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Quarterly Securities Report

(Third Quarter of 59th Business Term)

From October 1, 2023
to December 31, 2023

SOHGO SECURITY SERVICES CO., LTD.

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

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[Quarterly accounting period]	Third quarter of 59th business term (From October 1, 2023 to December 31, 2023)
[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
[Address of head office]	1-6-6 Motoakasaka, Minato-ku, Tokyo, Japan
[Telephone number]	+81-3-3470-6811 (Main telephone number)
[Contact person]	Kazuhide Shigemi, Director and Senior Executive Officer
[Nearest contact place]	1-6-6 Motoakasaka, Minato-ku, Tokyo, Japan
[Telephone number]	+81-3-3470-6811 (Main telephone number)
[Contact person]	Kazuhide Shigemi, 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

Fiscal year		58th business term Nine months ended December 31, 2022	59th business term Nine months ended December 31, 2023	58th business term
Accounting period		From April 1, 2022 to December 31, 2022	From April 1, 2023 to December 31, 2023	From April 1, 2022 to March 31, 2023
Net sales	(Millions of yen)	357,817	378,990	492,226
Ordinary income	(Millions of yen)	26,543	29,298	39,230
Profit attributable to owners of parent	(Millions of yen)	15,783	18,442	23,950
Comprehensive income	(Millions of yen)	17,843	22,031	25,526
Net assets	(Millions of yen)	335,783	354,511	343,893
Total assets	(Millions of yen)	529,333	539,242	516,647
Net income per share	(Yen)	31.18	36.62	47.32
Diluted net income per share	(Yen)	—	—	—
Equity ratio	(%)	58.2	59.7	60.9
Net cash provided by (used in) operating activities	(Millions of yen)	17,574	29,548	31,682
Net cash provided by (used in) investing activities	(Millions of yen)	(19,948)	(12,938)	(24,818)
Net cash provided by (used in) financing activities	(Millions of yen)	(13,524)	(14,088)	(19,380)
Cash and cash equivalents as of end of the period	(Millions of yen)	48,169	54,063	51,571

Fiscal year		58th business term Three months ended December 31, 2022	59th business term Three months ended December 31, 2023
Accounting period		From October 1, 2022 to December 31, 2022	From October 1, 2023 to December 31, 2023
Net income per share	(Yen)	11.90	13.16

(Notes) 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.

3. Effective July 1, 2023, the Company implemented a 5-for-1 stock split for each share of common stock. “Net income per share” is calculated assuming that the stock split was implemented at the beginning of the fiscal year ended March 31, 2023.

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 nine months ended December 31, 2023.

The Group had the following realignments during the nine months ended December 31, 2023:

- Effective August 15, 2023, the Company acquired shares of PT. Shield-On Service Tbk, an Indonesian staffing and security services provider, through PT. ALSOK BASS Indonesia Security Services, the Company’s subsidiary in Indonesia, and consolidated PT. Shield-On Service Tbk and its seven subsidiaries.
- Effective October 31, 2023, the Company acquired additional shares of Hokuriku Sohgo Security Services Co., Ltd., an equity-method associate mainly engaging in security services, which became a consolidated subsidiary of the Company.

II. Business Overview

1. Risk factors

During the nine months ended December 31, 2023, there have been no newly arising business risks, etc. or no 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 filing of this report.

(1) Financial position and operating results

During the nine months ended December 31, 2023, although the recovery of capital investments has stalled, a gradual recovery of the Japanese economy continued due to economic activities returning to pre-pandemic levels, as well as the recovery of the number of foreign visitors to Japan and consumer spending. Looking forward, the gradual recovery is expected to continue due to the effects of various policies amid expectations of an overall improvement in the income situation. On the other hand, there is a risk of downward pressure on the Japanese economy due to a downturn in overseas economies such as concerns over the Chinese economy and a decrease in real purchasing power caused by rising prices in Japan. There is also a tense situation in the Middle East caused by the conflict between Israel and Hamas, the impact of which needs to be paid attention to.

As stated in the Japanese Government's 2022 strategy to make Japan "the World's Safest Country," the Japanese society's expectations for the security sector are rising amid various developments, placing expectations on the Group to provide total safety and security services including security guard services. These developments include threats in cyberspace, concerns about the safety and security of the senior citizens, women, children and other socially vulnerable groups, as well as increasing violent street crime and accidents, changes in the security situation due to natural disasters such as the Noto Peninsula Earthquake in January 2024, and aging infrastructure. In addition, the number of criminal offenses in 2022 increased year-on-year for the first time since 2002, and was likely to increase in 2023. With the deterioration of the domestic sense of security following the attack on the Prime Minister and robbery and theft cases committed by so-called "dark part-time workers," the Group's role to protect safety and security is growing.

