

Consolidated Financial Results for the Third Quarter Ended December 31, 2018
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 <http://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, 2018
(April 1, 2018 - December 31, 2018)

(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, 2018	324,710	1.7	21,787	5.6	22,848	4.9	13,850	7.5
December 31, 2017	319,303	5.9	20,630	4.7	21,773	3.2	12,886	2.6

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, 2018 ¥ 14,602 million (14.5%)
Nine months ended December 31, 2017 ¥ 17,083 million 5.3%

	Net income per share		Diluted net income per share	
	Yen		Yen	
Nine months ended				
December 31, 2018	136.81		-	
December 31, 2017	128.03		-	

(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, 2018	417,918	249,354	54.0	2,230.76
Fiscal year ended				
March 31, 2018	396,635	241,382	55.0	2,155.74

Reference : Equity capital Nine months ended December 31, 2018 ¥ 225,831 million
Year ended March 31, 2018 ¥ 218,237 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, 2018	-	30.00	-	30.00	60.00
March 31, 2019	-	31.00	-		
Fiscal year ending					
March 31, 2019(Forecast)				31.00	62.00

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

3. Forecasts for the consolidated financial results for the fiscal year ending March 31, 2019 (April 1, 2018 - March 31, 2019)

(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
	450,000	3.2	33,100	9.9	35,000	9.7	22,000	13.7	217.32

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, 2018	102,040,042 shares	Year ended March 31, 2018	102,040,042 shares
b Number of shares of treasury stock	Nine months ended December 31, 2018	804,557 shares	Year ended March 31, 2018	804,593 shares
c Average number of ordinary shares throughout the fiscal year	Nine months ended December 31, 2018	101,235,434 shares	Nine months ended December 31, 2017	100,647,269 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, 2018	As of December 31, 2018
Assets		
Current assets		
Cash and deposits	47,573	48,762
Cash for Transportation Security Services	68,715	87,389
Notes and accounts receivable-trade	52,286	45,083
Short-term investment securities	338	210
Raw materials and supplies	5,708	6,178
Costs on uncompleted construction contracts	456	853
Advances paid	6,526	7,252
Other	13,155	20,029
Allowance for doubtful accounts	(226)	(208)
Total current assets	194,533	215,551
Noncurrent assets		
Property, plant and equipment	91,246	89,981
Intangible assets		
Goodwill	21,108	21,376
Other	9,204	8,885
Total intangible assets	30,313	30,262
Investments and other assets		
Investment securities	42,597	40,815
Other	38,324	41,739
Allowance for doubtful accounts	(380)	(432)
Total investments and other assets	80,542	82,123
Total noncurrent assets	202,102	202,367
Total assets	396,635	417,918
Liabilities		
Current liabilities		
Notes and accounts payable-trade	23,420	16,609
Short-term loans payable	17,612	42,123
Income taxes payable	5,769	2,116
Provision	2,307	1,131
Other	43,384	44,853
Total current liabilities	92,495	106,834
Noncurrent liabilities		
Bonds payable	23	16
Long-term loans payable	8,493	6,703
Net defined benefit liability	27,327	28,560
Provision for directors' retirement benefits	1,806	1,858
Asset retirement obligations	101	102
Other	25,006	24,489
Total noncurrent liabilities	62,758	61,730
Total liabilities	155,253	168,564

Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2018	As of December 31, 2018
Net assets		
Shareholders' equity		
Capital stock	18,675	18,675
Capital surplus	34,243	34,243
Retained earnings	171,161	178,834
Treasury stock	(1,069)	(1,069)
Total shareholders' equity	223,010	230,683
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,358	6,092
Revaluation reserve for land	(5,286)	(5,286)
Foreign currency translation adjustment	4	(62)
Remeasurements of defined benefit plans	(6,850)	(5,595)
Total accumulated other comprehensive income	(4,773)	(4,851)
Minority interests	23,144	23,522
Total net assets	241,382	249,354
Total liabilities and net assets	396,635	417,918

