

NOTE TO READERS: The following is an English translation of the Quarterly Securities Report originally issued in the Japanese language. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

Quarterly Securities Report

(First Quarter of 59th Business Term)

From April 1, 2023
to June 30, 2023

SOHGO SECURITY SERVICES CO., LTD.

1-6-6 Motoakasaka, Minato-ku, Tokyo, Japan

Contents

	Page
Cover page	
Part 1. Company Information	1
I. Overview of Company	1
1. Selected financial data	1
2. Description of business	1
II. Business Overview	2
1. Risk factors	2
2. Management analysis of financial position, operating results and cash flows	2
3. Material business contracts, etc.	7
III. Information on Reporting Company	8
1. Information on shares, etc.	8
(1) Total number of shares, etc.	8
(2) Subscription rights to shares, etc.	8
(3) Exercises of moving strike convertible bonds, etc.	8
(4) Changes in number of shares issued and capital stock, etc.	8
(5) Major shareholders	8
(6) Voting rights	9
2. Information on directors	9
IV. Financial Condition	10
1. Quarterly consolidated financial statements	11
(1) Quarterly consolidated balance sheet	11
(2) Quarterly consolidated statement of income and consolidated statement of comprehensive income	13
Quarterly consolidated statement of income	
For the three months ended June 30, 2023	13
Quarterly consolidated statement of comprehensive income	
For the three months ended June 30, 2023	14
(3) Quarterly consolidated statement of cash flows	15
2. Other	21
Part 2. Information on Guarantors of the Company, etc.	21

[Independent auditor's quarterly review report]

[Cover page]

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[Company name]	綜合警備保障株式会社 (<i>Sogo Keibi Hoshō Kabushiki Kaisha</i>)
[Company name in English]	SOHGO SECURITY SERVICES CO., LTD.
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[Contact person]	Kazuhide Shigemi, Director and Senior Executive Officer
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Part 1. Company Information

I. Overview of Company

1. Selected financial data

Fiscal year		58th business term Three months ended June 30, 2022	59th business term Three months ended June 30, 2023	58th business term
Accounting period		From April 1, 2022 to June 30, 2022	From April 1, 2023 to June 30, 2023	From April 1, 2022 to March 31, 2023
Net sales	(Millions of yen)	114,008	121,593	492,226
Ordinary income	(Millions of yen)	7,878	9,193	39,230
Profit attributable to owners of parent	(Millions of yen)	4,454	5,195	23,950
Comprehensive income	(Millions of yen)	5,656	7,611	25,526
Net assets	(Millions of yen)	327,964	345,379	343,893
Total assets	(Millions of yen)	498,196	514,995	516,647
Net income per share	(Yen)	8.80	10.26	47.32
Diluted net income per share	(Yen)	—	—	—
Equity ratio	(%)	60.4	61.7	60.9
Net cash provided by (used in) operating activities	(Millions of yen)	6,917	18,287	31,682
Net cash provided by (used in) investing activities	(Millions of yen)	(11,787)	(1,839)	(24,818)
Net cash provided by (used in) financing activities	(Millions of yen)	(5,745)	(3,962)	(19,380)
Cash and cash equivalents end of the period	(Millions of yen)	53,433	64,117	51,571

(Notes) 1. Selected financial data is not disclosed on a non-consolidated basis as SOHGO SECURITY SERVICES CO., LTD. (the “Company”) prepares quarterly consolidated financial statements.

2. Diluted net income per share is not disclosed as there are no potentially dilutive shares.

3. Effective July 1, 2023, the Company implemented a 5-for-1 stock split for each share of common stock. Net income per share is calculated assuming that the stock split was implemented at the beginning of the fiscal year ended March 31, 2023.

2. Description of business

There have been no significant changes in the businesses that the Group (the Company and its subsidiaries and associates) operates during the three months ended June 30, 2023. The Group did not have any realignments during the three months ended June 30, 2023.

II. Business Overview

1. Risk factors

During the three months ended June 30, 2023, there have been no newly arising business risks, etc. or changes in the business risks, etc. disclosed in the Annual Securities Report of the previous fiscal year.

2. Management analysis of financial position, operating results and cash flows

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

(1) Financial position and operating results

During the three months ended June 30, 2023, the COVID-19 was reclassified as “Class 5” infectious disease under the Infectious Disease Control Law, and the pandemic almost came to an end in Japan. As a result, we saw a gradual recovery of the Japanese economy continued as social and economic activities returned to pre-pandemic levels and the number of foreign visitors to Japan recovered. Looking forward, although moderate private-sector demand-led growth is expected, attention should be paid to developments in the international and domestic situations, including global inflationary trends, sharp fluctuations in foreign exchange and financial markets, financial systemic risk, and downside risk of economies of China, Europe and the United States. 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, the number of criminal offenses in 2022 increased year-on-year for the first time since 2002, and is likely to increase in the first half of 2023. With the deterioration of the domestic sense of security following the attack on the Prime Minister and the wide-area robbery and assault case, the Group’s role to protect safety and security is growing.

