

Consolidated Financial Results for Fiscal Year Ended March 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.)

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1. Summary of the consolidated financial results for fiscal year ended March 31, 2019 (April 1, 2018 – March 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	%
Fiscal year ended								
March 31, 2019	443,535	1.7	32,280	7.2	33,881	6.2	22,269	15.1
March 31, 2018	435,982	5.5	30,111	5.9	31,913	5.3	19,344	5.5

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: Year ended March 31, 2019 ¥22,346 million (12.4%)
Year ended March 31, 2018 ¥25,514 million 11.8%

	Net income per share	Diluted net income per share	ROE (Net income to equity)	Ordinary income to total assets	Operating income to sales
	Yen	Yen	%	%	%
Fiscal year ended					
March 31, 2019	219.98	-	9.9	8.4	7.3
March 31, 2018	191.93	-	9.3	8.2	6.9

Reference: Equity in earnings of affiliates: Year ended March 31, 2019 ¥1,263 million
Year ended March 31, 2018 ¥1,292 million

(2) Consolidated financial conditions

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of				
March 31, 2019	410,113	257,098	56.8	2,302.38
March 31, 2018	396,635	241,382	55.0	2,155.74

Reference: Equity capital: Year ended March 31, 2019 ¥233,082 million
Year ended March 31, 2018 ¥218,237 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended				
March 31, 2019	28,771	(14,911)	(10,934)	43,435
March 31, 2018	25,496	(19,125)	(13,429)	40,484

2. Dividend

	Dividends per share					Total dividends (Annual)	Consolidated payout ratio	Consolidated dividends to net assets
	End of 1Q	End of 2Q	End of 3Q	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended								
March 31, 2018	-	30.00	-	30.00	60.00	6,053	31.3	2.9
March 31, 2019	-	31.00	-	35.00	66.00	6,683	30.0	3.0
Fiscal year ending March 31, 2020 (Forecast)	-	34.50	-	34.50	69.00		30.4	

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
Interim	223,800	3.9	15,300	10.2	16,200	11.6	10,100	14.6	99.77
Annual	465,000	4.8	34,600	7.2	36,500	7.7	23,000	3.3	227.19

Note: Percentages shown in net sales, operating income, ordinary income, profit attributable to owners of parent, and net income per share above represent the prospected changes from the previous year.

Notes:

(1) Changes in consolidated subsidiaries (Changes in scope of consolidation): No

Added: - Removed: -

(2) Changes in accounting policies, changes in accounting estimates, and restatement

- ① Changes arising from revision of accounting standards : No
- ② Changes arising from other factors : No
- ③ Changes arising from accounting estimate : Yes
- ④ Restatement : No

(3) Number of shares outstanding (Ordinary shares)

① Number of shares issued (including treasury stock)	Fiscal year ended March 31, 2019	102,040,042 shares	Fiscal year ended March 31, 2018	102,040,042 shares
② Number of shares of treasury stock	Fiscal year ended March 31, 2019	804,557 shares	Fiscal year ended March 31, 2018	804,593 shares
③ Average number of shares throughout the fiscal year	Fiscal year ended March 31, 2019	101,235,446 shares	Fiscal year ended March 31, 2018	100,792,300 shares

(Reference) Non-consolidated Financial Results for Fiscal Year Ended March 31, 2019

Summary of the non-consolidated financial results for fiscal year ended March 31, 2019 (April 1, 2018 – March 31, 2019)

(1) Non-consolidated operating results

(Figures rounded down to the nearest million)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended								
March 31, 2019	235,938	1.4	16,357	0.6	24,326	2.6	19,374	7.8
March 31, 2018	232,697	1.4	16,258	4.9	23,720	7.3	17,971	8.1

Note: Percentage shown in net sales, operating income, ordinary income, and net income above represent the changes from the previous fiscal year.

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended		
March 31, 2019	191.33	—
March 31, 2018	178.26	—

(2) Non-consolidated financial conditions

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of				
March 31, 2019	281,811	192,758	68.4	1,903.63
March 31, 2018	270,418	180,363	66.7	1,781.22

Reference: Equity capital:
 Year ended March 31, 2019 ¥192,758 million
 Year ended March 31, 2018 ¥180,363 million

* This summary of financial results falls outside the scope of review of certified public accountants and accounting auditors.

* Explanation of 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.

Please refer to page 6 “(4) Future Outlook” under “1. Overview of Operating Results and Financial Position” for more information regarding the presumptions for forecasts and cautionary statements regarding the use of forecasts.

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1. Overview of Operating Results and Financial Position

(1) Overview of Operating Results

A. Consolidated Financial Results for the Fiscal Year Ended March 31, 2019 (April 1, 2018 – March 31, 2019)

During the year under review, the Japanese economy sustained a modest recovery overall. However, the business sentiments of large companies took a turn for the worse due to deceleration in the Chinese economy and stagnation in IT demand that have continued since the New Year. In addition, a sense of uncertainty regarding future business conditions continues to spread, spurred on by trade conflicts between the US and China, deceleration in the Chinese economy, confusion in the European economy centered on concerns regarding the United Kingdom's decision to leave the European Union, geopolitical risks related to conditions on the Korean Peninsula and in the Middle East, and unstable financial markets.

With regard to public safety in Japan, the number of reported crimes continues to decrease yearly. However, people's everyday lives continue to be affected by crimes, including malicious crimes and special-case scams targeting senior citizens and differently abled individuals, such as theft through telephone fraud; stalking; crimes aimed at women and children; and automobile attacks of pedestrians in busy commercial areas. In addition, risks surrounding society at large are diversifying and include successive cases of natural disasters, international terrorism, cybercrime and information leaks.

