

NOTE TO READERS: The following is an English translation of the Annual Securities Report originally issued in the Japanese language. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

Annual Securities Report

(Pursuant to Article 24, Paragraph 1 of the Financial
Instruments and Exchange Act of Japan)

Fiscal Year	From April 1, 2021
(57th business term)	to March 31, 2022

SOHGO SECURITY SERVICES CO., LTD.

1-6-6 Motoakasaka, Minato-ku, Tokyo, Japan

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[Place of filing]	Director-General, Kanto Local Finance Bureau
[Filing date]	June 24, 2022
[Fiscal Year]	57th business term (from April 1, 2021 to March 31, 2022)
[Company name]	綜合警備保障株式会社 (<i>Sogo Keibi Hosho Kabushiki Kaisha</i>)
[Company name in English]	SOHGO SECURITY SERVICES CO., LTD.
[Name and title of representative]	Ikuji Kayaki, Representative Director Group COO
[Address of head office]	1-6-6 Motoakasaka, Minato-ku, Tokyo, Japan
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[Nearest contact place]	1-6-6 Motoakasaka, Minato-ku, Tokyo, Japan
[Telephone number]	+81-3-3470-6811 (Main telephone number)
[Contact person]	Koji Kishimoto, Director and Senior Executive Officer
[Place for public inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihonbashi Kabutocho, Chuo-ku, Tokyo, Japan)

Part 1. [Company Information]

I. [Overview of Company]

1. [Selected financial data]

(1) Consolidated financial data

Fiscal year	53rd business term	54th business term	55th business term	56th business term	57th business term
Ended	March 2018	March 2019	March 2020	March 2021	March 2022
Net sales (Millions of yen)	435,982	443,535	460,118	469,920	489,092
Ordinary income (Millions of yen)	31,913	33,881	38,880	39,212	44,796
Profit attributable to owners of parent (Millions of yen)	19,344	22,269	24,163	25,014	28,964
Comprehensive income (Millions of yen)	25,514	22,346	20,712	41,541	31,890
Net assets (Millions of yen)	241,382	257,098	270,432	304,427	327,509
Total assets (Millions of yen)	396,635	410,113	428,796	481,465	488,278
Net assets per share (Yen)	2,155.74	2,302.38	2,425.02	2,741.27	2,964.85
Net income per share (Yen)	191.93	219.98	238.69	247.09	286.11
Diluted net income per share (Yen)	—	—	—	—	—
Equity capital ratio (%)	55.0	56.8	57.3	57.6	61.5
Return on equity (%)	9.3	9.9	10.1	9.6	10.0
Price earnings ratio (Times)	27.5	21.9	22.0	21.2	14.0
Net cash provided by (used in) operating activities (Millions of yen)	25,496	28,771	33,896	55,522	42,736
Net cash provided by (used in) investing activities (Millions of yen)	(19,125)	(14,911)	(13,395)	(38,452)	(14,093)
Net cash provided by (used in) financing activities (Millions of yen)	(13,429)	(10,934)	(15,113)	(12,714)	(18,183)
Cash and cash equivalents at end of year (Millions of yen)	40,484	43,435	48,790	53,143	63,644
Number of employees [Average number of temporary employees not included in the above] (Number of people)	37,519 [6,542]	37,417 [6,506]	37,902 [6,379]	38,444 [6,838]	38,192 [6,782]

(Note) 1. Diluted net income per share is not disclosed as there are no potentially dilutive shares.

2. SOHGO SECURITY SERVICES CO., LTD. (the “Company”) applied “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the fiscal year ended March 31, 2022. Selected financial data for the current fiscal year is based on the figures after applying the standard, etc.

(2) Non-consolidated financial data

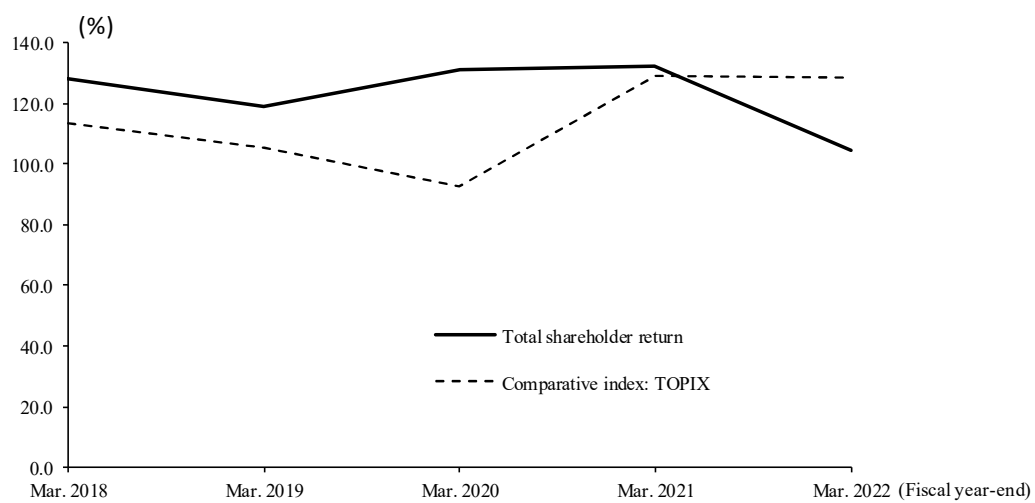
Fiscal year	53rd business term	54th business term	55th business term	56th business term	57th business term
Ended	March 2018	March 2019	March 2020	March 2021	March 2022
Net sales (Millions of yen)	232,697	235,938	243,265	244,367	256,449
Ordinary income (Millions of yen)	23,720	24,326	28,625	29,169	30,856
Net income (Millions of yen)	17,971	19,374	21,979	23,086	24,571
Capital stock (Millions of yen)	18,675	18,675	18,675	18,675	18,675
Total number of shares issued (Shares)	102,040,042	102,040,042	102,040,042	102,040,042	102,040,042
Net assets (Millions of yen)	180,363	192,758	206,558	224,311	241,342
Total assets (Millions of yen)	270,418	281,811	299,151	319,591	326,625
Net assets per share (Yen)	1,781.22	1,903.63	2,039.93	2,215.25	2,388.89
Dividends per share (of which, interim dividends per share) (Yen)	60 (30.0)	66 (31.0)	70 (34.5)	72 (35.0)	82 (38.0)
Net income per share (Yen)	178.26	191.33	217.06	228.00	242.66
Diluted net income per share (Yen)	—	—	—	—	—
Equity capital ratio (%)	66.7	68.4	69.0	70.2	73.9
Return on equity (%)	10.4	10.4	11.0	10.7	10.6
Price earnings ratio (Times)	29.6	25.2	24.2	22.9	16.5
Dividend payout ratio (%)	33.7	34.5	32.2	31.6	33.8
Number of employees (Number of people)	11,976	11,793	11,704	11,861	12,002
Total shareholder return (%)	128.0	119.0	131.3	132.3	104.7
(Comparative index: TOPIX) (%)	(113.5)	(105.2)	(92.8)	(129.2)	(128.7)
Highest stock price (Yen)	6,520	5,690	6,090	5,720	5,320
Lowest stock price (Yen)	4,205	4,560	3,890	4,795	3,975

(Note) 1. Diluted net income per share is not disclosed as there are no potentially dilutive shares.

2. Highest stock price and lowest stock price are those recorded on the First Section of the Tokyo Stock Exchange.

3. The Company applied “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the fiscal year ended March 31, 2022. Selected financial data for the current fiscal year is based on the figures after applying the standard, etc.

4. Changes in the total shareholder return and the comparative index over the last five years are as follows:



2. [History]

Month and Year	Overview
July 1965	Establish Sohgo Security Services Co., Ltd. with a capital of ¥25 million at 2-20 Uchisaiwai-cho, Chiyoda-ku, Tokyo, mainly engaging in security services
August 1966	Establish Sohgo Kanzai Co., Ltd. (currently ALSOK Facilities Co., Ltd.) at Chiyoda-ku, Tokyo, engaging in general property management services
September 1967	Develop and launch SOK GUARD SYSTEM, electronic security services for corporate customers
December 1968	Establish Kita-Kanto Sohgo Security Services Co., Ltd. in Utsunomiya city, Tochigi, mainly engaging in security services
June 1969	Establish Hiroshima Sohgo Security Services Co., Ltd. in Hiroshima city, Hiroshima, mainly engaging in security services
March 1970	Provide security services at Japan World Expo
June 1972	Establish Tokyo Sohgo Security Services Co., Ltd. (currently ALSOK Tokyo Co., Ltd.) in Minato-ku, Tokyo, engaging in stationed security services
January 1975	Develop and launch AMAND SYSTEM featuring automated management of ATMs
May 1975	Establish Hokkaido Sohgo Security Services Co., Ltd. (currently ALSOK Hokkaido Co., Ltd.) in Chuo-ku, Sapporo city, mainly engaging in security services
September 1975	Develop and launch OLM SYSTEM, which incorporates control and monitoring equipment into stationed security
February 1978	Relocate head office to 1-6-6 Motoakasaka, Minato-ku, Tokyo, Japan
October 1979	Launch regular inspection services for fire equipment
December 1982	Form a business alliance with Ryoden Services Co., Ltd. (currently Mitsubishi Electric Building Solutions Corporation) in the property management business
March 1983	Receive first security business certification from the Tokyo Metropolitan Public Safety Commission
September 1984	Establish SOK Electric Work Co., Ltd. in Minato-ku, Tokyo, engaging in security equipment installation services (merged in August 2013)
April 1988	Develop and launch TAKURUSU, electronic home security service
August 1995	Launch TOKYO Operations Center providing centralized monitoring and command system for electronic security in Tokyo
April 1997	Develop and launch MMK, multi-function ATM, featuring payment receiving agency service and information search function
October 1997	Develop and launch CASH DEPOSIT MACHINE ON-LINE SYSTEM, featuring streamlined cash management and manpower and facility cost savings for cash management
April 1998	Develop and Launch SOK HOME SECURITY system, featuring convenient functions for daily life, such as emergency information, online banking and health consultation as well as home security
September 2002	Obtain ISO 9001 certification for the design and provision of Electronic Security Services and Stationed Security Services
October 2002	List stock on the First Section of the Tokyo Stock Exchange
April 2003	Spin-off a part of stationed security division to establish Sohkei Stationed Security Co., Ltd. (currently ALSOK Stationed Security Co., Ltd.), mainly engaging in security services
July 2003	Establish new brand name ALSOK
August 2003	Develop and launch ALSOK SAFETY CONFIRMATION SERVICE, risk management tool for corporate customers
May 2004	Form a business alliance with HOCHIKI Corporation in the security and disaster prevention business
November 2004	Develop and launch ALSOK HOME SECURITY 7, affordable home security system featuring wireless sensors, highly urgent intrusion detection, emergency report and fire detection
April 2005	Expand ALSOK ANSHIN KYOSHITSU, a CSR program to teach children how to protect themselves, to all of Japan
June 2005	Develop and launch new automated patrolling robot for stationed security services
November 2005	Develop and launch ALSOK HOME SECURITY X7 with expanded functions for large-scale private homes
June 2008	Launch PC MONITORING service featuring monitoring and reporting of information leak
October 2008	Launch MAMOLOOK, mobile watching over service for children
December 2008	Develop and launch ALSOK HOME SECURITY α, featuring safe and convenience functions developed from the customer perspectives, such as standardized online security services
July 2009	Develop and launch CHANGE MACHINE SYSTEM, all-inclusive service related to change machines such as installation of the machines, preparation, transportation and loading of coins and bills, as well as troubleshooting
December 2009	Develop and launch GUARD ONE, featuring security service for vehicles-related emergencies such as prevention of damage and early detection of stolen vehicles by reporting to customers and providing location information
April 2010	Launch ALSOK DENPO, telegram service utilizing security service infrastructure
November 2010	Launch ALSOK SILVER PACK that includes all home security functions necessary for senior citizens
February 2011	Convert Japan Facilio Co., Ltd., mainly engaging in piping or electrical construction services, into a subsidiary
April 2011	Launch ALSOK-GV, security system for corporate customers

Month and Year	Overview
February 2012	Commence providing stationed security services at TOKYO SKYTREE TOWN®
October 2012	Launch HOME ALSOK brand of services for individual users Develop and launch HOME ALSOK Premium, featuring imaged-based intruder monitoring service and IoT remote control security and lock
November 2012	Acquire shares of HOCHIKI Corporation, engaging in a disaster prevention service, which becomes an equity-method associate
May 2013	Launch HOME ALSOK LADY'S SUPPORT to protect women from stalkers
August 2013	Merge with SOK Electric Work Co., Ltd. Launch HOME ALSOK APARTMENT AND CONDOMINIUM PLAN, security system for rental housing
September 2013	Launch HOME ALSOK MIMAMORI SUPPORT, emergency reporting and consultation service for senior citizens
April 2014	Convert ALSOK Souei Co., Ltd., engaging in security services and general property management services, into a subsidiary Convert Nippon Building Maintenance Co., Ltd. (currently ALSOK Facilities Co., Ltd.), engaging in general property management services, into a subsidiary Merge with Sohkei Information System Co., Ltd.
May 2014	Launch ALSOK-FM (FACILITY MANAGEMENT) SUPPORT, security system for medium- to large-scale facilities
August 2014	Form a business alliance with Sompo Japan Nipponkoa Group to jointly develop businesses targeted for the aging society with declining birthrate
September 2014	Convert Antei Care Co., Ltd. (currently ALSOK Care Co., Ltd.), engaging in home-visit nursing care services, into a subsidiary
October 2014	Convert HCM Corporation (currently ALSOK Care Co., Ltd.), engaging in home-visit nursing care and long-term care services, into a subsidiary
February 2015	Convert ALSOK Care & Support Co., Ltd., engaging in emergency reporting and long-term care services, into a subsidiary
May 2015	Develop and launch CASH DEPOSIT AND DISPENSER MACHINE ON-LINE SYSTEM, featuring cash management without involvement of banks including cash withdrawal, money change and cash transfer
June 2015	Launch MAMOLOOK, mobile security terminal for senior citizens, women and children
October 2015	Develop and launch HOME SECURITY Basic equipped with latest functions such as support for diversifying telecommunication networks Launch ALSOK IMAGE CLOUD SERVICE, which provides cloud storage for surveillance camera images
February 2016	Form a business alliance with Nippon Dry-Chemical Co., Ltd., engaging in disaster prevention services, etc.
May 2016	Convert Wisnet Co., Ltd. (currently ALSOK Care Co., Ltd.), engaging in long-term care and the related services, into a subsidiary
June 2016	Acquire shares of Nippon Dry-Chemical Co., Ltd., which becomes an equity-method associate
November 2016	Convert PT. ALSOK BASS Indonesia Security Services, engaging in security services in Indonesia, into a subsidiary
December 2016	Convert ALSOK Vietnam Security Services Joint Stock Company, engaging in security services in Vietnam, into a subsidiary
February 2017	Convert ALSOK Shojitsu Security Service Co., Ltd., engaging in security services, into a subsidiary
April 2017	ALSOK-TW East Japan Co., Ltd., engaging in security services, acquire security business of TelWel East Japan Corporation Acquire shares of Keihanshin Security Service Co., Ltd., which becomes an equity-method associate
June 2017	Launch MIMAMORI PACK, featuring security services for wandering in senior citizens with dementia
July 2017	Convert ALSOK Kanto Delivery Co., Ltd., engaging in security services, into a subsidiary
April 2018	Establish Security Joint Venture for the Tokyo 2020 Olympic and Paralympic Games ALSOK Myanmar Security Services Co., Ltd., engaging in security services in Myanmar, start operations and convert it into a consolidated subsidiary
June 2018	Convert Care Plus, Inc., engaging in home-visit medical massages, into a subsidiary
July 2018	Launch 3D LASER RADAR SENSOR equipped with high-precision detection function
January 2019	Convert Sohgo Kanzai Co., Ltd., engaging in property management services, into a subsidiary Convert Health Support Co., Ltd. (currently Sohgo Kanzai Co., Ltd.), engaging in medical waste collection and transportation services, into a subsidiary
May 2019	Convert Keihanshin Security Service Co., Ltd., engaging in security services, into a consolidated subsidiary
September 2019	Provide security services at Rugby World Cup Japan 2019
February 2020	Form a capital and business alliance with Mitsubishi Corporation to expand facility management business both in Japan and overseas Launch ALSOK-G7, security system for corporate customers
April 2020	Convert Life Holdings Co., Ltd., engaging in long-term care services, into a consolidated subsidiary Commence providing stationed security services to nationally and locally-operated accommodation facilities for the novel coronavirus ("COVID-19") patients with mild symptoms
June 2020	Launch AIR BUSTER, ozone deodorizer sanitizing and deodorizing by generating ozone
July 2020	ALSOK Chiba Co., Ltd. launch Gibier Kohboh Mobarra, facility for meat processing

Month and Year	Overview
October 2020	Merge HCM Corporation, the long-term care services division of ALSOK Care & Support Co., Ltd., and Antei Care Co., Ltd., with ALSOK Care Co., Ltd. (formerly Wisnet Co., Ltd.) being the surviving company
December 2020	Form a capital and business alliance with Mitsubishi Corporation and Nippon Care Supply Co., Ltd. pertaining to long-term care services and lifestyle support services for the senior citizens Acquire shares of Nippon Care Supply Co., Ltd., engaging in lifestyle support services for the senior citizens, which becomes an equity-method associate
April 2021	Merge ALSOK Building Services Co., Ltd. and Nippon Building Maintenance Co., Ltd. to establish ALSOK Facilities Co., Ltd.
July 2021	Provide security services for the Tokyo 2020 Olympic and Paralympic Games from July to September
August 2021	Launch office security services using My Number Card
September 2021	Launch ALSOK AI CAMERA SYSTEM, which sends real-time alerts using AI-equipped surveillance cameras with high-precision human detection
December 2021	Launch ALSOK OFFICE DOCTOR PACKAGE and ALSOK HEALTH CONSULTATION PACKAGE, health security service to protect companies from risks of labor shortage and work-related accidents resulting from employees' poor health
March 2022	Launch HOME ALSOK OUTDOOR WIRELESS IP CAMERA
April 2022	Move from the First Section of the Tokyo Stock Exchange to Prime Market as a result of Japan's stock market restructuring
April 2022	Merge with ALSOK Leasing Co., Ltd.
June 2022	Convert ALSOK Joy Life Co., Ltd. and ALSOK Life Support Co., Ltd. both engaging in long-term care services, into a subsidiary

3. [Description of business]

The Group consists of SOHGO SECURITY SERVICES CO., LTD. (the “Company”), 74 consolidated subsidiaries (including 10 overseas) and 14 equity-method companies (including 3 overseas) and engages in Security Services, General Property Management and Fire Protection Services and Long-Term Care Services, etc. In addition to the companies mentioned above, the Group has established a mutual cooperation in sales and operations with a company that operates similar businesses overseas, Taiwan Shin Kong Security Co., Ltd., which is not a consolidated subsidiary or an equity-method company. Details of businesses for each segment are described below:

(1) Security Services

A. Electronic Security Services

In the Electronic Security Services, we set up a security alarm system on a customer’s premise, which allows us to monitor the premise remotely from a security center via telecommunication lines. The system detects intrusions, fires, equipment failures and others and dispatches a security guard to respond to emergency situations.

For corporate customers, “ALSOK-G7” was launched in February 2020, a new-age security system that uses high-quality live images. This is an on-line security service that uses image monitoring technology. The service lineup includes “Live Image Confirmation System”, which enables customers to view live images from anywhere at any time with call features. Another service, “ALSOK Information Sharing Service”, allows customers to view security system status (arming/disarming) and to receive notifications by email when they fail to set up an alarm or the alarm goes off. Optional services include cloud storage of images captured by an image sensor or a surveillance camera, as well as online access to employee attendance record, room entry and others. These services contribute not only to security management but also to labor management and efficient operation. Also, we have focused on upgrading facility management features for medium to large-scale facilities. Among others, “ALSOK-FM (Facility Management) Support” enables increased facility values at low cost, and “AMAND SYSTEM” automates management of ATMs. In addition, “ALSOK Crowds Notification Service” was launched in June 2021, which analyzes images of a facility captured by an image sensor or a surveillance camera in the cloud and streams congestion data on the facility’s website. Subsequently, in September 2021, “ALSOK AI Camera System” was launched, which analyzes recorded images in the cloud with high-precision detection capabilities and sends real-time detection alerts.

For individual customers, we have “Home Security Basic”, which is a system controllable via smartphones or cell phones, such as arming or disarming of the system and selecting security mode depending on stay or away situations. In addition to these functions, “HOME ALSOK Premium” is equipped with outdoor image features. The service lineup also includes “HOME ALSOK APARTMENT AND CONDOMINIUM PLAN” for a communal building, “HOME ALSOK MIMAMORI SUPPORT®”, a service for senior citizens that allows for emergency calls and telephone health consultation and “MIMAMORI Tag”, a GPS for your loved ones. In August 2021, a new monthly membership plan for “HOME ALSOK House Support” was launched. This service includes housekeeping and cleaning services available with special discount offers and other discount coupons. In March 2022, “HOME ALSOK Outdoor Wireless IP Camera” was launched, which allows users to view live or recorded images from a remote location via a smartphone app. In case of emergency, security guard dispatching is also available as an optional service.

We also provide “Monitoring System for Harmful Birds and Beasts” to help customers protect their crops from harmful birds or beasts.

B. Stationed Security Services

In the Stationed Security Services, security guards are assigned to properties of customers for entrance/exit management, patrol and inspection to prevent and respond to various accidents and emergencies. In addition, we meet different needs of our customers, including security for various events such as international conferences, sporting events and parades, as well as security for celebrities and corporate officers in Japan and abroad. Our security service uses equipment, such as metal detection equipment and X-ray inspection equipment, to make it more efficient and effective.

C. Transportation Security Services

In the Transportation Security Services, we transport cash, securities and other valuables to any designated location of our customers using cash transportation vehicles. In addition to the safe transportation of cash, securities and others, “Cash Deposit and Dispenser Machine On-Line System” contributes to operational efficiency of our customers through sales proceeds management and full support utilizing our security transportation network. “Total ATM Management System” provides comprehensive support for operation and management of ATMs located in financial institutions and convenience stores, including cash replenishment and collection and troubleshoot.

(2) General Property Management and Fire Protection Services

In the General Property Management and Fire Protection Services, we provide a wide range of services for building construction, operation and management, including piping or electrical construction, repair and replacement, fire and disaster prevention, facility management, cleaning and sanitizing and call center services. Through these services, we contribute to reducing building management cost and improving property value. The Group also sells emergency supplies, infection control products and AEDs. In the Fire Protection Service, we have entered into a capital and business alliance with HOCHIKI Corporation and Nippon Dry-Chemical Co., Ltd., both of which are providers of disaster prevention services. These companies have become equity-method associates of the Company. The purpose of the alliance is to strengthen a system to drive the fire and disaster prevention business forward and to jointly develop and launch new products and services that match diversifying needs of our customers. In addition, on February 28, 2020, we have entered into a capital and business alliance with Mitsubishi Corporation for the domestic and overseas facility management operations, further strengthening our efforts to expand the facility management business.

(3) Long-Term Care Services

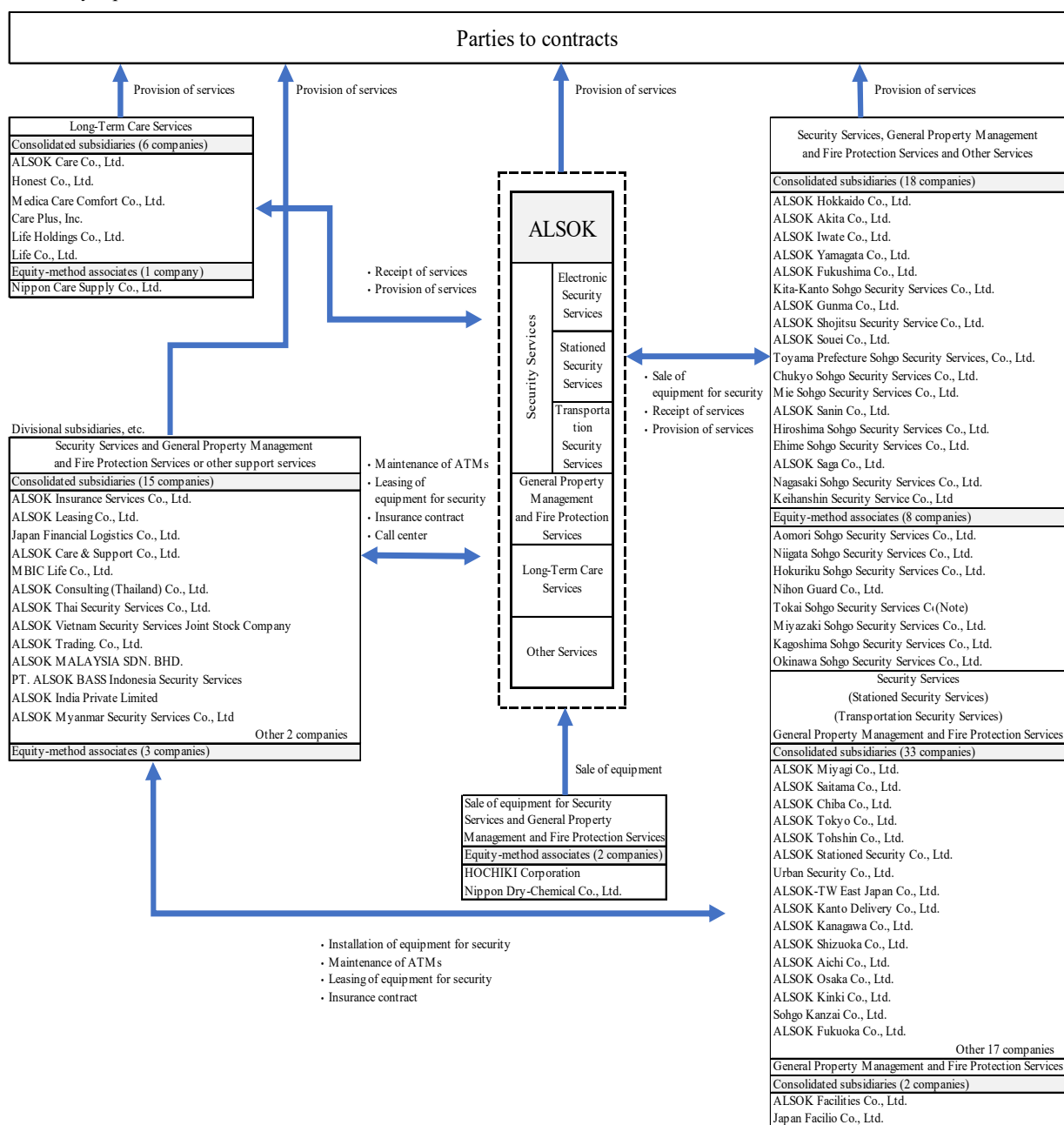
In the Long-Term Care Services, we provide a wide range of services, including home care support (development of care plans), in-home care services, such as home-visit nursing and day care, to provide support for senior citizens living at home, care services for senior citizens living in a nursing home (fee-based with long-term care) and people with dementia (group homes), and care services provided at certain facilities such as elderly housing with living support services. We also sell and lease welfare equipment and also provide home-visit medical massage services for home care patients. In December 2020, we have entered into a capital and business alliance with Nippon Care Supply Co., Ltd., pertaining to long-term care services and lifestyle support services for the senior citizens, with the intention to strengthen our welfare equipment sales and leasing business. We have also expanded our services for long-term care providers and living support services for care receivers and senior citizens with the launch of nutritionally balanced frozen meals.

(4) Other

As we move toward a cashless society, we, as a cashless payment provider, offer “ALSOK Multi-QR Payment Solution”, which allows customers to use multiple QR codes provided by different service providers with just one app and one terminal. We also provide a variety of information security solutions. As more people work from home, “Soliton SecureDesktop” is introduced to respond to growing importance of work-from-home applications with strong security functions. “ALSOK PC Management Service” provides security for terminal equipment, which has become more important than ever as a means to prevent cyber-attacks or phishing. In addition, “ALSOK Office Doctor Package”, which is an employee health management system optimized for businesses with fewer than 50 employees with no obligation to appoint an occupational health physician, and “ALSOK Health Consultation Package”, which provides telephone consultations on health, mental health and harassment as part of employee benefits, were launched.

[Group structure]

The Group's major companies by segment and the structure of these companies for the fiscal year ended March 31, 2022 are as follows. Only representative transactions are described below.



(Note) Following a shareholder agreement, effective May 13, 2022, Tokai Sohgo Security Services Co., Ltd., an equity-method associate, became a subsidiary of the Company.

*1 The Company merged with ALSOK Leasing Co., Ltd., a wholly owned subsidiary of the Company, with the Company as the surviving company effective April 1, 2022. ALSOK Leasing Co., Ltd. has engaged in leasing and installment sales of various properties to customers of the Group, including security equipment such as security cameras and access control devices, and disaster prevention equipment such as automatic fire alarms. For the purpose of structural efficiency of the Group, the Company merged with ALSOK Leasing Co., Ltd. with the Company as the surviving company.

*2 Effective June 22, 2022, the Company acquired all shares of Kanden Joy Life Co., Ltd. and Kanden Life Support Co., Ltd., which has converted these companies into the Company's consolidated subsidiaries, ALSOK Joy Life Co., Ltd. and ALSOK Life Support Co., Ltd..

4. [Subsidiaries and associates]

Name	Address	Capital stock (Millions of yen)	Description of main business	Ownership ratio of voting rights (%)	Relationship
(Consolidated subsidiary)					
ALSOK Hokkaido Co., Ltd.	Kita-ku, Sapporo city	20	Security services	100.0	Receipt and provision of services Management guidance Rental of facilities Number of officers holding concurrent positions: 1
ALSOK Akita Co., Ltd.	Akita city, Akita	30	Security services	100.0	Receipt and provision of services Management guidance Rental of facilities Number of officers holding concurrent positions: 2
ALSOK Iwate Co., Ltd.	Morioka city, Iwate	30	Security services	100.0	Receipt and provision of services Management guidance Rental of facilities Number of officers holding concurrent positions: 1
ALSOK Yamagata Co., Ltd.	Yamagata city, Yamagata	30	Security services	100.0	Receipt and provision of services Management guidance Rental of facilities Number of officers holding concurrent positions: 1
ALSOK Fukushima Co., Ltd.	Koriyama city, Fukushima	200	Security services	100.0	Receipt and provision of services Management guidance Rental of facilities Number of officers holding concurrent positions: 1
Kita-Kanto Sohgo Security Services Co., Ltd. (Note 4)	Utsunomiya city, Tochigi	100	Security services	50.0	Receipt and provision of services Management guidance Rental of facilities Number of officers holding concurrent positions: 2
ALSOK Gunma Co., Ltd.	Maebashi city, Gunma	10	Security services	100.0	Receipt and provision of services Management guidance Rental of facilities Number of officers holding concurrent positions: 1
ALSOK Souei Co., Ltd.	Totsuka-ku, Yokohama city	30	Security services	66.6	Receipt and provision of services Management guidance Rental of facilities Number of officers holding concurrent positions: 1
Toyama Prefecture Sohgo Security Services, Co., Ltd. (Note 4)	Toyama city, Toyama	64	Security services	50.0	Receipt and provision of services Management guidance Rental of facilities Number of officers holding concurrent positions: 1
Chukyo Sohgo Security Services Co., Ltd. (Note 4)	Naka-ku, Nagoya city	50	Security services	50.0	Receipt and provision of services Management guidance Rental of facilities
Mie Sohgo Security Services Co., Ltd. (Note 4, 7)	Yokkaichi city, Mie	10	Security services	50.0 (20.0)	Receipt and provision of services Management guidance Rental of facilities Number of officers holding concurrent positions: 1
ALSOK Sanin Co., Ltd.	Matsue city, Shimane	30	Security services	100.0	Receipt and provision of services Management guidance Rental of facilities Number of officers holding concurrent positions: 2

Name	Address	Capital stock (Millions of yen)	Description of main business	Ownership ratio of voting rights (%)	Relationship
Hiroshima Sohgo Security Services Co., Ltd. (Note 4)	Asaminami-ku, Hiroshima city	90	Security services	50.0	Receipt and provision of services Management guidance Number of officers holding concurrent positions: 2
Ehime Sohgo Security Services Co., Ltd. (Note 4)	Matsuyama city, Ehime	90	Security services	50.0	Receipt and provision of services Management guidance Rental of facilities Number of officers holding concurrent positions: 2
Nagasaki Sohgo Security Services Co., Ltd. (Note 9)	Nagasaki city, Nagasaki	20	Security services	68.8	Receipt and provision of services Management guidance Rental of facilities Number of officers holding concurrent positions: 1
ALSOK Miyagi Co., Ltd.	Miyagino-ku, Sendai city	20	Security services	100.0	Receipt and provision of services Management guidance Rental of facilities Number of officers holding concurrent positions: 1
ALSOK Ibaraki Co., Ltd.	Mito city, Ibaraki	30	Security services	100.0	Receipt and provision of services Management guidance Number of officers holding concurrent positions: 1
ALSOK Saitama Co., Ltd.	Chuo-ku, Saitama city	20	Security services	100.0	Receipt and provision of services Management guidance Rental of facilities Number of officers holding concurrent positions: 1
ALSOK Chiba Co., Ltd.	Hanamigawa-ku, Chiba city	20	Security services	100.0	Receipt and provision of services Management guidance Number of officers holding concurrent positions: 1
ALSOK Tokyo Co., Ltd.	Chiyoda-ku, Tokyo	30	Security services	100.0	Receipt and provision of services Management guidance Rental of facilities
ALSOK Tohshin Co., Ltd.	Fuchu city, Tokyo	18	Security services	100.0	Receipt and provision of services Management guidance Rental of facilities Number of officers holding concurrent positions: 1
ALSOK Stationed Security Co., Ltd.	Sumida-ku, Tokyo	300	Security services	100.0	Receipt and provision of services Management guidance Rental of facilities
Urban Security Co., Ltd.	Chiyoda-ku, Tokyo	100	Security services	51.4	Receipt and provision of services Management guidance Rental of facilities Number of officers holding concurrent positions: 1
ALSOK Shojitsu Security Service Co., Ltd.	Chiyoda-ku, Tokyo	100	Security services	100.0	Receipt and provision of services Management guidance Number of officers holding concurrent positions: 1
ALSOK-TW East Japan Co., Ltd.	Chuo-ku, Tokyo	100	Security services	80.0	Receipt and provision of services Management guidance Rental of facilities Number of officers holding concurrent positions: 2
ALSOK Kanto Delivery Co., Ltd.	Adachi-ku, Tokyo	10	Security services	100.0	Receipt and provision of services Management guidance Rental of facilities
ALSOK Kanagawa Co., Ltd.	Nishi-ku, Yokohama city	30	Security services	100.0	Receipt and provision of services Management guidance Rental of facilities

Name	Address	Capital stock (Millions of yen)	Description of main business	Ownership ratio of voting rights (%)	Relationship
ALSOK Shizuoka Co., Ltd.	Aoi-ku, Shizuoka city	30	Security services	100.0	Receipt and provision of services Management guidance Rental of facilities Number of officers holding concurrent positions: 1
ALSOK Aichi Co., Ltd.	Nishi-ku, Nagoya city	30	Security services	100.0	Receipt and provision of services Management guidance Rental of facilities
ALSOK Keiji Co., Ltd.	Shimogyo-ku, Kyoto city	20	Security services	100.0	Receipt and provision of services Management guidance Rental of facilities Number of officers holding concurrent positions: 1
ALSOK Osaka Co., Ltd.	Chuo-ku, Osaka city	20	Security services	100.0	Receipt and provision of services Management guidance Rental of facilities Number of officers holding concurrent positions: 2
ALSOK Kinki Co., Ltd.	Chuo-ku, Osaka city	50	Security services	100.0	Receipt and provision of services Management guidance Rental of facilities Number of officers holding concurrent positions: 3
ALSOK Hyogo Co., Ltd.	Chuo-ku, Kobe city	10	Security services	100.0	Receipt and provision of services Management guidance Rental of facilities Number of officers holding concurrent positions: 2
ALSOK Asahi Harima Co., Ltd. (Note 7)	Hamada city, Shimane	20	Security services	90.0 (30.0)	Receipt and provision of services Management guidance Rental of facilities Number of officers holding concurrent positions: 1
ALSOK Yamaguchi Co., Ltd.	Yamaguchi city, Yamaguchi	10	Security services	100.0	Receipt and provision of services Management guidance Rental of facilities Number of officers holding concurrent positions: 2
ALSOK Tokushima Co., Ltd.	Tokushima city, Tokushima	10	Security services	100.0	Receipt and provision of services Management guidance Number of officers holding concurrent positions: 1
ALSOK Kochi Co., Ltd.	Kochi city, Kochi	15	Security services	100.0	Receipt and provision of services Management guidance Number of officers holding concurrent positions: 1
ALSOK Fukuoka Co., Ltd.	Hakata-ku, Fukuoka city	20	Security services	100.0	Receipt and provision of services Management guidance Rental of facilities Number of officers holding concurrent positions: 2
Hiroshima Sohkei Services Co., Ltd. (Note 4, 7)	Asaminami-ku, Hiroshima city	30	Security services	50.0 (50.0)	Receipt of services
ALSOK Care & Support Co., Ltd.	Ota-ku, Tokyo	100	Security services	100.0	Management guidance Rental of facilities Number of officers holding concurrent positions: 1
Keihanshin Security Service Co., Ltd	Ikeda city, Osaka	35	Security services	60.6	Receipt and provision of services Management guidance Number of officers holding concurrent positions: 2

Name	Address	Capital stock (Millions of yen)	Description of main business	Ownership ratio of voting rights (%)	Relationship
ALSOK Facilities Co., Ltd. (Note 8)	Chiyoda-ku, Tokyo	72	General Property Management and Fire Protection Services	100.0	Receipt and provision of services Management guidance Rental of facilities Number of officers holding concurrent positions: 2
Japan Facilio Co., Ltd. (Note 3)	Minato-ku, Tokyo	2,500	General Property Management and Fire Protection Services	91.6	Management guidance Number of officers holding concurrent positions: 2
ALSOK Leasing Co., Ltd.	Chiyoda-ku, Tokyo	100	Security support services	100.0	Management guidance Number of officers holding concurrent positions: 1
Japan Financial Logistics Co., Ltd.	Minato-ku, Tokyo	40	Security support services	60.0	Provision of services Rental of facilities Number of officers holding concurrent positions: 1
ALSOK Care Co., Ltd.	Omiya-ku, Saitama city	100	Long-Term Care Services	100.0	Management guidance Rental of facilities Number of officers holding concurrent positions: 2
Honest Co., Ltd. (Note 7)	Taisho-ku, Osaka city	3	Long-Term Care Services	100.0 (100.0)	Management guidance Number of officers holding concurrent positions: 1
Care Plus, Inc.	Minato-ku, Tokyo	69	Long-Term Care Services	100.0	Management guidance Rental of facilities
Life Holdings Co., Ltd.	Shinagawa-ku, Tokyo	100	Long-Term Care Services	100.0	Management guidance Rental of facilities Number of officers holding concurrent positions: 2
Life Co., Ltd. (Note 7)	Shinagawa-ku, Tokyo	100	Long-Term Care Services	100.0 (100.0)	Management guidance Rental of facilities Number of officers holding concurrent positions: 2
MBIC Life Co., Ltd. (Note 7)	Shinagawa-ku, Tokyo	1	Food inspection business	100.0 (100.0)	Management guidance Rental of facilities Number of officers holding concurrent positions: 3
PT. ALSOK BASS Indonesia Security Services (Note 4)	Jakarta, Indonesia	11,000 million Indonesian Rupia	Security Services	49.0	Management guidance Number of officers holding concurrent positions: 1
ALSOK Thai Security Services Co., Ltd. (Note 4, 7)	Bangkok, Thailand	69 million Thai Baht	Security Services	100.0 (51.0)	Management guidance
ALSOK Vietnam Security Services Joint Stock Company (Note 4)	Hai Phong City, Vietnam	11,000 million Vietnamese Dong	Security Services	49.0	Management guidance Number of officers holding concurrent positions: 1
Other 20 companies	—	—	—	—	—

Name	Address	Capital stock (Millions of yen)	Description of main business	Ownership ratio of voting rights (%)	Relationship
(Equity-method associates)					
HOCHIKI Corporation (Note 5, 6)	Shinagawa-ku, Tokyo	3,798	Sales of equipment related to Security Services and General Property Management and Fire Protection Services	17.3	Equipment purchase
Nippon Dry-Chemical Co., Ltd. (Note 5, 6)	Kita-ku, Tokyo	700	Sales of equipment related to Security Services and General Property Management and Fire Protection Services	15.7	Equipment purchase
Aomori Sohgo Security Services Co., Ltd.	Aomori city, Aomori	30	Security Services	30.0	Receipt and provision of services Management guidance Number of officers holding concurrent positions: 1
Niigata Sohgo Security Services Co., Ltd. (Note 5)	Higashi-ku, Niigata city	48	Security Services	15.0	Receipt and provision of services Management guidance Number of officers holding concurrent positions: 1
Hokuriku Sohgo Security Services Co., Ltd. (Note 5)	Kanazawa city, Ishikawa	60	Security Services	15.0	Receipt and provision of services Management guidance Number of officers holding concurrent positions: 1
Nihon Guard Co., Ltd.	Gifu city, Gifu	51	Security Services	31.3	Receipt and provision of services Management guidance Number of officers holding concurrent positions: 2
Tokai Sohgo Security Services Co., Ltd.	Ito city, Shizuoka	10	Security services	50.0	Receipt and provision of services Management guidance Number of officers holding concurrent positions: 2
Miyazaki Sohgo Security Services Co., Ltd. (Note 5)	Miyazaki city, Miyazaki	20	Security services	15.0	Receipt and provision of services Management guidance Number of officers holding concurrent positions: 1
Kagoshima Sohgo Security Services Co., Ltd.	Kagoshima city, Kagoshima	20	Security services	20.0	Receipt and provision of services Management guidance Number of officers holding concurrent positions: 1
Okinawa Sohgo Security Services Co., Ltd. (Note 5)	Ginowan city, Okinawa	40	Security services	15.0	Receipt and provision of services Management guidance Number of officers holding concurrent positions: 1
Nippon Care Supply Co., Ltd. (Note 6)	Minato-ku, Tokyo	2,897	Life support for senior citizens	32.1	Management guidance Rental of facilities
Other 3 companies	—	—	—	—	—

(Note) 1. The segment name is described in the description of main business.

