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[Document filed]	Amended Annual Securities Report
[Applicable law]	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Place of filing]	Director-General, Kanto Local Finance Bureau
[Filing date]	May 13, 2025
[Fiscal Year]	58th business term (from April 1, 2022 to March 31, 2023)
[Company name]	綜合警備保障株式会社 (<i>Sogo Keibi Hosho Kabushiki Kaisha</i>)
[Company name in English]	SOHGO SECURITY SERVICES CO., LTD.
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[Telephone number]	+81-3-3470-6811 (Main telephone number)
[Contact person]	Kazuhide Shigemi, Director and Senior Executive Officer
[Place for public inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihonbashi Kabutocho, Chuo-ku, Tokyo, Japan)

1 【Reasons for filing the amended annual securities report】

In April 2025, it was found that the Company and its four consolidated subsidiaries had incorrectly recorded data on defined benefit obligations related to lump-sum retirement payment plans, resulting in an understatement of retirement benefit liability and related accounts in prior years. In response to this, the Company has corrected errors in the consolidated and non-consolidated financial statements included in the annual securities reports filed after June 24, 2020, the quarterly consolidated financial statements included in the quarterly securities reports filed after August 2, 2022, and the interim consolidated financial statements included in the semi-annual securities report filed on November 6, 2024. The factors that necessitated the correction were identified prior to the fiscal year ended March 31, 2018, and the correction amounts for the consolidated fiscal years prior to the fiscal year ended March 31, 2018 will be adjusted retroactively at the beginning of the fiscal year ended March 31, 2019.

As a result of this correction, it became necessary to correct the securities report for the 58th business term (from April 1, 2022 to March 31, 2023) filed on June 27, 2023, which was submitted. The Company will file an amended securities report in accordance with Article 24-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan.

Please also note that the amended consolidated financial statements were audited by Grant Thornton Taiyo LLC. The auditor's report is attached.

2 【Corrected Matter】

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3 【Corrected Portions】

Corrected portions are underlined. Due to the large number of the portions, only the corrected items are shown above.

Part 1. [Company Information]

I. [Overview of Company]

1. [Selected financial data]

(1) Consolidated financial data

Fiscal year	54th business term	55th business term	56th business term	57th business term	58th business term
Ended	March 2019	March 2020	March 2021	March 2022	March 2023
Net sales (Millions of yen)	443,535	460,118	469,920	489,092	492,226
Ordinary income (Millions of yen)	<u>32,261</u>	<u>37,706</u>	<u>38,106</u>	<u>43,744</u>	<u>38,198</u>
Profit attributable to owners of parent (Millions of yen)	<u>21,146</u>	<u>23,349</u>	<u>24,247</u>	<u>28,234</u>	<u>23,234</u>
Comprehensive income (Millions of yen)	<u>21,815</u>	<u>20,375</u>	<u>41,065</u>	<u>31,479</u>	<u>25,146</u>
Net assets (Millions of yen)	<u>248,883</u>	<u>261,881</u>	<u>295,400</u>	<u>318,071</u>	<u>334,075</u>
Total assets (Millions of yen)	<u>413,746</u>	<u>432,576</u>	<u>485,456</u>	<u>492,452</u>	<u>520,989</u>
Net assets per share (Yen)	<u>2,221.24</u>	<u>2,340.55</u>	<u>2,652.10</u>	<u>2,871.62</u>	<u>3,013.54</u>
Net income per share (Yen)	<u>208.88</u>	<u>230.65</u>	<u>239.52</u>	<u>278.90</u>	<u>229.51</u>
Diluted net income per share (Yen)	—	—	—	—	—
Equity capital ratio (%)	<u>54.3</u>	<u>54.8</u>	<u>55.3</u>	<u>59.0</u>	<u>58.6</u>
Return on equity (%)	<u>9.7</u>	10.1	9.6	<u>10.1</u>	7.8
Price earnings ratio (Times)	<u>23.1</u>	<u>22.8</u>	<u>21.8</u>	<u>14.3</u>	<u>15.5</u>
Net cash provided by (used in) operating activities (Millions of yen)	28,771	33,896	55,522	42,736	31,682
Net cash provided by (used in) investing activities (Millions of yen)	(14,911)	(13,395)	(38,452)	(14,093)	(24,818)
Net cash provided by (used in) financing activities (Millions of yen)	(10,934)	(15,113)	(12,714)	(18,183)	(19,380)
Cash and cash equivalents at end of year (Millions of yen)	43,435	48,790	53,143	63,644	51,571
Number of employees (Number of people)	37,417	37,902	38,444	38,192	39,039
[Average number of temporary employees not included in the above]	[6,506]	[6,379]	[6,838]	[6,782]	[7,249]

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

2. SOHGO SECURITY SERVICES CO., LTD. (the “Company”) applied “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the fiscal year ended March 31, 2022. Selected financial data for the fiscal years ended on and after March 31, 2022 is based on the figures after applying the standard, etc.

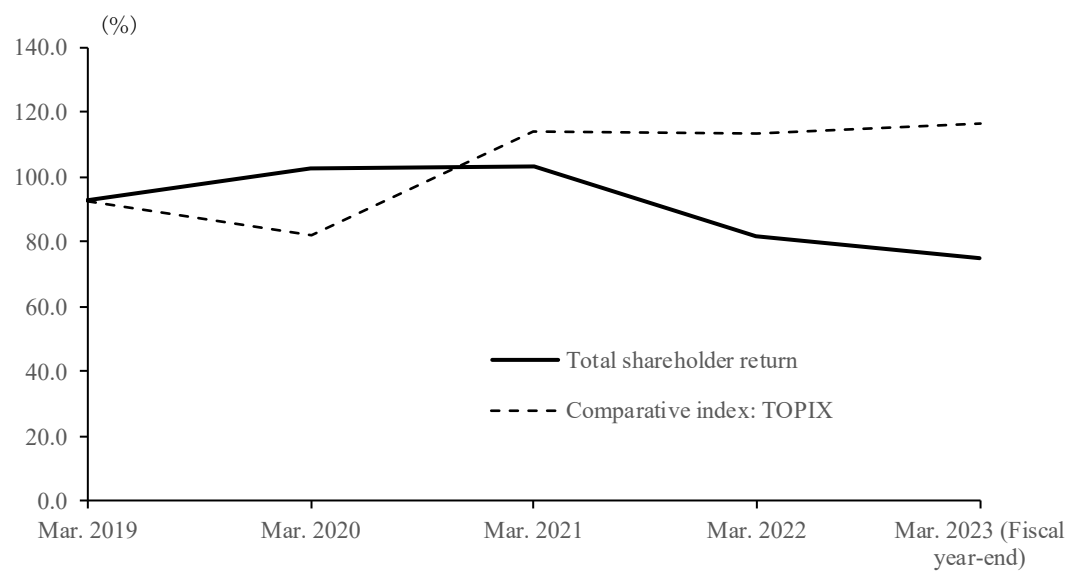
(2) Non-consolidated financial data

Fiscal year	54th business term	55th business term	56th business term	57th business term	58th business term
Ended	March 2019	March 2020	March 2021	March 2022	March 2023
Net sales (Millions of yen)	235,938	243,265	244,367	256,449	248,977
Ordinary income (Millions of yen)	<u>22,768</u>	<u>27,500</u>	<u>28,109</u>	<u>29,848</u>	<u>29,202</u>
Net income (Millions of yen)	<u>18,293</u>	<u>21,198</u>	<u>22,351</u>	<u>23,871</u>	<u>23,790</u>
Capital stock (Millions of yen)	18,675	18,675	18,675	18,675	18,675
Total number of shares issued (Shares)	102,040,042	102,040,042	102,040,042	102,040,042	102,040,042
Net assets (Millions of yen)	<u>185,884</u>	<u>198,904</u>	<u>215,921</u>	<u>232,253</u>	<u>248,034</u>
Total assets (Millions of yen)	<u>284,845</u>	<u>302,529</u>	<u>323,294</u>	<u>330,636</u>	<u>355,679</u>
Net assets per share (Yen)	<u>1,822.51</u>	<u>1,955.48</u>	<u>2,126.10</u>	<u>2,295.68</u>	<u>2,449.13</u>
Dividends per share (of which, interim dividends per share) (Yen)	66 (31.0)	70 (34.5)	72 (35.0)	82 (38.0)	86 (43.0)
Net income per share (Yen)	<u>180.24</u>	<u>209.02</u>	<u>220.43</u>	<u>235.46</u>	<u>234.67</u>
Diluted net income per share (Yen)	—	—	—	—	—
Equity capital ratio (%)	<u>65.3</u>	<u>65.7</u>	<u>66.8</u>	<u>70.2</u>	<u>69.7</u>
Return on equity (%)	<u>10.2</u>	11.0	<u>10.8</u>	<u>10.7</u>	<u>9.9</u>
Price earnings ratio (Times)	<u>26.7</u>	<u>25.1</u>	<u>23.7</u>	<u>17.0</u>	<u>15.2</u>
Dividend payout ratio (%)	<u>36.6</u>	<u>33.5</u>	<u>32.7</u>	<u>34.8</u>	<u>36.6</u>
Number of employees (Number of people)	11,793	11,704	11,861	12,002	12,041
Total shareholder return (%)	92.9	102.6	103.4	81.6	74.9
(Comparative index: TOPIX) (%)	(92.7)	(81.7)	(113.8)	(113.4)	(116.7)
Highest stock price (Yen)	5,690	6,090	5,720	5,320	4,045
Lowest stock price (Yen)	4,560	3,890	4,795	3,975	3,360

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

2. On and after April 4, 2022, highest stock price and lowest stock price are those recorded on the Prime Market of the Tokyo Stock Exchange, while before April 4, 2022 are those recorded on the First Section of the Tokyo Stock Exchange.
3. The Company applied “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the fiscal year ended March 31, 2022. Selected financial data for the fiscal years ended on and after March 31, 2022 is based on the figures after applying the standard, etc.

4. Changes in the total shareholder return and the comparative index over the last five years are as follows:



2. [History]

Month and Year	Overview
July 1965	Establish Sohgo Security Services Co., Ltd. with a capital of ¥25 million at 2-20 Uchisaiwai-cho, Chiyoda-ku, Tokyo, mainly engaging in security services
August 1966	Establish Sohgo Kanzai Co., Ltd. (currently ALSOK Facilities Co., Ltd.) at Chiyoda-ku, Tokyo, engaging in general property management services
September 1967	Develop and launch SOK GUARD SYSTEM, electronic security services for corporate customers
December 1968	Establish Kita-Kanto Sohgo Security Services Co., Ltd. in Utsunomiya city, Tochigi, mainly engaging in security services
June 1969	Establish Hiroshima Sohgo Security Services Co., Ltd. in Hiroshima city, Hiroshima, mainly engaging in security services
March 1970	Provide security services at Japan World Expo
June 1972	Establish Tokyo Sohgo Security Services Co., Ltd. (currently ALSOK Tokyo Co., Ltd.) in Minato-ku, Tokyo, engaging in stationed security services
January 1975	Develop and launch AMAND SYSTEM featuring automated management of ATMs
May 1975	Establish Hokkaido Sohgo Security Services Co., Ltd. (currently ALSOK Hokkaido Co., Ltd.) in Chuo-ku, Sapporo city, mainly engaging in security services
September 1975	Develop and launch OLM SYSTEM, which incorporates control and monitoring equipment into stationed security
February 1978	Relocate head office to 1-6-6 Motoakasaka, Minato-ku, Tokyo, Japan
October 1979	Launch regular inspection services for fire equipment
December 1982	Form a business alliance with Ryoden Services Co., Ltd. (currently Mitsubishi Electric Building Solutions Corporation) in the property management business
March 1983	Receive first security business certification from the Tokyo Metropolitan Public Safety Commission
September 1984	Establish SOK Electric Work Co., Ltd. in Minato-ku, Tokyo, engaging in security equipment installation services (merged in August 2013)
April 1988	Develop and launch TAKURUSU, electronic home security service
August 1995	Launch TOKYO Operations Center providing centralized monitoring and command system for electronic security in Tokyo
April 1997	Develop and launch MMK, multi-function ATM, featuring payment receiving agency service and information search function
October 1997	Develop and launch CASH DEPOSIT MACHINE ON-LINE SYSTEM, featuring streamlined cash management and manpower and facility cost savings for cash management
April 1998	Develop and Launch SOK HOME SECURITY system, featuring convenient functions for daily life, such as emergency information, online banking and health consultation as well as home security
September 2002	Obtain ISO 9001 certification for the design and provision of Electronic Security Services and Stationed Security Services
October 2002	List stock on the First Section of the Tokyo Stock Exchange
April 2003	Spin-off a part of stationed security division to establish Sohkei Stationed Security Co., Ltd. (currently ALSOK Stationed Security Co., Ltd.), mainly engaging in security services
July 2003	Establish new brand name ALSOK
August 2003	Develop and launch ALSOK SAFETY CONFIRMATION SERVICE, risk management tool for corporate customers
May 2004	Form a business alliance with HOCHIKI Corporation in the security and disaster prevention business
November 2004	Develop and launch ALSOK HOME SECURITY 7, affordable home security system featuring wireless sensors, highly urgent intrusion detection, emergency report and fire detection
April 2005	Expand ALSOK ANSHIN KYOSHITSU, a CSR program to teach children how to protect themselves, to all of Japan
June 2005	Develop and launch new automated patrolling robot for stationed security services
November 2005	Develop and launch ALSOK HOME SECURITY X7 with expanded functions for large-scale private homes
June 2008	Launch PC MONITORING service featuring monitoring and reporting of information leak
October 2008	Launch MAMOLOOK, mobile watching over service for children
December 2008	Develop and launch ALSOK HOME SECURITY α, featuring safe and convenience functions developed from the customer perspectives, such as standardized online security services
July 2009	Develop and launch CHANGE MACHINE SYSTEM, all-inclusive service related to change machines such as installation of the machines, preparation, transportation and loading of coins and bills, as well as troubleshooting
December 2009	Develop and launch GUARD ONE, featuring security service for vehicles-related emergencies such as prevention of damage and early detection of stolen vehicles by reporting to customers and providing location information
April 2010	Launch ALSOK DENPO, telegram service utilizing security service infrastructure
November 2010	Launch ALSOK SILVER PACK that includes all home security functions necessary for senior citizens
February 2011	Japan Facilio Co., Ltd., mainly engaging in piping or electrical construction services, become a subsidiary
April 2011	Launch ALSOK-GV, security system for corporate customers

Month and Year	Overview
February 2012	Commence providing stationed security services at TOKYO SKYTREE TOWN®
October 2012	Launch HOME ALSOK brand of services for individual users Develop and launch HOME ALSOK Premium, featuring imaged-based intruder monitoring service and IoT remote control security and lock
November 2012	Acquire shares of HOCHIKI Corporation, engaging in a disaster prevention service, which becomes an equity-method associate
May 2013	Launch HOME ALSOK LADY'S SUPPORT to protect women from stalkers
August 2013	Merge with SOK Electric Work Co., Ltd. Launch HOME ALSOK APARTMENT AND CONDOMINIUM PLAN, security system for rental housing
September 2013	Launch HOME ALSOK MIMAMORI SUPPORT, emergency reporting and consultation service for senior citizens
April 2014	ALSOK Souei Co., Ltd., engaging in security services and general property management services, become a subsidiary Nippon Building Maintenance Co., Ltd. (currently ALSOK Facilities Co., Ltd.), engaging in general property management services, become a subsidiary Merge with Sohkei Information System Co., Ltd.
May 2014	Launch ALSOK-FM (FACILITY MANAGEMENT) SUPPORT, security system for medium- to large-scale facilities
August 2014	Form a business alliance with Sompo Japan Nipponkoa Group to jointly develop businesses targeted for the aging society with declining birthrate
September 2014	Antei Care Co., Ltd. (currently ALSOK Care Co., Ltd.), engaging in home-visit nursing care services, become a subsidiary
October 2014	HCM Corporation (currently ALSOK Care Co., Ltd.), engaging in home-visit nursing care and long-term care services, become a subsidiary
February 2015	ALSOK Care & Support Co., Ltd., engaging in emergency reporting and long-term care services, become a subsidiary
May 2015	Develop and launch CASH DEPOSIT AND DISPENSER MACHINE ON-LINE SYSTEM, featuring cash management without involvement of banks including cash withdrawal, money change and cash transfer
June 2015	Launch MAMOLOOK, mobile security terminal for senior citizens, women and children
October 2015	Develop and launch HOME SECURITY Basic equipped with latest functions such as support for diversifying telecommunication networks Launch ALSOK IMAGE CLOUD SERVICE, which provides cloud storage for surveillance camera images
February 2016	Form a business alliance with Nippon Dry-Chemical Co., Ltd., engaging in disaster prevention services, etc.
May 2016	Wisnet Co., Ltd. (currently ALSOK Care Co., Ltd.), engaging in long-term care and the related services, become a subsidiary
June 2016	Acquire shares of Nippon Dry-Chemical Co., Ltd., which becomes an equity-method associate
November 2016	PT. ALSOK BASS Indonesia Security Services, engaging in security services in Indonesia, become a subsidiary
December 2016	ALSOK Vietnam Security Services Joint Stock Company, engaging in security services in Vietnam, become a subsidiary
February 2017	ALSOK Shojitsu Security Service Co., Ltd., engaging in security services, become a subsidiary
April 2017	ALSOK-TW East Japan Co., Ltd., engaging in security services, acquire security business of TelWel East Japan Corporation Acquire shares of Keihanshin Security Service Co., Ltd., which becomes an equity-method associate
June 2017	Launch MIMAMORI PACK, featuring security services for wandering in senior citizens with dementia
July 2017	ALSOK Kanto Delivery Co., Ltd., engaging in security services, become a subsidiary
April 2018	Establish Security Joint Venture for the Tokyo 2020 Olympic and Paralympic Games ALSOK Myanmar Security Services Co., Ltd., engaging in security services in Myanmar, start operations and become a consolidated subsidiary
June 2018	Care Plus, Inc., engaging in home-visit medical massages, become a subsidiary
July 2018	Launch 3D LASER RADAR SENSOR equipped with high-precision detection function
January 2019	Sohgo Kanzai Co., Ltd., engaging in property management services, become a subsidiary Health Support Co., Ltd. (currently Sohgo Kanzai Co., Ltd.), engaging in medical waste collection and transportation services, become a subsidiary
May 2019	Keihanshin Security Service Co., Ltd., engaging in security services, become a consolidated subsidiary
September 2019	Provide security services at Rugby World Cup Japan 2019
February 2020	Form a capital and business alliance with Mitsubishi Corporation to expand facility management business both in Japan and overseas Launch ALSOK-G7, security system for corporate customers
April 2020	Life Holdings Co., Ltd., engaging in long-term care services, become a consolidated subsidiary Commence providing stationed security services to nationally and locally-operated accommodation facilities for the novel coronavirus ("COVID-19") patients with mild symptoms
June 2020	Launch AIR BUSTER, ozone deodorizer sanitizing and deodorizing by generating ozone
July 2020	ALSOK Chiba Co., Ltd. launch Gibier Kohboh Mobara, facility for meat processing

Month and Year	Overview
October 2020	Merge HCM Corporation, the long-term care services division of ALSOK Care & Support Co., Ltd., and Antei Care Co., Ltd., with ALSOK Care Co., Ltd. (formerly Wisnet Co., Ltd.) being the surviving company
December 2020	Form a capital and business alliance with Mitsubishi Corporation and Nippon Care Supply Co., Ltd. pertaining to long-term care services and lifestyle support services for the senior citizens Acquire shares of Nippon Care Supply Co., Ltd., engaging in lifestyle support services for the senior citizens, which becomes an equity-method associate
April 2021	Merge ALSOK Building Services Co., Ltd. and Nippon Building Maintenance Co., Ltd. to establish ALSOK Facilities Co., Ltd.
July 2021	Provide security services for the Tokyo 2020 Olympic and Paralympic Games from July to September
August 2021	Launch office security services using My Number Card
September 2021	Launch ALSOK AI CAMERA SYSTEM, which sends real-time alerts using AI-equipped surveillance cameras with high-precision human detection
December 2021	Launch ALSOK OFFICE DOCTOR PACKAGE and ALSOK HEALTH CONSULTATION PACKAGE, health security service to protect companies from risks of labor shortage and work-related accidents resulting from employees' poor health
March 2022	Launch HOME ALSOK OUTDOOR WIRELESS IP CAMERA
April 2022	Move from the First Section of the Tokyo Stock Exchange to Prime Market as a result of Japan's stock market restructuring Merge with ALSOK Leasing Co., Ltd.
June 2022	ALSOK Joy Life Co., Ltd. and ALSOK Life Support Co., Ltd., both engaging in long-term care services, become subsidiaries
November 2022	ALSOK Bangladesh Security Services Ltd., engaging in general security services in Bangladesh, start operations and become a consolidated subsidiary
March 2023	Launch ALSOK IT RESCUE, which quickly solves problems with IT-related equipment

3. [Description of business]

The Group consists of SOHGO SECURITY SERVICES CO., LTD. (the “Company”), 79 consolidated subsidiaries (including 10 overseas) and 16 equity-method companies (including 3 overseas), and engages in Security Services, General Property Management and Fire Protection Services and Long-Term Care Services, etc. In addition to the companies mentioned above, the Group has established a mutual cooperation in sales and operations with a company that operates similar businesses overseas, Taiwan Shin Kong Security Co., Ltd., which is not a consolidated subsidiary or an equity-method company. Details of businesses for each segment are described below:

(1) Security Services

A. Electronic Security Services

In the Electronic Security Services, we set up a security alarm system on a customer’s premise, which allows us to monitor the premise remotely from a security center via telecommunication lines. The system detects intrusions, fires, equipment failures and others and dispatches a security guard to respond to emergency situations.

For corporate customers, we provide “ALSOK-G7”, a security system with high-quality image sensor equipped as a standard feature. This is an on-line security service that uses image monitoring technology. The service lineup includes “Live Image Confirmation System”, which enables customers to view live images from anywhere at any time with call features. Another service, “ALSOK Information Sharing Service”, allows customers to view security system status (arming/disarming) and to receive notifications by email when they fail to set up an alarm or the alarm goes off. Optional services include cloud storage of images captured by an image sensor or a surveillance camera, as well as online access to employee attendance record, room entry and others. These services contribute not only to security management but also to labor management and efficient operation. Also, we have focused on upgrading facility management features for medium- to large-scale facilities. Among others, “ALSOK-FM (Facility Management) Support” increases facility values at low cost, and “AMAND SYSTEM” automates management of ATMs. In addition, “ALSOK IT Rescue” was launched in the 23 wards in Tokyo on March 24, 2023. In this service, a security guard rushes in to provide emergency treatment with a single phone call in the event of a PC and other IT equipment-related failure.

For individual customers, “HOME ALSOK Connect”, a new home security product, was launched in April 2023. In the new service, not only the security system is controllable via a smartphone or a cell phone, such as arming or disarming of the system, just as conventional products, but also the system can be deactivated by reading NFC (near field communication, “the communication technology that enables communication between devices when they are close together”) sticker with a pre-set smartphone. 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 upon notification of an emergency. The Self-Security plan can be upgraded to Online Security plan at any time.

B. Stationed Security Services

In the Stationed Security Services, security guards are assigned to properties of customers for entrance/exit management, patrol and inspection to prevent and respond to various accidents and emergencies. In addition, we meet different needs of our customers, including security for various events such as international conferences, sporting events and parades, as well as security for celebrities and corporate officers in Japan and abroad. We provide more efficient and effective security service by using equipment, such as metal detection equipment and X-ray inspection equipment, and promoting DX for stationed security guards (such as equipping stationed security guards with digital devices).

C. Transportation Security Services

In the Transportation Security Services, we transport cash, securities and other valuables to any designated location of our customers using cash transportation vehicles. In addition to the safe transportation of cash, securities and others, we provide “Cash Deposit and Dispenser Machine On-Line System” that provides full supports for sales proceeds management utilizing our security transportation network and contributes to operational efficiency of our customers as well as “Total ATM Management System” that provides overall operation of ATMs located in financial institutions and convenience stores, including cash replenishment and collection and troubleshoot.

(2) General Property Management and Fire Protection Services

In the General Property Management and Fire Protection Services, we provide a wide range of services for building construction, operation and management, including repair and replacement, piping or electrical construction, fire and disaster prevention, facility management, cleaning management, sanitary management, and call center services. Through these services, we contribute to reducing building management cost and improving property value. The Group also sells emergency supplies, infection control products and AEDs. In the Fire Protection Service, we have entered into a capital and business alliance with HOCHIKI Corporation and Nippon Dry-Chemical Co., Ltd., both of which are providers of disaster prevention services. These companies have become equity-method associates of the Company. The purpose of the alliance is to strengthen a system to drive the fire and disaster prevention business forward and to jointly develop and launch new products and services that match diversifying needs of our customers. In addition, we have already entered into a capital and business alliance with Mitsubishi Corporation for the facility management (“FM”) operations, continuing our efforts to expand the FM business.

(3) Long-Term Care Services

In the Long-Term Care Services, we provide a wide range of services, including home care support (development of care plans), in-home care services, such as home-visit nursing and day care to provide support for senior citizens living at home, care services for senior citizens living in a nursing home (fee-based with long-term care) and people with dementia (group homes), and care services provided at certain facilities such as elderly housing with living support services. We also sell and lease welfare equipment and provide home-visit medical massage services.

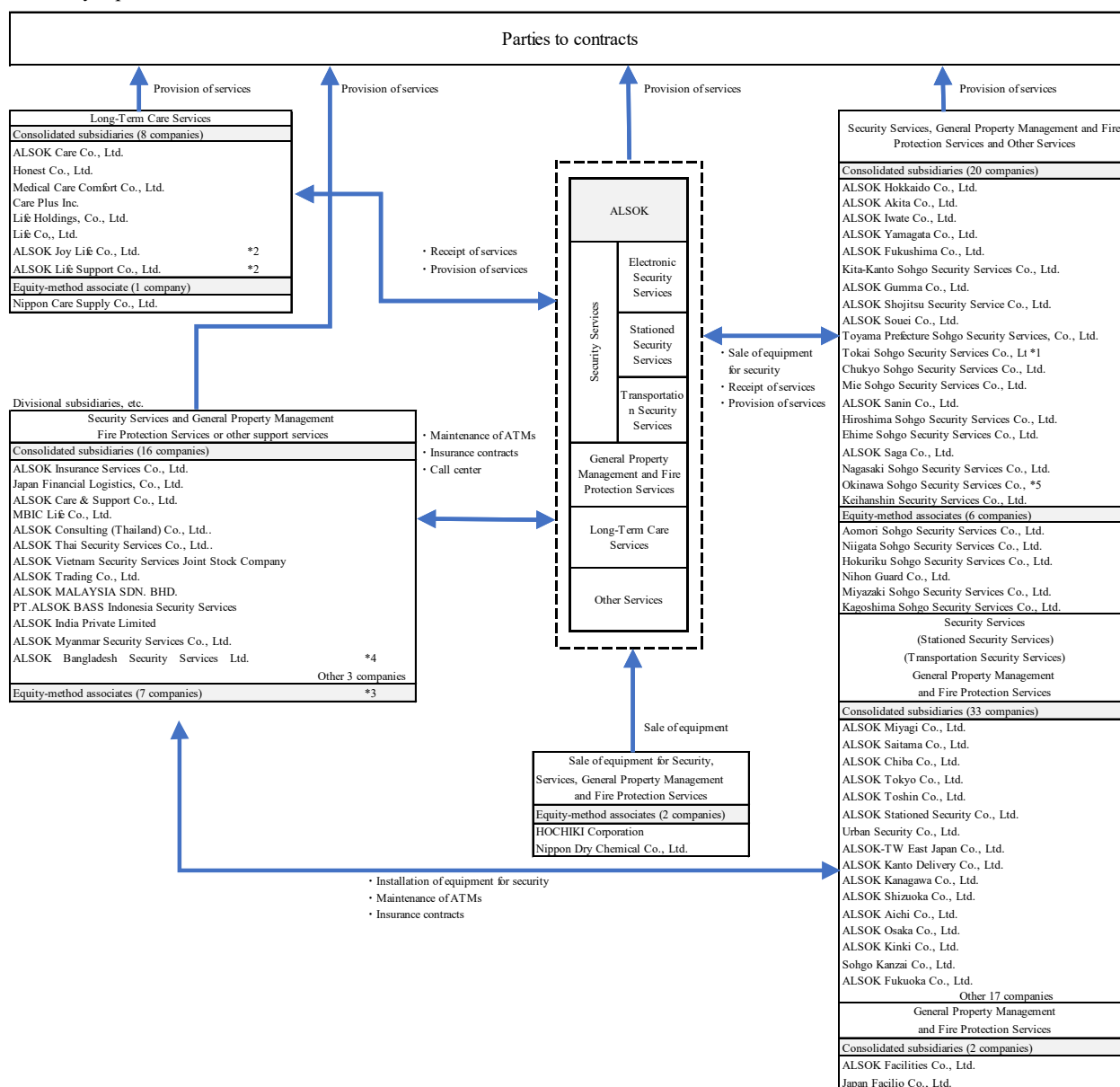
(4) Other

As we move toward a cashless society, we, as a cashless payment provider, offer “ALSOK Multi-QR Payment Solution”, which allows customers to use multiple QR codes provided by different service providers with just one app and one terminal.

In December 2022, ALSOK launched the “ALSOK Safety Confirmation Service (app version)”, which is equipped with a new push notification feature via a smartphone app. “ALSOK PC Management Service” provides security for terminal equipment, which has become more important than ever as a means to prevent cyber-attacks or phishing. In addition, we provide “ALSOK Office Doctor Package” which supports employee health management optimized for businesses with fewer than 50 employees with no obligation to appoint an occupational health physician, and “ALSOK Consultation Services”, a package to provide teleconsultations on health, mental health and harassment for employees of corporate customers.

[Group structure]

The Group's major companies by segment and the structure of these companies for the fiscal year ended March 31, 2023 are as follows. Only representative transactions are described below.



(Notes) Effective April 1, 2022, the Company merged with ALSOK Leasing Co., Ltd., a consolidated subsidiary of the Company engaged in the leasing and installment sales business.

*1 Effective May 13, 2022, Tokai Sohgo Security Services Co., Ltd., an equity-method associate mainly engaging in security services, became a consolidated subsidiary of the Company following revisions of the shareholders' agreement.

*2 Effective June 22, 2022, the Company acquired all shares of ALSOK Joy Life Co., Ltd. and ALSOK Life Support Co., Ltd., engaging in the long-term care services. These companies became consolidated subsidiaries of the Company.

*3 Effective September 30, 2022, the Company indirectly held shares of Tobu Co., Ltd. (three companies under the same name with headquarters in Sendai, Fukushima, and Tokyo), mainly engaging in building maintenance business. These companies became equity-method associates through investments in a special purpose company established by SBI Regional Business Succession Investment No. 1 Investment Limited Liability Partnership, which is operated by SBI Regional Business Succession Investment Co., Ltd.

*4 Effective November 15, 2022, ALSOK Bangladesh Security Services Ltd. was established to engage in security services in Bangladesh and became a consolidated subsidiary of the Company.

*5 Effective February 15, 2023, the Company acquired additional shares of Okinawa Sohgo Security Services Co., Ltd., an equity-method associate mainly engaging in security services. The company became a consolidated subsidiary of the Company.

4. [Subsidiaries and associates]

Name	Address	Capital stock (Millions of yen)	Description of main business	Ownership ratio of voting rights (%)	Relationship
(Consolidated subsidiary)					
ALSOK Hokkaido Co., Ltd.	Kita-ku, Sapporo city, Hokkaido	20	Security services	100.0	Receipt and provision of services Management guidance Rental of facilities Number of officers holding concurrent positions: 1
ALSOK Akita Co., Ltd.	Akita city, Akita	30	Security services	100.0	Receipt and provision of services Management guidance Rental of facilities Number of officers holding concurrent positions: 2
ALSOK Iwate Co., Ltd.	Morioka city, Iwate	30	Security services	100.0	Receipt and provision of services Management guidance Rental of facilities Number of officers holding concurrent positions: 1
ALSOK Yamagata Co., Ltd.	Yamagata city, Yamagata	30	Security services	100.0	Receipt and provision of services Management guidance Rental of facilities Number of officers holding concurrent positions: 1
ALSOK Fukushima Co., Ltd.	Koriyama city, Fukushima	200	Security services	100.0	Receipt and provision of services Management guidance Rental of facilities Number of officers holding concurrent positions: 2
Kita-Kanto Sohgo Security Services Co., Ltd. (Note 4)	Utsunomiya city, Tochigi	100	Security services	50.0	Receipt and provision of services Management guidance Rental of facilities Number of officers holding concurrent positions: 2
ALSOK Gunma Co., Ltd.	Maebashi city, Gunma	10	Security services	100.0	Receipt and provision of services Management guidance Rental of facilities Number of officers holding concurrent positions: 1
ALSOK Souei Co., Ltd.	Totsuka-ku, Yokohama city, Kanagawa	30	Security services	66.6	Receipt and provision of services Management guidance Rental of facilities
Toyama Prefecture Sohgo Security Services, Co., Ltd. (Note 4)	Toyama city, Toyama	64	Security services	50.0	Receipt and provision of services Management guidance Rental of facilities Number of officers holding concurrent positions: 2
Tokai Sohgo Security Services Co., Ltd. (Note 4)	Ito city, Shizuoka	10	Security services	50.0	Receipt and provision of services Management guidance Number of officers holding concurrent positions: 1
Chukyo Sohgo Security Services Co., Ltd. (Note 4)	Naka-ku, Nagoya city, Aichi	50	Security services	50.0	Receipt and provision of services Management guidance Rental of facilities
Mie Sohgo Security Services Co., Ltd. (Note 4, 7)	Yokkaichi city, Mie	10	Security services	50.0 (20.0)	Receipt and provision of services Management guidance Rental of facilities Number of officers holding concurrent positions: 1
ALSOK Sanin Co., Ltd.	Matsue city, Shimane	30	Security services	100.0	Receipt and provision of services Management guidance Rental of facilities Number of officers holding concurrent positions: 2

Name	Address	Capital stock (Millions of yen)	Description of main business	Ownership ratio of voting rights (%)	Relationship
Hiroshima Sohgo Security Services Co., Ltd. (Note 4)	Asaminami-ku, Hiroshima city, Hiroshima	90	Security services	50.0	Receipt and provision of services Management guidance Number of officers holding concurrent positions: 3
Ehime Sohgo Security Services Co., Ltd. (Note 4)	Matsuyama city, Ehime	90	Security services	50.0	Receipt and provision of services Management guidance Rental of facilities Number of officers holding concurrent positions: 2
Nagasaki Sohgo Security Services Co., Ltd.	Nagasaki city, Nagasaki	20	Security services	68.8	Receipt and provision of services Management guidance Rental of facilities Number of officers holding concurrent positions: 1
Okinawa Sohgo Security Services Co., Ltd. (Note 11)	Ginowan city, Okinawa	40	Security services	65.4	Receipt and provision of services Management guidance Number of officers holding concurrent positions: 1
ALSOK Miyagi Co., Ltd.	Miyagino-ku, Sendai city, Miyagi	20	Security services	100.0	Receipt and provision of services Management guidance Rental of facilities Number of officers holding concurrent positions: 1
ALSOK Ibaraki Co., Ltd.	Mito city, Ibaraki	30	Security services	100.0	Receipt and provision of services Management guidance Number of officers holding concurrent positions: 1
ALSOK Saitama Co., Ltd.	Chuo-ku, Saitama city, Saitama	20	Security services	100.0	Receipt and provision of services Management guidance Rental of facilities Number of officers holding concurrent positions: 2
ALSOK Chiba Co., Ltd.	Hanamigawa-ku, Chiba city, Chiba	20	Security services	100.0	Receipt and provision of services Management guidance Rental of facilities Number of officers holding concurrent positions: 1
ALSOK Tokyo Co., Ltd.	Chiyoda-ku, Tokyo	30	Security services	100.0	Receipt and provision of services Management guidance Rental of facilities
ALSOK Tohshin Co., Ltd.	Fuchu city, Tokyo	18	Security services	100.0	Receipt and provision of services Management guidance Rental of facilities Number of officers holding concurrent positions: 1
ALSOK Stationed Security Co., Ltd.	Sumida-ku, Tokyo	100	Security services	100.0	Receipt and provision of services Management guidance Rental of facilities
Urban Security Co., Ltd.	Chiyoda-ku, Tokyo	100	Security services	51.4	Receipt and provision of services Management guidance Rental of facilities Number of officers holding concurrent positions: 1
ALSOK Shojitsu Security Service Co., Ltd.	Chiyoda-ku, Tokyo	100	Security services	100.0	Receipt and provision of services Management guidance Rental of facilities
ALSOK-TW East Japan Co., Ltd.	Chuo-ku, Tokyo	100	Security services	80.0	Receipt and provision of services Management guidance Rental of facilities Number of officers holding concurrent positions: 1

Name	Address	Capital stock (Millions of yen)	Description of main business	Ownership ratio of voting rights (%)	Relationship
ALSOK Kanto Delivery Co., Ltd.	Adachi-ku, Tokyo	10	Security services	100.0	Receipt and provision of services Management guidance Rental of facilities Number of officers holding concurrent positions: 1
ALSOK Kanagawa Co., Ltd.	Nishi-ku, Yokohama city, Kanagawa	30	Security services	100.0	Receipt and provision of services Management guidance Rental of facilities
ALSOK Shizuoka Co., Ltd.	Aoi-ku, Shizuoka city, Shizuoka	30	Security services	100.0	Receipt and provision of services Management guidance Rental of facilities Number of officers holding concurrent positions: 1
ALSOK Aichi Co., Ltd.	Nishi-ku, Nagoya city, Aichi	30	Security services	100.0	Receipt and provision of services Management guidance Rental of facilities
ALSOK Keiji Co., Ltd.	Shimogyo-ku, Kyoto city, Kyoto	20	Security services	100.0	Receipt and provision of services Management guidance Rental of facilities Number of officers holding concurrent positions: 1
ALSOK Osaka Co., Ltd.	Chuo-ku, Osaka city, Osaka	20	Security services	100.0	Receipt and provision of services Management guidance Rental of facilities Number of officers holding concurrent positions: 1
ALSOK Kinki Co., Ltd.	Chuo-ku, Osaka city, Osaka	50	Security services	100.0	Receipt and provision of services Management guidance Rental of facilities Number of officers holding concurrent positions: 2
ALSOK Hyogo Co., Ltd.	Chuo-ku, Kobe city, Hyogo	10	Security services	100.0	Receipt and provision of services Management guidance Rental of facilities Number of officers holding concurrent positions: 2
ALSOK Asahi Harima Co., Ltd. (Note 7)	Hamada city, Shimane	20	Security services	90.0 (30.0)	Receipt and provision of services Management guidance Rental of facilities Number of officers holding concurrent positions: 1
ALSOK Yamaguchi Co., Ltd.	Yamaguchi city, Yamaguchi	10	Security services	100.0	Receipt and provision of services Management guidance Rental of facilities Number of officers holding concurrent positions: 2
ALSOK Tokushima Co., Ltd.	Tokushima city, Tokushima	10	Security services	100.0	Receipt and provision of services Management guidance Rental of facilities Number of officers holding concurrent positions: 1
ALSOK Kochi Co., Ltd.	Kochi city, Kochi	15	Security services	100.0	Receipt and provision of services Management guidance Number of officers holding concurrent positions: 2
ALSOK Fukuoka Co., Ltd.	Hakata-ku, Fukuoka city, Fukuoka	20	Security services	100.0	Receipt and provision of services Management guidance Rental of facilities Number of officers holding concurrent positions: 2
Hiroshima Sohkei Services Co., Ltd. (Note 4, 7)	Asaminami-ku, Hiroshima city, Hiroshima	30	Security services	50.0 (50.0)	Receipt of services Rental of facilities

Name	Address	Capital stock (Millions of yen)	Description of main business	Ownership ratio of voting rights (%)	Relationship
ALSOK Care & Support Co., Ltd.	Ota-ku, Tokyo	100	Security services	100.0	Management guidance Rental of facilities Number of officers holding concurrent positions: 2
Keihanshin Security Service Co., Ltd	Ikeda city, Osaka	35	Security services	90.9	Receipt and provision of services Management guidance Number of officers holding concurrent positions: 2
ALSOK Facilities Co., Ltd.	Chiyoda-ku, Tokyo	72	General Property Management and Fire Protection Services	100.0	Receipt and provision of services Management guidance Rental of facilities Number of officers holding concurrent positions: 1
Japan Facilio Co., Ltd. (Note 3)	Minato-ku, Tokyo	2,500	General Property Management and Fire Protection Services	91.6	Management guidance Number of officers holding concurrent positions: 1
Japan Financial Logistics Co., Ltd.	Minato-ku, Tokyo	40	General Property Management and Fire Protection Services	60.0	Provision of services Rental of facilities
ALSOK Care Co., Ltd.	Omiya-ku, Saitama city, Saitama	100	Long-Term Care Services	100.0	Management guidance Rental of facilities Number of officers holding concurrent positions: 3
Honest Co., Ltd. (Note 7)	Taisho-ku, Osaka city, Osaka	3	Long-Term Care Services	100.0 (100.0)	Management guidance Number of officers holding concurrent positions: 2
Care Plus, Inc.	Minato-ku, Tokyo	69	Long-Term Care Services	100.0	Management guidance Rental of facilities Number of officers holding concurrent positions: 3
Life Holdings Co., Ltd.	Shinagawa-ku, Tokyo	100	Long-Term Care Services	100.0	Management guidance Rental of facilities Number of officers holding concurrent positions: 3
Life Co., Ltd. (Note 7)	Shinagawa-ku, Tokyo	100	Long-Term Care Services	100.0 (100.0)	Management guidance Rental of facilities Number of officers holding concurrent positions: 3
MBIC Life Co., Ltd. (Note 7)	Shinagawa-ku, Tokyo	1	Food inspection business	100.0 (100.0)	Management guidance Rental of facilities Number of officers holding concurrent positions: 3
ALSOK Joy Life Co., Ltd. (Note 8)	Kita-ku, Osaka-city, Osaka	100	Long-Term Care Services	100.0	Management guidance Number of officers holding concurrent positions: 2
ALSOK Life Support Co., Ltd. (Note 8)	Hirakata city, Osaka	100	Long-Term Care Services	100.0	Management guidance Number of officers holding concurrent positions: 2
PT. ALSOK BASS Indonesia Security Services	Jakarta, Indonesia	11,000 million Indonesian Rupia	Security Services	73.0	Management guidance Number of officers holding concurrent positions: 1
ALSOK Thai Security Services Co., Ltd. (Note 7)	Bangkok, Thailand	69 million Thai Baht	Security Services	100.0 (51.0)	Management guidance
ALSOK Vietnam Security Services Joint Stock Company (Note 4)	Hai Phong City, Vietnam	11,000 million Vietnamese Dong	Security Services	49.0	Management guidance Number of officers holding concurrent positions: 1
ALSOK Bangladesh Security Services Ltd. (Note 7, 10)	Dhaka, Bangladesh	20 million Bangladesh Taka	Security Services	99.0 (1.0)	Management guidance
Other 21 companies	—	—	—	—	—

Name	Address	Capital stock (Millions of yen)	Description of main business	Ownership ratio of voting rights (%)	Relationship
(Equity-method associates)					
HOCHIKI Corporation (Note 5, 6)	Shinagawa-ku, Tokyo	3,798	Sales of equipment related to Security Services and General Property Management and Fire Protection Services	17.4	Equipment purchase
Nippon Dry-Chemical Co., Ltd. (Note 5, 6)	Kita-ku, Tokyo	700	Sales of equipment related to Security Services and General Property Management and Fire Protection Services	16.0	Equipment purchase
Aomori Sohgo Security Services Co., Ltd.	Aomori city, Aomori	30	Security Services	30.0	Receipt and provision of services Management guidance Number of officers holding concurrent positions: 1
Niigata Sohgo Security Services Co., Ltd. (Note 5)	Higashi-ku, Niigata city, Niigata	48	Security Services	15.0	Receipt and provision of services Management guidance Number of officers holding concurrent positions: 1
Hokuriku Sohgo Security Services Co., Ltd. (Note 5)	Kanazawa city, Ishikawa	60	Security Services	15.0	Receipt and provision of services Management guidance Number of officers holding concurrent positions: 1
Nihon Guard Co., Ltd.	Gifu city, Gifu	51	Security Services	31.3	Receipt and provision of services Management guidance Number of officers holding concurrent positions: 1
Miyazaki Sohgo Security Services Co., Ltd. (Note 5)	Miyazaki city, Miyazaki	20	Security services	15.0	Receipt and provision of services Management guidance Number of officers holding concurrent positions: 1
Kagoshima Sohgo Security Services Co., Ltd.	Kagoshima city, Kagoshima	20	Security services	20.0	Receipt and provision of services Management guidance Number of officers holding concurrent positions: 1
Nippon Care Supply Co., Ltd. (Note 6)	Minato-ku, Tokyo	2,897	Life support for senior citizens	32.3	Management guidance Rental of facilities Number of officers holding concurrent positions: 1
Tobu Co., Ltd. (Note 9)	Aoba-ku, Sendai city, Miyagi	40	Security services General Property Management and Fire Protection Services	35.0	Receipt and provision of services Management guidance
Tobu Co., Ltd. (Note 9)	Minami—Soma city, Fukushima	20	Security services General Property Management and Fire Protection Services	35.0	Receipt and provision of services Management guidance
Tobu Co., Ltd. (Note 9)	Chiyoda-ku, Tokyo	10	Security services General Property Management and Fire Protection Services	35.0	Receipt and provision of services Management guidance
Other 4 companies	—	—	—	—	—

(Notes) 1. The segment name is described in the description of main business.

2. Selected profit/loss information is not disclosed for the consolidated subsidiaries as no single consolidated subsidiary accounts for more than 10% of the consolidated net sales (excluding intercompany sales).

3. This is a specified subsidiary.

4. Although the ownership interest is 50/100 or less, this is considered as a subsidiary as we substantially control the company.

5. Although the ownership interest is less than 20/100, this is considered as an equity-method associate as we have significant

influence over the company.

6. Annual Securities Report has been submitted.
7. The percentage in parentheses under ownership ratio of voting rights represents indirect ownership ratio and is included in the percentage described above.
8. Effective June 22, 2022, the Company acquired all shares of ALSOK Joy Life Co., Ltd. and ALSOK Life Support Co., Ltd., engaging in the long-term care services. These companies became consolidated subsidiaries of the Company.
9. Effective September 30, 2022, the Company indirectly held shares of Tobu Co., Ltd. (three companies under the same name with headquarters in Sendai, Fukushima, and Tokyo), mainly engaging in building maintenance business. These companies became equity-method associates through investments in a special-purpose company established by SBI Regional Business Succession Investment No. 1 Investment Limited Liability Partnership, which is operated by SBI Regional Business Succession Investment Co., Ltd.
10. Effective November 15, 2022, ALSOK Bangladesh Security Services Ltd. was established to engage in security services in Bangladesh, where a high rate of economic growth has been achieved and further growth is expected on the background of a steady increase in exports and an increase in private-sector consumption, in order to meet the security needs of Japanese companies entering the country to expand their businesses.
11. Effective February 15, 2023, the Company acquired additional shares of Okinawa Sohgo Security Services Co., Ltd., an equity-method associate mainly engaging in security services, in order to achieve stable business management and strengthen governance. The company became a consolidated subsidiary of the Company.

