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# Annual Securities Report

Filing of report pursuant to Article 24, Paragraph 1 of the  
Financial Instruments and Exchange Act

Fiscal year  
(29th)

From April 1, 2022  
To March 31, 2023

Japan Elevator Service Holdings Co., Ltd.

1-3-13 Nihonbashi, Chuo-ku, Tokyo

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[Documents to be filed]	Annual Securities Report
[Legal basis of the documents]	Article 24, Paragraph 1 of the Financial Instruments and Exchange Law
[Filed with]	Director-General of Kanto Finance Bureau
[Date of filing]	June 26, 2023
[Fiscal year]	29th Fiscal Period (from April 1, 2022 to March 31, 2023)
[Company name]	ジャパンエレベーターサービスホールディングス株式会社
[English translation name]	JAPAN ELEVATOR SERVICE HOLDINGS CO.,LTD.
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## Part I [Corporate Information]

### Item 1 [Company Overview]

#### 1 [Trends in Key Management Indicators]

##### (1) Consolidated Management Indicators

Term	25th	26th	27th	28th	29th
Fiscal Year End	March 2019	March 2020	March 2021	March 2022	March 2023
Net sales (thousands of yen)	17,900,056	21,339,756	24,521,058	29,751,566	34,907,002
Ordinary profit (thousands of yen)	2,001,092	2,703,523	3,715,453	4,225,914	5,100,617
Profit attributable to owners of parent (thousands of yen)	1,265,257	1,700,610	2,362,590	2,726,613	3,153,288
Comprehensive income (thousands of yen)	1,221,661	1,690,273	2,366,025	2,756,961	3,182,220
Net assets (thousands of yen)	3,937,263	5,177,089	10,505,355	11,756,098	13,678,622
Total assets (thousands of yen)	11,484,197	14,297,223	20,473,739	25,338,796	29,002,148
Net assets per share (yen)	48.42	63.34	115.97	131.42	151.74
Earnings per share (yen)	15.75	21.03	27.51	30.73	35.47
Diluted earnings per share (yen)	14.94	19.64	26.67	30.51	35.29
Equity ratio (%)	34.0	35.9	50.2	46.0	46.6
Return on equity (%)	37.7	37.6	30.7	24.9	25.1
Price / earnings ratio (times)	71.4	59.0	86.5	52.0	60.6
Cash flows from operating activities (thousands of yen)	1,617,798	1,963,085	3,018,188	3,005,817	4,253,561
Cash flows from investing activities (thousands of yen)	(736,428)	(2,454,573)	(3,955,439)	(3,279,101)	(3,509,267)
Cash flows from financing activities (thousands of yen)	(1,094,497)	593,978	1,460,038	765,202	(954,298)
Cash and cash equivalents at end of year (thousands of yen)	1,045,641	1,145,583	1,660,207	2,161,938	1,955,417
Number of employees (persons)	1,093	1,234	1,398	1,618	1,766

(Note) The Company conducted a 2-for-1 stock split of common stock on October 1, 2018 and a 2-for-1 stock split of common stock on January 1, 2021. Therefore, net assets per share, earnings per share and diluted earnings per share are calculated on the assumption that the stock split was conducted at the beginning of the 25th fiscal year.

## (2) Management Indicators of the Filing Company

Term	25th	26th	27th	28th	29th
Fiscal Year End	March 2019	March 2020	March 2021	March 2022	March 2023
Operating revenue (thousands of yen)	2,962,302	4,916,093	5,365,687	6,293,866	6,876,992
Ordinary profit (thousands of yen)	358,608	2,015,631	2,109,683	2,200,738	2,302,602
Profit (thousands of yen)	248,388	1,345,034	1,719,421	2,064,818	2,065,195
Share capital (thousands of yen)	671,195	700,321	2,460,276	2,480,044	2,493,058
Total number of shares issued and outstanding (shares)	40,290,800	40,538,600	88,574,000	88,753,600	89,067,200
Net assets (thousands of yen)	2,187,589	3,067,097	7,553,418	8,564,794	9,430,503
Total assets (thousands of yen)	8,682,106	10,435,682	15,433,972	19,724,345	22,169,300
Net assets per share (yen)	26.86	37.54	85.28	96.52	105.89
Dividend per share Common stock (yen)	13.00	18.00	12.00	14.00	17.00
(of which interim dividend per share)	(-)	(-)	(-)	(-)	(-)
Earnings per share (yen)	3.09	16.63	20.02	23.27	23.23
Diluted earnings per share (yen)	2.93	15.54	19.41	23.11	23.11
Equity ratio (%)	24.9	29.2	48.9	43.4	42.5
Return on equity (%)	11.7	51.7	32.5	25.6	23.0
Price / earnings ratio (times)	363.9	74.6	118.9	68.7	92.5
Dividend payout ratio (%)	210.4	54.1	59.9	60.2	73.2
Number of employees (persons)	142	161	184	233	235
Total shareholder return (%)	196.7	218.5	418.7	285.3	383.7
(Comparison index: TOPIX including dividends) (%)	(95.0)	(85.9)	(122.1)	(124.6)	(131.8)
Stock prices: period high (yen)	3,565	3,090	5,170	2,992	2,174
	*2,398		*2,767		
Stock prices: period low (yen)	1,866	1,901	2,280	1,424	1,234
	*1,359		*2,036		

- (Notes) 1. Effective October 1, 2018, the Company conducted a 2-for-1 stock split of common stock. As a result, the total number of outstanding shares increased by 20,064,000. In addition, a two-for-one stock split of common stock was conducted on January 1, 2021. As a result, the total number of outstanding shares increased by 44,277,000.
2. Dividend payout ratio is calculated by dividing dividend per share of common stock by earnings per share.
3. On September 10, 2018, the Company's stock was transferred from the Mothers market of the Tokyo Stock Exchange to the First Section of the same exchange, and on April 4, 2022, the Company's stock was transferred to the Prime market due to the revision of the market classification of the Tokyo Stock Exchange. The highest and lowest share prices are those on the Mothers market of the Tokyo Stock Exchange before September 9, 2018, on the First Section of the same exchange from September 10, 2018 to April 3, 2022, and on the Prime market of the same exchange after April 4, 2022.
4. Highest and lowest share prices marked with an asterisk (\*) are those after ex-rights due to stock split.
5. The Company conducted a 2-for-1 stock split of common stock on October 1, 2018 and a 2-for-1 stock split of common stock on January 1, 2021. Therefore, net assets per share, earnings per share and diluted earnings per share are calculated on the assumption that the stock split was conducted at the beginning of the 25th fiscal year.

## 2 [History]

In October 1994, Mr. Katsushi Ishida, President and Representative Director CEO, established "Japan Elevator Service Co., Ltd." as a company specializing in the maintenance of elevators and other equipment.

Subsequently, in April 2015, the company was split off and changed its name to "Japan Elevator Service Holdings Co., Ltd." as a holding company.

Time	Events
October 1994	Japan Elevator Service Co., Ltd. is established in Iwamoto-cho, Chiyoda-ku, Tokyo.
April 1999	Head office relocated to Higashi-Kanda, Chiyoda-ku, Tokyo.
May 2007	Developed PRIME, a remote inspection service.
June 2007	A control center dedicated to monitoring and responding to inquiries about the operational status of elevators 24 hours a day, 365 days a year, was established in the head office.
April 2010	KI Holdings, Inc. was established through a share transfer. KI Holdings becomes the parent company of the Company.
March 2014	The Company merged with KI Holdings Co., Ltd., whose business purpose is to manage subsidiaries, and Japan Elevator Service Chiba Co., Ltd. (changed its name to Japan Elevator Parts Co., Ltd. in March 2014), which was a subsidiary of KI Holdings became a subsidiary of the Company. Merged with Step Co., Ltd., whose main business was elevator maintenance.
April 2014	The procurement and sales operations related to elevator and other parts were transferred through an absorption-type demerger to Japan Elevator Parts Co., Ltd.
July 2014	Modernization Headquarters and Japan Elevator Parts Co., Ltd. moved to JES Solution Square (Shiohama, Koto-ku, Tokyo).
July 2014	Subsidiary JAPAN ELEVATOR SERVICE HONG KONG COMPANY LIMITED was established in Hong Kong.
January 2015	Five operating subsidiaries were established prior to the transformation into a holding company on April 1, 2015. (see note)
April 2015	Company name changed to JAPAN ELEVATOR SERVICE HOLDINGS CO., LTD.. Through an absorption-type demerger, the Company's business related to maintenance and repair operations were transferred to five operating subsidiaries, and modernization operations were transferred to Japan Elevator Parts Co., Ltd.
October 2015	Acquired shares of Joint Venture Ltd. through JAPAN ELEVATOR SERVICE HONG KONG COMPANY LIMITED and made it an affiliate accounted for by the equity method.
January 2016	Invested in Lighthouse Elevator Engineering Limited, an elevator maintenance company in Hong Kong, through Joint Venture Ltd.
February 2016	Established a subsidiary, Japan Elevator Service India Private Limited, in India.
April 2016	Head office relocated to Nihonbashi, Chuo-ku, Tokyo.
June 2016	JAPAN JINDAL ELEVATOR SERVICE PRIVATE LIMITED was established in India as a joint venture with Jindal Prefab Private Limited.
March 2017	Listed on the Mothers section of the Tokyo Stock Exchange.
May 2017	Japan Elevator Service Kansai Corporation was established to expand business in the Kansai region.
October 2017	Completed construction of the JES Innovation Center (JIC), a state-of-the-art research facility equipped with the first independent elevator test tower.
May 2018	Elevator Media Co., Ltd. was established to develop an in-elevator video advertising distribution business.
September 2018	Listed on the First Section of the Tokyo Stock Exchange.
April 2019	Japan Elevator Service Kyushu Co., Ltd. was established to expand business in the Kyushu region. Company acquired Joshin Building Service Co., Ltd. as a subsidiary for the purpose of expanding business in the Shinetsu area.
March 2020	Japan Elevator Service Indonesia was established in Indonesia as a joint venture between the Company, PT.Bangun Karunia Prima Langgeng, and PT.Cahaya Daya Esa.
April 2020	Seiko Elevator Co., Ltd. became a subsidiary.
August 2020	NS Elevator Co., Ltd. became a subsidiary.

Time	Events
October 2020	Construction of the JES Innovation Center Lab (JIL) was completed for various R&D activities in the modernization business. Miyoshi Elevator Co., Ltd. and Cosmo Japan, Inc. became subsidiaries.
November 2020	Kansai Elevator Co., Ltd. and Nagano Elevator Co., Ltd. became subsidiaries.
January 2021	Tokyo Elevator Co., Ltd. became a subsidiary.
March 2021	Japan Parking Service Co., Ltd. was established through a merger with NC Holdings Co., Ltd. for the purpose of expanding the scope of operations.
May 2021	Toyota Facility Service Co., Ltd. became a subsidiary.
July 2021	Ehime Elevator Service Co., Ltd. became a subsidiary.
August 2021	Shikoku Shoukouki Service Co., Ltd. became a subsidiary.
October 2021	Shikoku Elevator Service Co., Ltd. became a subsidiary.
November 2021	JAPAN UNIECO ELEVATOR SERVICE COMPANY LIMITED became a subsidiary.
January 2022	Kanto Elevator System Co., Ltd. became a subsidiary.
February 2022	EVOTECH Co., Ltd. became a subsidiary.
April 2022	Japan Elevator Service Chushikoku Co., Ltd. was established to expand business in the Chugoku and Shikoku regions. Due to the revision of the market classification of the Tokyo Stock Exchange, the company moved from the First Section of the Tokyo Stock Exchange to the Prime Market.
June 2022	COFRETH(M)SDN.BHD. became a subsidiary.
September 2022	Japan Elevator Service Josai Co., Ltd. merged with Cosmo Japan, Inc.
October 2022	Ikuta Building Maintenance Co., Ltd. became a subsidiary.

(Note) Five operating subsidiaries are: Japan Elevator Service Hokkaido Co., Ltd., Japan Elevator Service Jonan Co., Ltd., Japan Elevator Service Josai Co., Ltd., Japan Elevator Service Kanagawa Co., Ltd., Japan Elevator Service Tokai Co., Ltd.

### 3 [Business]

The Group (the Company, consolidated subsidiaries, and equity-method affiliates) consists of the Company as a holding company, 32 consolidated subsidiaries, and 5 equity-method affiliates, and is comprised of a single segment, the maintenance business, which includes maintenance and repair services for elevators and other equipment and modernization services for elevators.

As a holding company, the Company formulates strategies for each group company, provides general management guidance to them, and the Company itself performs maintenance of elevators and other equipment.

The Company constitutes as a Specified Listed Company, etc. as defined in Article 49, Paragraph 2 of the Cabinet Office Order on Restrictions on Securities Transactions. As a result, the Company will make judgments based on figures on a consolidated basis with respect to minor criteria for material facts of insider trading regulations.

The main businesses of our group companies are as follows

Main Businesses	Main Companies
Maintenance and repair services	The Company (Consolidated subsidiaries) Japan Elevator Service Hokkaido Co., Ltd. Japan Elevator Service Jyonan Co., Ltd. Japan Elevator Service Jyosai Co., Ltd. Japan Elevator Service Kanagawa Co., Ltd. Japan Elevator Service Tokai Co., Ltd. Japan Elevator Service Kansai Co., Ltd. Japan Elevator Service Chushikoku Co., Ltd. Japan Elevator Service Kyushu Co., Ltd. JAPAN JINDAL ELEVATOR SERVICE PRIVATE LIMITED PT. Japan Elevator Service Indonesia JAPAN UNIECO ELEVATOR SERVICE COMPANY LIMITED
Modernization services	(Consolidated subsidiaries) Japan Elevator Service Hokkaido Co., Ltd. Japan Elevator Parts Co., Ltd. JAPAN JINDAL ELEVATOR SERVICE PRIVATE LIMITED PT. Japan Elevator Service Indonesia
Other	(Consolidated subsidiaries) Japan Elevator Parts Co., Ltd. Elevator Media Co., Ltd. Japan Elevator Service India Private Limited COFRETH(M)SDN.BHD.
Holding company	The Company (Consolidated subsidiary) JAPAN ELEVATOR SERVICE HONG KONG COMPANY LIMITED



(1) Business Characteristics

a. Pricing

Since its establishment in October 1994, the Group, as a company specializing in the maintenance of elevators and other equipment, has been providing high-quality maintenance services to ensure that everyone can use elevators with peace of mind under the management philosophies of "Safety above anything else," "No cutting corners even when others don't see it," and "Building on trust. "

At the time of the establishment of the Company, in the elevator maintenance industry, it was common for elevator manufacturers to maintain only their own products through their own maintenance companies or affiliated maintenance companies. As a result, it was difficult for competition to influence prices and service content.

As an independent maintenance company, the Group provides services to its customers at market-competitive prices, free from manufacturer-led pricing.

b. Ability to support models made by major Japanese manufacturers

The Group mainly provides maintenance and repair services for models manufactured by major Japanese manufacturers, including Mitsubishi Electric Corporation, Hitachi, Ltd., Toshiba Elevator and Building Systems Corporation, Nippon Otis Elevator Company, and Fujitec Co., Ltd.

As an independent maintenance company, we believe that our group's strength lies in the fact that we have the technical capabilities and engineers to handle models manufactured by various companies.

c. Nationwide network of offices for quick response

The Group operates nationwide, mainly in the Tokyo metropolitan area (Tokyo, Kanagawa, Chiba, and Saitama prefectures), and has established a network of offices with the goal of reaching the customer site within 30 minutes of being contacted in the event of a life-threatening emergency.

d. Providing total services for maintenance and repair work and modernization work

When an elevator deteriorates over time after installation, or when it no longer meets the needs of the times due to outdated equipment, modernization of the control panel, hoisting machine, and other major equipment will enable the elevator to be used efficiently for a longer period of time. Our group strives to improve the quality of our services by offering proposals from a total perspective, including maintenance systems after modernization.

As for escalators, we focus on maintenance and repair services for escalators made by major domestic manufacturers, performing maintenance and inspections in principle once a month and periodic inspections once a year as specified by Building Standards Act.

(2) Characteristics of specific products, goods or services

The Group operates on a single segment, the maintenance business, and does not disclose business segments. The business activities of the Group are as follows

(Maintenance and repair services)

Stairs, escalators, and elevators are the most common means of vertical movement in society, but in today's society, where buildings are becoming taller and taller, elevators and escalators are positioned as very useful means of vertical movement.

On the other hand, elevators, like airplanes and automobiles, are considered to be vehicles that, if not properly maintained and operated, may endanger the safety of users due to "unintended car movement (an event in which the elevator runs with the doors open)," "lock-in failure," "brake failure," and other reasons.

The Group provides maintenance and repair services for elevators and other equipment, placing the highest priority on the safety of users.

a. Description of maintenance and repair services

As a rule, elevators and escalators must be maintained and inspected once a month and periodically inspected once a year as required by the Building Standards Act.

The Group defines maintenance and repair services as follows

Maintenance services	<ul style="list-style-type: none"> <li>• Legal inspections as stipulated in the Building Standards Act (Maintenance and inspection)</li> <li>• Cleaning, lubrication, adjustment, replenishment and replacement of consumables (Note 1), etc.</li> <li>• Investigate whether there are any abnormalities or defects related to damage, deformation, wear, corrosion, noise generation, etc., of elevators, etc., and determine whether maintenance and other measures are necessary (including remote monitoring and remote inspection (Note 2)).</li> </ul>
Repair services	Replacement or repair of deteriorated parts, etc., based on reasonable judgment based on inspection results. Depending on the nature of the contract, this may be done for a fee (repair sales) or free of charge.

- (Notes) 1. Consumables: Light bulbs, various fuses, screws and nuts, various relay lead wires, etc. in elevators.
2. Remote monitoring: Remote monitoring refers to the use of communication lines at the Group's control center to constantly monitor elevators for abnormalities and malfunctions, as well as to direct communication with the control center via intercom inside the elevator in the event that a person is trapped inside the elevator, and to monitor conditions such as "trapped failure" and "power failure".
- Remote inspection: In addition to "remote monitoring," inspection of the operational status of the elevator and the normal or abnormal operating status of each model using communication lines, etc., for the points required for elevator operation.

b. Type of contract

The Group offers two types of contracts: Full Maintenance Contracts (FM Contracts) and Inspection Contracts (POG Contracts).

Contracts are generally for a period of one year, and we continue to provide services and prices that meet the needs of our clients.

Contract Type	Summary of Contract
FM Contracts	A contract that provides for periodic maintenance and inspection of equipment and devices, as well as replacement and repair of deteriorated parts based on reasonable judgments based on inspection results.
POG Contracts	POG stands for "Parts, Oil, and Grease," and this contract only covers periodic maintenance and inspection of equipment and devices and does not include replacement or repair of deteriorated parts.

c. Policy on services for maintenance and repair work

- (i) The Group conducts inspections of items specified in Building Standards Act (legal inspections) at our Inspection Section, which is independent of the engineers who perform routine maintenance and inspections. At the same time, the Group positions inspection work as a quality audit of maintenance and inspections, and strives to maintain and improve service quality.
- (ii) Maintenance and inspection manuals based on the Common Specifications for Building Maintenance Services (Note 1) and manufacturers' instruction manuals  
Based on the common specifications for building maintenance work, the Group has developed its own manuals for maintenance work on elevators (machine room-less (Note 2), rope-type, and hydraulic) and escalators.
- (iii) Inspection Check Sheet  
In performing maintenance work, check sheets linked to manuals are used to prevent inspection omissions.
- (iv) Sharing and utilization of experience cases  
Parts replacement procedures and past failure cases experienced in the field are shared in the form of "adjustment guidelines" and "failure case reports" to improve the accuracy of inspections and parts replacement work.
- (v) Report of inspection results and inspections  
We prepare and issue "Periodic Inspection Reports," "Maintenance and Construction Work Reports," and "Remote Inspection Reports" for each of the annual periodic inspection, regular manned inspection, and remote inspection.
- (vi) When replacement or repair of deteriorated parts is required as a result of an inspection, in principle, the Company will use genuine parts from the manufacturer and other safety-conscious parts.

- (Notes) 1. Specifications of work standards for periodic inspections, daily inspections, maintenance, operation and monitoring of buildings established by the Ministry of Land, Infrastructure, Transport and Tourism.  
2. Machine room-less elevators are classified as rope-type elevators, which do not have a machine room and all elevator equipment is housed in the hoistway.

d. Control Center

The Group's control center monitors elevator conditions 24 hours a day, 365 days a year to ensure prompt response to any problems that may occur.

Control Center Functions

Control with "PRIME"	The remote diagnosis operation and remote monitoring status management of our group's remote inspection service "PRIME" enables us to constantly monitor the condition of elevators and take immediate action in the event of an abnormality.
Control with GPS	Our control center constantly manages the location and status of the engineers via GPS, making it possible to dispatch an engineer in an emergency (while simultaneously transmitting details of the elevator's malfunction) and to centrally manage reports from the engineers.
Support by telephone line	Direct calls are made to and from passengers in the elevator. Specialized staffs are always on standby and can call directly to check and respond to the situation from the elevator's occupants.

e. Remote Inspection Service "PRIME"

This is a remote inspection service developed originally by the Group. With "PRIME," it is possible to predict abnormalities through automatic diagnostic operation, and with internet connection we can remotely monitor, identify problems in advance, and perform maintenance. We have acquired patents for the various technologies used in PRIME, and they make a significant contribution to the detailed assessment of conditions and prompt response that are essential for elevator maintenance.

In addition, we believe that the Group's technological capability to adapt "PRIME" to each model of major Japanese manufacturers is one of its strengths.

- (Note) There are some models, such as older models that do not use a circuit board and the latest elevators that have only recently been installed, for which we are unable to install "PRIME". Instead of "PRIME," we are installing "PRIME Lite," which excludes remote diagnostic functions.

(Modernization services)

In maintenance and repair services, maintenance, inspection, replacement of parts, and repairs are performed to maintain performance and safe operation. However, even with proper management, elevators deteriorate over time. The legal depreciable life of an elevator is 17 years, and according to a life cycle assessment by the Building and Equipment Life Cycle Assessment Association (BELCA), the expected life of a standard elevator is 25 years.

In addition, when a long period of time has passed since the production, manufacturers may stop supplying maintenance parts due to difficulties in obtaining the elements and materials that make up maintenance parts, which may make it difficult for us to replace or repair parts for models that are currently in operation.

In light of this situation, our group mainly targets elevators that have been installed for about 20 years or so and carries out complete replacement work (modernization) of major components such as control panels and hoisting machines, as well as removal and installation of existing products, in order to improve reliability, safety, and operating efficiency.

In the modernization business, the Group receives orders, determines construction details, and corresponds with the government, and mainly uses subcontractors for construction.

a. Type of elevator modernization

Control system modernization	We will update mainly the control system.
Part-replacement modernization	We will remove and install a new unit, utilizing a portion of the existing one (parts fixed to the building, such as doorway frames, thresholds, guide rails, etc.).
Total-replacement modernization	All existing equipment will be removed and a new state-of-the-art elevator will be installed.

b. Details of major modernization work performed by the Group

	Characteristics	Contents and Effects
Safety and Security	Step difference elimination	Prevent tripping when getting on and off elevators
	Wheelchair-accessibility	Lower operation panel, rear view mirror, handrail, and photoelectric multi-axis sensor for wheelchair users
		Extended door release time and reduced door closing speed
	Reinforcement of earthquake countermeasures	Earthquake controlled operation with P-wave sensor and restart function during earthquake
Seismic retrofitting	Compliance with the 2009 edition of the Guidelines for the Seismic Design and Construction of Elevators and Escalators (revised 2009) and the 2014 edition of the Guidelines for the Seismic Design and Construction of Elevators (revised 2014) (see note)	
Comfort and Ecology	Introduction of inverter control	Smooth ride with minimal vibration and noise
		Reduction of power consumption and carbon dioxide emissions
	Operation Panel Indicator	Improved visibility
	Digital display	
Adoption of liquid crystal display		
Improved design	Adoption of LED ceiling in elevator, latest design materials and colors around side panels, floor, and door halls	Allows for the provision of sophisticated spaces

(Note) 2009 revision: Cages (box-like structures for people to ride on) during earthquakes, rail strength reinforcement of balancing weights, and protective measures to ensure operational safety.

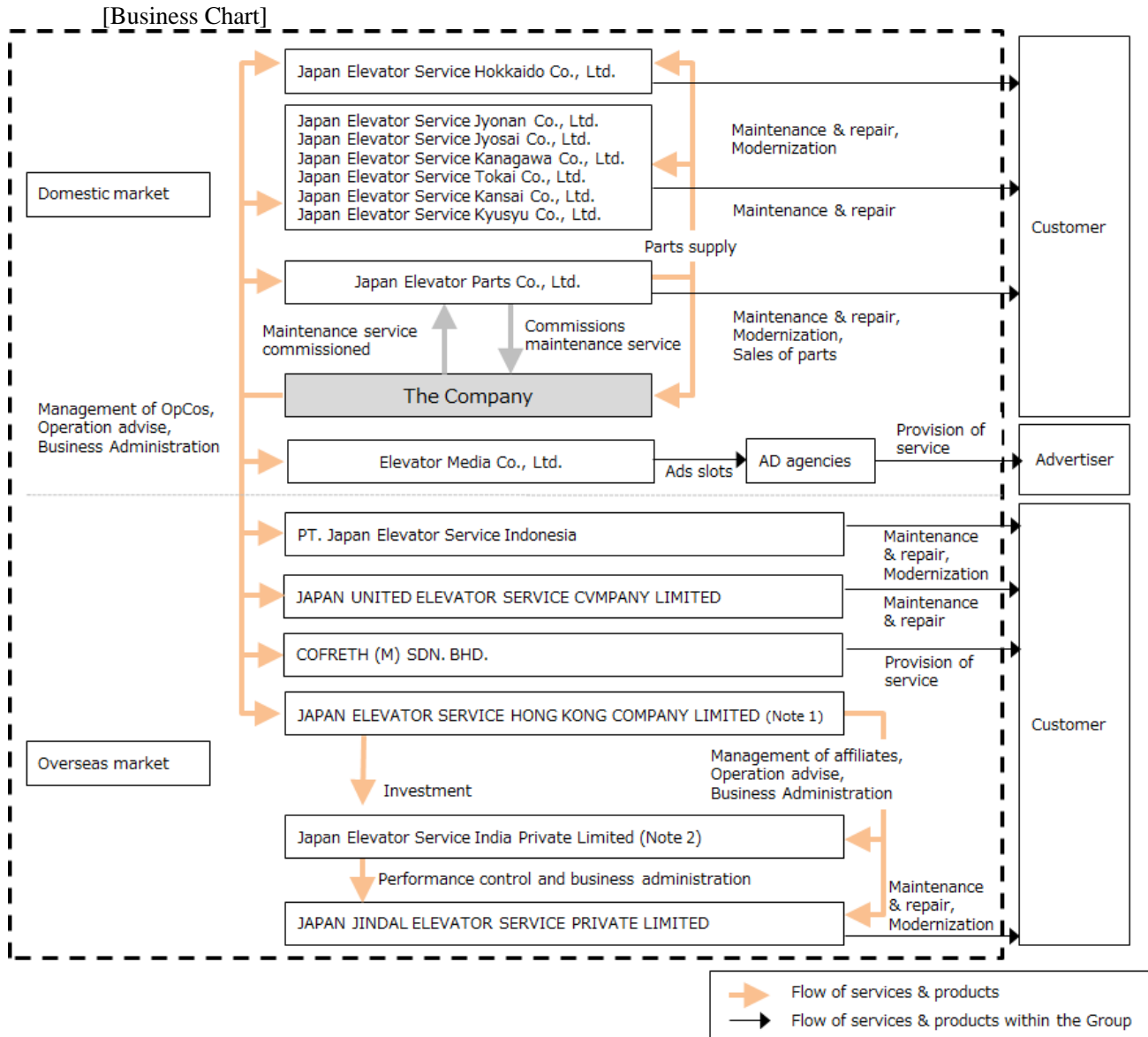
2014 revision: implementation of structural strengthening reinforcement of machine beds and balancing weights.

(Other)

The company sells maintenance parts for elevators and other equipment through Japan Elevator Parts Co., Ltd.

Elevator Media, Co., Ltd. provides media services for elevators. This business is intended to improve the convenience and safety of the elevator by installing flat display panel with built-in security camera in the elevator and providing security services in addition to advertising distribution services, which we believe will provide new added value to our maintenance operations.

The following chart shows the main business activities of the Company and its group companies.



\*1 JAPAN ELEVATOR SERVICE HONG KONG COMPANY LIMITED is mainly engaged in market research in Asia (excluding Japan) and investment in local elevator and related companies, including Joint Venture Ltd. and Japan Elevator Service India Private Limited.

\*2 Japan Elevator Service India Private Limited is mainly engaged in investment in elevator maintenance companies in India.

