Consolidated Financial Results for Fiscal Year Ended March 31, 2023
Prepared in Conformity with Accounting Principles Generally Accepted in Japan (Japanese GAAP)

May 12, 2023

Listed Company Name	**SOHGO SECURITY SERVICES CO., LTD.**	TSE Prime Market
Code No.	2331 URL https://www.alsok.co.jp/	
Representative:	(Title) Representative Director, Group COO	(Name) Ikuji Kayaki
Financial and accounting:	(Title) Director and Senior Executive Officer	(Name) Kazuhide Shigemi TEL +81-3-3470-6811
Scheduled date of the Ordinary General Shareholders Meeting	June 27, 2023	Scheduled cash dividend payment start date June 28, 2023
Scheduled securities report submission date	June 27, 2023	

Preparation of supplementary briefing materials on financial results: Yes
Holding of results briefing: Yes (For institutional investors and analysts)

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

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (April 1, 2022 - March 31, 2023)

(1) Consolidated operating results (Figures rounded down to the nearest million)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended March 31, 2023	492,226	0.6	36,993	(13.7)	39,230	(12.4)	23,950	(17.3)
March 31, 2022	489,092	4.1	42,865	15.3	44,796	14.2	28,964	15.8

Note: Comprehensive income Fiscal year ended March 31, 2023 ¥25,526 million (20.0%)
Fiscal year ended March 31, 2022 ¥31,890 million (23.2%)

	Net income per share	Diluted net income per share	ROE (Net income to equity)	Ordinary income to total assets	Operating income to sales
	Yen	Yen	%	%	%
Fiscal year ended March 31, 2023	236.58	-	7.8	7.8	7.5
March 31, 2022	286.11	-	10.0	9.2	8.8

Reference: Equity in earnings of affiliates Fiscal year ended March 31, 2023 ¥1,190 million
Fiscal year ended March 31, 2022 ¥1,588 million

(2) Consolidated financial conditions

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Fiscal year ended March 31, 2023	516,647	343,893	60.9	3,110.52
March 31, 2022	488,278	327,509	61.5	2,964.85

Reference: Equity capital Fiscal year ended March 31, 2023 ¥314,892 million
Fiscal year ended March 31, 2022 ¥300,147 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended March 31, 2023	31,682	(24,818)	(19,380)	51,571
March 31, 2022	42,736	(14,093)	(18,183)	63,644

2. Dividend

	Dividends per share					Total dividends (Annual)	Keeping a stable dividend: Payout ratio 30% (Consolidated)	Consolidated dividends to net assets
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended March 31, 2022	-	38.00	-	44.00	82.00	8,303	28.7	2.9
March 31, 2023	-	43.00	-	43.00	86.00	8,708	36.4	2.8
Fiscal year ending March 31, 2024 (Forecast)	-	8.60	-	8.60	17.20		34.1	

(Note) The Company's Board of Directors resolved on May 12, 2023 to conduct a 5-for-1 stock split of shares of common stock, with an effective date of July 1, 2023. The annual dividend per share for the fiscal year ending March 31, 2024 (forecast) is stated after taking into account the effect of the stock split. The annual dividend per share for the fiscal year ending March 31, 2024 (forecast), without considering the stock split, will be ¥86.00.
The dividend amounts noted for the fiscal years ending March 31, 2022 and 2023 are the actual dividend amounts prior to the stock split.

3. Forecasts for the consolidated financial results for the fiscal year ending March 31, 2024 (April 1, 2023 - March 31, 2024)

(Figures rounded down to the nearest million)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
The second quarter (cumulative)	245,000	3.8	16,500	8.4	17,800	7.5	11,100	13.7	21.93
Annual	512,500	4.1	38,600	4.3	41,000	4.5	25,500	6.5	50.38

(Note) The amount for net income per share is stated after taking into account the effect of the stock split noted in footnote "2. Dividend." Net income per share without accounting for this stock split would be ¥109.65 for the second quarter (cumulative) and ¥251.89 for the full year.

Notes:

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

(2) Changes in accounting policies, changes in accounting estimates, and restatement
① Changes in accounting policy arising from revision of accounting standards : Yes
② Changes arising from other factors : No
③ Changes arising from accounting estimate : No
④ Restatement : No
Note: For details, please refer to page 17 "4. Consolidated Financial Statements and Significant Notes (5) Notes on the Preparation of the Consolidated Financial Results (Changes in accounting policies)."

