

**Consolidated Financial Results for Fiscal Year Ended March 31, 2020**  
**Prepared in Conformity with Accounting Principles Generally Accepted in Japan (Japanese GAAP)**  
 English Translation of the Original Japanese-Language Report

SOHGO SECURITY SERVICES CO., LTD.

(Code No.:2331, TSE 1<sup>st</sup> Sec.)

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**1. Summary of the consolidated financial results for fiscal year ended March 31, 2020 (April 1, 2019 – March 31, 2020)**

(1) Consolidated operating results

(Figures rounded down to the nearest million)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended								
March 31, 2020	460,118	3.7	36,795	14.0	38,880	14.8	24,163	8.5
March 31, 2019	443,535	1.7	32,280	7.2	33,881	6.2	22,269	15.1

Note: Comprehensive income: Year ended March 31, 2020 ¥20,712 million (7.3%)  
 Year ended March 31, 2019 ¥22,346 million (12.4%)

	Net income per share	Diluted net income per share	ROE (Net income to equity)	Ordinary income to total assets	Operating income to sales
	Yen	Yen	%	%	%
Fiscal year ended					
March 31, 2020	238.69	-	10.1	9.3	8.0
March 31, 2019	219.98	-	9.9	8.4	7.3

Reference: Equity in earnings of affiliates: Year ended March 31, 2020 ¥1,291 million  
 Year ended March 31, 2019 ¥1,263 million

(2) Consolidated financial conditions

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of				
March 31, 2020	428,796	270,432	57.3	2,425.02
March 31, 2019	410,113	257,098	56.8	2,302.38

Reference: Equity capital: Year ended March 31, 2020 ¥245,497 million  
 Year ended March 31, 2019 ¥233,082 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended				
March 31, 2020	33,896	(13,395)	(15,113)	48,790
March 31, 2019	28,771	(14,911)	(10,934)	43,435

## 2. Dividend

	Dividends per share					Total dividends (Annual)	Consolidated payout ratio	Consolidated dividends to net assets
	End of 1Q	End of 2Q	End of 3Q	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended								
March 31, 2019	-	31.00	-	35.00	66.00	6,683	30.0	3.0
March 31, 2020	-	34.50	-	35.50	70.00	7,088	29.3	3.0
Fiscal year ending March 31, 2021 (Forecast)	-	35.00	-	35.00	70.00		28.7	

## 3. Forecasts for the consolidated financial results for the fiscal year ending March 31, 2021 (April 1, 2020 - March 31, 2021)

(Figures rounded down to the nearest million)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Interim	232,000	3.0	15,800	(2.6)	16,600	(3.8)	9,900	(6.4)	97.79
Annual	485,000	5.4	37,600	2.2	39,200	0.8	24,700	2.2	243.99

### Notes:

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

Added: -                      Removed: -

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

- ① Changes arising from revision of accounting standards : No
- ② Changes arising from other factors : No
- ③ Changes arising from accounting estimate : No
- ④ Restatement : No

(3) Number of shares outstanding (Ordinary shares)

① Number of shares issued (including treasury stock)	Fiscal year ended March 31, 2020	102,040,042 shares	Fiscal year ended March 31, 2019	102,040,042 shares
② Number of shares of treasury stock	Fiscal year ended March 31, 2020	804,877 shares	Fiscal year ended March 31, 2019	804,557 shares
③ Average number of shares throughout the fiscal year	Fiscal year ended March 31, 2020	101,235,280 shares	Fiscal year ended March 31, 2019	101,235,446 shares

(Reference) Non-consolidated Financial Results for Fiscal Year Ended March 31, 2020

Summary of the non-consolidated financial results for fiscal year ended March 31, 2020 (April 1, 2019 – March 31, 2020)

(1) Non-consolidated operating results

(Figures rounded down to the nearest million)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended								
March 31, 2020	243,265	3.1	19,634	20.0	28,625	17.7	21,979	13.4
March 31, 2019	235,938	1.4	16,357	0.6	24,326	2.6	19,374	7.8

Note: Percentage shown in net sales, operating income, ordinary income, and net income above represent the changes from the previous fiscal year.

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended		
March 31, 2020	217.06	-
March 31, 2019	191.33	-

(2) Non-consolidated financial conditions

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of				
March 31, 2020	299,151	206,558	69.0	2,039.93
March 31, 2019	281,811	192,758	68.4	1,903.63

Reference: Equity capital: Year ended March 31, 2020 ¥206,558 million  
Year ended March 31, 2019 ¥192,758 million

\* This summary of financial results falls outside the scope of review of certified public accountants and accounting auditors.

\* Explanation of Appropriate Use of Forecasts and Other Notes

The forward-looking statements such as operational forecasts contained in this summary of financial results are based on the information currently available to the Company and certain assumptions which are regarded as legitimate, and the Company does not promise the achievement of these results. Actual results may differ significantly from these forecasts due to various factors.

Please refer to page 7 “(4) Future Outlook” under “1. Overview of Operating Results and Financial Position” for more information regarding the presumptions for forecasts and cautionary statements regarding the use of forecasts.

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## 1. Overview of Operating Results and Financial Position

### (1) Overview of Operating Results

#### A. Consolidated Financial Results for the Fiscal Year Ended March 31, 2020 (April 1, 2019 – March 31, 2020)

During the year under review, the business sentiment in Japan had declined, especially among major manufacturers, since the second quarter, due to deceleration of the world economy and other factors. Moreover, with the global pandemic of COVID-19, the economic activities of major Western countries have stalled since February this year. Faced with this situation, there are concerns that the Japanese economy may experience an economic downturn far greater than that of the Lehman crisis.

In this environment, the ALSOK Group, as an operator of service businesses related to safety and security of society (the Security Services business, General Property Management and Fire Protection Services business, and Long-Term Care Services business), has continued to operate business by providing appropriate services. In addition, as stated in its Medium-Term Management Plan, Grand Design 2020, the Group has aimed to become an “integrated safety and security solutions provider” that supports the safety and security of customers and society; it has actually been striving for further evolution and deepening of its Security Services business and other related businesses in order to respond to increasingly sophisticated and diversifying safety and security needs of each customer and society.

As a result, consolidated net sales increased 3.7% year on year to ¥460,118 million, operating income increased 14.0% to ¥36,795 million, ordinary income increased 14.8% to ¥38,880 million, and profit attributable to owners of parent increased 8.5% to ¥24,163 million.