#### 4 [Affiliated Companies]

Name	Address	Capital (thousand yen)	Principal business	Percentage of voting rights held (%)	Relation with the Company
(Consolidated subsidiary) Japan Elevator Service Hokkaido Co., Ltd.	Toyohira-ku, Sapporo, Hokkaido	10,000	Maintenance, repair and modernization of elevators, etc.	100.0	Management guidance, business management, etc. Directors serve concurrently.
Japan Elevator Service Jyonan Co., Ltd. (Note) 1,6	Chiyoda-ku, Tokyo	10,000	Maintenance and repair services for elevators, etc.	100.0	Management guidance, business management, etc. Directors serve concurrently.
Japan Elevator Service Jyosai Co., Ltd. (Note) 1,7	Shinjuku-ku, Tokyo	10,000	Maintenance and repair services for elevators, etc.	100.0	Management guidance, business management, etc. Directors serve concurrently.
Japan Elevator Service Kanagawa Co., Ltd. (Note) 1,8	Kanagawa-ku, Yokohama City, Kanagawa	10,000	Maintenance and repair services for elevators, etc.	100.0	Management guidance, business management, etc. Directors serve concurrently.
Japan Elevator Service Tokai Co., Ltd.	Naka-ku, Nagoya City, Aichi	10,000	Maintenance and repair services for elevators, etc.	100.0	Management guidance, business management, etc. Directors serve concurrently.
Japan Elevator Service Kansai Co., Ltd.	Chuo-ku, Osaka City, Osaka	10,000	Maintenance and repair services for elevators, etc.	100.0	Management guidance, business management, etc. Directors serve concurrently.
Japan Elevator Service Chushikoku Co., Ltd.	Nakaku, Hiroshima City, Hiroshima	10,000	Maintenance and repair services for elevators, etc.	100.0	Management guidance, business management, etc. Directors serve concurrently.
Japan Elevator Service Kyushu Co., Ltd.	Hakata-ku, Fukuoka City, Fukuoka	10,000	Maintenance and repair services for elevators, etc.	100.0	Management guidance, business management, etc. Directors serve concurrently.
Japan Elevator Parts Co., Ltd. (Note) 1,9	Wako City, Saitama	10,000	Elevator modernization services and storage and sales of elevator and related parts	100.0	Management guidance, business management, etc. Supplies elevator and escalator related parts to our group. Directors serve concurrently.
JAPAN ELEVATOR SERVICE HONG KONG COMPANY LIMITED (Note 1,2)	Hong Kong	HK\$52,900 thousand	Other	100.0	Management guidance, business management, etc. Directors serve concurrently.
Japan Elevator Service India Private Limited (Note 1,3,4)	Haryana, India	307,426 thousand Indian rupees	Other	100.0 (74.2)	Directors serve concurrently.
Other consolidated subsidiaries: 21 companies					

Name	Address	Capital (thousand yen)	Principal business	Percentage of voting rights held (%)	Relation with the Company
(Affiliate accounted for by the equity method) Lighthouse Elevator Engineering Limited (Note 4)	Hong Kong	HK\$4,500 thousand	Maintenance and repair services for elevators, etc.	27.0 (27.0)	investment Directors serve concurrently.
Other equity-method affiliates: 4 companies					

- (Notes) 1. It is a specified subsidiary.  
2. JAPAN ELEVATOR SERVICE HONG KONG COMPANY LIMITED is mainly engaged in market research in Asia (excluding Japan) and investment in local elevator-related companies.  
3. Japan Elevator Service India Private Limited is primarily engaged in investing in elevator maintenance companies in India.  
4. Figures in parentheses in the voting rights ownership ratio include the indirect ownership ratio.  
5. No company has filed a securities registration statement or securities report.  
6. Japan Elevator Service Jyonan Co., Ltd. accounts for more than 10% of consolidated net sales (excluding inter-company sales among consolidated companies).

Main Profit and Loss Information for the Fiscal Year Ended March 31, 2023

- (i) Net sales 5,480,606 thousand yen
- (ii) Ordinary profit 903,912 thousand yen
- (iii) Profit 602,455 thousand yen
- (iv) Net assets 963,491 thousand yen
- (v) Total assets 1,353,155 thousand yen

- 7 Japan Elevator Service Jyosai Co., Ltd. accounts for more than 10% of consolidated net sales (excluding inter-company sales among consolidated companies).

Main Profit and Loss Information for the Fiscal Year Ended March 31, 2023

- (i) Net sales 5,179,348 thousand yen
- (ii) Ordinary profit 572,367 thousand yen
- (iii) Profit 399,921 thousand yen
- (iv) Net assets 540,855 thousand yen
- (v) Total assets 882,559 thousand yen

- 8 Japan Elevator Service Kanagawa Co., Ltd., accounts for more than 10% of consolidated net sales (excluding inter-company sales among consolidated companies).

Main Profit and Loss Information for the Fiscal Year Ended March 31, 2023

- (i) Net sales 3,932,102 thousand yen
- (ii) Ordinary profit 654,016 thousand yen
- (iii) Profit 428,705 thousand yen
- (iv) Net assets 585,072 thousand yen
- (v) Total assets 907,061 thousand yen

- 9 Japan Elevator Parts Co., Ltd., accounts for more than 10% of consolidated net sales (excluding inter-company sales among consolidated companies).

Main Profit and Loss Information for the Fiscal Year Ended March 31, 2023

- (i) Net sales 12,584,089 thousand yen
- (ii) Ordinary profit 1,400,237 thousand yen
- (iii) Profit 950,433 thousand yen
- (iv) Net assets 1,248,135 thousand yen
- (v) Total assets 4,063,852 thousand yen

## 5 [Employees]

### (1) Consolidated Companies

As of March 31, 2023

Name of segment	Number of employees (persons)
Maintenance Business	1,766

- (Notes) 1. The number of employees is the number of full-time employees (excluding employees transferred from the Group to outside the Group and including employees transferred from outside the Group to the Group). The number of temporary employees is omitted because it is less than 10/100 of the total number of employees.
2. The number of employees increased by 148 from the end of the previous fiscal year, mainly due to new hires in connection with business expansion.
3. Segment information is omitted because the Group consists of a single segment, the maintenance business.

### (2) Status of Filing Company

As of March 31, 2023

Number of employees (persons)	Average age (years)	Average years of service (years)	Average annual salary (thousand yen)
235	40.8	7.0	6,574

- (Notes) 1. The number of employees is the number of full-time employees (excluding employees transferred from the Company to other companies and including employees transferred from other companies to the Company). The number of temporary employees is omitted because it is less than 10/100 of the total number of employees.
2. Average annual salary includes bonuses and substandard wages.
3. Segment information is omitted because the Company operates in a single segment of the maintenance business.

### (3) Labor Union Status

The Group has not formed a labor union, but labor-management relations are amicable.

### (4) Percentage of Female Employees in Management Positions, Percentage of Male Employees Taking Childcare Leave, and Differences in Wages between Male and Female Employees

#### (i) Filing Company

Current fiscal year				
Percentage of female employees in management positions (%) (Note 1)	Percentage of male employees taking childcare leave (%) (Note 2)	Difference in wages between male and female employees (%) (Note 1)		
		All employees	Of which regular employees	Of which, part-time and fixed-term employees
5.9	18.4	64.8	70.3	39.5

- (Notes) 1. Calculations are based on the provisions of the "Law Concerning the Promotion of Active Roles of Women in Their Professional Lives" (Law No. 64, 2015), and seconded employees are counted as employees of the company to which they are seconded.
2. Based on the provisions of the "Law Concerning the Welfare of Workers Who Take Care of Children or Other Family Members Including Child Care and Family Care Leave" (Law No. 76, 1991), the percentage of employees who took child care leave, etc., as stipulated in Article 71-4-1 of the "Enforcement Regulations of the Law Concerning the Welfare of Workers Who Take Care of Children or Other Family Members Including Child Care and Family Care Leave" (Ministry of Labor Ordinance No. 25, 1991) is calculated. The employees who were transferred to the Company are counted as employees of the Company from which they were transferred.

#### (ii) Consolidated Subsidiaries

Current fiscal year	
Name	Percentage of female employees in management positions (%) (Note)
Joshin Building Service Co., Ltd.	0.0

- (Note) Calculated in accordance with the provisions of the "Law Concerning the Promotion of Active Roles of Women in Their Professional Lives" (Law No. 64, 2015).



## Item 2 [Status of Business]

### 1 [Management Policy, Business Environment and Issues to be Addressed]

The management policy, business environment, and issues to be addressed by the Group are as follows. Forward-looking statements in the text are based on the judgment of the Group as of the end of the current fiscal year.

#### (1) Basic Management Policy of the Company

As an independent maintenance company, the Group is committed to "Safety above anything else", "No cutting corners even when others don't see it", and "Building on trust". Under our corporate philosophy, we are striving to improve the quality of our maintenance services and to "realize fair prices" by reviewing the manufacturer-led pricing.

#### (2) Management Indicators We Target

The Group recognizes that shareholder-oriented management is to enhance growth and profitability and to continuously increase corporate value through stable business growth. We regard the sales growth rate as an important indicator of growth potential and the operating profit margins as an important indicator of profitability.

#### (3) Medium- to long-term Management Strategies

In order to achieve sustainable growth, the Group formulates and implements the following strategies over the medium to long term.

##### (i) Promotion of maintenance and repair business

The Company will further grow its core maintenance and repair business by strengthening its sales force in each region through the adoption of a business subsidiary system for each region, and by expanding its business areas through M&As.

##### (ii) Strengthen modernization business

The company will strengthen the modernization business by expanding its sales force and developing its own products, and make it a new core business following the maintenance and repair business.

##### (iii) Securing and developing human resources

Secure human resources to support stable growth by strengthening recruitment capabilities.

Improve technical standards and maintenance quality through human resource development.

##### (iv) Stabilization of financial base

Improve the financial structure to enable the above strategies.

#### (4) Priority Business and Financial Issues to be Addressed

In the elevator and escalator maintenance industry, business opportunities are increasing due to an increase in the number of elevators and escalators resulting from an increase in the supply of real estate and the cost reduction demands of property owners and building management companies, etc. On the other hand, the growing social demand for the safe operation of elevators and escalators requires the provision of high-quality services.

While the Japanese economy is showing signs of a pickup in economic trends due to the normalization of economic activities as a result of the easing of action restrictions caused by the new coronavirus infection, the outlook remains uncertain due to the prolonged situation in Ukraine and rising prices associated with the rapid depreciation of the yen, etc. Therefore, the need for companies to reduce costs is expected to increase more than ever. Since the Group's maintenance business for elevators and other equipment is a service necessary to maintain social life, we continue to operate our business while paying attention to the spread of the new coronavirus infection. In this business environment, we recognize that the main issues to be addressed by the Group are as follows.

##### (i) Build and expand domestic business base

We recognize that building and expanding our business base is a challenge for the Group to achieve stable growth. Specifically, we believe it is most important to increase the number of maintenance contracts, which will lead to ongoing revenue and expansion into repair and modernization operations.

##### (ii) Secure and develop human resources

The foundation of the Group's business competitiveness is human resources capable of providing the high-quality maintenance services required for the safe operation of elevators, and we believe that securing and training such personnel is essential for the future growth of our Group.

The Group will continue strengthening the training it has provided to employees and establish an in-house technical and quality certification system to develop human resources with high skill levels.

In addition, the Group will seek to improve public awareness of the Group and working conditions, actively increase the number of new graduates and mid-career hires, and supplement its workforce as appropriate through the use of subcontractors that can guarantee the quality demanded by the Group.

(iii) Develop overseas business

We believe that demand for high-quality maintenance services exists widely not only in the Japanese market but also in overseas markets. By leveraging the Group's technical capabilities to handle elevators from multiple manufacturers and its expertise in education and training, which it has cultivated in the Japanese market, the Company intends to expand and grow in overseas markets.

(iv) Consideration of capital and business alliances for business expansion

We will consider acquiring other companies, forming joint ventures or business alliances with other companies that would contribute to improving the corporate value of our group.

(v) Promotion of research and development

The JES Innovation Center (JIC), a research and development facility equipped with a 50-meter elevator test tower, and the JES Innovation Center Lab (JIL), located adjacent to the JIC, promote research and development activities such as elevator modernization. In particular, JIL is strengthening various R&D activities, focusing on expanding production capacity in the modernization business and increasing the number of models compatible with "Quick Renewal," a low-cost, quick-delivery service.

(vi) Stabilization of financial base

The future expansion of the Group's business will require upfront and ongoing investment to accommodate evolving technologies relates to elevators, including research and development, investment in human resources, and expansion of training facilities. To prepare for future capital needs, the Company shall secure internal reserves and stabilize its financial position by raising funds through borrowings and other means.

## 2 [Views and Initiatives on Sustainability]

The Group's views and initiatives on sustainability are as follows.

Forward-looking statements in the text are based on the judgment of the Group as of the end of the current fiscal year.

The Group is engaged in the maintenance business, which includes maintenance and repair services for elevators and other equipment, as well as modernization services for elevators. We believe it is important to provide high quality services for the safety and security of elevator users and we reflect it in our corporate philosophy that read: "Safety above anything else," "No cutting corners even when others don't see it," "Building on trust."

In order to contribute to the sustainable development of society and enhance our corporate value over the medium to long term, our Group's Board of Directors resolved the "Basic Sustainability Policy" at a meeting held on November 16, 2021. In addition, the Sustainability Committee was established in May 2022 to strengthen and promote sustainability management.

By practicing sustainability management, we aim to enhance economic value as well as social and environmental value.

### (Basic Sustainability Policy)

The Group is committed to building of sustainable society and making the company that is trusted and needed by all stakeholders. To that end, we have identified two materiality issues that we must address with priority by leveraging our strengths through our business activities: (i) "quality and safety" and (ii) "occupational safety and employee engagement. These materiality issued reflects our corporate philosophy that read: "Safety above anything else," "No cutting corners even when others don't see it," "Building on trust."

#### (i) Quality and Safety

The Group considers "maintaining quality" and "providing security" as its major social responsibility, and aims to contribute to society by providing high quality and safe services that satisfy our customers.

#### (ii) Occupational safety and employee engagement

We believe that the most important foundation supporting our business is our human resources, and we are committed to ensuring the safety of our employees and creating an environment in which each employee can perform his or her duties with ease and satisfaction, which will lead to the sustainable development of our group.

### (Sustainability Committee)

Sustainability is becoming increasingly important these days as a means of ensuring sustainable corporate growth and improving corporate value over the medium to long term. Against this backdrop, we have established a Sustainability Committee under the Board of Directors with the aim of promoting sustainability initiatives linked to our management plan by resolving sustainability issues and identifying risks and opportunities. The Committee is chaired by the Director, Deputy President and Executive Officer CFO, and its members consist of individuals who are deemed appropriate based on their duties in light of the Committee's objectives. The Company manages and oversees measures and confirms their consistency with management and operations, along with environmental, social, governance, and other sustainability issues.

#### (1) Governance

The Sustainability Committee deliberates on the formulation of sustainability strategies and plans, identification and assessment of risks, consideration of countermeasures, management of progress, setting of target indicators, etc., and monitors the status of initiatives, and makes reports and recommendations to the Board of Directors. The committee also monitors the status of initiatives and makes reports and recommendations to the Board of Directors.

In addition, the Sustainability Committee provides guidance to our group companies on issues related to sustainability and receives reports from each group company in an effort to strengthen the sustainability of the entire group.

#### (2) Strategy

Through its elevator and other maintenance business, the Group manages the condition of elevators and other equipment 24 hours a day, 365 days a year to ensure the safety and security of elevators and other equipment used daily in commercial and residential facilities. Elevators and other elevators are important social infrastructure in our daily lives, and we believe that ensuring their safe operation through our

maintenance business is the greatest social contribution we can make. To this end, the Group is striving to improve quality, enhance its technological capabilities, and strengthen research and development for this purpose.

The following is a summary of the main sustainability-related activities that the Group is undertaking to ensure sustainable growth.

a. Quality and Safety Initiatives

The Group considers the maintenance of quality and the provision of security and safety as important social responsibilities, and aims to contribute to society by providing high-quality, safe services that satisfy all users. To this end, we are undertaking the following initiatives

(i) Human Resource Development

The Group's competitive advantage lies in its advanced technological capabilities for various elevator manufacturer models. For sustainable growth and development, we believe it is important to develop human resources with the technical skills to take charge of the maintenance business. While there are official qualifications for elevator inspections, there are no official qualifications for maintenance checks. In light of this current situation, we believe it is necessary to enhance our in-house qualification system to ensure the safety of elevators and other equipment, and we have established a wide variety of training and qualification programs for this purpose and are striving to develop excellent human resources.

We also recognize the importance of a diverse workforce for sustainable growth in response to changes in the social environment. To date, we have hired without regard to gender, nationality, etc., and we intend to continue to promote the hiring of diverse personnel and the development of training programs in accordance with our business plan.

*(Training program "STEP24" In-house certification system)*

STEP24 is a system to train employees from no experience to a technical level that will enable them to play an active role as maintenance personnel by providing them with basic knowledge of elevators and escalators, safety rules, practical on-site training, and a wide range of knowledge on each model of major Japanese manufacturers.

The Group has introduced its own evaluation qualification system for engineers (System for Qualified Personnel for Elevator Maintenance). The following qualifications have been established: "G5: Qualified personnel for elevator safety work," "G4: Semi-qualified personnel for maintenance of elevators," "G3: Qualified personnel for maintenance of elevators," etc. After completing the entire STEP24 training curriculum, a departmental and practical exam will be administered, and successful applicants will be certified as G3 and allowed to perform all tasks alone as a maintenance supervisor. In order to further enhance expertise, we are expanding the career paths of our employees by creating new G2 and G1 positions.

In addition, we continuously provide various types of education and training according to the level of technical proficiency in order to develop specialists who can handle various models from each of the major domestic manufacturers. We strive to improve the skills of our employees through a diverse curriculum.

(ii) Quality Safety

As experts in the maintenance business, the Group is committed to safety first and quality second. As part of governance and risk management, the Technology Headquarters analyzes issues related to quality and safety and formulates improvement measures, which are shared with and supported by each group company. Specifically, the results of quality control are analyzed monthly by the Technology Headquarters and each group company in an effort to reduce failures. The General Manager of the Technology Headquarters reports regularly to the Board of Directors on the quality overview, including failure rates and other data and improvement measures.

As a strategy for sustainable growth, the Technology Headquarters is taking the lead in strengthening the system to increase the number of maintenance contract units.

b. Efforts related to occupational safety

The Group believes that ensuring the safety of employees who support its business and creating an environment conducive to their safety is critical to its sustainable growth. To this end, we are undertaking the following initiatives

(i) Occupational Safety and Health

The Group has established a Health and Safety Committee in accordance with the Occupational Health

and Safety Law, and has appointed a health manager, a safety manager, a safe driving manager, and a fire prevention manager. The committee meets once a month to fully discuss important matters, including measures to prevent hazards or health problems among employees.

In addition, we have established a safety license system for technicians engaged in elevator maintenance and are working to improve safety awareness among technicians by providing them with safety training courses.

(ii) Creation of a comfortable work environment

The Group has been improving the work environment to reduce the burden on employees with reference to the Comfortable Workplace Guidelines of the Ministry of Health, Labour and Welfare.

In addition, since the development of internal systems and environments is essential to promote the success of diverse human resources, we provide support for employees to work with peace of mind by promoting the development of personnel systems and workplace environments appropriate to their life stages, such as childcare and nursing care.

(3) Risk Management

We believe that managing risks related to sustainability, including environmental and social issues, is important for the sustainable growth of our group. Sustainability risks in our group are managed through our governance structure. Depending on the nature of the issues, the Company would work with the Compliance Committee and other standing committees to enhance checks and controls over business operations.

During the current fiscal year, the Company expressed its endorsement of the Task Force on Climate-related Financial Disclosures (TCFD). The Sustainability Committee reviewed and promoted disclosure based on TCFD recommendations, and disclosed risks and opportunities related to climate change.

(4) Indicators and Targets

The Group strives to hire and secure the necessary human resources according to its business plan. The Company aims to increase the number of maintenance contracts, sales, and operating income mainly in the Japanese domestic market. Therefore, the Company manages as a key indicator the increase in the number of employees in line with business growth and the increase in the number of technical personnel who promote the maintenance business for elevators and other equipment.

The number of employees as of March 31, 2023 was 1,766, an increase of 148 from 1,618 in the same period of the previous year. The number of engineering positions was 1,096 at the end of the fiscal year ending March 31, 2023, an increase of 93 from 1,003 in the same period of the previous year.

The Group will continue to recruit and retain personnel based on the status of the number of maintenance contracts and other factors, with the goal of securing more personnel than in the same period of the previous year.

As an indicator for human resource development, to stabilize the maintenance business, we have set "G3 Qualified Personnel for Elevator Maintenance" as an indicator from the evaluation qualification system for engineers (System for Qualified Personnel for Elevator Maintenance) and aim to increase the number of certified persons to more than the same number of persons in the same period of the previous year.

The number of G3 certified students at the end of the fiscal year ended March 31, 2023 was 447, an increase of 79 from 368 G3 certified students at the end of the fiscal year ended March 31, 2022 and a steady increase.

### 3 [Risk Factors]

Below is a list of major risk factors that may affect the business development of our group (the Company, consolidated subsidiaries, and equity-method affiliates). In addition, matters that do not necessarily fall under business development risks but are considered important for investors' investment decisions are described from the viewpoint of proactive information disclosure to investors.

While the Company recognizes the possibility that these risks may occur and has a policy of working to avoid such risks and to respond to them if they do occur, the Company believes that investment decisions regarding the Company's shares should be made after careful consideration of this section and other sections of the securities report.

In addition, the following description is not intended to be an exhaustive list of all the risks associated with investing in our stock.

Unless otherwise noted, the following statements are as of the end of the current fiscal year, and forward-looking statements are based on the judgment of the Group as of the end of the current fiscal year. Since there are uncertainties concerning matters related to the future, and the results may differ from the results that will arise in the future, decisions regarding the matters described here should be made carefully in conjunction with the matters described below and other items described in this section.

#### (1) Risk of Dependence on Specific Suppliers

The Group's principal business is the maintenance of elevators and other equipment.

The Group strives to reduce the risk of not being able to secure parts for maintenance of elevators by purchasing parts from multiple suppliers, but for the purpose of maintaining quality, some parts are purchased only from manufacturers (including affiliated companies) of elevators subject to maintenance.

The Group prepares for shortages or delays in the supply of these parts by holding a certain amount of inventory, recycling parts, and considering procurement from overseas markets. However, if for some reason we are unable to secure these parts in a timely manner and in adequate quantities, we may not be able to perform our maintenance operations in a timely manner.

In addition, if the prices of these parts increase for reasons such as the rising prices of the materials that make up these parts and we are unable to pass these costs on to our service prices, our group's financial position and operating results may be affected.

#### (2) Risks Related to Competition

In the maintenance market, there are many competitors of various sizes, including manufacturers of elevators and other equipment, maintenance specialists affiliated with manufacturers, and independent maintenance companies, etc. Intensifying competition may result in a decrease in the number of new contracts or contract switching, which could reduce the Group's market share. In addition, a decline in service prices could affect the financial position and operating results of the Group, which is engaged in a single business of maintenance.

#### (3) Technological Innovation

New elevator and escalator models are constantly being released and installed, and the Group is striving to improve its technical standards so that it can maintain any model from any major Japanese manufacturer. However, if the Group is unable to respond in a timely manner due to rapid technological innovation by manufacturers, this may affect the financial position, business performance, and future business development of the Group.

#### (4) Laws and Regulations

(i) The Building Standards Act stipulates that statutory inspections of maintenance and repair work performed by the Group shall be performed by persons qualified as inspectors of elevators and escalators, etc. However, if for some reason we are unable to secure enough inspectors for elevators and escalators, it may affect our financial position and business performance.

(ii) In the modernization business conducted by the Group, we operate under a license for machinery and equipment installation work business based on the Construction Business Act. However, the revision or abolition of the Construction Business Act, Building Standards Act, and other related laws and regulations could affect the financial position and business performance of the Group for reasons such as the need to change product specifications.

#### (5) Intellectual Property Rights

The Group owns, maintains, and manages a number of intellectual property rights, and strives to avoid the occurrence of infringement of intellectual property rights by conducting technical surveys, etc., as necessary.

However, there is a possibility that the Group's intellectual property rights may be invalidated or imitated, and if the protection of the Group's intellectual property rights is undermined, the Group's business results may be affected. In addition, the Group may be liable for damages to a third party due to infringement of the intellectual property rights of a third party.

(6) Inventory and Calculation Risk of Maintenance Parts

The Group holds these assets as parts inventories for maintenance, repair, and modernization operations for elevators and other equipment. Inventories may increase due to the large number of models of elevators and other equipment subject to maintenance and the expected lengthy maintenance periods.

The Group manages inventory according to the importance of the parts, such as by controlling the number of standard inventories. However, if the asset value of inventory assets declines due to a decline in profitability or other factors, the Group's financial position and operating results may be affected.

(7) Risks Associated with Accidents, Disasters, etc.

The Group is engaged in maintenance, repair and modernization services for elevators and other equipment. In performing these services, our group takes sufficient care to ensure the safety of our clients and users by complying with the "Common Specifications for Building Repair Services" of the Ministry of Land, Infrastructure, Transport and Tourism, as well as our own safety standards established within the company.

However, in addition to accidents caused by earthquakes and other disasters, user usage, and defects in elevators and other equipment, accidents involving damage to equipment and, in some cases, personal injury may occur due to human error on the part of the Group's employees or contractors during maintenance work.

Although we strive to avoid risk by providing thorough safety instructions to Group employees and contractors and by purchasing liability insurance, the occurrence of losses that cannot be covered by insurance or a loss of trust in us could affect our Group's operating results.

(8) Risks Related to Industrial Accidents

Maintenance work on elevators and other equipment is hazardous work. The Group strives to prevent accidents by providing thorough safety training to its employees.

However, in the unlikely event of a serious accident or occupational injury, the Group may incur a temporary burden of compensation and other costs, which may seriously affect the Group's social credibility and affect its financial position and operating results.

(9) Risks Related to Acquisitions or Business Alliances

The Group acquires other companies and engages in joint ventures and business alliances with other companies. However, if acquisitions or alliances do not go smoothly, or if the acquired company's business, joint venture, or business alliance does not produce the expected benefits in the expected time frame as originally anticipated, the financial position and operating results of our group may be affected.

(10) Risks Associated with Overseas Business Development

The Group is expanding its business overseas, and there are several risks associated with doing business in overseas markets, including the following

- (i) Unexpected changes in laws and regulations
- (ii) Changes in social, political and economic conditions or deterioration of public security
- (iii) Adverse changes in various tax systems or taxation
- (iv) Credit risk of business partners due to different business practices, etc.
- (v) Changes in the working environment and difficulties in securing and training human resources
- (vi) Foreign exchange risk

To minimize risks listed above, we intend to build a system that will enable us to quickly and promptly take countermeasures from local legal counsel, accounting firms, and other sources. However, the emergence of risks may make it difficult to provide services, which may affect the financial position and business performance of our group.

(11) Liability for Defect Warranty, etc.

If any part of an elevator that has undergone modernization work (our product) fails during the warranty period (12 months from delivery) under specified conditions, such as proper installation, connection, maintenance, and inspection control in accordance with the instruction manual, etc., we will repair or replace the failed part free of charge according to the method specified by us.

The Group is also liable for compensation for damages to customers directly caused by serious defects in its products or by gross negligence in the Company's fabrication and installation.

If for some reason the Group is pursued for liability for defects or damages, and is held liable for compensation, the financial position and business performance of the Group may be affected.

(12) Securing and Developing Human Resources

The Group is working to secure highly specialized technical personnel and to increase the number of sales and administrative personnel in anticipation of future business expansion. We also focus on human resource development and strive to improve our technical capabilities and strengthen and enhance our internal management system. Failure to take these measures in a timely and appropriate manner could affect the financial position and operating results of the Group, such as when the Company increases its workforce in advance of business expansion and incurs expenses in advance, or when it is unable to secure the necessary personnel for its business, or when human resource development does not progress as expected.

(13) Management of Customer Information

Since the Group handles a large amount of customer information, including that related to maintenance, repair, and modernization contracts, it has introduced a system to prevent information leaks from within as well as countermeasures against unauthorized network intrusions from outside, and has established an "Information Security Policy. In addition, we have established "Information Security Policy" and "Rules for the Protection of Personal Information and Specified Personal Information" to prevent information leakage.

However, in the unlikely event that customer information is leaked outside the Group due to unforeseen circumstances, the Group's financial position and operating results may be affected by a loss of trust and claims for damages.

(14) System Failure

Our control center monitors the condition of elevators and other equipment 24 hours a day, 365 days a year to ensure that we can respond to any problems without delay.

Since the control center services are provided through computer systems and communication networks, we make every effort to prevent or avoid system problems by taking backups on a regular basis, but if a natural disaster, unforeseen accident, temporary overload due to a sudden increase in access that exceeds expectations, or other factors cause computer system problems, our group's financial position and operating results may be affected.

(15) Interest-bearing Debt

The balance of the Group's interest-bearing debt (including lease obligations) was 7,757 million yen as of the end of the fiscal year ending March 31, 2023, making the Group 26.7% dependent on interest-bearing debt. Therefore, if refinancing becomes difficult due to turmoil in the financial markets, economic stagnation, or changes in the lending attitudes of financial institutions, or if interest expenses increase sharply due to a rapid rise in market interest rates, etc., the financial position and operating results of our group may be affected.

Certain loans payable are subject to financial covenants. In the event of a breach of financial covenants, the Group's financial position and cash flows could be affected because it would lose the benefit of time if requested by the lender and would need funds to repay the debt immediately.

Details of the financial covenants are as described in "Item 5 [Financial Statements and Supplementary Data] 1, Consolidated Financial Statements, (1) Notes to Consolidated Financial Statements (Notes to Consolidated Balance Sheets), 2 Financial Covenants" and "Item 5 [Financial Statements and Supplementary Data] 2, Financial Statements, (1) Notes to Financial Statements (Notes to Balance Sheets), 2 Financial Covenants".



#### 4 [Management's Discussion and Analysis of Financial Condition, Operating Results and Cash Flows]

The following is a summary of the recognition, analysis and discussion of the Group's operating results from the management's perspective. Forward-looking statements in the text are based on judgments made as of the end of the current fiscal year.

##### (1) Recognition, Analysis and Discussion of Operating Results for the Current Fiscal Year

During the fiscal year under review, the Japanese economy showed signs of a pickup in economic trends due to the normalization of economic activities following the easing of behavioral restrictions caused by the new type of coronavirus infection, but the outlook remains uncertain due to the prolonged situation in Ukraine and price hikes caused by the rapid depreciation of the yen. As a result, the need for cost reduction by companies is expected to increase more than ever.

In the elevator maintenance industry, the market is on a gradual expansion trend due to the steady increase in the number of condominium units in stock and the increased supply of office buildings.