(3) Number of shares outstanding (Ordinary shares)

① Number of shares issued (including treasury stock)	Fiscal year ended March 31, 2023	102,040,042 shares	Fiscal year ended March 31, 2022	102,040,042 shares
② Number of shares of treasury stock	Fiscal year ended March 31, 2023	805,360 shares	Fiscal year ended March 31, 2022	804,851 shares
③ Average number of shares throughout the fiscal year	Fiscal year ended March 31, 2023	101,234,789 shares	Fiscal year ended March 31, 2022	101,235,025 shares

(Reference) Non-consolidated Financial Results for Fiscal Year Ended March 31, 2023

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (April 1, 2022 - March 31, 2023)

(1) Non-consolidated operating results (Figures rounded down to the nearest million)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended March 31, 2023	248,977	(2.9)	16,885	(14.6)	30,192	(2.2)	24,478	(0.4)
March 31, 2022	256,449	4.9	19,772	5.7	30,856	5.8	24,571	6.4

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended March 31, 2023	241.74	-
March 31, 2022	242.66	-

(2) Non-consolidated financial conditions

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Fiscal year ended March 31, 2023	351,364	257,811	73.4	2,546.09
Fiscal year ended March 31, 2022	326,625	241,342	73.9	2,388.89

Reference: Equity capital Fiscal year ended March 31, 2023 ¥257,811 million
Fiscal year ended March 31, 2022 ¥241,342 million

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

* Explanation of Appropriate Use of Forecasts and Other Notes

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

The forward-looking statements such as operational forecasts contained in this summary of financial results are based on the information currently available to the Company and certain assumptions which are regarded as legitimate, and the Company does not promise the achievement of these results. Actual results may differ significantly from these forecasts due to various factors. Please refer to page 6 “1. Overview of Operating Results and Financial Position (4) Future Outlook” for more information regarding the assumptions used in making these forecasts and cautionary statements regarding the use of forecasts.

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1. Overview of Operating Results and Financial Position

(1) Overview of Operating Results

A. Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (April 1, 2022 – March 31, 2023)

During the consolidated fiscal year under review, 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 continue its normalization trend from the COVID-19 pandemic, 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. On the other hand, 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 elderly, 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 our 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 (the 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 Games and the increase in system-related expenses in 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 at business performance recovery 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 13.7% year on year to ¥36,993 million, ordinary income decreased 12.4% year on year to ¥39,230 million, and profit attributable to owners of parent decreased 17.3% year on year to ¥23,950 million.

Sales by Business Segment

Business Segment	Fiscal year ended March 31, 2022		Fiscal year ended March 31, 2023		YoY	
	Amount (Millions of yen)	Share (%)	Amount (Millions of yen)	Share (%)	Amount (Millions of yen)	Increase/ Decrease (%)
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 current consolidated fiscal year, the Company has changed its reportable segments and the method of allocation of certain revenues and expenses. For the purpose of comparison with the previous fiscal year, the results of the previous fiscal year have been restated in accordance with the new classification and allocation method.

In the Security Services segment, net sales were ¥366,348 million (down 1.8% YoY) and operating income was ¥37,284 million (down 8.5% YoY), partly due to a decrease in sales related to the Tokyo 2020 Olympic Games in the previous fiscal year.

We have provided services for corporate clients through our Electronic Security Services business, promoting sales of ALSOK-G7, which includes live video monitoring as a standard feature, and optional services such as image storage and remote monitoring using images, as well as remote equipment control, and which helps meet customers' manpower-saving needs. In the future, we will further expand the utilization scenarios of ALSOK-G7 to meet the needs of our customers. We promoted sales of services for individuals, including Home Security Basic, a standard model for homes that is easy to install, and Home ALSOK Mimamori Support®, a monitoring service for the elderly. 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 after notification of an emergency. The Self-Security plan can be upgraded to online security 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 by utilizing DX, etc., and respond to the recovery of production sites in Japan and the post-COVID-19 full-scale resumption of domestic activity.

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 online deposit (withdrawal) machine systems and other products. We began offering the MH-A Model, equipped with small-withdrawal and small-transfer functions long sought by customers, as well as the Tax Payment Receipt System, which automates local government disbursement counter operations by utilizing an online deposit/withdrawal machine 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, but operating income declined 7.2% year on year to ¥7,661 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 burden of opening new facilities. In October 2022, we entered into collaboration agreements with NJI Co., Ltd. and Tokyo Medical and Dental University, an incorporated national university, and began joint research on the development of standardization and guidelines for a total care package that includes technologies for predicting end-of-life care and avoiding, mitigating, and responding to emergency events in long-term care. 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 other areas, our proprietary QR code payment solution, “ALSOK Multi QR Payment Solution,” was among those that performed well in response to the trend toward a cashless society. In December 2022, ALSOK launched the ALSOK Safety Confirmation Service (app version), which, in addition to email distribution, includes a push notification function via an app to make it easier to reach subjects with safety confirmation information. This is a service that offers reassurance with the ability to automatically distribute information not only during earthquakes, but also in the event of warnings for events such as localized torrential rains. In addition, we provide various services utilizing drones in addition to the existing inspection service for panels of vast solar facilities. We continue to expand this business to include inspections and surveys of various facilities, such as bridges and other aging infrastructure and building exteriors.