In this environment, aiming to contribute to a sustainable society, the Group has continued to provide appropriate services as an operator of service businesses related to safety and security of the society (the Security Services, General Property Management and Fire Protection Services, and lifestyle support services such as Long-Term Care Services). 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 meets various safety and security needs of the 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, the Group's operating results for the nine months ended December 31, 2023 showed a significant improvement compared to the previous period. The Group recorded net sales of ¥378,990 million (5.9% increase year on year), operating income of ¥26,987 million (9.3% increase year on year), ordinary income of ¥29,298 million (10.4% increase year on year), and profit attributable to owners of parent of ¥18,442 million (16.8% increase year on year) for the nine months ended December 31, 2023.

The operating results for each segment are described below:

The net sales of the Security Services segment were ¥281,875 million (3.9% increase year on year), and operating income was ¥27,421 million (5.0% increase year on year).

The Company has provided services for corporate customers through its Electronic Security Services business and promoted sales of ALSOK-G7 (read as "ALSOK G-seven"), which contributes to customers' manpower saving needs. ALSOK-G7 is equipped with live video monitoring as a standard feature, with enhanced optional services such as image storage and remote equipment control. Going forward, we will further expand the usage of ALSOK-G7 to meet customers' needs. For individual customers, orders increased steadily, partly due to the launch of a new product, HOME ALSOK Connect. This product provides safety and security services to a wide range of customers amid deteriorating sense of safety. In addition to conventional Online Security Service, in which ALSOK rushes to the scene of an emergency, this product offers a less expensive Self-Security plan with on-site confirmation service by ALSOK upon request as an option. The Self-Security plan can be upgraded to the Online Security at any time. The Group has also promoted sales of HOME ALSOK Mimamori Support, a service to watch over senior citizens.

For Stationed Security Services, we provided security services for various G7-related ministerial meetings, including the Hiroshima Summit, for airport facilities that have reopened following the recovery of foreign visitors to Japan, and for domestic socio-economic activities resumed due to reshoring production in Japan and the post-COVID-19 recovery. Going forward, we will leverage DX, etc. to reduce manpower and improve the efficiency of Stationed Security Services.

For Transportation Security Services, although the number of ATMs is decreasing due to the consolidation and closing of branches of financial institutions, the needs to improve the efficiency of cash management operations remain as strong as ever, and the sales of Cash Deposit and Dispenser Machine On-Line System and other products are expanding. Also, the Group is promoting the replacement of equipment in preparation for the issuance of new banknotes, which is scheduled to take place in early July 2024. Our offerings also include Tax and Public Funds Collection System, which automates local government disbursement counter operations through the use of Cash Deposit and Dispenser Machine On-Line System. We will continue to gain an understanding of various outsourcing needs, such as the needs of regional financial institutions to improve operational efficiency and to reduce costs, and will expand our service offerings.

For the General Property Management and Fire Protection Services segment, the net sales were ¥53,187 million (12.4% increase year on year), and operating income was ¥4,871 million (11.6% increase year on year) due to steady growth in completion in the construction work sectors. We will continue to expand Facilities Management Services based on the concept of integration of security, facilities and construction, as well as to offer sales, installation, and maintenance of EV charging equipment as a part of enhancement of our sustainability initiatives.

For the Long-Term Care Services segment, the net sales were ¥38,126 million (8.4% increase year on year) and operating income was ¥1,131 million (100.2% increase year on year) due to new facilities opening, the increase in occupancy rate for existing facilities, and the effect of mergers and acquisitions (M&A), etc. We will continue to improve the efficiency of nursing care operations through DX, including the use of nursing care support robots, and strive to expand services under the unified “ALSOK’s Care” Long-Term Care Services brand.

In the Other Services, in addition to ALSOK Website Tampering Detection and Restoration Service, which was launched in October 2023, as well as existing panel inspection services for solar facilities, we continue to expand services utilizing drones to inspect and examine various facilities, and also to expand on-site inspection services such as ALSOK IT Rescue Service, in which guards rush to the site to provide emergency treatment in the event of a failure of IT equipment, such as PCs.

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

Financial positions as of December 31, 2023 are summarized below:

Total assets as of December 31, 2023 was ¥539,242 million, an increase of ¥22,595 million from the end of the previous fiscal year. This mainly resulted from ¥8,374 million increase in cash for transportation security services, ¥6,714 million increase in other current assets including prepaid expenses, ¥3,337 million increase in property, plant and equipment including buildings and structures, and ¥2,494 million increase in cash and deposits.

Total liabilities as of December 31, 2023 was ¥184,730 million, an increase of ¥11,977 million from the end of the previous fiscal year. This resulted from ¥17,489 million increase in short-term loans payable, which was partially offset by ¥6,424 million decrease in notes and accounts payable - trade.

(2) Cash flows

Cash and cash equivalents (the “cash”) for the nine months ended December 31, 2023 are summarized below:

(Cash flows from operating activities)

The cash provided in operating activities was ¥29,548 million (68.1% increase year on year) during the nine months ended December 31, 2023. This resulted from an increase in the cash due to ¥29,871 million of income before income taxes and ¥13,873 million of depreciation expenses added back, which was partially offset by ¥12,225 million decrease in the cash due to income tax payment.

