

Consolidated Financial Results for the First Quarter Ended June 30, 2022
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 Prime Market)

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, 2022
(April 1, 2022 – June 30, 2022)

(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, 2022	114,008	(2.6)	7,182	(26.4)	7,878	(21.5)	4,454	(27.0)
June 30, 2021	117,012	6.2	9,759	32.3	10,037	31.0	6,098	35.4

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 Three months ended June 30, 2022 ¥ 5,656 million (11.2%)
Three months ended June 30, 2021 ¥ 6,372 million 4.9%

	Net income per share		Diluted net income per share	
	Yen		Yen	
Three months ended				
June 30, 2022	44.00		-	
June 30, 2021	60.24		-	

(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, 2022	498,196	327,964	60.4	2,971.12
Fiscal year ended				
March 31, 2022	488,278	327,509	61.5	2,964.85

Reference: Equity capital Three months ended June 30, 2022 ¥ 300,781 million
Year ended March 31, 2022 ¥ 300,147 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, 2022	-	38.00	-	44.00	82.00
March 31, 2023	-				
Fiscal year ending					
March 31, 2023(Forecast)		43.00	-	43.00	86.00

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

3. Forecasts for the consolidated financial results for the fiscal year ending March 31, 2023 (April 1, 2022 - March 31, 2023)

(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	245,300	0.0	19,500	(21.5)	20,000	(22.3)	12,000	(25.5)	118.53
Annual	510,000	4.3	45,300	5.7	47,000	4.9	29,900	3.2	295.35

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, 2022	102,040,042 shares	Year ended March 31, 2022	102,040,042 shares
b Number of shares of treasury stock	Three months ended June 30, 2022	805,116 shares	Year ended March 31, 2022	804,851 shares
c Average number of ordinary shares throughout the fiscal year	Three months ended June 30, 2022	101,234,933 shares	Three months ended June 30, 2021	101,234,989 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, 2022	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	71,357	59,784
Cash for Transportation Security Services	76,768	74,541
Notes and accounts receivable - trade, and contract assets	56,458	52,038
Securities	380	633
Raw materials and supplies	7,509	8,045
Costs on uncompleted construction contracts	222	328
Advances paid	6,892	6,435
Other	14,424	19,758
Allowance for doubtful accounts	(140)	(144)
Total current assets	233,872	221,421
Noncurrent assets		
Property, plant and equipment	103,376	113,467
Intangible assets		
Goodwill	27,097	36,274
Other	12,650	12,402
Total intangible assets	39,747	48,677
Investments and other assets		
Investment securities	56,148	55,925
Other	55,562	59,139
Allowance for doubtful accounts	(429)	(434)
Total investments and other assets	111,281	114,629
Total noncurrent assets	254,405	276,774
Total assets	488,278	498,196
Liabilities		
Current liabilities		
Notes and accounts payable-trade	23,098	18,920
Short-term loans payable	11,278	14,076
Income taxes payable	6,751	1,560
Provision	2,164	1,200
Other	47,091	61,791
Total current liabilities	90,384	97,548
Noncurrent liabilities		
Long-term loans payable	2,145	2,090
Retirement benefit liability	27,175	27,443
Provisions	1,597	1,608
Asset retirement obligations	486	811
Other	38,977	40,729
Total noncurrent liabilities	70,383	72,683
Total liabilities	160,768	170,232

Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2022	As of June 30, 2022
Net assets		
Shareholders' equity		
Capital stock	18,675	18,675
Capital surplus	34,129	33,940
Retained earnings	241,718	241,719
Treasury stock	(1,072)	(1,072)
Total shareholders' equity	293,450	293,262
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,917	7,304
Revaluation reserve for land	(3,378)	(3,380)
Foreign currency translation adjustment	321	707
Remeasurements of defined benefit plans	2,836	2,887
Total accumulated other comprehensive income	6,696	7,518
Minority interests	27,362	27,183
Total net assets	327,509	327,964
Total liabilities and net assets	488,278	498,196