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

B. Comparative Analysis of the Consolidated Statements of Income

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

Item	Fiscal year ended March 31, 2022		Fiscal year ended March 31, 2023		YoY	
	Amount (Millions of yen)	Share (%)	Amount (Millions of yen)	Share (%)	Amount (Millions of yen)	Increase/ Decrease (%)
Net sales	489,092	100.0	492,226	100.0	3,133	0.6
Cost of sales	363,511	74.3	370,998	75.4	7,487	2.1
Gross profit	125,581	25.7	121,228	24.6	(4,353)	(3.5)
Selling, general and administrative expenses	82,715	16.9	84,234	17.1	1,519	1.8
Operating income	42,865	8.8	36,993	7.5	(5,872)	(13.7)
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	44,796	9.2	39,230	8.0	(5,566)	(12.4)
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	15,003	3.1	13,992	2.8	(1,011)	(6.7)
Profit attributable to non-controlling interests	1,762	0.4	1,880	0.4	118	6.7
Profit attributable to owners of parent	28,964	5.9	23,950	4.9	(5,013)	(17.3)

In the year under review, net sales increased ¥3,133 million, or 0.6%, year on year, to ¥492,226 million.

Cost of sales was ¥370,998 million (up 2.1% YoY) due to a ¥7,695 million increase in construction and sales costs.

Selling, general and administrative expenses were ¥84,234 million (up 1.8% YoY) due to a ¥634 million increase in depreciation and amortization, and a ¥420 million increase in amortization of goodwill.

Ordinary income decreased ¥5,566 million to ¥39,230 million (down 12.4% YoY) due to the decrease in operating income.

The increase in extraordinary income was the result of a ¥765 million increase in gain on sales of noncurrent assets and a ¥305 million increase in gain on sales of investment securities, while compensation income decreased by ¥1,067 million.

The increase in extraordinary losses was the result of a ¥299 million increase in provision for business losses.

Profit attributable to owners of parent decreased ¥5,013 million to ¥23,950 million (down 17.3% YoY) due to a decrease in ordinary income.

Comprehensive income decreased ¥6,364 million to ¥25,526 million (down 20.0% YoY). This was the result of a ¥4,895 million decrease in net income and a ¥2,150 million decrease in the amount of adjustment for retirement benefits during the period.

(2) Overview of Financial Position

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

Item		Fiscal year ended March 31, 2022		Fiscal year ended March 31, 2023		YoY	
		Amount (Millions of yen)	Share (%)	Amount (Millions of yen)	Share (%)	Amount (Millions of yen)	Increase/ Decrease (%)
Assets	Current assets	233,872	47.9	239,032	46.3	5,159	2.2
	Noncurrent assets	254,405	52.1	277,615	53.7	23,210	9.1
	Total assets	488,278	100.0	516,647	100.0	28,369	5.8
Liabilities	Current liabilities	90,384	18.5	98,856	19.1	8,471	9.4
	Noncurrent liabilities	70,383	14.4	73,897	14.3	3,513	5.0
	Total liabilities	160,768	32.9	172,753	33.4	11,985	7.5
Total net assets		327,509	67.1	343,893	66.6	16,383	5.0

Total assets at the end of the current fiscal year increased ¥28,369 million from the end of the previous fiscal year to ¥516,647 million (up 5.8% YoY). Of this amount, current assets increased ¥5,159 million to ¥239,032 million (up 2.2% YoY) and noncurrent assets increased ¥23,210 million to ¥277,615 million (up 9.1% YoY).

The increase in current assets was the result of an ¥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 a ¥2,781 million increase in raw materials and supplies, while cash and deposits decreased by ¥12,118 million.

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

Total liabilities at the end of the current fiscal year increased ¥11,985 million from the end of the previous fiscal year to ¥172,753 million (up 7.5% YoY). Of this total, current liabilities increased ¥8,471 million to ¥98,856 million (up 9.4% YoY) and noncurrent liabilities increased ¥3,513 million to ¥73,897 million (up 5.0% YoY).

