

Consolidated Financial Results for Fiscal Year Ended March 31, 2022
Prepared in Conformity with Accounting Principles Generally Accepted in Japan (Japanese GAAP)
English Translation of the Original Japanese-Language Report

SOHGO SECURITY SERVICES CO., LTD.

(Code No.:2331, TSE Prime Market)

URL <https://www.alsok.co.jp/en/ir/>

Representative: Yukiyasu Aoyama, President and Representative Director

Financial and accounting: Koji Kishimoto, Director and Senior Executive Officer (Phone: +81-3-3470-6811)

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

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2022 (April 1, 2021 - March 31, 2022)

(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, 2022	489,092	4.1	42,865	15.3	44,796	14.2	28,964	15.8
March 31, 2021	469,920	2.1	37,182	1.1	39,212	0.9	25,014	3.5

Note: Comprehensive income Year ended March 31, 2022 ¥31,890 million (23.2%)
Year ended March 31, 2021 ¥41,541 million 100.6%

	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 ending					
March 31, 2022	286.11	-	10.0	9.2	8.8
March 31, 2021	247.09	-	9.6	8.6	7.9

Reference: Equity in earnings of affiliates Year ended March 31, 2022 ¥1,588 million
Year ended March 31, 2021 ¥1,399 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, 2022	488,278	327,509	61.5	2,964.85
March 31, 2021	481,465	304,427	57.6	2,741.27

Reference: Equity capital Year ended March 31, 2022 ¥300,147 million
Year ended March 31, 2021 ¥277,512 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, 2022	42,736	(14,093)	(18,183)	63,644
March 31, 2021	55,522	(38,452)	(12,714)	53,143

2. Dividend

	Dividends per share					Total dividends (Annual)	Consolidated payout ratio	Consolidated dividends to net assets
	End of 1Q	End of 2Q	End of 3Q	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended								
March 31, 2021	-	35.00	-	37.00	72.00	7,290	29.1	2.8
March 31, 2022	-	38.00	-	44.00	82.00	8,303	28.7	2.9
Fiscal year ending								
March 31, 2023 (Forecast)	-	43.00	-	43.00	86.00		29.1	

3. Forecasts for the consolidated financial results for the fiscal year ending March 31, 2023 (April 1, 2022 - March 31, 2023)

(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
Interim	245,300	0.0	19,500	(21.5)	20,000	(22.3)	12,000	(25.5)	118.53
Annual	510,000	4.3	45,300	5.7	47,000	4.9	29,900	3.2	295.35

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 19 “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, 2022	102,040,042 shares	Fiscal year ended March 31, 2021	102,040,042 shares
② Number of shares of treasury stock	Fiscal year ended March 31, 2022	804,851 shares	Fiscal year ended March 31, 2021	805,021 shares
③ Average number of shares throughout the fiscal year	Fiscal year ended March 31, 2022	101,235,025 shares	Fiscal year ended March 31, 2021	101,235,046 shares

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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, 2022 (April 1, 2021 – March 31, 2022)

During the fiscal year under review, the Japanese economy continued its overall movement toward recovery after September 2021 when the fifth wave of coronavirus infection rapidly subsided, although many prefectures declared state of emergency and implemented priority measures to prevent the spread of COVID-19 which has been ongoing since the year before last. Although further recovery was expected due to the prevalence of vaccinations, the spread of the highly infectious Omicron variant from January caused 35 prefectures to implement quasi-emergency measures that were finally lifted entirely on March 21, with the outlook remaining uncertain. In addition, a drastic uptrend in prices of resources and raw materials due to the logistical disruption caused by the COVID-19 pandemic was accelerated by Russia's invasion of Ukraine in February, bringing on a different set of circumstances from those of the 30-year period of stagnation and deflationary economy. Looking ahead, despite the formulation of comprehensive emergency policy measures against price hikes in crude oil and other goods, the impact that will be exerted on the Japanese economy by the weak yen, soaring prices of crude oil and other raw materials, and rising production costs including higher wages is unpredictable. Cautious observation is further required of overseas situations such as rising inflation and monetary policy trends in the United States, the slowdown of the Chinese economy due to the zero-corona policy and other factors, the situation in Ukraine, and geopolitical risks such as North Korean missile test launches.

In the field of security, customers' needs for safety and security are expanding to encompass measures to prevent infectious diseases, particularly in manufacturing industries. In recent years, there has been an increase in the number of cyber-attacks on critical infrastructure and supply chains, for which international countermeasures need to be strengthened. Other sources of concern include the declining birthrate, aging population and declining workforce, as well as the safety and security of the elderly, women, children, and other vulnerable social groups. The arson-murder case in Osaka last December that caused numerous casualties and the Shiretoko sightseeing boat accident have been among the crimes and accidents close to people's daily lives, which have been on the rise. Against a backdrop of successive natural disasters, aging infrastructure, and calls for regional development, society's needs for safety and security are diversifying, and environmental needs, such as the formation of a carbon-neutral and recycling-oriented society, are increasing. Therefore, the expectations on our Group to continue to provide integrated services for security, facilities, and long-term care remain high.