In this market environment, the Group has expanded its workforce and strengthened its sales structure by expanding its sales area by entering the Tohoku and Chugoku-Shikoku regions and increasing its market share through M&A of other companies in the industry in order to meet the rapidly growing cost reduction needs of companies by switching contracts to independent maintenance companies. In addition, the JES Innovation Center (commonly known as JIC) and JES Innovation Center Lab (commonly known as JIL) are showing positive effects as important bases for the Group's growth, such as strengthening parts supply capacity by expanding parts centers, accelerating R&D by consolidating development-related departments, and providing actual equipment for engineer training using a total of 10 test towers.

The number of maintenance contracts remained steady, and net sales of maintenance and repair operations amounted to 23,178 million yen, up 9.7% from the same period last year. Net sales of modernization services was 10,468 million yen (up 30.5% from the same period of the previous year) due to the strengthening of the sales structure in preparation for business expansion and proposals for properties where parts supply has been suspended.

As a result of the above, the Group posted net sales of 34,907 million yen (up 17.3% year-on-year), operating profit of 5,010 million yen (up 21.8% year-on-year), ordinary profit of 5,100 million yen (up 20.7% year-on-year), and profit attributable to owners of parent of 3,153 million yen (up 15.6% year-on-year).

Our group has a single segment, "Maintenance Business", and sales by type of sales (maintenance and repair services, modernization services, and others) are shown below.

(Unit: millions of yen)

Sales type	Year ended March 31, 2023			Year ended March 31, 2022	
	Amount	Percentage of total	Percentage change from the previous period	Amount	Percentage of total
Maintenance and repair services	23,178	66.4%	9.7%	21,137	71.0%
Modernization services	10,468	30.0%	30.5%	8,020	27.0%
Other	1,259	3.6%	112.1%	593	2.0%
Total	34,907	100.0%	17.3%	29,751	100.0%

(i) Analysis of operating results

*(Net sales)*

Strengthened sales of maintenance and repair services and expansion of sales areas resulted in a steady increase in the number of maintenance contracts to approximately 88,630 units, and sales of maintenance and repair services amounted to 23,178 million yen (up 9.7% from the previous fiscal year). In addition, sales of modernization services amounted to 10,468 million yen (up 30.5% from the previous fiscal year) due to the strengthening of the sales structure in preparation for business expansion and proposals for properties where parts supply has been suspended.

As a result, net sales for the fiscal year totaled 34,907 million yen (up 17.3% from the previous fiscal year).

*(Gross Profit)*

Cost of sales for the current fiscal year was 21,633 million yen (up 18.5% from the previous fiscal year) due to increased material purchases and subcontracting costs resulting from an increase in the number of maintenance contracts, and increased personnel costs resulting from an increase in the number of engineering (maintenance and repair) personnel.

As a result, gross profit for the current fiscal year was 13,273 million yen (up 15.4% from the previous fiscal year).

*(Operating Profit)*

Selling, general and administrative expenses were 8,263 million yen (up 11.9% from the previous fiscal year) as a result of an increase in personnel and other expenses due to an increase in personnel in line with business expansion, as well as an increase in depreciation expenses.

As a result, operating profit for the current fiscal year was 5,010 million yen (up 21.8% from the previous fiscal year).

*(Ordinary Profit)*

Non-operating income was 169 million yen (up 4.1% from the previous fiscal year), and non-operating expenses were 79 million yen (up 59.3% from the previous fiscal year).

Non-operating income consisted mainly of surrender value of insurance policies of 77 million yen, and non-operating expenses consisted mainly of interest expenses of 21 million yen.

As a result, ordinary profit was 5,100 million yen (up 20.7% year-on-year).

*(Profit before income taxes)*

Extraordinary income was 16 million yen (up 94.4% from the previous fiscal year) and extraordinary loss was 9 million yen (up 176.4% from the previous fiscal year).

As a result, profit before income taxes was 5,107 million yen (up 20.7% from the previous fiscal year).

*(Profit attributable to owners of parent)*

Tax expenses, including corporate, inhabitant and enterprise taxes and deferred income taxes, totaled 1,916 million yen (up 32.5% from the previous fiscal year).

As a result, profit attributable to owners of parent for the current fiscal year was 3,153 million yen (up 15.6% from the previous fiscal year).

(ii) Analysis of financial condition

*(Assets)*

Total assets at the end of the current fiscal year increased 3,663 million yen from the end of the previous fiscal year to 29,002 million yen. This was mainly due to increases of 685 million yen in accounts receivable - trade, 530 million yen in raw materials and supplies, and 2,135 million yen in property, plant and equipment.

*(Liabilities)*

Liabilities increased 1,740 million yen from the end of the previous fiscal year to 15,323 million yen. This was mainly due to a 2,327 million yen increase in short-term borrowings and a 1,523 million yen decrease in long-term borrowings.

*(Net assets)*

Net assets increased 1,922 million yen from the end of the previous fiscal year to 13,678 million yen. This was mainly due to a 1,242 million yen decrease in retained earnings resulting from dividend payments, while retained earnings increased due to the recording of 3,153 million yen in profit attributable to owners of parent.

(iii) Analysis of cash flows

Cash and cash equivalents (hereinafter referred to as "cash") at the end of the current fiscal year amounted to 1,955 million yen, down 206 million yen from the end of the previous fiscal year.

The status of each cash flow and their factors during the current fiscal year are as follows.

*(Net cash provided by (used in) operating activities)*

Net cash provided by operating activities amounted to 4,253 million yen (3,005 million yen in the same

period of the previous year). This was mainly due to such positive factors as profit before income taxes of 5,107 million yen and depreciation of 1,207 million yen, while there were such negative factors as an increase in trade receivables of 603 million yen and income taxes paid of 1,463 million yen.

*(Net cash provided by (used in) investing activities)*

Net cash used in investing activities amounted to 3,509 million yen (3,279 million yen used in the same period of the previous year). This was mainly due to purchase of property, plant and equipment of 2,657 million yen and purchase of intangible assets of 847 million yen.

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

Net cash used in financing activities amounted to 954 million yen (compared with 765 million yen provided in the same period of the previous year). This was mainly due to such negative factors as repayment of long-term loans payable of 1,935 million yen and cash dividends paid of 1,242 million yen, against such positive factors as a net increase in short-term loans payable of 2,327 million yen.

(iv) Analysis of capital resources and liquidity of funds

The Group strives to generate stable operating cash flow and secure a wide range of funding sources in order to secure adequate funds for its business activities, maintain liquidity, and achieve a sound financial position. Working capital requirements are mainly due to procurement of parts for elevators and other equipment, personnel expenses and other operating expenses, as well as tax payment funds, etc., for the provision of the Group's services. Working capital and recurring capital expenditures are financed by cash on hand, indirect financing, and lease transactions. We will continue to work on a variety of financing methods to support our business activities, focusing on securing low-cost, stable and flexible funds.

(v) Significant accounting policies and estimates

The consolidated financial statements of the Group are prepared in accordance with accounting principles generally accepted in Japan. Their preparation requires management to make estimates and assumptions that affect the selection and application of accounting policies, the reported amounts of assets and liabilities and revenues and expenses, and disclosures. Management has made reasonable judgments about these estimates based on past performance and circumstances, but actual results may differ from these estimates due to the uncertainties inherent in estimates.

Significant accounting policies adopted by the Group in its consolidated financial statements are described in "Item 5 [Financial Statements and Supplementary Data], 1 [Consolidated Financial Statements], (1) [Consolidated Financial Statements], [Notes], (Basis of Presenting Consolidated Financial Statements)." .

(vi) Management's recognition of the problem and future plans

In the elevator and other maintenance market, of which our group is a part, we expect that customers will become increasingly cost-conscious and demand for safety in the operation of elevators and other equipment will intensify.

Since its establishment, the Group is committed to "Safety above anything else", "No cutting corners even when others don't see it", and "Building on trust." Under our corporate philosophy, we are striving to improve the quality of our maintenance services and to "realize fair prices" by reviewing the manufacturer-led pricing. In order to achieve sustainable growth in the future, we recognize the particular importance of "improving customer satisfaction through prompt provision of services by operating companies in each area," "expanding business areas in Japan and overseas, including M&A," and "securing and training human resources capable of providing high-quality maintenance.

The Company's management is committed to developing and implementing the best possible management policies to appropriately address these issues.

Management's recognition of issues and future policies other than those mentioned above are described in "Item 2 [Status of Business], 1. [Management Policy, Business Environment and Issues to be Addressed.]"

(2) Production, Orders and Sales

Since our group consists of a single segment of maintenance business, "Production, Orders, and Sales Results" by segment is omitted.

(i) Production

Not applicable since the Group is not engaged in production activities.

(ii) Orders received

Orders received in the current fiscal year by sales type are as follows.

Name of sales type	Current fiscal year (From April 1, 2022 to March 31, 2023)			
	Orders received (thousands of yen)	YoY change (%)	Order backlog (thousands of yen)	YoY change (%)
Modernization services	13,083,605	153.3	5,865,498	178.8
Total	13,083,605	153.3	5,865,498	178.8

(Note) The Group provides services on a build-to-order basis, but maintenance and repair services and other services are omitted because of the short period of time between receipt of orders and sales.

(iii) Sales results

The table below shows sales performance by type of sales in the current fiscal year.

Name of sales type	Current fiscal year (From April 1, 2022 to March 31, 2023)	
	Sales (thousands of yen)	YoY change (%)
Maintenance and repair services	23,178,469	109.7
Modernization services	10,468,627	130.5
Other	1,259,905	212.1
Total	34,907,002	117.3

(Note) Sales results by major customer and the percentage of such sales results to total sales results are omitted because there is no customer that accounts for 10% or more of total sales results.

5 [Important Management Contracts]

Not applicable.

## 6 [Research and Development]

In our group, research and development activities are conducted solely by the Company.

In order to respond to the increasing number of elevators installed and the increasing dependence of society on them, we are conducting research and development activities to improve the quality of elevator maintenance by promptly adopting various latest elemental technologies.

Research and development during the fiscal year under review focused on improving the functionality of PRIME server consoles, enhancing the functionality of remote monitoring terminals to reduce equipment and personnel costs, and developing Quick Renewal products to reduce modernization costs and shorten construction periods. The company also worked on the development of Quick Renewal products to reduce modernization costs and shorten the construction period.

As a result, the cost of research and development activities for the current fiscal year was 431,916 thousand yen (including the capitalized portion), and we achieved results in expanding the number of models of elevators that we can handle remotely and handle breakdowns through our proprietary maintenance consoles. In addition, we will absorb feedback from the field where "Quick Renewal" has already been launched and continue to push forward with development work for the expansion of models compatible with "Quick Renewal".

As the Group consists of a single segment of maintenance business, the description of each segment is omitted.

The Group conducts ongoing research and development in the Technology Division, the basic policy of which is as follows.

### *(1) Research and development related to "PRIME" remote inspection service*

"PRIME" is the generic name for our proprietary remote inspection system and the services we provide using it.

The elevator remote monitoring system consists of a remote monitoring terminal connected to the elevator to monitor its operating status, a monitoring server to receive reports and warnings from the terminal, and a monitoring console for the monitors to check the reports and warnings.

#### *(1-a) Remote monitoring terminal*

The remote monitoring terminal conducts research and development of operation status monitoring technology to make elevators made by various manufacturers compatible with the remote monitoring system. Although the main focus is on wired communication technology, we have been conducting a wide range of studies and investigations without limiting the scope of hardware, software protocols, and technologies.

As a means of collecting operating status, in addition to acquisition from the elevator control panel, we are continuing research to diversify methods of monitoring operating status, such as acquisition using various sensors, including acceleration sensors and temperature sensors.

The communication infrastructure for transmitting various information from remote monitoring terminals uses LTE (4G) communication, which is the mainstream wireless communication network these days, and our own closed network, which is highly resistant to outside interference and computer viruses, is installed to ensure network communication security. In addition, the PHS-based remote monitoring terminals were replaced with deliverables for which the development of countermeasures against outages had been completed, and the replacement was completed by the time of outages. In addition, as an M2M/IoT communication terminal, we are studying even wider and more stable wireless communications.

(Note) M2M/IoT communication: Technology to collect information and improve services over a wide area by applying cell phone communication to communication between devices and equipment.

#### *(1-b) Monitoring server*

The monitoring server is a device that temporarily stores information from remote monitoring terminals and notifies the connected monitoring consoles. In order to receive the operating status of the elevators to be monitored, information communication from a considerable number of nodes is concentrated, so the system must be able to withstand the concentration of alarms during disasters such as earthquakes and typhoons and the collection of information from various sensors at remote terminals to be installed in the future. The system must also be able to connect to a multi-point monitoring console for monitoring work at each of the Company's locations.

As business continuity measures for these facilities, data centers with disaster countermeasures have begun operating in the Kanto and Kansai regions, and the installation of closed networks for multiple telecommunications carriers has been completed for telecommunications lines. In addition, the construction of infrastructure and infrastructure for parallel use of various server systems under in-house operation and public cloud (cloud services) has been completed. This is expected to facilitate server resource adjustment in response to an increase in the number of elevators managed, and to improve safety and business continuity in

the event of disasters and failures. At the same time, a data analysis infrastructure is being developed to collect information on various sensors and elevator operating status more quickly and accurately. This will allow for AI-based forecasting and optimization, and will allow us to study the development of higher quality services.

For the elevator intercom used for rescue calls from inside the elevator, we are working on measures to realize low-cost calling functions by using voice lines that have been added with the development of communication media and infrastructure, and by eliminating our internal facilities.

*(1-c) Monitoring console*

The monitoring console is a PC program that displays elevator anomalies detected by the remote monitoring terminal on a monitor to enable checking of elevator operation status and remote operation of the elevator. We have researched and developed a mechanism to ensure stable operation of elevators even under conditions where a large number of abnormalities are detected, such as in the event of a disaster, and have deployed this mechanism to the control center, where it is now in operation. In addition, we are continuing measures and development for higher functionality and higher efficiency of monitoring work. We are developing programs to visualize some of the various sensor data sent from remote monitoring terminals and to enable some monitoring and elevator maintenance work to be performed with smartphone terminals and tablet terminals. Furthermore, in order to accommodate monitoring operations at overseas locations, we have begun to study the possibility of making the system available in multiple languages.

*(2) Research and development related to in-house elevator control panels*

Currently, we purchase various parts including control panels from domestic and overseas subcontractors and customize them for each elevator to be installed, and then perform modernization work. In the future, we will promote proposals that meet various customers' needs (full renovation, low-cost modernization, and modernization in a very short construction period) by combining our Quick Renewal products with control panels developed by our company, and reduce maintenance costs by closely linking them with our elevator remote monitoring system. We will also promote the development of lower-cost, high-performance elevator control panels through technical tie-ups with overseas manufacturers to further lower costs in the modernization business and develop products with an eye on overseas markets.

Furthermore, we have further expanded the "Quick Renewal" for hydraulic elevators that we have released, optimizing it so that it can be used with control panels for normal hydraulic control modernization and have begun its operation.

This new control panel has been developed for in-house use by taking advantage of the knowledge gained during the development process of "Quick Renewal" to reduce costs compared to conventional control panels and to achieve greater efficiency with peripheral equipment, making the product easier to operate.

We will continue to develop Quick Renewal products to expand the range of manufacturers and models that can be supported and meet a wide range of customer needs.

### Item 3 [Facilities]

#### 1 [Capital Investment]

During the current fiscal year, the Group made capital investments totaling 3,654,310 thousand yen, mainly in the elevator maintenance business.

The main component was the acquisition of PRIME, a remote inspection system, for 1,304,556 thousand yen. Segment information is omitted because the Group operates in a single segment of the maintenance business.

#### 2 [Principal Facilities]

Major facilities in our group are as follows.

##### (1) Filing company

As of March 31, 2023

Office (Location)	Equipment	Book value						Number of employees (persons)
		Buildings and structures (thousands of yen)	Tools, furniture and fixtures (thousands of yen)	Land (thousands of yen) (Area m2)	Software (thousands of yen)	Other (thousands of yen)	Total (Thousands of yen)	
Head office and others (Chuo-ku, Tokyo, etc.)	Office equipment, electrical equipment, server equipment for internal operations, communications equipment, research equipment, etc.	1,766,296	4,124,409	- (-)	1,152,026	458,602	7,501,334	235
Company owned employee quarters (Wako City, Saitama)	Company owned employee quarters	641,635	4,461	221,415 (3,076.47)	-	12,599	880,111	-

- (Notes) 1. Book value does not include construction in progress and software in progress.
2. The number of employees is the number of full-time employees (excluding employees on secondment from the Company and including employees on secondment from outside the Company to the Company).  
The number of temporary employees is omitted because it is less than 10/100 of the total number of employees.
3. All or part of the buildings of the head office and each subsidiary are leased, except for the properties owned by the Company. Rental expenses for the current fiscal year amounted to 842,015 thousand yen.
4. Segment information is omitted because the Group operates in a single segment of the maintenance business.

## (2) Domestic subsidiaries

As of March 31, 2023

Office (Location)	Equipment	Book value						Number of employees (persons)
		Buildings and structures (thousands of yen)	Tools, furniture and fixtures (thousands of yen)	Land (thousands of yen) (area m2)	Software (thousands of yen)	Other (thousands of yen)	Total (thousands of yen)	
Japan Elevator Service Hokkaido Co., Ltd. Head office and others (Toyohira-ku, Sapporo, Hokkaido, etc.)	Subsidiary Office equipment, electrical equipment, parts warehouse equipment, sales vehicles, etc.	166,506	4,095	145,925 (1,425.67)	-	0	316,527	120
Japan Elevator Service Jonan Co., Ltd. Head office and others (Chiyoda-ku, Tokyo, etc.)	Subsidiary Office operations equipment, electrical equipment, etc.	24,813	32,761	- (-)	-	-	57,574	250
Japan Elevator Service Josai Co., Ltd. Head office and others (Shinjuku-ku, Tokyo, etc.)	Subsidiary Office operations equipment, electrical equipment, etc.	36,529	38,472	7,000 (241.7)	-	-	82,002	266
Japan Elevator Service Kanagawa Co. Ltd. Head office and others (Kanagawa-ku, Yokohama City, Kanagawa, etc.)	Subsidiary Office operations equipment, electrical equipment, etc.	25,072	27,091	- (-)	-	-	52,163	189
Japan Elevator Service Tokai Co., Ltd. Head office and others (Naka-ku, Nagoya City, Aichi, etc.)	Subsidiary Office operations equipment, electrical equipment, parts warehouse equipment, etc.	20,012	21,800	- (-)	-	-	41,812	114
Japan Elevator Service Kansai Co., Ltd. Head office and others (Chuo-ku, Osaka City, Osaka, etc.)	Subsidiary Office operations equipment, electrical equipment, parts warehouse equipment, etc.	18,947	32,786	- (-)	-	-	51,733	111
Japan Elevator Service Chushikoku Co., Ltd. Head office and others (Naka-ku, Hiroshima City, Hiroshima Prefecture, etc.)	Subsidiary Office operations equipment, electrical equipment, etc.	2,768	4,445	- (-)	-	-	7,214	8
Japan Elevator Service Kyushu Co., Ltd. Head office and others (Hakata-ku, Fukuoka City, Fukuoka, etc.)	Subsidiary Office operations equipment, electrical equipment, etc.	10,032	12,471	- (-)	-	-	22,503	38
Japan Elevator Parts Co., Ltd. Head office and others (Wako City, Saitama Pref., etc.)	Subsidiary Office operations equipment, electrical equipment, parts warehouse equipment, etc.	2,272,920	50,222	700,922 (3,675.49)	21,860	28,776	3,074,702	179

- (Notes) 1. Book value does not include construction in progress and software in progress.  
2. The number of employees is the number of full-time employees (excluding employees transferred from the Group to outside the Group and including employees transferred from outside the Group to the Group). The number of temporary employees is omitted because it is less than 10/100 of the total number of employees.  
3. Facilities of domestic subsidiaries are leased from the Submitting Company except for some of them.  
4. Segment information is omitted because the Group operates in a single segment of the maintenance business.



(3) Overseas subsidiaries

The information is omitted due to immateriality.

3 [Plans for Installation or Retirement of Facilities]

Not applicable.

## Part 4 [Status of Filing Company]

### 1 [Status of Shares]

#### (1) [Total number of shares]

##### (i) Total number of shares

Type of shares	Total number of shares authorized to be issued (shares)
Common stock	224,000,000
Total	224,000,000

##### (ii) [Outstanding shares]

Type of shares	Number of shares issued as of the end of the fiscal year (shares) (March 31, 2023)	Number of shares issued as of the date of submission (June 26, 2023)	Name of listed financial instruments exchange or registered and licensed financial instruments association	Description
Common stock	89,067,200	89,067,200	Tokyo Stock Exchange Prime Market	The shares have full voting rights and are the Company's standard shares with no restrictions on their rights. The number of shares constituting one unit is 100 shares.
Total	89,067,200	89,067,200	-	-

- (Notes) 1. The Company has recorded exercise of share acquisition rights. As a result, the total number of shares issued increased by 313,600.
2. The number of shares issued as of the date of submission does not include the number of shares issued upon exercise of stock acquisition rights from June 1, 2023 to the date of submission of this annual securities report.

(2) [Status of share acquisition rights]

(i) [Details of stock option plan]

Details of share acquisition rights issued in accordance with the Companies Act are as follows

(Series 1 Share Acquisition Rights)

March 15, 2016 Extraordinary General Meeting of Shareholders Resolution

Classification	As of the end of the fiscal year (March 31, 2023)
Classification and number of grantees (persons)	Outside collaborator 1
Number of stock acquisition rights	406
Class of shares to be issued or transferred upon exercise of stock acquisition rights * Class of shares to be issued or transferred upon exercise of stock acquisition rights	Common stock
Number of shares to be issued upon exercise of stock acquisition rights (shares)	324,800 (Note) 1,5
Amount to be paid-in upon exercise of the new share subscription rights (yen)	83 (Note 2,5)
Exercise period of stock acquisition rights * Exercise period of stock acquisition rights	From April 1, 2019 To March 31, 2026
Issue price and amount paid into capital when shares are issued upon exercise of stock acquisition rights (yen)	Issue price 83 Capitalization 41.5 (Note 5)
Terms and conditions to exercise subscription rights to shares * Exercise of subscription rights to shares	(Note 3)
Matters concerning the transfer of stock acquisition rights *	Any transfer of these stock acquisition rights must be approved by the Board of Directors.
Matters concerning issuance of subscription rights to shares in connection with reorganization *	(Note 4)

\*This information is as of the end of the current fiscal year (March 31, 2023). As of the end of the month prior to the date of submission (May 31, 2023), there has been no change in the information to be presented from that as of the end of the current fiscal year, so the information as of the end of the month prior to the date of submission has been omitted.

(Notes) 1. The number of shares to be issued upon exercise of each stock acquisition right is 800 shares. However, the number of shares to be issued upon exercise of one Stock Acquisition Right may be adjusted in accordance with the following provisions.

If the Company splits or consolidates its shares, the number of shares to be issued upon exercise of the Stock Acquisition Rights shall be adjusted in accordance with the following formula. Such adjustment shall be made only with respect to the number of shares to be issued upon exercise of the stock acquisition rights that have not been exercised as of such time. Any fractional shares resulting from the adjustment shall be rounded down.

$$\text{Number of shares after adjustment} = \text{Number of shares before adjustment} \times \text{Ratio of split or consolidation}$$

2. The amount to be paid upon exercise of the Stock Acquisition Rights is subject to adjustment in accordance with the following provisions.

If the Company conducts a stock split or reverse stock split of its common stock after the date of resolution for the issuance of these equity warrants, the exercise price for the exercise of equity warrants shall be adjusted in accordance with the following formula, and any fraction less than one yen resulting from the adjustment shall be rounded up.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \div \text{Ratio of split or consolidation}$$

3. The conditions for exercising stock acquisition rights are as follows

Subject to the satisfaction of other conditions, the holders of the Stock Acquisition Rights shall be granted the right to exercise the number of Stock Acquisition Rights (Vesting Stock Acquisition Rights) as specified below at the time specified below.

Time Number of vested stock acquisition rights

On and after April 1, 2019 33% of allotment

On and after April 1, 2021 66% of allotment

On and after April 1, 2024 100% of the number of allotments

However, if the Company's shares are listed on the Tokyo Stock Exchange or any other domestic or foreign financial instruments exchange, the Stock Acquisition Rights, including vested Stock Acquisition Rights, may not be exercised for 180 days from the date of such listing. In addition, in the event that the Consulting Services Agreement dated April 1, 2016 between the stock acquisition rights holder and the Company is terminated, the Company may acquire all of the stock acquisition rights except for the stock acquisition rights already vested as of the date of termination of the Consulting Services Agreement.

4. In the event that the Company needs to adjust the number of shares granted due to a merger, corporate split, share exchange, share transfer or other reorganization, or in any other case where adjustment of the number of shares granted is necessary, the Company will adjust the number of shares granted appropriately to the extent reasonable.

5. The Company conducted a 100-for-1 stock split of common stock on August 31, 2016, a 2-for-1 stock split of common stock on October 1, 2017, a 2-for-1 stock split of common stock on October 1, 2018, and a 2-for-1 stock split of common stock on January 1, 2021. The Company conducted a 2-for-1 stock split on October 1, 2018 and a 2-for-1 stock split on January 1, 2021. As a result, "Number of shares to be issued upon exercise of stock acquisition rights," "Amount to be paid upon exercise of stock acquisition rights,"

and "Issue price and amount paid into capital when shares are issued upon exercise of stock acquisition rights" are adjusted.

(ii) [Contents of Rights Plan]

Not applicable.

(iii) [Status of other stock acquisition rights]

Not applicable.

(3) [Status of Exercise of Bonds with Share Acquisition Rights with Exercise Price Revision Clause]

Not applicable.

## (4) [Total number of shares issued, share capital]

Date	Increase/decrease in total number of shares issued and outstanding (shares)	Total number of shares outstanding (shares)	Increase (decrease) in share capital (thousand yen)	Balance of share capital (thousand yen)	Increase (decrease) in capital reserve (thousand yen)	Balance of capital reserve (thousand yen)
August 16, 2018 (Note 1)	common stock 34,000	common stock 20,064,000	44,761	653,206	44,761	610,991
October 1, 2018 (Note 2)	common stock 20,064,000	common stock 40,128,000	-	653,206	-	610,991
April 1, 2018 - March 31, 2019 (Note 3)	common stock 162,800	common stock 40,290,800	17,989	671,195	17,989	628,980
August 9, 2019 (Note 4)	common stock 3,000	common stock 40,293,800	4,056	675,251	4,056	633,036
April 1, 2019 - March 31, 2020 (Note 3)	common stock 244,800	common stock 40,538,600	25,070	700,321	25,070	658,106
April 1, 2020 - December 31, 2020 (Note 3)	common stock 3,738,400	common stock 44,277,000	1,758,844	2,459,166	1,758,844	2,416,951
January 1, 2021 (Note 2)	common stock 44,277,000	common stock 88,554,000	-	2,459,166	-	2,416,951
January 1, 2021 - March 31, 2021 (Note 3)	common stock 20,000	common stock 88,574,000	1,110	2,460,276	1,110	2,418,061
April 20, 2021 (Note 3)	common stock 169,600	common stock 88,743,600	7,038	2,467,314	7,038	2,425,099
August 12, 2021 (Note 5)	common stock 10,000	common stock 88,753,600	12,730	2,480,044	12,730	2,437,829
October 3, 2022 (Note 3)	common stock 313,600	common stock 89,067,200	13,014	2,493,058	13,014	2,450,843

- (Notes) 1. Restricted stock compensation  
Issue price 2,633 yen  
Amount incorporated in capital 1,316.5 yen  
Allottees 9 directors of the Company (excluding outside directors)
2. Due to a stock split (2 shares for a share).
3. Due to the exercise of stock acquisition rights.
4. Restricted stock compensation  
Issue price 2,704 yen  
Capital contribution 1,352 yen  
Allottee One director of the Company (excluding outside directors)
5. Restricted stock compensation  
Issue price 2,546 yen  
Capital contribution 1,273 yen  
Allottee One director of the Company (excluding outside directors)

## (5) [Status by Owner]

As of March 31, 2023

Classification	Status of Shares (Number of Shares per Unit: 100 shares)							Status of odd-lot shares (shares)	
	Government and local governments	Financial institutions	Stock brokers	Other corporations	Foreign corporations, etc.		Individuals and others		Total
					Non-Personal	Individual			
Number of shareholders (persons)	-	19	20	89	182	16	7,672	7,998	-
Number of shares held (voting unit)	-	193,690	7,540	260,097	356,045	326	72,875	890,573	9,900
Percentage of shares held (%)	-	21.75	0.85	29.21	39.98	0.04	8.18	100.00	-

(Note) 8,819 shares of treasury stock are included in 88 units in "Individuals and others" and 19 shares in "Status of odd-lot shares."