5. [Employees]

(1) Consolidated companies

As of March 31, 2023

Segment	Number of employees
Security Services	29,937 [3,522]
General Property Management and Fire Protection Services	1,826 [780]
Long-Term Care Services	3,208 [2,697]
Total for reportable segments	34,971 [6,999]
Other Services	338 [82]
Corporate	3,730 [168]
Total	39,039 [7,249]

(Note) The number of employees includes permanent employees. The number in square brackets represents the average number of temporary employees during the fiscal year ended March 31, 2023.

(2) Reporting company

As of March 31, 2023

Number of employees	Average age	Average years of service	Average yearly salary (Yen)
12,041	40.9	17.8	5,547,976

Segment	Number of employees
Security Services	9,763
General Property Management and Fire Protection Services	117
Long-Term Care Services	6
Total for reportable segments	9,886
Other Services	28
Corporate	2,127
Total	12,041

(Notes) 1. The number of employees includes permanent employees.

2. Average yearly salary includes bonuses and overtime pay.

(3) Labor union

A labor union has been established for the following consolidated subsidiaries: Japan Facilio Co., Ltd., (171 members), ALSOK Souei Co., Ltd. (316 members), ALSOK-TW East Japan Co., Ltd. (149 members) and Care Plus, Inc. (262 members).

No labor union has been established for other companies.

The labor-management relations are well-managed.

(4) Percentage of female workers in management positions, percentage of male workers who took childcare leave, and differences in wages between male and female workers

A. The Company

Fiscal year ended March 31, 2023					
Percentage of female workers in management positions (%) (Note 1)	Percentage of male workers who took childcare leave (%) (Note 2)	Differences in wages between male and female workers (%) (Note 1)			
		All workers	Of which, full-time workers	Of which, part-time or temporary workers	Remarks
4.0	11.0	73.0	81.2	71.6	Mainly due to fewer overtime hours by female workers.

(Notes) 1. Calculated based on the provisions of the “Act on the Promotion of Women’s Active Engagement in Professional Life” (Act No. 64 of 2015).

2. Based on the provisions of the “Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members” (Act No. 76 of 1991), the percentage of employees who took childcare leave, etc., was calculated as stipulated in Article 71-4, Paragraph 1 of the “Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members” (Ordinance of the Ministry of Labor No. 25 of 1991).

B. Consolidated subsidiaries (39 companies)

Fiscal year ended March 31, 2023						
Company Name	Percentage of female workers in management positions (%) (Note 1)	Percentage of male workers who took childcare leave (%) (Note 2)	Differences in wages between male and female workers (%) (Note 1)			
			All workers	Of which, full-time workers	Of which, part-time or temporary workers	Remarks
ALSOK Hokkaido Co., Ltd.	0.0	0.0	73.8	73.1	80.5	Mainly due to fewer overtime hours by female workers.
ALSOK Miyagi Co., Ltd.	—	—	77.2	77.6	52.3	Mainly due to fewer overtime hours by female workers.
ALSOK Yamagata Kanzai Co., Ltd.	50.0	—	—	—	—	Information omitted due to disclosure exemption.
ALSOK Fukushima Co., Ltd.	3.6	16.7	70.4	69.3	66.1	Mainly due to fewer overtime hours by female workers.
ALSOK Ibaraki Co., Ltd.	4.5	—	—	—	—	Information omitted due to disclosure exemption.
ALSOK Gunma Co., Ltd.	11.8	—	72.2	71.8	69.2	Mainly due to fewer overtime hours by female workers.
ALSOK Care Co., Ltd.	47.5	100.0	97.4	96.9	143.7	
ALSOK Chiba Co., Ltd.	0.0	0.0	75.1	75.7	86.2	Mainly due to fewer overtime hours by female workers.
ALSOK Facilities Co., Ltd.	10.7	33.3	73.0	85.7	62.2	Mainly due to fewer overtime hours by female workers.
ALSOK Tokyo Co., Ltd.	4.4	12.5	65.1	65.2	65.2	Mainly due to fewer overtime hours by female workers.

Fiscal year ended March 31, 2023						
Company Name	Percentage of female workers in management positions (%) (Note 1)	Percentage of male workers who took childcare leave (%) (Note 2)	Differences in wages between male and female workers (%) (Note 1)			
			All workers	Of which, full-time workers	Of which, part-time or temporary workers	Remarks
ALSOK Stationed Security Co., Ltd.	0.0	30.0	65.7	64.4	N/A	Mainly due to fewer overtime hours by female workers.
Urban Security Co., Ltd.	—	N/A	96.2	95.4	80.7	
Japan Facilio Co., Ltd.	—	—	68.1	69.4	74.4	Mainly due to fewer overtime hours by female workers.
ALSOK Care & Support Co., Ltd.	60.0	—	—	—	—	Information omitted due to disclosure exemption.
Life Co., Ltd.	38.5	—	86.0	95.6	107.4	
ALSOK Shojitsu Security Service Co., Ltd.	—	25.0	84.2	78.4	80.2	Mainly due to fewer overtime hours by female workers.
ALSOK-TW East Japan Co., Ltd.	—	—	84.0	74.5	94.5	Mainly due to fewer overtime hours by female workers.
Care Plus, Inc.	15.2	—	—	—	—	Information omitted due to disclosure exemption.
ALSOK Kanagawa Co., Ltd.	—	—	65.3	64.6	71.6	Mainly due to fewer overtime hours by female workers.
ALSOK Souei Co., Ltd.	1.5	N/A	82.8	72.2	80.0	Mainly due to fewer overtime hours by female workers.
ALSOK Shizuoka Co., Ltd.	23.1	—	—	—	—	Information omitted due to disclosure exemption.
ALSOK Aichi Co., Ltd.	7.1	—	77.9	74.9	72.1	Mainly due to fewer overtime hours by female workers.
ALSOK Osaka Co., Ltd.	0.0	0.0	80.4	74.9	85.4	Mainly due to fewer overtime hours by female workers.
ALSOK Joy Life Co., Ltd.	22.0	—	—	—	—	Information omitted due to disclosure exemption.
ALSOK Life Support Co., Ltd.	50.0	—	—	—	—	Information omitted due to disclosure exemption.
ALSOK Sanin Co., Ltd.	5.6	—	—	—	—	Information omitted due to disclosure exemption.
ALSOK Asahi Harima Co., Ltd.	—	N/A	—	—	—	Information omitted due to disclosure exemption.
ALSOK Tokushima Co., Ltd.	0.0	—	—	—	—	Information omitted due to disclosure exemption.
ALSOK Kagawa Co., Ltd.	25.0	—	—	—	—	Information omitted due to disclosure exemption.

Fiscal year ended March 31, 2023						
Company Name	Percentage of female workers in management positions (%) (Note 1)	Percentage of male workers who took childcare leave (%) (Note 2)	Differences in wages between male and female workers (%) (Note 1)			
			All workers	Of which, full-time workers	Of which, part-time or temporary workers	Remarks
ALSOK Kochi Co., Ltd.	22.2	—	—	—	—	Information omitted due to disclosure exemption.
ALSOK Fukuoka Co., Ltd.	10.7	50.0	72.1	69.6	84.6	Mainly due to fewer overtime hours by female workers.
Nagasaki Sohgo Security Services Co., Ltd.	—	—	60.4	75.1	71.8	Mainly due to fewer overtime hours by female workers.
Kita-Kanto Sohgo Security Services Co., Ltd.	—	—	87.4	84.1	84.0	Mainly due to fewer overtime hours by female workers.
Toyama Prefecture Sohgo Security Services, Co., Ltd.	7.5	0.0	99.5	86.7	104.1	
Chukyo Sohgo Security Services Co., Ltd.	—	44.4	79.0	76.9	101.4	Mainly due to fewer overtime hours by female workers.
Hiroshima Sohgo Security Services Co., Ltd.	—	41.2	57.4	73.2	46.2	Mainly due to fewer overtime hours by female workers.
Hiroshima Sohkei Services Co., Ltd.	7.1	100.0	89.4	78.8	100.8	
Ehime Sohgo Security Services Co., Ltd.	—	—	79.9	82.9	77.7	Mainly due to fewer overtime hours by female workers.
Okinawa Sohgo Security Services Co., Ltd.	7.1	27.3	86.2	82.6	59.8	Mainly due to fewer overtime hours by female workers.

(Notes) 1. Calculated based on the provisions of the “Act on the Promotion of Women’s Active Engagement in Professional Life” (Act No. 64 of 2015).

2. Based on the provisions of the “Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members” (Act No. 76 of 1991), the percentage of employees who took childcare leave, etc., was calculated as stipulated in Article 71-4, Paragraph 1 of the “Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members” (Ordinance of the Ministry of Labor No. 25 of 1991).

3. Bar (-) indicates that information is omitted.

4. “N/A” indicates that there were no workers subject to the survey during the fiscal year ended March 31, 2023.

5. The number of workers used to calculate the difference in wages between male and female workers is determined based on the workers who work regular hours. Workers who work reduced hours due to childcare or nursing care are excluded from the calculation.

6. Consolidated subsidiaries not listed in the table above are exempt from disclosure obligation based on the “Act on the Promotion of Women’s Active Engagement in Professional Life” and the “Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members”.

II. [Business Overview]

1. [Management policy, business environment and pressing issues]

(1) Basic corporate management policy

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

(2) Target management indicators

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

(3) Medium- and long-term corporate strategy

To meet expanding safety and security needs of society with diversified risks, the ALSOK Group aims to become a resilient integrated safety and security solutions provider by promoting the innovation of security business model. To achieve this, we will enhance the capacity to respond to diverse safety and security needs of society, promote digitization and utilization of data, establish a work environment where employees play an active role, and strengthen the efforts of sustainability.

(4) Business environment and pressing issues for the Company

The ALSOK Group is one of Japan’s leading security services conglomerates. Recognizing the responsibility this represents, we are actively working to help protect the safety and security of society while practicing stringent compliance and acting as a principled company to improve corporate value. Additionally, in a society where risks are diversifying, as a provider of an important form of social infrastructure related to safety and security, ALSOK will promote the transformation of its security service business model by strengthening integration in existing business areas and expanding new business areas to accurately respond to the growing safety and security needs of customers and society.

A. Responding to fluctuations in financial markets, soaring prices of resources and shortage of parts supply

Amid expectations of continued future weakening of the yen, soaring prices of raw materials such as crude oil, and rising production costs such as wage hikes, we will, as a company that has declared our commitment to building partnerships, continue to aim for co-existence and co-prosperity with our business partners, including price pass-through in response to cost increases, and will undertake initiatives with consideration for multi-stakeholders including our business partners. In addition, to minimize the impact of supply shortages of semiconductors and other components, which have become an issue in the supply chain, we will respond by appropriately managing inventory based on supply and demand forecasts, expanding procurement sources, and promoting the reuse of materials.

B. Responding to diverse safety and security needs of customers and society

We are seeing an increased risk of cyber-attacks on critical infrastructure and supply chains, concerns for the safety and security of vulnerable groups in society such as senior citizens, women and children, increasing number of common crimes and accidents, ongoing natural disasters, and aging of infrastructure, all of which adds up to a diversification of the risks in the 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 by expanding and improving new solutions through external alliances that combine various service features such as cyber-security countermeasures; 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; comprehensive management services for buildings, facilities and infrastructure.

C. Expanding business scope

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

D. Digitization and data utilization

Amid massive changes in the business environment surrounding the ALSOK Group, including advances in digital technologies, the Group is focusing efforts on creating new services through enhanced communications with customers and data utilization, and increasing productivity by streamlining and saving labor in the front and back office operations as well as creating added value.

E. Establishing a work environment where employees play an active role

The ALSOK Group will further promote work-style reforms throughout the Group while enhancing employee engagement by providing systems and environment that enable each employee to apply his or her capabilities to the fullest. This will include providing options for diverse working styles and opportunities to develop 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.

F. 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 ("EV") 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. Furthermore, as part of our efforts toward a circular economy, we have introduced services aimed at the effective use of unused disaster stockpiles and the reduction of food loss. The ALSOK Group understands environmental issues is one of the diversified risks, and we are committed to resolving these issues.

G. Response to major disasters, infectious diseases, etc.

In preparation for the occurrence of a large-scale disaster, the ALSOK 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. In addition, 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.

H. Developing overseas operations

The ALSOK Group is responding to mounting needs for safety and security overseas as well. Based on the expertise we have cultivated in Japan, we offer products and services optimized for individual countries as we proactively expand our operations to support the overseas businesses of our customers. In November 2022, we established a local subsidiary in Bangladesh to meet the safety and security needs of Japanese companies, which are expanding their businesses in the country.

2. [Approach to sustainability and its initiatives]

The Group's approach to sustainability and its initiatives are as follows.

Any forward looking information included below is based on the best estimates of the Group as of March 31, 2023.

(1) Approach to sustainability

Recognizing that addressing issues surrounding sustainability is a fundamental management issue, the Group has established a basic sustainability policy to meet the diverse safety and security needs of customers and society, and the Group will continue to pursue initiatives to achieve sustainable growth.

Also, the Company places particular importance on risk management due to the nature of its business to ensure safety of society. To this end, the Risk Management Committee, chaired by Representative Director Group COO, is organized in accordance with the Risk Management Rule established in 2002 as amended according to the current risk situations. The risk management examination organization is also established on a head office and office level, to manage risk on a company-wide basis, including identification and assessment of risks and development of preventative and responsive measures. In addition, a risk examination working group is set up within the Risk Management Committee for each field, which collects, analyzes and assesses risk information to develop measures to mitigate the risks. We have established systems, such as establishment of emergency contact and task force, to respond promptly to critical emergency situations.

(2) Key sustainability matters

The Group's key sustainability matters are described below:

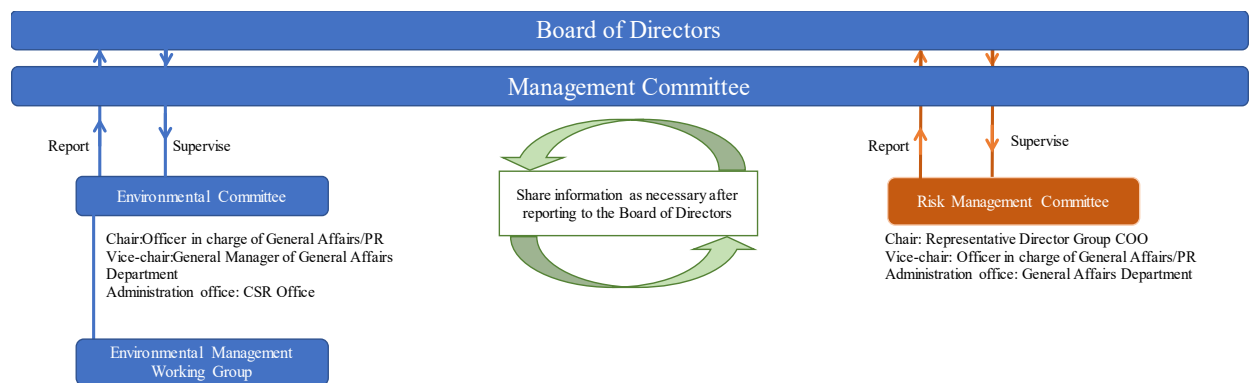
A. Environment

Endorsing the TCFD, the Group discloses information on four disclosure items, "Governance", "Strategy", "Risk Management" and "Metrics and Targets", on our website. The Group is also committed to supporting initiatives, such as joining the United Nations Global Compact.

(Related URL) <https://www.alsok.co.jp/company/society/tcfid/>

(A) Governance

The Environmental Committee (chairperson: Officer in charge of General Affairs/PR) and the Environmental Management Working Group are organized to plan, implement and review environmental promotion activities and other environmental measures, and to report the status of initiatives to the Board of Directors as appropriate and implement PDCA cycle of the environmental management system, thereby driving company-wide environmental initiatives. We have also established a system to address company-wide risks in cooperation with the Risk Management Committee.



(B) Strategy

We conducted scenario analysis to identify climate-related risks, measures and opportunities. Two scenarios, the 2°C scenario and the 4°C scenario, are assumed, referring to scenarios published by the Intergovernmental Panel on Climate Change (IPCC) and the International Energy Agency ("IEA"), etc.

2°C scenario (the world's goal)	A future in which climate change measures are more stringent than at present, and temperature increase is slower (+0.9°C to +2.4°C compared to the Industrial Revolution period)
4°C scenario	A future in which temperatures continue to rise as they are now (+3.2°C to +5.4°C compared to the Industrial Revolution period) and climate change intensifies

a. Climate-related risks and countermeasures

Based on the 2°C and 4°C scenarios, we have organized the risks and countermeasures assumed in each scenario as shown in (1) and (2) below. The financial impact of the risks has been estimated based on the published data from the IEA and other sources, and classified as “Major, Medium or Minor” in accordance with the standards of the Group’s Risk Management Committee.

(1) Risks associated with stringent regulations on climate change and relevant countermeasures

	2°C scenario	Impact	4°C scenario	Impact
Examples of risk	Increase in carbon and other taxes	Major	Replacement of vehicles, Heating, Ventilation, and Air Conditioning (“HVAC”) and lighting systems	Major
	Mandatory replacement of vehicles, HVAC and lighting systems due to stringent regulations	Major	Soaring gasoline and diesel fuel prices	Major
	Soaring electricity rates	Medium	Increasing water costs	Medium
	Decline in share price due to brand damage caused by delayed response to environmental changes	Major	Decline in share price due to brand damage caused by delayed response to environmental changes	Major
Countermeasures	Promote introduction of environmentally friendly vehicles suited to the type of work Use LED lighting in facilities, renew HVAC equipment			

(2) Risks associated with natural disasters caused by climate change and relevant countermeasures

	2°C scenario	Impact	4°C scenario	Impact
Examples of risk	Increase in accidents resulting in harm to employees (especially security guards) due to heat stroke, infectious diseases and extreme weather conditions	Medium	Increase in accidents resulting in harm to employees (especially security guards) due to heat stroke, infectious diseases and extreme weather conditions	Major
	Deterioration in operational efficiency due to increased frequency of equipment failures caused by wind and flood damage	Medium	Deterioration in operational efficiency due to increased frequency of equipment failures caused by wind and flood damage	Medium
	Soaring paper prices due to drought	Minor	Soaring paper prices due to drought	Minor
Countermeasures	Introduce air-conditioned clothing and change materials of uniforms Increase stockpiling of infectious disease control products (masks, disinfectants, etc.) Improve equipment performance and enhance BCP measures Promote digitization including meeting materials			

b. Climate-related business opportunities

We consider that business opportunities arising from more stringent regulations on climate change and natural disaster countermeasures include (1) and (2) below, based on our current businesses.

(1) Business opportunities arising from more stringent regulations on climate change

Change associated with more stringent regulations	Business opportunities expected
Increase in expected number of metal theft cases due to soaring resource prices	Increase in need for security, such as electronic security
Increase in illegal dumping of waste plastics due to higher disposal costs	Increase in need for illegal dumping monitoring services
Increase in equipment replacement opportunities due to carbon and other tax savings	Increase in need for EV charging facilities and lighting and HVAC renewal work

(2) Business opportunities arising from countermeasures for natural disaster caused by climate change

Impact of climate change	Business opportunities expected
Increase in average temperature	Increase in need for heat stroke prevention and birds and beasts control
Increase in infectious diseases	Increase in need for infection control products
Frequent and severe extreme weather events	Increase in need for disaster countermeasure products and services (BCP solutions, disaster stockpiles, river monitoring, etc.)

(C) Risk management

In the Environmental Management Working Group, the CSR Office of the General Affairs Department, which is an administration office for CSR matters, identifies and assesses climate-related risks, and develops countermeasures and manages the progress, in collaboration with other related departments, the results of which are reported to the Environmental Committee for deliberation.

Risks that may cause loss or disadvantage to the business operation are assessed, and the effectiveness of countermeasures are confirmed by the Risk Management Committee organized in accordance with the Risk Management Rule. Climate-related risks that have a large impact on the Group are shared with the Risk Management Committee to manage them jointly.

(D) Metrics and targets

a. Metrics for risk management assessment (Scope 1 and 2)

The Company has two metrics, greenhouse gas (“GHG”) emissions (Scope 1 and 2) and emissions per unit of net sales. The Company has been calculating GHG emissions (Scope 1 and 2) for the entire Group since the fiscal year ended March 31, 2014. For the fiscal year ended March 31, 2022, total emissions was 85,146 t-CO₂ (0.41% reduction year on year), and emissions per unit of net sales was 0.174 t-CO₂ (3.86% reduction year on year).

To reduce Scope 1 emissions, we will actively promote the introduction of environmentally friendly vehicles suited to our businesses, and to reduce Scope 2 emissions, we will promote the use of LEDs and renewal of air conditioning systems at facilities owned by the Group. The Group’s total Scope 3 emissions for the fiscal year ended March 31, 2022 was 352,291 t-CO₂.

b. Targets (GHG reduction targets, etc.) to manage risks and opportunities and actual results

In 2022, we set a target of “reducing CO₂ emissions (Scope 1 and 2) by 59% per unit of net sales for the fiscal year ended March 31, 2025 (compared to the fiscal year ended March 31, 2013)”. The progress in reducing GHG emissions (Scope 1 and 2) is managed by the CSR Office of the General Affairs Department, which is responsible for measures related to climate change, to achieve our long-term emissions reduction targets.

B. Governance and anti-corruption

Refer to “IV. Information on Reporting Company, 4. Corporate governance” for further details.

(A) Governance

We adopt the Audit and Supervisory Board members system and recognize that its full audit is operating effectively to improve governance of our management team.

ALSOK’s directors consist of 11 members, including 4 outside directors, and Audit and Supervisory Board members consist of 4 members, including 3 outside Audit and Supervisory Board members. The Board of Directors meets generally once a month to make important management decisions on basic management policy and important matters concerning business execution. The board also oversees execution of duties of the directors and executive officers. The Management Committee, chaired by Representative Director Group CEO, meets generally twice a month to discuss matters to be presented to the Board of Directors and the business execution policy based on the resolutions of the Board of Directors. The Audit and Supervisory Board meets generally once a month to consult, discuss or resolve important matters concerning audit. Also, one of the Audit and Supervisory Board members attends the Management Committee and monitors execution of duties of management.

We have been adopting this current system as the fairness and transparency of business management are properly ensured by the system.

In addition, based on the Companies Act and the Financial Instruments and Exchange Act of Japan, the Company has a system in place in accordance with the Basic Policy for Internal Control System stipulated by the Board of Directors to ensure the execution of duties by directors complies with laws and regulations and the Articles of Incorporation, and the adequacy of the business of other corporation and a corporate group consisting of the corporation and its subsidiaries.

Furthermore, we distribute three booklets, the “ALSOK Charter”, “ALSOK Corporate Ethics” and “Guide to Preventing Harassment and Misconduct” to all officers and employees, which systematically outline our basic approach to establishing high corporate ethics, used as teaching materials in various opportunities, including morning assemblies, training, meetings and conferences. In order to maintain fair and sound relationships with suppliers and other business partners, we act in a moderate manner in receiving and accepting entertainment and gifts from them in accordance with the internally defined rules.

Various other committees (Risk Management Committee, Business Investment Review Committee, etc.) have been established with the approval of the Representative Director Group COO following deliberations of the Management Committee. These committees conduct research, study, deliberation, planning and drafting related to important or special advisory matters.

(B) Risk management

The Company conducts a questionnaire survey for all directors and all Audit and Supervisory Board Members regarding the effectiveness of the Board of Directors, the results of which are analyzed and evaluated along with any opinions presented during the course of the evaluation process in an effort to improve the effectiveness of the Board of Directors.

Also, the Company places particular importance on risk management due to the nature of its business to ensure safety of society. To this end, the Risk Management Committee, chaired by Representative Director Group COO, is organized in accordance with the Risk Management Rule established in 2002 as amended according to the current risk situations. The risk management examination organization is also established on a head office and office level, to manage risk on a company-wide basis, including identification and assessment of risks and development of preventative and responsive measures. In addition, a risk examination working group is set up within the Risk Management Committee for each field, which collects, analyzes and assesses risk information to develop measures to mitigate the risks. We have established systems to respond promptly to critical emergency situations, such as establishment of emergency contact and task force.

With respect to compliance, the Compliance Committee, chaired by the officer in charge of compliance, is organized to achieve compliance with laws and regulations. The Compliance Committee strives to improve compliance awareness across officers and employees in accordance with Compliance Regulation established in 2002 (currently Compliance Rule) and monitors the activities on a regular basis.

C. Human capital

Based on the basic idea that human capital is the most important source of corporate activities, we have always supported the growth of our people through education and training as well as day-to-day operations. We will continue to develop systems and environment that enable each employee to maximize his or her potential, actively invest in human capital to improve engagement, and further promote diversity, all of which is expected to lead to enhancement of corporate value over the medium to long term.

(A) Professional development and investment in human capital

a. Strategy

In order to provide many employees with the education necessary to develop their skills no matter when and where during COVID-19, we have enhanced our e-learning system, and in order for employees to acquire skills required to work as a professional expected of ALSOK in a society in changing times with diversified risks, we have newly introduced “Digital Education” and “Risk Management Education” curriculum for all employees this fiscal year.

We will continue to encourage employees to acquire various official qualifications, promote the interchange of employees between the Group and the central government ministries and agencies and other companies as well as the interchange within the Group, enhance various training programs, and support employees’ autonomous career development, aiming to develop our talent who embodies our management philosophy.

b. Metrics and results

	Metrics	Results	
Education	(1) Number of e-learning participants	54,906 participated	+42,967 year on year
	(2) Correspondence courses	398 courses	+27 year on year
	(3) Digital courses	13,166 participated	+13,166 year on year
	(4) Risk management education	13,166 participated	+13,166 year on year
Qualifications	(5) Security guard training supervisor No.1 (facility)	2,321 passed	+40 year on year
	(6) Security guard training supervisor No.4 (personal protection)	1,300 passed	+27 year on year
	(7) Certified electrician	441 passed	+88 year on year
	(8) First-class telecommunication construction execution manager	46 passed	+10 year on year
	(9) Completion of fire protection manager training (Class A)	444 completed	+65 year on year
	(10) Applied information technology engineer examination	78 passed	+4 year on year
	(11) Registered information security specialist	34 passed	+1 year on year

* The number of people represents the total number.

c. Training mechanism for security “professional”

New hires, who are the future of ALSOK, take “New hire training” after joining ALSOK to acquire the necessary qualifications as a security guard as well as the common knowledge and skills required for their jobs. In order to put the knowledge and skills they have learned into practice, they receive on-the-job training in their assigned departments based on an education plan systematized for each job. Furthermore, we hold the “ALSOK Group Cooperative Quality Improvement Competition” every year, which is a competition for our practices, and through the competition among employees, we are working to provide higher quality services.

(B) Diversity

a. Strategy

The Group has been actively and continuously hiring women, non-Japanese and mid-career employees with diverse experience, while working to create a workplace environment where they can demonstrate their individual characteristics and abilities. For people with disabilities, we established ALSOK Business Support Co., Ltd., a Special Subsidiary Company, to secure jobs for them and create a workplace environment that takes account of their characteristics.

We will continue to respect and accept individuals from diverse backgrounds, such as gender, nationality, religion, beliefs, disabilities, values and lifestyles to secure a broad range of human capital for our business operations. We will also promote diversity in the management level, which is the core of our organization, to create a vibrant workplace that makes the most of diverse perspectives, characteristics, abilities and personalities.

b. Metrics and targets

Metrics	Target (compared to FY20)	Results
(1) Percentage of women in management positions	5.0% increase	1.4% increase
(2) Percentage of non-Japanese in management positions	5.0% increase	12.7% increase
(3) Percentage of mid-career employees in management positions	To keep approximately 50.0%	Approximately 50.4%

(1) is the target to be achieved by the end of March 2024, and (2) and (3) by the end of March 2026.

(C) Promotion of women's participation in the workplace

a. Strategy

To create a workplace environment where women feel comfortable balancing work and family, the Company has developed a variety of internal systems, including childcare and nursing leave and shorter working hours that are beyond required by the law, as well as systems for pregnant women and women before and after giving birth. Since April 2021, the Company has taken various measures to achieve “Goal 1: Increase the percentage of women in management positions by 5%” and “Goal 2: Increase the employees' average number of years of service by 5%” as part of the Integrated Action Plan (three-year plan) based on the Act on the Advancement of Measures to Support Raising Next-Generation Children and the Act on the Promotion of Women's Active Engagement in Professional Life.

We will continue to develop a workplace environment where women can fully demonstrate their abilities and play an active role, consider providing options for various working styles, such as working from home, to enable employees to successfully balance work and family, and create a workplace environment where each employee can maximize his or her abilities.

b. Metrics and targets

Metrics	Target (compared to FY20)	Results
(1) Percentage of women in management positions	5.0% increase	1.4% increase
(2) Employees' average years of service	5.0% increase	7.9% increase

c. Outside certification

In recognition of these efforts, the Company was certified as a “childcare support company” by the Ministry of Health, Labour and Welfare and received the “Kurumin” certification in 2010 and 2015. In February 2017, the Company also received the “Eruboshi” certification from the Ministry of Health, Labour and Welfare under the Act on the Promotion of Women's Active Engagement in Professional Life, and it is currently certified at the second of the three certification ranks.

We will strive to create a workplace where each and every employee can work lively and feel proud of what they do as a member of ALSOK.



(D) Health management

a. Strategy

In order for a company to be sound, we believe it is important to have healthy employees, both physically and mentally, and based on the idea, we have been making various efforts to maintain and promote employee health, including “measures against obesity”, “measures against smoking” and “measures for employees not receiving appropriate medical care”, as a joint project (Collabo Health) with ALSOK Corporate Health Insurance Society. We will continue to see employee health management from a business management perspective and take the initiative to maintain and promote good health.

b. Metrics and targets

Metrics	Target (through FY26)	Results
(1) Reduction in obesity rate (Note 1)	54.3% or lower	57.4%
(2) Reduction in smoking rate (Note 1)	35.3% or lower	40.0%
(3) Reduction in employees not receiving appropriate medical care (Note 2)	5.0% or lower	18.1%

(Notes) 1. Only men aged 40 and older are included in the calculation.

2. Men and women aged 40 and older are included in the calculation.

c. Certification of Health and Productivity Management Organization

In recognition of these efforts, the Company was the only company in the security industry to be recognized for seven consecutive years as “Certified Health and Productivity Management Outstanding Organization”, which is jointly sponsored by the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi.



D. Information security

(A) Governance

The Group has “Basic Policy for Information Security” stipulated by the Board of Directors as a cornerstone to ensure information security, which is applied to all employees including officers and all information assets held.

Based on the Information Asset Management Rule stipulated by the Board of Directors, a company-wide management system for information assets has been established and promoted, and drills have been conducted to prepare for incidents related to information assets.

(B) Strategy

Due to the increase in cyber-attacks caused by changes in the international situation and the increase in the volume of information assets handled as a result of DX efforts, the Group recognizes the need to constantly maintain a high level of information security to protect its information assets. To this end, we are making continuous improvements internally, such as maintaining Information Security Management System (ISMS) certification and Privacy Mark certification. We are also engaged in research and development of security solutions for both real space and cyberspace, making full use of new-generation information technology and advanced engineering. In March 2023, we launched ALSOK IT Rescue service, which investigates the cause and provides emergency treatment in the event of a customer’s IT equipment-related failure.

(C) Risk management

If a critical incident occurs, the Group sets up ALSOK-CSIRT (Computer Security Incident Response Team), a framework to respond to the incident and develop and execute the preventative measures, which started in the fiscal year ended March 31, 2014.

For data security, if a network failure or system trouble occurs for the operation of system or enterprise system related to products and services, it may affect the Group’s ability to provide the services. To address this risk, the Group has a backup system in place including multiplex network equipment at each location and multiple backup servers at remote locations.

The Group also conducts drills for system failures to ensure stable system operations.

(D) Metrics and targets

We have two metrics, “major incident” and “minor incident”. In the scope of Information Security Management System (ISMS) certification, we have set two targets, “zero major incident” and “five or less minor incidents”, and we have achieved these targets for six consecutive fiscal years since 2017. We will continue to maintain a high level of information security.

3. [Risk factors]

In relation to matters described in Risk Factors and Financial Condition of the Annual Securities Report, the following items are the major risks that, in management's opinion, may have a significant impact on financial position, operating results and cash flows of the Group.

Any forward looking information included in this report is based on the best estimates of the Group as of the date of filing of this report.

(1) Risk related to price fluctuations and supply shortages

If the weaker yen, soaring prices of raw materials such as crude oil, and rising production costs such as wage hikes continue, we may not be able to provide services on an ongoing basis. In addition, financial market trends, financial systemic risks and other changes in domestic and international circumstances may cause price fluctuations and supply shortages, which may affect the Group's operating results.

To address this risk, we, as a company declaring partnership building under the Japanese government initiative, continue to aim for co-existence and co-prosperity with our business partners, including price pass-through in response to cost increases, and will undertake initiatives with consideration for multi-stakeholders including our business partners.

In addition, to minimize the impact of supply shortages, the Company has appropriately managed its inventory based on supply and demand forecasts, sought new procurement sources and promoted the reuse of materials.

(2) Risk related to business environment

The customers' expectations toward us are growing ever higher against a background of increasing risk of cyber-attacks on critical infrastructure and supply chains, concerns for the safety and security of senior citizens, women, children, increasing number of violent street crimes and accidents, ongoing natural disasters and aging infrastructure. If the Group could not meet such expectations, it may lead to loss of trust of customers and affect the Group's operating results.

The ALSOK Group has responded to the risk by strengthening internal and external infrastructure built by its security and facility management businesses and by developing new solutions through external alliances that combine various features from its services such as services for cyber security; services that protect the safety and security of individual customers; services such as BCP solutions to address natural disaster risks; services to meet various outsourcing needs; comprehensive management services for buildings, facilities and infrastructure.

(3) Risks related to changes in the technological environment

In order for the Group to accurately meet the safety and security needs of its customers and society, it is essential to develop new products and services utilizing AI, 5G, and IoT technologies, etc. which are now in the stage of practical use. Under such circumstances, a failure to respond appropriately to such changes in the technological environment could affect the Group's operating results.

Therefore, the Group strives to avoid risks by keeping abreast of the latest technological trends and actively utilizing AI, 5G, IoT technologies, etc. and promoting DX.

(4) Risk related to human resources recruitment and development

The Group has developed a wide variety of businesses such as Security Services, General Property Management and Fire Protection Services (including facility management and construction) and lifestyle support services. Under the circumstance of decreasing working-age population, if retaining high quality human resources becomes difficult, leading to shortage of staff and managers who operate these businesses, it may affect the Group's operating results.

To address this risk, we will further promote workstyle reforms and improve working conditions within the Group and improve employee engagement by creating a system and environment that allows employees to maximize their abilities, such as increasing basic salary (now for 10 consecutive years), hiring diverse human resources, providing diverse workstyle options, and providing support for employees to obtain certificates to develop their skills and initiatives to take more paid leaves.

Furthermore, with the aim of revitalizing the organization and developing employees, we make efforts to improve communication within the Group, increase the opportunities for female employees, establish flexible human resource management by multi-tasking and place the right person in the right place.

We also make efforts to improve productivity by streamlining operations and saving labor in the front and back offices. This includes retention of high quality human resources such as introducing a system for retirees with abundant practical experiences to play an active role in the Group even after the retirement, as well as digital transformation and data utilization.

(5) Risk related to environmental issues

In recent years, extreme weathers, such as heat waves, heavy rains and droughts, have frequently occurred all over the world. In Japan as well, extreme weathers, such as heavy rains exceeding 100 mm per hour and intense heat exceeding 40°C, have been observed in various places, which has a great impact not only on the Group but also on corporate activities and citizens' lives.

The Group has responded to such climate change by taking various initiatives and providing products and services from both risk and opportunity perspectives to address issues, such as mitigating and adapting to climate change, conserving water, ocean and forest resources, responding to circulating society, preventing pollution and managing waste and conserving biodiversity, to create more sustainable society. In addition, we are working on CO2 reductions as a global environmental measure through our initiatives including switching the lighting of our facilities to LEDs and promoting electric and hybrid vehicles. We also support and participate in JCI Climate Change Initiative, a domestic initiative on climate change. In January 2020, we became a member of Global Environmental Action, an NGO established for the purpose of contributing to the solution of global environmental issues and sustainable development. Furthermore, we endorse the recommendations of the Task Force on Climate-related Financial Disclosure ("TCFD"), and actively work on many fronts, including the disclosure of TCFD-based information in October 2022. We communicate these initiatives on our website and ALSOK Report.

(6) Risk related to massive disasters and infectious diseases

If a massive disaster occurs and the Group's employees or facilities are suffered from the disaster, it may affect the business operations.

Therefore, the Group prepares for massive disasters with the expertise built on experiences by taking measures such as development of a business continuity plan and disaster preparedness manuals based on disaster countermeasures regulations, emergency supplies, nationwide mobile correspondence system and periodic education and training.

If a massive disaster and the prolonged power outage associated with the disaster disrupt the Group's network, it may affect the Group's ability to provide services continuously.

To address this risk, the Group locates two data centers each in Eastern Japan and Western Japan as a backup for critical systems, which enables to mutually monitor the systems to prepare for massive disasters.

If any employee guarding important facilities gets infected or when any outbreak occurs at long-term care facilities the Group operates, it may affect the Company's ability to provide services continuously. To address this risk, the Group developed a contingency plan to be able to continuously provide various services, as a measure to prevent the spread of infection.

(7) Risk related to system development and operation

In some cases, the Group outsources development of new products, services and enterprise system to external vendors. If the development work of the Company or the vendor is delayed and the product, service or system is not released as planned, it may affect the Group's operating results or business plan. To address this risk, the Group closely works with the vendor to monitor the progress, and if necessary, takes appropriate measures immediately to prevent the delay. Also, we have an option to conduct system migration in phases by function in order to mitigate the risk. We have appropriate internal controls in place for acceptance tests and system repair/improvement. Moreover, by strengthening the recruitment and development of human resources with advanced expertise such as project management skills, the progress and quality of the vendor will be appropriately managed.

If a system trouble occurs after the implementation during the development of the enterprise system used by the Company, it may affect the Group's operating results or internal controls. To prepare for such system trouble, the Group has established a system with an external vendor to deal with such trouble and appropriate internal controls.

In addition, if a network failure or system trouble occurs for the operation of a system or enterprise system related to products and services, it may affect the Group's ability to provide the services. To address this risk, the Group has a backup system in place including multiplex network equipment at each location and multiple backup servers at remote locations. The Group also conducts drills for system failures to ensure stable system operations.

(8) Risk related to information management

The Group handles personal information and confidential information. If any malicious attack to the information assets by third parties or any accidental or intentional leakage of the assets by the Group's employees or vendors occurs, it may lead to deterioration of the Group's social credibility and brand image, the payment of damages and legal punishment, which may affect the Group's operating results.

To address this risk, the Group has established "Basic Policy for Information Security" as a cornerstone to ensure information security, which is applied to all employees including officers and all information assets held. Based on Information Assets Management Rule, a company-wide management system for information assets has been established and promoted, and drills have been conducted to prepare for incidents related to information assets. Furthermore, if a critical incident occurs, the Group sets up ALSOK-CSIRT (Computer Security Incident Response Team), which is a framework to respond to the incident and develop and execute the preventative measures.

(9) Risk related to reputation

In providing products and services, the Group shares common corporate brand among multiple companies. Under the circumstance, if any incident or scandal occurs at the Group or its subsidiaries and associates, not only may the Company be suspended from bidding, but it may also damage the brand image and affect the operating results.

For the purpose of enhancing group governance, the Company has established a specialized department to provide strict supervision and oversight of subsidiaries and associates. The department reports to the Company on performance of duties and critical information related to risk of loss of subsidiaries and associates on a timely basis. The Company sends directors or Audit and Supervisory Board members to the subsidiaries and associates.

Based on "Internal Audit Regulation", Inspection Department is working to ensure compliance of the Group by managing overall business activities of subsidiaries and associates, as well as by providing supervision, advice and recommendation for operational systems and business process improvements.

The information on the Company's internal control system and audit by the Audit and Supervisory Board and internal audit is described in "IV. Information on Reporting Company, 4. Corporate governance" in the Annual Securities Report.

(10) Risk related to legal regulations

In providing the customers with security services, etc., the Group is subject to various regulatory requirements, including major ones described below.

If any of these regulatory requirements is amended or abolished, or any new requirement is established, it may affect the Group's operating results.

To address this risk, each department of the Company as well as subsidiaries and associates confirms whether there is any amendment to or abolishment of regulatory requirements or newly established requirement and takes appropriate actions. Such risk information is reported to the Company's Legal Office on a regular basis. Going forward, we will pay close attention to the regulatory developments and take appropriate actions in order to avoid the impact of such changes on our operating results.

	Relevant laws or ordinances	Regulatory agency, etc.
Security Services	Security Business Act	National Public Safety Commission (National Police Agency)
	Road Traffic Act	
	Telecommunications Business Act	Ministry of Internal Affairs and Communications
	Radio Act	
	Act on Ensuring Fair Electric Business Practices	Ministry of Economy, Trade and Industry
	Act on Electrical Appliance and Material Safety	
	Act on Specified Commercial Transaction	Ministry of Economy, Trade and Industry, Consumer Affairs Agency
	Consumer Contract Act	Consumer Affairs Agency
	Construction Business Act	Ministry of Land, Infrastructure, Transport and Tourism
	Act on Promotion of Proper Tendering and Contracting for Public Works	
	Motor Truck Transportation Business Act	
	Consigned Freight Forwarding Business Act	
	Road Trucking Vehicle Act	
	Warehousing Business Act	
	Act on Special Districts for Structural Reform	Cabinet Office
	Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors	Japan Fair Trade Commission, Small and Medium Enterprise Agency
	Act on Penal Detention Facilities and Treatment of Inmates and Detainees	Ministry of Justice
General Property Management and Fire Protection Services	Construction Business Act	Ministry of Land, Infrastructure, Transport and Tourism
	Act on Promotion of Proper Tendering and Contracting for Public Works	
	Building Lots and Buildings Transaction Business Act	
	Architect Act	
	Act on Advancement of Proper Condominium Management	Ministry of Health, Labor and Welfare
	Pharmaceutical and Medical Device Act	
	Act on Maintenance of Sanitation in Building	Ministry of the Environment
	Waste Disposal Act	
	Air Pollution Control Act	Ministry of Economy, Trade and Industry
	Electricity Business Act	
	Act on Ensuring Fair Electric Business Practices	
	Act on Securing of Safety and the Optimization of Transaction of Liquefied Petroleum Gas	Ministry of Internal Affairs and Communications
	Fire and Disaster Management Act	
	Fire Prevention Ordinance	Municipality
Long-Term Care Services	Long-Term Care Insurance Act	Ministry of Health, Labor and Welfare, Prefecture, Municipality
	Act on Social Welfare for the Elderly	
	Act on Massage and Finger Pressure Practitioners, Acupuncturists, Moxibustion Practitioners, etc.	

	Relevant laws or ordinances	Regulatory agency, etc.
Other Services	Correspondence Delivery Act	Ministry of Internal Affairs and Communications
	Worker Dispatching Act	Ministry of Health, Labor and Welfare
	Employment Security Act	
	Insurance Business Act	Financial Services Agency
	Act on Sales, etc. of Financial Instruments	
	Act on Prevention of Transfer of Criminal Proceeds	National Public Safety Commission (National Police Agency)
	Act on Adequacy of Duties of the Detective Business	
	Secondhand Articles Business Act	Personal Information Protection Commission
	Personal Information Protection Act	
	Act on Special Measures to Prevent and Correct Shift for Consumption Tax	Japan Fair Trade Commission, Small and Medium Enterprise Agency, Consumer Affairs Agency
	Act against Unjustifiable Premiums and Misleading Representations	Consumer Affairs Agency
	Act on Countermeasures Against Novel Influenza	Ministry of Health, Labor and Welfare
	Act on Maintenance of Sanitation in Buildings	
	Food Sanitation Act	
	Act on Special Measures concerning the Handling of Pollution by Radioactive Materials	Ministry of the Environment
	Act on Prohibition of Private Monopolization and Maintenance of Fair Trade	Japan Fair Trade Commission

(11) Risk related to impairment of goodwill, etc.

At times, the Group acquires companies to expand its security business to enter into related fields of the business. Under the circumstance, if the operating results of the acquired company deviate from the business plan at the time of acquisition or if the organizational restructuring such as merger is carried out, it may give rise to impairment losses of intangible assets such as goodwill and customer-related assets and other property, plant and equipment, affecting the Group's operating results.

To address this risk, the Company has established a system to monitor the performance of the acquired company and report to the Board of Directors on a regular basis. If the business plan at the time of acquisition deviates from the actual results, related departments immediately develop and take appropriate measures.

(12) Country risk

The ALSOK Group is developing international businesses mainly in Southeast Asia. If a country risk emerges due to geopolitical development, financial market conditions, culture and legal systems, and the massive disasters occur in the countries in which it operates, the Group's operating results may be affected.

To address this risk, the Company has established a department dedicated to international businesses, which receives reports on important local information from overseas subsidiaries and representative offices in a timely manner and responds to the risks. In addition, the Company holds regular meetings attended by the directors of the Company and presidents of overseas subsidiaries to provide strict guidance and supervision. Furthermore, in the event that the Group's employees or offices are exposed to the threat of terrorism, the Company will set up a 24-hour task force team to respond to the situation.

4. [Management analysis of financial position, operating results and cash flows]

(1) Overview of operating results, etc.

The Group's financial position, operating results and cash flows ("operating results, etc.") for the fiscal year ended March 31, 2023 are as follows:

A. Financial position and operating results

(Overview of performance)

During the fiscal year ended March 31, 2023, the Japanese economy continued its gradual recovery, partly due to the effects of the government's comprehensive economic measures, despite rising prices amid high resource costs and a weak yen, and the spread of COVID-19 infections. Looking ahead, the economy is expected to recover from the COVID-19 pandemic to the pre-pandemic level, including the recovery of inbound demand, and moderate growth led by private-sector demand is expected, coupled with the full-fledged realization of the effects of the government's economic measures. However, attention needs to be paid to price trends due to the impact of wage increases, etc., financial market trends and systemic financial risks, as well as other domestic and international risks.

As stated in the government's 2022 strategy to make Japan "the World's Safest Country," society's expectations for the security sector are rising amid various developments, placing expectations on the Group to provide total services including security, facilities, and long-term care. These developments include a declining birthrate, aging population and a shrinking workforce, cyber-attacks on critical infrastructure and supply chains, concerns about the safety and security of the senior citizens, women, children and other socially vulnerable groups, increasing violent street crime and accidents, natural disasters, and aging infrastructure. In addition, with the recent deterioration of the domestic sense of security following the attack on the Prime Minister and widespread robbery and assault, as well as the recovery of inbound demand and other factors, society's expectations on the Group to protect safety and security are growing ever higher.

