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Quarterly Securities Report

(First Quarter of 58th Business Term)

From April 1, 2022
to June 30, 2022

SOHGO SECURITY SERVICES CO., LTD.

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

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[Document filed]	Quarterly Securities Report
[Applicable law]	Article 24-4-7, paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Place of filing]	Director-General, Kanto Local Finance Bureau
[Filing date]	August 2, 2022
[Quarterly accounting period]	First quarter of 58th business term (From April 1, 2022 to June 30, 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.
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[Contact person]	Koji Kishimoto, Director and Senior Executive Officer
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Part 1. Company Information

I. Overview of Company

1. Selected financial data

Fiscal year		57th business term Three months ended June 30, 2021	58th business term Three months ended June 30, 2022	57th business term
Accounting period		From April 1, 2021 to June 30, 2021	From April 1, 2022 to June 30, 2022	From April 1, 2021 to March 31, 2022
Net sales	(Millions of yen)	117,012	114,008	489,092
Ordinary income	(Millions of yen)	10,037	7,878	44,796
Profit attributable to owners of parent	(Millions of yen)	6,098	4,454	28,964
Comprehensive income	(Millions of yen)	6,372	5,656	31,890
Net assets	(Millions of yen)	306,515	327,964	327,509
Total assets	(Millions of yen)	470,528	498,196	488,278
Net income per share	(Yen)	60.24	44.00	286.11
Diluted net income per share	(Yen)	—	—	—
Equity ratio	(%)	59.5	60.4	61.5
Net cash provided by (used in) operating activities	(Millions of yen)	(2,126)	6,917	42,736
Net cash provided by (used in) investing activities	(Millions of yen)	(1,937)	(11,787)	(14,093)
Net cash provided by (used in) financing activities	(Millions of yen)	(2,349)	(5,745)	(18,183)
Cash and cash equivalents end of the period	(Millions of yen)	46,736	53,433	63,644

(Note) 1. Selected financial data is not disclosed on a non-consolidated basis as SOHGO SECURITY SERVICES CO., LTD. (the “Company”) prepares quarterly consolidated financial statements.

2. Diluted net income per share is not disclosed as there are no potentially dilutive shares.

2. Description of business

There have been no significant changes in the businesses that the Group (the Company and its subsidiaries and associates) operates during the three months ended June 30, 2022.

The Group had the following realignment during the three months ended June 30, 2022.

- (1) 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.
- (2) Following revisions of a shareholder agreement, effective May 13, 2022, Tokai Sohgo Security Services Co., Ltd., an equity-method associate mainly engaging in security services, became a consolidated subsidiary of the Company.
- (3) Effective June 22, 2022, the Company acquired all shares of ALSOK Joy Life Co., Ltd. and ALSOK Life Support Co., Ltd., engaging in long-term care services.

II. Business Overview

1. Risk factors

During the three months ended June 30, 2022, there have been no newly arising business risks, etc. or changes in the business risks, etc. disclosed in the Annual Securities Report of the previous fiscal year.

2. Management analysis of financial position, operating results and cash flows

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

(1) Financial position and operating results

During the three months ended June 30, 2022, the Japanese economy was impacted by a sharp depreciation of the yen, rising resource prices and supply chain disruptions due to China's lockdown, etc. Despite the impact, as domestic economic activities resumed, business conditions of large non-manufacturing companies, mainly BtoC services, improved and the overall economy picked up. Looking ahead, the economy is expected to continue to pick up as the social activities return to pre-pandemic normal. However, attention should be paid to the risk of economic downturns in Europe and the United States due to tight monetary policies and developments in foreign exchange rates, as well as the impact of the seventh wave of COVID-19, the risks associated with rising resource prices and supply chain disruptions due to the prolonged conflict in Ukraine and another lockdown in China. In the security services, reflecting concerns over the cyber-attacks on critical infrastructure and supply chains, the declining birthrate and the workforce with aging population, the security and safety of senior citizens, women, children and other vulnerable members of society, the increasing number of crimes affecting the general public, the string of natural disasters and the aging infrastructure, the Group is continued to be expected to provide integrated services for security, facility management and long-term care to the society with diversified security and safety needs.

In this environment, the Group has continued to provide appropriate services while taking sufficient infection prevention measures as an operator of service businesses related to the safety and security of society (the Security Services, General Property Management and Fire Protection Services, and lifestyle support services for the senior citizens such as Long-Term Care Services), which are all indispensable for ensuring the stability of the lives of the people and the national economy. As set forth in the Medium-Term Management Plan "Grand Design 2025", the Group aims to become "a resilient integrated safety and security solutions provider that supports the safety and security of customers and society". In order to respond to increasing safety and security needs of customers with diversified risks, we have made efforts to provide new services that combine a variety of services including security, facility management and long-term care.