## (6) [Status of Major Shareholders]

As of March 31, 2023

Name or Designation	Address	Number of shares held (thousand shares)	Ratio of shares held to total number of shares issued (excluding treasury stock) (%)
KI Corporation	23-2, Toranomon 1-chome, Minato-ku, Tokyo	25,294	28.40
SSBTC CLIENT OMNIBUS ACCOUNT (Standing proxy agent: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch, Custody Business Department)	ONE LINCOLN STREET, BOSTON MA USA 02111	12,659	14.21
The Master Trust Bank of Japan, Ltd. (Trust account)	(3-11-1 Nihonbashi, Chuo-ku, Tokyo)	11,973	13.44
Japan Custody Bank, Ltd.(Trust account)	2-11-3 Hamamatsucho, Minato-ku, Tokyo	4,498	5.05
J.P. MORGAN BANK LUXEMBOURG S.A.384513	1-8-12 Harumi, Chuo-ku, Tokyo	1,507	1.69
(Standing proxy agent: Settlement Sales Division, Mizuho Bank, Ltd.)	EUROPEAN BANK AND BUSINESS CENTER 6, ROUTE DE TREVES, L-2633 SENNINGERBERG, LUXEMBOURG	1,306	1.46
STATE STREET BANK AND TRUST COMPANY 505001	(15-1, Konan 2-chome, Minato-ku, Tokyo)	1,194	1.34
(Standing proxy agent: Settlement Sales Division, Mizuho Bank, Ltd.)	P.O. BOX 351 BOSTON MASSACHUSETTS 02101 U.S.A.	1,155	1.29
BBH FOR MATTHEWS ASIA GROWTH FUND	(15-1, Konan 2-chome, Minato-ku, Tokyo)	1,099	1.23
(Standing proxy agent: The Bank of Mitsubishi UFJ, Ltd.)	4 EMBARCADERO CTR STE 550 SAN FRANCISCO CALIFORNIA ZIP CODE: 94111	1,075	1.20
The Dai-ichi Life Insurance Co. (Standing proxy agent: The Custody Bank of Japan, Ltd.)	(7-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo)	-	69.34
TAIYO FUND, L.P. (Standing proxy agent: The Bank of Mitsubishi UFJ, Ltd.)	13-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo		
Japan Elevator Service Employee Stock Ownership Plan	(8-12, Harumi 1-chome, Chuo-ku, Tokyo)		
	5300 CARILLON POINT KIRKLAND, WA 98033, USA		
	(7-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo)		
	1-3-13 Nihonbashi, Chuo-ku, Tokyo		
Total	-	61,763	69.34

## (7) [Status of voting rights]

## (i) [Outstanding shares]

As of March 31, 2023

Classification	Number of shares	Number of voting rights	Description
Non-voting stock	-	-	-
Shares with restricted voting rights (treasury stock, etc.)	-	-	-
Shares with restricted voting rights (Other)	-	-	-
Shares with full voting rights (treasury shares, etc.)	common stock 8,800	-	-
Shares with full voting rights (Other)	common stock 89,048,500	890,485	Standard shares of the Company with no restrictions on rights
Odd lot shares	common stock 9,900	-	-
Total number of shares issued and outstanding	89,067,200	-	-
Voting rights of all shareholders	-	890,485	-

(Note) "Shares less than one unit" includes 19 shares of treasury stock held by the Company.

## (ii) [Treasury shares]

As of March 31, 2023

Name or title of owner	Owner's address	Number of shares held in treasury (shares)	Number of shares held in the name of others (shares)	Total number of shares held (shares)	Number of shares held as a percentage of total number of shares issued (%)
Japan Elevator Service Holdings Co., Ltd.	1-3-13 Nihonbashi, Chuo-ku, Tokyo	8,800	-	8,800	0.01
Total	-	8,800	-	8,800	0.01

2 [Treasury Shares]

[Type of shares] Acquisition of common stock that falls under Article 155, Item 7 of the Companies Act and acquisition of common stock that falls under Article 155, Item 13 of the Companies Act

(1) [Status of acquisition by resolution of the General Meeting of Shareholders]

Not applicable.

(2) [Status of acquisition by resolution of the Board of Directors] (2) [Status of acquisition by resolution of the Board of Directors]

Not applicable.

(3) [Details of items not based on resolutions of the General Meeting of Shareholders or the Board of Directors]

Classification	Number of shares	Total value (yen)
Treasury shares acquired in the current fiscal year	444	76,289
Treasury shares acquired during the period	148	100,560

(Notes) 1. Of the treasury shares acquired during the fiscal year under review, 44 shares increased due to the purchase of odd-lot shares and 400 shares increased due to the free acquisition of shares by retirees of the restricted stock compensation plan.

2. Of the treasury shares acquired during the period, 48 shares increased due to the purchase of odd-lot shares and 100 shares increased due to the free acquisition of shares by retirees of the restricted stock compensation plan.

3. The number of shares of treasury stock acquired during the period under review does not include the number of shares acquired through the purchase of odd-lot shares from June 1, 2023 to the submission of the Annual Securities Report and the number of shares acquired free of charge by retirees of the restricted stock compensation plan.

(4) [Status of disposal and holding of acquired treasury shares]

Classification	Current fiscal year		Current term	
	Number of shares	Total amount of disposal value (thousands of yen)	Number of shares	Total amount of disposal value (thousands of yen)
Acquired treasury shares offered to subscribers	-	-	-	-
Acquired treasury shares disposed of for cancellation	-	-	-	-
Acquired treasury stock transferred in connection with a merger, share exchange, share issuance, or corporate split	-	-	-	-
Other (Disposal of treasury stock through restricted stock compensation)	10,440	16,800	-	-
Number of treasury stock held	8,819	-	8,967	-

(Note) The number of treasury shares held during the period under review does not include the number of shares held from June 1, 2023 to the date of submission of this annual securities report due to the purchase and sale of odd-lot shares and the number of shares held due to free acquisition by retirees of the restricted stock compensation plan.



### 3 [Dividend Policy]

The Company recognizes that returning profits to shareholders is one of its most important management policies, and its basic policy is to maintain stable dividends while securing the internal reserves necessary to strengthen the management base in response to changes in the business environment and for future business development.

For the 29th fiscal year, the Company has decided to pay a dividend of 17.00 yen per share of common stock based on the above policy.

Regarding the future distribution of retained earnings, our policy is to actively return profits to shareholders, taking into consideration our business performance, financial condition, and investment plans from a medium- to long-term perspective.

The Company intends to use retained earnings to invest in research and development and to strengthen its financial position in order to further increase its corporate value.

The Company's basic policy is to distribute dividends from surplus once a year for common stock. The Company's Articles of Incorporation stipulate that matters listed in Article 459, Paragraph 1 of the Companies Act may be determined by a resolution of the Board of Directors, unless otherwise provided by law.

Dividends from surplus for the 29th fiscal year are as follows

Date of resolution	Total amount of dividends (thousand yen)	Dividend per share (yen)
June 23, 2023 Resolution of the Annual General Meeting of Shareholders	1,513,992	17.00

## 4 [Corporate Governance]

### (1) [Overview of Corporate Governance]

#### (i) Basic Policy on Corporate Governance

The Group recognizes that the establishment of corporate governance is the most important issue in corporate management. With the aim of ensuring sound corporate management and improving transparency and efficiency, we will strengthen our compliance system, further enhance disclosure through proactive investor relations activities, etc., and promote more efficient corporate behavior. We will also strive to increase corporate value and return profits to shareholders and other stakeholders.

#### (ii) Outline of the corporate governance system and reasons for adopting the system

##### (a) Outline of corporate governance system

###### *(Directors and Board of Directors)*

As of the date of submission of the Annual Securities Report, the Company's Board of Directors consists of eight directors (including three outside directors). In addition to regular monthly meetings, extraordinary meetings of the Board of Directors are held whenever important matters arise. The Board of Directors is chaired by Katsushi Ishida, President and Representative Director CEO, and the other members are Kimihiko Imamura, Director, Deputy President and Executive Officer CFO, Shuji Kuramoto, Director, Deputy President and Executive Officer, Shinsuke Uno, Director, Senior Managing Officer, Daiki Murakami, Director, Managing Executive Officer, Hitoshi Watanabe, Outside Director, Noriko Endo, Outside Director, and Mika Yano, Outside Director.

###### *(Audit & Supervisory Board and Board Members)*

The Audit & Supervisory Board meets once a month in principle, and when necessary, the Audit & Supervisory Board members hold discussions and exchange opinions with each other in order to ascertain the status of compliance by directors with laws, regulations, the Articles of Incorporation and other rules, and to ensure that operational and accounting audits are conducted effectively. The Audit & Supervisory Board is chaired by Kei Tachibana, Audit & Supervisory Board member, and its other members are Hitoshi Maeda and Shigeru Haga, Outside Audit & Supervisory Board members.

In addition to attending meetings of the Board of Directors and other important meetings, Audit & Supervisory Board conduct proper monitoring of management through inspection of important documents, questioning of officers and employees, and other auditing procedures. The Company also strives to conduct appropriate audits in cooperation with the Internal Audit Office and the accounting auditor.

###### *(Nominating and Compensation Committee)*

In order to strengthen the independence, objectivity, and accountability of the Board of Directors' functions related to the nomination and compensation of senior management and directors, the Company's Board of Directors, at its meeting held on June 23, 2022, resolved to establish a Nominating and Compensation Committee as an advisory body to the Board of Directors. The committee consists of three members, a representative director and two outside directors, and is chaired by the representative director. The independence of the committee is ensured by having a majority of the committee members be independent outside directors. The Committee shall deliberate on matters relating to the election and dismissal of directors and officers, as well as policies and procedures necessary to determine directors' remuneration, etc., and shall provide advice and recommendations to the Board of Directors.

###### *(Sustainability Committee)*

To achieve sustainable growth and increase corporate value over the medium to long term, we have established a Sustainability Committee under the direct control of the Board of Directors to promote sustainability initiatives in conjunction with the management plan by resolving sustainability issues and identifying risks and opportunities.

The committee consists of the director in charge of sustainability and members deemed appropriate based on their duties.

The Committee identifies environmental, social, governance, and other sustainability issues, and manages and oversees various measures.

###### *(Group Management Committee)*

The Company has established a Group Management Committee for the purpose of thorough implementation of management policies as a group and discussion or sharing of management information and issues. The meeting is composed of the director in charge, the general manager, the general manager of the Internal Audit Department, and the representative directors of subsidiaries, and is held once a month in principle, and whenever necessary.

*(Internal Audit Office)*

The Company has established an Internal Audit Office under the direct control of the Representative Director. The Internal Audit Office, consisting of one person, audits all divisions of the Company and all subsidiaries for rationality, efficiency, appropriateness, and appropriateness of business execution in accordance with the annual internal audit plan. Audit results are reported to the Representative Director, who gives instructions for improvement to the person in charge of the audited department, and the status of improvement is monitored through follow-up audits, etc.

*(Compliance Committee)*

The Company has established a Compliance Committee as a body to ensure that compliance is adhered to within the Group. The Committee is composed of the director in charge, the general manager, the general manager of the Internal Audit Department, the full-time statutory auditor, the representative directors of subsidiaries, etc., and meets as necessary.

*(Accounting Auditor)*

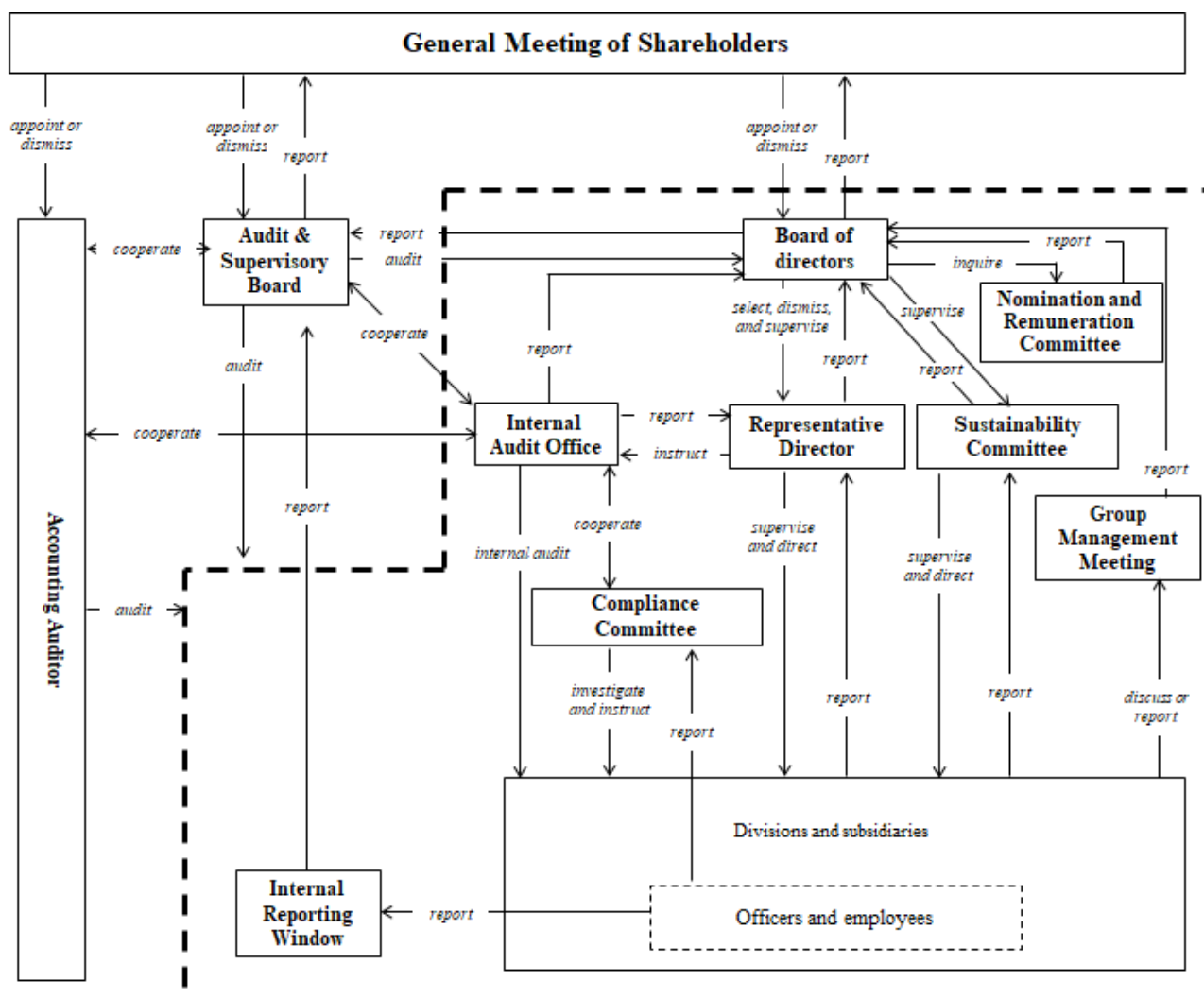
The Company has entered into an audit contract with Ernst & Young ShinNihon LLC.

(b) Reasons for adopting the corporate governance system

We have adopted a company-with-a-board-of-directors and a company-with-audit & supervisory board system, in which the Board of Directors supervises the execution of business operations and the Audit & Supervisory Board and its members conduct audits to provide a dual check function. In addition, outside directors and outside Audit & Supervisory Board members attend Board of Directors meetings and speak from a highly independent standpoint, thereby strengthening the management oversight function. We also believe that the current system, in which Audit & Supervisory Board members, the internal audit, and auditing firm work together as appropriate to monitor business execution, and in which internal and external management oversight functions are fully exercised, is optimal for ensuring the effectiveness of corporate governance.

(c) Schematic diagram of corporate governance structure

A schematic diagram of the Company's corporate governance structure is shown below.



(iii) Other matters related to corporate governance

(a) Status of Internal Control System

At a meeting of the Board of Directors held on October 15, 2015, the Company resolved a basic policy for the establishment of an internal control system in accordance with the enforcement of the Companies Act. Based on this basic policy, we have established an internal control system structure. In addition, the Company conducts reviews in accordance with changes in the business environment and other factors.

(1) System to ensure that the execution of duties by directors and employees of the Company and its subsidiaries complies with laws and regulations and the Articles of Incorporation

- 1) Directors and employees of the Company and its subsidiaries shall act in accordance with the Code of Conduct and Compliance Rules, and shall comply with laws, the Articles of Incorporation and social norms.
  - 2) The Company shall establish a Compliance Committee to oversee compliance-related efforts and provide compliance education to directors and employees of the Company and its subsidiaries.
  - 3) The Internal Audit Office, which is independent from the executive departments as an internal audit division, shall audit the status of compliance.
  - 4) In the event that any director or employee of the Company or its subsidiaries discovers any material violation of laws and regulations or any other material fact concerning compliance at the Company, he or she shall immediately report such violation to the information manager, and shall supplement such violation with a system (hotline rules) to eliminate omissions in the discovery of such violations of laws and regulations or other material facts.
- The whistleblower service, which is available via dedicated e-mail, website, and written mail, is outsourced to Fair Links Consulting, Inc.

- 5) If the Company's Audit & Supervisory Board find any problem in the operation of the Company's legal compliance system and internal reporting rules (hotline rules), they may express their opinions and request the Company to formulate remedial measures.
- (2) System for the storage and management of information related to the execution of duties by the Company's directors

Information related to the execution of duties by the Company's Directors shall be stored and managed appropriately and reliably in a highly retrievable state according to the storage medium, in accordance with laws and regulations, the Document Management Regulations, and the Regulations for the Protection of Personal Information and Specified Personal Information. The Company's Directors and Audit & Supervisory Board members shall have access to these documents at all times.
  - (3) Regulations and other systems for managing the risk of loss of the Company and its subsidiaries
    - 1) The heads of the headquarters, branches, branch offices, departments, offices, divisions, sales offices, etc. of the Company and its subsidiaries shall perform their duties within the scope of authority granted to them in accordance with the Rules on Division of Duties and Administrative Authority, etc. When performing duties that exceed the authority granted, they shall apply for and obtain approval from a higher authority in accordance with the Rules on Administrative Authority, and shall manage the risk of loss associated with the performance of the duties for which approval is granted.
    - 2) The representative directors, general managers, general managers, and branch office managers of the Company and its subsidiaries shall assume various business risks that may occur in the relevant headquarters, offices, and branch offices, and shall strive to avoid such risks in advance, and in the event of the occurrence of a fact that could become a risk, shall respond promptly and appropriately to prevent and minimize the spread of damage. In the event of a potential risk, we will respond quickly and appropriately to prevent and minimize the spread of damage.
    - 3) In the event of unforeseen circumstances or the need to respond to newly arising risks, the Company and its subsidiaries shall report the situation to the Board of Directors, which shall determine a responsible person and take prompt action.
  - (4) Systems to ensure the efficient execution of duties by directors of the Company and its subsidiaries
    - 1) The Board of Directors of the Company and its subsidiaries shall make decisions on management execution policies, matters required by law and other important management matters, and supervise the execution of business by the directors of the Company and its subsidiaries.
    - 2) As a system to ensure that the directors of the Company and its subsidiaries execute their duties efficiently, meetings of the Board of Directors of the Company and its subsidiaries shall be held once a month in principle, and extraordinary meetings shall be held as necessary.
    - 3) The Board of Directors of the Company and its subsidiaries shall formulate and review management targets and budgets, the directors of the Company and its subsidiaries shall perform their duties to achieve them, and the Board of Directors shall manage their performance.
  - (5) System to ensure the appropriateness of operations of the corporate group consisting of the Company and its subsidiaries
    - 1) The Company and its subsidiaries shall endeavor to ensure the appropriateness of business operations of the Company and its subsidiaries by making the management policies common to the Company and its subsidiaries known to the Company and its subsidiaries as a whole.
    - 2) Regular meetings attended by the Company's directors and representative directors of the Company's subsidiaries shall be held to share information among the Company and its subsidiaries.
    - 3) In order to ensure the appropriateness of business operations at the Company and its subsidiaries, the Company and its subsidiaries shall establish matters to be managed by each company in accordance with the Affiliate Company Management Regulations applicable to the Company and all of its subsidiaries.
    - 4) The Internal Audit Office of the Company shall conduct or supervise internal audits of the Company and its subsidiaries to ensure the effectiveness and adequacy of internal control over the overall operations of the Company and its subsidiaries.
    - 5) A system shall be established to immediately report any violation of laws and regulations or

other important compliance-related matters discovered within the Company and its subsidiaries.

- (6) Matters related to employees who are requested by the Company's auditors to assist them in their duties, matters related to the independence of such employees from directors, and matters related to ensuring the effectiveness of the auditors' instructions with respect to such employees

The Company shall assign employees to assist the duties of the Audit & Supervisory Board members when required by the members. The Company's Audit & Supervisory Board members shall have the authority to direct and order the employees, and their appointment, transfer, evaluation, and disciplinary actions shall be made after hearing the opinions of the Audit & Supervisory Board and exchanging views with the directors, thereby ensuring the independence of such employees from the directors. The Company shall ensure the independence of such employees from directors.

- (7) System for reporting to the Company's auditors by the Company's directors and employees, as well as by directors, auditors, employees, and employees of the Company's subsidiaries, or persons who receive reports from these persons

The Company's Audit & Supervisory Board members shall attend meetings of the Board of Directors and other important decision-making meetings of the Company and shall receive reports on important matters from the Company's Directors, employees, and others. In addition, the Company's Audit & Supervisory Board members shall receive reports from the Company's Directors, employees, etc. on the status of management of the Company's subsidiaries, etc. Notwithstanding the foregoing, the Company's Audit & Supervisory Board members may, at any time and as necessary, request reports from the directors, employees, etc. of the Company and its subsidiaries.

- (8) System to ensure that a person who makes a report to the Company's Audit & Supervisory Board members is not subject to any disadvantageous treatment for making such a report

The Company shall prohibit any disadvantageous treatment of any person who makes a report to the Company's Audit & Supervisory Board members by reason of such report, and shall ensure that the Directors and employees of the Company and its subsidiaries are informed of such prohibition.

- (9) Matters concerning procedures for advance payment or reimbursement of expenses incurred in the performance of duties by the Company's Audit & Supervisory Board members and other policies concerning the treatment of expenses or liabilities incurred in the performance of such duties

When an Audit & Supervisory Board member makes a request for advance payment of expenses, etc. to the Company for the performance of his/her duties, the Company shall promptly comply with such request, except in cases where the expenses or obligations in connection with such request are not deemed necessary for the performance of the Audit & Supervisory Board members' duties.

- (10) Other systems to ensure that audits by the Company's auditors are conducted effectively

1) In accordance with the auditing standards for Audit & Supervisory Board, the Company's Audit & Supervisory Board may attend meetings of the Board of Directors and other important meetings of the Company, inspect important information of the Company, and request explanations from directors or employees as necessary.

2) In order to conduct efficient audits, the Company's Audit & Supervisory Board shall hold periodic discussions or exchanges of opinions with the accounting auditor, etc., to complement each other's auditing activities.

3) The Company's Audit & Supervisory Board shall meet regularly with the Company's Representative Director to confirm the Company's business execution policies and exchange opinions on issues to be addressed by the Company, risks surrounding the Company, the state of the audit environment, and important audit-related issues.

4) Ensure management transparency by having at least half of the Company's Audit & Supervisory Board members are outside Audit & Supervisory Board member.

- (11) System to ensure the reliability of financial reporting

1) In order to ensure proper accounting treatment and improve the reliability of financial reporting, the Company shall develop and improve the effectiveness of its internal control system for financial reporting.

2) The Company, its subsidiaries and their internal audit offices shall evaluate the effectiveness of internal control over financial reporting each fiscal year. The department receiving the effectiveness evaluation shall take measures to correct and improve the situation when necessary.

(12) System to eliminate antisocial forces

The Company and its subsidiaries shall not have any relationship, including business relationships, with antisocial forces that pose a threat to social order and sound corporate activities. In addition, the entire organization shall take a firm stand against unjustified demands from antisocial forces.

(b) Status of risk management system

The Company recognizes that risk management is an extremely important management activity. Specifically, the directors and the Board of Directors strive to execute and supervise business operations. At the same time, to strengthen the risk management system, the Company is working to enhance internal control functions within the Company by formulating business plans, controlling budgets, operating and checking operations based on various regulations, and strengthening internal audits.

(c) Status of systems to ensure the appropriateness of operations of subsidiaries

The Domestic Business Division for domestic subsidiaries and the Overseas Business Strategy Office for overseas subsidiaries are responsible for overall management of subsidiaries.

In order to ensure the appropriateness of business operations of subsidiaries, the Company has established "Affiliated Company Management Regulations" and for important matters concerning corporate management at subsidiaries, the Company designates an approver for each important matter and carries out the prescribed procedures in advance.

The financial condition and operating results and other matters are designated as matters to be reported by the subsidiaries to the Company, and important matters are reported to the Board of Directors of the Company through the Corporate Management Division or the Division in charge. Internal audits of subsidiaries are conducted by the Internal Audit Office and audits of subsidiaries are conducted by Audit & Supervisory Board.

(d) Outline of the contents of the liability limitation agreement

Pursuant to Article 427, Paragraph 1 of the Companies Act, the Company has entered into an agreement with each outside director and each Audit & Supervisory Board member to limit their liability for damages under Article 423, Paragraph 1 of the act. The maximum amount of liability for damages under such contracts is the minimum liability amount stipulated in Article 425, Paragraph 1 of the Companies Act. Such limitation of liability is limited to cases where outside directors and Audit & Supervisory Board members perform their duties in good faith and without gross negligence.

(e) Outline of the contents of the directors' and officers' liability insurance policies that have been concluded with the directors and officers, etc. as insureds.

The Company has concluded a directors' and Audit & Supervisory Board members' liability insurance policy with an insurance company, as stipulated in Article 430-3, Paragraph 1 of the Companies Act, which insures the directors, Audit & Supervisory Board members, and executive officers of the Company and its subsidiaries (including those who were in office during the fiscal year under review).

The insurance contract is renewed annually. The insurance company will compensate the insured for damages that may arise from the insured being held liable for the performance of his/her duties or being subject to claims related to the pursuit of such liability.

In addition, the insurance policy provides for an exemption from liability for damages in the event that the Company pursues liability for damages against the officer in question, and by setting a limit on the amount to be covered, the Company has taken measures to ensure that the officer's performance of his duties is not impaired. The same information will be updated in the next update.

(f) Fixed number of directors and requirements for resolution of election of directors

The Company's Articles of Incorporation stipulate that the number of directors shall not exceed 14.

The Company's Articles of Incorporation stipulate that resolutions for the election of directors shall be adopted by a majority of the voting rights of shareholders present at a meeting where shareholders holding one-third or more of the voting rights of shareholders who are entitled to exercise their voting rights are present.

The Articles of Incorporation also stipulate that the resolution for the election of directors shall

not be by cumulative voting.

(g) Activities of the Board of Directors

The Board of Directors, in accordance with the bylaws on matters to be discussed and reported to the Board of Directors, adopts resolutions on basic policies concerning the management of the Company, important business execution matters, matters authorized by a resolution of the General Meeting of Shareholders, and other matters stipulated by laws and regulations and the Articles of Incorporation, and also receives reports on matters stipulated by laws and regulations and the execution of important business operations. The Board of Directors also receives reports on the status of the execution of important business operations and matters prescribed by laws and regulations. During the fiscal year under review, in addition to regular monthly meetings of the Board of Directors, extraordinary meetings of the Board of Directors were held on a case-by-case basis when important matters arose. The attendance of individual directors is as follows

Name	Number of times held	Number of times attended
Katsushi Ishida	18 times	18 times
Kimihiko Imamura	18 times	18 times
Shuji Kuramoto	18 times	18 times
Shinsuke Uno	18 times	18 times
Kohei Ueda	5 times	5 times
Koji Ando	5 times	5 times
Takeshi Watanabe	13 times	13 times
Daiki Murakami	13 times	13 times
Hitoshi Watanabe	18 times	18 times
Reiko Yonezawa	5 times	5 times
Noriko Endo	18 times	18 times
Mika Yano	13 times	13 times

- (Notes) 1. The number of meetings of the Board of Directors differs from other Directors because Kohei Ueda, Koji Ando and Reiko Yonezawa retired due to expiration of their terms of office at the conclusion of the 28th Ordinary General Meeting of Shareholders held on June 23, 2022.
2. The number of meetings of the Board of Directors differs from other Directors because Takeshi Watanabe, Daiki Murakami and Mika Yano were newly elected at the 28th Ordinary General Meeting of Shareholders held on June 23, 2022.

(h) Activities of the Nominating and Compensation Committee

On June 23, 2022, the Company established a Nominating and Compensation Committee under the Board of Directors to engage and advise the Board of Directors on nominations and compensation in order to strengthen the independence and other functions of the Board of Directors in relation to director nominations and compensation.

The purpose of the committee is to provide advice and recommendations on matters related to the selection of directors and on policies and procedures necessary to determine directors' remuneration, etc. The committee consists of three members, including the representative director as chairman and two outside directors, with outside directors accounting for the majority of the committee members.

The Nominating and Compensation Committee held one meeting during the fiscal year under review. In addition, the Nominating and Compensation Committee met to advise the Company on the election of directors, a resolution of the Company's Annual General Meeting of Shareholders to be held on June 23, 2023, with respect to nomination and compensation.

(i) Matters that may be resolved at the General Meeting of Shareholders may be resolved by the Board of Directors and the reasons thereof

(Decision-making body for dividends from surplus)

In order to pursue a flexible capital and dividend policy, the Company's Articles of Incorporation stipulate that the Company may determine the matters listed in each item of Article 459, Paragraph 1 of the Companies Act, including the distribution of surplus, by a resolution of the Board of Directors, unless otherwise provided by laws and regulations.

(Acquisition of treasury shares)

The Company's Articles of Incorporation stipulate that the Company may acquire its own shares through market transactions, etc. by a resolution of the Board of Directors pursuant to Article 165,



Paragraph 2 of the Companies Act. The purpose of this change is to execute a flexible capital policy in response to changes in the business environment.

(Exemption of Directors and Audit & Supervisory Board Members from Liability)

In order to enable Directors and Audit & Supervisory Board members to fully perform their expected roles, the Company, pursuant to Article 426, Paragraph 1 of the Companies Act, may, by a resolution of the Board of Directors, request that Directors (including those who were previously Directors) and Audit & Supervisory Board members (including those who were previously members) be appointed as Audit & Supervisory Board Member with respect to acts stipulated in Article 423, Paragraph 1 of the said Act.

(j) Requirements for Special Resolution of General Meeting of Shareholders

The Company's Articles of Incorporation stipulate that resolutions of the General Meeting of Shareholders stipulated in Article 309, Paragraph 2 of the Companies Act shall be adopted by two-thirds or more of the votes of shareholders present at the meeting where shareholders holding one-third or more of the voting rights of shareholders who are entitled to exercise voting rights are present. The purpose of this measure is to facilitate the smooth operation of the General Meeting of Shareholders by relaxing the quorum for special resolutions at the General Meeting of Shareholders.

