

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

Representative: Yukiyasu Aoyama, President and Representative Director

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

1. Summary of the consolidated financial results for the third quarter ended December 31, 2021
(April 1, 2021 – December 31, 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	%
Nine months ended								
December 31, 2021	363,783	6.2	34,682	38.0	36,166	37.8	23,136	45.3
December 31, 2020	342,408	1.0	25,130	(1.5)	26,243	(2.8)	15,917	(4.0)

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
 Nine months ended December 31, 2021 ¥ 24,451 million 24.1%
 Nine months ended December 31, 2020 ¥ 19,710 million 3.2%

	Net income per share		Diluted net income per share	
	Yen		Yen	
Nine months ended				
December 31, 2021	228.54		-	
December 31, 2020	157.23		-	

(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, 2021	496,908	320,071	59.0	2,895.63
Fiscal year ended				
March 31, 2021	481,465	304,427	57.6	2,741.27

Reference: Equity capital
 Nine months ended December 31, 2021 ¥ 293,138 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)	Nine months ended December 31, 2021	102,040,042 shares	Year ended March 31, 2021	102,040,042 shares
b Number of shares of treasury stock	Nine months ended December 31, 2021	805,054 shares	Year ended March 31, 2021	805,021 shares
c Average number of ordinary shares throughout the fiscal year	Nine months ended December 31, 2021	101,234,997 shares	Nine months ended December 31, 2020	101,235,050 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 December 31, 2021
Assets		
Current assets		
Cash and deposits	60,833	58,011
Cash for Transportation Security Services	82,819	92,628
Notes receivable - trade	54,283	-
Notes and accounts receivable - trade, and contract assets	-	55,613
Securities	598	575
Raw materials and supplies	7,551	8,167
Costs on uncompleted construction contracts	348	642
Advances paid	5,670	8,581
Other	15,691	21,364
Allowance for doubtful accounts	(180)	(207)
Total current assets	227,617	245,376
Noncurrent assets		
Property, plant and equipment	103,383	100,891
Intangible assets		
Goodwill	29,678	27,687
Other	13,569	13,659
Total intangible assets	43,247	41,346
Investments and other assets		
Investment securities	55,639	54,916
Other	52,025	54,878
Allowance for doubtful accounts	(447)	(502)
Total investments and other assets	107,217	109,293
Total noncurrent assets	253,847	251,531
Total assets	481,465	496,908
Liabilities		
Current liabilities		
Notes and accounts payable-trade	24,084	18,359
Short-term loans payable	23,880	26,748
Income taxes payable	6,585	5,674
Provision	2,516	1,138
Other	46,726	54,364
Total current liabilities	103,793	106,285
Noncurrent liabilities		
Long-term loans payable	4,528	2,858
Retirement benefit liability	26,974	27,304
Provisions	1,730	1,564
Asset retirement obligations	480	486
Other	39,529	38,336
Total noncurrent liabilities	73,243	70,551
Total liabilities	177,037	176,837

Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2021	As of December 31, 2021
Net assets		
Shareholders' equity		
Capital stock	18,675	18,675
Capital surplus	34,026	34,129
Retained earnings	220,464	235,890
Treasury stock	(1,071)	(1,072)
Total shareholders' equity	272,094	287,623
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,026	6,756
Revaluation reserve for land	(3,494)	(3,378)
Foreign currency translation adjustment	(29)	85
Remeasurements of defined benefit plans	1,915	2,053
Total accumulated other comprehensive income	5,417	5,515
Minority interests	26,915	26,932
Total net assets	304,427	320,071
Total liabilities and net assets	481,465	496,908

Consolidated Statements of Income

(Millions of yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Net sales	342,408	363,783
Cost of sales	257,157	269,475
Gross profit	85,250	94,307
Selling, general and administrative expenses	60,120	59,625
Operating income	25,130	34,682
Non-operating income		
Interest income	129	138
Dividends income	625	641
Gain on sales of investment securities	2	121
Share of profit of entities accounted for using equity method	764	959
Dividend income of insurance	221	240
Penalty income	611	612
Other	1,050	934
Total non-operating income	3,405	3,648
Non-operating expenses		
Interest expenses	1,512	1,434
Financing expenses	201	199
Loss on sale of investment securities	-	5
Other	578	525
Total non-operating expenses	2,292	2,164
Ordinary income	26,243	36,166
Extraordinary income		
Gain on investment securities	24	7
Gain on sales of non-current assets	99	224
Compensation income	50	1,067
Total extraordinary income	174	1,300
Extraordinary loss		
Loss on valuation of investment securities	73	64
Loss on sale of investment securities	0	0
Impairment Losses	43	295
Total extraordinary losses	117	360
Income before income taxes	26,300	37,106
Income taxes	9,158	12,642
Net Income	17,142	24,463
Profit attributable to non-controlling interests	1,224	1,327
Profit attributable to owners of parent	15,917	23,136