#### Sales by Business Segment

Business Segment	Fiscal year ended March 31, 2019		Fiscal year ended March 31, 2020		YoY	
	Amount (Millions of yen)	Share (%)	Amount (Millions of yen)	Share (%)	Amount (Millions of yen)	Increase/ Decrease (%)
Security Services						
Electronic Security Services	175,517	39.6	175,537	38.2	20	0.0
Stationed Security Services	111,945	25.2	116,980	25.4	5,035	4.5
Transportation Security Services	62,244	14.0	65,601	14.3	3,356	5.4
Total	349,707	78.8	358,119	77.8	8,412	2.4
General Property Management and Fire Protection Services	62,952	14.2	69,281	15.1	6,328	10.1
Long-Term Care Services	26,599	6.0	28,105	6.1	1,506	5.7
Total for reportable segments	439,259	99.0	455,506	99.0	16,246	3.7
Other Services	4,276	1.0	4,612	1.0	336	7.9
Total	443,535	100.0	460,118	100.0	16,583	3.7

During this fiscal year, the Company reorganized its reportable segments and revised its method of allocating certain earnings and expenses. For purposes of year-on-year comparison, operating performance for the preceding fiscal year has been restated to match the revised categories and allocation methods.

Within the Security Services segment, the Company has provided services for corporate clients that offer solutions that respond to the varied needs of each of these clients through its Electronic Security Services business. These services include ALSOK-ST (read as “ALSOK-Standard”), a standard security system equipped with monitoring and management systems designed to deal with matters such as intrusions, fires and equipment issues, and ALSOK-GV (read as “ALSOK G-five”) allows for remote operation of equipment through the Web, access to various security-related information, including information related to when employees arrive at and leave work, and image monitoring. In addition to these solutions, the Company has started to offer ALSOK-G7 (read as “ALSOK G-seven”), a solution to provide a video monitoring service utilizing an advanced image analysis technology.

The Company also offers a range of services for individual customers, which include Home Security Basic, the standard solution for private homes featuring an easy-to install “stationary-type” control unit. In April 2020, the Company revamped MAMOLOK, a mobile security solution that helps protect users, featuring Emergency Reporting and other functions. Further, the Company has worked to enhance HOME ALSOK MIMAMORI SUPPORT, a solution that watches over senior citizens, in order to provide a wide breadth of service items themed especially on disaster countermeasures in collaboration with

municipalities and “community-based integrated care.”

In the Stationed Security Services business, outsourcing security needs in the manufacturing and other sectors and security needs for newly constructed buildings have been on the rise. For this business segment, the Company has sought to improve profit margins; and security services for large-scale events, such as G20 and the Rugby World Cup 2019, contributed to net sales. Also, the Company launched ALSOK Staff Cooperation System and REBORG®-Z, a security robot, new solutions designed to enhance and streamline stationed security services; both of which have been introduced and utilized by a variety of customers for security of buildings and other purposes.

In the Transportation Security Services business, outsourcing orders in connection with shared ATM and administrative center operations from financial institutions remained strong, as did orders from businesses such as retail stores for the Cash Deposit and Dispenser Machine On-Line System.

As a result, sales in the Security Services segment increased 2.4% year on year to ¥358,119 million, while operating income increased 11.6% year on year to ¥38,277 million.

In the General Property Management and Fire Protection Services segment, the Company recorded increased revenues from construction work due to the completion of a large-scale construction project. In addition, orders for general management and cleaning of buildings remained solid resulting from its working on comprehensive management operations, ranging from maintenance, management to operation, for a variety of facilities, through strengthened intra-group collaborations. Consequently, sales increased 10.1% year on year to ¥69,281 million, while operating income increased 3.7% year on year to ¥6,642 million. In the years ahead, the Company expects to further expand facilities management business both in Japan and abroad by leveraging the capital and business alliance between the Company and Mitsubishi Corporation as of February 28, 2020.

In the Long-Term Care Services segment, driven partly by improved occupancy rates of facilities and positive contribution to earnings of the M&A activities during the previous fiscal year, sales increased 5.7% year on year to ¥28,105 million, while operating income soared 47.4% to ¥402 million. In April 2020, the Company acquired shares of Life Holdings Co., Ltd. and converted the company into a group company, with the aim of upgrading ALSOK's Long-Term Care Services business in terms of both quantity and quality.

Moreover, the Company was designated as a cashless settlement business operator for the Cashless Settlement under the Point Reward Project for Consumers using Cashless Payment led by Ministry of Economy, Trade and Industry (METI); the Company is the only security company among the settlement operators designated by METI. As a settlement business operator for the project, the Company has worked on QR code settlement services, and has newly launched multiple settlement services, covering a variety of settlement methods including credit cards, since October 2019.

Amid the pandemic of the novel coronavirus, the ALSOK Group addresses growing needs for safety and security of society by utilizing new technologies and improving productivity, while fulfilling its responsibilities as a provider of services related to safety and security of society.

## B. Comparative Analysis of the Consolidated Statements of Income

The following table is a year-on-year comparison of the ALSOK Group's Consolidated Statements of Income.

	Fiscal year ended March 31, 2019		Fiscal year ended March 31, 2020		YoY	
	Amount (Millions of yen)	Share (%)	Amount (Millions of yen)	Share (%)	Amount (Millions of yen)	Increase/ Decrease (%)
Net sales	443,535	100.0	460,118	100.0	16,583	3.7
Cost of sales	334,197	75.3	345,097	75.0	10,900	3.3
Gross profit	109,338	24.7	115,020	25.0	5,682	5.2
Selling, general and administrative expenses	77,057	17.4	78,224	17.0	1,167	1.5
Operating income	32,280	7.3	36,795	8.0	4,515	14.0
Non-operating income	4,071	0.9	4,342	0.9	270	6.6
Non-operating expenses	2,470	0.6	2,257	0.5	(212)	(8.6)
Ordinary income	33,881	7.6	38,880	8.5	4,998	14.8
Extraordinary income	937	0.2	27	0.0	(910)	(97.1)
Extraordinary loss	345	0.1	547	0.1	202	58.5
Income taxes	10,808	2.4	12,644	2.7	1,835	17.0
Profit attributable to non-controlling interests	1,395	0.3	1,551	0.3	156	11.2
Profit attributable to owners of parent	22,269	5.0	24,163	5.3	1,894	8.5

In the year under review, net sales increased ¥16,583 million, or 3.7%, year on year, to ¥460,118 million.

