary shares throughout the fiscal year	Three months ended June 30, 2021	101,234,989 shares	Three months ended June 30, 2020	101,235,176 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, 2021	As of June 30, 2021
Assets		
Current assets		
Cash and deposits	60,833	52,913
Cash for Transportation Security Services	82,819	77,273
Notes and accounts receivable-trade	54,283	-
Notes and accounts receivable - trade, and contract assets	-	49,208
Securities	598	491
Raw materials and supplies	7,551	7,257
Costs on uncompleted construction contracts	348	315
Advances paid	5,670	6,349
Other	15,691	24,415
Allowance for doubtful accounts	(180)	(194)
Total current assets	227,617	218,029
Noncurrent assets		
Property, plant and equipment	103,383	102,699
Intangible assets		
Goodwill	29,678	29,092
Other	13,569	13,347
Total intangible assets	43,247	42,440
Investments and other assets		
Investment securities	55,639	54,491
Other	52,025	53,299
Allowance for doubtful accounts	(447)	(432)
Total investments and other assets	107,217	107,358
Total noncurrent assets	253,847	252,498
Total assets	481,465	470,528
Liabilities		
Current liabilities		
Notes and accounts payable-trade	24,084	19,078
Short-term loans payable	23,880	16,877
Income taxes payable	6,585	1,982
Provision	2,516	1,255
Other	46,726	52,365
Total current liabilities	103,793	91,560
Noncurrent liabilities		
Long-term loans payable	4,528	3,959
Retirement benefit liability	26,974	27,301
Provisions	1,730	1,477
Asset retirement obligations	480	485
Other	39,529	39,228
Total noncurrent liabilities	73,243	72,452
Total liabilities	177,037	164,013

Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2021	As of June 30, 2021
Net assets		
Shareholders' equity		
Capital stock	18,675	18,675
Capital surplus	34,026	34,026
Retained earnings	220,464	222,809
Treasury stock	(1,071)	(1,071)
Total shareholders' equity	272,094	274,439
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,026	6,793
Revaluation reserve for land	(3,494)	(3,488)
Foreign currency translation adjustment	(29)	45
Remeasurements of defined benefit plans	1,915	1,960
Total accumulated other comprehensive income	5,417	5,311
Minority interests	26,915	26,765
Total net assets	304,427	306,515
Total liabilities and net assets	481,465	470,528

Consolidated Statements of Income

(Millions of yen)

	Three months ended June 30, 2020	Three months ended June 30, 2021
Net sales	110,188	117,012
Cost of sales	82,531	87,383
Gross profit	27,656	29,629
Selling, general and administrative expenses	20,278	19,869
Operating income	7,378	9,759
Non-operating income		
Interest income	42	45
Dividends income	193	184
Share of profit of entities accounted for using equity method	58	101
Gain on sales of investment securities	1	0
Dividend income of insurance	202	218
Penalty income	247	113
Other	358	263
Total non-operating income	1,105	927
Non-operating expenses		
Interest expenses	489	490
Financing expenses	59	67
Other	270	91
Total non-operating expenses	819	649
Ordinary income	7,664	10,037
Extraordinary income		
Gain on investment securities	-	7
Gain on sales of non-current assets	-	65
Total extraordinary income	-	72
Extraordinary loss		
Loss on sale of investment securities	-	0
Loss on valuation of investment securities	16	67
Total extraordinary losses	16	68
Income before income taxes	7,648	10,042
Income taxes	2,775	3,572
Net Income	4,872	6,469
Profit attributable to non-controlling interests	368	371
Profit attributable to owners of parent	4,503	6,098

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Three months ended June 30, 2020	Three months ended June 30, 2021
Net income	4,872	6,469
Other comprehensive income		
Valuation difference on available-for-sale securities	828	(195)
Foreign currency translation adjustment	(101)	45
Remeasurements of defined benefit plans	424	39
Share of other comprehensive income of associates accounted for using equity method	48	12
Total other comprehensive income	1,199	(97)
Comprehensive income	6,071	6,372
(Contents)		
Comprehensive income attributable to owners of the parent	5,649	5,984
Comprehensive income attributable to non-controlling interests	422	387

Consolidated Statements of Cash Flows

(Millions of yen)

	Three months ended June 30, 2020	Three months ended June 30, 2021
Net cash provided by (used in) operating activities		
Income before income taxes	7,648	10,042
Depreciation and amortization	3,943	3,964
Amortization of goodwill	625	611
Increase (decrease) in allowance for doubtful accounts	(24)	(1)
Increase (decrease) in net defined benefit liability	362	231
Increase (decrease) in provision for bonuses	(789)	(1,206)
Increase (decrease) in provision for directors' bonuses	(62)	(56)
Interest and dividends income	(236)	(230)
Interest expenses	489	490
Equity in (earnings) losses of affiliates	(58)	(101)
Loss (gain) on sales of noncurrent assets	1	(65)
Loss on retirement of noncurrent assets	116	33
Loss (gain) on sales of investment securities	(1)	(7)
Loss (gain) on valuation of investment securities	16	67
Loss (gain) on valuation of derivatives	(2)	0
Decrease (increase) in notes and accounts receivable-trade	11,242	5,085
Decrease (increase) in inventories	(711)	305
Increase (decrease) in notes and accounts payable-trade	(8,709)	(3,394)
Decrease (increase) in net defined benefit asset	(214)	(663)
Decrease in assets and liabilities for Transportation Security Services	7,192	(6,018)
Other	(3,349)	(5,952)
Subtotal	17,478	3,132
Interest and dividends income received	440	638
Interest expenses paid	(494)	(503)
Income taxes paid	(5,777)	(5,398)
Income taxes refund	0	3
Net cash provided by (used in) operating activities	11,647	(2,126)

Consolidated Statements of Cash Flows

(Millions of yen)

	Three months ended June 30, 2020	Three months ended June 30, 2021
Net cash provided by (used in) investing activities		
Decrease (increase) in time deposits	67	1,508
Payments into long-term deposits	(2,013)	(209)
Proceeds from withdrawal of long-term deposits	14	27
Purchase of property, plant and equipment	(3,136)	(3,863)
Proceeds from sales of property, plant and equipment	3	238
Purchase of intangible assets	(996)	(42)
Purchase of investment securities	(1,509)	(514)
Proceeds from sales of investment securities	84	513
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(13,689)	-
Decrease (increase) in short-term loans receivable	16	19
Payments of long-term loans receivable	(18)	(40)
Collection of long-term loans receivable	28	47
Proceeds from refund of leasehold and guarantee deposits	961	3
Other	725	375
Net cash provided by (used in) investing activities	(19,461)	(1,937)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	8,203	3,876
Proceeds from long-term loans payable	1,748	145
Repayment of long-term loans payable	(850)	(758)
Purchase of treasury stock	(0)	(0)
Repayments of lease obligations	(1,319)	(1,321)
Cash dividends paid	(3,594)	(3,746)
Cash dividends paid to minority shareholders	(470)	(543)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(628)	-
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	850	-
Net cash provided by (used in) financing activities	3,937	(2,349)
Effect of exchange rate change on cash and cash equivalents	(14)	5
Net increase (decrease) in cash and cash equivalents	(3,891)	(6,407)
Cash and cash equivalents at beginning of period	48,790	53,143
Cash and cash equivalents at end of period	44,899	46,736