

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 Third Quarter Ended December 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 the Third Quarter Ended December 31, 2024 [Japanese GAAP], disclosed on February 4, 2025. 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 Third Quarter Ended December 31, 2024
Prepared in Conformity with Accounting Principles Generally Accepted in Japan
(Japanese GAAP)

February 4, 2025

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

Scheduled cash dividend payment start date -

Preparation of supplementary briefing materials on financial results: Yes

Holding of financial results briefing: No

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

1. Consolidated financial results for the third quarter ended December 31, 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		Net income attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended December 31, 2024	400,501	5.7	26,070	(0.6)	28,308	(0.8)	17,160	(4.2)
December 31, 2023	378,990	5.9	26,234	9.7	28,545	10.8	17,920	17.5

Note: Comprehensive income Nine months ended December 31, 2024 ¥17,754 million (17.8%)

Nine months ended December 31, 2023 ¥21,588 million 24.1%

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended December 31, 2024	34.98	-
December 31, 2023	35.58	-

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 conditions

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Nine months ended December 31, 2024	601,163	369,103	55.3	685.11
Fiscal year ended March 31, 2024	571,463	377,754	60.2	687.34

Reference: Equity capital Nine months ended December 31, 2024 ¥332,199 million

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

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
Fiscal year ending 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. Forecasts for consolidated financial results for the Fiscal Year Ending March 31, 2025 (April 1, 2024—March 31, 2025)

(Percentages indicate increase or decrease from the preceding fiscal year)

	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 consolidated subsidiaries in the consolidated cumulative period of 3Q (changes in scope of consolidation): Yes

Added: 3 (Company name) Consolidated subsidiary Nihon Guard Co., Ltd., Kanso Co., Ltd. and one other company

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 (application of 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 arising from other factors: No

③ Changes arising from accounting estimate: No

④ Restatement: No

Note: For details, please refer to (4), “Notes on the Preparation of the Consolidated Financial Results (Changes in accounting policies)”, of 2, “Consolidated Financial Statements and Significant Notes”, provided on page 11 of the attachment.

(4) Number of shares outstanding (ordinary shares)

① Number of shares issued
(including treasury stock)

Nine months ended December 31, 2024	510,200,210 shares	Fiscal year ended March 31, 2024	510,200,210 shares
Nine months ended December 31, 2024	25,313,308 shares	Fiscal year ended March 31, 2024	9,572,420 shares
Nine months ended December 31, 2024	490,630,827 shares	Nine months ended December 31, 2023	503,644,895 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 “Average number of shares throughout the fiscal year” 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. “Qualitative Information Concerning Financial Results”, provided on page 4 of the attachment.

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1. Qualitative Information Concerning Financial Results

(1) Explanation of Operating Results

During the consolidated cumulative period of 3Q, the Japanese economy experienced a gradual economic recovery against the background of a pickup in capital investment, as well as improvement of corporate revenue and employment status, while stagnation in the recovery of personal consumption is observed. Going forward, we expect a gradual recovery backed by an improving employment and income environment, including the rise in real wages. However, the impact of political trends in the U.S., trends in the financial market including currency exchange, the situation in the Middle East and Ukraine, and downside risks of the Chinese and European economies must be carefully monitored.

As stated in the government's "Comprehensive Economic Measures to Foster the Safety and Security of Citizens and Sustained Growth," on the restoration and recovery from natural disasters such as the Noto Peninsula Earthquake that occurred in January 2024 and strengthening of crime prevention measures, the 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 street crimes and traffic accidents, and the aging of public infrastructure. In addition, the number of criminal offenses has been increasing since 2022, and the sense of security in Japan has been worsening due to an outbreak of robberies and crime activities by a portion of 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 Services, Facility Management Services, 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 and facility management services and personal nursing care.