In this environment, the Group has continued to provide appropriate services as an operator of service businesses related to the safety and security of society (the Security Services, General Property Management and Fire Protection Services, and lifestyle support services such as Long-Term Care Services), which are all indispensable for ensuring the stability of the lives of the people and the national economy. As set forth in the Medium-Term Management Plan “Grand Design 2025”, the Group aims to become “a resilient integrated safety and security solutions provider that meets various safety and security needs of society”. In order to respond to increasing safety and security needs of customers with diversified risks, we have made efforts to provide new services that combine a variety of services including security, facility management and long-term care.

As a result of the above, the Group’s operating results for the three months ended June 30, 2023 showed a significant improvement compared to the previous period, and were even stronger compared to the pre-pandemic first quarters of the fiscal years ended March 31, 2019 and 2020. The Group recorded the net sales of ¥121,593 million (6.7% increase year on year), operating income of ¥8,699 million (21.1% increase year on year), ordinary income of ¥9,193 million (16.7% increase year on year), and profit attributable to owners of parent of ¥5,195 million (16.6% increase year on year) for the three months ended June 30, 2023.

The operating results for each segment are described below. During the three months ended June 30, 2023, reportable segments and the allocation method of certain income and expenses were changed. For comparison purposes, the figures for the three months ended June 30, 2022 have been reclassified based on the revised classification and allocation method.

The net sales of the Security Services segment was ¥92,370 million (3.5% increase year on year), and operating income was ¥9,210 million (15.8% increase year on 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. For individual customers, the Company launched HOME ALSOK Connect, a new home security product in April 2023. 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. The Group also promoted sales of HOME ALSOK MIMAMORI SUPPORT, a service to watch over senior citizens.

In Stationed Security services, we provided security services for various G7-related ministerial meetings, including the G7 Hiroshima Summit, as well as for airport facilities that have reopened following the recovery of foreign visitors to Japan. 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. Our offerings also include Tax and Public Funds Collection System, which automates local government disbursement counter operations through the use of 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 provide 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.

For the General Property Management and Fire Protection Services segment, the net sales was ¥15,429 million (19.1% increase year on year), and operating income was ¥1,200 million (32.2% increase year on year) due to steady growth in completion in the construction work sectors. 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.

For the Long-Term Care Services segment, the net sales was ¥12,538 million (20.2% increase year on year) due to new facilities opening, the increase in occupancy rate for existing facilities and the effect of mergers and acquisitions (M&A), etc. However, operating income was ¥326 million (15.2% decrease year on year) due to the increase in costs. In last fall, 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, in addition to existing panel inspection services for vast solar facilities, we continue to expand services utilizing drones to inspect and examine various facilities.

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.

Financial positions as of June 30, 2023 are summarized below:

Total assets as of June 30, 2023 was ¥514,995 million, a decrease of ¥1,652 million from the end of the previous fiscal year.

This resulted from ¥13,606 million decrease in cash for transportation security service and ¥8,005 million decrease in notes and accounts receivable - trade, and contract assets, which was partially offset by ¥12,006 million increase in cash and deposits and ¥7,309 million increase in other current assets including prepaid expenses.

Total liabilities as of June 30, 2023 was ¥169,615 million, a decrease of ¥3,138 million from the end of the previous fiscal year.

This resulted from ¥8,660 million decrease in notes and accounts payable - trade and ¥3,610 million decrease in income taxes payable, which was partially offset by ¥9,583 million increase in other current liabilities including deposits received.

(2) Cash flows

Cash and cash equivalents (“cash”) for the three months ended June 30, 2023 are summarized below:

(Cash flows from operating activities)

Net cash provided in operating activities was ¥18,287 million (164.4% increase year on year) during the three months ended June 30, 2023. This resulted from ¥10,723 million increase in changes in assets and liabilities of Transportation Security Services, ¥9,167 million of income before income taxes, ¥8,037 million decrease in notes and accounts receivable -trade and ¥4,492 million of depreciation expenses added back, which was partially offset by ¥9,187 million decrease in notes and accounts payable - trade and ¥4,357 million income tax payment.

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 ¥1,839 million (84.4% decrease year on year) during the three months ended June 30, 2023. The cash decreased due to ¥2,651 million used for acquisition of property, plant and equipment.

