

May 13, 2025

To whom it may concern
(This is an English translation of the Japanese original)

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Notice of Corrections to Consolidated Financial Results for Fiscal Year Ended March 31, 2024

SOHGO SECURITY SERVICES CO., LTD. (hereinafter referred to as the “Company”) hereby announces that the Company has made some corrections to the “Consolidated Financial Results for Fiscal Year Ended March 31, 2024 [Japanese GAAP], disclosed on May 14, 2024. As there have also been corrections to numeric data, the Company is also providing the corrected data.

1 Details and reasons for the corrections

The details and reasons for the corrections are separately published as of today (May 13, 2025) in “Notice of Filing Correction Report of Annual Securities Report and Others for Past Fiscal Years, and Consolidated Financial Results and Others for Past Financial Years”.

2 Corrected portions

Corrected portions are underlined. Due to the large number of corrections, only the full text after the corrections have been made is given.



Consolidated Financial Results for Fiscal Year Ended March 31, 2024
Prepared in Conformity with Accounting Principles Generally Accepted in Japan
(Japanese GAAP)

May 14, 2024
TSE Stock Market

Listed Company Name SOHGO SECURITY SERVICES CO., LTD.
Code No.: 2331 URL <https://www.alsok.co.jp/>
Representative: (Title) Representative Director, Group COO (Name) Ikuji Kayaki
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Ordinary general shareholders' meeting date June 25, 2024 Cash dividend payment start date June 26, 2024
Securities report submission date June 25, 2024
Preparation of supplementary briefing materials on financial results: Yes
Holding of results briefing: Yes (For institutional investors and analysts)

(Millions of yen, rounded down to the nearest million)

1. Consolidated financial results for the fiscal year ended March 31, 2024 (April 1, 2023 - March 31, 2024)

(1) Consolidated operating results (Percentages indicate increase or decrease from the same quarter of the preceding fiscal year)

	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, 2024	521,400	5.9	<u>38,078</u>	<u>5.9</u>	<u>41,169</u>	<u>7.8</u>	<u>26,630</u>	<u>14.6</u>
March 31, 2023	492,226	0.6	<u>35,961</u>	<u>(14.0)</u>	<u>38,198</u>	<u>(12.7)</u>	<u>23,234</u>	<u>(17.7)</u>

Note: Comprehensive income Fiscal year ended March 31, 2024 ¥55,107 millions 119.1%
Fiscal year ended March 31, 2023 ¥25,146 millions (20.1%)

	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, 2024	<u>52.95</u>	-	8.2	<u>7.5</u>	<u>7.3</u>
March 31, 2023	<u>45.90</u>	-	7.8	<u>7.5</u>	<u>7.3</u>

Reference: Equity in earnings of affiliates Fiscal year ended March 31, 2024 ¥2,062 millions
Fiscal year ended March 31, 2023 ¥1,190 millions

Note: On July 1, 2023, there was a stock split in which each share of common stock was split into 5 shares. The "Net income per share" is calculated based on the assumption that the stock split was conducted at the beginning of the previous consolidated fiscal year.

(2) Consolidated financial conditions

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Fiscal year ended March 31, 2024	<u>571,463</u>	<u>377,754</u>	<u>60.2</u>	<u>687.34</u>
March 31, 2023	<u>520,989</u>	<u>334,075</u>	<u>58.6</u>	<u>602.71</u>

Reference: Equity capital Fiscal year ended March 31, 2024 ¥344,100 millions
Fiscal year ended March 31, 2023 ¥305,074 millions

Note: On July 1, 2023, there was a stock split in which each share of common stock was split into 5 shares. The "Net assets per share" is calculated based on the assumption that the stock split was conducted at the beginning of the previous consolidated fiscal year.

(3) Consolidated cash flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) 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, 2024	56,063	(16,913)	(21,503)	69,162
March 31, 2023	31,682	(24,818)	(19,380)	51,571

2. Dividend

	Dividends per share					Total dividends (Annual) (Total)	Consolidated payout ratio (Consolidated)	Consolidated dividends to net assets
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended March 31, 2023	-	43.00	-	43.00	86.00	8,708	<u>37.5</u>	<u>2.9</u>
March 31, 2024	-	8.70	-	15.00	23.70	11,872	<u>44.8</u>	<u>3.7</u>
Fiscal year ending March 31, 2025 (Forecast)	-	12.40	-	12.40	24.80		45.0	

Note: On July 1, 2023, there was a stock split in which each share of common stock was split into 5 shares. The annual dividend per share for the fiscal year ended March 31, 2024 and the fiscal year ending March 31, 2025 (forecast), without reflecting the stock split, will be 118.50 yen and 124.00 yen, respectively.

For the fiscal year ended March 31, 2023, the dividend amount is the actual dividend amount before such stock split.

In calculating the dividend payout ratio (consolidated) for the fiscal year ending March 31, 2025 (forecast), we have not taken into account the impact of the share buyback shown in “4. Consolidated Financial Statements and Major Notes (5) Notes to Consolidated Financial Statements (Important Subsequent Events)” on page 23.

3. Forecast for consolidated financial results for the fiscal year ending March 31, 2025 (April 1, 2024 - March 31, 2025)

(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
Six months ending June 30, 2024 (cumulative)	262,100	6.4	16,100	<u>(7.1)</u>	17,600	<u>(6.9)</u>	11,300	<u>(1.8)</u>	22.57
Annual	550,000	5.5	40,300	<u>5.8</u>	43,100	<u>4.7</u>	27,600	<u>3.6</u>	55.13

Note: In calculating the net income per share, we have not taken into account the impact of the share buyback shown in “4. Consolidated Financial Statements and Major Notes (5) Notes to Consolidated Financial Statements (Important Subsequent Events)” on page 23.

Notes:

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

Added: - (company name)

Removed: - (company name)

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

① Changes in accounting policies 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, 2024	510,200,210 shares	Fiscal year ended March 31, 2023	510,200,210 shares
② Number of shares of treasury stock	Fiscal year ended March 31, 2024	9,572,420 shares	Fiscal year ended March 31, 2023	4,026,800 shares
③ Average number of shares throughout the fiscal year	Fiscal year ended March 31, 2024	502,894,770 shares	Fiscal year ended March 31, 2023	506,173,945 shares

Note: On July 1, 2023, there was a stock split in which each share of common stock was split into 5 shares. The “Number of shares issued,” the “Number of shares of treasury stock,” and the “Average number of shares throughout the fiscal year” are calculated as if the stock split had been conducted at the beginning of the previous consolidated fiscal year.

