

May 13, 2025

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

Corporate Name: SOHGO SECURITY SERVICES CO., LTD.
Representative: Ikuji Kayaki, Representative Director, Group COO
(Securities Code:2331, TSE Prime Market)
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Notice of Corrections to Consolidated Financial Results for the Second Quarter Ended September 30, 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 the Second Quarter Ended September 30, 2024 [Japanese GAAP], disclosed on November 6, 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 the Second Quarter Ended September 30, 2024

Prepared in Conformity with Accounting Principles Generally Accepted in Japan

(Japanese GAAP)

November 6, 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

Financial and accounting: (Title) Director and Senior Executive Officer (Name) Kazuhide Shigemi TEL +81-3-3470-6811

Quarterly report submission date November 6, 2024 Scheduled cash dividend payment start date December 3, 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 Second Quarter Ended September 30, 2024 (April 1, 2024 - September 30, 2024)

(1) Consolidated operating results (total) (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	%
Six months ended September 30, 2024	263,280	6.9	15,258	(11.9)	16,648	(11.9)	9,852	(14.4)
September 30, 2023	246,379	4.4	17,323	17.8	18,904	17.9	11,505	22.3

Note: Comprehensive income Six months ended September 30, 2024 ¥9,080 millions (39.0%)

Six months ended September 30, 2023 ¥14,885 millions 34.0%

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended September 30, 2024	19.96	-
September 30, 2023	22.78	-

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 preceding fiscal year.

(2) Consolidated financial condition

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Six months ended September 30, 2024	569,534	366,524	58.0	680.67
Fiscal year ended March 31, 2024	571,463	377,754	60.2	687.34

Reference: Equity capital Six months ended September 30, 2024 ¥330,049 millions

Fiscal year ended March 31, 2024 ¥344,100 millions

2. Dividend

	Dividends per share				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2024	-	8.70	-	15.00	23.70
March 31, 2025	-	12.40			
Fiscal year ending March 31, 2025 (Forecast)			-	12.40	24.80

Note: Correction of most recently published forecasted dividends: No

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
Annual	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
	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: Correction of most recently published forecasted financial results: No

* Notes:

(1) Changes in scope of consolidation in the consolidated cumulative period of 2Q : Yes

Added: 1 (Company name) Consolidated subsidiary Nihon Guard Co. Ltd.

Removed: -

(2) Application of specific accounting processing for creation of the consolidated financial results: Yes

Note: For details, please refer to “(4), Notes on the Preparation of Consolidated Financial Results (notes on unique accounting processing for creation of consolidated financial statements)”, of 2, “Consolidated Financial Statements and Significant Notes”, provided on page 11 of the attachment.

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

① Changes in accounting policy arising from revision of accounting standards: Yes

② Changes in accounting policies other than ①: No

③ Changes arising from accounting estimate: No

④ Restatement: No

(4) Number of shares outstanding (ordinary shares)

① Number of shares issued

(including treasury stock)

Six months ended September 30, 2024	510,200,210 shares	Fiscal year ended March 31, 2024	510,200,210 shares
Six months ended September 30, 2024	25,314,208 shares	Fiscal year ended March 31, 2024	9,572,420 shares
Six months ended September 30, 2024	493,518,935 shares	Six months ended September 30, 2023	505,151,588 shares

② Number of shares of treasury stock

③ Average number of shares throughout the fiscal year

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 preceding 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 (3), “Explanation of Future Forecasts such as Forecasted Consolidated Financial Results”, of 1. “Overview of Operating Results and Financial Position”, provided on page 4 of the attachment.

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1. Overview of Operating Results and Financial Position

(1) Overview of Operating Results

During the consolidated accounting period of 2Q, the Japanese economy continued to experience a gradual economic recovery against the background of a pickup in production and capital investment as well as improvement of corporate profits, while stagnation in the recovery of personal consumption and export was observed. Looking ahead, a gradual recovery is expected to continue under an improving employment and income environment, including an expectation for an increase in real wages. On the other hand, the trend of exchange rates and financial markets in response to the election results in Japan and the US, tensions in the Middle East and Ukraine, downward risks in the Chinese and European economies, and other factors demand caution.