The increase in current liabilities was the result of a ¥9,111 million increase in other current liabilities such as contract liabilities and a ¥6,570 million increase in notes and accounts payable-trade, while accrued consumption taxes decreased ¥1,882 million.

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

Total net assets at the end of the current fiscal year increased ¥16,383 million from the end of the previous fiscal year to ¥343,893 million (up 5.0% YoY).

(3) Overview of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	YoY (%)
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 period	53,143	63,644	19.8
Increase in cash and cash equivalents from new consolidation	-	400	-
Cash and cash equivalents at end of period	63,644	51,571	(19.0)

Cash and cash equivalents totaled ¥51,571 million in the current fiscal year, down 19.0% from the previous fiscal year.

a. Cash flows from operating activities

During the year under review, net cash provided by operating activities amounted to ¥31,682 million, 25.9% less than in the preceding fiscal year. Principal sources of cash were ¥39,823 million in income before income taxes and ¥17,922 million in internal reserves due to depreciation and amortization. Major uses of cash included income taxes paid of ¥13,635 million, an increase in notes and accounts receivable-trade of ¥7,622 million, and a change in assets and liabilities related to transportation security services of ¥6,799 million.

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

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

Net cash used in investing activities during the year under review totaled ¥24,818 million, up 76.1% from the previous fiscal year. The main factors were the acquisition of ¥15,166 million in tangible fixed assets and ¥9,481 million in subsidiary shares.

c. Cash flows from financing activities

Net cash used in financing activities during the year under review totaled ¥19,380 million, up 6.6% from the previous fiscal year. This resulted from uses of cash including ¥8,809 million in cash dividends paid, ¥5,374 million in repayments of lease obligations, ¥2,945 million in repayment of long-term loans payable, and a ¥2,022 million decrease in short-term loans payable.

d. Trends in Cash Flow Indicators for the ALSOK Group

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Equity ratio	57.6%	61.5%	60.9%
Equity ratio on a market value basis	110.0%	82.9%	69.9%
Interest-bearing liabilities to cash flow ratio	51.2%	31.4%	34.2%
Interest coverage ratio	27.3 times	22.3 times	17.6 times

Equity ratio is shareholders' equity divided by total assets.

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

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

Interest coverage ratio is cash flow divided by interest expense.

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

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

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

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

(4) Future Outlook

During the next fiscal year, the Japanese economy is expected to continue its normalization trend from the COVID-19 pandemic, including the recovery of inbound tourism 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. On the other hand, 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. 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 elderly, 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 our Group to protect safety and security are growing ever higher.

In this business environment, the ALSOK Group will continue to provide appropriate services as an operator of service businesses related to the safety and security of society (the Security 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. In addition, from the perspective of business continuity, we will take appropriate measures in response to cost increases in the future, such as price pass-through.

Furthermore, to respond to expanding needs for safety and security in a society facing diversifying risks, the ALSOK Group aims to become a resilient integrated safety and security solutions provider by promoting the innovation in the security business model. To achieve this, we will enhance our response capacity towards society's needs for safety and security, promote digitization and utilization of data, establish an environment where employees play an active role, and improve sustainability efforts. From April 2023, the Group will establish a structure of seven business divisions (Electronic Security, HOME ALSOK, Stationed Security, Transportation Security, Facility Management, Long-term Care, and Overseas) to promote business from a thoroughly customer-oriented perspective.

Consequently, the ALSOK Group forecasts net sales of ¥512,500 million for the fiscal year ending March 31, 2024, up 4.1% year on year. We expect operating income to grow 4.3%, to ¥38,600 million, ordinary income to rise 4.5%, to ¥41,000 million, and profit attributable to owners of parent to expand 6.5%, to ¥25,500 million.

2. Management Policies

(1) Basic Corporate Management Policy

We base our management philosophy on the two core principles exemplified by “arigato no kokoro” (a feeling of gratefulness and gratitude) and “bushi no seishin” (a samurai spirit) as we devote ourselves to protecting the safety and security of our customers and of society as a whole. 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. This policy states that our top priority is to provide services and products of the first rank, and it 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 centered on our core security services business, and developing services and products that contribute to the advancement of society.

(2) Stance on Target Management Indicators

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

(3) Medium- and Long-term Corporate Strategy

To correspond to expanding safe and secure needs in the society with risks diversifying, 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 response capacity for diverse safe and secure needs of society, promote digitization and utilization of data, structure 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 with laws and regulations 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 our 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, Resource Price Increases and Parts Supply Shortages, etc.