In this environment, the ALSOK Group formulated its Medium-Term Management Plan, Grand Design 2020, in May 2018. In accordance with this plan, the Company is aiming to become an integrated safety and security solutions provider that supports the safety and security of customers and society. It is also striving for further evolution and deepening of its Security Services business and other related businesses in order to respond to each customer's and social needs for safety and security. The ALSOK Group is planning to introduce systems that support the safe and secure execution of events by allowing all on-site staff to work with the "eyes of security guards" and form networks as security communities. These systems, which the Company aims to implement at the Rugby World Cup 2019 and the Tokyo 2020 Olympic and Paralympic Games, include ALSOK Zone Security Management, which provides comprehensive and three-dimensional monitoring using various ICT equipment, such as sensors, surveillance cameras and robots, and ALSOK Hyper Security Guard, security guards who are also armed with ICT equipment, including wearable cameras. Moving forward, the Company will aim to develop its services in order to provide swifter and more wide-ranging security capabilities and achieve an optimized cost efficiency.

As a result, consolidated net sales rose 1.7% year on year, to ¥443,535 million; operating income grew 7.2%, to ¥32,280 million; ordinary income rose 6.2%, to ¥33,881 million; and profit attributable to owners of parent expanded 15.1%, to ¥22,269 million.

Sales by Business Segment

Business Segment	Fiscal year ended March 31, 2018		Fiscal year ended March 31, 2019		YoY	
	Amount (Millions of yen)	Share (%)	Amount (Millions of yen)	Share (%)	Amount (Millions of yen)	Increase/ Decrease (%)
Security Services						
Electronic Security Services	174,001	39.9	175,517	39.6	1,516	0.9
Stationed Security Services	110,081	25.2	111,945	25.2	1,864	1.7
Transportation Security Services	60,220	13.8	62,244	14.0	2,023	3.4
Total	344,303	79.0	349,707	78.8	5,404	1.6
General Property Management and Fire Protection Services	61,993	14.2	62,952	14.2	959	1.5
Long-Term Care Services	25,739	5.9	26,599	6.0	859	3.3
Total for reportable segments	432,035	99.1	439,259	99.0	7,223	1.7
Other Services	3,946	0.9	4,276	1.0	329	8.3
Total	435,982	100.0	443,535	100.0	7,552	1.7

During this fiscal year, the Company reorganized its reportable segments and revised its method of allocating certain earnings and expenses. For purposes of year-on-year comparison, operating performance for the preceding fiscal year has been restated to match the revised categories and allocation methods.

Within the Security Services segment, the Company has provided services for corporate clients that offer solutions that respond to the varied needs of each of these clients through its Electronic Security Services business. These services include ALSOK-ST

(read as “ALSOK-Standard”), a standard security system equipped with monitoring and management systems designed to deal with matters such as intrusions, fires and equipment issues, and ALSOK-GV (read as “ALSOK G-five”), which offers more than simply standard functions; The additional functionality this service provides allows for remote operation of equipment through the Web, access to various security-related information, including information related to when employees arrive at and leave work, and image monitoring. In addition to these services, the Company is also proceeding with initiatives aimed at offering ALSOK-G7, which is equipped with an image monitoring service that utilizes advanced image analysis technology.

In services for individual customers, sales were positive for both Home Security Basic, the Company’s standard model service for private homes, and for Home ALSOK Premium, which offers even more fine-tuned functionality to meet the diverse needs of household customers and various household environments. In addition, the Company is working to promote HOME ALSOK MIMAMORI SUPPORT, a service that watches over the elderly and contributes to a society characterized by falling childbirths and an aging population, and its MIMAMORI Tag Service, which supports the construction of regional watch networks.

In the Stationed Security Services business, outsourcing of security operations in manufacturing and other sectors is increasing in the wake of labor shortages while the need for security in newly constructed buildings is growing stronger as urban redevelopment progresses. In addition, upward trends in prices are spreading, reflecting rising personnel expenses. Furthermore, the Company developed and launched its new security robot, REBORG-Z, which enhances and streamlines stationed security services.

In the Transportation Security Services segment, outsourcing orders for comprehensive management of ATM-related and other matters at financial institutions performed strongly, as did orders from businesses such as retail stores and restaurants for the Cash Deposit and Dispenser Machine On-Line System, which reflected progress in work-style reforms and a continuing labor shortage. As a result of these factors, sales in the Security Services segment expanded 1.6%, to ¥349,707 million, while operating income grew 5.0%, to ¥34,295 million.

In the General Property Management and Fire Protection Services segment, the Company worked to provide comprehensive management services related to the maintenance, management, and operation of various facilities through enhanced intra-Group coordination, which led to strong performance in orders for general property management and cleaning services. As a result, sales rose 1.5%, to ¥62,952 million, and operating income jumped 12.5%, to ¥6,404 million.

In the Long-Term Care Services segment, the Company worked to improve care worker productivity in the wake of labor shortages, as well as occupancy ratios, and experienced positive impact from M&A. These factors led sales to rise 3.3%, to ¥26,599 million, and operating income to soar 129.9%, to ¥272 million.

Labor shortages are becoming increasingly serious in our industry, and we believe in the importance of overcoming this issue and responding to society’s ever-expanding safety and security needs by increasing productivity, utilizing new technologies and applying other various measures.

B. Comparative Analysis of the Consolidated Statements of Income

The following table is a year-on-year comparison of the ALSOK Group's Consolidated Statements of Income.

	Fiscal year ended March 31, 2018		Fiscal year ended March 31, 2019		YoY	
	Amount (Millions of yen)	Share (%)	Amount (Millions of yen)	Share (%)	Amount (Millions of yen)	Increase/ Decrease (%)
Net sales	435,982	100.0	443,535	100.0	7,552	1.7
Cost of sales	330,493	75.8	334,197	75.3	3,703	1.1
Gross profit	105,489	24.2	109,338	24.7	3,848	3.6
Selling, general and administrative expenses	75,378	17.3	77,057	17.4	1,679	2.2
Operating income	30,111	6.9	32,280	7.3	2,169	7.2
Non-operating income	3,810	0.9	4,071	0.9	261	6.9
Non-operating expenses	2,008	0.5	2,470	0.6	462	23.0
Ordinary income	31,913	7.3	33,881	7.6	1,967	6.2
Extraordinary income	1	0.0	937	0.2	936	—
Extraordinary loss	74	0.0	345	0.1	271	366.6
Income taxes	10,893	2.5	10,808	2.4	(84)	(0.8)
Profit attributable to non-controlling interests	1,603	0.4	1,395	0.3	(207)	(12.9)
Profit attributable to owners of parent	19,344	4.4	22,269	5.0	2,924	15.1

In the year under review, net sales increased ¥7,552 million, or 1.7%, year on year, to ¥443,535 million.

