

Consolidated Financial Results for the Second Quarter Ended September 30, 2020
Prepared in Conformity with Accounting Principles Generally Accepted in Japan (Japanese GAAP)
English Translation of the Original Japanese-Language Report

SOHGO SECURITY SERVICES CO., LTD.

(Code No.2331, TSE 1st Sec.)

URL <https://www.alsok.co.jp/en/ir/index.html>

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1. Summary of the consolidated financial results for the second quarter ended September 30, 2020
(April 1, 2020 – September 30, 2020)

(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	%
Six months ended September 30, 2020	225,889	0.3	15,837	(2.4)	16,466	(4.6)	9,960	(5.8)
September 30, 2019	225,204	4.6	16,222	16.9	17,256	18.8	10,574	20.0

Note 1: Percentage shown in net sales, operating income, ordinary income, and profit attributable to owners of parent above represent the changes from the previous fiscal year.

Note 2: Comprehensive income Six months ended September 30, 2020 ¥ 12,497 million 8.0%
Six months ended September 30, 2019 ¥ 11,571 million 13.3%

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended September 30, 2020	98.39	-
September 30, 2019	104.46	-

(2) Consolidated financial conditions

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Six months ended September 30, 2020	452,364	278,932	56.0	2,501.99
Fiscal year ended March 31, 2020	428,796	270,432	57.3	2,425.02

Reference: Equity capital Six months ended September 30, 2020 ¥ 253,288 million
Year ended March 31, 2020 ¥ 245,497 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, 2020	-	34.50	-	35.50	70.00
March 31, 2021	-	35.00			
Fiscal year ending March 31, 2021(Forecast)			-	35.00	70.00

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

3. Forecasts for the consolidated financial results for the fiscal year ending March 31, 2021 (April 1, 2020 - March 31, 2021)

(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	485,000	5.4	37,600	2.2	39,200	0.8	24,700	2.2	243.99

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)	Six months ended September 30, 2020	102,040,042 shares	Year ended March 31, 2020	102,040,042 shares
b Number of shares of treasury stock	Six months ended September 30, 2020	804,996 shares	Year ended March 31, 2020	804,877 shares
c Average number of ordinary shares throughout the fiscal year	Six months ended September 30, 2020	101,235,052 shares	Six months ended September 30, 2019	101,235,368 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, 2020	As of September 30, 2020
Assets		
Current assets		
Cash and deposits	56,382	56,307
Cash for Transportation Security Services	87,503	87,558
Notes and accounts receivable-trade	56,043	47,872
Short-term investment securities	618	517
Raw materials and supplies	7,032	8,058
Costs on uncompleted construction contracts	383	526
Advances paid	6,235	5,810
Other	15,519	17,435
Allowance for doubtful accounts	(231)	(235)
Total current assets	229,486	223,851
Noncurrent assets		
Property, plant and equipment	90,439	100,607
Intangible assets		
Goodwill	19,346	30,912
Other	13,252	13,981
Total intangible assets	32,598	44,894
Investments and other assets		
Investment securities	39,855	42,666
Other	36,847	40,774
Allowance for doubtful accounts	(432)	(430)
Total investments and other assets	76,270	83,010
Total noncurrent assets	199,309	228,512
Total assets	428,796	452,364
Liabilities		
Current liabilities		
Notes and accounts payable-trade	25,326	18,512
Short-term loans payable	18,856	32,562
Income taxes payable	6,935	5,082
Provision	2,402	2,710
Other	44,915	41,277
Total current liabilities	98,435	100,144
Noncurrent liabilities		
Long-term loans payable	4,713	5,541
Net defined benefit liability	27,545	28,096
Provision for directors' retirement benefits	1,622	1,624
Asset retirement obligations	465	478
Other	25,581	37,546
Total noncurrent liabilities	59,928	73,287
Total liabilities	158,363	173,431

Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2020	As of September 30, 2020
Net assets		
Shareholders' equity		
Capital stock	18,675	18,675
Capital surplus	34,243	34,031
Retained earnings	203,375	209,741
Treasury stock	(1,070)	(1,071)
Total shareholders' equity	255,222	261,376
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,609	5,435
Revaluation reserve for land	(4,281)	(4,281)
Foreign currency translation adjustment	(167)	(203)
Remeasurements of defined benefit plans	(9,886)	(9,037)
Total accumulated other comprehensive income	(9,725)	(8,087)
Minority interests	24,935	25,643
Total net assets	270,432	278,932
Total liabilities and net assets	428,796	452,364