2. Selected profit/loss information is not disclosed for the consolidated subsidiaries as no single consolidated subsidiary accounted for more than 10% of the consolidated net sales (excluding intercompany sales).
3. This is a specified subsidiary.
4. Although the ownership interest is less than 50/100, this is considered as a subsidiary as we substantially control the company.
5. Although the ownership interest is less than 20/100, this is considered as an equity-method associate as we have significant influence over the company.
6. Annual Securities Report has been submitted.
7. The percentage in parentheses under ownership ratio of voting rights represents indirect ownership ratio and is included in the percentage described above.
8. On April 1, 2021, a merger was concluded between ALSOK Building Services Co., Ltd. and Nippon Building Maintenance

Co., Ltd., both of which are the Company's consolidated subsidiaries engaging mainly in the General Property Management and Fire Protection Services business. Upon conclusion of the merger, the trade name of the surviving company, Nippon Building Maintenance Co., Ltd., was changed to ALSOK Facilities Co., Ltd.

9. Additional shares were acquired during the fiscal year ended March 31, 2022, resulting in the ownership ratio of voting rights of 68.8%.

5. [Employees]

(1) Consolidated companies

As of March 31, 2022

Segment	Number of employees
Security Services	29,824 [3,498]
General Property Management and Fire Protection Services	1,851 [690]
Long-Term Care Services	2,612 [2,407]
Total for reportable segments	34,288 [6,595]
Other Services	250 [54]
Corporate	3,654 [133]
Total	38,192 [6,782]

(Note) The number of employees includes permanent employees. The number in square brackets represents the average number of temporary employees during the fiscal year ended March 31, 2022.

(2) Reporting company

As of March 31, 2022

Number of employees	Average age	Average years of service	Average yearly salary (Yen)
12,002	40.7	17.6	5,797,600

Segment	Number of employees
Security Services	9,736
General Property Management and Fire Protection Services	101
Long-Term Care Services	8
Total for reportable segments	9,845
Other Services	30
Corporate	2,127
Total	12,002

(Note) 1. The number of employees includes permanent employees.

2. Average yearly salary includes bonuses and overtime pay.

(3) Labor union

A labor union has been established for the following consolidated subsidiaries: Japan Facilio Co., Ltd., (178 members), ALSOK Souei Co., Ltd. (302 members), ALSOK-TW East Japan Co., Ltd. (151 members) and Care Plus, Inc. (255 members).

No labor union has been established for other companies.

The labor-management relations are well-managed.

II. [Business Overview]

1. [Management policy, business environment and pressing issues]

(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) Target management indicators

The ALSOK Group believes that expanding its security services and other operations as well as streamlining and improving efficiency of all of its business activities are essential tasks for increasing profitability. Accordingly, it is focusing on the ordinary income margin as an important management indicator. We 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 both ordinary income margin and ROE of 10% or more.

(3) Medium- and long-term corporate strategy

To meet expanding safety and security needs of society with diversified risks, the ALSOK Group aims to become a resilient integrated safety and security solutions provider by promoting the innovation of security business model. To achieve this, we will enhance the capacity to respond to diverse safety and security needs of society, promote digitization and utilization of data, establish a work environment where employees play an active role, and strengthen the efforts of sustainability.

(4) Business environment and 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. Additionally, in a society where risks are diversifying, as a provider of an important form of social infrastructure related to safety and security, ALSOK will promote the transformation of its security service business model by strengthening integration in existing business areas and expanding new business areas to accurately respond to the growing safety and security needs of customers and society.

A. Responding to soaring prices of resources, shortage of parts supply and fluctuations in financial markets

Despite the formulation of comprehensive emergency policy measures against price hikes in crude oil and other goods, the weaker yen, soaring raw material prices, such as crude oil, and increasing production costs, such as wages, are expected to continue. Even in such environment, we, as a company declaring partnership building under the Japanese government initiative, will strive to work and stay together with our business partners and to undertake initiatives focusing on multi-stakeholders including our business partners. Also, in order to address the supply shortage of semiconductors and other parts, we will appropriately manage our inventory based on supply and demand forecasts, seek new suppliers and promote reuse to minimize the impact on the procurement of equipment used by the Company.

B. Implementing measures against COVID-19

In accordance with the national government’s basic policy and action plans and municipal guidelines for businesses on preventing the spread of COVID-19, the ALSOK Group is taking appropriate measures to prevent the spread of infection and maintain business continuity. The Group also makes every effort to appropriately address emerging needs for safety and security of customers and society.

C. Responding to diverse safety and security needs of customers and society

Risks surrounding society are increasingly diversified, such as the risk of COVID-19 infection, increasing risk of cyber-attacks on critical infrastructure and supply chains for which international countermeasures need to be strengthened based on geopolitical risks, increasing number of crimes targeting senior citizens, women, children and other vulnerable members of society, ongoing natural disasters and aging infrastructure. We are aware that it is highly important to respond to safety and security needs of society appropriately and with the highest possible quality as well as to respond to the recently-enacted economic security act.

The ALSOK Group will respond to these risks by strengthening internal and external infrastructure built by its security and facility management businesses and by developing new solutions through external alliances that combine various features from its services such as services for cyber security, services that protect the safety and security of individual customers, services such as BCP solutions to address natural disaster risks, services to meet various outsourcing needs and

comprehensive management services for buildings, facilities and infrastructure.

D. Expanding business scope

The ALSOK Group has been addressing the various safety and security needs of customers arising from diversified risks and providing multifaceted support for corporate customers' 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.

E. Operational reforms through digitization and data utilization (DX)

Amid massive changes in the business environment surrounding the ALSOK Group, including advances in digital technologies, the Company is focusing efforts on improving service quality through enhanced communications with customers and data utilization and increasing productivity as well as creating added value by streamlining and saving labor in front- and back-office operations.

F. Creating environments in which employees can play active roles

The ALSOK Group will further promote workstyle reforms throughout the Group while improving employee engagement. This includes employing the diverse array of human resources who can drive the Security Services, General Property Management and Fire Protection Services and Long-Term Care and Lifestyle Support Services, facilitating a wide range of workstyles to employees and developing systems and environments that enable individual employees to develop their skills and maximize their capabilities, such as initiatives for employees to obtain certificates or take more paid leaves.

G. Initiatives to drive sustainability

The ALSOK Group will strive to achieve sustainable growth and the medium- to long-term enhancement of corporate value by strengthening corporate governance. Further, the Company will contribute to attaining the SDGs through its CSR activities. At the same time, in recognition of global climate problems as issues affecting all humanity, with the aim of realizing a sustainable society, ALSOK will contribute to the spread of electronic vehicle ("EV") and EV charging facilities through sales, installation and maintenance of such facilities as an initiative to reduce CO2 emissions (GX). In addition, as an initiative to conserve the ecosystem, eight companies in the Group have been certified as a "business operator for capturing birds and beasts", and ALSOK Chiba Co., Ltd. opened a meat processing facility in July 2020 to sell gibier meat. Furthermore, as an initiative to forming a circulating society, "Social Contribution Type Emergency Supplies Service" was launched in April 2022. This is a subscription service for emergency supplies. Unused emergency supplies are collected six months before the expiration date and donated to various social welfare facilities, thereby contributing to solve a social problem such as food loss. The Company considers that the environmental issue is one of the diversified risks and will make efforts to tackle the issue.

H. Developing overseas operations

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.

2. [Risk factors]

In relation to matters described in Risk Factors and Financial Condition of the Annual Securities Report, the following items are the major risks that, in management's opinion, may have a significant impact on financial position, operating results and cash flows of the Group.

Any forward looking information included in this report is based on the best estimates of the Group as of the date of filing of this report.

(1) Risk related to soaring prices of resources, shortage of parts supply and fluctuations in financial markets

If the weaker yen, soaring prices of raw materials such as crude oil, and rising production costs such as wages continue due to the prolonged effect of Russia's invasion of Ukraine, we may not be able to provide services on an ongoing basis.

To address this risk, we, as a company declaring partnership building under the Japanese government initiative, have worked and stayed together with our business partners and undertaken initiatives focusing on multi-stakeholders including our business partners.

Also, the supply shortage of semiconductors and other parts may affect the procurement of equipment used by the Company.

To minimize the impact, the Company has appropriately managed its inventory based on supply and demand forecasts, sought new suppliers and promoted reuse.

(2) Risk related to outbreak of the infectious disease

As a provider of services concerning safety and security of society (Security Services, General Property Management and Fire Protection Services, Long-Term Care Services), the Group will make efforts to provide appropriate services and continue the business.

If any employee guarding important facilities gets infected or when any outbreak occurs at long-term care facilities the Group operates, it may affect the Company's ability to provide services continuously.

To address this risk, the Group established a "task force" as a measure to prevent the spread of infection, and also, a contingency plan was formulated to be able to provide various services continuously. We have the following measures to prevent the spread of infection:

(Measures to prevent the spread of infection)

- Ensure taking temperature by thermography, wearing face mask, washing hands and promoting vaccination including work-site vaccination.
- Ensure wearing face mask, restricting admission and cleaning at the Group's facilities, especially the long-term care facilities, to prevent the spread of infection.

The Group will take appropriate measures to prevent the spread of infectious diseases and continue our business, and will accurately meet the safety and security needs of our customers and society in accordance with the government's COVID-19 basic action policy and local government's guidelines.

(3) Risk related to business environment

If the Group could not meet the customers' expectations for increasing risk of cyber-attacks on critical infrastructure, increasing number of crimes targeting senior citizens, women, children and other vulnerable members of society, ongoing natural disasters and aging infrastructure, it may lead to loss of trust of customers and affect the Group's operating results.

The ALSOK Group has responded to the risk by strengthening internal and external infrastructure built by its security and facility management businesses and by developing new solutions through external alliances that combine various features from its services such as services for cyber security, services that protect the safety and security of individual customers, services such as BCP solutions to address natural disaster risks, services to meet various outsourcing needs and comprehensive management services for buildings, facilities and infrastructure.

(4) Risk related to massive disasters

If a massive disaster occurs and the Group's employees or facilities are suffered from the disaster, it may affect the business operations.

Therefore, the Group prepares for massive disasters with the expertise built on experiences by taking measures such as development of a business continuity plan and disaster preparedness manuals based on disaster countermeasures regulations, emergency supplies, nationwide mobile correspondence system and periodic education and training.

If a massive disaster and the prolonged power outage associated with the disaster disrupt the Group's network, it may affect the Group's ability to provide services continuously.

To address this risk, the Group locates two data centers each in Eastern Japan and Western Japan as a backup for critical systems, which enables to mutually monitor the systems to prepare for massive disasters.

(5) Risk related to human resources recruitment and development

The Group has developed a wide variety of businesses such as Security Services, General Property Management and Fire Protection Services (including facility management and construction) and lifestyle support services for the senior citizens. Under the circumstance of decreasing working-age population, if retaining high quality human resources becomes difficult, leading to shortage of staff and managers who operate these businesses, it may affect the Group's operating results.

To address this risk, we will further promote workstyle reforms and improve working conditions within the Group and improve employee engagement by creating a system and environment that allows employees to maximize their abilities, such as increasing basic salary (now for nine consecutive years), hiring diverse human resources, providing diverse workstyle options, and providing support for employees to obtain certificates to develop their skills and initiatives to take more paid leaves.

Furthermore, with the aim of revitalizing the organization and developing employees, we make efforts to improve communication within the Group, increase the opportunities for female employees, establish flexible human resource management by multi-tasking and place the right person in the right place.

We also make efforts to improve productivity by streamlining operations and saving labor in the front and back offices. This includes retention of high quality human resources such as introducing a system for retirees with abundant practical experiences to play an active role in the Group even after the retirement, as well as digital transformation and data utilization.

(6) Risk related to changes in technological environment

In order to meet the safety and security needs of customers and society, development of new products and services utilizing AI, 5G and IoT technologies is essential. If the Group could not respond to these changes in the technological environment, it may affect the Group's operating results.

Therefore, we strive to avoid this risk by understanding the latest trends of technology and driving digital transformation with the active use of AI, 5G and IoT technologies.

(7) Risk related to system development and operation

In some cases, the Group outsources development of new products, services and enterprise system to external vendors. If the development work of the Company or the vendor is delayed and the product, service or system is not released as planned, it may affect the Group's operating results or business plan. To address this risk, the Group closely works with the vendor to monitor the progress, and if necessary, takes appropriate measures immediately to prevent the delay. Also, we have an option to conduct system migration in phases by function in order to mitigate the risk. We have appropriate internal controls in place for acceptance tests and system repair/improvement. Moreover, by strengthening the recruitment and development of human resources with advanced expertise such as project management skills, the progress and quality of the vendor will be appropriately managed.

If a system trouble occurs after the implementation during the development of the enterprise system used by the Company, it may affect the Group's operating results or internal controls. To prepare for such system trouble, the Group has established a system with an external vendor to deal with such trouble and appropriate internal controls.

In addition, if a network failure or system trouble occurs for the operation of a system or enterprise system related to products and services, it may affect the Group's ability to provide the services. To address this risk, the Group has a backup system in place including multiplex network equipment at each location and multiple backup servers at remote locations. The Group also conducts drills for system failures to ensure stable system operations.

(8) Risk related to information management

The Group handles personal information and confidential information. If any malicious attack to the information assets by third parties or any accidental or intentional leakage of the assets by the Group's employees or vendors occurs, it may lead to deterioration of the Group's social credibility and brand image, the payment of damages and legal punishment, which may affect the Group's operating results.

To address this risk, the Group has established "Basic Policy for Information Security" as a cornerstone to ensure information security, which is applied to all employees including officers and all information assets held. Based on Information Assets Management Rule, a company-wide management system for information assets has been established and promoted, and drills have been conducted to prepare for incidents related to information assets. Furthermore, if a critical incident occurs, the Group sets up ALSOK-CSIRT (Computer Security Incident Response Team), which is a framework to respond to the incident and develop and execute the preventative measures.

(9) Risk related to reputation

In providing products and services, the Group shares common corporate brand among multiple companies. Under the circumstance, if any incident or scandal occurs at the Group or its subsidiaries and associates, not only may the Company be suspended from bidding, but it may also damage the brand image and affect the operating results.

For the purpose of enhancing group governance, the Company has established a specialized department to provide strict supervision and oversight of subsidiaries and associates. The department reports to the Company on performance of duties and critical information related to risk of loss of subsidiaries and associates on a timely basis. The Company sends directors or Audit and Supervisory Board members to the subsidiaries and associates.

Based on "Internal Audit Regulation", Inspection Department is working to ensure compliance of the Group by managing overall business activities of subsidiaries and associates, as well as by providing supervision, advice and recommendation for operational systems and business process improvements.

The information on the Company's internal control system and audit by the Audit and Supervisory Board and internal audit is described in "IV. Information on Reporting Company, 4. Corporate governance" in the Annual Securities Report.

(10) Risk related to environmental issues

In recent years, extreme weathers, such as heat waves, heavy rains and droughts, have frequently occurred all over the world. In Japan as well, extreme weathers, such as heavy rains exceeding 100 mm per hour and intense heat exceeding 40°C, have been observed in various places, which has a great impact not only on the Group but also on corporate activities and citizens' lives.

The Group has responded to such climate change by taking various initiatives and providing products and services from both risk and opportunity perspectives to address issues, such as mitigating and adapting to climate change, conserving water, ocean and forest resources, responding to circulating society, preventing pollution and managing waste and conserving biodiversity, to create more sustainable society. In addition, we are working on CO2 reductions (GX) as a global environmental measure through our initiatives including switching the lighting of our facilities to LED and promoting electric and hybrid vehicles. We also support and participate in JCI Climate Change Initiative, a domestic initiative on climate change. Furthermore, in January 2020, we became a member of Global Environmental Action, an NGO established for the purpose of contributing to the solution of global environmental issues and sustainable development. Our initiatives also include endorsement of "Task Force on Climate-related Financial Information Disclosures" in February 2022. We communicate these initiatives on our website and ALSOK Report (Integrated Report) published annually.

(11) Risk related to legal regulations

In providing the customers with security services, etc., the Group is subject to various regulatory requirements, including major ones described below.

If any of these regulatory requirements is amended or abolished, or any new requirement is established, it may affect the Group's operating results.

To address this risk, each department of the Company as well as subsidiaries and associates confirms whether there is any amendment to or abolishment of regulatory requirements or newly established requirement and takes appropriate actions. Such risk information is reported to the Company's Legal Office on a regular basis. Going forward, we will pay close attention to the regulatory developments and take appropriate actions in order to avoid the impact of such changes on our operating results.

	Relevant laws or ordinances	Regulatory agency, etc.
Security Services	Security Business Act	National Public Safety Commission (National Police Agency)
	Road Traffic Act	
	Telecommunications Business Act	Ministry of Internal Affairs and Communications
	Radio Act	
	Act on Ensuring Fair Electric Business Practices	Ministry of Economy, Trade and Industry
	Act on Electrical Appliance and Material Safety	
	Act on Specified Commercial Transaction	Ministry of Economy, Trade and Industry, Consumer Affairs Agency
	Consumer Contract Act	
	Construction Business Act	Ministry of Land, Infrastructure, Transport and Tourism
	Act on Promotion of Proper Tendering and Contracting for Public Works	
	Motor Truck Transportation Business Act	
	Consigned Freight Forwarding Business Act	
	Road Trucking Vehicle Act	
	Warehousing Business Act	
	Act on Special Districts for Structural Reform	Cabinet Office
	Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors	Japan Fair Trade Commission, Small and Medium Enterprise Agency
Act on Penal Detention Facilities and Treatment of Inmates and Detainees	Ministry of Justice	
General Property Management and Fire Protection Services	Construction Business Act	Ministry of Land, Infrastructure, Transport and Tourism
	Act on Promotion of Proper Tendering and Contracting for Public Works	
	Building Lots and Buildings Transaction Business Act	
	Architect Act	
	Act on Advancement of Proper Condominium Management	Ministry of Health, Labor and Welfare
	Pharmaceutical and Medical Device Act	
	Act on Maintenance of Sanitation in Building	Ministry of the Environment
	Waste Disposal Act	
	Air Pollution Control Act	Ministry of Economy, Trade and Industry
	Electricity Business Act	
	Act on Ensuring Fair Electric Business Practices	
	Act on Securing of Safety and the Optimization of Transaction of Liquefied Petroleum Gas	Ministry of Internal Affairs and Communications
	Fire and Disaster Management Act	
	Fire Prevention Ordinance	Municipality
Long-Term Care Services	Long-Term Care Insurance Act	Ministry of Health, Labor and Welfare, Prefecture, Municipality
	Act on Social Welfare for the Elderly	
	Act on Massage and Finger Pressure Practitioners, Acupuncturists, Moxibustion Practitioners, etc.	

	Relevant laws or ordinances	Regulatory agency, etc.
Other Services	Correspondence Delivery Act	Ministry of Internal Affairs and Communications
	Worker Dispatching Act	Ministry of Health, Labor and Welfare
	Employment Security Act	
	Insurance Business Act	Financial Services Agency
	Act on Sales, etc. of Financial Instruments	
	Act on Prevention of Transfer of Criminal Proceeds	National Public Safety Commission (National Police Agency)
	Act on Adequacy of Duties of the Detective Business	
	Secondhand Articles Business Act	
	Personal Information Protection Act	Personal Information Protection Commission
	Act on Special Measures to Prevent and Correct Shift for Consumption Tax	Japan Fair Trade Commission, Small and Medium Enterprise Agency, Consumer Affairs Agency
	Act against Unjustifiable Premiums and Misleading Representations	Consumer Affairs Agency
	Act on Countermeasures Against Novel Influenza	Ministry of Health, Labor and Welfare
	Act on Maintenance of Sanitation in Buildings	
	Food Sanitation Act	Ministry of the Environment
	Act on Special Measures concerning the Handling of Pollution by Radioactive Materials	
	Act on Prohibition of Private Monopolization and Maintenance of Fair Trade	Japan Fair Trade Commission

(12) Risk related to impairment of goodwill, etc.

At times, the Group acquires companies to expand its security business to enter into related fields of the business. Under the circumstance, if the operating results of the acquired company deviate from the business plan at the time of acquisition or if the organizational restructuring such as merger is carried out, it may give rise to impairment losses of intangible assets such as goodwill and customer-related assets and other property, plant and equipment, affecting the Group's operating results.

To address this risk, the Company has established a system to monitor the performance of the acquired company and report to the Board of Directors on a regular basis. If the business plan at the time of acquisition deviates from the actual results, related departments immediately develop and take appropriate measures.

3. [Management analysis of financial position, operating results and cash flows]

(1) Overview of operating results, etc.

The Group's financial position, operating results and cash flows ("operating results, etc.") for the fiscal year ended March 31, 2022 are as follows:

A. Financial position and operating results

(Overview of performance)

During the fiscal year under review, the Japanese economy continued its overall movement toward recovery after September 2021 when the fifth wave of COVID-19 infection rapidly subsided, although many prefectures declared state of emergency and implemented priority measures to prevent the spread of COVID-19 which has been ongoing since the year before last. Although further recovery was expected due to the prevalence of vaccinations, the spread of the highly infectious Omicron variant from January caused 35 prefectures to implement quasi-emergency measures that were finally lifted entirely on March 21, with the outlook remaining uncertain. In addition, a drastic uptrend in prices of resources and raw materials due to the logistical disruption caused by the COVID-19 pandemic was accelerated by Russia's invasion of Ukraine in February, bringing on a different set of circumstances surrounding prices from those of the 30-year period of stagnation and deflationary economy. Despite the formulation of comprehensive emergency policy measures against price hikes in crude oil and other goods, the impact that will be exerted on the Japanese economy by the weak yen, soaring prices of crude oil and other raw materials, and rising production costs including higher wages is unpredictable. Cautious observation is further required of overseas situations such as rising inflation and monetary policy trends in the United States, the slowdown of the Chinese economy due to the zero-corona policy and other factors, the situation in Ukraine, and geopolitical risks such as North Korean missile test launches.

In the field of security, customers' needs for safety and security are expanding to encompass measures to prevent infectious diseases, particularly in manufacturing industries. In recent years, there has been an increase in the number of cyber-attacks on critical infrastructure and supply chains, for which international countermeasures need to be strengthened. Other sources of concern include the declining birthrate, aging population and declining workforce, as well as the safety and security of the elderly, women, children, and other vulnerable social groups. The arson-murder case in Osaka last December that caused numerous casualties and the Shiretoko sightseeing boat accident have been among the crimes and accidents close to people's daily lives, which have been on the rise. Against a backdrop of successive natural disasters, aging infrastructure, calls for regional development and responses to the recently-enacted economic security act, society's needs for safety and security are diversifying, and environmental needs, such as the formation of a carbon-neutral and circulating society, are increasing. Therefore, the expectations on our Group to continue to provide integrated services for security, facilities, and long-term care remain high.

Amid these conditions, the ALSOK Group has continued to provide appropriate services as an operator of service businesses related to the safety and security of society (the Security Services business, General Property Management and Fire Protection Services business, and Long-Term Care Services business), which are indispensable for ensuring the stability of the lives of the people and the national economy, while taking sufficient infection prevention measures. In addition to playing a central role in security for the Olympic and Paralympic Games Tokyo 2020, we have contributed to the response to the COVID-19 contagion by providing security at vaccination sites and other locations. As stated in "Grand Design 2025," our medium-term management plan, we aim to become a resilient integrated safety and security solutions provider that supports the safety and security of our customers and society. To meet the expanding safety and security needs of our customers and society amid diversifying risks, we are working to provide new services that combine a variety of service functions, including security, facilities, and long-term care. As a result, consolidated net sales during the fiscal year under review increased 4.1% year on year to ¥489,092 million, operating income increased 15.3% to ¥42,865 million, ordinary income increased 14.2% to ¥44,796 million, and profit attributable to owners of parent increased 15.8% to ¥28,964 million.

The following is the Group's consolidated statement of income by item compared to the previous fiscal year:

Item	Fiscal year ended March 31, 2021		Fiscal year ended March 31, 2022		Year on year change	
	Amount (Millions of yen)	Percentage (%)	Amount (Millions of yen)	Percentage (%)	Change in amount (Millions of yen)	Percentage change (%)
Net sales	469,920	100.0	489,092	100.0	19,172	4.1
Cost of sales	352,811	75.1	363,511	74.3	10,699	3.0
Gross profit	117,108	24.9	125,581	25.7	8,472	7.2
Selling, general and administrative expenses	79,926	17.0	82,715	16.9	2,788	3.5
Operating income	37,182	7.9	42,865	8.8	5,683	15.3
Non-operating income	5,184	1.1	5,158	1.1	(25)	(0.5)
Non-operating expenses	3,154	0.7	3,227	0.7	73	2.3
Ordinary income	39,212	8.3	44,796	9.2	5,584	14.2
Extraordinary income	178	0.0	1,309	0.3	1,131	632.2
Extraordinary loss	529	0.1	376	0.1	(152)	(28.8)
Income taxes	12,006	2.6	15,003	3.1	2,997	25.0
Profit attributable to non-controlling interests	1,841	0.4	1,762	0.4	(78)	(4.3)
Profit attributable to owners of parent	25,014	5.3	28,964	5.9	3,949	15.8

The net sales for the fiscal year ended March 31, 2022 was ¥489,092 million, ¥19,172 million or 4.1% increase year on year. The cost of sales was ¥363,511 million, resulting mainly from ¥15,080 million increase in expenses such as outsourcing expenses due to higher sales.

The selling, general and administrative expenses was ¥82,715 million. The outsourcing fees of ¥2,392 million related to the new sales administrative system and depreciation expenses of ¥903 million contributed to the increase.

The ordinary income was ¥44,796 million, ¥5,584 million or 14.2% increase due to the increase in operating income.

The increase in extraordinary income resulted from ¥1,017 million increase in compensation income and ¥124 million increase in gain on sales of noncurrent assets.

The decrease in extraordinary loss resulted from ¥79 million decrease in loss on retirement of noncurrent assets and ¥36 million decrease in impairment losses.

The profit attributable to owners of parent increased by ¥3,949 million or 15.8% to ¥28,964 million due to the increase in operating income.

The comprehensive income was ¥31,890 million, ¥9,650 million or 23.2% decrease. The decrease resulted from ¥10,934 million decrease in changes in remeasurements of defined benefit plans and ¥2,546 million decrease in changes in valuation difference on available-for-sale securities due to weak financial markets, which was partially offset by ¥3,870 million increase in net income.

Refer to “(2) Management’s analysis of operating results, etc., A. View and analysis of operating results, etc. for the fiscal year ended March 31, 2022” for operating results by segment.

(Consolidated balance sheet by item)

The following is the Group's consolidated balance sheet by item compared to the previous fiscal year:

Item		As of March 31, 2021		As of March 31, 2022		Year on year change	
		Amount (Millions of yen)	Ratio (%)	Amount (Millions of yen)	Ratio (%)	Change in amount (Millions of yen)	Percentage change (%)
Assets	Current assets	227,617	47.3	233,872	47.9	6,255	2.7
	Noncurrent assets	253,847	52.7	254,405	52.1	557	0.2
	Total assets	481,465	100.0	488,278	100.0	6,812	1.4
Liabilities	Current liabilities	103,793	21.6	90,384	18.5	(13,408)	(12.9)
	Noncurrent liabilities	73,243	15.2	70,383	14.4	(2,860)	(3.9)
	Total liabilities	177,037	36.8	160,768	32.9	(16,269)	(9.2)
Net Assets		304,427	63.2	327,509	67.1	23,081	7.6

Total assets as of March 31, 2022 was ¥488,278 million, ¥6,812 million or 1.4% increase from March 31, 2021. The current assets increased by ¥6,255 million or 2.7% to ¥233,872 million, and the noncurrent assets increased by ¥557 million or 0.2% to ¥254,405 million.

The increase in current assets resulted from ¥10,523 million increase in cash and deposits, ¥2,174 million increase in notes and accounts receivable - trade, and contract assets (compared with notes and accounts receivable - trade as of March 31, 2021), which was partially offset by ¥6,051 million decrease in cash for Transportation Security Services.

The increase in noncurrent assets resulted from ¥5,057 million increase in retirement benefit asset, which was partially offset by ¥2,581 million decrease in goodwill, ¥1,347 million decrease in deferred tax assets and ¥765 million decrease in lease assets.

Total liabilities as of March 31, 2022 was ¥160,768 million, ¥16,269 million or 9.2% decrease from March 31, 2021. The current liabilities decreased by ¥13,408 million or 12.9% to ¥90,384 million, and the noncurrent liabilities decreased by ¥2,860 million or 3.9% to ¥70,383 million.

The decrease in current liabilities resulted from ¥12,466 million decrease in short-term loans payable.

The decrease in noncurrent liabilities resulted from ¥2,383 million decrease in long-term loans payable.

Net assets as of March 31, 2022 was ¥327,509 million, ¥23,081 million or 7.6% increase from March 31, 2021.

B. Cash flows

Cash and cash equivalents (“cash”) as of March 31, 2022 was ¥63,644 million, 19.8% increase year on year.

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Year on year change (%)
	(From April 1, 2020 to March 31, 2021)	(From April 1, 2021 to March 31, 2022)	
Net cash provided by (used in) operating activities	55,522	42,736	(23.0)
Net cash provided by (used in) investing activities	(38,452)	(14,093)	(63.3)
Net cash provided by (used in) financing activities	(12,714)	(18,183)	43.0
Effect of exchange rate change on cash and cash equivalents	(2)	41	—
Net increase (decrease) in cash and cash equivalents	4,353	10,500	141.2
Cash and cash equivalents at beginning of year	48,790	53,143	8.9
Cash and cash equivalents at end of year	53,143	63,644	19.8

The cash flows for the fiscal year ended March 31, 2022 are as follows:

(Cash flows from operating activities)

Net cash provided in operating activities was ¥42,736 million (23.0% decrease year on year) during the fiscal year ended March 31, 2022. The cash increased mainly due to ¥45,729 million of income before income taxes (17.7% increase year on year) and ¥16,861 million of depreciation expenses added back (6.5% increase year on year). The cash decreased mainly due to ¥12,593 million income tax payment (2.1% increase year on year) and ¥5,904 million decrease in changes in assets and liabilities of Transportation Security Services (¥8,894 million increase for the previous fiscal year).

The changes in assets and liabilities of Transportation Security Services include changes in cash raised for Transportation Security Services within cash and short-term loans payable for Transportation Security Services.

(Cash flows from investing activities)

Net cash used in investing activities was ¥14,093 million (63.3% decrease year on year) during the fiscal year ended March 31, 2022. This mainly resulted from ¥13,109 million (9.8% increase year on year) used for acquisition of property, plant and equipment.

(Cash flows from financing activities)

Net cash used in financing activities was ¥18,183 million (43.0% increase year on year) during the fiscal year ended March 31, 2022. The cash decreased due to ¥7,594 million used for dividends payment (6.4% increase year on year), ¥5,302 million used for repayment of lease obligations (1.0% increase year on year) and ¥2,980 million used for repayment of long-term loans payable (8.7% decrease year on year).

C. Production, orders and sales

(Production)

The Group is not engaged in production activities. The number of contracts in progress as of March 31, 2022 is as follows:

Segment	As of March 31, 2021 (Thousands of contracts)	As of March 31, 2022 (Thousands of contracts)	Year on year change (%)
Security Services			
Electronic Security Services	990	1,009	1.9
Stationed Security Services	4	4	4.9
Transportation Security Services	79	79	0.4
Total	1,073	1,093	1.8
General Property Management and Fire Protection Services	113	123	8.5
Long-Term Care Services	27	27	(1.4)
Total for reportable segments	1,215	1,244	2.4
Other Services	29	34	17.1
Total	1,244	1,278	2.7

(Note) The number of contracts above represents the total number of long-term contracts with the customers (contracts to provide services on an ongoing basis for a certain period of time), not the total number of parties to the contract the Group provides services to. Major services provided by each segment are as follows:

Electronic Security Services	ALSOK Guard System for corporate customers, home securities for individual customers, etc.
Stationed Security Services	Stationed security services to assign security guards to facilities of the customers
Transportation Security Services	Cash transportation services including transportation of securities, and Cash Deposit and Dispenser Machine On-Line System
General Property Management and Fire Protection Services	Facility management, cleaning services, call center services, maintenance, management and operation of various facilities, inspection of fire equipment and AED rental, etc.
Long-Term Care Services	Home-visit nursing care, day care services, fee-based long-term care facilities, group homes, etc.
Other Services	ALSOK PC Management Service, Website Tampering Detection Service, cashless payment service including QR Code payment

(Sales)

The sales results for each segment are described below:

Segment	Fiscal year ended March 31, 2021 (From April 1, 2020 to March 31, 2021) (Millions of yen)	Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022) (Millions of yen)	Year on year change (%)
Security Services			
Electronic Security Services	176,711	177,210	0.3
Stationed Security Services	113,168	128,894	13.9
Transportation Security Services	65,680	67,870	3.3
Total	355,559	373,975	5.2
General Property Management and Fire Protection Services	68,173	67,435	(1.1)
Long- Term Care Services	40,375	41,649	3.2
Total for reportable segments	464,108	483,060	4.1
Other Services	5,812	6,032	3.8
Total	469,920	489,092	4.1

(Note) No single customer accounted for more than 10% of total net sales.

(2) Management's analysis of operating results, etc.

The management's view and analysis of the Group's operating results, etc. are as follows.

Any forward looking information included in this report is based on the best estimates of the Group as of the date of filing of this report.

A. View and analysis of operating results, etc. for the fiscal year ended March 31, 2022

(Management's analysis)

The Group's consolidated operating results for the fiscal year ended March 31, 2022 is described in "(1) Overview of operating results, etc., A. Financial position and operating results". The sales has increased for the 12th consecutive years and hit a record high for the 11th consecutive years. Each profit level has reached a record high, and the profit attributable to owners of parent has increased for the 10th consecutive years. By strengthening the Security Services through M&A and driving growth of the General Property Management and Fire Protection Services and the Long-Term Care Services (which are compatible with the Security Services), the Group is focused on accurately meeting growing safety and security needs of society where risks are becoming much more diverse.

The Group is focused on two performance indicators, ordinary income margin and consolidated return on equity (ROE), as these indicators can provide objective assessment of our business targets. As described in the Medium-Term Management Plan "Grand Design 2025", the Group's target for both ordinary income margin and ROE is 10.0% or more. The actual result for the fiscal year ended March 31, 2022 was 9.2% and 10.0% for ordinary income margin and ROE, respectively.

The management's view and analysis of the operating results by segment are as follows. As no asset is allocated to business segments, the management's view and analysis of the financial position by segment are omitted.

Net sales by segment

Segment	Fiscal year ended March 31, 2021		Fiscal year ended March 31, 2022		Year on year change	
	Amount (Millions of yen)	Ratio (%)	Amount (Millions of yen)	Ratio (%)	Amount (Millions of yen)	Percentage change (%)
Security Services						
Electronic Security Services	176,711	37.6	177,210	36.2	499	0.3
Stationed Security Services	113,168	24.1	128,894	26.4	15,726	13.9
Transportation Security Services	65,680	14.0	67,870	13.9	2,190	3.3
Total	355,559	75.7	373,975	76.5	18,415	5.2
General Property Management and Fire Protection Services	68,173	14.5	67,435	13.8	(737)	(1.1)
Long-Term Care Services	40,375	8.6	41,649	8.5	1,274	3.2
Total for reportable segments	464,108	98.8	483,060	98.8	18,952	4.1
Other Services	5,812	1.2	6,032	1.2	219	3.8
Total	469,920	100.0	489,092	100.0	19,172	4.1

Within the Security Services segment, the Company has provided services for corporate customers through our Electronic Security Services business, which promoted sales of ALSOK-G7 (read as "ALSOK G-seven"), equipped with live video monitoring as a standard feature, providing optional services such as image storage and remote monitoring using images, as well as remote equipment control and contributes to customers' manpower-saving needs by linking with a central monitoring system. We will continue to expand our services for corporate customers by utilizing ALSOK-G7.

The Company offers a range of services for individual customers, which includes Home Security Basic, the standard solution for private homes that is easy-to install. We also promote sales of HOME ALSOK MIMAMORI SUPPORT, a monitoring service for the elderly that uses built-in temperature and humidity sensors to monitor for heat stroke in the home, and a standard function that notifies family members by e-mail when the customer goes out or comes home. In August 2021, we updated the dedicated Home Security Basic app, adding Health Consultation service available to subscribers free of charge at the touch of a button. In addition, customers can now easily apply for HOME ALSOK House Support Monthly Membership Plan, a service for convenient

living that offers housekeeping, housecleaning and other preferential services. In March 2022, we began offering HOME ALSOK Outdoor Wireless IP Camera, which allows users to check real-time video and recorded video from remote locations via a smartphone app, with the option of requesting ALSOK to rush to the scene in the event of an emergency. We will continue to broaden our product and service offerings to meet the increasingly diverse safety and security needs of individuals.

In the area of Stationed Security Services, we played a central role as co-representative in the Olympic and Paralympic Games Tokyo 2020 Security Consortium, contributing to the successful conclusion of the Games. In addition, while providing security at places such as vaccination centers and recovery accommodation facilities for people with light symptoms of COVID-19 infection, we will expand robotic functions to replace security guards in patrol and monitoring services, where human resources are in short supply.

In Transportation Security Services, the need to streamline cash management operations in the public and private sectors remains as strong as ever. We continue to expand sales of our Cash Deposit and Dispenser Machine Online System, which has been well received by a wide range of local governments as a solution to improve efficiency in collection operations for taxes and public funds. In addition, as a new solution to support regional financial institutions and others in improving operational efficiency and reducing costs, we have been commissioned to provide centralized operations of an electronic clearinghouse for bills and checks, and have already launched a joint center where some operations began in April 2022. We will continue our efforts to further expand outsourcing contracts with financial institutions and local public sector bodies.

As a result, sales in the Security Services segment increased 5.2% year on year to ¥373,975 million, while operating income increased 9.7% year on year to ¥40,758 million.

In the General Property Management and Fire Protection Services segment, sales related to COVID-19, such as vaccination center operational support, were robust, as were sales related to the Tokyo 2020 Games. Due to the impact of a decline in completions in the construction work sector, however, sales decreased 1.1% year-on-year to ¥67,435 million, while operating income was ¥8,244 million, up 5.2% year-on-year. Moreover, in addition to the facilities management capital and business alliance between the Company and Mitsubishi Corporation initiated on February 28, 2020, the Company will further expand its facilities management operations in Japan and overseas led by ALSOK Facilities Co., Ltd., launched on April 1, 2021, as a merger between consolidated subsidiaries (former ALSOK Building Services Co., Ltd. and Nippon Building Maintenance Co., Ltd.) based on the concept of integrating security, facilities and construction. Also, we will continue to provide various services utilizing drones to inspect and survey aging infrastructure such as bridges, exterior walls, and various other facilities in addition to panel inspections of vast solar facilities, thereby contributing to operational efficiency and labor savings.

In the Long-Term Care Services segment, net sales were up 3.2% year-on-year at ¥41,649 million, and operating income was up 130.8% year-on-year at ¥1,621 million due to improved facility occupancy rates and a recovery in the number of home-visit massage therapy users. We will continue to strengthen our management base and expand our facilities by streamlining Long-Term Care Services operations through the use of nursing care support AI robots, etc., while providing total care that no other company can match under the unified “ALSOK’s Care” Long-Term Care Services brand. In line with the capital and business alliance between ALSOK, Mitsubishi Corporation and Nippon Care Supply Co., Ltd., pertaining to long-term care services and lifestyle support services for the elderly that commenced in December 2020, the Company will also strive to further expand services for long-term care providers and lifestyle support services for long-term care service users and the elderly. By utilizing this customer base, we will strive to expand sales of the Group’s products and services. In March 2022, we began collaborating with the SOMPO Group to work on solving social issues in the long-term care industry. Based on the system established by the SOMPO Group for optimizing long-term care business processes, we will jointly create solutions that can contribute to solving various issues in the long-term care services industry by utilizing data and other resources held by our nursing care facilities. Furthermore, an agreement was reached to provide services including those related to long-term care at the Senior Service Residence facilities of Mitsui Fudosan Residential Co., Ltd. We will continue to improve the efficiency and quality of our Long-Term Care Services as we implement the business operations targeting a wide range of users including independent and active seniors.

In other areas, sales of PCR testing services have been strong, and we have introduced ALSOK Multi QR Payment Solution, a proprietary QR code payment service that has steadily expanded in response to the trend toward a cashless society. In August 2021, we began offering the ALSOK Office Doctor Package, which provides optimized employee health management support for workplaces which are not required to appoint an occupational physician because they have fewer than 50 employees. In December 2021, we began offering the ALSOK Health Consultation Package, which provides a telephone hotline for consultation on health, mental health, and harassment issues as a job benefit for employees.

In a society where risks are diversifying, the Group will continue to aptly meet the expanding safety and security needs of society by continuing to utilize new technologies and improve productivity, while fulfilling our responsibilities as a provider of services related to the safety and security of society.

(Capital resources and liquidity)

i. Basic policy for fiscal discipline

As set forth in the Medium-Term Management Plan “Grand Design 2025”, one of our mid-term financial goals is ROE of 10% or more. Our basic policy is to boost ROE with a target of raising the consolidated ordinary income margin to 10% or more in the medium term while paying out a stable dividend with a goal of maintaining a dividend payout ratio of 30%. Under these circumstances, our equity capital ratios at the end of the last five consolidated fiscal years have been stable. We believe that this is a result of our efforts to maintain fiscal discipline by giving due consideration to both shareholders and creditors in a well-balanced manner.