As a result of the above as well as the non-occurrence of sales related to the Tokyo 2020 Olympic and Paralympic Games during the current period and the increase in system-related costs, on the consolidated basis, the Group recorded the net sales of ¥114,008 million (2.6% decrease year on year), operating income of ¥7,182 million (26.4% decrease year on year), ordinary income of ¥7,878 million (21.5% decrease year on year), and profit attributable to owners of parent of ¥4,454 million (27.0% decrease year on year) for the three months ended June 30, 2022.

The operating results for each segment are described below:

In the Security Services, the Company has provided services for corporate customers through its 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.

The Group also promotes sales of products for individual customers including Home Security Basic, a standard solution for private homes that is easy to install and HOME ALSOK MIMAMORI SUPPORT[®], a service to watch over senior citizens. In June 2022, we began offering HOME ALSOK Outdoor Wireless IP Camera, which allows users to check real-time video and recorded video via a smartphone app, with the option of requesting ALSOK to rush to the scene in the event of an emergency.

In the Stationed Security Services, 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.

For the Transportation Security Services, there is still a deep-rooted need to streamline cash management operations in the public and private sectors, and therefore, the Group is striving to expand Cash Deposit and Dispenser Machine On-Line System sales. In June 2022, MH-A Model was launched, the updated version of Medium-Sized Cash Deposit and Dispenser Machine On-Line System with functions of withdrawal and transfer of petty cash, which had been requested by many customers. 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 launched a joint center where some operations began in April 2022.

As a result, with the non-occurrence of sales related to the Tokyo 2020 Olympic and Paralympic Games during the current period,

the net sales of the Security Services segment was ¥89,532 million (0.3% decrease year on year), and operating income was ¥7,963 million (16.5% decrease year on year).

For the General Property Management and Fire Protection Services segment, with the impact of non-occurrence of sales related to the Tokyo 2020 Olympic and Paralympic Games during the current period and the impact of a decline in completion in the construction work sectors, the net sales was ¥12,700 million (17.4% decrease year on year), and operating income was ¥900 million (48.3% decrease year on year). Furthermore, 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 food loss.

For the Long-Term Care Services segment, the net sales was ¥10,429 million (1.1% increase year on year), and operating income was ¥385 million (22.7% decrease year on year) due to the improvement in facilities operation rate and the investments in new facilities opening. In June 2022, to further strengthen the long-term care business, we converted ALSOK Joy Life Co., Ltd. and ALSOK Life Support Co., Ltd. into our subsidiaries. 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 the Other Services, the sales of ALSOK Multi-QR Payment Solution, a proprietary QR code payment service responding to a growing trend for cashless payments, have steadily increased. In June 2022, Asbestos Comprehensive Service was launched, a service to provide support for asbestos inspections to respond to amended Air Pollution Control Act, which became stricter than before. In addition, we provide various services utilizing drones to inspect aging infrastructure such as bridges, exterior walls, and various other facilities in addition to panel inspections of vast solar facilities to expand our businesses.

The Group responds to growing needs for safety and security in society by utilizing new technologies and improving productivity, while fulfilling its responsibilities as a provider of services for the safety and security of society.

Financial positions as of June 30, 2022 are summarized below:

Total assets as of June 30, 2022 was ¥498,196 million, an increase of ¥9,918 million from the end of the previous fiscal year.

This resulted from ¥10,091 million increase in property, plant and equipment and ¥9,177 million increase in goodwill due to mergers and acquisitions (M&A) transactions, etc., which was partially offset by ¥11,573 million decrease in cash and deposits.

Total liabilities as of June 30, 2022 was ¥170,232 million, an increase of ¥9,463 million from the end of the previous fiscal year. This resulted from ¥14,699 million increase in other current liabilities including advances received due to M&A transactions, etc., which was partially offset by ¥5,190 million decrease in income taxes payable.

(2) Cash flows

Cash and cash equivalents (“cash”) for the three months ended June 30, 2022 are summarized below:

(Cash flows from operating activities)

Net cash provided by operating activities was ¥6,917 million during the three months ended June 30, 2022 (¥2,126 million used for the three months ended June 30, 2021). This resulted from ¥7,852 million of income before income taxes, ¥5,305 million decrease in notes and accounts receivable -trade and ¥4,289 million of depreciation expenses added back, which was partially offset by ¥6,123 million decrease in notes and accounts payable - trade and ¥5,681 million income tax payment.

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 ¥11,787 million (508.4% increase year on year) during the three months ended June 30, 2022. The cash decreased due to ¥9,365 million used for purchase of shares of subsidiaries resulting in change in scope of consolidation and ¥3,572 million used for acquisition of property, plant and equipment, which was partially offset by ¥1,220 million decrease in time deposits.

