

Consolidated Financial Results for the Second Quarter Ended September 30, 2021
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, 2021
(April 1, 2021 – September 30, 2021)

(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, 2021 | 245,290 | 8.6 | 24,830 | 56.8 | 25,754 | 56.4 | 16,097 | 61.6 |
| September 30, 2020 | 225,889 | 0.3 | 15,837 | (2.4) | 16,466 | (4.6) | 9,960 | (5.8) |

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, 2021 ¥ 17,166 million 37.4%
Six months ended September 30, 2020 ¥ 12,497 million 8.0%

| | Net income per share | | Diluted net income per share | |
|------------------|----------------------|--|------------------------------|--|
| | Yen | | Yen | |
| Six months ended | | | | |
| September, 2021 | 159.01 | | - | |
| September, 2020 | 98.39 | | - | |

(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, 2021 | 475,107 | 317,165 | 61.1 | 2,865.60 |
| Fiscal year ended | | | | |
| March 31, 2021 | 481,465 | 304,427 | 57.6 | 2,741.27 |

Reference: Equity capital Six months ended September 30, 2021 ¥ 290,099 million
Year ended March 31, 2021 ¥ 277,512 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, 2021 | - | 35.00 | - | 37.00 | 72.00 |
| March 31, 2022 | - | 38.00 | | | |
| Fiscal year ending | | | | | |
| March 31, 2022(Forecast) | | | - | 38.00 | 76.00 |

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

3. Forecasts for the consolidated financial results for the fiscal year ending March 31, 2022 (April 1, 2021 - March 31, 2022)

(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 | 500,500 | 6.5 | 42,100 | 13.2 | 43,500 | 10.9 | 27,500 | 9.9 | 271.65 |

Note : Revisions to the forecast of financial results in this quarter: No

4. Others

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

Added: - Removed: -

(2) Application of accounting which is simplified or exceptional for quarterly consolidated financial statements: Yes

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

a Changes arising from revision of accounting standards : Yes

b Changes arising from other factors : No

c Changes arising from accounting estimate : No

d Restatement : No

(4) Number of shares outstanding (Ordinary shares)

| | | | | |
|--|-------------------------------------|--------------------|-------------------------------------|--------------------|
| a Number of shares issued (including treasury stock) | Six months ended September 30, 2021 | 102,040,042 shares | Year ended March 31, 2021 | 102,040,042 shares |
| b Number of shares of treasury stock | Six months ended September 30, 2021 | 805,014 shares | Year ended March 31, 2021 | 805,021 shares |
| c Average number of ordinary shares throughout the fiscal year | Six months ended September 30, 2021 | 101,234,990 shares | Six months ended September 30, 2020 | 101,235,052 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, 2021 | As of September 30, 2021 |
|--|----------------------|--------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 60,833 | 67,283 |
| Cash for Transportation Security Services | 82,819 | 71,827 |
| Notes receivable - trade | 54,283 | - |
| Notes and accounts receivable - trade, and contract assets | - | 51,294 |
| Securities | 598 | 691 |
| Raw materials and supplies | 7,551 | 8,116 |
| Costs on uncompleted construction contracts | 348 | 308 |
| Advances paid | 5,670 | 6,883 |
| Other | 15,691 | 15,749 |
| Allowance for doubtful accounts | (180) | (199) |
| Total current assets | 227,617 | 221,955 |
| Noncurrent assets | | |
| Property, plant and equipment | 103,383 | 101,714 |
| Intangible assets | | |
| Goodwill | 29,678 | 28,282 |
| Other | 13,569 | 14,359 |
| Total intangible assets | 43,247 | 42,641 |
| Investments and other assets | | |
| Investment securities | 55,639 | 55,144 |
| Other | 52,025 | 54,083 |
| Allowance for doubtful accounts | (447) | (430) |
| Total investments and other assets | 107,217 | 108,797 |
| Total noncurrent assets | 253,847 | 253,152 |
| Total assets | 481,465 | 475,107 |
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable-trade | 24,084 | 19,767 |
| Short-term loans payable | 23,880 | 12,366 |
| Income taxes payable | 6,585 | 7,540 |
| Provision | 2,516 | 2,745 |
| Other | 46,726 | 44,294 |
| Total current liabilities | 103,793 | 86,714 |
| Noncurrent liabilities | | |
| Long-term loans payable | 4,528 | 3,364 |
| Retirement benefit liability | 26,974 | 27,155 |
| Provisions | 1,730 | 1,504 |
| Asset retirement obligations | 480 | 485 |
| Other | 39,529 | 38,716 |
| Total noncurrent liabilities | 73,243 | 71,227 |
| Total liabilities | 177,037 | 157,942 |