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 multiple 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 the Diverse Safety and Security Needs of Customers and Society

We are seeing an increased risk of cyber-attacks on critical infrastructure, concerns for the safety and peace of mind of the elderly, women, children, and other vulnerable groups in society, an increase in common crimes and accidents, ongoing natural disasters, and aging of infrastructure, all of which add up to a diversification of the risks confronting society. We are aware that it is highly important to respond to safety- and security-related needs of society appropriately and with the highest possible quality.

The ALSOK Group will respond to these risks by strengthening internal and external infrastructure built up through our security services and facilities management services and cyber-security countermeasures. We will also respond by continuing to expand and improve services that protect the safety and security of individual customers; services such as BCP solutions that provide response to natural disaster risks; assistance with various outsourcing needs related to work-style reforms; comprehensive management services for buildings, facilities and infrastructure; new solutions that combine the enhancement of internal and external infrastructure cultivated in the security service and facilities management industries with various service functions; and improved response capabilities through external alliances.

C. Expanding Business Scope

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

D. Digitization and Utilization of Data

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

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

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 (EVs) and the sale, installation, and maintenance of EV charging facilities. As part of our initiatives to preserve the ecosystem, 10 companies in our Group have been accredited as "Certified Wildlife Capture Operators," and ALSOK Chiba Co., Ltd. operates its own meat processing facility for the sale of wild game meats. 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. ALSOK Group understands environmental issues to be among the risks that are diversifying, 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 Group has taken measures utilizing know-how accumulated through experience, such as preparation of response manuals based on the Business Continuity Plan and Disaster Countermeasure Regulations, stockpiling of goods for countermeasures, a flexible nationwide response system, and periodic education and training. Other efforts to prevent the spread of infectious diseases include the formulation of contingency plans to maintain continuous service availability. We also provide our Safety Confirmation Service and other offerings to support our clients in building contingency plans.

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 entering the country in rapid succession.

(5) Other Important Items in Management of the Company

A. Effective April 1, 2022, the Company tourism ALSOK LEASING CO., LTD., a consolidated subsidiary of the Company engaged in the leasing and installment sales business.

B. As of May 13, 2022, TOKAI SOHGO KEIBI HOSHO Co.,Ltd., which is mainly engaged in security business, was changed from an affiliate accounted for under the equity method to a consolidated subsidiary after revising the shareholders' agreement.

C. On June 22, 2022, the Company acquired all shares of ALSOK Joy Life Co., Ltd. and ALSOK Life Support Co., Ltd., which are engaged in the long-term care business, and made them consolidated subsidiaries.

D. Effective September 21, 2022, ALSOK Eagles Co., Ltd., a wholly-owned subsidiary of the Company that engages in maintenance and inspection witnessing services, was made a consolidated subsidiary from its previous status as a non-consolidated subsidiary.

E. Effective September 21, 2022, ALSOK Business Support Co., Ltd., a wholly-owned special-purpose subsidiary of the Company that engages in business card printing and other services, was made a consolidated subsidiary from its previous status as a non-consolidated subsidiary.

F. As of September 30, 2022, the Company indirectly held shares of Tobu Co., Ltd., which is mainly engaged in building maintenance business, through investment 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.

G. On November 15, 2022, ALSOK Bangladesh Security Services Ltd. was established to conduct security business in Bangladesh and became a consolidated subsidiary of the Company.

H. As of February 15, 2023, OKINAWA SOHGO KEIBI HOSHO Co.,Ltd., which is mainly engaged in security business, was changed from an affiliate accounted for under the equity method to a consolidated subsidiary through additional acquisition of shares.

3. Basic Policy Regarding Selection of Accounting Standards

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

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

4. Consolidated Financial Statements and Significant Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	71,357	59,239
Cash for Transportation Security Services	76,768	83,754
Notes and accounts receivable-trade and contract assets	56,458	65,395
Lease receivables and investment assets	5,100	4,910
Short-term investment 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	8,308
Allowance for doubtful accounts	(140)	(83)
Total current assets	233,872	239,032
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	51,338	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	22,034	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	56,148	57,529
Long-term loans receivable	411	550
Leasehold and guarantee deposits	8,015	9,247
Insurance funds	1,434	1,473
Net defined benefit asset	24,995	26,614
Deferred tax assets	7,102	7,104
Other	13,603	14,998
Allowance for doubtful accounts	(429)	(521)
Total investments and other assets	111,281	116,997
Total noncurrent assets	254,405	277,615
Total assets	488,278	516,647