As a result of these ongoing initiatives, the Group's consolidated business results for the current consolidated accounting period of 3Q were as follows: net sales increased 5.7% year-on-year to 400,501 million yen, operating income decreased 0.6% year-on-year to 26,070 million yen, ordinary income decreased 0.8% year-on-year to 28,308 million yen, and net income attributable to owners of parent decreased 4.2% year-on-year to 17,160 million yen.

By business segment, the figures achieved are as follows. Please note that, from this consolidated Cumulative Total period of 3Q, 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 3.2% year on year to ¥288,830 million, while operating income increased 0.0% year on year to ¥27,857 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. In July last year, 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 ALSOK WAF Service that protects websites from cyber attacks targeting web applications launched in September 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 the sales increase of "HOME ALSOK Connect®." 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 May last year, we launched "Smartphone 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 accept foreign visitors and security needs due to production sites returning to Japan. For Expo 2025 Osaka Kansai Japan related business, we won several

orders, such as security at the venue, individual 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 system. We will also promote replacement, etc. of equipment for new banknotes issued in July last year. 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, etc. was increased 0.7% year-on-year to ¥51,859 million, while operating income was increased 3.4% year-on-year to ¥4,981 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, net sales increased 5.0% year-on-year to ¥40,045 million due to an increase in occupancy rate of facilities, etc. contributing to the increased business performance, while operating income increased 3.5% year-on-year to ¥1,172 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 NII 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 nursing 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 108.8% year on year to ¥19,766 million, thanks to the M&A effects, while operating loss was ¥464 million (¥459 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) Explanation of the Financial Position

With regards to the total assets as of the end of the consolidated accounting period of 3Q, there was an increase of ¥29,699 million year on year, to a total of ¥601,163 million. This is a result of the following factors: cash for transportation security services increased ¥26,117 million and other current assets such as prepaid expenses increased ¥7,315 million, while cash and deposits decreased ¥6,635 million.

Total liabilities increased ¥38,350 million year on year to ¥232,060 million. This is a result of the following factors: short-term loans payable increased ¥39,737 million and other current liabilities such as deposits received increased ¥6,454 million while notes and accounts payable - trade decreased ¥5,170 million.

The status of cash flows is as follows.

(Cash flows from operating activities)

During the consolidated cumulative period of 3Q, net cash provided by operating activities amounted to ¥30,437 million, 3.0% more than the same quarter of the preceding fiscal year. This is a combined result of the following factors: despite increases of ¥28,618 million due to the net income before income taxes, ¥14,989 million in internal reserves due to depreciation and amortization, and ¥5,087 million due to the decrease in notes and accounts receivable, there was a decrease of ¥10,585 million due to corporate income and other related payments and ¥5,772 million due to decrease in notes and accounts payable.

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)

During the consolidated cumulative period of 3Q, net cash provided by investment activities amounted to ¥10,494 million, 18.9% less than the same of the preceding fiscal year. The main factor was the acquisition of ¥11,172 million in property, plant and equipment.

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

During the consolidated cumulative period of 3Q, net cash provided by financing activities amounted to ¥27,887 million, 97.9% more than the same of the preceding fiscal year. This is a combined result of the following factors: while an increase in short-term loans payable increased by ¥7,305 million, there were decreases of ¥15,000 million due to purchase of treasury stocks, of ¥13,525 million due to payment of cash dividends, and of ¥4,235 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 December 31, 2024
Assets		
Current assets		
Cash and deposits	76,999	70,363
Cash for Transportation Security Services	74,200	100,317
Notes and accounts receivable-trade and contract assets	69,054	64,823
Short-term investment securities	30	351
Raw materials and supplies	12,451	14,992
Costs on uncompleted construction contracts	70	174
Advances paid	5,500	6,249
Other	13,879	21,194
Allowance for doubtful accounts	(125)	(120)
Total current assets	252,061	278,346
Noncurrent assets		
Property, plant and equipment	120,353	121,824
Intangible assets		
Goodwill	31,442	30,656
Other	9,236	9,070
Total intangible assets	40,678	39,727
Investments and other assets		
Investment securities	63,102	61,657
Net defined benefit asset	59,874	62,758
Other	35,905	37,770
Allowance for doubtful accounts	(512)	(920)
Total investments and other assets	158,370	161,265
Total noncurrent assets	319,402	322,817
Total assets	571,463	601,163
Liabilities		
Current liabilities		
Notes and accounts payable - trade	28,512	23,342
Short-term loans payable	7,734	47,471
Income taxes payable	5,917	5,218
Provision	2,432	1,314
Other	55,892	62,347
Total current liabilities	100,489	139,693
Noncurrent liabilities		
Long-term loans payable	1,658	1,460
Net defined benefit liability	39,595	40,345
Provision	2,175	2,238
Asset retirement obligations	827	842
Other	48,962	47,479
Total noncurrent liabilities	93,219	92,366
Total liabilities	193,709	232,060