(Reference) Non-consolidated financial results

1. Non-consolidated financial results for the fiscal year ended March 31, 2024 (April 1, 2023 - March 31, 2024)

(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, 2024	256,633	3.1	<u>17,747</u>	<u>11.7</u>	<u>32,368</u>	<u>10.8</u>	<u>25,809</u>	<u>8.5</u>
March 31, 2023	248,977	(2.9)	<u>15,894</u>	<u>(15.3)</u>	<u>29,202</u>	<u>(2.2)</u>	<u>23,790</u>	<u>(0.3)</u>

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended		
March 31, 2024	<u>51.26</u>	-
March 31, 2023	<u>46.93</u>	-

Note: On July 1, 2023, there was a stock split in which each share of common stock was split into 5 shares. “Net income per share” is calculated on the assumption that the stock split was conducted at the beginning of the previous fiscal year.

(2) Non-consolidated financial conditions

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Fiscal year ended				
March 31, 2024	<u>369,966</u>	<u>262,660</u>	<u>71.0</u>	<u>527.78</u>
March 31, 2023	<u>355,679</u>	<u>248,034</u>	<u>69.7</u>	<u>489.83</u>

Reference: Equity capital Fiscal year ended March 31, 2024 ¥262,660 millions

Fiscal year ended March 31, 2023 ¥248,034 millions

Note: On July 1, 2023, there was a stock split in which each share of common stock was split into 5 shares. “Net assets per share” is calculated based on the assumption that the stock split was conducted at the beginning of the previous fiscal year.

* 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
(Cautionary statement regarding forward-looking statements, etc.)

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. For more information regarding the assumptions used in making these forecasts and cautionary statements regarding the use of forecasts, please refer to “1. Overview of Operating Results (4) Future Outlook” on page 6.

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Note: The Company will hold a briefing for investors as follows. The materials distributed at the briefing are scheduled to be posted on the Company's website immediately after the briefing.

*May 14, 2024 (Tuesday) — Briefing for institutional investors and analysts

1. Overview of Operating Results and Financial Position

(1) Overview of Operating Results

A. Consolidated Financial Results for the Fiscal Year Ended March 31, 2024 (April 1, 2023 – March 31, 2024)

During the consolidated fiscal year under review, the Japanese economy experienced some downward pressure from factors such as the decrease in real wages and stagnation of production activities in certain manufacturing industries during the January-March period. However, a gradual economic recovery continued against the background of a pickup in capital investment, moves toward normalizing economic activities in the aftermath of the Covid-19 pandemic, and a recovery in inbound demand. Looking ahead, a gradual recovery is expected to continue under an improving employment and income environment due to wage increases in the spring labor offensives in addition to a recovery in production in some manufacturing industries. On the other hand, in addition to such overseas factors as increasing tensions in the Middle East and Ukraine and concerns over the prospects for the Chinese economy, attention will also need to be paid to increases in the domestic inflation rate due to the weak yen and other such issues.

As stated in the government's 2022 strategy to “Make Japan the World's Safest Country,” society's demand for security services for safety and reassurance is rising amid various developments, placing greater expectation on our Group to provide total services including security. These developments are driven by cyber-attacks on critical public infrastructure and supply chains, concerns about the safety and security of the elderly, women, children and other socially vulnerable groups, increases in violent street crimes and traffic accidents, changes in the security situation brought about by natural disasters such as the January 2024 Noto Peninsula Earthquake, and the aging of public infrastructure. In addition, the number of criminal offenses in 2022 has increased year-on-year for the first time since 2002 and is strongly expected to increase further in 2023. Furthermore, the sense of security in Japan has been worsening thanks to an outbreak of robberies by so-called “illegal part-time jobs” and the theft of copper wires at solar power generation facilities. It may be said that the role of the Group in providing safety and security has been increasing.

Under these circumstances, ALSOK Group has continued to provide appropriate services as a business operator that provides services related to social safety and security (security business, General Property Management and Fire Protection services, and life support business such as nursing care) with the aim to contribute to sustainable societies. As stated in “Grand Design 2025,” our medium-term management plan, we aim to be a safety and security service provider who persistently aims to serve the society's various needs for greater safety and security. To meet the expanding safety and security needs of our customers and society amid diversifying risks, we are working to provide new services that combine a variety of service functions, including security and facility management services and personal nursing care.

As a result of these ongoing initiatives, the Group's consolidated results for the current fiscal year improved compared to the previous year, with net sales increased 5.9% year on year to ¥521,400 million, operating income increased 5.9% year on year to ¥38,078 million, ordinary income increased 7.8% year on year to ¥41,169 million, and net income attributable to owners of the parent increased 14.6% year on year to ¥26,630 million.

Sales by Business Segment

Business Segment	Fiscal year ended March 31, 2023		Fiscal year ended March 31, 2024		YoY	
	Amount (Millions of yen)	Share (%)	Amount (Millions of yen)	Share (%)	Amount (Millions of yen)	Increase/ Decrease (%)
Security Services						
Electronic Security Services	175,920	35.7	186,959	35.9	11,038	6.3
Stationed Security Services	123,713	25.1	126,438	24.2	2,725	2.2
Transportation Security Services	66,713	13.6	69,254	13.3	2,540	3.8
Total	366,348	74.4	382,652	73.4	16,303	4.5
General Property Management and Fire Protection Services	72,990	14.8	78,393	15.0	5,402	7.4
Long-term Care Services	47,495	9.6	50,961	9.8	3,465	7.3
Total for reportable segments	486,835	98.9	512,007	98.2	25,171	5.2
Other	5,391	1.1	9,393	1.8	4,001	74.2
Total	492,226	100.0	521,400	100.0	29,173	5.9

By business segment, the main factors for change are as follows.

Net sales in the Security Services segment increased 4.5% year on year to ¥382,652 million, while operating income increased 1.8% year on year to ¥36,977 million.

In the electronic security services, we have been promoting sales of ALSOK-G7 as a service for corporate customers that contributes to our customers' needs to reduce labor costs. It is equipped with live image confirmation as a standard feature and presents a full range of options for image storage and remote access. In the future, we will further expand the utilization of ALSOK-G7 to meet the needs of our customers. We also launched our "ALSOK IT Rescue" and "ALSOK Facility Rescue" services. These services utilize ALSOK's existing infrastructure for electronic security. In the event of a failure with IT equipment or a building's facilities, guards will quickly head to the location to investigate causes and take emergency measures with the operational support of specialists. There was steady growth in orders for personal services, due in part to the launch of our HOME ALSOK Connect offering. These products provide our various customers with safety and security amidst a deteriorating sense of security. In addition to the conventional Online Security Service, in which ALSOK rushes to the scene of an emergency, this product offers a less expensive self-security plan with optional on-site confirmation by ALSOK at the request of the customer. Customers of self-security can upgrade to the Online Security Service at any time. We have also continued and will continue to actively promote sales of HOME ALSOK MIMAMORI SUPPORT, a monitoring service for elderly individuals.

In the areas of stationed security services, we have provided security services for various G7 minister meetings, such as the Hiroshima Summit, as well as security at airport facilities that reopened thanks to recovery of inbound demand. We have also been responding to security needs thanks to recovery at production sites in Japan and thanks to the full-scale resumption of events inside Japan following the COVID-19 pandemic. Going forward, we will tackle further manpower-saving and improvements in efficiency of stationed security through digital transformations and the like.