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

(Cash flows from investing activities)

The cash used in investing activities was ¥12,938 million (35.1% decrease year on year) during the nine months ended December 31, 2023. This mainly resulted from ¥10,224 million used for purchase of property, plant and equipment and ¥3,732 million used for purchase of shares of subsidiaries.

(Cash flows from financing activities)

The cash used in financing activities was ¥14,088 million (4.2% increase year on year) during the nine months ended December 31, 2023. This resulted from a decrease in the cash due to ¥8,715 million used for dividends payment, ¥5,000 million used for purchase of treasury stock and ¥4,059 million used for repayment of lease obligations, which was partially offset by ¥5,411 million increase in the cash due to an increase in short-term loans payable.

(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 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 nine months ended December 31, 2023.

(5) Production, orders and sales

(Production)

The Group is not engaged in production activities. The number of contracts in progress as of December 31, 2023 is as follows:

Segment	As of the end of three months ended December 31, 2023 (As of December 31, 2023)	Year on year change (%)
Security Services		
Electronic Security Services (Thousands of contracts)	1,076	4.8
Stationed Security Services (Thousands of contracts)	5	8.1
Transportation Security Services (Thousands of contracts)	88	2.1
Total (Thousands of contracts)	1,169	4.6
General Property Management and Fire Protection Services (Thousands of contracts)	128	4.9
Long-Term Care Services (Thousands of contracts)	27	2.8
Total for reportable segments (Thousands of contracts)	1,325	4.6
Other Services (Thousands of contracts)	25	7.5
Total (Thousands of contracts)	1,351	4.7

(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, Cash Deposit and Dispenser Machine On-Line System, and cashless payment services including QR code payment
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, etc.

(Sales)

The sales results for each segment are described below:

Segment		Nine months ended December 31, 2023 (From April 1, 2023 to December 31, 2023)	Year on year change (%)
Security Services			
Electronic Security Services	(Millions of yen)	136,505	6.6
Stationed Security Services	(Millions of yen)	94,257	1.5
Transportation Security Services	(Millions of yen)	51,112	1.6
Total	(Millions of yen)	281,875	3.9
General Property Management and Fire Protection Services	(Millions of yen)	53,187	12.4
Long-Term Care Services	(Millions of yen)	38,126	8.4
Total for reportable segments	(Millions of yen)	373,188	5.5
Other Services	(Millions of yen)	5,802	44.2
Total	(Millions of yen)	378,990	5.9

(Note) No single customer accounted for 10% or more 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 nine months ended December 31, 2023.

(7) Research and development

Research and development cost was ¥430 million for the nine months ended December 31, 2023, which was mainly related to security business.

There have been no significant changes in the Group's research and development activities during the nine months ended December 31, 2023.

(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 stably due to this secure 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 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 by customers into the Cash Deposit and Dispenser Machine on the previous day, which fluctuates significantly on a daily basis. 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 nine months ended December 31, 2023, there have been no significant changes in the Group's capital investment plan, including capital expenditures which were planned as of March 31, 2023.

(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 nine months ended December 31, 2023 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, 2024 and believes that its capital needs will be satisfied by its own funds.

(9) Facilities

(Plan for establishment or disposal of facilities)

During the nine months ended December 31, 2023, there have been no significant changes in the plan for establishment or disposal of facilities which was under planning as of March 31, 2023. In addition, there were no newly established plans for installation, expansion, renovation, disposal or sale of significant facilities during the nine months ended December 31, 2023.

3. Material business contracts, etc.

There were no material business contracts, etc. decided or concluded during the three months ended December 31, 2023.

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 authorized shares (Shares)
Common stock	1,500,000,000
Total	1,500,000,000

(Note) In accordance with the resolution at the Board of Directors' meeting held on May 12, 2023, the Articles of Incorporation was partially amended effective July 1, 2023, following a stock split. Accordingly, the total number of authorized shares increased by 1,200,000,000 shares to 1,500,000,000 shares.

ii. Shares issued

Class	Number of shares issued as of December 31, 2023 (Shares)	Number of shares issued as of February 6, 2024 (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	510,200,210	510,200,210	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	510,200,210	510,200,210	—	—

(Note) Effective July 1, 2023, a 5-for-1 stock split was implemented for each share of common stock. Accordingly, the total number of shares issued increased by 408,160,168 shares to 510,200,210 shares.

(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 October 1, 2023 to December 31, 2023	—	510,200,210	—	18,675	—	29,320

(Note) Effective July 1, 2023, a 5-for-1 stock split was implemented for each share of common stock. Accordingly, the total number of shares issued increased by 408,160,168 shares to 510,200,210 shares.