## (2) [Status of Directors]

## (i) Board of Directors and Executive Officers

Male: 9 Female: 2 (18.2% of board members are female)

Title	Name	Date of Birth	Career summary	Term of office	Number of shares held (shares)
President & Representative Director CEO	Katsushi Ishida	March 25, 1966	<p>April 1985 Joined SEC Elevator Co., Ltd.</p> <p>June 1991 Joined Ikuei Kanzai Co., Ltd.</p> <p>July 1992 Joined PEMS Co., Ltd.</p> <p>October 1994 Established the Company, President &amp; Representative Director</p> <p>January 2015 Representative Director of the Company</p> <p>May 2015 President &amp; Representative Director of the Company</p> <p>June 2017 President &amp; Representative Director CEO of the Company</p> <p>June 2020 Representative Director CEO of the Company</p> <p>April 2022 President &amp; Representative Director CEO of the Company (to present)</p>	(Note 3)	25,318,500 (Note 5)
Director Deputy President and Executive Officer CFO  General Manager, Business Administration Headquarters	Kimihiko Imamura	June 18, 1978	<p>December 2006 Joined KPMG AZSA LLC</p> <p>May 2013 Joined Digital Advertising Consortium, Inc.</p> <p>April 2016 Deputy General Manager, Business Management Headquarters</p> <p>January 2017 Joined the Company</p> <p>June 2017 Director, Senior Managing Executive Officer CFO, General Manager of Business Administration Headquarters</p> <p>April 2018 Director, Deputy President and Executive Officer CFO, General Manager of Business Administration Headquarters (to present)</p>	(Note 3)	26,500
Director, Deputy President and Executive Officer  Technology Director General Manager of Domestic Business Headquarters	Shuji Kuramoto	August 9, 1981	<p>December 2002 Joined Kamakura Cable Communications Co. (Now J:COM Shonan Kanagawa Co., Ltd.)</p> <p>October 2005 Joined the Company</p> <p>October 2014 Yokohama Branch Manager</p> <p>April 2015 President of Japan Elevator Service Kanagawa Co., Ltd.</p> <p>December 2015 Director, Managing Executive Officer, General Manager of Business Strategy Office</p> <p>April 2017 Director, Senior Managing Executive Officer</p> <p>April 2021 Director, Senior Managing Executive Officer, General Manager of Technology Headquarters</p> <p>April 2022 Director, Senior Managing Executive Officer, Technology Director, General Manager of Domestic Business Headquarters</p> <p>May 2023 Director, Deputy President and Executive Officer, Technology Director, General Manager of Domestic Business Headquarters (to present)</p>	(Note 3)	16,000
Director and Senior Managing Executive Officer  West Japan Business Director	Shinsuke Uno	May 29, 1967	<p>April 1991 Joined Takachiho Electric Co., Ltd. (Now Elematec Corporation)</p> <p>April 2003 Kakogawa Branch Manager</p> <p>January 2007 Joined Kings Arms Co., Ltd.</p> <p>February 2017 Joined the Company</p> <p>May 2017 Executive Officer, President of Japan Elevator Service Kansai Co., Ltd. (to present)</p> <p>June 2019 Director, Senior Managing Executive Officer in charge of West Japan and Tokai Business</p> <p>June 2021 Director, Senior Managing Executive Officer, West Japan Business Director (to present)</p>	(Note 3)	6,000

Title	Name	Date of Birth	Career summary	Term of office	Number of shares held (shares)
Director, Managing Executive Officer, General Manager of Technology Headquarters	Daiki Murakami	September 9, 1969	<p>April 1988 Joined Nippon Otis Elevator Company</p> <p>December 2009 Joined the Company</p> <p>October 2011 Josai Branch Manager</p> <p>April 2012 Executive Officer, General Manager of Technology Headquarters and Josai Branch Manager</p> <p>October 2012 Managing Executive Officer and General Manager of Technology Headquarters</p> <p>February 2015 Managing Executive Officer, General Manager of Modernization Service Department</p> <p>April 2015 Executive Manager of Modernization Service Department and General Manager of Quality Assurance Division of Japan Elevator Parts Co., Ltd.</p> <p>December 2015 Director, Managing Executive Officer of the Company</p> <p>April 2020 Fellow</p> <p>April 2022 Managing Executive Officer, General Manager of Technology Headquarters</p> <p>June 2022 Director, Managing Executive Officer, General Manager of Technology Headquarters (to present)</p>	(Note 3)	8,000
Director	Hitoshi Watanabe	March 15, 1965	<p>September 1987 Joined Tokyo C.P.A. Special College</p> <p>October 1988 Joined Showa Ohta Audit Corporation (now Ernst &amp; Young ShinNihon LLC)</p> <p>January 1994 Located in E&amp;Y's Sydney office</p> <p>August 2001 Head of Watanabe CPA Office (to present)</p> <p>June 2008 President of R&amp;J Co., Ltd.</p> <p>April 2015 Outside Director of the Company (to present)</p>	(Note 3)	-
Director	Noriko Endo	May 6, 1968	<p>June 1994 Joined DIAMOND Inc.</p> <p>March 2006 Deputy Editor, Editorial Department of Diamond Weekly, DIAMOND Inc.</p> <p>September 2013 Visiting Researcher, Policy Alternatives Research Institute of the University of Tokyo</p> <p>April 2015 Project Professor of Graduate School of Media and Governance, Keio University</p> <p>June 2016 Outside Director of NTT DOCOMO, Inc.</p> <p>July 2018 Outside Director of AIN Holdings, Inc. (to present)</p> <p>June 2019 Outside Director of Hankyu Hanshin Holdings, Inc. (to present)</p> <p>April 2020 Project Professor of Global Research Institute, Keio University (to present)</p> <p>March 2021 Outside Director of Techpoint, Inc. (to present)</p> <p>June 2021 Outside Director of the Company (to present)</p> <p>June 2022 Outside Director of Nippon Telegraph and Telephone Corporation (to present)</p>	(Note 3)	2,000
Director	Mika Yano	June 7, 1973	<p>September 1999 Joined Plum Creek Timber Company, Inc.</p> <p>October 2001 Joined Skadden Arps, State, Meagher &amp; Flom LLP</p> <p>May 2002 Admitted to the New York State Bar, U.S.A.</p> <p>October 2007 Joined Morgan Stanley Capital K.K.</p> <p>July 2008 Re-admitted to Skadden Arps, State, Meagher &amp; Flom LLP</p> <p>July 2009 Joined Sumitomo Life Insurance Company</p> <p>September 2012 Representative Director and President, Mizenka Co., Ltd. (to present)</p> <p>June 2016 Joined Colt Technology Services Co., Ltd.</p> <p>April 2018 Director and Head of Legal, Asia and U.S., Colt Technology Services, Co., Ltd.</p> <p>May 2019 Director, Director and Head of Legal, Asia and U.S., Colt Technology Services, Co., Ltd.</p> <p>May 2020 Representative Director, MarketPrism Japan Co., Ltd. (to present)</p> <p>November 2020 Director, Vice President and Head of Legal, Asia &amp; U.S., Colt Technology Services, Co., Ltd. (to present)</p> <p>June 2022 Outside Director of the Company (to present)</p>	(Note 3)	-

Title	Name	Date of Birth	Career summary	Term of office	Number of shares held (shares)
Full-time Audit & Supervisory Board member	Kei Tachibana	August 8, 1973	<p>April 1997 Joined The Asahi Bank, Ltd. (now Resona Bank, Ltd.)</p> <p>April 2005 General Manager of Accounting Department of the Company</p> <p>November 2013 General Manager of Finance Department, Administration Headquarters</p> <p>April 2017 Executive Officer and General Manager of Finance Department, Accounting and Finance Headquarters</p> <p>June 2017 Executive Officer and General Manager of Finance Department, Business Administration Headquarters</p> <p>June 2020 Audit &amp; Supervisory Board member (to present)</p>	(Note 4)	9,200
Audit & Supervisory Board member	Hitoshi Maeda	September 12, 1950	<p>April 1974 Joined Yasuda Trust &amp; Banking Co.(now Mizuho Trust &amp; Banking Co., Ltd.)</p> <p>May 1998 General Manager of Corporate Planning Dept. of the bank</p> <p>June 2000 Executive Officer and General Manager of Corporate Planning Department of the bank</p> <p>June 2001 Director and General Manager of Corporate Planning Department of the bank</p> <p>May 2002 Director and General Manager of Corporate Planning Department, Mizuho Asset Trust &amp; Banking Co.(now Mizuho Trust &amp; Banking Co., Ltd.)</p> <p>Managing Director and Managing Executive Officer of the Bank</p> <p>March 2003 Managing Director and Managing Executive Officer, Mizuho Trust &amp; Banking Co., Ltd.</p> <p>April 2005 Director (non-executive), Trust &amp; Custody Services Bank, Ltd.</p> <p>June 2006 Vice President (Representative Director) of the Bank</p> <p>April 2007 President (Representative Director) of the Bank</p> <p>June 2016 Outside Audit &amp; Supervisory Board member of the Company (to present)</p>	(Note 4)	-
Audit & Supervisory Board member	Shigeru Haga	January 2, 1953	<p>March 1979 Researcher, Japan National Railway Labor Science Institute</p> <p>April 1987 Senior Researcher, Railway Technical Research Institute</p> <p>October 1995 Associate Professor, Department of Industrial Engineering, Faculty of Engineering, Towa University</p> <p>April 1998 Associate Professor, Department of Psychology, College of Arts, Rikkyo University</p> <p>April 2002 Professor, Department of Psychology, College of Arts, Rikkyo University</p> <p>April 2006 Professor, Department of Psychology, College of Contemporary Psychology, Rikkyo University</p> <p>April 2018 Professor Emeritus, Rikkyo University</p> <p>April 2018 Technical Advisor, Research Institute for Social Safety Co., Ltd.</p> <p>June 2020 Outside Audit &amp; Supervisory Board member of the Company (to present)</p>	(Note 4)	-
Total					25,386,200

- (Notes) 1. Directors Hitoshi Watanabe, Noriko Endo and Mika Yano are outside directors.
2. Audit & Supervisory Board members Hitoshi Maeda and Shigeru Haga are outside Audit & Supervisory Board members.
3. Term from the close of the Ordinary General Meeting of Shareholders held on June 23, 2023 to the close of the Ordinary General Meeting of Shareholders for the fiscal year ending March 31, 2024.
4. Term from the close of the ordinary general meeting of shareholders held on June 24, 2020 to the close of the ordinary general meeting of shareholders for the fiscal year ending March 31, 2024.
5. The number of shares held by Katsushi Ishida, President and Representative Director CEO, includes the number of shares held by his asset management company, KI Corporation.
6. Noriko Endo's name in the family register is Noriko Tsujihiro.

(ii) Status of Outside Directors

The Company has three outside directors and two outside Audit & Supervisory Board members.

Outside Director Hitoshi Watanabe has extensive knowledge and experience as a certified public accountant who has been involved in audits of many companies at auditing firms, etc. He is appointed as an outside director to utilize his expertise in strengthening the corporate governance of the Company.

Noriko Endo, an outside director, was appointed as an outside director in order to utilize her experience in strengthening the Company's corporate governance, based on the knowledge she has gained through her research on public policy and her reporting activities as an editor of an economic magazine, as well as her experience as an outside director at other listed companies.

Outside Director Mika Yano has extensive experience, experience and insight in corporate legal affairs as a lawyer in the State of New York, U.S.A., as well as experience as a corporate manager. She is appointed as an Outside Director to utilize her experience in strengthening the corporate governance of the Company.

Outside Directors Hitoshi Watanabe, Noriko Endo and Mika Yano have no personal, capital, business or other interest in the Company.

Hitoshi Maeda is appointed as an outside Audit & Supervisory Board and Board member because of his extensive experience and insight as a business manager.

Shigeru Haga, an outside Audit & Supervisory Board member, is appointed as an outside Audit & Supervisory Board member because of his excellent character and high level of insight, having worked as an advisor on safety issues for several business companies.

There are no personal, capital, business, or other interests between Hitoshi Maeda and Shigeru Haga, Outside Audit & Supervisory Board members, and the Company.

The Company has notified the Tokyo Stock Exchange of all of its outside directors and outside Audit & Supervisory Board members as independent directors and Audit & Supervisory Board members who are not likely to have a conflict of interest with general shareholders.

Although the Company has not established its own criteria for determining independence, the Company uses the fulfillment of the requirements for independent directors and auditors established by the Tokyo Stock Exchange as a standard as a guideline for the appointment of independent directors and auditors.

The criteria for determining the independence of candidates for outside director/auditors (close relatives) are based on a comprehensive assessment of (i) employment relationship, (ii) voting rights held, (iii) business relationship, and other factors between the candidates and the Company.

(iii) Relationship between supervision or auditing by outside directors or outside Audit & Supervisory Board members and internal audits, audits by Audit & Supervisory Board and Board, and accounting audits, and relationship with the internal control division

Supervision or auditing by outside directors and outside Audit & Supervisory Board and Board members is carried out in cooperation with auditing by Audit & Supervisory Board members, internal auditing, and accounting auditing through comments and exchanges of opinions at meetings of the Board of Directors and Board of Audit & Supervisory Board members as appropriate.

(3) [Status of Audits]

(i) Status of Audit by Audit & Supervisory Board

The Audit & Supervisory Board meets once a month in principle, and when necessary, the Audit & Supervisory Board members hold discussions and exchange opinions with each other in order to ascertain the status of compliance by directors with laws, regulations, the Articles of Incorporation and other rules, and to ensure that operational and accounting audits are conducted effectively. The Audit & Supervisory Board is chaired by Kei Tachibana, Audit & Supervisory Board member, and its other members are Hitoshi Maeda and Shigeru Haga, outside Audit & Supervisory Board members. Full-time Audit & Supervisory Board member Kei Tachibana has many years of experience in the Company's finance and accounting operations and has expert knowledge in finance and accounting.

Audit & Supervisory Board members strictly audit the overall operations of the Company and its subsidiaries in accordance with the audit plan, audit methods and work assignments determined by the Audit & Supervisory Board.

The Company held 18 meetings of Audit & Supervisory Board during the fiscal year under review, and the attendance of individual Audit & Supervisory Board members is as follows.

Name	Number of times held	Number of Attendances
Kei Tachibana	18 times	18 times
Hitoshi Maeda	18 times	18 times
Shigeru Haga	18 times	18 times

The Audit & Supervisory Board specifically considers audit items (compliance with laws and regulations, risk prevention, information security, and the status of establishment and operation of internal control systems) specified in the audit policy and plan, as well as evaluations of the accounting auditor's audit.

Audit & Supervisory Board members attend meetings of the Board of Directors and other important meetings, and conduct appropriate monitoring of management through auditing procedures such as inspection of important documents and questioning of officers and employees. The Company also strives to conduct appropriate audits in cooperation with the Internal Audit Office and the accounting auditor.

(ii) Status of Internal Audits

The Company has established an Internal Audit Office (one person in charge of internal audit) under the direct control of the Representative Director. The Internal Audit Office audits all divisions of the Company and all subsidiaries for rationality, efficiency, appropriateness, and appropriateness of business execution in accordance with the annual internal audit plan. Audit results are reported to the Representative Director, the Board of Directors, and the Audit & Supervisory Board, and instructions for improvement are given to those responsible for the audited departments, and the status of improvement is monitored through follow-up audits. In addition, the Company strives to conduct appropriate audits in cooperation with Audit & Supervisory Board members, the Audit & Supervisory Board, and accounting auditors.

(iii) Status of accounting audit

a. Name of Audit Firm

Ernst & Young ShinNihon LLC

b. Continuous audit period

5 years

c. Certified Public Accountants who have performed services

Masayoshi Zenpo

Rentaro Miki

d. Composition of assistants for audit services

The Company's assistants for accounting audit services are 6 certified public accountants, 4 persons who have passed the accountant examination, etc., and 9 others.

e. Audit Firm Selection Policy and Rationale

In selecting an accounting auditor, the Audit & Supervisory Board comprehensively considers the expertise, audit quality, and independence required of the Company's accounting auditor, as well as the quality control system to ensure that the Company's accounting audit is conducted properly and appropriately.

The Audit & Supervisory Board shall decide the content of the proposal for dismissal or non-reappointment of the accounting auditor to be submitted to the General Meeting of Shareholders if it determines that such action is necessary, such as when there is a problem with the accounting auditor's

performance of its duties.

In addition, the Audit & Supervisory Board will dismiss the Accounting Auditor with the unanimous consent of the Audit & Supervisory Board members if the Accounting Auditor is deemed to fall under any of the items of Article 340, Paragraph 1 of the Companies Act. In this case, the member selected by the Audit & Supervisory Board shall report the dismissal of the accounting auditor and the reasons thereof at the first general meeting of shareholders convened after the dismissal.

f. Evaluation of the Audit Firm by the Audit & Supervisory Board members and the Audit & Supervisory Board

The Company's Audit & Supervisory Board and its members evaluate audit firms in accordance with the "Practical Guidelines for Audit & Supervisory Board members and Others Concerning the Evaluation of Accounting Auditors and the Establishment of Selection Criteria" published by the Japan Audit & Supervisory Board Association, and other guidelines. As a result, we evaluated that the performance of duties by the accounting auditor was appropriate and resolved to reappoint Ernst & Young ShinNihon LLC.

(iv) Details of audit fees, etc.

a. Details of remuneration paid to certified public accountants, etc. for auditing

Classification	Previous fiscal year		Current fiscal year	
	Compensation based on audit attestation services (thousands of yen)	Compensation for non-audit services (thousands of yen)	Compensation based on audit attestation services (thousands of yen)	Compensation for non-audit services (thousands of yen)
Filing company	41,300	-	41,300	-
Consolidated subsidiaries	-	-	-	-
Total	41,300	-	41,300	-

b. Compensation to the same network (Ernst & Young) as the CPAs (excluding a.)

Not applicable.

c. Details of compensation for other significant audit attestation services

Not applicable.

d. Policy for determining audit fees

The Company's policy is to determine the amount of compensation to be paid to the Company's auditing certified public accountants, etc. with the consent of the Audit & Supervisory Board, taking into consideration the number of personnel involved in audit certification services, the number of audit days, and other factors.

e. Reasons why the Audit & Supervisory Board agreed to the remuneration, etc. of the accounting auditor

The Audit & Supervisory Board of the Company conducted necessary verification on the appropriateness of the content of the audit plan of the accounting auditor, the performance of duties by the accounting auditor, and the basis for calculation of the remuneration estimate, and based on the results of such verification, made a decision to agree on the amount of remuneration, etc.

(4) [Remuneration of Directors]

(i) Matters pertaining to the policy for determining the amount of remuneration for Directors or the method for calculating the amount of remuneration

Remuneration for Directors (excluding Outside Directors) Remuneration for Directors (excluding Outside Directors) consists of "base remuneration" and "non-monetary remuneration, etc.," which is intended to provide incentives to continuously improve the Company's corporate value and to promote further value sharing with shareholders.

The maximum amount of remuneration for Directors was resolved at the 19th Annual General Meeting of Shareholders held on November 29, 2013 to be no more than ¥700 million per year (not including salaries for employees). The number of directors as of the close of the 19th Annual General Meeting of Shareholders held on November 29, 2013 was 5. In addition, at the 24th Annual General Meeting of Shareholders held on June 26, 2018, as a separate line from the amount of remuneration, etc. for directors above, the Company resolved to set the amount of remuneration for the grant of restricted stock at no more than 350 million yen per year and the maximum number of shares at 170,000 shares annually (outside directors are not eligible for the grant. The maximum number of shares is 170,000 shares per year (outside directors are not eligible for the grant, and employee salaries are not included). (The maximum number of shares is up to 680,000 per year after adjustment due to a 2-for-1 stock split of common stocks implemented on October 1, 2018 and a 2-for-1 stock split of common stocks implemented on January 1, 2021.) The number of directors (excluding outside directors) as of the close of this General Meeting of Shareholders is 10.

The maximum amount of remuneration for Audit & Supervisory Board members was resolved at the 19th Annual General Meeting of Shareholders held on November 29, 2013 to be 50 million yen per year. The number of Audit & Supervisory Board members is one (1) as of the close of this General Meeting of Shareholders.

The Company calculates the fixed remuneration of Directors within the limits of the remuneration for Directors approved at the above General Meeting of Shareholders, which is determined by the Representative Director with the discretion of the Board of Directors based on factors such as (1) duties in charge, (2) responsibilities, and (3) performance. In the current fiscal year, the Board of Directors resolved at its meeting held on June 25, 2021 to appoint a representative director. Remuneration for Audit & Supervisory Board members is determined through discussions by the Audit & Supervisory Board within the limits of the remuneration for Audit & Supervisory Board members approved at the aforementioned General Meeting of Shareholders.

The Company's Board of Directors, at its meeting held on February 16, 2021, approved a policy for determining the details of individual director compensation.

The Board of Directors has also confirmed that the method of determining the details of remuneration, etc. for individual directors for the fiscal year under review and the details of remuneration, etc. determined are consistent with such determination policy and is deemed to be in line with such policy.

The details of the policy for determining the details of remuneration, etc. of individual directors are as follows

*1. Basic Policy*

The Company's basic policy is to set the remuneration of individual directors at an appropriate level based on their respective responsibilities when determining their remuneration. Specifically, the remuneration for executive directors shall consist of base remuneration as fixed remuneration and stock-based remuneration, while outside directors, who are responsible for supervisory functions, shall be paid only base remuneration in light of their duties.

*2. Policy regarding the determination of the amount of compensation, etc. for each individual for basic compensation (monetary compensation) (including policy regarding the determination of the timing or conditions of granting compensation, etc.)*

The basic remuneration of the Company's directors shall be a monthly fixed remuneration, which shall be determined in accordance with their position, responsibilities, and years in office, comprehensively taking into consideration the level of other companies, the Company's performance, and the level of employee salaries.

*3. Policy regarding the determination of the details of non-monetary compensation and the method of calculation of the amount or number of non-monetary compensation (including policy regarding the determination of the timing or conditions of granting compensation, etc.)*

Non-monetary compensation shall be in the form of restricted stock with a restriction period of up to 35 years, and shall be granted at a time determined by a resolution of the Board of Directors to the executive directors determined by the same resolution. The grantee, the number of shares to be granted, and the timing of the grant shall be determined by comprehensively taking into consideration



the position, responsibilities, the level of other companies, and the Company's business performance.

*4. Policy regarding the determination of the amount of monetary and non-monetary compensation as a percentage of the amount of compensation, etc., paid to each individual director*

The ratio of remuneration for each type of executive director shall be determined based on monthly fixed remuneration, while taking into consideration his/her position, responsibilities, the level of other companies, and the Company's business performance, as well as taking into account the Company's overall performance.

*5. Matters concerning the determination of the details of remuneration, etc. of individual directors*

The Chairman of the Board of Directors shall be authorized to delegate the specific details of the amount of remuneration for each individual director based on a resolution of the Board of Directors, and the details of such delegation shall be the amount of base remuneration for each director. In order to ensure that such authority is properly exercised by the Chairman of the Board of Directors, the Chairman of the Board of Directors shall consult with the President of the Board of Directors, etc., and shall determine the amount of compensation for each individual with respect to such consultation. The number of shares of restricted stock (stock-based compensation) to be allocated (granted) to each individual shall be determined by a resolution of the Board of Directors.

In order to strengthen the independence, objectivity, and accountability of the Board of Directors' functions related to the nomination and compensation of senior management and directors, the Company's Board of Directors, at its meeting held on June 23, 2022, resolved to establish a Nominating and Compensation Committee as an advisory body to the Board of Directors. The committee consists of three members, a representative director and two outside directors, and is chaired by the representative director. In addition, the independence of the committee is ensured by having a majority of the committee members be independent outside directors. Such committee shall deliberate on matters relating to the election and dismissal of directors and officers, as well as policies and procedures necessary to determine directors' remuneration, etc., and shall provide advice and recommendations to the Board of Directors.

(ii) Total amount of remuneration, etc. by officer category, total amount of remuneration, etc. by type of remuneration, etc., and number of officers subject to remuneration, etc.

Executive Classification	Total amount of compensation, etc. (thousands of yen)	Total amount of remuneration, etc. by type (thousands of yen)			Number of officers covered (persons)
		Basic remuneration	Restricted stock compensation	Non-monetary compensation, etc., of the left	
Directors (excluding outside directors)	135,464	123,912	11,552	11,552	7
Audit & Supervisory Board members (excluding outside Board members)	12,000	12,000	-	-	1
Outside Directors	30,000	30,000	-	-	6

(Notes) 1. In addition to the above, one director (excluding outside directors) was paid 28,230 thousand yen as total compensation from a subsidiary of the Company.

2. The above restricted stock compensation is the amount recorded as expenses for the current fiscal year.

(iii) Total amount of consolidated remuneration, etc. by director

Not applicable.

(iv) Significant employee salaries of officers concurrently serving as employees

Not applicable.

(5) [Shareholdings]

(i) Criteria and approach to classification of investment shares

The Company classifies its holdings of investment shares for purposes other than pure investment as those for which the purpose of holding the shares is to profit from changes in the value of the shares or from dividends on the shares, while other investments are classified as those for purposes other than pure investment.

In principle, the Company's policy is not to hold stocks for pure investment purposes.

(ii) Shareholdings by Joshin Building Service Co., Ltd.

Among the Company and its consolidated subsidiaries, the company with the largest amount of investment stocks on its balance sheet is Joshin Building Service Co., Ltd. and its shareholdings are described below.

(a) Investment shares held for purposes other than pure investment

a. Methods for verifying holding policies and rationality of holdings, and details of verification by the Board of Directors, etc. regarding the appropriateness of holding individual issues

From a medium- to long-term perspective, the Company holds shares that are deemed to contribute to increasing the Company's corporate value through the maintenance and strengthening of business relationships with partner companies and the facilitation of transactions.

The appropriateness of holding these assets is determined based on periodic and comprehensive consideration of such factors as reconfirmation of the significance of holding the assets, the status of transactions, and the benefits associated with holding the assets.

b. Number of stocks and balance sheet amount

	Number of issues (stocks)	Total amount shown on balance sheet (thousand yen)
Unlisted stocks	1	1,000
Stocks other than unlisted stocks	2	15,658

(Stocks whose number of shares increased in the current fiscal year)

	Number of issues (stocks)	Total acquisition cost related to increase in number of shares (thousand yen)	Reason for increase in number of shares
Unlisted stocks	-	-	-
Stocks other than unlisted stocks	1	205	Acquisition of shares through business partners' shareholding associations

(Stocks whose number of shares decreased in the current fiscal year)

Not applicable.

c. Information on the number of shares and balance sheet amounts of specified investment shares and deemed investment shares by issue

Specified Investment Stocks

Name	Current fiscal year	Previous fiscal year	Purpose of holding, outline of business alliance, etc., quantitative effect of holding, and reasons for increase in number of shares	Shareholding in the Company
	Number of shares	Number of shares		
	Carrying amount on the balance sheet (thousand yen)	Carrying amount on the balance sheet (thousand yen)		
Nippon Kanzai Co.	1,974	1,895	The Company continues to hold these shares primarily to build, maintain, and strengthen relationships in the building maintenance business, and the number of shares has increased due to the acquisition of shares through the Suppliers' Shareholding Association.	nil
	5,368	5,352		
Axial Retailing Corporation	3,000	3,000	The Company continues to hold these assets primarily to build, maintain and strengthen relationships in the building maintenance business.	nil
	10,290	9,600		

Deemed stock holdings  
Not applicable.

(iii) Shareholdings in the Submitting Company

The Company's shareholdings are as follows

(a) Investment shares held for purposes other than pure investment

a. Methods for verifying holding policies and rationality of holdings, and details of verification by the Board of Directors regarding the appropriateness of holding individual issues

From a medium- to long-term perspective, the Company holds shares that are deemed to contribute to increasing the Company's corporate value through the maintenance and strengthening of business relationships with partner companies and the facilitation of transactions.

The appropriateness of holding these assets is determined based on periodic and comprehensive consideration of such factors as reconfirmation of the significance of holding the assets, the status of transactions, and the benefits associated with holding the assets.

b. Number of stocks and balance sheet amount

	Number of issues (stocks)	Total amount shown on balance sheet (thousand yen)
Unlisted stocks	1	2,000
Stocks other than unlisted stocks	-	-

(Stocks whose number of shares increased in the current fiscal year)  
Not applicable.

(Stocks whose number of shares decreased in the current fiscal year)  
Not applicable.

c. Information on the number of shares, balance sheet amount, etc. of specified investment shares and deemed investment shares by issue

Not applicable.

## **Item 5 [Financial Statements and Supplementary Data]**

### **1. Method of Preparation of Consolidated Financial Statements and Financial Statements**

- (1) The consolidated financial statements of the Company are prepared in accordance with the "Regulations Concerning Terms, Forms and Preparation Method of Consolidated Financial Statements" (Ministry of Finance Ordinance No. 28 of 1976).
- (2) The Company's financial statements are prepared in accordance with the "Regulations Concerning Terms, Forms and Preparation Method of Financial Statements" (Ministry of Finance Ordinance No. 59 of 1963, hereinafter referred to as "Regulations for Financial Statements").

In addition, the Company falls under the category of a special financial statement filing company and prepares its financial statements in accordance with Article 127 of the Regulations Concerning Financial Statements.

### **2. Audit Certification**

In accordance with Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Law, the consolidated financial statements for the fiscal year (from April 1, 2022 to March 31, 2023) and the financial statements for the fiscal year (from April 1, 2022 to March 31, 2023) were audited by Ernst & Young ShinNihon LLC.

### **3. Special Efforts to Ensure the Appropriateness of Consolidated Financial Statements, etc.**

The Company takes special measures to ensure the appropriateness of its consolidated financial statements. Specifically, in order to appropriately grasp the contents of accounting standards, etc., and to develop a system that can accurately respond to changes in accounting standards, etc., the Company participates in training programs sponsored by auditing firms and other organizations.