(Cash flows from financing activities)

Net cash used in financing activities was ¥3,962 million (31.0% decrease year on year) during the three months ended June 30, 2023. The cash decreased due to ¥4,354 million used for dividends payment, ¥1,771 million used for dividends payment to non-

controlling interests and ¥1,363 million used for repayment of lease obligations, which was partially offset by ¥3,678 million increase in short-term loans payable.

(3) Accounting estimates and assumptions used for those estimates

There have been no significant changes in the accounting estimates and assumptions used for those estimates described in “Management analysis of financial position, operating results and cash flows” of the Annual Securities Report for the previous fiscal year.

(4) Business policies and strategies

There have been no significant changes in the business policies and strategies of the Group during the three months ended June 30, 2023.

(5) Production, orders and sales

(Production)

The Group is not engaged in production activities. The number of contracts in progress as of June 30, 2023 is as follows:

Segment		As of the end of three months ended June 30, 2023 (As of June 30, 2023)	Year on year change (%)
Security Services			
Electronic Security Services	(Thousands of contracts)	1,049	3.4
Stationed Security Services	(Thousands of contracts)	4	7.0
Transportation Security Services	(Thousands of contracts)	87	2.2
Total	(Thousands of contracts)	1,141	3.3
General Property Management and Fire Protection Services	(Thousands of contracts)	123	3.2
Long-Term Care Services	(Thousands of contracts)	27	4.6
Total for reportable segments	(Thousands of contracts)	1,292	3.3
Other Services	(Thousands of contracts)	24	8.0
Total	(Thousands of contracts)	1,317	3.4

(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, Cash Deposit and Dispenser Machine On-Line System, and cashless payment services including QR code payment
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, etc.

(Sales)

The sales results for each segment are described below:

Segment		Three months ended June 30, 2023 (From April 1, 2023 to June 30, 2023)	Year on year change (%)
Security Services			
Electronic Security Services	(Millions of yen)	44,270	5.4
Stationed Security Services	(Millions of yen)	31,375	2.9
Transportation Security Services	(Millions of yen)	16,724	(0.3)
Total	(Millions of yen)	92,370	3.5
General Property Management and Fire Protection Services	(Millions of yen)	15,429	19.1
Long-Term Care Services	(Millions of yen)	12,538	20.2
Total for reportable segments	(Millions of yen)	120,338	6.8
Other Services	(Millions of yen)	1,254	(6.8)
Total	(Millions of yen)	121,593	6.7

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

(6) Priority business and financial challenges

There have been no significant changes in the Group's priority business and financial challenges during the three months ended June 30, 2023.

(7) Research and development

Research and development cost was ¥147 million for the three months ended June 30, 2023, which was mainly related to security business.

There have been no significant changes in the Group's research and development activities during the three months ended June 30, 2023.

(8) Analysis of capital resources and liquidity

The Group's primary source of funds is the monthly fees received from customers, mainly in the security business, which is stable and predictable revenue. 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 obtain external financing stably due to this stable source of funds, the recent trend of the equity 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 on a daily basis. 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 M&A transactions. 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.

During the three months ended June 30, 2023, there have been no significant changes in the Group's capital investment plan, including capital expenditures which were planned at the end of the previous consolidated fiscal year as of March 31, 2023.

(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 three months ended June 30, 2023 except for Transportation Security Services. At this point, the Group does not expect any significant change in the capital needs during the fiscal year ending March 31, 2024 and believes that its capital needs will be satisfied by its own funds.

(9) Facilities

(Plan for establishment or disposal of facilities)

During the three months ended June 30, 2023, there have been no significant changes in the plan for establishment or disposal of facilities which was under planning as of March 31, 2023. In addition, there were no newly established plans for installation, expansion, renovation, disposal or sale of significant facilities during the three months ended June 30, 2023.

3. Material business contracts, etc.

Material business contracts, etc. decided or concluded during the three months ended June 30, 2023 are as follows:

Effective June 9, 2023, the Company entered into a contract to acquire shares of PT. Shield-On Service Tbk, an Indonesian staffing and security services provider, through PT. ALSOK BASS Indonesia Security Services, the Company's subsidiary in Indonesia.