Cost of sales was ¥345,097 million, primarily due to a ¥2,689 million rise in labor costs in line with improved compensation for employees; and a ¥6,211 million rise in miscellaneous expenses, including subcontract expenses, in line with increased sales.

Selling, general and administrative expenses were ¥78,224 million, mainly due to increases of ¥205 million in advertising expenses, ¥170 million in rent expenses and ¥168 million in depreciation.

Ordinary income increased ¥4,998 million or 14.8% year on year to ¥38,880 million, in line with an increase in operating income.

Extraordinary income declined in reaction to ¥829 million in gain on sales of noncurrent assets and ¥79 million in reversal of provision for loss on dissolution of the employees' pension fund, both of which were recognized in the previous fiscal year.

Extraordinary loss rose as a result of a ¥267 million increase in impairment loss, despite a ¥145 million decrease in loss on valuation of investment securities

In line with the growth in operating income, profit attributable to owners of parent increased ¥ 1,894 million, or 8.5 %, to ¥ 24,163 million.

Comprehensive income decreased ¥1,634 million or 7.3% year on year to ¥20,712 million. This was due to a ¥2,050 million increase in net income; a ¥2,849 decrease in remeasurements of defined benefit plans, net of tax, reflecting weaker financial market conditions; and a ¥664 million decrease in valuation difference of available-for-sale securities.

## (2) Overview of Financial Position

The following table shows a year-on-year comparison of the ALSOK Group's Consolidated Balance Sheets.

		As of March 31, 2019		As of March 31, 2020		YoY	
		Amount (Millions of yen)	Share (%)	Amount (Millions of yen)	Share (%)	Amount (Millions of yen)	Increase/ Decrease (%)
Assets	Current assets	208,047	50.7	229,486	53.5	21,439	10.3
	Noncurrent assets	202,066	49.3	199,309	46.5	(2,756)	(1.4)
	Total assets	410,113	100.0	428,796	100.0	18,682	4.6
Liabilities	Current liabilities	92,505	22.6	98,435	23.0	5,930	6.4
	Noncurrent liabilities	60,509	14.8	59,928	14.0	(581)	(1.0)
	Total liabilities	153,015	37.3	158,363	36.9	5,348	3.5
Total net assets		257,098	62.7	270,432	63.1	13,334	5.2

Total assets at the end of the year under review increased ¥18,682 million, or 4.6%, from the previous fiscal year-end, to ¥428,796 million. Total current assets rose ¥21,439 million, or 10.3%, to ¥229,486 million, while noncurrent assets decreased by ¥2,756 million, or 1.4%, to ¥199,309 million.

The increase in current assets is due primarily to an increase in cash for Transportation Security Services of ¥14,956 million, which is partly attributable to an increase in sales amount from operation of the Cash Deposit and Dispenser Machine On-Line System. Other contributing factors include increases of ¥2,506 million in cash and deposits, ¥1,543 million in raw materials and supplies, and ¥1,117 million in notes and accounts receivable - trade.

Noncurrent assets decreased, since positive factors, including a ¥1,552 million increase in lease assets, net due to the opening of new care facilities and other reasons and a ¥1,336 million increase in software as a result investment in a backbone system, were more than offset by a ¥2,812 million decrease in retirement benefit asset due to a decline in valuation of assets under management, a ¥1,793 million decrease in investment securities due to weaker financial market conditions, and a ¥1,605 million decrease in goodwill due to progress in amortization.

Total liabilities at the end of the fiscal year under review increased ¥5,348 million or 3.5% year on year to ¥158,363 million. Of the total liabilities, current liabilities increased ¥5,930 million or 6.4% year on year to ¥98,435 million, while noncurrent liabilities decreased ¥581 million or 1.0% year on year to ¥59,928 million.

Current liabilities increased as a result of a ¥4,022 million increase in short-term loans payable in line with increased cash for Transportation Security Services stated above, a ¥2,332 million increase in notes and accounts payable - trade, and a ¥1,579 million increase in income taxes payable despite a ¥3,975 million decrease in accounts payable - other.

Noncurrent liabilities remained almost unchanged from the end of the previous fiscal year, as long-term loans payable decreased by ¥1,540 million while lease obligations increased by ¥1,604 million in line with increased lease assets, net stated above.

Total net assets on March 31, 2020 were up ¥13,334 million or 5.2% from the end of the previous fiscal year to ¥270,432 million.



### (3) Overview of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	YoY (%)
Net cash provided by (used in) operating activities	28,771	33,896	17.8
Net cash provided by (used in) investing activities	(14,911)	(13,395)	(10.2)
Net cash provided by (used in) financing activities	(10,934)	(15,113)	38.2
Effect of exchange rate change on cash and cash equivalents	(6)	(33)	375.4
Net increase (decrease) in cash and cash equivalents	2,918	5,354	83.5
Cash and cash equivalents at beginning of period	40,484	43,435	7.3
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	32	-	-
Cash and cash equivalents at end of period	43,435	48,790	12.3

Cash and cash equivalents at end of period were ¥48,790 million, up 12.3% year on year.

#### a. Cash flows from operating activities

During the year under review, net cash provided by operating activities amounted to ¥33,896 million, 17.8% more than in the preceding fiscal year. Principal sources of cash were ¥38,360 million in income before income taxes (up 11.3%) and ¥14,905 million in depreciation and amortization (down 1.1%). Major uses of cash were ¥9,987 million in income taxes paid (down 11.1%), a ¥9,721 increase in assets and liabilities for Transportation Security Services (up 25.8%).

Decrease (increase) in assets and liabilities for Transportation Security Services includes the increases and decreases in cash for Transportation Security Services and funds procured for Transportation Security Services that are included in short-term loans payable.

#### b. Cash flows from investing activities

Net cash used in investing activities during the year under review totaled ¥13,395 million, down 10.2% from the previous fiscal year. Major uses of cash were ¥11,031 million for the purchase of property, plant and equipment (down 2.9%), mainly in conjunction with the installation of security alarm devices for individual Electronic Security system; and ¥5,595 million for the purchase of intangible assets (up 120.5%), including investments in backbone systems.

#### c. Cash flows from financing activities

Net cash used in financing activities was ¥15,113 million (down 38.2%). Major uses of cash were ¥7,037 in cash dividends paid (up 13.9%), ¥4,184 million in repayments of lease obligations (up 8.5%).