1 [Consolidated Financial Statements]  
(1) [Consolidated Financial Statements and Notes]  
(i) [Consolidated Balance Sheets]

(Unit: thousands of yen)

	Previous Fiscal Year (As of March 31, 2022)	Current Fiscal Year (As of March 31, 2023)
<b>Assets</b>		
Current assets		
Cash and deposits	2,179,838	2,034,193
Notes receivable - trade	24,236	49,692
Accounts receivable - trade	4,130,381	4,815,588
Work in process	88,251	94,391
Raw materials and supplies	2,434,260	2,964,343
Other	973,192	1,030,844
Allowance for doubtful accounts	(7,192)	(17,010)
Total current assets	9,822,968	10,972,042
Non-current assets		
Property, plant and equipment		
Buildings and structures	5,615,885	6,490,885
Tools, furniture and fixtures	4,639,572	6,536,653
land	829,019	1,543,467
Construction in progress	885,377	387,628
Other	268,080	270,209
Accumulated depreciation and impairment	(2,678,551)	(3,533,529)
Total property, plant and equipment	9,559,384	11,695,315
Intangible assets		
Goodwill	2,547,248	2,352,242
Software	1,132,196	1,177,272
Other	628,265	965,717
Total intangible assets	4,307,710	4,495,232
Investments and other assets		
Investment securities	*3 118,310	*3 144,914
Leasehold and guaranteed deposits	551,355	566,068
Deferred tax assets	809,313	986,170
Other	219,976	174,042
Allowance for doubtful accounts	(50,222)	(31,637)
Total investments and other assets	1,648,733	1,839,558
Total non-current assets	15,515,828	18,030,106
Total assets	25,338,796	29,002,148

(Unit: thousands of yen)

	Previous Fiscal Year (As of March 31, 2022)	Current Fiscal Year (As of March 31, 2023)
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	1,001,125	1,331,046
Short-term borrowings	*1, *2 2,198,784	*1, *2 4,526,557
Current portion of long-term borrowings	1,809,528	1,434,958
Accounts payable - other	901,865	1,105,069
Income taxes payable	821,764	1,279,598
Accrued consumption taxes	470,835	367,156
Provision for bonuses	687,900	799,746
Other	*4 814,362	*4 993,942
<b>Total current liabilities</b>	<b>8,706,167</b>	<b>11,838,076</b>
Non-current liabilities		
Long-term borrowings	3,288,183	1,765,017
Retirement benefit liability	1,096,189	1,211,296
Asset retirement obligations	416,033	428,030
Other	76,123	81,104
<b>Total non-current liabilities</b>	<b>4,876,530</b>	<b>3,485,449</b>
<b>Total liabilities</b>	<b>13,582,697</b>	<b>15,323,526</b>
<b>Net assets</b>		
Shareholders' equity		
Share capital	2,480,044	2,493,058
Capital surplus	2,657,803	2,576,830
Retained earnings	6,678,340	8,589,342
Treasury shares	(30,303)	(13,579)
<b>Total shareholders' equity</b>	<b>11,785,885</b>	<b>13,645,652</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	623	955
Foreign currency translation adjustment	(71,697)	(75,401)
Remeasurements of defined benefit plans	(53,015)	(57,488)
<b>Total accumulated other comprehensive income</b>	<b>(124,088)</b>	<b>(131,935)</b>
<b>Non-controlling interests</b>	<b>94,302</b>	<b>164,905</b>
<b>Total net assets</b>	<b>11,756,098</b>	<b>13,678,622</b>
<b>Total liabilities and net assets</b>	<b>25,338,796</b>	<b>29,002,148</b>

(ii) [Consolidated statements of income and Consolidated statements of comprehensive income]  
[Consolidated statements of income]

(Unit: thousands of yen)

	Previous fiscal year (from April 1, 2021 to March 31, 2022)	Current fiscal year (from April 1, 2022 to March 31, 2023)
Net sales	29,751,566	34,907,002
Cost of sales	*1 18,253,752	*1 21,633,343
Gross profit	11,497,813	13,273,658
Selling, general and administrative expenses	*2, *3 7,384,722	*2, *3 8,263,012
Operating profit	4,113,091	5,010,646
Non-operating income		
Surrender value of insurance policies	114,125	77,666
Commission income	2,592	41,701
Other	45,803	49,780
Total non-operating income	162,520	169,148
Non-operating expenses		
Interest expenses	15,225	21,033
Commission expenses	7,423	11,339
Foreign exchange losses	8,942	10,767
Depreciation	-	13,123
Other	18,105	22,912
Total non-operating expenses	49,697	79,177
Ordinary profit	4,225,914	5,100,617
Extraordinary income		
Gain on sale of non-current assets	4 8,548	4 16,786
Other	85	-
Total extraordinary income	8,633	16,786
Extraordinary losses		
Loss on retirement of non-current assets	5 2,940	5 1,777
Impairment losses	-	6,445
Other	645	1,689
Total extraordinary losses	3,586	9,912
Profit before income taxes	4,230,962	5,107,491
Income taxes - current	1,499,213	2,080,346
Income taxes - deferred	(52,812)	(164,188)
Total income taxes	1,446,401	1,916,157
Profit	2,784,561	3,191,334
Profit attributable to non-controlling interests	57,947	38,045
Profit attributable to owners of parent	2,726,613	3,153,288

[Consolidated statements of comprehensive income]

(Unit: thousands of yen)

	Previous fiscal year (from April 1, 2021 to March 31, 2022)	Current fiscal year (from April 1, 2022 to March 31, 2023)
Profit	2,784,561	3,191,334
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,411)	331
Foreign currency translation adjustment	(7,275)	(4,970)
Remeasurements of defined benefit plans, net of tax	(17,912)	(4,473)
Total other comprehensive income	(27,599)	(9,113)
Comprehensive income	2,756,961	3,182,220
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,702,136	3,145,440
Comprehensive income attributable to non-controlling interests	54,825	36,779



(iii) [Consolidated Shareholders' equity Statement of Changes in Net Assets]  
 Previous fiscal year (April 1, 2021 to March 31, 2022)

(Unit: thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,460,276	2,896,577	5,014,612	(209)	10,371,256
Changes during period					
Issuance of new shares	12,730	12,730			25,460
Exercise of share acquisition rights	7,038	7,038			14,076
Dividends of surplus			(1,062,885)		(1,062,885)
Profit attributable to owners of parent			2,726,613		2,726,613
Purchase of treasury shares				(30,094)	(30,094)
Disposal of treasury shares					
Purchase of shares of consolidated subsidiaries		(258,542)			(258,542)
Net changes in items other than shareholders' equity					
Total changes during period	19,768	(238,774)	1,663,728	(30,094)	1,414,628
Balance at end of period	2,480,044	2,657,803	6,678,340	(30,303)	11,785,885

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	3,035	(67,544)	(35,102)	(99,611)	233,710	10,505,355
Changes during period						
Issuance of new shares						25,460
Exercise of share acquisition rights						14,076
Dividends of surplus						(1,062,885)
Profit attributable to owners of parent						2,726,613
Purchase of treasury shares						(30,094)
Disposal of treasury shares						-
Purchase of shares of consolidated subsidiaries						(258,542)
Net changes in items other than shareholders' equity	(2,411)	(4,152)	(17,912)	(24,477)	(139,407)	(163,884)
Total changes during period	(2,411)	(4,152)	(17,912)	(24,477)	(139,407)	1,250,743
Balance at end of period	623	(71,697)	(53,015)	(124,088)	94,302	11,756,098

Current fiscal year (April 1, 2022 - March 31, 2023)

(Unit: thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,480,044	2,657,803	6,678,340	(30,303)	11,785,885
Changes during period					
Issuance of new shares					
Exercise of share acquisition rights	13,014	13,014			26,028
Dividends of surplus			(1,242,286)		(1,242,286)
Profit attributable to owners of parent			3,153,288		3,153,288
Purchase of treasury shares				(76)	(76)
Disposal of treasury shares		47		16,800	16,848
Purchase of shares of consolidated subsidiaries		(94,034)			(94,034)
Net changes in items other than shareholders' equity					
Total changes during period	13,014	(80,972)	1,911,001	16,724	1,859,767
Balance at end of period	2,493,058	2,576,830	8,589,342	(13,579)	13,645,652

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	623	(71,697)	(53,015)	(124,088)	94,302	11,756,098
Changes during period						
Issuance of new shares						-
Exercise of share acquisition rights						26,028
Dividends of surplus						(1,242,286)
Profit attributable to owners of parent						3,153,288
Purchase of treasury shares						(76)
Disposal of treasury shares						16,848
Purchase of shares of consolidated subsidiaries						(94,034)
Net changes in items other than shareholders' equity	331	(3,704)	(4,473)	(7,847)	70,603	62,755
Total changes during period	331	(3,704)	(4,473)	(7,847)	70,603	1,922,523
Balance at end of period	955	(75,401)	(57,488)	(131,935)	164,905	13,678,622

## (iv) [Consolidated Statements of Cash Flows].

(Unit: thousands of yen)

	Previous fiscal year (from April 1, 2021 to March 31, 2022)	Current fiscal year (from April 1, 2022 to March 31, 2023)
<b>Cash flows from operating activities</b>		
Profit before income taxes	4,230,962	5,107,491
Depreciation	927,168	1,207,871
Amortization of goodwill	196,609	266,690
Increase (decrease) in allowance for doubtful accounts	(1,164)	(8,778)
Increase (decrease) in provision for bonuses	56,459	89,377
Increase (decrease) in retirement benefit liability	69,671	108,658
Interest expenses	15,225	21,033
Gain on sale of non-current assets	(8,548)	(16,786)
Loss on retirement of non-current assets	2,940	1,777
Surrender value of insurance policies	(114,125)	(77,666)
Decrease (increase) in trade receivables	(368,076)	(603,440)
Decrease (increase) in inventories	(320,920)	(535,217)
Decrease (increase) in accounts receivable - other	(143,980)	23,236
Increase (decrease) in trade payables	(1,986)	258,211
Increase (decrease) in accrued consumption taxes	91,909	(108,660)
Other, net	(12,046)	(1,918)
Subtotal	4,620,098	5,731,879
Interest and dividends received	900	3,861
Interest paid	(16,783)	(18,442)
Income taxes paid	(1,598,398)	(1,463,737)
Net cash provided by (used in) operating activities	3,005,817	4,253,561
<b>Cash flows from investing activities</b>		
Purchase of investment securities	(3,204)	(26,205)
Purchase of property, plant and equipment	(1,577,642)	(2,657,438)
Purchase of intangible assets	(1,117,071)	(847,615)
Proceeds from cancellation of insurance funds	250,060	133,870
Payments of leasehold and guarantee deposits	(63,302)	(31,170)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	*2 (799,265)	*2 (65,666)
Other, net	31,322	(15,041)
Net cash provided by (used in) investing activities	(3,279,101)	(3,509,267)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	(461,666)	2,327,773
Proceeds from long-term borrowings	4,701,356	-
Repayments of long-term borrowings	(1,967,819)	(1,935,118)
Purchase of treasury shares	(30,094)	(76)
Dividends paid	(1,062,885)	(1,242,286)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	31,052	26,028
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(450,002)	(117,333)
Other, net	5,260	(13,285)
Net cash provided by (used in) financing activities	765,202	(954,298)
Effect of exchange rate change on cash and cash equivalents	9,811	3,484
Net increase (decrease) in cash and cash equivalents	501,730	(206,520)
Cash and cash equivalents at beginning of period	1,660,207	2,161,938
Cash and cash equivalents at end of period	*1 2,161,938	*1 1,955,417

[Notes]

(Basis of Presenting Consolidated Financial Statements)

1. Scope of Consolidation

(1) Number of consolidated subsidiaries: 32

Names of major equity-method affiliates are omitted since they are listed in "Item 1 [Company Overview], 4 [Affiliated Companies.]"

In this fiscal year, Japan Elevator Service Chushikoku Co., Ltd. was newly established and is now a consolidated subsidiary.

COFRETH(M)SDN.BHD. and Ikuta Building Maintenance Co., Ltd. were made consolidated subsidiaries due to the acquisition of their respective shares.

(2) Names of non-consolidated subsidiaries

Not applicable.

2. Application of equity method

(1) Number of affiliates accounted for by the equity method: 5

Names of major equity-method affiliates are omitted since they are listed in "Item 1 [Company Overview], 4 [Affiliated Companies.]"

In the current fiscal year, Hokuriku Shisetsu Co., Ltd. became an affiliate accounted for by the equity method due to the acquisition of new shares.

(2) There are no unconsolidated subsidiaries or affiliates not accounted for by the equity method.

(3) For those companies accounted for by the equity method whose fiscal year-end differs from the fiscal year-end, the financial statements for their respective fiscal years are used.

3. Fiscal Year of Consolidated Subsidiaries

Of the consolidated subsidiaries, JAPAN ELEVATOR SERVICE HONG KONG COMPANY LIMITED, PT. In preparing the consolidated financial statements, the financial statements as of December 31 are used, and adjustments necessary for consolidation are made for significant transactions that occurred between December 31 and the consolidated balance sheet date.

The closing date of JAPAN JINDAL ELEVATOR SERVICE PRIVATE LIMITED is March 31, and in preparing the consolidated financial statements, provisional financial statements as of December 31, the closing date of JAPAN ELEVATOR SERVICE HONG KONG COMPANY LIMITED, the direct parent company, are used and adjustments necessary for consolidation were made for significant transactions that occurred between March 31 and the consolidated closing date.

#### 4. Matters Related to Accounting Policies

##### (1) Valuation standards and methods for significant assets

###### (a) Securities Marketable securities

###### Available-for-sale securities

Other than stocks and other securities with no market price

Market value method (unrealized gains and losses are accounted for as a component of net assets, and the cost of securities sold is determined by the moving-average method).

Stocks with no market price

Mainly stated at cost determined by the moving-average method.

###### (b) Inventories

###### Work in progress

Stated at cost determined by the specific identification method (the amount stated in the balance sheet is calculated by writing down the book value based on a decline in profitability).

###### Raw materials

Mainly stated at cost determined by the weighted average method (the amount stated in the balance sheet is calculated by writing down the book value based on a decline in profitability).

###### Supplies

Stated at cost based on the last purchase price method (the amount stated in the balance sheet is calculated by writing down the book value based on a decline in profitability).

##### (2) Depreciation method for significant depreciable assets

###### (a) Leased assets Property, plant and equipment (excluding leased assets)

The straight-line method is mainly used.

The main useful lives are as follows: Buildings and structures

Buildings and structures	3 to 50 years
Machinery, equipment and vehicles	2 to 17 years
Tools, furniture and fixtures	2 to 17 years

###### (b) The following is a summary of the assets and liabilities of the Company and its subsidiaries.

Intangible assets (excluding leased assets and goodwill)

The straight-line method is used.

Software for internal use is amortized over the estimated useful life (5 years).

###### (c) Leased assets Leased assets

Leased assets related to finance lease transactions that do not transfer ownership

The straight-line method is used, where the lease period is deemed as the useful life of the asset and the residual value is set as zero.

##### (3) Basis for significant reserves

###### (a) Allowance for doubtful accounts

The allowance for doubtful accounts is provided for possible losses on accounts receivable, loans receivable and other receivables. The allowance for doubtful accounts is provided for general receivables based on historical default rates, and for specific receivables for which there is some concern regarding collectability, an estimated uncollectible amount is provided for each individual account.

###### (b) Provision for bonuses

To provide for the payment of bonuses to employees, an amount accrued for the current fiscal year is recorded based on the estimated amount of payment.

(4) Accounting for retirement benefits

(a) Method of attributing estimated retirement benefits to periods of service

The estimated amount of retirement benefits is attributed to the period up to the end of the current fiscal year.

(b) Method of amortization of unrecognized actuarial differences

Actuarial gains and losses are amortized by the straight-line method over a fixed number of years (10 years) within the average remaining service period of employees at the time the gains or losses are recognized in each fiscal year, starting from the following fiscal year.

(c) Adoption of the simplified method to small enterprises

Certain consolidated subsidiaries use a simplified method to calculate retirement benefit liability and retirement benefit expenses, using the amount payable at the end of the fiscal year as the retirement benefit obligation.

(5) Basis for recording significant revenues and expenses

The Group's principal business is the maintenance, repair, and modernization work of elevators and other equipment.

With respect to maintenance services for elevators and other equipment, the Company recognizes revenue as services are rendered over the contract period because the Company satisfies its performance obligation over a certain period of time through the provision of services during the contract period with the customer.

For repair and modernization services, except for work with a very short period of time, the Company estimates the degree of completion related to the fulfillment of performance obligations and recognizes revenue over a certain period based on the degree of completion.

For construction contracts with a very short period of time from the transaction commencement date to the point when the performance obligation is expected to be fully satisfied, an alternative treatment is applied, whereby revenue is not recognized over a certain period of time and revenue is recognized when the customer accepts the contract.

The consideration for the transaction is received within one year of satisfaction of the performance obligation and does not include a significant financial component.

(6) Basis of translation of significant foreign currency-denominated assets or liabilities into Japanese currency

Monetary receivables and payables denominated in foreign currencies are translated into yen at the spot exchange rate prevailing on the consolidated balance sheet date, with translation differences recognized as gains or losses. Assets and liabilities of overseas subsidiaries are translated into yen at the spot exchange rate as of the balance sheet date of the overseas subsidiaries (including the provisional closing date), while revenues and expenses are translated into yen at the average exchange rate during the period.

(7) Amortization method and period of Goodwill

Goodwill is amortized by the straight-line method over a reasonable number of years not exceeding 20 years, based on the judgment of each individual case.

(8) Scope of funds in the consolidated statements of cash flows

Cash and cash equivalents consist of cash on hand, deposits that can be withdrawn on demand, and short-term investments with maturities of three months or less at the time of acquisition that are readily convertible into cash and are exposed to insignificant risk of changes in value.

(Significant accounting estimates)

Impairment of goodwill

- (1) Amounts recorded in the consolidated financial statements for the current fiscal year  
(Unit: thousands of yen)

	Previous fiscal year	Current fiscal year
Impairment loss	-	-
Goodwill	2,547,248	2,352,242

(Although an impairment loss is not recorded in this fiscal year, it is identified as a disclosure item in view of the risk of material impact on the consolidated financial statements of the following fiscal year.)

- (2) Other information that contributes to the understanding of users of the consolidated financial statements

(i) Calculation Method

The Company confirms the operating profit and the achievement of future cash flows based on the future business plans of each company prepared at the time of acquisition, and identifies any signs of impairment. When there is an indication of impairment, the Company determines whether an impairment loss should be recognized. For goodwill for which an impairment loss should be recognized, the carrying amount is reduced to the recoverable amount and the amount of such reduction is recognized as an impairment loss.

(ii) Key Assumptions

The main assumption in each company's future business plan is that sales will be derived from maintaining and increasing the number of contracts for maintenance and repair services, etc., through enhanced sales activities.

(iii) Impact on the consolidated financial statements of the following fiscal year

The key assumption, sales in each company's future business plan, is subject to estimation uncertainty and carries a risk of significant impact on the determination of goodwill impairment.

(Change in accounting policy)

Not applicable.

(Unapplied accounting standards)

Accounting Standard for Income taxes - current, etc." (ASBJ Statement No. 27, October 28, 2022)

Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25, October 28, 2022)

· "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022, Accounting Standards Board of Japan)

(1) Outline

In February 2018, ASBJ issued ASBJ Statement No. 28, "Partial Amendments to Accounting Standard for Tax Effect Accounting", etc. ("ASBJ Statement No. 28, etc."), which completed the transfer of practical guidelines on tax effect accounting at the JICPA to the ASBJ Accounting Standards Board, and in the course of the deliberations, the following two issues The following two issues, which were to be discussed again after the release of ASBJ Statement No. 28, etc., were discussed and released.

- Taxation on other comprehensive income
- The tax effect on the sale of shares of subsidiaries (shares in subsidiaries or affiliates) in cases where group corporation taxation is applied

(2) Scheduled date of application

The Company shall assume the standard effective from the beginning of the fiscal year ending March 31, 2025.

(3) Effect of Application of the Accounting Standards

The Company is currently evaluating the impact of the application of "Income taxes - current and other" and other accounting standards on its consolidated financial statements.



(Change in the basis of presentation)

(Consolidated Statements of Income)

Commission income ", which was included in "Others" of "Non-operating income" in the previous fiscal year, is now independently listed from this fiscal year due to its increased importance in terms of amount. To reflect this change in presentation, reclassification has been made to the consolidated financial statements for the previous fiscal year.

As a result, 2,592 thousand yen presented as "Other" in "Non-operating income" in consolidated statements of income in the previous fiscal year has been reclassified as "Commission income".

Subsidy income" in "Non-operating income", which was separately presented in the previous fiscal year, is included in "Others" in this fiscal year because it became insignificant in terms of amount. To reflect this change in presentation, reclassification has been made to the consolidated financial statements for the previous fiscal year.

As a result, 28,100 thousand yen presented as "Subsidy income" in "Non-operating income" in the previous fiscal year consolidated statements of income has been reclassified as "Other".

Loss on investment in anonymous associations" in "Non-operating expenses", which was separately presented in the previous fiscal year, is included in "Others" in this fiscal year because it became insignificant in terms of amount. To reflect this change in presentation, reclassification has been made to the consolidated financial statements for the previous fiscal year.

As a result, 10,207 thousand yen presented as "Loss on investment in anonymous associations" in Non-operating expenses in consolidated statements of income in the previous fiscal year has been reclassified as "Other".

(Consolidated Statements of Cash Flows)

Subsidy income" and "Subsidy received" in "Net cash provided by (used in) operating activities," which were separately presented in the previous fiscal year, are included in "Other" in this fiscal year because they became insignificant in terms of amount. To reflect this change in presentation, reclassification has been made to the consolidated financial statements for the previous fiscal year.

As a result, (28,100) thousand yen and 8,200 thousand yen presented as "Subsidy income" and "Subsidy received" in "Net cash provided by (used in) operating activities" in the consolidated statements of cash flows for the previous fiscal year have been reclassified as "Other. Net cash provided by (used in) operating activities" of (28,100) thousand yen and 8,200 thousand yen were reclassified as "Other.

(Notes to consolidated balance sheets)

\*1 Overdraft and commitment line agreements

The Company has overdraft and commitment line agreements with correspondent banks for the purpose of efficient and stable working capital procurement. The following are unused lines of credit based on these agreements as of the end of the fiscal year.

(Unit: thousands of yen)

	Previous fiscal year (March 31, 2022)	Current fiscal year (March 31, 2023)
Total amount of current account overdrafts and commitment lines of credit	8,970,000	10,270,000
Loan balance	2,179,514	4,523,514
Net Balance	6,790,486	5,746,486

\*2 Financial covenants

Previous fiscal year (March 31, 2022)

The Company's commitment line agreements contain financial covenants with certain conditions regarding net assets and earnings.

Current fiscal year (March 31, 2023)

The Company's commitment line agreements contain financial covenants with certain conditions regarding net assets and earnings.

\*3 Items related to affiliated companies are as follows:

(Unit: thousands of yen)

	Previous fiscal year (March 31, 2022)	Current fiscal year (March 31, 2023)
Investment securities	100,296	126,190

\*4 Current liabilities "Other" for contract liabilities are as follows:

(Unit: thousands of yen)

	Previous fiscal year (March 31, 2022)	Current fiscal year (March 31, 2023)
Contract liabilities	393,577	513,733

(Notes to consolidated statements of income)

\*1 The ending inventory is the amount after devaluation of book value due to decline in profitability, and the following loss on valuation of inventories is included in cost of sales. The amounts below are after offsetting the reversal amount.

	(Unit: thousands of yen)
Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
37,693	15,262

\*2 Major items and amounts in Selling, general and administrative expenses are as follows:

	(Unit: thousands of yen)	
	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Salary and allowances	2,385,862	2,684,231
Provision for bonuses	218,736	257,542
Retirement benefit expenses	46,149	71,936
Allowance for doubtful accounts	95	5,025

\*3 Total research and development expenses included in general and administrative expenses are as follows:

	(Unit: thousands of yen)	
	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
	63,527	72,139

\*4 Details of Gain on sale of non-current assets are as follows:

	(Unit: thousands of yen)	
	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Land and buildings	-	13,947
Machinery, equipment and vehicles	6,756	2,838
Leased assets	1,791	-
Total	8,548	16,786

\*5 Details of loss on retirement of non-current assets are as follows:

	(Unit: thousands of yen)	
	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Buildings and structures	2,940	714
Machinery, equipment and vehicles	0	0
Tools, furniture and fixtures	0	1,063
Total	2,940	1,777

## (Notes to consolidated statements of comprehensive income)

## \* Reclassification adjustments and tax effects related to other comprehensive income

(Unit: thousands of yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Valuation difference on available-for-sale securities:		
Amount accrued in the current period	(3,668)	503
Reclassification adjustment	-	-
Before tax effect adjustment	(3,668)	503
Tax effect amount	1,256	(172)
Valuation difference on available-for-sale securities	(2,411)	331
Foreign currency translation adjustment:		
Amount accrued in the current period	(7,275)	(4,970)
Foreign currency translation adjustment	(7,275)	(4,970)
Remeasurements of defined benefit plans, net of tax:		
Amount accrued in the current period	(33,916)	(17,938)
Reclassification adjustment	8,098	11,489
Before tax effect adjustment	(25,818)	(6,448)
Tax effect amount	7,905	1,974
Remeasurements of defined benefit plans, net of tax	(17,912)	(4,473)
Total other comprehensive income	(27,599)	(9,113)

(Notes to consolidated statement of changes in shareholders' equity)

Previous fiscal year (April 1, 2021 to March 31, 2022)

1. Matters concerning the class and total number of outstanding shares and the class and number of Treasury shares

	Current fiscal year Number of shares at beginning of period (shares)	Current fiscal year Increase in number of shares (shares)	Current fiscal year Decrease in number of shares (shares)	Number of shares at the end of the current fiscal year (shares)
Outstanding stocks				
Common stock (Note 1)	88,574,000	179,600	-	88,753,600
Total amount	88,574,000	179,600	-	88,753,600
Treasury shares				
Common stock (Note 2)	230	18,585	-	18,815
Total amount	230	18,585	-	18,815

- (Notes) 1. The increase of 179,600 shares in the total number of outstanding shares of common stock was due to an increase of 169,600 shares resulting from the exercise of stock options and an increase of 10,000 shares resulting from the issuance of new shares as restricted stock compensation.
2. The increase of 18,585 common stock in treasury shares is due to the increase of 18,500 shares by the resolution of the Board of Directors and the increase of 85 shares by the purchase of odd-lot shares.

2. Matters related to dividends

(1) Dividends paid

(Resolution)	Type of shares	Total amount of dividends (thousands of yen)	Dividend per share (yen)	Record Date	Effective date
June 25, 2021 Annual General Meeting of Shareholders	Common stock	1,062,885	12	March 31, 2021	June 28, 2021

(2) Dividends with a record date in the current fiscal year but an effective date in the following fiscal year

(Resolution)	Type of shares	Total amount of dividends (thousands of yen)	Source of dividends	Dividend per share (yen)	Record Date	Effective date
June 23, 2022 Annual General Meeting of Shareholders	Common stock	1,242,286	Retained earnings	14	March 31, 2022	June 24, 2022

Current fiscal year (April 1, 2022 - March 31, 2023)

1. Type and number of outstanding shares and Treasury shares

	Current fiscal year Number of shares at beginning of period (shares)	Current fiscal year Increase in number of shares (shares)	Current fiscal year Decrease in number of shares (shares)	Number of shares at the end of the current fiscal year (shares)
Outstanding stocks				
Common stock (Note 1)	88,753,600	313,600	-	89,067,200
Total amount	88,753,600	313,600	-	89,067,200
Treasury shares				
Common stock (Note 2,3)	18,815	444	10,440	8,819
Total amount	18,815	444	10,440	8,819

- (Notes) 1. The increase of 313,600 shares in the total number of outstanding shares of common stock is due to the exercise of stock options resulting in the issuance of new shares.
2. The increase of 444 common stock in Treasury shares represents an increase of 44 shares due to the purchase of odd-lot shares and an increase of 400 shares due to the free acquisition of shares by retirees of the restricted stock compensation plan.
3. The decrease of 10,440 common stock in Treasury shares is due to the disposal of Treasury shares as restricted stock compensation.

2. Matters related to dividends

(1) Dividends paid

(Resolution)	Type of shares	Total amount of dividends (thousands of yen)	Dividend per share (yen)	Record Date	Effective date
June 23, 2022 Annual General Meeting of Shareholders	Common stock	1,242,286	14	March 31, 2022	June 24, 2022

(2) Dividends with a record date in the current fiscal year but an effective date in the following fiscal year

(Resolution)	Type of shares	Total amount of dividends (thousands of yen)	Source of dividends	Dividend per share (yen)	Record Date	Effective date
June 23, 2023 Annual General Meeting of Shareholders	Common stock	1,513,992	Retained earnings	17	March 31, 2023	June 26, 2023

(Notes to consolidated statements of cash flows)

\*1 Relationship between cash and cash equivalents at end of period and the amounts shown in the consolidated balance sheets

(Unit: thousands of yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Cash and deposits	2,179,838	2,034,193
Time deposits with maturities longer than three months	(17,900)	(78,775)
Cash and cash equivalents	2,161,938	1,955,417

\*2 Breakdown of assets and liabilities of the company newly consolidated as a result of the acquisition of its shares

Previous fiscal year (April 1, 2021 to March 31, 2022)

The information is omitted due to lack of materiality.

Current fiscal year (April 1, 2022 - March 31, 2023)

The information is omitted due to lack of materiality.

(Notes to lease transactions)

(Lessee's side)

Finance lease transactions

The information is omitted due to lack of materiality.

Operating lease transactions

Future minimum lease payments under non-cancelable operating leases

(Unit: thousands of yen)

	Previous fiscal year (March 31, 2022)	Current fiscal year (March 31, 2023)
Within one year	591,965	626,930
Over one year	2,319,797	2,121,798
Total	2,911,763	2,748,729

(Financial instruments)

1. Matters Concerning the Status of Financial Instruments

(1) Policy for financial instruments

The Group's approach to financial instruments is to limit fund management to short-term deposits, etc., and to procure funds through bank loans, etc.

(2) Description of financial instruments and their risks

Trade receivables, such as notes receivable - trade and accounts receivable - trade, are exposed to customer credit risk.

Investment securities are equity securities and are exposed to market price fluctuation risk.