III. Information on Reporting Company

1. Information on shares, etc.

(1) Total number of shares, etc.

i. Total number of shares

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

(Note) Effective July 1, 2023, the Articles of Incorporation was partially amended following the 5-for-1 stock split for each share of common stock. Accordingly, the total number of authorized shares increased by 1,200,000,000 shares to 1,500,000,000 shares.

ii. Shares issued

Class	Number of shares issued as of June 30, 2023 (Shares)	Number of shares issued as of August 8, 2023 (filing date) (Shares)	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	510,200,210	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	510,200,210	—	—

(Note) Effective July 1, 2023, the Company implemented a 5-for-1 stock split for each share of common stock. Accordingly, the total number of shares issued increased by 408,160,168 shares to 510,200,210 shares.

(2) Subscription rights to shares, etc.

i. Details of stock option plans

Nothing to report.

ii. 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)
From April 1, 2023 to June 30, 2023	—	102,040,042	—	18,675	—	29,320

(Note) Effective July 1, 2023, the Company implemented a 5-for-1 stock split for each share of common stock. Accordingly, the total number of shares issued increased by 408,160,168 shares to 510,200,210 shares.

(5) Major shareholders

The major shareholders are not disclosed as the current quarterly accounting period is the first quarterly accounting period.

(6) Voting rights

The information on voting rights described below is based on the shareholders register as of March 31, 2023, the most recent record date, as the Company is unable to confirm and disclose the information as of June 30, 2023.

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	—

(Note) Effective July 1, 2023, the Company implemented a 5-for-1 stock split for each share of common stock. The above figures represent figures before the stock split.

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

(Note) Effective July 1, 2023, the Company implemented a 5-for-1 stock split for each share of common stock. The above figures represent figures before the stock split.

2. Information on directors

Nothing to report.

IV. Financial Condition

1. Preparation method of quarterly consolidated financial statements

The quarterly consolidated financial statements of the Company are prepared in accordance with the “Ordinance on Terminology, Forms, and Preparation Methods of Quarterly Consolidated Financial Statements” (Cabinet Office Ordinance No. 64 of 2007, “Ordinance on Quarterly Financial Statements”).

Quarterly consolidated statement of cash flows is also prepared in accordance with Article 5-2, Paragraph 2 of the Ordinance on Quarterly Financial Statements.

2. Audit attestation

In accordance with the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan, the quarterly consolidated financial statements for the first quarter of the fiscal year ending March 31, 2024 (from April 1, 2023 to June 30, 2023) and the three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023) were reviewed by Grant Thornton Taiyo LLC.

1. Quarterly consolidated financial statements

(1) Quarterly consolidated balance sheet

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	59,239	71,245
Cash for Transportation Security Services	* 83,754	* 70,147
Notes and accounts receivable - trade, and contract assets	65,395	57,389
Securities	661	340
Raw materials and supplies	10,290	11,100
Costs on uncompleted construction contracts	98	117
Advances paid	6,457	6,474
Other	13,218	20,528
Allowance for doubtful accounts	(83)	(93)
Total current assets	239,032	237,251
Noncurrent assets		
Property, plant and equipment	116,440	115,458
Intangible assets		
Goodwill	32,753	32,021
Other	11,423	10,842
Total intangible assets	44,176	42,863
Investments and other assets		
Investment securities	57,529	59,017
Other	59,989	60,936
Allowance for doubtful accounts	(521)	(532)
Total investments and other assets	116,997	119,421
Total noncurrent assets	277,615	277,743
Total assets	516,647	514,995
Liabilities		
Current liabilities		
Notes and accounts payable - trade	29,669	21,008
Short-term loans payable	* 8,741	* 9,615
Income taxes payable	5,295	1,684
Provisions	2,302	1,256
Other	52,847	62,430
Total current liabilities	98,856	95,997
Noncurrent liabilities		
Long-term loans payable	2,083	2,002
Retirement benefit liability	27,319	27,513
Provisions	2,073	1,977
Asset retirement obligations	818	820
Other	41,602	41,304
Total noncurrent liabilities	73,897	73,618
Total liabilities	172,753	169,615

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
Net Assets		
Shareholders' equity		
Capital stock	18,675	18,675
Capital surplus	33,940	34,011
Retained earnings	256,852	257,693
Treasury stock	(1,072)	(1,072)
Total shareholders' equity	308,395	309,307
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,566	8,956
Revaluation reserve for land	(3,379)	(3,379)
Foreign currency translation adjustment	658	1,017
Remeasurements of defined benefit plans, net of tax	1,651	1,773
Total accumulated other comprehensive income	6,496	8,367
Non-controlling interests	29,000	27,704
Total net assets	343,893	345,379
Total liabilities and net assets	516,647	514,995

(2) Quarterly consolidated statement of income and consolidated statement of comprehensive income

Quarterly consolidated statement of income

For the three months ended June 30, 2023

(Millions of yen)