(Cash flows from financing activities)

Net cash used in financing activities was ¥5,745 million (144.6% increase year on year) during the three months ended June 30, 2022. The cash decreased due to ¥4,455 million used for dividends payment and ¥1,363 million used for repayment of lease obligations.

(3) Accounting estimates and assumptions used for those estimates

There have been no significant changes in the accounting estimates and assumptions used for those estimates described in “Management analysis of financial position, operating results and cash flows” of the Annual Securities Report for the previous

fiscal year.

(4) Business policies and strategies

There have been no significant changes in the business policies and strategies of the Group during the three months ended June 30, 2022.

(5) Production, orders and sales

(Production)

The Group is not engaged in production activities. The number of contracts in progress as of June 30, 2022 is as follows:

Segment		As of the end of three months ended June 30, 2022 (As of June 30, 2022)	Year on year change (%)
Security Services			
Electronic Security Services	(Thousands of contracts)	1,015	3.8
Stationed Security Services	(Thousands of contracts)	4	0.2
Transportation Security Services	(Thousands of contracts)	79	1.9
Total	(Thousands of contracts)	1,099	3.6
General Property Management and Fire Protection Services	(Thousands of contracts)	119	6.8
Long-Term Care Services	(Thousands of contracts)	26	(1.0)
Total for reportable segments	(Thousands of contracts)	1,245	3.8
Other Services	(Thousands of contracts)	33	0.1
Total	(Thousands of contracts)	1,278	3.7

(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		Three months ended June 30, 2022 (From April 1, 2022 to June 30, 2022)	Year on year change (%)
Security Services			
Electronic Security Services	(Millions of yen)	42,252	(3.0)
Stationed Security Services	(Millions of yen)	30,503	2.9
Transportation Security Services	(Millions of yen)	16,776	1.0
Total	(Millions of yen)	89,532	(0.3)
General Property Management and Fire Protection Services	(Millions of yen)	12,700	(17.4)
Long-Term Care Services	(Millions of yen)	10,429	1.1
Total for reportable segments	(Millions of yen)	112,662	(2.5)
Other Services	(Millions of yen)	1,346	(9.9)
Total	(Millions of yen)	114,008	(2.6)

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

(6) Priority business and financial challenges

There have been no significant changes in the Group's priority business and financial challenges during the three months ended June 30, 2022.

(7) Research and development

Research and development cost was ¥152 million for the three months ended June 30, 2022, which was mainly related to security business.

There have been no significant changes in the Group's research and development activities during the three months ended June 30, 2022.

(8) Analysis of capital resources and liquidity

The Group's primary source of funds is the monthly fees received from customers, mainly in the security business, which is stable and predictable revenue. 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 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 depending on the customers' behaviors. 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 M&A transactions. 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.

During the three months ended June 30, 2022, there have been no significant changes in the Group's capital investment plan, including capital expenditures which were planned at the end of the previous consolidated fiscal year as of March 31, 2022.

(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 three months ended June 30, 2022 except for Transportation Security Services. At this point, the Group does not expect any significant change in the capital needs during the fiscal year ending March 31, 2023 and believes that its capital needs will be satisfied by its own funds.

(9) Facilities

(Plan for establishment or disposal of facilities)

During the three months ended June 30, 2022, there have been no significant changes in the plan for establishment or disposal of facilities which was under planning as of March 31, 2022. In addition, there were no newly established plans for installation, expansion, renovation, disposal or sale of significant facilities during the three months ended June 30, 2022.

3. Material business contracts, etc.

Material business contracts, etc. decided or concluded during the three months ended June 30, 2022 are as follows:

- (1) 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.
- (2) 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. 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.

III. 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 June 30, 2022 (Shares)	Number of shares issued as of August 2, 2022 (filing date) (Shares)	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 Prime market	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. 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)
From April 1, 2022 to June 30, 2022	—	102,040,042	—	18,675	—	29,320

(5) Major shareholders

The major shareholders are not disclosed as the current quarterly accounting period is the first quarterly accounting period.

(6) Voting rights

The information on voting rights described below is based on the shareholders register as of March 31, 2022, the most recent record date, as the Company is unable to confirm and disclose the information as of June 30, 2022.

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. Information on directors

Nothing to report.

IV. Financial Condition

1. Preparation method of quarterly consolidated financial statements

The quarterly consolidated financial statements of the Company are prepared in accordance with the “Ordinance on Terminology, Forms, and Preparation Methods of Quarterly Consolidated Financial Statements” (Cabinet Office Ordinance No. 64 of 2007, “Ordinance on Quarterly Financial Statements”).

Quarterly consolidated statement of cash flows is also prepared in accordance with Article 5-2, Paragraph 2 of the Ordinance on Quarterly Financial Statements.