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 increased year-on-year for the first time since 2002 and is strongly expected to increase further in the subsequent years. Furthermore, the sense of security in Japan has been worsening due to a series of robberies mainly in the Metropolitan Area and crime activities by foreigners. 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 Service, Facility Management Services etc., Long-term Care Services, and Overseas Services) 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, facility management and long-term care.

As a result of these ongoing initiatives, the Group's consolidated results for this consolidated accounting period of 2Q improved with net sales increased 6.9% year on year to 263,280 million yen. However, due to the implementation of wage raise, additional costs related to the end of 3G transmission, increase of allowance for doubtful accounts, and other factors, operating income decreased 11.9% year on year to 15,258 million yen, ordinary income was decreased 11.9% year on year to 16,648 million yen, and net income attributable to owners of the parent decreased 14.4% year on year to 9,852 million yen.

By business segment, the figures achieved are as follows. Please note that, from this consolidated accounting period of 2Q, the reportable segments are modified from traditional "Security Services," "General Property Management and Fire Protection Services," and "Long-Term Care Services" to "Security Services," "Facility Management Services etc.," "Long-Term Care Services" and "Overseas Services." As a result, YoY of each segment is calculated by applying the year on year values to the modified reportable segment classifications.

Sales in the Security Services segment increased 3.1% year on year to ¥190,422 million, while operating income decreased 9.8% year on year to ¥16,900 million.

In the Electronic Security Services, we will promote sales of ALSOK-G7 (G7) as a service for corporate customers, contributing to customer 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. Its scope of application will be further expanded according to the customer needs in the future. We expanded the service areas of "ALSOK IT Rescue" and "ALSOK Facility Rescue" services to all over Japan. 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. Also, in addition to the Website Tampering Detection and Recovery Service launched in October last year, we provide our existing inspection services for solar panels and expand this business to include inspections and surveys of various facilities using drones.

For HOME ALSOK Services, we experienced a growth in orders due to sales increase of "HOME ALSOK Connect" launched in April last year. 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. In this May, we launched "Sumaho Gate," a controller for "HOME ALSOK Connect" equipped with a functionality to prevent the smartphone from being lost, which empowers the users to start/stop the security activities with smooth authentication using smartphones. We are also actively promoting sales of HOME ALSOK MIMAMORI SUPPORT, a monitoring service for elderly individuals.

In the areas of Stationed Security Services, we have provided security services at airport facilities that reopened thanks to recovery of inbound demand. We have 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. For Expo 2025 Osaka, Kansai Japan related business, we won several orders, such as security at pavilions and other buildings, and the entire group will support this business engagement. In addition, we will focus further on manpower-saving and improvements in efficiency of stationed security through digital transformations and the like.

In the Transportation Security Services, 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 general management services and cash deposit and dispenser machine on-line systems. We also offer a series of Tax Payment Receipt Systems, which automate counter services provided at satellite offices of municipal governments by utilizing our cash deposit and dispenser machine on-line systems. We will also promote replacement, etc. of equipment for new banknotes issued in this July. 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.

Net sales in the Facility Management Services segment increased 0.6% year on year to ¥33,282 million while operating income decreased 2.7% year on year to ¥2,791 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 service business, net sales increased 5.0% year on year to ¥26,457 million due to the increase in occupancy rate at facilities, etc., Moreover, operating income increased 19.3% year on year to ¥826 million. In addition, the Research Institute of Scientific Nursing Care Inc., a joint venture between the Company, the Institute of Science Tokyo (former Tokyo Medical and Dental University), and NJI Co., Ltd. which develops technologies and human resources for the fields of nursing and caregiving, has launched on September 26, 2024. 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 long-term care and work while working to expand services under the unified “ALSOK’s Care” Long-Term Care Services brand.

Sales in the Overseas Services segment increased 286.6% year on year to ¥13,119 million, thanks to the M&A effects, while operating loss was ¥373 million (¥318 million operating loss year on year). Based on the expertise we have cultivated in Japan, we will continue to offer products and services optimized for individual countries, and we will aggressively expand our operations to support the Overseas Services of our customers.

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.