Under these circumstances, the ALSOK Group has continued to provide appropriate services as an operator of service businesses related to the safety and security of society (Security Services 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. As stated in "Grand Design 2025", our medium-term management plan, we aim to become a resilient integrated safety and security solutions provider that supports the safety and security of our customers and society. 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, facilities, and long-term care.

While we continued our efforts described above, until the third quarter, we were unable to offset the decline in sales related to the Tokyo 2020 Olympic and Paralympic Games and the increase in system-related expenses during the previous year, resulting in lower sales and profits compared to the same period of the previous year. In the fourth quarter, however, the Group's efforts to improve business performance were successful, and consolidated net sales increased 0.6% year on year to ¥492,226 million, offsetting the Tokyo 2020-related decline in sales. However, this was not sufficient to cover the increase in system-related expenses and other factors, resulting in operating income decreased 14.0% year on year to ¥35,961 million, ordinary income decreased 12.7% year on year to ¥38,198 million, and profit attributable to owners of parent decreased 17.7% year on year to ¥23,234 million.

The following is the Group's consolidated statement of income by item compared to the previous fiscal year:

Item	Fiscal year ended March 31, 2022		Fiscal year ended March 31, 2023		Year on year change	
	Amount (Millions of yen)	Percentage (%)	Amount (Millions of yen)	Percentage (%)	Change in amount (Millions of yen)	Percentage change (%)
Net sales	489,092	100.0	492,226	100.0	3,133	0.6
Cost of sales	<u>364,118</u>	<u>74.4</u>	<u>371,594</u>	<u>75.5</u>	<u>7,476</u>	2.1
Gross profit	<u>124,974</u>	<u>25.6</u>	<u>120,632</u>	<u>24.5</u>	<u>(4,342)</u>	(3.5)
Selling, general and administrative expenses	<u>83,160</u>	<u>17.0</u>	<u>84,670</u>	<u>17.2</u>	<u>1,510</u>	1.8
Operating income	<u>41,814</u>	<u>8.5</u>	<u>35,961</u>	<u>7.3</u>	<u>(5,852)</u>	<u>(14.0)</u>
Non-operating income	5,158	1.1	5,129	1.0	(28)	(0.6)
Non-operating expenses	3,227	0.7	2,892	0.6	(334)	(10.4)
Ordinary income	<u>43,744</u>	<u>8.9</u>	<u>38,198</u>	<u>7.8</u>	<u>(5,546)</u>	<u>(12.7)</u>
Extraordinary income	1,309	0.3	1,332	0.3	22	1.7
Extraordinary loss	376	0.1	739	0.2	363	96.4
Income taxes	<u>14,681</u>	<u>3.0</u>	<u>13,676</u>	2.8	<u>(1,005)</u>	<u>(6.8)</u>
Profit attributable to non-controlling interests	1,762	0.4	1,880	0.4	118	6.7
Profit attributable to owners of parent	<u>28,234</u>	<u>5.8</u>	<u>23,234</u>	<u>4.7</u>	<u>(4,999)</u>	<u>(17.7)</u>

During the fiscal year ended March 31, 2023, net sales increased ¥3,133 million or 0.6% year on year, to ¥492,226 million.

Cost of sales was ¥371,594 million, 2.1% increase year on year, due to ¥7,695 million increase in construction and sales costs.

Selling, general and administrative expenses were ¥84,670 million, 1.8% increase year on year, due to ¥634 million increase in depreciation and amortization, and ¥420 million increase in amortization of goodwill.

Ordinary income decreased ¥5,546 million to ¥38,198 million, 12.7% decrease year on year, due to the decrease in operating income.

The increase in extraordinary income resulted from ¥765 million increase in gain on sales of noncurrent assets and ¥305 million increase in gain on sales of investment securities, partially offset by ¥1,067 million decrease in compensation income.

The increase in extraordinary losses resulted from ¥299 million increase in provision for business losses.

Profit attributable to owners of parent decreased ¥4,999 million to ¥23,234 million, 17.7% decrease year on year, due to a decrease in ordinary income.

Comprehensive income decreased ¥6,333 million to ¥25,146 million, 20.1% decrease year on year. This resulted from ¥4,881 million decrease in net income and ¥2,132 million decrease in the amount of adjustment for retirement benefits during the period. Refer to “(2) Management’s analysis of operating results, etc., A. View and analysis of operating results, etc. for the fiscal year ended March 31, 2023” for operating results by segment.

(Comparison analysis of consolidated balance sheet by item)

The following is the Group's consolidated balance sheet by item compared to the previous fiscal year:

Item		As of March 31, 2022		As of March 31, 2023		Year on year change	
		Amount (Millions of yen)	Ratio (%)	Amount (Millions of yen)	Ratio (%)	Change in amount (Millions of yen)	Percentage change (%)
Assets	Current assets	233,872	47.5	239,032	45.9	5,159	2.2
	Noncurrent assets	258,579	52.5	281,957	54.1	23,377	9.0
	Total assets	492,452	100.0	520,989	100.0	28,537	5.8
Liabilities	Current liabilities	90,384	18.4	98,856	19.0	8,471	9.4
	Noncurrent liabilities	83,996	17.1	88,057	16.9	4,061	4.8
	Total liabilities	174,380	35.4	186,914	35.9	12,533	7.2
Net Assets		318,071	64.6	334,075	64.1	16,003	5.0

Total assets as of March 31, 2023 increased ¥28,537 million from March 31, 2022 to ¥520,989 million, 5.8% increase year on year. Of this amount, current assets increased ¥5,159 million to ¥239,032 million, 2.2% increase year on year, and noncurrent assets increased ¥23,377 million to ¥281,957 million, 9.0% increase year on year.

The increase in current assets resulted from ¥8,936 million increase in notes and accounts receivable-trade and contract assets, a ¥6,986 million increase in cash for transportation security services, and ¥2,781 million increase in raw materials and supplies, partially offset by ¥12,118 million decrease in cash and deposits.

The increase in noncurrent assets was mainly due to ¥13,064 million increase in property, plant and equipment such as buildings and structures and ¥5,656 million increase in goodwill for reasons such as M&A.

Total liabilities as of March 31, 2023 increased ¥12,533 million from March 31, 2022 to ¥186,914 million, 7.2% increase year on year. Of this amount, current liabilities increased ¥8,471 million to ¥98,856 million, 9.4% increase year on year, and noncurrent liabilities increased ¥4,061 million to ¥88,057 million, 4.8% increase year on year.

The increase in current liabilities resulted from ¥9,111 million increase in other current liabilities such as contract liabilities and ¥6,570 million increase in notes and accounts payable - trade, partially offset by ¥1,882 million decrease in accrued consumption taxes.

The increase in noncurrent liabilities was mainly due to ¥2,321 million increase in lease obligations.

Total net assets as of March 31, 2023 increased ¥16,003 million from March 31, 2022 to ¥334,075 million, 5.0% increase year on year.

B. Cash flows

Cash and cash equivalents (“cash”) as of March 31, 2023 was ¥51,571 million, 19.0% decrease year on year.

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Year on year change (%)
	(From April 1, 2021 to March 31, 2022)	(From April 1, 2022 to March 31, 2023)	
Net cash provided by (used in) operating activities	42,736	31,682	(25.9)
Net cash provided by (used in) investing activities	(14,093)	(24,818)	76.1
Net cash provided by (used in) financing activities	(18,183)	(19,380)	6.6
Effect of exchange rate change on cash and cash equivalents	41	43	6.2
Net increase (decrease) in cash and cash equivalents	10,500	(12,472)	—
Cash and cash equivalents at beginning of year	53,143	63,644	19.8
Increase in cash and cash equivalents from new consolidation	—	400	—
Cash and cash equivalents at end of year	63,644	51,571	(19.0)

The cash flows for the fiscal year ended March 31, 2023 are as follows:

(Cash flows from operating activities)

During the fiscal year ended March 31, 2023, net cash provided by operating activities was ¥31,682 million, 25.9% decrease year on year. The cash increased mainly due to ¥38,791 million of income before income taxes and ¥17,922 million of depreciation and amortization expenses added back, which was mainly offset by ¥13,635 million income tax payment, ¥7,622 million increase in notes and accounts receivable - trade, and ¥6,799 million decrease in changes in assets and liabilities of Transportation Security Services.

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

(Cash flows from investing activities)

Net cash used in investing activities was ¥24,818 million, 76.1% increase year on year, during the fiscal year ended March 31, 2023. This mainly resulted from ¥15,166 million used for acquisition of property, plant and equipment and ¥9,481 million used for acquisition of shares of subsidiaries.

(Cash flows from financing activities)

Net cash used in financing activities was ¥19,380 million, 6.6% increase year on year, during the fiscal year ended March 31, 2023. The cash decreased due to ¥8,809 million used for dividends payment, ¥5,374 million used for repayment of lease obligations, ¥2,945 million used for repayment of long-term loans payable, and ¥2,022 million decrease in short-term loans payable.

C. Production, orders and sales

(Production)

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

Segment	As of March 31, 2022 (Thousands of contracts)	As of March 31, 2023 (Thousands of contracts)	Year on year change (%)
Security Services			
Electronic Security Services	1,009	1,029	2.0
Stationed Security Services	4	4	1.6
Transportation Security Services	79	80	0.6
Total	1,093	1,114	1.9
General Property Management and Fire Protection Services	119	122	2.9
Long-Term Care Services	27	27	0.4
Total for reportable segments	1,239	1,264	2.0
Other Services	34	34	(1.9)
Total	1,274	1,298	1.9

(Note) The number of contracts above represents the total number of long-term contracts with the customers (contracts to provide services on an ongoing basis for a certain period of time), not the total number of parties to the contract the Group provides services to. Major services provided by each segment are as follows:

Electronic Security Services	ALSOK Guard System for corporate customers, home securities for individual customers, etc.
Stationed Security Services	Stationed security services to assign security guards to facilities of the customers
Transportation Security Services	Cash transportation services including transportation of securities, and Cash Deposit and Dispenser Machine On-Line System
General Property Management and Fire Protection Services	Facility management, cleaning services, call center services, maintenance, management and operation of various facilities, inspection of fire equipment and AED rental, etc.
Long-Term Care Services	Home-visit nursing care, day care services, fee-based long-term care facilities, group homes, etc.
Other Services	ALSOK PC Management Service, Website Tampering Detection Service, cashless payment service including QR Code payment

(Sales)

The sales results for each segment are described below:

Segment	Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022) (Millions of yen)	Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023) (Millions of yen)	Year on year change (%)
Security Services			
Electronic Security Services	176,463	175,920	(0.3)
Stationed Security Services	128,894	123,713	(4.0)
Transportation Security Services	67,870	66,713	(1.7)
Total	373,227	366,348	(1.8)
General Property Management and Fire Protection Services	68,183	72,990	7.1
Long- Term Care Services	41,649	47,495	14.0
Total for reportable segments	483,060	486,835	0.8
Other Services	6,032	5,391	(10.6)
Total	489,092	492,226	0.6

(Note) No single customer accounted for 10% or more of total net sales.

(2) Management's analysis of operating results, etc.

The management's view and analysis of the Group's operating results, etc. are as follows.

Any forward looking information included in this report is based on the best estimates of the Group as of the date of filing of this report.

A. View and analysis of operating results, etc. for the fiscal year ended March 31, 2023

(Management's analysis)

The Group's consolidated operating results for the fiscal year ended March 31, 2023 is described in "(1) Overview of operating results, etc., A. Financial position and operating results". Although the sales has increased for 13 consecutive years and hit a record high for 12 consecutive years, the profit attributable to owners of parent decreased. By strengthening the Security Services through M&A and driving growth of the General Property Management and Fire Protection Services and the Long-Term Care Services (which are compatible with the Security Services), the Group is focused on accurately meeting growing safety and security needs of society where risks are becoming much more diverse.

The Group is focused on two performance indicators, ordinary income margin and consolidated return on equity (ROE), as these indicators can provide objective assessment of our business targets. As described in the Medium-Term Management Plan "Grand Design 2025", the Group's target for both ordinary income margin and ROE is 10.0% or more. The actual result for the fiscal year ended March 31, 2023 was 7.8% and 7.8% for ordinary income margin and ROE, respectively.

The management's view and analysis of the operating results by segment are as follows. As no asset is allocated to business segments, the management's view and analysis of the financial position by segment are omitted. Effective from the fiscal year ended March 31, 2023, the Group has changed the method of allocating certain revenues and expenses. For the comparison purposes, the results of the fiscal year ended March 31, 2022 have been restated in accordance with the new classification and allocation method.

Net sales by segment

Segment	Fiscal year ended March 31, 2022		Fiscal year ended March 31, 2023		Year on year change	
	Amount (Millions of yen)	Ratio (%)	Amount (Millions of yen)	Ratio (%)	Amount (Millions of yen)	Percentage change (%)
Security Services						
Electronic Security Services	176,463	36.1	175,920	35.7	(542)	(0.3)
Stationed Security Services	128,894	26.4	123,713	25.1	(5,180)	(4.0)
Transportation Security Services	67,870	13.9	66,713	13.6	(1,156)	(1.7)
Total	373,227	76.3	366,348	74.4	(6,879)	(1.8)
General Property Management and Fire Protection Services	68,183	13.9	72,990	14.8	4,807	7.1
Long-Term Care Services	41,649	8.5	47,495	9.6	5,846	14.0
Total for reportable segments	483,060	98.8	486,835	98.9	3,775	0.8
Other Services	6,032	1.2	5,391	1.1	(641)	(10.6)
Total	489,092	100.0	492,226	100.0	3,133	0.6

By business segment, the main factors for change are as follows. Effective from the fiscal year ended March 31, 2023, the Group has changed its reportable segments and the method of allocating certain revenues and expenses. For the comparison purposes, the results of the fiscal year ended March 31, 2022 have been restated in accordance with the new classification and allocation method.

In the Security Services segment, net sales were ¥366,348 million, 1.8% decrease year on year, and operating income was ¥36,336 million, 8.7% decrease year on year, partly due to a decrease in sales related to the Tokyo 2020 Olympic and Paralympic Games in the previous fiscal year.

The Company has provided services for corporate customers through its Electronic Security Services business and promoted sales of ALSOK-G7 (read as “ALSOK G-seven”), which contributes to customers’ manpower saving needs. ALSOK-G7 is equipped with live video monitoring as a standard feature, enhanced optional services such as remote monitoring using stored and live images as well as remote equipment control. Going forward, we will further expand the usage of ALSOK-G7 to meet customers’ needs. The Group also promotes sales of products for individual customers including Home Security Basic, a standard solution for private homes that is easy to install and HOME ALSOK MIMAMORI SUPPORT®, a service to watch over senior citizens. In April 2023, the Company also launched HOME ALSOK Connect, a new home security product. 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 upon notification of an emergency. The Self-Security plan can be upgraded to Online Security plan at any time.

In Stationed Security services, we continued to provide security at places such as vaccination centers and recovery accommodation facilities for people with light symptoms of COVID-19 infection. Going forward, we will work to reduce manpower and improve the efficiency of Stationed Security services by utilizing DX, etc., and respond to reshoring production in Japan and the post-COVID-19 resumption of domestic entertainment activities.

In Transportation Security services, although the number of ATMs is decreasing due to the consolidation and closing of branches of financial institutions, the need to streamline cash management operations in the public and private sectors remains as strong as ever. We continue to strive to expand sales of Cash Deposit and Dispenser Machine Online System and other products. We began offering MH-A Model, equipped with small-withdrawal and small-transfer functions long sought by customers, as well as Tax and Public Funds Collection System, which automates local government disbursement counter operations by utilizing the Cash Deposit and Dispenser Machine Online System. In addition, as a new solution to support regional financial institutions and others in improving operational efficiency and reducing costs, we have begun providing centralized operations of an electronic clearinghouse for bills and checks. We will continue to gain an understanding of various outsourcing needs and expand our service offerings.

In the General Property Management and Fire Protection Services businesses, net sales increased 7.1% year on year to ¥72,990 million due to steady growth in construction completions; however, operating income declined 7.3% year on year to ¥7,647 million due to higher costs. We will continue to expand Facilities Management services based on the concept of integration of security, facilities, and construction, as we also strengthen our sustainability initiatives, including sales, installation, and maintenance of EV charging equipment.

In the Long-term Care Services business, net sales increased 14.0% year on year to ¥47,495 million due to the effect of M&A, etc. However, operating income decreased 67.4% year on year to ¥528 million due to increased costs and the investment in opening of new facilities. In October 2022, the Company entered into a collaboration agreement with NJI Co., Ltd. and Tokyo Medical and Dental University and initiated joint research related to standardization of a total care package that includes end-of-life prediction technology; avoidance, mitigation and response to emergency events in long-term care; development of related guidelines. We will continue to strengthen our management base and expand our facilities by streamlining nursing care operations through the use of AI robots and other technologies to support nursing care, while striving to expand services under the unified “ALSOK’s Care” Long-Term Care Services brand.

In the Other Services, the sales of ALSOK Multi-QR Payment Solution, a proprietary QR code payment service responding to a growing trend for cashless payments, have steadily increased. In December 2022, the Company launched ALSOK Safety Confirmation Service (App), which enabled easy safety confirmation via push notifications in addition to existing email notifications. This is a reliable service that sends automatic notifications not only when an earthquake occurs, but also when a warning is issued such as isolated heavy rain. In addition, we provide various services utilizing drones in addition to the existing inspection service for panels of vast solar facilities. In addition, we continue to provide various services utilizing drones to inspect aging infrastructure such as bridges, exterior walls of buildings, and various other facilities in addition to panel inspections of vast solar facilities, to expand our businesses. The Group responds to growing needs for safety and security in society by utilizing new technologies and improving productivity, while fulfilling its responsibilities as a provider of services for the safety and security of society.

(Capital resources and liquidity)

i. Basic policy for fiscal discipline

As set forth in the Medium-Term Management Plan “Grand Design 2025”, one of our mid-term financial goals is ROE of 10% or more. Our basic policy is to boost ROE with a target of raising the consolidated ordinary income margin to 10% or more in the medium term while paying out a stable dividend with a goal of maintaining a dividend payout ratio of 30%. Under these circumstances, our equity capital ratios at the end of the last five consolidated fiscal years have been stable. We believe that this is a result of our efforts to maintain fiscal discipline by giving due consideration to both shareholders and creditors in a well-balanced manner.

(Equity capital ratio at the end of the last five consolidated fiscal years)

Fiscal year ended	March 31, 2019	March 31, 2020	March 31, 2021	March 31, 2022	March 31, 2023
Equity capital ratio [Consolidated] (%)	<u>54.3</u>	<u>54.8</u>	<u>55.3</u>	<u>59.0</u>	<u>58.6</u>

ii. Management's view on outlook of capital needs and methods of financing

The Group's primary source of funds is the monthly fees received from customers, mainly in the security business, which is stable income with a clear future outlook. As the Group's expenditure plan is based on this stable source of funds, the Group believes there is little concern that it will face a shortage of funds in the predictable future. The Group also believes that it can stably obtain external financing through this stable source of funds, the recent trend of the equity capital ratio and the good relationships with its key financial institutions.

The Group's primary capital needs and methods of financing are as follows:

(Working capital needs)

The working capital needs of the Group are mainly comprised of cost of sales, such as labor costs and outsourcing costs, selling, general and administrative expenses, such as personnel expenses, and cash required for deposit of sales proceeds into the customers' bank accounts through Cash Deposit and Dispenser Machine On-Line System in the Transportation Security Services.

While the cost of sales and selling, general and administrative expenses are generally paid out of its own funds as the payment occurs regularly throughout the year, the Group also uses short-term loans from financial institutions as necessary to meet the capital needs.

The Group uses both its own funds and short-term loans from financial institutions for deposit of sales proceeds into the customers' bank accounts through Cash Deposit and Dispenser Machine On-Line System. Such short-term loans are available through overdrafts and can be executed immediately based on the cash needs. The amount of sales proceeds that the Group deposits into customers' bank accounts on a certain day represents the amount of sales proceeds deposited into the Cash Deposit and Dispenser Machine by customers on the previous day, which fluctuates significantly. The amount of deposits increases especially on Monday or any business day after national holidays because such amount includes the amount deposited by customers into the Machine during the weekends and holidays, resulting in increasing use of short-term loans from financial institutions.

(Investment capital needs)

The investment capital needs of the Group are mainly comprised of mergers and acquisitions (“M&A”). This is generally paid out of its own funds, and the Group also uses short-term and long-term loans from financial institutions as necessary to meet the needs.

In addition, the recurring acquisition of security alarm equipment related to the electronic security is also included in capital investment. The Group considers the acquisition of security alarm equipment is similar in nature to the acquisition of inventories as a component of working capital since the amount per acquisition is small and it occurs as orders are received. As the acquisition of alarm equipment occurs regularly throughout the year, it is generally paid out of its own funds, which is similar to the working capital needs.

Refer to “III. Facilities, 3. Plan for establishment or disposal of facilities” for the Group's capital investment plan including capital expenditures for a period of one year following March 31, 2023.

(Shareholder return policy)

Distributing returns to shareholders is one of the Group's important management policies. It is our basic policy to return profits in a manner supported by actual financial results, while maintaining an adequate amount of internal reserves. Our basic policy is to pay dividends twice a year as interim dividend and year-end dividend. Under the Medium-Term Management Plan "Grand Design 2025", we aim to maintain stable dividend payments with a target dividend payout ratio of 30%.

(Cash on hand)

For the cash and deposits excluding cash for Transportation Security Services, we have no clear guideline for the minimum required amount of cash on hand in the Group's financing practice. However, we believe that it is appropriate to hold the amount of cash equivalent to approximately one to two months of monthly sales as the cash demand associated with expenditures is fairly stable over the year.

The cash for Transportation Security Services is procured in line with actual demand through overdrafts.

(Management's view on future outlook of capital needs and methods of financing)

The Group has mostly used its own funds to meet the capital needs during the fiscal year ended March 31, 2023, except for Transportation Security Services. At this point, the Group does not expect any significant change in the capital needs during the period of one year following March 31, 2023 and believes that its capital needs will be satisfied by its own funds.

iii. Cash flows and financing for the fiscal year ended March 31, 2023 are as follows:

Refer to "(1) Overview of operating results, etc., B. Cash flows" for cash flows for the fiscal year ended March 31, 2023.

Refer to supplementary schedules for bonds and loans payable described in "V. Financial Condition, 1. Consolidated financial statements, (1) Consolidated financial statements, v. Supplementary schedules" for debt financing as of March 31, 2023. The major lenders include Mizuho Bank, Ltd., Ashikaga Bank, Ltd., Hiroshima Bank, Ltd. and Sumitomo Mitsui Banking Corporation, to which we have loans payable of ¥3,966 million, ¥579 million, ¥573 million and ¥398 million as of March 31, 2023, respectively.

B. Significant accounting policies and estimates

The consolidated financial statements of the Group are prepared in accordance with the accounting principles generally accepted in Japan. Significant accounting policies applied in preparing the consolidated financial statements are described in "V. Financial Condition, 1. Consolidated financial statements, (1) Consolidated financial statements, Notes, Significant matters underlying the preparation of the consolidated financial statements."

In preparing the consolidated financial statements, the Group makes reasonable estimates based on currently available assumptions for impairment of noncurrent assets, estimation of various allowances and recoverability of deferred tax assets, etc. However, these estimates may significantly differ from actual results in the future.

We consider that the following significant accounting policies are more affected by these estimates and assumptions:

(Impairment of noncurrent assets)

We assess whether or not a noncurrent asset should be impaired in accordance with "Accounting Standard for Impairment of Fixed Assets" (August 9, 2002) and "Guidance on Accounting Standard for Impairment of Fixed Assets" (Accounting Standards Board of Japan ("ASBJ") Guidance No.26, last amended on March 27, 2009). Recognition of impairment losses may become necessary when the recoverable amount falls below the carrying amount due to changes in the business environment, etc. in the future.

i. Goodwill and customer-related assets

(Source of value of goodwill and customer-related assets)

The Group records ¥32,753 million of goodwill as of March 31, 2023, which arose from past business combinations and represents excess earning power that is expected from combining an acquiree's business with the Group's business. There is also goodwill that resulted from the effect of synergies that is expected to arise at the Company.

In certain business combinations, we recognize customer-related assets with goodwill at the value related to a contract with an existing customer determined at the time of business combination.

(Business plan underlying future cash flows)

In assessing the Group's goodwill for impairment, we are focused on whether the excess earning power and the effect of synergies (which give rise to goodwill) will arise over the future periods. Generally, we monitor, on a monthly basis, whether a business plan of a company from which the goodwill arose (including a plan of the effect of synergies expected to arise at the Company) is in line with the actual profit or cash flows recorded. If there is any indication of impairment, such as a situation where business targets are not likely to be met, we review the business plan for its reasonableness. We use the revised business plan to determine undiscounted future cash flows. The future cash flows are then used to determine whether an impairment loss should be recognized. If recognized, the amount of impairment losses is measured based on value in use calculated using discounted future cash flows.

The impairment assessment of customer-related assets is performed in conjunction with the impairment assessment of goodwill. The customer-related assets are assessed for indications of impairment by comparing related business plan with actual profit or cash flows recorded, and if any such indication exists, an impairment loss is recognized and measured based on the revised business plan.

The following significant assumptions are incorporated into the business plans used in the impairment assessment. These business plans involve, by nature, judgements based on certain estimates or assumptions. The estimates and assumptions may have a significant impact on the assessment for impairment indications or recognition of impairment losses as well as the amount of impairment losses recognized.

- Companies engaging in Security Services and General Property Management and Fire Protection Services
Orders, human resource planning and sales growth
- Companies engaging in Long-Term Care Services

Category	Significant assumptions considered
In-home care services	Net sales per employee, profit margin of existing locations, human resource planning, etc.
Facility care services	Development status of new facilities, occupancy rate of facilities, human resource planning, etc.
Residential care home for senior citizens	Developments status of new facilities, occupancy rate of facilities, human resource planning, etc.

In addition to these significant assumptions, for the current fiscal year, we considered the impact COVID-19 had on the operating results and assessed the impact that COVID-19 would have on the business plans in the future. As a result, we recognized ¥80 million of impairment loss on certain goodwill determined to be unrecoverable. No impairment loss is determined to be necessary for the rest of goodwill and customer-related assets as sufficient future cash flows are expected.

The business plans are also used to assess shares of subsidiaries and associates related to combined companies recorded on the non-consolidated financial statements of the Company. If such shares of subsidiaries and associates are determined to be unrecoverable, the write-down is recognized in the statement of income of the Company.

(Discount rate)

The discount rate used is the weighted average cost of capital by term according to remaining amortization period of goodwill, which is calculated based on historical data on stock prices and interest rates since the listing of the Company. This rate is used because most companies of the Group can raise funds through intra-group borrowings under the conditions that are substantially similar to the Company. If the stock price or the interest rate rises significantly, the weighted average cost of capital calculated also increases, resulting in lower discounted future cash flows. In this case, the amount of impairment loss is likely to be substantial.

ii. Other tangible and intangible assets

(Business plan underlying future cash flows)

For tangible and intangible assets other than goodwill and customer-related assets, the impairment assessment is performed using profit or cash flows based on a business plan.

In assessing impairment for tangible and intangible noncurrent assets, the assets are grouped in line with our business operations. The assets are mainly grouped as follows:

Category	Major line items	Grouping method
Security guard center facility Security equipment installed at customers Disaster prevention equipment, etc.	Buildings and structures Machinery, equipment and vehicles	These assets are grouped into asset groups used for managerial accounting purposes. This is because our services are divided into regions and investment decisions are made for each region, which constitutes a separate units for managerial accounting. Specifically, for the Company, head office and regional divisions described in “III. Facilities, 2. Major facilities, (1) Reporting company” are grouped into one asset group. For subsidiaries and associates, each company is treated as one asset group.
Care facilities	Lease assets	Each care facility is treated as one asset group. This is because each facility provides services independently and investment decisions are made for each facility, which constitutes a stand-alone unit for managerial accounting.

As in the case of goodwill and customer-related assets, certain estimates or assumptions are made when including significant assumptions in the business plan for each asset group. Such estimates and assumptions may have a significant impact on the assessment for impairment indications or recognition of impairment losses as well as the amount of impairment losses recognized.

(Discount rate)

As in the case of goodwill and customer-related assets, the discount rate used is the weighted average cost of capital by term, which is calculated based on historical data on stock prices and interest rates since the listing of the Company. Depending on movements of the stock price or the interest rate, the weighted average cost of capital calculated may increase, resulting in substantial amount of impairment loss.

(Retirement benefits)

The Company and its subsidiaries and associates have defined benefit corporate pension plans and retirement benefit plans. The defined benefit obligation and pension asset related to these plans are determined using actuarial assumptions, excluding certain consolidated subsidiaries with a limited number of employees. These assumptions include discount rate, expected long-term rate of return on plan assets, lump sum election rate, mortality rate, employee turnover and expected rate of salary increase. The Group believes that these actuarial assumptions were reasonably determined based on the currently available data such as the most recent results. If these assumptions significantly differ from the actual results, the actuarial gains and losses are amortized over certain service years within the employees’ average remaining service years (generally 10 years) using the straight-line method starting from the fiscal year following the year in which they occur, which may have a significant impact on the Group’s operating expenses, etc.

The discount rate is determined based on the yields on high quality corporate bonds or the Japanese government bonds as of the end of the fiscal year. The discount rate is revised when there is over 10% change in defined benefit obligation from using different discount rates at the current and previous fiscal year-ends in accordance with “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26, last amended on December 16, 2016) and “Implementation Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, last amended on March 25, 2015).

The expected long-term rate of return on plan assets is determined based on the latest allocation of the plan asset and historical investment yields on each financial instrument group such as stocks and bonds. The expected long-term rate of return on plan assets is revised when the revision is determined to have a significant impact on the retirement benefit expenses for the following fiscal years in accordance with “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26, last amended on December 16, 2016) and “Implementation Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, last amended on March 25, 2015).

(Deferred tax assets)

The Company and each of its subsidiaries and associates file its corporate tax return separately. In assessing the recoverability of deferred tax assets, the companies are classified into “Category 1” to “Category 5” according to their earning power in accordance with “Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, amended on March 28, 2016). The classification is revised according to each company’s situation at the end of the fiscal year. Certain assumptions are used to determine this classification, including future changes in the business environment and estimates for taxable income (before adjusted for temporary differences), which may have a significant impact on the assessment of recoverability of deferred tax assets. The forward-looking estimates are made using the same business plan as the impairment assessment of noncurrent assets, and therefore, the risk of variance between the estimates and actual results is considered to be generally similar.

For those companies classified into “Category 2” to “Category 5”, the deferred tax asset is recognized only for deductible temporary differences that are expected to be recoverable. In assessing for recoverability, the availability of taxable income (before adjusted for temporary differences) supported by the sufficient earning power is the most important factor to consider. The availability of taxable income (before adjusted for temporary differences) supported by tax planning, such as planned disposal of noncurrent assets or securities with unrealized gains, is considered only when it is highly feasible. The timing of reversal of deductible temporary differences and its amount are considered only when it is highly likely to occur. For example, an unrealized loss on valuation of land is included in the scheduling only when the land sales contract is concluded, etc. As certain estimates or assumptions are used in a series of processes for the assessment of recoverability, the judgements may have a significant impact on the amount of deferred tax assets.

A tax rate stipulated in the tax law enacted as of closing date is applied to calculation of deferred taxes in accordance with “Implementation Guidance on Tax Rates Used in Applying Tax Effect Accounting” (ASBJ Guidance No. 27, March 14, 2016). Therefore, a change in the tax rate may have a significant impact on the amount of deferred tax assets.

The Company’s deferred tax asset recognized is mostly related to deductible temporary differences for companies located in Japan. There is little uncertainty about transfer pricing between consolidated companies.

5. [Material business contracts, etc.]

- (1) Effective April 1, 2022, the Company merged with ALSOK Leasing Co., Ltd., a consolidated subsidiary of the Company engaged in the leasing and installment sales business.
- (2) Effective May 13, 2022, Tokai Sohgo Security Services Co., Ltd., an equity-method associate mainly engaging in security services, became a consolidated subsidiary of the Company following revisions of the shareholders’ agreement.
- (3) Effective June 22, 2022, the Company acquired all shares of ALSOK Joy Life Co., Ltd. and ALSOK Life Support Co., Ltd., engaging in the long-term care services. These companies became consolidated subsidiaries of the Company.
- (4) Effective September 30, 2022, the Company indirectly held shares of Tobu Co., Ltd. (three companies under the same name with headquarters in Sendai, Fukushima, and Tokyo), mainly engaging in building maintenance business. These companies became equity-method associates through investments in a special-purpose company established by SBI Regional Business Succession Investment No. 1 Investment Limited Liability Partnership, which is operated by SBI Regional Business Succession Investment Co, Ltd.
- (5) Effective November 15, 2022, ALSOK Bangladesh Security Services Ltd. was established to engage in security services in Bangladesh and became a consolidated subsidiary of the Company.
- (6) Effective February 15, 2023, the Company acquired additional shares of Okinawa Sohgo Security Services Co., Ltd., an equity-method associate mainly engaging in security services. The company became a consolidated subsidiary of the Company.

6. [Research and development]

The Group's research and development activities are mainly carried out by the reporting company. Our research and development aims to contribute to the improvement of profitability and its basic policy is to capture diversifying market needs and promote the development of market-competitive technologies and products. The research and development cost was ¥610 million for the fiscal year ended March 31, 2023, which was mainly related to security business. As part of the research and development activities, the Company's research and development department conducts activities such as investigation, planning, intellectual property management, quality control, etc. that do not constitute research and development. Including costs for such activities, the total research and development cost was ¥1,976 million.

In a society where risks are diversifying, in order to meet the expanding safety and security needs of society, the Company conducts the following research in order to address "diversifying crimes close to people's daily lives and people feeling the security deterioration", "sophisticated cyber-attacks" and "labor shortages due to declining birthrate and aging population". We will also drive open innovation and promote industry-academia-government collaboration on advanced technologies to respond to the ever-changing social situation.

(1) Unique security system using the latest technology

We aim to realize "prediction and prevention of damage" including detection of a suspicious person and prevention of crimes and terrorism. For this purpose, we conduct research and development using AI, 5G and advanced sensing technology.

Amid the growing labor shortage due to the declining birthrate and aging population, we are actively working to create the next-generation security system contributing to labor savings. We are also pursuing advanced security that is constantly adopting to the social environment, such as the improvement of existing security sensors.

In addition, we are also conducting research and development of new equipment utilizing digital technology to enhance the responsiveness of electronic security guards and stationed security guards and expand the scope of work.

(2) Expansion of facility and equipment monitoring services through remote monitoring/remote operations

Utilizing the know-how accumulated through security monitoring, we are promoting research and development of services that enable us to monitor a wide range of customer facilities and equipment, and to respond to emergencies by conducting remote maintenance and rushing to the scene. Such know-how would also apply to non-security services. In March 2023, we announced the launch of "ALSOK IT Rescue" service, a new service in which an electronic security guard rushes in to the scene of an IT equipment failure to investigate the cause and provide emergency treatment. We will continue to add more services to our service menu by utilizing remote monitoring and remote operations.

(3) Security for individual customers

In addition to conventional home security functions, we are also developing home security equipment with improved operability and design. In March 2023, we announced the launch of "HOME ALSOK Connect" which enables security operations and history checks via smartphones or smartwatches.

Furthermore, beyond home security services, we will promote research and development for comprehensive security services that support the safety and security of people's daily lives in order to acquire a new home security user base as well as to respond to the elderly market, where demand will continue to grow in the future.

(4) Robotics

Since we started research and development of security robots in 1982, we have developed security robots equipped with autonomous driving functions, security functions, guidance functions, etc., and have provided them to commercial facilities and office buildings nationwide. We will also drive the development of drones for security services, such as for video-based indoor and outdoor patrols. We will continue to research and develop image recognition technology to improve abnormality detection functions during patrols and inspection work.

(5) Information security

Under the concept of guarding "information" in addition to "life and property", we will develop and enhance "information security", an information security solution, from both physical security and cyber security perspectives, and will continue to expand our service menu for countermeasures against cybercrime that is expected to become more sophisticated in the future.

(6) Long-term care services and other

We will continue to develop new products and services with high added value, such as remote support for long-term care facilities utilizing monitoring technology, and will continue to promote DX in the security field.

III. [Facilities]

1. [Overview of capital investment]

In order to expand the security business and enhance capabilities for such growth, the Group made ¥16,448 million of capital investment in tangible and intangible assets during the fiscal year ended March 31, 2023. The details of the capital investment are as follows:

Equipment for electronic security	¥7,639 million
Furniture and fixtures	¥997 million
Software	¥1,202 million

The amount of capital investment is not allocated to business segments.

2. [Major facilities]

The major facilities for the fiscal year ended March 31, 2023 are as follows:

(1) Reporting company

As of March 31, 2023

Office (Location)	Segment	Facilities	Carrying amount (Millions of yen)							Number of employees
			Buildings and structures	Machinery and equipment and vehicles	Land (m ²)	Lease assets	Rental assets	Other	Total	
Head office (Minato-ku, Tokyo)	Security Services General Property Management and Fire Protection Services Other Services	Buildings and structures, tools, furniture and fixtures	157	2,457	— (—)	118	106	669	3,509	2,383
Chuo branch and others 8 branches within Regional Division (I) (Chuo-ku, Tokyo and others)	Security Services General Property Management and Fire Protection Services Other Services	Buildings and structures, security alarm equipment	476	2,702	— (—)	430	192	244	4,047	1,877
Osaka Chuo branch and others 6 branches within Regional Division (II) (Chuo-ku, Osaka city, Osaka and others)	Security Services General Property Management and Fire Protection Services Other Services	Buildings and structures, security alarm equipment	130	1,201	— (—)	219	90	264	1,906	879
Nagoya branch and others 4 branches within Regional Division (III) (Nakamura-ku, Nagoya city, Aichi and others)	Security Services General Property Management and Fire Protection Services Other Services	Buildings and structures, land, security alarm equipment	150	1,170	197 (1,071.60)	280	116	97	2,013	784
Miyagi branch and others 3 branches within Regional Division (IV) (Aoba-ku, Sendai city, Miyagi and others)	Security Services General Property Management and Fire Protection Services Other Services	Buildings and structures, land, security alarm equipment	524	853	228 (2,943.40)	91	47	86	1,831	580
Chiba branch and others 10 branches within Regional Division (V) (Mihama-ku, Chiba city, Chiba and others)	Security Services General Property Management and Fire Protection Services Other Services	Buildings and structures, land, security alarm equipment	1,924	2,421	1,208 (6,244.37)	321	240	162	6,279	1,594
Yokohama branch and others 5 branches within Regional Division (VI) (Nishi-ku, Yokohama city, Kanagawa and others)	Security Services General Property Management and Fire Protection Services Other Services	Buildings and structures, security alarm equipment	118	1,154	— (—)	251	121	63	1,708	810
Shizuoka branch and others 4 branches within Regional Division (VII) (Aoi-ku, Shizuoka city, Shizuoka and others)	Security Services General Property Management and Fire Protection Services Other Services	Buildings and structures, land, security alarm equipment	1,275	955	1,109 (3,305.80)	137	81	139	3,698	795

Office (Location)	Segment	Facilities	Carrying amount (Millions of yen)							Number of employees
			Buildings and structures	Machinery and equipment and vehicles	Land (m ²)	Lease assets	Rental assets	Other	Total	
Okayama branch and others 3 branches within Regional Division (VIII) (Kita-ku, Okayama city, Okayama and others)	Security Services General Property Management and Fire Protection Services Other Services	Buildings and structures, land, security alarm equipment	208	596	272 (6,101.00)	44	43	52	1,218	494
Fukuoka branch and others 5 branches within Regional Division (IX) (Shime-machi Kasuya-gun, Fukuoka and others)	Security Services General Property Management and Fire Protection Services Other Services	Buildings and structures, land, security alarm equipment	646	1,275	248 (4,338.83)	107	120	120	2,518	904
Kyoto branch and others 6 branches within Regional Division (X) (Shimogyo-ku, Kyoto city, Kyoto and others)	Security Services General Property Management and Fire Protection Services Other Services	Buildings and structures, land, security alarm equipment	1,029	1,616	930 (4,373.60)	150	119	64	3,911	941

(2) Subsidiaries

As of March 31, 2023

Office (Location)	Segment	Facilities	Carrying amount (Millions of yen)						Number of employees [Temporary employees not included in the above]
			Buildings and structures	Machinery and equipment and vehicles	Land (m ²)	Lease assets	Other	Total	
Life Co., Ltd. (Shinagawa-ku, Tokyo)	Long-Term Care Services	Care facilities	292	0	— (—)	15,821	204	16,318	508 [695]
ALSOK Care Co., Ltd. (Omiya-ku, Saitama city, Saitama)	Long-Term Care Services	Care facilities	406	0	172 (666.93)	6,707	165	7,451	1,862 [1,507]
ALSOK Joy Life Co., Ltd. (Kita-ku, Osaka city, Osaka)	Long-Term Care Services	Care facilities	5,142	0	910 (4,321.15)	948	89	7,091	298 [141]
Kita-Kanto Sohgo Security Services Co., Ltd. (Utsunomiya city, Tochigi)	Security Services General Property Management and Fire Protection Services Other Services	Buildings and structures, land, security alarm equipment	2,896	191	1,674 (25,666.78)	1,050	195	6,008	786 [98]
Hiroshima Sohgo Security Services Co., Ltd. (Asaminami-ku, Hiroshima city)	Security Services General Property Management and Fire Protection Services Other Services	Buildings and structures, land, security alarm equipment	1,126	605	2,866 (25,385.00)	52	142	4,792	620 [53]

(Notes) 1. Carrying amount of “Other” represents construction in progress and other property plant and equipment.

2. In addition to the above, the Group also has rented assets such as machinery and equipment, sales offices and offices.

The Group’s rent expense is ¥21,343 million for the fiscal year ended March 31, 2023.

3. Assets are not allocated to business segments.

3. [Plan for establishment or disposal of facilities]

As the Group has a wide range of plans for new establishment and expansion of facilities, the amount is disclosed by nature and purpose of the facilities.

The Group's capital investment plan for one year after March 31, 2023 is ¥21,100 million comprising the following:

Nature and purpose of facilities	Planned amount of capital investment (Millions of yen)
Guard center facilities, security equipment installed at customers	12,200
Cash center facilities, security transportation vehicles, etc.	4,300
Disaster prevention equipment, etc.	1,100
Network system, etc.	3,500
Total	21,100

(Notes) 1. The capital investment will be paid out of own funds and bank borrowings.

2. There is no plan for disposal of significant facilities, except for disposals associated with recurring renewal of the facilities.

IV. [Information on Reporting Company]

1. [Information on shares, etc.]

(1) [Total number of shares, etc.]

i. [Total number of shares]

Class	Total number of authorized shares (Shares)
Common stock	300,000,000
Total	300,000,000

(Note) At the Board of Directors' meeting held on May 12, 2023, the Company approved a resolution regarding a stock split and related partial amendments to the Articles of Incorporation. In accordance with the stock split, the total number of authorized shares will be increased from 300,000,000 shares to 1,500,000,000 shares as of July 1, 2023, the effective date of the stock split.

ii. [Shares issued]

Class	Number of shares issued as of fiscal year-end (Shares) (As of March 31, 2023)	Number of shares issued as of filing date (Shares) (As of June 27, 2023)	Name of stock exchange on which the Company is listed or name of Authorized Financial Instruments Firms Association where the Company is registered	Description
Common stock	102,040,042	102,040,042	Tokyo Stock Exchange Prime market	Standard share of the Company with no restrictions on the content of rights. Number of shares per one unit of share is 100 shares.
Total	102,040,042	102,040,042	—	—

(2) [Subscription rights to shares, etc.]

i. [Details of stock option plans]

Nothing to report.

ii. [Details of rights plan]

Nothing to report.

iii. [Other subscription rights to shares, etc.]

Nothing to report.

(3) [Exercises of moving strike convertible bonds, etc.]

Nothing to report.

(4) [Changes in number of shares issued and capital stock, etc.]

Period	Changes in the total number of shares issued (Shares)	Total number of shares issued (Shares)	Changes in capital stock (Millions of yen)	Amount of capital stock (Millions of yen)	Changes in capital surplus (Millions of yen)	Amount of capital surplus (Millions of yen)	Note
From April 1, 2008 to March 31, 2009	1,000	102,040,042	0	18,675	0	29,320	Exercise of stock options (1 class) Issue price 1,338 yen Capital increase 669 yen Share increase 1,000 shares

(5) [Shareholding]

As of March 31, 2023

Category	Shareholding (1 unit = 100 shares)								Shares less than one unit (Shares)
	National and local governments	Financial institutions	Financial instruments dealers	Other institutions	Foreign institutions, etc.		Individuals and others	Total	
					Non-individual	Individual			
Number of shareholders	—	76	35	145	296	18	11,615	12,185	—
Number of shares held (Unit)	—	361,932	19,418	239,726	203,441	83	195,599	1,020,199	20,142
Ratio of shares held (%)	—	35.47	1.90	23.49	19.94	0.00	19.17	100.00	—

(Note) 782,410 shares of treasury stock comprise 7,824 units included “Individuals and others” and 10 units included in “Shares less than one unit.” The substantial shareholding as of March 31, 2023 is 782,410 shares.

(6) [Major shareholders]

As of March 31, 2023

Name	Address	Number of shares held (Thousands of shares)	Ownership percentage to the total number of shares issued (excluding treasury stock) (%)
The Master Trust Bank of Japan, Ltd. (Trust account) (Note 1)	2-11-3 Hamamatsucho, Minato-ku, Tokyo, Japan	12,640	12.48
Custody Bank of Japan, Ltd. (Trust account) (Note) 1	1-8-12, Harumi, Chuo-ku, Tokyo, Japan	7,411	7.31
SOHGO CORPORATION	130-16 Yamabukicho, Shinjuku-ku, Tokyo, Japan	7,388	7.29
Saitama Kiki Co., Ltd.	7-1-3 Shimoochiai, Chuo-ku, Saitama, Japan	5,283	5.21
Kamakura Corporation	130-16 Yamabukicho, Shinjuku-ku, Tokyo, Japan	4,150	4.09
SOHGO SECURITY SERVICES CO., LTD. Employee Stockholding Association	1-6-6 Motoakasaka, Minato-ku, Tokyo, Japan	3,541	3.49
Custody Bank of Japan, Ltd. as Trustee for Mizuho Bank Retirement Benefit Trust Account Re-entrusted by Mizuho Trust and Banking Co., Ltd.	1-8-12, Harumi, Chuo-ku, Tokyo, Japan	2,961	2.92
Kizuna Corporation	130-16 Yamabukicho, Shinjuku-ku, Tokyo, Japan	2,950	2.91
Atsushi Murai	Suginami-ku, Tokyo, Japan	2,885	2.84
SMBC Trust Bank Ltd. (as trustee for Sumitomo Mitsui Banking Corporation Retirement Benefits Trust Account)	1-3-2 Marunouchi, Chiyoda-ku, Tokyo	2,735	2.70
Total	—	51,948	51.30

(Notes) 1. Of the number of shares held above, the number of shares related to the trust business is as follows:

The Master Trust Bank of Japan, Ltd. (Trust account) 5,211 thousand shares

Custody Bank of Japan, Ltd. (Trust account) 2,886 thousand shares

2. In the amendment to the substantial shareholding report, which was made available for public inspection on June 6, 2022, it is stated that BlackRock Japan Co., Ltd. and its five joint holders own the following shares. However, these are not

included in the above major shareholders as we cannot confirm the actual number of shares held as of March 31, 2023.