(Equity capital ratio at the end of the last five consolidated fiscal years)

Fiscal year ended	March 31, 2018	March 31, 2019	March 31, 2020	March 31, 2021	March 31, 2022
Equity capital ratio [Consolidated] (%)	55.0	56.8	57.3	57.6	61.5

ii. Management's view on outlook of capital needs and methods of financing

The Group's primary source of funds is the monthly fees received from customers, mainly in the security business, which is stable income with a clear future outlook. As the Group's expenditure plan is based on this stable source of funds, the Group believes there is little concern that it will face a shortage of funds in the predictable future. The Group also believes that it can obtain external financing at a relatively low cost due to this stable source of funds, the recent trend of the equity capital ratio and the good relationships with its key financial institutions.

The Group's primary capital needs and methods of financing are as follows:

(Working capital needs)

The working capital needs of the Group are mainly comprised of cost of sales, such as labor costs and outsourcing costs, selling, general and administrative expenses, such as personnel expenses, and cash required for deposit of sales proceeds into the customers' bank accounts through Cash Deposit and Dispenser Machine On-Line System in the Transportation Security Services.

While the cost of sales and selling, general and administrative expenses are generally paid out of its own funds as the payment occurs regularly throughout the year, the Group also uses short-term loans from financial institutions as necessary to meet the capital needs.

The Group uses both its own funds and short-term loans from financial institutions for deposit of sales proceeds into the customers' bank accounts through Cash Deposit and Dispenser Machine On-Line System. Such short-term loans are available through overdrafts and can be executed immediately based on the cash needs. The amount of sales proceeds that the Group deposits into customers' bank accounts on a certain day represents the amount of sales proceeds deposited into the Cash Deposit and Dispenser Machine by customers on the previous day, which fluctuates significantly. The amount of deposits increases especially on Monday or any business day after national holidays because such amount includes the amount deposited by customers into the Machine during the weekends and holidays, resulting in increasing use of short-term loans from financial institutions.

(Investment capital needs)

The investment capital needs of the Group are mainly comprised of mergers and acquisitions (“M&A”). This is generally paid out of its own funds, and the Group also uses short-term and long-term loans from financial institutions as necessary to meet the needs.

In addition, the recurring acquisition of security alarm equipment related to the electronic security is also included in capital investment. The Group considers the acquisition of security alarm equipment is similar in nature to the acquisition of inventories as a component of working capital since the amount per acquisition is small and it occurs as orders are received. As the acquisition of alarm equipment occurs regularly throughout the year, it is generally paid out of its own funds, which is similar to the working capital needs.

Refer to “III. Facilities, 3. Plan for establishment or disposal of facilities” for the Group's capital investment plan including capital expenditures for a period of one year following March 31, 2022.

(Shareholder return policy)

Distributing returns to shareholders is one of the Group's important management policies. It is our basic policy to return profits in a manner supported by actual financial results, while maintaining an adequate amount of internal reserves. Our basic policy is to pay dividends twice a year as interim dividend and year-end dividend. Under the Medium-Term Management Plan "Grand Design 2025", we aim to maintain stable dividend payments with a target dividend payout ratio of 30% as well as raising dividends, which has continued since the 48th business term (the fiscal year ended March 31, 2013), through business expansion.

(Cash on hand)

For the cash and deposits excluding cash for Transportation Security Services, we have no clear guideline for the minimum required amount of cash on hand in the Group's financing practice. However, we believe that it is appropriate to hold the amount of cash equivalent to approximately one to two months of monthly sales as the cash demand associated with expenditures is fairly stable over the year.

The cash for Transportation Security Services is procured in line with actual demand through overdrafts.

(Management's view on future outlook of capital needs and methods of financing)

The Group has mostly used its own funds to meet the capital needs during the fiscal year ended March 31, 2022, except for Transportation Security Services. At this point, the Group does not expect any significant change in the capital needs during the period of one year following March 31, 2022 and believes that its capital needs will be satisfied by its own funds.

iii. Cash flows and financing for the fiscal year ended March 31, 2022 are as follows:

Refer to "(1) Overview of operating results, etc., B. Cash flows" for cash flows for the fiscal year ended March 31, 2022.

Refer to supplementary schedules for bonds and loans payable described in "V. Financial Condition, 1. Consolidated financial statements, v. Supplementary schedules" for debt financing as of March 31, 2022. The major lenders include Mizuho Bank, Ltd., Sumitomo Mitsui Banking Corporation and MUFG Bank, Ltd., to which we have loans payable of ¥4,870 million, ¥877 million and ¥702 million as of March 31, 2022, respectively.

B. Significant accounting policies and estimates

The consolidated financial statements of the Group are prepared in accordance with the accounting principles generally accepted in Japan. Significant accounting policies applied in preparing the consolidated financial statements are described in "V. Financial Condition, 1. Consolidated financial statements, (1) Consolidated financial statements, Notes, Significant matters underlying the preparation of the consolidated financial statements."

In preparing the consolidated financial statements, the Group makes reasonable estimates based on currently available assumptions for impairment of noncurrent assets, estimation of various allowances and recoverability of deferred tax assets, etc. However, these estimates may significantly differ from actual results in the future.

We consider that the following significant accounting policies are more affected by these estimates and assumptions:

(Impairment of noncurrent assets)

We assess whether or not a noncurrent asset should be impaired in accordance with "Accounting Standard for Impairment of Fixed Assets" (August 9, 2002) and "Guidance on Accounting Standard for Impairment of Fixed Assets" (Accounting Standards Board of Japan ("ASBJ") Guidance No.26, last amended on March 27, 2009). Recognition of impairment losses may become necessary when the recoverable amount falls below the carrying amount due to changes in the business environment, etc. in the future.

i. Goodwill and customer-related assets

(Source of value of goodwill and customer-related assets)

The Group records ¥27,097 million of goodwill as of March 31, 2022, which arose from past business combinations and represents excess earning power that is expected from combining an acquiree's business with the Group's business. There is also goodwill that resulted from the effect of synergies that is expected to arise at the Company.

In certain business combinations, we recognize customer-related assets with goodwill at the value related to a contract with an existing customer determined at the time of business combination.

(Business plan underlying future cash flows)

In assessing the Group's goodwill for impairment, we are focused on whether the excess earning power and the effect of synergies (which give rise to goodwill) will arise over the future periods. Generally, we monitor, on a monthly basis, whether a business plan of a company from which the goodwill arose (including a plan of the effect of synergies expected to arise at the Company) is in line with the actual profit or cash flows recorded. If there is any indication of impairment, such as a situation where business targets are not likely to be met, we review the business plan for its reasonableness. We use the revised business plan to determine undiscounted future cash flows. The future cash flows are then used to determine whether an impairment loss should be recognized. If recognized, the amount of impairment losses is measured based on value in use calculated using discounted future cash flows.

The impairment assessment of customer-related assets is performed in conjunction with the impairment assessment of goodwill. The customer-related assets are assessed for indications of impairment by comparing related business plan with actual profit or cash flows recorded, and if any such indication exists, an impairment loss is recognized and measured based on the revised business plan.

The following significant assumptions are incorporated into the business plans used in the impairment assessment. These business plans involve, by nature, judgements based on certain estimates or assumptions. The estimates and assumptions may have a significant impact on the assessment for impairment indications or recognition of impairment losses as well as the amount of impairment losses recognized.

- Companies engaging in Security Services and General Property Management and Fire Protection Services
Orders, human resource planning and sales growth
- Companies engaging in Long-Term Care Services

Category	Significant assumptions considered
In-home care services	Net sales per employee, profit margin of existing locations, human resource planning, etc.
Facility care services	Business projections for existing facilities, new facilities opening, occupancy rate for new and existing facilities, human resource planning, etc.
Residential care home for senior citizens	Business projections for new and existing facilities, new facilities opening, human resource planning, etc.

In addition to these significant assumptions, for the current fiscal year, we considered the impact COVID-19 had on the operating results and assessed the impact that COVID-19 would have on the business plans in the future. As a result, we recognized ¥192 million of impairment loss on certain goodwill determined to be unrecoverable. No impairment loss is determined to be necessary for the rest of goodwill and customer-related assets as sufficient future cash flows are expected.

The business plans are also used to assess shares of subsidiaries and associates related to combined companies recorded on the non-consolidated financial statements of the Company. If such shares of subsidiaries and associates are determined to be unrecoverable, the write-down is recognized in the statement of income of the Company.

(Discount rate)

The discount rate used is the weighted average cost of capital by term according to remaining amortization period of goodwill, which is calculated based on historical data on stock prices and interest rates since the listing of the Company. This rate is used because most companies of the Group can raise funds through intra-group borrowings under the conditions that are substantially similar to the Company. If the stock price or the interest rate rises significantly, the weighted average cost of capital calculated also increases, resulting in lower discounted future cash flows. In this case, the amount of impairment loss is likely to be substantial.

ii. Other tangible and intangible assets

(Business plan underlying future cash flows)

For tangible and intangible assets other than goodwill and customer-related assets, the impairment assessment is performed using profit or cash flows based on a business plan.

In assessing impairment for tangible and intangible noncurrent assets, the assets are grouped in line with our business operations. The assets are mainly grouped as follows:

Category	Major line items	Grouping method
Security guard center facility Security equipment installed at customers Disaster prevention equipment, etc.	Buildings and structures Machinery, equipment and vehicles	These assets are grouped into asset groups used for managerial accounting purposes. This is because our services are divided into regions and investment decisions are made for each region, which constitutes a separate units for managerial accounting. Specifically, for the Company, head office and regional divisions described in “III. Facilities, 2. Major facilities, (1) Reporting company” are grouped into one asset group. For subsidiaries and associates, each company is treated as one asset group.
Care facilities	Lease assets	Each care facility is treated as one asset group. This is because each facility provides services independently and investment decisions are made for each facility, which constitutes a stand-alone unit for managerial accounting.

As in the case of goodwill and customer-related assets, certain estimates or assumptions are made when including significant assumptions in the business plan for each asset group. Such estimates and assumptions may have a significant impact on the assessment for impairment indications or recognition of impairment losses as well as the amount of impairment losses recognized.

(Discount rate)

As in the case of goodwill and customer-related assets, the discount rate used is the weighted average cost of capital by term, which is calculated based on historical data on stock prices and interest rates since the listing of the Company. Depending on movements of the stock price or the interest rate, the weighted average cost of capital calculated may increase, resulting in substantial amount of impairment loss.

(Retirement benefits)

The Company and its subsidiaries and associates have defined benefit corporate pension plans and retirement benefit plans. The defined benefit obligation and pension asset related to these plans are determined using actuarial assumptions, excluding certain consolidated subsidiaries with a limited number of employees. These assumptions include discount rate, expected long-term rate of return on plan assets, lump sum election rate, mortality rate, employee turnover and expected rate of salary increase. The Group believes that these actuarial assumptions were reasonably determined based on the currently available data such as the most recent results. If these assumptions significantly differ from the actual results, the actuarial gains and losses are amortized over certain service years within the employees’ average remaining service years (generally 10 years) using the straight-line method starting from the fiscal year following the year in which they occur, which may have a significant impact on the Group’s operating expenses, etc.

The discount rate is determined based on the yields on high quality corporate bonds or the Japanese government bonds as of the end of the fiscal year. The discount rate is revised when there is over 10% change in defined benefit obligation from using different discount rates at the current and previous fiscal year-ends in accordance with “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26, last amended on December 16, 2016) and “Implementation Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, last amended on March 25, 2015).

The expected long-term rate of return on plan assets is determined based on the latest allocation of the plan asset and historical investment yields on each financial instrument group such as stocks and bonds. The expected long-term rate of return on plan assets is revised when the revision is determined to have a significant impact on the retirement benefit expenses for the following fiscal years in accordance with “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26, last amended on December 16, 2016) and “Implementation Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, last amended on March 25, 2015).

(Deferred tax assets)

The Company and each of its subsidiaries and associates file its corporate tax return separately. In assessing the recoverability of deferred tax assets, the companies are classified into “Category 1” to “Category 5” according to their earning power in accordance with “Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, amended on March 28, 2016). The classification is revised according to each company’s situation at the end of the fiscal year. Certain assumptions are used to determine this classification, including future changes in the business environment and estimates for taxable income (before adjusted for temporary differences), which may have a significant impact on the assessment of recoverability of deferred tax assets. The forward-looking estimates are made using the same business plan as the impairment assessment of noncurrent assets, and therefore, the risk of variance between the estimates and actual results is considered to be generally similar.

For those companies classified into “Category 2” to “Category 5”, the deferred tax asset is recognized only for deductible temporary differences that are expected to be recoverable. In assessing for recoverability, the availability of taxable income (before adjusted for temporary differences) supported by the sufficient earning power is the most important factor to consider. The availability of taxable income (before adjusted for temporary differences) supported by tax planning, such as planned disposal of noncurrent assets or securities with unrealized gains, is considered only when it is highly feasible. The timing of reversal of deductible temporary differences and its amount are considered only when it is highly likely to occur. For example, an unrealized loss on valuation of land is included in the scheduling only when the land sales contract is concluded, etc. As certain estimates or assumptions are used in a series of processes for the assessment of recoverability, the judgements may have a significant impact on the amount of deferred tax assets.

A tax rate stipulated in the tax law enacted as of closing date is applied to calculation of deferred taxes in accordance with “Implementation Guidance on Tax Rates Used in Applying Tax Effect Accounting” (ASBJ Guidance No. 27, March 14, 2016). Therefore, a change in the tax rate may have a significant impact on the amount of deferred tax assets.

The Company’s deferred tax asset recognized is mostly related to deductible temporary differences for companies located in Japan. There is little uncertainty about transfer pricing between consolidated companies.

4. [Material business contracts, etc.]

- (1) On April 1, 2021, a merger was concluded between ALSOK Building Services Co., Ltd. and Nippon Building Maintenance Co., Ltd., both of which are the Company’s consolidated subsidiaries engaging mainly in the General Property Management and Fire Protection Services business. Upon conclusion of the merger, the trade name of the surviving company, Nippon Building Maintenance Co., Ltd., was changed to ALSOK Facilities Co., Ltd.
- (2) On April 1, 2022, the Company merged with ALSOK Leasing Co., Ltd., a consolidated subsidiary of the Company engaging in leasing and installment sales, with the Company as the surviving company, for the purpose of structural efficiency of the Group.
- (3) On June 6, 2022, the Company entered into a contract with Kansai Electric Power Co., Inc. to acquire all shares of Kanden Joy Life Co., Ltd. and Kanden Life Support Co., Ltd., which are consolidated subsidiaries of Kansai Electric Power Co., Inc. engaging in the long-term care business. The shares were acquired on June 22, 2022.

5. [Research and development]

The Group's research and development activities are mainly carried out by the reporting company. Our research and development aims to contribute to the improvement of profitability and its basic policy is to capture diversifying market needs and promote the development of market-competitive technologies and products. The research and development cost was ¥565 million for the fiscal year ended March 31, 2022, which was mainly related to security business. As part of the research and development activities, the Company's research and development department conducts activities such as investigation, planning, intellectual property management, quality control, etc. that do not constitute research and development. Including costs for such activities, the total research and development cost was ¥1,401 million.

In a society where risks are diversifying, in order to meet the expanding safety and security needs of society, the Company conducts the following research in order to address "labor shortages due to declining birthrate and aging population", "increasing natural disasters", "diversifying crimes close to people's daily lives", "sophisticated cyber-attacks" and "environmental changes such as infectious diseases." We will also drive open innovation and promote industry-academia-government collaboration on advanced technologies to respond to the ever-changing social situation.

(1) Security for individual customers

Beyond home security services, we will promote research and development for comprehensive security services that support the safety and security of people's daily lives in order to acquire a new home security user base as well as to respond to the elderly market, where demand will continue to grow in the future.

(2) Unique security system using the latest technology

We aim to realize "prediction and prevention of damage" including detection of a suspicious person and prevention of crimes and terrorism. For this purpose, we conduct research and development using AI, 5G and advanced sensing technology.

Amid the growing labor shortage due to the declining birthrate and aging population, we are actively working to create the next-generation security system contributing to labor savings. We are also pursuing advanced security that is constantly adopting to the social environment, such as the improvement of existing security sensors.

(3) Robotics

Since we started research and development of security robots in 1982, we have developed security robots equipped with autonomous driving functions, security functions, guidance functions, etc., and have provided them to commercial facilities and office buildings nationwide. We will continue to research and develop robots equipped with new technologies such as detectors for toxic gas or suspicious objects.

We will also drive the development of drones, such as for video-based indoor and outdoor patrols.

(4) Information security

Under the concept of guarding "information" in addition to "life and property", we will develop and enhance "information security", an information security solution, from both physical security and cyber security perspectives.

(5) Other

By incorporating new technologies such as AI and 5G and sophisticatedly combining cyber and physical securities, we will work to realize remote security and develop new products and services with high added value.

III. [Facilities]

1. [Overview of capital investment]

In order to expand the security business and enhance capabilities for such growth, the Group made ¥16,280 million of capital investment in tangible and intangible assets during the fiscal year ended March 31, 2022. The details of the capital investment are as follows:

Equipment for electronic security	¥6,824 million
Buildings and structures	¥321 million
Furniture and fixtures	¥1,483 million
Software	¥2,561 million

The amount of capital investment is not allocated to business segments.

2. [Major facilities]

The major facilities for the fiscal year ended March 31, 2022 are as follows:

(1) Reporting company

As of March 31, 2022

Office (Location)	Segment	Facilities	Carrying amount (Millions of yen)						Number of employees
			Buildings and structures	Machinery and equipment and vehicles	Land (m ²)	Lease assets	Other	Total	
Head office (Minato-ku, Tokyo)	Security Services General Property Management and Fire Protection Services Other Services	Buildings and structures, tools, furniture and fixtures	150	916	— (—)	22	735	1,824	2,346
Chuo branch and others 8 branches within Regional Division (I) (Chuo-ku, Tokyo and others)	Security Services General Property Management and Fire Protection Services Other Services	Buildings and structures, security alarm equipment	510	2,800	— (—)	465	308	4,086	1,899
Osaka Chuo branch and others 6 branches within Regional Division (II) (Chuo-ku, Osaka city and others)	Security Services General Property Management and Fire Protection Services Other Services	Buildings and structures, security alarm equipment	142	1,266	— (—)	301	269	1,979	895
Nagoya branch and others 4 branches within Regional Division (III) (Nakamura-ku, Nagoya city and others)	Security Services General Property Management and Fire Protection Services Other Services	Buildings and structures, land, security alarm equipment	165	1,052	197 (1,071.60)	291	97	1,803	762
Miyagi branch and others 3 branches within Regional Division (IV) (Aoba-ku, Sendai city and others)	Security Services General Property Management and Fire Protection Services Other Services	Buildings and structures, land, security alarm equipment	555	856	228 (2,943.40)	90	63	1,794	581
Chiba branch and others 10 branches within Regional Division (V) (Mihama-ku, Chiba city and others)	Security Services General Property Management and Fire Protection Services Other Services	Buildings and structures, land, security alarm equipment	2,000	2,388	1,208 (6,244.37)	383	174	6,154	1,582
Yokohama branch and others 5 branches within Regional Division (VI) (Nishi-ku, Yokohama city and others)	Security Services General Property Management and Fire Protection Services Other Services	Buildings and structures, security alarm equipment	122	1,073	— (—)	347	88	1,632	810
Shizuoka branch and others 4 branches within Regional Division (VII) (Aoi-ku, Shizuoka city and others)	Security Services General Property Management and Fire Protection Services Other Services	Buildings and structures, land, security alarm equipment	1,350	899	1,109 (3,305.80)	193	85	3,637	780

Office (Location)	Segment	Facilities	Carrying amount (Millions of yen)						Number of employees
			Buildings and structures	Machinery and equipment and vehicles	Land (m ²)	Lease assets	Other	Total	
Okayama branch and others 3 branches within Regional Division (VIII) (Kita-ku, Okayama city and others)	Security Services General Property Management and Fire Protection Services Other Services	Buildings and structures, land, security alarm equipment	211	547	272 (6,101.00)	54	58	1,145	477
Fukuoka branch and others 5 branches within Regional Division (IX) (Shime-machi Kasuya-gun, Fukuoka and others)	Security Services General Property Management and Fire Protection Services Other Services	Buildings and structures, land, security alarm equipment	682	1,160	248 (4,338.83)	183	113	2,387	913
Kyoto branch and others 6 branches within Regional Division (X) (Shimogyo-ku, Kyoto city and others)	Security Services General Property Management and Fire Protection Services Other Services	Buildings and structures, land, security alarm equipment	1,080	1,645	930 (4,373.60)	144	77	3,878	957

(2) Subsidiaries

As of March 31, 2022

Office (Location)	Segment	Facilities	Carrying amount (Millions of yen)						Number of employees [Temporary employees not included in the above]
			Buildings and structures	Machinery and equipment and vehicles	Land (m ²)	Lease assets	Other	Total	
Life Co., Ltd. (Shinagawa-ku, Tokyo)	Long-Term Care Services	Care facilities	347	0	52 (512.39)	14,253	209	14,863	456 [605]
ALSOK Care Co., Ltd. (Omiya-ku, Saitama city)	Long-Term Care Services	Care facilities	434	1	172 (666.93)	7,361	125	8,094	1,803 [1,532]
Kita-Kanto Sohgo Security Services Co., Ltd. (Utsunomiya city, Tochigi)	Security Services General Property Management and Fire Protection Services Other Services	Buildings and structures, land, security alarm equipment	2,845	224	1,674 (25,666.78)	1,041	279	6,066	790 [95]
Hiroshima Sohgo Security Services Co., Ltd. (Asaminami-ku, Hiroshima city)	Security Services General Property Management and Fire Protection Services Other Services	Buildings and structures, land, security alarm equipment	1,149	591	2,866 (25,385.00)	48	118	4,773	643 [52]
ALSOK Fukushima Co., Ltd. (Koriyama city, Fukushima)	Security Services General Property Management and Fire Protection Services Other Services	Buildings and structures, land, security alarm equipment	235	503	699 (9,424.96)	2,755	148	4,343	711 [68]

(Note) 1. Carrying amount of "Other" represents construction in progress and other property plant and equipment.

2. In addition to the above, the Group also has rented assets such as machinery and equipment, sales offices and offices. The Group's rent expense is ¥25,541 million for the fiscal year ended March 31, 2022.

3. Assets are not allocated to business segments.

3. [Plan for establishment or disposal of facilities]

As the Group has a wide range of plans for new establishment and expansion of facilities, the amount is disclosed by nature and purpose of the facilities.

The Group's capital investment plan for one year after March 31, 2022 is ¥20,454 million comprising the following:

Nature and purpose of facilities	Planned amount of capital investment (Millions of yen)
Guard center facilities, security equipment installed at customers	11,844
Cash center facilities, security transportation vehicles, etc.	4,081
Disaster prevention equipment, etc.	878
Network system, etc.	3,650
Total	20,454

(Note) 1. The capital investment is paid out of own funds and bank borrowings.

2. There is no plan for disposal of significant facilities, except for disposals associated with recurring renewal of the facilities.

IV. [Information on Reporting Company]

1. [Information on shares, etc.]

(1) [Total number of shares, etc.]

i. [Total number of shares]

Class	Total number of issuable shares (Shares)
Common stock	300,000,000
Total	300,000,000

ii. [Shares issued]

Class	Number of shares issued as of fiscal year-end (Shares) (As of March 31, 2022)	Number of shares issued as of filing date (Shares) (As of June 24, 2022)	Name of stock exchange on which the Company is listed or name of Authorized Financial Instruments Firms Association where the Company is registered	Description
Common stock	102,040,042	102,040,042	Tokyo Stock Exchange (The First Section) (As of March 31, 2022) Prime market (As of June 24, 2022)	Standard share of the Company with no restrictions on the content of rights. Number of shares per one unit of share is 100 shares.
Total	102,040,042	102,040,042	—	—

(2) [Subscription rights to shares, etc.]

i. [Details of stock option plans]

Nothing to report.

ii. [Details of rights plan]

Nothing to report.

iii. [Other subscription rights to shares, etc.]

Nothing to report.

(3) [Exercises of moving strike convertible bonds, etc.]

Nothing to report.

(4) [Changes in number of shares issued and capital stock, etc.]

Period	Changes in the total number of shares issued (Shares)	Total number of shares issued (Shares)	Changes in capital stock (Millions of yen)	Amount of capital stock (Millions of yen)	Changes in capital surplus (Millions of yen)	Amount of capital surplus (Millions of yen)	Note
From April 1, 2008 to March 31, 2009	1,000	102,040,042	0	18,675	0	29,320	Exercise of stock options (1 class) Issue price 1,338 yen Capital increase 669 yen Share increase 1,000 shares

(5) [Shareholding]

As of March 31, 2022

Category	Shareholding (1 unit = 100 shares)								Shares less than one unit (Shares)
	National and local governments	Financial institutions	Financial instruments dealers	Other institutions	Foreign institutions, etc.		Individuals and others	Total	
					Non-individual	Individual			
Number of shareholders	—	71	34	128	552	10	9,621	10,416	—
Number of shares held (Unit)	—	337,385	10,864	239,315	242,998	22	189,615	1,020,199	20,142
Ratio of shares held (%)	—	33.07	1.06	23.45	23.81	0.00	18.58	100.00	—

(Note) 782,282 shares of treasury stock comprise 7,822 units included “Individuals and others” and 82 units included in “Shares less than one unit.”

(6) [Major shareholders]

As of March 31, 2022

Name	Address	Number of shares held (Thousands of shares)	Ownership percentage to the total number of shares issued (excluding treasury stock) (%)
The Master Trust Bank of Japan, Ltd. (Trust account) (Note)	2-11-3 Hamamatsucho, Minato-ku, Tokyo, Japan	12,218	12.06
SOHGO CORPORATION	130-16 Yamabukicho, Shinjuku-ku, Tokyo, Japan	7,388	7.29
Custody Bank of Japan, Ltd. (Trust account) (Note)	1-8-12, Harumi, Chuo-ku, Tokyo, Japan	5,352	5.28
Saitama Kiki Co., Ltd.	7-1-3 Shimoochiai, Chuo-ku, Saitama, Japan	5,283	5.21
Kamakura Corporation	130-16 Yamabukicho, Shinjuku-ku, Tokyo, Japan	4,150	4.09
SOHGO SECURITY SERVICES CO., LTD. Employee Stockholding Association	1-6-6 Motoakasaka, Minato-ku, Tokyo, Japan	3,558	3.51
Custody Bank of Japan, Ltd. as Trustee for Mizuho Bank Retirement Benefit Trust Account Re-entrusted by Mizuho Trust and Banking Co., Ltd.	1-8-12, Harumi, Chuo-ku, Tokyo, Japan	2,961	2.92
Kizuna Corporation	130-16 Yamabukicho, Shinjuku-ku, Tokyo, Japan	2,950	2.91
Atsushi Murai	Suginami-ku, Tokyo, Japan	2,885	2.84
SMBC Trust Bank Ltd. (as trustee for Sumitomo Mitsui Banking Corporation Retirement Benefits Trust Account)	1-3-2 Marunouchi, Chiyoda-ku, Tokyo	2,735	2.70
Total	—	49,483	48.87

(Note) Of the number of shares held above, the number of shares related to the trust business is as follows:

The Master Trust Bank of Japan, Ltd. (Trust account)	4,468 thousand shares
Custody Bank of Japan, Ltd. (Trust account)	1,678 thousand shares

(7) [Voting rights]

i. [Shares issued]

As of March 31, 2022

Category	Number of shares (Shares)	Number of voting rights (Unit)	Description
Shares without voting rights	—	—	—
Shares with restricted voting rights (treasury stock, etc.)	—	—	—
Shares with restricted voting rights (others)	—	—	—
Shares with full voting rights (treasury stock, etc.)	Common stock 782,200	—	Standard share of the Company with no restrictions on the content of rights. Number of shares per one unit of share is 100 shares.
Shares with full voting rights (others)	Common stock 101,237,700	1,012,377	Same as above
Shares less than one unit	Common stock 20,142	—	Shares less than one unit (100 shares)
Total number of shares issued	102,040,042	—	—
Total number of voting rights	—	1,012,377	—

ii. [Treasury stock, etc.]

As of March 31, 2022

Name of shareholders	Address of shareholders	Number of shares held under own name (Shares)	Number of shares held under the name of others (Shares)	Total number of shares held (Shares)	Ownership percentage to the total number of shares issued (%)
SOHGO SECURITY SERVICES CO., LTD.	1-6-6 Motoakasaka, Minato-ku, Tokyo, Japan	782,200	—	782,200	0.76
Total	—	782,200	—	782,200	0.76

2. [Purchase of treasury stock]

[Class of stocks, etc.] Purchase of common stock pursuant to Article 155, No.7 of the Companies Act

(1) [Purchase of stock by resolution of the General Meeting of Shareholders]

Nothing to report.

(2) [Purchase of stock by resolution of the Board of Directors' meeting]

Nothing to report.

(3) [Purchase not based on resolution of the General Meeting of Shareholders or the Board of Directors' meeting]

Category	Number of shares (Shares)	Total amount (Yen)
Treasury stock purchased during the fiscal year ended March 31, 2022	160	761,065
Treasury stock purchased during the current period	80	305,500

(Note) Treasury stock purchased during the current period excludes shares less than one unit purchased during the period between June 1, 2022 and the date of filing of this report.

(4) [Disposal and holding of treasury stock]

Category	Fiscal year ended March 31, 2022		Current period	
	Number of shares (Shares)	Total amount of disposal (Yen)	Number of shares (Shares)	Total amount of disposal (Yen)
Treasury stock purchased for which subscribers were solicited	—	—	—	—
Treasury stock purchased that has been cancelled	—	—	—	—
Treasury stock purchased that has been transferred in merger, share swap or company split	—	—	—	—
Other	—	—	—	—
Number of treasury stock held	782,282	—	782,362	—

(Note) Treasury stock held during the current period excludes shares less than one unit purchased during the period between June 1, 2022 and the date of filing of this report.

3. [Dividend policy]

Distributing returns to shareholders is one of the Company's important management policies. It is our basic policy to distribute profits in a manner supported by actual financial results, while maintaining an adequate amount of internal reserves. We apply internal reserves to research and development expenses necessary for future growth and development and capital investments in enhancement of information systems and new businesses to further improve our operating results.

Our basic policy is to pay dividends twice a year, as interim dividend and year-end dividend, which are subject to the approval of the Board of Directors and the General Meeting of Shareholders, respectively.

For the fiscal year ended March 31, 2022, the annual dividend was 82.00 yen per share including the interim dividend of 38.00 yen, which was determined based the consideration of the operating results for the current fiscal year, forecasts for the future years and capital investment plans. The dividend payout ratio was 28.7%.

It is specified in the Articles of Incorporation that "The Company shall pay an interim dividend to shareholders or registered pledgees of shares recorded or registered in the shareholder register as of September 30 every year by a resolution of the Board of Directors."

Dividends from surplus for the fiscal year ended March 31, 2022 are as follows:

Resolution date	Total dividends (Millions of yen)	Dividends per share (Yen)
October 29, 2021 Resolution by the Board of Directors' meeting	3,847	38.0
June 24, 2022 Resolution by the Ordinary General Meeting of Shareholders	4,455	44.0

4. [Corporate governance]

(1) [Overview of corporate governance]

A. Basic concept of corporate governance

The ALSOK Group includes “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 whole.” in its management philosophy and includes “Contributing to Society” in its management policies. In line with this philosophy and policy, we are working to fulfill corporate governance through our operations, such as performance of management and separation of duties, swift decision making, establishment of corporate ethics and provision of management transparency, while endeavoring to continue to be the corporate group trusted by all stakeholders. Moreover, we place emphasis on information disclosure and are committed to proactive IR activities such as visiting institutional investors and holding analyst meetings for investors and analysts.

The ALSOK Group conducts inspections and reviews of its organizational structure in accordance with principles in “Corporate Governance Code” developed by Tokyo Stock Exchange as a guideline for corporate governance. We submit “Corporate Governance Report” including our measures to address “Corporate Governance Code” to Tokyo Stock Exchange every year, which is posted on the Tokyo Stock Exchange and ALSOK websites.

The ALSOK Group aims to establish the organizational structure to which the corporate governance functions more effectively, and will continue to examine the measures for various systems.

B. Corporate bodies and internal control system

(A) Overview of corporate governance system and reason for adoption

We adopt the Audit and Supervisory Board members system and are aware that its full audit is operating effectively to improve governance of our management team.

ALSOK’s directors consist of 12 members, including 4 outside directors, and Audit and Supervisory Board members consist of 4 members, including 3 outside Audit and Supervisory Board members. The Board of Directors meets generally once a month to make important management decisions on basic management policy and important matters concerning business execution. The board also oversees execution of duties of the directors and executive officers. The Management Committee, headed by the Chairperson and Representative Director, meets generally twice a month to discuss matters to be presented to the Board of Directors and the business execution policy based on the resolutions of the Board of Directors. The Audit and Supervisory Board meets generally once a month to consult, discuss or resolve important matters concerning audit. Also, one of the Audit and Supervisory Board members attends the Management Committee and monitors execution of duties of management.

We have been adopting this current system as the fairness and transparency of business management are properly ensured by the system.

Pursuant to provisions of Article 427, Paragraph 1 of the Companies Act, the Company and the outside directors and Audit and Supervisory Board members enter into a contract to limit the liability for damages under Article 423, Paragraph 1 of the Companies Act. The maximum liability based on the concerned contract is higher of ¥10 million or the minimum liability specified in Article 425, Paragraph 1 of the Companies Act. This is intended for outside directors and outside Audit and Supervisory Board members to sufficiently fulfill the expected role.

In addition, the Company enters into a liability insurance contract for officers, etc. as stipulated in Article 430-3, Paragraph 1 of the Companies Act with an insurance company, with the Company’s directors, Audit and Supervisory Board members and executive officers as an insured person. If the insured person is liable for damages due to the execution of duties, legal damages and litigation costs will be covered by the insurance contract.

The entire amount of insurance premiums is borne by the Company. In order to prevent the insured person’s proper execution of duties from being impaired, the insured person is not covered for damages caused by personal gains or benefits illegally obtained by the insured, criminal acts of the insured and acts performed by the insured knowing that they violate the law.

(B) Internal control system

Based on the Companies Act and the Financial Instruments and Exchange Act of Japan, the Company has a system in place to ensure the execution of duties by directors complies with laws and regulations and the Articles of Incorporation and the adequacy of the business of other corporation and a corporate group consisting of the corporation and its subsidiaries.

a. System to ensure the compliance of execution of duties by the Company’s directors and employees with laws and regulations and the Articles of Incorporation

(a) Establish “ALSOK Charter”, the basic principle compiling the founder’s spirit and corporate philosophy, which is the basis for every business activity of the Company.

- (b) Monitor the execution of duties by establishing “Board Regulations”, “Internal Memo Regulations”, “Policies of Dividing Duties” and “Policies of Administrative Authority”, appropriately separating duties and requiring approval for matters beyond authority.
 - (c) Establish “Ethical Rule” as a standard for acts built on the execution of duties and ethics with integrity.
 - (d) Establish “Compliance Rule” and appoint the officer in charge of compliance, who reports to the Board of Directors and the Management Committee, if necessary.
 - (e) Establish “Internal Report Rule” to implement a whistleblowing system and operate it appropriately.
 - (f) Establish a department specialized in internal audit under the direct control of the President. The department regularly monitors business activities of all departments in the head office and branches and reports the results to the directors and Audit and Supervisory Board members.
 - (g) Establish and operate a system for appropriate financial reporting based on the Financial Instruments and Exchange Act of Japan and other laws and regulations.
 - (h) Provide appropriate trainings for laws and regulations, the Articles of Incorporation and internal rules for directors and employees.
- b. System to preserve and manage information related to execution of duties of the Company’s directors
- (a) Establish regulations for handling of critical information indicating the execution of business such as minutes of the General Meeting of Shareholders, minutes of the Board of Directors’ meeting, minutes of the Management Committee, request for approval, contracts, accounting books/financial statements, etc., and properly preserve and manage such information.
 - (b) Provide directors and Audit and Supervisory Board members with access to the information anytime.
- c. Regulations related to management of risk of loss and other systems
- (a) Establish “Risk Management Rule”, appoint the officer in charge of risk management, who projects and assesses risks to prevent, mitigate, transfer the risks, takes appropriate measures as necessary or develops measures taken in case of risk occurrence and reports to the Board of Directors and the Management Committee, as necessary.
 - (b) Establish “Business Continuity Plan” to build a system that enables business continuity and early recovery and resumption even in the event of unforeseen situations such as major disasters, accidents or epidemic.
 - (c) Establish “Information Asset Management Rule”, appoint the officer in charge of information asset management, who builds a system to protect the information asset from threats such as theft, leakage, falsification, damages and disasters and reports to the Board of Directors and the Management Committee, as necessary.
- d. System to ensure efficient execution of duties by the Company’s directors
- (a) Develop the Medium-Term and Annual Management Plans based on the business objectives.
 - (b) Monitor the progress of Annual Management Plan and report to the Board of Directors and the Management Committee on a monthly basis.
 - (c) Establish “Administrative Authority Regulation” to make decisions efficiently by separating duties.
 - (d) Simplify business processes by the enterprise system that uses IT to streamline business management and operation to achieve efficiency.
- e. System to ensure adequacy of businesses of corporate group consisting of the Company and its subsidiaries.
- (a) Establish regulations for management of subsidiaries’ businesses and a department specialized in the subsidiary management, require reporting of matters related to execution of duties, send directors and Audit and Supervisory Board members from the Company, to provide strict supervision and oversight.
 - (b) Require reporting of critical information related to risk of loss of subsidiaries based on the regulations for the subsidiaries’ business management to address the risk in cooperation with the Company.
 - (c) Require subsidiaries to share information with the Company through various meetings and intranet and improve efficiency of business processes using common operation system. Develop the Group’s Medium-Term and Annual Management Plans and require subsidiaries to report the progress on a monthly basis for monitoring purposes.
 - (d) Cooperate with subsidiaries to implement compliance activities and operate the whistleblowing system, completely block relationships with antisocial forces, establish an internal system necessary for that purpose and work with external specialized institutions. Also, cooperate with subsidiaries and conduct annual internal audit of significant subsidiaries.
- f. System to ensure effective audit by Audit and Supervisory Board members
- (a) Establish the Audit and Supervisory Board secretariat and arrange employees who assist the execution of duties of the Audit and Supervisory Board members.
 - (b) Obtain an approval from the Audit and Supervisory Board on the secretariat member’s personnel affairs. The secretariat members follow the orders of the Audit and Supervisory Board members.

- (c) Require the Company's directors and employees to report to the Audit and Supervisory Board members regarding important matters related to businesses and the department specialized in internal audit cooperates with the Audit and Supervisory Board members and exchanges information including situations of subsidiaries. Audit and Supervisory Board members attend the meetings of the Board of Directors and the Management Committee.
- (d) Require directors and employees of subsidiaries to report to the Audit and Supervisory Board immediately on the execution of businesses, if requested. The Company's whistleblowing department reports critical information to the Audit and Supervisory Board. It is prohibited to give the Company's directors, employees and subsidiaries' directors, etc. who have reported to the Audit and Supervisory Board members disadvantageous treatment.
- (e) Secure a certain amount of budget every year to pay for expenses incurred in the execution of duties by the Audit and Supervisory Board members. Properly process the invoices from the Audit and Supervisory Board members for such expenses.
- (f) Audit and Supervisory Board members regularly exchange opinions or interview with the Representative Director and Chief Officers and make visits to offices and subsidiaries. Exchange opinions with the independent auditor on a regular basis.

(C) Risk management system

The Company places particular importance on risk management due to the nature of its business to ensure safety of society. The Risk Management Committee is organized, headed by the officer in charge of risk management, in accordance with the Risk Management Rule established in 2002 as amended according to the current risk situations. Also, the risk management examination organization is established for the head office and each office, to manage risk on a company-wide basis such as identification and assessment of risks and development of preventative and responsive measures. In addition, a risk examination task force is set up within the Risk Management Committee for each field, which collects, analyzes and assesses risk information to develop measures to mitigate the risks. We have established systems to respond promptly to critical emergency situations, such as emergency contact and establishment of task force.

With respect to compliance, the Compliance Committee, headed by the officer in charge of compliance, is organized to achieve compliance with laws and regulations. The Compliance Committee strives to improve compliance awareness across officers and employees in accordance with Compliance Regulation established in 2002 (currently Compliance Rule) and monitors the activities on a regular basis.

For earlier detection and prevention of problems surrounding corporate ethics, "ALSOK Hotline" was established in 2004, which is a whistleblowing system for officers and employees to report illegal, fraudulent or unethical acts within the company through emails, phones and documentation without being treated disadvantageously. In addition to the help desk within the company, we set up a help desk outside the company in 2016 for reporting. Furthermore, in December 2021, "ALSOK Business Partner Hotline", a whistleblowing system for business partners, was established with the aim of ensuring self-cleaning, social trust, maintenance and improvement of corporate value and sustainable development with business partners.

The Group has established "Basic Policy for Information Security" as a cornerstone to ensure information security, which is applied to all employees including officers and all information assets held. Based on Information Asset Management Rule, a company-wide management system for information assets has been established and promoted, and drills have been conducted to prepare for incidents related to information assets. Furthermore, if a critical incident occurs, the Group sets up ALSOK-CSIRT (Computer Security Incident Response Team), which is a framework to respond to the incident and develop and execute the preventative measures.