(2) Overview of Financial Position

With regards to the total assets as of the end of the consolidated accounting period of 2Q, there was a decrease of ¥1,929 million year on year, to a total of ¥569,534 million. This is a result of the following factors: cash for Transportation Security Services increased by ¥13,050 million while cash and deposits decreased by ¥8,592 million and notes receivable, accounts receivable, and contract assets decreased by ¥8,354 million.

Total liabilities increased by ¥9,300 million year on year to ¥203,010 million. This is a combined result of the following factors: short-term loans payable increased ¥18,360 million, while notes and accounts payable-trade decreased ¥7,562 million.

The status of cash flows is as follows.

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

During this consolidated accounting period of 2Q, net cash provided by operating activities amounted to ¥19,814 million, 43.0% less year on year. This is a combined result of the following factors: an increase of ¥16,803 million due to income before income taxes, an increase of ¥9,936 million internal reserves due to depreciation and amortization, and an increase of ¥9,011 million due to decrease in notes and accounts receivable, as well as a decrease of ¥10,914 million due to the decrease in notes and accounts payable and a decrease of ¥5,257 million due to corporate income and other related payments.

The decrease(increase) in assets and liabilities for Transportation Security Services reflects changes in the amounts of funds procured for Transportation Security Services, which are part of “the cash and short-term loans payable for Transportation Security Services”.

(Net cash provided by (used in) investing activities)

Net cash used in investing activities during this consolidated accounting period of 2Q totaled ¥4,464 million, down 39.3% year on year. This is a result of an increase of ¥4,588 due to the consolidation of a new subsidiary company combined with a decrease of ¥7,273 million due to the acquisition of properties, plants and equipment.

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

During this consolidated accounting period of 2Q net cash provided by financing activities amounted to ¥25,345 million, up 95.5% year on year. This is a combined result of the following factors: a decrease of ¥15,000 million due to purchase of treasury shares, a decrease of ¥7,511 million due to cash dividends paid, and a decrease of ¥3,000 million due to repayment of lease obligations.

(3) Explanation of Future Forecasts such as Forecasted Consolidated Financial Results

With regards to the forecasted consolidated financial results of the fiscal year ending March 2025, there have not been any changes from the forecasts published on May 14, 2024.

2. Consolidated Financial Statements and Significant Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	76,999	68,406
Cash for Transportation Security Services	74,200	87,250
Notes and accounts receivable-trade and contract assets	69,054	60,699
Short-term investment securities	30	352
Raw materials and supplies	12,451	13,915
Costs on uncompleted construction contracts	70	122
Advances paid	5,500	5,400
Other	13,879	15,693
Allowance for doubtful accounts	(125)	(128)
Total current assets	252,061	251,712
Noncurrent assets		
Property, plant and equipment	120,353	122,175
Intangible assets		
Goodwill	31,442	29,961
Other	9,236	8,606
Total intangible assets	40,678	38,567
Investments and other assets		
Investment securities	63,102	58,674
Net defined benefit asset	59,874	61,848
Other	35,905	37,459
Allowance for doubtful accounts	(512)	(904)
Total investments and other assets	158,370	157,078
Total noncurrent assets	319,402	317,821
Total assets	571,463	569,534
Liabilities		
Current liabilities		
Notes and accounts payable - trade	28,512	20,949
Short-term loans payable	7,734	26,095
Income taxes payable	5,917	6,618
Provision	2,432	2,754
Other	55,892	54,355
Total current liabilities	100,489	110,773
Noncurrent liabilities		
Long-term loans payable	1,658	1,445
Net defined benefit liability	39,595	39,878
Provision	2,175	2,203
Asset retirement obligations	827	832
Other	48,962	47,875
Total noncurrent liabilities	93,219	92,236
Total liabilities	193,709	203,010

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
Net Assets		
Shareholders' equity		
Capital stock	18,675	18,675
Capital surplus	34,011	34,198
Retained earnings	<u>264,650</u>	<u>267,066</u>
Treasury stock	(6,074)	(21,074)
Total shareholders' equity	<u>311,263</u>	<u>298,866</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,115	10,274
Revaluation reserve for land	(3,379)	(3,454)
Foreign currency translation adjustment	1,067	1,257
Remeasurements of defined benefit plans, net of tax	<u>24,033</u>	<u>23,106</u>
Total accumulated other comprehensive income	<u>32,836</u>	<u>31,183</u>
Non-controlling interests	<u>33,654</u>	<u>36,474</u>
Total net assets	<u>377,754</u>	<u>366,524</u>
Total liabilities and net assets	<u>571,463</u>	<u>569,534</u>