The amendment to the substantial shareholding report states as follows:

Name	Address	Number of share certificates, etc. held (Shares)	Holding ratio of share certificates, etc. (%)
BlackRock Japan Co., Ltd.	1-8-3, Marunouchi Chiyoda-ku, Tokyo, Japan	1,236,400	1.21
BlackRock (Netherlands) B.V.	Amstelplein 1, HA1096, Amsterdam, the Netherlands	230,300	0.23
BlackRock Fund Managers Limited	12 Thorgmorton Avenue, London, U.K.	174,730	0.17
BlackRock Asset Management Ireland Limited	1st Floor, Ballsbridge Park 2, Ballsbridge, Dublin, Republic of Ireland	597,400	0.59
BlackRock Fund Advisors	400 Howard Street, San Francisco, California, U.S.A.	933,200	0.91
BlackRock Institutional Trust Company, N.A.	400 Howard Street, San Francisco, California, U.S.A.	485,011	0.48
Total	—	3,657,041	3.58

(7) [Voting rights]

i. [Shares issued]

As of March 31, 2023

Category	Number of shares (Shares)	Number of voting rights (Unit)	Description
Shares without voting rights	—	—	—
Shares with restricted voting rights (treasury stock, etc.)	—	—	—
Shares with restricted voting rights (others)	—	—	—
Shares with full voting rights (treasury stock, etc.)	Common stock 782,400	—	Standard share of the Company with no restrictions on the content of rights. Number of shares per one unit of share is 100 shares.
Shares with full voting rights (others)	Common stock 101,237,500	1,012,375	Same as above
Shares less than one unit	Common stock 20,142	—	Shares less than one unit (100 shares)
Total number of shares issued	102,040,042	—	—
Total number of voting rights	—	1,012,375	—

ii. [Treasury stock, etc.]

As of March 31, 2023

Name of shareholders	Address of shareholders	Number of shares held under own name (Shares)	Number of shares held under the name of others (Shares)	Total number of shares held (Shares)	Ownership percentage to the total number of shares issued (%)
SOHGO SECURITY SERVICES CO., LTD.	1-6-6 Motoakasaka, Minato-ku, Tokyo, Japan	782,400	—	782,400	0.76
Total	—	782,400	—	782,400	0.76

2. [Purchase of treasury stock]

[Class of stocks, etc.] Purchase of common stock pursuant to Article 155, No.7 of the Companies Act

(1) [Purchase of stock by resolution of the General Meeting of Shareholders]

Nothing to report.

(2) [Purchase of stock by resolution of the Board of Directors' meeting]

Nothing to report.

(3) [Purchase not based on resolution of the General Meeting of Shareholders or the Board of Directors' meeting]

Category	Number of shares (Shares)	Total amount (Yen)
Treasury stock purchased during the fiscal year ended March 31, 2023	128	477,580
Treasury stock purchased during the current period	48	177,360

(Note) Treasury stock purchased during the current period excludes shares less than one unit purchased during the period between June 1, 2023 and the date of filing of this report.

(4) [Disposal and holding of treasury stock]

Category	Fiscal year ended March 31, 2023		Current period	
	Number of shares (Shares)	Total amount of disposal (Yen)	Number of shares (Shares)	Total amount of disposal (Yen)
Treasury stock purchased for which subscribers were solicited	—	—	—	—
Treasury stock purchased that has been cancelled	—	—	—	—
Treasury stock purchased that has been transferred in merger, share swap or company split	—	—	—	—
Other	—	—	—	—
Number of treasury stock held	782,410	—	782,458	—

(Note) Treasury stock held during the current period excludes shares less than one unit purchased during the period between June 1, 2023 and the date of filing of this report.

3. [Dividend policy]

Distributing returns to shareholders is one of the Company's important management policies. It is our basic policy to distribute profits in a manner supported by actual financial results, while maintaining an adequate amount of internal reserves. We apply internal reserves to research and development expenses necessary for future growth and development and capital investments in enhancement of information systems and new businesses to further improve our operating results.

Our basic policy is to pay dividends twice a year, as interim dividend and year-end dividend, which are subject to the approval of the Board of Directors and the General Meeting of Shareholders, respectively.

For the fiscal year ended March 31, 2023, the annual dividend was 86.00 yen per share including the interim dividend of 43.00 yen, which was determined based the consideration of the operating results for the current fiscal year, forecasts for the future years and capital investment plans. The dividend payout ratio was 37.5%.

It is specified in the Articles of Incorporation that "The Company shall pay an interim dividend to shareholders or registered pledgees of shares recorded or registered in the shareholder register as of September 30 every year by a resolution of the Board of Directors."

Dividends from surplus for the fiscal year ended March 31, 2023 are as follows:

Resolution date	Total dividends (Millions of yen)	Dividends per share (Yen)
October 28, 2022 Resolution by the Board of Directors' meeting	4,354	43.0
June 27, 2023 Resolution by the Ordinary General Meeting of Shareholders	4,354	43.0

4. [Corporate governance]

(1) [Overview of corporate governance]

A. Basic concept of corporate governance

The ALSOK Group includes “Based on two core principles exemplified by ‘arigato no kokoro’ (a feeling of gratefulness and gratitude) and ‘bushi no seishin’ (a samurai spirit), we devote ourselves to protecting the safety and security of our customers and of society as whole.” in its management philosophy and includes “Contributing to Society” in its management policies. In line with this philosophy and policy, we are working to fulfill corporate governance through our operations, such as performance of management and separation of duties, swift decision making, establishment of corporate ethics and provision of management transparency, while endeavoring to continue to be the corporate group trusted by all stakeholders. Moreover, we place emphasis on information disclosure and are committed to proactive IR activities such as visiting institutional investors and holding analyst meetings for investors and analysts.

The ALSOK Group conducts inspections and reviews of its organizational structure in accordance with principles in “Corporate Governance Code” developed by Tokyo Stock Exchange as a guideline for corporate governance. We submit “Corporate Governance Report” including our measures to address “Corporate Governance Code” to Tokyo Stock Exchange every year, which is posted on the Tokyo Stock Exchange and ALSOK websites.

The ALSOK Group aims to establish the organizational structure to which the corporate governance functions more effectively, and will continue to examine the measures for various systems.

B. Corporate bodies and internal control system

(A) Overview of corporate governance system and reason for adoption

We adopt the Audit and Supervisory Board members system and are aware that its full audit is operating effectively to improve governance of our management team.

ALSOK’s directors consist of 11 members, including 4 outside directors, and Audit and Supervisory Board members consist of 4 members, including 3 outside Audit and Supervisory Board members. The Board of Directors meets generally once a month to make important management decisions on basic management policy and important matters concerning business execution. The board also oversees execution of duties of the directors and executive officers. The Management Committee, chaired by the Representative Director Group CEO, meets generally twice a month to discuss matters to be presented to the Board of Directors and the business execution policy based on the resolutions of the Board of Directors. The Audit and Supervisory Board meets generally once a month to consult, discuss or resolve important matters concerning audit. Also, one of the Audit and Supervisory Board members attends the Management Committee and monitors execution of duties of management.

We have been adopting this current system as the fairness and transparency of business management are properly ensured by the system.

Pursuant to provisions of Article 427, Paragraph 1 of the Companies Act, the Company and the outside directors and Audit and Supervisory Board members enter into a contract to limit the liability for damages under Article 423, Paragraph 1 of the Companies Act. The maximum liability based on the concerned contract is higher of ¥10 million or the minimum liability specified in Article 425, Paragraph 1 of the Companies Act. This is intended for outside directors and outside Audit and Supervisory Board members to sufficiently fulfill the expected role.

In addition, the Company enters into a liability insurance contract for officers, etc. as stipulated in Article 430-3, Paragraph 1 of the Companies Act with an insurance company, with the Company’s directors, Audit and Supervisory Board members and executive officers as an insured person. If the insured person is liable for damages due to the execution of duties, legal damages and litigation costs will be covered by the insurance contract. The entire amount of insurance premiums is borne by the Company. In order to prevent the insured person’s proper execution of duties from being impaired, the insured person is not covered for damages caused by personal gains or benefits illegally obtained by the insured, criminal acts of the insured and acts performed by the insured knowing that they violate the law.

(B) Internal control system

Based on the Companies Act and the Financial Instruments and Exchange Act of Japan, the Company has a system in place to ensure the execution of duties by directors complies with laws and regulations and the Articles of Incorporation and the adequacy of the business of other corporation and a corporate group consisting of the corporation and its subsidiaries.

a. System to ensure the compliance of execution of duties by the Company’s directors and employees with laws and regulations and the Articles of Incorporation

(a) Establish “ALSOK Charter”, the basic principle compiling the founder’s spirit and corporate philosophy, which is the basis for every business activity of the Company.

(b) Monitor the execution of duties by establishing “Board Regulations”, “Internal Memo Regulations”, “Policies of

- Dividing Duties” and “Policies of Administrative Authority”, appropriately separating duties and requiring approval for matters beyond authority.
- (c) Establish “Ethical Rule” as a standard for acts built on the execution of duties and ethics with integrity.
 - (d) Establish “Compliance Rule” and appoint the officer in charge of compliance, who reports to the Board of Directors and the Management Committee, if necessary.
 - (e) Establish “Internal Report Rule” to implement a whistleblowing system and operate it appropriately.
 - (f) Establish a department specialized in internal audit under the direct control of the Representative Director Group COO. The department regularly monitors business activities of all departments in the head office and branches and reports the results to the directors and Audit and Supervisory Board members.
 - (g) Establish and operate a system for appropriate financial reporting based on the Financial Instruments and Exchange Act of Japan and other laws and regulations.
 - (h) Provide appropriate trainings for laws and regulations, the Articles of Incorporation and internal rules for directors and employees.
- b. System to preserve and manage information related to execution of duties of the Company’s directors
- (a) Establish regulations for handling of critical information indicating the execution of business such as minutes of the General Meeting of Shareholders, minutes of the Board of Directors’ meeting, minutes of the Management Committee, request for approval, contracts, accounting books/financial statements, etc., and properly preserve and manage such information.
 - (b) Provide directors and Audit and Supervisory Board members with access to the information anytime.
- c. Regulations related to management of risk of loss and other systems
- (a) Establish “Risk Management Rule”, appoint the officer in charge of risk management, who projects and assesses risks to prevent, mitigate, transfer the risks, takes appropriate measures as necessary or develops measures taken in case of risk occurrence and reports to the Board of Directors and the Management Committee, as necessary.
 - (b) Establish “Business Continuity Plan” to build a system that enables business continuity and early recovery and resumption even in the event of unforeseen situations such as major disasters, accidents or epidemic.
 - (c) Establish “Information Asset Management Rule”, appoint the officer in charge of information asset management, who builds a system to protect the information asset from threats such as theft, leakage, falsification, damages and disasters and reports to the Board of Directors and the Management Committee, as necessary.
- d. System to ensure efficient execution of duties by the Company’s directors
- (a) Develop the Medium-Term and Annual Management Plans based on the business objectives.
 - (b) Monitor the progress of Annual Management Plan and report to the Board of Directors and the Management Committee on a monthly basis.
 - (c) Establish “Administrative Authority Regulation” to make decisions efficiently by separating duties.
 - (d) Simplify business processes by the enterprise system that uses IT to streamline business management and operation to achieve efficiency.
- e. System to ensure adequacy of businesses of corporate group consisting of the Company and its subsidiaries.
- (a) Establish regulations for management of subsidiaries’ businesses and a department specialized in the subsidiary management, require reporting of matters related to execution of duties, send directors and Audit and Supervisory Board members from the Company, to provide strict supervision and oversight.
 - (b) Require reporting of critical information related to risk of loss of subsidiaries based on the regulations for the subsidiaries’ business management to address the risk in cooperation with the Company.
 - (c) Require subsidiaries to share information with the Company through various meetings and intranet and improve efficiency of business processes using common operation system. Develop the Group’s Medium-Term and Annual Management Plans and require subsidiaries to report the progress on a monthly basis for monitoring purposes.
 - (d) Cooperate with subsidiaries to implement compliance activities and operate the whistleblowing system, completely block relationships with antisocial forces, establish an internal system necessary for that purpose and work with external specialized institutions. Also, cooperate with subsidiaries and conduct annual internal audit of significant subsidiaries.
- f. System to ensure effective audit by Audit and Supervisory Board members
- (a) Establish the Audit and Supervisory Board secretariat and arrange employees who assist the execution of duties of the Audit and Supervisory Board members.
 - (b) Obtain an approval from the Audit and Supervisory Board on the secretariat member’s personnel affairs. The secretariat members follow the orders of the Audit and Supervisory Board members.
 - (c) Require the Company’s directors and employees to report to the Audit and Supervisory Board members regarding

important matters related to businesses and the department specialized in internal audit cooperates with the Audit and Supervisory Board members and exchanges information including situations of subsidiaries. Audit and Supervisory Board members attend the meetings of the Board of Directors and the Management Committee.

- (d) Require directors and employees of subsidiaries to report to the Audit and Supervisory Board immediately on the execution of businesses, if requested. The Company's whistleblowing department reports critical information to the Audit and Supervisory Board.

It is prohibited to give the Company's directors, employees and subsidiaries' directors, etc. who have reported to the Audit and Supervisory Board members disadvantageous treatment.

- (e) Secure a certain amount of budget every year to pay for expenses incurred in the execution of duties by the Audit and Supervisory Board members. Properly process the invoices from the Audit and Supervisory Board members for such expenses.
- (f) Audit and Supervisory Board members regularly exchange opinions or interview with the Representative Director and Chief Officers and make visits to offices and subsidiaries. Exchange opinions with the independent auditor on a regular basis.

(C) Risk management system

The Company places particular importance on risk management due to the nature of its business to ensure safety of society. The Risk Management Committee is organized, chaired by the officer in charge of risk management, in accordance with the Risk Management Rule established in 2002 as amended according to the current risk situations. Also, the risk management examination organization is established on a head office and office level, to manage risk on a company-wide basis such as identification and assessment of risks and development of preventative and responsive measures. In addition, a risk examination task force is set up within the Risk Management Committee for each field, which collects, analyzes and assesses risk information to develop measures to mitigate the risks. We have established systems to respond promptly to critical emergency situations, such as emergency contact and establishment of task force.

With respect to compliance, the Compliance Committee, chaired by the officer in charge of compliance, is organized to achieve compliance with laws and regulations. The Compliance Committee strives to improve compliance awareness across officers and employees in accordance with Compliance Regulation established in 2002 (currently Compliance Rule) and monitors the activities on a regular basis.

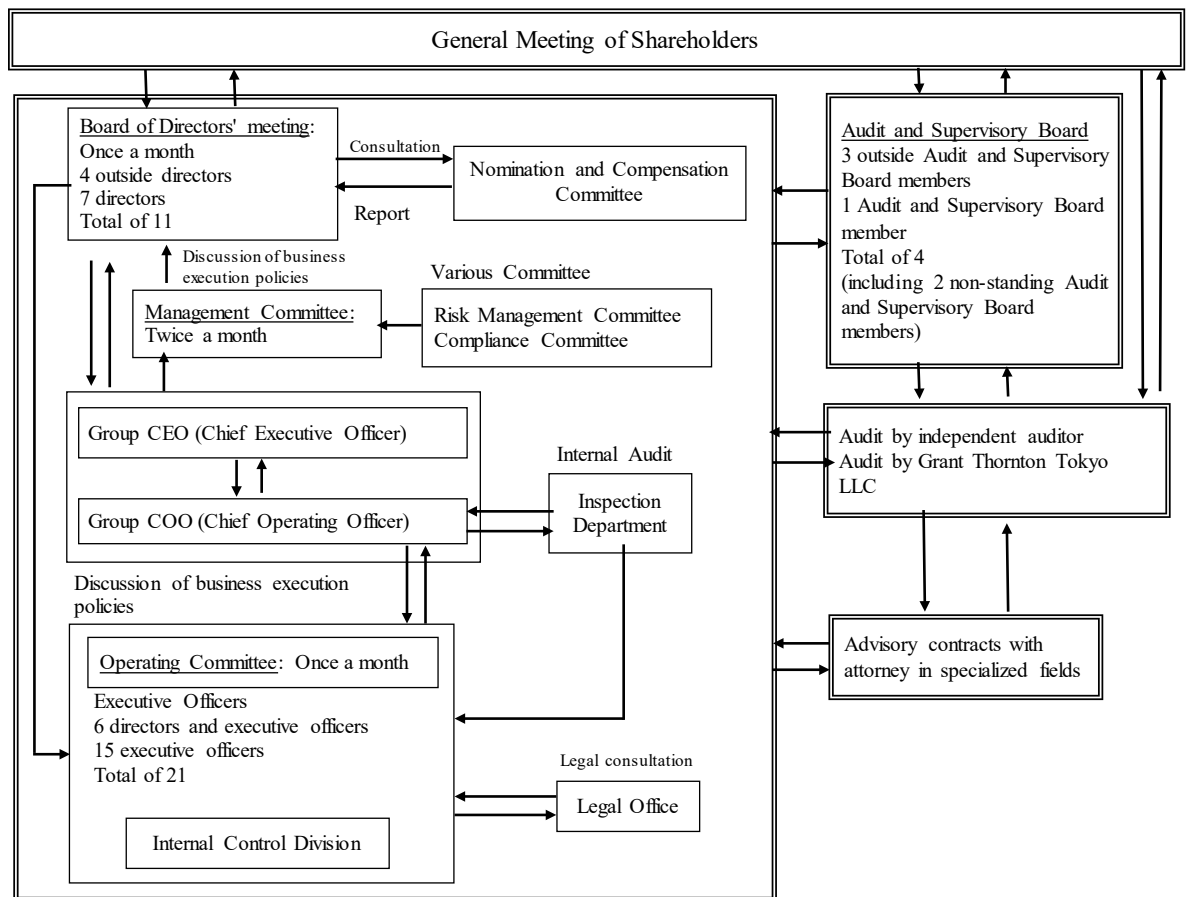
For earlier detection and prevention of problems surrounding corporate ethics, "ALSOK Hotline" was established in 2004, which is a whistleblowing system for officers and employees to report illegal, fraudulent or unethical acts within the company through emails, phones and documentation without being treated disadvantageously. In addition to the help desk within the company, we set up a help desk outside the company in 2016 for reporting. Furthermore, in December 2021, "ALSOK Business Partner Hotline", a whistleblowing system for business partners, was established with the aim of ensuring self-cleaning, social trust, maintenance and improvement of corporate value and sustainable development with business partners.

The Group has established "Basic Policy for Information Security" as a cornerstone to ensure information security, which is applied to all employees including officers and all information assets held. Based on Information Asset Management Rule, a company-wide management system for information assets has been established and promoted, and drills have been conducted to prepare for incidents related to information assets. Furthermore, if a critical incident occurs, the Group sets up ALSOK-CSIRT (Computer Security Incident Response Team), which is a framework to respond to the incident and develop and execute the preventative measures.

For risks related to lawsuits, disputes and other laws and regulations, the Company has established Legal Office to address such risks in cooperation with various departments. We have entered into advisory contracts with seven law firms and received appropriate advice and guidance on critical legal issues and compliance-related events to establish a system to prevent risks. We have engaged lawyers in our corporate governance by maintaining compliance and seeking such advice and guidance.

(D) Bodies and internal controls of the Company

The following is a chart of management organization describing decision-making, execution and supervision of the Company, as well as other corporate governance systems as of the date of filing of this report.



C. Board of Directors

(A) Number of directors

The Articles of Incorporation stipulate that the number of directors of the Company shall be 12 or less.

(B) Requirements for appointment of directors

The Company stipulates in the Articles of Incorporation that, for a resolution of appointment of directors, shareholders with voting rights representing one-third or more of the total voting rights of all shareholders shall be in attendance at the meeting, and the majority of votes of the shareholders with voting rights who attend the meeting is required.

(C) Composition of directors

In appointing directors, the Company selects from among those who are well versed in various issues of corporate management and have outstanding character, insight, and performance, whether inside or outside the Company.

The Company's Board of Directors is well-balanced and with diversity of knowledge, experience and abilities, comprising several directors from external companies and public organizations, in addition to directors with abundant experience in the Company.

The Company's basic policy and decision making regarding the nomination of directors (excluding outside directors) are determined by the Board of Directors after deliberation and report by the Nomination and Compensation Committee, a voluntary committee whose majority members are independent outside directors.

The following table shows the expertise and experience of the directors as well as their attendance at the Board of Directors meetings as of the date of filing of this report.

Name	Title	Expertise and experience				
		Corporate management (including sustainability)	Finance and accounting	Legal and compliance	IT and digital	Global
Tsuyoshi Murai	Representative Director Group CEO, CTO	●		●	●	
Ikuji Kayaki	Representative Director Group COO	●		●		
Motohisa Suzuki	Director	●		●		●
Takashi Kumagai	Director	●		●	●	
Kazuhide Shigemi	Director	●	●			
Naoki Hyakutake	Director	●		●		
Yutaka Komatsu	Director	●				
Hiroto Suetsugu	Director	●	●		●	
Toshie Ikenaga	Director			●		
Masahiko Mishima	Director	●		●		●
Kenji Iwasaki	Director	●	●	●		

Name	Title	Expertise and experience			Attendance	
		Sales and marketing	Human capital management	Industry (Security, facilities, long-term care)	Number of meeting	Attendance
Tsuyoshi Murai	Representative Director Group CEO, CTO	●	●	●	15	15
Ikuji Kayaki	Representative Director Group COO	●	●	●	15	15
Motohisa Suzuki	Director		●	●	15	15
Takashi Kumagai	Director			●	12 (Note)	12
Kazuhide Shigemi	Director	●			12 (Note)	12
Naoki Hyakutake	Director	●	●	●	12 (Note)	12
Yutaka Komatsu	Director	●		●	12 (Note)	12
Hiroto Suetsugu	Director	●			15	15

Toshie Ikenaga	Director		●		15	15
Masahiko Mishima	Director	●			12 (Note)	12
Kenji Iwasaki	Director	●	●		12 (Note)	12

(Note) The number represents the number of meetings since the appointment on June 24, 2022.

(D) Information on activities of board of directors

The Board of Directors meets generally once a month and as necessary. There were 15 meetings during the current fiscal year.

The main roles of the Board of Directors are to make decisions on matters stipulated by law and the Articles of Incorporation and important management matters of the Group, and to supervise the execution of duties by directors and executive officers. Matters to be discussed and reported by the Board of Directors are stipulated in the Board Regulations. Other business execution is delegated to the management, and the Management Committee decides on matters to be discussed at the Board of Directors and deliberates specific matters related to business execution based on decisions made by the Board of Directors. Major resolutions and reports during the current fiscal year are as follows:

Resolution matter	Description	Date
General Meeting of Shareholders	Appointment of convenors and chairperson of the General Meeting of Shareholders and the Board of Directors' meeting and its order	June 24, 2022
Operating results	Financial reporting for the 57th business term	May 13, 2022
	Financial reporting for the second quarter	October 28, 2022
	Financial reporting for the third quarter	January 31, 2023
Directors	Appointment of directors and Audit and Supervisory Board member candidates	April 5, 2022
	Audit engagement contract and audit fees for the 58th business term	May 13, 2022
	Fixed compensation notified in advance for directors for the period ended June 30, 2022	May 13, 2022
	Appointment of representative director and executive directors	June 24, 2022
Organization and human affairs	Organizational change for the 59th business term	January 11, 2023
	Establishment of the Nomination and Compensation Committee	February 7, 2023
Internal control system	Scope of evaluation of internal controls for the fiscal year ended March 31, 2023	August 2, 2022
Corporate management	Business plan for the fiscal year ended March 31, 2023	May 13, 2022
	Policy for development of profit planning for the 59th business term	February 7, 2023

Reporting matter	Description	Date
Progress and results of execution of resolutions of the Board of Directors	Evaluation of internal controls for the fiscal year ended March 31, 2022	June 7, 2022
	Progress of efforts on GD2025 priority measures	June 7, 2022 and others
Monthly business results	Monthly profit/loss	April 5, 2022 and others
Other matters deemed necessary by the Board of Directors	Progress of efforts on social and environmental agendas	August 2, 2022
	Internal audit	August 2, 2022
	Activities of the Risk Management Committee	February 7, 2023

	Results of deliberation of the Nomination and Compensation Committee	March 7, 2023
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(E) Evaluation of effectiveness of board of directors

The following is a summary of the results of the analysis and evaluation of the effectiveness of the Company's Board of Directors.

a. Method of analysis

In February 2023, the Company conducted a questionnaire survey for all directors and all Audit and Supervisory Board Members regarding the effectiveness of the Board of Directors. In order to ensure objectivity and transparency, the third party service provider was generally used to conduct the questionnaire, and the Company received a report of the results from the service provider.

<Questions>

The major questions included in the questionnaire conducted in February 2023 were related to the following. The questions were answered either on a scale of 1 to 5 or by short answers.

- Composition of the Board of Directors
- Operation of the Board of Directors
- Discussion of the Board of Directors
- Monitoring function of the Board of Directors
- Support system for the Board of Directors and Audit and Supervisory Board members
- Training
- Engagement with shareholders (investors)
- Communication
- Summary

b. Summary of results

Based on the questionnaire, we confirmed that the effectiveness of our Board of Directors has been ensured, and reported the results at the Board of Directors' meeting held in April 2023. Constructive opinions were presented for issues to be addressed, including further discussions on management strategies and follow-up of the Medium-Term Management Plan, from the viewpoint of improving corporate value over the medium to long term.

Taking into consideration the opinions presented in the evaluation process, we will continue to make efforts to improve the effectiveness of the Board of Directors.

D. Matters to be resolved at the General Meeting of Shareholders that may be resolved at the Board of Directors' meeting

(A) Decision-making body for purchase of treasury stock

According to provisions of Article 165, Paragraph 2 of the Companies Act, it is stipulated in the Articles of Incorporation that the Company may purchase its own shares by a resolution of the Board of Directors without a resolution of the shareholders. This is intended to build flexibility in capital decision making by granting the authority related to treasury stock to the Board of Directors.

(B) Indemnification of directors

According to provisions of Article 426, Paragraph 1 of the Companies Act, it is stipulated in the Articles of Incorporation that the Company may indemnify its directors (including former directors) as specified in Article 423, Paragraph 1 of the Companies Act, within the limit stipulated by laws and by a resolution of the Board of Directors, for any damages caused by their actions if they acted in good faith and were not grossly negligent. This is intended for directors to sufficiently fulfill the expected role.

(C) Indemnification of Audit and Supervisory Board members

According to provisions of Article 426, Paragraph 1 of the Companies Act, it is stipulated in the Articles of Incorporation that the Company may indemnify its Audit and Supervisory Board members (including former members) as specified in Article 423, Paragraph 1 of the Companies Act, within the limit stipulated by laws and by a resolution of the Board of Directors, for any damages caused by their actions if they acted in good faith and were not grossly negligent. This is intended for Audit and Supervisory Board members to sufficiently fulfill the expected role.

(D) Decision-making body for interim dividends

According to provisions of Article 454, Paragraph 5 of the Companies Act, it is stipulated in the Articles of Incorporation that the Company may decide on interim dividends by a resolution of the Board of Directors without a resolution of the shareholders. This is intended to build flexibility in distributing returns to shareholders depending on the circumstances and operating results of the Company, by granting the decision-making authority related to interim dividends to the Board of Directors.

E. Special matters to be resolved at the General Meeting of Shareholders

The Company stipulates in the Articles of Incorporation that, for special matters to be resolved at the General Meeting of Shareholders as specified in Article 309, Paragraph 2 of the Companies Act, shareholders with voting rights representing one-third or more of the total voting rights of all shareholders shall be in attendance at the meeting, and two-thirds of votes of the shareholders with voting rights who attend the meeting is required. This is intended to facilitate the smooth operation of the General Meeting of Shareholders by relaxing the quorum of a special resolution by the shareholders.

F. Basic policy for control over corporation

(A) Basic policy

Nothing to report.

(B) Measures to prevent inappropriate control

Nothing to report.

(C) The Board of Directors' decision on measures to prevent inappropriate control

Nothing to report.

G. Activities of committees established with respect to corporate governance

(A) Activities of the Nomination and Compensation Committee

Effective February 7, 2023, the Company established the Nomination and Compensation Committee as a voluntary advisory body to the Board of Directors.

The purpose of the Committee is to ensure objectivity and transparency in the method of determining directors appointment and compensation, and to further enhance the corporate governance system. Based on recommendations by the Board of Directors, the committee deliberates on matters related to the nomination of directors and basic policies and decision-making methods related to compensation, and reports to the Board of Directors.

The committee members are composed of members who are expected to play an important role, and majority members are independent outside directors as follows:

Position	Name	Attendance for the current fiscal year
Representative Director Group CEO	Tsuyoshi Murai	1 out of 1
Outside director	Hiroto Suetsugu	1 out of 1
Outside director	Toshie Ikenaga	1 out of 1

* The Nomination and Compensation Committee generally meets once a year on a regular basis, and extraordinary meetings are held as necessary.

(B) Activities of the Business Investment Review Committee

Effective October 1, 2022, the Company established the Business Investment Review Committee.

The committee shares the purpose of investment in business expansion projects, such as acquisitions and business transfers, and examines various risks such as quantitative aspects and issues in business operations, including human capital to engage and operate.

The committee is chaired by Representative Director Group CEO, vice-chaired by Representative Director Group COO, and includes the directors in charge of General Affairs/PR, Corporate Planning & Administration, Business Strategies, Financial & Accounting, Human Resources Affairs and specific project as well as others appointed by the Chairperson. The committee meets on a case-by-case basis. During the current fiscal year, the committee met eight times.

(2) [Information on directors and officers]

A. Directors and officers

13 males and 2 females (13.3% of directors and officers is female)

Position	Name	Date of birth	Biography	Term	Number of shares held (Shares)
Representative Director Group CEO CTO (Note 8)	Tsuyoshi Murai	August 15, 1969	Jul. 1999: Joined the Company Jun. 2007: Chief Officer of Home Marketing Division Apr. 2010: Executive Officer Chief Officer of Regional Division (I) Feb. 2011: In charge of General Property Management Mar. 2011: Japan Facilio Co., Ltd. President and Representative Director (Resigned in Mar. 2014) Apr. 2014: Senior Executive Officer Deputy Chief Officer of Business Promotion Division in charge of Business Planning & Management In charge of Local Financial Institution Services Apr. 2016: Chief Officer of Human Resources Affairs In charge of Corporate Ethics Jun. 2016: Director and Senior Executive Officer Apr. 2018: In charge of General Affairs/PR In charge of Compliance In charge of Risk Management In charge of Information Asset Management Chief Officer of Tokyo 2020 Olympic and Paralympic Games Promotion Affairs May 2018: In charge of Central Japan Area Deputy Chief Officer of Business Promotion Division in charge of Business Promotion Division (Central Japan Area) Apr. 2019: Director and Executive Vice President In charge of Tokyo 2020 Olympic and Paralympic Games Promotion Affairs Apr. 2020: In charge of Management Company Apr. 2022: Chief Officer of Development & Technologies Jun. 2022: Representative Director (Current) Group CEO (Current) CTO (Current) (Main concurrent positions) Jun. 2019: Vice Chairperson, All Japan Security Service Association (Current) Dec. 2021: Representative Director, SOHGO CORPORATION (Current) Jun. 2022: Chairperson, Tokyo Security Service Association (Current)	(Note 3)	671,800

Position	Name	Date of birth	Biography	Term	Number of shares held (Shares)
Representative Director Group COO Chief Officer of Business Promotion Division in charge of East Japan Area (Note 8)	Ikuji Kayaki	January 3, 1960	Apr. 1982: Joined the Company Apr. 2011: Chief Officer of Regional Division (IV) Apr. 2012: Executive Officer Apr. 2014: Deputy Chief Officer of Security Operations In charge of Structural Reform (Transportation Security Services) Apr. 2015: Senior Executive Officer Chief Officer of Security Operations Jun. 2017: Director and Senior Executive Officer Apr. 2018: Executive Vice President and Representative Director Head of ALSOK In-house Company In charge of East Japan Area (Current) Deputy Chief Officer of Business Promotion Division in charge of Corporate Customers Apr. 2019: Vice President and Representative Director Vice President and Executive Officer Chief Officer of Business Promotion Division (Current) In charge of Corporate Customers In charge of Business Promotion Division (East Japan Area) Jun. 2022: Representative Director (Current) Group COO (Current) President and Executive Officer (Current)	(Note 3)	6,100
Director (Executive Vice President) In charge of General Affairs/PR In charge of Compliance In charge of Risk Management In charge of Information Asset Management In charge of Quality Management In charge of Affiliated Corporate In charge of International Affairs Chief Officer of International Affairs Deputy Chief Officer of Business Promotion Division	Motohisa Suzuki	October 17, 1959	Jan. 2015: Director of Traffic Bureau, National Police Agency (Resigned in Jan. 2016) Apr. 2016: Senior Executive Officer of the Company In charge of General Affairs/PR In charge of Procurement Deputy Chief Officer of Security Operations (Tokyo 2020 Olympic and Paralympic Games Operations) In charge of HOME ALSOK In charge of Compliance In charge of Risk Management In charge of Information Asset Management Deputy Chief Officer of Business Promotion Division Apr. 2018: Chief Officer of Security Operations In charge of Structural Reform (Transportation Security Services) Deputy Chief Officer of Tokyo 2020 Olympic and Paralympic Games Promotion Affairs Apr. 2019: Chief Officer of Tokyo 2020 Olympic and Paralympic Games Promotion Affairs Jun. 2019: Director and Senior Executive Officer Jun. 2022: In charge of General Affairs/PR (Current) In charge of Compliance (Current) In charge of Risk Management (Current) In charge of Information Asset Management (Current) In charge of Management Company In charge of International Affairs (Current) Chief Officer of International Affairs (Current) Aug. 2022: Deputy Chief Officer of Business Promotion Division (Current) Apr. 2023: Director and Executive Vice President (Current) In charge of Quality Management (Current) In charge of Affiliated Corporate (Current)	(Note 3)	3,400

Position	Name	Date of birth	Biography	Term	Number of shares held (Shares)
Director (Senior Executive Officer) In charge of Long-Term Care Services Deputy Chief Officer of Business Promotion Division President and Representative Director of Life Holdings Co., Ltd. President and Representative Director of Life Co., Ltd. President and Representative Director of MBIC Life Co., Ltd. President and Representative Director of ALSOK Care Co., Ltd.	Takashi Kumagai	December 15, 1958	Jul. 2014: Director General for Reconstruction Agency (Resigned in Jun. 2016) Oct. 2016: Executive Officer of the Company Second in charge of Management Company Second in charge of Regional Control Deputy Chief Officer of Development & Technologies Deputy Chief Officer of Business Promotion Division second in charge of Sales Promotion Second in charge of Corporate Customers Apr. 2017: Senior Executive Officer In charge of Long-Term Care Services (Current) In charge of Management Company In charge of Regional Control Deputy Chief Officer of Business Promotion Division second in charge of Sales Promotion Apr. 2018: Deputy Chief Officer of Business Promotion Division in charge of HOME ALSOK Apr. 2020: Deputy Chief Officer of Business Promotion Division (Current) President and Representative Director of Life Holdings Co., Ltd. (Current) President and Representative Director of Life Co., Ltd. (Current) President and Representative Director of MBIC Life Co., Ltd. (Current) Apr. 2022: President and Representative Director of ALSOK Care Co., Ltd. (Current) Jun. 2022: Director and Senior Executive Officer (Current)	(Note 3)	1,300
Director (Senior Executive Officer) In charge of Financial & Accounting In charge of Internal Control In charge of Procurement	Kazuhide Shigemi	December 25, 1959	Apr. 2009: General Manager of Osaka Sales Division (II) of Mizuho Corporate Bank, Ltd. (currently Mizuho Bank, Ltd.) (Resigned in Apr. 2012) May 2011: General Manager of Regional Control of the Company Apr. 2013: Group General Manager Apr. 2015: General Manager of Corporate Planning & Administration Apr. 2017: Executive Officer Second in charge of Corporate Planning & Administration Second in charge of Strategic Business Apr. 2019: Senior Executive Officer In charge of Corporate Planning & Administration In charge of Strategic Business Jun. 2022: Director and Senior Executive Officer (Current) Oct. 2022: In charge of Financial & Accounting (Current) In charge of Internal Control (Current) In charge of Procurement (Current)	(Note 3)	1,000

Position	Name	Date of birth	Biography	Term	Number of shares held (Shares)
Director (Senior Executive Officer) Chief Officer of Human Resources Affairs In charge of Corporate Ethics	Naoki Hyakutake	May 15, 1964	Apr. 1989: Joined the Company Apr. 2016: President and Representative Director of ALSOK Care & Support Co., Ltd. (Resigned in Mar. 2017) Apr. 2017: General Manager of Human Resources Department Apr. 2019: Executive Officer In charge of Human Resources Affairs Apr. 2022: Senior Executive Officer Deputy Chief Officer of Human Resources Affairs Jun. 2022: Director and Senior Executive Officer (Current) Chief Officer of Human Resources Affairs (Current) In charge of Corporate Ethics (Current)	(Note 3)	2,600
Director (Senior Executive Officer) Secondment to Kansai area In charge of West Japan Area In charge of Expo 2025 Osaka, Kansai, Japan (General) Deputy Chief Officer of Business Promotion Division In charge of Business Promotion Division (West Japan Area) Chief Officer of Regional Division (II)	Yutaka Komatsu	November 3, 1958	Mar. 1981: Joined the Company Apr. 2008: General Manager in charge of Corporate Sales (I) Oct. 2014: President and Representative Director of Hokkaido Sohgo Security Services Co., Ltd. (currently ALSOK Hokkaido Co., Ltd.) Apr. 2020: Executive Officer President and Representative Director of ALSOK Hokkaido Co., Ltd. Apr. 2022: Senior Executive Officer Chairperson and Representative Director of ALSOK Hokkaido Co., Ltd. Jun. 2022: Director and Senior Executive Officer (Current) In charge of West Japan Area (Current) In charge of Expo 2025 Osaka, Kansai, Japan (General) (Current) Deputy Chief Officer of Business Promotion Division (Current) In charge of Business Promotion Division (West Japan Area) (Current) Chief Officer of Regional Division (II) (Current) Chairperson, President and Representative Director of ALSOK Kinki Co., Ltd. Chairperson and Representative Director of ALSOK Osaka Co., Ltd.	(Note 3)	1,700
Director	Hiroto Suetsugu	December 30, 1953	Apr. 2009: Executive Officer of Nippon Steel Corporation (currently Nippon Steel Corporation) (Resigned in Jun. 2012) Jun. 2012: Audit and Supervisory Board member of Nippon Steel Corporation (Resigned in Jun. 2016) Jun. 2016: Advisor of Nippon Steel & Sumitomo Metal Corporation (currently Nippon Steel Corporation) (Resigned in Jun. 2019) Advisor of Nippon Denko Co., Ltd. (Resigned in Jun. 2021) Jun. 2020: Director of the Company (Current)	(Note 3)	600

Position	Name	Date of birth	Biography	Term	Number of shares held (Shares)
Director	Toshie Ikenaga	January 23, 1961	Apr. 1987: Joined the Economic Planning Agency Sep. 2010: Director of Policy Evaluation and Public Relations Division, Minister's Secretariat, Cabinet Office Apr. 2012: Professor of Hosei Graduate School of Regional Policy Design Apr. 2014: Director of Cabinet Office Sep. 2014: Director of General Affairs Division, Gender Equality Bureau, Cabinet Office Jan. 2016: Vice-Governor of Shiga Prefecture (Resigned in Jul. 2018) Jul. 2018: Director-General of General Affairs Division, Gender Equality Bureau, Cabinet Office (Resigned in Aug. 2020) Jun. 2021: Director of the Company (Current) Jul. 2022: Director of National Hospital Organization (Current) (Main concurrent positions) Jun. 2021: Outside Audit and Supervisory Board member of Shimizu Corporation (Current)	(Note 3)	—
Director	Masahiko Mishima	July 14, 1956	Apr. 2016: Executive Officer of Mitsubishi Heavy Industries, Ltd. Oct. 2018: Senior Executive Officer of Mitsubishi Heavy Industries, Ltd. Jun. 2019: Representative Director and Senior Executive Officer of Mitsubishi Heavy Industries, Ltd. Jun. 2021: Senior Executive Officer of Mitsubishi Heavy Industries, Ltd. (Resigned in Sep. 2021) Oct. 2021: Advisor of Mitsubishi Heavy Industries, Ltd. (Resigned in Sep. 2022) Jun. 2022: Director of the Company (Current)	(Note 3)	500
Director	Kenji Iwasaki	January 3, 1955	Jun. 2009: Executive Officer of Tokio Marine & Nichido Fire Insurance Co., Ltd. Jun. 2010: Managing Director of Tokio Marine & Nichido Fire Insurance Co., Ltd. Apr. 2014: Senior Managing Director of Tokio Marine & Nichido Fire Insurance Co., Ltd. Apr. 2017: Vice President and Director of Tokio Marine & Nichido Fire Insurance Co., Ltd. (Resigned in Mar. 2018) Vice President and Executive Officer of Tokio Marine Holdings, Inc. Jun. 2017: Vice President and Director of Tokio Marine Holdings, Inc. (Resigned in Jun. 2018) Jun. 2018: Executive Director of the General Insurance Association of Japan (Resigned in Jun. 2022) Jun. 2022: Director of the Company (Current) Jul. 2022: Outside Audit and Supervisory Board member of Daiichiseiwa Jimusho Co., Ltd. (Current) (Main concurrent positions) Jun. 2022: President and Representative Director of HMS Holdings Corporation (Current) Jun. 2023: Director and Audit and Supervisory Board member of Japan Airport Terminal Co., Ltd. (Expected)	(Note 3)	—

Position	Name	Date of birth	Biography	Term	Number of shares held (Shares)
Standing Audit and Supervisory Board member	Juichiro Mochizuki	January 25, 1960	Apr. 1982: Joined the Company Aug. 2012: General Manager (I) of Security Services Apr. 2014: President and Representative Director of Ibaraki Sohgo Security Services Co., Ltd. (currently ALSOK Ibaraki Co., Ltd) (Resigned in Mar. 2020) Apr. 2020: Chief Officer of Regional Division (VI) Apr. 2021: Chief Officer of Regional Division (VII) Jun. 2022: Standing Audit and Supervisory Board member (Current)	(Note 4)	4,700
Standing Audit and Supervisory Board member	Shinichiro Nakano	December 15, 1959	Jun. 2008: General Manager in charge of Enterprise Risk Management of the Norinchukin Bank Jun. 2012: General Manager in charge of Corporate Planning Management of the Norinchukin Bank Jun. 2014: Managing Director of the Norinchukin Bank (Resigned in Mar. 2019) Director of Norinchukin Value Investments Co., Ltd. (Resigned in Mar. 2018) Director of the Norinchukin Trust & Banking Co., Ltd. (Resigned in Mar. 2019) Audit and Supervisory Board member of Kyodo Housing Loan Co., Ltd. (Resigned in Jun. 2019) Apr. 2019: Standing Counselor of the Norinchukin Bank (Resigned in Jun. 2019) Jun. 2019: Standing Audit and Supervisory Board member of the Company (Current)	(Note 5)	900
Audit and Supervisory Board member	Michiko Nagasawa	August 26, 1951	Apr. 1984: Registered as an attorney-at-law Apr. 2007: Professor of Law of Gakushuin University Law School (Resigned in Mar. 2013) Apr. 2012: Auditor of Daini Tokyo Bar Association (Resigned in Mar. 2013) Mar. 2013: Outside Board Director of Otsuka Kagu, Ltd. (Resigned in Mar. 2019) * Audit and Supervisory Board member since Mar. 2017 Jul. 2018: Audit and Supervisory Committee member of Building Research Institute, National Research and Development Agency, Japan, Ministry of Land, Infrastructure, Transport and Tourism (Current) Apr. 2020: Audit and Supervisory Committee member of Japan Federation of Bar Associations (Resigned in Mar. 2021) Jun. 2020: Audit and Supervisory Board member of the Company (Current) Jul. 2020: Vice Chairperson of Finance Committee of Japan Federation of Bar Associations (Resigned in Jun. 2022) (Main concurrent positions) Jan. 2008: Partner of the Tokyo-Marunouchi Law Offices (Current) Jun. 2019: Outside Board Director of SB Players Corp. (Current) Jun. 2020: Outside Audit and Supervisory Board member of Sojitz Corporation (Current)	(Note 6)	200

Position	Name	Date of birth	Biography	Term	Number of shares held (Shares)
Audit and Supervisory Board member	Yoshiaki Nakagawa	February 14, 1954	Sep. 1990: Director and CFO of Matsushita Radio Singapore Pte. Ltd. (Resigned in May 1996) Jan. 2001: Chief Accountant of China Hualu Matsushita AVC Co., Ltd. (Resigned in Jan. 2004) Apr. 2009: Executive Officer of Panasonic Corporation (currently Panasonic Holdings Corporation) Jun. 2011: Managing Director of Panasonic Corporation (currently Panasonic Holdings Corporation) (Resigned in Jun. 2014) Apr. 2014: President and Representative Director of Sanyo Electric Co., Ltd. (Resigned in Mar. 2017) Apr. 2017: Advisor of Panasonic Corporation (currently Panasonic Holdings Corporation) (Resigned in Mar. 2018) Apr. 2018: Special Advisor of Hardlock Industry Co., Ltd. (Current) Aug. 2020: Advisor of Uokuni Sohonsa Co., Ltd. (Current) Jun. 2021: Audit and Supervisory Board member of the Company (Current) (Main concurrent positions) Jun. 2020: Outside Audit and Supervisory Board member of Asanuma Corporation (Current)	(Note 7)	400
Total					695,200

(Notes) 1. Hirotomo Suetsugu, Toshie Ikenaga, Masahiko Mishima and Kenji Iwasaki are outside directors. Shinichiro Nakano, Michiko Nagasawa and Yoshiaki Nakagawa are outside Audit and Supervisory Board members. A legal name of Toshie Ikenaga is Toshie Kobayashi.

2. The Company has implemented an executive officers system in order to expedite decision making and engaged the Board of Directors by separating supervision and execution.