Amid these conditions, 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 Long-Term Care Services business), which are indispensable for ensuring the stability of the lives of the people and the national economy, while taking sufficient infection prevention measures. In addition to playing a central role in security for the Olympic and Paralympic Games Tokyo 2020, we have contributed to the response to the COVID-19 contagion by providing security at vaccination sites and other locations. 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.

As a result, consolidated net sales during the fiscal year under review increased 4.1% year on year to ¥489,092 million, operating income increased 15.3% to ¥42,865 million, ordinary income increased 14.2% to ¥44,796 million, and profit attributable to owners of parent increased 15.8% to ¥28,964 million.

Sales by Business Segment

Business Segment	Fiscal year ended March 31, 2021		Fiscal year ended March 31, 2022		YoY	
	Amount (Millions of yen)	Share (%)	Amount (Millions of yen)	Share (%)	Amount (Millions of yen)	Increase/ Decrease (%)
Security Services						
Electronic Security Services	176,711	37.6	177,210	36.2	499	0.3
Stationed Security Services	113,168	24.1	128,894	26.4	15,726	13.9
Transportation Security Services	65,680	14.0	67,870	13.9	2,190	3.3
Total	355,559	75.7	373,975	76.5	18,415	5.2
General Property Management and Fire Protection Services	68,173	14.5	67,435	13.8	(737)	(1.1)
Long-Term Care Services	40,375	8.6	41,649	8.5	1,274	3.2
Total for reportable segments	464,108	98.8	483,060	98.8	18,952	4.1
Other Services	5,812	1.2	6,032	1.2	219	3.8
Total	469,920	100.0	489,092	100.0	19,172	4.1

By business segment, the main factors for change are as follows.

Within the Security Services segment, the Company has provided services for corporate clients through our Electronic Security Services business, which promoted sales of ALSOK-G7 (read as “ALSOK G-seven”), equipped with live video monitoring as a standard feature, providing optional services such as image storage and remote monitoring using images, as well as remote equipment control and contributes to customers' manpower-saving needs by linking with a central monitoring system. We will continue to expand our corporate services by utilizing ALSOK-G7.

The Company offers a range of services for individual customers, which include Home Security Basic, the standard solution for private homes that is easy-to install. We also promote sales of HOME ALSOK MIMAMORI SUPPORT, a monitoring service for the elderly that uses built-in temperature and humidity sensors to monitor for heat stroke in the home, and a standard function that notifies family members by e-mail when the customer goes out or comes home. In August 2021, we updated the dedicated Home Security Basic app, adding a Health Consultation service available to subscribers free of charge at the touch of a button. In addition, customers can now easily apply for the HOME ALSOK House Support Monthly Membership Plan, a service for convenient living that offers housekeeping, housecleaning, and other preferential services. In March 2022, we began offering the Self-Security HOME ALSOK Outdoor Wireless IP Camera, which allows users to check real-time video and recorded video from remote locations via a smartphone app, with the option of requesting ALSOK to rush to the scene in the event of an emergency. We will continue to broaden our product and service offerings to meet the increasingly diverse safety and security needs of individuals.

In the area of stationed security services, we played a central role as co-representative in the Olympic and Paralympic Games Tokyo 2020 Security Consortium, contributing to the successful conclusion of the Games. In addition, while providing security at places such as vaccination centers and recovery accommodation facilities for people with light symptoms of COVID-19 infection, we will expand robotic functions to replace security guards in patrol and monitoring services, where human resources are in short supply.

In transportation security services, the need to streamline cash management operations in the public and private sectors remains as strong as ever. We continue to expand sales of our Cash Deposit and Dispenser Machine Online System, which has been well received by a wide range of local governments as a solution to improve efficiency in collection operations for taxes and public funds. In addition, as a new solution to support regional financial institutions and others in improving operational efficiency and reducing costs, we have been commissioned to provide centralized operations of an electronic clearinghouse for bills and checks, and have already launched a joint center where some operations began in April 2022. We will continue our efforts to further expand outsourcing contracts with financial institutions and local public sector bodies.

As a result, sales in the Security Services segment increased 5.2% year on year to ¥373,975 million, while operating income increased 9.7% year on year to ¥40,758 million.

In the General Property Management and Fire Protection Services segment, sales related to COVID-19, such as vaccination center operational support, were robust, as were sales related to the Tokyo 2020 Games. Due to the impact of a decline in completions in the construction work sector, however, sales decreased 1.1% year-on-year to ¥67,435 million, while operating income was ¥8,244 million, up 5.2% year-on-year. Moreover, in addition to the facilities management capital and business alliance between the Company and Mitsubishi Corporation initiated on February 28, 2020, the Company will further expand its facilities management operations in Japan and overseas led by ALSOK FACILITIES CO., LTD., launched on April 1, 2021, as a merger between consolidated subsidiaries (the former ALSOK Building Services Co., Ltd., and Nippon Building Maintenance Co., Ltd.) based on the concept of integrating security, facilities and construction. In November 2021, we launched a drone aerial photography service for inspections of bridges and other social infrastructure, contributing to national resilience. We will continue to provide various services utilizing drones to inspect and survey aging infrastructure, exterior walls, and various other facilities in addition to panel inspections of vast solar facilities, thereby contributing to operational efficiency and labor savings.