#### d. Trends in Cash Flow Indicators for the ALSOK Group

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Equity ratio	55.0%	56.8%	57.3%
Equity ratio on a market value basis	134.3%	119.0%	124.2%
Interest-bearing liabilities to cash flow ratio	102.6%	74.9%	69.6%
Interest coverage ratio	25.8 times	18.1times	26.2times

Equity ratio is shareholders' equity divided by total assets.

Equity ratio on a market value basis is market capitalization divided by total assets.

Interest-bearing liabilities to cash flow ratio is interest-bearing liabilities divided by cash flow.

Interest coverage ratio is cash flow divided by interest expense.

Note 1: All indicators are calculated based on the consolidated financial statements.

Note 2: Market capitalization is calculated by multiplying the closing share price at the end of the fiscal year by the total number of shares issued and outstanding at the end of the fiscal year (excluding treasury stock).

Note 3: Cash flow is net cash provided by (used in) operating activities.

Note 4: Interest-bearing liabilities are all liabilities on which interest is paid on the Consolidated Balance Sheets.

#### **(4) Future Outlook**

In the fiscal year ending March 31, 2021, we expect the Japanese economy to contract markedly due to the influence of the novel coronavirus outbreak. While event cancellations and retailers and corporations that are forced to suspend operations or go out of business are projected to increase, the security industry will likely face terminations/cancellations of contracts and discounts in security fees. Further, public security is expected to deteriorate given increases in the number of empty shops and offices due to temporary closure and progress in remote works, growing concerns over security and safety of senior citizens and children staying home alone, and fraud crimes taking advantage of the novel coronavirus. These situations, however, can provide the Group with new opportunities and additional security needs.

In this business environment, the ALSOK Group remains committed to prevention of the spread of infection and ongoing business operations, in accordance with the policies and action plans of the government and the guidelines of municipalities on prevention of the spread of the COVID-19. The Group also makes every effort to appropriately address emerging needs for safety and security of customer and society.

The Group also aims to become an “integrated safety and security solutions provider” that supports the safety and security of customers and society. To that aim, in addition to strengthening and expanding its Security Services business against the backdrop of diversifying customer needs, the Company will work to promote its facilities management operations both in Japan and abroad and strengthen its Long-Term Care Services and other business, and offer new products and services utilizing cutting-edge technologies in order to improve productivity. By these efforts the Company ultimately achieve its sustainable growth.

Consequently, the ALSOK Group forecasts net sales of ¥485,000 million for the fiscal year ending March 31, 2021, up 5.4% year on year. We expect operating income to grow 2.2%, to ¥37,600 million, ordinary income to rise 0.8%, to ¥39,200 million, and profit attributable to owners of parent to expand 2.2%, to ¥24,700 million.

## **2. Management Policies**

### **(1) Basic Corporate Management Policy**

Our management philosophy is “Based on two core principles exemplified by “arigato no kokoro” (a feeling of gratefulness and gratitude) and “bushi no seishin” (a samurai spirit), we devote ourselves to protecting the safety and security of our customers and of society as a whole.” Based on this management philosophy, we have established a management policy that encourages us to act in accordance with a fundamental spirit driving us to ensure that ALSOK is a principled company and stating that our top priority is to provide services and products of the first rank. This policy calls on us to make ALSOK a company that offers employees fulfillment in their work while growing earnings, providing services and products in an ever-expanding range of new fields based around our core security services business, and developing services and products that contribute to the advancement of society.

### **(2) Stance on Target Management Indicators**

The ALSOK Group believes that expanding its security services and other operations as well as improving the rationality and efficiency of all of its business activities are essential tasks for increasing profitability. Accordingly, it is focusing on the ordinary income ratio as an important management indicator. We will also emphasize the ratio of net income to equity, otherwise known as return on equity (ROE), as an indicator of how optimally shareholders’ equity is being utilized. Accordingly, we have set the medium-term target of achieving ROE of 10%.

### **(3) Medium- and Long-term Corporate Strategy**

The ALSOK Group will continue to strengthen its mainstay security services operations as well as its general property management and fire protection service and long-term care service operations while also providing ideal products and services based on the policy of “responding accurately to customers’ various risks and outsourcing needs.” At the same time, we will drastically reform cost structures in response to the declining birthrate and aging population to reinforce earnings foundations.

### **(4) Pressing Issues for the Company**

The ALSOK Group is one of Japan’s leading security services conglomerates. Recognizing the responsibility this represents, we are actively working to help protect the safety and security of society while practicing stringent compliance and acting as a principled company to improve corporate value. Moreover, as a provider of an important form of social infrastructure related to safety and security, the Group will expand new business opportunities in all fields, beyond the boundary of traditional security services.

#### **A. Implementing measures against the novel coronavirus**

In an environment where there are concerns about the spread of the novel coronavirus, the ALSOK Group remains committed to prevention of the spread of infection and ongoing business operations, in accordance with the policies and action plans of the government, as well as the guidelines of municipalities, on prevention of the spread of the COVID-19. The Group also makes every effort to appropriately address emerging needs for safety and security of customers and society.

#### **B. Responding to Diversifying Needs of Customers**

In the midst of the spread of the novel coronavirus, risks surrounding society are increasingly diversified, on the back of increases in common crimes targeting senior citizens, women and children; a spate of natural disasters; labor shortage, and aging of infrastructure. In today's labor-short environment, we are aware that it is highly important to respond to safety- and security-related needs of society appropriately and with the highest possible quality.

The ALSOK Group will respond to these risks by continuing to expand and improve services that protect the safety and security of individual customers; services such as BCP solutions that provide response to natural disaster risks; assistance with various outsourcing needs related to labor shortages and work-style reforms; and comprehensive management services for buildings, facilities and infrastructure.

For large-scale events and facilities, we are developing services that will enable us to provide swifter, wider ranging, and more competent security at optimal costs with an eye to the upcoming Tokyo 2020 Olympic and Paralympic Games scheduled for July next year. Specifically, we offer leading-edge security that can respond to incidents or signs of incidents by utilizing the security services expertise we have developed to date, together with state-of-the-art ICT, and ensure smooth collaboration by equipping security personnel with IoT devices.

#### **C. Expanding Business Scope**

The ALSOK Group looks to address the various safety and security needs of individual users while providing multifaceted support for corporate clients' business activities. To this end, the Group has continued to actively develop new businesses and services that have the potential for synergies with its security services operations, such as its long-term care and property management businesses. Efforts to expand the Company's business scope from this perspective will be accelerated going forward.