Cost of sales was ¥334,197 million, primarily due to a ¥138 million increase in labor costs and a ¥3,911 rise in miscellaneous expenses, which included subcontract expenses.

Selling, general and administrative expenses were ¥77,057 million and were mainly the result of increases of ¥224 million in welfare expenses, ¥206 million in rent expenses and ¥163 million in amortization of goodwill.

Ordinary income rose by ¥1,967 million, or 6.2%, to ¥33,881 million, accompanying an increase in operating income.

Extraordinary income increased due to ¥829 million in gains on sales of noncurrent assets and ¥79 million in reversal of provision for loss on dissolution of the employees' pension fund.

Extraordinary loss rose as a result of a ¥286 million increase in loss on valuation of investment securities.

In line with the growth in ordinary income, profit attributable to owners of parent increased ¥2,924 million, or 15.1%, to ¥22,269 million.

Comprehensive income decreased by ¥3,167 million, or 12.4%, to ¥22,346 million. This was due to a ¥4,609 million decrease in fluctuation in remeasurements of defined benefit plans, net of tax, and a decline of ¥1,176 million in fluctuation in valuation difference on available-for-sale securities, which combined to offset an increase of ¥2,717 million in net income.

(2) Overview of Financial Position

The following table shows a year-on-year comparison of the ALSOK Group's Consolidated Balance Sheets. The Company has been applying the Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28; issued February 16, 2018), etc. since the beginning of the year under review. Financial conditions are measured through comparison with figures from the end of the previous fiscal year that have been retroactively modified to comply with the current standards.

		As of March 31, 2018		As of March 31, 2019		YoY	
		Amount (Millions of yen)	Share (%)	Amount (Millions of yen)	Share (%)	Amount (Millions of yen)	Increase/ Decrease (%)
Assets	Current assets	194,533	49.0	208,047	50.7	13,513	6.9
	Noncurrent assets	202,102	51.0	202,066	49.3	(35)	(0.0)
	Total assets	396,635	100.0	410,113	100.0	13,477	3.4
Liabilities	Current liabilities	92,495	23.3	92,505	22.6	10	0.0
	Noncurrent liabilities	62,758	15.8	60,509	14.8	(2,248)	(3.6)
	Total liabilities	155,253	39.1	153,015	37.3	(2,238)	(1.4)
Total net assets		241,382	60.9	257,098	62.7	15,716	6.5

Total assets at the end of the year under review increased ¥13,477 million, or 3.4%, from the previous fiscal year-end, to ¥410,113 million. Total current assets rose ¥13,513 million, or 6.9%, to ¥208,047 million, while noncurrent assets decreased only slightly by ¥35 million, or 0.0%, to ¥202,066 million.

The increase in current assets was primarily caused by increases of ¥6,302 million in cash and deposits, ¥3,831 million in cash for transportation security services and ¥2,640 million in notes and accounts receivable-trade.

The decrease in noncurrent assets occurred despite a ¥937 million increase in net defined benefit assets that was due to a rise in valuation of assets under management and a ¥2,952 million expansion in other intangible assets, including software in progress, which grew as a result of investment in a backbone system slated for completion in an upcoming fiscal year. These positive factors were offset by a ¥2,029 million drop in machinery, equipment and vehicles and a ¥2,019 million slide in long-term deposits and other items included in the "other" category underneath investments and other assets.

Total liabilities at the end of the year under review decreased ¥2,238 million, or 1.4%, from the previous fiscal year-end, to ¥153,015 million. Total current liabilities rose ¥10 million, or 0.0%, to ¥92,505 million, and total noncurrent liabilities fell ¥2,248 million, or 3.6%, to ¥60,509 million.

The rise in current liabilities occurred due to increases of ¥1,973 million in accounts payable-other and ¥709 million in accrued consumption taxes, despite a ¥2,114 million drop in short-term loans payable.

Non-current liabilities decreased due to a ¥2,240 million decline in long-term loans payable.

Total net assets on March 31, 2019, were up ¥15,716 million, or 6.5%, from the previous fiscal year-end, to ¥257,098 million.

(3) Overview of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	YoY (%)
Net cash provided by (used in) operating activities	25,496	28,771	12.8
Net cash provided by (used in) investing activities	(19,125)	(14,911)	(22.0)
Net cash provided by (used in) financing activities	(13,429)	(10,934)	(18.6)
Effect of exchange rate change on cash and cash equivalents	(7)	(6)	(7.8)
Net increase (decrease) in cash and cash equivalents	(7,064)	2,918	-
Cash and cash equivalents at beginning of period	47,549	40,484	(14.9)
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	-	32	-
Cash and cash equivalents at end of period	40,484	43,435	7.3

Cash and cash equivalents at end of period were ¥43,435 million, up 7.3% year on year.

a. Cash flows from operating activities

During the year under review, net cash provided by operating activities amounted to ¥28,771 million, 12.8% more than in the preceding fiscal year. Principal sources of cash were ¥34,474 million in income before income taxes (up 8.3% year on year) and ¥15,077 million in depreciation and amortization (up 6.7%). Major uses of cash were ¥11,237 million in income taxes paid (down 3.1%), a ¥7,730 increase in assets and liabilities for Transportation Security Services (down 43.3%) and a ¥2,075 million increase in notes and accounts receivable-trade (down 4.6%).