(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	8,483	7,843
Current portion of long-term loans payable	2,795	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 directors’ bonuses	98	99
Other	14,785	23,897
Total current liabilities	90,384	98,856
Noncurrent liabilities		
Long-term loans payable	2,145	2,083
Lease obligations	35,529	37,851
Deferred tax liabilities	991	1,200
Deferred tax liabilities for land revaluation	314	314
Net defined benefit liability	27,175	27,319
Provision for directors’ retirement benefits	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	70,383	73,897
Total liabilities	160,768	172,753
Net Assets		
Shareholders’ equity		
Capital stock	18,675	18,675
Capital surplus	34,129	33,940
Retained earnings	241,718	256,852
Treasury stock	(1,072)	(1,072)
Total shareholders’ equity	293,450	308,395
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,917	7,566
Revaluation reserve for land	(3,378)	(3,379)
Foreign currency translation adjustment	321	658
Remeasurements of defined benefit plans, net of tax	2,836	1,651
Total valuation and translation adjustments	6,696	6,496
Non-controlling interests	27,362	29,000
Total net assets	327,509	343,893
Total liabilities and net assets	488,278	516,647

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

(Consolidated Statements of Income)

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net sales	489,092	492,226
Cost of sales	363,511	370,998
Gross profit	125,581	121,228
Selling, general and administrative expenses	82,715	84,234
Operating income	42,865	36,993
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 life 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 non-current assets	4	2
Loss on retirement of non-current assets	271	292
Financing expenses	266	255
Other	766	540
Total non-operating expenses	3,227	2,892
Ordinary income	44,796	39,230
Extraordinary income		
Gain on sales of investment securities	17	322
Gain on sales of noncurrent assets	224	989
Compensation income	1,067	-
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 loss	307	366
Loss on sales of non-current assets	3	-
Loss on step acquisitions	-	24
Provision for loss on business	-	299
Total extraordinary loss	376	739
Income before income taxes	45,729	39,823
Income taxes-current	13,587	12,946
Income taxes-deferred	1,415	1,046
Total income taxes	15,003	13,992
Net income	30,726	25,830
Profit attributable to non-controlling interests.	1,762	1,880
Profit attributable to owners of parent	28,964	23,950

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net income	30,726	25,830
Other comprehensive income		
Valuation difference on available-for-sale securities	(65)	561
Foreign currency translation adjustment	148	100
Remeasurements of defined benefit plans, net of tax	891	(1,259)
Share of other comprehensive income (loss) of associates accounted for using equity method	190	293
Total other comprehensive income (loss)	1,164	(304)
Comprehensive income	31,890	25,526
(Contents)		
Comprehensive income attributable to owners of the parent	30,127	23,751
Comprehensive income attributable to non-controlling interests	1,763	1,774

(3) Consolidated Statements of Changes in Net Assets

Fiscal year ended March 31, 2022

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	18,675	34,026	220,464	(1,071)	272,094
Changes of items during the period					
Dividends from surplus			(7,594)		(7,594)
Profit attributable to owners of parent			28,964		28,964
Purchase of treasury stock				(0)	(0)
Reversal of revaluation reserve for land			(115)		(115)
Changes 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	21,253	(0)	21,356
Balance at the end of current period	18,675	34,129	241,718	(1,072)	293,450

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans, net of tax	Total valuation and translation adjustments		
Balance at the beginning of current period	7,026	(3,494)	(29)	1,915	5,417	26,915	304,427
Changes of items during the period							
Dividends from surplus							(7,594)
Profit attributable to owners of parent Net income							28,964
Purchase of treasury stock							(0)
Reversal of revaluation reserve for land							(115)
Changes 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 Net changes of items during the period	(108)	115	351	920	1,279	446	1,725
Total changes of items during the period	(108)	115	351	920	1,279	446	23,081
Balance at the end of current period	6,917	(3,378)	321	2,836	6,696	27,362	327,509

Fiscal year ended March 31, 2023

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	18,675	34,129	241,718	(1,072)	293,450
Changes of items during the period					
Dividends from surplus			(8,809)		(8,809)
Profit attributable to owners of parent			23,950		23,950
Purchase of treasury stock				(0)	(0)
Reversal of revaluation reserve for land			0		0
Changes 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 Net changes of items during the period					
Total changes of items during the period	-	(189)	15,134	(0)	14,944
Balance at the end of current period	18,675	33,940	256,852	(1,072)	308,395

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans, net of tax	Total valuation and translation adjustments		
Balance at the beginning of current period	6,917	(3,378)	321	2,836	6,696	27,362	327,509
Changes of items during the period							
Dividends from surplus							(8,809)
Profit attributable to owners of parent							23,950
Purchase of treasury stock							(0)
Reversal of revaluation reserve for land							0
Changes 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	(1,184)	(199)	1,638	1,439
Total changes of items during the period	649	(0)	336	(1,184)	(199)	1,638	16,383
Balance at the end of current period	7,566	(3,379)	658	1,651	6,496	29,000	343,893