In the Long-Term Care Services segment, net sales were up 3.2% year-on-year at ¥41,649 million, and operating income was up 130.8% year-on-year at ¥1,621 million due to improved facility occupancy rates and a recovery in the number of home-visit massage therapy users. We will continue to strengthen our management base and expand our facilities by streamlining Long-Term Care Services operations through the use of nursing care support AI robots, etc., while providing total care that no other company can match under the unified “ALSOK's Care” Long-Term Care Services brand. In line with the capital and business alliance between ALSOK, Mitsubishi Corporation and Nippon Care Supply Co., Ltd., pertaining to long-term care services and lifestyle support services for the elderly that commenced in December 2020, the Company will also strive to further expand services for long-term care providers and lifestyle support services for long-term care service users and the elderly. By utilizing this customer base, we will strive to expand sales of the Group's products and services. In March 2022, we began collaborating with the SOMPO Group to work on solving social issues in the long-term care industry. Based on the system established by the SOMPO Group for optimizing long-term care business processes, we will jointly create solutions that can contribute to solving various issues in the long-term care services industry by utilizing data and other resources held by our nursing care facilities. Furthermore, an agreement was reached to provide services including those related to long-term care at the Senior Service Residence facilities of Mitsui Fudosan Residential Co., Ltd. We will continue to improve the efficiency and quality of our Long-Term Care Services as we implement the business operations targeting a wide range of users including independent and active seniors.

In other areas, sales of PCR testing services have been strong, and we have introduced ALSOK Multi QR Payment Solution, a proprietary QR code payment service that has steadily expanded in response to the trend toward a cashless society. In August 2021, we began offering the ALSOK Office Doctor Pack, which provides optimized employee health management support for workplaces which are not required to appoint an occupational physician because they have fewer than 50 employees. In December 2021, we began offering the ALSOK Health Consultation Pack, which provides a telephone hotline for consultation on health, mental health, and harassment issues as a job benefit for employees.

In a society where risks are diversifying, 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, 2021		Fiscal year ended March 31, 2022		YoY	
	Amount (Millions of yen)	Share (%)	Amount (Millions of yen)	Share (%)	Amount (Millions of yen)	Increase/ Decrease (%)
Net sales	469,920	100.0	489,092	100.0	19,172	4.1
Cost of sales	352,811	75.1	363,511	74.3	10,699	3.0
Gross profit	117,108	24.9	125,581	25.7	8,472	7.2
Selling, general and administrative expenses	79,926	17.0	82,715	16.9	2,788	3.5
Operating income	37,182	7.9	42,865	8.8	5,683	15.3
Non-operating income	5,184	1.1	5,158	1.1	(25)	(0.5)
Non-operating expenses	3,154	0.7	3,227	0.7	73	2.3
Ordinary income	39,212	8.3	44,796	9.2	5,584	14.2
Extraordinary income	178	0.0	1,309	0.3	1,131	632.2
Extraordinary loss	529	0.1	376	0.1	(152)	(28.8)
Income taxes	12,006	2.6	15,003	3.1	2,997	25.0
Profit attributable to non-controlling interests	1,841	0.4	1,762	0.4	(78)	(4.3)
Profit attributable to owners of parent	25,014	5.3	28,964	5.9	3,949	15.8

In the year under review, net sales increased ¥19,172 million, or 4.1%, year on year, to ¥489,092 million.

Cost of sales was ¥363,511 million due to a ¥15,080 million increase in subcontracting and other expenses resulting from the increase in sales.

Selling, general and administrative expenses totaled ¥82,715 million due to the posting of ¥2,392 million in outsourcing fees and ¥903 million in depreciation and amortization expenses following the start of operation of the sales office system.

Ordinary income increased ¥5,584 million or 14.2% year on year to ¥44,796 million, in line with an increase in operating income.

The increase in extraordinary income was the result of a ¥1,017 million increase in compensation income and a ¥124 million increase in gain on sales of noncurrent assets.

Extraordinary losses declined due to decreases of ¥79 million in loss on retirement of noncurrent assets and ¥36 million in impairment losses.

In line with the growth in operating income, profit attributable to owners of parent increased ¥3,949 million, or 15.8%, to ¥28,964 million.

Comprehensive income decreased by ¥9,650 million, or 23.2%, to ¥31,890 million. While net income increased by ¥3,870 million, the change in remeasurements of defined benefit plans, net of tax, decreased by ¥10,934 million and the change in valuation difference on available-for-sale securities decreased by ¥2,546 million, reflecting soft financial market conditions.

(2) Overview of Financial Position

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

Item		As of March 31, 2021		As of March 31, 2022		YoY	
		Amount (Millions of yen)	Share (%)	Amount (Millions of yen)	Share (%)	Amount (Millions of yen)	Increase/ Decrease (%)
Assets	Current assets	227,617	47.3	233,872	47.9	6,255	2.7
	Noncurrent assets	253,847	52.7	254,405	52.1	557	0.2
	Total assets	481,465	100.0	488,278	100.0	6,812	1.4
Liabilities	Current liabilities	103,793	21.6	90,384	18.5	(13,408)	(12.9)
	Noncurrent liabilities	73,243	15.2	70,383	14.4	(2,860)	(3.9)
	Total liabilities	177,037	36.8	160,768	32.9	(16,269)	(9.2)
Total net assets		304,427	63.2	327,509	67.1	23,081	7.6

Total net assets on March 31, 2022 were up ¥6,812 million or 1.4% from the end of the previous fiscal year to ¥488,278 million. Of this amount, current assets increased ¥6,255 million, or 2.7%, to ¥233,872 million, and noncurrent assets increased ¥557 million, or 0.2%, to ¥254,405 million.