2. Audit attestation

In accordance with the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan, the quarterly consolidated financial statements for the first quarter of the fiscal year ending March 31, 2023 (from April 1, 2022 to June 30, 2022) and the three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022) were reviewed by Grant Thornton Taiyo LLC.

1. Quarterly consolidated financial statements

(1) Quarterly consolidated balance sheet

(Millions of yen)

	As of March 31, 2022	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	71,357	59,784
Cash for Transportation Security Services	* 76,768	* 74,541
Notes and accounts receivable - trade, and contract assets	56,458	52,038
Securities	380	633
Raw materials and supplies	7,509	8,045
Costs on uncompleted construction contracts	222	328
Advances paid	6,892	6,435
Other	14,424	19,758
Allowance for doubtful accounts	(140)	(144)
Total current assets	233,872	221,421
Noncurrent assets		
Property, plant and equipment	103,376	113,467
Intangible assets		
Goodwill	27,097	36,274
Other	12,650	12,402
Total intangible assets	39,747	48,677
Investments and other assets		
Investment securities	56,148	55,925
Other	55,562	59,139
Allowance for doubtful accounts	(429)	(434)
Total investments and other assets	111,281	114,629
Total noncurrent assets	254,405	276,774
Total assets	488,278	498,196
Liabilities		
Current liabilities		
Notes and accounts payable - trade	23,098	18,920
Short-term loans payable	* 11,278	* 14,076
Income taxes payable	6,751	1,560
Provisions	2,164	1,200
Other	47,091	61,791
Total current liabilities	90,384	97,548
Noncurrent liabilities		
Long-term loans payable	2,145	2,090
Retirement benefit liability	27,175	27,443
Provisions	1,597	1,608
Asset retirement obligations	486	811
Other	38,977	40,729
Total noncurrent liabilities	70,383	72,683
Total liabilities	160,768	170,232

(Millions of yen)

	As of March 31, 2022	As of June 30, 2022
Net Assets		
Shareholders' equity		
Capital stock	18,675	18,675
Capital surplus	34,129	33,940
Retained earnings	241,718	241,719
Treasury stock	(1,072)	(1,072)
Total shareholders' equity	293,450	293,262
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,917	7,304
Revaluation reserve for land	(3,378)	(3,380)
Foreign currency translation adjustment	321	707
Remeasurements of defined benefit plans, net of tax	2,836	2,887
Total accumulated other comprehensive income	6,696	7,518
Non-controlling interests	27,362	27,183
Total net assets	327,509	327,964
Total liabilities and net assets	488,278	498,196

(2) Quarterly consolidated statement of income and consolidated statement of comprehensive income

Quarterly consolidated statement of income

For the three months ended June 30, 2022

(Millions of yen)

	Three months ended June 30, 2021 (From April 1, 2021 to June 30, 2021)	Three months ended June 30, 2022 (From April 1, 2022 to June 30, 2022)
Net sales	117,012	114,008
Cost of sales	87,383	85,520
Gross profit	29,629	28,488
Selling, general and administrative expenses	* 19,869	* 21,306
Operating income	9,759	7,182
Non-operating income		
Interest income	45	46
Dividends income	184	217
Share of profit of entities accounted for using equity method	101	157
Gain on sales of investment securities	0	0
Dividend income of insurance	218	245
Penalty income	113	118
Other	263	554
Total non-operating income	927	1,340
Non-operating expenses		
Interest expenses	490	426
Financing expenses	67	64
Other	91	152
Total non-operating expenses	649	643
Ordinary income	10,037	7,878
Extraordinary income		
Gain on sales of investment securities	7	0
Gain on sales of noncurrent assets	65	—
Total extraordinary income	72	0
Extraordinary loss		
Loss on sales of investment securities	0	0
Loss on valuation of investment securities	67	25
Total extraordinary loss	68	25
Income before income taxes	10,042	7,852
Income taxes	3,572	3,006
Net income	6,469	4,846
Profit attributable to non-controlling interests	371	392
Profit attributable to owners of parent	6,098	4,454

Quarterly consolidated statement of comprehensive income

For the three months ended June 30, 2022

(Millions of yen)

	Three months ended June 30, 2021 (From April 1, 2021 to June 30, 2021)	Three months ended June 30, 2022 (From April 1, 2022 to June 30, 2022)
Net income	6,469	4,846
Other comprehensive income		
Valuation difference on available-for-sale securities	(195)	425
Foreign currency translation adjustment	45	113
Remeasurements of defined benefit plans, net of tax	39	46
Share of other comprehensive income (loss) of entities accounted for using equity method	12	224
Total other comprehensive income (loss)	(97)	809
Comprehensive income	6,372	5,656
(Contents)		
Comprehensive income attributable to owners of parent	5,984	5,278
Comprehensive income attributable to non-controlling interests	387	377