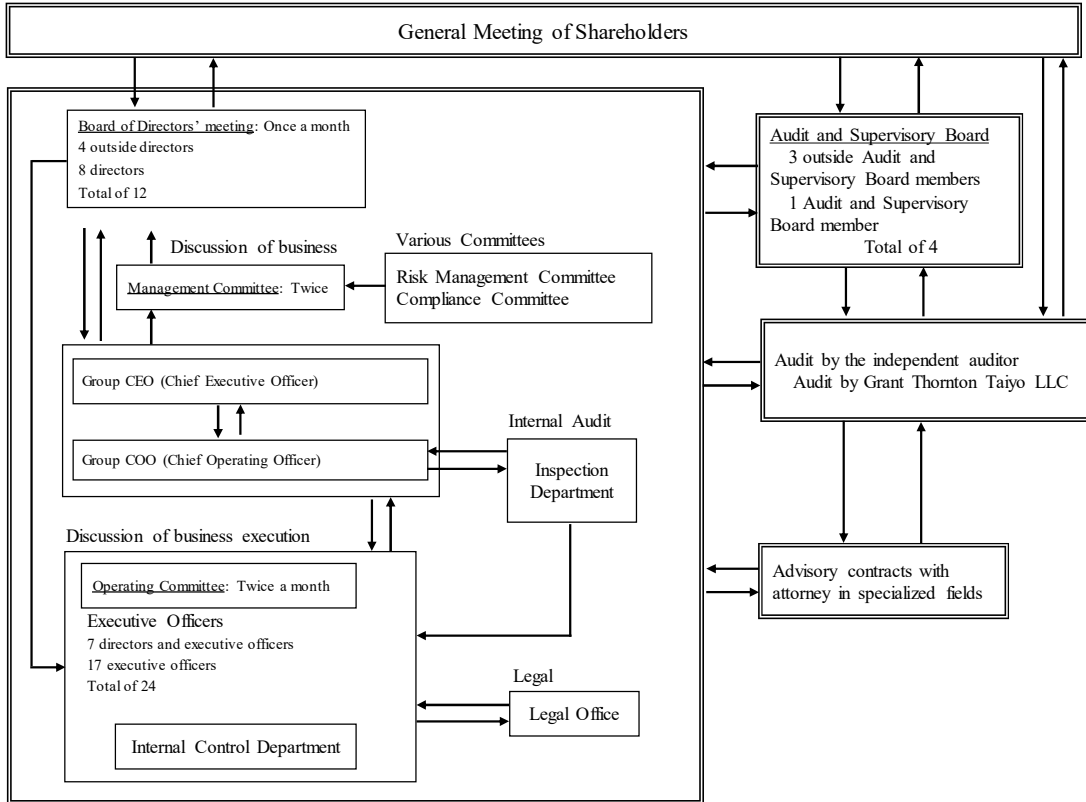
For risks related to lawsuits, disputes and other laws and regulations, the Company has established Legal Office to address such risks in cooperation with various departments. We have entered into advisory contracts with seven law firms and received appropriate advice and guidance on critical legal issues and compliance-related events to establish a system to prevent risks. We have engaged lawyers in our corporate governance by maintaining compliance and seeking such advice and guidance.

In response to the occurrence of cash-related misconduct, the Company has taken measures such as rigorous cash management, enhancement of guidance and education for employees and thorough personnel management to reinforce legal compliance. In February 2022, two subsidiaries of the Company received a cease and desist order and a surcharge payment order based on the results of an investigation by the Japan Fair Trade Commission for antitrust violations. Immediately after the on-site inspection of the Japan Fair Trade Commission, the Group strengthened the legal consulting system by establishing a specialized department, enhanced in-house training, developed a legal compliance manual on fair trade, reminded the whistleblowing system, strengthened audits to ensure thorough compliance with laws and regulations.

(D) Bodies and internal controls of the Company

The following is a chart of management organization describing decision-making, execution and supervision of the

Company, as well as other corporate governance systems as of the date of filing of this report.



C. Number of directors

The Articles of Incorporation stipulate that the number of directors of the Company shall be 12 or less.

D. Requirements for appointment of directors

The Company stipulates in the Articles of Incorporation that, for a resolution of appointment of directors, shareholders with voting rights representing one-third or more of the total voting rights of all shareholders shall be in attendance at the meeting, and the majority of votes of the shareholders with voting rights who attend the meeting is required.

E. Matters to be resolved at the General Meeting of Shareholders that may be resolved at the Board of Directors' meeting

(A) Decision-making body for purchase of treasury stock

According to provisions of Article 165, Paragraph 2 of the Companies Act, it is stipulated in the Articles of Incorporation that the Company may purchase its own shares by a resolution of the Board of Directors without a resolution of the shareholders. This is intended to build flexibility in capital decision making by granting the authority related to treasury stock to the Board of Directors.

(B) Indemnification of directors

According to provisions of Article 426, Paragraph 1 of the Companies Act, it is stipulated in the Articles of Incorporation that the Company may indemnify its directors (including former directors) as specified in Article 423, Paragraph 1 of the Companies Act, within the limit stipulated by laws and by a resolution of the Board of Directors, for any damages caused by their actions if they acted in good faith and were not grossly negligent. This is intended for directors to sufficiently fulfill the expected role.

(C) Indemnification of Audit and Supervisory Board members

According to provisions of Article 426, Paragraph 1 of the Companies Act, it is stipulated in the Articles of Incorporation that the Company may indemnify its Audit and Supervisory Board members (including former members) as specified in Article 423, Paragraph 1 of the Companies Act, within the limit stipulated by laws and by a resolution of the Board of Directors, for any damages caused by their actions if they acted in good faith and were not grossly negligent. This is intended for Audit and Supervisory Board members to sufficiently fulfill the expected role.

(D) Decision-making body for interim dividends

According to provisions of Article 454, Paragraph 5 of the Companies Act, it is stipulated in the Articles of Incorporation that the Company may decide on interim dividends by a resolution of the Board of Directors without a resolution of the shareholders. This is intended to build flexibility in distributing returns to shareholders depending on the circumstances and operating results of the Company, by granting the decision-making authority related to interim dividends to the Board of Directors.

F. Special matters to be resolved at the General Meeting of Shareholders

The Company stipulates in the Articles of Incorporation that, for special matters to be resolved at the General Meeting of Shareholders as specified in Article 309, Paragraph 2 of the Companies Act, shareholders with voting rights representing one-third or more of the total voting rights of all shareholders shall be in attendance at the meeting, and two-thirds of votes of the shareholders with voting rights who attend the meeting is required. This is intended to facilitate the smooth operation of the General Meeting of Shareholders by relaxing the quorum of a special resolution by the shareholders.

G. Basic policy for control over corporation

(A) Basic policy

Nothing to report.

(B) Measures to prevent inappropriate control

Nothing to report.

(C) The Board of Directors' decision on measures to prevent inappropriate control

Nothing to report.

(2) [Information on directors and officers]

A. Directors and officers

14 males and 2 females (12.5% of directors and officers is female)

Position	Name	Date of birth	Biography	Term	Number of shares held (Shares)
Representative Director Group CEO CTO (Note 8)	Tsuyoshi Murai	August 15, 1969	<p>Jul. 1999: Joined the Company</p> <p>Jun. 2007: Chief Officer of Home Marketing Division</p> <p>Apr. 2010: Executive Officer Chief Officer of Regional Division (I)</p> <p>Feb. 2011: In charge of General Property Management</p> <p>Mar. 2011: Japan Facilio Co., Ltd. President and Representative Director (Resigned in Mar. 2014)</p> <p>Apr. 2014: Senior Executive Officer Deputy Chief Officer of Business Promotion Division in charge of Business Planning & Management In charge of Local Financial Institution Services</p> <p>Apr. 2016: Chief Officer of Human Resources Affairs In charge of Corporate Ethics</p> <p>Jun. 2016: Director and Senior Executive Officer</p> <p>Apr. 2018: In charge of General Affairs/PR In charge of Compliance In charge of Risk Management In charge of Information Asset Management Chief Officer of Tokyo 2020 Olympic and Paralympic Games Promotion Affairs</p> <p>May 2018: In charge of Central Japan Area Deputy Chief Officer of Business Promotion Division in charge of Business Promotion Division (Central Japan Area)</p> <p>Apr. 2019: Director and Executive Vice President In charge of Tokyo 2020 Olympic and Paralympic Games Promotion Affairs</p> <p>Apr. 2020: In charge of Management Company</p> <p>Apr. 2022: Chief Officer of Development & Technologies</p> <p>Jun. 2022: Representative Director (Current) Group CEO (Current) CTO (Current)</p> <p>(Main concurrent positions)</p> <p>Jun. 2019: Vice Chairperson, All Japan Security Service Association (Current)</p> <p>Dec. 2021: Representative Director, SOHGO CORPORATION (Current)</p> <p>Jun. 2022: Chairperson, Tokyo Security Service Association (Current)</p>	(Note 3)	671,800

Position	Name	Date of birth	Biography	Term	Number of shares held (Shares)
<p>Representative Director Group COO Head of ALSOK In-house Company Chief Officer of Business Promotion Division in charge of East Japan Area In charge of Business Promotion Division (East Japan Area) (Note 8)</p>	Ikuji Kayaki	January 3, 1960	<p>Apr. 1982: Joined the Company Apr. 2011: Chief Officer of Regional Division (IV) Apr. 2012: Executive Officer Apr. 2014: Deputy Chief Officer of Security Operations In charge of Structural Reform (Transportation Security Services) Apr. 2015: Senior Executive Officer Chief Officer of Security Operations Jun. 2017: Director and Senior Executive Officer Apr. 2018: Executive Vice President and Representative Director Head of ALSOK In-house Company (Current) In charge of East Japan Area (Current) Deputy Chief Officer of Business Promotion Division in charge of Corporate Customers Apr. 2019: Vice President and Representative Director Vice President and Executive Officer Chief Officer of Business Promotion Division (Current) In charge of Corporate Customers In charge of Business Promotion Division (East Japan Area) (Current) Apr. 2021: Chief Officer of Regional Division (VI) Jun. 2022: Representative Director (Current) Group COO (Current) President and Executive Officer (Current)</p>	(Note 3)	4,900
<p>Director (Senior Executive Officer) In charge of General Affairs/PR In charge of Compliance In charge of Risk Management In charge of Information Asset Management In charge of Management Company In charge of International Affairs Chief Officer of International Affairs</p>	Motohisa Suzuki	October 17, 1959	<p>Jan. 2015: Director of Traffic Bureau, National Police Agency (Resigned in Jan. 2016) Apr. 2016: Senior Executive Officer of the Company In charge of General Affairs/PR In charge of Procurement Deputy Chief Officer of Security Operations In charge of HOME ALSOK In charge of Compliance In charge of Risk Management In charge of Information Asset Management Deputy Chief Officer of Business Promotion Division Apr. 2018: Chief Officer of Security Operations In charge of Structural Reform (Transportation Security Services) Deputy Chief Officer of Tokyo 2020 Olympic and Paralympic Games Promotion Affairs Apr. 2019: Chief Officer of Tokyo 2020 Olympic and Paralympic Games Promotion Affairs Jun. 2019: Director and Senior Executive Officer (Current) Jun. 2022: In charge of General Affairs/PR (Current) In charge of Compliance (Current) In charge of Risk Management (Current) In charge of Information Asset Management (Current) In charge of Management Company (Current) In charge of International Affairs (Current) Chief Officer of International Affairs (Current)</p>	(Note 3)	2,700

Position	Name	Date of birth	Biography	Term	Number of shares held (Shares)
<p>Director (Senior Executive Officer) In charge of Financial & Accounting In charge of Internal Control In charge of Procurement</p>	Koji Kishimoto	May 30, 1958	<p>Nov. 1985: Joined the Company Oct. 2012: General Manager of Financial & Accounting Department Apr. 2016: Executive Officer Second in Charge of Financial & Accounting Department Apr. 2018: Senior Executive Officer In charge of Financial & Accounting (Current) In charge of Internal Control (Current) Apr. 2019: In charge of Procurement (Current) Jun. 2020: Director and Senior Executive Officer (Current)</p>	(Note 3)	4,100
<p>Director (Senior Executive Officer) In charge of Long-Term Care Services Deputy Chief Officer of Business Promotion Division President and Representative Director of Life Holdings Co., Ltd. President and Representative Director of Life Co., Ltd. President and Representative Director of MBIC Life Co., Ltd. President and Representative Director of ALSOK Care Co., Ltd.</p>	Takashi Kumagai	December 15, 1958	<p>Jul. 2014: Director General for Reconstruction Agency (Resigned in Jun. 2016) Oct. 2016: Executive Officer of the Company Second in charge of Management Company Second in charge of Regional Control Deputy Chief Officer of Development & Technologies Deputy Chief Officer of Business Promotion Division second in charge of Sales Promotion Second in charge of Corporate Customers Apr. 2017: Senior Executive Officer In charge of Long-Term Care Services (Current) In charge of Management Company In charge of Regional Control Deputy Chief Officer of Business Promotion Division second in charge of Sales Promotion Apr. 2018: Deputy Chief Officer of Business Promotion Division in charge of HOME ALSOK Apr. 2020: Deputy Chief Officer of Business Promotion Division (Current) President and Representative Director of Life Holdings Co., Ltd. (Current) President and Representative Director of Life Co., Ltd. (Current) President and Representative Director of MBIC Life Co., Ltd. (Current) Apr. 2022: President and Representative Director of ALSOK Care Co., Ltd. (Current) Jun. 2022: Director and Senior Executive Officer (Current)</p>	(Note 3)	1,000
<p>Director (Senior Executive Officer) In charge of Corporate Planning & Administration In charge of Strategic Business</p>	Kazuhide Shigemi	December 25, 1959	<p>Apr. 2009: General Manager of Osaka Sales Division (II) of Mizuho Corporate Bank, Ltd. (currently Mizuho Bank, Ltd.) (Resigned in Apr. 2012) May 2011: General Manager of Regional Control of the Company Apr. 2013: Group General Manager Apr. 2015: General Manager of Corporate Planning & Administration Apr. 2017: Executive Officer Second in charge of Corporate Planning & Administration Second in charge of Strategic Business Apr. 2019: Senior Executive Officer In charge of Corporate Planning & Administration (Current) In charge of Strategic Business (Current) Jun. 2022: Director and Senior Executive Officer (Current)</p>	(Note 3)	700

Position	Name	Date of birth	Biography	Term	Number of shares held (Shares)
Director (Senior Executive Officer) Chief Officer of Human Resources Affairs In charge of Corporate Ethics	Naoki Hyakutake	May 15, 1964	Apr. 1989: Joined the Company Apr. 2016: President and Representative Director of ALSOK Care & Support Co., Ltd. (Resigned in Mar. 2017) Apr. 2017: General Manager of Human Resources Department Apr. 2019: Executive Officer In charge of Human Resources Affairs Apr. 2022: Senior Executive Officer Deputy Chief Officer of Human Resources Affairs Jun. 2022: Director and Senior Executive Officer (Current) Chief Officer of Human Resources Affairs (Current) In charge of Corporate Ethics (Current)	(Note 3)	2,400
Director (Senior Executive Officer) Secondment to Kansai area In charge of West Japan Area In charge of Expo 2025 Osaka, Kansai, Japan (General) Deputy Chief Officer of Business Promotion Division In charge of Business Promotion Division (West Japan Area) Chief Officer of Regional Division (II)	Yutaka Komatsu	November 3, 1958	Mar. 1981: Joined the Company Apr. 2008: General Manager in charge of Corporate Sales (I) Oct. 2014: President and Representative Director of Hokkaido Sohgo Security Services Co., Ltd. (currently ALSOK Hokkaido Co., Ltd.) Apr. 2020: Executive Officer President and Representative Director of ALSOK Hokkaido Co., Ltd. Apr. 2022: Senior Executive Officer Chairperson and Representative Director of ALSOK Hokkaido Co., Ltd. Jun. 2022: Director and Senior Executive Officer (Current) In charge of West Japan Area (Current) In charge of Expo 2025 Osaka, Kansai, Japan (General) (Current) Deputy Chief Officer of Business Promotion Division in charge of Business Promotion Division (West Japan Area) (Current) Chief Officer of Regional Division (II) (Current) Chairperson, President and Representative Director of ALSOK Kinki Co., Ltd (Current) Chairperson and Representative Director of ALSOK Osaka Co., Ltd (Current)	(Note 3)	1,400
Director	Hiroto Suetsugu	December 30, 1953	Apr. 2009: Executive Officer of Nippon Steel Corporation (currently Nippon Steel Corporation) (Resigned in Jun. 2012) Jun. 2012: Audit and Supervisory Board member of Nippon Steel Corporation (Resigned in Jun. 2016) Jun. 2016: Advisor of Nippon Steel & Sumitomo Metal Corporation (currently Nippon Steel Corporation) (Resigned in Jun. 2019) Advisor of Nippon Denko Co., Ltd. (Resigned in Jun. 2021) Jun. 2020: Director of the Company (Current)	(Note 3)	300

Position	Name	Date of birth	Biography	Term	Number of shares held (Shares)
Director	Toshie Ikenaga	January 23, 1961	<p>Apr. 1987: Joined the Economic Planning Agency</p> <p>Sep. 2010: Director of Policy Evaluation and Public Relations Division, Minister's Secretariat, Cabinet Office</p> <p>Apr. 2012: Professor of Hosei Graduate School of Regional Policy Design</p> <p>Apr. 2014: Director of Cabinet Office</p> <p>Sep. 2014: Director of General Affairs Division, Gender Equality Bureau, Cabinet Office</p> <p>Jan. 2016: Vice-Governor of Shiga Prefecture (Resigned in Jul. 2018)</p> <p>Jul. 2018: Director-General of General Affairs Division, Gender Equality Bureau, Cabinet Office (Resigned in Aug. 2020)</p> <p>Jun. 2021: Director of the Company (Current)</p> <p>(Main concurrent positions)</p> <p>Jun. 2021: Outside Audit and Supervisory Board member of Shimizu Corporation (Current)</p>		—
Director	Masahiko Mishima	July 14, 1956	<p>Apr. 2016: Executive Officer of Mitsubishi Heavy Industries, Ltd.</p> <p>Oct. 2018: Senior Executive Officer of Mitsubishi Heavy Industries, Ltd.</p> <p>Jun. 2019: Representative Director and Senior Executive Officer of Mitsubishi Heavy Industries, Ltd.</p> <p>Jun. 2021: Senior Executive Officer of Mitsubishi Heavy Industries, Ltd. (Resigned in Sep. 2021)</p> <p>Oct. 2021: Advisor of Mitsubishi Heavy Industries, Ltd. (Current)</p> <p>Jun. 2022: Director of the Company (Current)</p>	(Note 3)	—
Director	Kenji Iwasaki	January 3, 1955	<p>Jun. 2009: Executive Officer of Tokio Marine & Nichido Fire Insurance Co., Ltd.</p> <p>Jun. 2010: Managing Director of Tokio Marine & Nichido Fire Insurance Co., Ltd.</p> <p>Apr. 2014: Senior Managing Director of Tokio Marine & Nichido Fire Insurance Co., Ltd.</p> <p>Apr. 2017: Vice President and Director of Tokio Marine & Nichido Fire Insurance Co., Ltd. (Resigned in Mar. 2018)</p> <p>Vice President and Executive Officer of Tokio Marine Holdings, Inc.</p> <p>Jun. 2017: Vice President and Director of Tokio Marine Holdings, Inc. (Resigned in Jun. 2018)</p> <p>Jun. 2018: Executive Director of the General Insurance Association of Japan (Resigned in Jun. 2022)</p> <p>Jun. 2022: Director of the Company (Current)</p> <p>(Main concurrent positions)</p> <p>Jun. 2022: President and Representative Director of HMS Holdings Corporation</p>	(Note 3)	—
Standing Audit and Supervisory Board member	Juichiro Mochizuki	January 25, 1960	<p>Apr. 1982: Joined the Company</p> <p>Aug. 2012: General Manager (I) of Security Services</p> <p>Apr. 2014: President and Representative Director of Ibaraki Sohgo Security Services Co., Ltd. (currently ALSOK Ibaraki Co., Ltd) (Resigned in Mar. 2020)</p> <p>Apr. 2020: Chief Officer of Regional Division (VI)</p> <p>Apr. 2021: Chief Officer of Regional Division (VII)</p> <p>Jun. 2022: Standing Audit and Supervisory Board member (Current)</p>	(Note 4)	—

Position	Name	Date of birth	Biography	Term	Number of shares held (Shares)
Standing Audit and Supervisory Board member	Shinichiro Nakano	December 15, 1959	<p>Jun. 2008: General Manager in charge of Enterprise Risk Management of the Norinchukin Bank</p> <p>Jun. 2012: General Manager in charge of Corporate Planning Management of the Norinchukin Bank</p> <p>Jun. 2014: Managing Director of the Norinchukin Bank (Resigned in Mar. 2019)</p> <p>Director of Norinchukin Value Investments Co., Ltd. (Resigned in Mar. 2018)</p> <p>Director of the Norinchukin Trust & Banking Co., Ltd. (Resigned in Mar. 2019)</p> <p>Audit and Supervisory Board member of Kyodo Housing Loan Co., Ltd. (Resigned in Jun. 2019)</p> <p>Apr. 2019: Standing Counselor of the Norinchukin Bank (Resigned in Jun. 2019)</p> <p>Jun. 2019: Standing Audit and Supervisory Board member of the Company (Current)</p>	(Note 5)	500
Audit and Supervisory Board member	Michiko Nagasawa	August 26, 1951	<p>Apr. 1984: Registered as an attorney-at-law</p> <p>Apr. 2007: Professor of Law of Gakushuin University Law School (Resigned in Mar. 2013)</p> <p>Apr. 2012: Auditor of Daini Tokyo Bar Association (Resigned in Mar. 2013)</p> <p>Mar. 2013: Outside Board Director of Otsuka Kagu, Ltd. (Resigned in Mar. 2019)</p> <p>* Audit and Supervisory Board member since Mar. 2017</p> <p>Jul. 2018: Audit and Supervisory Committee member of Building Research Institute, National Research and Development Agency, Japan, Ministry of Land, Infrastructure, Transport and Tourism (Current)</p> <p>Apr. 2020: Audit and Supervisory Committee member of Japan Federation of Bar Associations (Resigned in Mar. 2021)</p> <p>Jun. 2020: Audit and Supervisory Board member of the Company (Current)</p> <p>Jul. 2020: Vice Chairperson of Finance Committee of Japan Federation of Bar Associations (Resigned in Jun. 2022)</p> <p>(Main concurrent positions)</p> <p>Jan. 2008: Partner of the Tokyo-Marunouchi Law Offices (Current)</p> <p>Jun. 2019: Outside Board Director of SB Players Corp. (Current)</p> <p>Jun. 2020: Outside Audit and Supervisory Board member of Sojitz Corporation (Current)</p>	(Note 6)	100

Position	Name	Date of birth	Biography	Term	Number of shares held (Shares)
Audit and Supervisory Board member	Yoshiaki Nakagawa	February 14, 1954	<p>Sep. 1990: Director and CFO of Matsushita Radio Singapore Pte. Ltd. (Resigned in May 1996)</p> <p>Jan. 2001: Chief Accountant of China Hualu Matsushita AVC Co., Ltd. (Resigned in Jan. 2004)</p> <p>Apr. 2009: Executive Officer of Panasonic Corporation (currently Panasonic Holdings Corporation)</p> <p>Jun. 2011: Managing Director of Panasonic Corporation (currently Panasonic Holdings Corporation) (Resigned in Jun. 2014)</p> <p>Apr. 2014: President and Representative Director of Sanyo Electric Co., Ltd. (Resigned in Mar. 2017)</p> <p>Apr. 2017: Advisor of Panasonic Corporation (currently Panasonic Holdings Corporation) (Resigned in Mar. 2018)</p> <p>Apr. 2018: Special Advisor of Hardlock Industry Co., Ltd. (Current)</p> <p>Aug. 2020: Advisor of Uokuni Sohonsa Co., Ltd. (Current)</p> <p>Jun. 2021: Audit and Supervisory Board member of the Company (Current)</p> <p>(Main concurrent positions)</p> <p>Jun. 2020: Outside Audit and Supervisory Board member of Asanuma Corporation (Current)</p>	(Note 7)	100
Total					690,000

- (Note) 1. Hiroto Suetsugu, Toshie Ikenaga, Masahiko Mishima and Kenji Iwasaki are outside directors. Shinichiro Nakano, Michiko Nagasawa and Yoshiaki Nakagawa are outside Audit and Supervisory Board members. A legal name of Toshie Ikenaga is Toshie Kobayashi.
2. The Company has implemented an executive officers system in order to expedite decision making and engaged the Board of Directors by separating supervision and execution.
 3. One year from the conclusion of the Ordinary General Meeting of Shareholders held on June 24, 2022
 4. Four years from the conclusion of the Ordinary General Meeting of Shareholders held on June 24, 2022
 5. Four years from the conclusion of the Ordinary General Meeting of Shareholders held on June 25, 2019
 6. Four years from the conclusion of the Ordinary General Meeting of Shareholders held on June 24, 2020
 7. Four years from the conclusion of the Ordinary General Meeting of Shareholders held on June 24, 2021
 8. CEO is Chief Executive Officer, COO is Chief Operating Officer and CTO is Chief Technology Officer.

ALSOK's executive officers consist of the following 24 members:

Post	Name	Title
President and Executive Officer	Ikuji Kayaki	Group COO Head of ALSOK In-house Company In charge of East Japan Area Chief Officer of Business Promotion Division In charge of Business Promotion Division (East Japan Area)
Senior Executive Officer	Motohisa Suzuki	In charge of General Affairs/PR In charge of Compliance In charge of Risk Management In charge of Information Asset Management In charge of Management Company In charge of International Affairs Chief Officer of International Affairs
Senior Executive Officer	Koji Kishimoto	In charge of Financial & Accounting In charge of Internal Control In charge of Procurement
Senior Executive Officer	Takashi Kumagai	In charge of Long-Term Care Services Deputy Chief Officer of Business Promotion Division President and Representative Director of Life Holdings Co., Ltd. President and Representative Director of Life Co., Ltd. President and Representative Director of MBIC Life Co., Ltd. President and Representative Director of ALSOK Care Co., Ltd.
Senior Executive Officer	Kazuhide Shigemi	In charge of Corporate Planning & Administration In charge of Strategic Business
Senior Executive Officer	Naoki Hyakutake	Chief Officer of Human Resources Affairs In charge of Corporate Ethics
Senior Executive Officer	Yutaka Komatsu	In charge of West Japan Area In charge of Expo 2025 Osaka, Kansai, Japan (General) Deputy Chief Officer of Business Promotion Division In charge of Business Promotion Division (West Japan Area) Chief Officer of Regional Division (II) Chairman, President and Representative Director of ALSOK Kinki Co., Ltd President and Representative Director of ALSOK Osaka Co., Ltd
Senior Executive Officer	Hiroyoshi Yoshida	Chief Officer of Security Operations In charge of Structural Reform (Transportation Security Services) In charge of Expo 2025 Osaka, Kansai, Japan (PR)
Senior Executive Officer	Seiji Ono	Deputy Chief Officer of Business Promotion Division In charge of Corporate Customers In charge of Business Planning & Management In charge of Sales Promotion
Senior Executive Officer	Ken Takahashi	In charge of Central Japan Area Deputy Chief Officer of Business Promotion Division In charge of FM In charge of HOME ALSOK In charge of Business Promotion Division (Central Japan Area)
Senior Executive Officer	Yoshio Kumazaki	Chief Officer of Regional Division (I) Deputy Chief Officer of Business Promotion Division In charge of Greater Tokyo Area
Executive Officer	Tetsuya Tsuburaya	Second in charge of General Affairs General Manager of General Affairs Department
Executive Officer	Yutaka Miyajima	Second in charge of Corporate Planning & Administration General Manager of Corporate Planning & Administration
Executive Officer	Masahiro Kikukawa	Second in charge of Strategic Business General Manger in charge of Strategic Business
Executive Officer	Wataru Saito	Deputy Chief Officer of Development & Technologies
Executive Officer	Eiji Kuwabara	In charge of Research

Post	Name	Title
Executive Officer	Kiyoshi Yoneda	Second in charge of Sales Promotion Second in charge of Corporate Customers
Executive Officer	Tomoyuki Arita	Second in charge of Corporate Customers General Manager in charge of Corporate Sales (I)
Executive Officer	Shinichiro Hayashi	In charge of Finance Second in charge of Business Planning & Management
Executive Officer	Hiroyuki Ono	Chief Officer of Regional Division (III)
Executive Officer	Masayuki Chikaoka	Chief Officer of Regional Division (IV)
Executive Officer	Kenichi Kakimoto	Chief Officer of Regional Division (V)
Executive Officer	Kengo Takeda	Chief Officer of Regional Division (IX)
Executive Officer	Shigeki Nomura	In charge of Stationed Security Services (Tokyo) President and Representative Director of ALSOK Stationed Security Co., Ltd.

B. Outside directors and Audit and Supervisory Board members

ALSOK's outside directors consist of four members and outside Audit and Supervisory Board members consist of three members. The outside directors and the Audit and Supervisory Board members who have the Company's stocks are listed in "A. Directors and officers."

The Company has security service transactions, etc. with Nippon Steel Corporation where Hiroto Suetsugu, outside director, had worked for until June 2019. The transactions for the most recent fiscal year represent less than 2% of the Company's net sales.

The Company has security service transactions, etc. with Hosei University where Toshie Ikenaga, outside director, had worked for until March 2014, and with Shimizu Corporation where she currently works for. The transactions for the most recent fiscal year represent less than 2% of the Company's net sales.

The Company has security service transactions, etc. with Mitsubishi Heavy Industries, Ltd. where Masahiko Mishima, outside director, currently works for. The transactions for the most recent fiscal year represent less than 2% of the Company's net sales.

The Company has security service transactions, etc. with Tokio Marine & Nichido Fire Insurance Co., Ltd. where Kenji Iwasaki, outside director, had worked for until March 2018. The transactions for the most recent fiscal year represent less than 2% of the Company's net sales.

The Company has security service transactions, etc. with the Norinchukin Bank where Shinichiro Nakano, outside director, had worked for until March 2019. The transactions for the most recent fiscal year represent less than 2% of the Company's net sales.

The Company has security service transactions, etc. with Otsuka Kagu, Ltd. where Michiko Nagasawa, outside director, had served as outside Board Director until March 2019, with Tokyo-Marunouchi Law Offices, National Research and Development Agency, Japan, Ministry of Land, Infrastructure, Transport and Tourism and Japan Federation of Bar Associations where she currently works for, and with Sojitz Corporation where she currently serves as outside Audit and Supervisory Board member. The transactions for the most recent fiscal year represent less than 2% of the Company's net sales.

The Company has security service transactions, etc. with Panasonic Corporation (currently Panasonic Holdings Corporation) where Yoshiaki Nakagawa, outside director, had worked for until March 2018, with Sanyo Electric Co., Ltd. where he had worked for until March 2017, with Hardlock Industry Co., Ltd. where he currently serves as Special Advisor, with Uokuni Sohonsa Co., Ltd. where he currently serves as Advisor and with Asanuma Corporation where he currently serves as outside Audit and Supervisory Board member. The transactions for the most recent fiscal year represent less than 2% of the Company's net sales.

The outside directors and outside Audit and Supervisory Board members are expected to cover the function of observation and supervision of the management team by objective and neutral standpoint. Although we do not have any explicitly stated basis or policy for independence related to appointment of outside directors and outside Audit and Supervisory Board members, we refer to requirements of independent officers stipulated by Tokyo Stock Exchange to confirm whether independent is maintained.

Four outside directors and three outside Audit and Supervisory Board members are reported to Tokyo Stock Exchange as the Company's independent officers.

C. Relationship between oversight or audit by outside directors or outside Audit and Supervisory Board members and internal audit, mutual cooperation of audit by the Audit and Supervisory Board and independent audit and its relationship with Internal Control Department

Outside directors attend meetings of the Board of Directors with outside Audit and Supervisory Board members to provide their opinions, as necessary. Before the meetings, outside directors and outside Audit and Supervisory Board members are reported from managers of departments on the matters to be discussed at the meetings to achieve effective monitoring of management. In addition, outside Audit and Supervisory Board members make visits to branches and subsidiaries as with other Audit and Supervisory Board members, and regularly exchange information and opinions with Inspection Department and the independent auditor, thereby ensuring oversight by outside directors, audit by Audit and Supervisory Board members and mutual cooperation among the Audit and Supervisory Board, internal auditors and the independent auditor.

A relationship between such oversight or audit and Internal Control Department is described as follows.

By participating in the meetings of the Board of Directors, outside directors supervise execution of duties of other directors in Internal Control Department, etc. from an independent standpoint.

Outside Audit and Supervisory Board members assess the legality of operations of Internal Control Department by conducting business and financial audits of Internal Control Department and inspecting various documents.

(3) [Status of audit]

A. Audit by Audit and Supervisory Board members

(A) Organization and members

The Company is a company with the Audit and Supervisory Board and as of the date of filing of this report, the Audit and Supervisory Board consists of four members (including three outside Audit and Supervisory Board members), including one member who has considerable knowledge of finance and accounting. Two employees are assigned to the secretariat of the Audit and Supervisory Board to assist the duties of the members. The consent of the Audit and Supervisory Board is required for personnel changes and performance evaluations of those employees, which maintains independence from directors and ensures the effectiveness of direction of the Audit and Supervisory Board members.

(B) Frequency and attendance of the Audit and Supervisory Board

During the fiscal year ended March 31, 2022, 18 meetings of the Audit and Supervisory Board were held. In the meetings, audit policy, audit plan and other critical matters related to audit were reported, discussed and resolved. Activities of standing Audit and Supervisory Board members and results of visits by the Audit and Supervisory Board members were reported to other members at the meetings of the Audit and Supervisory Board, etc.

<Attendance of Audit and Supervisory Board members>

Position	Name	Attendance
Standing Audit and Supervisory Board member	Akira Kono	18 out of 18
Standing Audit and Supervisory Board member (Outside)	Shinichiro Nakano	18 out of 18
Audit and Supervisory Board member (Outside)	Michiko Nagasawa	18 out of 18
Audit and Supervisory Board member (Outside)	Yoshiaki Nakagawa	13 out of 13

(Note) The attendance of Yoshiaki Nakagawa is based on the meetings held after his appointment on June 24, 2021.

(C) Status of audit

Each Audit and Supervisory Board member conducts audit of execution of duties of directors, such as whether the execution of duties of directors, executive officers and employees complies with laws and regulations and the Articles of Incorporation, from an independent standpoint in accordance with Regulation of Audit and Supervisory Board and audit plans. Specifically, the execution of duties is monitored through reporting from directors and employees on critical matters related to businesses, reporting from Inspection Department on audit and reporting from the whistleblowing department on critical matters.

Each Audit and Supervisory Board member is reported from the independent auditor on status and results of audit so that they can monitor and verify the execution of duties of the auditor, such as whether the financial statements are properly audited, to assess the adequacy of the auditor.

In order to achieve these, Audit and Supervisory Board members regularly exchange opinions with the Representative Director and outside directors and hold meetings with Inspection Department and the independent auditor to discuss audit-related matters. Also, Audit and Supervisory Board members attend the meetings of the Board of Directors and the

Management Committee to appropriately monitor the execution of duties of management, as well as make visits to the Company's branches, subsidiaries and associates on a regular basis. Audit and Supervisory Board members are also appointed as Audit and Supervisory Board members of subsidiaries and associates, and hold meetings with other officers of the Company who also serve as Audit and Supervisory Board members of subsidiaries and associates.

B. Internal audit

(A) Organization, members and procedures

As a department specialized in internal audit, Inspection Department (39 members as of the date of filing of this report) is established within the Company under the direct control of the President.

Based on "Internal Audit Regulation", Inspection Department makes efforts to examine and assess overall management of business activities of the Company and its subsidiaries and associates, operational systems and execution of duties in terms of its legality, necessity and reasonableness, and provides guidance, advice and recommendation for improvement.

(B) Mutual cooperation among internal audit, audit by Audit and Supervisory Board members and audit by the independent auditor, as well as relationship between these audits and Internal Control Department

Inspection Department, Audit and Supervisory Board members and the independent auditor meet generally once a month in "three-way audit meeting." Inspection Department, Audit and Supervisory Board members and the independent auditor cooperate with each other by sharing and exchanging opinions on information on audits performed by these auditors.

Four Audit and Supervisory Board members regularly meet with the independent auditor to exchange opinions on matters discussed in the meetings of the Board of Directors and issues recognized by them to cooperate with each other.

A relationship between these audits and Internal Control Department is described as follows:

As part of evaluation procedures for entity-level controls and business process controls, Inspection Department performs control testing over business activities, such as promotion of compliance led by Internal Control Department of General Affairs Department and Financial & Accounting Department, risk management and financial closing and reporting. Results of the internal control testing performed by Inspection Department are reported to the President and the officer in charge of internal controls, as necessary, which includes a list of deficiencies that Inspection Department determined to be remediated. The officer in charge of internal controls then requests related departments to remediate those deficiencies by certain due dates, which helps to strengthen the management by Internal Control Department. In addition, the internal audit conducted by Inspection Department consists of audit of the management departments and audit of operating departments and covers all business activities of the Company including Internal Control Department. Results of the internal audit are reported to the President, and are also notified to related officers, Audit and Supervisory Board members and managers of related departments. General Manager of Inspection Department requests the managers to remediate the matters by certain due dates, which helps to improve the business processes.

Audit and Supervisory Board members assess legality of the work performed by Internal Control Department through business audit, consideration of business issues recognized during the financial audit, inspection of documents related to the Risk Management Committee and participation in various meetings such as Board of Directors' meeting, and provides advice to Internal Control Department, as necessary.

The independent auditor conducts internal control audit, audit under the Companies Act and the financial statements audit and quarterly review. In the internal control audit, the independent auditor evaluates design and operation of internal controls implemented by Internal Control Department through inspection of results of control testing performed over Internal Control Department by Inspection Department, control testing performed by the independent auditor and inspection of related documents. In the financial statements audit performed in conjunction with the internal control audit, the independent auditor performs procedures over Internal Control Department, including confirmation of significant accounts, examination of accounting estimates and presentation of financial statements. The independent auditor assesses adequacy of the financial statements by making inquiries of managers under the audit and interviews with directors including the officer in charge of Internal Control Department based on the full consideration of control environment and business risks of the Company.

The independent auditor reports the results of audit performed to directors, Audit and Supervisory Board members and Internal Control Department, as necessary, as well as the follow-up of findings in the previous audits.

C. Financial audit

(A) Name of the independent auditor

Grant Thornton Taiyo LLC

(B) Term

39 consecutive business terms from the period ended June 1984

(C) Certified public accountant

Tatsuya Arai

Takeshi Iwasaki

Takayuki Uenishi

(D) Composition of audit assistants

The audit assistants for the Company's financial audit comprise 8 certified public accountants and 21 other members.

(E) Reason and policy for selecting the independent auditor

In selecting an auditor, the Company comprehensively analyzes and assesses the following factors:

- a. Reasons for disqualification based on laws and regulations
- b. Quality control system implemented by the independent auditor
- c. Independence from the Group that should be maintained as an external auditor
- d. Audit fees
- e. Communication with management and Audit and Supervisory Board members
- f. Procedures to address and assess fraud risk
- g. Appropriateness of audit performed for the previous fiscal year
- h. Appropriateness of planned hours and assignment in the audit plan for the current fiscal year

Based on the analysis and assessment of these factors above, we have determined that Grant Thornton Taiyo LLC has no reason to be disqualified, maintains independence and has sufficient ability to conduct effective and efficient audit. Based on these reasons, Grant Thornton Taiyo LLC has been appointed as the independent auditor.

(F) Assessment of the independent auditor

The Company's Audit and Supervisory Board assesses the independent auditor as described below:

Based on the "Practical Guidelines for Audit and Supervisory Board Members, etc. regarding Evaluation of Independent Auditors and Development of Selection Criteria" published by the Japan Audit & Supervisory Board Members Association, the following three items are evaluated:

- The grounds for dismissal of the independent auditors specified in Article 340, Paragraph 1 of the Companies Act do not apply to the independent auditor and the independent auditor does not conflict with qualifications of the independent auditor under Article 337 of the Companies Act
- Assessment by accounting department under audit
- Assessment based on practical guidelines by the Japan Audit & Supervisory Board Members Association

Based on the above, the Audit and Supervisory Board discusses appropriateness of the reappointment of the auditor in accordance with "Policy for dismissal or non-reappointment of the auditor."

D. Audit fees, etc.

(A) Fees to the independent auditor

Category	Fiscal year ended March 31, 2021		Fiscal year ended March 31, 2022	
	Fees for audit and attestation services (Millions of yen)	Fees for non-audit services (Millions of yen)	Fees for audit and attestation services (Millions of yen)	Fees for non-audit services (Millions of yen)
Reporting company	98	—	99	—
Consolidated subsidiaries	17	—	10	—
Total	115	—	109	—

(B) Fees to entities within the same network as the independent auditor (Grant Thornton International Ltd) (excluding (A))

Category	Fiscal year ended March 31, 2021		Fiscal year ended March 31, 2022	
	Fees for audit and attestation services (Millions of yen)	Fees for non-audit services (Millions of yen)	Fees for audit and attestation services (Millions of yen)	Fees for non-audit services (Millions of yen)
Reporting company	0	—	0	—
Consolidated subsidiaries	—	—	—	2
Total	0	—	0	2

The details of the non-audit services provided to the Company are described below:

(Fiscal year ended March 31, 2021)

Nothing to report.

(Fiscal year ended March 31, 2022)

The Company paid ¥2 million to entities within the same network as the independent auditor of the Company for non-audit services (advisory services related to M&A).

(C) Fees for other significant audit and attestation services

Nothing to report.

(D) Policy for determining audit fees

Audit fees to the Company's independent auditor are determined based on the consideration of factors such as days required for audit, the size and nature of businesses of the Company, etc., which requires the consent of the Audit and Supervisory Board.

(E) Reason for the Audit and Supervisory Board's consent to audit fees

In accordance with "Practical Guidelines for Cooperation with the Independent Auditor" published by the Japan Audit & Supervisory Board Members Association, the Audit and Supervisory Board of the Company confirms the audit plan and actual hours incurred for the previous fiscal year to assess the reasonableness of planned hours and audit fees for the current fiscal year. Based on the consideration, the Audit and Supervisory Board consents to the audit fees for the independent auditor, etc. under Article 399, Paragraph 1 of the Companies Act.