(Millions of yen)

	As of March 31, 2024	As of December 31, 2024
Net Assets		
Shareholders' equity		
Capital stock	18,675	18,675
Capital surplus	34,011	34,214
Retained earnings	<u>264,650</u>	<u>268,361</u>
Treasury stock	(6,074)	(21,074)
Total shareholders' equity	<u>311,263</u>	<u>300,176</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,115	11,481
Revaluation reserve for land	(3,379)	(3,454)
Foreign currency translation adjustment	1,067	1,368
Remeasurements of defined benefit plans, net of tax	<u>24,033</u>	<u>22,627</u>
Total accumulated other comprehensive income	<u>32,836</u>	<u>32,022</u>
Non-controlling interests	33,654	36,904
Total net assets	<u>377,754</u>	<u>369,103</u>
Total liabilities and net assets	<u>571,463</u>	<u>601,163</u>

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
(Consolidated Statements of Income)
(Consolidated Cumulative Period of 3Q)

(Millions of yen)

	Nine months ended December 31, 2023	Nine months ended December 31, 2024
Net sales	378,990	400,501
Cost of sales	<u>287,797</u>	<u>306,480</u>
Gross profit	<u>91,193</u>	<u>94,020</u>
Selling, general and administrative expenses	<u>64,958</u>	<u>67,950</u>
Operating income	<u>26,234</u>	<u>26,070</u>
Non-operating income		
Interest income	156	155
Dividends income	739	826
Gain on sales of investment securities	28	20
Share of profit of entities accounted for using equity method	1,308	1,383
Dividend income of life insurance	322	322
Penalty income	357	437
Other	1,457	1,239
Total non-operating income	4,372	4,384
Non-operating expenses		
Interest expenses	1,359	1,420
Financing expenses	191	246
Loss on sales of investment securities	3	3
Other	506	476
Total non-operating expenses	2,062	2,146
Ordinary income	<u>28,545</u>	<u>28,308</u>
Extraordinary income		
Gain on sales of investment securities	346	340
Negative goodwill	466	835
Gain on sales of noncurrent assets	-	61
Total extraordinary income	813	1,237
Extraordinary loss		
Loss on valuation of investment securities	15	15
Loss on sales of investment securities	11	305
Impairment loss	55	0
Loss on step acquisitions	156	605
Total extraordinary loss	240	926
Net income before income taxes	<u>29,118</u>	<u>28,618</u>
Income taxes	<u>10,070</u>	<u>10,182</u>
Net income	<u>19,047</u>	<u>18,436</u>
Net income attributable to non-controlling interests	1,126	1,275
Net income attributable to owners of parent	<u>17,920</u>	<u>17,160</u>

(Consolidated Statements of Comprehensive Income)
(Consolidated Cumulative Period of 3Q)

(Millions of yen)