Decrease (increase) in assets and liabilities for Transportation Security Services includes the increases and decreases in cash for Transportation Security Services and funds procured for Transportation Security Services that are included in short-term loans payable.

b. Cash flows from investing activities

Net cash used in investing activities totaled ¥14,911 million, down 22.0% from the preceding fiscal year. Major uses of cash were ¥11,360 million for the purchase of property, plant and equipment (down 3.5%), ¥2,538 million for the purchase of intangible assets (down 6.6%) and ¥1,740 million for the purchase of shares of subsidiaries (down 70.9%).

c. Cash flows from financing activities

Net cash used in financing activities was ¥10,934 million (down 18.6% year on year). Major uses of cash were ¥6,176 in cash dividends paid (up 6.9%), ¥3,856 million in repayments of lease obligations (down 12.8%).

d. Trends in Cash Flow Indicators for the ALSOK Group

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Equity ratio	51.0%	55.0%	56.8%
Equity ratio on a market value basis	108.2%	134.3%	119.0%
Interest-bearing liabilities to cash flow ratio	77.1%	102.6%	74.9%
Interest coverage ratio	54.2 times	25.8 times	18.1times

Equity ratio is shareholders' equity divided by total assets.

Equity ratio on a market value basis is market capitalization divided by total assets.

Interest-bearing liabilities to cash flow ratio is interest-bearing liabilities divided by cash flow.

Interest coverage ratio is cash flow divided by interest expense.

Note 1: All indicators are calculated based on the consolidated financial statements.

Note 2: Market capitalization is calculated by multiplying the closing share price at the end of the fiscal year by the total number of shares issued and outstanding at the end of the fiscal year (excluding treasury stock).

Note 3: Cash flow is net cash provided by (used in) operating activities.

Note 4: Interest-bearing liabilities are all liabilities on which interest is paid on the Consolidated Balance Sheets.

(4) Future Outlook

In the fiscal year ending March 31, 2020, we expect the Japanese economy to continue its moderate recovery, thanks to the effects of various government measures. However, we will need to pay careful attention to factors such as changes in trade issues and overseas economies, uncertainty regarding government policies, fluctuation in financial and exchange markets and trends in corporate business confidence.

In addition to conventional security needs, we expect the security industry to see growing needs for safety and security in response to changes in internal and external environments. We also anticipate expanding business opportunities due to increased needs arising from the accelerated development of both tangible and intangible social infrastructure as part of preparations for large-scale events. On the other hand, increasingly severe labor shortages and decreases in earnings among financial institutions resulting from Japan's negative interest rate policy are forecast to harshen the operating environment surrounding the security services market during the fiscal year ending March 31, 2020. Success under these difficult conditions will require that we promote the further differentiation of our products and services.

ALSOK has always been a company that protects the bodies, lives, and assets of its customers, and it has continued to build upon its security services track record since its establishment. In addition to growing its security services operations, the entire Group will actively develop businesses in peripheral fields going forward. At the same time, we will strive to provide new products and services that utilize cutting-edge technologies, endeavor to bolster productivity, and achieve sustainable growth for the Group.

Consequently, the ALSOK Group forecasts net sales of ¥465,000 million for the fiscal year ending March 31, 2020, up 4.8% year on year. We expect operating income to grow 7.2%, to ¥34,600 million, ordinary income to rise 7.7%, to ¥36,500 million, and profit attributable to owners of parent to expand 3.3%, to ¥23,000 million.

2. Management Policies

(1) Basic Corporate Management Policy

Our management philosophy is “Based on two core principles exemplified by “arigato no kokoro” (a feeling of gratefulness and gratitude) and “bushi no seishin” (a samurai spirit), we devote ourselves to protecting the safety and security of our customers and of society as a whole.” Based on this management philosophy, we have established a management policy that encourages us to act in accordance with a fundamental spirit driving us to ensure that ALSOK is a principled company and stating that our top priority is to provide services and products of the first rank. This policy calls on us to make ALSOK a company that offers employees fulfillment in their work while growing earnings, providing services and products in an ever-expanding range of new fields based around our core security services business, and developing services and products that contribute to the advancement of society.

(2) Stance on Target Management Indicators

The ALSOK Group believes that expanding its security services and other operations as well as improving the rationality and efficiency of all of its business activities are essential tasks for increasing profitability. Accordingly, it is focusing on the ordinary income ratio as an important management indicator. We will also emphasize the ratio of net income to equity, otherwise known as return on equity (ROE), as an indicator of how optimally shareholders’ equity is being utilized. Accordingly, we have set the medium-term target of achieving ROE of 10%.

(3) Medium- and Long-term Corporate Strategy

The ALSOK Group will continue to strengthen its mainstay security services operations as well as its general property management and fire protection service and long-term care service operations while also providing ideal products and services based on the policy of “responding accurately to customers’ various risks and outsourcing needs.” At the same time, we will drastically reform cost structures in response to the declining birthrate and aging population to reinforce earnings foundations.

(4) Pressing Issues for the Company

The ALSOK Group is one of Japan’s leading security services conglomerates. Recognizing the responsibility this represents, we are actively working to help protect the safety and security of society while practicing stringent compliance and acting as a principled company to improve corporate value. Moreover, as a provider of an important form of social infrastructure related to safety and security, the Group is developing cutting-edge products and services in order to take advantage of a wider range of business opportunities in various fields that lie outside of the framework of its traditional security services operations.

A. Responding to Diversifying Needs of Customers

Risks surrounding society are diversifying and include increases in common crimes targeting senior citizens, women and children; an unrelenting series of natural disasters; labor shortages; and deteriorating infrastructure. Society’s safety and security needs are also expanding according to these risks, and we are aware that we must respond to these needs appropriately and with the highest possible levels of quality.

The ALSOK Group will respond to these risks by continuing to expand and improve services that protect the safety and security of individual customers; services such as BCP solutions that provide response to natural disaster risks; assistance with various outsourcing needs related to labor shortages and work-style reforms; and comprehensive management services for buildings, facilities and infrastructure.

For large-scale events and facilities, we are developing services that will enable us to provide swifter, wider ranging, and more

competent security at optimal costs with an eye to the upcoming Tokyo 2020 Olympic and Paralympic Games. Specifically, we offer leading-edge security that can respond to incidents or signs of incidents by utilizing the security services expertise we have developed to date, together with state-of-the-art ICT, and ensure smooth collaboration by equipping security personnel with IoT devices.