(5) Major shareholders

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

(6) Voting rights

The information on voting rights described below is based on the shareholders register as of September 30, 2023, the most recent record date, as the Company is unable to confirm and disclose the information as of December 31, 2023.

i. Shares issued

As of September 30, 2023

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 8,860,000	—	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 501,305,900	5,013,059	Same as above
Shares less than one unit	Common stock 34,310	—	Shares less than one unit (100 shares)
Total number of shares issued	510,200,210	—	—
Total number of voting rights	—	5,013,059	—

(Note) Effective July 1, 2023, the Company implemented a 5-for-1 stock split for each share of common stock, and the numbers of shares held above have been adjusted to reflect the stock split.

ii. Treasury stock, etc.

As of September 30, 2023

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	8,860,000	—	8,860,000	1.74
Total	—	8,860,000	—	8,860,000	1.74

(Notes) 1. Effective July 1, 2023, the Company implemented a 5-for-1 stock split for each share of common stock, and the numbers of shares held above have been adjusted to reflect the stock split.

2. Due to the purchase of treasury stock during the three months ended December 31, 2023, the number of shares under own name as of December 31, 2023 was 9,456,100 shares.

2. Information on officers and 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 3 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 third quarter of the fiscal year ending March 31, 2024 (from October 1, 2023 to December 31, 2023) and the nine months ended December 31, 2023 (from April 1, 2023 to December 31, 2023) were reviewed by Grant Thornton Taiyo LLC.

1. Quarterly consolidated financial statements

(1) Quarterly consolidated balance sheet

(Millions of yen)

	As of March 31, 2023	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	59,239	61,733
Cash for Transportation Security Services	* 83,754	* 92,128
Notes and accounts receivable - trade, and contract assets	65,395	61,954
Securities	661	340
Raw materials and supplies	10,290	12,720
Costs on uncompleted construction contracts	98	354
Advances paid	6,457	6,520
Other	13,218	19,933
Allowance for doubtful accounts	(83)	(99)
Total current assets	239,032	255,585
Noncurrent assets		
Property, plant and equipment	116,440	119,778
Intangible assets		
Goodwill	32,753	32,197
Other	11,423	9,784
Total intangible assets	44,176	41,981
Investments and other assets		
Investment securities	57,529	59,428
Other	59,989	62,993
Allowance for doubtful accounts	(521)	(525)
Total investments and other assets	116,997	121,897
Total noncurrent assets	277,615	283,657
Total assets	516,647	539,242
Liabilities		
Current liabilities		
Notes and accounts payable - trade	29,669	23,244
Short-term loans payable	* 8,741	* 26,231
Income taxes payable	5,295	3,156
Provisions	2,302	1,105
Other	52,847	57,972
Total current liabilities	98,856	111,709
Noncurrent liabilities		
Long-term loans payable	2,083	1,827
Retirement benefit liability	27,319	28,016
Provisions	2,073	2,083
Asset retirement obligations	818	825
Other	41,602	40,267
Total noncurrent liabilities	73,897	73,020
Total liabilities	172,753	184,730

(Millions of yen)

	As of March 31, 2023	As of December 31, 2023
Net Assets		
Shareholders' equity		
Capital stock	18,675	18,675
Capital surplus	33,940	34,011
Retained earnings	256,852	266,579
Treasury stock	(1,072)	(6,074)
Total shareholders' equity	308,395	313,191
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,566	9,341
Revaluation reserve for land	(3,379)	(3,379)
Foreign currency translation adjustment	658	1,103
Remeasurements of defined benefit plans, net of tax	1,651	1,736
Total accumulated other comprehensive income	6,496	8,802
Non-controlling interests	29,000	32,517
Total net assets	343,893	354,511
Total liabilities and net assets	516,647	539,242

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

Quarterly consolidated statement of income

For the nine months ended December 31, 2023

(Millions of yen)

	Nine months ended December 31, 2022 (From April 1, 2022 to December 31, 2022)	Nine months ended December 31, 2023 (From April 1, 2023 to December 31, 2023)
Net sales	357,817	378,990
Cost of sales	269,764	287,363
Gross profit	88,053	91,627
Selling, general and administrative expenses	* 63,364	* 64,639
Operating income	24,688	26,987
Non-operating income		
Interest income	142	156
Dividends income	879	739
Gain on sales of investment securities	25	28
Share of profit of entities accounted for using equity method	984	1,308
Dividend income of insurance	275	322
Penalty income	305	357
Other	1,330	1,457
Total non-operating income	3,943	4,372
Non-operating expenses		
Interest expenses	1,344	1,359
Financing expenses	191	191
Loss on sales of investment securities	—	3
Other	553	506
Total non-operating expenses	2,089	2,062
Ordinary income	26,543	29,298
Extraordinary income		
Gain on sales of investment securities	3	346
Gain on negative goodwill	—	466
Total extraordinary income	3	813
Extraordinary loss		
Loss on valuation of investment securities	35	15
Loss on sales of investment securities	0	11
Impairment losses	0	55
Loss on step acquisitions	—	156
Total extraordinary loss	36	240
Income before income taxes	26,510	29,871
Income taxes	9,514	10,302
Net income	16,996	19,568
Profit attributable to non-controlling interests	1,212	1,126
Profit attributable to owners of parent	15,783	18,442