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from operating activities		
Income before income taxes	45,729	39,823
Depreciation and amortization	16,861	17,922
Impairment loss	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	(253)	225
Increase (decrease) in provision for loss on business	-	299
Increase (decrease) in provision for bonuses	(358)	(17)
Increase (decrease) in provision for directors' bonuses	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 non-current 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)
Decrease (increase) in assets and liabilities for Transportation Security Services	(5,904)	(6,799)
Other	2,189	1,823
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
Cash flows from operating activities	42,736	31,682

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended 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	-	(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 attributable 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 period	53,143	63,644
Increase in cash and cash equivalents from new consolidation	-	400
Cash and cash equivalents at end of period	63,644	51,571

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

(Events or Situations Giving Cause for Serious Doubt Regarding the Premise of a Going Concern)

Not applicable

(Changes in accounting policies)

(Application of accounting standards related to market value calculation)

Guidance on the Accounting Standard for Fair Value Calculation (ASBJ Statement No. 31, June 17, 2021) is applied from the beginning of the current fiscal year. In accordance with the transitional treatment prescribed in paragraph 27-2 of the Accounting Standard for Fair Value Calculation, the Company has decided to apply the new accounting policies stipulated by the Accounting Standard for Fair Value Calculation prospectively. Furthermore, the effect on the consolidated financial statements for the current fiscal year is immaterial.

(Segment Information and Other Related Information)

Segment Information

1. Outline of Reportable Segments

(1) Method for deciding reportable segments

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

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

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

(2) Change to reportable segments

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

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

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

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

Income by reportable segment is calculated based on operating income.

Intersegment sales are calculated based on market prices.

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

I. Fiscal year ended March 31, 2022

(Millions of yen)

	Reportable segments				Other (Note 1)	Total	Elimination and corporate (Note 2)	Consolidation (Note 3)
	Security Services	General Property Management and Fire Protection Services	Long-term Care Services	Total				
Net sales								
Contract proceeds	336,969	35,734	41,557	414,261	5,569	419,831	-	419,831
Construction proceeds	5,797	19,441	26	25,265	3	25,269	-	25,269
Proceeds from sales	30,461	13,006	65	43,532	459	43,992	-	43,992
Revenue generated from contracts with customers	373,227	68,183	41,649	483,060	6,032	489,092	-	489,092
Outside sales	373,227	68,183	41,649	483,060	6,032	489,092	-	489,092
Intersegment sales	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	40,744	8,258	1,621	50,624	1,368	51,993	(9,127)	42,865
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

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

Note 2. The ¥9,127 million deduction to income by reportable segment under eliminations and corporate represents Companywide expenses that cannot be attributed to any specific reportable segment. These expenses are primarily administrative costs not associated with specific reportable segments.

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

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

II. Fiscal year ended March 31, 2023

(Millions of yen)

	Reportable segments				Other (Note 1)	Total	Elimination and corporate (Note 2)	Consolidation (Note 3)
	Security Services	General Property Management and Fire Protection Services	Long-term Care Services	Total				
Net sales								
Contract proceeds	329,203	34,500	47,394	411,097	4,854	415,951	-	415,951
Construction proceeds	5,762	24,665	22	30,450	2	30,453	-	30,453
Proceeds from sales	31,382	13,824	79	45,286	534	45,821	-	45,821
Revenue generated from contracts with customers	366,348	72,990	47,495	486,835	5,391	492,226	-	492,226
Outside sales	366,348	72,990	47,495	486,835	5,391	492,226	-	492,226
Intersegment sales	87	88	9	185	238	423	(423)	-
Total	366,435	73,079	47,505	487,020	5,629	492,650	(423)	492,226
Income by reportable segment	37,284	7,661	528	45,474	960	46,435	(9,442)	36,993
Depreciation and amortization	14,151	1,285	2,123	17,560	337	17,897	24	17,922
Amortization of goodwill	849	24	1,897	2,770	77	2,847	-	2,847

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

Note 2. The ¥9,442 million deduction to income by reportable segment under eliminations and corporate represents Companywide expenses that cannot be attributed to any specific reportable segment. These expenses are primarily administrative costs not associated with specific reportable segments.