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
(Consolidated Statements of Income)
(Consolidated Cumulative Period of 2Q)

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Net sales	246,379	263,280
Cost of sales	<u>186,198</u>	<u>202,532</u>
Gross profit	<u>60,180</u>	<u>60,748</u>
Selling, general and administrative expenses	<u>42,857</u>	<u>45,490</u>
Operating income	<u>17,323</u>	<u>15,258</u>
Non-operating income		
Interest income	97	119
Dividends income	562	622
Gain on sales of investment securities	28	9
Share of profit of entities accounted for using equity method	729	673
Dividend income of life insurance	300	306
Penalty income	244	282
Other	974	826
Total non-operating income	<u>2,936</u>	<u>2,840</u>
Non-operating expenses		
Interest expenses	890	920
Financing expenses	127	156
Other	337	372
Total non-operating expenses	<u>1,355</u>	<u>1,449</u>
Ordinary income	<u>18,904</u>	<u>16,648</u>
Extraordinary income		
Gain on sales of investment securities	58	181
Negative goodwill	-	835
Gain on sales of noncurrent assets	-	61
Total extraordinary income	<u>58</u>	<u>1,079</u>
Extraordinary loss		
Loss on valuation of investment securities	15	15
Impairment loss	55	0
Loss on sales of investment securities	11	303
Loss on step acquisitions	-	605
Total extraordinary loss	<u>82</u>	<u>924</u>
Net Income before income taxes	<u>18,881</u>	<u>16,803</u>
Income taxes	<u>6,646</u>	<u>6,184</u>
Net income	<u>12,234</u>	<u>10,618</u>
Net income attributable to non-controlling interests	729	766
Net income attributable to owners of parent	<u>11,505</u>	<u>9,852</u>

(Consolidated Statements of Comprehensive Income)
(Consolidated Cumulative Period of 2Q)

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Net income	<u>12,234</u>	<u>10,618</u>
Other comprehensive income		
Valuation difference on available-for-sale securities	1,657	(788)
Foreign currency translation adjustment	135	297
Remeasurements of defined benefit plans, net of tax	<u>301</u>	<u>(974)</u>
Share of other comprehensive income (loss) of associates accounted for using equity method	556	(73)
Total other comprehensive income (loss)	<u>2,651</u>	<u>(1,538)</u>
Comprehensive income	<u>14,885</u>	<u>9,080</u>
(Contents)		
Comprehensive income attributable to owners of the parent	<u>13,938</u>	<u>8,273</u>
Comprehensive income attributable to non-controlling interests	947	807

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Cash flows from operating activities		
Income before income taxes	18,881	16,803
Depreciation and amortization	9,073	9,936
Impairment loss	55	0
Amortization of goodwill	1,517	1,580
Negative goodwill	-	(835)
Loss (gain) on step acquisitions	-	605
Increase (decrease) in allowance for doubtful accounts	34	391
Increase (decrease) in net defined benefit liability	455	410
Increase (decrease) in provision for bonuses	334	339
Increase (decrease) in provision for directors' bonuses	(21)	(33)
Interest and dividends income	(659)	(742)
Interest expenses	890	920
Share of loss (profit) of entities accounted for using equity method	(729)	(673)
Loss (gain) on sales of noncurrent assets	(0)	(77)
Loss on retirement of non-current assets	117	133
Loss (gain) on sales of investment securities	(76)	111
Loss (gain) on valuation of investment securities	15	15
Loss (gain) on valuation of derivatives	(107)	-
Decrease (increase) in notes and accounts receivable -trade	8,339	9,011
Decrease (increase) in inventories	(1,529)	(1,454)
Increase (decrease) in notes and accounts payable - trade	(8,249)	(10,914)
Decrease (increase) in net defined benefit asset	(1,682)	(3,459)
Decrease (increase) in assets and liabilities for Transportation Security Services	11,612	2,871
Other	2,841	(246)
Subtotal	41,112	24,696
Interest and dividends income received	1,385	1,218
Interest expenses paid	(894)	(914)
Income taxes paid	(7,001)	(5,257)
Income taxes refund	156	70
Cash flows from operating activities	34,757	19,814