(4) [Compensation of directors and officers]

A. Total amount of compensation by category of directors and officers, the total amount by type of compensation and the number of directors and officers covered

Category of directors and officers	Total amount of compensation (Millions of yen)	Total amount of compensation by type of compensation (Millions of yen)			Number of directors and officers covered
		Fixed compensation	Performance-linked compensation	Retirement benefits	
Directors (excluding outside directors)	317	259	58	—	8
Audit and Supervisory Board members (excluding outside Audit and Supervisory Board members)	23	23	—	—	1
Outside directors and Audit and Supervisory Board members	68	66	2	—	9

B. Total amount of compensation by director and officer of the reporting company, etc. on a consolidated basis

This is omitted as no director or officer receives total amount of compensation of ¥100 million or more on a consolidated basis.

C. Policy related to amount of compensation for directors and officers, etc.

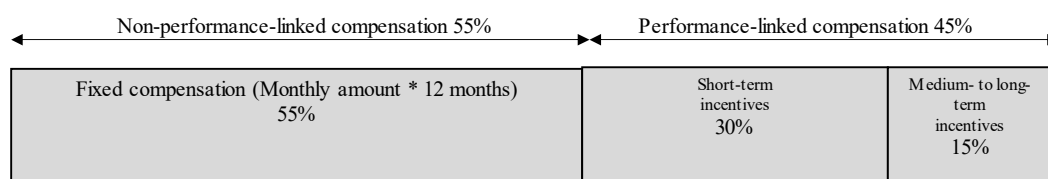
Based on the resolution of the 37th Ordinary General Meeting of Shareholders on June 27, 2002, the Company decided that the maximum compensation paid to directors shall be ¥400 million in total (the number of directors involved in the resolution is seven). Based on the resolution of the 33rd Ordinary General Meeting of Shareholders on June 30, 1998, the maximum compensation paid to Audit and Supervisory Board members shall be ¥120 million in total (the number of Audit and Supervisory Board members involved in the resolution is four).

The compensation paid to directors of the Company consists of fixed amount determined for officers and outside directors, and for other directors, as well as performance-linked compensation determined based on performance assessment for execution of duties of each director by certain standards based on the following policies decided by the resolution of the Board of Directors.

The compensation paid to Audit and Supervisory Board members is fixed amount, which is predetermined based on the standard decided at the meeting of the Audit and Supervisory Board.

D. Policy for determining payment ratio for performance-linked compensation and non-performance-linked compensation

The compensation of the directors (excluding outside directors) includes the fixed compensation notified in advance (so-called bonuses) paid in June every year, which is performance-linked compensation. If the company performance payment rate and the individual performance payment rate are both 100%, the payment ratio will be 45% of the total annual compensation (short-term incentive : 30%, medium- to long-term incentive: 15%). Fixed monthly compensation represents non-performance-linked compensation, and if the company performance payment rate and the individual performance payment rate are both 100%, the payment ratio will be 55% of the total annual compensation.



E. Policy for determining compensation for directors and officers or its calculation method by position

The monthly compensation for the Company's directors (excluding outside directors) is calculated by adding "role

allowance” and “director's allowance” to the basic salary, which is predetermined for each position. In addition, the fixed compensation notified in advance is determined according to the monthly compensation.

F. Index related to performance-linked compensation, reason for selecting the index, and method used to determine performance-linked compensation

In calculating fixed compensation notified in advance, which is performance-linked compensation, the company performance payment rate is calculated using the standard index (consolidated operating income + equity method investment income + consolidated bonus) for short-term incentives. In contrast, the company performance payment rate for medium- to long-term incentives, the company performance payment rate is calculated based on the three-year average growth rate of the standard index. In addition, the individual performance payment rate is determined by the degree of achievement of the goals set for each individual. The amount of payment is determined by multiplying the standard amount by each payment rate.

[Formula to calculate average growth rate of the standard index]

$$\text{Annual average growth rate} = \left(\frac{\text{Standard index}}{\text{Standard index for the three}} \right)^{\frac{1}{3}} - 1$$

[Formula for short-term and medium- to long-term incentives]

Compensation amount for individual	=	Standard amount	×	Company performance payment rate	×	Individual performance payment rate
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The reasons for adopting the above standard index are as follows:

- (A) Improving performance of the entire group, including equity method entities, is the main role of directors and officers.
- (B) Consolidated operating income excluding the effect of fluctuations in bonus payments is considered to be a better indicator of company's performance.

G. Name of the person who has the authority to determine compensation etc. for directors and officers or policy for determining the calculation method, as well as details and scope of that authority

In determining performance-linked compensation to be paid to directors in the relevant fiscal year, it is considered that the Board of Directors of the Company is in a position to conduct performance evaluation most appropriately for each director to determine individual performance payment rate. Therefore, Atsushi Murai and Yukiyasu Aoyama, both Representative Director at that time, were delegated to determine the payment rate based on the achievements of each director's goals and targets (KPI) for the relevant fiscal year.

The Board of Directors of the Company has determined that compensation determined for each director is in line with the decision policy as it is determined by the above method.

H. Activities of the Board of Directors in the process of determining compensation amount for directors and officers in the most recent fiscal year

Compensation for directors of the Company is a matter to be resolved by the Board of Directors in accordance with the Board Regulations. We have deliberated on the compensation system, revision of calculation method for the fixed compensation notified in advance, and company performance payment rate and individual performance payment rate for the fixed compensation notified in advance.

In the current fiscal year, the Board of Directors' meeting held on May 11, 2021 discussed the company performance payment rate and individual performance payment rate for the fixed compensation notified in advance scheduled to be paid in June of the same year.

In the deliberation of the company performance payment rate for the current fiscal year, the actual standard index was ¥69,275 million (achievement rate 97.6%) against the plan of ¥70,976 million.

(5) [Stocks held]

A. Basis and approach for classification of investment stocks

Based on “Regulation for purchase and sale of stocks” established by the Company, the Company invests in stocks to strengthen and expand business transactions with stock issuers and their associates as well as to expand into other businesses, not for speculative purposes (stock investment mainly for the purpose of generating capital gains and income gains). Accordingly, all shares held by the Company are investment stocks not held for trading.

B. Investment stocks not held for trading

(A) Policy for stock holding, method to assess reasonableness of stock holding and the Board of Directors’ assessment for holding of individual share

Based on “Regulation for purchase and sale of stocks”, the Company measures the benefits of holding investment stocks once a year by taking into account annual sales to stock issuers and their associates, contributions to the Company as service providers and suppliers and the status of business development, etc. The measurement of benefits of holding stocks is reported to the Board of Directors every year. For the current fiscal year, all shares will be continued to be held.

(B) Number of issuers and carrying amount

	Number of issuers	Total carrying amount (Millions of yen)
Unlisted shares	43	1,048
Shares other than unlisted shares	86	13,394

(Issuers for which number of shares increased during the current fiscal year)

	Number of issuers	Total acquisition cost of the number of shares increased (Millions of yen)	Reason for increase
Unlisted shares	3	35	Acquired for the purpose of strengthening and expanding transactions with the issuer.
Shares other than unlisted shares	9	3	Mainly acquired for the purpose of strengthening and expanding transactions with the issuer.

(Issuers for which number of shares decreased during the current fiscal year)

	Number of issuers	Total sales value of the number of shares decreased (Millions of yen)
Unlisted shares	2	30
Shares other than unlisted shares	2	138

(C) Information on the number of shares and carrying amount of specified investment stocks and deemed-owned stocks by issuer

Specified investment stocks

Issuer	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021	Purpose of holding shares, its quantitative benefit and reasons for increase in the number of shares	Holding of shares of the Company
	Number of shares (Shares)	Number of shares (Shares)		
	Carrying amount (Millions of yen)	Carrying amount (Millions of yen)		
Taiwan Shin Kong Security Co., Ltd	35,778,823	35,778,823	The shares are held for the purpose of expanding businesses overseas. Although it is difficult to unambiguously determine the quantitative benefits of holding the shares, the company has established a mutual cooperation system with the Group in terms of sales and operation, and we assess the benefits of holding the shares based on the degree of contribution to the Group's business operations.	No
	6,124	5,296		
Mizuho Financial Group, Inc.	856,343	856,343	The shares are held for the purpose of strengthening and expanding transactions. The Company and its associates have concluded contracts for security services with the company and its associates, and the benefits of holding the shares are verified by the annual sales, etc. Although the amount of sales to the company is not disclosed due to confidential nature of the information, most of the sales to the company and its associates are based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are benefits of holding these shares.	Yes
	1,341	1,369		
Seven Bank, Ltd.	5,000,000	5,000,000	The shares are held for the purpose of strengthening and expanding transactions. The Company and its associates have concluded contracts for security services with the company and its associates, and the benefits of holding the shares are verified by the annual sales, etc. Although the amount of sales to the company is not disclosed due to confidential nature of the information, most of the sales to the company and its associates are based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	Yes
	1,195	1,265		

Issuer	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021	Purpose of holding shares, its quantitative benefit and reasons for increase in the number of shares	Holding of shares of the Company
	Number of shares (Shares)	Number of shares (Shares)		
	Carrying amount (Millions of yen)	Carrying amount (Millions of yen)		
Hulic Co., Ltd.	659,100	659,100	The shares are held for the purpose of strengthening and expanding transactions. The Company and its associates have concluded contracts for security services with the company and its associates, and the benefits of holding the shares are verified by the annual sales, etc. Although the amount of sales to the company is not disclosed due to confidential nature of the information, most of the sales to the company and its associates are based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	No
	725	860		
FAST RETAILING CO., LTD.	9,600	9,600	The shares are held for the purpose of strengthening and expanding transactions. The Company and its associates have concluded contracts for security services with the company and its associates, and the benefits of holding the shares are verified by the annual sales, etc. Although the amount of sales to the company is not disclosed due to confidential nature of the information, most of the sales to the company and its associates are based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	No
	604	846		
LIXIL Group	148,600	148,600	The shares are held for the purpose of strengthening and expanding transactions. The Company and its associates have concluded contracts for security services with the company and its associates, and the benefits of holding the shares are verified by the annual sales, etc. Although the amount of sales to the company is not disclosed due to confidential nature of the information, most of the sales to the company and its associates are based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	No
	340	456		

Issuer	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021	Purpose of holding shares, its quantitative benefit and reasons for increase in the number of shares	Holding of shares of the Company
	Number of shares (Shares)	Number of shares (Shares)		
	Carrying amount (Millions of yen)	Carrying amount (Millions of yen)		
OMRON Corporation	30,000	30,000	The shares are held for the purpose of strengthening and expanding transactions. The Company and its associates have concluded contracts for security services with the company and its associates, and the benefits of holding the shares are verified by the annual sales, etc. Although the amount of sales to the company is not disclosed due to confidential nature of the information, most of the sales to the company and its associates are based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	No
	246	259		
The Shiga Bank, Ltd.	100,000	100,000	The shares are held for the purpose of strengthening and expanding transactions. The Company and its associates have concluded contracts for security services with the company and its associates, and the benefits of holding the shares are verified by the annual sales, etc. Although the amount of sales to the company is not disclosed due to confidential nature of the information, most of the sales to the company and its associates are based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	No
	221	239		
The Kiyo Bank, Ltd.	148,900	148,900	The shares are held for the purpose of strengthening and expanding transactions. The Company and its associates have concluded contracts for security services with the company and its associates, and the benefits of holding the shares are verified by the annual sales, etc. Although the amount of sales to the company is not disclosed due to confidential nature of the information, most of the sales to the company and its associates are based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	No
	205	246		

Issuer	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021	Purpose of holding shares, its quantitative benefit and reasons for increase in the number of shares	Holding of shares of the Company
	Number of shares (Shares)	Number of shares (Shares)		
	Carrying amount (Millions of yen)	Carrying amount (Millions of yen)		
KOTOBUKI SPIRITS Co., LTD.	30,000	30,000	The shares are held for the purpose of strengthening and expanding transactions. The Company and its associates have concluded contracts for security services with the company and its associates, and the benefits of holding the shares are verified by the annual sales, etc. Although the amount of sales to the company is not disclosed due to confidential nature of the information, most of the sales to the company and its associates are based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	Yes
	195	215		
DAIWA HOUSE INDUSTRY CO., LTD.	60,000	60,000	The shares are held for the purpose of strengthening and expanding transactions. The Company and its associates have concluded contracts for security services with the company and its associates, and the benefits of holding the shares are verified by the annual sales, etc. Although the amount of sales to the company is not disclosed due to confidential nature of the information, most of the sales to the company and its associates are based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	No
	192	194		
Nitori Holdings Co., Ltd.	12,500	12,500	The shares are held for the purpose of strengthening and expanding transactions. The Company and its associates have concluded contracts for security services with the company and its associates, and the benefits of holding the shares are verified by the annual sales, etc. Although the amount of sales to the company is not disclosed due to confidential nature of the information, most of the sales to the company and its associates are based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	No
	192	267		

Issuer	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021	Purpose of holding shares, its quantitative benefit and reasons for increase in the number of shares	Holding of shares of the Company
	Number of shares (Shares)	Number of shares (Shares)		
	Carrying amount (Millions of yen)	Carrying amount (Millions of yen)		
Mitsubishi UFJ Financial Group, Inc.	137,300	274,500	The shares are held for the purpose of strengthening and expanding transactions. The Company and its associates have concluded contracts for security services with the company and its associates, and the benefits of holding the shares are verified by the annual sales, etc. Although the amount of sales to the company is not disclosed due to confidential nature of the information, most of the sales to the company and its associates are based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	Yes
	104	162		
DYNAM JAPAN HOLDINGS Co., Ltd.	800,000	800,000	The shares are held for the purpose of strengthening and expanding transactions. The Company and its associates have concluded contracts for security services with the company and its associates, and the benefits of holding the shares are verified by the annual sales, etc. Although the amount of sales to the company is not disclosed due to confidential nature of the information, most of the sales to the company and its associates are based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	No
	93	86		
Mitsubishi Electric Corporation	60,000	60,000	The shares are held for the purpose of strengthening and expanding transactions. The Company and its associates have concluded contracts for security services with the company and its associates, and the benefits of holding the shares are verified by the annual sales, etc. Although the amount of sales to the company is not disclosed due to confidential nature of the information, most of the sales to the company and its associates are based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	Yes
	84	101		

Issuer	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021	Purpose of holding shares, its quantitative benefit and reasons for increase in the number of shares	Holding of shares of the Company
	Number of shares (Shares)	Number of shares (Shares)		
	Carrying amount (Millions of yen)	Carrying amount (Millions of yen)		
Sumitomo Realty & Development Co., Ltd.	24,000	24,000	The shares are held for the purpose of strengthening and expanding transactions. The Company and its associates have concluded contracts for security services with the company and its associates, and the benefits of holding the shares are verified by the annual sales, etc. Although the amount of sales to the company is not disclosed due to confidential nature of the information, most of the sales to the company and its associates are based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	No
	81	93		
Suruga Bank Ltd.	196,000	196,000	The shares are held for the purpose of strengthening and expanding transactions. The Company and its associates have concluded contracts for security services with the company and its associates, and the benefits of holding the shares are verified by the annual sales, etc. Although the amount of sales to the company is not disclosed due to confidential nature of the information, most of the sales to the company and its associates are based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	No
	80	83		
Sumitomo Mitsui Trust Holdings, Inc.	19,327	19,327	The shares are held for the purpose of strengthening and expanding transactions. The Company and its associates have concluded contracts for security services with the company and its associates, and the benefits of holding the shares are verified by the annual sales, etc. Although the amount of sales to the company is not disclosed due to confidential nature of the information, most of the sales to the company and its associates are based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	No
	77	74		

Issuer	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021	Purpose of holding shares, its quantitative benefit and reasons for increase in the number of shares	Holding of shares of the Company
	Number of shares (Shares)	Number of shares (Shares)		
	Carrying amount (Millions of yen)	Carrying amount (Millions of yen)		
Daiwa Securities Group Inc.	103,000	103,000	The shares are held for the purpose of strengthening and expanding transactions. The Company and its associates have concluded contracts for security services with the company and its associates, and the benefits of holding the shares are verified by the annual sales, etc. Although the amount of sales to the company is not disclosed due to confidential nature of the information, most of the sales to the company and its associates are based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	No
	71	58		
Dai-ichi Life Holdings, Inc.	28,200	28,200	The shares are held for the purpose of strengthening and expanding transactions. The Company and its associates have concluded contracts for security services with the company and its associates, and the benefits of holding the shares are verified by the annual sales, etc. Although the amount of sales to the company is not disclosed due to confidential nature of the information, most of the sales to the company and its associates are based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	Yes
	70	53		
Kintetsu Group Holdings Co., Ltd.	20,000	20,000	The shares are held for the purpose of strengthening and expanding transactions. The Company and its associates have concluded contracts for security services with the company and its associates, and the benefits of holding the shares are verified by the annual sales, etc. Although the amount of sales to the company is not disclosed due to confidential nature of the information, most of the sales to the company and its associates are based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	No
	70	84		

Issuer	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021	Purpose of holding shares, its quantitative benefit and reasons for increase in the number of shares	Holding of shares of the Company
	Number of shares (Shares)	Number of shares (Shares)		
	Carrying amount (Millions of yen)	Carrying amount (Millions of yen)		
Tokyu Fudosan Holdings Corporation	95,400	95,400	The shares are held for the purpose of strengthening and expanding transactions. The Company and its associates have concluded contracts for security services with the company and its associates, and the benefits of holding the shares are verified by the annual sales, etc. Although the amount of sales to the company is not disclosed due to confidential nature of the information, most of the sales to the company and its associates are based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	No
	64	62		
Sumitomo Corporation	28,600	28,600	The shares are held for the purpose of strengthening and expanding transactions. The Company and its associates have concluded contracts for security services with the company and its associates, and the benefits of holding the shares are verified by the annual sales, etc. Although the amount of sales to the company is not disclosed due to confidential nature of the information, most of the sales to the company and its associates are based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	No
	60	45		
Sumitomo Mitsui Financial Group, Inc.	15,200	15,200	The shares are held for the purpose of strengthening and expanding transactions. The Company and its associates have concluded contracts for security services with the company and its associates, and the benefits of holding the shares are verified by the annual sales, etc. Although the amount of sales to the company is not disclosed due to confidential nature of the information, most of the sales to the company and its associates are based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	Yes
	59	60		

Issuer	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021	Purpose of holding shares, its quantitative benefit and reasons for increase in the number of shares	Holding of shares of the Company
	Number of shares (Shares)	Number of shares (Shares)		
	Carrying amount (Millions of yen)	Carrying amount (Millions of yen)		
Credit Saison Co., Ltd.	37,100	37,100	The shares are held for the purpose of strengthening and expanding transactions. The Company and its associates have concluded contracts for security services with the company and its associates, and the benefits of holding the shares are verified by the annual sales, etc. Although the amount of sales to the company is not disclosed due to confidential nature of the information, most of the sales to the company and its associates are based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	No
	48	49		
Mebuki Financial Group, Inc.	171,990	171,990	The shares are held for the purpose of strengthening and expanding transactions. The Company and its associates have concluded contracts for security services with the company and its associates, and the benefits of holding the shares are verified by the annual sales, etc. Although the amount of sales to the company is not disclosed due to confidential nature of the information, most of the sales to the company and its associates are based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	Yes
	44	44		
DUSKIN CO., LTD.	15,500	15,500	The shares are held for the purpose of strengthening and expanding transactions. The Company and its associates have concluded contracts for security services with the company and its associates, and the benefits of holding the shares are verified by the annual sales, etc. Although the amount of sales to the company is not disclosed due to confidential nature of the information, most of the sales to the company and its associates are based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	No
	41	43		

Issuer	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021	Purpose of holding shares, its quantitative benefit and reasons for increase in the number of shares	Holding of shares of the Company
	Number of shares (Shares)	Number of shares (Shares)		
	Carrying amount (Millions of yen)	Carrying amount (Millions of yen)		
The Shimizu Bank, Ltd.	24,800	24,800	The shares are held for the purpose of strengthening and expanding transactions. The Company and its associates have concluded contracts for security services with the company and its associates, and the benefits of holding the shares are verified by the annual sales, etc. Although the amount of sales to the company is not disclosed due to confidential nature of the information, most of the sales to the company and its associates are based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	Yes
	39	42		
Seven & i Holdings Co., Ltd.	5,900	5,900	The shares are held for the purpose of strengthening and expanding transactions. The Company and its associates have concluded contracts for security services with the company and its associates, and the benefits of holding the shares are verified by the annual sales, etc. Although the amount of sales to the company is not disclosed due to confidential nature of the information, most of the sales to the company and its associates are based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	No
	34	26		
Yamaguchi Financial Group, Inc.	50,000	50,000	The shares are held for the purpose of strengthening and expanding transactions. The Company and its associates have concluded contracts for security services with the company and its associates, and the benefits of holding the shares are verified by the annual sales, etc. Although the amount of sales to the company is not disclosed due to confidential nature of the information, most of the sales to the company and its associates are based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	No
	34	36		

Issuer	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021	Purpose of holding shares, its quantitative benefit and reasons for increase in the number of shares	Holding of shares of the Company
	Number of shares (Shares)	Number of shares (Shares)		
	Carrying amount (Millions of yen)	Carrying amount (Millions of yen)		
TOMONY Holdings, Inc.	93,500	93,500	The shares are held for the purpose of strengthening and expanding transactions. The Company and its associates have concluded contracts for security services with the company and its associates, and the benefits of holding the shares are verified by the annual sales, etc. Although the amount of sales to the company is not disclosed due to confidential nature of the information, most of the sales to the company and its associates are based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	Yes
	30	30		
RETAIL PARTNERS CO., LTD.	20,000	20,000	The shares are held for the purpose of strengthening and expanding transactions. The Company and its associates have concluded contracts for security services with the company and its associates, and the benefits of holding the shares are verified by the annual sales, etc. Although the amount of sales to the company is not disclosed due to confidential nature of the information, most of the sales to the company and its associates are based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	No
	28	27		
The Keiyo Bank, Ltd.	58,000	58,000	The shares are held for the purpose of strengthening and expanding transactions. The Company and its associates have concluded contracts for security services with the company and its associates, and the benefits of holding the shares are verified by the annual sales, etc. Although the amount of sales to the company is not disclosed due to confidential nature of the information, most of the sales to the company and its associates are based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	No
	28	26		

Issuer	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021	Purpose of holding shares, its quantitative benefit and reasons for increase in the number of shares	Holding of shares of the Company
	Number of shares (Shares)	Number of shares (Shares)		
	Carrying amount (Millions of yen)	Carrying amount (Millions of yen)		
Tokyo Kiraboshi Financial Group, Inc.	16,307	16,307	The shares are held for the purpose of strengthening and expanding transactions. The Company and its associates have concluded contracts for security services with the company and its associates, and the benefits of holding the shares are verified by the annual sales, etc. Although the amount of sales to the company is not disclosed due to confidential nature of the information, most of the sales to the company and its associates are based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	No
	28	22		
East Japan Railway Company	4,000	4,000	The shares are held for the purpose of strengthening and expanding transactions. The Company and its associates have concluded contracts for security services with the company and its associates, and the benefits of holding the shares are verified by the annual sales, etc. Although the amount of sales to the company is not disclosed due to confidential nature of the information, most of the sales to the company and its associates are based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	No
	28	31		
EDION Corporation	23,464	22,601	The shares are held for the purpose of strengthening and expanding transactions. The Company and its associates have concluded contracts for security services with the company and its associates, and the benefits of holding the shares are verified by the annual sales, etc. Although the amount of sales to the company is not disclosed due to confidential nature of the information, most of the sales to the company and its associates are based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares. As further expansion of transactions with the company was expected, additional shares were acquired during the current fiscal year through participation in client stock ownership association.	No
	26	28		

Issuer	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021	Purpose of holding shares, its quantitative benefit and reasons for increase in the number of shares	Holding of shares of the Company
	Number of shares (Shares)	Number of shares (Shares)		
	Carrying amount (Millions of yen)	Carrying amount (Millions of yen)		
Alleanza Holdings Co., Ltd.	27,000	27,000	The shares are held for the purpose of strengthening and expanding transactions. The Company and its associates have concluded contracts for security services with the company and its associates, and the benefits of holding the shares are verified by the annual sales, etc. Although the amount of sales to the company is not disclosed due to confidential nature of the information, most of the sales to the company and its associates are based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	No
	26	35		
The Chiba Bank, Ltd.	36,000	36,000	The shares are held for the purpose of strengthening and expanding transactions. The Company and its associates have concluded contracts for security services with the company and its associates, and the benefits of holding the shares are verified by the annual sales, etc. Although the amount of sales to the company is not disclosed due to confidential nature of the information, most of the sales to the company and its associates are based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	No
	26	26		
T-Gaia Corporation	15,700	15,700	The shares are held for the purpose of strengthening and expanding transactions. The Company and its associates have concluded contracts for security services with the company and its associates, and the benefits of holding the shares are verified by the annual sales, etc. Although the amount of sales to the company is not disclosed due to confidential nature of the information, most of the sales to the company and its associates are based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	No
	25	30		

Issuer	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021	Purpose of holding shares, its quantitative benefit and reasons for increase in the number of shares	Holding of shares of the Company
	Number of shares (Shares)	Number of shares (Shares)		
	Carrying amount (Millions of yen)	Carrying amount (Millions of yen)		
THE HACHIJUNI BANK, LTD.	55,000	55,000	The shares are held for the purpose of strengthening and expanding transactions. The Company and its associates have concluded contracts for security services with the company and its associates, and the benefits of holding the shares are verified by the annual sales, etc. Although the amount of sales to the company is not disclosed due to confidential nature of the information, most of the sales to the company and its associates are based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	No
	22	22		
The Awa Bank, Ltd.	10,000	10,000	The shares are held for the purpose of strengthening and expanding transactions. The Company and its associates have concluded contracts for security services with the company and its associates, and the benefits of holding the shares are verified by the annual sales, etc. Although the amount of sales to the company is not disclosed due to confidential nature of the information, most of the sales to the company and its associates are based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	Yes
	21	24		
The Shikoku Bank, Ltd.	26,400	26,400	The shares are held for the purpose of strengthening and expanding transactions. The Company and its associates have concluded contracts for security services with the company and its associates, and the benefits of holding the shares are verified by the annual sales, etc. Although the amount of sales to the company is not disclosed due to confidential nature of the information, most of the sales to the company and its associates are based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	No
	19	20		

Issuer	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021	Purpose of holding shares, its quantitative benefit and reasons for increase in the number of shares	Holding of shares of the Company
	Number of shares (Shares)	Number of shares (Shares)		
	Carrying amount (Millions of yen)	Carrying amount (Millions of yen)		
Nomura Holdings, Inc.	34,800	34,800	The shares are held for the purpose of strengthening and expanding transactions. The Company and its associates have concluded contracts for security services with the company and its associates, and the benefits of holding the shares are verified by the annual sales, etc. Although the amount of sales to the company is not disclosed due to confidential nature of the information, most of the sales to the company and its associates are based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	Yes
	17	20		
SHIMAMURA Co., Ltd.	1,600	1,600	The shares are held for the purpose of strengthening and expanding transactions. The Company and its associates have concluded contracts for security services with the company and its associates, and the benefits of holding the shares are verified by the annual sales, etc. Although the amount of sales to the company is not disclosed due to confidential nature of the information, most of the sales to the company and its associates are based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	No
	17	20		
The Musashino Bank, Ltd.	9,300	9,300	The shares are held for the purpose of strengthening and expanding transactions. The Company and its associates have concluded contracts for security services with the company and its associates, and the benefits of holding the shares are verified by the annual sales, etc. Although the amount of sales to the company is not disclosed due to confidential nature of the information, most of the sales to the company and its associates are based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	No
	16	16		

Issuer	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021	Purpose of holding shares, its quantitative benefit and reasons for increase in the number of shares	Holding of shares of the Company
	Number of shares (Shares)	Number of shares (Shares)		
	Carrying amount (Millions of yen)	Carrying amount (Millions of yen)		
THE BANK OF KOCHI, LTD.	20,000	20,000	The shares are held for the purpose of strengthening and expanding transactions. The Company and its associates have concluded contracts for security services with the company and its associates, and the benefits of holding the shares are verified by the annual sales, etc. Although the amount of sales to the company is not disclosed due to confidential nature of the information, most of the sales to the company and its associates are based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	No
	15	17		
Hokuhoku Financial Group, Inc.	16,800	16,800	The shares are held for the purpose of strengthening and expanding transactions. The Company and its associates have concluded contracts for security services with the company and its associates, and the benefits of holding the shares are verified by the annual sales, etc. Although the amount of sales to the company is not disclosed due to confidential nature of the information, most of the sales to the company and its associates are based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	No
	15	17		
North Pacific Bank, Ltd.	62,500	62,500	The shares are held for the purpose of strengthening and expanding transactions. The Company and its associates have concluded contracts for security services with the company and its associates, and the benefits of holding the shares are verified by the annual sales, etc. Although the amount of sales to the company is not disclosed due to confidential nature of the information, most of the sales to the company and its associates are based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	No
	15	20		

Issuer	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021	Purpose of holding shares, its quantitative benefit and reasons for increase in the number of shares	Holding of shares of the Company
	Number of shares (Shares)	Number of shares (Shares)		
	Carrying amount (Millions of yen)	Carrying amount (Millions of yen)		
NIPPON TELEGRAPH AND TELEPHONE CORPORATION	4,000	4,000	The shares are held for the purpose of strengthening and expanding transactions. The Company and its associates have concluded contracts for security services with the company and its associates, and the benefits of holding the shares are verified by the annual sales, etc. Although the amount of sales to the company is not disclosed due to confidential nature of the information, most of the sales to the company and its associates are based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	Yes
	14	11		
The Hyakujushi Bank, Ltd.	8,300	8,300	The shares are held for the purpose of strengthening and expanding transactions. The Company and its associates have concluded contracts for security services with the company and its associates, and the benefits of holding the shares are verified by the annual sales, etc. Although the amount of sales to the company is not disclosed due to confidential nature of the information, most of the sales to the company and its associates are based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	No
	13	14		
Fuji Co., Ltd.	5,756	5,740	The shares are held for the purpose of strengthening and expanding transactions. The Company and its associates have concluded contracts for security services with the company and its associates, and the benefits of holding the shares are verified by the annual sales, etc. Although the amount of sales to the company is not disclosed due to confidential nature of the information, most of the sales to the company and its associates are based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares. As further expansion of transactions with the company was expected, additional shares were acquired during the current fiscal year through participation in client stock ownership association.	No
	13	12		

Issuer	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021	Purpose of holding shares, its quantitative benefit and reasons for increase in the number of shares	Holding of shares of the Company
	Number of shares (Shares)	Number of shares (Shares)		
	Carrying amount (Millions of yen)	Carrying amount (Millions of yen)		
The Howa Bank, Ltd.	20,400	20,400	The shares are held for the purpose of strengthening and expanding transactions. The Company and its associates have concluded contracts for security services with the company and its associates, and the benefits of holding the shares are verified by the annual sales, etc. Although the amount of sales to the company is not disclosed due to confidential nature of the information, most of the sales to the company and its associates are based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	No
	11	13		
Senshu Ikeda Holdings, Inc.	67,030	67,030	The shares are held for the purpose of strengthening and expanding transactions. The Company and its associates have concluded contracts for security services with the company and its associates, and the benefits of holding the shares are verified by the annual sales, etc. Although the amount of sales to the company is not disclosed due to confidential nature of the information, most of the sales to the company and its associates are based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	No
	11	11		
Takara Standard Co., Ltd.	8,597	8,194	The shares are held for the purpose of strengthening and expanding transactions. The Company and its associates have concluded contracts for security services with the company and its associates, and the benefits of holding the shares are verified by the annual sales, etc. Although the amount of sales to the company is not disclosed due to confidential nature of the information, most of the sales to the company and its associates are based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares. As further expansion of transactions with the company was expected, additional shares were acquired during the current fiscal year through participation in client stock ownership association.	No
	10	13		

Issuer	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021	Purpose of holding shares, its quantitative benefit and reasons for increase in the number of shares	Holding of shares of the Company
	Number of shares (Shares)	Number of shares (Shares)		
	Carrying amount (Millions of yen)	Carrying amount (Millions of yen)		
Tsukuba Bank, Ltd.	51,400	51,400	The shares are held for the purpose of strengthening and expanding transactions. The Company and its associates have concluded contracts for security services with the company and its associates, and the benefits of holding the shares are verified by the annual sales, etc. Although the amount of sales to the company is not disclosed due to confidential nature of the information, most of the sales to the company and its associates are based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	Yes
	10	9		
Yamanaka Co., Ltd.	14,160	14,061	The shares are held for the purpose of strengthening and expanding transactions. The Company and its associates have concluded contracts for security services with the company and its associates, and the benefits of holding the shares are verified by the annual sales, etc. Although the amount of sales to the company is not disclosed due to confidential nature of the information, most of the sales to the company and its associates are based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares. As further expansion of transactions with the company was expected, additional shares were acquired during the current fiscal year through participation in client stock ownership association.	No
	9	10		
The Shimane Bank, Ltd.	17,500	17,500	The shares are held for the purpose of strengthening and expanding transactions. The Company and its associates have concluded contracts for security services with the company and its associates, and the benefits of holding the shares are verified by the annual sales, etc. Although the amount of sales to the company is not disclosed due to confidential nature of the information, most of the sales to the company and its associates are based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	No
	9	12		

Issuer	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021	Purpose of holding shares, its quantitative benefit and reasons for increase in the number of shares	Holding of shares of the Company
	Number of shares (Shares)	Number of shares (Shares)		
	Carrying amount (Millions of yen)	Carrying amount (Millions of yen)		
Heiwado Co., Ltd.	4,628	4,499	The shares are held for the purpose of strengthening and expanding transactions. The Company and its associates have concluded contracts for security services with the company and its associates, and the benefits of holding the shares are verified by the annual sales, etc. Although the amount of sales to the company is not disclosed due to confidential nature of the information, most of the sales to the company and its associates are based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares. As further expansion of transactions with the company was expected, additional shares were acquired during the current fiscal year through participation in client stock ownership association.	No
	8	10		
Olympic Group Corporation	12,100	12,100	The shares are held for the purpose of strengthening and expanding transactions. The Company and its associates have concluded contracts for security services with the company and its associates, and the benefits of holding the shares are verified by the annual sales, etc. Although the amount of sales to the company is not disclosed due to confidential nature of the information, most of the sales to the company and its associates are based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	No
	8	10		
Ogaki Kyoritsu Bank, Ltd.	4,300	4,300	The shares are held for the purpose of strengthening and expanding transactions. The Company and its associates have concluded contracts for security services with the company and its associates, and the benefits of holding the shares are verified by the annual sales, etc. Although the amount of sales to the company is not disclosed due to confidential nature of the information, most of the sales to the company and its associates are based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	Yes
	8	9		

V. [Financial Condition]

1. Preparation method of consolidated and non-consolidated financial statements

- (1) The consolidated financial statements of the Company are prepared in accordance with “Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements” (Cabinet Office Ordinance No. 28 of 1976, “Ordinance on Consolidated Financial Statements”).
- (2) The non-consolidated financial statements of the Company are prepared in accordance with “Ordinance on Terminology, Forms, and Preparation Methods of Financial Statements, etc.” (Cabinet Office Ordinance No. 59 of 1963, “Ordinance on Financial Statements”).

The Company is a special company submitting financial statements and prepares the financial statements in accordance with provisions of Article 127 of the Ordinance on Financial Statements.

2. Audit attestation

In accordance with provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan, the consolidated and non-consolidated financial statements for the fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022) have been audited by Grant Thornton Taiyo LLC.

3. Special measure to ensure appropriateness of the consolidated financial statements, etc.

The Company undertakes special measure to ensure appropriateness of the consolidated financial statements, etc. Specifically, in order to properly understand the details of accounting standards and other relevant information and to establish a framework to accurately respond to changes in the standards, the Company participates in the Financial Accounting Standards Foundation (“FASF”).

The Company proactively participates in lectures and seminars held by the FASF.

1. [Consolidated financial statements]

(1) [Consolidated financial statements]

i. [Consolidated balance sheet]

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	*3 60,833	*3 71,357
Cash for Transportation Security Services	*1 82,819	*1 76,768
Notes and accounts receivable - trade	54,283	—
Notes and accounts receivable - trade, and contract assets	—	*5 56,458
Lease receivables and investment assets	5,311	5,100
Securities	598	380
Raw materials and supplies	7,551	7,509
Costs on uncompleted construction contracts	348	222
Advances paid	5,670	6,892
Other	10,380	9,324
Allowance for doubtful accounts	(180)	(140)
Total current assets	227,617	233,872
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	*3 50,190	*3 51,338
Accumulated depreciation	(27,398)	(28,337)
Buildings and structures, net	22,792	23,001
Machinery, equipment and vehicles	144,246	145,372
Accumulated depreciation	(125,114)	(126,660)
Machinery, equipment and vehicles, net	19,132	18,712
Land	*2,*3 21,728	*2,*3 22,034
Lease assets	52,682	53,439
Accumulated depreciation	(21,295)	(22,817)
Lease assets, net	31,387	30,621
Construction in progress	2,782	2,951
Other	20,324	22,221
Accumulated depreciation	(14,765)	(16,167)
Other, net	5,559	6,054
Total property, plant and equipment	103,383	103,376
Intangible assets		
Software	4,469	9,476
Goodwill	29,678	27,097
Other	9,099	3,174
Total intangible assets	43,247	39,747
Investments and other assets		
Investment securities	*3,*4 55,639	*3,*4 56,148
Long-term loans receivable	327	411
Leasehold and guarantee deposits	8,254	8,015
Insurance funds	1,549	1,434
Retirement benefit asset	19,938	24,995
Deferred tax assets	8,449	7,102
Other	13,506	13,603
Allowance for doubtful accounts	(447)	(429)
Total investments and other assets	107,217	111,281
Total noncurrent assets	253,847	254,405
Total assets	481,465	488,278

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	24,084	23,098
Short-term loans payable	*1 20,950	*1 8,483
Current portion of long-term loans payable	*3 2,929	*3 2,795
Accounts payable - other	20,393	22,425
Lease obligations	5,260	5,306
Income taxes payable	6,585	6,751
Accrued consumption taxes	6,137	4,573
Provision for bonuses	2,419	2,065
Provision for bonuses for directors (and other officers)	96	98
Other	14,935	*6 14,785
Total current liabilities	103,793	90,384
Noncurrent liabilities		
Long-term loans payable	*3 4,528	*3 2,145
Lease obligations	36,313	35,529
Deferred tax liabilities	748	991
Deferred tax liabilities for land revaluation	128	314
Retirement benefit liability	26,974	27,175
Provision for retirement benefits for directors (and other officers)	1,673	1,540
Asset retirement obligations	480	486
Provision for loss on litigation	57	57
Other	2,339	2,142
Total noncurrent liabilities	73,243	70,383
Total liabilities	177,037	160,768
Net Assets		
Shareholders' equity		
Capital stock	18,675	18,675
Capital surplus	34,026	34,129
Retained earnings	220,464	241,718
Treasury stock	(1,071)	(1,072)
Total shareholders' equity	272,094	293,450
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,026	6,917
Revaluation reserve for land	*2 (3,494)	*2 (3,378)
Foreign currency translation adjustment	(29)	321
Remeasurements of defined benefit plans, net of tax	1,915	2,836
Total accumulated other comprehensive income	5,417	6,696
Non-controlling interests	26,915	27,362
Total net assets	304,427	327,509
Total liabilities and net assets	481,465	488,278

ii. [Consolidated statement of income and consolidated statement of comprehensive income]

[Consolidated statement of income]

(Millions of yen)

	Fiscal year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)	Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)
Net sales	469,920	489,092
Cost of sales	*7 352,811	*7 363,511
Gross profit	117,108	125,581
Selling, general and administrative expenses	*1,*2 79,926	*1,*2 82,715
Operating income	37,182	42,865
Non-operating income		
Interest income	171	181
Dividends income	702	666
Gain on sales of investment securities	15	126
Rent income	352	345
Gain from insurance claim	44	76
Share of profit of entities accounted for using equity method	1,399	1,588
Dividend income of insurance	289	247
Penalty income	734	724
Other	1,472	1,201
Total non-operating income	5,184	5,158
Non-operating expenses		
Interest expenses	2,036	1,913
Loss on sales of investment securities	—	5
Loss on sales of noncurrent assets	8	4
Loss on retirement of noncurrent assets	*3 237	*3 271
Financing expenses	272	266
Other	599	766
Total non-operating expenses	3,154	3,227
Ordinary income	39,212	44,796
Extraordinary income		
Gain on sales of investment securities	24	17
Gain on sales of noncurrent assets	*4 99	*4 224
Gain on liquidation of subsidiaries	4	—
Compensation income	50	1,067
Total extraordinary income	178	1,309
Extraordinary loss		
Loss on valuation of investment securities	39	65
Loss on sales of investment securities	0	0
Impairment losses	*6 344	*6 307
Loss on sales of noncurrent assets	*5 8	*5 3
Loss on retirement of noncurrent assets	79	—
Provision for loss on litigation	57	—
Total extraordinary loss	529	376
Income before income taxes	38,862	45,729
Income taxes - current	12,848	13,587
Income taxes - deferred	(842)	1,415
Total income taxes	12,006	15,003
Net income	26,855	30,726
Profit attributable to non-controlling interests	1,841	1,762
Profit attributable to owners of parent	25,014	28,964

[Consolidated statement of comprehensive income]

(Millions of yen)

	Fiscal year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)	Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)
Net income	26,855	30,726
Other comprehensive income		
Valuation difference on available-for-sale securities	2,480	(65)
Foreign currency translation adjustment	(41)	148
Remeasurements of defined benefit plans	11,825	891
Share of other comprehensive income (loss) of entities accounted for using equity method	421	190
Total other comprehensive income (loss)	* 14,686	* 1,164
Comprehensive income	41,541	31,890
(Contents)		
Comprehensive income attributable to owners of parent	39,371	30,127
Comprehensive income attributable to non-controlling interests	2,170	1,763

iii. [Consolidated statement of changes in net assets]

Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of year	18,675	34,243	203,375	(1,070)	255,222
Changes of items during the period					
Dividends from surplus			(7,138)		(7,138)
Profit attributable to owners of parent			25,014		25,014
Change in ownership interest of parent due to transactions with non-controlling interests		(216)			(216)
Purchase of treasury stock				(0)	(0)
Reversal of revaluation reserve for land			(786)		(786)
Purchase of consolidated subsidiary shares resulting in increase or decrease of interest					—
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	(216)	17,089	(0)	16,872
Balance at end of year	18,675	34,026	220,464	(1,071)	272,094

	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 accumulated other comprehensive income		
Balance at beginning of year	4,609	(4,281)	(167)	(9,886)	(9,725)	24,935	270,432
Changes of items during the period							
Dividends from surplus							(7,138)
Profit attributable to owners of parent							25,014
Change in ownership interest of parent due to transactions with non-controlling interests							(216)
Purchase of treasury stock							(0)
Reversal of revaluation reserve for land							(786)
Purchase of consolidated subsidiary shares resulting in increase or decrease of interest							—
Net changes of items other than shareholders' equity	2,416	786	137	11,802	15,143	1,980	17,123
Total changes of items during the period	2,416	786	137	11,802	15,143	1,980	33,995
Balance at end of year	7,026	(3,494)	(29)	1,915	5,417	26,915	304,427

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of year	18,675	34,026	220,464	(1,071)	272,094
Changes of items during the period					
Dividends from surplus			(7,594)		(7,594)
Profit attributable to owners of parent			28,964		28,964
Change in ownership interest of parent due to transactions with non-controlling interests					—
Purchase of treasury stock				(0)	(0)
Reversal of revaluation reserve for land			(115)		(115)
Purchase of consolidated subsidiary shares resulting in increase or decrease of interest		103			103
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	103	21,253	(0)	21,356
Balance at end of year	18,675	34,129	241,718	(1,072)	293,450

	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 accumulated other comprehensive income		
Balance at beginning of year	7,026	(3,494)	(29)	1,915	5,417	26,915	304,427
Changes of items during the period							
Dividends from surplus							(7,594)
Profit attributable to owners of parent							28,964
Change in ownership interest of parent due to transactions with non-controlling interests							—
Purchase of treasury stock							(0)
Reversal of revaluation reserve for land							(115)
Purchase of consolidated subsidiary shares resulting in increase or decrease of interest							103
Net changes of items other than shareholders' equity	(108)	115	351	920	1,279	446	1,725
Total changes of items during the period	(108)	115	351	920	1,279	446	23,081
Balance at end of year	6,917	(3,378)	321	2,836	6,696	27,362	327,509

iv. [Consolidated statement of cash flows]

(Millions of yen)

	Fiscal year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)	Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)
Net cash provided by (used in) operating activities		
Income before income taxes	38,862	45,729
Depreciation and amortization	15,828	16,861
Impairment losses	344	307
Amortization of goodwill	2,452	2,427
Increase (decrease) in allowance for doubtful accounts	(51)	(57)
Increase (decrease) in net defined benefit liability	106	(253)
Increase (decrease) in provision for bonuses	8	(358)
Increase (decrease) in provision for bonuses for directors (and other officers)	(5)	1
Interest and dividends income	(874)	(847)
Interest expenses	2,036	1,913
Share of loss (profit) of entities accounted for using equity method	(1,399)	(1,588)
Loss (gain) on sales of noncurrent assets	(85)	(219)
Loss on retirement of noncurrent assets	316	271
Loss (gain) on sales of investment securities	(39)	(138)
Loss (gain) on valuation of investment securities	39	65
Loss (gain) on valuation of derivatives	(7)	254
Decrease (increase) in notes and accounts receivable - trade	3,222	(2,126)
Decrease (increase) in inventories	(480)	175
Increase (decrease) in notes and accounts payable - trade	(1,483)	485
Decrease (increase) in net defined benefit asset	(1,021)	(3,324)
Changes in assets and liabilities of Transportation Security Services	8,894	(5,904)
Other	2,054	2,189
Subtotal	68,716	55,862
Interest and dividends income received	1,160	1,377
Interest expenses paid	(2,030)	(1,918)
Income taxes paid	(12,337)	(12,593)
Income taxes refund	13	9
Net cash provided by (used in) operating activities	55,522	42,736

(Millions of yen)

	Fiscal year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)	Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)
Net cash provided by (used in) investing activities		
Decrease (increase) in time deposits	(131)	105
Payments into long-term time deposits	(2,017)	(200)
Proceeds from withdrawal of long-term time deposits	20	50
Purchase of property, plant and equipment	(11,937)	(13,109)
Proceeds from sales of property, plant and equipment	358	584
Purchase of intangible assets	(1,502)	(2,695)
Purchase of investment securities	(2,785)	(2,095)
Proceeds from sales of investment securities	585	1,522
Purchase of shares of 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	15	14
Payments of long-term loans receivable	(101)	(233)
Collection of long-term loans receivable	125	66
Proceeds from refund of leasehold and guarantee deposits	1,096	259
Other	673	1,638
Net cash provided by (used in) investing activities	(38,452)	(14,093)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	948	(1,553)
Proceeds from long-term loans payable	2,247	462
Repayment of long-term loans payable	(3,264)	(2,980)
Redemption of bonds	(9)	—
Purchase of treasury stock	(0)	(0)
Repayments of lease obligations	(5,248)	(5,302)
Cash dividends paid	(7,138)	(7,594)
Cash dividends paid to non-controlling interests	(471)	(539)
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	(12,714)	(18,183)
Effect of exchange rate change on cash and cash equivalents	(2)	41
Net increase (decrease) in cash and cash equivalents	4,353	10,500
Cash and cash equivalents at beginning of year	48,790	53,143
Cash and cash equivalents at end of year	*1 53,143	*1 63,644

[Notes]

(Significant matters forming the basis for the preparation of the consolidated financial statements)

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 74

Major consolidated subsidiaries

ALSOK Care Co., Ltd.