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

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

Relative Information

I. Fiscal year ended March 31, 2022

A. Information by product and service

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

B. Information by region

a. Net sales

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

b. Property, plant and equipment

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

C. Information by major customer

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

II. Fiscal year ended March 31, 2023

A. Information by product and service

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

B. Information by region

a. Net sales

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

b. Property, plant and equipment

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

C. Information by major customer

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

Information on Impairment Loss in Noncurrent Assets by Reportable Segment

I. Fiscal year ended March 31, 2022

There were no impairment losses attributed to reportable segments. The Company generated an impairment loss of ¥307 million not attributed to reportable segments, consisting mainly of ¥192 million on goodwill, ¥106 million on lease assets, and ¥6 million on software.

II. Fiscal year ended March 31, 2023

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

Information on Amortization of Goodwill and Unamortized Balance by Reportable Segment

I. Fiscal year ended March 31, 2022

(Amortization of goodwill and unamortized balance)

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

On March 31, 2023, the balance of unamortized goodwill was ¥27,097 million. As assets are not allocated to specific reportable segments, the balance of unamortized goodwill at the end of the fiscal year is not included in reportable segments.

II. Fiscal year ended March 31, 2023

(Amortization of goodwill and unamortized balance)

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

The balance of unamortized goodwill at the end of the current consolidated fiscal year was ¥32,753 million. As assets are not allocated to specific reportable segments, the balance of unamortized goodwill at the end of the fiscal year is not included in reportable segments.

Information on Negative Goodwill by Reportable Segment

I. Fiscal year ended March 31, 2022

Not applicable

II. Fiscal year ended March 31, 2023

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

(Per Share Information)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net assets per share (Yen)	2,964.85	3,110.52
Net income per share (Yen)	286.11	236.58

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

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

		Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net income per share			
Profit attributable to owners of parent	(Millions of yen)	28,964	23,950
Amount not belonging to ordinary shareholders	(Millions of yen)	-	-
Net income attributable to common stock owners of the parent	(Millions of yen)	28,964	23,950
Weighted-average numbers of ordinary shares	(Thousands of shares)	101,235	101,234

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

		As of March 31, 2022	As of March 31, 2023
Total net assets	(Millions of yen)	327,509	343,893
Amount deducted from total net assets	(Millions of yen)	27,362	29,000
(Non-controlling interests)	(Millions of yen)	(27,362)	(29,000)
Net assets at end of year relating to common stock	(Millions of yen)	300,147	314,892
Amount of common stock at end of year used for calculating net assets per share	(Thousands of shares)	101,235	101,234

(Important Subsequent Events)

(Stock split and subsequent partial amendment to the Articles of Incorporation)

On May 12, 2023, the Company's Board of Directors approved a resolution regarding a stock split and related partial amendments to the Articles of Incorporation.

(1) Purpose of the Stock Split

The purpose of the stock split is to create a more investment-friendly environment and expand the investor base by reducing the amount per investment unit.

(2) Overview of the Stock Split

① Method of Division

The record date will be June 30, 2023, and each share of common stock held by shareholders of record as of the end of that date will be split into 5 shares.

② Increase in Number of Shares Resulting from the Split

Total number of shares outstanding before the stock split	102,040,042
Increase in number of shares resulting from this split	408,160,168
Total number of shares outstanding after the stock split	510,200,210
Total number of shares authorized after the stock split	1,500,000,000

③ Division Schedule

Record Date Announcement Date	June 16, 2023 (scheduled)
Record Date	June 30, 2023 (scheduled)
Effective date of issue	July 1, 2023 (scheduled)

④ Per-share Information

Per-share information based on the assumption that the stock split was conducted at the beginning of the previous fiscal year is as follows.

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net assets per share (Yen)	592.97	622.10
Net income per share (Yen)	57.22	47.32

(3) Partial Amendment to the Articles of Incorporation Related to the Stock Split

① Reasons for Amendment to Articles of Incorporation

In accordance with the stock split, the total number of authorized shares stipulated in Article 5 (Total Number of Shares Authorized) of the current Articles of Incorporation will be changed as of July 1, 2023, pursuant to Article 184, Paragraph 2 of the Companies Act.

② Description of Amendment to Articles of Incorporation

The changes are as follows.

Current	After Amendment
(Total Number of Shares Authorized) Article 5 The total number of authorized shares of the Company shall be 300,000,000.	(Total Number of Shares Authorized) Article 5 The total number of authorized shares of the Company shall be 1,500,000,000.

③ Schedule of Amendment to Articles of Incorporation

Date of Board of Directors resolution	May 12, 2023
Record Date	June 30, 2023 (scheduled)
Effective date	July 1, 2023 (scheduled)

(4) Other

There will be no change in the amount of capital with this stock split.