The increase in current assets was the result of a ¥10,523 million increase in cash and deposits and a ¥2,174 million increase in notes and accounts receivable-trade and contract assets (compared to notes and accounts receivable-trade at the end of the previous fiscal year), while cash for transportation security services decreased by ¥6,051 million.

Noncurrent assets increased mainly due to a ¥5,057 million increase in net defined benefit assets, while goodwill, deferred tax assets, and lease assets decreased by ¥2,581 million, ¥1,347 million, and ¥765 million, respectively.

Total liabilities at the end of the fiscal year under review were ¥160,768 million, down ¥16,269 million, or 9.2%, from the end of the previous fiscal year. Of this amount, current liabilities decreased ¥13,408 million, or 12.9%, to ¥90,384 million, and noncurrent liabilities decreased ¥2,860 million, or 3.9%, to ¥70,383 million.

Current liabilities decreased, mainly as a result of a ¥12,466 million decrease in short-term loans payable.

Noncurrent liabilities decreased, mainly as a result of a ¥2,383 million decrease in long-term loans payable.

Total net assets on March 31, 2022 were up ¥23,081 million or 7.6% from the end of the previous fiscal year to ¥327,509 million.

(3) Overview of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	YoY (%)
Net cash provided by (used in) operating activities	55,522	42,736	(23.0)
Net cash provided by (used in) investing activities	(38,452)	(14,093)	(63.3)
Net cash provided by (used in) financing activities	(12,714)	(18,183)	43.0
Effect of exchange rate change on cash and cash equivalents	(2)	41	-
Net increase (decrease) in cash and cash equivalents	4,353	10,500	141.2
Cash and cash equivalents at beginning of period	48,790	53,143	8.9
Cash and cash equivalents at end of period	53,143	63,644	19.8

Cash and cash equivalents at end of period were ¥63,644 million, up 19.8% year on year.

a. Cash flows from operating activities

During the year under review, net cash provided by operating activities amounted to ¥42,736 million, 23.0% less than in the preceding fiscal year. Principal sources of cash were ¥45,729 million in income before income taxes (up 17.7%), and internal reserve of cash held by ¥16,861 million in depreciation and amortization (up 6.5%). Major uses of cash included ¥12,593 million in income taxes paid (up 2.1%), and a decrease in assets and liabilities for Transportation Security Services of ¥5,904 million (compared to a ¥8,894 million increase in the previous fiscal year).

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. Cash flows from investing activities

Net cash used in investing activities during the year under review totaled ¥14,093 million, down 63.3% from the previous fiscal year. The main factor was the acquisition of ¥13,109 million in property, plant and equipment, up 9.8% from the previous year.

c. Cash flows from financing activities

Net cash used in financing activities during the year under review totaled ¥18,183 million, up 43.0% from the previous fiscal year. This resulted from uses of cash including ¥7,594 million in cash dividends paid, up 6.4% year-on-year, ¥5,302 million in repayments of lease obligations, up 1.0% year-on-year, and ¥2,980 million in repayment of long-term loans payable, down 8.7% year-on-year.

d. Trends in Cash Flow Indicators for the ALSOK Group

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Equity ratio	57.3%	57.6%	61.5%
Equity ratio on a market value basis	124.2%	110.0%	82.9%
Interest-bearing liabilities to cash flow ratio	69.6%	51.2%	31.4%
Interest coverage ratio	26.2 times	27.3 times	22.3 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

The outlook for Japan's economy during the next fiscal year remains unclear amid continuing uncertainty about the prospects for the abatement of the COVID-19 contagion. Amid this uncertainty, despite the formulation of comprehensive emergency policy measures against price hikes in crude oil and other goods, the impact that will be exerted on the Japanese economy by the weak yen, soaring prices of crude oil and other raw materials, and rising production costs including higher wages remains unpredictable. Cautious observation is further required of overseas situations such as rising inflation and monetary policy trends in the United States, the further slowdown of the Chinese economy due to the zero-corona policy and other factors, the situation in Ukraine, and geopolitical risks such as North Korean missile test launches. In the field of security, there has been an increase in the number of cyber-attacks on critical infrastructure and supply chains, for which international countermeasures need to be strengthened. Other sources of concern include the declining birthrate, aging population and declining workforce, as well as the safety and security of the elderly, women, children, and other vulnerable social groups. The arson-murder case in Osaka last December that caused numerous casualties and the Shiretoko sightseeing boat accident have been among the crimes and accidents close to people's daily lives, which have been on the rise. Against a backdrop of successive natural disasters, aging infrastructure, and calls for regional development, society's needs for safety and security are diversifying, and environmental needs, such as the formation of a carbon-neutral and recycling-oriented society, are increasing. Therefore, the expectations on our Group to continue to provide integrated services for security, facilities, and long-term care remain high.