Quarterly consolidated statement of comprehensive income

For the nine months ended December 31, 2023

(Millions of yen)

	Nine months ended December 31, 2022 (From April 1, 2022 to December 31, 2022)	Nine months ended December 31, 2023 (From April 1, 2023 to December 31, 2023)
Net income	16,996	19,568
Other comprehensive income		
Valuation difference on available-for-sale securities	307	1,728
Foreign currency translation adjustment	174	162
Remeasurements of defined benefit plans, net of tax	140	81
Share of other comprehensive income (loss) of entities accounted for using equity method	225	490
Total other comprehensive income (loss)	847	2,462
Comprehensive income	17,843	22,031
(Contents)		
Comprehensive income attributable to owners of parent	16,677	20,747
Comprehensive income attributable to non-controlling interests	1,165	1,283

(3) Quarterly consolidated statement of cash flows

(Millions of yen)

	Nine months ended December 31, 2022 (From April 1, 2022 to December 31, 2022)	Nine months ended December 31, 2023 (From April 1, 2023 to December 31, 2023)
Net cash provided by (used in) operating activities		
Income before income taxes	26,510	29,871
Depreciation and amortization	13,412	13,873
Impairment losses	0	55
Amortization of goodwill	2,099	2,331
Gain on negative goodwill	—	(466)
Loss (gain) on step acquisitions	—	156
Increase (decrease) in allowance for doubtful accounts	121	6
Increase (decrease) in net defined benefit liability	762	457
Increase (decrease) in provision for bonuses	(1,152)	(1,311)
Increase (decrease) in provision for bonuses for directors (and other officers)	(35)	(25)
Interest and dividends income	(1,021)	(896)
Interest expenses	1,344	1,359
Share of loss (profit) of entities accounted for using equity method	(984)	(1,308)
Loss (gain) on sales of noncurrent assets	(42)	(2)
Loss on retirement of noncurrent assets	188	192
Loss (gain) on sales of investment securities	(28)	(359)
Loss (gain) on valuation of investment securities	35	15
Loss (gain) on valuation of derivatives	(18)	(150)
Decrease (increase) in notes and accounts receivable - trade	(159)	7,385
Decrease (increase) in inventories	(2,911)	(2,553)
Increase (decrease) in notes and accounts payable - trade	(3,625)	(6,094)
Decrease (increase) in net defined benefit asset	(2,785)	(2,441)
Changes in assets and liabilities of Transportation Security Services	(1,666)	2,583
Other	573	(1,442)
Subtotal	30,616	41,235
Interest and dividends income received	1,704	1,740
Interest expenses paid	(1,329)	(1,358)
Income taxes paid	(13,461)	(12,225)
Income taxes refund	44	156
Net cash provided by (used in) operating activities	17,574	29,548

(Millions of yen)

	Nine months ended December 31, 2022 (From April 1, 2022 to December 31, 2022)	Nine months ended December 31, 2023 (From April 1, 2023 to December 31, 2023)
Net cash provided by (used in) investing activities		
Decrease (increase) in time deposits	599	1,144
Payments into long-term time deposits	(24)	(10)
Proceeds from withdrawal of long-term time deposits	—	21
Purchase of property, plant and equipment	(10,102)	(10,224)
Proceeds from sales of property, plant and equipment	118	85
Purchase of intangible assets	(1,367)	(678)
Purchase of investment securities	(1,107)	(457)
Proceeds from sales of investment securities	402	1,150
Payments for acquisition of businesses	—	(70)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(9,365)	(3,732)
Purchase of shares of subsidiaries and associates	(525)	—
Decrease (increase) in short-term loans receivable	42	(2)
Payments of long-term loans receivable	(39)	(43)
Collection of long-term loans receivable	203	53
Proceeds from refund of leasehold and guarantee deposits	420	30
Other	794	(204)
Net cash provided by (used in) investing activities	(19,948)	(12,938)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	1,657	5,411
Proceeds from long-term loans payable	835	310
Repayment of long-term loans payable	(2,133)	(699)
Purchase of treasury stock	(0)	(5,000)
Repayments of lease obligations	(4,011)	(4,059)
Cash dividends paid	(8,809)	(8,715)
Cash dividends paid to non-controlling interests	(654)	(1,772)
Proceeds from share issuance to non-controlling interests	—	438
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(408)	—
Net cash provided by (used in) financing activities	(13,524)	(14,088)
Effect of exchange rate change on cash and cash equivalents	24	(30)
Net increase (decrease) in cash and cash equivalents	(15,874)	2,491
Cash and cash equivalents at beginning of period	63,644	51,571
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	400	—
Cash and cash equivalents at end of period	* 48,169	* 54,063

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 nine months ended December 31, 2023 are summarized as follows:

- I. During the three months ended September 30, 2023, the Company acquired shares of PT. Shield-On Service Tbk, and therefore, PT. Shield-On Service Tbk and its seven subsidiaries have been included in the scope of consolidation.
- II. During the three months ended December 31, 2023, the Company acquired additional shares of Hokuriku Sohgo Security Services Co., Ltd., an equity-method associate, which became a consolidated subsidiary of the Company.