In the Transportation Security Business, while the number of ATMs is declining due to the consolidation and closing of branches of financial institutions, the demand for more efficient cash management operations is still strong and we are expanding sales of ATM coordinated management services and online deposit (withdrawal) machine systems. We will also promote replacement, etc. of equipment for printing new money to be conducted around the first half of July of 2024. We also offer a series of Tax Payment Receipt Systems, which automate counter services provided at satellite offices of municipal governments by utilizing our online deposit/withdrawal machine system. We will continue to gain an understanding of various outsourcing needs such as improving operational efficiency and reducing costs at regional financial institutions, and expand our service offerings.

In the General Property Management and Fire Protection Services businesses, net sales increased 7.4% year on year to ¥78,393 million due to steady growth in construction completions, etc., and operating income increased 9.3% year on year to ¥8,356 million. We will continue working to expand our Facility Management operations while also selling, installing, and providing maintenance for EV charging facilities as part of our work to strengthen our efforts at sustainability.

In the Long-Term Care Services business, due to the opening of new facilities and improved occupancy rates at existing facilities, along with the effects of mergers and acquisitions, net sales increased 7.3% year on year to ¥50,961 million, and operating income increased 147.7% year on year to ¥1,309 million. We will continue to develop and improve the efficiency of our long-term care service operations through the use of robots and DX to support nursing care and work while working to expand services under the unified "ALSOK's Care" Long-Term Care Services brand.

In other fields, in addition to the Website Tampering Detection and Recovery Service launched in October 2023, we provide our existing inspection services for panels of solar power facilities and continue to expand this business to include inspections and surveys of various facilities using drones.

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

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.

Item	Fiscal year ended March 31, 2023		Fiscal year ended March 31, 2024		YoY	
	Amount (Millions of yen)	Share (%)	Amount (Millions of yen)	Share (%)	Amount (Millions of yen)	Increase/ Decrease (%)
Net sales	492,226	100.0	521,400	100.0	29,173	5.9
Cost of sales	<u>371,594</u>	<u>75.5</u>	<u>396,264</u>	<u>76.0</u>	<u>24,670</u>	<u>6.6</u>
Gross profit	<u>120,632</u>	<u>24.5</u>	<u>125,135</u>	<u>24.0</u>	<u>4,503</u>	3.7
Selling, general and administrative expenses	<u>84,670</u>	<u>17.2</u>	<u>87,056</u>	<u>16.7</u>	<u>2,385</u>	2.8
Operating income	<u>35,961</u>	<u>7.3</u>	<u>38,078</u>	<u>7.3</u>	<u>2,117</u>	<u>5.9</u>
Non-operating income	5,129	1.0	6,035	1.2	905	17.6
Non-operating expenses	2,892	0.6	2,944	0.6	52	1.8
Ordinary income	<u>38,198</u>	<u>7.8</u>	<u>41,169</u>	<u>7.9</u>	<u>2,970</u>	<u>7.8</u>
Extraordinary income	1,332	0.3	945	0.2	(386)	(29.0)
Extraordinary loss	739	0.2	265	0.1	(474)	(64.1)
Income taxes	<u>13,676</u>	2.8	<u>13,428</u>	2.6	<u>(247)</u>	(1.8)
Profit attributable to non-controlling interests	1,880	0.4	1,790	0.3	(89)	(4.8)
Profit attributable to owners of parent	<u>23,234</u>	<u>4.7</u>	<u>26,630</u>	<u>5.1</u>	<u>3,395</u>	<u>14.6</u>

Net sales for the current consolidated fiscal year increased by ¥29,173 million compared to the previous consolidated fiscal year to ¥521,400 million (up 5.9% YoY).

Cost of sales increased to ¥396,264 million (up 6.6% YoY), due to a ¥16,809 million increase in labor costs due to employee compensation improvements and a ¥6,789 million increase in construction and sales costs.

Selling, general and administrative expenses increased to ¥87,056 million (up 2.8% YoY) due to a ¥1,845 million increase in salaries and allowances.

Ordinary income increased ¥2,970 million to ¥41,169 million (up 7.8% YoY).

The decrease in extraordinary income was the result of a ¥446 million rise in gain on negative goodwill against a ¥951 million decrease in sales of fixed assets.

The decrease in extraordinary losses was the result of a ¥132 million increase in net loss from step acquisitions against a ¥310 million decrease in impairment losses and a ¥299 million decrease in provision for loss on business of subsidiaries and associates.

Net income attributable to owners of parent increased ¥3,395 million to ¥26,630 million (up 14.6% YoY) due to the increase in ordinary income.

Other comprehensive income increased by ¥29,961 million to ¥55,107 million (up 119.1% YoY). This was a result of a ¥23,329 million change during the year to the adjustment for retirement benefits reflecting favorable financial market conditions, and a ¥3,306 million increase in net income.

(2) Overview of Financial Position

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

Item		Fiscal year ended March 31, 2023		Fiscal year ended March 31, 2024		YoY	
		Amount (Millions of yen)	Share (%)	Amount (Millions of yen)	Share (%)	Amount (Millions of yen)	Increase/ Decrease (%)
Assets	Current assets	239,032	<u>45.9</u>	252,061	<u>44.1</u>	13,029	5.5
	Noncurrent assets	<u>281,957</u>	<u>54.1</u>	<u>319,402</u>	<u>55.9</u>	<u>37,445</u>	<u>13.3</u>
	Total assets	<u>520,989</u>	100.0	<u>571,463</u>	100.0	<u>50,474</u>	<u>9.7</u>
Liabilities	Current liabilities	98,856	<u>19.0</u>	100,489	<u>17.6</u>	1,632	1.7
	Noncurrent liabilities	<u>88,057</u>	<u>16.9</u>	<u>93,219</u>	<u>16.3</u>	<u>5,162</u>	<u>5.9</u>
	Total liabilities	<u>186,914</u>	<u>35.9</u>	<u>193,709</u>	<u>33.9</u>	<u>6,794</u>	<u>3.6</u>
Total net assets		<u>334,075</u>	<u>64.1</u>	<u>377,754</u>	<u>66.1</u>	<u>43,679</u>	<u>13.1</u>

Total assets at the end of the current consolidated fiscal year increased ¥50,474 million compared to the end of the previous consolidated fiscal year to ¥571,463 million (up 9.7% YoY). Of this amount, current assets rose ¥13,029 million to ¥252,061 million (up 5.5% YoY) and fixed assets rose ¥37,445 million to ¥319,402 million (up 13.3% YoY).

The increase in current assets was the result of a ¥17,760 million increase in cash and deposits, a ¥3,658 million increase in notes, accounts receivable-trade and contract assets, and a ¥2,161 million increase in raw materials and supplies, against a ¥9,554 million decrease in cash for Transportation Security Services.