ALSOK Facilities Co., Ltd.

Japan Facilio Co., Ltd.

ALSOK Stationed Security Co., Ltd.

Life Co., Ltd.

During the fiscal year ended March 31, 2022, Nippon Building Maintenance Co., Ltd. merged with ALSOK Building Services Co., Ltd. The name of the surviving company was changed to ALSOK Facilities Co., Ltd.

(2) Major non-consolidated subsidiaries

ALSOK Business Support Co., Ltd.

(Reason for excluding from the consolidation)

All of the non-consolidated subsidiaries are small-sized companies, and total assets, net sales, net income (equity pro rata amount) and retained earnings (equity pro rata amount) in aggregate do not have a significant impact on the consolidated financial statements.

2. Application of equity method

(1) Number of equity method associates: 14

Major companies

HOCHIKI Corporation

Nippon Dry-Chemical Co., Ltd.

Nippon Care Supply Co., Ltd.

(2) Major non-consolidated subsidiaries and associates that do not apply equity method

ALSOK Business Support Co., Ltd.

(Reason for not applying equity method)

Considering the net income (equity pro rata amount) and retained earnings (equity pro rata amount) of the non-consolidated subsidiaries and associates not applying equity method, excluding these companies from the consolidation does not have a significant impact on the consolidated financial statements, and these companies are not material in aggregate.

3. Closing dates of consolidated subsidiaries

The closing date of the consolidated subsidiaries, ALSOK (Vietnam) Co., Ltd., ALSOK (Shanghai) Co., Ltd., ALSOK MALAYSIA SDN.BHD., PT. ALSOK INDONESIA, PT. ALSOK BASS Indonesia Security Services and ALSOK Vietnam Security Services Joint Stock Company, is December 31. In preparing the consolidated statements, the financial statements of these companies as of December 31 are used. The consolidated financial statements are adjusted for any significant transactions occurred during the period between January 1 and March 31.

4. Accounting policies

(1) Valuation basis and method for significant assets

i. Valuation basis and method for securities

Available-for-sale securities

Securities other than equity securities with no quoted prices

It is stated at fair market value based on the quoted market price at the fiscal year-end (with any unrealized gains or losses being recognized directly in equity and the cost of securities sold being generally calculated based on the moving average method).

Securities with embedded derivatives that cannot be bifurcated are stated at fair market value (with the cost of securities sold being generally calculated based on the moving average method).

Equity securities with no quoted prices

It is generally stated at cost based on the moving average method.

ii. Valuation basis and method for derivatives

It is stated at fair market value.

iii. Inventories

Raw materials and supplies

It is generally stated at cost based on the first in first out method (the balance sheet carrying amount is reduced to reflect write-downs for decreased profitability).

Costs on uncompleted construction contracts

It is generally stated at cost based on specific identification method.

(2) Depreciation and amortization method for significant depreciable and amortizable assets

i. Property, plant and equipment (excluding lease assets)

It is generally depreciated using the straight-line method. The useful lives of major assets are as follows:

Buildings and structures 15 to 50 years

Machinery, equipment and vehicles 3 to 5 years

ii. Intangible assets (excluding lease assets)

It is amortized using the straight-line method.

Internal-use software is amortized using the straight-line method over the useful life of five years. Customer-related assets are amortized using the straight-line method based on the period over which its effect is extended (8 to 15 years).

iii. Lease assets under finance leases that do not involve transfer of ownership

It is depreciated using the straight-line method over the useful lives equal to lease terms with zero residual values.

(3) Basis for recognition of significant provisions

i. Allowance for doubtful accounts

To provide for losses due to bad debt including trade receivables and loans, allowance for doubtful accounts is recognized based on default rates for normal receivables and based on recoverability of each receivable for certain doubtful receivables.

ii. Provision for bonuses

To provide for payment of bonuses to employees, certain consolidated subsidiaries recognize a provision for the expected amount of future bonuses that is related to the current period.

iii. Provision for bonuses for directors (and other officers)

To provide for payment of bonuses to directors and other officers, certain consolidated subsidiaries recognize a provision for the expected amount of future bonuses that is related to the current period.

iv. Provision for retirement benefits for directors (and other officers)

To provide for payment of retirement benefits to directors and other officers, certain consolidated subsidiaries recognize a provision for the amount of future benefits required by company rules that is related to the current period.

(4) Accounting for retirement benefits

i. Method of attributing estimated retirement benefits to the periods

In calculating defined benefit obligation, the total projected benefits are attributed to the current and prior fiscal years using the benefit formula basis.

ii. Method of amortizing actuarial gains and losses and past service costs

Past service cost is amortized using the straight-line method over a certain period not exceeding the average remaining service period of employees, which is generally five years.

Actuarial gains and losses are amortized using the straight-line method from the following fiscal year over a certain period not exceeding the average remaining service period of employees, which is generally 10 years.

iii. Simplified method for small-sized companies

Certain consolidated subsidiaries apply a simplified method in calculating retirement benefit liability and retirement benefit expenses, under which the amount of required voluntary termination benefits at the fiscal year-end is recognized as defined benefit obligation.

(5) Basis for recognition of significant revenue and expense

The Company and its consolidated subsidiaries recognize revenue and expense from contracts with customers as follows:

i. Contract revenue

For contract revenue earned as a result of providing services, the net sales and cost of sales are recognized over time as performance obligations in the contract with the customers are satisfied.

ii. Construction revenue

For construction revenue earned as a result of installation of security alarm equipment leased or rented to the customers as well as repair/renewal constructions and piping or electrical constructions of various building equipment, the net sales and cost of sales are recognized over time as performance obligations in the contract with the customers are satisfied. For contracts that have very short construction period, such as installation of security alarm equipment, which account for most of the construction revenue, the net sales and cost of sales are recognized at a point in time at completion of construction.

iii. Sales revenue

For sales revenue earned as a result of product sales (including installation of products sold), the net sales and cost of sales are recognized at a point in time on delivery to the customers.

(6) Basis for translation of significant assets and liabilities denominated in foreign currencies into Japanese yen

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the fiscal year-end, and differences arising from the translation are recognized in profit or loss. Assets and liabilities of foreign subsidiaries are translated into Japanese yen at the exchange rates prevailing at the fiscal year-end, and income and expenses are translated at the average exchange rates during the period. Differences arising from the translation are recognized in foreign currency translation adjustment and non-controlling interests under net assets.

(7) Significant hedge accounting

i. Hedge accounting

Hedging transactions are accounted for on a deferred basis. Interest rate swaps are accounted for using the special method if it meets certain conditions.

ii. Hedging instruments and hedged items

The hedge accounting was applied to the following hedging instruments and hedged items during the current fiscal year:

Hedging instruments: Interest rate swaps

Hedged items: Bank loans

iii. Hedging policy

In accordance with the internal rules, the risk of interest rate fluctuations is hedged to reduce such risk and to improve financial return.

iv. Method of assessing hedge effectiveness

The assessment for effectiveness of interest rate swaps accounted for by the special method is not performed as the hedge is considered to be highly effective.

(8) Method and period of goodwill amortization

Generally, goodwill is amortized using the straight-line method over an expected investment recovery period not exceeding 20 years, taking the nature of each investment into account.

(9) Cash and cash equivalents in the consolidated statement of cash flows

The cash and cash equivalents in the consolidated statement of cash flows consist of cash on hand, cash at banks which can be withdrawn at any time, and short-term investments with a maturity of three months or less from the date of acquisition which can easily be converted to cash and are subject to little risk of change in value.

(Significant accounting estimates)

Goodwill

1. Amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2022

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Goodwill	29,678	27,097

2. Significant accounting estimates related to identified items

The goodwill recorded as of March 31, 2022, which arose from past business combinations, represents excess earning power that is expected from combining an acquiree with the Group. There is also goodwill that resulted from the effect of synergies that is expected to arise at the Company.

In assessing goodwill for impairment, we are focused on whether the excess earning power and the effect of synergies (which give rise to goodwill) will arise over the future periods. We monitor, on a monthly basis, whether a business plan of a company from which the goodwill arose (including a plan of the effect of synergies expected to arise at the Company) is in line with the actual profit or cash flows recorded. The business plan includes orders, human resource or new care facilities opening plans developed based on certain assumptions.

If the business plan may not be achieved for some reason, resulting in changes in the original assumptions, an impairment loss may need to be recorded and it may have a significant impact on the amount of goodwill recorded in the consolidated financial statements for the following fiscal year.

(Change in accounting policies)

(Application of Accounting Standard for Revenue Recognition, etc.)

The Group applied “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020, “Revenue Recognition Accounting Standard”), etc. from the beginning of the fiscal year ended March 31, 2022. The Group recognizes revenue when control of the promised goods or services is transferred to the customer in an amount that the Group expects to receive in exchange for those goods or services.

Based on the above, revenue generated from the Group is recognized as follows:

i. Contract revenue

Contract revenue earned as a result of providing services is recognized over time as performance obligations in the contract with the customers are satisfied.

ii. Construction revenue

Construction revenue earned as a result of installation of security alarm equipment leased or rented to the customer as well as repair/renewal constructions and piping or electrical constructions of various building equipment is recognized over time as performance obligations in the contract with the customers are satisfied. In contrast, revenue is recognized at a point in time at completion of construction for contracts that have very short construction period, which mainly include installation of security alarm equipment. Revenue from contracts with short construction period accounts for most of the construction revenue.

iii. Sales revenue

Sales revenue earned as a result of product sales (including installation of products sold) is recognized at a point in time on delivery to the customer.

In applying the Revenue Recognition Accounting Standard etc., the Company calculated the cumulative effect of retrospective application of the new standard to the periods prior to the beginning of the fiscal year ended March 31, 2022 in accordance with the transitional treatment provided in the proviso to Paragraph 84 of the Revenue Recognition Accounting Standard. However, as the amount of cumulative effect was immaterial, the Company applied the new standard without making any adjustment to retained earnings at the beginning of the fiscal year ended March 31, 2022.

Due to the application of the Revenue Recognition Accounting Standard etc., “Notes and accounts receivable - trade” presented under “Current assets” in the consolidated balance sheet as of March 31, 2021 is now included in “Notes and accounts receivable - trade, and contract assets” as of March 31, 2022. In accordance with the transitional treatment provided in Paragraph 89-2 of the Revenue Recognition Accounting Standard, the prior year amounts are not reclassified. In accordance with the transitional treatment provided in Paragraph 89-3 of the Revenue Recognition Accounting Standard, the notes on “Revenue recognition” related to the previous fiscal year are omitted.

(Application of Accounting Standard for Fair Value Measurement)

The Group applied “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019, “Fair Value

Measurement Accounting Standard”) etc. from the beginning of the fiscal year ended March 31, 2022. The Group decided to apply new accounting policies based on the Fair Value Measurement Accounting Standard etc. prospectively in accordance with the transitional treatment provided in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). The impact on the consolidated financial statements for the fiscal year ended March 31, 2022 is immaterial.

In the notes on “Financial instruments”, the fair values of financial instruments by level, etc. are disclosed. In accordance with the transitional treatment provided in Paragraph 7-4 of “Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, July 4, 2019), the notes related to the previous fiscal year are omitted.

(Accounting standards, etc. that are not applied yet)

- “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021)

(1) Overview

Effective June 17, 2021, “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31) was revised to include “fair value measurement of investment trusts” and the notes on fair value measurement of “share of investments in partnerships recorded in the balance sheet at net.” These topics were not included in the guidance issued on July 4, 2019 due to time constraints.

(2) Scheduled date of application

From the beginning of the fiscal year ending March 31, 2023

(3) Effect of application of the accounting standard

We are currently assessing the impact that application of “Implementation Guidance on Accounting Standard for Fair Value Measurement” will have on the consolidated financial statements.

(Matters related to consolidated balance sheet)

*1 Cash for Transportation Security Services

As of March 31, 2021

This represents cash for transportation security services, and its use for other purposes is restricted.

In addition, the short-term loans payable balance includes ¥14,613 million of funds borrowed for the services.

As of March 31, 2022

This represents cash for transportation security services, and its use for other purposes is restricted.

In addition, the short-term loans payable balance includes ¥3,700 million of funds borrowed for the services.

*2 In accordance with the Act on Revaluation of Land (Act No. 34 promulgated on March 31, 1998) and the Partial Amendment to Act on Revaluation of Land (Act No. 24 promulgated on March 31, 1999), the Group revalued its land for business use as of March 31, 2002 and recorded revaluation reserve for land in net assets.

- Method of revaluation

In determining the value of land, which is the calculation basis for the taxable value of the land value tax as prescribed in Article 16 of the Land Price Tax Act (Act No. 69 of 1991) as set forth in Article 2, Item 4 of the Order to Enforce the Act on Revaluation of Land (Cabinet Order No. 119 promulgated on March 31, 1998), the Group makes reasonable adjustments (such as land depth adjustment) to the value calculated by the method designated and published by the Commissioner of the National Tax Agency.

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
The amount by which the fair value of revalued land at the end of the fiscal year is below its carrying amount	285	327

*3 Pledged assets and secured obligations

Pledged assets comprise the following:

	(Millions of yen)	
	As of March 31, 2021	As of March 31, 2022
Cash and deposits	210	210
Buildings and structures	2,384	1,150
Land	498	1,711
Investment securities	16	16
Total	3,108	3,088

Secured obligations comprise the following:

	(Millions of yen)	
	As of March 31, 2021	As of March 31, 2022
Current portion of long-term loans payable	255	200
Long-term loans payable	298	255
Total	553	455

*4 The following amount relates to non-consolidated subsidiaries and associates:

	(Millions of yen)	
	As of March 31, 2021	As of March 31, 2022
Investments in securities (stock)	27,409	28,674

*5 The amount of receivables and contract assets arising from contracts with customers is as follows:

	(Millions of yen)	
	As of March 31, 2022	
Notes receivable - trade	1,737	
Accounts receivable - trade	53,668	
Contract assets	1,052	

*6 The amount of contract liabilities is as follows:

	(Millions of yen)	
	As of March 31, 2022	
Contract liabilities	11,211	

(Matters related to consolidated statement of income)

*1 Selling, general and administrative expenses mainly comprise the following:

	(Millions of yen)	
	Fiscal year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)	Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)
Advertising expenses	2,500	2,896
Salary allowances	40,849	40,963
Provision for bonuses	452	353
Provision for bonuses for directors (and other officers)	97	99
Provision for retirement benefits for directors (and other officers)	101	166
Provision for allowance for doubtful accounts	(27)	36
Welfare expenses	7,549	7,488
Retirement benefit expenses	2,412	1,494
Rent expenses	5,862	5,741
Depreciation and amortization	2,267	3,061
Taxes and dues	3,237	3,278
Communication expenses	1,551	1,584
Amortization of goodwill	2,452	2,427

*2 Total research and development costs

Research and development costs included in selling, general and administrative expenses

	(Millions of yen)	
	Fiscal year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)	Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)
	575	565

*3 Loss on retirement of noncurrent assets

	(Millions of yen)	
	Fiscal year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)	Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)
Machinery and equipment	88	102
Other	148	169
Total	237	271

*4 Gain on sales of noncurrent assets

Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

During the fiscal year ended March 31, 2021, the Group recorded ¥99 million gain on sale of a building (Hachioji city, Tokyo).

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

During the fiscal year ended March 31, 2022, the Group recorded ¥224 million gain on sales of buildings (Yokohama city, Kanagawa, etc.).

*5 Loss on sales of noncurrent assets

Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

During the fiscal year ended March 31, 2021, the Group recorded ¥8 million loss on sale of a building (Uwajima city, Ehime).

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

During the fiscal year ended March 31, 2022, the Group recorded ¥3 million loss on sale of a building (Saijo city, Ehime).

*6 Impairment loss

The Group recognized impairment losses on the following assets:

Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

(Millions of yen)

Class	Intended use	Impairment losses
Other intangible assets such as land and land leasehold	Idle assets	3
Land	Rental properties	279
Other property, plant and equipment, such as furniture and fixtures	Assets for sale	47
Other property, plant and equipment, such as buildings and structures, software, furniture and fixtures, and other investments and other assets, such as long-term prepaid expenses	Care facilities	14

For idle assets, assets for sale and rental properties, the Company and its consolidated subsidiaries consider each asset as one asset group. For business assets, the grouping for managerial accounting is used.

For idle assets, assets for sale and rental properties whose fair values had declined and for which future use was no longer expected, the carrying amounts were reduced to the recoverable amounts and an impairment loss (¥330 million) was recognized as an extraordinary loss. The recoverable amount of the asset group was calculated based on the net realizable value. The net realizable values of idle assets and rental properties are calculated by deducting the estimated cost of disposal from the value calculated by making reasonable adjustments (such as land depth adjustment) based on the land assessments or the appraised value. For assets for sale, the net realizable value is determined based on the sales contract amount.

We assessed the recoverability of one long-term care facility owned by ALSOK Care Co., Ltd. (Shiki city, Saitama) based on future cash flows. Based on the assessment, we reduced the carrying amounts of certain items of property, plant and equipment related to the facility to the memorandum value and the impairment loss of ¥14 million was recognized as an extraordinary loss. As the undiscounted cash flows were negative, the discount rate information is omitted.

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Millions of yen)

Class	Intended use	Impairment losses
Other intangible assets such as land and land leasehold	Idle assets	1
Goodwill	—	192
Buildings and structures, furniture and fixtures, lease assets	Care facilities	107
Software	Internal-use	6

For idle assets, assets for sale and rental properties, the Company and its consolidated subsidiaries consider each asset as one asset group. For business assets, the grouping for managerial accounting is used.

For idle assets whose fair values had declined and for which future use was no longer expected, the carrying amounts were reduced to the recoverable amounts and an impairment loss (¥1 million) was recognized as an extraordinary loss. The recoverable amount of the asset group was calculated based on the net realizable value. The net realizable values of idle assets and rental properties are calculated by deducting the estimated cost of disposal from the value calculated by making reasonable adjustments (such as land depth adjustment) based on the land assessments or the appraised value. For assets for sale, the net realizable value is determined based on the sales contract amount.

We assessed the recoverability of certain goodwill based on future cash flows. Based on the assessment, we reduced the carrying amount of the goodwill to the recoverable amount based on its value in use and the impairment loss of ¥192 million was recognized as an extraordinary loss. The value in use was determined by discounting the future cash flows using 6.17% discount rate.

We also assessed the recoverability of long-term care facilities owned by ALSOK Care Co., Ltd. (Kasukabe city, Saitama, etc.) based on future cash flows. Based on the assessment, we reduced the carrying amounts of certain items of property, plant and equipment related to the facilities to the memorandum value and the impairment loss of ¥107 million was recognized as an extraordinary loss. As the undiscounted cash flows were negative, the discount rate information is omitted. As the future use of the Company's certain software was no longer expected, the carrying amount was reduced to zero and an impairment loss of ¥6 million was recognized as an extraordinary loss. As the undiscounted cash flows were zero, the discount rate information is omitted.

*7 The inventory balance at the end of fiscal year is after writing down the carrying amount due to the decrease in profitability, and the following losses on valuation of inventories are included in cost of sales:

(Millions of yen)	
Fiscal year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)	Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)
80	26

(Matters related to consolidated statement of comprehensive income)

* Reclassification adjustments and tax effects related to other comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)	Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)
Valuation difference on available-for-sale securities:		
Gain (loss) during the fiscal year	3,644	(13)
Reclassification adjustments	(22)	(82)
Before tax effect	3,622	(96)
Tax effect	(1,141)	30
Valuation difference on available-for-sale securities	2,480	(65)
Foreign currency translation adjustment:		
Gain (loss) during the fiscal year	(41)	148
Remeasurements of defined benefit plans		
Gain (loss) during the fiscal year	14,825	1,102
Reclassification adjustments	2,390	180
Before tax effect	17,216	1,282
Tax effect	(5,390)	(391)
Remeasurements of defined benefit plans	11,825	891
Share of other comprehensive income (loss) of entities accounted for using equity method:		
Gain (loss) during the fiscal year	422	185
Reclassification adjustments	(1)	5
Share of other comprehensive income (loss) of entities accounted for using equity method	421	190
Total other comprehensive income (loss)	14,686	1,164

(Matters related to consolidated statement of changes in net assets)

Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

1. Class and number of shares issued and treasury stock

	Number of shares at beginning of year (Shares)	Increase in number of shares during the year (Shares)	Decrease in number of shares during the year (Shares)	Number of shares at end of year (Shares)
Number of shares issued				
Common stock	102,040,042	—	—	102,040,042
Total	102,040,042	—	—	102,040,042
Treasury stock				
Common stock (Note)	804,877	144	—	805,021
Total	804,877	144	—	805,021

(Note) The increase of 144 shares of common stock held in treasury is due to repurchase of shares less than one unit and an increase in the number of shares held by associates.

2. Subscription rights to shares and subscription rights to shares held in treasury

Nothing to report.

3. Dividends

(1) Cash dividends

(Resolution)	Class	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 24, 2020	Common stock	3,594	35.5	March 31, 2020	June 25, 2020
Board of Directors' meeting on October 29, 2020	Common stock	3,544	35.0	September 30, 2020	December 3, 2020

(2) Dividends that have record date during the fiscal year ended March 31, 2021 and effective date of which is in the following fiscal year

(Resolution)	Class	Total dividends (Millions of yen)	Source of dividends	Dividends per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 24, 2021	Common stock	3,746	Retained earnings	37.0	March 31, 2021	June 25, 2021

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

1. Class and number of shares issued and treasury stock

	Number of shares at beginning of year (Shares)	Increase in number of shares during the year (Shares)	Decrease in number of shares during the year (Shares)	Number of shares at end of year (Shares)
Number of shares issued				
Common stock	102,040,042	—	—	102,040,042
Total	102,040,042	—	—	102,040,042
Treasury stock				
Common stock (Note)	805,021	160	330	804,851
Total	805,021	160	330	804,851

(Note) The increase of 160 shares of common stock held in treasury is due to repurchase of shares less than one unit. The decrease of 330 shares of common stock held in treasury is due to a decrease in the number of shares held by associates.

2. Subscription rights to shares and subscription rights to shares held in treasury

Nothing to report.

3. Dividends

(1) Cash dividends

(Resolution)	Class	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 24, 2021	Common stock	3,746	37.0	March 31, 2021	June 25, 2021
Board of Directors' meeting on October 29, 2021	Common stock	3,847	38.0	September 30, 2021	December 3, 2021

(2) Dividends that have record date during the fiscal year ended March 31, 2022 and effective date of which is in the following fiscal year

(Resolution)	Class	Total dividends (Millions of yen)	Source of dividends	Dividends per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 24, 2022	Common stock	4,455	Retained earnings	44.0	March 31, 2022	June 27, 2022

(Matters related to consolidated statement of cash flows)

*1 Reconciliation between the cash and cash equivalents balance at the fiscal year-end and the amount presented on the consolidated balance sheet

	(Millions of yen)	
	Fiscal year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)	Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)
Cash and deposits accounts	60,833	71,357
Deposits with deposit term of over three months	(7,789)	(7,713)
Short-term investment (securities) whose redemption is due within three months from the acquisition date	100	—
Other (deposit at securities company)	0	0
Cash and cash equivalents	53,143	63,644

*2 Major components of assets and liabilities of the companies that became consolidated subsidiaries due to the acquisition of shares during the fiscal year ended March 31, 2022

The assets and liabilities of newly acquired consolidated subsidiaries at the time of inclusion into the Group comprise the following, and the reconciliation between the acquisition cost of shares and the expenditures related to the acquisition (net) is as follows:

Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

(Life Holdings Co., Ltd. and its two subsidiaries)

	(Millions of yen)
Current assets	3,736
Noncurrent assets	17,124
Goodwill	12,770
Current liabilities	(2,217)
Noncurrent liabilities	(15,913)
Acquisition cost of shares	15,500
Cash and cash equivalents	(1,810)
Less: Proceeds from acquisition	13,689

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

Nothing to report.

(Matters related to lease transactions)

1. Finance lease transactions (lessee)

Finance lease transactions without transfer of ownership

i. Lease assets

Property, plant and equipment

It primarily consists of buildings (long-term care facilities), security alarm equipment and vehicles (machinery, equipment and vehicles).

ii. Depreciation method for lease assets

It is described in “4. Significant matters forming the basis for the preparation of the consolidated financial statements, (2) Depreciation and amortization method for major depreciable and amortizable assets.”

2. Operating lease transactions

Future minimum lease payments under non-cancellable operating lease transactions

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Due within one year	3,663	3,434
Due after one year	16,895	19,136
Total	20,559	22,570

(Matters related to financial instruments)

1. Financial instruments

(1) Policy for financial instruments

The Group limits its fund management to long-term and stable management within the amount of surplus funds. The Group's policy is to obtain funding mainly through bank borrowings. Derivative instruments are used to hedge the risk of future fluctuations in interest rates. In addition, certain consolidated subsidiaries hold available-for-sale securities with embedded derivatives (such as FX-linked bonds) and use equity options as part of their fund management.

(2) Details of financial instruments, risks and risk management structure

Notes and accounts receivable - trade, and contract assets are exposed to the credit risk of customers. To address the risk, the Group makes efforts to prevent loans to become non-performing, select quality business partners and strengthen its business infrastructure in accordance with the Group's Credit Management Rule. In addition, the Group manages the due dates and balances of receivables for each customer in accordance with Trade Receivables Management Rule.

Stocks, which are investment securities, are exposed to the risk of fluctuations in market prices. However, they are mainly companies' shares with which we have business relationships, and their fair market values are reported to the Board of Directors on a regular basis. Furthermore, embedded derivatives are exposed to the risk of fluctuations in interest rates and impairment of principal arising from future foreign currency fluctuations. However, the counterparties to the transactions are financial institutions with high credit ratings and therefore, the Group does not expect any credit losses arising from default of the counterparties.

The majority of notes and accounts payable - trade, which are trade payables, are due within one year.

Short-term loans payable mainly represent the funding for Transportation Security Services, while long-term loans payable are primarily for capital expenditures.

Loans payable with variable interest rates are exposed to the risk of fluctuations in interest rates. For certain long-term loans payable, derivative transactions (interest rate swaps) are used as hedging instruments for each contract in order to avoid the risk of fluctuations in interest rates and to fix interest expenses. Assessment of hedge effectiveness may be omitted when an interest rate swap meets certain conditions to be accounted for using the special method. The interest rate swaps qualifies for the special method and the assessment of hedge effectiveness is omitted.

The execution and management of derivative transactions are conducted in accordance with internal rules that stipulate trading authorizations and transaction limits, etc. When using derivatives, the Group conducts transactions only with highly rated financial institutions in order to mitigate credit risk.

Trade payables and loan payables are exposed to liquidity risk. In order to manage the risk, the Group has each company prepare a consolidated management plan.

Lease obligations under finance lease transactions have fixed interest rates, and therefore, are not subject to interest rate fluctuation risk.

(3) Supplementary explanation on fair value of financial instruments

The contract amounts of derivative transactions described in "2. Fair value of financial instruments" below do not represent the market risk related to derivative transactions.

2. Fair value of financial instruments

Carrying amount, fair value and the difference between these are as follows. The table below does not include financial instruments whose fair values are extremely difficult to determine and equity securities with no quoted prices (see Note 1).

As of March 31, 2021

	Carrying amount (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
(1) Notes and accounts receivable - trade	54,283	54,281	(2)
(2) Securities	503	503	—
(3) Investment securities			
Shares of subsidiaries and associates	17,020	16,734	(285)
Available-for-sale securities	26,272	26,272	—
Total assets	98,080	97,793	(287)
(1) Long-term loans payable *4	7,458	7,459	0
(2) Lease obligations *5	41,574	41,426	(148)
Total liabilities	49,033	48,885	(147)

*1 Cash is not included as it is cash, and deposits are not included as these are settled in a short period of time and the fair value approximates its carrying amount.

*2 Cash for Transportation Security Services is not included as it is cash.

*3 Notes and accounts payable - trade, short-term loans payable and accounts payable - other are not included as these are settled in a short period of time and the fair value approximates its carrying amount.

*4 Long-term loans payable include current portion of long-term loans payable.

*5 Lease obligations include current portion of lease obligations.

As of March 31, 2022

	Carrying amount (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
(1) Notes and accounts receivable - trade, and contract assets	56,458	56,455	(2)
(2) Securities	380	380	—
(3) Investment securities			
Shares of subsidiaries and associates	17,825	14,394	(3,431)
Available-for-sale securities	25,998	25,998	—
Total assets	100,663	97,229	(3,434)
(1) Derivative transactions	111	111	—
(2) Long-term loans payable *4	4,940	4,939	(0)
(3) Lease obligations *5	40,836	40,388	(447)
Total liabilities	45,887	45,439	(447)

*1 Cash is not included as it is cash, and deposits are not included as these are settled in a short period of time and the fair value approximates its carrying amount.

*2 Cash for Transportation Security Services is not included as it is cash.

*3 Notes and accounts payable - trade, short-term loans payable and accounts payable - other are not included as these are settled in a short period of time and the fair value approximates its carrying amount.

*4 Long-term loans payable include current portion of long-term loans payable.

*5 Lease obligations include current portion of lease obligations.

*6 Share of investments in partnerships and similar entities recorded in the consolidated balance sheet at net is not included. The share of investments in partnerships recorded in the consolidated balance sheet is ¥500 million.

(Note 1) Unlisted shares and unlisted shares of subsidiaries and associates

As of March 31, 2021

Financial instruments whose fair value is extremely difficult to determine

Category	Carrying amount (Millions of yen)
Unlisted shares	1,855
Unlisted shares of subsidiaries and associates	10,388
Total	12,244

As of March 31, 2022

Equity securities with no quoted prices

Category	Carrying amount (Millions of yen)
Unlisted shares	1,475
Unlisted shares of subsidiaries and associates	10,848
Total	12,324

(Note 2) Scheduled redemption of monetary receivables and securities with maturity dates after the fiscal year-end

As of March 31, 2021

	Within 1 year (Millions of yen)	1 year to 5 years (Millions of yen)	5 years to 10 years (Millions of yen)	Over 10 years (Millions of yen)
Cash and deposits	60,833	—	—	—
Cash for Transportation Security Services	82,819	—	—	—
Notes and accounts receivable - trade	54,219	64	—	—
Available-for-sale securities with maturity dates				
(1) Government bonds, municipal bonds, etc.	—	—	—	—
(2) Corporate bonds	607	1,479	2,821	2,411
(3) Other	191	52	311	—
Total	198,671	1,597	3,133	2,411

As of March 31, 2022

	Within 1 year (Millions of yen)	1 year to 5 years (Millions of yen)	5 years to 10 years (Millions of yen)	Over 10 years (Millions of yen)
Cash and deposits	71,357	—	—	—
Cash for Transportation Security Services	76,768	—	—	—
Notes receivable - trade	1,737	—	—	—
Accounts receivable - trade	53,577	90	0	—
Available-for-sale securities with maturity dates				
(1) Government bonds, municipal bonds, etc.	—	—	—	—
(2) Corporate bonds	290	2,275	1,465	2,699
(3) Other	90	241	306	—
Total	203,821	2,607	1,772	2,699

(Note 3) Scheduled repayment of long-term loans payable, lease obligations and other interest-bearing liabilities after the fiscal year-end

As of March 31, 2021

	Within 1 year (Millions of yen)	1 year to 2 years (Millions of yen)	2 years to 3 years (Millions of yen)	3 years to 4 years (Millions of yen)	4 years to 5 years (Millions of yen)	Over 5 years (Millions of yen)
Short-term loans payable	20,950	—	—	—	—	—
Long-term loans payable	2,929	2,694	588	382	236	625
Lease obligations	5,260	4,714	3,446	2,467	1,861	23,824
Total	29,140	7,409	4,035	2,850	2,097	24,449

As of March 31, 2022

	Within 1 year (Millions of yen)	1 year to 2 years (Millions of yen)	2 years to 3 years (Millions of yen)	3 years to 4 years (Millions of yen)	4 years to 5 years (Millions of yen)	Over 5 years (Millions of yen)
Short-term loans payable	8,483	—	—	—	—	—
Long-term loans payable	2,795	672	475	328	193	475
Lease obligations	5,306	4,532	3,323	2,540	2,007	23,125
Total	16,585	5,205	3,798	2,869	2,200	23,600

3. Fair value of financial instruments by level

The fair values of financial instruments are categorized into the following three levels based on observability of input to the fair value measurement and its significance:

Level 1: Quoted prices for assets or liabilities subject to the fair value measurement in active markets

Level 2: Inputs other than inputs included within Level 1

Level 3: Unobservable inputs

When significant inputs from multiple levels are used, the fair value is categorized in the lowest level of a significant input.

(1) Financial instruments recognized at fair value in the consolidated balance sheet

As of March 31, 2022

Category	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Available-for-sale securities				
Stocks	17,863	—	—	17,863
Government and municipal bonds	—	—	—	—
Corporate bonds	—	6,734	—	6,734
Other	—	1,781	—	1,781
Total assets	17,863	8,515	—	26,379
Derivative transactions				
Equity options	—	111	—	111
Total liabilities	—	111	—	111

(2) Other financial instruments recognized at fair value in the consolidated balance sheet

As of March 31, 2022

Category	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Notes and accounts receivable - trade, and contract assets	—	56,455	—	56,455
Securities and investment securities				
Shares of subsidiaries and associates	14,394	—	—	14,394
Total assets	14,394	56,455	—	70,849
Long-term loans payable	—	4,939	—	4,939
Lease obligations	—	40,388	—	40,388
Total liabilities	—	45,328	—	45,328

(Note) Explanation of valuation technique used and input to the fair value measurement

Securities and investment securities

The fair value of listed shares is determined based on quoted prices. As these are traded in an active market, the fair value is categorized as Level 1.

The fair value of available-for-sale securities, such as corporate bonds and investment trusts, is determined based on quoted prices from financial institutions. As these are less actively traded and do not have quoted prices in an active market, the fair value is categorized as Level 2.

Derivative transactions

The fair value of derivative transactions, such as equity options and interest rate swaps, is determined based on quoted prices from financial institutions. As these are less actively traded and do not have quoted prices in an active market, the fair value is categorized as Level 2.

A hybrid financial instrument that contains an embedded derivative is measured at fair value in its entirety as securities and investment securities with changes in fair value recognized in profit or loss. This is because the embedded derivative cannot be separately measured at fair value on a reasonable basis.

Notes and accounts receivable - trade, and contract assets

The fair values are determined, for each group of receivables categorized by term, based on the present value of receivables discounted using the interest rate adjusted for the period to maturity and credit risk. The fair value is categorized as Level 2.

Long-term loans payable

The fair value of long-term loans payable with variable interest rates is its carrying amount as these reflect market interest rates in a short period of time.

The fair value of long-term loans payable with fixed interest rates is determined based on the present value of principal and interest discounted using the interest rate that would be applied to new loans. This fair value is categorized as Level 2.

Lease obligations

The fair value of lease obligations is determined based on the present value of principal and interest discounted using the interest rate that would be applied to new leases. This fair value is categorized as Level 2.

(Matters related to securities)

1. Available-for-sale securities

As of March 31, 2021

	Class	Carrying amount (Millions of yen)	Cost or amortized cost (Millions of yen)	Difference (Millions of yen)
Carrying amount exceeds cost or amortized cost	(1) Shares	16,497	5,966	10,530
	(2) Bonds			
	Government bonds, municipal bonds, etc.	—	—	—
	Corporate bonds	4,479	4,411	67
	(3) Other	1,127	1,005	122
	Subtotal	22,105	11,384	10,721
Carrying amount does not exceed cost or amortized cost	(1) Shares	1,432	1,778	(346)
	(2) Bonds			
	Government bonds, municipal bonds, etc.	—	—	—
	Corporate bonds	2,742	2,794	(52)
	(3) Other	496	538	(42)
	Subtotal	4,671	5,112	(441)
Total		26,776	16,496	10,279

As of March 31, 2022

	Class	Carrying amount (Millions of yen)	Cost or amortized cost (Millions of yen)	Difference (Millions of yen)
Carrying amount exceeds cost or amortized cost	(1) Shares	16,440	5,932	10,508
	(2) Bonds			
	Government bonds, municipal bonds, etc.	—	—	—
	Corporate bonds	2,939	2,882	56
	(3) Other	749	642	106
	Subtotal	20,129	9,457	10,671
Carrying amount does not exceed cost or amortized cost	(1) Shares	1,422	1,783	(361)
	(2) Bonds			
	Government bonds, municipal bonds, etc.	—	—	—
	Corporate bonds	3,794	3,855	(60)
	(3) Other	1,032	1,078	(46)
	Subtotal	6,249	6,717	(468)
Total		26,379	16,175	10,203

2. Available-for-sale securities sold

Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

Class	Proceeds from sales (Millions of yen)	Total gain on sales (Millions of yen)	Total loss on sales (Millions of yen)
(1) Shares	104	26	0
(2) Bonds			
Government bonds, municipal bonds, etc.	—	—	—
Corporate bonds	100	0	—
(3) Other	—	—	—
Total	204	26	0

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

Class	Proceeds from sales (Millions of yen)	Total gain on sales (Millions of yen)	Total loss on sales (Millions of yen)
(1) Shares	343	31	0
(2) Bonds			
Government bonds, municipal bonds, etc.	—	—	—
Corporate bonds	1,720	0	2
(3) Other	525	112	2
Total	2,589	144	5

3. Securities impaired

Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

An impairment loss of ¥39 million (shares of ¥39 million) was recognized on available-for-sale securities.