#### **D. Developing Overseas Operations**

The ALSOK Group is responding to mounting needs for safety and security overseas, as well. Based on the expertise we have cultivated in Japan, we will offer products and services optimized for individual countries as we proactively expand our operations to support the overseas businesses of our customers.

#### **E. Improving Profitability and Productivity**

To achieve stable and ongoing growth, the ALSOK Group will work to reinforce and diversify its earnings foundations, and will seek to create new value by improving productivity through business process reforms and implementing proactive initiatives to achieve work style reforms.

### **(5) Other Important Items in Management of the Company**

- A.** On May 31, 2019, the Company converted Keihanshin Security Service Co., Ltd. from an equity-method affiliate to a consolidated subsidiary by acquiring additional 162 shares. The Company had formed a capital alliance with Keihanshin Security Service Co., Ltd. since April 2017.
- B.** On December 20, 2019, Sogokanzai Co., Ltd. and Health Support Co., Ltd., consolidated subsidiaries of the Company, signed an agreement whereby the two companies merge as of April 1, 2020.
- C.** On February 28, 2020, the Company and Mitsubishi Corporation (“MC”) have agreed to form a capital and business partnership in facilities management business. MC will acquire a 33.4% interest in ALSOK Souei Co., Ltd., a consolidated subsidiary of the Company. MC and the Company will establish MC ALSOK Facility Solutions Pte. Ltd., a joint venture in Singapore (owned 70% by MC and 30% by the Company). The joint venture has become an equity-method affiliate of the Company as of April 1, 2020.
- D.** On April 30, 2020, the Company acquired all shares of Life Holdings Co., Ltd., a holding company of Life Co., Ltd. which operates long-term care business and MBIC Life Co., Ltd. which operates food inspection business.

### **3. Basic Policy Regarding Selection of Accounting Standards**

For the foreseeable future, the Company intends to prepare its consolidated financial statements in accordance with accounting principles that are generally accepted in Japan (Japanese GAAP) out of consideration for the ability to make comparisons with performance from different fiscal years and of different companies.

The Company is examining the possibility of adopting International Financial Reporting Standards (IFRS) in the future, and it is currently in the process of developing internal manuals and guidance and determining the potential timing for adoption.

#### 4. Consolidated Financial Statements and Significant Notes

##### (1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
<b>Assets</b>		
Current assets		
Cash and deposits	53,875	56,382
Cash for Transportation Security Services	72,546	87,503
Notes and accounts receivable - trade	54,926	56,043
Lease receivables and investment assets	4,798	5,102
Short-term investment securities	361	618
Raw materials and supplies	5,488	7,032
Costs on uncompleted construction contracts	371	383
Advances paid	5,986	6,235
Other	9,939	10,416
Allowance for doubtful accounts	(247)	(231)
Total current assets	208,047	229,486
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	48,385	49,098
Accumulated depreciation	(25,840)	(26,469)
Buildings and structures, net	22,545	22,628
Machinery, equipment and vehicles	138,517	141,396
Accumulated depreciation	(118,361)	(121,892)
Machinery, equipment and vehicles, net	20,155	19,503
Land	22,301	22,197
Lease assets	31,723	35,238
Accumulated depreciation	(13,747)	(15,709)
Lease assets, net	17,976	19,529
Construction in progress	1,243	1,099
Other	18,190	19,329
Accumulated depreciation	(12,970)	(13,848)
Other, net	5,220	5,481
Total property, plant and equipment	89,442	90,439
Intangible assets		
Software	3,158	4,494
Goodwill	20,952	19,346
Other	8,948	8,757
Total intangible assets	33,059	32,598
Investments and other assets		
Investment securities	41,649	39,855
Long-term loans receivable	302	366
Lease and guarantee deposits	8,832	8,300
Insurance funds	1,647	1,625
Net defined benefit asset	5,187	2,375
Deferred tax assets	11,491	13,320
Other	10,894	10,858
Allowance for doubtful accounts	(441)	(432)
Total investments and other assets	79,564	76,270
Total noncurrent assets	202,066	199,309
<b>Total assets</b>	<b>410,113</b>	<b>428,796</b>

(Millions of yen)

	As of March 31, 2019	As of March 31, 2020
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	22,993	25,326
Short-term loans payable	12,320	16,343
Current portion of long-term loans payable	2,948	2,513
Current portion of bonds	14	9
Accounts payable - other	24,735	20,760
Lease obligations	4,587	4,802
Income taxes payable	5,355	6,935
Accrued consumption taxes	4,471	5,924
Provision for bonuses	2,124	2,299
Provision for directors' bonuses	102	102
Other	12,851	13,418
Total current liabilities	92,505	98,435
Noncurrent liabilities		
Bonds payable	9	-
Long-term loans payable	6,253	4,713
Lease obligations	21,279	22,883
Deferred tax liabilities	312	222
Deferred tax liabilities for land revaluation	314	74
Net defined benefit liability	27,619	27,545
Provision for directors' retirement benefits	1,881	1,622
Asset retirement obligations	454	465
Other	2,384	2,401
Total noncurrent liabilities	60,509	59,928
Total liabilities	153,015	158,363
Net Assets		
Shareholders' equity		
Capital stock	18,675	18,675
Capital surplus	34,243	34,243
Retained earnings	186,248	203,375
Treasury stock	(1,069)	(1,070)
Total shareholders' equity	238,097	255,222
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,315	4,609
Revaluation reserve for land	(4,281)	(4,281)
Foreign currency translation adjustment	(72)	(167)
Remeasurements of defined benefit plans	(6,978)	(9,886)
Total valuation and translation adjustments	(5,015)	(9,725)
Non-controlling interests	24,016	24,935
Total net assets	257,098	270,432
<b>Total liabilities and net assets</b>	<b>410,113</b>	<b>428,796</b>