	Nine months ended December 31, 2023	Nine months ended December 31, 2024
Net income	<u>19,047</u>	<u>18,436</u>
Other comprehensive income		
Valuation difference on available-for-sale securities	1,728	442
Foreign currency translation adjustment	162	143
Remeasurements of defined benefit plans, net of tax	<u>160</u>	<u>(1,460)</u>
Share of other comprehensive income (loss) of associates accounted for using equity method	490	192
Total other comprehensive income (loss)	<u>2,541</u>	<u>(682)</u>
Comprehensive income	<u>21,588</u>	<u>17,754</u>
(Contents)		
Comprehensive income attributable to owners of the parent	<u>20,305</u>	<u>16,421</u>
Comprehensive income attributable to non-controlling interests	1,283	1,332

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Nine months ended December 31, 2023	Nine months ended December 31, 2024
Cash flows from operating activities		
Income before income taxes	29,118	28,618
Depreciation and amortization	13,873	14,989
Impairment loss	55	0
Amortization of goodwill	2,331	2,365
Negative goodwill	(466)	(835)
Net loss (gain) on step acquisitions	156	605
Increase (decrease) in allowance for doubtful accounts	6	399
Increase (decrease) in net defined benefit liability	1,098	869
Increase (decrease) in provision for bonuses	(1,311)	(1,120)
Increase (decrease) in provision for directors' bonuses	(25)	(37)
Interest and dividends income	(896)	(981)
Interest expenses	1,359	1,420
Share of loss (profit) of entities accounted for using equity method	(1,308)	(1,383)
Loss (gain) on sales of noncurrent assets	(2)	(81)
Loss on retirement of non-current assets	192	176
Loss (gain) on sales of investment securities	(359)	(51)
Loss (gain) on valuation of investment securities	15	15
Loss (gain) on valuation of derivatives	(150)	-
Decrease (increase) in notes and accounts receivable -trade	7,385	5,087
Decrease (increase) in inventories	(2,553)	(2,529)
Increase (decrease) in notes and accounts payable - trade	(6,094)	(5,772)
Decrease (increase) in net defined benefit asset	(2,441)	(5,098)
Decrease (increase) in assets and liabilities for Transportation Security Services	2,583	5,874
Other	(1,329)	(1,787)
Subtotal	41,235	40,743
Interest and dividends income received	1,740	1,618
Interest expenses paid	(1,358)	(1,408)
Income taxes paid	(12,225)	(10,585)
Income taxes refund	156	70
Cash flows from operating activities	29,548	30,437

(Millions of yen)

	Nine months ended December 31, 2023	Nine months ended December 31, 2024
Net cash provided by (used in) investing activities		
Decrease (increase) in time deposits	1,144	59
Payments into long-term time deposits	(10)	(119)
Proceeds from withdrawal of long-term time deposits	21	-
Purchase of property, plant and equipment	(10,224)	(11,172)
Proceeds from sales of property, plant and equipment	85	411
Purchase of intangible assets	(678)	(1,587)
Purchase of investment securities	(457)	(894)
Proceeds from sales of investment securities	1,150	553
Payments for acquisition of businesses	(70)	(3)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(3,732)	(1,547)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	-	4,588
Decrease (increase) in short-term loans receivable	(2)	3
Payments of long-term loans receivable	(43)	(35)
Collection of long-term loans receivable	53	49
Proceeds from refund of leasehold and guarantee deposits	30	74
Other	(204)	(875)
Net cash provided by (used in) investing activities	(12,938)	(10,494)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	5,411	7,305
Proceeds from long-term loans payable	310	325
Repayment of long-term loans payable	(699)	(585)
Purchase of treasury stock	(5,000)	(15,000)
Repayments of lease obligations	(4,059)	(4,235)
Cash dividends paid	(8,715)	(13,525)
Cash dividends paid to attributable to non-controlling interests	(1,772)	(705)
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	-	(1,465)
Net cash provided by (used in) financing activities	(14,088)	(27,887)
Effect of exchange rate change on cash and cash equivalents	(30)	61
Net increase (decrease) in cash and cash equivalents	2,491	(7,882)
Cash and cash equivalents at beginning of period	51,571	69,162
Cash and cash equivalents at end of period	54,063	61,280

(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 applied since the beginning of the consolidated accounting period of 1Q.