B. Expanding Business Scope

The ALSOK Group looks to address the various safety and security needs of individual users while providing multifaceted support for corporate clients' business activities. To this end, the Group has continued to actively develop new businesses and services that have the potential for synergies with its security services operations, such as its long-term care and property management businesses. Efforts to expand the Company's business scope from this perspective will be accelerated going forward.

C. Developing Overseas Operations

With Japanese companies growing more active overseas, the ALSOK Group is responding to mounting needs for safety and security overseas, as well. Based on the expertise we have cultivated in Japan, we will offer products and services optimized for individual countries as we proactively expand our operations to support the overseas businesses of our customers.

D. Improving Profitability and Productivity

To achieve stable and ongoing growth, the ALSOK Group will work to reinforce and diversify its earnings foundations, and will seek to create new value by improving productivity through business process reforms and implementing proactive initiatives to achieve work style reforms.

(5) Other Important Items in Management of the Company

A. On April 1, 2018, ALSOK Myanmar Security Services Co., Ltd., which manages security services in Myanmar, commenced business operations. ALSOK Myanmar Security Services Co., Ltd. is included in the Company's scope of consolidation.

B. On June 29, 2018, the Company acquired 100% of shares in Care Plus Co., Ltd., which operates a visiting medical massage business. Care Plus Co., Ltd. is included in the Company's scope of consolidation under long-term care services.

C. On January 21, 2019, the Company acquired 100% of shares in the Sogokanzai Co., Ltd., which cleans medical institutions and provides building management in addition to other services, and Health Support Co., Ltd., which collects and transports industrial medical waste requiring special treatment. Both of these companies are included in the Company's scope of consolidation, mainly under general property management and fire protection services.

3. Basic Policy Regarding Selection of Accounting Standards

For the foreseeable future, the Company intends to prepare its consolidated financial statements in accordance with accounting principles that are generally accepted in Japan (Japanese GAAP) out of consideration for the ability to make comparisons with performance from different fiscal years and of different companies.

The Company is examining the possibility of adopting International Financial Reporting Standards (IFRS) in the future, and it is currently in the process of developing internal manuals and guidances and determining the potential timing for adoption.

4. Consolidated Financial Statements and Significant Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Assets		
Current assets		
Cash and deposits	47,573	53,875
Cash for Transportation Security Services	68,715	72,546
Notes and accounts receivable—trade	52,286	54,926
Lease receivables and investment assets	4,535	4,798
Short-term investment securities	338	361
Raw materials and supplies	5,708	5,488
Costs on uncompleted construction contracts	456	371
Advances paid	6,526	5,986
Other	8,620	9,939
Allowance for doubtful accounts	(226)	(247)
Total current assets	194,533	208,047
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	48,096	48,385
Accumulated depreciation	(26,191)	(25,840)
Buildings and structures, net	21,905	22,545
Machinery, equipment and vehicles	136,429	138,517
Accumulated depreciation	(114,244)	(118,361)
Machinery, equipment and vehicles, net	22,185	20,155
Land	22,740	22,301
Lease assets	33,291	31,723
Accumulated depreciation	(14,475)	(13,747)
Lease assets, net	18,815	17,976
Construction in progress	662	1,243
Other	17,049	18,190
Accumulated depreciation	(12,111)	(12,970)
Other, net	4,937	5,220
Total property, plant and equipment	91,246	89,442
Intangible assets		
Software	3,207	3,158
Goodwill	21,108	20,952
Other	5,996	8,948
Total intangible assets	30,313	33,059
Investments and other assets		
Investment securities	42,597	41,649
Long-term loans receivable	337	302
Lease and guarantee deposits	8,447	8,832
Insurance funds	1,679	1,647
Net defined benefit asset	4,250	5,187
Deferred tax assets	10,695	11,491
Other	12,913	10,894
Allowance for doubtful accounts	(380)	(441)
Total investments and other assets	80,542	79,564
Total noncurrent assets	202,102	202,066
Total assets	396,635	410,113

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Liabilities		
Current liabilities		
Notes and accounts payable-trade	23,420	22,993
Short-term loans payable	14,435	12,320
Current portion of long-term loans payable	3,176	2,948
Current portion of bonds	24	14
Accounts payable-other	22,762	24,735
Lease obligations	4,511	4,587
Income taxes payable	5,769	5,355
Accrued consumption taxes	3,762	4,471
Provision for bonuses	2,189	2,124
Provision for directors' bonuses	118	102
Other	12,324	12,851
Total current liabilities	92,495	92,505
Noncurrent liabilities		
Bonds payable	23	9
Long-term loans payable	8,493	6,253
Lease obligations	21,993	21,279
Deferred tax liabilities	280	312
Deferred tax liabilities for land revaluation	314	314
Net defined benefit liability	27,327	27,619
Provision for directors' retirement benefits	1,806	1,881
Asset retirement obligations	101	454
Other	2,417	2,384
Total noncurrent liabilities	62,758	60,509
Total liabilities	155,253	153,015
Net Assets		
Shareholders' equity		
Capital stock	18,675	18,675
Capital surplus	34,243	34,243
Retained earnings	171,161	186,248
Treasury stock	(1,069)	(1,069)
Total shareholders' equity	223,010	238,097
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,358	6,315
Revaluation reserve for land	(5,286)	(4,281)
Foreign currency translation adjustment	4	(72)
Remeasurements of defined benefit plans	(6,850)	(6,978)
Total valuation and translation adjustments	(4,773)	(5,015)
Non-controlling interests	23,144	24,016
Total net assets	241,382	257,098
Total liabilities and net assets	396,635	410,113

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income**Consolidated Statements of Income**