3. One year from the conclusion of the Ordinary General Meeting of Shareholders held on June 27, 2023

4. Four years from the conclusion of the Ordinary General Meeting of Shareholders held on June 24, 2022

5. Four years from the conclusion of the Ordinary General Meeting of Shareholders held on June 27, 2023

6. Four years from the conclusion of the Ordinary General Meeting of Shareholders held on June 24, 2020

7. Four years from the conclusion of the Ordinary General Meeting of Shareholders held on June 24, 2021

8. CEO is Chief Executive Officer, COO is Chief Operating Officer and CTO is Chief Technology Officer.

ALSOK's executive officers consist of the following 21 members:

Post	Name	Title
President and Executive Officer	Ikuji Kayaki	Group COO In charge of East Japan Area Chief Officer of Business Promotion Division
Executive Vice President	Motohisa Suzuki	In charge of General Affairs/PR In charge of Compliance In charge of Risk Management In charge of Information Asset Management In charge of Quality Management In charge of Affiliated Corporate In charge of International Affairs Chief Officer of International Affairs Deputy Chief Officer of Business Promotion Division
Senior Executive Officer	Takashi Kumagai	In charge of Long-Term Care Services Deputy Chief Officer of Business Promotion Division President and Representative Director of Life Holdings Co., Ltd. President and Representative Director of Life Co., Ltd. President and Representative Director of MBIC Life Co., Ltd. President and Representative Director of ALSOK Care Co., Ltd.
Senior Executive Officer	Kazuhide Shigemi	In charge of Financial & Accounting In charge of Internal Control In charge of Procurement
Senior Executive Officer	Naoki Hyakutake	Chief Officer of Human Resources Affairs In charge of Corporate Ethics
Senior Executive Officer	Yutaka Komatsu	In charge of West Japan Area In charge of Expo 2025 Osaka, Kansai, Japan (General) Deputy Chief Officer of Business Promotion Division In charge of Business Promotion Division (West Japan Area) Chief Officer of Regional Division (II)
Senior Executive Officer	Shinichiro Hayashi	In charge of Business Planning & Management In charge of Business Strategies Deputy Chief Officer of Business Promotion Division In charge of Finance
Senior Executive Officer	Seiji Ono	Deputy Chief Officer of Business Promotion Division In charge of Corporate Customers
Senior Executive Officer	Hiroyuki Ono	In charge of Central Japan Area Deputy Chief Officer of Business Promotion Division In charge of Business Promotion Division (Central Japan Area) Chief Officer of Regional Division (III)
Senior Executive Officer	Yutaka Miyajima	In charge of Electronic Security In charge of HOME ALSOK Business
Senior Executive Officer	Hiroyoshi Yoshida	Chief Officer of Stationed Security In charge of Expo 2025 Osaka, Kansai, Japan (PR)
Senior Executive Officer	Ken Takahashi	In charge of Transportation Security In charge of Facility Management
Executive Officer	Yoshio Kumazaki	In charge of Stationed Security (Tokyo) President and Representative Director of ALSOK Tokyo Co., Ltd.
Executive Officer	Tetsuya Tsuburaya	Second in charge of General Affairs General Manager of General Affairs Department
Executive Officer	Masahiro Kikukawa	Second in charge of Business Strategies General Manager of Business Strategies
Executive Officer	Wataru Saito	Deputy Chief Officer of Development & Technologies
Executive Officer	Satoshi Yoneda	In charge of Business Planning & Management
Executive Officer	Tomoyuki Arita	Second in charge of Corporate Customers General Manager in charge of Corporate Sales (I)
Executive Officer	Kengo Takeda	Chief Officer of Regional Division (I)
Executive Officer	Masayuki Chikaoka	Chief Officer of Regional Division (IV)

Post	Name	Title
Executive Officer	Kenichi Kakimoto	Chief Officer of Regional Division (V)

The following changes of executive officers were resolved at the Board of Directors' meeting held on May 12, 2023.

New post	Old post	Name	Effective date
Executive Officer Chief Officer of Regional Division (IV) Chief Officer of Regional Division (V)	Executive Officer Second in charge of General Affairs General Manager of General Affairs Department	Tetsuya Tsuburaya	June 28, 2023
Resigned	Executive Officer Chief Officer of Regional Division (IV)	Masayuki Chikaoka	June 28, 2023
Resigned	Executive Officer Chief Officer of Regional Division (V)	Kenichi Kakimoto	June 28, 2023

B. Outside directors and Audit and Supervisory Board members

ALSOK's outside directors consist of four members and outside Audit and Supervisory Board members consist of three members. The outside directors and the Audit and Supervisory Board members who have the Company's stocks are listed in "A. Directors and officers."

The Company has security service transactions, etc. with Nippon Steel Corporation where Hirotomo Suetsugu, outside director, had worked for until June 2019. The transactions for the most recent fiscal year represent less than 2% of the Company's net sales.

The Company has security service transactions, etc. with Hosei University where Toshie Ikenaga, outside director, had worked for until March 2014, and with Shimizu Corporation and National Hospital Organization where she currently works for. The transactions for the most recent fiscal year represent less than 2% of the Company's net sales.

The Company has security service transactions, etc. with Mitsubishi Heavy Industries, Ltd. where Masahiko Mishima, outside director, had worked for until September 2022. The transactions for the most recent fiscal year represent less than 2% of the Company's net sales.

The Company has security service transactions, etc. with Tokio Marine & Nichido Fire Insurance Co., Ltd. and the General Insurance Association of Japan where Kenji Iwasaki, outside director, had worked for until March 2018 and June 2022, respectively, as well as with Japan Airport Terminal Co., Ltd. where he was appointed as a director in June 2023. The transactions for the most recent fiscal year represent less than 2% of the Company's net sales.

The Company has security service transactions, etc. with the Norinchukin Bank where Shinichiro Nakano, outside director, had worked for until March 2019. The transactions for the most recent fiscal year represent less than 2% of the Company's net sales.

The Company has security service transactions, etc. with Otsuka Kagu, Ltd. where Michiko Nagasawa, outside director, had served as outside Board Director until March 2019, with National Research and Development Agency, Japan, Ministry of Land, Infrastructure, Transport and Tourism and Japan Federation of Bar Associations where she currently works for, and with Sojitz Corporation where she currently serves as outside Audit and Supervisory Board member. The transactions for the most recent fiscal year represent less than 2% of the Company's net sales.

The Company has security service transactions, etc. with Panasonic Corporation (currently Panasonic Holdings Corporation) where Yoshiaki Nakagawa, outside director, had worked for until March 2018, with Sanyo Electric Co., Ltd. where he had worked for until March 2017, with Hardlock Industry Co., Ltd. where he currently serves as Special Advisor, with Uokuni Sohonsa Co., Ltd. where he currently serves as Advisor and with Asanuma Corporation where he currently serves as outside Audit and Supervisory Board member. The transactions for the most recent fiscal year represent less than 2% of the Company's net sales.

The outside directors and outside Audit and Supervisory Board members are expected to cover the function of observation and supervision of the management team by objective and neutral standpoint. Although we do not have any explicitly stated basis or policy for independence related to appointment of outside directors and outside Audit and Supervisory Board members, we refer to requirements of independent officers stipulated by Tokyo Stock Exchange to confirm whether independent is maintained.

Four outside directors and three outside Audit and Supervisory Board members are reported to Tokyo Stock Exchange as the Company's independent officers.

C. Relationship between oversight or audit by outside directors or outside Audit and Supervisory Board members and internal audit, mutual cooperation of audit by the Audit and Supervisory Board and independent audit and its relationship with Internal Control Department

Outside directors attend meetings of the Board of Directors with outside Audit and Supervisory Board members to provide their opinions, as necessary. Before the meetings, outside directors and outside Audit and Supervisory Board members are reported from managers of departments on the matters to be discussed at the meetings to achieve effective monitoring of management. In addition, outside Audit and Supervisory Board members make visits to branches and subsidiaries as with other Audit and Supervisory Board members, and regularly exchange information and opinions with Inspection Department and the independent auditor, thereby ensuring oversight by outside directors, audit by Audit and Supervisory Board members and mutual cooperation among the Audit and Supervisory Board, internal auditors and the independent auditor.

A relationship between such oversight or audit and Internal Control Department is described as follows.

By participating in the meetings of the Board of Directors, outside directors supervise execution of duties of other directors in Internal Control Department, etc. from an independent standpoint.

Outside Audit and Supervisory Board members assess the legality of operations of Internal Control Department by conducting business and financial audits of Internal Control Department and inspecting various documents.

(3) [Status of audit]

A. Audit by Audit and Supervisory Board members

(A) Organization and members

The Company is a company with the Audit and Supervisory Board and as of the date of filing of this report, the Audit and Supervisory Board consists of four members (including three outside Audit and Supervisory Board members), including one member who has considerable knowledge of finance and accounting. Two employees are assigned to the secretariat of the Audit and Supervisory Board to assist the duties of the members. The consent of the Audit and Supervisory Board is required for personnel changes and performance evaluations of those employees, which maintains independence from directors and ensures the effectiveness of direction of the Audit and Supervisory Board members.

(B) Frequency and attendance of the Audit and Supervisory Board

During the fiscal year ended March 31, 2023, 17 meetings of the Audit and Supervisory Board were held. In the meetings, audit policy, audit plan and other critical matters related to audit were reported, discussed and resolved. Activities of standing Audit and Supervisory Board members and results of visits by the Audit and Supervisory Board members were reported to other members at the meetings of the Audit and Supervisory Board, etc.

<Attendance of Audit and Supervisory Board members>

Position	Name	Attendance
Standing Audit and Supervisory Board member	Juichiro Mochizuki	13 out of 13
Standing Audit and Supervisory Board member (Outside)	Shinichiro Nakano	17 out of 17
Audit and Supervisory Board member (Outside)	Michiko Nagasawa	17 out of 17
Audit and Supervisory Board member (Outside)	Yoshiaki Nakagawa	17 out of 17

(Note) The attendance of Juichiro Mochizuki is based on the meetings held after his appointment on June 24, 2022.

(C) Status of audit

Each Audit and Supervisory Board member conducts audit of execution of duties of directors, such as whether the execution of duties of directors, executive officers and employees complies with laws and regulations and the Articles of Incorporation, from an independent standpoint in accordance with Regulation of Audit and Supervisory Board and audit plans. Specifically, the execution of duties is monitored through reporting from directors and employees on critical matters related to businesses, reporting from Inspection Department on audit and reporting from the whistleblowing department on critical matters.

Each Audit and Supervisory Board member is reported from the independent auditor on status and results of audit so that they can monitor and verify the execution of duties of the auditor, such as whether the financial statements are properly audited, to assess the adequacy of the auditor.

In order to achieve these, Audit and Supervisory Board members regularly exchange opinions with the Representative Director and outside directors and hold meetings with Inspection Department and the independent auditor to discuss audit-related matters. Also, Audit and Supervisory Board members attend the meetings of the Board of Directors and the

Management Committee to appropriately monitor the execution of duties of management, as well as make visits to the Company's branches, subsidiaries and associates on a regular basis. Audit and Supervisory Board members are also appointed as Audit and Supervisory Board members of subsidiaries and associates, and hold meetings with other officers of the Company who also serve as Audit and Supervisory Board members of subsidiaries and associates.

B. Internal audit

(A) Organization, members and procedures

As a department specialized in internal audit, Inspection Department (42 members as of the date of filing of this report) is established within the Company under the direct control of the Representative Director Group COO.

Based on "Internal Audit Regulation", Inspection Department makes efforts to examine and assess overall management of business activities of the Company and its subsidiaries and associates, operational systems and execution of duties in terms of its legality, necessity and reasonableness, and provides guidance, advice and recommendation for improvement.

(B) Mutual cooperation among internal audit, audit by Audit and Supervisory Board members and audit by the independent auditor, relationship between these audits and Internal Control Department, and efforts to ensure effectiveness of internal audit

Inspection Department, Audit and Supervisory Board members and the independent auditor meet generally once a month in "three-way audit meeting." Inspection Department, Audit and Supervisory Board members and the independent auditor cooperate with each other by sharing and exchanging opinions on information on audits performed by these auditors. In addition, in order to share audit information and make improvements, the results of internal audits conducted and the audit policy for the next fiscal year are reported directly to the Board of Directors once a year.

Four Audit and Supervisory Board members regularly meet with the independent auditor to exchange opinions on matters discussed in the meetings of the Board of Directors and issues recognized by them to cooperate with each other.

A relationship between these audits and Internal Control Department is described as follows:

As part of evaluation procedures for entity-level controls and business process controls, Inspection Department performs control testing over business activities, such as promotion of compliance led by Internal Control Department of General Affairs Department and Financial & Accounting Department, risk management and financial closing and reporting. Results of the internal control testing performed by Inspection Department are reported to the Representative Director Group COO and the officer in charge of internal controls, as necessary, which includes a list of deficiencies that Inspection Department determined to be remediated. The officer in charge of internal controls then requests related departments to remediate those deficiencies by certain due dates, which helps to strengthen the management by Internal Control Department. In addition, the internal audit conducted by Inspection Department consists of audit of the management departments and audit of operating departments and covers all business activities of the Company including Internal Control Department. Results of the internal audit are promptly reported to the Representative Director Group COO, and are also notified to related officers, Audit and Supervisory Board members and managers of related departments. General Manager of Inspection Department requests the managers to remediate the matters by certain due dates, which helps to improve the business processes.

Audit and Supervisory Board members assess legality of the work performed by Internal Control Department through business audit, consideration of business issues recognized during the financial audit, inspection of documents related to the Risk Management Committee and participation in various meetings such as Board of Directors' meeting, and provides advice to Internal Control Department, as necessary.

The independent auditor conducts internal control audit, audit under the Companies Act and the financial statements audit and quarterly review. In the internal control audit, the independent auditor evaluates design and operation of internal controls implemented by Internal Control Department through inspection of results of control testing performed over Internal Control Department by Inspection Department, control testing performed by the independent auditor and inspection of related documents. In the financial statements audit performed in conjunction with the internal control audit, the independent auditor performs procedures over Internal Control Department, including confirmation of significant accounts, examination of accounting estimates and presentation of financial statements. The independent auditor assesses adequacy of the financial statements by making inquiries of managers under the audit and interviews with directors including the officer in charge of Internal Control Department based on the full consideration of control environment and business risks of the Company.

The independent auditor reports the results of audit performed to directors, Audit and Supervisory Board members and Internal Control Department, as necessary, as well as the follow-up of findings in the previous audits.

C. Financial audit

(A) Name of the independent auditor

Grant Thornton Taiyo LLC

(B) Term

40 consecutive business terms from the period ended June 1984

(C) Certified public accountant

Tatsuya Arai

Takeshi Iwasaki

Takayuki Uenishi

(D) Composition of audit assistants

The audit assistants for the Company's financial audit comprise 8 certified public accountants and 23 other members.

(E) Reason and policy for selecting the independent auditor

In selecting an auditor, the Company comprehensively analyzes and assesses the following factors:

- a. Reasons for disqualification based on laws and regulations
- b. Quality control system implemented by the independent auditor
- c. Independence from the Group that should be maintained as an external auditor
- d. Audit fees
- e. Communication with management and Audit and Supervisory Board members
- f. Procedures to address and assess fraud risk
- g. Appropriateness of audit performed for the previous fiscal year
- h. Appropriateness of planned hours and assignment in the audit plan for the current fiscal year

Based on the analysis and assessment of these factors above, we have determined that Grant Thornton Taiyo LLC has no reason to be disqualified, maintains independence and has sufficient ability to conduct effective and efficient audit. Based on these reasons, Grant Thornton Taiyo LLC has been appointed as the independent auditor.

(F) Assessment of the independent auditor

The Company's Audit and Supervisory Board assesses the independent auditor as described below:

Based on the "Practical Guidelines for Audit and Supervisory Board Members, etc. regarding Evaluation of Independent Auditors and Development of Selection Criteria" published by the Japan Audit & Supervisory Board Members Association, the following three items are evaluated:

- The grounds for dismissal of the independent auditors specified in Article 340, Paragraph 1 of the Companies Act do not apply to the independent auditor and the independent auditor does not conflict with qualifications of the independent auditor under Article 337 of the Companies Act
- Assessment by accounting department under audit
- Assessment based on practical guidelines by the Japan Audit & Supervisory Board Members Association

Based on the above, the Audit and Supervisory Board discusses appropriateness of the reappointment of the auditor in accordance with "Policy for dismissal or non-reappointment of the auditor."

D. Audit fees, etc.

(A) Fees to the independent auditor

Category	Fiscal year ended March 31, 2022		Fiscal year ended March 31, 2023	
	Fees for audit and attestation services (Millions of yen)	Fees for non-audit services (Millions of yen)	Fees for audit and attestation services (Millions of yen)	Fees for non-audit services (Millions of yen)
Reporting company	99	—	106	—
Consolidated subsidiaries	10	—	10	—
Total	109	—	117	—

(B) Fees to entities within the same network as the independent auditor (Grant Thornton International Ltd) (excluding (A))

Category	Fiscal year ended March 31, 2022		Fiscal year ended March 31, 2023	
	Fees for audit and attestation services (Millions of yen)	Fees for non-audit services (Millions of yen)	Fees for audit and attestation services (Millions of yen)	Fees for non-audit services (Millions of yen)
Reporting company	0	—	—	22
Consolidated subsidiaries	—	2	—	—
Total	0	2	—	22

The details of the non-audit services provided to the Company are described below:

(Fiscal year ended March 31, 2022)

The Company paid ¥2 million to entities within the same network as the independent auditor of the Company for non-audit services (advisory services related to M&A).

(Fiscal year ended March 31, 2023)

The Company paid ¥22 million to entities within the same network as the independent auditor of the Company for non-audit services (advisory services related to M&A).

(C) Fees for other significant audit and attestation services

Nothing to report.

(D) Policy for determining audit fees

Audit fees to the Company's independent auditor are determined based on the consideration of factors such as days required for audit, the size and nature of businesses of the Company, etc., which requires the consent of the Audit and Supervisory Board.

(E) Reason for the Audit and Supervisory Board's consent to audit fees

In accordance with "Practical Guidelines for Cooperation with the Independent Auditor" published by the Japan Audit & Supervisory Board Members Association, the Audit and Supervisory Board of the Company confirms the audit plan and actual hours incurred for the previous fiscal year to assess the reasonableness of planned hours and audit fees for the current fiscal year. Based on the consideration, the Audit and Supervisory Board consents to the audit fees for the independent auditor, etc. under Article 399, Paragraph 1 of the Companies Act.

(4) [Compensation of directors and officers]

A. Total amount of compensation by category of directors and officers, the total amount by type of compensation and the number of directors and officers covered

Category of directors and officers	Total amount of compensation (Millions of yen)	Total amount of compensation by type of compensation (Millions of yen)			Number of directors and officers covered
		Fixed compensation	Performance-linked compensation	Retirement benefits	
Directors (excluding outside directors)	360	181	179	—	12
Audit and Supervisory Board members (excluding outside Audit and Supervisory Board members)	23	23	—	—	2
Outside directors and Audit and Supervisory Board members	69	67	2	—	9

(Note) 1. The above total amount of compensation includes compensation during the term of office of six directors and one Audit and Supervisory Board member who resigned at the conclusion of the 57th Ordinary General Meeting of Shareholders held on June 24, 2022, and one director who resigned in October 2022.

2. In addition to the above, the following payment was made as compensation and other property benefits in consideration of performance of duties:

One director ¥82 million

This payment was made to one director who resigned at the conclusion of the 57th Ordinary General Meeting of Shareholders held on June 24, 2022, as a termination payment for the abolishment of the retirement benefit plan in accordance with the resolution of the 40th Ordinary General Meeting of Shareholders held on June 29, 2005.

B. Total amount of compensation by director and officer of the reporting company, etc. on a consolidated basis

This is omitted as no director or officer receives total amount of compensation of ¥100 million or more on a consolidated basis.

C. Policy related to amount of compensation for directors and officers, etc.

Based on the resolution of the 37th Ordinary General Meeting of Shareholders on June 27, 2002, the Company decided that the maximum compensation paid to directors shall be ¥400 million in total (the number of directors involved in the resolution is seven). Based on the resolution of the 33rd Ordinary General Meeting of Shareholders on June 30, 1998, the maximum compensation paid to Audit and Supervisory Board members shall be ¥120 million in total (the number of Audit and Supervisory Board members involved in the resolution is four).

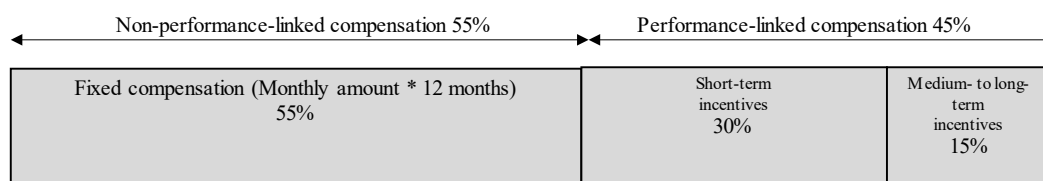
The compensation paid to directors of the Company consists of fixed amount determined for officers and outside directors, and for other directors, as well as performance-linked compensation determined based on performance assessment for execution of duties of each director by certain standards based on the following policies decided by the resolution of the Board of Directors.

The basic policy and method of determining the compensation of directors of the Company (excluding outside directors) shall be decided by the Board of Directors after discussion and reporting by the “Nomination and Compensation Committee”, in which the majority of the members are outside directors.

The compensation paid to Audit and Supervisory Board members is fixed amount, which is predetermined based on the standard decided at the meeting of the Audit and Supervisory Board.

D. Policy for determining payment ratio for performance-linked compensation and non-performance-linked compensation

The compensation of the directors (excluding outside directors) includes the fixed compensation notified in advance (so-called bonuses) paid in June every year, which is performance-linked compensation. If the company performance payment rate and the individual performance payment rate are both 100%, the payment ratio will be 45% of the total annual compensation (short-term incentive : 30%, medium- to long-term incentive: 15%). Fixed monthly compensation represents non-performance-linked compensation, and if the company performance payment rate and the individual performance payment rate are both 100%, the payment ratio will be 55% of the total annual compensation.



E. Policy for determining compensation for directors and officers or its calculation method by position

The monthly compensation for the Company's directors (excluding outside directors) is calculated by adding "role allowance" and "director's allowance" to the basic salary, which is predetermined for each position. In addition, the fixed compensation notified in advance is determined according to the monthly compensation.

F. Index related to performance-linked compensation, reason for selecting the index, and method used to determine performance-linked compensation

In calculating fixed compensation notified in advance, which is performance-linked compensation, the company performance payment rate is calculated using the standard index (consolidated operating income + equity method investment income + consolidated bonus) for short-term incentives. In contrast, the company performance payment rate for medium- to long-term incentives, the company performance payment rate is calculated based on the three-year average growth rate of the standard index. In addition, the individual performance payment rate is determined by the degree of achievement of the goals set for each individual. The amount of payment is determined by multiplying the standard amount by each payment rate.

[Formula to calculate average growth rate of the standard index]

$$\text{Annual average growth rate} = \left(\frac{\text{Standard index}}{\text{Standard index for the three}} \right)^{\frac{1}{3}} - 1$$

[Formula for short-term and medium- to long-term incentives]

Compensation amount for individual	=	Standard amount	×	Company performance payment rate	×	Individual performance payment rate
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The reasons for adopting the above standard index are as follows:

- (A) Improving performance of the entire group, including equity method entities, is the main role of directors and officers.
- (B) Consolidated operating income excluding the effect of fluctuations in bonus payments is considered to be a better indicator of company's performance.

G. Name of the person who has the authority to determine compensation etc. for directors and officers or policy for determining the calculation method, as well as details and scope of that authority

In determining performance-linked compensation to be paid to directors in the relevant fiscal year, it is considered that the Board of Directors of the Company is in a position to conduct performance evaluation most appropriately for each director to determine individual performance payment rate. Therefore, Tsuyoshi Murai and Ikuji Kayaki, both Representative Director at that time, were delegated to determine the payment rate based on the achievements of each director's goals and targets (KPI) for the relevant fiscal year.

The Board of Directors of the Company has determined that compensation determined for each director is in line with the decision policy as it is determined based on the report by the Nomination and Compensation Committee, after the Committee discusses matters relating to the basic policy and method of determining the compensation of directors in consultation with the Board of Directors. The Committee is voluntary and the majority of the members are independent outside directors.

H. Activities of the Board of Directors in the process of determining compensation amount for directors and officers in the fiscal year ended March 31, 2023

Compensation for directors of the Company is a matter to be resolved by the Board of Directors in accordance with the Board Regulations. We have deliberated on the compensation system, revision of calculation method for the fixed compensation notified in advance, and company performance payment rate and individual performance payment rate for the fixed compensation notified in advance.

In the current fiscal year, the Board of Directors' meeting held on May 13, 2022 discussed the company performance payment rate and individual performance payment rate for the fixed compensation notified in advance scheduled to be paid in June of the same year.

In the deliberation of the company performance payment rate for the current fiscal year, the actual standard index was ¥72,348 million (achievement rate 102.0%) against the plan of ¥73,800 million.

(5) [Stocks held]

A. Basis and approach for classification of investment stocks

Based on “Regulation for purchase and sale of stocks” established by the Company, the Company invests in stocks to strengthen and expand business transactions with stock issuers and their associates as well as to expand into other businesses, not for speculative purposes (stock investment mainly for the purpose of generating capital gains and income gains). Accordingly, all shares held by the Company are investment stocks not held for trading.

B. Investment stocks not held for trading

(A) Policy for stock holding, method to assess reasonableness of stock holding and the Board of Directors’ assessment for holding of individual share

Based on “Regulation for purchase and sale of stocks”, the Company measures the benefits of holding investment stocks once a year by taking into account annual sales to stock issuers and their associates, contributions to the Company as service providers and suppliers and the status of business development, etc. The measurement of benefits of holding stocks is reported to the Board of Directors every year. For the current fiscal year, all shares will continue to be held.

(B) Number of issuers and carrying amount

	Number of issuers	Total carrying amount (Millions of yen)
Unlisted shares	41	1,035
Shares other than unlisted shares	84	14,466

(Issuers for which number of shares increased during the current fiscal year)

	Number of issuers	Total acquisition cost of the number of shares increased (Millions of yen)	Reason for increase
Unlisted shares	—	—	—
Shares other than unlisted shares	10	2	Mainly acquired for the purpose of strengthening and expanding transactions with the issuer. The number of certain shares increased due to stock split.

(Issuers for which number of shares decreased during the current fiscal year)

	Number of issuers	Total sales value of the number of shares decreased (Millions of yen)
Unlisted shares	3	16
Shares other than unlisted shares	3	67

(C) Information on the number of shares and carrying amount of specified investment stocks and deemed-owned stocks by issuer

Specified investment stocks

Issuer	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022	Purpose of holding shares, overview of business alliance, quantitative benefit and reasons for increase in the number of shares	Holding of shares of the Company
	Number of shares (Shares)	Number of shares (Shares)		
	Carrying amount (Millions of yen)	Carrying amount (Millions of yen)		
Taiwan Shin Kong Security Co., Ltd	35,778,823	35,778,823	The shares are held in order to build a mutual cooperation system for sales and operations (technical exchange in the field of security and stable procurement of materials and equipment). In addition, Representative Director of the Company concurrently serves as a director of the company, and the Company builds a cooperation system to improve business performance in the same manner as subsidiaries and equity-method associates. Although it is not disclosed due to confidential nature of the information, we have determined that there are the benefits of holding these shares as we receive a reasonable amount of income and capital gains from the company's shares, and also in consideration of the company's contribution as a supplier of materials and equipment.	No
	6,385	6,124		
Mizuho Financial Group, Inc.	856,343	856,343	The Company and its associates have concluded contracts for security services with the company and its associates, and the shares are held for the purpose of maintaining, strengthening and expanding these transactions. Although it is not disclosed due to confidential nature of the information, we earn revenue from the company and its associates based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	Yes
	1,608	1,341		
Seven Bank, Ltd.	5,000,000	5,000,000	The Company and its associates have concluded contracts for security services with the company and its associates, and the shares are held for the purpose of maintaining, strengthening and expanding these transactions. Although it is not disclosed due	Yes

	1,325	1,195	to confidential nature of the information, we earn revenue from the company and its associates based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	
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Issuer	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022	Purpose of holding shares, overview of business alliance, quantitative benefit and reasons for increase in the number of shares	Holding of shares of the Company
	Number of shares (Shares)	Number of shares (Shares)		
	Carrying amount (Millions of yen)	Carrying amount (Millions of yen)		
FAST RETAILING CO., LTD.	28,800	9,600	The Company and its associates have concluded contracts for security services with the company and its associates, and the shares are held for the purpose of maintaining, strengthening and expanding these transactions. Although it is not disclosed due to confidential nature of the information, we earn revenue from the company and its associates based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares. The number of this share increased due to stock splits as of February 28, 2023.	No
	831	604		
Hulic Co., Ltd.	659,100	659,100	The Company and its associates have concluded contracts for security services with the company and its associates, and the shares are held for the purpose of maintaining, strengthening and expanding these transactions. Although it is not disclosed due to confidential nature of the information, we earn revenue from the company and its associates based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	No
	716	725		
LIXIL Group	148,600	148,600	The Company and its associates have concluded contracts for security services with the company and its associates, and the shares are held for the purpose of maintaining, strengthening and expanding these transactions. Although it is not disclosed due to confidential nature of the information, we earn revenue from the company and its associates based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	No
	323	340		

Issuer	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022	Purpose of holding shares, overview of business alliance, quantitative benefit and reasons for increase in the number of shares	Holding of shares of the Company
	Number of shares (Shares)	Number of shares (Shares)		
	Carrying amount (Millions of yen)	Carrying amount (Millions of yen)		
KOTOBUKI SPIRITS Co., LTD.	30,000	30,000	The Company and its associates have concluded contracts for security services with the company and its associates, and the shares are held for the purpose of maintaining, strengthening and expanding these transactions. Although it is not disclosed due to confidential nature of the information, we earn revenue from the company and its associates based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	No
	281	195		
The Shiga Bank, Ltd.	100,000	100,000	The Company and its associates have concluded contracts for security services with the company and its associates, and the shares are held for the purpose of maintaining, strengthening and expanding these transactions. Although it is not disclosed due to confidential nature of the information, we earn revenue from the company and its associates based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	Yes
	267	221		
OMRON Corporation	30,000	30,000	The Company and its associates have concluded contracts for security services with the company and its associates, and the shares are held for the purpose of maintaining, strengthening and expanding these transactions. Although it is not disclosed due to confidential nature of the information, we earn revenue from the company and its associates based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	No
	231	246		

Issuer	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022	Purpose of holding shares, overview of business alliance, quantitative benefit and reasons for increase in the number of shares	Holding of shares of the Company
	Number of shares (Shares)	Number of shares (Shares)		
	Carrying amount (Millions of yen)	Carrying amount (Millions of yen)		
The Kiyo Bank, Ltd.	148,900	148,900	The Company and its associates have concluded contracts for security services with the company and its associates, and the shares are held for the purpose of maintaining, strengthening and expanding these transactions. Although it is not disclosed due to confidential nature of the information, we earn revenue from the company and its associates based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	No
	220	205		
Nitori Holdings Co., Ltd.	12,500	12,500	The Company and its associates have concluded contracts for security services with the company and its associates, and the shares are held for the purpose of maintaining, strengthening and expanding these transactions. Although it is not disclosed due to confidential nature of the information, we earn revenue from the company and its associates based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	No
	199	192		
DAIWA HOUSE INDUSTRY CO., LTD.	60,000	60,000	The Company and its associates have concluded contracts for security services with the company and its associates, and the shares are held for the purpose of maintaining, strengthening and expanding these transactions. Although it is not disclosed due to confidential nature of the information, we earn revenue from the company and its associates based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	No
	186	192		

Issuer	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022	Purpose of holding shares, overview of business alliance, quantitative benefit and reasons for increase in the number of shares	Holding of shares of the Company
	Number of shares (Shares)	Number of shares (Shares)		
	Carrying amount (Millions of yen)	Carrying amount (Millions of yen)		
Mitsubishi UFJ Financial Group, Inc.	137,300	137,300	The Company and its associates have concluded contracts for security services with the company and its associates, and the shares are held for the purpose of maintaining, strengthening and expanding these transactions. Although it is not disclosed due to confidential nature of the information, we earn revenue from the company and its associates based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	Yes
	116	104		
Mitsubishi Electric Corporation	60,000	60,000	The Company and its associates have concluded contracts for security services with the company and its associates, and the shares are held for the purpose of maintaining, strengthening and expanding these transactions. Although it is not disclosed due to confidential nature of the information, we earn revenue from the company and its associates based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	Yes
	94	84		
Suruga Bank Ltd.	196,000	196,000	The Company and its associates have concluded contracts for security services with the company and its associates, and the shares are held for the purpose of maintaining, strengthening and expanding these transactions. Although it is not disclosed due to confidential nature of the information, we earn revenue from the company and its associates based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	No
	90	80		

Issuer	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022	Purpose of holding shares, overview of business alliance, quantitative benefit and reasons for increase in the number of shares	Holding of shares of the Company
	Number of shares (Shares)	Number of shares (Shares)		
	Carrying amount (Millions of yen)	Carrying amount (Millions of yen)		
Sumitomo Mitsui Trust Holdings, Inc.	19,327	19,327	The Company and its associates have concluded contracts for security services with the company and its associates, and the shares are held for the purpose of maintaining, strengthening and expanding these transactions. Although it is not disclosed due to confidential nature of the information, we earn revenue from the company and its associates based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	No
	87	77		
Kintetsu Group Holdings Co., Ltd.	20,000	20,000	The Company and its associates have concluded contracts for security services with the company and its associates, and the shares are held for the purpose of maintaining, strengthening and expanding these transactions. Although it is not disclosed due to confidential nature of the information, we earn revenue from the company and its associates based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	No
	85	70		
Sumitomo Mitsui Financial Group, Inc.	15,200	15,200	The Company and its associates have concluded contracts for security services with the company and its associates, and the shares are held for the purpose of maintaining, strengthening and expanding these transactions. Although it is not disclosed due to confidential nature of the information, we earn revenue from the company and its associates based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	Yes
	80	59		

Issuer	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022	Purpose of holding shares, overview of business alliance, quantitative benefit and reasons for increase in the number of shares	Holding of shares of the Company
	Number of shares (Shares)	Number of shares (Shares)		
	Carrying amount (Millions of yen)	Carrying amount (Millions of yen)		
DYNAM JAPAN HOLDINGS Co., Ltd.	800,000	800,000	The Company and its associates have concluded contracts for security services with the company and its associates, and the shares are held for the purpose of maintaining, strengthening and expanding these transactions. Although it is not disclosed due to confidential nature of the information, we earn revenue from the company and its associates based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	No
	72	93		
Sumitomo Realty & Development Co., Ltd.	24,000	24,000	The Company and its associates have concluded contracts for security services with the company and its associates, and the shares are held for the purpose of maintaining, strengthening and expanding these transactions. Although it is not disclosed due to confidential nature of the information, we earn revenue from the company and its associates based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	No
	71	81		
Dai-ichi Life Holdings, Inc.	28,200	28,200	The Company and its associates have concluded contracts for security services with the company and its associates, and the shares are held for the purpose of maintaining, strengthening and expanding these transactions. Although it is not disclosed due to confidential nature of the information, we earn revenue from the company and its associates based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	Yes
	68	70		

Issuer	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022	Purpose of holding shares, overview of business alliance, quantitative benefit and reasons for increase in the number of shares	Holding of shares of the Company
	Number of shares (Shares)	Number of shares (Shares)		
	Carrying amount (Millions of yen)	Carrying amount (Millions of yen)		
Sumitomo Corporation	28,600	28,600	The Company and its associates have concluded contracts for security services with the company and its associates, and the shares are held for the purpose of maintaining, strengthening and expanding these transactions. Although it is not disclosed due to confidential nature of the information, we earn revenue from the company and its associates based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	No
	66	60		
Daiwa Securities Group Inc.	103,000	103,000	The Company and its associates have concluded contracts for security services with the company and its associates, and the shares are held for the purpose of maintaining, strengthening and expanding these transactions. Although it is not disclosed due to confidential nature of the information, we earn revenue from the company and its associates based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	Yes
	63	71		
Credit Saison Co., Ltd.	37,100	37,100	The Company and its associates have concluded contracts for security services with the company and its associates, and the shares are held for the purpose of maintaining, strengthening and expanding these transactions. Although it is not disclosed due to confidential nature of the information, we earn revenue from the company and its associates based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	No
	62	48		

Issuer	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022	Purpose of holding shares, overview of business alliance, quantitative benefit and reasons for increase in the number of shares	Holding of shares of the Company
	Number of shares (Shares)	Number of shares (Shares)		
	Carrying amount (Millions of yen)	Carrying amount (Millions of yen)		
Tokyu Fudosan Holdings Corporation	95,400	95,400	The Company and its associates have concluded contracts for security services with the company and its associates, and the shares are held for the purpose of maintaining, strengthening and expanding these transactions. Although it is not disclosed due to confidential nature of the information, we earn revenue from the company and its associates based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	No
	60	64		
DUSKIN CO., LTD.	15,500	15,500	The Company and its associates have concluded contracts for security services with the company and its associates, and the shares are held for the purpose of maintaining, strengthening and expanding these transactions. Although it is not disclosed due to confidential nature of the information, we earn revenue from the company and its associates based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	No
	49	41		
Tokyo Kiraboshi Financial Group, Inc.	16,307	16,307	The Company and its associates have concluded contracts for security services with the company and its associates, and the shares are held for the purpose of maintaining, strengthening and expanding these transactions. Although it is not disclosed due to confidential nature of the information, we earn revenue from the company and its associates based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	No
	42	28		

Issuer	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022	Purpose of holding shares, overview of business alliance, quantitative benefit and reasons for increase in the number of shares	Holding of shares of the Company
	Number of shares (Shares)	Number of shares (Shares)		
	Carrying amount (Millions of yen)	Carrying amount (Millions of yen)		
Yamaguchi Financial Group, Inc.	50,000	50,000	The Company and its associates have concluded contracts for security services with the company and its associates, and the shares are held for the purpose of maintaining, strengthening and expanding these transactions. Although it is not disclosed due to confidential nature of the information, we earn revenue from the company and its associates based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	No
	40	34		
The Shimizu Bank, Ltd.	24,800	24,800	The Company and its associates have concluded contracts for security services with the company and its associates, and the shares are held for the purpose of maintaining, strengthening and expanding these transactions. Although it is not disclosed due to confidential nature of the information, we earn revenue from the company and its associates based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	Yes
	36	39		
Seven & i Holdings Co., Ltd.	5,900	5,900	The Company and its associates have concluded contracts for security services with the company and its associates, and the shares are held for the purpose of maintaining, strengthening and expanding these transactions. Although it is not disclosed due to confidential nature of the information, we earn revenue from the company and its associates based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	No
	35	34		

Issuer	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022	Purpose of holding shares, overview of business alliance, quantitative benefit and reasons for increase in the number of shares	Holding of shares of the Company
	Number of shares (Shares)	Number of shares (Shares)		
	Carrying amount (Millions of yen)	Carrying amount (Millions of yen)		
TOMONY Holdings, Inc.	93,500	93,500	The Company and its associates have concluded contracts for security services with the company and its associates, and the shares are held for the purpose of maintaining, strengthening and expanding these transactions. Although it is not disclosed due to confidential nature of the information, we earn revenue from the company and its associates based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	Yes
	33	30		
The Keiyo Bank, Ltd.	58,000	58,000	The Company and its associates have concluded contracts for security services with the company and its associates, and the shares are held for the purpose of maintaining, strengthening and expanding these transactions. Although it is not disclosed due to confidential nature of the information, we earn revenue from the company and its associates based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	No
	32	28		
THE HACHIJUNI BANK, LTD.	55,000	55,000	The Company and its associates have concluded contracts for security services with the company and its associates, and the shares are held for the purpose of maintaining, strengthening and expanding these transactions. Although it is not disclosed due to confidential nature of the information, we earn revenue from the company and its associates based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	No
	31	22		

Issuer	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022	Purpose of holding shares, overview of business alliance, quantitative benefit and reasons for increase in the number of shares	Holding of shares of the Company
	Number of shares (Shares)	Number of shares (Shares)		
	Carrying amount (Millions of yen)	Carrying amount (Millions of yen)		
EDION Corporation	24,154	23,464	The Company and its associates have concluded contracts for security services with the company and its associates, and the shares are held for the purpose of maintaining, strengthening and expanding these transactions. Although it is not disclosed due to confidential nature of the information, we earn revenue from the company and its associates based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares. As further expansion of transactions with the company was expected, additional shares were acquired during the current fiscal year through participation in client stock ownership association.	No
	30	26		
The Chiba Bank, Ltd.	36,000	36,000	The Company and its associates have concluded contracts for security services with the company and its associates, and the shares are held for the purpose of maintaining, strengthening and expanding these transactions. Although it is not disclosed due to confidential nature of the information, we earn revenue from the company and its associates based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	No
	30	26		
East Japan Railway Company	4,000	4,000	The Company and its associates have concluded contracts for security services with the company and its associates, and the shares are held for the purpose of maintaining, strengthening and expanding these transactions. Although it is not disclosed due to confidential nature of the information, we earn revenue from the company and its associates based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	No
	29	28		

Issuer	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022	Purpose of holding shares, overview of business alliance, quantitative benefit and reasons for increase in the number of shares	Holding of shares of the Company
	Number of shares (Shares)	Number of shares (Shares)		
	Carrying amount (Millions of yen)	Carrying amount (Millions of yen)		
RETAIL PARTNERS CO., LTD.	20,000	20,000	The Company and its associates have concluded contracts for security services with the company and its associates, and the shares are held for the purpose of maintaining, strengthening and expanding these transactions. Although it is not disclosed due to confidential nature of the information, we earn revenue from the company and its associates based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	No
	27	28		
Alleanza Holdings Co., Ltd.	27,000	27,000	The Company and its associates have concluded contracts for security services with the company and its associates, and the shares are held for the purpose of maintaining, strengthening and expanding these transactions. Although it is not disclosed due to confidential nature of the information, we earn revenue from the company and its associates based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	No
	26	26		
T-Gaia Corporation	15,700	15,700	The Company and its associates have concluded contracts for security services with the company and its associates, and the shares are held for the purpose of maintaining, strengthening and expanding these transactions. Although it is not disclosed due to confidential nature of the information, we earn revenue from the company and its associates based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	No
	26	25		

Issuer	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022	Purpose of holding shares, overview of business alliance, quantitative benefit and reasons for increase in the number of shares	Holding of shares of the Company
	Number of shares (Shares)	Number of shares (Shares)		
	Carrying amount (Millions of yen)	Carrying amount (Millions of yen)		
The Shikoku Bank, Ltd.	26,400	26,400	The Company and its associates have concluded contracts for security services with the company and its associates, and the shares are held for the purpose of maintaining, strengthening and expanding these transactions. Although it is not disclosed due to confidential nature of the information, we earn revenue from the company and its associates based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	Yes
	22	19		
SHIMAMURA Co., Ltd.	1,600	1,600	The Company and its associates have concluded contracts for security services with the company and its associates, and the shares are held for the purpose of maintaining, strengthening and expanding these transactions. Although it is not disclosed due to confidential nature of the information, we earn revenue from the company and its associates based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	No
	21	17		
The Musashino Bank, Ltd.	9,300	9,300	The Company and its associates have concluded contracts for security services with the company and its associates, and the shares are held for the purpose of maintaining, strengthening and expanding these transactions. Although it is not disclosed due to confidential nature of the information, we earn revenue from the company and its associates based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	No
	20	16		

Issuer	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022	Purpose of holding shares, overview of business alliance, quantitative benefit and reasons for increase in the number of shares	Holding of shares of the Company
	Number of shares (Shares)	Number of shares (Shares)		
	Carrying amount (Millions of yen)	Carrying amount (Millions of yen)		
The Awa Bank, Ltd.	10,000	10,000	The Company and its associates have concluded contracts for security services with the company and its associates, and the shares are held for the purpose of maintaining, strengthening and expanding these transactions. Although it is not disclosed due to confidential nature of the information, we earn revenue from the company and its associates based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	Yes
	19	21		
Nomura Holdings, Inc.	34,800	34,800	The Company and its associates have concluded contracts for security services with the company and its associates, and the shares are held for the purpose of maintaining, strengthening and expanding these transactions. Although it is not disclosed due to confidential nature of the information, we earn revenue from the company and its associates based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	Yes
	17	17		
North Pacific Bank, Ltd.	62,500	62,500	The Company and its associates have concluded contracts for security services with the company and its associates, and the shares are held for the purpose of maintaining, strengthening and expanding these transactions. Although it is not disclosed due to confidential nature of the information, we earn revenue from the company and its associates based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	No
	17	15		

Issuer	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022	Purpose of holding shares, overview of business alliance, quantitative benefit and reasons for increase in the number of shares	Holding of shares of the Company
	Number of shares (Shares)	Number of shares (Shares)		
	Carrying amount (Millions of yen)	Carrying amount (Millions of yen)		
NIPPON TELEGRAPH AND TELEPHONE CORPORATION	4,000	4,000	The Company and its associates have concluded contracts for security services with the company and its associates, and the shares are held for the purpose of maintaining, strengthening and expanding these transactions. Although it is not disclosed due to confidential nature of the information, we earn revenue from the company and its associates based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	Yes
	15	14		
Senshu Ikeda Holdings, Inc.	67,030	67,030	The Company and its associates have concluded contracts for security services with the company and its associates, and the shares are held for the purpose of maintaining, strengthening and expanding these transactions. Although it is not disclosed due to confidential nature of the information, we earn revenue from the company and its associates based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	No
	15	11		
Hokuhoku Financial Group, Inc.	16,800	16,800	The Company and its associates have concluded contracts for security services with the company and its associates, and the shares are held for the purpose of maintaining, strengthening and expanding these transactions. Although it is not disclosed due to confidential nature of the information, we earn revenue from the company and its associates based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	No
	15	15		

Issuer	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022	Purpose of holding shares, overview of business alliance, quantitative benefit and reasons for increase in the number of shares	Holding of shares of the Company
	Number of shares (Shares)	Number of shares (Shares)		
	Carrying amount (Millions of yen)	Carrying amount (Millions of yen)		
The Hyakujushi Bank, Ltd.	8,300	8,300	The Company and its associates have concluded contracts for security services with the company and its associates, and the shares are held for the purpose of maintaining, strengthening and expanding these transactions. Although it is not disclosed due to confidential nature of the information, we earn revenue from the company and its associates based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	No
	15	13		
THE BANK OF KOCHI, LTD.	20,000	20,000	The Company and its associates have concluded contracts for security services with the company and its associates, and the shares are held for the purpose of maintaining, strengthening and expanding these transactions. Although it is not disclosed due to confidential nature of the information, we earn revenue from the company and its associates based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	Yes
	13	15		
The Howa Bank, Ltd.	20,400	20,400	The Company and its associates have concluded contracts for security services with the company and its associates, and the shares are held for the purpose of maintaining, strengthening and expanding these transactions. Although it is not disclosed due to confidential nature of the information, we earn revenue from the company and its associates based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	No
	11	11		

Issuer	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022	Purpose of holding shares, overview of business alliance, quantitative benefit and reasons for increase in the number of shares	Holding of shares of the Company
	Number of shares (Shares)	Number of shares (Shares)		
	Carrying amount (Millions of yen)	Carrying amount (Millions of yen)		
Tsukuba Bank, Ltd.	51,400	51,400	The Company and its associates have concluded contracts for security services with the company and its associates, and the shares are held for the purpose of maintaining, strengthening and expanding these transactions. Although it is not disclosed due to confidential nature of the information, we earn revenue from the company and its associates based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	Yes
	10	10		
Aichi Financial Group, Inc.	4,900	4,900	The Company and its associates have concluded contracts for security services with the company and its associates, and the shares are held for the purpose of maintaining, strengthening and expanding these transactions. Although it is not disclosed due to confidential nature of the information, we earn revenue from the company and its associates based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	No
	10	7		
The Chiba Kogyo Bank, Ltd.	19,300	19,300	The Company and its associates have concluded contracts for security services with the company and its associates, and the shares are held for the purpose of maintaining, strengthening and expanding these transactions. Although it is not disclosed due to confidential nature of the information, we earn revenue from the company and its associates based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	No
	10	5		

Issuer	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022	Purpose of holding shares, overview of business alliance, quantitative benefit and reasons for increase in the number of shares	Holding of shares of the Company
	Number of shares (Shares)	Number of shares (Shares)		
	Carrying amount (Millions of yen)	Carrying amount (Millions of yen)		
Fuji Co., Ltd.	5,776	5,756	The Company and its associates have concluded contracts for security services with the company and its associates, and the shares are held for the purpose of maintaining, strengthening and expanding these transactions. Although it is not disclosed due to confidential nature of the information, we earn revenue from the company and its associates based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares. As further expansion of transactions with the company was expected, additional shares were acquired during the current fiscal year through participation in client stock ownership association.	No
	9	13		
Yamanaka Co., Ltd.	14,279	14,160	The Company and its associates have concluded contracts for security services with the company and its associates, and the shares are held for the purpose of maintaining, strengthening and expanding these transactions. Although it is not disclosed due to confidential nature of the information, we earn revenue from the company and its associates based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares. As further expansion of transactions with the company was expected, additional shares were acquired during the current fiscal year through participation in client stock ownership association.	No
	9	9		

Issuer	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022	Purpose of holding shares, overview of business alliance, quantitative benefit and reasons for increase in the number of shares	Holding of shares of the Company
	Number of shares (Shares)	Number of shares (Shares)		
	Carrying amount (Millions of yen)	Carrying amount (Millions of yen)		
Heiwado Co., Ltd.	4,770	4,628	The Company and its associates have concluded contracts for security services with the company and its associates, and the shares are held for the purpose of maintaining, strengthening and expanding these transactions. Although it is not disclosed due to confidential nature of the information, we earn revenue from the company and its associates based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares. As further expansion of transactions with the company was expected, additional shares were acquired during the current fiscal year through participation in client stock ownership association.	No
	9	8		
NIPPON THOMPSON CO., LTD.	16,495	16,353	The Company and its associates have concluded contracts for security services with the company and its associates, and the shares are held for the purpose of maintaining, strengthening and expanding these transactions. Although it is not disclosed due to confidential nature of the information, we earn revenue from the company and its associates based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares. As further expansion of transactions with the company was expected, additional shares were acquired during the current fiscal year through participation in client stock ownership association.	No
	9	8		

Issuer	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2022	Purpose of holding shares, overview of business alliance, quantitative benefit and reasons for increase in the number of shares	Holding of shares of the Company
	Number of shares (Shares)	Number of shares (Shares)		
	Carrying amount (Millions of yen)	Carrying amount (Millions of yen)		
Fukuoka Financial Group, Inc.	3,600	3,600	The Company and its associates have concluded contracts for security services with the company and its associates, and the shares are held for the purpose of maintaining, strengthening and expanding these transactions. Although it is not disclosed due to confidential nature of the information, we earn revenue from the company and its associates based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	No
	9	8		
The Shimane Bank, Ltd.	17,500	17,500	The Company and its associates have concluded contracts for security services with the company and its associates, and the shares are held for the purpose of maintaining, strengthening and expanding these transactions. Although it is not disclosed due to confidential nature of the information, we earn revenue from the company and its associates based on long-term contracts that are expected, in the future years, to generate the amount of revenue equivalent to the current fiscal year. Based on this reason, we have determined that there are the benefits of holding these shares.	No
	8	9		

V. [Financial Condition]

1. Preparation method of consolidated and non-consolidated financial statements

- (1) The consolidated financial statements of the Company are prepared in accordance with “Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements” (Cabinet Office Ordinance No. 28 of 1976, “Ordinance on Consolidated Financial Statements”).
- (2) The non-consolidated financial statements of the Company are prepared in accordance with “Ordinance on Terminology, Forms, and Preparation Methods of Financial Statements, etc.” (Cabinet Office Ordinance No. 59 of 1963, “Ordinance on Financial Statements”).