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

An impairment loss of ¥65 million (shares of ¥65 million) was recognized on available-for-sale securities.

(Matters related to derivative transactions)

Derivative transactions to which hedge accounting is not applied

As of March 31, 2021

Class	Contract amount (Millions of yen)	Fair value (Millions of yen)	Unrealized gains or losses (Millions of yen)
Transactions other than market transactions			
Hybrid financial instruments	199	187	(12)
Total	199	187	(12)

(Note) A hybrid financial instrument that contains an embedded derivative is measured at fair value in its entirety with changes in fair value recognized in profit or loss. This is because the embedded derivative cannot be separately measured at fair value on a reasonable basis.

As of March 31, 2022

Class	Contract amount (Millions of yen)	Fair value (Millions of yen)	Unrealized gains or losses (Millions of yen)
Transactions other than market transactions			
Hybrid financial instruments	199	197	(2)
Equity options	153	(111)	(264)
Total	353	86	(267)

(Note) A hybrid financial instrument that contains an embedded derivative is measured at fair value in its entirety with changes in fair value recognized in profit or loss. This is because the embedded derivative cannot be separately measured at fair value on a reasonable basis.

(Matters related to retirement benefits)

1. Overview of adopted retirement benefit plans

The Company has defined benefit plans, including corporate pension plan and lump-sum payment plan, as well as defined contribution plans.

In addition to these plans, certain consolidated subsidiaries have defined benefit plans and defined contribution plans such as Smaller Enterprise Retirement Allowance Mutual Aid System.

Certain consolidated subsidiaries apply a simplified method in calculating retirement benefit liability and retirement benefit expenses, under which the amount of required voluntary termination benefits at the fiscal year-end is recognized as defined benefit obligation.

2. Defined benefit plans

(1) Reconciliation of beginning to ending balance of define benefit obligation (excluding plans accounted for under the simplified method as described in (3))

	(Millions of yen)	
	Fiscal year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)	Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)
Defined benefit obligation at beginning of year	117,457	119,485
Service cost	5,254	5,313
Interest cost	789	803
Actuarial gains and losses	788	36
Past service cost	—	138
Retirement benefits paid	(4,805)	(4,583)
Reclassification due to changes from the simplified method to the principle method	—	5
Increase due to business combination	0	—
Defined benefit obligation at end of year	119,485	121,199

(2) Reconciliation of beginning to ending balance of plan asset (excluding plans accounted for under the simplified method as described in (3))

	(Millions of yen)	
	Fiscal year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)	Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)
Plan assets at beginning of year	94,728	115,002
Expected return on plan assets	2,332	2,836
Actuarial gains and losses	15,614	1,276
Contributions from employers	4,902	4,893
Retirement benefits paid	(2,575)	(2,390)
Plan assets at end of year	115,002	121,618

(3) Reconciliation of beginning to ending balance of retirement benefit liability under the simplified method

	(Millions of yen)	
	Fiscal year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)	Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)
Retirement benefit liability at beginning of year	2,440	2,553
Retirement benefit expenses	374	383
Retirement benefits paid	(231)	(306)
Contributions to the plans	(30)	(25)
Reclassification due to changes from the simplified method to the principle method	—	(5)
Retirement benefit liability at end of year	2,553	2,599

(4) Reconciliation of ending balances of defined benefit obligation and plan assets to retirement benefit liability and retirement benefit asset reported on the consolidated balance sheet

	(Millions of yen)	
	As of March 31, 2021	As of March 31, 2022
Defined benefit obligation for funded plans	95,295	97,050
Plan assets	115,198	121,809
	(19,903)	(24,758)
Defined benefit obligation for unfunded plans	26,939	26,938
Net retirement benefit liability (asset)	7,036	2,180
Retirement benefit liability	26,974	27,175
Retirement benefit asset	(19,938)	(24,995)
Net retirement benefit liability (asset)	7,036	2,180

(Note) Include plans accounted for under the simplified method.

(5) Retirement benefit expense and its components

	(Millions of yen)	
	Fiscal year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)	Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)
Service cost	5,254	5,313
Interest cost	789	803
Expected return on plan assets	(2,332)	(2,836)
Amortization of actuarial gains and losses	2,390	175
Amortization of past service cost	—	4
Retirement benefit expenses calculated under the simplified method	374	383
Other	132	126
Retirement benefit expenses related to defined benefit plans	6,609	3,971

(6) Reclassification adjustments of defined benefit plans

Reclassification adjustments of defined benefit plans, net of tax, comprise the following:

	(Millions of yen)	
	Fiscal year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)	Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)
Past service cost	—	133
Actuarial gains and losses	(17,216)	(1,416)
Total	(17,216)	(1,282)

(7) Remeasurements of defined benefit plans

Remeasurements of defined benefit plans, net of tax, comprise the following:

	(Millions of yen)	
	As of March 31, 2021	As of March 31, 2022
Unrecognized past service cost	—	133
Unrecognized actuarial gains and losses	(2,537)	(3,953)
Total	(2,537)	(3,820)

(8) Plan assets

i. Major categories of plan assets

Major categories of plan assets and its percentage allocation are as follows:

	As of March 31, 2021	As of March 31, 2022
Bonds	31%	35%
Stocks	41	42
Cash and deposits	1	1
General accounts	15	10
Other	12	12
Total	100	100

ii. Method of determining expected long-term rate of return on plan assets

The expected long-term rate of return on plan assets is determined by taking into account the existing and future plan asset portfolios and the current and expected long-term rates of return from the various components of those plan assets.

(9) Actuarial assumptions

Key actuarial assumptions (in weighted average) are as follows:

	As of March 31, 2021	As of March 31, 2022
Discount rate	0.68%	0.68%
Expected long-term rate of return on plan assets	2.50	2.50
Expected rate of future salary increase	1.1 to 1.9	1.1 to 1.9

3. Defined contribution plans

The required amount of contribution to the defined contribution plans of the Company and its consolidated subsidiaries is ¥644 million for the fiscal year ended March 31, 2021 and ¥661 million for the fiscal year ended March 31, 2022.

(Matters related to tax-effect accounting)

1. Major components of deferred tax assets and liabilities

		(Millions of yen)
	As of March 31, 2021	As of March 31, 2022
Deferred tax assets:		
Accrued business taxes	600	698
Provision for bonuses	819	688
Allowance for doubtful accounts	247	213
Retirement benefit liability	8,473	8,543
Accrued retirement benefits for directors (and other officers)	597	551
Depreciation and amortization	1,859	2,353
Disallowed expenses related to installation of security alarm equipment	3,503	3,486
Loss on valuation of investment securities	297	308
Net operating loss carryforwards	1,671	1,631
Revaluation reserve for land	1,455	1,302
Asset adjustment account	326	65
Other	1,343	1,114
Deferred tax assets - subtotal	21,195	20,958
Valuation allowance related to net operating loss carryforwards	(813)	(714)
Valuation allowance related to aggregation of deductible temporary differences and others	(2,802)	(2,891)
Less: Valuation allowance	(3,616)	(3,606)
Total deferred tax assets, net	17,579	17,352
Deferred tax liabilities:		
Valuation difference on available-for-sale securities	(3,166)	(3,138)
Retirement benefit asset	(6,286)	(7,871)
Foreign stock dividends	(115)	(115)
Revaluation reserve for land	(314)	(314)
Reserve for advanced depreciation of noncurrent assets	(7)	(6)
Liability adjustment account	(115)	(109)
Total deferred tax liabilities	(10,007)	(11,556)
Net deferred tax assets	7,572	5,795

(Note) 1. Net operating loss carryforwards and the amount of related deferred tax assets by carryforward period

As of March 31, 2021

(Millions of yen)

	Within 1 year	1 year to 2 years	2 years to 3 years	3 years to 4 years	4 years to 5 years	Over 5 years	Total
Net operating loss carryforwards (*1)	—	—	—	179	361	1,131	1,671
Valuation allowance	—	—	—	—	(89)	(724)	(813)
Deferred tax assets (*2)	—	—	—	179	271	407	858

(*1) Net operating loss carryforward is the amount after multiplied by the statutory tax rate.

(*2) Deferred tax asset is recognized for net operating loss carryforwards of certain consolidated subsidiaries. We determined that the deferred tax asset is recoverable because it is likely that taxable income (before adjusted for temporary differences) will be available in the future based on the consideration of recent actual taxable income and achievement of business plans.

As of March 31, 2022

(Millions of yen)

	Within 1 year	1 year to 2 years	2 years to 3 years	3 years to 4 years	4 years to 5 years	Over 5 years	Total
Net operating loss carryforwards (*1)	—	—	40	358	298	933	1,631
Valuation allowance	—	—	—	(30)	(69)	(614)	(714)
Deferred tax assets (*2)	—	—	40	327	229	319	916

(*1) Net operating loss carryforward is the amount after multiplied by the statutory tax rate.

(*2) Deferred tax asset is recognized for net operating loss carryforwards of certain consolidated subsidiaries. We determined that the deferred tax asset is recoverable because it is likely that taxable income (before adjusted for temporary differences) will be available in the future based on the consideration of recent actual taxable income and achievement of business plans.

(Note) 2. Net deferred tax assets are included in the following accounts on the consolidated balance sheet:

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Noncurrent assets - Deferred tax assets	8,449	7,102
Noncurrent liabilities - Deferred tax liabilities	(748)	(991)
Noncurrent liabilities - Deferred tax liabilities for revaluation	(128)	(314)

2. Reconciliation of significant differences between the statutory tax rate and the effective tax rate after applying tax effect accounting

	As of March 31, 2021	As of March 31, 2022
Statutory tax rate	30.6 %	30.6 %
(Adjustment)		
Non-deductible permanent differences such as entertainment expenses	0.2	0.2
Non-taxable permanent differences such as dividend income	(0.1)	(0.2)
Equal division of municipal tax	1.3	1.0
Amortization of goodwill	1.9	1.6
Share of profit of entities accounted for using equity method	(1.1)	(1.1)
Difference in tax rates among subsidiaries	1.1	1.3
Special corporate tax credit	(0.2)	(0.9)
Valuation allowance (the amount deducted from deferred tax assets)	(3.2)	0.0
Other	0.3	0.3
Effective tax rate after applying tax effect accounting	30.9	32.8

(Matters related to business combination)

Business combination under common control

Merger of ALSOK Building Services Co., Ltd. with Nippon Building Maintenance Co., Ltd. as the surviving company

1. Overview

(1) Name of the company and its business

Surviving company

Name	Nippon Building Maintenance Co., Ltd.
Business	General property management and fire protection service (building maintenance)

Merged company

Name	ALSOK Building Services Co., Ltd.
Business	General property management and fire protection service (building maintenance)

(2) Date of business combination

April 1, 2021

(3) Legal form of business combination

Merger of ALSOK Building Services Co., Ltd. (merged company) by Nippon Building Maintenance Co., Ltd. (surviving company)

(4) Name of the surviving company after the merger

ALSOK Facilities Co., Ltd.

(5) Other

Since its establishment in 1966, ALSOK Building Services Co., Ltd. has played a central role in providing building maintenance services to the Group's customers. Nippon Building Maintenance Co., Ltd., which joined the Group in 2014, has made efforts to provide high-quality building maintenance services since its establishment in 1955.

By integrating the sales and operation capabilities of both companies, this merger will strengthen the Group's infrastructure for building maintenance services and provide more flexible and wide-ranging services to meet the needs of customers for the maintenance and management of buildings and equipment.

2. Accounting treatment

This merger was accounted for as a business combination under common control in accordance with "Accounting Standard for Business Combinations" (ASBJ Statement No. 21) and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10).

(Matters related to asset retirement obligations)

Asset retirement obligations reported on the consolidated balance sheet

1. Overview of asset retirement obligations

It is an obligation to restore the site to its original state in accordance with real estate lease agreements such as offices.

2. Method to determine the amount of asset retirement obligations

The amount of asset retirement obligations is generally determined based on the expected usage period of 50 years from the acquisition with the discount rate of 0.0% to 2.3% depending on the expected remaining usage period.

3. Changes in asset retirement obligations

	(Millions of yen)	
	Fiscal year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)	Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)
Balance at beginning of year	465	480
Purchase of property, plant and equipment	—	4
Adjustment due to passage of time	2	2
Other	12	—
Balance at end of year	480	486

(Matters related to revenue recognition)

1. Disaggregation of revenue from contracts with customers

The information on disaggregation of revenue from contract with customers is described in “Notes (Segment information).”

2. Information relating to revenue from contracts with customers

(1) Contract revenue

Contract revenue is earned as a result of the Company or its consolidated subsidiaries providing services to customers such as security services.

In most cases, considerations for providing such services are collected in a lump sum in cash in the following month. Considerations for providing Electronic Security Services to individual customers are collected on monthly basis in the form of advance payment before the service is provided.

A performance obligation related to the contract revenue is to provide the service specified in the contract to a customer. The Company and its consolidated subsidiaries recognize revenue as the performance obligation is satisfied over time.

A transaction price is specified in the contract and does not contain significant variable consideration or financing component. If a single contract has multiple performance obligations, the transaction price is allocated based on the price specified in the contract.

(2) Construction revenue

Construction revenue is earned as a result of installation of security alarm equipment leased or rented to the customer as well as repair/renewal constructions and piping or electrical constructions of various building equipment.

In most cases, considerations for providing such services are collected in a lump sum in cash in the following month. A partial payment is received for long-term construction contract by reference to the stage of completion.

A performance obligation related to the construction revenue is to provide the construction service specified in the contract. Generally, revenue from construction contracts is recognized as the performance obligation is satisfied over time. This is because the partially-completed contract is an asset that cannot be used for other purposes and gives rise to a right to receive consideration. As the completion of a contract corresponds to costs incurred for the construction, the percentage of completion for the performance obligation can be reasonably estimated based on the costs incurred. Therefore, the percentage of completion is determined, for each contract, based on the costs incurred to the fiscal year-end to the estimated total cost to complete.

For contracts that have a very short construction period, such as installation of security alarm equipment, which accounts for most of the construction revenue, revenue is recognized at a point in time at completion of contract when a right to receive consideration is confirmed.

A transaction price is specified in the contract and does not contain significant variable consideration or financing

component. If a single contract has multiple performance obligations, the transaction price is allocated based on the price specified in the contract.

(3) Sales revenue

Sales revenue is earned as a result of product sales (including installation of products sold).

In most cases, considerations for transferring such products are collected in a lump sum in cash in the following month. For only a few contracts, considerations are received in installments approximately over two to five years.

A performance obligation related to the sales revenue is to transfer products to a customer. The performance obligation is satisfied at a point in time when a customer accepts the product and the legal title, physical possession and significant risk and rewards of ownership of the product are transferred to the customer. Therefore, the revenue is recognized at a point in time of delivery.

A transaction price is specified in the contract and does not contain significant variable consideration or financing component. If a single contract has multiple performance obligations, the transaction price is allocated based on the price specified in the contract.

3. Relationship between satisfaction of performance obligations based on contracts with customers and cash flows arising from such contracts, and the amount and timing of revenue expected to arise in the following years from contracts with customers existed as of March 31, 2022

(1) Contract assets and liabilities

	(Millions of yen)
	As of March 31, 2022
Receivables arising from contracts with customers (beginning balance)	52,675
Receivables arising from contracts with customers (ending balance)	55,406
Contract assets (beginning balance)	1,608
Contract assets (ending balance)	1,052
Contract liabilities (beginning balance)	11,258
Contract liabilities (ending balance)	11,211

A contract asset is the Company's and its consolidated subsidiaries' right to unbilled consideration in exchange for construction contract partially completed as of the fiscal year-end. When the Company's and its consolidated subsidiaries' right to consideration becomes unconditional, the contract asset is reclassified to a receivable from contracts with customers.

A contract liability represents payments received in advance related to Electronic Security Services and Transportation Security Services, which is debited mainly within one year as the revenue is recognized.

(2) Transaction price allocated to remaining performance obligation

The Company and its consolidated subsidiaries apply practical expedient to the notes on transaction price allocated to remaining performance obligation. Notes on a contract with initial expected contract term of less than one year are not included. The performance obligation is related to construction revenue from General Property Management and Fire Protection Services. Total transaction price to which remaining performance obligations are allocated and the periods for which revenue is expected to be recognized are as follows:

	(Millions of yen)
	As of March 31, 2022
Within 1 year	7,828
1 to 2 years	5,174
2 to 3 years	1,768
Over 3 years	548
Total	15,320

(Segment information etc.)

[Segment information]

1. Overview of reportable segment

(1) How reportable segment is determined

The Group's reportable segments are components of the group for which discrete financial information is available and which are reviewed by the Board of Directors on a regular basis to make decisions about resources and assess their performance.

The Group has three reportable segments: "Security Services", which includes Electronic Security Services, Stationed Security Services and Transportation Security Services, "General Property Management and Fire Protection Services", which includes equipment installation (such as piping or electrical construction services), facility management, environmental hygiene management, janitorial services, inspection and installation of fire equipment and sales of various disaster prevention equipment, and "Long-Term Care Services", which includes home care support, home-visit care, day care and facility care.

"Other services" category includes business segments not included in other reportable segments, including information security, PCR test and food inspection services.

(2) Changes in reportable segment

Segment information for the fiscal year ended March 31, 2021 has been prepared based on the reportable segments and the allocation method of income and expenses used for the fiscal year ended March 31, 2022.

2. Method to determine the amount of net sales, income (loss) and other items

Accounting treatment used for reportable segments is mostly the same as the accounting treatment applied in preparing the consolidated financial statements.

Segment income is based on operating income.

Intersegment sales and transfers are based on prevailing market prices.

3. Information on the amount of net sales and income (loss) by reportable segment

I. Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

(Millions of yen)

	Reportable segment				Other Services (Note 1)	Total	Adjustment (Note 2)	Amount recorded in the consolidated statement of income (Note 3)
	Security Services	General Property Management and Fire Protection Services	Long-Term Care Services	Total				
Net sales								
Sales to external customers	355,559	68,173	40,375	464,108	5,812	469,920	—	469,920
Intersegment sales and transfers	228	117	8	353	227	581	(581)	—
Total	355,788	68,290	40,383	464,461	6,040	470,502	(581)	469,920
Income by reportable segment	37,149	7,835	702	45,687	981	46,669	(9,486)	37,182
Depreciation and amortization	12,562	1,166	1,683	15,412	388	15,800	27	15,828
Amortization of goodwill	887	24	1,462	2,375	77	2,452	—	2,452

(Note) 1. “Other services” category includes business segments not included in other reportable segments, including information security, PCR test and food inspection services.

2. ¥(9,486) million adjustment to income by reportable segment represents common expenses that cannot be allocated to any specific reportable segment. These expenses are primarily general and administrative expenses not associated with specific reportable segment.

3. Income by reportable segment is adjusted for the operating income per the consolidated statement of income.

4. Assets are not allocated to business segments.

4. Information on the amount of net sales and income (loss) and disaggregation of revenue by reportable segment

I. Fiscal year ended (From April 1, 2021 to March 31, 2022)

(Millions of yen)

	Reportable segment				Other Services (Note 1)	Total	Adjustment (Note 2)	Amount recorded in the consolidated statement of income (Note 3)
	Security Services	General Property Management and Fire Protection Services	Long-Term Care Services	Total				
Net sales								
Contract revenue	339,880	35,165	41,557	416,603	5,569	422,173	—	422,173
Construction revenue	5,797	19,441	26	25,265	3	25,269	—	25,269
Sales revenue	28,297	12,827	65	41,190	459	41,649	—	41,649
Revenue from contracts with customers	373,975	67,435	41,649	483,060	6,032	489,092	—	489,092
Sales to external customers	373,975	67,435	41,649	483,060	6,032	489,092	—	489,092
Intersegment sales and transfers	200	152	9	362	276	639	(639)	—
Total	374,176	67,587	41,659	483,423	6,309	489,732	(639)	489,092
Income by reportable segment	40,758	8,244	1,621	50,624	1,368	51,993	(9,127)	42,865
Depreciation and amortization	13,511	1,246	1,695	16,453	384	16,838	23	16,861
Amortization of goodwill	865	23	1,460	2,350	77	2,427	—	2,427

(Note) 1. “Other services” category includes business segments not included in other reportable segments, including information security, PCR test and food inspection services.

2. ¥(9,127) million adjustment to income by reportable segment represents common expenses that cannot be allocated to any specific reportable segment. These expenses are primarily general and administrative expenses not associated with specific reportable segment.

3. Income by reportable segment is adjusted for the operating income per the consolidated statement of income.

4. Assets are not allocated to business segments.

[Related information]

I. Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

1. Information by product and service

It is omitted as the information is described in the segment information.

2. Information by region

(1) Net sales

It is omitted as the net sales to domestic customers account for more than 90% of net sales on the consolidated statement of income.

(2) Property, plant and equipment

It is omitted as the amount of property, plant and equipment located in Japan account for more than 90% of property, plant and equipment on the consolidated balance sheet.

3. Information by major customer

It is omitted as no single external customer accounts for more than 10% of net sales on the consolidated statement of income.

II. Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

1. Information by product and service

It is omitted as the information is described in the segment information.

2. Information by region

(1) Net sales

It is omitted as the net sales to domestic customers account for more than 90% of net sales on the consolidated statement of income.

(2) Property, plant and equipment

It is omitted as the amount of property, plant and equipment located in Japan account for more than 90% of property, plant and equipment on the consolidated balance sheet.

3. Information by major customer

It is omitted as no single external customer accounts for more than 10% of net sales on the consolidated statement of income.

[Information on impairment losses of noncurrent assets by reportable segment]

I. Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

No impairment loss was allocated to any of the reportable segments. Impairment losses not allocated to reportable segments were ¥344 million, which comprised ¥281 million for land, ¥51 million for other tangible assets such as furniture and fixtures, ¥5 million for buildings and structures, ¥3 million for software, ¥1 million for other intangible assets such as land leasehold and ¥1 million for other investments and other assets such as long-term prepaid expenses.

II. Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

No impairment loss was allocated to any of the reportable segments. Impairment losses not allocated to reportable segments were ¥307 million, which mainly comprised ¥192 million for goodwill, ¥106 million for leased assets and ¥6 million for software.

[Information on amortized and unamortized goodwill by reportable segment]

I. Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

(Amortized and unamortized goodwill)

It is omitted as the information on amortized goodwill is described in the segment information.

Unamortized goodwill as of March 31, 2021 is ¥29,678 million. As assets are not allocated to business segments, the unamortized goodwill is not included in the reportable segments as of March 31, 2021.

II. Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Amortized and unamortized goodwill)

It is omitted as the information on amortized goodwill is described in the segment information.

Unamortized goodwill as of March 31, 2022 is ¥27,097 million. As assets are not allocated to business segments, the unamortized goodwill is not included in the reportable segments as of March 31, 2022.

[Information on negative goodwill by reportable segment]

I. Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

Nothing to report.

II. Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

Nothing to report.

[Related parties]

Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

Related party transactions

1. Transactions between the reporting company and its related parties

Directors and officers of the reporting company and major shareholders (individuals)

Type	Name of company or individual	Location	Capital stock or paid-in capital (Millions of yen)	Business or occupation	Ratio of voting rights holding (held) (%)	Relationship	Transaction	Transaction amount (Millions of yen)	Account	Balance at end of year (Millions of yen)
Director	Atsushi Murai	—	—	Chairperson of Jun Murai Memorial Scholarship Foundation (Public Interest Incorporated Foundation)	(Held) Direct ownership 2.8	Donation	Donation	13	—	—

(Note) 1. This is a transaction conducted by Atsushi Murai (former Representative Director) as the Chairperson of Jun Murai Memorial Scholarship Foundation (Public Interest Incorporated Foundation).

The foundation provides non-refundable scholarships for students enrolled in engineering universities (including engineering faculties) or engineering graduate schools in Kanagawa prefecture.

2. Conditions attached to transactions and how the conditions are determined

The amount of donation to the Foundation is determined based on the consideration of the need for contribution to society and the annual scholarships deemed necessary to achieve the purpose of the foundation.

2. Transactions between consolidated subsidiary of the reporting company and its related parties

Directors and officers of the reporting company and major shareholders (individuals)

Type	Name of company or individual	Location	Capital stock or paid-in capital (Millions of yen)	Business or occupation	Ratio of voting rights holding (held) (%)	Relationship	Transaction	Transaction amount (Millions of yen)	Account	Balance at end of year (Millions of yen)
Director	Atsushi Murai	—	—	Chairperson of Jun Murai Memorial Scholarship Foundation (Public Interest Incorporated Foundation)	(Held) Direct ownership 2.8	Donation	Donation	2	—	—

(Note) 1. This is a transaction conducted by Atsushi Murai (former Representative Director) as the Chairperson of Jun Murai Memorial Scholarship Foundation (Public Interest Incorporated Foundation).

The foundation provides non-refundable scholarships for students enrolled in engineering universities (including engineering faculties) or engineering graduate schools in Kanagawa prefecture.

2. Conditions attached to transactions and how the conditions are determined

The amount of donation to the Foundation is determined based on the consideration of the need for contribution to society and the annual scholarships deemed necessary to achieve the purpose of the foundation.

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

Related party transactions

1. Transactions between the reporting company and its related parties

Directors and officers of the reporting company and major shareholders (individuals)

Type	Name of company or individual	Location	Capital stock or paid-in capital (Millions of yen)	Business or occupation	Ratio of voting rights holding (held) (%)	Relationship	Transaction	Transaction amount (Millions of yen)	Account	Balance at end of year (Millions of yen)
Director	Atsushi Murai	—	—	Chairperson of Jun Murai Memorial Scholarship Foundation (Public Interest Incorporated Foundation)	(Held) Direct ownership 2.8	Donation	Donation	13	—	—

(Note) 1. This is a transaction conducted by Atsushi Murai (former Representative Director) as the Chairperson of Jun Murai Memorial Scholarship Foundation (Public Interest Incorporated Foundation).

The foundation provides non-refundable scholarships for students enrolled in engineering universities (including engineering faculties) or engineering graduate schools in Kanagawa prefecture.

2. Conditions attached to transactions and how the conditions are determined

The amount of donation to the Foundation is determined based on the consideration of the need for contribution to society and the annual scholarships deemed necessary to achieve the purpose of the foundation.

2. Transactions between consolidated subsidiary of the reporting company and its related parties

Directors and officers of the reporting company and major shareholders (individuals)

Type	Name of company or individual	Location	Capital stock or paid-in capital (Millions of yen)	Business or occupation	Ratio of voting rights holding (held) (%)	Relationship	Transaction	Transaction amount (Millions of yen)	Account	Balance at end of year (Millions of yen)
Director	Atsushi Murai	—	—	Chairperson of Jun Murai Memorial Scholarship Foundation (Public Interest Incorporated Foundation)	(Held) Direct ownership 2.8	Donation	Donation	2	—	—

(Note) 1. This is a transaction conducted by Atsushi Murai (former Representative Director) as the Chairperson of Jun Murai Memorial Scholarship Foundation (Public Interest Incorporated Foundation).

The foundation provides non-refundable scholarships for students enrolled in engineering universities (including engineering faculties) or engineering graduate schools in Kanagawa prefecture.

2. Conditions attached to transactions and how the conditions are determined

The amount of donation to the Foundation is determined based on the consideration of the need for contribution to society and the annual scholarships deemed necessary to achieve the purpose of the foundation.

(Special purpose entities subject to disclosure)

Nothing to report.

(Per share information)

	Fiscal year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)	Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)
Net assets per share	2,741.27 (Yen)	2,964.85 (Yen)
Net income per share	247.09 (Yen)	286.11 (Yen)

(Note) 1. Diluted net income per share is not disclosed as there are no potentially dilutive shares.

2. The following is the basis of calculating net income per share:

	Fiscal year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)	Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)
Net income per share		
Profit attributable to owners of parent (Millions of yen)	25,014	28,964
Amount not attributable to ordinary shareholders (Millions of yen)	—	—
Profit attributable to ordinary shareholders of parent (Millions of yen)	25,014	28,964
Average number of shares during the period (Thousands of shares)	101,235	101,235

3. The following is the basis of calculating net assets per share:

	As of March 31, 2021	As of March 31, 2022
Total net assets (Millions of yen)	304,427	327,509
Amount deducted from total net assets (Millions of yen)	26,915	27,362
(Of which, non-controlling interests) (Millions of yen)	(26,915)	(27,362)
Net assets related to common stocks at fiscal year-end (Millions of yen)	277,512	300,147
Number of common stocks at fiscal year-end used to calculate net assets per share (Thousands of shares)	101,235	101,235

(Significant subsequent events)

Business combination by way of acquisition

Effective June 22, 2022, the Company acquired all shares of Kanden Joy Life Co., Ltd. and Kanden Life Support Co., Ltd., which has converted these companies into the Company's consolidated subsidiaries.

After the acquisition, Kanden Joy Life Co., Ltd. became ALSOK Joy Life Co., Ltd. and Kanden Life Support Co., Ltd. became ALSOK Life Support Co., Ltd.

1. Overview of business combination

(1) Name of acquired company and its business

Name of acquired company	Kanden Joy Life Co., Ltd. Kanden Life Support Co., Ltd.
Business	Long-term care service

(2) Reason for business combination

The Company has provided a wide variety of security services to the national and local governments, various financial institutions and business operators, and made efforts to provide safety, security and convenience to individual customers, such as home security.

Currently, we are focused on expanding our security business to enter into related fields of the business. In order to provide safety and security to individuals, especially the senior citizens, we established ALSOK Care Co., Ltd. in 2012 to enter into a long-term care business. Subsequently, HCM Corporation became the Company's subsidiary in 2014, ALSOK Care & Support Co., Ltd. in 2015, Wisnet Co., Ltd. in 2016, Care Plus, Inc. engaging in visiting massage services in 2018 and Life Holdings Co., Ltd. in 2020. Also in 2020, Nippon Care Supply Co., Ltd., engaging in lifestyle support services for the senior citizens, became the Company's equity-method associate through the capital and business alliance with Mitsubishi Corporation, which further strengthened the long-term care and its related businesses. ALSOK Joy Life Co., Ltd. and ALSOK Life Support Co., Ltd., the Company's newly consolidated subsidiaries, have developed care facilities and housing (mainly specified facilities) for the senior citizens with more than 1,200 rooms and built powerful brand in four prefectures in the Kansai area, Kyoto, Osaka, Hyogo and Nara. Both companies have provided high-quality long-term care services, including those for independent senior citizens, focusing on management policies such as "realization of a lively aging society" and "three principles of care (continuity of life, respect for self-determination, utilization of potential)" with an emphasis on users being able to continue a lifestyle that is right for them. We believe that the inclusion of the two companies would not only expand and strengthen the Group's long-term care business but would also contribute to build on the Group's collective strengths by adding new services.

(3) Date of business combination

June 22, 2022

(4) Legal form of business combination

Acquisition of stocks

(5) Name of the company after the business combination

ALSOK Joy Life Co., Ltd.
ALSOK Life Support Co., Ltd.

(6) Share of voting rights to be acquired

100%

(7) Reason for selecting company to acquire

The Company acquires stock in exchange for cash consideration.

2. Acquisition cost of the business and type of consideration paid

Consideration	Cash and deposits	¥10,004 million
Acquisition cost		¥10,004 million

3. Major components and amount of acquisition related costs

Advisory fees ¥98 million

* This is provisional amount as the amount has not been determined yet.

4. Amount of goodwill, its causes and the method and period of amortization

These have not been determined yet.

5. Amount of assets acquired and liabilities assumed and the major components as of the date of business combination

These have not been determined yet.

- v. [Supplementary schedules]
 [Schedule of corporate bonds]
 Nothing to report.
 [Schedule of borrowings]

Category	Balance at beginning of year (Millions of yen)	Balance at end of year (Millions of yen)	Average interest rate (%)	Repayment date
Short-term loans payable	20,950	8,483	1.06	—
Current portion of long-term loans payable	2,929	2,795	0.45	—
Current portion of lease obligations	5,260	5,306	3.25	—
Long-term loans payable (excluding current portion)	4,528	2,145	0.62	April 30, 2023 to June 3, 2030
Lease obligations (excluding current portion)	36,313	35,529	3.99	—
Other interest bearing liabilities	—	—	—	—
Total	69,983	54,260	—	—

(Note) 1. “Average interest rate” is weighted average rate for borrowings outstanding at the fiscal year-end.

2. Scheduled repayment amount of long-term loans payable and lease obligations (excluding current portion) within five years after the fiscal year-end is as follows:

	1 to 2 years (Millions of yen)	2 to 3 years (Millions of yen)	3 to 4 years (Millions of yen)	4 to 5 years (Millions of yen)
Long-term loans payable	672	475	328	193
Lease obligations	4,532	3,323	2,540	2,007

[Schedule of asset retirement obligations]

The amounts of asset retirement obligations as of the beginning and ending of the current fiscal year are less than 1/100 of total liabilities and net assets as of the beginning and ending of the current fiscal year, respectively. In accordance with Article 92-2 of the Ordinance on Consolidated Financial Statements, this disclosure is omitted.

(2) [Other]

Quarterly information for the fiscal year ended March 31, 2022

Period	Three months ended June 30	Six months ended September 30	Nine months ended December 31	Fiscal year ended March 31
Net sales (Millions of yen)	117,012	245,290	363,783	489,092
Income before income taxes (Millions of yen)	10,042	25,730	37,106	45,729
Profit attributable to owners of parent (Millions of yen)	6,098	16,097	23,136	28,964
Net income per share (Yen)	60.24	159.01	228.54	286.11

Period	Three months ended June 30	Three months ended September 30	Three months ended December 31	Three months ended March 31
Net income per share (Yen)	60.24	98.77	69.53	57.57

2. [Non-consolidated financial statements]

(1) [Non-consolidated financial statements]

i. [Non-consolidated balance sheet]

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	10,527	19,288
Cash for Transportation Security Services	*1 79,980	*1 73,717
Notes receivable - trade	126	171
Accounts receivable - trade	*2 24,805	*2 28,713
Supplies	5,701	5,455
Advance payments to suppliers	830	—
Prepaid expenses	1,804	1,737
Advances paid	*2 5,394	*2 6,522
Other	*2 8,466	*2 8,517
Allowance for doubtful accounts	(42)	(47)
Total current assets	137,596	144,076
Noncurrent assets		
Property, plant and equipment		
Buildings	12,642	12,033
Structures	393	358
Machinery and equipment	15,047	14,601
Vehicles	7	5
Tools, furniture and fixtures	2,318	2,489
Land	9,750	9,494
Lease assets	2,336	2,477
Construction in progress	1,142	2,597
Total property, plant and equipment	43,639	44,058
Intangible assets		
Software	3,599	8,597
Software in progress	6,225	396
Right to use telecommunication facilities	0	0
Other	1	—
Total intangible assets	9,826	8,993
Investments and other assets		
Investment securities	*3 14,824	*3 14,442
Shares of subsidiaries and associates	83,042	83,099
Long-term loans receivable	*2 468	*2 455
Long-term prepaid expenses	161	123
Leasehold and guarantee deposits	5,456	5,316
Insurance funds	289	232
Prepaid pension costs	9,479	11,797
Deferred tax assets	3,564	2,784
Other	11,512	11,504
Allowance for doubtful accounts	(270)	(259)
Total investments and other assets	128,529	129,496
Total noncurrent assets	181,995	182,548
Total assets	319,591	326,625

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	*2 13,164	*2 13,111
Short-term loans payable	*1,*2 33,841	*1,*2 24,465
Current portion of long-term loans payable	1,714	1,716
Lease obligations	807	870
Accounts payable - other	*2 4,707	*2 7,111
Accrued expenses	3,198	3,291
Income taxes payable	2,925	2,432
Accrued consumption taxes	3,039	1,771
Advances received	8,382	—
Contract liabilities	—	8,868
Deposits received	*2 747	*2 1,879
Other	1,749	470
Total current liabilities	74,277	65,989
Noncurrent liabilities		
Long-term loans payable	1,716	—
Lease obligations	1,695	1,790
Deferred tax liabilities for land revaluation	128	314
Provision for retirement benefits	15,439	15,286
Guarantee deposits received	1,520	1,469
Long-term accounts payable - other	82	—
Asset retirement obligations	420	426
Other	—	5
Total noncurrent liabilities	21,002	19,293
Total liabilities	95,280	85,282
Net Assets		
Shareholders' equity		
Capital stock	18,675	18,675
Capital surplus		
Legal capital surplus	29,320	29,320
Other capital surplus	3,422	3,422
Total capital surplus	32,742	32,742
Retained earnings		
Legal retained earnings	792	792
Other retained earnings		
General reserve	14,000	14,000
Retained earnings brought forward	156,647	173,508
Total retained earnings	171,439	188,301
Treasury stock	(1,029)	(1,030)
Total shareholders' equity	221,828	238,688
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	5,983	6,038
Revaluation reserve for land	(3,500)	(3,384)
Total valuation and translation adjustments	2,483	2,653
Total net assets	224,311	241,342
Total liabilities and net assets	319,591	326,625

ii. [Non-consolidated statement of income]

(Millions of yen)

	Fiscal year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)	Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)
Net sales	*2 244,367	*2 256,449
Cost of sales	*2 176,900	*2 184,609
Gross profit	67,467	71,840
Selling, general and administrative expenses	*1,*2 48,759	*1,*2 52,068
Operating income	18,707	19,772
Non-operating income		
Interest and dividends income	*2 9,228	*2 9,962
Other	*2 2,479	*2 2,373
Total non-operating income	11,707	12,336
Non-operating expenses		
Interest expenses	*2 558	*2 508
Other	*2 687	*2 744
Total non-operating expenses	1,246	1,252
Ordinary income	29,169	30,856
Extraordinary income		
Gain on sales of investment securities	24	17
Gain on sale of shares of subsidiaries	510	—
Compensation income	—	1,067
Gain on sales of noncurrent assets	99	224
Gain on liquidation of subsidiaries	4	—
Total extraordinary income	639	1,309
Extraordinary loss		
Loss on valuation of investment securities	37	38
Loss on valuation of shares of subsidiaries	29	550
Loss on sales of investment securities	0	0
Impairment losses	49	6
Total extraordinary loss	116	595
Income before income taxes	29,691	31,570
Income taxes - current	6,409	6,057
Income taxes - deferred	195	941
Total income taxes	6,605	6,999
Net income	23,086	24,571

(Statement of cost of sales)

Category	Note	Fiscal year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)		Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)	
		Amount (Millions of yen)	Ratio (%)	Amount (Millions of yen)	Ratio (%)
I. Labor cost					
Salaries		36,101		37,831	
Bonuses		10,090		9,964	
Retirement benefit expenses		2,437		1,380	
Legal welfare expenses		7,172		7,321	
Other		146	55,949	184	56,682
			31.6		30.7
II. Expenses					
Outsourcing expenses		40,194		46,445	
Depreciation and amortization		8,551		8,567	
Rent expenses		10,922		11,417	
Fuel expenses		791		977	
Security-related communication expenses		6,006		6,110	
Other		17,268	83,734	19,460	92,979
			47.3		50.4
Cost of security services			139,684		149,662
			79.0		81.1
Cost of equipment and construction			37,216		34,946
			21.0		18.9
Cost of sales			176,900		184,609
			100.0		100.0

iii. [Non-consolidated statement of changes in net assets]

Fiscal year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)

(Millions of yen)

	Shareholders' equity									
	Capital stock	Capital surplus			Retained earnings				Treasury stock	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings		
						General reserve	Retained earnings brought forward			
Balance at beginning of year	18,675	29,320	3,422	32,742	792	14,000	141,485	156,278	(1,028)	206,667
Changes during period										
Dividends from surplus							(7,138)	(7,138)		(7,138)
Net income							23,086	23,086		23,086
Purchase of treasury stock									(0)	(0)
Reversal of revaluation reserve for land							(786)	(786)		(786)
Net changes of items other than shareholders' equity										
Total changes of items during the period	—	—	—	—	—	—	15,161	15,161	(0)	15,161
Balance at end of year	18,675	29,320	3,422	32,742	792	14,000	156,647	171,439	(1,029)	221,828

	Valuation and translation adjustments			Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Total valuation and translation adjustments	
Balance at beginning of year	4,178	(4,287)	(108)	206,558
Changes during period				
Dividends from surplus				(7,138)
Net income				23,086
Purchase of treasury stock				(0)
Reversal of revaluation reserve for land				(786)
Net changes of items other than shareholders' equity	1,805	786	2,591	2,591
Total changes of items during the period	1,805	786	2,591	17,752
Balance at end of year	5,983	(3,500)	2,483	224,311

Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)

(Millions of yen)

	Shareholders' equity									
	Capital stock	Capital surplus			Retained earnings			Treasury stock	Total shareholders' equity	
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings				Total retained earnings
						General reserve	Retained earnings brought forward			
Balance at beginning of year	18,675	29,320	3,422	32,742	792	14,000	156,647	171,439	(1,029)	221,828
Changes during period										
Dividends from surplus							(7,594)	(7,594)		(7,594)
Net income							24,571	24,571		24,571
Purchase of treasury stock									(0)	(0)
Reversal of revaluation reserve for land							(115)	(115)		(115)
Net changes of items other than shareholders' equity										
Total changes of items during the period	—	—	—	—	—	—	16,861	16,861	(0)	16,860
Balance at end of year	18,675	29,320	3,422	32,742	792	14,000	173,508	188,301	(1,030)	238,688

	Valuation and translation adjustments			Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Total valuation and translation adjustments	
Balance at beginning of year	5,983	(3,500)	2,483	224,311
Changes during period				
Dividends from surplus				(7,594)
Net income				24,571
Purchase of treasury stock				(0)
Reversal of revaluation reserve for land				(115)
Net changes of items other than shareholders' equity	54	115	170	170
Total changes of items during the period	54	115	170	17,031
Balance at end of year	6,038	(3,384)	2,653	241,342

[Notes]

(Significant accounting policies)

1. Valuation basis and method for securities

(1) Shares of subsidiaries and associates

It is stated at cost based on the moving average method.