Consolidated Balance Sheets

(Millions of yen)

| | As of March 31, 2021 | As of September 30, 2021 |
|--|----------------------|--------------------------|
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 18,675 | 18,675 |
| Capital surplus | 34,026 | 34,046 |
| Retained earnings | 220,464 | 232,699 |
| Treasury stock | (1,071) | (1,071) |
| Total shareholders' equity | 272,094 | 284,349 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 7,026 | 7,100 |
| Revaluation reserve for land | (3,494) | (3,378) |
| Foreign currency translation adjustment | (29) | 20 |
| Remeasurements of defined benefit plans | 1,915 | 2,007 |
| Total accumulated other comprehensive income | 5,417 | 5,749 |
| Minority interests | 26,915 | 27,066 |
| Total net assets | 304,427 | 317,165 |
| Total liabilities and net assets | 481,465 | 475,107 |

Consolidated Statements of Income

(Millions of yen)

| | Six months ended September 30, 2020 | Six months ended September 30, 2021 |
|---|--|--|
| Net sales | 225,889 | 245,290 |
| Cost of sales | 169,826 | 181,165 |
| Gross profit | 56,062 | 64,124 |
| Selling, general and administrative expenses | 40,225 | 39,293 |
| Operating income | 15,837 | 24,830 |
| Non-operating income | | |
| Interest income | 85 | 92 |
| Dividends income | 483 | 493 |
| Gain on sales of investment securities | 2 | 17 |
| Share of profit of entities accounted for using equity method | 370 | 481 |
| Dividend income of insurance | 205 | 225 |
| Penalty income | 336 | 421 |
| Other | 760 | 627 |
| Total non-operating income | 2,243 | 2,358 |
| Non-operating expenses | | |
| Interest expenses | 996 | 964 |
| Financing expenses | 124 | 133 |
| Loss on sale of investment securities | - | 5 |
| Other | 493 | 332 |
| Total non-operating expenses | 1,614 | 1,435 |
| Ordinary income | 16,466 | 25,754 |
| Extraordinary income | | |
| Gain on investment securities | 22 | 7 |
| Gain on sales of non-current assets | 99 | 224 |
| Compensation income | 50 | - |
| Total extraordinary income | 172 | 232 |
| Extraordinary loss | | |
| Loss on valuation of investment securities | 15 | 62 |
| Impairment Losses | 43 | 193 |
| Loss on sale of investment securities | - | 0 |
| Total extraordinary losses | 59 | 256 |
| Income before income taxes | 16,579 | 25,730 |
| Income taxes | 5,839 | 8,821 |
| Net Income | 10,740 | 16,909 |
| Profit attributable to non-controlling interests | 779 | 811 |
| Profit attributable to owners of parent | 9,960 | 16,097 |

Consolidated Statements of Comprehensive Income

(Millions of yen)

| | Six months ended September 30, 2020 | Six months ended September 30, 2021 |
|--|--|--|
| Net income | 10,740 | 16,909 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 866 | 92 |
| Foreign currency translation adjustment | (42) | 30 |
| Remeasurements of defined benefit plans | 848 | 79 |
| Share of other comprehensive income of associates accounted for using equity method | 84 | 54 |
| Total other comprehensive income | 1,757 | 256 |
| Comprehensive income | 12,497 | 17,166 |
| (Contents) | | |
| Comprehensive income attributable to owners of the parent | 11,599 | 16,313 |
| Comprehensive income attributable to non-controlling interests | 898 | 852 |