**(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income****Consolidated Statements of Income**

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Net sales	443,535	460,118
Cost of sales	334,197	345,097
Gross profit	109,338	115,020
Selling, general and administrative expenses	77,057	78,224
Operating income	32,280	36,795
Non-operating income		
Interest income	180	192
Dividends income	656	645
Gain on sales of investment securities	29	37
Rent income	307	306
Gain from insurance claim	124	134
Share of profit of entities accounted for using equity method	1,263	1,291
Penalty income	316	361
Other	1,194	1,372
Total non-operating income	4,071	4,342
Non-operating expenses		
Interest expenses	1,588	1,291
Loss on sales of investment securities	9	55
Loss on retirement of noncurrent assets	254	268
Financing expenses	298	309
Other	318	332
Total non-operating expenses	2,470	2,257
Ordinary income	33,881	38,880
Extraordinary income		
Gain on sales of investment securities	17	-
Gain on sales of shares of subsidiaries	1	-
Gain on sales of noncurrent assets	829	-
Gain on bargain purchase	9	-
Reversal of provision for loss on dissolution of the employees' pension fund	79	-
Gain on step acquisitions	-	26
Gain on liquidation of subsidiaries	-	1
Total extraordinary income	937	27
Extraordinary loss		
Loss on valuation of investment securities	287	142
Loss on valuation of shares of subsidiaries	-	33
Impairment loss	1	269
Loss on sales of non-current assets	55	102
Total extraordinary loss	345	547
Income before income taxes	34,474	38,360
Income taxes-current	10,953	12,557
Income taxes-deferred	(144)	87
Total income taxes	10,808	12,644
Net income	23,665	25,715
Profit attributable to non-controlling interests	1,395	1,551
Profit attributable to owners of parent	22,269	24,163

**Consolidated Statements of Comprehensive Income**

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Net income	23,665	25,715
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,119)	(1,783)
Foreign currency translation adjustment	(72)	(45)
Remeasurements of defined benefit plans, net of tax	(146)	(2,995)
Share of other comprehensive income (loss) of associates accounted for using equity method	20	(177)
Total other comprehensive income (loss)	(1,318)	(5,003)
Comprehensive income	22,346	20,712
(Contents)		
Comprehensive income attributable to owners of the parent	21,021	19,454
Comprehensive income attributable to non-controlling interests	1,324	1,258



### (3) Consolidated Statements of Changes in Net Assets

Fiscal year ended March 31, 2019

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	18,675	34,243	171,161	(1,069)	223,010
Changes of items during the period					
Dividends from surplus			(6,176)		(6,176)
Profit attributable to owners of parent			22,269		22,269
Purchase of treasury stock				(0)	(0)
Disposal of treasury stock				0	0
Reversal of revaluation reserve for land			(1,005)		(1,005)
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	-	15,087	(0)	15,087
Balance at the end of current period	18,675	34,243	186,248	(1,069)	238,097

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans, net of tax	Total valuation and translation adjustments		
Balance at the beginning of current period	7,358	(5,286)	4	(6,850)	(4,773)	23,144	241,382
Changes of items during the period							
Dividends from surplus							(6,176)
Profit attributable to owners of parent							22,269
Purchase of treasury stock							(0)
Disposal of treasury stock							0
Reversal of revaluation reserve for land							(1,005)
Net changes of items other than shareholders' equity	(1,042)	1,005	(76)	(128)	(242)	871	628
Total changes of items during the period	(1,042)	1,005	(76)	(128)	(242)	871	15,716
Balance at the end of current period	6,315	(4,281)	(72)	(6,978)	(5,015)	24,016	257,098

Fiscal year ended March 31, 2020

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	18,675	34,243	186,248	(1,069)	238,097
Changes of items during the period					
Dividends from surplus			(7,037)		(7,037)
Profit attributable to owners of parent			24,163		24,163
Purchase of treasury stock				(1)	(1)
Disposal of treasury stock					-
Reversal of revaluation reserve for land					-
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	-	17,126	(1)	17,124
Balance at the end of current period	18,675	34,243	203,375	(1,070)	255,222

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans, net of tax	Total valuation and translation adjustments		
Balance at the beginning of current period	6,315	(4,281)	(72)	(6,978)	(5,015)	24,016	257,098
Changes of items during the period							
Dividends from surplus							(7,037)
Profit attributable to owners of parent							24,163
Purchase of treasury stock							(1)
Disposal of treasury stock							-
Reversal of revaluation reserve for land							-
Net changes of items other than shareholders' equity	(1,705)	-	(95)	(2,908)	(4,709)	919	(3,790)
Total changes of items during the period	(1,705)	-	(95)	(2,908)	(4,709)	919	13,334
Balance at the end of current period	4,609	(4,281)	(167)	(9,886)	(9,725)	24,935	270,432

**(4) Consolidated Statements of Cash Flows**

(Millions of yen)

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
<b>Net cash provided by (used in) operating activities</b>		
Income before income taxes	34,474	38,360
Depreciation and amortization	15,077	14,905
Impairment loss	1	269
Amortization of goodwill	1,791	1,778
Increase (decrease) in allowance for doubtful accounts	80	(25)
Increase (decrease) in net defined benefit liability	45	(8)
Increase (decrease) in provision for bonuses	(72)	152
Increase (decrease) in provision for directors' bonuses	(15)	0
Interest and dividends income	(836)	(838)
Interest expenses	1,588	1,291
Share of loss (profit) of entities accounted for using equity method	(1,263)	(1,291)
Loss (gain) on sales of noncurrent assets	(772)	105
Loss on retirement of noncurrent assets	254	268
Loss (gain) on sales of investment securities	(37)	17
Loss (gain) on valuation of investment securities	286	175
Loss (gain) on valuation of derivatives	6	(41)
Decrease (increase) in notes and accounts receivable - trade	(2,075)	(1,100)
Decrease (increase) in inventories	309	(1,548)
Increase (decrease) in notes and accounts payable - trade	(419)	671
Decrease (increase) in net defined benefit asset	(876)	(1,711)
Decrease (increase) in assets and liabilities for Transportation Security Services	(7,730)	(9,721)
Other	561	2,286
Subtotal	40,377	43,994
Interest and dividends income received	1,114	1,128
Interest expenses paid	(1,579)	(1,305)
Income taxes paid	(11,237)	(9,987)
Income taxes refund	96	66
Net cash provided by (used in) operating activities	28,771	33,896

(Millions of yen)