The Company is a special company submitting financial statements and prepares the financial statements in accordance with provisions of Article 127 of the Ordinance on Financial Statements.

2. Audit attestation

In accordance with provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan, the consolidated and non-consolidated financial statements for the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023) have been audited by Grant Thornton Taiyo LLC.

In addition, ALSOK CO., LTD. (the “Company”) filed an amended annual securities report in accordance with Article 24-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan. The amended consolidated and non-consolidated financial statements were reviewed by Grant Thornton Taiyo LLC.

3. Special measure to ensure appropriateness of the consolidated financial statements, etc.

The Company undertakes special measure to ensure appropriateness of the consolidated financial statements, etc. Specifically, in order to properly understand the details of accounting standards and other relevant information and to establish a framework to accurately respond to changes in the standards, the Company participates in the Financial Accounting Standards Foundation (“FASF”).

The Company proactively participates in lectures and seminars held by the FASF.

1. [Consolidated financial statements]

(1) [Consolidated financial statements]

i. [Consolidated balance sheet]

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	*3 71,357	*3 59,239
Cash for Transportation Security Services	*1 76,768	*1 83,754
Notes and accounts receivable - trade, and contract assets	*5 56,458	*5 65,395
Lease receivables and investment assets	5,100	4,910
Securities	380	661
Raw materials and supplies	7,509	10,290
Costs on uncompleted construction contracts	222	98
Advances paid	6,892	6,457
Other	9,324	*3 8,308
Allowance for doubtful accounts	(140)	(83)
Total current assets	233,872	239,032
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	*3 51,338	*3 64,259
Accumulated depreciation	(28,337)	(35,053)
Buildings and structures, net	23,001	29,205
Machinery, equipment and vehicles	145,372	149,234
Accumulated depreciation	(126,660)	(128,445)
Machinery, equipment and vehicles, net	18,712	20,788
Land	*2,*3 22,034	*2,*3 25,020
Lease assets	53,439	56,987
Accumulated depreciation	(22,817)	(24,465)
Lease assets, net	30,621	32,522
Construction in progress	2,951	3,057
Other	22,221	23,337
Accumulated depreciation	(16,167)	(17,490)
Other, net	6,054	5,846
Total property, plant and equipment	103,376	116,440
Intangible assets		
Software	9,476	7,895
Goodwill	27,097	32,753
Other	3,174	3,527
Total intangible assets	39,747	44,176
Investments and other assets		
Investment securities	*3,*4 56,148	*3,*4 57,529
Long-term loans receivable	411	550
Leasehold and guarantee deposits	8,015	9,247
Insurance funds	1,434	1,473
Retirement benefit asset	24,995	26,614
Deferred tax assets	11,276	11,446
Other	13,603	14,998
Allowance for doubtful accounts	(429)	(521)
Total investments and other assets	115,455	121,339
Total noncurrent assets	258,579	281,957
Total assets	492,452	520,989

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	23,098	29,669
Short-term loans payable	*1 8,483	*1 7,843
Current portion of long-term loans payable	*3 2,795	*3 898
Accounts payable - other	22,425	21,107
Lease obligations	5,306	5,151
Income taxes payable	6,751	5,295
Accrued consumption taxes	4,573	2,691
Provision for bonuses	2,065	2,202
Provision for bonuses for directors (and other officers)	98	99
Other	*6 14,785	*6 23,897
Total current liabilities	90,384	98,856
Noncurrent liabilities		
Long-term loans payable	*3 2,145	*3 2,083
Lease obligations	35,529	37,851
Deferred tax liabilities	991	1,200
Deferred tax liabilities for land revaluation	314	314
Retirement benefit liability	40,788	41,480
Provision for retirement benefits for directors (and other officers)	1,540	1,773
Asset retirement obligations	486	818
Provision for loss on litigation	57	—
Provision for loss on business	—	299
Other	2,142	2,236
Total noncurrent liabilities	83,996	88,057
Total liabilities	174,380	186,914
Net Assets		
Shareholders' equity		
Capital stock	18,675	18,675
Capital surplus	34,129	33,940
Retained earnings	232,317	246,736
Treasury stock	(1,072)	(1,072)
Total shareholders' equity	284,049	298,279
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,917	7,566
Revaluation reserve for land	*2 (3,378)	*2 (3,379)
Foreign currency translation adjustment	321	658
Remeasurements of defined benefit plans, net of tax	2,798	1,950
Total accumulated other comprehensive income	6,659	6,795
Non-controlling interests	27,362	29,000
Total net assets	318,071	334,075
Total liabilities and net assets	492,452	520,989

ii. [Consolidated statement of income and consolidated statement of comprehensive income]

[Consolidated statement of income]

(Millions of yen)

	Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)	Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)
Net sales	489,092	492,226
Cost of sales	*7 364,118	*7 371,594
Gross profit	124,974	120,632
Selling, general and administrative expenses	*1,*2 83,160	*1,*2 84,670
Operating income	41,814	35,961
Non-operating income		
Interest income	181	191
Dividends income	666	905
Gain on sales of investment securities	126	32
Rent income	345	351
Gain from insurance claim	76	60
Share of profit of entities accounted for using equity method	1,588	1,190
Dividend income of insurance	247	286
Penalty income	724	419
Other	1,201	1,692
Total non-operating income	5,158	5,129
Non-operating expenses		
Interest expenses	1,913	1,801
Loss on sales of investment securities	5	—
Loss on sales of noncurrent assets	4	2
Loss on retirement of noncurrent assets	*3 271	*3 292
Financing expenses	266	255
Other	766	540
Total non-operating expenses	3,227	2,892
Ordinary income	43,744	38,198
Extraordinary income		
Gain on sales of investment securities	17	322
Gain on sales of noncurrent assets	*4 224	*4 989
Compensation income	1,067	—
Gain on negative goodwill	—	20
Total extraordinary income	1,309	1,332
Extraordinary loss		
Loss on valuation of investment securities	65	41
Loss on sales of investment securities	0	6
Impairment losses	*6 307	*6 366
Loss on sales of noncurrent assets	*5 3	—
Loss on step acquisition	—	24
Provision for loss on business	—	299
Total extraordinary loss	376	739
Income before income taxes	44,678	38,791
Income taxes - current	13,587	12,946
Income taxes - deferred	1,093	729
Total income taxes	14,681	13,676
Net income	29,996	25,115
Profit attributable to non-controlling interests	1,762	1,880
Profit attributable to owners of parent	28,234	23,234

[Consolidated statement of comprehensive income]

(Millions of yen)

	Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)	Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)
Net income	<u>29,996</u>	<u>25,115</u>
Other comprehensive income		
Valuation difference on available-for-sale securities	(65)	561
Foreign currency translation adjustment	148	100
Remeasurements of defined benefit plans	<u>1,209</u>	<u>(923)</u>
Share of other comprehensive income (loss) of entities accounted for using equity method	190	293
Total other comprehensive income (loss)	<u>* 1,483</u>	<u>*31</u>
Comprehensive income	<u>31,479</u>	<u>25,146</u>
(Contents)		
Comprehensive income attributable to owners of parent	<u>29,715</u>	<u>23,371</u>
Comprehensive income attributable to non-controlling interests	1,763	1,774

iii. [Consolidated statement of changes in net assets]

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of year	18,675	34,026	<u>211,793</u>	(1,071)	<u>263,423</u>
Changes of items during the period					
Dividends from surplus			(7,594)		(7,594)
Profit attributable to owners of parent			<u>28,234</u>		<u>28,234</u>
Purchase of treasury stock				(0)	(0)
Reversal of revaluation reserve for land			(115)		(115)
Change in scope of consolidation					—
Purchase of consolidated subsidiary shares resulting in increase or decrease of interest		103			103
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	103	<u>20,524</u>	(0)	<u>20,626</u>
Balance at end of year	18,675	34,129	<u>232,317</u>	(1,072)	<u>284,049</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 beginning of year	7,026	(3,494)	(29)	<u>1,560</u>	<u>5,062</u>	26,915	<u>295,400</u>
Changes of items during the period							
Dividends from surplus							(7,594)
Profit attributable to owners of parent							<u>28,234</u>
Purchase of treasury stock							(0)
Reversal of revaluation reserve for land							(115)
Change in scope of consolidation							—
Purchase of consolidated subsidiary shares resulting in increase or decrease of interest							103
Net changes of items other than shareholders' equity	(108)	115	351	<u>1,238</u>	<u>1,597</u>	446	<u>2,043</u>
Total changes of items during the period	(108)	115	351	<u>1,238</u>	<u>1,597</u>	446	<u>22,670</u>
Balance at end of year	6,917	(3,378)	321	<u>2,798</u>	<u>6,659</u>	27,362	<u>318,071</u>

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of year	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			<u>23,234</u>		<u>23,234</u>
Purchase of treasury stock				(0)	(0)
Reversal of revaluation reserve for land			0		0
Change in scope of consolidation			(7)		(7)
Purchase of consolidated subsidiary shares resulting in increase or decrease of interest		(189)			(189)
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 end of year	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 beginning of year	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							<u>23,234</u>
Purchase of treasury stock							(0)
Reversal of revaluation reserve for land							0
Change in scope of consolidation							(7)
Purchase of consolidated subsidiary shares resulting in increase or decrease of interest							(189)
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 end of year	7,566	(3,379)	658	<u>1,950</u>	<u>6,795</u>	29,000	<u>334,075</u>

iv. [Consolidated statement of cash flows]

(Millions of yen)

	Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)	Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)
Net cash provided by (used in) operating activities		
Income before income taxes	44,678	38,791
Depreciation and amortization	16,861	17,922
Impairment losses	307	366
Amortization of goodwill	2,427	2,847
Increase (decrease) in allowance for doubtful accounts	(57)	32
Increase (decrease) in net defined benefit liability	341	772
Increase (decrease) in provision for loss on business	—	299
Increase (decrease) in provision for bonuses	(358)	(17)
Increase (decrease) in provision for bonuses for directors (and other officers)	1	0
Interest and dividends income	(847)	(1,097)
Interest expenses	1,913	1,801
Share of loss (profit) of entities accounted for using equity method	(1,588)	(1,190)
Loss (gain) on sales of noncurrent assets	(219)	(1,031)
Loss on retirement of noncurrent assets	271	292
Loss (gain) on sales of investment securities	(138)	(349)
Loss (gain) on valuation of investment securities	65	41
Loss (gain) on valuation of derivatives	254	(121)
Decrease (increase) in notes and accounts receivable - trade	(2,126)	(7,622)
Decrease (increase) in inventories	175	(2,564)
Increase (decrease) in notes and accounts payable - trade	485	4,267
Decrease (increase) in net defined benefit asset	(3,324)	(3,672)
Changes in assets and liabilities of Transportation Security Services	(5,904)	(6,799)
Other	2,640	2,308
Subtotal	55,862	45,280
Interest and dividends income received	1,377	1,783
Interest expenses paid	(1,918)	(1,790)
Income taxes paid	(12,593)	(13,635)
Income taxes refund	9	44
Net cash provided by (used in) operating activities	42,736	31,682

(Millions of yen)

	Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)	Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)
Net cash provided by (used in) investing activities		
Decrease (increase) in time deposits	105	(16)
Payments into long-term time deposits	(200)	(21)
Proceeds from withdrawal of long-term time deposits	50	—
Purchase of property, plant and equipment	(13,109)	(15,166)
Proceeds from sales of property, plant and equipment	584	2,043
Purchase of intangible assets	(2,695)	(2,107)
Purchase of investment securities	(2,095)	(1,326)
Proceeds from sales of investment securities	1,522	992
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	*2 (9,481)
Purchase of shares of subsidiaries and associates	—	(525)
Decrease (increase) in short-term loans receivable	14	(9)
Payments of long-term loans receivable	(233)	(257)
Collection of long-term loans receivable	66	210
Proceeds from refund of leasehold and guarantee deposits	259	494
Other	1,638	351
Net cash provided by (used in) investing activities	(14,093)	(24,818)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(1,553)	(2,022)
Proceeds from long-term loans payable	462	835
Repayment of long-term loans payable	(2,980)	(2,945)
Purchase of treasury stock	(0)	(0)
Repayments of lease obligations	(5,302)	(5,374)
Cash dividends paid	(7,594)	(8,809)
Cash dividends paid to non-controlling interests	(539)	(654)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(675)	(408)
Net cash provided by (used in) financing activities	(18,183)	(19,380)
Effect of exchange rate change on cash and cash equivalents	41	43
Net increase (decrease) in cash and cash equivalents	10,500	(12,472)
Cash and cash equivalents at beginning of year	53,143	63,644
Increase in cash and cash equivalents due to business combination	—	400
Cash and cash equivalents at end of year	*1 63,644	*1 51,571

[Notes]

(Significant matters forming the basis for the preparation of the consolidated financial statements)

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 79

Major consolidated subsidiaries

ALSOK Care Co., Ltd.

Japan Facilio Co., Ltd.

ALSOK Facilities Co., Ltd.

Life Co., Ltd.

ALSOK Souei Co., Ltd.

During the fiscal year ended March 31, 2023, ALSOK Joy Life Co., Ltd. and ALSOK Life Support Co., Ltd. were included in the scope of consolidation due to acquisition of shares, ALSOK Business Support Co., Ltd. and ALSOK Eagles Co., Ltd. due to their increased materiality, and ALSOK Bangladesh Security Services Ltd. due to its newly establishment. In addition, Tokai Sohgo Security Services Co., Ltd. and Okinawa Sohgo Security Services Co., Ltd., both an equity-method associate, became subsidiaries of the Company due to the revisions of the shareholders' agreement and acquisition of shares, respectively.

ALSOK Leasing Co., Ltd., which was extinguished by merger, and PT. ALSOK INDONESIA, which was liquidated, were excluded from the scope of consolidation during the fiscal year ended March 31, 2023.

(2) Major non-consolidated subsidiaries

Matsuyama New Service Co., Ltd.

(Reason for excluding from the consolidation)

The non-consolidated subsidiary is a small-sized company, and total assets, net sales, net income (equity pro rata amount) and retained earnings (equity pro rata amount) in aggregate do not have a significant impact on the consolidated financial statements.

2. Application of equity method

(1) Number of equity-method associates: 16

Major companies

HOCHIKI Corporation

Nippon Dry-Chemical Co., Ltd.

Nippon Care Supply Co., Ltd.

During the fiscal year ended March 31, 2023, the Company acquired shares of Tobu Co., Ltd. (three companies of the same name headquartered in Sendai, Fukushima, and Tokyo) through investments in a special purpose company established by SBI Regional Business Succession Investment No. 1 LPS, which is operated by SBI Regional Business Investment Co., Ltd. These companies are included in the scope of application of the equity method.

(2) Major non-consolidated subsidiaries and associates that do not apply equity method

Matsuyama New Service Co., Ltd.

(Reason for not applying equity method)

Considering the net income (equity pro rata amount) and retained earnings (equity pro rata amount) of the non-consolidated subsidiaries and associates not applying equity method, excluding these companies from the consolidation does not have a significant impact on the consolidated financial statements, and these companies are not material in aggregate.

3. Closing dates of consolidated subsidiaries

The closing date of the consolidated subsidiaries, ALSOK (Vietnam) Co., Ltd., ALSOK (Shanghai) Co., Ltd., ALSOK MALAYSIA SDN.BHD., PT. ALSOK BASS Indonesia Security Services and ALSOK Vietnam Security Services Joint Stock Company, is December 31. In preparing the consolidated statements, the financial statements of these companies as of December 31 are used. The consolidated financial statements are adjusted for any significant transactions occurred during the period between January 1 and March 31.

4. Accounting policies

(1) Valuation basis and method for significant assets

i. Valuation basis and method for securities

Available-for-sale securities

Securities other than equity securities with no quoted prices

It is stated at fair market value based on the quoted market price at the fiscal year-end (with any unrealized gains or losses being recognized directly in equity and the cost of securities sold being generally calculated based on the moving average method).

Securities with embedded derivatives that cannot be bifurcated are stated at fair market value (with the cost of securities sold being generally calculated based on the moving average method).

Equity securities with no quoted prices

It is generally stated at cost based on the moving average method.

ii. Valuation basis and method for derivatives

It is stated at fair market value.

iii. Inventories

Raw materials and supplies

It is generally stated at cost based on the first in first out method (the balance sheet carrying amount is reduced to reflect write-downs for decreased profitability).

Costs on uncompleted construction contracts

It is generally stated at cost based on specific identification method.

(2) Depreciation and amortization method for significant depreciable and amortizable assets

i. Property, plant and equipment (other than lease assets)

It is generally depreciated using the straight-line method. The useful lives of major assets are as follows:

Buildings and structures 15 to 50 years

Machinery, equipment and vehicles 3 to 5 years

ii. Intangible assets (other than lease assets)

It is amortized using the straight-line method.

Internal-use software is amortized using the straight-line method over the useful life of five years. Customer-related assets are amortized using the straight-line method based on the period over which its effect is extended (8 to 15 years).

iii. Lease assets under finance leases that do not involve transfer of ownership

It is depreciated using the straight-line method over the useful lives equal to lease terms with zero residual values.

(3) Basis for recognition of significant provisions

i. Allowance for doubtful accounts

To provide for losses due to bad debt including trade receivables and loans, allowance for doubtful accounts is recognized based on default rates for normal receivables and based on recoverability of each receivable for certain doubtful receivables.

ii. Provision for bonuses

To provide for payment of bonuses to employees, certain consolidated subsidiaries recognize a provision for the expected amount of future bonuses that is related to the current period.

iii. Provision for bonuses for directors (and other officers)

To provide for payment of bonuses to directors and other officers, certain consolidated subsidiaries recognize a provision for the expected amount of future bonuses that is related to the current period.

iv. Provision for retirement benefits for directors (and other officers)

To provide for payment of retirement benefits to directors and other officers, certain consolidated subsidiaries recognize a provision for the amount of future benefits required by company rules that is related to the current period.

v. Provision for loss on business

To provide for losses on business related to a certain project, provision for loss on business is recorded based on the estimated future loss.

(4) Accounting for retirement benefits

i. Method of attributing estimated retirement benefits to the periods

In calculating defined benefit obligation, the total projected benefits are attributed to the current and prior fiscal years using the benefit formula basis.

ii. Method of amortizing actuarial gains and losses and past service costs

Past service cost is amortized using the straight-line method over a certain period not exceeding the average remaining service period of employees, which is generally five years.

Actuarial gains and losses are amortized using the straight-line method from the following fiscal year over a certain period not exceeding the average remaining service period of employees, which is generally 10 years.

iii. Simplified method for small-sized companies

Certain consolidated subsidiaries apply a simplified method in calculating retirement benefit liability and retirement benefit expenses, under which the amount of required voluntary termination benefits at the fiscal year-end is recognized as defined benefit obligation.

(5) Basis for recognition of significant revenue and expense

The Company and its consolidated subsidiaries recognize revenue and expense from contracts with customers as follows:

i. Contract revenue

For contract revenue earned as a result of providing services, the net sales and cost of sales are recognized over time as performance obligations in the contract with the customers are satisfied.

ii. Construction revenue

For construction revenue earned as a result of installation of security alarm equipment leased or rented to the customers as well as repair/renewal constructions and piping or electrical constructions of various building equipment, the net sales and cost of sales are recognized over time as performance obligations in the contract with the customers are satisfied. For contracts that have very short construction period, such as installation of security alarm equipment, which account for most of the construction revenue, the net sales and cost of sales are recognized at a point in time at completion of construction.

iii. Sales revenue

For sales revenue earned as a result of product sales (including installation of products sold), the net sales and cost of sales are recognized at a point in time on delivery to the customers.

(6) Basis for translation of significant assets and liabilities denominated in foreign currencies into Japanese yen

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the fiscal year-end, and differences arising from the translation are recognized in profit or loss. Assets and liabilities of foreign subsidiaries are translated into Japanese yen at the exchange rates prevailing at the fiscal year-end, and income and expenses are translated at the average exchange rates during the period. Differences arising from the translation are recognized in foreign currency translation adjustment and non-controlling interests under net assets.

(7) Significant hedge accounting

i. Hedge accounting

Hedging transactions are accounted for on a deferred basis. Interest rate swaps are accounted for using the special method if it meets certain conditions.

ii. Hedging instruments and hedged items

The hedge accounting was applied to the following hedging instruments and hedged items during the current fiscal year:

Hedging instruments: Interest rate swaps

Hedged items: Bank loans

iii. Hedging policy

In accordance with the internal rules, the risk of interest rate fluctuations is hedged to reduce such risk and to improve financial return.

iv. Method of assessing hedge effectiveness

The assessment for effectiveness of interest rate swaps accounted for by the special method is not performed as the hedge is considered to be highly effective.

(8) Method and period of goodwill amortization

Generally, goodwill is amortized using the straight-line method over an expected investment recovery period not exceeding 20 years, taking the nature of each investment into account.

(9) Cash and cash equivalents in the consolidated statement of cash flows

The cash and cash equivalents in the consolidated statement of cash flows consist of cash on hand, cash at banks which can be withdrawn at any time, and short-term investments with a maturity of three months or less from the date of acquisition which can easily be converted to cash and are subject to little risk of change in value.

(Significant accounting estimates)

Goodwill

1. Amount recorded in the consolidated financial statements for the fiscal year ended March 31, 2023

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Goodwill	27,097	32,753

2. Significant accounting estimates related to identified items

The goodwill recorded as of March 31, 2023, which arose from past business combinations, represents excess earning power that is expected from combining an acquiree with the Group. There is also goodwill that resulted from the effect of synergies that is expected to arise at the Company.

In assessing goodwill for impairment, we are focused on whether the excess earning power and the effect of synergies (which give rise to goodwill) will arise over the future periods. We monitor, on a monthly basis, whether a business plan of a company from which the goodwill arose (including a plan of the effect of synergies expected to arise at the Company) is in line with the actual profit or cash flows recorded. The business plan includes orders, human resource or new care facilities opening plans developed based on certain assumptions.

If the business plan may not be achieved for some reason, resulting in changes in the original assumptions, an impairment loss may need to be recorded and it may have a significant impact on the amount of goodwill recorded in the consolidated financial statements for the following fiscal year.

(Change in accounting policies)

(Application of Accounting Standard for Fair Value Measurement)

The Group applied “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021, “Implementation Guidance on Fair Value Measurement Accounting Standard”) etc. from the beginning of the fiscal year ended March 31, 2023. The Group decided to apply new accounting policies based on the Implementation Guidance on Fair Value Measurement Accounting Standard prospectively in accordance with the transitional treatment provided in Paragraph 27-2 of the Implementation Guidance on Fair Value Measurement Accounting Standard. The impact on the consolidated financial statements for the fiscal year ended March 31, 2023 is immaterial.

(Accounting standards, etc. that are not applied yet)

1. “Accounting Treatment for and Disclosure of Issuance and Holding of Electronically Recorded Transferable Rights to Be Indicated on Securities, etc.” (ASBJ PITF No. 43, August 26, 2022)

(1) Overview

Investment-type Initial Coin Offering (ICO, a general term for the act of raising funds from investors by issuing tokens (electronic records/symbols)) is now regulated under the Financial Instruments and Exchange Act due to the enactment of the “Act on the Partial Revision of the Payment Services Act to Respond to the Diversification of Financial Transactions Associated with the Development in Information Communication Technology” (Act No. 28 of 2019) in May 2019 and corresponding revisions to the Financial Instruments and Exchange Act as well as the development of various other regulations. Under the circumstances, the Accounting Standards Board of Japan (“ASBJ”) issued this standard to clarify the accounting treatment of the issuance and holding of electronically recorded transferable rights to be indicated on securities in the “Cabinet Office Ordinance on Financial Instruments Business, etc.”.

(2) Scheduled date of application

From the beginning of the fiscal year ending March 31, 2024

(3) Effect of application of the accounting standard

We are currently assessing the impact that application of “Accounting Treatment for and Disclosure of Issuance and Holding of Electronically Recorded Transferable Rights to Be Indicated on Securities, etc.” will have on the consolidated financial statements.

2. “Accounting Standard for Current Income Taxes”, etc.

- “Accounting Standard for Current Income Taxes” (ASBJ Statement No. 27, October 28, 2022)
- “Accounting Standard for Presentation of Comprehensive Income” (ASBJ Statement No. 25, October 28, 2022)
- “Implementation Guidance on Tax Effect Accounting” (ASBJ Statement No. 28, October 28, 2022)

(1) Overview

In February 2018, ASBJ Statement No. 28, “Partial Amendments to Accounting Standard for Tax Effect Accounting”, etc. (“ASBJ Statement No. 28, etc.”) were issued, completing the transfer of Japanese Institute of Certified Public Accountant’s practical guidelines on tax effect accounting to the ASBJ. In the process of discussions, the following two topics, which were supposed to be re-examined after the issuance of ASBJ Statement No. 28, etc., were discussed and issued as standards.

- Tax expense classification (taxation on other comprehensive income)
- Tax effects on the sale of shares of subsidiaries, etc. (shares of subsidiaries or associates) when group taxation is applied

(2) Scheduled date of application

From the beginning of the fiscal year ending March 31, 2025

(3) Effect of application of the accounting standard

We are currently assessing the impact that application of “Accounting Standard for Current Income Taxes”, etc. will have on the consolidated financial statements.

(Additional information)

(Correction of errors)

In April 2025, it was found that the Company and its four consolidated subsidiaries had incorrectly recorded data on defined benefit obligations related to lump-sum retirement payment plans, resulting in an understatement of retirement benefit liability and related accounts in prior years. In response to this, the Company has corrected errors in the consolidated and non-consolidated financial statements included in the annual securities reports filed after June 24, 2020, the quarterly consolidated financial statements included in the quarterly securities reports filed after August 2, 2022, and the interim consolidated financial statements included in the semi-annual securities report filed on November 6, 2024. As a result, gross profit, operating income, ordinary income, and profit attributable to owners of parent for the fiscal year ended March 31, 2022 decreased by ¥606 million, ¥1,051 million, ¥1,051 million, and ¥729 million, respectively. In addition, gross profit, operating income, ordinary income, and profit attributable to owners of parent for the fiscal year ended March 31, 2023 decreased by ¥595 million, ¥1,031 million, ¥1,031 million, and ¥715 million, respectively. Regarding the factors contributing to this matter, the Company determined that there were significant deficiencies in the operation of the financial closing and reporting processes that should be disclosed and submitted an amended internal control report.

(Matters related to consolidated balance sheet)

*1 Cash for Transportation Security Services

As of March 31, 2022

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

In addition, the short-term loans payable balance includes ¥3,700 million of funds borrowed for the services.

As of March 31, 2023

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

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

*2 In accordance with the Act on Revaluation of Land (Act No. 34 promulgated on March 31, 1998) and the Partial Amendment to Act on Revaluation of Land (Act No. 24 promulgated on March 31, 1999), the Group revalued its land for business use as of March 31, 2002 and recorded revaluation reserve for land in net assets.

• Method of revaluation

In determining the value of land, which is the calculation basis for the taxable value of the land value tax as prescribed in Article 16 of the Land Price Tax Act (Act No. 69 of 1991) as set forth in Article 2, Item 4 of the Order to Enforce the Act on Revaluation of Land (Cabinet Order No. 119 promulgated on March 31, 1998), the Group makes reasonable adjustments (such as land depth adjustment) to the value calculated by the method designated and published by the Commissioner of the National Tax Agency.

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
The amount by which the fair value of revalued land at the end of the fiscal year is below its carrying amount	327	310

*3 Pledged assets and secured obligations

Pledged assets comprise the following:

	(Millions of yen)	
	As of March 31, 2022	As of March 31, 2023
Cash and deposits	210	210
Buildings and structures	1,150	1,994
Land	1,711	1,156
Investment securities	16	160
Other current assets	—	213
Total	3,088	3,735

Secured obligations comprise the following:

	(Millions of yen)	
	As of March 31, 2022	As of March 31, 2023
Current portion of long-term loans payable	200	171
Long-term loans payable	255	161
Total	455	333

*4 The following amount relates to non-consolidated subsidiaries and associates:

	(Millions of yen)	
	As of March 31, 2022	As of March 31, 2023
Investments in securities (stock)	28,674	29,467

*5 The amount of receivables and contract assets arising from contracts with customers is as follows:

	(Millions of yen)	
	As of March 31, 2022	As of March 31, 2023
Notes receivable - trade	1,737	2,723
Accounts receivable - trade	53,668	59,688
Contract assets	1,052	2,983

*6 The amount of contract liabilities is as follows:

	(Millions of yen)	
	As of March 31, 2022	As of March 31, 2023
Contract liabilities	11,211	19,753

(Matters related to consolidated statement of income)

*1 Selling, general and administrative expenses mainly comprise the following:

	(Millions of yen)	
	Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)	Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)
Advertising expenses	2,896	2,052
Salary allowances	40,963	41,075
Provision for bonuses	353	399
Provision for bonuses for directors (and other officers)	99	100
Provision for retirement benefits for directors (and other officers)	166	159
Provision for allowance for doubtful accounts	36	82
Welfare expenses	7,488	7,564
Retirement benefit expenses	<u>1,934</u>	<u>1,851</u>
Rent expenses	5,741	5,688
Depreciation and amortization	3,061	3,696
Taxes and dues	3,278	3,452
Communication expenses	1,584	1,609
Amortization of goodwill	2,427	2,847

*2 Total research and development costs

Research and development costs included in selling, general and administrative expenses

	(Millions of yen)	
	Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)	Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)
	<u>570</u>	<u>610</u>

*3 Loss on retirement of noncurrent assets

	(Millions of yen)	
	Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)	Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)
Machinery and equipment	102	111
Other	169	181
Total	271	292

*4 Gain on sales of noncurrent assets

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

During the fiscal year ended March 31, 2022, the Group recorded ¥224 million gain on sale of a building (Yokohama city, Kanagawa, etc.).

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

During the fiscal year ended March 31, 2023, the Group recorded ¥989 million gain on sales of buildings (Koto-ku, Tokyo).

*5 Loss on sales of noncurrent assets

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

During the fiscal year ended March 31, 2022, the Group recorded ¥3 million loss on sale of a building (Saijo city, Ehime).

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

Nothing to report.

*6 Impairment loss

The Group recognized impairment losses on the following assets:

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Millions of yen)

Class	Intended use	Impairment losses
Other intangible assets such as land and land leasehold	Idle assets	1
Goodwill	—	192
Buildings and structures, furniture and fixtures, lease assets	Care facilities	107
Software	Internal-use	6

For idle assets, assets for sale and rental properties, the Company and its consolidated subsidiaries consider each asset as one asset group. For business assets, the grouping for managerial accounting is used.

For idle assets whose fair values had declined and for which future use was no longer expected, the carrying amounts were reduced to the recoverable amounts and an impairment loss of ¥1 million was recognized as an extraordinary loss. The recoverable amount of the asset group was calculated based on the net realizable value. The net realizable values of idle assets and rental properties are calculated by deducting the estimated cost of disposal from the value calculated by making reasonable adjustments (such as land depth adjustment) based on the land assessments or the appraised value. For assets for sale, the net realizable value is determined based on the sales contract amount.

We assessed the recoverability of certain goodwill based on future cash flows. Based on the assessment, we reduced the carrying amount of the goodwill to the recoverable amount based on its value in use and the impairment loss of ¥192 million was recognized as an extraordinary loss. The value in use was determined by discounting the future cash flows using 6.17% discount rate.

We also assessed the recoverability of long-term care facilities owned by ALSOK Care Co., Ltd. (Kasukabe city, Saitama, etc.) based on future cash flows. Based on the assessment, we reduced the carrying amounts of certain items of property, plant and equipment related to the facilities to the memorandum value and the impairment loss of ¥107 million was recognized as an extraordinary loss. As the undiscounted cash flows were negative, the discount rate information is omitted. As the future use of the Company's certain software was no longer expected, the carrying amount was reduced to zero and an impairment loss of ¥6 million was recognized as an extraordinary loss. As the undiscounted cash flows were zero, the discount rate information is omitted.

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Millions of yen)

Class	Intended use	Impairment losses
Software	Internal-use Idle assets	100
Buildings and structures	Business use	88
Other property, plant and equipment, such as furniture and fixtures	Business use Idle assets	85
Goodwill	—	80
Lease assets	Internal-use	12
Land	Idle assets	0

For idle assets, assets for sale and rental properties, the Company and its consolidated subsidiaries consider each asset as one asset group. For business assets, the grouping for managerial accounting is used.

For idle assets (other property, plant and equipment, such as software and furniture and fixtures, and land) for which future use was no longer expected, the carrying amounts were reduced to the recoverable amounts or the memorandum value and an impairment loss of ¥173 million was recognized as an extraordinary loss. The recoverable amount of the asset group was calculated based on the net realizable value. The net realizable values of idle assets and rental properties are calculated by deducting the estimated cost of disposal from the value calculated by making reasonable adjustments (such as land depth adjustment) based on the land assessments or the appraised value. For assets for sale, the net realizable value is determined based on the sales contract amount.

We assessed the recoverability of certain goodwill based on future cash flows. Based on the assessment, we reduced the carrying amount of the goodwill to the recoverable amount based on its value in use and the impairment loss of ¥80 million was recognized as an extraordinary loss. The value in use was determined by discounting the future cash flows using 7.44% discount rate.

We assessed the recoverability of certain facilities and assets owned by subsidiaries for internal use based on future cash flows. Based on the assessment, we reduced the carrying amount of property, plant and equipment, etc. related to the facilities (buildings and structures, lease assets, software as well as other property, plant and equipment such as furniture and fixtures) to the recoverable amounts or the memorandum value, based on the net realizable value, and an impairment loss of ¥113 million was recognized as an extraordinary loss. The net realizable value is determined based on the property tax appraisal value.

*7 The inventory balance at the end of fiscal year is after writing down the carrying amount due to the decrease in profitability, and the following losses on valuation of inventories are included in cost of sales:

(Millions of yen)	
Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)	Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)
26	60

(Matters related to consolidated statement of comprehensive income)

* Reclassification adjustments and tax effects related to other comprehensive income

	(Millions of yen)	
	Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)	Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)
Valuation difference on available-for-sale securities:		
Gain (loss) during the fiscal year	(13)	1,115
Reclassification adjustments	(82)	(328)
Before tax effect	(96)	786
Tax effect	30	(225)
Valuation difference on available-for-sale securities	(65)	561
Foreign currency translation adjustment:		
Gain (loss) during the fiscal year	148	100
Remeasurements of defined benefit plans:		
Gain (loss) during the fiscal year	<u>1,360</u>	<u>(1,723)</u>
Reclassification adjustments	<u>379</u>	<u>382</u>
Before tax effect	<u>1,739</u>	<u>(1,340)</u>
Tax effect	<u>(530)</u>	<u>416</u>
Remeasurements of defined benefit plans	<u>1,209</u>	<u>(923)</u>
Share of other comprehensive income (loss) of entities accounted for using equity method:		
Gain (loss) during the fiscal year	185	288
Reclassification adjustments	5	5
Share of other comprehensive income (loss) of entities accounted for using equity method	190	293
Total other comprehensive income (loss)	<u>1,483</u>	<u>31</u>

(Matters related to consolidated statement of changes in net assets)

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

1. Class and number of shares issued and treasury stock

	Number of shares at beginning of year (Shares)	Increase in number of shares during the year (Shares)	Decrease in number of shares during the year (Shares)	Number of shares at end of year (Shares)
Number of shares issued				
Common stock	102,040,042	—	—	102,040,042
Total	102,040,042	—	—	102,040,042
Treasury stock				
Common stock (Note)	805,021	160	330	804,851
Total	805,021	160	330	804,851

(Note) The increase of 160 shares of common stock held in treasury is due to repurchase of shares less than one unit. The decrease of 330 shares of common stock held in treasury is due to a decrease in the number of shares held by associates.

2. Subscription rights to shares and subscription rights to shares held in treasury

Nothing to report.

3. Dividends

(1) Cash dividends

(Resolution)	Class	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 24, 2021	Common stock	3,746	37.0	March 31, 2021	June 25, 2021
Board of Directors' meeting on October 29, 2021	Common stock	3,847	38.0	September 30, 2021	December 3, 2021

(2) Dividends that have record date during the fiscal year ended March 31, 2022 and effective date of which is in the following fiscal year

(Resolution)	Class	Total dividends (Millions of yen)	Source of dividends	Dividends per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 24, 2022	Common stock	4,455	Retained earnings	44.0	March 31, 2022	June 27, 2022

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

1. Class and number of shares issued and treasury stock

	Number of shares at beginning of year (Shares)	Increase in number of shares during the year (Shares)	Decrease in number of shares during the year (Shares)	Number of shares at end of year (Shares)
Number of shares issued				
Common stock	102,040,042	—	—	102,040,042
Total	102,040,042	—	—	102,040,042
Treasury stock				
Common stock (Note)	804,851	509	—	805,360
Total	804,851	509	—	805,360

(Note) The increase of 509 shares of common stock held in treasury is due to repurchase of shares less than one unit and an increase in the number of shares held by subsidiaries and associates.

2. Subscription rights to shares and subscription rights to shares held in treasury

Nothing to report.

3. Dividends

(1) Cash dividends

(Resolution)	Class	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 24, 2022	Common stock	4,455	44.0	March 31, 2022	June 27, 2022
Board of Directors' meeting on October 28, 2022	Common stock	4,354	43.0	September 30, 2022	December 5, 2022

(2) Dividends that have record date during the fiscal year ended March 31, 2023 and effective date of which is in the following fiscal year

(Resolution)	Class	Total dividends (Millions of yen)	Source of dividends	Dividends per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 27, 2023	Common stock	4,354	Retained earnings	43.0	March 31, 2023	June 28, 2023

(Matters related to consolidated statement of cash flows)

*1 Reconciliation between the cash and cash equivalents balance at the fiscal year-end and the amount presented on the consolidated balance sheet

	(Millions of yen)	
	Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)	Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)
Cash and deposits accounts	71,357	59,239
Deposits with deposit term of over three months	(7,713)	(7,967)
Short-term investment (securities) whose redemption is due within three months from the acquisition date	—	300
Other (deposit at securities company)	0	0
Cash and cash equivalents	63,644	51,571

*2 Major components of assets and liabilities of the companies that became consolidated subsidiaries due to the acquisition of shares during the fiscal year ended March 31, 2023

The assets and liabilities of newly acquired consolidated subsidiaries at the time of inclusion into the Group comprise the following, and the reconciliation between the acquisition cost of shares and the expenditures related to the acquisition (net) is as follows:

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

Nothing to report.

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(ALSOK Joy Life Co., Ltd.)

	(Millions of yen)
Current assets	1,133
Noncurrent assets	10,978
Goodwill	7,298
Current liabilities	(8,579)
Noncurrent liabilities	(2,884)
Acquisition cost of shares	7,945
Cash and cash equivalents	(447)
Less: Payments for acquisition	7,497

(ALSOK Life Support Co., Ltd.)

	(Millions of yen)
Current assets	454
Noncurrent assets	3,731
Goodwill	1,257
Current liabilities	(3,266)
Noncurrent liabilities	(119)
Acquisition cost of shares	2,058
Cash and cash equivalents	(190)
Less: Payments for acquisition	1,867

(Okinawa Sohgo Security Services Co., Ltd.)

	(Millions of yen)
Current assets	1,181
Noncurrent assets	1,015
Gain on negative goodwill	(20)
Current liabilities	(636)
Noncurrent liabilities	(330)
Non-controlling interests	(426)
Acquisition cost up to obtaining control	(7)
Equity method valuation up to obtaining control	(197)
Loss on step acquisition	24
Acquisition cost of shares	604
Cash and cash equivalents	(488)
Less: Payments for acquisition	115

(Matters related to lease transactions)

1. Finance lease transactions (lessee)

Finance lease transactions without transfer of ownership

i. Lease assets

Property, plant and equipment

It primarily consists of buildings (long-term care facilities), security alarm equipment and vehicles (machinery, equipment and vehicles).

ii. Depreciation method for lease assets

It is described in “4. Significant matters forming the basis for the preparation of the consolidated financial statements, (2) Depreciation and amortization method for major depreciable and amortizable assets.”

2. Operating lease transactions

Future minimum lease payments under non-cancellable operating lease transactions

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Due within one year	3,434	3,680
Due after one year	19,136	20,309
Total	22,570	23,989

(Matters related to financial instruments)

1. Financial instruments

(1) Policy for financial instruments

The Group limits its fund management to long-term and stable management within the amount of surplus funds. The Group's policy is to obtain funding mainly through bank borrowings. Derivative instruments are used to hedge the risk of future fluctuations in interest rates. In addition, certain consolidated subsidiaries hold available-for-sale securities with embedded derivatives (such as FX-linked bonds) and use equity options as part of their fund management.

(2) Details of financial instruments, risks and risk management structure

Notes and accounts receivable - trade, and contract assets are exposed to the credit risk of customers. To address the risk, the Group makes efforts to prevent loans to become non-performing, select quality business partners and strengthen its business infrastructure in accordance with the Group's Credit Management Rule. In addition, the Group manages the due dates and balances of receivables for each customer in accordance with Trade Receivables Management Rule.

Stocks, which are investment securities, are exposed to the risk of fluctuations in market prices. However, they are mainly companies' shares with which we have business relationships, and their fair market values are reported to the Board of Directors on a regular basis. Furthermore, embedded derivatives are exposed to the risk of fluctuations in interest rates and impairment of principal arising from future foreign currency fluctuations. However, the counterparties to the transactions are financial institutions with high credit ratings and therefore, the Group does not expect any credit losses arising from default of the counterparties.

The majority of notes and accounts payable - trade, which are trade payables, are due within one year.

Short-term loans payable mainly represent the funding for Transportation Security Services, while long-term loans payable are primarily for capital expenditures.

Loans payable with variable interest rates are exposed to the risk of fluctuations in interest rates. For certain long-term loans payable, derivative transactions (interest rate swaps) are used as hedging instruments for each contract in order to avoid the risk of fluctuations in interest rates and to fix interest expenses. Assessment of hedge effectiveness may be omitted when an interest rate swap meets certain conditions to be accounted for using the special method. The interest rate swaps qualifies for the special method and the assessment of hedge effectiveness is omitted.

The execution and management of derivative transactions are conducted in accordance with internal rules that stipulate trading authorizations and transaction limits, etc. When using derivatives, the Group conducts transactions only with highly rated financial institutions in order to mitigate credit risk.

Trade payables and loan payables are exposed to liquidity risk. In order to manage the risk, the Group has each company prepare a consolidated management plan.

Lease obligations under finance lease transactions have fixed interest rates, and therefore, are not subject to interest rate fluctuation risk.

(3) Supplementary explanation on fair value of financial instruments

The contract amounts of derivative transactions described in "2. Fair value of financial instruments" below do not represent the market risk related to derivative transactions.

2. Fair value of financial instruments

Carrying amount, fair value and the difference between these are as follows. The table below does not include equity securities with no quoted prices (see Note 1).

As of March 31, 2022

	Carrying amount (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
(1) Notes and accounts receivable - trade, and contract assets	56,458	56,455	(2)
(2) Securities	380	380	—
(3) Investment securities			
Shares of subsidiaries and associates	17,825	14,394	(3,431)
Available-for-sale securities	25,998	25,998	—
Total assets	100,663	97,229	(3,434)
(1) Derivative transactions	111	111	—
(2) Long-term loans payable *4	4,940	4,939	(0)
(3) Lease obligations *5	40,836	40,388	(447)
Total liabilities	45,887	45,439	(447)

*1 Cash is not included as it is cash, and deposits are not included as these are settled in a short period of time and the fair value approximates its carrying amount.