Consolidated Statements of Income

(Millions of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Net sales	117,012	114,008
Cost of sales	87,383	85,520
Gross profit	29,629	28,488
Selling, general and administrative expenses	19,869	21,306
Operating income	9,759	7,182
Non-operating income		
Interest income	45	46
Dividends income	184	217
Share of profit of entities accounted for using equity method	101	157
Gain on sales of investment securities	0	0
Dividend income of insurance	218	245
Penalty income	113	118
Other	263	554
Total non-operating income	927	1,340
Non-operating expenses		
Interest expenses	490	426
Financing expenses	67	64
Other	91	152
Total non-operating expenses	649	643
Ordinary income	10,037	7,878
Extraordinary income		
Gain on investment securities	7	0
Gain on sales of non-current assets	65	-
Total extraordinary income	72	0
Extraordinary loss		
Loss on sale of investment securities	0	0
Loss on valuation of investment securities	67	25
Total extraordinary losses	68	25
Income before income taxes	10,042	7,852
Income taxes	3,572	3,006
Net Income	6,469	4,846
Profit attributable to non-controlling interests	371	392
Profit attributable to owners of parent	6,098	4,454

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Net income	6,469	4,846
Other comprehensive income		
Valuation difference on available-for-sale securities	(195)	425
Foreign currency translation adjustment	45	113
Remeasurements of defined benefit plans	39	46
Share of other comprehensive income of associates accounted for using equity method	12	224
Total other comprehensive income	(97)	809
Comprehensive income	6,372	5,656
(Contents)		
Comprehensive income attributable to owners of the parent	5,984	5,278
Comprehensive income attributable to non-controlling interests	387	377

Consolidated Statements of Cash Flows

(Millions of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Net cash provided by (used in) operating activities		
Income before income taxes	10,042	7,852
Depreciation and amortization	3,964	4,289
Amortization of goodwill	611	599
Increase (decrease) in allowance for doubtful accounts	(1)	7
Increase (decrease) in net defined benefit liability	231	386
Increase (decrease) in provision for bonuses	(1,206)	(1,026)
Increase (decrease) in provision for directors' bonuses	(56)	(58)
Interest and dividends income	(230)	(264)
Interest expenses	490	426
Equity in (earnings) losses of affiliates	(101)	(157)
Loss (gain) on sales of noncurrent assets	(65)	(25)
Loss on retirement of noncurrent assets	33	48
Loss (gain) on sales of investment securities	(7)	(0)
Loss (gain) on valuation of investment securities	67	25
Loss (gain) on valuation of derivatives	0	(46)
Decrease (increase) in notes and accounts receivable-trade	5,085	5,305
Decrease (increase) in inventories	305	(612)
Increase (decrease) in notes and accounts payable-trade	(3,394)	(6,123)
Decrease (increase) in net defined benefit asset	(663)	(848)
Decrease in assets and liabilities for Transportation Security Services	(6,018)	2,579
Other	(5,952)	(140)
Subtotal	3,132	12,217
Interest and dividends income received	638	798
Interest expenses paid	(503)	(434)
Income taxes paid	(5,398)	(5,681)
Income taxes refund	3	19
Net cash provided by (used in) operating activities	(2,126)	6,917

Consolidated Statements of Cash Flows

(Millions of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Net cash provided by (used in) investing activities		
Decrease (increase) in time deposits	1,508	1,220
Payments into long-term deposits	(209)	(11)
Proceeds from withdrawal of long-term deposits	27	-
Purchase of property, plant and equipment	(3,863)	(3,572)
Proceeds from sales of property, plant and equipment	238	85
Purchase of intangible assets	(42)	(741)
Purchase of investment securities	(514)	(414)
Proceeds from sales of investment securities	513	175
Purchase of investments in subsidiaries resulting in change in scope of consolidation	-	(9,365)
Decrease (increase) in short-term loans receivable	19	(6)
Payments of long-term loans receivable	(40)	(8)
Collection of long-term loans receivable	47	169
Proceeds from refund of leasehold and guarantee deposits	3	377
Other	375	304
Net cash provided by (used in) investing activities	(1,937)	(11,787)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	3,876	1,696
Proceeds from long-term loans payable	145	145
Repayment of long-term loans payable	(758)	(711)
Purchase of treasury stock	(0)	(0)
Repayments of lease obligations	(1,321)	(1,363)
Cash dividends paid	(3,746)	(4,455)
Cash dividends paid to minority shareholders	(543)	(648)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-	(408)
Net cash provided by (used in) financing activities	(2,349)	(5,745)
Effect of exchange rate change on cash and cash equivalents	5	45
Net increase (decrease) in cash and cash equivalents	(6,407)	(10,570)
Cash and cash equivalents at beginning of period	53,143	63,644
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	-	359
Cash and cash equivalents at end of period	46,736	53,433