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Net cash provided by (used in) investing activities		
Decrease (increase) in time deposits	1,012	(239)
Payments into long-term time deposits	(10)	(119)
Proceeds from withdrawal of long-term time deposits	21	-
Purchase of property, plant and equipment	(6,247)	(7,273)
Proceeds from sales of property, plant and equipment	0	408
Purchase of intangible assets	(665)	(969)
Purchase of investment securities	(444)	(387)
Proceeds from sales of investment securities	632	329
Payments for acquisition of businesses	(60)	(3)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,249)	-
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	-	4,588
Decrease (increase) in short-term loans receivable	(1)	(3)
Payments of long-term loans receivable	(26)	(20)
Collection of long-term loans receivable	34	32
Proceeds from refund of leasehold and guarantee deposits	30	74
Other	(384)	(882)
Net cash provided by (used in) investing activities	(7,358)	(4,464)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	789	2,580
Proceeds from long-term loans payable	120	120
Repayment of long-term loans payable	(487)	(434)
Purchase of treasury stock	(4,470)	(15,000)
Repayments of lease obligations	(2,786)	(3,000)
Cash dividends paid	(4,354)	(7,511)
Cash dividends paid to attributable to non-controlling interests	(1,772)	(705)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-	(1,393)
Net cash provided by (used in) financing activities	(12,962)	(25,345)
Effect of exchange rate change on cash and cash equivalents	19	61
Net increase (decrease) in cash and cash equivalents	14,455	(9,934)
Cash and cash equivalents at beginning of period	51,571	69,162
Cash and cash equivalents at end of period	66,027	59,228

(4) Notes on the Preparation of Consolidated Financial Results

(Changes in accounting policies)

(Application of “Accounting Standard for Current Income Taxes” and other standards)

ASBJ Statement No. 27, October 28, 2022, “Accounting Standard for Current Income Taxes.” Hereinafter, “Revised Accounting Standards 2022.”) and other standards have been applied since the beginning of the consolidated accounting period of 2Q.

For revisions related to calculation classification of income taxes (taxes for other comprehensive income), items are treated according to the transitional treatment stipulated in the proviso of Paragraph 20-3 in Revised Accounting Standards 2022 and the transitional treatment stipulated in the proviso of Paragraph 65-2 (2) in “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28, October 28, 2022. Hereinafter, “Revised Implementation Guidance 2022.”) There is no effect due to this on the consolidated financial statements.

For revisions related to the review of the treatment of the consolidated financial statements to hold over the loss (gain) on sales of subsidiary shares between consolidated companies from a taxation point of view, Revised Implementation Guidance 2022 has been applied since the beginning of the consolidated accounting period of 2Q. These changes in accounting policies will be retroactively applied, and are applied to the consolidated financial statements and consolidated financial statements in the quarters in the previous year and the previous consolidated fiscal year. There is no effect due to this on the consolidated financial statements or consolidated financial statements of the previous consolidated fiscal year.

(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 May 14, 2024, had acquired 15,741,100 shares of treasury stock (amount: ¥14,999 million) up to September 30. As a result, the number and amount of treasury stock at the end of consolidated cumulative period of 2Q (from April 1, 2024 to September 30, 2024) were 25,314,208 shares and ¥21,074 million, which includes shares acquired through requested purchases of fractional share units and changes in the number of shares equivalent to equity of subsidiaries.

(Notes on Specific Accounting Processing for Creation of the Consolidated Financial Results)

With regards to tax expenditures, a reasonable estimate was made of the effective tax rate following the application of tax effect accounting on the income before taxes of the year under review, which includes the consolidated accounting period of 2Q, to calculate by multiplying the income before taxes by the estimated effective tax rate.

Note that deferred tax expenses are included in the income taxes.