(3) Quarterly consolidated statement of cash flows

(Millions of yen)

	Three months ended June 30, 2021 (From April 1, 2021 to June 30, 2021)	Three months ended June 30, 2022 (From April 1, 2022 to June 30, 2022)
Net cash provided by (used in) operating activities		
Income before income taxes	10,042	7,852
Depreciation and amortization	3,964	4,289
Amortization of goodwill	611	599
Increase (decrease) in allowance for doubtful accounts	(1)	7
Increase (decrease) in net defined benefit liability	231	386
Increase (decrease) in provision for bonuses	(1,206)	(1,026)
Increase (decrease) in provision for bonuses for directors (and other officers)	(56)	(58)
Interest and dividends income	(230)	(264)
Interest expenses	490	426
Share of loss (profit) of entities accounted for using equity method	(101)	(157)
Loss (gain) on sales of noncurrent assets	(65)	(25)
Loss on retirement of noncurrent assets	33	48
Loss (gain) on sales of investment securities	(7)	(0)
Loss (gain) on valuation of investment securities	67	25
Loss (gain) on valuation of derivatives	0	(46)
Decrease (increase) in notes and accounts receivable - trade	5,085	5,305
Decrease (increase) in inventories	305	(612)
Increase (decrease) in notes and accounts payable - trade	(3,394)	(6,123)
Decrease (increase) in net defined benefit asset	(663)	(848)
Changes in assets and liabilities of Transportation Security Services	(6,018)	2,579
Other	(5,952)	(140)
Subtotal	3,132	12,217
Interest and dividends income received	638	798
Interest expenses paid	(503)	(434)
Income taxes paid	(5,398)	(5,681)
Income taxes refund	3	19
Net cash provided by (used in) operating activities	(2,126)	6,917
Net cash provided by (used in) investing activities		
Decrease (increase) in time deposits	1,508	1,220
Payments into long-term time deposits	(209)	(11)
Proceeds from withdrawal of long-term time deposits	27	—
Purchase of property, plant and equipment	(3,863)	(3,572)
Proceeds from sales of property, plant and equipment	238	85
Purchase of intangible assets	(42)	(741)
Purchase of investment securities	(514)	(414)
Proceeds from sales of investment securities	513	175
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(9,365)
Decrease (increase) in short-term loans receivable	19	(6)
Payments of long-term loans receivable	(40)	(8)
Collection of long-term loans receivable	47	169
Proceeds from refund of leasehold and guarantee deposits	3	377
Other	375	304
Net cash provided by (used in) investing activities	(1,937)	(11,787)

(Millions of yen)

	Three months ended June 30, 2021 (From April 1, 2021 to June 30, 2021)	Three months ended June 30, 2022 (From April 1, 2022 to June 30, 2022)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	3,876	1,696
Proceeds from long-term loans payable	145	145
Repayment of long-term loans payable	(758)	(711)
Purchase of treasury stock	(0)	(0)
Repayments of lease obligations	(1,321)	(1,363)
Cash dividends paid	(3,746)	(4,455)
Cash dividends paid to non-controlling interests	(543)	(648)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(408)
Net cash provided by (used in) financing activities	(2,349)	(5,745)
Effect of exchange rate change on cash and cash equivalents	5	45
Net increase (decrease) in cash and cash equivalents	(6,407)	(10,570)
Cash and cash equivalents at beginning of period	53,143	63,644
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	—	359
Cash and cash equivalents at end of period	*46,736	*53,433

Notes

(Changes in scope of consolidation or scope of application of equity method)

The changes in scope of consolidation or scope of application of equity method for the three months ended June 30, 2022 are summarized as follows:

I The Company acquired all shares of ALSOK Joy Life Co., Ltd. and ALSOK Life Support Co., Ltd. These companies have been included in the scope of consolidation.

II Following revisions of a shareholder agreement, Tokai Sohgo Security Services Co., Ltd., an equity-method associate, became a consolidated subsidiary of the Company.

III The Company merged with ALSOK Leasing Co., Ltd., with the Company as the surviving company.

(Change in accounting policies)

(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Group applied “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021, “Implementation Guidance on Fair Value Measurement Accounting Standard”) from the beginning of the first quarter of the fiscal year ending March 31, 2023. The Group decided to apply new accounting policies based on the Implementation Guidance on Fair Value Measurement Accounting Standard prospectively in accordance with the transitional treatment provided in paragraph 27-2 of Implementation Guidance on Fair Value Measurement Accounting Standard. The impact on the consolidated financial statements for the three months ended June 30, 2022 is immaterial.