Deposits and guarantees are mainly deposits and guarantees that the Company places with lenders for the use of leased properties for new sales offices, and are exposed to the credit risk of the lenders.

Corporate income tax, inhabitant tax (prefectural and municipal) tax, enterprise tax, and consumption tax payable are all due and payable within two months of the balance sheet date.

Accounts payable - other and accounts payable - trade, which are trade payables, are due within one year and mainly relate to domestic transactions.

Short-term borrowings are mainly for short-term working capital, and long-term borrowings are mainly for capital expenditures.

In addition, trade payables and borrowings are exposed to liquidity risk.

(3) Risk Management System for Financial Instruments

*(i) Management of credit risk (risk related to nonperformance by counterparties)*

For trade receivables ( notes receivable - trade and accounts receivable - trade ), the Company manages due dates and outstanding balances by counterparty and monitors the credit status of each counterparty.

The balance of security deposits and guarantee money is managed by the Company for each counterparty, and efforts are made to monitor the credit status of each counterparty.

*(ii) Management of market risk (risk of fluctuations in foreign exchange rates, interest rates, etc.)*

For investment securities, the Company periodically monitors the market value and financial conditions of the issuing entity (counterparty company).

*(iii) Management of liquidity risk (risk of being unable to make payments on due dates) related to fund procurement*

The Group has a cash management system in place, which is managed by the parent company through methods such as the preparation of a group-wide cash management plan. In addition, the Company has overdraft and commitment line agreements with correspondent banks, which enable the Company to flexibly procure funds.

(4) Supplementary Explanation on Matters Concerning Fair Value, etc. of Financial Instruments

The calculation of the fair value of financial instruments includes values based on market prices and, in the absence of market prices, reasonably estimated values. Since certain assumptions, etc., are used in the calculation of such value, such value may vary if different assumptions, etc., are used.



## 2. Fair value of financial instruments

Consolidated balance sheet amount, fair value and their differences are as follows.

Previous fiscal year (March 31, 2022)

	Amount shown on consolidated balance sheet (thousands of yen)	Market value (thousands of yen)	Difference (thousands of yen)
(1) Notes receivable - trade	24,236	24,236	-
(2) Accounts receivable - trade	4,130,381	4,130,381	-
(3) Investment securities (*2)			
Available-for-sale securities	15,014	15,014	-
(4) Leasehold and guarantee deposits	551,355	536,701	(14,654)
<b>Total assets</b>	<b>4,720,988</b>	<b>4,706,334</b>	<b>(14,654)</b>
(1) Accounts payable - trade	1,001,125	1,001,125	-
(2) Short-term borrowings	2,198,784	2,198,784	-
(3) Accounts payable - other	901,865	901,865	-
(4) Income taxes payable	821,764	821,764	-
(5) Accrued consumption taxes	470,835	470,835	-
(6) Long-term borrowings (including current portion of long-term borrowings)	5,097,711	5,113,592	15,881
<b>Total liabilities</b>	<b>10,492,087</b>	<b>10,507,969</b>	<b>15,881</b>

(\*1) "Cash and deposits" are omitted because they are cash and deposits are settled in a short period of time and their fair value approximates their book value.

(\*2) Non-marketable equity securities are not included in "(3) Investment securities". The carrying amounts of such financial instruments in the consolidated balance sheets are as follows

Classification	Previous fiscal year (Thousands of yen)
Shares of affiliated companies	100,296
Unlisted stocks	3,000

Current fiscal year (March 31, 2023)

	Amount shown on consolidated balance sheet (thousands of yen)	Market value (thousands of yen)	Difference (thousands of yen)
(1) Notes receivable - trade	49,692	49,692	-
(2) Accounts receivable - trade	4,815,588	4,815,588	-
(3) Investment securities (*2)			
Available-for-sale securities	15,723	15,723	-
(4) Leasehold and guarantee deposits	566,068	534,432	(31,635)
<b>Total assets</b>	<b>5,447,072</b>	<b>5,415,437</b>	<b>(31,635)</b>
(1) Accounts payable - trade	1,331,046	1,331,046	-
(2) Short-term borrowings	4,526,557	4,526,557	-
(3) Accounts payable - other	1,105,069	1,105,069	-
(4) Income taxes payable	1,279,598	1,279,598	-
(5) Accrued consumption taxes	367,156	367,156	-
(6) Long-term borrowings (including current portion of long-term borrowings)	3,199,976	3,210,033	10,056
<b>Total liabilities</b>	<b>11,809,404</b>	<b>11,819,461</b>	<b>10,056</b>

(\*1) "Cash and deposits" are omitted because they are cash and deposits are settled in a short period of time and their fair value approximates their book value.

(\*2) Non-marketable equity securities are not included in "(3) Investment securities". The carrying amounts of such financial instruments in the consolidated balance sheets are as follows

Classification	Current fiscal year (thousands of yen)
Shares of affiliated companies	126,190
Unlisted stocks	3,000

(Note 1) Scheduled redemption amount of monetary claims after the consolidated balance sheet date  
Previous fiscal year (March 31, 2022)

	Within one year (thousands of yen)
Deposit	2,173,120
Notes receivable - trade	24,236
Accounts receivable - trade	4,130,381
Total amount	6,327,739

(\*) Leasehold and guarantee deposits are not included in the estimated redemption amount because the repayment dates cannot be clearly determined.

Current fiscal year (March 31, 2023)

	Within one year (thousands of yen)
Deposit	2,029,514
Notes receivable - trade	49,692
Accounts receivable - trade	4,815,588
Total amount	6,894,795

(\*) Leasehold and guarantee deposits are not included in the estimated redemption amount because the repayment dates cannot be clearly determined.

(Note 2) Amount to be repaid after the consolidated balance sheet date for Short-term borrowings and Long-term borrowings

Previous fiscal year (March 31, 2022)

	Within one year (Thousands of yen)	Over one year but within two years (thousands of yen)	Over two years but within three years (thousands of yen)	Over three years but within four years (thousands of yen)	Over four years but within five years (thousands of yen)	Over 5 years (thousands of yen)
Short-term borrowings	2,198,784	-	-	-	-	-
Long-term borrowings	1,809,528	1,545,578	1,055,068	687,537	-	-
Total amount	4,008,312	1,545,578	1,055,068	687,537	-	-

Current fiscal year (March 31, 2023)

	Within one year (thousands of yen)	Over one year but within two years (thousands of yen)	Over two years but within three years (thousands of yen)	Over three years but within four years (thousands of yen)	Over four years but within five years (thousands of yen)	Over 5 years (thousands of yen)
Short-term borrowings	4,526,557	-	-	-	-	-
Long-term borrowings	1,434,958	1,064,448	697,137	3,431	-	-
Total amount	5,961,516	1,064,448	697,137	3,431	-	-

### 3. Matters concerning the breakdown of the fair value of financial instruments by level

The fair value of financial instruments is classified into the following three levels based on the observability and materiality of the inputs used to calculate fair value.

Level 1 fair value: Fair value calculated based on (unadjusted) quoted market prices in active markets for identical assets or liabilities

Level 2 fair value: Fair value calculated using directly or indirectly observable inputs other than Level 1 inputs

Level 3 fair value: Fair value calculated using significant unobservable inputs

When multiple inputs that have a significant impact on the calculation of fair value are used, fair value is classified to the level with the lowest priority in the calculation of fair value among the levels to which each of those inputs belongs.

#### (1) Financial assets and liabilities with fair value recorded in consolidated balance sheets

##### Previous fiscal year (March 31, 2022)

Classification	Market value (thousands of yen)			
	Level 1	Level 2	Level 3	Total amount
Investment securities				
Available-for-sale securities	15,014	-	-	15,014

##### Current fiscal year (March 31, 2023)

Classification	Market value (thousands of yen)			
	Level 1	Level 2	Level 3	Total amount
Investment securities				
Available-for-sale securities	15,723	-	-	15,723

#### (2) Financial assets and liabilities that are not recorded at fair value on the consolidated balance sheets

##### Previous fiscal year (March 31, 2022)

Classification	Market value (thousands of yen)			
	Level 1	Level 2	Level 3	Total amount
Notes receivable - trade	-	24,236	-	24,236
Accounts receivable - trade	-	4,130,381	-	4,130,381
Lease and guarantee deposits	-	536,701	-	536,701
Total assets	-	4,691,319	-	4,691,319
Accounts payable - trade	-	1,001,125	-	1,001,125
Short-term borrowings	-	2,198,784	-	2,198,784
Accounts payable - other	-	901,865	-	901,865
Income taxes payable	-	821,764	-	821,764
Accrued consumption taxes	-	470,835	-	470,835
Long-term borrowings (including current portion of long-term borrowings)	-	5,113,592	-	5,113,592
Total liabilities	-	10,507,969	-	10,507,969

Current fiscal year (March 31, 2023)

Classification	Market value (Thousands of yen)			
	Level 1	Level 2	Level 3	Total amount
Notes receivable - trade	-	49,692	-	49,692
Accounts receivable - trade	-	4,815,588	-	4,815,588
Lease and guarantee deposits	-	534,432	-	534,432
Total assets	-	5,399,713	-	5,399,713
Accounts payable - trade	-	1,331,046	-	1,331,046
Short-term borrowings	-	4,526,557	-	4,526,557
Accounts payable - other	-	1,105,069	-	1,105,069
Income taxes payable	-	1,279,598	-	1,279,598
Accrued consumption taxes	-	367,156	-	367,156
Long-term borrowings (including current portion of long-term borrowings)	-	3,210,033	-	3,210,033
Total liabilities	-	11,819,461	-	11,819,461

(Note) Explanation of valuation techniques used and inputs related to the calculation of fair value

*Investment securities*

Listed stocks are valued using quoted market prices. Since listed stocks are traded in active markets, their fair value is classified as Level 1 fair value.

*Notes receivable - trade, accounts receivable - trade and security deposits*

The fair value of these loans is calculated using the discounted present value method based on the amount of the loan, the period to maturity, and the interest rate that takes into account credit risk for each loan classified by a certain period of time, and is classified as Level 2 fair value.

*Accounts payable – trade, short-term borrowings, accrued income taxes and accrued consumption taxes accounts payable - other*

The fair value of these loans is calculated using the discounted present value method based on the future cash flows of each debt classified by a certain period of time and an interest rate that takes into account the period until the due date and credit risk, and is classified as Level 2 fair value.

*Long-term borrowings*

The fair value of these loans is determined using the discounted present value method based on the sum of the principal and interest, plus an interest rate that takes into account the remaining term of the debt and credit risk, and is classified as Level 2 fair value.

(Marketable securities)

1. Available-for-sale securities

Previous fiscal year (March 31, 2022)

	Type of securities	Amount shown on consolidated balance sheet (thousand yen)	Acquisition cost (thousand yen)	Difference (Thousands of yen)
Securities with carrying value exceeding acquisition cost	Stock	5,352	3,768	1,584
Securities with carrying value not exceeding acquisition cost	Stock	9,661	10,297	(635)
Total amount		15,014	14,065	948

(Note) Unlisted stocks (3,000 thousand yen in consolidated balance sheets) are not included in the table above because they have no market price.

Current fiscal year (March 31, 2023)

	Type of securities	Amount shown on consolidated balance sheet (thousand yen)	Acquisition cost (thousand yen)	Difference (Thousands of yen)
Securities with carrying value exceeding acquisition cost	Stock	15,658	14,601	1,056
Securities with carrying value not exceeding acquisition cost	Stock	65	67	(2)
Total amount		15,723	14,669	1,054

(Note) Unlisted stocks (3,000 thousand yen in consolidated balance sheets) are not included in the table above because they have no market price.

2. Other securities sold

Previous fiscal year (April 1, 2021 to March 31, 2022)

Not applicable.

Current fiscal year (April 1, 2022 - March 31, 2023)

Not applicable.

(Retirement benefits)

1. Outline of retirement benefit plans adopted

The Company and its consolidated subsidiaries have a non-funded defined benefit plan to provide for employee retirement benefits.

Certain consolidated subsidiaries use a simplified method to calculate retirement benefit liability and retirement benefit expenses, using the amount payable at the end of the fiscal year as the retirement benefit obligation.

2. Defined benefit plans (including plans to which the simplified method is applied)

(1) Reconciliation of the beginning and ending balance of projected benefit obligation

(Unit: thousands of yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Retirement benefit liability at beginning of year	865,134	1,096,189
Service cost	126,270	160,245
Interest cost	781	915
Actuarial gains (losses)	33,916	17,938
Retirement benefits paid	(65,478)	Net income 63,992
Other	135,564	-
Retirement benefit liability at end of year	1,096,189	1,211,296

(2) Reconciliation of the ending balance of the projected benefit obligation to the retirement benefit liability recorded in the consolidated balance sheets

(Unit: thousands of yen)

	Previous fiscal year (March 31, 2022)	Current fiscal year (March 31, 2023)
Benefit obligation of non-funded plans	1,096,189	1,211,296
Liabilities recorded in consolidated balance sheets	1,096,189	1,211,296
Retirement benefit liability	1,096,189	1,211,296
Liabilities recorded in consolidated balance sheets	1,096,189	1,211,296

(3) Retirement benefit expenses and their breakdown

(Unit: thousands of yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Service cost	126,270	160,245
Interest cost	781	915
Amortization of actuarial gain or loss	8,098	11,489
Net periodic benefit cost related to defined benefit plans	135,149	172,649

(4) Remeasurements of defined benefit plans

Items recorded as remeasurements of defined benefit plans (before tax effect deductions) are as follows

(Unit: thousands of yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Actuarial gains and losses	(25,818)	(6,448)
Total amount	(25,818)	(6,448)

(5) Remeasurements of defined benefit plans

Items recorded in "Remeasurements of defined benefit plans" (before tax effect deduction) consist of the following

(Unit: thousands of yen)

	Previous fiscal year (March 31, 2022)	Current fiscal year (March 31, 2023)
Unrecognized actuarial gains (losses)	(42,495)	(82,860)
Total amount	(42,495)	(82,860)

(6) Matters related to actuarial calculation basis

Principal Actuarial Basis

	Previous fiscal year (March 31, 2022)	Current fiscal year (March 31, 2023)
Discount rate	0.1% (0.1%)	0.1% (0.1%)

(Stock options, etc.)

Amounts expensed for stock options and account titles

Not applicable.

Details, size and changes in stock options

(1) Details of stock options

	2016 Series 1 share acquisition rights (Options on own shares)
Classification and number of grantees	Outside collaborator 1
Type and number of shares granted See Note	Common stock 952,000 shares
Date of grant	March 31, 2016
Vesting conditions	The Consulting Services Agreement dated April 1, 2016 with the Company has not been terminated as of the vesting date.
Eligible work period	There is no fixed period of covered service.
Exercise period	From April 1, 2019 Through March 31, 2026

(Note) The above figures are based on the number of shares. The number of shares was adjusted for a 100-for-1 stock split of common stock on August 31, 2016, a 2-for-1 stock split of common stock on October 1, 2017, a 2-for-1 stock split of common stock on October 1, 2018, and a 2-for-1 stock split of common stock on January 1, 2021. The number of shares after adjustment due to these stock splits is shown.



(2) Size and changes in stock options

Stock options that existed at fiscal year are included in the number of stock options and the number of stock options is converted into the number of shares.

(i) Number of stock options

	2016 Series 1 share acquisition rights (Owned stock options)
Pre-vesting	
End of previous fiscal year	324,800
Granted	-
Lapsed	-
Vesting	-
Unsettled balance	324,800
After vesting (shares)	
End of previous fiscal year	313,600
Vesting	-
Exercise of a right	313,600
Lapsed	-
Unexercised balance	-

(ii) Unit price information

	2016 Series 1 share acquisition rights (Owned stock options)
Exercise price (yen)	83
Average share price at the time of exercise (yen)	1,856
Fair value at the grant date (yen)	-

3. Estimated number of stock options vested

Basically, since it is difficult to reasonably estimate the number of future lapses, only the actual number of lapses is reflected.

4. The total intrinsic value of the stock options at the end of the fiscal year and the total intrinsic value of the stock options exercised during the fiscal year at the date of exercise, if the calculation is based on the intrinsic value per unit of stock options.

(1) Total intrinsic value at the end of the current fiscal year	670,712 thousand yen
(2) Total intrinsic value exercised during the current fiscal year	556,012 thousand yen

## (Tax effect accounting)

## 1. Deferred tax assets and deferred tax liabilities by major cause

(Unit: thousands of yen)

	Previous fiscal year (March 31, 2022)	Current fiscal year (March 31, 2023)
Deferred tax asset		
Accounts payable - other	82,646	100,338
Provision for bonuses	229,176	264,836
Loss on revaluation of inventories	81,808	86,959
Retirement benefit liability	341,615	341,939
Asset retirement obligations	127,389	131,063
Net operating loss carried forward (Note 2)	446,031	342,103
Other	188,813	321,339
Deferred tax assets subtotal	1,497,482	1,588,580
Valuation allowance for net operating loss carryforwards for tax purposes (Note 2)	(351,146)	(278,396)
Valuation allowance for total future deductible temporary differences, etc.	(235,083)	(227,560)
Valuation allowance subtotal	(586,230)	(505,956)
Total deferred tax assets	911,251	1,082,623
Deferred tax liabilities		
Removal costs corresponding to asset retirement obligations	(97,852)	(96,165)
Valuation difference on available-for-sale securities	(3,509)	(3,684)
Land valuation difference	(30,974)	(38,408)
Other	(4,404)	(2,151)
Total deferred tax liabilities	(136,740)	(140,410)
Net amount of deferred tax assets (Note 1)	774,510	942,213

(Note 1) The net amount of deferred tax assets in this fiscal year is included in the following items in consolidated balance sheets.

	Previous fiscal year (March 31, 2022)	Current fiscal year (March 31, 2023)
Non-current assets - Deferred tax assets	809,313	986,170
Non-current liabilities - other	34,802	43,957

(Note 2) Amount of net operating loss carryforwards for tax purposes and their deferred tax assets by carryforward period

Previous fiscal year (March 31, 2022)

(Unit: thousands of yen)

	Within one year	Due after one year through two years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Over 5 years	Total
Tax loss carried forward(*)	-	-	927	24,558	34,075	386,469	446,031
Valuation allowance	-	-	(927)	(24,558)	(31,765)	(293,895)	(351,146)
Deferred tax asset	-	-	-	-	2,310	92,574	94,884

(\*) Tax loss carryforwards are multiplied by the statutory tax rate.

Current fiscal year (March 31, 2023)

(Unit: thousands of yen)

	Within one year	Due after one year through two years	Over 2 years but within 3 years	Over 3 years but within 4 years	Over 4 years but within 5 years	Over 5 years	Total
Tax loss carried forward (*)	-	927	24,558	28,371	29,342	258,903	342,103
Valuation allowance	-	(927)	(24,558)	(28,371)	(29,342)	(195,196)	(278,396)
Deferred tax asset	-	-	-	-	-	63,706	63,706

(\*) Tax loss carryforwards are multiplied by the statutory tax rate.

2. Significant differences between the statutory tax rate and the effective income tax rate after the application of tax effect accounting, by major item that caused the differences.

	Previous fiscal year (March 31, 2022)	Current fiscal year (March 31, 2023)
Statutory effective tax rate	30.6%	30.6%
(Adjustment)		
Entertainment expenses and other items not permanently deductible for income tax purposes	0.6	0.2
Per capita inhabitant tax, etc.	0.5	0.4
Tax credit under the expanded income tax system	(2).4	(1).9
Change in valuation allowance	(0).6	(0).9
Difference in applicable tax rates of consolidated subsidiaries, etc.	3.7	8.4
Goodwill amortization, etc.	1.4	1.6
Other	0.3	(0).9
Effective tax rate after application of tax effect accounting	34.2	37.5

(Business combinations)

Previous fiscal year (April 1, 2021 to March 31, 2022)

Not applicable.

Current fiscal year (April 1, 2022 - March 31, 2023)

Not applicable.

(Asset retirement obligations)

Asset retirement obligations of which are recorded at consolidated balance sheets

1. Outline of the relevant Asset retirement obligations

Obligations to restore properties to their original condition in accordance with real estate lease contracts and fixed-term land lease contracts for the head office, offices at each location, and warehouses.

2. Method of calculating the amount of such asset retirement obligations

The estimated period of use is 2 to 50 years from acquisition, and a discount rate of 0.0% to 1.1% is used to calculate the amount of asset retirement obligations.

3. Increase/decrease in total amount of such asset retirement obligations

(Unit: thousands of yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Balance at beginning of term	393,532	416,033
Increase due to acquisition of property, plant and equipment	23,258	10,091
Adjustments due to passage of time	2,730	2,808
Decrease due to fulfillment of asset retirement obligations	(3,486)	(902)
Balance at end of year	416,033	428,030

(Revenue recognition)

1. Information disaggregating revenue from contracts with customers

Previous fiscal year (April 1, 2021 to March 31, 2022)

(Unit: thousands of yen)

	Net sales
Maintenance and repair services	21,137,163
Modernization services	8,020,435
Other	593,967
Revenue from contracts with customers	29,751,566
Other income	-
Sales to external customers	29,751,566

Current fiscal year (April 1, 2022 - March 31, 2023)

(Unit: thousands of yen)

	Net sales
Maintenance and repair services	23,178,469
Modernization services	10,468,627
Other	1,259,905
Revenue from contracts with customers	34,907,002
Other income	-
Sales to external customers	34,907,002

2. Information that provides a basis for understanding revenues arising from contracts with customers

Basis for understanding revenues from contracts with customers is described in "Basis of Presenting Consolidated Financial Statements, 4. Accounting Policies (5) Basis for Recognizing Significant Revenues and Expenses.

3. Information about the relationship between the satisfaction of performance obligations under contracts with customers and cash flows from those contracts, and the amount and timing of revenue expected to be recognized from the following fiscal year from contracts with customers that existed at the end of the current fiscal year and are expected to exist in the following fiscal year

(1) Contract assets and contract liabilities

(Unit: thousands of yen)

	Previous fiscal year	Current fiscal year
Receivables arising from contracts with customers (beginning balance)		
Notes receivable - trade	5,813	24,236
Accounts receivable - trade	3,600,879	4,130,381
Receivables arising from contracts with customers (ending balance)		
Notes receivable - trade	24,236	49,692
Accounts receivable - trade	4,130,381	4,815,588
Contract liabilities (beginning balance)	272,256	393,577
Contract liabilities at end of period	393,577	513,733

Contract liabilities held at the beginning of the current fiscal year are mainly recognized as income in the current fiscal year.

Contract liabilities increase mainly due to the receipt of unearned consideration for modernization services and decrease due to the satisfaction of performance obligations.

(2) Transaction prices allocated to remaining performance obligations

Since there are no material contracts with an initial expected contract period exceeding one year, the practical expedient method is applied and the description is omitted.

(Segment Information)

[Segment information]

Previous fiscal year (April 1, 2021 to March 31, 2022)

This information is omitted because the Group has only one segment, the maintenance business.

Current fiscal year (April 1, 2022 - March 31, 2023)

This information is omitted because the Group has only one segment, the maintenance business.

[Related information]

Previous fiscal year (April 1, 2021 to March 31, 2022)

1. Information by product and service

Net sales are omitted because all net sales are for the maintenance business.

2. Information by region

(1) Net sales

Regional information was omitted because net sales to external customers in Japan exceeds 90% of net sales in consolidated statements of income.

(2) Property, plant and equipment

The amount of property, plant and equipment located in Japan exceeds 90% of the amount of property, plant and equipment in consolidated balance sheets, so this information is omitted.

3. Information by major customer

There are no Net sales to external customers' net sales to specific customers that account for more than 10% of consolidated statements of income 's net sales, so there is nothing to describe.

Current fiscal year (April 1, 2022 - March 31, 2023)

1. Information by product and service

Net sales are omitted because all net sales are for the maintenance business.

2. Information by region

(1) Net sales

Regional information was omitted because net sales to external customers in Japan exceeds 90% of net sales in consolidated statements of income.

(2) Property, plant and equipment

The amount of property, plant and equipment located in Japan exceeds 90% of the amount of Property, plant and equipment in consolidated balance sheets, so this information is omitted.

3. Information by major customer

There are no net sales to external customers' net sales to specific customers that account for more than 10% of consolidated statements of income 's net sales, so there is nothing to describe.

[Information on Impairment losses on non-current assets by reportable segment]

Previous fiscal year (April 1, 2021 to March 31, 2022)

This information is omitted because the Group has only one segment, the maintenance business.

Current fiscal year (April 1, 2022 - March 31, 2023)

This information is omitted because the Group has only one segment, the maintenance business.

[Information on amortization and unamortized balance of goodwill by reportable segment]

Previous fiscal year (April 1, 2021 to March 31, 2022)

This information is omitted because the Group has only one segment, the maintenance business.

Current fiscal year (April 1, 2022 - March 31, 2023)

This information is omitted because the Group has only one segment, the maintenance business.

[Information on gains on negative goodwill by reportable segment]

Previous fiscal year (April 1, 2021 to March 31, 2022)

Not applicable.

Current fiscal year (April 1, 2022 - March 31, 2023)

Not applicable.



[Related party information]

Transactions with related parties

Directors and major shareholders (limited to individuals) of the consolidated financial statements filing company etc.

Previous fiscal year (April 1, 2021 to March 31, 2022)

Type	Name of institution or person	Location	Share capital or investment (thousand yen)	Business or occupation	Percentage of voting rights, etc. held (held) (%)	Relationship with related parties	Transaction details	Transaction amount (thousands of yen)	Subject accounted as	Balance at end of year (thousands of yen)
Companies, etc. in which the majority of voting rights are held by directors and their close relatives	Building Management Co., Ltd. (Note 1)	Chuo-ku, Tokyo	10,000	General cleaning services, interior work, and building equipment management	-	business partner	Provide maintenance and repair services (Note 2)	13,514	Accounts receivable - trade	2,418
Officer	Kohei Ueda	-	-	Director of the Company	ownership Direct 0.0	Director of the Company	Contribution in kind of monetary compensation claims (Note 3)	25,460	-	-

(Notes) 1. All voting rights are directly held by the brother-in-law of the CEO and Chairman of the Board of Directors of the Company.

2. Transaction terms for the provision of maintenance and repair services are the same as those of an independent third party on general terms and conditions, taking into consideration market prices.

3. Contribution in kind of monetary compensation claims in connection with the restricted stock compensation plan.

Current fiscal year (April 1, 2022 - March 31, 2023)

Type	Name of institution or person	Location	Share capital or investment (thousand yen)	Business or occupation	Percentage of voting rights, etc. held (held) (%)	Relationship with related parties	Details of Transactions	Transaction amount (thousand yen)	Subject accounted as	Balance at end of year (Thousands of yen)
Companies, etc. in which the majority of voting rights are held by directors and their close relatives	Building Management Co., Ltd. (Note 1)	Chuo-ku, Tokyo	10,000	General cleaning services, interior work, and management of building facilities	-	business partner	Provide maintenance and repair services (Note 2)	14,094	Accounts receivable - trade	1,799

(Notes) 1. All voting rights are directly held by the brother-in-law of the Company's Chairman, President and CEO.

2. Transaction terms for the provision of maintenance and repair services are on the same general terms and conditions as those of independent third parties, taking market prices into consideration.

(Per share information)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Net assets per share	131.42 yen	151.74 yen
Earnings per share	30.73 yen	35.47 yen
Diluted earnings per share	30.51 yen	35.29 yen

(Note) The basis for calculation of earnings per share and diluted earnings per share is as follows.

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Earnings per share		
Profit attributable to owners of parent (thousands of yen)	2,726,613	3,153,288
Amount not attributable to common shareholders (thousand yen)	-	-
Related to common stock Profit attributable to owners of parent (thousands of yen)	2,726,613	3,153,288
Average number of shares of common stock during the period (shares)	88,738,331	88,898,033
Diluted earnings per share		
Profit attributable to owners of parent adjustment (thousands of yen)	-	-
Increase in common stock (shares)	623,628	460,793
(of which stock acquisition rights (shares))	(623,628)	(460,793)
Summary of potential shares not included in the calculation of diluted earnings per share due to the absence of dilutive effects	-	-

(Significant subsequent events)  
Not applicable.

(v) [Consolidated supplementary schedules]  
 [Schedule of Bonds]  
 Not applicable.

[Schedule of Borrowings]

Classification	Balance at beginning of period (thousands of yen)	Balance at end of period (thousands of yen)	Average interest rate (%)	Repayment deadline
Short-term borrowings	2,198,784	4,526,557	0.3	-
Long-term borrowings due within one year	1,809,528	1,434,958	0.2	-
Long-term borrowings (excluding current portion)	3,288,183	1,765,017	0.3	2024 - 2027
Total amount	7,296,495	7,726,534	-	-

(Notes) 1. The average interest rate on loans is the weighted average interest rate on the balance of loans outstanding at the end of the fiscal year.

2. The scheduled repayment amounts of long-term borrowings for the five years following the consolidated balance sheet date are as follows

	Due after one year through two years (thousands of yen)	Over 2 years but within 3 years (thousands of yen)	Over 3 years but within 4 years (thousands of yen)	Over 4 years but within 5 years (thousands of yen)
Long-term borrowings	1,064,448	697,137	3,431	-

[Asset retirement obligations]

The items to be presented in this statement are omitted because they are presented as notes stipulated in Article 15-23 of the Regulations for Consolidated Financial Statements.