*2 Cash for Transportation Security Services is not included as it is cash.

*3 Notes and accounts payable - trade, short-term loans payable and accounts payable - other are not included as these are settled in a short period of time and the fair value approximates its carrying amount.

*4 Long-term loans payable include current portion of long-term loans payable.

*5 Lease obligations include current portion of lease obligations.

*6 Share of investments in partnerships and similar entities recorded in the consolidated balance sheet at net is not included.
The share of investments in partnerships recorded in the consolidated balance sheet is ¥500 million.

As of March 31, 2023

	Carrying amount (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
(1) Notes and accounts receivable - trade, and contract assets	65,395	65,393	(2)
(2) Securities	661	661	—
(3) Investment securities			
Shares of subsidiaries and associates	18,647	16,721	(1,926)
Available-for-sale securities	26,405	26,405	—
Total assets	111,110	109,181	(1,928)
(1) Derivative transactions	131	131	—
(2) Long-term loans payable *4	2,981	2,979	(2)
(3) Lease obligations *5	43,002	42,032	(969)
Total liabilities	46,115	45,143	(971)

*1 Cash is not included as it is cash, and deposits are not included as these are settled in a short period of time and the fair value approximates its carrying amount.

*2 Cash for Transportation Security Services is not included as it is cash.

*3 Notes and accounts payable - trade, short-term loans payable and accounts payable - other are not included as these are settled in a short period of time and the fair value approximates its carrying amount.

*4 Long-term loans payable include current portion of long-term loans payable.

*5 Lease obligations include current portion of lease obligations.

*6 Share of investments in partnerships and similar entities recorded in the consolidated balance sheet at net is not included.
The share of investments in partnerships recorded in the consolidated balance sheet is ¥1,017 million.

(Note 1) Unlisted shares and unlisted shares of subsidiaries and associates

As of March 31, 2022

Equity securities with no quoted prices

Category	Carrying amount (Millions of yen)
Unlisted shares	1,475
Unlisted shares of subsidiaries and associates	10,848
Total	12,324

As of March 31, 2023

Equity securities with no quoted prices

Category	Carrying amount (Millions of yen)
Unlisted shares	1,655
Unlisted shares of subsidiaries and associates	10,820
Total	12,476

(Note 2) Scheduled redemption of monetary receivables and securities with maturity dates after the fiscal year-end

As of March 31, 2022

	Within 1 year (Millions of yen)	1 year to 5 years (Millions of yen)	5 years to 10 years (Millions of yen)	Over 10 years (Millions of yen)
Cash and deposits	71,357	—	—	—
Cash for Transportation Security Services	76,768	—	—	—
Notes receivable - trade	1,737	—	—	—
Accounts receivable - trade	53,577	90	0	—
Available-for-sale securities with maturity dates				
(1) Government bonds, municipal bonds, etc.	—	—	—	—
(2) Corporate bonds	290	2,275	1,465	2,699
(3) Other	90	241	306	—
Total	203,821	2,607	1,772	2,699

As of March 31, 2023

	Within 1 year (Millions of yen)	1 year to 5 years (Millions of yen)	5 years to 10 years (Millions of yen)	Over 10 years (Millions of yen)
Cash and deposits	59,239	—	—	—
Cash for Transportation Security Services	83,754	—	—	—
Notes receivable - trade	2,723	—	—	—
Accounts receivable - trade	59,628	59	0	—
Available-for-sale securities with maturity dates				
(1) Government bonds, municipal bonds, etc.	—	—	100	—
(2) Corporate bonds	511	2,421	891	2,878
(3) Other	49	185	299	—
Total	205,906	2,666	1,290	2,878

(Note 3) Scheduled repayment of long-term loans payable, lease obligations and other interest-bearing liabilities after the fiscal year-end

As of March 31, 2022

	Within 1 year (Millions of yen)	1 year to 2 years (Millions of yen)	2 years to 3 years (Millions of yen)	3 years to 4 years (Millions of yen)	4 years to 5 years (Millions of yen)	Over 5 years (Millions of yen)
Short-term loans payable	8,483	—	—	—	—	—
Long-term loans payable	2,795	672	475	328	193	475
Lease obligations	5,306	4,532	3,323	2,540	2,007	23,125
Total	16,585	5,205	3,798	2,869	2,200	23,600

As of March 31, 2023

	Within 1 year (Millions of yen)	1 year to 2 years (Millions of yen)	2 years to 3 years (Millions of yen)	3 years to 4 years (Millions of yen)	4 years to 5 years (Millions of yen)	Over 5 years (Millions of yen)
Short-term loans payable	7,843	—	—	—	—	—
Long-term loans payable	898	650	504	362	240	325
Lease obligations	5,151	4,206	3,432	2,628	1,968	25,613
Total	13,893	4,857	3,937	2,991	2,209	25,938

3. Fair value of financial instruments by level

The fair values of financial instruments are categorized into the following three levels based on observability of input to the fair value measurement and its significance:

Level 1: Quoted prices for assets or liabilities subject to the fair value measurement in active markets

Level 2: Inputs other than inputs included within Level 1

Level 3: Unobservable inputs

When significant inputs from multiple levels are used, the fair value is categorized in the lowest level of a significant input.

(1) Financial instruments recognized at fair value in the consolidated balance sheet

As of March 31, 2022

Category	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Available-for-sale securities				
Stocks	17,863	—	—	17,863
Government and municipal bonds	—	—	—	—
Corporate bonds	—	6,734	—	6,734
Other	—	1,781	—	1,781
Total assets	17,863	8,515	—	26,379
Derivative transactions				
Equity options	—	111	—	111
Total liabilities	—	111	—	111

As of March 31, 2023

Category	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Available-for-sale securities				
Stocks	18,715	—	—	18,715
Government and municipal bonds	—	100	—	100
Corporate bonds	—	6,698	—	6,698
Other	—	1,552	—	1,552
Total assets	18,715	8,351	—	27,067
Derivative transactions				
Equity options	—	131	—	131
Total liabilities	—	131	—	131

(2) Other financial instruments recognized at fair value in the consolidated balance sheet

As of March 31, 2022

Category	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Notes and accounts receivable - trade, and contract assets	—	56,455	—	56,455
Securities and investment securities				
Shares of subsidiaries and associates	14,394	—	—	14,394
Total assets	14,394	56,455	—	70,849
Long-term loans payable	—	4,939	—	4,939
Lease obligations	—	40,388	—	40,388
Total liabilities	—	45,328	—	45,328

As of March 31, 2023

Category	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Notes and accounts receivable - trade, and contract assets	—	65,393	—	65,393
Securities and investment securities				
Shares of subsidiaries and associates	16,721	—	—	16,721
Total assets	16,721	65,393	—	82,114
Long-term loans payable	—	2,979	—	2,979
Lease obligations	—	42,032	—	42,032
Total liabilities	—	45,012	—	45,012

(Note) Explanation of valuation technique used and input to the fair value measurement

Securities and investment securities

The fair value of listed shares is determined based on quoted prices. As these are traded in an active market, the fair value is categorized as Level 1.

The fair value of available-for-sale securities, such as corporate bonds and investment trusts, is determined based on quoted prices from financial institutions. As these are less actively traded and do not have quoted prices in an active market, the fair value is categorized as Level 2.

Derivative transactions

The fair value of derivative transactions, such as equity options and interest rate swaps, is determined based on quoted prices from financial institutions. As these are less actively traded and do not have quoted prices in an active market, the fair value is categorized as Level 2.

A hybrid financial instrument that contains an embedded derivative is measured at fair value in its entirety as securities and investment securities with changes in fair value recognized in profit or loss. This is because the embedded derivative cannot

be separately measured at fair value on a reasonable basis.

Notes and accounts receivable - trade, and contract assets

The fair values are determined, for each group of receivables categorized by term, based on the present value of receivables discounted using the interest rate adjusted for the period to maturity and credit risk. The fair value is categorized as Level 2.

Long-term loans payable

The fair value of long-term loans payable with variable interest rates is its carrying amount as these reflect market interest rates in a short period of time.

The fair value of long-term loans payable with fixed interest rates is determined based on the present value of principal and interest discounted using the interest rate that would be applied to new loans. This fair value is categorized as Level 2.

Lease obligations

The fair value of lease obligations is determined based on the present value of principal and interest discounted using the interest rate that would be applied to new leases. This fair value is categorized as Level 2.

(Matters related to securities)

1. Available-for-sale securities

As of March 31, 2022

	Class	Carrying amount (Millions of yen)	Cost or amortized cost (Millions of yen)	Difference (Millions of yen)
Carrying amount exceeds cost or amortized cost	(1) Shares	16,440	5,932	10,508
	(2) Bonds			
	Government bonds, municipal bonds, etc.	—	—	—
	Corporate bonds	2,939	2,882	56
	(3) Other	749	642	106
	Subtotal	20,129	9,457	10,671
Carrying amount does not exceed cost or amortized cost	(1) Shares	1,422	1,783	(361)
	(2) Bonds			
	Government bonds, municipal bonds, etc.	—	—	—
	Corporate bonds	3,794	3,855	(60)
	(3) Other	1,032	1,078	(46)
	Subtotal	6,249	6,717	(468)
Total		26,379	16,175	10,203

As of March 31, 2023

	Class	Carrying amount (Millions of yen)	Cost or amortized cost (Millions of yen)	Difference (Millions of yen)
Carrying amount exceeds cost or amortized cost	(1) Shares	17,573	6,134	11,439
	(2) Bonds			
	Government bonds, municipal bonds, etc.	100	100	0
	Corporate bonds	1,168	1,149	18
	(3) Other	331	244	87
	Subtotal	19,173	7,627	11,545
Carrying amount does not exceed cost or amortized cost	(1) Shares	1,141	1,383	(241)
	(2) Bonds			
	Government bonds, municipal bonds, etc.	—	—	—
	Corporate bonds	5,530	5,776	(246)
	(3) Other	1,220	1,308	(87)
	Subtotal	7,893	8,468	(575)
Total		27,067	16,096	10,970

2. Available-for-sale securities sold

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

Class	Proceeds from sales (Millions of yen)	Total gain on sales (Millions of yen)	Total loss on sales (Millions of yen)
(1) Shares	343	31	0
(2) Bonds			
Government bonds, municipal bonds, etc.	—	—	—
Corporate bonds	1,720	0	2
(3) Other	525	112	2
Total	2,589	144	5

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

Class	Proceeds from sales (Millions of yen)	Total gain on sales (Millions of yen)	Total loss on sales (Millions of yen)
(1) Shares	628	355	6
(2) Bonds			
Government bonds, municipal bonds, etc.	—	—	—
Corporate bonds	170	0	—
(3) Other	194	—	—
Total	992	356	6

3. Securities impaired

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

An impairment loss of ¥65 million (shares of ¥65 million) was recognized on available-for-sale securities.

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

An impairment loss of ¥41 million (shares of ¥41 million) was recognized on available-for-sale securities.

(Matters related to retirement benefits)

1. Overview of adopted retirement benefit plans

The Company has defined benefit plans, including corporate pension plan and lump-sum payment plan, as well as defined contribution plans.

In addition to these plans, certain consolidated subsidiaries have defined benefit plans and defined contribution plans such as Smaller Enterprise Retirement Allowance Mutual Aid System.

Certain consolidated subsidiaries apply a simplified method in calculating retirement benefit liability and retirement benefit expenses, under which the amount of required voluntary termination benefits at the fiscal year-end is recognized as defined benefit obligation.

2. Defined benefit plans

(1) Reconciliation of beginning to ending balance of define benefit obligation (excluding plans accounted for under the simplified method as described in (3))

	(Millions of yen)	
	Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)	Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)
Defined benefit obligation at beginning of year	<u>132,502</u>	<u>134,811</u>
Service cost	<u>6,078</u>	<u>6,142</u>
Interest cost	<u>891</u>	<u>906</u>
Actuarial gains and losses	<u>(221)</u>	<u>(755)</u>
Past service cost	138	—
Retirement benefits paid	(4,583)	(4,831)
Reclassification due to changes from the simplified method to the principle method	5	—
Increase due to business combination	—	145
Defined benefit obligation at end of year	<u>134,811</u>	<u>136,418</u>

(2) Reconciliation of beginning to ending balance of plan asset (excluding plans accounted for under the simplified method as described in (3))

	(Millions of yen)	
	Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)	Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)
Plan assets at beginning of year	115,002	121,618
Expected return on plan assets	2,836	2,998
Actuarial gains and losses	1,276	(2,498)
Contributions from employers	4,893	4,833
Retirement benefits paid	(2,390)	(2,651)
Plan assets at end of year	121,618	124,300

(3) Reconciliation of beginning to ending balance of retirement benefit liability under the simplified method

	(Millions of yen)	
	Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)	Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)
Retirement benefit liability at beginning of year	2,553	2,599
Retirement benefit expenses	383	383
Retirement benefits paid	(306)	(196)
Contributions to the plans	(25)	(39)
Reclassification due to changes from the simplified method to the principle method	(5)	—
Retirement benefit liability at end of year	2,599	2,747

(4) Reconciliation of ending balances of defined benefit obligation and plan assets to retirement benefit liability and retirement benefit asset reported on the consolidated balance sheet

	(Millions of yen)	
	As of March 31, 2022	As of March 31, 2023
Defined benefit obligation for funded plans	97,050	97,906
Plan assets	121,809	124,493
	(24,758)	(26,586)
Defined benefit obligation for unfunded plans	<u>40,551</u>	<u>41,451</u>
Net retirement benefit liability (asset)	<u>15,792</u>	<u>14,865</u>
Retirement benefit liability	<u>40,788</u>	<u>41,480</u>
Retirement benefit asset	(24,995)	(26,614)
Net retirement benefit liability (asset)	<u>15,792</u>	<u>14,865</u>

(Note) Include plans accounted for under the simplified method.

(5) Retirement benefit expense and its components

(Millions of yen)

	Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)	Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)
Service cost	<u>6,078</u>	<u>6,142</u>
Interest cost	<u>891</u>	<u>906</u>
Expected return on plan assets	(2,836)	(2,998)
Amortization of actuarial gains and losses	<u>374</u>	<u>375</u>
Amortization of past service cost	4	27
Retirement benefit expenses calculated under the simplified method	383	383
Other	126	118
Retirement benefit expenses related to defined benefit plans	<u>5,023</u>	<u>4,955</u>

(6) Reclassification adjustments of defined benefit plans

Reclassification adjustments of defined benefit plans, net of tax, comprise the following:

(Millions of yen)

	Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)	Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)
Past service cost	133	(27)
Actuarial gains and losses	<u>(1,873)</u>	<u>1,367</u>
Total	<u>(1,739)</u>	<u>1,340</u>

(7) Remeasurements of defined benefit plans

Remeasurements of defined benefit plans, net of tax, comprise the following:

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Unrecognized past service cost	133	106
Unrecognized actuarial gains and losses	<u>(3,905)</u>	<u>(2,537)</u>
Total	<u>(3,771)</u>	<u>(2,431)</u>

(8) Plan assets

i. Major categories of plan assets

Major categories of plan assets and its percentage allocation are as follows:

	As of March 31, 2022	As of March 31, 2023
Bonds	35%	34%
Stocks	42	43
Cash and deposits	1	1
General accounts	10	10
Other	12	12
Total	100	100

ii. Method of determining expected long-term rate of return on plan assets

The expected long-term rate of return on plan assets is determined by taking into account the existing and future plan asset portfolios and the current and expected long-term rates of return from the various components of those plan assets.

(9) Actuarial assumptions

Key actuarial assumptions (in weighted average) are as follows:

	As of March 31, 2022	As of March 31, 2023
Discount rate	0.68%	0.68%
Expected long-term rate of return on plan assets	2.50	2.50
Expected rate of future salary increase	1.1 to 1.9	1.1 to 1.9

3. Defined contribution plans

The required amount of contribution to the defined contribution plans of the Company and its consolidated subsidiaries is ¥661 million for the fiscal year ended March 31, 2022 and ¥679 million for the fiscal year ended March 31, 2023.

(Matters related to tax-effect accounting)

1. Major components of deferred tax assets and liabilities

	(Millions of yen)	
	As of March 31, 2022	As of March 31, 2023
Deferred tax assets:		
Accrued business taxes	698	553
Provision for bonuses	688	743
Allowance for doubtful accounts	213	184
Retirement benefit liability	<u>12,728</u>	<u>13,010</u>
Accrued retirement benefits for directors (and other officers)	551	608
Depreciation and amortization	2,353	2,492
Disallowed expenses related to installation of security alarm equipment	3,486	3,559
Loss on valuation of investment securities	308	316
Net operating loss carryforwards (Note 1)	1,631	1,730
Revaluation reserve for land	1,302	1,302
Asset adjustment account	65	—
Other	1,114	1,606
Deferred tax assets - subtotal	<u>25,143</u>	<u>26,109</u>
Valuation allowance related to net operating loss carryforwards (Note 1)	(714)	(745)
Valuation allowance related to aggregation of deductible temporary differences and others	<u>(2,902)</u>	<u>(3,070)</u>
Less: Valuation allowance	<u>(3,616)</u>	<u>(3,816)</u>
Total deferred tax assets, net	<u>21,526</u>	<u>22,293</u>
Deferred tax liabilities:		
Valuation difference on available-for-sale securities	(3,138)	(3,360)
Retirement benefit asset	(7,871)	(8,450)
Foreign stock dividends	(115)	(115)
Revaluation reserve for land	(314)	(314)
Reserve for advanced depreciation of noncurrent assets	(6)	(15)
Liability adjustment account	(109)	(105)
Total deferred tax liabilities	<u>(11,556)</u>	<u>(12,361)</u>
Net deferred tax assets	<u>9,969</u>	<u>9,932</u>

(Notes)

1. Net operating loss carryforwards and the amount of related deferred tax assets by carryforward period
As of March 31, 2022

(Millions of yen)

	Within 1 year	1 year to 2 years	2 years to 3 years	3 years to 4 years	4 years to 5 years	Over 5 years	Total
Net operating loss carryforwards (*1)	—	—	40	358	298	933	1,631
Valuation allowance	—	—	—	(30)	(69)	(614)	(714)
Deferred tax assets (*2)	—	—	40	327	229	319	916

(*1) Net operating loss carryforward is the amount after multiplied by the statutory tax rate.

(*2) Deferred tax asset is recognized for net operating loss carryforwards of certain consolidated subsidiaries. We determined that the deferred tax asset is recoverable because it is likely that taxable income (before adjusted for temporary differences) will be available in the future based on the consideration of recent actual taxable income and achievement of business plans.

As of March 31, 2023

(Millions of yen)

	Within 1 year	1 year to 2 years	2 years to 3 years	3 years to 4 years	4 years to 5 years	Over 5 years	Total
Net operating loss carryforwards (*1)	5	6	361	292	337	727	1,730
Valuation allowance	(4)	(6)	(110)	(105)	(3)	(514)	(745)
Deferred tax assets (*2)	0	—	250	186	333	213	984

(*1) Net operating loss carryforward is the amount after multiplied by the statutory tax rate.

(*2) Deferred tax asset is recognized for net operating loss carryforwards of certain consolidated subsidiaries. We determined that the deferred tax asset is recoverable because it is likely that taxable income (before adjusted for temporary differences) will be available in the future based on the consideration of recent actual taxable income and achievement of business plans.

2. Net deferred tax assets are included in the following accounts on the consolidated balance sheet:

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Noncurrent assets - Deferred tax assets	<u>11,276</u>	<u>11,446</u>
Noncurrent liabilities - Deferred tax liabilities	(991)	(1,200)
Noncurrent liabilities - Deferred tax liabilities for revaluation	(314)	(314)

2. Reconciliation of significant differences between the statutory tax rate and the effective tax rate after applying tax effect accounting

	As of March 31, 2022	As of March 31, 2023
Statutory tax rate	30.6 %	30.6 %
(Adjustment)		
Non-deductible permanent differences such as entertainment expenses	0.2	0.3
Non-taxable permanent differences such as dividend income	(0.2)	(1.0)
Equal division of municipal tax	1.0	1.2
Amortization of goodwill	<u>1.7</u>	2.2
Share of profit of entities accounted for using equity method	(1.1)	(0.9)
Difference in tax rates among subsidiaries	<u>1.4</u>	<u>1.4</u>
Special corporate tax credit	<u>(1.0)</u>	(0.2)
Valuation allowance (the amount deducted from deferred tax assets)	0.0	0.2
Other	0.3	1.5
Effective tax rate after applying tax effect accounting	<u>32.9</u>	<u>35.3</u>

(Matters related to business combination)

Business combination by way of acquisition

1. Acquisition of shares of ALSOK Joy Life Co., Ltd. and ALSOK Life Support Co., Ltd.

(1) Overview of business combination

A. Name of acquired company and its business

Name of acquired company	Kanden Joy Life Co., Ltd. Kanden Life Support Co., Ltd.
Business	Long-term care service

B. Reason for business combination

The Company has provided a wide variety of security services to the national and local governments, various financial institutions and business operators, and made efforts to provide safety, security and convenience to individual customers, such as home security.

Currently, we are focused on expanding our security business to enter into related fields of the business. In order to provide safety and security to individuals, especially the senior citizens, we established ALSOK Care Co., Ltd. in 2012 to enter into a long-term care business. Subsequently, HCM Corporation became the Company's subsidiary in 2014, ALSOK Care & Support Co., Ltd. in 2015, Wisnet Co., Ltd. in 2016, Care Plus, Inc. engaging in visiting massage services in 2018 and Life Holdings Co., Ltd. in 2020. Also in 2020, Nippon Care Supply Co., Ltd., engaging in lifestyle support services for the senior citizens, became the Company's equity-method associate through the capital and business alliance with Mitsubishi Corporation, which further strengthened the long-term care and its related businesses.

ALSOK Joy Life Co., Ltd. and ALSOK Life Support Co., Ltd., the Company's newly consolidated subsidiaries, have developed care facilities and housing (mainly specified facilities) for the senior citizens with more than 1,200 rooms and built powerful brand in four prefectures in the Kansai area, Kyoto, Osaka, Hyogo and Nara. Both companies have provided high-quality long-term care services, including those for independent senior citizens, focusing on management policies such as "realization of a lively aging society" and "three principles of care (continuity of life, respect for self-determination, utilization of potential)" with an emphasis on users being able to continue a lifestyle that is right for them. We believe that the inclusion of the two companies would not only expand and strengthen the Group's long-term care business but would also contribute to build on the Group's collective strengths by adding new services.

C. Date of business combination

June 22, 2022

D. Legal form of business combination

Acquisition of stocks

E. Name of the company after the business combination

ALSOK Joy Life Co., Ltd.
ALSOK Life Support Co., Ltd.

F. Share of voting rights acquired

100%

G. Reason for selecting company to acquire

The Company acquires stock in exchange for cash consideration.

(2) Period of operating results of the acquired company included in the consolidated statement of income for the fiscal year ended March 31, 2023

From July 1, 2022 to March 31, 2023, as the deemed acquisition date of the business combination is June 30, 2022.

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

A. ALSOK Joy Life Co., Ltd.

		(Millions of yen)
Consideration	Cash and deposits	7,945
Acquisition cost		7,945

B. ALSOK Life Support Co., Ltd.

		(Millions of yen)
Consideration	Cash and deposits	2,058
Acquisition cost		2,058

(4) Major components and amount of acquisition related costs

	(Millions of yen)
Advisory fees	99

(5) Amount of goodwill, its causes and the method and period of amortization

A. ALSOK Joy Life Co., Ltd.

(A) Amount of goodwill

¥7,298 million

(B) Causes

The goodwill mainly arises from the excess earning power expected from combining the Group's Long-Term Care Services business with the business of ALSOK Joy Life Co., Ltd.

(C) Method and period of amortization

Straight-line method over 16 years

B. ALSOK Life Support Co., Ltd.

(A) Amount of goodwill

¥1,257 million

(B) Causes

The goodwill mainly arises from the excess earning power expected from combining the Group's Long-Term Care Services business with the business of ALSOK Life Support Co., Ltd.

(C) Method and period of amortization

Straight-line method over 10 years

(6) Amount of assets acquired and liabilities assumed and the major components as of the date of business combination

A. ALSOK Joy Life Co., Ltd.

	(Millions of yen)
Current assets	1,133
Noncurrent assets	10,978
Total assets	12,111
Current liabilities	8,579
Noncurrent liabilities	2,884
Total liabilities	11,464

B. ALSOK Life Support Co., Ltd.

	(Millions of yen)
Current assets	454
Noncurrent assets	3,731
Total assets	4,185
Current liabilities	3,266
Noncurrent liabilities	119
Total liabilities	3,385

(7) Estimated amount and calculation method of the impact of the business combination on the consolidated statement of income for the fiscal year ended March 31, 2023, assuming that the business combination had been completed at the beginning of the fiscal year

It is omitted as the estimated amount of the impact is immaterial.

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

(1) Overview of business combination

A. Name of acquired company and its business

Name of acquired company	Okinawa Sohgo Security Services Co., Ltd.
Business	Security Services and General Property Management and Fire Protection Services

B. Reason for business combination

Okinawa Sohgo Security Services Co., Ltd., the Company's equity-method associate, has been providing the Security Services and General Property Management and Fire Protection Services. The Company has acquired additional shares of Okinawa Sohgo Security Services Co., Ltd. with the aim of increasing the ratio of voting rights in order to achieve stable business management and strengthen governance.

C. Date of business combination

February 15, 2023

D. Legal form of business combination

Acquisition of stocks

E. Name of the company after the business combination

There is no name change.

F. Share of voting rights acquired

Voting rights held before the business combination	15.0%
Voting rights additionally acquired on the date of business combination	50.4
Voting rights after the acquisition	65.4

G. Reason for selecting company to acquire

The Company acquires stock in exchange for cash consideration.

(2) Period of operating results of the acquired company included in the consolidated statement of income for the year ended March 31, 2023

As the deemed acquisition date of the business combination was March 31, 2023, the operating results of the acquired company were not included in the consolidated operating results for the year ended March 31, 2023. As the acquired company was an equity-method associate, the operating results from April 1, 2022 to March 31, 2023 were recorded as "Share of profit of entities accounted for using equity method".

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

(Millions of yen)

Consideration	Fair value of shares held before the business combination on the date of the business combination	180
	Cash and deposits paid for acquisition of additional shares	604
Acquisition cost		784

(4) Difference between the acquisition cost of the acquired company and the total acquisition cost for each transaction that led to the acquisition

(Millions of yen)

Loss on step acquisition	24
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(5) Major components and amount of acquisition related costs

Nothing to report.

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

A. Amount of gain on negative goodwill

¥20 million

B. Causes

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

(7) Amount of assets acquired and liabilities assumed and the major components as of the date of business combination

(Millions of yen)

Current assets	1,181
Noncurrent assets	1,015
Total assets	2,197
Current liabilities	636
Noncurrent liabilities	330
Total liabilities	967

(8) Estimated amount and calculation method of the impact of the business combination on the consolidated statement of income for the fiscal year ended March 31, 2023, assuming that the business combination had been completed at the beginning of the fiscal year

It is omitted as the estimated amount of the impact is immaterial.

Business combination under common control

1. Merger of ALSOK Leasing Co., Ltd.

(1) Overview

A. Name of the company and its business

Name	ALSOK Leasing Co., Ltd.
Business	Leasing and installment sales (mainly related to security services)

B. Date of business combination

April 1, 2022

C. Legal form of business combination

Merger of ALSOK Leasing Co., Ltd. (merged company) by the Company (surviving company)

D. Other

ALSOK Leasing Co., Ltd. has engaged in leasing and installment sales of various properties to customers of the Group, including security equipment such as security cameras and access control devices, and disaster prevention equipment such as automatic fire alarms. For the purpose of structural efficiency of the Group, the Company merged with ALSOK Leasing Co., Ltd. with the Company as the surviving company.

(2) Accounting treatment

This merger was accounted for as a business combination under common control in accordance with “Accounting Standard for Business Combinations” (ASBJ Statement No. 21) and “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10).

2. Acquisition of additional shares of PT. ALSOK BASS Indonesia Security Services

(1) Overview

A. Name of the company and its business

Name	PT. ALSOK BASS Indonesia Security Services
Business	Security services (stationed security services)

B. Date of business combination

June 2, 2022

C. Legal form of business combination

Acquisition of shares from non-controlling interests

D. Name of the company after the business combination

There is no name change.

E. Other

The additional shares acquired accounted for 24% of the total voting rights. This transaction resulted in the Company’s ratio of voting rights in PT. ALSOK BASS Indonesia Security Services increasing to 73%. In November 2016, PT. ALSOK BASS Indonesia Security Services became the Company’s consolidated subsidiary, which was intended to expand the Company’s Security Services in Indonesia. This time, additional shares were acquired to further expand the Company’s business as well as enhance the governance by strengthening its capital ties.

(2) Accounting treatment

This acquisition was accounted for as a transaction with non-controlling interest under common control in accordance with “Accounting Standard for Business Combinations” (ASBJ Statement No. 21) and “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10).

(3) Matters related to acquisition of additional subsidiary shares

(Millions of yen)		
Consideration	Cash and deposits	215
Acquisition cost		215

- (4) Matters related to changes in ownership interest of the Company due to transactions with non-controlling interests
- A. Main factor in change in capital surplus
Acquisition of additional subsidiary shares
- B. Amount of capital surplus reduced by transactions with non-controlling interests
¥121 million

3. Acquisition of additional shares of Keihanshin Security Service Co., Ltd.

(1) Overview

A. Name of the company and its business

Name	Keihanshin Security Service Co., Ltd.
Business	Security services and General Property Management and Fire Protection Services

B. Date of business combination

June 20, 2022

C. Legal form of business combination

Acquisition of shares from non-controlling interests

D. Name of the company after the business combination

There is no name change.

E. Other

The additional shares acquired accounted for 30.3% of the total voting rights. This transaction resulted in the Company's ratio of voting rights in Keihanshin Security Service Co., Ltd. increasing to 90.9%. The Company and Keihanshin Security Service Co., Ltd. entered into a capital alliance in April 2017. The Company acquired additional shares (Keihanshin Security Service Co., Ltd. became a consolidated subsidiary) because the Company believed it would be possible to share various management resources in a more coordinated way than the existing capital alliance, thereby providing customers with higher value-added services.

(2) Accounting treatment

This acquisition was accounted for as a transaction with non-controlling interests in accordance with "Accounting Standard for Business Combinations" (ASBJ Statement No. 21) and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10).

(3) Matters related to acquisition of additional subsidiary shares

		(Millions of yen)
Consideration	Cash and deposits	199
Acquisition cost		199

(4) Matters related to changes in ownership interest of the Company due to transactions with non-controlling interests

A. Main factor in change in capital surplus

Acquisition of additional subsidiary shares

B. Amount of capital surplus reduced by transactions with non-controlling interests

¥67 million

(Matters related to asset retirement obligations)

Asset retirement obligations reported on the consolidated balance sheet

1. Overview of asset retirement obligations

It is an obligation to restore the site to its original state in accordance with real estate lease agreements such as offices.

2. Method to determine the amount of asset retirement obligations

The amount of asset retirement obligations is generally determined based on the expected usage period of 50 years from the acquisition with the discount rate of 0.0% to 2.3% depending on the expected remaining usage period.

3. Changes in asset retirement obligations

	(Millions of yen)	
	Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)	Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)
Balance at beginning of year	480	486
Purchase of property, plant and equipment	4	—
Adjustment due to passage of time	2	9
Decrease due to fulfillment of asset retirement obligations	—	(15)
Increase due to acquisition of new subsidiary	—	337
Balance at end of year	486	818

(Matters related to revenue recognition)

1. Disaggregation of revenue from contracts with customers

The information on disaggregation of revenue from contract with customers is described in “Notes (Segment information).”

2. Information relating to revenue from contracts with customers

(1) Contract revenue

Contract revenue is earned as a result of the Company or its consolidated subsidiaries providing services to customers such as security services.

While considerations for providing such services are collected in a lump sum in cash in the following month, monthly fees in exchange for providing Electronic Security Services to individual customers and lump-sum move-in fees for the long-term care services are collected in the form of advance payment before the service is provided.

A performance obligation related to the contract revenue is to provide the service specified in the contract to a customer. The Company and its consolidated subsidiaries recognize revenue as the performance obligation is satisfied over time.

A transaction price is specified in the contract and does not contain significant variable consideration or financing component. If a single contract has multiple performance obligations, the transaction price is allocated based on the price specified in the contract.

(2) Construction revenue

Construction revenue is earned as a result of installation of security alarm equipment leased or rented to the customer as well as repair/renewal constructions and piping or electrical constructions of various building equipment.

In most cases, considerations for providing such services are collected in a lump sum in cash in the following month. A partial payment is received for long-term construction contract by reference to the stage of completion.

A performance obligation related to the construction revenue is to provide the construction service specified in the contract. Generally, revenue from construction contracts is recognized as the performance obligation is satisfied over time. This is because the partially-completed contract is an asset that cannot be used for other purposes and gives rise to a right to receive consideration. As the completion of a contract corresponds to costs incurred for the construction, the percentage of completion for the performance obligation can be reasonably estimated based on the costs incurred.

Therefore, the percentage of completion is determined, for each contract, based on the costs incurred to the fiscal year-end to the estimated total cost to complete.

For contracts that have a very short construction period, such as installation of security alarm equipment, which

accounts for most of the construction revenue, revenue is recognized at a point in time at completion of contract when a right to receive consideration is confirmed.

A transaction price is specified in the contract and does not contain significant variable consideration or financing component. If a single contract has multiple performance obligations, the transaction price is allocated based on the price specified in the contract.

(3) Sales revenue

Sales revenue is earned as a result of product sales (including installation of products sold).

In most cases, considerations for transferring such products are collected in a lump sum in cash in the following month. For only a few contracts, considerations are received in installments approximately over two to five years.

A performance obligation related to the sales revenue is to transfer products to a customer. The performance obligation is satisfied at a point in time when a customer accepts the product and the legal title, physical possession and significant risk and rewards of ownership of the product are transferred to the customer. Therefore, the revenue is recognized at a point in time of delivery.

A transaction price is specified in the contract and does not contain significant variable consideration or financing component. If a single contract has multiple performance obligations, the transaction price is allocated based on the price specified in the contract.

3. Relationship between satisfaction of performance obligations based on contracts with customers and cash flows arising from such contracts, and the amount and timing of revenue expected to arise in the following years from contracts with customers existed as of March 31, 2023

(1) Contract assets and liabilities

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Receivables arising from contracts with customers (beginning balance)	52,675	55,406
Receivables arising from contracts with customers (ending balance)	55,406	62,411
Contract assets (beginning balance)	1,608	1,052
Contract assets (ending balance)	1,052	2,983
Contract liabilities (beginning balance)	11,258	11,211
Contract liabilities (ending balance)	11,211	19,753

A contract asset is the Company's and its consolidated subsidiaries' right to unbilled consideration in exchange for construction contract partially completed as of the fiscal year-end. When the Company's and its consolidated subsidiaries' right to consideration becomes unconditional, the contract asset is reclassified to a receivable from contracts with customers.

A contract liability represents payments received in advance related to Electronic Security Services and lump-sum move-in fees for the long-term care services. The former is debited mainly within one year and the latter is debited within four to seventeen years, depending on the average tenancy of the resident of a long-term care facility, as the revenue is recognized.

(2) Transaction price allocated to remaining performance obligation

The Company and its consolidated subsidiaries apply practical expedient to the notes on transaction price allocated to remaining performance obligation. Notes on a contract with initial expected contract term of less than one year are not included. The performance obligation is related to construction revenue from General Property Management and Fire Protection Services. Total transaction price to which remaining performance obligations are allocated and the periods for which revenue is expected to be recognized are as follows:

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Within 1 year	7,828	11,978
1 to 2 years	5,174	5,785
2 to 3 years	1,768	1,107
Over 3 years	548	—
Total	15,320	18,871

(Segment information etc.)

[Segment information]

1. Overview of reportable segment

(1) How reportable segment is determined

The Group's reportable segments are components of the group for which discrete financial information is available and which are reviewed by the Board of Directors on a regular basis to make decisions about resources and assess their performance.

The Group has three reportable segments: "Security Services", which includes Electronic Security Services, Stationed Security Services and Transportation Security Services, "General Property Management and Fire Protection Services", which includes equipment installation (such as piping or electrical construction services), facility management, environmental hygiene management, janitorial services, inspection and installation of fire equipment and sales of various disaster prevention equipment, and "Long-Term Care Services", which includes home care support, home-visit care, day care and facility care.

"Other services" category includes business segments not included in other reportable segments, including information security, PCR test and food inspection services.

(2) Changes in reportable segment

During the fiscal year ended March 31, 2023, the Group reviewed its management system and changed the method of allocating revenues and expenses to Security Services and General Property Management and Fire Protection Services in order to understand the operating results of each segment more accurately.

Segment information for the fiscal year ended March 31, 2022 has been prepared based on the reportable segments and the allocation method of income and expenses used for the fiscal year ended March 31, 2023.

2. Method to determine the amount of net sales, income (loss) and other items

Accounting treatment used for reportable segments is mostly the same as the accounting treatment applied in preparing the consolidated financial statements.

Segment income is based on operating income.

Intersegment sales and transfers are based on prevailing market prices.

3. Information on the amount of net sales and income (loss) and disaggregation of revenue by reportable segment

I. Fiscal year ended (From April 1, 2021 to March 31, 2022)

(Millions of yen)

	Reportable segment				Other Services (Note 1)	Total	Adjustment (Note 2)	Amount recorded in the consolidated statement of income (Note 3)
	Security Services	General Property Management and Fire Protection Services	Long-Term Care Services	Total				
Net sales								
Contract revenue	336,969	35,734	41,557	414,261	5,569	419,831	—	419,831
Construction revenue	5,797	19,441	26	25,265	3	25,269	—	25,269
Sales revenue	30,461	13,006	65	43,532	459	43,992	—	43,992
Revenue from contracts with customers	373,227	68,183	41,649	483,060	6,032	489,092	—	489,092
Sales to external customers	373,227	68,183	41,649	483,060	6,032	489,092	—	489,092
Intersegment sales and transfers	200	152	9	362	276	639	(639)	—
Total	373,428	68,335	41,659	483,423	6,309	489,732	(639)	489,092
Income by reportable segment	<u>39,779</u>	<u>8,247</u>	1,621	<u>49,647</u>	<u>1,360</u>	<u>51,008</u>	<u>(9,194)</u>	<u>41,814</u>
Depreciation and amortization	13,509	1,248	1,695	16,453	384	16,838	23	16,861
Amortization of goodwill	865	23	1,460	2,350	77	2,427	—	2,427

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

2. ¥(9,194) million adjustment to income by reportable segment represents common expenses that cannot be allocated to any specific reportable segment. These expenses are primarily general and administrative expenses not associated with specific reportable segment.

3. Income by reportable segment is adjusted for the operating income per the consolidated statement of income.

4. Assets are not allocated to business segments.

II. Fiscal year ended (From April 1, 2022 to March 31, 2023)

(Millions of yen)

	Reportable segment				Other Services (Note 1)	Total	Adjustment (Note 2)	Amount recorded in the consolidated statement of income (Note 3)
	Security Services	General Property Management and Fire Protection Services	Long-Term Care Services	Total				
Net sales								
Contract revenue	329,203	34,500	47,394	411,097	4,854	415,951	—	415,951
Construction revenue	5,762	24,665	22	30,450	2	30,453	—	30,453
Sales revenue	31,382	13,824	79	45,286	534	45,821	—	45,821
Revenue from contracts with customers	366,348	72,990	47,495	486,835	5,391	492,226	—	492,226
Sales to external customers	366,348	72,990	47,495	486,835	5,391	492,226	—	492,226
Intersegment sales and transfers	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

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

2. ¥(9,503) million adjustment to income by reportable segment represents common expenses that cannot be allocated to any specific reportable segment. These expenses are primarily general and administrative expenses not associated with specific reportable segment.

3. Income by reportable segment is adjusted for the operating income per the consolidated statement of income.

4. Assets are not allocated to business segments.

[Related information]

I. Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

1. Information by product and service

It is omitted as the information is described in the segment information.

2. Information by region

(1) Net sales

It is omitted as the net sales to domestic customers account for more than 90% of net sales on the consolidated statement of income.

(2) Property, plant and equipment

It is omitted as the amount of property, plant and equipment located in Japan account for more than 90% of property, plant and equipment on the consolidated balance sheet.

3. Information by major customer

It is omitted as no single external customer accounts for more than 10% of net sales on the consolidated statement of income.

II. Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

1. Information by product and service

It is omitted as the information is described in the segment information.

2. Information by region

(1) Net sales

It is omitted as the net sales to domestic customers account for more than 90% of net sales on the consolidated statement of income.

(2) Property, plant and equipment

It is omitted as the amount of property, plant and equipment located in Japan account for more than 90% of property, plant and equipment on the consolidated balance sheet.

3. Information by major customer

It is omitted as no single external customer accounts for more than 10% of net sales on the consolidated statement of income.

[Information on impairment losses of noncurrent assets by reportable segment]

I. Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

No impairment loss was allocated to any of the reportable segments. Impairment losses not allocated to reportable segments were ¥307 million, which mainly comprised ¥192 million for goodwill, ¥106 million for leased assets and ¥6 million for software.

II. Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

No impairment loss was allocated to any of the reportable segments. Impairment losses not allocated to reportable segments were ¥366 million, which mainly comprised ¥100 million for software, ¥88 million for buildings and structures, ¥85 million for other property, plant and equipment, such as furniture and fixtures, ¥80 million for goodwill, ¥12 million for leased assets and ¥0 million for software.

[Information on amortized and unamortized goodwill by reportable segment]

I. Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Amortized and unamortized goodwill)

It is omitted as the information on amortized goodwill is described in the segment information.

Unamortized goodwill as of March 31, 2022 is ¥27,097 million. As assets are not allocated to business segments, the unamortized goodwill is not included in the reportable segments as of March 31, 2022.

II. Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Amortized and unamortized goodwill)

It is omitted as the information on amortized goodwill is described in the segment information.

Unamortized goodwill as of March 31, 2023 is ¥32,753 million. As assets are not allocated to business segments, the unamortized goodwill is not included in the reportable segments as of March 31, 2023.

[Information on gain on negative goodwill by reportable segment]

I. Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

Nothing to report.

II. Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

During the fiscal year ended March 31, 2023, due to the inclusion of Okinawa Sohgo Security Services Co., Ltd. in the scope of consolidation, gain on negative goodwill of ¥20 million is recognized. The gain on negative goodwill is not allocated to any reportable segments.

[Related parties]

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

Related party transactions

1. Transactions between the reporting company and its related parties

Directors and officers of the reporting company and major shareholders (individuals)

Type	Name of company or individual	Location	Capital stock or paid-in capital (Millions of yen)	Business or occupation	Ratio of voting rights holding (held) (%)	Relationship	Transaction	Transaction amount (Millions of yen)	Account	Balance at end of year (Millions of yen)
Director	Atsushi Murai	—	—	Chairperson of Jun Murai Memorial Scholarship Foundation (Public Interest Incorporated Foundation)	(Held) Direct ownership 2.8	Donation	Donation	13	—	—

(Notes) 1. This is a transaction conducted by Atsushi Murai (former Representative Director) as the Chairperson of Jun Murai Memorial Scholarship Foundation (Public Interest Incorporated Foundation).

The foundation provides non-refundable scholarships for students enrolled in engineering universities (including engineering faculties) or engineering graduate schools in Kanagawa prefecture.

2. Conditions attached to transactions and how the conditions are determined

The amount of donation to the Foundation is determined based on the consideration of the need for contribution to society and the annual scholarships deemed necessary to achieve the purpose of the foundation.

2. Transactions between consolidated subsidiary of the reporting company and its related parties

Directors and officers of the reporting company and major shareholders (individuals)

Type	Name of company or individual	Location	Capital stock or paid-in capital (Millions of yen)	Business or occupation	Ratio of voting rights holding (held) (%)	Relationship	Transaction	Transaction amount (Millions of yen)	Account	Balance at end of year (Millions of yen)
Director	Atsushi Murai	—	—	Chairperson of Jun Murai Memorial Scholarship Foundation (Public Interest Incorporated Foundation)	(Held) Direct ownership 2.8	Donation	Donation	2	—	—

(Notes) 1. This is a transaction conducted by Atsushi Murai (former Representative Director) as the Chairperson of Jun Murai Memorial Scholarship Foundation (Public Interest Incorporated Foundation).

The foundation provides non-refundable scholarships for students enrolled in engineering universities (including engineering faculties) or engineering graduate schools in Kanagawa prefecture.

2. Conditions attached to transactions and how the conditions are determined

The amount of donation to the Foundation is determined based on the consideration of the need for contribution to society and the annual scholarships deemed necessary to achieve the purpose of the foundation.

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

Related party transactions

1. Transactions between the reporting company and its related parties

Nothing to report.

2. Transactions between consolidated subsidiary of the reporting company and its related parties

Nothing to report.

(Special purpose entities subject to disclosure)

Nothing to report.

(Per share information)

(Yen)

	Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)	Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)
Net assets per share	<u>2,871.62</u>	<u>3,013.54</u>
Net income per share	<u>278.90</u>	<u>229.51</u>

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

2. The following is the basis of calculating net income per share:

	Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)	Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)
Net income per share		
Profit attributable to owners of parent (Millions of yen)	<u>28,234</u>	<u>23,234</u>
Amount not attributable to ordinary shareholders (Millions of yen)	—	—
Profit attributable to ordinary shareholders of parent (Millions of yen)	<u>28,234</u>	<u>23,234</u>
Average number of shares during the period (Thousands of shares)	101,235	101,234

3. The following is the basis of calculating net assets per share:

	As of March 31, 2022	As of March 31, 2023
Total net assets (Millions of yen)	<u>318,071</u>	<u>334,075</u>
Amount deducted from total net assets (Millions of yen)	27,362	29,000
(Of which, non-controlling interests) (Millions of yen)	(27,362)	(29,000)
Net assets related to common stocks at fiscal year-end (Millions of yen)	<u>290,709</u>	<u>305,074</u>
Number of common stocks at fiscal year-end used to calculate net assets per share (Thousands of shares)	101,235	101,234

(Significant subsequent events)

(Stock split and partial amendment to the Articles of Incorporation in connection with the stock split)

The Company resolved at the Board of Directors' meeting held on May 12, 2023 to implement a stock split and to partially amend the Articles of Incorporation in connection with the stock split.

(1) Purpose of stock split

The purpose of the stock split is to make the stock more accessible and to expand the investor base by lowering the amount per investment unit.

(2) Overview of stock split

(i) Method of stock split

The record date of the stock split is June 30, 2023. The Company carries out a 5-for-1 stock split for each share of common stock held by shareholders of record as of June 30, 2023.

(ii) Number of shares to be increased by the stock split

Total number of shares issued before the stock split	102,040,042 shares
Number of shares to be increased by the stock split	408,160,168 shares
Total number of shares issued after the stock split	510,200,210 shares
Total number of authorized shares after the stock split	1,500,000,000 shares

(iii) Schedule of stock split

Date of public notice of the record date	June 16, 2023
Scheduled record date	June 30, 2023
Scheduled effective date	July 1, 2023

(iv) Impact on per share information

Per share information based on the assumption that the stock split was implemented at the beginning of the previous fiscal year is as follows:

(Yen)

	Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)	Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)
Net assets per share	<u>574.32</u>	<u>602.71</u>
Net income per share	<u>55.78</u>	<u>45.90</u>

(3) Partial amendment to the Articles of Incorporation in connection with the stock split

(i) Reason for amendment to the Articles of Incorporation

Effective July 1, 2023, in accordance with Article 184, Paragraph 2 of the Companies Act, the total number of authorized shares provided in Article 5 of the Articles of Incorporation is changed in connection with the stock split.