In this 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 business of Long-Term Care Services and Lifestyle Support Services for the Elderly), which are indispensable for ensuring the stability of the lives of the people and the national economy, while taking the sufficient infection prevention measures.

Furthermore, to correspond to expanding needs for safety and security in the society facing diversifying risks, the ALSOK Group aims to become a resilient integrated safety and security solutions provider by promoting the innovation of the security business model. To achieve this, we will enhance our response capacity towards the 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.

Consequently, the ALSOK Group forecasts net sales of ¥510,000 million for the fiscal year ending March 31, 2023, up 4.3% year on year. We expect operating income to grow 5.7%, to ¥45,300 million, ordinary income to rise 4.9%, to ¥47,000 million, and profit attributable to owners of parent to expand 3.2%, to ¥29,900 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.

Despite the formulation of comprehensive emergency policy measures against price hikes in crude oil and other goods, there are persistent expectations of a weakening yen, rising raw materials prices and increasing production costs including wage hikes. As a company that has declared our commitment to building partnerships, we will continue to aim for co-existence and co-prosperity with our business partners, 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 COVID-19

The ALSOK Group is taking appropriate measures to prevent the spread of infection and maintain business continuity based on the national government's basic policy and action plans and municipal guidelines for businesses on preventing the spread of COVID-19. The Group also makes every effort to appropriately address emerging needs for safety and security of customers and society.

C. Responding to the Diverse Safety and Security Needs of Customers and Society

Amid surging COVID-19 infections and an increased risk of cyber-attacks on critical infrastructure and supply chains requiring strengthened international countermeasures mindful of geopolitical risk, we also see an increase in common crimes and accidents impacting senior citizens, women, children, and other vulnerable members of society, 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.

D. 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 new 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.

E. Digitization and Data Utilization

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.

F. Creating Environments in Which Employees Can Play Active Roles

The ALSOK Group will further promote workstyle 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 that support elder lifestyles.

G. Initiatives to Strengthen Sustainability

The ALSOK Group will strive to achieve sustainable growth and the medium- to long-term enhancement of corporate value by strengthening corporate governance. The Company will contribute to attaining the SDGs through our CSR activities. At the same time, in recognition of global climate problems as issues affecting all humanity, ALSOK is promoting environmentally friendly activities with the aim of contributing to the realization of a sustainable society. These efforts include initiatives to reduce CO2 emissions by contributing to the adoption of electric vehicles (EVs), sales of EV charging facilities and the widespread operation of EV recharging facilities through our work in facilities construction and maintenance. As part of our initiatives to preserve the ecosystem, eight companies in our group have been accredited as “Certified Wildlife Capture Operators,” and ALSOK Chiba Co., Ltd. opened a meat processing facility in July 2020 for the sale of wild game meats. As part of our initiatives for a circular economy, we began offering the “Disaster Stockpile Utilization Service Contributing to Society” in April 2022. This service allows customers to use disaster stockpiles at a fixed price. Unused disaster stockpile items are collected six months before their expiration dates and donated to various social welfare facilities, thereby contributing to the reduction of food loss, which has become a societal issue. ALSOK Group understands environmental issues to be among the risks that are diversifying, and we are committed to resolving these issues.

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 will offer products and services optimized for individual countries as we proactively expand our operations to support the overseas businesses of our customers.

(5) Other Important Items in Management of the Company

- A. As of April 1, 2021, a merger was concluded between ALSOK consolidated subsidiaries ALSOK Building Services Co., Ltd., and Nippon Building Maintenance Co., Ltd., both of which were primarily engaged in the General Property Management and Fire Protection Services business. Upon conclusion of the merger, the trade name of the surviving company, Nippon Building Maintenance Co., Ltd., was changed to ALSOK FACILITIES CO., LTD.
- B. Effective April 1, 2022, the Company merged ALSOK LEASING CO., LTD., a consolidated subsidiary of the Company engaged in the leasing and installment sales business, in order to improve the efficiency of the group structure.

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, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	60,833	71,357
Cash for Transportation Security Services	82,819	76,768
Notes and accounts receivable-trade	54,283	-
Notes and accounts receivable-trade and contract assets	-	56,458
Lease receivables and investment assets	5,311	5,100
Short-term investment securities	598	380
Raw materials and supplies	7,551	7,509
Costs on uncompleted construction contracts	348	222
Advances paid	5,670	6,892
Other	10,380	9,324
Allowance for doubtful accounts	(180)	(140)
Total current assets	227,617	233,872
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	50,190	51,338
Accumulated depreciation	(27,398)	(28,337)
Buildings and structures, net	22,792	23,001
Machinery, equipment and vehicles	144,246	145,372
Accumulated depreciation	(125,114)	(126,660)
Machinery, equipment and vehicles, net	19,132	18,712
Land	21,728	22,034
Lease assets	52,682	53,439
Accumulated depreciation	(21,295)	(22,817)
Lease assets, net	31,387	30,621
Construction in progress	2,782	2,951
Other	20,324	22,221
Accumulated depreciation	(14,765)	(16,167)
Other, net	5,559	6,054
Total property, plant and equipment	103,383	103,376
Intangible assets		
Software	4,469	9,476
Goodwill	29,678	27,097
Other	9,099	3,174
Total intangible assets	43,247	39,747
Investments and other assets		
Investment securities	55,639	56,148
Long-term loans receivable	327	411
Leasehold and guarantee deposits	8,254	8,015
Insurance funds	1,549	1,434
Net defined benefit asset	19,938	24,995
Deferred tax assets	8,449	7,102
Other	13,506	13,603
Allowance for doubtful accounts	(447)	(429)
Total investments and other assets	107,217	111,281
Total noncurrent assets	253,847	254,405
Total assets	481,465	488,278