Consolidated Statements of Income

(Millions of yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Net sales	319,303	324,710
Cost of sales	242,175	245,157
Gross profit	77,128	79,552
Selling, general and administrative expenses	56,497	57,765
Operating income	20,630	21,787
Non-operating income		
Interest income	134	135
Dividends income	595	635
Gain on sales of investment securities	86	13
Equity in earnings of affiliates	531	636
Other	1,177	1,405
Total non-operating income	2,525	2,825
Non-operating expenses		
Interest expenses	741	1,194
Financing expenses	220	227
Loss on sales of investment securities	1	11
Loss on retirement of non-current assets	104	104
Other	314	225
Total non-operating expenses	1,382	1,764
Ordinary income	21,773	22,848
Extraordinary income		
Gain on sales of investment securities	0	17
Gain on sales of shares of subsidiaries	-	1
Total extraordinary income	0	19
Extraordinary loss		
Loss on valuation of investment securities	-	221
Impairment loss	0	0
Loss on sales of non-current assets	-	56
Total extraordinary losses	0	278
Income before income taxes	21,773	22,588
Income taxes	7,677	7,789
Net Income	14,095	14,799
Profit attributable to non-controlling interests	1,209	948
Profit attributable to owners of parent	12,886	13,850

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Net income	14,095	14,799
Other comprehensive income		
Valuation difference on available-for-sale securities	1,048	(1,313)
Foreign currency translation adjustment	(61)	(58)
Remeasurements of defined benefit plans	1,874	1,233
Share of other comprehensive income of associates accounted for using equity method	126	(57)
Total other comprehensive income	2,987	(196)
Comprehensive income	17,083	14,602
(Contents)		
Comprehensive income attributable to owners of the parent	15,680	13,771
Comprehensive income attributable to non-controlling interests	1,402	830

Consolidated Statements of Cash Flows

(Millions of yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Net cash provided by (used in) operating activities		
Income before income taxes	21,773	22,588
Depreciation and amortization	10,342	11,340
Impairment loss	0	0
Amortization of goodwill	1,202	1,331
Increase (decrease) in allowance for doubtful accounts	6	33
Increase (decrease) in net defined benefit liability	478	697
Increase (decrease) in provision for bonuses	(870)	(1,125)
Increase (decrease) in provision for directors' bonuses	(21)	(53)
Interest and dividends income	(730)	(770)
Interest expenses	741	1,194
Equity in (earnings) losses of affiliates	(531)	(636)
Loss (gain) on sales of noncurrent assets	10	58
Loss on retirement of noncurrent assets	104	104
Loss (gain) on sales of investment securities	(85)	(19)
Loss (gain) on valuation of investment securities	-	221
Loss (gain) on valuation of derivatives	(9)	6
Decrease (increase) in notes and accounts receivable-trade	3,345	7,749
Decrease (increase) in inventories	(1,499)	(865)
Increase (decrease) in notes and accounts payable-trade	(1,305)	(7,315)
Decrease (increase) in net defined benefit asset	319	(682)
Decrease in assets and liabilities for Transportation Security Services	(13,785)	(5,414)
Other	(2,744)	(3,346)
Subtotal	16,743	25,096
Interest and dividends income received	986	1,036
Interest expenses paid	(730)	(1,184)
Income taxes paid	(11,646)	(11,062)
Income taxes refund	112	96
Net cash provided by (used in) operating activities	5,465	13,982

Consolidated Statements of Cash Flows

(Millions of yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Net cash provided by (used in) investing activities		
Decrease (increase) in time deposits	(82)	(871)
Purchase of property, plant and equipment	(7,720)	(8,483)
Proceeds from sales of property, plant and equipment	16	164
Purchase of intangible assets	(1,980)	(2,011)
Purchase of investment securities	(1,796)	(693)
Proceeds from sales of investment securities	1,498	829
Payments for transfer of business	(43)	-
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(5,973)	(1,737)
Purchase of shares of subsidiaries and associates	(108)	-
Decrease (increase) in short-term loans receivable	26	(2)
Payments of long-term loans receivable	(28)	(35)
Collection of long-term loans receivable	63	92
Other	569	49
Net cash provided by (used in) investing activities	(15,559)	(12,699)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	9,894	10,657
Proceeds from long-term loans payable	577	360
Repayment of long-term loans payable	(2,605)	(2,523)
Redemption of bonds	(47)	(17)
Purchase of treasury stock	(0)	(0)
Repayments of lease obligations	(3,261)	(2,836)
Cash dividends paid	(5,780)	(6,176)
Cash dividends paid to minority shareholders	(500)	(453)
Net cash provided by (used in) financing activities	(1,723)	(990)
Effect of exchange rate change on cash and cash equivalents	(4)	(10)
Net increase (decrease) in cash and cash equivalents	(11,822)	282
Cash and cash equivalents at beginning of period	47,549	40,484
Increase in cash and cash equivalents from newly consolidated subsidiary	-	32
Cash and cash equivalents at end of period	35,726	40,799