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Net income	17,142	24,463
Other comprehensive income		
Valuation difference on available-for-sale securities	1,244	(249)
Foreign currency translation adjustment	(87)	64
Remeasurements of defined benefit plans	1,272	119
Share of other comprehensive income of associates accounted for using equity method	139	52
Total other comprehensive income	2,568	(12)
Comprehensive income	19,710	24,451
(Contents)		
Comprehensive income attributable to owners of the parent	18,328	23,118
Comprehensive income attributable to non-controlling interests	1,382	1,332

Consolidated Statements of Cash Flows

(Millions of yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Net cash provided by (used in) operating activities		
Income before income taxes	26,300	37,106
Depreciation and amortization	11,872	12,455
Impairment losses	43	295
Amortization of goodwill	1,835	1,824
Increase (decrease) in allowance for doubtful accounts	(25)	81
Increase (decrease) in net defined benefit liability	706	599
Increase (decrease) in provision for bonuses	(1,199)	(1,347)
Increase (decrease) in provision for directors' bonuses	(41)	(33)
Interest and dividends income	(754)	(779)
Interest expenses	1,512	1,434
Equity in (earnings) losses of affiliates	(764)	(959)
Loss (gain) on sales of noncurrent assets	8	(224)
Loss on retirement of noncurrent assets	175	103
Loss (gain) on sales of investment securities	(26)	(124)
Loss (gain) on valuation of investment securities	73	64
Loss (gain) on valuation of derivatives	(11)	3
Decrease (increase) in notes and accounts receivable-trade	8,148	(1,317)
Decrease (increase) in inventories	(1,466)	(916)
Increase (decrease) in notes and accounts payable-trade	(4,953)	(3,445)
Decrease (increase) in net defined benefit asset	(810)	(2,511)
Decrease in assets and liabilities for Transportation Security Services	14,372	(12,220)
Other	(3,988)	813
Subtotal	51,007	30,902
Interest and dividends income received	1,041	1,305
Interest expenses paid	(1,501)	(1,437)
Income taxes paid	(12,168)	(12,453)
Income taxes refund	13	9
Net cash provided by (used in) operating activities	38,392	18,326

Consolidated Statements of Cash Flows

(Millions of yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Net cash provided by (used in) investing activities		
Decrease (increase) in time deposits	(135)	393
Payments into long-term deposits	(2,031)	(209)
Proceeds from withdrawal of long-term deposits	23	42
Purchase of property, plant and equipment	(8,748)	(9,104)
Proceeds from sales of property, plant and equipment	340	550
Purchase of intangible assets	(1,102)	(1,662)
Purchase of investment securities	(1,396)	(1,781)
Proceeds from sales of investment securities	372	1,387
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(13,689)	-
Purchase of shares of subsidiaries and associates	(9,164)	-
Decrease (increase) in short-term loans receivable	12	10
Payments of long-term loans receivable	(57)	(119)
Collection of long-term loans receivable	83	51
Proceeds from refund of leasehold and guarantee deposits	1,096	60
Other	1,403	1,528
Net cash provided by (used in) investing activities	(32,992)	(8,851)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	6,891	2,664
Proceeds from long-term loans payable	1,997	460
Repayment of long-term loans payable	(2,433)	(2,200)
Redemption of bonds	(9)	-
Purchase of treasury stock	(0)	(0)
Repayments of lease obligations	(3,864)	(3,938)
Cash dividends paid	(7,138)	(7,594)
Cash dividends paid to minority shareholders	(471)	(538)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(628)	(675)
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	(4,806)	(11,822)
Effect of exchange rate change on cash and cash equivalents	(11)	11
Net increase (decrease) in cash and cash equivalents	582	(2,336)
Cash and cash equivalents at beginning of period	48,790	53,143
Cash and cash equivalents at end of period	49,372	50,807