(Specific accounting treatment applied in preparing quarterly consolidated financial statements)

(Calculation of tax expense)

Tax expense is calculated by reasonably estimating the effective tax rate after applying tax effect accounting for income before income taxes for the consolidated fiscal year including the three months ended June 30, 2022 and then by multiplying the income before income taxes for the quarter by such estimated effective tax rate.

Income taxes - deferred is included in income taxes.

(Matters related to quarterly consolidated balance sheet)

* Cash for Transportation Security 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.

As of June 30, 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.

(Matters related to quarterly consolidated statement of income)

* The major items of selling, general and administrative expenses and its amounts are as follows:

(Millions of yen)

	Three months ended June 30, 2021 (From April 1, 2021 to June 30, 2021)	Three months ended June 30, 2022 (From April 1, 2022 to June 30, 2022)
Salary allowances	10,266	10,359
Provision for bonuses	159	161
Provision for bonuses for directors (and other officers)	37	37
Provision for retirement benefits for directors (and other officers)	38	39
Provision for allowance for doubtful accounts	26	10
Retirement benefit expenses	380	358

(Matters related to quarterly consolidated statement of cash flows)

* The relationship between the cash and cash equivalents at end of period and the amount presented on the quarterly consolidated balance sheet is as follows:

(Millions of yen)

	Three months ended June 30, 2021 (From April 1, 2021 to June 30, 2021)	Three months ended June 30, 2022 (From April 1, 2022 to June 30, 2022)
Cash and deposits accounts	52,913	59,784
Deposits with deposit term of over 3 months	(6,276)	(6,551)
Short-term investment (securities) whose redemption date is due within 3 months from the acquisition date	100	200
Other (deposit at securities company)	0	0
Cash and cash equivalents	46,736	53,433

(Matters related to total shareholders' equity)

I Three months ended June 30, 2021 (From April 1, 2021 to June 30, 2021)

Cash dividends paid

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

II Three months ended June 30, 2022 (From April 1, 2022 to June 30, 2022)

Cash dividends paid

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

(Segment information etc.)

Segment information

I Three months ended June 30, 2021 (From April 1, 2021 to June 30, 2021)

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

(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	81,191	8,460	10,289	99,941	1,389	101,330	—	101,330
Construction revenue	1,411	4,323	8	5,743	0	5,743	—	5,743
Sales revenue	7,214	2,599	18	9,833	105	9,938	—	9,938
Revenue from contracts with customers	89,817	15,384	10,316	115,517	1,494	117,012	—	117,012
Sales to external customers	89,817	15,384	10,316	115,517	1,494	117,012	—	117,012
Intersegment sales and transfers	53	13	1	67	74	142	(142)	—
Total	89,870	15,397	10,317	115,585	1,569	117,155	(142)	117,012
Income by reportable segment	9,537	1,742	497	11,777	347	12,124	(2,365)	9,759

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

2. ¥(2,365) 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.

2. Information on impairment losses or goodwill, etc. of noncurrent assets by reportable segment

(Significant impairment loss of noncurrent assets)

Nothing to report.

(Significant change in the amount of goodwill)

Nothing to report.

(Significant gain on negative goodwill)

Nothing to report.

II Three months ended June 30, 2022 (From April 1, 2022 to June 30, 2022)

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

(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	81,972	7,913	10,409	100,295	1,257	101,553	—	101,553
Construction revenue	1,391	2,847	4	4,243	0	4,243	—	4,243
Sales revenue	6,168	1,939	15	8,123	88	8,212	—	8,212
Revenue from contracts with customers	89,532	12,700	10,429	112,662	1,346	114,008	—	114,008
Sales to external customers	89,532	12,700	10,429	112,662	1,346	114,008	—	114,008
Intersegment sales and transfers	5	14	2	22	52	74	(74)	—
Total	89,538	12,714	10,431	112,684	1,399	114,083	(74)	114,008
Income by reportable segment	7,963	900	385	9,249	271	9,520	(2,338)	7,182

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

2. ¥(2,338) 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.

2. Information on impairment losses or goodwill, etc. of noncurrent assets by reportable segment

(Significant impairment loss of noncurrent assets)

Nothing to report.

(Significant change in the amount of goodwill)

During the three months ended June 30, 2022, there was a significant change in the amount of goodwill as ALSOK Joy Life Co., Ltd. and ALSOK Life Support Co., Ltd. became the Company’s consolidated subsidiary. Increase in the goodwill due to this event is ¥9,763 million. The amount of goodwill is provisionally calculated because the allocation of the acquisition cost has not been completed. The goodwill is not allocated to any reporting segment.

(Significant gain on negative goodwill)

Nothing to report.

(Matters related to business combination)

Business combination by way of acquisition

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. Period of operating results of the acquired company included in the quarterly consolidated statement of income for the three months ended June 30, 2022

As the deemed acquisition date is June 30, 2022, the operating results of the acquired company are not included in the quarterly consolidated financial statements for the three months ended June 30, 2022.