(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 December 31, 2023 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, 2023

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

In addition, the short-term loans payable balance includes ¥3,392 million of funds borrowed for the services.

As of December 31, 2023

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

In addition, the short-term loans payable balance includes ¥13,745 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)

	Nine months ended December 31, 2022 (From April 1, 2022 to December 31, 2022)	Nine months ended December 31, 2023 (From April 1, 2023 to December 31, 2023)
Salary allowances	31,172	32,200
Provision for bonuses	168	170
Provision for bonuses for directors (and other officers)	63	74
Provision for retirement benefits for directors (and other officers)	119	113
Provision for allowance for doubtful accounts	135	51
Retirement benefit expenses	1,067	1,164

(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)	
	Nine months ended December 31, 2022 (From April 1, 2022 to December 31, 2022)	Nine months ended December 31, 2023 (From April 1, 2023 to December 31, 2023)
Cash and deposits accounts	55,251	61,733
Deposits with deposit term of over 3 months	(7,181)	(7,970)
Short-term investment (securities) whose redemption date is due within 3 months from the acquisition date	100	300
Other (deposit at securities company)	0	0
Cash and cash equivalents	48,169	54,063

(Matters related to total shareholders' equity)

I Nine months ended December 31, 2022 (From April 1, 2022 to December 31, 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
Board of Directors' meeting on October 28, 2022	Common stock	4,354	43.0	September 30, 2022	December 5, 2022	Retained earnings

II Nine months ended December 31, 2023 (From April 1, 2023 to December 31, 2023)

1. 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 27, 2023	Common stock	4,354	43.0	March 31, 2023	June 28, 2023	Retained earnings
Board of Directors' meeting on October 31, 2023	Common stock	4,361	8.7	September 30, 2023	December 4, 2023	Retained earnings

2. Notes on substantial changes in the amount of shareholder's equity

The Company has completed acquisition of 5,543,600 shares of treasury stock (acquisition cost of ¥4,999 million) by October 6, based on the resolution of the Board of Directors' meeting held on July 28, 2023. As a result, the number and amount of treasury stock as of December 31, 2023 are 9,572,190 shares and ¥6,074 million, including the amount acquired through requests for purchase of shares less than one unit and changes in the number of shares held by subsidiaries and associates.

(Segment information etc.)

Segment information

I Nine months ended December 31, 2022 (From April 1, 2022 to December 31, 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	247,046	25,265	35,078	307,390	3,663	311,054	—	311,054
Construction revenue	4,094	13,733	16	17,844	2	17,847	—	17,847
Sales revenue	20,180	8,316	60	28,557	358	28,916	—	28,916
Revenue from contracts with customers	271,321	47,315	35,156	353,792	4,024	357,817	—	357,817
Sales to external customers	271,321	47,315	35,156	353,792	4,024	357,817	—	357,817
Intersegment sales and transfers	60	50	7	117	204	322	(322)	—
Total	271,381	47,365	35,163	353,910	4,229	358,139	(322)	357,817
Income by reportable segment	26,122	4,365	565	31,054	724	31,778	(7,090)	24,688

(Notes) 1. "Other Services" category includes business segments not included in other reportable segments, such as information security, PCR test and food inspection services.

2. ¥(7,090) million adjustment to income by reportable segment represents common expenses that cannot be allocated to any specific reportable segments. 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 on noncurrent assets or goodwill, etc. by reportable segment

(Significant impairment loss on noncurrent assets)

No impairment loss was allocated to any of the reportable segments. Impairment losses not allocated to reportable segments were ¥0 million, which comprised ¥0 million for land.

(Significant change in the amount of goodwill)

During the nine months ended December 31, 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 subsidiaries. Increase in the goodwill due to this event is ¥8,556 million. The goodwill is not allocated to any reportable segments.

(Significant gain on negative goodwill)

Nothing to report.

II Nine months ended December 31, 2023 (From April 1, 2023 to December 31, 2023)

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	251,672	26,917	38,041	316,631	5,512	322,143	—	322,143
Construction revenue	5,142	16,485	16	21,645	3	21,648	—	21,648
Sales revenue	25,059	9,784	67	34,912	286	35,198	—	35,198
Revenue from contracts with customers	281,875	53,187	38,126	373,188	5,802	378,990	—	378,990
Sales to external customers	281,875	53,187	38,126	373,188	5,802	378,990	—	378,990
Intersegment sales and transfers	58	206	9	274	80	355	(355)	—
Total	281,934	53,394	38,135	373,463	5,882	379,346	(355)	378,990
Income by reportable segment	27,421	4,871	1,131	33,424	621	34,046	(7,058)	26,987

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

2. ¥(7,058) million adjustment to income by reportable segment represents common expenses that cannot be allocated to any specific reportable segments. 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 on noncurrent assets or goodwill, etc. by reportable segment

(Significant impairment loss on noncurrent assets)

No impairment loss was allocated to any of the reportable segments. Impairment losses not allocated to reportable segments were ¥55 million, which comprised ¥31 million for land and ¥24 million for building.