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Net sales	435,982	443,535
Cost of sales	330,493	334,197
Gross profit	105,489	109,338
Selling, general and administrative expenses	75,378	77,057
Operating income	30,111	32,280
Non-operating income		
Interest income	176	180
Dividends income	613	656
Gain on sales of investment securities	86	29
Rent income	311	307
Gain from insurance claim	87	124
Share of profit of entities accounted for using equity method	1,292	1,263
Penalty income	300	316
Other	942	1,194
Total non-operating income	3,810	4,071
Non-operating expenses		
Interest expenses	987	1,588
Loss on sales of investment securities	1	9
Loss on retirement of noncurrent assets	198	254
Financing expenses	295	298
Other	525	318
Total non-operating expenses	2,008	2,470
Ordinary income	31,913	33,881
Extraordinary income		
Gain on sales of investment securities	1	17
Gain on sales of shares of subsidiaries	-	1
Gain on sales of noncurrent assets	-	829
Gain on bargain purchase	-	9
Reversal of provision for loss on dissolution of the employees' pension fund	-	79
Total extraordinary income	1	937
Extraordinary loss		
Loss on valuation of investment securities	1	287
Impairment loss	73	1
Loss on sales of non-current assets	-	55
Total extraordinary loss	74	345
Income before income taxes	31,841	34,474
Income taxes-current	11,366	10,953
Income taxes-deferred	(473)	(144)
Total income taxes	10,893	10,808
Net income	20,948	23,665
Profit attributable to non-controlling interests	1,603	1,395
Profit attributable to owners of parent	19,344	22,269

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Net income	20,948	23,665
Other comprehensive income		
Valuation difference on available-for-sale securities	56	(1,119)
Foreign currency translation adjustment	(61)	(72)
Remeasurements of defined benefit plans, net of tax	4,462	(146)
Share of other comprehensive income (loss) of associates accounted for using equity method	108	20
Total other comprehensive income (loss)	4,566	(1,318)
Comprehensive income	25,514	22,346
(Contents)		
Comprehensive income attributable to owners of the parent	23,761	21,021
Comprehensive income attributable to non-controlling interests	1,752	1,324

(3) Consolidated Statements of Changes in Net Assets

Fiscal year ended March 31, 2018

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	18,675	31,485	157,596	(2,019)	205,737
Changes of items during the period					
Dividends from surplus			(5,780)		(5,780)
Profit (loss) attributable to owners of parent			19,344		19,344
Purchase of treasury stock				(1)	(1)
Disposal of treasury stock		3,422		952	4,374
Reversal of revaluation reserve for land					-
Purchase of shares of consolidated subsidiaries		(668)			(668)
Capital increase of consolidated subsidiaries		4			4
Net changes of items other than shareholders' equity					
Total changes of items during the period		2,758	13,564	950	17,273
Balance at the end of current period	18,675	34,243	171,161	(1,069)	223,010

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans, net of tax	Total valuation and translation adjustments		
Balance at the beginning of current period	7,306	(5,286)	69	(11,204)	(9,114)	25,607	222,230
Changes of items during the period							
Dividends from surplus							(5,780)
Profit attributable to owners of parent							19,344
Purchase of treasury stock							(1)
Disposal of treasury stock							4,374
Reversal of revaluation reserve for land							-
Purchase of shares of consolidated subsidiaries							(668)
Capital increase of consolidated subsidiaries							4
Net changes of items other than shareholders' equity	51	-	(64)	4,354	4,341	(2,462)	1,878
Total changes of items during the period	51	-	(64)	4,354	4,341	(2,462)	19,151
Balance at the end of current period	7,358	(5,286)	4	(6,850)	(4,773)	23,144	241,382

Fiscal year ended March 31, 2019

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	18,675	34,243	171,161	(1,069)	223,010
Changes of items during the period					
Dividends from surplus			(6,176)		(6,176)
Profit attributable to owners of parent			22,269		22,269
Purchase of treasury stock				(0)	(0)
Disposal of treasury stock				0	0
Reversal of revaluation reserve for land			(1,005)		(1,005)
Purchase of shares of consolidated subsidiaries					-
Capital increase of consolidated subsidiaries					-
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	-	15,087	(0)	15,087
Balance at the end of current period	18,675	34,243	186,248	(1,069)	238,097

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans, net of tax	Total valuation and translation adjustments		
Balance at the beginning of current period	7,358	(5,286)	4	(6,850)	(4,773)	23,144	241,382
Changes of items during the period							
Dividends from surplus							(6,176)
Profit attributable to owners of parent							22,269
Purchase of treasury stock							(0)
Disposal of treasury stock							0
Reversal of revaluation reserve for land							(1,005)
Purchase of shares of consolidated subsidiaries							-
Capital increase of consolidated subsidiaries							-
Net changes of items other than shareholders' equity	(1,042)	1,005	(76)	(128)	(242)	871	628
Total changes of items during the period	(1,042)	1,005	(76)	(128)	(242)	871	15,716
Balance at the end of current period	6,315	(4,281)	(72)	(6,978)	(5,015)	24,016	257,098

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Net cash provided by (used in) operating activities		
Income before income taxes	31,841	34,474
Depreciation and amortization	14,133	15,077
Impairment loss	73	1
Amortization of goodwill	1,627	1,791
Increase (decrease) in allowance for doubtful accounts	17	80
Increase (decrease) in net defined benefit liability	(329)	45
Increase (decrease) in provision for bonuses	210	(72)
Increase (decrease) in provision for directors' bonuses	17	(15)
Interest and dividends income	(790)	(836)
Interest expenses	987	1,588
Share of loss (profit) of entities accounted for using equity method	(1,292)	(1,263)
Loss (gain) on sales of noncurrent assets	9	(772)
Loss on retirement of noncurrent assets	198	254
Loss (gain) on sales of investment securities	(87)	(37)
Loss (gain) on valuation of investment securities	1	286
Loss (gain) on valuation of derivatives	20	6
Decrease (increase) in notes and accounts receivable-trade	(2,175)	(2,075)
Decrease (increase) in inventories	(323)	309
Increase (decrease) in notes and accounts payable-trade	5,033	(419)
Decrease (increase) in net defined benefit asset	438	(876)
Decrease (increase) in assets and liabilities for Transportation Security Services	(13,630)	(7,730)
Other	1,014	561
Subtotal	36,996	40,377
Interest and dividends income received	1,056	1,114
Interest expenses paid	(989)	(1,579)
Income taxes paid	(11,591)	(11,237)
Income taxes refund	23	96
Net cash provided by (used in) operating activities	25,496	28,771