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

(1) ALSOK Joy Life Co., Ltd.

Consideration	Cash and deposits	¥7,945 million
Acquisition cost		¥7,945 million

(2) ALSOK Life Support Co., Ltd.

Consideration	Cash and deposits	¥2,058 million
Acquisition cost		¥2,058 million

4. Major components and amount of acquisition related costs

Advisory fees ¥99 million

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

(1) ALSOK Joy Life Co., Ltd.

a. Amount of goodwill

¥8,003 million

The amount of goodwill is provisionally calculated because the allocation of the acquisition cost has not been completed.

b. Causes

The goodwill mainly arises from the excess earning power expected from combining the Group's Long-Term Care Services business with the business of ALSOK Joy Life Co., Ltd.

c. Method and period of amortization

Straight-line method over 17 years

(2) ALSOK Life Support Co., Ltd.

a. Amount of goodwill

¥1,760 million

The amount of goodwill is provisionally calculated because the allocation of the acquisition cost has not been completed.

b. Causes

The goodwill mainly arises from the excess earning power expected from combining the Group's Long-Term Care Services business with the business of ALSOK Life Support Co., Ltd.

c. Method and period of amortization

Straight-line method over 14 years

Business combination under common control

1. Absorption-type merger of ALSOK Leasing Co., Ltd.

(1) Overview of transaction

a. Name of the company and its business

Name of the company: ALSOK Leasing Co., Ltd.

Business: Leasing and installment sales (mainly related to security services)

b. Date of business combination

April 1, 2022

c. Legal form of business combination

Merger of ALSOK Leasing Co., Ltd. (merged company) by the Company (surviving company)

d. Other

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) 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).

2. Acquisition of additional shares in PT. ALSOK BASS Indonesia Security Services

(1) Overview of transaction

a. Name of the company and its business

Name of the company: PT. ALSOK BASS Indonesia Security Services

Business: Security services (stationed security services)

b. Date of business combination

June 2, 2022

c. Legal form of business combination

Acquisition of shares from non-controlling interests

d. Name of the company after the business combination

No change has been made.

e. Other

The additional shares acquired accounted for 24% of the total voting rights. This transaction resulted in the Company's ratio of voting rights in PT. ALSOK BASS Indonesia Security Services increasing to 73%. In November 2016, PT. ALSOK BASS Indonesia Security Services became the Company's consolidated subsidiary, which was intended to expand the Company's Security Services in Indonesia. This time, additional shares were acquired to further expand the Company's business as well as enhance the governance by strengthening its capital ties.

(2) Accounting treatment

This acquisition was accounted for as a transaction with non-controlling interest 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).

(3) Matters related to acquisition of additional subsidiary shares

<u>Consideration</u>	<u>Cash and deposits</u>	<u>¥215 million</u>
Acquisition cost		¥215 million

3. Acquisition of additional shares in Keihanshin Security Service Co., Ltd.

(1) Overview of transaction

a. Name of the company and its business

Name of the company: Keihanshin Security Service Co., Ltd.

Business: Security services as well as general property management and fire protection services

b. Date of business combination

June 20, 2022

c. Legal form of business combination

Acquisition of shares from non-controlling interests

d. Name of the company after the business combination

No change has been made.

e. Other

The additional shares acquired accounted for 30.3% of the total voting rights. This transaction resulted in the Company's ratio of voting rights in Keihanshin Security Service Co., Ltd. increasing to 90.9%. The Company and Keihanshin Security Service Co., Ltd. entered into a capital alliance in April 2017. The Company acquired additional shares (Keihanshin Security Service Co., Ltd. became a consolidated subsidiary) because the Company believed it would be possible to share various management resources in a more coordinated way than the existing capital alliance, thereby providing customers with higher value-added services.

(2) Accounting treatment

This acquisition was accounted for as a transaction with non-controlling interests 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).

(3) Matters related to acquisition of additional subsidiary shares

<u>Consideration</u>	<u>Cash and deposits</u>	<u>¥199 million</u>
Acquisition cost		¥199 million

(Matters related to revenue recognition)

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

(Per share information)

The following is the amount and basis of calculating net income per share:

		Three months ended June 30, 2021 (From April 1, 2021 to June 30, 2021)	Three months ended June 30, 2022 (From April 1, 2022 to June 30, 2022)
Net income per share		60.24 yen	44.00 yen
(Basis of calculation)			
Profit attributable to owners of parent	(Millions of yen)	6,098	4,454
Amount not attributable to ordinary shareholders	(Millions of yen)	—	—
Profit attributable to ordinary shareholders of parent	(Millions of yen)	6,098	4,454
Average number of common stocks during the period	(Thousands of shares)	101,234	101,234

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

2. Other

Nothing to report.