(Significant change in the amount of goodwill)

During the nine months ended December 31, 2023, there was a significant change in the amount of goodwill as PT. Shield-On Service Tbk and its seven subsidiaries became the Company’s consolidated subsidiaries. Increase in the goodwill due to this event is ¥1,604 million. The goodwill is not allocated to any reportable segments.

(Significant gain on negative goodwill)

During the three months ended December 31, 2023, due to the inclusion of Hokuriku Sohgo Security Services Co., Ltd. in the scope of consolidation, gain on negative goodwill of ¥466 million is recognized. The gain on negative goodwill is not allocated to any reportable segments.

(Matters related to business combination)

(Finalization of provisional accounting treatment for business combination)

Provisional accounting treatment was applied to the business combination transaction with PT. Shield-On Service Tbk and its seven subsidiaries that took place on August 15, 2023. The provisional amounts have been finalized during the three months ended December 31, 2023.

Accordingly, comparative information included in the quarterly consolidated financial statements for the nine months ended December 31, 2023 reflects significant adjustments to the acquisition cost initially allocated. As all assets acquired and liabilities assumed have been identified and the determination of their fair values as of the date of business combination has been completed, a portion of the amount recorded as goodwill has been reclassified.

As a result, the provisionally calculated goodwill of ¥1,027 million increased by ¥577 million to ¥1,604 million.

(Business combination by way of acquisition)

1. Acquisition of shares of PT. Shield-On Service Tbk

(1) Business combination

A. Name of acquired company and its business

Name of the acquired company: PT. Shield-On Service Tbk and its seven subsidiaries

Business: Staffing, security, cleaning and parking lot management services

B. Reason for business combination

The Company established a local subsidiary in Indonesia in 2013, and we acquired shares of a major local security company to further expand its security services business in 2016. Changing the company name to PT. ALSOK BASS Indonesia Security Services (“ALSOK BASS”), we have been serving various companies, mainly Japanese companies, to meet the local security needs.

PT. Shield-On Service Tbk (“SOS”) is a comprehensive outsourcing company that provides staffing, security, cleaning, and parking lot management services. It is the only outsourcing company listed on the Indonesian Stock Exchange and has a large account, Sinarmas Group, the local conglomerate. SOS’s participation in ALSOK BASS will make ALSOK’s comprehensive safety and security services, which it has been providing to Japanese companies, widely available to Indonesian companies and financial institutions that support the largest economy in the ASEAN region.

Through the acquisition of shares, the Company will contribute to the ALSOK BASS and SOS businesses, to the development of mutually beneficial relationships in human capital development leveraging the close bilateral relationship between Japan and Indonesia, and to the improvement of safety and security service standards, while further strengthening its business development in the ASEAN region.

C. Date of business combination

Obtaining control on August 15, 2023

Acquisition of additional shares on December 18, 2023

D. Legal form of business combination

Acquisition of stocks

E. Name of company after the business combination

There is no name change.

F. Share of voting rights acquired

Voting rights acquired on the date of obtaining control 51.2%

Dilution due to the exercise of warrants by non-controlling shareholders from the date of obtaining control to after the date of obtaining control (8.7)

Voting rights additionally acquired after obtaining control 36.8

Voting rights after the additional acquisition 79.3

G. Reason for selecting company to acquire

ALSOK BASS acquired the stocks in exchange for cash consideration.

(2) Accounting treatment

This business combination was conducted pursuant to an agreement related to stock acquisition concluded on June 9, 2023, under which the Company acquired shares of SOS in two steps on August 15, 2023 and December 18, 2023. In accordance with “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, January 16, 2019) and “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, January 16, 2019), the two-step acquisitions on August 15, 2023 and December 18, 2023 constitute one business combination transaction, and therefore, are accounted for collectively. Accordingly, a portion of

goodwill related to the additional shares acquired after obtaining control is calculated as if the goodwill was recorded at the time when control was obtained.

- (3) Period of operating results of the acquired company included in the quarterly consolidated statement of income for the nine months ended December 31, 2023

The closing date of the acquired company is December 31, which is three months different from the closing date of the Company. As the deemed date of acquisition is June 30, 2023, the operating results of the acquired company for the period from July 1, 2023 to September 30, 2023 are included in the quarterly consolidated financial statements for the nine months ended December 31, 2023.

- (4) Acquisition cost of the acquired company and type of consideration paid

Consideration	At the time of obtaining control	Cash and deposits	¥1,909 million
	At the time of acquisition of additional shares	Cash and deposits	¥1,621 million
Acquisition cost			¥3,530 million

- (5) Major components and amount of acquisition related costs

Advisory fees: ¥194 million

- (6) Amount of goodwill

At the time of obtaining control	¥1,027 million
At the time of acquisition of additional shares	¥577 million
Total	¥1,604 million

A. Causes

The goodwill mainly arises from the excess earning power expected from combining the business of ALSOK BASS with the business of SOS.