Fiscal year ended March 31, 2019 Fiscal year ended March 31, 2020

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
<b>Net cash provided by (used in) investing activities</b>		
Decrease (increase) in time deposits	(1,350)	2,732
Purchase of property, plant and equipment	(11,360)	(11,031)
Proceeds from sales of property, plant and equipment	1,624	219
Purchase of intangible assets	(2,538)	(5,595)
Purchase of investment securities	(1,048)	(1,194)
Proceeds from sales of investment securities	1,143	849
Payments for acquisition of businesses	-	(38)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,740)	-
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	-	210
Purchase of shares of subsidiaries and associates	-	(221)
Decrease (increase) in short-term loans receivable	(3)	(12)
Payments of long-term loans receivable	(58)	(107)
Collection of long-term loans receivable	105	66
Other	314	727
Net cash provided by (used in) investing activities	(14,911)	(13,395)
<b>Net cash provided by (used in) financing activities</b>		
Net increase (decrease) in short-term loans payable	2,234	(1,476)
Proceeds from long-term loans payable	660	1,020
Repayment of long-term loans payable	(3,317)	(2,996)
Redemption of bonds	(24)	(14)
Purchase of treasury stock	(0)	(1)
Repayments of lease obligations	(3,856)	(4,184)
Cash dividends paid	(6,176)	(7,037)
Cash dividends paid to attributable to non-controlling interests	(453)	(423)
Net cash provided by (used in) financing activities	(10,934)	(15,113)
<b>Effect of exchange rate change on cash and cash equivalents</b>	(6)	(33)
<b>Net increase (decrease) in cash and cash equivalents</b>	2,918	5,354
<b>Cash and cash equivalents at beginning of period</b>	40,484	43,435
<b>Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation</b>	32	-
<b>Cash and cash equivalents at end of period</b>	43,435	48,790

## **(5) Notes on the Preparation of the Consolidated Financial Results**

### **Events or Situations Giving Cause for Serious Doubt Regarding the Premise of a Going Concern**

Not applicable

### **Segment Information and Other Related Information**

#### 1. Segment Information

##### (1) Outline of Reportable Segments

###### A. Method for deciding reportable segments

The reportable segments the Company reports are the business units for which the Company is able to obtain respective financial information separately in order for the Board of Directors, etc., to evaluate regularly in determining how to allocate resources and assess their business performance.

The Group has three reportable segments. The Security Services segment conducts electronic security services, stationed security services, and transportation security services. The General Property Management and Fire Protection Services segment conducts activities including plumbing installation, electrical installation, and other facility installation; facility operation and management services; environmental hygiene management; cleaning services; fire extinguishing equipment inspection and installation; and sales of various disaster prevention equipment. The Long-Term Care Services segment provides in-home care support services, visitation-based care services, and day care services and also operates care facilities.

The Other Services category incorporates operations not included in reportable segments. This segment includes operations such as the provision of MMK multi-function ATMs, ALSOK Safety Confirmation Services, and MAMOLOOK multi-function mobile security terminals as well as security solutions operations and information security services.

###### B. Change to reportable segments

During the fiscal year under review, the ALSOK Group revised its management structure in order to facilitate more accurate comprehension of actual operating results in each segment. Accordingly, the Company has modified its method of allocating earnings and expenses to the Security Services business, the General Property Management and Fire Protection Services business, and Other Services.

Figures for the fiscal year ended March 31, 2019, have been restated to reflect the changes in reportable segments, as well as earnings and expense allocation methods in the fiscal year ended March 31, 2020.

##### (2) Method of Calculating Sales and Income (Loss) and Other Items by Reportable Segments

The accounting methods used for reportable segments are the same as those used to prepare the consolidated financial statements.

Income by reportable segment is calculated based on operating income.

Intersegment sales are calculated based on market prices.

## (3) Information on Sales and Income (Loss) and Other Items by Reportable Segments

## A. For the year ended March 31, 2019

	Reportable segments				Other Services (Note 1)	Total	Elimination and corporate (Note 2)	Consolidation (Note 3)
	Security Services	General Property Management and Fire Protection Services	Long-Term Care Services	Total				
Net sales								
Outside sales	349,707	62,952	26,599	439,259	4,276	443,535	-	443,535
Intersegment sales	145	41	45	232	134	367	(367)	-
Total	349,852	62,994	26,644	439,491	4,410	443,902	(367)	443,535
Income by reportable segment	34,295	6,404	272	40,973	931	41,904	(9,624)	32,280
Depreciation	12,775	1,034	855	14,665	387	15,052	24	15,077
Amortization of goodwill	872	91	826	1,790	0	1,791	-	1,791

Note 1: The Other Services category incorporates operations not included in reportable segments. This segment includes operations such as the provision of MMK multi-function ATMs, ALSOK Safety Confirmation Services, and MAMOLOOK multi-function mobile security terminals as well as security solutions operations and information security services.

Note 2: The ¥9,624 million deduction to income by reportable segment under eliminations and corporate represents Companywide expenses that cannot be attributed to any specific reportable segment. These expenses are primarily administrative costs not associated with specific reportable segments.

Note 3: Income by reportable segment has been adjusted for the operating income figure on the Consolidated Statements of Income.

Note 4: Assets are not allocated to specific reportable segments.

## B. For the year ended March 31, 2020

(Millions of yen)

	Reportable segments				Other Services (Note 1)	Total	Elimination and corporate (Note 2)	Consolidation (Note 3)
	Security Services	General Property Management and Fire Protection Services	Long-Term Care Services	Total				
Net sales								
Outside sales	358,119	69,281	28,105	455,506	4,612	460,118	-	460,118
Intersegment sales	193	46	9	249	188	438	(438)	-
Total	358,313	69,327	28,115	455,755	4,800	460,556	(438)	460,118
Income by reportable segment	38,277	6,642	402	45,322	1,016	46,338	(9,543)	36,795
Depreciation	12,544	1,083	909	14,538	342	14,880	25	14,905
Amortization of goodwill	883	27	867	1,778	0	1,778	-	1,778

Note 1: The Other Services category incorporates operations not included in reportable segments. This segment includes operations such as the provision of MMK multi-function ATMs, ALSOK Safety Confirmation Services, and MAMOLOOK multi-function mobile security terminals as well as security solutions operations and information security services.

Note 2: The ¥9,543 million deduction to income by reportable segment under eliminations and corporate represents Companywide expenses that cannot be attributed to any specific reportable segment. These expenses are primarily administrative costs not associated with specific reportable segments.

Note 3: Income by reportable segment has been adjusted for the operating income figure on the Consolidated Statements of Income.

Note 4: Assets are not allocated to specific reportable segments.

## 2. Relative Information

### (1) For the Fiscal Year Ended March 31, 2019

#### A. Product and services information

Product and services information is omitted as it is the same as segment information.

#### B. Regional information

##### a. Net sales

Information regarding regional sales is omitted as sales to customers in Japan account for over 90% of the total sales recorded on the Consolidated Statements of Income.

##### b. Property, plant and equipment

Information regarding property, plant and equipment in specific is omitted as the value of property, plant and equipment in Japan accounts for over 90% of the total value recorded on the Consolidated Balance Sheets.