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 review of 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 1Q. 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 previous consolidated fiscal year. There is no effect due to this on the consolidated financial statements or consolidated financial statement in 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 of shares of treasury stock and the amount as of the end of the consolidated accounting period of this third quarter are 25,313,308 shares and ¥21,074 million, which includes shares acquired through requested purchases of fractional share units and changes in the number of share equivalent to equity of subsidiaries.

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

With regards to tax expenditures, a reasonable estimate was made of the effective tax rate following application of tax effect accounting on the income before taxes of the year under review, which includes the consolidated accounting period of 3Q, to make a calculation 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 Cumulative Period of 3Q of Preceding Fiscal Year (From April 1, 2023 to December 31, 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	249,392	25,703	38,041	9,006	322,143	-	322,143
Construction proceeds	5,122	16,484	16	24	21,648	-	21,648
Proceeds from sales	25,403	9,289	67	437	35,198	-	35,198
Revenue generated from contracts with customers	279,917	51,478	38,126	9,468	378,990	-	378,990
Outside sales	279,917	51,478	38,126	9,468	378,990	-	378,990
Intersegment sales	33	207	9	-	251	(251)	-
Total	279,951	51,686	38,135	9,468	379,242	(251)	378,990
Income or loss by reportable segment	<u>27,850</u>	<u>4,817</u>	1,131	(459)	<u>33,340</u>	<u>(7,105)</u>	<u>26,234</u>
Depreciation and amortization	11,075	1,022	1,689	70	13,856	16	13,873
Amortization of goodwill	679	23	1,532	96	2,331	-	2,331

Note 1. The ¥7,105 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 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 ¥55 million not attributed to reportable segments, consisting mainly of ¥31 million on land and ¥24 million on buildings.

(Significant Changes in Goodwill Amount)

In the consolidated accounting period of 3Q, 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)

In the consolidated cumulative total period of 3Q, a gain on negative goodwill of ¥466 million was recorded due to the inclusion in the scope of consolidation of Hokuriku Sohgo Security Services Co., Ltd. This gain in negative goodwill is not allocated to specific reportable segments.

II Consolidated Cumulative Period of 3Q of Current Fiscal Year (From April 1, 2024 to December 31, 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	256,523	27,747	39,956	19,006	343,235	-	343,235
Construction proceeds	5,555	15,486	19	23	21,085	-	21,085
Proceeds from sales	26,750	8,625	69	735	36,180	-	36,180
Revenue generated from contracts with customers	288,830	51,859	40,045	19,766	400,501	-	400,501
Outside sales	288,830	51,859	40,045	19,766	400,501	-	400,501
Intersegment sales	61	309	6	-	377	(377)	-
Total	288,892	52,168	40,051	19,766	400,878	(377)	400,501
Income or loss by reportable segment	<u>27,857</u>	<u>4,981</u>	1,172	(464)	<u>33,546</u>	<u>(7,476)</u>	<u>26,070</u>
Depreciation and amortization	12,067	1,090	1,677	139	14,976	13	14,989
Amortization of goodwill	517	81	1,530	234	2,365	-	2,365

Note 1. The ¥7,476 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. Change, etc. to reportable segments

Please note that, from this consolidated cumulative total period of 3Q, 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 etc.,” “Long-Term Care Services” and “Overseas Services.”

Moreover, figures for the consolidated cumulative period of 3Q of 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)

In the consolidated cumulative period of 3Q, Kanso Co., Ltd. and Kanso Sakai Co., Ltd. became consolidated subsidiaries, which caused a significant change in the goodwill amount. The resulting increase in goodwill amount is ¥1,543 million.

This gain in goodwill is not allocated to specific reportable segments.

(Significant Negative Goodwill)

In the consolidated cumulative total period of 3Q, a gain on negative goodwill of ¥835 million was recorded due to the inclusion in the scope of consolidation of Japan Guard Co., Ltd. This gain in negative goodwill is not allocated to specific reportable segments.