B. Method and period of amortization

Straight-line method over six years

2. Acquisition of additional shares of Hokuriku Sohgo Security Services Co., Ltd.

- (1) Overview of business combination

A. Name of acquired company and its business

Name of acquired company: Hokuriku Sohgo Security Services Co., Ltd.

Business: Security services, general property management and fire protection services, and other services

B. Date of business combination

October 31, 2023

C. Legal form of business combination

Acquisition of stocks

D. Name of the company after the business combination

There is no name change.

E. Share of voting rights acquired

Voting rights held before the business combination	15.0%
Voting rights additionally acquired on the date of business combination	41.8
Voting rights after the acquisition	56.8

F. Reason for selecting company to acquire

The Company acquired the stocks in exchange for cash consideration.

- (2) Reason for business combination

Hokuriku Sohgo Security Services Co., Ltd., the Company's equity-method associate, had been providing the Security

Services and General Property Management and Fire Protection Services. The Company has acquired additional shares of Hokuriku Sohgo Security Services Co., Ltd. with the aim of increasing the ratio of voting rights in order to achieve stable business management and strengthen governance.

(3) Period of operating results of the acquired company included in the consolidated statement of income for the year ending March 31, 2024

As the deemed date of acquisition is October 1, 2023, the operating results for the period from October 1, 2023 to December 31, 2023 are included in the consolidated statement of income for the year ending March 31, 2024. As the acquired company was an equity-method associate, the operating results from April 1, 2023 to September 30, 2023 were recorded as “Share of profit of entities accounted for using equity method.”

(4) Acquisition cost of the acquired company and type of consideration paid

	Fair value of shares held before the business combination on the date	
Consideration	of the business combination	¥1,026 million
	Cash and deposits paid for acquisition of additional shares	¥2,861 million
Acquisition cost		¥3,887 million

(5) Difference between the acquisition cost of the acquired company and the total acquisition cost related to transactions that led to the acquisition

Loss on step acquisitions	¥156 million
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(6) Major components and amount of acquisition related costs

Nothing to report.

(7) Amount of gain on negative goodwill and its causes

A. Amount of gain on negative goodwill

¥466 million

B. Causes

As the net asset value of the acquired company as of the date of business combination exceeded the acquisition cost, the difference is recorded as gain on negative goodwill.

(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:

		Nine months ended December 31, 2022 (From April 1, 2022 to December 31, 2022)	Nine months ended December 31, 2023 (From April 1, 2023 to December 31, 2023)
Net income per share		31.18 yen	36.62 yen
(Basis of calculation)			
Profit attributable to owners of parent	(Millions of yen)	15,783	18,442
Amount not attributable to ordinary shareholders	(Millions of yen)	—	—
Profit attributable to ordinary shareholders of parent	(Millions of yen)	15,783	18,442
Average number of common stocks during the period	(Thousands of shares)	506,174	503,644

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

2. Effective July 1, 2023, the Company implemented a 5-for-1 stock split of the common stock. “Net income per share” is calculated assuming that the stock split was implemented at the beginning of the fiscal year ended March 31, 2023.

2. Other

At the Board of Directors' meeting held on October 31, 2023, the following resolutions on interim dividends were made for the current period.

- | | |
|---|------------------|
| (i) Total amount of interim dividends | ¥4,361 million |
| (ii) Dividend per share | ¥8.7 |
| (iii) Effective date for payment request and commencement date of payment | December 4, 2023 |

(Note) Payments were made to the shareholders recorded in the shareholder register as of September 30, 2023.

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

Nothing to report.

INDEPENDENT AUDITOR'S
QUARTERLY REVIEW REPORT

February 1, 2024

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

Takayuki Uenishi

Designated Limited Liability Partner

Engagement Partner

Certified Public Accountant

Keisuke Uehara

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 December 31, 2023, and the quarterly consolidated statement of income, the quarterly consolidated statement of comprehensive income and the quarterly consolidated statement of cash flows for the third quarter and the nine-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 December 31, 2023 and its consolidated results of its financial performances and cash flows for the nine-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 ethical requirements regarding independence that are relevant to our review of the financial statements in Japan and communicate with them all relationships, other matters that may reasonably be thought to bear on our independence, and where applicable, measures taken to eliminate inhibiting factors or apply safeguards to reduce them to an acceptable level.

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 original copy of the above Quarterly Review Report of Independent Auditors 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]	February 6, 2024
[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]	Kazuhide Shigemi, 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 Kazuhide Shigemi, Director and Senior Executive Officer confirmed that the contents in the Quarterly Securities Report for the third quarter of 59th business term (From October 1, 2023 to December 31, 2023) are appropriately disclosed in accordance with the Financial Instruments and Exchange Act.

2. Special note

There is nothing special to note.