#### C. Major customer information

Information regarding major customers is omitted as there are no customers to which over 10% of the total sales recorded on the Consolidated Statements of Income can be attributed.

### (2) For the Fiscal Year Ended March 31, 2020

#### A. Product and services information

Product and services information is omitted as it is the same as segment information.

#### B. Regional information

##### a. Net sales

Information regarding regional sales is omitted as sales to customers in Japan account for over 90% of the total sales recorded on the Consolidated Statements of Income.

##### b. Property, plant and equipment

Information regarding property, plant and equipment in specific is omitted as the value of property, plant and equipment in Japan accounts for over 90% of the total value recorded on the Consolidated Balance Sheets.

#### C. Major customer information

Information regarding major customers is omitted as there are no customers to which over 10% of the total sales recorded on the Consolidated Statements of Income can be attributed.

### 3. Information on Impairment Loss in Noncurrent Assets by Reportable Segment

#### (1) For the Fiscal Year Ended March 31, 2019

There were no impairment losses attributed to reportable segments. The Company generated an impairment loss of ¥1 million not attributed to reportable segments. Of this amount, ¥0 million was on the value of land, ¥0 million was on the value of buildings and structures, and ¥0 million was on the value of other property, plant and equipment, including tools, furniture and fixtures.

#### (2) For the Fiscal Year Ended March 31, 2020

There were no impairment losses attributed to reportable segments. The Company generated an impairment loss of ¥269 million not attributed to reportable segments. Of this amount, ¥234 million was on the value of land, ¥16 million was on the value of buildings and structures, ¥11 million was on the value of lease assets, ¥3 million was on the value of software, ¥1 million was on the value of other property, plant and equipment, including tools, furniture and fixtures, and ¥1 million was on the value of other investment and other assets, including long-term prepaid expenses.

### 4. Information on Amortization of Goodwill and Unamortized Balance by Reportable Segment

#### (1) For the Fiscal Year Ended March 31, 2019

Amortization of goodwill and unamortized balance

Information regarding amortization of goodwill is omitted as it is the same as the information disclosed in segment information.

On March 31, 2019, the balance of unamortized goodwill was ¥20,952 million. As assets are not allocated to specific reportable segments, the balance of unamortized goodwill at the end of the fiscal year is not included in reportable segments.

#### (2) For the Fiscal Year Ended March 31, 2020

Amortization of goodwill and unamortized balance

Information regarding amortization of goodwill is omitted as it is the same as the information disclosed in segment information.

On March 31, 2020, the balance of unamortized goodwill was ¥19,346 million. As assets are not allocated to specific reportable segments, the balance of unamortized goodwill at the end of the fiscal year is not included in reportable segments.

### 5. Information on Negative Goodwill by Reportable Segment

#### (1) For the Fiscal Year Ended March 31, 2019

In the fiscal year ended March 31, 2019, the Company recorded negative goodwill of ¥9 million as a result of the Sogokanzai Co., Ltd.'s inclusion in the Company's scope of consolidation. This negative goodwill has not been allocated to reportable segments.

#### (2) For the Fiscal Year Ended March 31, 2020

Not applicable



**Per Share Information**

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Net assets per share (Yen)	2,302.38	2,425.02
Net income per share (Yen)	219.98	238.69

Note 1: Fully diluted net income per share is not shown because no applicable shares existed.

Note 2: The following is the basis for calculating net income per share (basic and diluted).

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Net income per share		
Profit attributable to owners of parent (Millions of yen)	22,269	24,163
Amount not belonging to ordinary shareholders (Millions of yen)	-	-
Net income attributable to common stock owners of the parent (Millions of yen)	22,269	24,163
Weighted-average numbers of ordinary shares (Thousands of shares)	101,235	101,235

Note 3: The basis for calculating net assets per share is as follows.

	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Total net assets (Millions of yen)	257,098	270,432
Amount deducted from total net assets (Millions of yen)	24,016	24,935
(Non-controlling interests) (Millions of yen)	(24,016)	(24,935)
Net assets at end of year relating to common stock (Millions of yen)	233,082	245,497
Amount of common stock at end of year used for calculating net assets per share (Thousands of shares)	101,235	101,235

## Significant Subsequent Events

### Business combination through acquisition

On April 30, 2020, the Company acquired all shares of Life Holdings Co., Ltd., a holding company of Life Co., Ltd. which operates long-term care business and MBIC Life Co., Ltd. which operates food inspection business and made these three companies consolidated subsidiaries of the Company.

#### Overview of business combination

##### 1. Name and business descriptions of the acquirees

Names:

Life Holdings Co., Ltd.

Life Co., Ltd.

MBIC Life Co., Ltd.

Business descriptions:

Long-term care business and food inspection business

##### 2. Reason for the business combination

The Company advances efforts towards providing safety, security, and convenience to our individual customers, including home security service besides providing various security services for national and local governments, financial institutions, and general companies.

The Company has been approaching in business expansion, especially to provide safety and security for senior citizens. It has entered into long-term care business with the establishment of ALSOK CARE CO., LTD. in 2012, and afterward acquired HCM Corporation in 2014, ALSOK Care & Support Co., Ltd. in 2015, Wisnet Co., Ltd. in 2016, and Care Plus Co., Ltd. in 2018, and has enhanced long-term care and related business.

Life Holding is a holding company with subsidiaries of Life, which operates long-term care business and MBIC Life, which operates food inspection business.

Life started the business to support senior citizens since 1995 to date, with performance of long-term care business and mainly deploy facilities for senior citizens and residential business. It established a position as dominant operator in the capital area running more than 2,000 rooms and 47 facilities with the brand name Home Station Life. The participation of Life in the Group will make it possible for the Group as a whole to have long-term care facilities with a scale of 6,500 rooms. This will strengthen its ability in terms of both quality and quantity, including day care and home-visit care services, and will greatly contribute to mutual business expansion.

MBIC Life operates food inspection and intestinal bacteria inspection based on Food Sanitation Act, and various inspection businesses such as pollution inspection of food poisoning bacterium. By expanding these services to our customers, further growth of these businesses can be expected.

##### 3. Date of the business combination

April 30, 2020

##### 4. Legal form of the business combination

Acquisition of shares

##### 5. Names of the entities after the business combination

Life Holdings Co., Ltd.

Life Co., Ltd.

MBIC Life Co., Ltd.

6. Percentage share of voting rights the Company has acquired  
100%

7. Main reason for determining the acquirer  
Because the Company acquired shares using cash as consideration.