Reflecting an increase in the value of assets under management, the increase in fixed assets was mainly due to a ¥33,259 million increase in assets related to retirement benefits and a ¥5,572 million increase in investment securities.

Total liabilities at the end of the current consolidated fiscal year increased by ¥6,794 million from the end of the previous consolidated fiscal year to ¥193,709 million (up 3.6% YoY). Of this total, current liabilities increased ¥1,632 million to ¥100,489 million (up 1.7% YoY) and long-term liabilities increased ¥5,162 million to ¥93,219 million (up 5.9% YoY).

The increase in current liabilities was mainly due to a ¥2,910 million increase in accrued consumption taxes.

The increase in long-term liabilities was the result of a ¥9,220 million increase in deferred tax liabilities and a ¥1,884 million decrease in net defined benefit liability.

Total net assets at the end of the current fiscal year increased ¥43,679 million from the end of the previous fiscal year to ¥377,754 million (up 13.1% YoY).

(3) Overview of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024	YoY (%)
	(From April 1, 2022 - March 31, 2023)	(From April 1, 2023 - March 31, 2024)	
Net cash provided by (used in) operating activities	31,682	56,063	77.0
Net cash provided by (used in) investing activities	(24,818)	(16,913)	(31.9)
Net cash provided by (used in) financing activities	(19,380)	(21,503)	11.0
Effect of exchange rate change on cash and cash equivalents	43	(56)	-
Net increase in cash and cash equivalents (decrease)	(12,472)	17,591	-
Cash and cash equivalents at beginning of period	63,644	51,571	(19.0)
Increase in cash and cash equivalents from new consolidation	400	-	-
Cash and cash equivalents at end of period	51,571	69,162	34.1

Cash and cash equivalents at end of period were ¥69,162 million (up 34.1% YoY).

A. Net cash provided by (used in) operating activities

Net cash provided by operating activities in the current fiscal year amounted to ¥56,063 million (up 77.0% YoY). The main factors for the increase in cash were income before income taxes and minority interests of ¥41,850 million, retained earnings of ¥18,727 million from depreciation and amortization, and an increase of ¥8,276 million in assets and liabilities related to Transportation Security Services. In contrast, the main cash decrease factor was income taxes paid of ¥12,981 million.

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. Net cash provided by (used in) investing activities

Net cash used in investing activities during the year under review totaled ¥16,913 million, down 31.9% from the previous fiscal year. This was the result of the acquisition of ¥14,419 million in tangible fixed assets and ¥4,189 million in shares of subsidiaries.

C. Net cash provided by (used in) financing activities

Net cash used in financing activities during the year under review totaled ¥21,503 million, up 11.0% from the previous fiscal year. This was the result of a decrease in cash of ¥8,715 million due to dividend payments, of ¥5,990 million due to repayment of lease obligations, and of ¥5,000 million due to purchase of treasury stock.

D. Trends in Cash Flow Indicators for the ALSOK Group

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
	Year-end	Year-end	Year-end
Equity ratio	<u>59.0%</u>	<u>58.6%</u>	<u>60.2%</u>
Equity ratio on a market value basis	<u>82.2%</u>	<u>69.3%</u>	<u>72.9%</u>
Interest-bearing liabilities to cash flow ratio	31.4%	34.2%	16.8%
Interest coverage ratio	22.3 times	17.6 times	30.7 times

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 are 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 next fiscal year, the Japanese economy is expected to continue its gradual recovery as the employment and income environments improve, including wage increases in the spring labor offensive and fixed-rate tax cuts for income tax and the individual residential tax. On the other hand, however, we need to pay attention to the risks of downward pressure on the economy, such as an acceleration in price increases in Japan due to the weak yen and the accompanying delay in real wage growth.

In the security field, society's expectations for the security industry are rising against a backdrop of threats in cyberspace; concerns about the safety and security of vulnerable groups in society including the elderly, women, children; an increase in violent crimes and accidents in the streets; a succession of natural disasters, and aging infrastructure. In particular, there are expectations for our group to provide safety and security services that cover everything, including security services. In addition, the number of recognized criminal offenses in 2022 increased year-on-year for the first time since 2002, and the growth trend has grown stronger since then. Also, robberies by so-called "illegal part-time jobs" and theft of copper wires at solar power generation facilities have worsened public safety in Japan. Society's expectations for our Group, which provides safety and security, are increasing all the more.

In this business environment, the ALSOK Group will continue to provide appropriate services as an operator of service businesses related to the safety and security of society (the Security business, General Property Management and Fire Protection Services business, and the Lifestyle Support Services business including Long-term Care Services), which are indispensable for ensuring the stability of the lives of the people and the national economy. In addition, we will continue to take appropriate measures when it comes to price revisions amid expectations regarding the yen's depreciation, soaring raw material prices, wage increases, and other production cost increases.

Furthermore, in order to meet the safety and security needs of our customers and society that are expanding as risks continue to diversify, we will provide new services that combine various service functions such as security, facilities, and long-term care; digitalize and utilize data; create an environment where employees can play an active role; and strengthen our efforts toward sustainability.

As a result of these initiatives, the Group's consolidated results forecast for the fiscal year ending March 31, 2025 are net sales of ¥550,000 million (up 5.5% YoY), operating income of ¥40,300 million (up 5.8% YoY), ordinary income of ¥43,100 million (up 4.7% YoY), and net income attributable to parent company shareholders of ¥27,600 million (up 3.6% YoY).

2. Management Policies

(1) Basic Corporate Management Policy

We base our management philosophy on the two core principles exemplified by “arigato no kokoro” (a feeling of gratefulness and gratitude) and “bushi no seishin” (a samurai spirit) as we devote ourselves to protecting the safety and security of our customers and of society as a whole. With this as our purpose, we will make providing the best products and services to our customers our top priority. At the same time, we will strive to be a company that offers job satisfaction to our employees, to expand our earnings, to provide a wide range of products and services in new fields while maintaining the security services that are our core business, and to develop services and products that will contribute to the development of society.

(2) Stance on Target Management Indicators

The Group considers the expansion of its business, centering on the security business, and the promotion of rationalization and efficiency in all aspects of operations to be important issues for improving profitability. Currently, we emphasize “consolidated ordinary income to net sales” as a management indicator. Furthermore, as a management indicator for optimal use of shareholders' equity, we emphasize “ROE (consolidated return on equity)” and in the medium term expect both indicators to be 10% or higher.

(3) Medium- and Long-term Corporate Strategy

In order to respond to the growing safety and security needs in a society where risks are diversifying, the Group will work to expand its security business by providing new services that make the most of the Group's existing security infrastructure. At the same time, we will proactively engage in businesses that are expected to generate synergy effects with the security business, such as the long-term care business. Through these efforts, with the goal of becoming “a robust, comprehensive safety and security service business,” we will strengthen our ability to respond to the safety and security needs of our customers and society, pursue digitalization and data utilization, create an environment in which employees can play an active role, and strengthen our initiatives toward sustainability.

