

Consolidated Financial Results for the Third Quarter Ended December 31, 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>

Representative: Ikuji Kayaki, Representative Director Group COO

Financial and accounting: Kazuhide Shigemi, Director and Senior Executive Officer (Phone: +81-3-3470-6811)

1. Summary of the consolidated financial results for the third quarter ended December 31, 2022
(April 1, 2022 – December 31, 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	%
Nine months ended								
December 31, 2022	357,817	(1.6)	24,688	(28.8)	26,543	(26.6)	15,783	(31.8)
December 31, 2021	363,783	6.2	34,682	38.0	36,166	37.8	23,136	45.3

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, 2022 ¥ 17,843 million (27.0%)
Nine months ended December 31, 2021 ¥ 24,451 million (24.1%)

	Net income per share		Diluted net income per share	
	Yen		Yen	
Nine months ended				
December 31, 2022	155.91		-	
December 31, 2021	228.54		-	

(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, 2022	529,333	335,783	58.2	3,040.65
Fiscal year ended				
March 31, 2022	488,278	327,509	61.5	2,964.85

Reference: Equity capital
Nine months ended December 31, 2022 ¥ 307,818 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	-	43.00			
Fiscal year ending					
March 31, 2023(Forecast)			-	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
Annual	489,000	(0.0)	36,000	(16.0)	38,000	(15.2)	24,500	(15.4)	242.01

Note : Revisions to the forecast of financial results in this quarter: Yes

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)	Nine months ended December 31, 2022	102,040,042 shares	Year ended March 31, 2022	102,040,042 shares
b Number of shares of treasury stock	Nine months ended December 31, 2022	805,300 shares	Year ended March 31, 2022	804,851 shares
c Average number of ordinary shares throughout the fiscal year	Nine months ended December 31, 2022	101,234,807 shares	Nine months ended December 31, 2021	101,234,997 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 December 31, 2022
Assets		
Current assets		
Cash and deposits	71,357	55,251
Cash for Transportation Security Services	76,768	101,773
Notes and accounts receivable - trade, and contract assets	56,458	57,606
Securities	380	450
Raw materials and supplies	7,509	9,713
Costs on uncompleted construction contracts	222	979
Advances paid	6,892	6,570
Other	14,424	18,199
Allowance for doubtful accounts	(140)	(242)
Total current assets	233,872	250,303
Noncurrent assets		
Property, plant and equipment	103,376	115,760
Intangible assets		
Goodwill	27,097	33,598
Other	12,650	11,771
Total intangible assets	39,747	45,369
Investments and other assets		
Investment securities	56,148	57,422
Other	55,562	60,928
Allowance for doubtful accounts	(429)	(450)
Total investments and other assets	111,281	117,900
Total noncurrent assets	254,405	279,030
Total assets	488,278	529,333
Liabilities		
Current liabilities		
Notes and accounts payable-trade	23,098	22,128
Short-term loans payable	11,278	36,029
Income taxes payable	6,751	1,900
Provision	2,164	1,103
Other	47,091	58,677
Total current liabilities	90,384	119,839
Noncurrent liabilities		
Long-term loans payable	2,145	2,251
Retirement benefit liability	27,175	27,581
Provisions	1,597	1,631
Asset retirement obligations	486	815
Other	38,977	41,429
Total noncurrent liabilities	70,383	73,710
Total liabilities	160,768	193,549

Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
Net assets		
Shareholders' equity		
Capital stock	18,675	18,675
Capital surplus	34,129	33,940
Retained earnings	241,718	248,686
Treasury stock	(1,072)	(1,072)
Total shareholders' equity	293,450	300,229
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,917	7,317
Revaluation reserve for land	(3,378)	(3,380)
Foreign currency translation adjustment	321	662
Remeasurements of defined benefit plans	2,836	2,990
Total accumulated other comprehensive income	6,696	7,589
Minority interests	27,362	27,965
Total net assets	327,509	335,783
Total liabilities and net assets	488,278	529,333