(Segment Information and Other Related Information)

[Segment Information]

I Consolidated Period of 2Q of Preceding Fiscal Year (From April 1, 2023 to September 30, 2023)

1. Information on Sales and Income (Loss) and Other Items by Reportable Segment, with Disaggregated Income Information

(Millions of yen)

	Reportable segments					Elimination and corporate (Note 1)	Amount on Consolidated Statements of Income (Note 2)
	Security Services	Facility Management Services etc.	Long-term Care Services	Overseas Services	Total		
Net sales							
Contract proceeds	165,132	16,861	25,156	3,056	210,206	-	210,206
Construction proceeds	3,170	10,335	12	15	13,533	-	13,533
Proceeds from sales	16,393	5,882	40	321	22,638	-	22,638
Revenue generated from contracts with customers	184,696	33,079	25,209	3,393	246,379	-	246,379
Outside sales	184,696	33,079	25,209	3,393	246,379	-	246,379
Intersegment sales	22	125	7	-	155	(155)	-
Total	184,719	33,205	25,216	3,393	246,534	(155)	246,379
Income or loss by reportable segment	<u>18,738</u>	<u>2,868</u>	692	(318)	<u>21,980</u>	<u>(4,657)</u>	<u>17,323</u>
Depreciation and amortization	7,246	665	1,123	26	9,062	11	9,073
Amortization of goodwill	461	17	1,021	17	1,517	-	1,517

Note 1. The ¥4,657 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.

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

2. Information on Impairment Loss and Goodwill in Non-current Assets by Reportable Segment

(Significant Impairment Losses Pertaining to Noncurrent Assets)

There were no impairment losses attributed to reportable segments. The Company generated an impairment loss of ¥55 million not attributed to reportable segments, consisting mainly of ¥31 million on land and ¥23 million on buildings.

(Significant Changes in Goodwill Amount)

In the consolidated accounting period of 2Q, PT.Shield-On Service Tbk and their seven subsidiaries became consolidated subsidiaries, which caused a significant change in the goodwill amount. The resulting increase in goodwill amount is ¥1,604 million. This gain in goodwill is not allocated to specific reportable segments.

(Significant Negative Goodwill)

Not applicable

II Current consolidated Period of 2Q (From April 1, 2024 to September 30, 2024)

1. Information on Sales and Income (Loss) and Other Items by Reportable Segment, with Disaggregated Income Information
(Millions of yen)

	Reportable segments					Elimination and corporate (Note 1)	Amount on Consolidated Statements of Income (Note 2)
	Security Services	Facility Management Services etc.	Long-term Care Services	Overseas Services	Total		
Net sales							
Contract proceeds	169,735	18,026	26,400	12,670	226,832	-	226,832
Construction proceeds	3,623	9,442	14	13	13,093	-	13,093
Proceeds from sales	17,063	5,812	42	435	23,354	-	23,354
Revenue generated from contracts with customers	190,422	33,282	26,457	13,119	263,280	-	263,280
Outside sales	190,422	33,282	26,457	13,119	263,280	-	263,280
Intersegment sales	51	202	3	-	257	(257)	-
Total	190,473	33,484	26,461	13,119	263,538	(257)	263,280
Income or loss by reportable segment	<u>16,900</u>	<u>2,791</u>	826	(373)	<u>20,145</u>	<u>(4,887)</u>	<u>15,258</u>
Depreciation and amortization	7,991	721	1,121	92	9,927	9	9,936
Amortization of goodwill	345	54	1,021	159	1,580	-	1,580

Note 1. The ¥4,887 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.

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

2. Change, etc. to reportable segments

Please note that, from this consolidated accounting period of 2Q, we have reviewed our management system, and the reportable segments are modified from traditional “Security Services,” “General Property Management and Fire Protection Services,” and “Long-Term Care Services” to “Security Services,” “Facility Management Services,” “Long-Term Care Services” and “Overseas Services.”

Moreover, figures for the consolidated cumulative period of 2Q of the preceding fiscal year have been restated to reflect the changes in reportable segments.

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

(Significant Impairment Losses Pertaining to Noncurrent Assets)

There were no impairment losses attributed to reportable segments. The Company generated an impairment loss of ¥0 million not attributed to reportable segments, consisting mainly of ¥0 million on land.

(Significant Changes in Goodwill Amount)

Not applicable

(Significant Negative Goodwill)

During the consolidated accounting period of 2Q, a gain on negative goodwill of ¥835 million was recorded due to the inclusion in the scope of consolidation of Nihon Guard Co., Ltd. This gain in negative goodwill is not allocated to specific reportable segments.