(4) Business Environment and Pressing Issues for the Company

As a leading company in Japan's security services industry, our Group will contribute to ensuring the safety and security of society, while complying with laws and regulations, and with the goal of being a company with corporate virtue strive to further enhance its corporate value. Furthermore, as a company that plays a role in the social infrastructure related to safety and security in a society where risks are diversifying, we will promote reforms to our business model by strengthening integration in our existing business areas and work at expanding into new business areas to respond to the expanding safety and security needs of our customers and society more appropriately.

A. Fluctuations in Financial Markets, Resource Price Increases, etc.

Amid moves toward normalization of monetary policy motivated by the Bank of Japan's review of its monetary policy framework in March 2024, along with expectations of an increase in production costs due to soaring raw material prices and wage hikes, as a company that has declared its intention to build partnerships, we will continue to aim for co-existence and co-prosperity with our business partners, including revising prices in response to cost increases while also undertaking initiatives with consideration for multiple stakeholders, including our customers. In the procurement of the equipment our Company uses, we will respond by appropriately managing inventories based on supply and demand forecasts, expanding our procurement sources, and promoting reuse, among other measures.

B. Responding to the Diverse Safety and Security Needs of Customers and Society

We are seeing an increased risk of cyber-attacks on critical infrastructure, concerns for the safety and peace of mind of the elderly, women, children, and other vulnerable groups in society, an increase in common crimes and accidents, ongoing natural disasters, and aging of infrastructure, all of which add up to a diversification of the risks confronting society. 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 strengthening internal and external infrastructure built up through our security services and facilities management services and cyber-security countermeasures. We will also respond 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 work-style reforms; comprehensive management services for buildings, facilities and infrastructure; new solutions that combine the enhancement of internal and external infrastructure cultivated in the security service and facilities management industries with various service functions; and improved response capabilities through external alliances.

C. Digitalization and Utilization of Data

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

back-office operations.

D. Establishing a Work Environment Where Employees Play an Active Role

The ALSOK Group will further promote work-style reforms throughout the Group while enhancing worker engagement by providing systems and environments that enable each individual worker to apply their capabilities to the fullest. This will include providing diverse work-styles and developing capabilities while employing the diverse array of human resources who drive our Security Services business, our General Property Management and Fire Protection Services business, as well as the Long-Term Care Services and all other Lifestyle Support Service businesses.

E. Strengthening Sustainability Efforts

The ALSOK Group will strive to achieve sustainable growth and the medium- to long-term enhancement of corporate value while strengthening corporate governance. We are contributing to attainment of the SDGs through our CSR activities, and aim to realize a sustainable society based on the recognition that global environmental issues are common challenges for all humankind. We endorse the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD), and will actively work on many fronts to achieve our CO2 emissions reduction targets, including the calculation of Scope 3, comprising supply chain emissions, for the entire group in February 2023. As part of our efforts to reduce CO2 emissions, we will strengthen our sustainability initiatives through the introduction of electric vehicles (EVs) and the sale, installation, and maintenance of EV charging facilities. As part of our initiatives to preserve the ecosystem, 10 companies in our Group have been accredited as “Certified Wildlife Capture Operators,” and ALSOK CHIBA CO., LTD. operates its own meat processing facility for the sale of wild game meats.

F. Responses to Major Disasters, Infectious Diseases, etc.

In preparation for the occurrence of a large-scale disaster, the Group has taken measures utilizing know-how accumulated through experience, such as preparation of response manuals based on the Business Continuity Plan and Disaster Countermeasure Regulations, stockpiling of goods for countermeasures, a flexible nationwide response system, and periodic education and training. Other efforts to prevent the spread of infectious diseases include the formulation of contingency plans to maintain continuous service availability. We also provide our Safety Confirmation Service and other offerings to support our clients in building contingency plans.

G. Developing Overseas Businesses

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 offer products and services optimized for individual countries as we proactively expand our operations to support the overseas businesses of our customers. In August 2023, through our Indonesian subsidiary PT. ALSOK BASS Indonesia Security Services, the Company acquired shares of PT. Shield-On Service Tbk, which operates staffing and security services and other businesses in Indonesia. This company and its seven subsidiaries became consolidated subsidiaries. Through this acquisition, we will work to build a mutually beneficial relationship in human resource development between Japan and Indonesia and also further strengthen our efforts at business development in ASEAN countries.

(5) Other Important Items in Management of the Company

- A. On August 15, 2023, through our Indonesian subsidiary PT. ALSOK BASS Indonesia Security Services, the Company acquired shares of PT. Shield-On Service Tbk. This company and its seven subsidiaries became consolidated subsidiaries.
- B. On October 1, 2023, ALSOK BUSINESS SUPPORT Co., Ltd., a consolidated subsidiary of the Company that engages in business card printing and the like, absorbed ALSOK Eagles Co., Ltd., a consolidated subsidiary of the Company engaged in maintenance and inspection witness services. The surviving company ALSOK BUSINESS SUPPORT Co., Ltd. was reorganized as a consolidated subsidiary.
- C. On October 31, 2023, the Company additionally acquired shares of Hokuriku Sohgo Security Services Co., Ltd., which mainly operates a security business, and made it a consolidated subsidiary from an affiliate from application of equity method.
- D. Effective April 1, 2024, Life Holdings Co., Ltd., which operates the long-term care business, was absorbed into Life Co., Ltd., which operates the long-term care business. Additionally, Life Holdings Co., Ltd. has made an in-kind dividend to our company, its parent company, of all shares of MBIC Life Co., Ltd., which it owns. MBIC Life Co., Ltd. is engaged in facility management services such as asbestos inspections and food inspection services. Further, upon the merger, the trade name of the surviving company, MBIC Life Co., Ltd., was changed to ALSOK MBIC LABORATORY Co., Ltd.