Consolidated Statements of Income

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Net sales	363,783	357,817
Cost of sales	269,475	269,764
Gross profit	94,307	88,053
Selling, general and administrative expenses	59,625	63,364
Operating income	34,682	24,688
Non-operating income		
Interest income	138	142
Dividends income	641	879
Gain on sales of investment securities	121	25
Share of profit of entities accounted for using equity method	959	984
Dividend income of insurance	240	275
Penalty income	612	305
Other	934	1,330
Total non-operating income	3,648	3,943
Non-operating expenses		
Interest expenses	1,434	1,344
Financing expenses	199	191
Loss on sales of investment securities	5	-
Other	525	553
Total non-operating expenses	2,164	2,089
Ordinary income	36,166	26,543
Extraordinary income		
Gain on investment securities	7	3
Gain on sales of non-current assets	224	-
Compensation income	1,067	-
Total extraordinary income	1,300	3
Extraordinary loss		
Loss on sale of investment securities	64	35
Loss on valuation of investment securities	0	0
Impairment losses	295	0
Total extraordinary losses	360	36
Income before income taxes	37,106	26,510
Income taxes	12,642	9,514
Net Income	24,463	16,996
Profit attributable to non-controlling interests	1,327	1,212
Profit attributable to owners of parent	23,136	15,783

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Net income	24,463	16,996
Other comprehensive income		
Valuation difference on available-for-sale securities	(249)	307
Foreign currency translation adjustment	64	174
Remeasurements of defined benefit plans	119	140
Share of other comprehensive income of associates accounted for using equity method	52	225
Total other comprehensive income	(12)	847
Comprehensive income	24,451	17,843
(Contents)		
Comprehensive income attributable to owners of the parent	23,118	16,677
Comprehensive income attributable to non-controlling interests	1,332	1,165

Consolidated Statements of Cash Flows

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Net cash provided by (used in) operating activities		
Income before income taxes	37,106	26,510
Depreciation and amortization	12,455	13,412
Impairment losses	295	0
Amortization of goodwill	1,824	2,099
Increase (decrease) in allowance for doubtful accounts	81	121
Increase (decrease) in net defined benefit liability	599	762
Increase (decrease) in provision for bonuses	(1,347)	(1,152)
Increase (decrease) in provision for directors' bonuses	(33)	(35)
Interest and dividends income	(779)	(1,021)
Interest expenses	1,434	1,344
Equity in (earnings) losses of affiliates	(959)	(984)
Loss (gain) on sales of noncurrent assets	(224)	(42)
Loss on retirement of noncurrent assets	103	188
Loss (gain) on sales of investment securities	(124)	(28)
Loss (gain) on valuation of investment securities	64	35
Loss (gain) on valuation of derivatives	3	(18)
Decrease (increase) in notes and accounts receivable-trade	(1,317)	(159)
Decrease (increase) in inventories	(916)	(2,911)
Increase (decrease) in notes and accounts payable-trade	(3,445)	(3,625)
Decrease (increase) in net defined benefit asset	(2,511)	(2,785)
Decrease in assets and liabilities for Transportation Security Services	(12,220)	(1,666)
Other	813	573
Subtotal	30,902	30,616
Interest and dividends income received	1,305	1,704
Interest expenses paid	(1,437)	(1,329)
Income taxes paid	(12,453)	(13,461)
Income taxes refund	9	44
Net cash provided by (used in) operating activities	18,326	17,574

Consolidated Statements of Cash Flows

(Millions of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Net cash provided by (used in) investing activities		
Decrease (increase) in time deposits	393	599
Payments into long-term deposits	(209)	(24)
Proceeds from withdrawal of long-term deposits	42	-
Purchase of property, plant and equipment	(9,104)	(10,102)
Proceeds from sales of property, plant and equipment	550	118
Purchase of intangible assets	(1,662)	(1,367)
Purchase of investment securities	(1,781)	(1,107)
Proceeds from sales of investment securities	1,387	402
Purchase of investments in subsidiaries resulting in change in scope of consolidation	-	(9,365)
Purchase of shares of subsidiaries and associates	-	(525)
Decrease (increase) in short-term loans receivable	10	42
Payments of long-term loans receivable	(119)	(39)
Collection of long-term loans receivable	51	203
Proceeds from refund of leasehold and guarantee deposits	60	420
Other	1,528	794
Net cash provided by (used in) investing activities	(8,851)	(19,948)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	2,664	1,657
Proceeds from long-term loans payable	460	835
Repayment of long-term loans payable	(2,200)	(2,133)
Purchase of treasury stock	(0)	(0)
Repayments of lease obligations	(3,938)	(4,011)
Cash dividends paid	(7,594)	(8,809)
Cash dividends paid to minority shareholders	(538)	(654)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(675)	(408)
Net cash provided by (used in) financing activities	(11,822)	(13,524)
Effect of exchange rate change on cash and cash equivalents	11	24
Net increase (decrease) in cash and cash equivalents	(2,336)	(15,874)
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	-	400
Cash and cash equivalents at end of period	50,807	48,169