	Three months ended June 30, 2022 (From April 1, 2022 to June 30, 2022)	Three months ended June 30, 2023 (From April 1, 2023 to June 30, 2023)
Net sales	114,008	121,593
Cost of sales	85,520	91,348
Gross profit	28,488	30,244
Selling, general and administrative expenses	*21,306	*21,544
Operating income	7,182	8,699
Non-operating income		
Interest income	46	48
Dividends income	217	204
Share of profit of entities accounted for using equity method	157	178
Gain on sales of investment securities	0	27
Dividend income of insurance	245	7
Penalty income	118	151
Other	554	518
Total non-operating income	1,340	1,136
Non-operating expenses		
Interest expenses	426	443
Financing expenses	64	64
Other	152	134
Total non-operating expenses	643	642
Ordinary income	7,878	9,193
Extraordinary income		
Gain on sales of investment securities	0	56
Total extraordinary income	0	56
Extraordinary loss		
Loss on sales of investment securities	0	11
Loss on valuation of investment securities	25	15
Impairment losses	—	55
Total extraordinary loss	25	82
Income before income taxes	7,852	9,167
Income taxes	3,006	3,556
Net income	4,846	5,610
Profit attributable to non-controlling interests	392	415
Profit attributable to owners of parent	4,454	5,195

Quarterly consolidated statement of comprehensive income

For the three months ended June 30, 2023

(Millions of yen)

	Three months ended June 30, 2022 (From April 1, 2022 to June 30, 2022)	Three months ended June 30, 2023 (From April 1, 2023 to June 30, 2023)
Net income	4,846	5,610
Other comprehensive income		
Valuation difference on available-for-sale securities	425	1,399
Foreign currency translation adjustment	113	82
Remeasurements of defined benefit plans, net of tax	46	124
Share of other comprehensive income (loss) of entities accounted for using equity method	224	393
Total other comprehensive income (loss)	809	2,000
Comprehensive income	5,656	7,611
(Contents)		
Comprehensive income attributable to owners of parent	5,278	7,065
Comprehensive income attributable to non-controlling interests	377	545

(3) Quarterly consolidated statement of cash flows

(Millions of yen)

	Three months ended June 30, 2022 (From April 1, 2022 to June 30, 2022)	Three months ended June 30, 2023 (From April 1, 2023 to June 30, 2023)
Net cash provided by (used in) operating activities		
Income before income taxes	7,852	9,167
Depreciation and amortization	4,289	4,492
Impairment losses	—	55
Amortization of goodwill	599	779
Increase (decrease) in allowance for doubtful accounts	7	20
Increase (decrease) in net defined benefit liability	386	303
Increase (decrease) in provision for bonuses	(1,026)	(988)
Increase (decrease) in provision for bonuses for directors (and other officers)	(58)	(59)
Interest and dividends income	(264)	(252)
Interest expenses	426	443
Share of loss (profit) of entities accounted for using equity method	(157)	(178)
Loss (gain) on sales of noncurrent assets	(25)	(0)
Loss on retirement of noncurrent assets	48	54
Loss (gain) on sales of investment securities	(0)	(71)
Loss (gain) on valuation of investment securities	25	15
Loss (gain) on valuation of derivatives	(46)	(86)
Decrease (increase) in notes and accounts receivable - trade	5,305	8,037
Decrease (increase) in inventories	(612)	(828)
Increase (decrease) in notes and accounts payable - trade	(6,123)	(9,187)
Decrease (increase) in net defined benefit asset	(848)	(729)
Changes in assets and liabilities of Transportation Security Services	2,579	10,723
Other	(140)	549
Subtotal	12,217	22,258
Interest and dividends income received	798	837
Interest expenses paid	(434)	(452)
Income taxes paid	(5,681)	(4,357)
Income taxes refund	19	—
Net cash provided by (used in) operating activities	6,917	18,287
Net cash provided by (used in) investing activities		
Decrease (increase) in time deposits	1,220	839
Payments into long-term time deposits	(11)	(5)
Proceeds from withdrawal of long-term time deposits	—	10
Purchase of property, plant and equipment	(3,572)	(2,651)
Proceeds from sales of property, plant and equipment	85	0
Purchase of intangible assets	(741)	(377)
Purchase of investment securities	(414)	(121)
Proceeds from sales of investment securities	175	506
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(9,365)	—
Decrease (increase) in short-term loans receivable	(6)	(0)
Payments of long-term loans receivable	(8)	(8)
Collection of long-term loans receivable	169	17
Proceeds from refund of leasehold and guarantee deposits	377	29
Other	304	(79)
Net cash provided by (used in) investing activities	(11,787)	(1,839)

(Millions of yen)