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 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, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and deposits	59,239	76,999
Cash for Transportation Security Services	83,754	74,200
Notes and accounts receivable-trade and contract assets	65,395	69,054
Lease receivables and investment assets	4,910	4,648
Short-term investment securities	661	30
Raw materials and supplies	10,290	12,451
Costs on uncompleted construction contracts	98	70
Advances paid	6,457	5,500
Other	8,308	9,230
Allowance for doubtful accounts	(83)	(125)
Total current assets	239,032	252,061
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	64,259	68,989
Accumulated depreciation	(35,053)	(38,441)
Buildings and structures, net	29,205	30,548
Machinery, equipment and vehicles	149,234	156,902
Accumulated depreciation	(128,445)	(132,383)
Machinery, equipment and vehicles, net	20,788	24,518
Land	25,020	26,214
Lease assets	56,987	56,392
Accumulated depreciation	(24,465)	(25,448)
Lease assets, net	32,522	30,943
Construction in progress	3,057	1,330
Other	23,337	25,062
Accumulated depreciation	(17,490)	(18,264)
Other, net	5,846	6,798
Total property, plant and equipment	116,440	120,353
Intangible assets		
Software	7,895	6,891
Goodwill	32,753	31,442
Other	3,527	2,344
Total intangible assets	44,176	40,678
Investments and other assets		
Investment securities	57,529	63,102
Long-term loans receivable	550	546
Leasehold and guarantee deposits	9,247	9,568
Insurance funds	1,473	1,839
Net defined benefit asset	26,614	59,874
Deferred tax assets	11,446	8,868
Other	14,998	15,082
Allowance for doubtful accounts	(521)	(512)
Total investments and other assets	121,339	158,370
Total noncurrent assets	281,957	319,402
Total assets	520,989	571,463

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	29,669	28,512
Short-term loans payable	7,843	6,965
Current portion of long-term loans payable	898	768
Accounts payable - other	21,107	23,485
Lease obligations	5,151	5,129
Income taxes payable	5,295	5,917
Accrued consumption taxes	2,691	5,601
Provision for bonuses	2,202	2,309
Provision for directors' bonuses	99	122
Other	23,897	21,676
Total current liabilities	<u>98,856</u>	<u>100,489</u>
Noncurrent liabilities		
Long-term loans payable	2,083	1,658
Lease obligations	37,851	36,056
Deferred tax liabilities	1,200	10,420
Deferred tax liabilities for land revaluation	314	314
Net defined benefit liability	<u>41,480</u>	<u>39,595</u>
Provision for directors' retirement benefits	1,773	1,875
Asset retirement obligations	818	827
Provision for loss on business	299	299
Other	2,236	2,171
Total noncurrent liabilities	<u>88,057</u>	<u>93,219</u>
Total liabilities	<u>186,914</u>	<u>193,709</u>
Net Assets		
Shareholders' equity		
Capital stock	18,675	18,675
Capital surplus	33,940	34,011
Retained earnings	<u>246,736</u>	<u>264,650</u>
Treasury stock	(1,072)	(6,074)
Total shareholders' equity	<u>298,279</u>	<u>311,263</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,566	11,115
Revaluation reserve for land	(3,379)	(3,379)
Foreign currency translation adjustment	658	1,067
Remeasurements of defined benefit plans, net of tax	<u>1,950</u>	<u>24,033</u>
Total accumulated other comprehensive income	<u>6,795</u>	<u>32,836</u>
Non-controlling interests	29,000	33,654
Total net assets	<u>334,075</u>	<u>377,754</u>
Total liabilities and net assets	<u>520,989</u>	<u>571,463</u>

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

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Net sales	492,226	521,400
Cost of sales	<u>371,594</u>	<u>396,264</u>
Gross profit	<u>120,632</u>	<u>125,135</u>
Selling, general and administrative expenses	<u>84,670</u>	<u>87,056</u>
Operating income	<u>35,961</u>	<u>38,078</u>
Non-operating income		
Interest income	191	215
Dividends income	905	768
Gain on sales of investment securities	32	40
Rent income	351	323
Gain from insurance claim	60	65
Share of profit of entities accounted for using equity method	1,190	2,062
Dividend income of life insurance	286	326
Penalty income	419	467
Other	1,692	1,765
Total non-operating income	<u>5,129</u>	<u>6,035</u>
Non-operating expenses		
Interest expenses	1,801	1,823
Loss on sales of investment securities	-	5
Loss on sales of non-current assets	2	0
Loss on retirement of non-current assets	292	261
Financing expenses	255	257
Other	540	596
Total non-operating expenses	<u>2,892</u>	<u>2,944</u>
Ordinary income	<u>38,198</u>	<u>41,169</u>
Extraordinary income		
Gain on sales of investment securities	322	347
Gain on sales of noncurrent assets	989	38
Negative goodwill	20	466
Gain on liquidation of subsidiaries and associates	-	92
Total extraordinary income	<u>1,332</u>	<u>945</u>
Extraordinary loss		
Loss on valuation of investment securities	41	18
Loss on sales of investment securities	6	12
Impairment loss	366	55
Loss on disaster	-	21
Loss on step acquisitions	24	156
Provision for loss on business	299	-
Total extraordinary loss	<u>739</u>	<u>265</u>
Income before income taxes	<u>38,791</u>	<u>41,850</u>
Income taxes-current	12,946	13,180
Income taxes-deferred	<u>729</u>	<u>248</u>
Total income taxes	<u>13,676</u>	<u>13,428</u>
Net income	<u>25,115</u>	<u>28,421</u>
Profit attributable to non-controlling interests	1,880	1,790
Profit attributable to owners of parent	<u>23,234</u>	<u>26,630</u>

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Net income	<u>25,115</u>	<u>28,421</u>
Other comprehensive income		
Valuation difference on available-for-sale securities	561	3,467
Foreign currency translation adjustment	100	(105)
Remeasurements of defined benefit plans, net of tax	<u>(923)</u>	<u>22,406</u>
Share of other comprehensive income (loss) of associates accounted for using equity method	293	917
Total other comprehensive income (loss)	<u>31</u>	<u>26,686</u>
Comprehensive income	<u>25,146</u>	<u>55,107</u>
(Contents)		
Comprehensive income attributable to owners of the parent	<u>23,371</u>	<u>52,672</u>
Comprehensive income attributable to non-controlling interests	1,774	2,435

(3) Consolidated Statements of Changes in Net Assets

Fiscal year ended March 31, 2023

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the period	18,675	34,129	<u>232,317</u>	(1,072)	<u>284,049</u>
Changes of items during the period					
Dividends from surplus			(8,809)		(8,809)
Profit attributable to owners of parent Net income			<u>23,234</u>		<u>23,234</u>
Purchase of treasury stock				(0)	(0)
Reversal of revaluation reserve for land			0		0
Changes in scope of consolidation			(7)		(7)
Change in ownership interest of parent due to transactions with non-controlling interests					-
Purchase of consolidated subsidiary shares resulting in increase or decrease of interest		(189)			(189)
Capital increase of consolidated subsidiaries					-
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	(189)	<u>14,418</u>	(0)	<u>14,229</u>
Balance at the end of the period	18,675	33,940	<u>246,736</u>	(1,072)	<u>298,279</u>

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans, net of tax	Total accumulated other comprehensive income		
Balance at the beginning of the period	6,917	(3,378)	321	<u>2,798</u>	<u>6,659</u>	27,362	<u>318,071</u>
Changes of items during the period							
Dividends from surplus							(8,809)
Profit attributable to owners of parent Net income							<u>23,234</u>
Purchase of treasury stock							(0)
Reversal of revaluation reserve for land							0
Changes in scope of consolidation							(7)
Change in ownership interest of parent due to transactions with non- controlling interests							-
Purchase of consolidated subsidiary shares resulting in increase or decrease of interest							(189)
Capital increase of consolidated subsidiaries							-
Net changes of items other than shareholders' equity	649	(0)	336	(848)	<u>136</u>	1,638	<u>1,774</u>
Total changes of items during the period	649	(0)	336	(848)	<u>136</u>	1,638	<u>16,003</u>
Balance at the end of the period	7,566	(3,379)	658	<u>1,950</u>	<u>6,795</u>	29,000	<u>334,075</u>