(Millions of yen)

Fiscal year ended March 31, 2018 Fiscal year ended March 31, 2019

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Net cash provided by (used in) investing activities		
Decrease (increase) in time deposits	947	(1,350)
Purchase of property, plant and equipment	(11,776)	(11,360)
Proceeds from sales of property, plant and equipment	22	1,624
Purchase of intangible assets	(2,718)	(2,538)
Purchase of investment securities	(1,987)	(1,048)
Proceeds from sales of investment securities	1,544	1,143
Payments for transfer of business	(43)	-
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(5,973)	(1,740)
Purchase of shares of subsidiaries and associates	(108)	-
Decrease (increase) in short-term loans receivable	25	(3)
Payments of long-term loans receivable	(45)	(58)
Collection of long-term loans receivable	76	105
Other	911	314
Net cash provided by (used in) investing activities	(19,125)	(14,911)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	196	2,234
Proceeds from long-term loans payable	586	660
Repayment of long-term loans payable	(3,456)	(3,317)
Redemption of bonds	(54)	(24)
Purchase of treasury stock	(1)	(0)
Repayments of lease obligations	(4,420)	(3,856)
Cash dividends paid	(5,780)	(6,176)
Cash dividends paid to attributable to non-controlling interests	(500)	(453)
Net cash provided by (used in) financing activities	(13,429)	(10,934)
Effect of exchange rate change on cash and cash equivalents	(7)	(6)
Net increase (decrease) in cash and cash equivalents	(7,064)	2,918
Cash and cash equivalents at beginning of period	47,549	40,484
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	-	32
Cash and cash equivalents at end of period	40,484	43,435

(5) Notes on the Preparation of the Consolidated Financial Results

Events or Situations Giving Cause for Serious Doubt Regarding the Premise of a Going Concern

Not applicable

Changes in Accounting Estimates

(Changes in estimates concerning asset retirement obligations)

During the fiscal year under review, the Company obtained new information concerning asset retirement obligations it had been recording as site restoration duties incurred in accordance with its real estate lease agreements. This information concerned up-to-date results regarding disposal costs, written estimates expected when departing from facilities and resolutions regarding the transfer of a portion of the Company's offices. In response to this information, the Company modified estimates concerning site restoration expenses and periods of facility use.

The increase of ¥390 million caused by this change in estimates has been added to the balance of asset retirement obligations prior to the change.

Furthermore, these estimate changes had no impact on operating income, ordinary income or income before income taxes for the fiscal year under review because they were conducted at the end of the year.

Segment Information and Other Related Information

1. Segment Information

(1) Outline of Reportable Segments

A. Method for deciding reportable segments

The reportable segments the Company reports are the business units for which the Company is able to obtain respective financial information separately in order for the Board of Directors, etc., to evaluate regularly in determining how to allocate resources and assess their business performance.

The Group has three reportable segments. The Security Services segment conducts electronic security services, stationed security services, and transportation security services. The General Property Management and Fire Protection Services segment conducts activities including plumbing installation, electrical installation, and other facility installation; facility operation and management services; environmental hygiene management; cleaning services; fire extinguishing equipment inspection and installation; and sales of various disaster prevention equipment. The Long-Term Care Services segment provides in-home care support services, visitation-based care services, and day care services and also operates care facilities.

The Other Services category incorporates operations not included in reportable segments. This segment includes operations such as the provision of MMK multi-function ATMs, ALSOK Safety Confirmation Services, and MAMOLOK multi-function mobile security terminals as well as security solutions operations and information security services.

B. Change to reportable segments

During the fiscal year under review, the ALSOK Group revised its management structure in order to facilitate more accurate comprehension of actual operating results in each segment. Accordingly, the Company has modified its method of allocating earnings and expenses to its reportable segments and the Other Services segment.

Figures for the fiscal year ended March 31, 2018, have been restated to reflect the changes in reportable segments, as well as earnings and expense allocation methods in the fiscal year ended March 31, 2019.

(2) Method of Calculating Sales and Income (Loss) and Other Items by Reportable Segments

The accounting methods used for reportable segments are the same as those used to prepare the consolidated financial statements.

Income by reportable segment is calculated based on operating income.

Intersegment sales are calculated based on market prices.

(3) Information on Sales and Income (Loss) and Other Items by Reportable Segments

A. For the year ended March 31, 2018

(Millions of yen)

	Reportable segments				Other Services (Note 1)	Total	Elimination and corporate (Note 2)	Consolidation (Note 3)
	Security Services	General Property Management and Fire Protection Services	Long-Term Care Services	Total				
Net sales								
Outside sales	344,303	61,993	25,739	432,035	3,946	435,982	-	435,982
Intersegment sales	963	29	13	1,005	439	1,445	(1,445)	-
Total	345,266	62,022	25,752	433,041	4,386	437,427	(1,445)	435,982
Income by reportable segment	32,659	5,693	118	38,471	940	39,411	(9,300)	30,111
Depreciation	11,884	934	867	13,685	422	14,107	25	14,133
Amortization of goodwill	815	88	723	1,627	0	1,627	-	1,627

Note 1: The Other Services category incorporates operations not included in reportable segments. This segment includes operations such as the provision of MMK multi-function ATMs, ALSOK Safety Confirmation Services, and MAMOLOOK multi-function mobile security terminals as well as security solutions operations and information security services.

Note 2: The ¥9,300 million deduction to income by reportable segment under eliminations and corporate represents Companywide expenses that cannot be attributed to any specific reportable segment. These expenses are primarily administrative costs not associated with specific reportable segments.