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	24,084	23,098
Short-term loans payable	20,950	8,483
Current portion of long-term loans payable	2,929	2,795
Accounts payable - other	20,393	22,425
Lease obligations	5,260	5,306
Income taxes payable	6,585	6,751
Accrued consumption taxes	6,137	4,573
Provision for bonuses	2,419	2,065
Provision for directors' bonuses	96	98
Other	14,935	14,785
Total current liabilities	103,793	90,384
Noncurrent liabilities		
Long-term loans payable	4,528	2,145
Lease obligations	36,313	35,529
Deferred tax liabilities	748	991
Deferred tax liabilities for land revaluation	128	314
Net defined benefit liability	26,974	27,175
Provision for directors' retirement benefits	1,673	1,540
Asset retirement obligations	480	486
Provision for loss on litigation	57	57
Other	2,339	2,142
Total noncurrent liabilities	73,243	70,383
Total liabilities	177,037	160,768
Net Assets		
Shareholders' equity		
Capital stock	18,675	18,675
Capital surplus	34,026	34,129
Retained earnings	220,464	241,718
Treasury stock	(1,071)	(1,072)
Total shareholders' equity	272,094	293,450
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7,026	6,917
Revaluation reserve for land	(3,494)	(3,378)
Foreign currency translation adjustment	(29)	321
Remeasurements of defined benefit plans	1,915	2,836
Total valuation and translation adjustments	5,417	6,696
Non-controlling interests	26,915	27,362
Total net assets	304,427	327,509
Total liabilities and net assets	481,465	488,278

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

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Net sales	469,920	489,092
Cost of sales	352,811	363,511
Gross profit	117,108	125,581
Selling, general and administrative expenses	79,926	82,715
Operating income	37,182	42,865
Non-operating income		
Interest income	171	181
Dividends income	702	666
Gain on sales of investment securities	15	126
Rent income	352	345
Gain from insurance claim	44	76
Share of profit of entities accounted for using equity method	1,399	1,588
Dividend income of life insurance	289	247
Penalty income	734	724
Other	1,472	1,201
Total non-operating income	5,184	5,158
Non-operating expenses		
Interest expenses	2,036	1,913
Loss on sales of investment securities	-	5
Loss on sales of non-current assets	8	4
Loss on retirement of non-current assets	237	271
Financing expenses	272	266
Other	599	766
Total non-operating expenses	3,154	3,227
Ordinary income	39,212	44,796
Extraordinary income		
Gain on sales of investment securities	24	17
Gain on sales of noncurrent assets	99	224
Gain on liquidation of subsidiaries	4	-
Compensation income	50	1,067
Total extraordinary income	178	1,309
Extraordinary loss		
Loss on valuation of investment securities	39	65
Loss on sales of investment securities	0	0
Impairment loss	344	307
Loss on sales of non-current assets	8	3
Loss on retirement of non-current assets	79	-
Provision for loss on litigation	57	-
Total extraordinary loss	529	376
Income before income taxes	38,862	45,729
Income taxes-current	12,848	13,587
Income taxes-deferred	(842)	1,415
Total income taxes	12,006	15,003
Net income	26,855	30,726
Profit attributable to non-controlling interests	1,841	1,762
Profit attributable to owners of parent	25,014	28,964

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Net income	26,855	30,726
Other comprehensive income		
Valuation difference on available-for-sale securities	2,480	(65)
Foreign currency translation adjustment	(41)	148
Remeasurements of defined benefit plans, net of tax	11,825	891
Share of other comprehensive income (loss) of associates accounted for using equity method	421	190
Total other comprehensive income (loss)	14,686	1,164
Comprehensive income	41,541	31,890
(Contents)		
Comprehensive income attributable to owners of the parent	39,371	30,127
Comprehensive income attributable to non-controlling interests	2,170	1,763

(3) Consolidated Statements of Changes in Net Assets

Fiscal year ended March 31, 2021

(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	34,243	203,375	(1,070)	255,222
Changes of items during the period					
Dividends from surplus			(7,138)		(7,138)
Profit attributable to owners of parent			25,014		25,014
Change in ownership interest of parent due to transactions with non-controlling interests		(216)			(216)
Purchase of treasury stock				(0)	(0)
Reversal of revaluation reserve for land			(786)		(786)
Purchase of consolidated subsidiary shares resulting in increase or decrease of interest					-
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	(216)	17,089	(0)	16,872
Balance at the end of current period	18,675	34,026	220,464	(1,071)	272,094