	Three months ended June 30, 2022 (From April 1, 2022 to June 30, 2022)	Three months ended June 30, 2023 (From April 1, 2023 to June 30, 2023)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	1,696	3,678
Proceeds from long-term loans payable	145	120
Repayment of long-term loans payable	(711)	(272)
Purchase of treasury stock	(0)	(0)
Repayments of lease obligations	(1,363)	(1,363)
Cash dividends paid	(4,455)	(4,354)
Cash dividends paid to non-controlling interests	(648)	(1,771)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(408)	—
Net cash provided by (used in) financing activities	(5,745)	(3,962)
Effect of exchange rate change on cash and cash equivalents	45	61
Net increase (decrease) in cash and cash equivalents	(10,570)	12,546
Cash and cash equivalents at beginning of period	63,644	51,571
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	359	—
Cash and cash equivalents at end of period	* 53,433	* 64,117

Notes

(Specific accounting treatment applied in preparing quarterly consolidated financial statements)

(Calculation of tax expense)

Tax expense is calculated by reasonably estimating the effective tax rate after applying tax effect accounting for income before income taxes for the consolidated fiscal year including the three months ended June 30, 2023 and then by multiplying the income before income taxes for the quarter by such estimated effective tax rate.

Income taxes - deferred is included in income taxes.

(Matters related to quarterly consolidated balance sheet)

* Cash for Transportation Security 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.

As of June 30, 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 ¥650 million of funds borrowed for the services.

(Matters related to quarterly consolidated statement of income)

* The major items of selling, general and administrative expenses and its amounts are as follows:

	Three months ended June 30, 2022 (From April 1, 2022 to June 30, 2022)	Three months ended June 30, 2023 (From April 1, 2023 to June 30, 2023)
Salary allowances	10,359	10,489
Provision for bonuses	161	177
Provision for bonuses for directors (and other officers)	37	38
Provision for retirement benefits for directors (and other officers)	39	37
Provision for allowance for doubtful accounts	10	30
Retirement benefit expenses	358	376

(Millions of yen)

(Matters related to quarterly consolidated statement of cash flows)

* The relationship between the cash and cash equivalents at end of period and the amount presented on the quarterly consolidated balance sheet is as follows:

(Millions of yen)		
	Three months ended June 30, 2022 (From April 1, 2022 to June 30, 2022)	Three months ended June 30, 2023 (From April 1, 2023 to June 30, 2023)
Cash and deposits accounts	59,784	71,245
Deposits with deposit term of over 3 months	(6,551)	(7,128)
Short-term investment (securities) whose redemption date is due within 3 months from the acquisition date	200	—
Other (deposit at securities company)	0	0
Cash and cash equivalents	53,433	64,117

(Matters related to total shareholders' equity)

I Three months ended June 30, 2022 (From April 1, 2022 to June 30, 2022)

Cash dividends paid

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

II Three months ended June 30, 2023 (From April 1, 2023 to June 30, 2023)

Cash dividends paid

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

(Note) On July 1, 2023, the Company implemented a 5-for-1 stock split of the common stock. "Dividend per share" represents the amount before the stock split.

(Segment information etc.)

Segment information

I Three months ended June 30, 2022 (From April 1, 2022 to June 30, 2022)

1. Information on the amount of net sales and income (loss) and disaggregation of revenue by reportable segment

(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	81,768	8,117	10,409	100,295	1,257	101,553	—	101,553
Construction revenue	1,391	2,847	4	4,243	0	4,243	—	4,243
Sales revenue	6,114	1,993	15	8,123	88	8,212	—	8,212
Revenue from contracts with customers	89,274	12,958	10,429	112,662	1,346	114,008	—	114,008
Sales to external customers	89,274	12,958	10,429	112,662	1,346	114,008	—	114,008
Intersegment sales and transfers	5	14	2	22	52	74	(74)	—
Total	89,279	12,972	10,431	112,684	1,399	114,083	(74)	114,008
Income by reportable segment	7,956	908	385	9,249	271	9,520	(2,338)	7,182

(Notes) 1. “Other Services” category includes business segments not included in other reportable segments, including information security, PCR test and food inspection services.

2. ¥(2,338) 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.

2. Information on impairment losses on noncurrent assets or goodwill, etc. by reportable segment

(Significant impairment loss on noncurrent assets)

Nothing to report.

(Significant change in the amount of goodwill)

During the three months ended June 30, 2023, there was a significant change in the amount of goodwill as ALSOK Joy Life Co., Ltd. and ALSOK Life Support Co., Ltd. became the Company’s consolidated subsidiaries. Increase in the goodwill due to this event is ¥8,556 million. The goodwill is not allocated to any reportable segments.