Consolidated Statements of Cash Flows

(Millions of yen)

| | Six months ended September 30, 2020 | Six months ended September 30, 2021 |
|--|--|--|
| Net cash provided by (used in) operating activities | | |
| Income before income taxes | 16,579 | 25,730 |
| Depreciation and amortization | 7,937 | 8,088 |
| Impairment losses | 43 | 193 |
| Amortization of goodwill | 1,224 | 1,224 |
| Increase (decrease) in allowance for doubtful accounts | (14) | 1 |
| Increase (decrease) in net defined benefit liability | 241 | 367 |
| Increase (decrease) in provision for bonuses | 222 | 246 |
| Increase (decrease) in provision for directors' bonuses | (25) | (20) |
| Interest and dividends income | (568) | (586) |
| Interest expenses | 996 | 964 |
| Equity in (earnings) losses of affiliates | (370) | (481) |
| Loss (gain) on sales of noncurrent assets | 1 | (224) |
| Loss on retirement of noncurrent assets | 146 | 63 |
| Loss (gain) on sales of investment securities | (24) | (19) |
| Loss (gain) on valuation of investment securities | 15 | 62 |
| Loss (gain) on valuation of derivatives | (12) | 7 |
| Decrease (increase) in notes and accounts receivable-trade | 9,630 | 2,984 |
| Decrease (increase) in inventories | (1,166) | (545) |
| Increase (decrease) in notes and accounts payable-trade | (9,494) | (4,940) |
| Decrease (increase) in net defined benefit asset | (599) | (1,804) |
| Decrease in assets and liabilities for Transportation Security Services | 11,500 | (1,018) |
| Other | (2,050) | (1,766) |
| Subtotal | 34,212 | 28,528 |
| Interest and dividends income received | 845 | 1,099 |
| Interest expenses paid | (989) | (968) |
| Income taxes paid | (7,434) | (7,548) |
| Income taxes refund | 13 | 9 |
| Net cash provided by (used in) operating activities | 26,648 | 21,120 |

Consolidated Statements of Cash Flows

(Millions of yen)

| | Six months ended September 30, 2020 | Six months ended September 30, 2021 |
|---|--|--|
| Net cash provided by (used in) investing activities | | |
| Decrease (increase) in time deposits | 370 | 864 |
| Payments into long-term deposits | (2,027) | (206) |
| Proceeds from withdrawal of long-term deposits | 10 | 26 |
| Purchase of property, plant and equipment | (5,675) | (6,241) |
| Proceeds from sales of property, plant and equipment | 262 | 548 |
| Purchase of intangible assets | (1,074) | (191) |
| Purchase of investment securities | (1,959) | (1,310) |
| Proceeds from sales of investment securities | 292 | 910 |
| Purchase of investments in subsidiaries resulting in change in scope of consolidation | (13,689) | - |
| Decrease (increase) in short-term loans receivable | 9 | 16 |
| Payments of long-term loans receivable | (28) | (23) |
| Collection of long-term loans receivable | 46 | 33 |
| Proceeds from refund of leasehold and guarantee deposits | 1,096 | 10 |
| Other | 745 | 703 |
| Net cash provided by (used in) investing activities | (21,619) | (4,858) |
| Net cash provided by (used in) financing activities | | |
| Net increase (decrease) in short-term loans payable | 2,061 | (573) |
| Proceeds from long-term loans payable | 1,751 | 245 |
| Repayment of long-term loans payable | (1,699) | (1,514) |
| Redemption of bonds | (9) | - |
| Purchase of treasury stock | (0) | (0) |
| Repayments of lease obligations | (2,718) | (2,674) |
| Cash dividends paid | (3,594) | (3,746) |
| Cash dividends paid to minority shareholders | (471) | (537) |
| Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation | (628) | (144) |
| 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 | (4,458) | (8,945) |
| Effect of exchange rate change on cash and cash equivalents | (11) | (3) |
| Net increase (decrease) in cash and cash equivalents | 558 | 7,312 |
| Cash and cash equivalents at beginning of period | 48,790 | 53,143 |
| Cash and cash equivalents at end of period | 49,349 | 60,456 |