	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	4,609	(4,281)	(167)	(9,886)	(9,725)	24,935	270,432
Changes of items during the period							
Dividends from surplus							(7,138)
Profit attributable to owners of parent							25,014
Change in ownership interest of parent due to transactions with non-controlling interests							(216)
Purchase of treasury stock							(0)
Reversal of revaluation reserve for land							(786)
Purchase of consolidated subsidiary shares resulting in increase or decrease of interest							-
Net changes of items other than shareholders' equity	2,416	786	137	11,802	15,143	1,980	17,123
Total changes of items during the period	2,416	786	137	11,802	15,143	1,980	33,995
Balance at the end of current period	7,026	(3,494)	(29)	1,915	5,417	26,915	304,427

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
Change in ownership interest of parent due to transactions with non-controlling interests					-
Purchase of treasury stock				(0)	(0)
Reversal of revaluation reserve for land			(115)		(115)
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							28,964
Change in ownership interest of parent due to transactions with non-controlling interests							-
Purchase of treasury stock							(0)
Reversal of revaluation reserve for land							(115)
Purchase of consolidated subsidiary shares resulting in increase or decrease of interest							103
Net changes of items other than shareholders' equity	(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

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Cash flows from operating activities		
Income before income taxes	38,862	45,729
Depreciation and amortization	15,828	16,861
Impairment loss	344	307
Amortization of goodwill	2,452	2,427
Increase (decrease) in allowance for doubtful accounts	(51)	(57)
Increase (decrease) in net defined benefit liability	106	(253)
Increase (decrease) in provision for bonuses	8	(358)
Increase (decrease) in provision for directors' bonuses	(5)	1
Interest and dividends income	(874)	(847)
Interest expenses	2,036	1,913
Share of loss (profit) of entities accounted for using equity method	(1,399)	(1,588)
Loss (gain) on sales of noncurrent assets	(85)	(219)
Loss on retirement of non-current assets	316	271
Loss (gain) on sales of investment securities	(39)	(138)
Loss (gain) on valuation of investment securities	39	65
Loss (gain) on valuation of derivatives	(7)	254
Decrease (increase) in notes and accounts receivable - trade	3,222	(2,126)
Decrease (increase) in inventories	(480)	175
Increase (decrease) in notes and accounts payable - trade	(1,483)	485
Decrease (increase) in net defined benefit asset	(1,021)	(3,324)
Decrease (increase) in assets and liabilities for Transportation Security Services	8,894	(5,904)
Other	2,054	2,189
Subtotal	68,716	55,862
Interest and dividends income received	1,160	1,377
Interest expenses paid	(2,030)	(1,918)
Income taxes paid	(12,337)	(12,593)
Income taxes refund	13	9
Cash flows from operating activities	55,522	42,736

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Cash flows from investing activities		
Decrease (increase) in time deposits	(131)	105
Payments into long-term time deposits	(2,017)	(200)
Proceeds from withdrawal of long-term time deposits	20	50
Purchase of property, plant and equipment	(11,937)	(13,109)
Proceeds from sales of property, plant and equipment	358	584
Purchase of intangible assets	(1,502)	(2,695)
Purchase of investment securities	(2,785)	(2,095)
Proceeds from sales of investment securities	585	1,522
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(13,689)	-
Purchase of shares of subsidiaries and associates	(9,164)	-
Decrease (increase) in short-term loans receivable	15	14
Payments of long-term loans receivable	(101)	(233)
Collection of long-term loans receivable	125	66
Proceeds from refund of leasehold and guarantee deposits	1,096	259
Other	673	1,638
Cash flows from investing activities	(38,452)	(14,093)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	948	(1,553)
Proceeds from long-term loans payable	2,247	462
Repayment of long-term loans payable	(3,264)	(2,980)
Redemption of bonds	(9)	-
Purchase of treasury stock	(0)	(0)
Repayments of lease obligations	(5,248)	(5,302)
Cash dividends paid	(7,138)	(7,594)
Cash dividends paid to attributable to non-controlling interests	(471)	(539)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(628)	(675)
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	850	-
Net cash provided by (used in) financing activities	(12,714)	(18,183)
Effect of exchange rate change on cash and cash equivalents	(2)	41
Net increase (decrease) in cash and cash equivalents	4,353	10,500
Cash and cash equivalents at beginning of period	48,790	53,143
Cash and cash equivalents at end of period	53,143	63,644

(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 standard, etc., related to revenue recognition)

The Company adopted the Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan [ASBJ] Statement No. 29, March 31, 2020.) from the beginning of the current fiscal year, and thus recognizes revenue at the amount expected to be received in exchange for the promised goods or services when control of the goods or services is transferred to the customer.

Therefore, the ALSOK Group recognizes revenues generated by the Group as follows:

① Contract proceeds

For contract proceeds obtained as a result of the provision of services, the Company recognizes revenue over a specified period of time upon satisfaction of the performance obligations in the contract with the customer.

② Construction proceeds

For contract proceeds obtained as a result of the installation of alarm systems, repairs and renovations of various building facilities, and plumbing and electrical work provided on a lease or rental basis, the Company's basic practice is to recognize revenue over the specified period of time upon satisfaction of the performance obligations of the contract with the customer. However, the Company recognizes revenues at the time of completion of the construction work for items with a very short construction period, such as the installation of alarm systems, which account for the majority of construction proceeds.

③ Proceeds from sales

Regarding proceeds obtained as a result of product sales (including installation of sold products), the Company recognizes revenue at the point in time of delivery to the customer.