Part 2. Information on Guarantors of the Company, etc.

Nothing to report.

INDEPENDENT AUDITOR'S
QUARTERLY REVIEW REPORT

July 29, 2022

To the Board of Directors of

SOHGO SECURITY SERVICES CO., LTD.

Grant Thornton Taiyo LLC

Tokyo Office

Tatsuya Arai	Designated Limited Liability Partner Engagement Partner	Certified Public Accountant
Takeshi Iwasaki	Designated Limited Liability Partner Engagement Partner	Certified Public Accountant
Takayuki Uenishi	Designated Limited Liability Partner Engagement Partner	Certified Public Accountant

Auditor's Conclusion

We have reviewed, pursuant to the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan, the accompanying quarterly consolidated financial statements of SOHGO SECURITY SERVICES CO., LTD. and its consolidated subsidiaries (the "Group") in "Financial Condition", which comprise the quarterly consolidated balance sheet as of June 30, 2022, and the quarterly consolidated statement of income, the quarterly consolidated statement of comprehensive income and the quarterly consolidated statement of cash flows for the three-month period then ended, and the related notes.

Based on our quarterly review, nothing has come to our attention that causes us to believe that the accompanying quarterly consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of June 30, 2022 and its consolidated results of its financial performances and cash flows for the three-month period then ended in accordance with the accounting principles for quarterly consolidated financial statements generally accepted in Japan.

Basis for Auditor's Conclusion

We conducted our review in accordance with the quarterly review standards generally accepted in Japan. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Quarterly Review of the Quarterly Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the ethical requirements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that we have obtained the evidence to provide a basis of our conclusion.

Responsibilities of Management, Audit and Supervisory Board Members, and Audit and Supervisory Board for the Quarterly Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the quarterly consolidated financial statements in accordance with the accounting principles for quarterly consolidated financial statements 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 quarterly consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the quarterly 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 for quarterly consolidated financial statements 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 Review of the Quarterly Consolidated Financial Statements

Our responsibilities are to issue an auditor's quarterly review report that includes our conclusion based on our quarterly review from an independent point of view.

In accordance with the quarterly review standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the quarterly review. We also:

- Perform quarterly review procedures consists of making inquiries to primarily of management and persons responsible for financial and accounting matters, applying analytical procedures, and other quarterly review procedures. A quarterly review is substantially less in scope than an annual audit of financial statements conducted in accordance with auditing standards generally accepted in Japan.
- Conclude, based on the evidence obtained, on whether anything has come to our attention that causes us to believe that the quarterly consolidated financial statements are not presented fairly in accordance with the accounting principles for quarterly consolidated financial statements generally accepted in Japan if we determine that 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. Additionally, if we conclude that a material uncertainty exists, we are required to draw attention in our auditor's quarterly review report to the related disclosures in the quarterly consolidated financial statements or, if such disclosures are inadequate, to express a qualified or adverse conclusion on the quarterly consolidated financial statements. Our conclusions are based on the evidence obtained up to the date of our auditor's quarterly review report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the quarterly consolidated financial statements, including the disclosures, and whether anything has come to our attention that causes us to believe that the quarterly consolidated financial statements do not represent the underlying transactions and events in a manner that achieves fair presentation in accordance with the accounting principles for quarterly consolidated financial statements generally accepted in Japan.
- Obtain sufficient and appropriate evidence regarding the financial information of the Group to express a conclusion on the quarterly consolidated financial statements. We are responsible for the direction, supervision and performance of the review of the quarterly consolidated financial statements. We remain solely responsible for our review conclusion.

We communicate with the Audit and Supervisory Board Members and Audit and Supervisory Board regarding, among other matters, the planned scope and timing of the quarterly review and significant review findings.

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 Quarterly Review Report of Independent Auditors, which is in the custody of the Company (the submitter of this Quarterly Securities Report).
2. The XBRL data is not in the scope of the quarterly review.
3. The English version of the consolidated financial statements consists of an English translation of the reviewed Japanese consolidated financial statements. The actual text of the English translation of the consolidated financial statements was not covered by our review. 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.

[Cover page]

[Document filed]	Confirmation
[Applicable law]	Article 24-4-8, paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Place of filing]	Director-General, Kanto Local Finance Bureau
[Filing date]	August 2, 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. Matters related to the appropriateness of the contents of the Quarterly Securities Report

Ikuji Kayaki, Representative Director Group COO and Koji Kishimoto, Director and Senior Executive Officer confirmed that the contents in the Quarterly Securities Report for the first quarter of 58th business term (From April 1, 2022 to June 30, 2022) are appropriately disclosed in accordance with the Financial Instruments and Exchange Act.

2. Special note

There is nothing special to note.