(Significant gain on negative goodwill)

Nothing to report.

II Three months ended June 30, 2023 (From April 1, 2023 to June 30, 2023)

1. Information on the amount of net sales and income (loss) and disaggregation of revenue by reportable segment

(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	83,212	8,755	12,511	104,480	1,179	105,659	—	105,659
Construction revenue	1,543	4,045	6	5,595	0	5,595	—	5,595
Sales revenue	7,614	2,628	20	10,263	74	10,337	—	10,337
Revenue from contracts with customers	92,370	15,429	12,538	120,338	1,254	121,593	—	121,593
Sales to external customers	92,370	15,429	12,538	120,338	1,254	121,593	—	121,593
Intersegment sales and transfers	18	64	2	85	26	112	(112)	—
Total	92,388	15,494	12,540	120,423	1,281	121,705	(112)	121,593
Income by reportable segment	9,210	1,200	326	10,737	246	10,984	(2,284)	8,699

(Notes) 1. “Other Services” category includes business segments not included in other reportable segments, including information security, PCR test and food inspection services.

2. ¥(2,284) 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.

2. Changes in reportable segment

During the three months ended June 30, 2023, the Group reviewed its management structure in order to better understand the actual operating results of each segment, and changed the allocation method of income and expenses related to the Security Services and the General Property Management and Fire Protection Services.

Segment information for the three months ended June 30, 2022 has been reclassified for disclosure purposes based on the revised reportable segments and allocation method of income and expenses applied to the three months ended June 30, 2023.

3. Information on impairment losses on noncurrent assets or goodwill, etc. by reportable segment

(Significant impairment loss on noncurrent assets)

No impairment loss was allocated to any of the reportable segments. Impairment losses not allocated to reportable segments were ¥55 million, which comprised ¥31 million for land and ¥23 million for building.

(Significant change in the amount of goodwill)

Nothing to report.

(Significant gain on negative goodwill)

Nothing to report.

(Matters related to revenue recognition)

Information on disaggregation of revenue from contract with customers is as described in “Notes (Segment information etc.)”.

(Per share information)

The following is the amount and basis of calculating net income per share.

		Three months ended June 30, 2022 (From April 1, 2022 to June 30, 2022)	Three months ended June 30, 2023 (From April 1, 2023 to June 30, 2023)
Net income per share		8.80 yen	10.26 yen
(Basis of calculation)			
Profit attributable to owners of parent	(Millions of yen)	4,454	5,195
Amount not attributable to ordinary shareholders	(Millions of yen)	—	—
Profit attributable to ordinary shareholders of parent	(Millions of yen)	4,454	5,195
Average number of common stocks during the period	(Thousands of shares)	506,174	506,173

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

2. On July 1, 2023, the Company implemented a 5-for-1 stock split of the common stock. “Net income per share” is calculated assuming that the stock split was implemented at the beginning of the fiscal year ended March 31, 2023.

(Significant subsequent events)

(Repurchase of shares)

At the Board of Directors’ meeting held on July 28, 2023, the Company resolved matters related to the repurchase of shares in accordance with Article 156 of the Companies Act as applied pursuant to Article 165, Paragraph 3 of the Act.

1. Reason for repurchase of shares

The Company intends to repurchase its own shares as part of the execution of flexible capital policies in response to changes in the business environment and as part of the scheme to distribute returns to shareholders.

2. Details of repurchase

(1) Type of shares to be repurchased	Common stock
(2) Total number of shares to be repurchased	Up to 6,500,000 shares
(3) Total acquisition cost of shares	Up to ¥5,000 million
(4) Repurchase period	From August 1, 2023 to November 30, 2023
(5) Method of repurchase	Purchase on the Tokyo Stock Exchange

2. Other

Nothing to report.

Part 2. Information on Guarantors of the Company, etc.

Nothing to report.

INDEPENDENT AUDITOR'S
QUARTERLY REVIEW REPORT

August 2, 2023

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

Takayuki Uenishi

Designated Limited Liability Partner

Engagement Partner

Certified Public Accountant

Keisuke Uehara

Designated Limited Liability Partner

Engagement Partner

Certified Public Accountant

Auditor's Conclusion

We have reviewed, pursuant to the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan, the accompanying quarterly consolidated financial statements of SOHGO SECURITY SERVICES CO., LTD. and its consolidated subsidiaries (the "Group") in "Financial Condition", which comprise the quarterly consolidated balance sheet as of June 30, 2023, and the quarterly consolidated statement of income, the quarterly consolidated statement of comprehensive income and the quarterly consolidated statement of cash flows for the three-month period then ended, and the related notes.