Note 3: Income by reportable segment has been adjusted for the operating income figure on the Consolidated Statements of Income.

Note 4: Assets are not allocated to specific reportable segments.

B. For the year ended March 31, 2019

(Millions of yen)

	Reportable segments				Other Services (Note 1)	Total	Elimination and corporate (Note 2)	Consolidation (Note 3)
	Security Services	General Property Management and Fire Protection Services	Long-Term Care Services	Total				
Net sales								
Outside sales	349,707	62,952	26,599	439,259	4,276	443,535	-	443,535
Intersegment sales	860	46	45	952	473	1,426	(1,426)	-
Total	350,568	62,999	26,644	440,211	4,749	444,961	(1,426)	443,535
Income by reportable segment	34,295	6,404	272	40,973	931	41,904	(9,624)	32,280
Depreciation	12,775	1,034	855	14,665	387	15,052	24	15,077
Amortization of goodwill	872	91	826	1,790	0	1,791	-	1,791

Note 1: The Other Services category incorporates operations not included in reportable segments. This segment includes operations such as the provision of MMK multi-function ATMs, ALSOK Safety Confirmation Services, and MAMOLOOK multi-function mobile security terminals as well as security solutions operations and information security services.

Note 2: The ¥9,624 million deduction to income by reportable segment under eliminations and corporate represents Companywide expenses that cannot be attributed to any specific reportable segment. These expenses are primarily administrative costs not associated with specific reportable segments.

Note 3: Income by reportable segment has been adjusted for the operating income figure on the Consolidated Statements of Income.

Note 4: Assets are not allocated to specific reportable segments.

2. Relative Information

(1) For the Fiscal Year Ended March 31, 2018

A. Product and services information

Product and services information is omitted as it is the same as segment information.

B. Regional information

a. Net sales

Information regarding regional sales is omitted as sales to customers in Japan account for over 90% of the total sales recorded on the Consolidated Statements of Income.

b. Property, plant and equipment

Information regarding property, plant and equipment in specific is omitted as the value of property, plant and equipment in Japan accounts for over 90% of the total value recorded on the Consolidated Balance Sheets.

C. Major customer information

Information regarding major customers is omitted as there are no customers to which over 10% of the total sales recorded on the Consolidated Statements of Income can be attributed.

(2) For the Fiscal Year Ended March 31, 2019

A. Product and services information

Product and services information is omitted as it is the same as segment information.

B. Regional information

a. Net sales

Information regarding regional sales is omitted as sales to customers in Japan account for over 90% of the total sales recorded on the Consolidated Statements of Income.

b. Property, plant and equipment

Information regarding property, plant and equipment in specific is omitted as the value of property, plant and equipment in Japan accounts for over 90% of the total value recorded on the Consolidated Balance Sheets.

C. Major customer information

Information regarding major customers is omitted as there are no customers to which over 10% of the total sales recorded on the Consolidated Statements of Income can be attributed.

3. Information on Impairment Loss in Noncurrent Assets by Reportable Segment

(1) For the Fiscal Year Ended March 31, 2018

There were no impairment losses attributed to reportable segments. The Company generated an impairment loss of ¥73 million not attributed to reportable segments. Of this amount, ¥6 million was on the value of buildings, ¥15 million was on the value of land, ¥49 million was on the value of lease assets, and ¥1 million was on the value of other property, plant and equipment, including tools, furniture and fixtures.

(2) For the Fiscal Year Ended March 31, 2019

There were no impairment losses attributed to reportable segments. The Company generated an impairment loss of ¥1 million not attributed to reportable segments. Of this amount, ¥0 million was on the value of land, ¥0 million was on the value of buildings, and ¥0 million was on the value of other property, plant and equipment, including tools, furniture and fixtures.

4. Information on Amortization of Goodwill and Unamortized Balance by Reportable Segment

(1) For the Fiscal Year Ended March 31, 2018

Amortization of goodwill and unamortized balance

Information regarding amortization of goodwill is omitted as it is the same as the information disclosed in segment information.

On March 31, 2018, the balance of unamortized goodwill was ¥21,108 million. As assets are not allocated to specific reportable segments, the balance of unamortized goodwill at the end of the fiscal year is not included in reportable segments.

(2) For the Fiscal Year Ended March 31, 2019

Amortization of goodwill and unamortized balance

Information regarding amortization of goodwill is omitted as it is the same as the information disclosed in segment information.

On March 31, 2019, the balance of unamortized goodwill was ¥20,952 million. As assets are not allocated to specific reportable segments, the balance of unamortized goodwill at the end of the fiscal year is not included in reportable segments.

5. Information on Negative Goodwill by Reportable Segment

(1) For the Fiscal Year Ended March 31, 2018

Not applicable

(2) For the Fiscal Year Ended March 31, 2019

Not applicable

In the fiscal year under review, the Company recorded negative goodwill of ¥9 million as a result of the Sogokanzai Co., Ltd.'s inclusion in the Company's scope of consolidation. This negative goodwill has not been allocated to reportable segments.

Per Share Information

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Net assets per share (Yen)	2,155.74	2,302.38
Net income per share (Yen)	191.93	219.98

Note 1: Fully diluted net income per share is not shown because no applicable shares existed.

Note 2: The following is the basis for calculating net income per share (basic and diluted).

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Net income per share		
Profit attributable to owners of parent (Millions of yen)	19,344	22,269
Amount not belonging to ordinary shareholders (Millions of yen)	-	-
Net income attributable to common stock owners of the parent (Millions of yen)	19,344	22,269
Weighted-average numbers of ordinary shares (Thousands of shares)	100,792	101,235

Note 3: The basis for calculating net assets per share is as follows.

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Total net assets (Millions of yen)	241,382	257,098
Amount deducted from total net assets (Millions of yen)	23,144	24,016
(Non-controlling interests) (Millions of yen)	(23,144)	(24,016)
Net assets at end of year relating to common stock (Millions of yen)	218,237	233,082
Amount of common stock at end of year used for calculating net assets per share (Thousands of shares)	101,235	101,235