In accordance with the transitional treatment stipulated in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition, the cumulative effect of retroactive application of the new accounting policy prior to the beginning of the current fiscal year was calculated. Since the cumulative effect was of extremely small consequence, however, the new accounting policy was applied without adding to or subtracting from retained earnings at the beginning of the current fiscal year.

Due to the application of the Accounting Standard for Revenue Recognition, "Notes and accounts receivable-trade," which were presented under "Current assets" in the consolidated balance sheet for the previous fiscal year, are included under "Notes and accounts receivable-trade and contract assets" in the current fiscal year. In accordance with the transitional treatment stipulated in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, reclassification using the new presentation has not been applied to the previous fiscal year. In accordance with the transitional treatment stipulated in Paragraph 89-3 of the Accounting Standard for Revenue Recognition, information breaking down revenue generated from contracts with customers from the previous fiscal year is not presented.

(Application of accounting standards related to market value calculation)

The Accounting Standard for Fair Value Calculation (ASBJ Statement No. 30, July 4, 2019) and others are applied from the beginning of the current fiscal year. In accordance with the transitional treatment prescribed in paragraph 19 of the Accounting Standard for Fair Value Calculation and paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the Company has decided to apply the new accounting policies stipulated by the Accounting Standard for Fair Value Calculation prospectively. The effect of this change on the consolidated financial statements for the current fiscal year is immaterial.

Segment Information and Other Related Information

1. Segment Information

(1) Outline of Reportable Segments

A. 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.

B. Change to reportable segments

Figures for the fiscal year ended March 31, 2021, have been restated to reflect the changes in reportable segments, as well as earnings and expense allocation methods in the fiscal year ended March 31, 2022

(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 Segments

A. Fiscal year ended March 31, 2021

(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								
Outside sales	355,559	68,173	40,375	464,108	5,812	469,920	-	469,920
Intersegment sales	228	117	8	353	227	581	(581)	-
Total	355,788	68,290	40,383	464,461	6,040	470,502	(581)	469,920
Income by reportable segment	37,149	7,835	702	45,687	981	46,669	(9,486)	37,182
Depreciation and amortization	12,562	1,166	1,683	15,412	388	15,800	27	15,828
Amortization of goodwill	887	24	1,462	2,375	77	2,452	-	2,452

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

Note 2. The ¥9,486 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.

(4) Information on Sales and Income (Loss) and Other Items by Reportable Segment, with Disaggregated Income Information
A. 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	339,880	35,165	41,557	416,603	5,569	422,173	–	422,173
Construction proceeds	5,797	19,441	26	25,265	3	25,269	–	25,269
Proceeds from sales	28,297	12,827	65	41,190	459	41,649	–	41,649
Revenue generated from contracts with customers	373,975	67,435	41,649	483,060	6,032	489,092	–	489,092
Outside sales	373,975	67,435	41,649	483,060	6,032	489,092	–	489,092
Intersegment sales	200	152	9	362	276	639	(639)	–
Total	374,176	67,587	41,659	483,423	6,309	489,732	(639)	489,092
Income by reportable segment	40,758	8,244	1,621	50,624	1,368	51,993	(9,127)	42,865
Depreciation and amortization	13,511	1,246	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.

2. Relative Information

(1) Fiscal year ended March 31, 2021

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.

(2) 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.

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

(1) Fiscal year ended March 31, 2021

There were no impairment losses attributed to reportable segments. The Company generated an impairment loss of ¥344 million not attributed to reportable segments. Of this amount, ¥281 million was on the value of land, ¥51 million was on the value of other property, plant and equipment, including tools, furniture and fixtures, ¥5 million was on the value of buildings and structures, ¥3 million was on the value of software, ¥1 million was on the value of other intangible assets, including leasehold interests in land, and ¥1 million was on the value of other investment and other assets, including long-term prepaid expenses.

(2) 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.

4. Information on Amortization of Goodwill and Unamortized Balance by Reportable Segment

(1) Fiscal year ended March 31, 2021

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, 2021, the balance of unamortized goodwill was ¥29,678 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.

(2) 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, 2022, 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.

5. Information on Negative Goodwill by Reportable Segment

(1) Fiscal year ended March 31, 2021

Not applicable

(2) Fiscal year ended March 31, 2022

Not applicable

Per Share Information

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Net assets per share (Yen)	2,741.27	2,964.85
Net income per share (Yen)	247.09	286.11

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, 2021	Fiscal year ended March 31, 2022
Net income per share		
Profit attributable to owners of parent (Millions of yen)	25,014	28,964
Amount not belonging to ordinary shareholders (Millions of yen)	-	-
Net income attributable to common stock owners of the parent (Millions of yen)	25,014	28,964
Weighted-average numbers of ordinary shares (Thousands of shares)	101,235	101,235

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

	As of March 31, 2021	As of March 31, 2022
Total net assets (Millions of yen)	304,427	327,509
Amount deducted from total net assets (Millions of yen)	26,915	27,362
(Non-controlling interests) (Millions of yen)	(26,915)	(27,362)
Net assets at end of year relating to common stock (Millions of yen)	277,512	300,147
Amount of common stock at end of year used for calculating net assets per share (Thousands of shares)	101,235	101,235