Fiscal year ended March 31, 2024

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the period	18,675	33,940	<u>246,736</u>	(1,072)	<u>298,279</u>
Changes of items during the period					
Dividends from surplus			(8,715)		(8,715)
Profit attributable to owners of parent Net income			<u>26,630</u>		<u>26,630</u>
Purchase of treasury stock				(5,001)	(5,001)
Reversal of revaluation reserve for land					-
Changes in scope of consolidation					-
Change in ownership interest of parent due to transactions with non-controlling interests		0			0
Purchase of consolidated subsidiary shares resulting in increase or decrease of interest					-
Capital increase of consolidated subsidiaries		70			70
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	71	<u>17,914</u>	(5,001)	<u>12,984</u>
Balance at the end of the period	18,675	34,011	<u>264,650</u>	(6,074)	<u>311,263</u>

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans, net of tax	Total accumulated other comprehensive income		
Balance at the beginning of the period	7,566	(3,379)	658	<u>1,950</u>	<u>6,795</u>	29,000	<u>334,075</u>
Changes of items during the period							
Dividends from surplus							(8,715)
Profit attributable to owners of parent							<u>26,630</u>
Purchase of treasury stock							(5,001)
Reversal of revaluation reserve for land							-
Changes in scope of consolidation							-
Change in ownership interest of parent due to transactions with non- controlling interests							0
Purchase of consolidated subsidiary shares resulting in increase or decrease of interest							-
Capital increase of consolidated subsidiaries							70
Net changes of items other than shareholders' equity	3,548	-	408	<u>22,083</u>	<u>26,041</u>	4,653	<u>30,694</u>
Total changes of items during the period	3,548	-	408	<u>22,083</u>	<u>26,041</u>	4,653	<u>43,679</u>
Balance at the end of the period	11,115	(3,379)	1,067	<u>24,033</u>	<u>32,836</u>	33,654	<u>377,754</u>

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Net cash provided by (used in) operating activities		
Income before income taxes	38,791	41,850
Depreciation and amortization	17,922	18,727
Impairment loss	366	55
Amortization of goodwill	2,847	3,135
Negative goodwill	-	(466)
Net loss (gain) on step acquisitions	24	156
Increase (decrease) in allowance for doubtful accounts	32	19
Increase (decrease) in net defined benefit liability	772	(1,952)
Increase (decrease) in provision for loss on business	299	-
Increase (decrease) in provision for bonuses	(17)	(29)
Increase (decrease) in provision for directors' bonuses	0	16
Interest and dividends income	(1,097)	(984)
Interest expenses	1,801	1,823
Share of loss (profit) of entities accounted for using equity method	(1,190)	(2,062)
Loss (gain) on sales of noncurrent assets	(1,031)	(43)
Loss on retirement of non-current assets	292	261
Loss (gain) on sales of investment securities	(349)	(370)
Loss (gain) on valuation of investment securities	41	18
Loss (gain) on valuation of derivatives	(121)	(148)
Decrease (increase) in notes and accounts receivable - trade	(7,622)	345
Decrease (increase) in inventories	(2,564)	(2,013)
Increase (decrease) in notes and accounts payable - trade	4,267	63
Decrease (increase) in net defined benefit asset	(3,672)	(3,207)
Decrease (increase) in assets and liabilities for Transportation Security Services	(6,799)	8,276
Other	2,283	5,402
Subtotal	45,280	68,873
Interest and dividends income received	1,783	1,839
Interest expenses paid	(1,790)	(1,823)
Income taxes paid	(13,635)	(12,981)
Income taxes refund	44	156
Net cash provided by (used in) operating activities	31,682	56,063

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Net cash provided by (used in) investing activities		
Decrease (increase) in time deposits	(16)	1,383
Payments into long-term time deposits	(21)	(15)
Proceeds from withdrawal of long-term time deposits	-	29
Purchase of property, plant and equipment	(15,166)	(14,419)
Proceeds from sales of property, plant and equipment	2,043	87
Purchase of intangible assets	(2,107)	(1,075)
Purchase of investment securities	(1,326)	(678)
Proceeds from sales of investment securities	992	1,404
Payments for acquisition of businesses	-	(70)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(9,481)	(4,189)
Purchase of shares of subsidiaries and associates	(525)	-
Decrease (increase) in short-term loans receivable	(9)	(3)
Payments of long-term loans receivable	(257)	(61)
Collection of long-term loans receivable	210	67
Proceeds from refund of leasehold and guarantee deposits	494	30
Other	351	598
Net cash provided by (used in) investing activities	(24,818)	(16,913)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(2,022)	124
Proceeds from long-term loans payable	835	306
Repayment of long-term loans payable	(2,945)	(893)
Purchase of treasury stock	(0)	(5,000)
Repayments of lease obligations	(5,374)	(5,990)
Cash dividends paid	(8,809)	(8,715)
Cash dividends paid to attributable to non-controlling interests	(654)	(1,771)
Proceeds from payments from noncontrolling interests	-	438
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(408)	-
Net cash provided by (used in) financing activities	(19,380)	(21,503)
Effect of exchange rate change on cash and cash equivalents	43	(56)
Net increase (decrease) in cash and cash equivalents	(12,472)	17,591
Cash and cash equivalents at beginning of period	63,644	51,571
Increase in cash and cash equivalents from new consolidation	400	-
Cash and cash equivalents at end of period	51,571	69,162

(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

(Notes on Considerable Changes to Amount of Shareholders' Equity)

The Company, per a resolution at the Board of Directors meeting held on July 28, 2023, had acquired 5,543,600 shares of treasury stock (amount: ¥4,999 million) up to October 6. As a result, the number and amount of treasury stock at the end of the current consolidated fiscal year were 9,572,420 shares and ¥6,074 million, including the portion acquired through requests for purchase of odd-lot shares and changes in the number of shares corresponding to the Company's ownership in affiliates.

(Segment Information and Other Related Information)

Segment Information

1. Outline of Reportable Segments

(1). 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 information security services, as well as PCR testing and food inspection services.

(2). Change to reportable segments

In the current consolidated fiscal year, the Group reviewed its management system with the aim of more accurately grasping the actual operating results of each segment, and changed the method of allocating revenues and expenses to the security business and the General Property Management and Fire Protection Services businesses.

Moreover, figures for the prior consolidated fiscal year have been restated to reflect the changes in reportable segments, as well as earnings and expense allocation methods in the current consolidated fiscal year.