(2) Available-for-sale securities

Securities other than equity securities with no quoted prices

It is stated at fair market value based on the quoted market price at the fiscal year-end (with any unrealized gains or losses being recognized directly in equity and the cost of securities sold being generally calculated based on the moving average method).

Equity securities with no quoted prices

It is stated at cost based on the moving average method.

2. Valuation basis and method for derivatives

It is stated at fair market value.

3. Valuation basis and method for inventories

It is generally stated at cost based on the first in first out method (the balance sheet carrying amount is reduced to reflect write-downs for decreased profitability).

4. Depreciation method for property, plant and equipment

(1) Property, plant and equipment (excluding lease assets)

It is depreciated using the straight-line method.

The useful lives of major assets are as follows:

Buildings and structures 15 to 50 years

Machinery and equipment 5 years

(2) Intangible assets (excluding lease assets)

It is amortized using the straight-line method.

Internal-use software is amortized using the straight-line method over the useful life of five years.

(3) Lease assets under finance leases that do not involve transfer of ownership

It is depreciated using the straight-line method over the useful lives equal to lease terms with zero residual values.

5. Basis for recognition of provisions

(1) Allowance for doubtful accounts

To provide for losses due to bad debt including trade receivables and loans, allowance for doubtful accounts is recognized based on default rates for normal receivables and based on recoverability of each receivable for certain doubtful receivables.

(2) Provision for retirement benefits

To provide for employee retirement benefits, provision for retirement benefits is recorded based on the estimated amount of retirement benefit obligations and pension assets at the end of the current fiscal year.

In calculating defined benefit obligation, the total projected benefits are attributed to the current and prior fiscal years using the benefit formula basis.

Past service cost is amortized using the straight-line method over a certain period not exceeding the average remaining service period of employees, which is five years.

Actuarial gains and losses are amortized using the straight-line method from the following fiscal year over a certain period not exceeding the average remaining service period of employees, which is 10 years.

6. Basis for recognition of revenue and expense

(1) Contract revenue

For contract revenue earned as a result of providing services, the net sales and cost of sales are recognized over time as performance obligations in the contract with the customers are satisfied.

(2) Construction revenue

Construction revenue earned from contracts that have a very short construction period, such as installation of security alarm equipment leased or rented to customers, is recognized at a point in time at completion of the construction.

(3) Sales revenue

For sales revenue earned as a result of product sales (including installation of products sold), the net sales and cost of sales are recognized at a point in time on delivery to the customers.

7. Other significant matters in the preparation of consolidated financial statements

(1) Accounting treatment for deferred assets

Share issuance costs

The entire amount is expensed at the time of expenditure.

(2) Hedge accounting

A. Hedge accounting

Hedging transactions are accounted for on a deferred basis. Interest rate swaps are accounted for using the special method if it meets certain conditions.

B. Hedging instruments and hedged items

Hedging instruments: Interest rate swaps

Hedged items: Bank loans

C. Hedging policy

In accordance with the internal rules, the risk of interest rate fluctuations is hedged to reduce such risk and to improve financial return.

D. Method of assessing hedge effectiveness

The assessment for effectiveness of interest rate swaps accounted for by the special method is not performed as the hedge is considered to be highly effective.

(Significant accounting estimates)

Shares of subsidiaries and associates

1. Amount recorded in the financial statements for the fiscal year ended March 31, 2022

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Shares of subsidiaries and associates	83,042	83,099

2. Significant accounting estimates related to identified items

Shares of subsidiaries and associates recorded as of March 31, 2022 include shares acquired in past M&A transactions, and the acquisition costs are determined based on the excess earning power that is expected from inclusion of the company into the Group. The acquisition costs of certain shares of subsidiaries and associates are determined based on the effect of synergies that is expected to arise at the Company, not the company included into the Group.

In evaluating shares of subsidiaries and associates, we are focused on whether the excess earning power and the effect of synergies will arise over the future periods. We monitor, on a monthly basis, whether a business plan of a company included into the Group (including a plan of the effect of synergies expected to arise at the Company) is in line with the actual profit or cash flows recorded. The business plan includes orders, human resource or new care facilities opening plans developed based on certain assumptions.

If the business plan may not be achieved for some reason, resulting in changes in the original assumptions, a loss on valuation of shares of subsidiaries and associates may need to be recorded and it may have a significant impact on the amount of shares of subsidiaries and associates recorded in the non-consolidated financial statements for the following fiscal year.

(Change in accounting policies)

(Application of Accounting Standard for Revenue Recognition, etc.)

The Group applied “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020, “Revenue Recognition Accounting Standard”), etc. from the beginning of the fiscal year ended March 31, 2022. The Group recognizes revenue when control of the promised goods or services is transferred to the customer in an amount that the Group expects to receive in exchange for those goods or services.

Based on the above, revenue generated from the Company is recognized as follows:

i. Contract revenue

Contract revenue earned as a result of providing services is recognized over time as performance obligations in the contract with the customers are satisfied.

ii. Construction revenue

Construction revenue earned from contracts that have a very short construction period, such as installation of security alarm equipment leased or rented to customers, is recognized at a point in time at completion of the construction.

iii. Sales revenue

Sales revenue earned as a result of product sales (including installation of products sold) is recognized at a point in time on delivery to the customer.

In applying Revenue Recognition Accounting Standard etc., the Company calculated the cumulative effect of retrospective application of the new standard to the periods prior to the beginning of the fiscal year ended March 31, 2022 in accordance with the transitional treatment provided in the proviso to Paragraph 84 of the Revenue Recognition Accounting Standard. However, as the amount of cumulative effect was immaterial, the Company applied the new standard without making any adjustment to retained earnings at the beginning of the fiscal year ended March 31, 2022.

Due to the application of the Revenue Recognition Accounting Standard etc., “Advances received” presented under “Current liabilities” in the non-consolidated balance sheet as of March 31, 2021 is now included in “Contract liabilities” as of March 31, 2022. In accordance with the transitional treatment provided in Paragraph 89-2 of the Revenue Recognition Accounting Standard, the prior year amounts are not reclassified. In accordance with the transitional treatment provided in Paragraph 89-3 of the Revenue Recognition Accounting Standard, the notes on “Revenue recognition” related to the previous fiscal year are omitted.

(Application of Accounting Standard for Fair Value Measurement)

The Group applied “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019, “Fair Value Measurement Accounting Standard”) etc. from the beginning of the fiscal year ended March 31, 2022. The Group decided to apply new accounting policies based on the Fair Value Measurement Accounting Standard etc. prospectively in accordance with the transitional treatment provided in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). The impact on the non-consolidated financial statements for the fiscal year ended March 31, 2022 is immaterial.

(Matters related to non-consolidated balance sheet)

*1 Cash for Transportation Security Services

As of March 31, 2021

This represents cash for transportation security services, and its use for other purposes is restricted.

In addition, the short-term loans payable balance includes ¥13,833 million of funds borrowed for the services.

As of March 31, 2022

This represents cash for transportation security services, and its use for other purposes is restricted.

In addition, the short-term loans payable balance includes ¥3,000 million of funds borrowed for the services.

*2 Monetary claims and obligations to subsidiaries and associates

The monetary claims and obligations to subsidiaries and associates are as follows:

	(Millions of yen)	
	As of March 31, 2021	As of March 31, 2022
Short-term monetary claims	8,144	7,370
Long-term monetary claims	353	288
Short-term monetary obligations	19,648	22,567

*3 Pledged assets

The following assets are pledged as collateral for the borrowings of investing companies:

	(Millions of yen)	
	As of March 31, 2021	As of March 31, 2022
Investment securities	16	16

*4. Guarantee obligations

Obligations of the following subsidiaries are guaranteed by the Company:

	(Millions of yen)	
	As of March 31, 2021	As of March 31, 2022
Future minimum lease payments of ALSOK Care Co., Ltd.'s rental property	1,616	1,159

(Matters related to non-consolidated statement of income)

*1 Selling expense account for approximately 40.0% and 37.6% and general and administrative expenses account for approximately 60.0% and 62.4% of the total selling, general and administrative expenses for the fiscal year ended March 31, 2021 and 2022, respectively.

Major expenses comprise the following:

	(Millions of yen)	
	Fiscal year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)	Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)
Advertising expenses	2,074	2,469
Salaries	18,161	18,919
Bonuses	6,511	6,194
Provision for allowance for doubtful accounts	(8)	13
Welfare expenses	5,028	5,016
Retirement benefit expenses	1,927	1,113
Rent expenses	3,710	3,574
Depreciation and amortization	1,356	2,146
Taxes and dues	1,783	1,779
Communication expenses	981	1,010
Outsourcing expenses	2,406	4,762

*2 Total amount related to transactions with subsidiaries and associates is as follows:

	(Millions of yen)	
	Fiscal year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)	Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)
Amount of transactions from operating transactions		
Net sales	14,011	14,391
Operating expenses	39,103	43,161
Amount of transactions from non-operating transactions	8,898	9,456

(Matters related to securities)

Shares of subsidiaries and associates

As of March 31, 2021

Category	Carrying amount (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
Shares of associates	10,844	16,734	5,890

(Note) Carrying amount of shares of subsidiaries and associates whose fair value is extremely difficult to determine

Category	As of March 31, 2021 (Millions of yen)
Shares of subsidiaries	69,894
Shares of associates	2,304

These do not have quoted market prices and it is extremely difficult to determine their fair values. Therefore, these are not included in "Shares of subsidiaries and associates."

As of March 31, 2022

Category	Carrying amount (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
Shares of associates	10,844	14,394	3,549

(Note) Carrying amount of equity securities with no quoted prices not included in the above:

Category	As of March 31, 2022 (Millions of yen)
Shares of subsidiaries	69,951
Shares of associates	2,304

(Matters related to tax-effect accounting)

1. Major components of deferred tax assets and liabilities

	(Millions of yen)	
	As of March 31, 2021	As of March 31, 2022
Deferred tax assets		
Accrued business taxes	297	304
Allowance for doubtful accounts	95	94
Provision for retirement benefits	4,727	4,680
Accrued retirement benefits for directors (and other officers)	25	25
Depreciation and amortization	489	929
Disallowed expenses related to installation of security alarm equipment	3,008	2,907
Loss on valuation of investment securities	86	98
Revaluation reserve for land	1,455	1,302
Other	1,077	830
Deferred tax assets - subtotal	11,264	11,172
Valuation allowance related to aggregation of deductible temporary differences	(1,848)	(1,990)
Total deferred tax assets, net	9,415	9,182
Deferred tax liabilities		
Valuation difference on available-for-sale securities	(2,640)	(2,665)
Prepaid pension costs	(2,902)	(3,612)
Foreign stock dividends	(115)	(115)
Revaluation reserve for land	(314)	(314)
Other	(6)	(4)
Total deferred tax liabilities	(5,979)	(6,712)
Net deferred tax assets	3,435	2,469

(Note) Net deferred tax assets are included in the following accounts on the non-consolidated balance sheet:

	(Millions of yen)	
	As of March 31, 2021	As of March 31, 2022
Noncurrent assets - Deferred tax assets	3,564	2,784
Noncurrent liabilities - Deferred tax liabilities for revaluation	(128)	(314)

2. Reconciliation of significant differences between the statutory tax rate and the effective tax rate after applying tax effect accounting

	As of March 31, 2021	As of March 31, 2022
Statutory tax rate	30.6 %	30.6 %
(Adjustment)		
Non-deductible permanent differences such as entertainment expenses	0.1	0.1
Non-taxable permanent differences such as dividend income	(8.8)	(8.9)
Equal division of municipal tax	1.1	1.1
Special corporate tax credit	(0.2)	(1.1)
Valuation allowance (the amount deducted from deferred tax assets)	(0.5)	0.4
Other	(0.0)	0.0
Effective tax rate after applying tax effect accounting	22.2	22.2

(Matters related to business combination)

Business combination under common control

This is omitted as it is described in “Notes (Matters related to business combination)” in the consolidated financial statements.

(Matters related to revenue recognition)

Information relating to revenue from contracts with customers is omitted as it is described in “Notes (Matters related to revenue recognition)” in the consolidated financial statements.

(Significant subsequent events)

Business combination by way of acquisition

This is omitted as it is described in “Notes (Significant subsequent events)” in the consolidated financial statements.

iv. [Supplementary schedules]

[Schedule of property, plant and equipment, etc.]

(Millions of yen)

Category	Class	Balance at beginning of year	Increase during the period	Decrease during the period	Depreciation and amortization during the period	Balance at end of year	Accumulated depreciation and amortization
Property, plant and equipment	Buildings	27,061	146	255	676	26,952	14,918
	Structures	1,036	4	1	40	1,039	681
	Machinery and equipment	113,206	5,948	5,002	6,159	114,152	99,551
	Vehicles	528	5	39	2	494	488
	Tools, furniture and fixtures	12,082	883	424 (0)	700	12,541	10,052
	Land	9,750 [(3,185)]	—	255	—	9,494 [(3,070)]	—
	Lease assets	4,665	1,079	914	928	4,830	2,352
	Construction in progress	1,142	2,563	1,108	—	2,597	—
	Total	169,473 [(3,185)]	10,631	8,001	8,507	172,103 [(3,070)]	128,045
Intangible assets	Software	6,214	8,594	2,072 (6)	2,132	12,736	4,139
	Software in progress	6,225	369	6,198	—	396	—
	Right to use telecommunication facilities	1	—	0	0	1	1
	Other	2	—	2	0	—	—
		Total	12,444	8,963	8,272	2,132	13,135

(Note) 1. “Increase during the period” of “Machinery and equipment” mainly comprises a large number of insignificant security alarm equipment installed for electronic security services. “Decrease during the period” comprises disposal of a large number of insignificant security alarm equipment resulting from cancellation of electronic security service contracts.

2. Amounts in parentheses under “Decrease during the period” represent impairment losses recognized and included in the amount described above.

3. Amounts in square brackets under “Balance at beginning of year” and “Balance at end of year” represent the amount of difference in carrying amounts before and after the revaluation of land performed pursuant to the Act on Revaluation of Land (Act No. 34 of 1998). The amounts are included in the amount described above.

4. “Balance at beginning of year” and “Balance at end of year” represent acquisition costs.

[Schedule of provisions]

(Millions of yen)

Account	Balance at beginning of year	Increase during the period	Decrease during the period (Intended use)	Decrease during the period (Other)	Balance at end of year
Allowance for doubtful accounts	312	20	26	—	306

(2) [Major assets and liabilities]

This is omitted as the consolidated financial statements are prepared.

(3) [Other]

Nothing to report.

VI. [Stock-Related Administration of Reporting Company]

Fiscal Year	From April 1 to March 31
Ordinary General Meeting of Shareholders	In June
Record date	March 31
Record date for dividends from surplus	September 30 March 31
Number of shares in one unit	100 shares
Purchase of shares less than one unit	
Handling office	(Special account) 1-4-1 Marunouchi, Chiyoda-ku, Tokyo Securities Agent Department, Sumitomo Mitsui Trust Bank, Limited
Custodian of shareholder register	(Special account) 1-4-1 Marunouchi, Chiyoda-ku, Tokyo Sumitomo Mitsui Trust Bank, Limited
Handling location	_____
Commissions	Amount equivalent to commissions related to sales and purchase of stocks
Public notice	The public notice is given electronically. If the public notice cannot be given electronically due to the event of an accident or other unavoidable reason, it is published in the Nihon Keizai Shimbun (newspaper). Public notice URL https://www.alsok.co.jp/
Shareholder privileges	Nothing to report.

(Note) In accordance with the Articles of Incorporation of the Company, shareholders of less than one unit do not have rights other than those set forth in Article 189, Paragraph 2 of the Companies Act.

VII. [Reference Information of Reporting Company]

1. [Information on parent company of reporting company]

The Company has no parent company, etc. as stipulated in Article 24-7, Paragraph 1 of the Financial Instruments and Exchange Act of Japan.

2. [Other reference information]

The following documents were filed during the period between the beginning of the current fiscal year and the date of filing of this report.

(1) Annual Securities Report and its supplementary documents and representation letter

The 56th business term (from April 1, 2020 to March 31, 2021), filed with Director-General, Kanto Local Finance Bureau on June 24, 2021

(2) Internal control report and its supplementary documents

Filed with Director-General, Kanto Local Finance Bureau on June 24, 2021

(3) Quarterly Securities Report and representation letter

The 1st quarter of 57th business term (from April 1, 2021 to June 30, 2021), filed with Director-General, Kanto Local Finance Bureau on August 3, 2021

The 2nd quarter of 57th business term (from July 1, 2021 to September 30, 2021), filed with Director-General, Kanto Local Finance Bureau on November 9, 2021

The 3rd quarter of 57th business term (from October 1, 2021 to December 31, 2021), filed with Director-General, Kanto Local Finance Bureau on February 8, 2022

(4) Extraordinary report

- Filed with Director-General, Kanto Local Finance Bureau on June 29, 2021

Under Article 19, Paragraph 2, Item 9-2 of Cabinet Office Order on Disclosure of Corporate Affairs (results of exercise of voting rights at the General Meeting of Shareholders)

- Filed with Director-General, Kanto Local Finance Bureau on April 13, 2022

Under Article 19, Paragraph 2, Item 9 of Cabinet Office Order on Disclosure of Corporate Affairs (transfer of Representative Director)

Part 2. [Information on Guarantors of the Company, etc.]

Nothing to report.

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS
AND INTERNAL CONTROL OVER FINANCIAL REPORTING

June 24, 2022

To the Board of Directors of

SOHGO SECURITY SERVICES CO., LTD.

Grant Thornton Taiyo LLC

Tokyo Office

	Designated Limited Liability	
Tatsuya Arai	Partner Engagement Partner	Certified Public Accountant
	Designated Limited Liability	
Takeshi Iwasaki	Partner Engagement Partner	Certified Public Accountant
	Designated Limited Liability	
Takayuki Uenishi	Partner Engagement Partner	Certified Public Accountant

<Financial Statements Audit>

Opinion

We have audited, pursuant to the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan, the accompanying consolidated financial statements of SOHGO SECURITY SERVICES CO., LTD. and its consolidated subsidiaries (the "Group") in "Financial Condition", which comprise the consolidated balance sheet as of March 31, 2022, and the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in net assets and the consolidated statement of cash flows for the year then ended, significant matters forming the basis of preparation of the consolidated financial statements, the notes to the consolidated financial statements, as well as supplementary schedules.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2022 and its consolidated financial performance and cash flows for the year then ended in accordance with the accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with the auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Accuracy and completeness of sales and trade receivables recorded in new sales administrative system	
Description of key audit matter	How the matter was addressed in our audit
<p>For the purpose of simplifying administrative tasks with an enterprise system that uses IT and streamlining management and operation to improve efficiency, the Group has engaged an external vendor and implemented a new sales administrative system since September 2021 to replace the old system.</p> <p>The implementation of a new system generally involves risks such as system failures. In order to mitigate the risk, the Group has conducted the system migration in phases by function.</p> <p>For areas where the new sales administrative system has not been implemented yet, the Group has separate internal controls in place, which will be used until the migration is completed.</p> <p>The accounts in the consolidated financial statements covered by this new system are significant accounts such as sales and trade receivables, and if the data migration to the new system fails or the internal controls in place are not operating properly, it may affect the reliability of financial information and may cause errors in the relevant accounts and disclosures in the consolidated financial statements.</p> <p>We determined that the following factors should be mainly considered:</p> <ul style="list-style-type: none"> • For areas where the new sales administrative system has and has not been implemented, whether the related internal controls are operating effectively • Whether the sales and trade receivables recorded by relying on the internal controls are properly recorded <p>Based on the above, we determined that the accuracy and completeness of the sales and trade receivables recorded in the new sales administrative system is a key audit matter.</p>	<p>We mainly performed the following procedures to assess the accuracy and completeness of the sales and trade receivables recorded in the new sales administrative system:</p> <p>(Procedures to assess risk)</p> <ul style="list-style-type: none"> • We evaluated the design and operating effectiveness of the internal controls for areas where the new sales administrative system had and had not been implemented. In evaluating these internal controls, we involved our IT specialists, as necessary. The internal controls evaluated included the following: <ul style="list-style-type: none"> • Documentation of the data migration plan and approval by an appropriate manager • Approval related to the new system operation by a responsible person from a certain department or an administrator from the system department who had an authority to verify that the data migration was accurate and complete • We inquired of the director in charge of accounting and the information system manager regarding the status of implementation of the new sales administrative system as well as internal controls over financial reporting in place for areas where the new sales administrative system had not been implemented. <p>(Procedures to address risk)</p> <ul style="list-style-type: none"> • We recalculated the contract revenue and agreed to the trial balance based on the contracts information registered in the new sales administrative system. • We agreed, on a sample basis, the sales transactions to the related contracts, acceptance forms, and evidence of cash receipts. • We performed, on a sample basis, the balance confirmation procedure for trade receivables from customers and examined whether the confirmed amounts agreed to the amounts recorded in the financial statements. • We performed the trend analysis of sales, profits, and profit margins by business as well as trade receivables turnover, etc. to examine whether there was an unusual increase or decrease in sales and profits, thereby verifying the accuracy and completeness of sales transactions.

Valuation of goodwill ([Notes] (Significant accounting estimates))							
Description of key audit matter	How the matter was addressed in our audit						
<p>In recent years, the Group has strengthened its businesses by means of M&A, and the acquisition of shares of subsidiaries and associates gave rise to goodwill.</p> <p>As of March 31, 2022, the Group records goodwill of 27,097 million yen. The amount is considered to be financially material and mostly related to M&A of companies engaging especially in Security Services and Long-Term Care Services.</p> <p>The Group determines whether there is any indication of impairment and whether the goodwill should be impaired for each group of assets to which the goodwill is allocated by considering whether the excess earning power will arise over the future periods and by monitoring the operating income and undiscounted future cash flows based on a business plan.</p> <p>The business plan may include a business plan of a combined company and the effect of synergies arising from the company.</p> <p>In assessing the reasonableness of the business plan, the Group considers the following significant assumptions used in the plan:</p> <p>(1) Security Services Orders for stationed security, electronic security, and transportation security services, human resource planning, sales growth, etc.</p> <p>(2) Long-Term Care Services Long-Term Care Services is classified into in-home care services, facility care services, and residential care home for senior citizens, and the significant assumptions used for each category are as follows:</p> <table border="1"> <tr> <td>In-home care services</td> <td>Net sales per employee, profit margin of existing locations, human resource planning, etc.</td> </tr> <tr> <td>Facility care services</td> <td>Business projections for existing facilities, new facilities opening, occupancy rate for new and existing facilities, human resource planning, etc.</td> </tr> <tr> <td>Residential care home for senior citizens</td> <td>Business projections for new and existing facilities, new facilities opening, human resource planning, etc.</td> </tr> </table> <p>The identification of indications of goodwill impairment and assessment for recognition of impairment losses are significantly affected by the management's assumptions and judgements incorporated into the business plan. In addition, the estimates based on these assumptions involve a high degree of uncertainty due to the spread of COVID-19 over the past few years. Based on the above, we determined that this is a key audit matter.</p>	In-home care services	Net sales per employee, profit margin of existing locations, human resource planning, etc.	Facility care services	Business projections for existing facilities, new facilities opening, occupancy rate for new and existing facilities, human resource planning, etc.	Residential care home for senior citizens	Business projections for new and existing facilities, new facilities opening, human resource planning, etc.	<p>We mainly performed the following procedures to assess the valuation of goodwill:</p> <ul style="list-style-type: none"> • Evaluation of internal controls We evaluated the design and operating effectiveness of the internal controls related to the grouping of assets, identification of indications of impairment as well as recognition and measurement of impairment losses. The internal controls evaluated included review of the business plans used in the valuation of goodwill and the approval process. • Identification of indications of impairment In order to confirm whether the indications of impairment were properly identified, we compared the business plans used in the valuation of goodwill in the past with the actual results, and if there was any variance, we performed an analysis to understand its cause. If the effect of synergies was reflected in the business plans, we performed a comparative analysis to determine whether the effect of synergies arose as planned. In addition, for the significant assumptions considered in the business plans, we compared them with the actual results, current economic situations and other related factors for consistency. If necessary, we discussed with the financial reporting manager as to whether the assumptions should be revised to verify the reasonableness. • Recognition of impairment losses If an indication of impairment was identified, we assessed the reasonableness of the business plans, including the significant assumptions considered in the business plans, to confirm whether the assessment for impairment loss recognition was properly performed. We mainly performed the following procedures to assess the reasonableness of the business plans: <ul style="list-style-type: none"> • We assessed the estimation uncertainty related to the business plans by comparing the business plans used in the valuation of goodwill in the past with the actual results. This included the assessment of the impact that COVID-19 had on the operating results and the impact on the business plans in the future. • We reviewed supporting documents for the business plans and significant assumptions considered in the plans to assess the reasonableness.
In-home care services	Net sales per employee, profit margin of existing locations, human resource planning, etc.						
Facility care services	Business projections for existing facilities, new facilities opening, occupancy rate for new and existing facilities, human resource planning, etc.						
Residential care home for senior citizens	Business projections for new and existing facilities, new facilities opening, human resource planning, etc.						

Emphasis of Matter

We draw attention to the significant subsequent event which describes that the Group acquired all shares of Kanden Joy Life Co., Ltd. and Kanden Life Support Co., Ltd., both engaging in the long-term care business, on June 22, 2022.

Our opinion is not modified in respect of this matter.

Other Information

The other information comprises the information included in Annual Securities Report, but does not include the consolidated and non-consolidated financial statements and our auditor's report thereon. Management is responsible for the preparation and disclosure of the other information. The Audit and Supervisory Board Members and Audit and Supervisory Board are responsible for overseeing performance of duties of directors in the design, implementation, and maintenance of the Group's reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management, Audit and Supervisory Board Members, and Audit and Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan. This responsibility includes the design, implementation, and maintenance of internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing matters related to going concern as applicable in accordance with the accounting principles generally accepted in Japan.

The Audit and Supervisory Board Members and Audit and Supervisory Board are responsible for overseeing performance of duties of directors in the design, implementation, and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our responsibilities are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, based on our audit and to issue an auditor's report that includes our opinion from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit, in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We also design and perform audit procedures responsive to those risks. The audit procedures are selected and performed based on the auditor's judgment. We also obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- In assessing risks, obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the consolidated financial statement audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used by management and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion on the consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate the Audit and Supervisory Board Members and Audit and Supervisory Board regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit, as well as other matters that are required in accordance with auditing standards.

We also provide the Audit and Supervisory Board Members and Audit and Supervisory Board with a statement that we have complied with the relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit and Supervisory Board Members and Audit and Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

<Internal Control Audit>

Opinion

We have audited, pursuant to the provisions of Article 193-2, Paragraph 2 of the Financial Instruments and Exchange Act of Japan, the accompanying internal control report of SOHGO SECURITY SERVICES CO., LTD. as of March 31, 2022.

In our opinion, the accompanying internal control report, which represents that the internal control over financial reporting as of March 31, 2022, of SOHGO SECURITY SERVICES CO., LTD. is effective, presents fairly, in all material respects, the results of the assessments of internal control over financial reporting in accordance with the assessment standards for internal control over financial reporting generally accepted in Japan.

Basis for Opinion

We conducted our audit of internal control report in accordance with the auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the “Auditor’s Responsibilities for the Audit of the Internal Control Report” section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management, Audit and Supervisory Board Members, and Audit and Supervisory Board for the Internal Control Report

Management is responsible for the design, implementation, and maintenance of internal control over financial reporting and the preparation and fair presentation of the internal control report in accordance with the assessment standards for internal control over financial reporting generally accepted in Japan.

The Audit and Supervisory Board Members and Audit and Supervisory Board are responsible for overseeing and examining the design, implementation, and maintenance of internal control over financial reporting.

Internal control over financial reporting may not completely prevent or detect financial statement misstatements.

Auditor’s Responsibilities for the Audit of the Internal Control Report

Our responsibilities are to obtain reasonable assurance about whether the internal control report is free from material misstatement based on our audit of internal control report and to issue an auditor’s report that includes our opinion from an independent point of view.

As part of our audit in accordance with the auditing standards for internal control over financial reporting generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Perform audit procedures to obtain audit evidence regarding the results of the management assessment of internal control over financial reporting in the internal control report. The procedures for the audit of the internal control report are selected and performed, depending on the auditor’s judgment, based on significance of effect on the reliability of financial reporting.
- Evaluate the overall presentation of the internal control report, including the management presentation of scope, assessment procedures, and results of the assessments of internal control over financial reporting.
- Obtain sufficient appropriate audit evidence regarding the results of the management assessment of internal control over financial reporting in the internal control report. We are responsible for the direction, supervision, and performance of the audit of the internal control report. We remain solely responsible for our audit opinion.

We communicate the Audit and Supervisory Board Members and Audit and Supervisory Board regarding, the planned scope and timing of the audit of internal control report, the results thereof, significant deficiencies in internal control that we identify during our audit of internal control report, those that were remediated, as well as other matters that are required in accordance with auditing standards for internal control over financial reporting.

We also provide the Audit and Supervisory Board Members and Audit and Supervisory Board with a statement that we have complied with the relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest Required to be Disclosed by the Certified Public Accounting Act of Japan

Our firm and its engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes:

1. The above is a digitization of the text contained in the original copy of the Independent Auditor's Report on the Financial Statements and Internal Control over Financial Reporting, which is in the custody of SOHGO SECURITY SERVICES CO., LTD. (the submitter of this Annual Securities Report).
2. The XBRL data is not in the scope of the audit.
3. The English version of the consolidated financial statements consists of an English translation of the audited Japanese consolidated financial statements. The actual text of the English translation of the consolidated financial statements is not in the scope of the audit. Consequently, for the auditor's report of the English consolidated financial statements, the Japanese original is the official text, and the English version is a translation of that text.

INDEPENDENT AUDITOR'S REPORT

June 24, 2022

To the Board of Directors of

SOHGO SECURITY SERVICES CO., LTD.

Grant Thornton Taiyo LLC

Tokyo Office

	Designated Limited Liability Partner	Certified Public Accountant
Tatsuya Arai	Engagement Partner	
	Designated Limited Liability Partner	Certified Public Accountant
Takeshi Iwasaki	Engagement Partner	
	Designated Limited Liability Partner	Certified Public Accountant
Takayuki Uenishi	Engagement Partner	

Opinion

We have audited, pursuant to the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan, the accompanying non-consolidated financial statements of SOHGO SECURITY SERVICES CO., LTD. (the "Company") in "Financial Condition", which comprise the non-consolidated balance sheet as of March 31, 2022, and the non-consolidated statement of income and the non-consolidated statement of changes in net assets for the year then ended, the significant accounting policies, and the notes to the non-consolidated financial statements, as well as supplementary schedules.

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2022 and its financial performance for the year then ended in accordance with the accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with the auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the non-consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Accuracy and completeness of sales and trade receivables recorded in new sales administrative system
Refer to Key Audit Matters (Accuracy and completeness of sales and trade receivables recorded in new sales administrative system) described in the INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS AND INTERNAL CONTROL OVER FINANCIAL REPORTING.

Valuation of shares of subsidiaries and associates ([Notes] (Significant accounting estimates))							
Description of key audit matter	How the matter was addressed in our audit						
<p>In recent years, the Company has strengthened its businesses by means of M&A and acquired shares of subsidiaries and associates.</p> <p>As of March 31, 2022, the Company records 83,099 million yen of shares of subsidiaries and associates. The amount is considered to be financially material and mostly related to M&A of companies engaging especially in Security Services and Long-Term Care Services.</p> <p>The Company evaluates the growth potential of a company at the time of acquisition based on the business plan, and determines the acquisition price based on the consideration of excess earning power arising from the acquisition.</p> <p>The Company determines whether the excess earning power initially expected is impaired by monitoring the operating income and undiscounted future cash flows based on the business plan.</p> <p>The business plan may include a business plan of a combined company and the effect of synergies expected to arise from the acquisition.</p> <p>In assessing the reasonableness of the business plan, the Company considers the following significant assumptions used in the plan:</p> <p>(1) Security Services</p> <p>Orders for stationed security, electronic security and transportation security services, human resource planning, sales growth, etc.</p> <p>(2) Long-Term Care Services</p> <p>Long-Term Care Services is classified into in-home care services, facility care services and residential care home for senior citizens, and the significant assumptions used for each category are as follows:</p> <table border="1"> <tr> <td>In-home care services</td> <td>Net sales per employee, profit margin of existing locations, human resource planning, etc.</td> </tr> <tr> <td>Facility care services</td> <td>Business projections for existing facilities, new facilities opening, occupancy rate for new and existing facilities, human resource planning, etc.</td> </tr> <tr> <td>Residential care home for senior citizens</td> <td>Business projections for new and existing facilities, new facilities opening, human resource planning, etc.</td> </tr> </table> <p>The assessment of impairment of excess earning power is significantly affected by the management's assumptions and</p>	In-home care services	Net sales per employee, profit margin of existing locations, human resource planning, etc.	Facility care services	Business projections for existing facilities, new facilities opening, occupancy rate for new and existing facilities, human resource planning, etc.	Residential care home for senior citizens	Business projections for new and existing facilities, new facilities opening, human resource planning, etc.	<p>We mainly performed the following procedures to assess the valuation of shares of subsidiaries and associates:</p> <ul style="list-style-type: none"> • Evaluation of internal controls <p>We evaluated the design and operating effectiveness of the internal controls related to the shares of subsidiaries and associates.</p> <p>The internal controls evaluated included review of the business plans used in the valuation of shares of subsidiaries and associates and the approval process.</p> • Valuation of shares of subsidiaries and associates <p>We assessed the reasonableness of the business plans used in the valuation of shares of subsidiaries and associates including the significant assumptions considered in the plans. The assessment included the effect of synergies.</p> <p>We mainly performed the following procedures to assess the reasonableness of the business plans:</p> <ul style="list-style-type: none"> • We assessed the estimation uncertainty related to the business plans by comparing the business plans used in the valuation of shares of subsidiaries and associates in the past with the actual results. This included the assessment of the impact that COVID-19 had on the operating results and the impact on the business plans in the future. • We reviewed supporting documents for the business plans and significant assumptions considered in the plans to assess the reasonableness. • For the significant assumptions considered in the business plans, we compared them with the actual results, current economic situations and other related factors for consistency. If necessary, we discussed with the financial reporting manager as to whether the assumptions should be revised to verify the reasonableness.
In-home care services	Net sales per employee, profit margin of existing locations, human resource planning, etc.						
Facility care services	Business projections for existing facilities, new facilities opening, occupancy rate for new and existing facilities, human resource planning, etc.						
Residential care home for senior citizens	Business projections for new and existing facilities, new facilities opening, human resource planning, etc.						

judgements incorporated into the business plan. In addition, these assumptions involve a high degree of uncertainty due to the spread of COVID-19 over the past few years. Based on the above, we determined that this is a key audit matter.	
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Emphasis of Matter

We draw attention to the significant subsequent event which describes that the Company acquired all shares of Kanden Joy Life Co., Ltd. and Kanden Life Support Co., Ltd., both engaging in the long-term care business, on June 22, 2022. Our opinion is not modified in respect of this matter.

Other Information

The other information comprises the information included in Annual Securities Report, but does not include the consolidated and non-consolidated financial statements and our auditor's report thereon. Management is responsible for the preparation and disclosure of the other information. The Audit and Supervisory Board Members and Audit and Supervisory Board are responsible for overseeing performance of duties of directors in the design, implementation, and maintenance of the Company's reporting process for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management, Audit and Supervisory Board Members, and Audit and Supervisory Board for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in Japan. This responsibility includes the design, implementation, and maintenance of internal control as management determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern and disclosing matters related to going concern as applicable in accordance with the accounting principles generally accepted in Japan.

The Audit and Supervisory Board Members and Audit and Supervisory Board are responsible for overseeing performance of duties of directors in the design, implementation, and maintenance of the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibilities are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, based on our audit and to issue an auditor's report that includes our opinion from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit, in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We also design and perform audit procedures responsive to those risks. The audit procedures are selected and performed based on the auditor's judgment. We also obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- In assessing risks, obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the financial statement audit is not to express an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used by management and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion on the financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures of the financial statements are in accordance with accounting principles generally accepted in Japan, the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate the Audit and Supervisory Board Members and Audit and Supervisory Board regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit, as well as other matters that are required in accordance with auditing standards.

We also provide the Audit and Supervisory Board Members and Audit and Supervisory Board with a statement that we have complied with the relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit and Supervisory Board Members and Audit and Supervisory Board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to be Disclosed by the Certified Public Accounting Act of Japan

Our firm and its engagement partners do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes:

1. The above is a digitization of the text contained in the original copy of the Independent Auditor's Report, which is in the custody of the Company (the submitter of this Annual Securities Report).
2. The XBRL data is not in the scope of the audit.
3. The English version of the non-consolidated financial statements consists of an English translation of the audited Japanese non-consolidated financial statements. The actual text of the English translation of the non-consolidated financial statements is not in the scope of the audit. Consequently, for the auditor's report of the English non-consolidated financial statements, the Japanese original is the official text, and the English version is a translation of that text.

[Cover page]

[Document filed]	Confirmation
[Applicable law]	Article 24-4-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Place of filing]	Director-General, Kanto Local Finance Bureau
[Filing date]	June 24, 2022
[Company name]	総合警備保障株式会社 (<i>Sogo Keibi Hosho Kabushiki Kaisha</i>)
[Company name in English]	SOHGO SECURITY SERVICES CO., LTD.
[Name and title of representative]	Ikuji Kayaki, Representative Director Group COO
[Name and title of Chief Financial Officer]	Koji Kishimoto, Director and Senior Executive Officer
[Address of head office]	1-6-6 Motoakasaka, Minato-ku, Tokyo, Japan
[Place for public inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihonbashi Kabutocho, Chuo-ku, Tokyo, Japan)

1. Matters related to the appropriateness of the contents of the Annual Securities Report

Ikuji Kayaki, Representative Director Group COO, and Koji Kishimoto, Director and Senior Executive Officer, confirmed that the contents in the Annual Securities Report for the 57th business term (From April 1, 2021 to March 31, 2022) are appropriately disclosed in accordance with the Financial Instruments and Exchange Act of Japan.

2. [Special note]

There is nothing special to note.

[Cover page]

[Document filed]	Internal control report
[Applicable law]	Article 24-4-4, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Place of filing]	Director-General, Kanto Local Finance Bureau
[Filing date]	June 24, 2022
[Company name]	綜合警備保障株式会社 (<i>Sogo Keibi Hoshō Kabushiki Kaisha</i>)
[Company name in English]	SOHGO SECURITY SERVICES CO., LTD.
[Name and title of representative]	Ikuji Kayaki, Representative Director Group COO
[Name and title of Chief Financial Officer]	Koji Kishimoto, Director and Senior Executive Officer
[Address of head office]	1-6-6 Motoakasaka, Minato-ku, Tokyo, Japan
[Place for public inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihonbashi Kabutocho, Chuo-ku, Tokyo, Japan)

1. [Basic framework of internal control over financial reporting]

Ikuji Kayaki, Representative Director Group COO, and Koji Kishimoto, Director and Senior Executive Officer, are responsible for the design and operation of internal control over financial reporting of the Company.

In fulfilling the responsibilities, the Company has designed and operated internal control over financial reporting pursuant to the basic framework of internal control set forth in “Standards and Practical Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting” published by Business Accounting Council.

Generally, internal controls may not operate effectively due to the inherent limitations. Therefore, internal control over financial reporting may not completely prevent or detect financial statement misstatements.

2. [Scope of assessment, base date and assessment procedures]

Management assessment of internal control over financial reporting was conducted as of March 31, 2022 or the fiscal year-end in accordance with the assessment standards for internal control over financial reporting generally accepted in Japan.

In this assessment, internal controls (entity-level controls) that had a significant impact on the overall financial reporting on a consolidated basis were evaluated, and based on the results, the business processes to be evaluated were selected. In assessing operating effectiveness of business process controls, key controls that had a significant impact on the reliability of financial reporting were identified after analyzing the selected business processes, and the design and operation of those key controls were assessed.

The scope of assessment of internal control over financial reporting was determined based on the materiality of the impact on the reliability of financial reporting for the Company, its consolidated subsidiaries and equity-method associates. The materiality of the impact on the reliability of financial reporting was determined in consideration of the materiality of both quantitative and qualitative impact. Based on the results of assessment of entity-level controls conducted for the Company, 56 consolidated subsidiaries and 3 equity-method associates, the scope of assessment of business process controls was reasonably determined. 18 consolidated subsidiaries and 11 equity-method associates were not included in the scope of assessment of entity-level controls because they were considered insignificant quantitatively and qualitatively.

The scope of business process controls was determined based on “Significant locations” selected in order of net sales (after eliminating intercompany sales) of each location for the previous fiscal year, which accounts for approximately 2/3 of the consolidated net sales for the previous fiscal year. For significant locations selected, sales, trade receivables and inventories were included in the scope of assessment of business process controls as accounts significantly related to the company’s business purpose.

In addition, regardless of the significant locations selected, significant business processes of other locations were included in the assessment in consideration of impact on the financial reporting of business processes related to significant accounts that involved estimates and forecasts with high possibility of material misstatements or business processes related to businesses or operations with high risk transactions.

3. [Results of assessment]

Based on the assessment procedures above, the Company’s internal control over financial reporting is effective as of March 31, 2022.

4. [Note]

There was no significant subsequent event that had significant impact on the assessment of effectiveness of internal control over financial reporting.

5. [Special note]

There is nothing special to note.