(ii) Overview of amendment

The details of the amendment are as follows:

Before amendment	After amendment
(Total number of authorized shares) Article 5. Total number of authorized shares of the Company is 300,000,000 shares.	(Total number of authorized shares) Article 5. Total number of authorized shares of the Company is 1,500,000,000 shares.

(iii) Schedule of amendment

Date of resolution by the Board of Directors	May 12, 2023
Scheduled record date	June 30, 2023
Scheduled effective date	July 1, 2023

(4) Other

The stock split does not give rise to change in the amount of capital stock.

(Business combination by way of acquisition (PT. Shield-On Service Tbk))

The Company entered into a contract to acquire shares of PT. Shield-On Service Tbk ("SOS"), an Indonesian staffing and security services provider, through PT. ALSOK BASS Indonesia Security Services ("ALSOK BASS"), the Company's subsidiary in Indonesia.

(1) Overview of business combination

A. Name of acquired company and its business

Name of acquired company PT. Shield-On Service Tbk

Business Staffing, security, cleaning and parking lot management services

B. Reason for business combination

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

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

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

C. Date of business combination

June to August 2023

D. Legal form of business combination

Acquisition of stocks

E. Name of the company after the business combination

There is no name change.

F. Share of voting rights to be acquired

51.4%

G. Reason for selecting company to acquire

The Company acquires stock in exchange for cash consideration.

(2) Acquisition cost of the company and type of consideration paid

Consideration	Cash and deposits	200,600 million Indonesian Rupia
Acquisition cost		200,600

(3) Major components and amount of acquisition related costs

These have not been determined yet.

(4) Amount of goodwill, its causes, amortization and period of amortization

These have not been determined yet.

(5) Amount of assets acquired and liabilities assumed and the major components as of the date of business combination

These have not been determined yet.

- v. [Supplementary schedules]
 [Schedule of corporate bonds]
 Nothing to report.
 [Schedule of borrowings]

Category	Balance at beginning of year (Millions of yen)	Balance at end of year (Millions of yen)	Average interest rate (%)	Repayment date
Short-term loans payable	8,483	7,843	1.09	—
Current portion of long-term loans payable	2,795	898	0.79	—
Current portion of lease obligations	5,306	5,151	3.43	—
Long-term loans payable (excluding current portion)	2,145	2,083	0.65	April 30, 2024 to June 3, 2030
Lease obligations (excluding current portion)	35,529	37,851	3.98	—
Other interest bearing liabilities	—	—	—	—
Total	54,260	53,827	—	—

(Notes) 1. “Average interest rate” is weighted average rate for borrowings outstanding at the fiscal year-end.

2. Scheduled repayment amount of long-term loans payable and lease obligations (excluding current portion) within five years after the fiscal year-end is as follows:

	1 to 2 years (Millions of yen)	2 to 3 years (Millions of yen)	3 to 4 years (Millions of yen)	4 to 5 years (Millions of yen)
Long-term loans payable	650	504	362	240
Lease obligations	4,206	3,432	2,628	1,968

[Schedule of asset retirement obligations]

The amounts of asset retirement obligations as of the beginning and ending of the current fiscal year are less than 1/100 of total liabilities and net assets as of the beginning and ending of the current fiscal year, respectively. In accordance with Article 92-2 of the Ordinance on Consolidated Financial Statements, this disclosure is omitted.

(2) [Other]

Quarterly information for the fiscal year ended March 31, 2023

Period	Three months ended June 30	Six months ended September 30	Nine months ended December 31	Fiscal year ended March 31
Net sales (Millions of yen)	114,008	236,053	357,817	492,226
Income before income taxes (Millions of yen)	<u>7,594</u>	<u>16,009</u>	<u>25,736</u>	<u>38,791</u>
Profit attributable to owners of parent (Millions of yen)	<u>4,275</u>	<u>9,404</u>	<u>15,247</u>	<u>23,234</u>
Net income per share (Yen)	<u>42.24</u>	<u>92.90</u>	<u>150.62</u>	<u>229.51</u>

Period	Three months ended June 30	Three months ended September 30	Three months ended December 31	Three months ended March 31
Net income per share (Yen)	<u>42.24</u>	<u>50.66</u>	<u>57.72</u>	<u>78.90</u>

2. [Non-consolidated financial statements]

(1) [Non-consolidated financial statements]

i. [Non-consolidated balance sheet]

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	19,288	8,788
Cash for Transportation Security Services	*1 73,717	*1 80,534
Notes receivable - trade	171	200
Accounts receivable - trade	*2 28,713	*2 31,125
Lease receivables and investment assets	—	6,907
Supplies	5,455	8,129
Prepaid expenses	1,737	1,897
Advances paid	*2 6,522	*2 6,056
Other	*2 8,517	*2 10,742
Allowance for doubtful accounts	(47)	(47)
Total current assets	144,076	154,335
Noncurrent assets		
Property, plant and equipment		
Buildings	12,033	11,188
Structures	358	318
Machinery and equipment	14,601	16,399
Vehicles	5	6
Tools, furniture and fixtures	2,489	2,363
Land	9,494	8,901
Lease assets	2,477	2,152
Rental assets	—	1,281
Construction in progress	2,597	2,580
Total property, plant and equipment	44,058	45,192
Intangible assets		
Software	8,597	6,949
Software in progress	396	1,094
Right to use telecommunication facilities	0	0
Total intangible assets	8,993	8,044
Investments and other assets		
Investment securities	*3 14,442	*3 15,502
Shares of subsidiaries and associates	83,099	94,170
Long-term loans receivable	*2 455	*2 362
Long-term prepaid expenses	123	288
Leasehold and guarantee deposits	5,316	5,150
Insurance funds	232	193
Prepaid pension costs	11,797	14,355
Deferred tax assets	6,795	6,293
Other	11,504	12,134
Allowance for doubtful accounts	(259)	(344)
Total investments and other assets	133,507	148,107
Total noncurrent assets	186,559	201,343
Total assets	330,636	355,679

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	*2 13,111	*2 16,286
Short-term loans payable	*1,*2 24,465	*1,*2 24,757
Current portion of long-term loans payable	1,716	—
Lease obligations	870	3,497
Accounts payable - other	*2 7,111	*2 7,743
Accrued expenses	3,291	3,344
Income taxes payable	2,432	1,898
Accrued consumption taxes	1,771	563
Contract liabilities	8,868	8,873
Deposits received	*2 1,879	*2 2,496
Other	470	315
Total current liabilities	65,989	69,778
Noncurrent liabilities		
Lease obligations	1,790	5,980
Deferred tax liabilities for land revaluation	314	314
Provision for retirement benefits	28,387	29,471
Guarantee deposits received	1,469	1,387
Asset retirement obligations	426	412
Provision for loss on business	—	299
Other	5	—
Total noncurrent liabilities	32,393	37,866
Total liabilities	98,383	107,644
Net Assets		
Shareholders' equity		
Capital stock	18,675	18,675
Capital surplus		
Legal capital surplus	29,320	29,320
Other capital surplus	3,422	3,422
Total capital surplus	32,742	32,742
Retained earnings		
Legal retained earnings	792	792
Other retained earnings		
General reserve	14,000	14,000
Retained earnings brought forward	164,419	179,401
Total retained earnings	179,211	194,194
Treasury stock	(1,030)	(1,030)
Total shareholders' equity	229,599	244,581
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	6,038	6,838
Revaluation reserve for land	(3,384)	(3,385)
Total valuation and translation adjustments	2,653	3,453
Total net assets	232,253	248,034
Total liabilities and net assets	330,636	355,679

ii. [Non-consolidated statement of income]

(Millions of yen)

	Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)	Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)
Net sales	*2 256,449	*2 248,977
Cost of sales	*2 185,176	*2 180,580
Gross profit	71,273	68,397
Selling, general and administrative expenses	*1,*2 52,508	*1,*2 52,502
Operating income	18,764	15,894
Non-operating income		
Interest and dividends income	*2 9,962	*2 12,335
Other	*2 2,373	*2 2,562
Total non-operating income	12,336	14,898
Non-operating expenses		
Interest expenses	*2 508	*2 533
Other	*2 744	*2 1,057
Total non-operating expenses	1,252	1,590
Ordinary income	29,848	29,202
Extraordinary income		
Gain on sales of investment securities	17	3
Compensation income	1,067	—
Gain on sales of noncurrent assets	224	989
Gain on liquidation of subsidiaries	—	1
Gain on extinguishment of tie-in shares	—	552
Total extraordinary income	1,309	1,547
Extraordinary loss		
Loss on valuation of investment securities	38	9
Loss on valuation of shares of subsidiaries	550	441
Loss on sales of investment securities	0	6
Impairment losses	6	171
Provision for loss on business	—	299
Total extraordinary loss	595	928
Income before income taxes	30,562	29,820
Income taxes - current	6,057	5,869
Income taxes - deferred	633	160
Total income taxes	6,690	6,029
Net income	23,871	23,790

(Statement of cost of sales)

		Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)			Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)		
Category	Note	Amount (Millions of yen)		Ratio (%)	Amount (Millions of yen)		Ratio (%)
I. Labor cost							
Salaries		37,831			37,618		
Bonuses		9,964			7,736		
Retirement benefit expenses		<u>1,947</u>			<u>1,830</u>		
Legal welfare expenses		7,321			7,105		
Other		184	<u>57,250</u>	30.7	163	<u>54,454</u>	<u>30.2</u>
II. Expenses							
Outsourcing expenses		46,445			44,672		
Depreciation and amortization		8,567			9,234		
Rent expenses		11,417			8,492		
Fuel expenses		977			991		
Security-related communication expenses		6,110			6,124		
Other		19,460	92,979	<u>50.2</u>	19,716	89,231	<u>49.4</u>
Cost of security services			<u>150,229</u>	81.1		<u>143,686</u>	<u>79.6</u>
Cost of equipment and construction			34,946	18.9		36,894	<u>20.4</u>
Cost of sales			<u>185,176</u>	100.0		<u>180,580</u>	100.0

iii. [Non-consolidated statement of changes in net assets]

Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)

(Millions of yen)

(\$ millions of year)

	Shareholders' equity									
	Capital stock	Capital surplus			Retained earnings				Treasury stock	Shareholders' equity Total
		Legal capital surplus	Other capital surplus	Capital surplus Total	Legal retained earnings	Other retained earnings		Total retained earnings		
						General reserve	Retained earnings brought forward			
Balance at beginning of year	18,675	29,320	3,422	32,742	792	14,000	<u>148,257</u>	<u>163,050</u>	(1,029)	<u>213,438</u>
Changes during period										
Dividends from surplus							(7,594)	(7,594)		(7,594)
Net income							<u>23,871</u>	<u>23,871</u>		<u>23,871</u>
Purchase of treasury stock									(0)	(0)
Reversal of revaluation reserve for land							(115)	(115)		(115)
Net changes of items other than shareholders' equity										
Total changes of items during the period	—	—	—	—	—	—	<u>16,161</u>	<u>16,161</u>	(0)	<u>16,160</u>
Balance at end of year	18,675	29,320	3,422	32,742	792	14,000	<u>164,419</u>	<u>179,211</u>	(1,030)	<u>229,599</u>

	Valuation and translation adjustments			Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Total valuation and translation adjustments	
Balance at beginning of year	5,983	(3,500)	2,483	<u>215,921</u>
Changes during period				
Dividends from surplus				(7,594)
Net income				<u>23,871</u>
Purchase of treasury stock				(0)
Reversal of revaluation reserve for land				(115)
Net changes of items other than shareholders' equity	54	115	170	170
Total changes of items during the period	54	115	170	<u>16,331</u>
Balance at end of year	6,038	(3,384)	2,653	<u>232,253</u>

Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)

(Millions of yen)

(millions of yen)

	Shareholders' equity									
	Capital stock	Capital surplus			Retained earnings			Treasury stock	Shareholders' equity Total	
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings				Total retained earnings
						General reserve	Retained earnings brought forward			
Balance at beginning of year	18,675	29,320	3,422	32,742	792	14,000	<u>164,419</u>	<u>179,211</u>	(1,030)	<u>229,599</u>
Changes during period										
Dividends from surplus							(8,809)	(8,809)		(8,809)
Net income							<u>23,790</u>	<u>23,790</u>		<u>23,790</u>
Purchase of treasury stock									(0)	(0)
Reversal of revaluation reserve for land							0	0		0
Net changes of items other than shareholders' equity										
Total changes of items during the period	—	—	—	—	—	—	<u>14,982</u>	<u>14,982</u>	(0)	<u>14,982</u>
Balance at end of year	18,675	29,320	3,422	32,742	792	14,000	<u>179,401</u>	<u>194,194</u>	(1,030)	<u>244,581</u>

	Valuation and translation adjustments			Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Total valuation and translation adjustments	
Balance at beginning of year	6,038	(3,384)	2,653	<u>232,253</u>
Changes during period				
Dividends from surplus				(8,809)
Net income				<u>23,790</u>
Purchase of treasury stock				(0)
Reversal of revaluation reserve for land				0
Net changes of items other than shareholders' equity	800	(0)	799	799
Total changes of items during the period	800	(0)	799	<u>15,781</u>
Balance at end of year	6,838	(3,385)	3,453	<u>248,034</u>

[Notes]

(Significant accounting policies)

1. Valuation basis and method for securities

(1) Shares of subsidiaries and associates

It is stated at cost based on the moving average method.

(2) Available-for-sale securities

Securities other than equity securities with no quoted prices

It is stated at fair market value (with any unrealized gains or losses being recognized directly in equity and the cost of securities sold being generally calculated based on the moving average method).

Equity securities with no quoted prices

It is stated at cost based on the moving average method.

2. Valuation basis and method for derivatives

It is stated at fair market value.

3. Valuation basis and method for inventories

It is generally stated at cost based on the first in first out method (the balance sheet carrying amount is reduced to reflect write-downs for decreased profitability).

4. Depreciation method for property, plant and equipment

(1) Property, plant and equipment (other than lease assets)

It is depreciated using the straight-line method.

The useful lives of major assets are as follows:

Buildings and structures	15 to 50 years
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Machinery and equipment	5 years
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(2) Intangible assets (other than lease assets)

It is amortized using the straight-line method.

Internal-use software is amortized using the straight-line method over the useful life of five years.

(3) Lease assets under finance leases that do not involve transfer of ownership

It is depreciated using the straight-line method over the useful lives equal to lease terms with zero residual values.

5. Basis for recognition of provisions

(1) Allowance for doubtful accounts

To provide for losses due to bad debt including trade receivables and loans, allowance for doubtful accounts is recognized based on default rates for normal receivables and based on recoverability of each receivable for certain doubtful receivables.

(2) Provision for retirement benefits

To provide for employee retirement benefits, provision for retirement benefits is recorded based on the estimated amount of retirement benefit obligations and pension assets at the end of the current fiscal year.

In calculating defined benefit obligation, the total projected benefits are attributed to the current and prior fiscal years using the benefit formula basis.

Past service cost is amortized using the straight-line method over a certain period not exceeding the average remaining service period of employees, which is five years.

Actuarial gains and losses are amortized using the straight-line method from the following fiscal year over a certain period not exceeding the average remaining service period of employees, which is 10 years.

(3) Provision for loss on business

To provide for losses on business related to a certain project, provision for loss on business is recorded based on the estimated future loss.

6. Basis for recognition of revenue and expense

(1) Contract revenue

For contract revenue earned as a result of providing services, the net sales and cost of sales are recognized over time as performance obligations in the contract with the customers are satisfied.

(2) Construction revenue

Construction revenue earned from contracts that have a very short construction period, such as installation of security alarm equipment leased or rented to customers, is recognized at a point in time at completion of the construction.

(3) Sales revenue

For sales revenue earned as a result of product sales (including installation of products sold), the net sales and cost of sales are recognized at a point in time on delivery to the customers.

7. Other significant matters in the preparation of consolidated financial statements

(1) Accounting treatment for deferred assets

Share issuance costs

The entire amount is expensed at the time of expenditure.

(2) Hedge accounting

A. Hedge accounting

Hedging transactions are accounted for on a deferred basis. Interest rate swaps are accounted for using the special method if it meets certain conditions.

B. Hedging instruments and hedged items

Hedging instruments: Interest rate swaps

Hedged items: Bank loans

C. Hedging policy

In accordance with the internal rules, the risk of interest rate fluctuations is hedged to reduce such risk and to improve financial return.

D. Method of assessing hedge effectiveness

The assessment for effectiveness of interest rate swaps accounted for by the special method is not performed as the hedge is considered to be highly effective.

(Significant accounting estimates)

Shares of subsidiaries and associates

1. Amount recorded in the financial statements for the fiscal year ended March 31, 2023

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Shares of subsidiaries and associates	83,099	94,170

2. Significant accounting estimates related to identified items

Shares of subsidiaries and associates recorded as of March 31, 2023 include shares acquired in past M&A transactions, and the acquisition costs are determined based on the excess earning power that is expected from inclusion of the company into the Group. The acquisition costs of certain shares of subsidiaries and associates are determined based on the effect of synergies that is expected to arise at the Company, not the company included into the Group.

In evaluating shares of subsidiaries and associates, we are focused on whether the excess earning power and the effect of synergies will arise over the future periods. We monitor, on a monthly basis, whether a business plan of a company included into the Group (including a plan of the effect of synergies expected to arise at the Company) is in line with the actual profit or cash flows recorded. The business plan includes orders, human resource or new care facilities opening plans developed based on certain assumptions.

If the business plan may not be achieved for some reason, resulting in changes in the original assumptions, a loss on valuation of shares of subsidiaries and associates may need to be recorded and it may have a significant impact on the amount of shares of subsidiaries and associates recorded in the non-consolidated financial statements for the following fiscal year.

(Change in accounting policies)

(Application of Accounting Standard for Fair Value Measurement)

The Group applied “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021, “Implementation Guidance on Fair Value Measurement Accounting Standard”) from the beginning of the fiscal year ended March 31, 2023. The Group decided to apply new accounting policies based on the Implementation Guidance on Fair Value Measurement Accounting Standard prospectively in accordance with the transitional treatment provided in paragraph 27-2 of Implementation Guidance on Fair Value Measurement Accounting Standard. The impact on the non-consolidated financial statements for the fiscal year ended March 31, 2023 is immaterial.

(Additional Information)

(Correction of errors)

In April 2025, it was found that the Company had incorrectly recorded data on defined benefit obligations related to lump-sum retirement payment plans, resulting in an understatement of retirement benefit liability and related accounts in prior years. In response to this, the Company has corrected errors in the non-consolidated financial statements included in the annual securities reports filed after June 24, 2020.

As a result, gross profit, operating income, ordinary income, and net income for the fiscal year ended March 31, 2022 decreased by ¥567 million, ¥1,008 million, ¥1,008 million, and ¥699 million, respectively. In addition, gross profit, operating income, ordinary income, and net income for the fiscal year ended March 31, 2023 decreased by ¥558 million, ¥990 million, ¥990 million, and ¥687 million, respectively. Regarding the factors contributing to this matter, the Company determined that there were significant deficiencies in the operation of the financial closing and reporting processes that should be disclosed and submitted an amended internal control report.

(Matters related to non-consolidated balance sheet)

*1 Cash for Transportation Security Services

As of March 31, 2022

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

In addition, the short-term loans payable balance includes ¥3,000 million of funds borrowed for the services.

As of March 31, 2023

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

In addition, the short-term loans payable balance includes ¥2,742 million of funds borrowed for the services.

*2 Monetary claims and obligations to subsidiaries and associates

The monetary claims and obligations to subsidiaries and associates are as follows:

	(Millions of yen)	
	As of March 31, 2022	As of March 31, 2023
Short-term monetary claims	7,370	8,368
Long-term monetary claims	288	257
Short-term monetary obligations	22,567	23,521

*3 Pledged assets

The following assets are pledged as collateral for the borrowings of investing companies:

	(Millions of yen)	
	As of March 31, 2022	As of March 31, 2023
Investment securities	16	1

4. Guarantee obligations

Obligations of the following subsidiaries are guaranteed by the Company:

	(Millions of yen)	
	As of March 31, 2022	As of March 31, 2023
Future minimum lease payments of ALSOK Care Co., Ltd.'s rental property	1,159	990

(Matters related to non-consolidated statement of income)

*1 Selling expense account for approximately 37.7% and 36.8% and general and administrative expenses account for approximately 62.3% and 63.2% of the total selling, general and administrative expenses for the fiscal year ended March 31, 2022 and 2023, respectively.

Major expenses comprise the following:

	Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)	Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)
Advertising expenses	2,469	1,620
Salaries	18,919	19,746
Bonuses	6,194	5,024
Provision for allowance for doubtful accounts	13	121
Welfare expenses	5,016	5,035
Retirement benefit expenses	1,548	1,442
Rent expenses	3,574	3,531
Depreciation and amortization	2,146	2,739
Taxes and dues	1,779	1,821
Communication expenses	1,010	1,043
Outsourcing expenses	4,762	4,902

*2 Total amount related to transactions with subsidiaries and associates is as follows:

	Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)	Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)
Amount of transactions from operating transactions		
Net sales	14,391	12,210
Operating expenses	43,161	38,008
Amount of transactions from non-operating transactions	9,456	12,028

(Matters related to securities)

Shares of subsidiaries and associates

As of March 31, 2022

Category	Carrying amount (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
Shares of associates	10,844	14,394	3,549

(Note) Carrying amount of equity securities with no quoted prices not included in the above

Category	As of March 31, 2022 (Millions of yen)
Shares of subsidiaries	69,951
Shares of associates	2,304

As of March 31, 2023

Category	Carrying amount (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
Shares of associates	10,844	16,721	5,876

(Note) Carrying amount of equity securities with no quoted prices not included in the above

Category	As of March 31, 2023 (Millions of yen)
Shares of subsidiaries	80,508
Shares of associates	2,817

(Matters related to tax-effect accounting)

1. Major components of deferred tax assets and liabilities

	(Millions of yen)	
	As of March 31, 2022	As of March 31, 2023
Deferred tax assets		
Accrued business taxes	304	266
Allowance for doubtful accounts	94	119
Provision for retirement benefits	<u>8,692</u>	<u>9,024</u>
Accrued retirement benefits for directors (and other officers)	25	—
Depreciation and amortization	929	474
Disallowed expenses related to installation of security alarm equipment	2,907	3,416
Loss on valuation of investment securities	98	99
Revaluation reserve for land	1,302	1,611
Other	830	971
Deferred tax assets - subtotal	<u>15,184</u>	<u>15,984</u>
Valuation allowance related to aggregation of deductible temporary differences	(1,990)	(2,143)
Total deferred tax assets, net	<u>13,193</u>	<u>13,841</u>
Deferred tax liabilities		
Valuation difference on available-for-sale securities	(2,665)	(3,018)
Prepaid pension costs	(3,612)	(4,395)
Foreign stock dividends	(115)	(115)
Revaluation reserve for land	(314)	(314)
Other	(4)	(17)
Total deferred tax liabilities	<u>(6,712)</u>	<u>(7,861)</u>
Net deferred tax assets	<u>6,481</u>	<u>5,979</u>

(Note) Net deferred tax assets are included in the following accounts on the non-consolidated balance sheet:

	(Millions of yen)	
	As of March 31, 2022	As of March 31, 2023
Noncurrent assets - Deferred tax assets	<u>6,795</u>	<u>6,293</u>
Noncurrent liabilities - Deferred tax liabilities for revaluation	(314)	(314)

2. Reconciliation of significant differences between the statutory tax rate and the effective tax rate after applying tax effect accounting

	As of March 31, 2022	As of March 31, 2023
Statutory tax rate	30.6 %	30.6 %
(Adjustment)		
Non-deductible permanent differences such as entertainment expenses	0.1	0.2
Non-taxable permanent differences such as dividend income	<u>(9.2)</u>	<u>(11.6)</u>
Equal division of municipal tax	1.1	<u>1.2</u>
Special corporate tax credit	(1.1)	(0.2)
Valuation allowance (the amount deducted from deferred tax assets)	<u>0.5</u>	0.5
Other	0.0	<u>(0.6)</u>
Effective tax rate after applying tax effect accounting	<u>21.9</u>	<u>20.2</u>

(Matters related to business combination)

Business combination under common control

This is omitted as it is described in “Notes (Matters related to business combination)” in the consolidated financial statements.

(Matters related to revenue recognition)

Information relating to revenue from contracts with customers is omitted as it is described in “Notes (Matters related to revenue recognition)” in the consolidated financial statements.

(Significant subsequent events)

(Stock split and partial amendment to the Articles of Incorporation in connection with the stock split)

The Company resolved at the Board of Directors’ meeting held on May 12, 2023 to implement a stock split and to partially amend the Articles of Incorporation in connection with the stock split.

Refer to “Notes (Significant subsequent events)” in the consolidated financial statements for details.

Per share information based on the assumption that the stock split was implemented at the beginning of the previous fiscal year is as follows:

(Yen)

	Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)	Fiscal year ended March 31, 2023 (From April 1, 2022 to March 31, 2023)
Net assets per share	<u>459.14</u>	<u>489.83</u>
Net income per share	<u>47.09</u>	<u>46.93</u>

(Business combination by way of acquisition)

This is omitted as it is described in “Notes (Significant subsequent events), Business combination by way of acquisition (PT. Shield-On Service Tbk)” in the consolidated financial statements.

iv. [Supplementary schedules]

[Schedule of property, plant and equipment, etc.]

(Millions of yen)

Category	Class	Balance at beginning of year	Increase during the period	Decrease during the period	Depreciation and amortization during the period	Balance at end of year	Accumulated depreciation and amortization
Property, plant and equipment	Buildings	26,952	108	716	657	26,344	15,156
	Structures	1,039	—	19	38	1,019	701
	Machinery and equipment	114,152	8,310	6,107	6,247	116,355	99,956
	Vehicles	494	3	375	2	122	115
	Tools, furniture and fixtures	12,541	668	839 (80)	694	12,370	10,006
	Lease assets	4,830	1,034	647	1,005	5,217	3,064
	Land	9,494 [(3,070)]	—	592	—	8,901 [(3,071)]	—
	Rental assets	—	3,498	181	513	3,317	2,036
	Construction in progress	2,597	2,315	2,332	—	2,580	—
	Total	172,103 [(3,070)]	15,939	11,813	9,160	176,229 [(3,071)]	131,037
Intangible assets	Software	12,736	1,214	952 (90)	2,740	12,998	6,048
	Software in progress	396	1,072	375	—	1,094	—
	Right to use telecommunication facilities	1	—	0	0	1	1
	Total	13,135	2,287	1,328	2,740	14,094	6,050

(Notes) 1. “Increase during the period” of “Machinery and equipment” mainly comprises a large number of insignificant security alarm equipment installed for electronic security services. “Decrease during the period” comprises disposal of a large number of insignificant security alarm equipment resulting from cancellation of electronic security service contracts.

2. Amounts in parentheses under “Decrease during the period” represent impairment losses recognized and included in the amount described above.

3. Amounts in square brackets under “Balance at beginning of year” and “Balance at end of year” represent the amount of difference in carrying amounts before and after the revaluation of land performed pursuant to the Act on Revaluation of Land (Act No. 34 of 1998). The amounts are included in the amount described above.

4. “Balance at beginning of year” and “Balance at end of year” represent acquisition costs.

[Schedule of provisions]

(Millions of yen)

Account	Balance at beginning of year	Increase during the period	Decrease during the period (Intended use)	Decrease during the period (Other)	Balance at end of year
Allowance for doubtful accounts	306	131	46	—	391
Provision for loss on business	—	299	—	—	299

(2) [Major assets and liabilities]

This is omitted as the consolidated financial statements are prepared.

(3) [Other]

Nothing to report.

VI. [Stock-Related Administration of Reporting Company]

Fiscal Year	From April 1 to March 31
Ordinary General Meeting of Shareholders	In June
Record date	March 31
Record date for dividends from surplus	September 30 March 31
Number of shares in one unit	100 shares
Purchase of shares less than one unit	
Handling office	(Special account) 1-4-1 Marunouchi, Chiyoda-ku, Tokyo Securities Agent Department, Sumitomo Mitsui Trust Bank, Limited
Custodian of shareholder register	(Special account) 1-4-1 Marunouchi, Chiyoda-ku, Tokyo Sumitomo Mitsui Trust Bank, Limited
Handling location	_____
Commissions	Amount equivalent to commissions related to sales and purchase of stocks
Public notice	The public notice is given electronically. If the public notice cannot be given electronically due to the event of an accident or other unavoidable reason, it is published in the Nihon Keizai Shimbun (newspaper). Public notice URL https://www.alsok.co.jp/
Shareholder privileges	Nothing to report.

(Note) In accordance with the Articles of Incorporation of the Company, shareholders of less than one unit do not have rights other than those set forth in Article 189, Paragraph 2 of the Companies Act.

VII. [Reference Information of Reporting Company]

1. [Information on parent company of reporting company]

The Company has no parent company, etc. as stipulated in Article 24-7, Paragraph 1 of the Financial Instruments and Exchange Act of Japan.

2. [Other reference information]

The following documents were filed during the period between the beginning of the current fiscal year and the date of filing of this report.

(1) Annual Securities Report and its supplementary documents and representation letter

The 57th business term (from April 1, 2021 to March 31, 2022), filed with Director-General, Kanto Local Finance Bureau on June 24, 2022

(2) Internal control report and its supplementary documents

Filed with Director-General, Kanto Local Finance Bureau on June 24, 2022

(3) Quarterly Securities Report and representation letter

The 1st quarter of 58th business term (from April 1, 2022 to June 30, 2022), filed with Director-General, Kanto Local Finance Bureau on August 2, 2022

The 2nd quarter of 58th business term (from July 1, 2022 to September 30, 2022), filed with Director-General, Kanto Local Finance Bureau on November 8, 2022

The 3rd quarter of 58th business term (from October 1, 2022 to December 31, 2022), filed with Director-General, Kanto Local Finance Bureau on February 7, 2023

(4) Extraordinary report

Filed with Director-General, Kanto Local Finance Bureau on June 29, 2022

Under Article 19, Paragraph 2, Item 9-2 of Cabinet Office Order on Disclosure of Corporate Affairs (results of exercise of voting rights at the General Meeting of Shareholders)

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

Nothing to report.

INDEPENDENT AUDITOR'S REPORT

May 13, 2025

To the Board of Directors of

SOHGO SECURITY SERVICES CO., LTD.

Grant Thornton Taiyo LLC

Tokyo Office

Tatsuya Arai

Designated Limited Liability Partner

Engagement Partner

Certified Public Accountant

Kazuhiko Doi

Designated Limited Liability Partner

Engagement Partner

Certified Public Accountant

Keisuke Uehara

Designated Limited Liability Partner

Engagement Partner

Certified Public Accountant

<Financial Statements Audit>

Opinion

We have audited, pursuant to the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan, the accompanying consolidated financial statements of SOHGO SECURITY SERVICES CO., LTD. and its consolidated subsidiaries (the "Group") in "Financial Condition", which comprise the corrected consolidated balance sheet as of March 31, 2023, and the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in net assets and the consolidated statement of cash flows for the year then ended, significant matters forming the basis of preparation of the consolidated financial statements, the notes to the consolidated financial statements, as well as supplementary schedules.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2023 and its consolidated financial performance and cash flows for the year then ended in accordance with the accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with the auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of goodwill ([Notes] (Significant accounting estimates) (Matters related to business combination))							
Description of key audit matter	How the matter was addressed in our audit						
As of March 31, 2023, the Group records goodwill of 32,753 million yen. The amount is considered to be financially material and mostly related to M&A of companies engaging especially in Security Services and Long-Term Care Services. During the current fiscal year, the Group acquired shares of ALSOK Joy Life Co., Ltd. and ALSOK Life Support Co., Ltd., both engaging in Long-Term Care Services. These acquisitions resulted in goodwill of 7,298 million yen and 1,257 million yen, respectively. The Group determines whether there is any indication of impairment and whether impairment losses should be recognized for each group of assets to which the goodwill is allocated by considering whether the excess earning power will arise over the future periods and by monitoring the operating income and undiscounted future cash flows based on the business plan. The business plan may include a business plan of a combined company and the effect of synergies arising from the company. In assessing the reasonableness of the business plan, the Group considers the following significant assumptions used in the plan: (1) Security Services Orders for stationed security, electronic security, and transportation security services, human resource planning, sales growth, etc. (2) Long-Term Care Services Long-Term Care Services is classified into in-home care services, facility care services, and residential care home for senior citizens, and the significant assumptions used for each category are as follows: <table border="1"> <tr> <td>In-home care services</td><td>Net sales per employee, profit margin of existing locations, human resource planning, etc.</td></tr> <tr> <td>Facility care services</td><td>Development status of new facilities, occupancy rate of facilities, human resource planning, etc.</td></tr> <tr> <td>Residential care home for senior citizens</td><td>Development status of new facilities, occupancy rate of facilities, human resource planning, etc.</td></tr> </table> The identification of indications of goodwill impairment and assessment for recognition of impairment losses are significantly affected by the management's assumptions and judgements incorporated into the business plan. In addition, in certain companies, the estimates based on these assumptions still involve a high degree of uncertainty due to changes in social responses to COVID-19. Based on the above, we determined that this is a key audit matter.	In-home care services	Net sales per employee, profit margin of existing locations, human resource planning, etc.	Facility care services	Development status of new facilities, occupancy rate of facilities, human resource planning, etc.	Residential care home for senior citizens	Development status of new facilities, occupancy rate of facilities, human resource planning, etc.	We mainly performed the following procedures to assess the valuation of goodwill: • Evaluation of internal controls We evaluated the design and operating effectiveness of the internal controls related to the valuation process of goodwill which contains grouping of assets, identification of indications of impairment, and recognition and measurement of impairment losses. The evaluated internal controls evaluated included review of the business plans used in the valuation of goodwill and the approval process. • Identification of indications of impairment In order to confirm whether the indications of impairment were properly identified, we compared the business plans used in the valuation of goodwill in the past with the actual results, and if there was any variance, we performed an analysis to understand its cause. If the effect of synergies was reflected in the business plans, we performed a comparative analysis to determine whether the effect of synergies arose as planned. In addition, for the significant assumptions considered in the business plans, we compared them with the actual results for the past and current fiscal years, current economic situations, and other related factors for consistency. If necessary, we discussed with the financial reporting manager as to whether the assumptions should be revised to verify the reasonableness. Regarding subsidiaries engaging in Long-Term Care Services that were newly acquired during the current fiscal year, we examined whether the management made new significant assumptions that were different from those for existing subsidiaries engaging in Long-Term Care Services. • Assessment for recognition of impairment losses If an indication of impairment was identified, we assessed the reasonableness of the business plans, including the significant assumptions considered in the business plans, to confirm whether the assessment for recognition of impairment losses was properly performed. We mainly performed the following procedures to assess the reasonableness of the business plans: • We assessed the estimation uncertainty related to the business plans by comparing the business plans used in the valuation of goodwill in the past with the actual results. In certain companies, the degree of impact of COVID-19 on the operating results was examined, and the impact on the business plans was assessed. • We reviewed supporting documents for the business plans and significant assumptions considered in the plans to assess the reasonableness.
In-home care services	Net sales per employee, profit margin of existing locations, human resource planning, etc.						
Facility care services	Development status of new facilities, occupancy rate of facilities, human resource planning, etc.						
Residential care home for senior citizens	Development status of new facilities, occupancy rate of facilities, human resource planning, etc.						

Emphasis of Matter

As stated in Additional information, the Company amended the consolidated financial statements.

Please also note that our firm filed an auditor's report on the consolidated financial statements on June 27, 2023, however, in connection with the correction, we are filing this auditor's report on the amended consolidated financial statements.

Other Information

The other information comprises the information included in Annual Securities Report, but does not include the consolidated and non-consolidated financial statements and our auditor's report thereon. Management is responsible for the preparation and disclosure of the other information. The Audit and Supervisory Board Members and Audit and Supervisory Board are responsible for overseeing performance of duties of directors in the design, implementation, and maintenance of the Group's reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management, Audit and Supervisory Board Members, and Audit and Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan. This responsibility includes the design, implementation, and maintenance of internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing matters related to going concern as applicable in accordance with the accounting principles generally accepted in Japan.

The Audit and Supervisory Board Members and Audit and Supervisory Board are responsible for overseeing performance of duties of directors in the design, implementation, and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our responsibilities are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, based on our audit and to issue an auditor's report that includes our opinion from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit, in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We also design and perform audit procedures responsive to those risks. The audit procedures are selected and performed based on the auditor's judgment. We also obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- In assessing risks, obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the consolidated financial statement audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used by management and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion on the consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures of the consolidated financial statements are in accordance with accounting

principles generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate the Audit and Supervisory Board Members and Audit and Supervisory Board regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit, as well as other matters that are required in accordance with auditing standards.

We also provide the Audit and Supervisory Board Members and Audit and Supervisory Board with a statement that we have complied with the relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit and Supervisory Board Members and Audit and Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

<Internal Control Audit>

Opinion

We have audited, pursuant to the provisions of Article 193-2, Paragraph 2 of the Financial Instruments and Exchange Act of Japan, the accompanying internal control report of SOHGO SECURITY SERVICES CO., LTD. as of March 31, 2023.

In our opinion, the accompanying internal control report, which represents that the internal control over financial reporting as of March 31, 2023, of SOHGO SECURITY SERVICES CO., LTD. is effective, presents fairly, in all material respects, the results of the assessments of internal control over financial reporting in accordance with the assessment standards for internal control over financial reporting generally accepted in Japan.

Basis for Opinion

We conducted our audit of internal control report in accordance with the auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Internal Control Report" section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management, Audit and Supervisory Board Members, and Audit and Supervisory Board for the Internal Control Report

Management is responsible for the design, implementation, and maintenance of internal control over financial reporting and the preparation and fair presentation of the internal control report in accordance with the assessment standards for internal control over financial reporting generally accepted in Japan.

The Audit and Supervisory Board Members and Audit and Supervisory Board are responsible for overseeing and examining the design, implementation, and maintenance of internal control over financial reporting.

Internal control over financial reporting may not completely prevent or detect financial statement misstatements.

Auditor's Responsibilities for the Audit of the Internal Control Report

Our responsibilities are to obtain reasonable assurance about whether the internal control report is free from material misstatement based on our audit of internal control report and to issue an auditor's report that includes our opinion from an independent point of view.

As part of our audit in accordance with the auditing standards for internal control over financial reporting generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Perform audit procedures to obtain audit evidence regarding the results of the management assessment of internal control over financial reporting in the internal control report. The procedures for the audit of the internal control report are selected and performed, depending on the auditor's judgment, based on significance of effect on the reliability of financial reporting.
- Evaluate the overall presentation of the internal control report, including the management presentation of scope, assessment procedures, and results of the assessments of internal control over financial reporting.
- Obtain sufficient appropriate audit evidence regarding the results of the management assessment of internal control over financial

reporting in the internal control report. We are responsible for the direction, supervision, and performance of the audit of the internal control report. We remain solely responsible for our audit opinion.

We communicate the Audit and Supervisory Board Members and Audit and Supervisory Board regarding, the planned scope and timing of the audit of internal control report, the results thereof, significant deficiencies in internal control that we identify during our audit of internal control report, those that were remediated, as well as other matters that are required in accordance with auditing standards for internal control over financial reporting.

We also provide the Audit and Supervisory Board Members and Audit and Supervisory Board with a statement that we have complied with the relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest Required to be Disclosed by the Certified Public Accounting Act of Japan

Our firm and its engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes:

1. The above is a digitization of the text contained in the original copy of the Independent Auditor's Report on the Financial Statements and Internal Control over Financial Reporting, which is in the custody of SOHGO SECURITY SERVICES CO., LTD. (the submitter of this Annual Securities Report).
2. The XBRL data is not in the scope of the audit.
3. The English version of the consolidated financial statements consists of an English translation of the audited Japanese consolidated financial statements. The actual text of the English translation of the consolidated financial statements is not in the scope of the audit. Consequently, for the auditor's report of the English consolidated financial statements, the Japanese original is the official text, and the English version is a translation of that text.

INDEPENDENT AUDITOR'S REPORT

May 13, 2025

To the Board of Directors of

SOHGO SECURITY SERVICES CO., LTD.

Grant Thornton Taiyo LLC

Tokyo Office

Tatsuya Arai

Designated Limited Liability Partner

Engagement Partner

Certified Public Accountant

Kazuhiko Doi

Designated Limited Liability Partner

Engagement Partner

Certified Public Accountant

Keisuke Uehara

Designated Limited Liability Partner

Engagement Partner

Certified Public Accountant

Opinion

We have audited, pursuant to the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan, the accompanying non-consolidated financial statements of SOHGO SECURITY SERVICES CO., LTD. (the "Company") in "Financial Condition", which comprise the corrected non-consolidated balance sheet as of March 31, 2023, and the non-consolidated statement of income and the non-consolidated statement of changes in net assets for the year then ended, the significant accounting policies, and the notes to the non-consolidated financial statements, as well as supplementary schedules.

In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2023 and its financial performance for the year then ended in accordance with the accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with the auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the non-consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of shares of subsidiaries and associates ([Notes] (Significant accounting estimates))							
Description of key audit matter	How the matter was addressed in our audit						
As of March 31, 2023, the Company records 94,170 million yen of shares of subsidiaries and associates. The amount is considered to be financially material and mostly related to M&A of companies engaging especially in Security Services and Long-Term Care Services. During the current fiscal year, the Company acquired shares of ALSOK Joy Life Co., Ltd. and ALSOK Life Support Co., Ltd., both engaging in Long-Term Care Services, for 7,945 million yen and 2,058 million yen, respectively. The Company evaluates the growth potential of a company at the time of acquisition based on the business plan, and determines the acquisition price based on the consideration of excess earning power arising from the acquisition. The Company determines whether the excess earning power initially expected is impaired by monitoring the operating income and undiscounted future cash flows based on the business plan. The business plan may include a business plan of a combined company and the effect of synergies expected to arise from the acquisition. In assessing the reasonableness of the business plan, the Company considers the following significant assumptions used in the plan: (1) Security Services Orders for stationed security, electronic security and transportation security services, human resource planning, sales growth, etc. (2) Long-Term Care Services Long-Term Care Services is classified into in-home care services, facility care services and residential care home for senior citizens, and the significant assumptions used for each category are as follows: <table border="1"> <tr> <td>In-home care services</td><td>Net sales per employee, profit margin of existing locations, human resource planning, etc.</td></tr> <tr> <td>Facility care services</td><td>Development status of new facilities, occupancy rate of facilities, human resource planning, etc.</td></tr> <tr> <td>Residential care home for senior citizens</td><td>Development status of new facilities, occupancy rate of facilities, human resource planning, etc.</td></tr> </table> The assessment of impairment of excess earning power is significantly affected by the management's assumptions and judgements incorporated into the business plan. In addition, in certain companies, the estimates based on these assumptions still involve a high degree of uncertainty due to changes in social responses to COVID-19. Based on the above, we determined that this is a key audit matter.	In-home care services	Net sales per employee, profit margin of existing locations, human resource planning, etc.	Facility care services	Development status of new facilities, occupancy rate of facilities, human resource planning, etc.	Residential care home for senior citizens	Development status of new facilities, occupancy rate of facilities, human resource planning, etc.	We mainly performed the following procedures to assess the valuation of shares of subsidiaries and associates: • Evaluation of internal controls We evaluated the design and operating effectiveness of the internal controls related to the valuation of shares of subsidiaries and associates. The evaluated internal controls included review of the business plans used in the valuation of shares of subsidiaries and associates and the approval process. • Valuation of shares of subsidiaries and associates We assessed the reasonableness of the business plans used in the valuation of shares of subsidiaries and associates including the significant assumptions considered in the plans. The assessment included the effect of synergies. We mainly performed the following procedures to assess the reasonableness of the business plans: • We assessed the estimation uncertainty related to the business plans by comparing the business plans used in the valuation of shares of subsidiaries and associates in the past with the actual results. In certain companies, the degree of impact of COVID-19 on the operating results was examined, and the impact on the business plans was assessed. • We reviewed supporting documents for the business plans and significant assumptions considered in the plans to assess the reasonableness. • For the significant assumptions considered in the business plans, we compared them with the actual results for the past and current fiscal years, current economic situations, and other related factors for consistency. If necessary, we discussed with the financial reporting manager as to whether the assumptions should be revised to verify the reasonableness. • Regarding subsidiaries engaging in Long-Term Care Services that were newly acquired during the current fiscal year, we examined whether the management made new significant assumptions that were different from those for existing subsidiaries engaging in Long-Term Care Services.
In-home care services	Net sales per employee, profit margin of existing locations, human resource planning, etc.						
Facility care services	Development status of new facilities, occupancy rate of facilities, human resource planning, etc.						
Residential care home for senior citizens	Development status of new facilities, occupancy rate of facilities, human resource planning, etc.						

Emphasis of Matter

As stated in Additional information, the Company amended the non-consolidated financial statements.

This matter does not affect the conclusions of our firm.

Please also note that our firm filed an auditor's report on the non-consolidated financial statements on June 27, 2023, however, in connection with the correction, we are filing this auditor's report on the amended non-consolidated financial statements.

Other Information

The other information comprises the information included in Annual Securities Report, but does not include the consolidated and non-consolidated financial statements and our auditor's report thereon. Management is responsible for the preparation and disclosure of the other information. The Audit and Supervisory Board Members and Audit and Supervisory Board are responsible for overseeing performance of duties of directors in the design, implementation, and maintenance of the Company's reporting process for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management, Audit and Supervisory Board Members, and Audit and Supervisory Board for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in Japan. This responsibility includes the design, implementation, and maintenance of internal control as management determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern and disclosing matters related to going concern as applicable in accordance with the accounting principles generally accepted in Japan.

The Audit and Supervisory Board Members and Audit and Supervisory Board are responsible for overseeing performance of duties of directors in the design, implementation, and maintenance of the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibilities are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, based on our audit and to issue an auditor's report that includes our opinion from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit, in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We also design and perform audit procedures responsive to those risks. The audit procedures are selected and performed based on the auditor's judgment. We also obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- In assessing risks, obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the financial statement audit is not to express an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used by management and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion on the financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures of the financial statements are in accordance with accounting principles generally accepted in Japan, the overall presentation, structure and content of the financial statements, including the disclosures, and whether

the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate the Audit and Supervisory Board Members and Audit and Supervisory Board regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit, as well as other matters that are required in accordance with auditing standards.

We also provide the Audit and Supervisory Board Members and Audit and Supervisory Board with a statement that we have complied with the relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit and Supervisory Board Members and Audit and Supervisory Board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to be Disclosed by the Certified Public Accounting Act of Japan

Our firm and its engagement partners do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes:

1. The above is a digitization of the text contained in the original copy of the Independent Auditor's Report, which is in the custody of the Company (the submitter of this Annual Securities Report).
2. The XBRL data is not in the scope of the audit.
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