Based on our quarterly review, nothing has come to our attention that causes us to believe that the accompanying quarterly consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of June 30, 2023 and its consolidated results of its financial performances and cash flows for the three-month period then ended in accordance with the accounting principles for quarterly consolidated financial statements generally accepted in Japan.

Basis for Auditor's Conclusion

We conducted our review in accordance with the quarterly review standards generally accepted in Japan. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Quarterly Review of the Quarterly Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the ethical requirements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that we have obtained the evidence to provide a basis of our conclusion.

Responsibilities of Management, Audit and Supervisory Board Members, and Audit and Supervisory Board for the Quarterly Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the quarterly consolidated financial statements in accordance with the accounting principles for quarterly consolidated financial statements 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 quarterly consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the quarterly 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 for quarterly consolidated financial statements 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 Review of the Quarterly Consolidated Financial Statements

Our responsibilities are to issue an auditor's quarterly review report that includes our conclusion based on our quarterly review from an independent point of view.

In accordance with the quarterly review standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the quarterly review. We also:

- Perform quarterly review procedures consists of making inquiries to primarily of management and persons responsible for financial and accounting matters, applying analytical procedures, and other quarterly review procedures. A quarterly review is substantially less in scope than an annual audit of financial statements conducted in accordance with auditing standards generally accepted in Japan.
- Conclude, based on the evidence obtained, on whether anything has come to our attention that causes us to believe that the quarterly consolidated financial statements are not presented fairly in accordance with the accounting principles for quarterly consolidated financial statements generally accepted in Japan if we determine that 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. Additionally, if we conclude that a material uncertainty exists, we are required to draw attention in our auditor's quarterly review report to the related disclosures in the quarterly consolidated financial statements or, if such disclosures are inadequate, to express a qualified or adverse conclusion on the quarterly consolidated financial statements. Our conclusions are based on the evidence obtained up to the date of our auditor's quarterly review report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the quarterly consolidated financial statements, including the disclosures, and whether anything has come to our attention that causes us to believe that the quarterly consolidated financial statements do not represent the underlying transactions and events in a manner that achieves fair presentation in accordance with the accounting principles for quarterly consolidated financial statements generally accepted in Japan.
- Obtain sufficient and appropriate evidence regarding the financial information of the Group to express a conclusion on the quarterly consolidated financial statements. We are responsible for the direction, supervision and performance of the review of the quarterly consolidated financial statements. We remain solely responsible for our review conclusion.

We communicate with the Audit and Supervisory Board Members and Audit and Supervisory Board regarding, among other matters, the planned scope and timing of the quarterly review and significant review findings.

We also provide the Audit and Supervisory Board Members and Audit and Supervisory Board with a statement that we have complied with the ethical requirements regarding independence that are relevant to our review of the financial statements in Japan and communicate with them all relationships, other matters that may reasonably be thought to bear on our independence, and where applicable, measures taken to eliminate inhibiting factors or apply safeguards to reduce them to an acceptable level.

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 original copy of the above Quarterly Review Report of Independent Auditors is in the custody of the Company (the submitter of this Quarterly Securities Report).

2. The XBRL data is not in the scope of the quarterly review.

3. The English version of the consolidated financial statements consists of an English translation of the reviewed Japanese consolidated financial statements. The actual text of the English translation of the consolidated financial statements was not covered by our review. 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.

[Cover page]

[Document filed]	Confirmation
[Applicable law]	Article 24-4-8, paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Place of filing]	Director-General, Kanto Local Finance Bureau
[Filing date]	August 8, 2023
[Company name]	綜合警備保障株式会社 (<i>Sogo Keibi Hoshō Kabushiki Kaisha</i>)
[Company name in English]	SOHGO SECURITY SERVICES CO., LTD.
[Name and title of representative]	Ikuji Kayaki, Representative Director Group COO
[Name and title of Chief Financial Officer]	Kazuhide Shigemi, Director and Senior Executive Officer
[Address of head office]	1-6-6 Motoakasaka, Minato-ku, Tokyo, Japan
[Place for public inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihonbashi Kabutocho, Chuo-ku, Tokyo, Japan)

1. Matters related to the appropriateness of the contents of the Quarterly Securities Report

Ikuji Kayaki, Representative Director Group COO and Kazuhide Shigemi, Director and Senior Executive Officer confirmed that the contents in the Quarterly Securities Report for the first quarter of 59th business term (From April 1, 2023 to June 30, 2023) are appropriately disclosed in accordance with the Financial Instruments and Exchange Act.

2. Special note

There is nothing special to note.