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 Segment, with Disaggregated Income Information

I. Fiscal year ended March 31, 2023

(Millions of yen)

	Reportable segments				Other (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								
Contract proceeds	329,203	34,500	47,394	411,097	4,854	415,951	-	415,951
Construction proceeds	5,762	24,665	22	30,450	2	30,453	-	30,453
Proceeds from sales	31,382	13,824	79	45,286	534	45,821	-	45,821
Revenue generated from contracts with customers	366,348	72,990	47,495	486,835	5,391	492,226	-	492,226
Outside sales	366,348	72,990	47,495	486,835	5,391	492,226	-	492,226
Intersegment sales	87	88	9	185	238	423	(423)	-
Total	366,435	73,079	47,505	487,020	5,629	492,650	(423)	492,226
Income by reportable segment	<u>36,336</u>	<u>7,647</u>	528	<u>44,512</u>	<u>952</u>	<u>45,464</u>	<u>(9,503)</u>	<u>35,961</u>
Depreciation and amortization	14,151	1,285	2,123	17,560	337	17,897	24	17,922
Amortization of goodwill	849	24	1,897	2,770	77	2,847	-	2,847

Note 1. The Other Services category incorporates operations not included in reportable segments. This segment includes operations such as information security services, as well as PCR testing and food inspection services.

Note 2. The ¥9,503 million deduction to income by reportable segment under eliminations and corporate represents Company-wide 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.

II. Fiscal year ended March 31, 2024

(Millions of yen)

	Reportable segments				Other (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								
Contract proceeds	337,642	36,585	50,850	425,078	8,928	434,006	-	434,006
Construction proceeds	7,405	26,301	22	33,729	4	33,734	-	33,734
Proceeds from sales	37,604	15,506	88	53,199	460	53,659	-	53,659
Revenue generated from contracts with customers	382,652	78,393	50,961	512,007	9,393	521,400	-	521,400
Outside sales	382,652	78,393	50,961	512,007	9,393	521,400	-	521,400
Intersegment sales	88	325	11	426	120	546	(546)	-
Total	382,741	78,719	50,972	512,433	9,513	521,947	(546)	521,400
Income by reportable segment	<u>36,977</u>	<u>8,356</u>	1,309	<u>46,643</u>	<u>928</u>	<u>47,572</u>	<u>(9,493)</u>	<u>38,078</u>
Depreciation and amortization	14,822	1,382	2,252	18,458	247	18,705	22	18,727
Amortization of goodwill	899	58	2,043	3,001	134	3,135	-	3,135

Note 1. The Other Services category incorporates operations not included in reportable segments. This segment includes operations such as information security services, as well as PCR testing and food inspection services.

Note 2. The ¥9,493 million deduction to income by reportable segment under eliminations and corporate represents Company-wide 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.

Relative Information

I. Fiscal year ended March 31, 2023

1. Information by product and service

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

2. Information by region

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.

3. Information by major customer

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.

II. Fiscal year ended March 31, 2024

1. Information by product and service

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

2. Information by region

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.

3. Information by major customer

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.

Information on Impairment Loss in Noncurrent Assets by Reportable Segment

I. Fiscal year ended March 31, 2023

There were no impairment losses attributed to reportable segments. The Company generated an impairment loss of ¥366 million not attributed to reportable segments, consisting mainly of ¥100 million on software, ¥88 million on buildings and structures, ¥85 million on other tangible fixed assets such as furniture and fixtures, ¥80 million on goodwill, ¥12 million on lease assets and ¥0 on land.

II. Fiscal year ended March 31, 2024

There were no impairment losses attributed to reportable segments. Impairment losses not allocated to reportable segments amounted to ¥55 million, comprising ¥31 million for land and ¥24 million for buildings and structures.

Information on Amortization of Goodwill and Unamortized Balance by Reportable Segment

I. Fiscal year ended March 31, 2023

(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.

The balance of unamortized goodwill at the end of the current consolidated fiscal year was ¥32,753 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.

II. Fiscal year ended March 31, 2024

(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, 2023, the balance of unamortized goodwill was ¥31,442 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.

Information on Negative Goodwill by Reportable Segment

I. Fiscal year ended March 31, 2023

In the current consolidated fiscal year, a gain on negative goodwill of ¥20 million was recorded due to the inclusion in the scope of consolidation of Okinawa Sohgo Security Services Co., Ltd. This gain in negative goodwill is not allocated to specific reportable segments.

II. Fiscal year ended March 31, 2024

In the current consolidated fiscal year, a gain on negative goodwill of ¥4.66 million was recorded due to the inclusion in the scope of consolidation of Hokuriku Sohgo Security Service Co., Ltd. This gain in negative goodwill is not allocated to specific reportable segments.

(Per Share Information)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Net assets per share (Yen)	<u>602.71</u>	<u>687.34</u>
Net income per share (Yen)	<u>45.90</u>	<u>52.95</u>

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

2. On July 1, 2023, there was a stock split in which each share of common stock was split into 5 shares. Net assets per share and net income per share for the current year are calculated on the assumption that the stock split was conducted at the beginning of the previous fiscal year.

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

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Net income per share		
Profit attributable to owners of parent (Millions of yen)	<u>23,234</u>	<u>26,630</u>
Amount not belonging to ordinary shareholders (Millions of yen)	-	-
Net income attributable to common stock owners of the parent (Millions of yen)	<u>23,234</u>	<u>26,630</u>
Weighted-average numbers of ordinary shares (Thousands of shares)	506,173	502,894

4. The basis for calculating net assets per share is as follows.

	As of March 31, 2023	As of March 31, 2024
Total net assets (Millions of yen)	<u>334,075</u>	<u>377,754</u>
Amount deducted from total net assets (Millions of yen)	29,000	33,654
(Non-controlling interests) (Millions of yen)	(29,000)	(33,654)
Net assets at end of year relating to common stock (Millions of yen)	<u>305,074</u>	<u>344,100</u>
Amount of common stock at end of year used for calculating net assets per share (Thousands of shares)	506,173	500,627

(Important Subsequent Events)

(Purchase of treasury stock)

The Company, at the Board of Directors meeting held on May 14, 2024, following a change in interpretation of the stipulations of Article 165, Paragraph 3 of the Companies Act, made a resolution regarding the purchase of treasury stock based on Article 156 of the applicable Act.

1. Reasons for purchase of treasury stock

Treasury stock is purchased as part of the execution of flexible capital strategies, in response to changes in the business environment, and of measures to provide returns to shareholders.

2. Details about the acquisition of treasury stock

(1) Type of stock to be acquired	Shares of common stock
(2) Total number of stocks that can be acquired	17,700,000 shares (maximum)
(3) Total monetary amount of stock acquisition	¥15,000 million (maximum)
(4) Acquisition period	From May 15 to October 31, 2024
(5) Acquisition method	Market purchase on Tokyo Stock Exchange