Consolidated Statements of Income

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Net sales	225,204	225,889
Cost of sales	170,147	169,826
Gross profit	55,056	56,062
Selling, general and administrative expenses	38,833	40,225
Operating income	16,222	15,837
Non-operating income		
Interest income	91	85
Dividends income	463	483
Gain on sales of investment securities	29	2
Equity in earnings of affiliate	411	370
Dividend income of insurance	275	205
Penalty income	172	336
Other	749	760
Total non-operating income	2,193	2,243
Non-operating expenses		
Interest expenses	719	996
Financing expenses	158	124
Loss on sales of investment securities	34	-
Other	246	493
Total non-operating expenses	1,159	1,614
Ordinary income	17,256	16,466
Extraordinary income		
Gain on investment securities	-	22
Gain on sales of non-current assets	-	99
Gain on step acquisitions	26	-
Compensation income	-	50
Total extraordinary income	26	172
Extraordinary loss		
Loss on valuation of investment securities	30	15
Impairment loss	2	43
Loss on sales of non-current assets	102	-
Total extraordinary losses	135	59
Income before income taxes	17,147	16,579
Income taxes	5,836	5,839
Net Income	11,310	10,740
Profit attributable to non-controlling interests	735	779
Profit attributable to owners of parent	10,574	9,960

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Net income	11,310	10,740
Other comprehensive income		
Valuation difference on available-for-sale securities	(215)	866
Foreign currency translation adjustment	(36)	(42)
Remeasurements of defined benefit plans	545	848
Share of other comprehensive income of associates accounted for using equity method	(32)	84
Total other comprehensive income	260	1,757
Comprehensive income	11,571	12,497
(Contents)		
Comprehensive income attributable to owners of the parent	10,830	11,599
Comprehensive income attributable to non-controlling interests	740	898

Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Net cash provided by (used in) operating activities		
Income before income taxes	17,147	16,579
Depreciation and amortization	7,405	7,937
Impairment loss	2	43
Amortization of goodwill	887	1,224
Increase (decrease) in allowance for doubtful accounts	1	(14)
Increase (decrease) in net defined benefit liability	198	241
Increase (decrease) in provision for bonuses	329	222
Increase (decrease) in provision for directors' bonuses	(24)	(25)
Interest and dividends income	(554)	(568)
Interest expenses	719	996
Equity in (earnings) losses of affiliates	(411)	(370)
Loss (gain) on sales of noncurrent assets	106	1
Loss on retirement of noncurrent assets	132	146
Loss (gain) on sales of investment securities	4	(24)
Loss (gain) on valuation of investment securities	30	15
Loss (gain) on valuation of derivatives	43	(12)
Decrease (increase) in notes and accounts receivable-trade	4,020	9,630
Decrease (increase) in inventories	(620)	(1,166)
Increase (decrease) in notes and accounts payable-trade	(5,778)	(9,494)
Decrease (increase) in net defined benefit asset	(926)	(599)
Decrease in assets and liabilities for Transportation Security Services	(506)	11,500
Other	(1,997)	(2,050)
Subtotal	20,208	34,212
Interest and dividends income received	828	845
Interest expenses paid	(729)	(989)
Income taxes paid	(5,885)	(7,434)
Income taxes refund	66	13
Net cash provided by (used in) operating activities	14,489	26,648

Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Net cash provided by (used in) investing activities		
Decrease (increase) in time deposits	824	370
Payments into long-term deposits	-	(2,027)
Proceeds from withdrawal of long-term deposits	-	10
Purchase of property, plant and equipment	(5,890)	(5,675)
Proceeds from sales of property, plant and equipment	216	262
Purchase of intangible assets	(3,540)	(1,074)
Purchase of investment securities	(523)	(1,959)
Proceeds from sales of investment securities	450	292
Payments for acquisition of businesses	(28)	-
Purchase of investments in subsidiaries resulting in change in scope of consolidation	-	(13,689)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	210	-
Decrease (increase) in short-term loans receivable	1	9
Payments of long-term loans receivable	(77)	(28)
Collection of long-term loans receivable	32	46
Proceeds from refund of leasehold and guarantee deposits	-	1,096
Other	575	745
Net cash provided by (used in) investing activities	(7,748)	(21,619)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(324)	2,061
Proceeds from long-term loans payable	225	1,751
Repayment of long-term loans payable	(1,582)	(1,699)
Redemption of bonds	(7)	(9)
Purchase of treasury stock	(1)	(0)
Repayments of lease obligations	(1,924)	(2,718)
Cash dividends paid	(3,544)	(3,594)
Cash dividends paid to minority shareholders	(423)	(471)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-	(628)
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-	850
Net cash provided by (used in) financing activities	(7,580)	(4,458)
Effect of exchange rate change on cash and cash equivalents	(21)	(11)
Net increase (decrease) in cash and cash equivalents	(861)	558
Cash and cash equivalents at beginning of period	43,435	48,790
Cash and cash equivalents at end of period	42,573	49,349