## (2) [Others]

## Quarterly information for the current fiscal year

(Cumulative period)	First Quarter	Second Quarter	Third Quarter	Current fiscal year
Net sales (thousands of yen)	7,818,590	15,987,324	25,278,177	34,907,002
Income before income taxes and minority interests (thousands of yen)	1,075,839	2,182,809	3,610,118	5,107,491
Net income attributable to owners of parent (thousands of yen)	694,885	1,401,151	2,306,124	3,153,288
Net income per share (yen)	7.83	15.79	25.96	35.47

(Accounting period)	First Quarter	Second Quarter	Third Quarter	4th Quarter
Net income per share (yen)	7.83	7.96	10.16	9.51

2 [Financial Statements]  
(1) [Financial Statements and Notes]  
(i) [Balance Sheet]

(Unit: thousands of yen)

	Previous Fiscal Year (As of March 31, 2022)	Current Fiscal Year (As of March 31, 2023)
<b>Assets</b>		
Current assets		
Cash and deposits	1,007,992	870,948
Notes receivable - trade	-	13,807
Short-term loans receivable from subsidiaries and associates	2,620,529	2,095,462
Other	*3 865,498	*3 911,924
Allowance for doubtful accounts	-	(10,869)
Total current assets	4,494,020	3,881,273
Non-current assets		
Property, plant and equipment		
Buildings and structures	5,207,232	5,938,263
Tools, furniture and fixtures	4,557,037	6,388,523
Land	375,514	1,068,263
Construction in progress	885,377	387,058
Other	73,622	66,846
Accumulated depreciation and impairment	(2,305,544)	(3,022,345)
Total property, plant and equipment	8,793,240	10,826,609
Intangible assets		
Software	1,126,140	1,173,886
Other	633,089	960,484
Total intangible assets	1,759,230	2,134,370
Investments and other assets		
Investment securities	2,000	2,000
Shares of subsidiaries and associates	3,831,311	4,297,276
Leasehold and guaranteed deposits	490,673	512,858
Deferred tax assets	340,620	503,119
Other	13,718	12,262
Allowance for doubtful accounts	(469)	(469)
Total investments and other assets	4,677,854	5,327,047
Total non-current assets	15,230,325	18,288,027
Total assets	19,724,345	22,169,300

(Unit: thousands of yen)

	Previous Fiscal Year (As of March 31, 2022)	Current Fiscal Year (As of March 31, 2023)
<b>Liabilities</b>		
Current liabilities		
Short-term borrowings	*1,*2 2,139,514	*1,*2 4,483,514
Short-term borrowings from subsidiaries and associates	1,173,353	1,764,970
Current portion of long-term borrowings	1,809,528	1,425,578
Accounts payable - other	599,783	762,640
Income taxes payable	48,999	59,871
Provision for bonuses	100,639	100,455
Other	*3 735,024	*3 757,106
Total current liabilities	6,606,841	9,354,137
Non-current liabilities		
Long-term borrowings	3,288,183	1,742,605
Provision for retirement benefits	830,547	955,404
Asset retirement obligations	416,033	428,030
Provision for loss on business of subsidiaries and associates	-	243,431
Other	17,945	15,187
Total non-current liabilities	4,552,709	3,384,658
Total liabilities	11,159,550	12,738,796
<b>Net assets</b>		
Shareholders' equity		
Share capital	2,480,044	2,493,058
Capital surplus		
Legal capital surplus	2,437,829	2,450,843
Other capital surplus	473,188	473,236
Total capital surplus	2,911,018	2,924,080
Retained earnings		
Legal retained earnings	10,250	10,250
Other retained earnings		
Retained earnings brought forward	3,193,786	4,016,694
Total retained earnings	3,204,036	4,026,944
Treasury shares	(30,303)	(13,579)
Total shareholders' equity	8,564,794	9,430,503
Total net assets	8,564,794	9,430,503
Total liabilities and net assets	19,724,345	22,169,300

## (ii) [Income Statement]

(Unit: thousands of yen)

	Fiscal year ended March 31, 2022		Fiscal year ended March 31, 2023	
Operating revenue	*1	6,293,866	*1	6,876,992
Operating expenses	*1,*2	4,196,707	*1,*2	4,573,147
Operating profit		2,097,159		2,303,844
Non-operating income				
Interest income	*1	17,162	*1	15,365
Commission income		546		39,640
Other		121,255		13,211
Total non-operating income		138,964		68,216
Non-operating expenses				
Interest expenses	*1	22,503	*1	27,698
Commission expenses		7,423		10,574
Provision of allowance for doubtful accounts		-		10,858
Depreciation		-		13,123
Other		5,458		7,204
Total non-operating expenses		35,385		69,458
Ordinary profit		2,200,738		2,302,602
Extraordinary income				
Gain on sale of non-current assets		6,596		13,977
Total extraordinary income		6,596		13,977
Extraordinary losses				
Loss on valuation of shares of subsidiaries and associates		86,615		41,418
Provision for loss on business of subsidiaries and associates		-		243,431
Other		1,116		7,024
Total extraordinary losses		87,732		291,873
Profit before income taxes		2,119,601		2,024,706
Income taxes - current		101,613		122,010
Income taxes - deferred		(46,830)		(162,498)
Total income taxes		54,782		(40,488)
Profit		2,064,818		2,065,195

(iii) [ Shareholders' equity Statement of Changes in Net Assets]  
 Previous fiscal year (April 1, 2021 to March 31, 2022)

(nit: thousands of yen)

	Shareholders' equity									
	Share capital	Capital surplus			Retained earnings				Treasury shares	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings		
						Reserve for special depreciation	Retained earnings brought forward			
Balance at beginning of period	2,460,276	2,418,061	473,188	2,891,249	10,250	937	2,190,915	2,202,102	(209)	7,553,418
Changes during period										
Issuance of new shares	12,730	12,730		12,730						25,460
Exercise of share acquisition rights	7,038	7,038		7,038						14,076
Dividends of surplus							(1,062,885)	(1,062,885)		(1,062,885)
Profit							2,064,818	2,064,818		2,064,818
Reversal of reserve for special depreciation						(937)	937	-		-
Purchase of treasury shares									(30,094)	(30,094)
Disposal of treasury shares										
Net changes in items other than shareholders' equity										
Total changes during period	19,768	19,768	-	19,768	-	(937)	1,002,870	1,001,933	(30,094)	1,011,376
Balance at end of period	2,480,044	2,437,829	473,188	2,911,018	10,250	-	3,193,786	3,204,036	(30,303)	8,564,794

	Total net assets
Balance at beginning of period	7,553,418
Changes during period	
Issuance of new shares	25,460
Exercise of share acquisition rights	14,076
Dividends of surplus	(1,062,885)
Profit	2,064,818
Reversal of reserve for special depreciation	-
Purchase of treasury shares	(30,094)
Disposal of treasury shares	-
Net changes in items other than shareholders' equity	-
Total changes during period	1,011,376
Balance at end of period	8,564,794



Current fiscal year (April 1, 2022 to March 31, 2023)

(Unit: thousands of yen)

	Shareholders' equity									
	Share capital	Capital surplus			Retained earnings				Treasury shares	Total shareholder s' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings		
						Reserve for special depreciation	Retained earnings brought forward			
Balance at beginning of period	2,480,044	2,437,829	473,188	2,911,018	10,250	-	3,193,786	3,204,036	(30,303)	8,564,794
Changes during period										
Issuance of new shares										
Exercise of share acquisition rights	13,014	13,014		13,014						26,028
Dividends of surplus							(1,242,286)	(1,242,286)		(1,242,286)
Profit							2,065,195	2,065,195		2,065,195
Reversal of reserve for special depreciation										
Purchase of treasury shares									(76)	(76)
Disposal of treasury shares			47	47					16,800	16,848
Net changes in items other than shareholders' equity										
Total changes during period	13,014	13,014	47	13,061	-	-	822,908	822,908	16,724	865,708
Balance at end of period	2,493,058	2,450,843	473,236	2,924,080	10,250	-	4,016,694	4,026,944	(13,579)	9,430,503

	Total net assets
Balance at beginning of period	8,564,794
Changes during period	
Issuance of new shares	-
Exercise of share acquisition rights	26,028
Dividends of surplus	(1,242,286)
Profit	2,065,195
Reversal of reserve for special depreciation	-
Purchase of treasury shares	(76)
Disposal of treasury shares	16,848
Net changes in items other than shareholders' equity	-
Total changes during period	865,708
Balance at end of period	9,430,503

[Notes]

(Significant accounting policies)

1. Valuation standards and methods for assets

Marketable securities

(1) Shares of subsidiaries and affiliates

Stated at cost determined by the moving-average method.

(2) Other securities

Stocks with no market price

Mainly stated at cost determined by the moving-average method.

2. Depreciation method for non-current assets

(1) Property, plant and equipment (excluding leased assets)

The straight-line method is mainly used.

The main useful lives are as follows:

Buildings and structures 3-50 years

Tools, furniture and fixtures 2-17 years

(2) Intangible assets (excluding leased assets)

The straight-line method is used.

Software for internal use is amortized over the estimated useful life (5 years).

(3) Lease assets

Leased assets related to finance lease transactions that do not transfer ownership

The straight-line method is used, where the lease period is deemed as the useful life of the asset and the residual value is set as zero.

3. Basis for reserves

(1) Allowance for doubtful accounts

The allowance for doubtful accounts is provided for possible losses on accounts receivable, loans receivable and other receivables. The allowance for doubtful accounts is provided for general receivables based on historical default rates, and for specific receivables for which there is some concern regarding collectability, an estimated uncollectible amount is provided for each individual account.

(2) Provision for bonuses

To provide for the payment of bonuses to employees, an amount accrued for the current fiscal year is recorded based on the estimated amount of bonus payments.

(3) Allowance for retirement benefits

(i) Method of attributing estimated retirement benefits to periods of service

In calculating the retirement benefit obligation, the estimated amount of retirement benefits is attributed to the period up to the end of the current fiscal year based on the benefit calculation method.

(ii) Method of amortizing actuarial gains and losses

Actuarial gains and losses are amortized by the straight-line method over a fixed number of years (10 years) within the average remaining service period of employees at the time of occurrence of each fiscal year, with the amount prorated from the following fiscal year of occurrence.

(4) Allowance for loss on business of subsidiaries and affiliates

To provide for possible business losses of subsidiaries and affiliates, an allowance is provided for the estimated amount of losses that the Company will incur in excess of the amount of its investment in the subsidiaries and affiliates.

4. Basis for recording revenues and expenses

The Company's revenues consist of management guidance fees and business management fees from subsidiaries. For management guidance fees and operational management fees, the Company recognizes revenues based on the provision of contracted services to subsidiaries over the contract period, as the performance obligation is satisfied over a certain period of time through the provision of contracted services to the subsidiaries.

5. Other important matters that serve as the basis for the preparation of financial statements

Translation of significant assets and liabilities denominated in foreign currencies into Japanese yen  
Monetary receivables and payables denominated in foreign currencies are translated into yen at the spot exchange rate prevailing at the end of the fiscal year, with translation differences recognized as gains or losses.

(Significant accounting estimates)

Impairment loss on investments in subsidiaries and affiliates

(1) Amount recorded in the financial statements for the current fiscal year

(Unit: thousands of yen)

	Previous fiscal year	Current fiscal year
Shares of subsidiaries and affiliates	3,831,311	4,297,276
Allowance for loss on business of subsidiaries and affiliates	-	243,431
Loss on valuation of stocks of subsidiaries and affiliates	86,615	41,418
Provision for loss on business of subsidiaries and affiliates	-	243,431

(2) Other information that contributes to the understanding of financial statement users

(i) Calculation Method

For stocks of subsidiaries and affiliates that do not have quoted market prices, the Company compares the actual value of the stock with the cost of acquisition. If the actual value of the stock declines significantly, the Company reduces the value of the stock by a reasonable amount, unless the recoverability of the stock is supported by sufficient evidence, in which case the amount of the decline is recognized as a loss on valuation of stocks of subsidiaries and affiliates.

In particular, shares of affiliated companies (totaling 4,048,583 thousand yen) related to affiliated companies acquired through M&A are valued based on the excess earning power calculated by enterprise value measurement at the time of acquisition of such companies to the actual value. The existence of damage to excess earning capacity is determined by confirming the achievement of operating profit and future cash flows based on future business plans. As of the end of the current fiscal year, the Company believes that its excess earning capacity is not impaired.

In the event that the estimated amount of losses to be incurred by the Company for an affiliated company exceeds the amount of claims against the company, an allowance for loss on business of the affiliated company is provided for the excess amount of losses.

(ii) Key Assumptions

The main assumption in each company's future business plan is that sales will be derived from maintaining and increasing the number of contracts for maintenance and repair services, etc., through enhanced sales activities.

(iii) Effect on the financial statements of the following fiscal year

The key assumption, sales in each company's future business plan, is subject to estimation uncertainty, and there is a risk that this could materially affect the decision to value the shares of affiliated companies.

(Change in accounting policy)

Not applicable.

(Change in the basis of presentation)

(Statements of income)

Commission income," which was included in "Other" under "Non-operating income" in the previous fiscal year, is separately presented in the current fiscal year due to its increased importance in terms of amount. The financial statements for the previous fiscal year have been reclassified to reflect this change in presentation.

As a result, 546 thousand yen presented as "Other" in "Non-operating income" in the statement of income for the previous fiscal year has been reclassified as "Commission income".

Surrender value of insurance policies" under "Non-operating income," which was independently presented in the previous fiscal year, is included in "Other" in the current fiscal year because it became insignificant in terms of amount. The financial statements for the previous fiscal year have been reclassified to reflect this change in presentation.

As a result, 91,717 thousand yen presented as "Surrender value of insurance policies" under "Non-operating income" in the statement of income for the previous fiscal year has been reclassified as "Other".

Subsidy income" under "Non-operating income," which was independently presented in the previous fiscal year, is included in "Other" in the current fiscal year because it became insignificant in terms of amount. The financial statements for the previous fiscal year have been reclassified to reflect this change in presentation.

As a result, 26,549 thousand yen presented as "Subsidy income" under "Non-operating income" in the statement of income for the previous fiscal year has been reclassified as "Other".

Foreign exchange losses " in "Non-operating expenses", which was independently presented in the previous fiscal year, is included in "Others" in the current fiscal year because it became insignificant in terms of amount. The financial statements for the previous fiscal year have been reclassified to reflect this change in presentation.

As a result, 3,589 thousand yen presented as "Foreign exchange losses" in "Non-operating expenses" in the statement of income for the previous fiscal year has been reclassified as "Other".

Loss on retirement of non-current assets " in "Extraordinary losses", which was independently presented in the previous fiscal year, is included in "Others" in the current fiscal year because it became insignificant in terms of amount. The financial statements for the previous fiscal year have been reclassified to reflect this change in presentation.

As a result, 975 thousand yen presented as "Loss on retirement of non-current assets" in "Extraordinary losses" in the statement of income for the previous fiscal year has been reclassified as "Other".

(Notes to Balance Sheet)

\*1 Overdraft and commitment line agreements

The Company has overdraft and commitment line agreements with correspondent banks for the purpose of efficient and stable working capital procurement. The following are unused lines of credit based on these agreements as of the end of the current fiscal year.

(Unit: thousands of yen)

	Previous fiscal year (March 31, 2022)	Current fiscal year (March 31, 2023)
Total amount of current account overdrafts and commitment lines of credit	8,900,000	10,200,000
Loan balance	2,139,514	4,483,514
Net Balance	6,760,486	5,716,486

\*2 Financial covenants

Previous fiscal year (March 31, 2022)

The Company's commitment line agreements contain financial covenants with certain conditions regarding net assets and earnings.

Current fiscal year (March 31, 2023)

The Company's commitment line agreements contain financial covenants with certain conditions regarding net assets and earnings.

\*3 Monetary receivables from and monetary payables to subsidiaries and affiliates (excluding those presented separately)

(Unit: thousands of yen)

	Previous fiscal year (March 31, 2022)	Current fiscal year (March 31, 2023)
Short-term monetary claims	10,762	14,493
Short-term monetary obligations	667	634

(Notes to Statements of Income)

\*1 Transactions with affiliated companies are as follows

(Unit: thousands of yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Transaction volume from business transactions		
Operating revenue	6,259,306	6,838,108
Operating expenses	35,039	26,595
Non-operating transactions	23,987	23,356

\*2 Major items and amounts of operating expenses are as follows

(Unit: thousands of yen)

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Salary and allowances	1,394,913	1,499,405
Provision for bonuses	100,639	100,455
Retirement benefit expenses	27,566	36,557
Depreciation	547,075	668,299
Commission expenses	418,274	571,437

(Change in the basis of presentation)

Commission expenses," which was not included in the notes to major items and amounts of operating expenses in the previous fiscal year, is separately presented in the current fiscal year due to its increased importance in terms of amount.

(Marketable securities)

Previous fiscal year (March 31, 2022)

Shares of subsidiaries and affiliates (balance sheet amount: 3,831,311 thousand yen) are not stated because they do not have market prices.

Current fiscal year (March 31, 2023)

Stocks of subsidiaries and affiliates (balance sheet amount: 4,297,276 thousand yen) are not stated because they do not have market prices.

(Tax effect accounting)

1. Deferred tax assets and deferred tax liabilities by major cause

(Unit: thousands of yen)

	Previous fiscal year (March 31, 2022)	Current fiscal year (March 31, 2023)
Deferred tax asset		
Provision for bonuses	30,815	30,759
Allowance for retirement benefits	254,313	292,544
Asset retirement obligations	127,389	131,063
Shares of subsidiaries and affiliates	335,881	318,703
Other	102,081	207,226
Deferred tax assets subtotal	850,482	980,296
Valuation allowance	(412,008)	(381,011)
Total deferred tax assets	438,473	599,285
deferred tax liabilities		
Removal costs corresponding to asset retirement obligations	(97,852)	(96,165)
Total deferred tax liabilities	(97,852)	(96,165)
Net deferred tax assets	340,620	503,119

2. Significant differences between the statutory tax rate and the effective income tax rate after the application of tax effect accounting, by major item that caused the differences.

	Previous fiscal year (March 31, 2022)	Current fiscal year (March 31, 2023)
Statutory effective tax rate	30.6% (30.6%)	30.6% (30.6%)
(Adjustment)		
Entertainment expenses and other items not permanently deductible for income tax purposes	0.9% (0.9%)	0.1% (0.1%)
Per capita levy of inhabitant tax, etc.	0.3	0.3
Tax credit under the expanded income tax system	(0).9% (0).	0.0
Dividend income not includable in income	(30).0%	(34).0%
Change in valuation allowance	1.7%	0.1%
Other	(0).1%	0.8%
Effective tax rate after application of tax effect accounting	2.6%	(2).0%

(Revenue Recognition)

Notes are omitted since the same information is presented in "Notes (Significant Accounting Policies) 4. Basis for recording revenues and expenses" in the financial statements.

(Significant subsequent events)

Not applicable.

(iv) [Supplementary schedules]  
[Schedule of property, plant and equipment]

(Unit: thousands of yen)

Classification	Type of Assets	Balance at the beginning of current period	Increase during the fiscal year	Decrease during the fiscal year	Amortization for the year	Balance at the end of current period	Accumulated depreciation
Property, plant and equipment	Buildings and structures	4,437,060	752,465	9,081	197,106	4,983,339	954,924
	Tools, furniture and fixtures	3,051,417	1,833,370	799	532,112	4,351,876	2,036,646
	Land	375,514	702,189	9,440	-	1,068,263	-
	Construction in progress	885,377	384,808	883,127	-	387,058	-
	Other	43,870	16,353	18,850	5,302	36,071	30,774
	Total	8,793,240	3,689,188	921,299	734,520	10,826,609	3,022,345
Intangible assets	Software	1,126,140	475,223	6,445	421,032	1,173,886	-
	Other	633,089	367,116	32,041	7,680	960,484	-
	Total	1,759,230	842,339	38,486	428,713	2,134,370	-

(Note) Major items in the amount of increase during the current period are as follows:

Buildings and structures	
Company owned employee quarters (Wako City)	663,459 thousand yen
Tools, furniture and fixtures	
Remote devices and other equipment for providing services	1,304,556 thousand yen
Land	
Kansai JIC (tentative name)	700,922 thousand yen
Software	
Development of remote monitoring terminals and control panels	359,777 thousand yen

[Schedule of allowance]

(Unit: thousands of yen)

Classification	Balance at the beginning of current period	Increase during the fiscal year	Decrease during the fiscal year	Balance at the end of current period
Allowance for doubtful accounts	469	11,338	469	11,338
Provision for bonuses	100,639	100,455	100,639	100,455

(2) [Details of Major Assets and Liabilities]

The Company has omitted this information because it prepares consolidated financial statements.

(3) [Others]

Not applicable.

## Item 6 [Summary of Share Administration of the Filing Company]

Fiscal year	From April 1 of each year to March 31 of the following year
Annual General Meeting of Shareholders	Within 3 months after the end of each fiscal year
Record Date	March 31 of each year
Record date for Dividends of surplus	March 31 of each year
Number of shares per voting unit	100 shares
Purchase of odd-lot shares	
Locations	3-3, Marunouchi 1-chome, Chiyoda-ku, Tokyo Mizuho Trust & Banking Co. Securities Agent Department, Head Office
Administrator of shareholders' register	3-3, Marunouchi 1-chome, Chiyoda-ku, Tokyo Mizuho Trust & Banking Co.
Agency	-
Purchase Commissions	Amount separately determined as an amount equivalent to the commission fee for entrustment of stock transactions
Method of Public Notice	Public notices of the Company shall be given by way of electronic public notices. However, in the event of an accident or other unavoidable circumstances that preclude electronic public notice, public notices will be posted in the Nihon Keizai Shimbun. URL for public notice <a href="https://www.jes24.co.jp">https://www.jes24.co.jp</a>
Benefits for Shareholders	None

(Note) Pursuant to the provisions of the Articles of Incorporation, shareholders holding shares of less than one unit may not exercise any rights with respect to such shares of less than one unit other than the following rights.

- (1) Rights listed in each item of Article 189, Paragraph 2 of the Companies Act
- (2) Right to make a request pursuant to Article 166, Paragraph 1 of the Companies Act
- (3) Right to receive allotment of offered shares and offered stock acquisition rights in proportion to the number of shares held by shareholders



## **Item 7 [Reference Information of the Filing Company]**

### **1 [Information on Parent Company of the Filing Company]**

The Company has no parent company, etc. as defined in Article 24-7, Paragraph 1 of the Financial Instruments and Exchange Act.

### **2 [Other Reference Information]**

The following documents were submitted between the beginning of the current fiscal year and the date of submission of the Annual Securities Report.

#### **(1) Annual Securities Report and its attachments and confirmations**

Business year (28th period) From April 1, 2021 to March 31, 2022 Submitted to the Director-General of the Kanto Local Finance Bureau on June 24, 2022

#### **(2) Internal control report and attached documents**

Submitted to the Director-General of the Kanto Local Finance Bureau on June 24, 2022

#### **(3) Quarterly Report and Written Confirmation**

(For the first quarter of the 29th term) From April 1, 2022 to June 30, 2022 Submitted to the Director-General of the Kanto Local Finance Bureau on August 10, 2022

(Second Quarter of the 29th term) From July 1, 2022 to September 30, 2022 Submitted to the Director-General of the Kanto Local Finance Bureau on November 11, 2022

(For the third quarter of the 29th term) From October 1, 2022 to December 31, 2022 Submitted to the Director-General of the Kanto Local Finance Bureau on February 8, 2023

**Part II [Information on the Guarantee Companies of the Filing Company]**

Not applicable.

# Independent Auditor's Report and Internal Controls Audit Report

June 23, 2023

Japan Elevator Service Holdings Co., Ltd.

To: Board of Directors

Ernst & Young ShinNihon LLC

Tokyo Office

Designated Limited Liability Partner  
Managing Partner

Certified public  
accountant

Masayoshi Zenpo

Designated Limited Liability Partner  
Managing Partner

Certified public  
accountant

Rentaro Miki

<Financial statement audit>

## Audit Opinion

In order to perform the audit certification pursuant to the provisions of Article 193, Paragraph 2, Item 1 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements of Japan Elevator Service Holdings Co., Ltd. for the fiscal year from April 1, 2022 to March 31, 2023, namely, the consolidated balance sheets, the consolidated statements of income, the consolidated statements of comprehensive income, the consolidated statements of changes in net assets, the consolidated statements of cash flows, the basic significant matters for preparing the consolidated financial statements, other notes, and the consolidated supplementary schedules, which are presented in the "Financial Statements and Supplementary Data."

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Japan Elevator Service Holdings Co., Ltd. and consolidated subsidiaries as of March 31, 2023, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

## Basis for Audit Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We are independent of the company and its consolidated subsidiaries and fulfill our other ethical responsibilities as auditors in accordance with the rules of professional ethics in Japan. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our opinion.

## Key Audit Matters

Key audit considerations are those matters that, in the auditor's professional judgment, are of particular importance in the audit of the consolidated financial statements for the current fiscal year. The major audit considerations are those matters that were addressed in the course of performing the audit of the consolidated financial statements as a whole and in forming our audit opinion, and we do not express an opinion on those matters individually.

Year-end valuation of Goodwill recorded as a result of M&A	
Details of major audit considerations and reasons for decisions	Audit Responses
<p>The company has recorded 2,352 million on consolidated balance sheets and Goodwill as of March 31, 2023, which amounts to 8% of total assets. The company is engaged primarily in the maintenance business for elevators and other equipment, and in recent years has used M&amp;A to strengthen its business, resulting in a large amount of goodwill.</p> <p>As described in "Basis of Preparation of Consolidated Financial Statements 4. Matters Concerning Accounting Policies (7) Goodwill," goodwill recorded as a result of mergers and acquisitions is amortized over the period of its effect.</p> <p>The Company ascertains whether there is any indication of impairment of goodwill arising from M &amp; A by checking the achievement status of operating profit and future cash flow in the future business plan approved by the management, focusing on whether the excess earning power expected at the time of acquisition will manifest over the period of the effect of M &amp; A.</p> <p>Because Goodwill's determination of indications of impairment is a wide-ranging and subjective judgment of management, we determined that the determination of indications of Goodwill's impairment was a major audit consideration.</p>	<p>In reviewing Goodwill's determination of an indication of impairment as a result of mergers and acquisitions, we primarily performed the following audit procedures</p> <ul style="list-style-type: none"> <li>• In order to evaluate the design and operation of internal controls over the determination of indications of impairment losses at Goodwill, we reviewed relevant vouchers and questioned internal control personnel.</li> <li>• Sales and profits of each M &amp; A subsidiary in the business plan were compared with the achievement status of sales and profits of each M &amp; A subsidiary in the current fiscal year.</li> <li>• In order to examine the continuity and sufficiency of each M&amp;A subsidiary's Operating profit after deduction of Goodwill amortization expenses, we analyzed the financial information of each company and asked questions of the management regarding the subsidiary's current fiscal year status and future business environment and risk factors.</li> <li>• With respect to the intra-group reorganization (merger of an M&amp;A subsidiary and an established subsidiary), we questioned management about the reasons for such reorganization and examined the impact on Goodwill's recoverable amount.</li> <li>• The M&amp;A team reviewed the minutes of the meetings of the M&amp;A subsidiaries and questioned management and company personnel to determine whether any of the subsidiaries showed signs of a deteriorating business environment.</li> </ul>

#### Other Descriptions

Other information included in the annual report, other than the consolidated financial statements and financial statements and the audited reports thereon. Management is responsible for preparing and disclosing other statements. In addition, the Audit & Supervisory Board and its members are responsible for monitoring the directors' performance of their duties in the development and operation of other stated reporting processes.

Our audit opinion on the consolidated financial statements does not include any other description, and we express no opinion on any other description.

Our responsibility in the audit of the consolidated financial statements is to read the other information carefully and, in the course of that reading, to consider whether there are material differences between the other information and the consolidated financial statements or our knowledge obtained in the audit, and to pay attention to whether there are any indication of material errors in the other information other than such material differences. In addition to such material differences, we also pay attention to whether there are any other indications of material errors in the other statements.

If, based on the work we have performed, we determine that there are material errors in the other entries, we are required to report those facts.

We have no other matters to report.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in conformity with accounting principles generally accepted in Japan. This includes the establishment and operation of such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for evaluating whether it is

appropriate to prepare the consolidated financial statements on a going concern basis and for disclosing any matters related to going concern that are required to be disclosed in accordance with accounting principles generally accepted in Japan. The Company is responsible for the disclosure of such matters.

The Audit & Supervisory Board and its members are responsible for monitoring the directors' performance of their duties in the development and operation of the financial reporting process.

#### Auditor's Responsibility in an Audit of Consolidated Financial Statements

The auditor is responsible for obtaining reasonable assurance about whether the consolidated financial statements as a whole are free of material misstatement, whether due to fraud or error, based on the audit performed by the auditor, and for expressing an opinion on the consolidated financial statements that is independent in its audit report. A misstatement is considered to be material if it could have been caused by fraud or error and, individually or in the aggregate, could reasonably be expected to affect the decisions of users of the consolidated financial statements.

The auditor shall exercise professional judgment throughout the audit process in accordance with auditing standards generally accepted as fair and appropriate in Japan, and shall maintain professional skepticism and

- Identify and assess the risk of material misstatement due to fraud or error. In addition, audit procedures shall be designed and implemented to address the risks of material misstatement. The selection and application of audit procedures are at the auditor's discretion. In addition, we obtain sufficient and appropriate audit evidence on which to base our opinion.
- The purpose of an audit of consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control; however, in making those risk assessments, the auditor considers internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of the accounting policies and methods of application thereof adopted by management and the reasonableness of the accounting estimates made by management and the appropriateness of the related notes.
- Conclude whether it is appropriate for management to prepare the consolidated financial statements on a going concern basis and, based on the audit evidence obtained, whether there are material uncertainties regarding events or conditions that might cast significant doubt on the entity's ability to continue as a going concern. If a material uncertainty regarding the entity's ability to continue as a going concern exists, the auditor is required to draw attention in the auditor's report to the notes to the consolidated financial statements or, if the notes to the consolidated financial statements are not appropriate with respect to the material uncertainty, to express an opinion with qualifications on the consolidated financial statements. The auditor's conclusion is based on audit evidence obtained up to the date of the auditor's report; however, future events or circumstances may cause the entity to cease to exist as a going concern.
- Evaluate whether the presentation and notes to the consolidated financial statements comply with accounting principles generally accepted in Japan, and whether the consolidated financial statements, including the related notes, present fairly the underlying transactions and accounting events, as well as the presentation, organization, and details of the consolidated financial statements. Assess whether the consolidated financial statements present fairly the underlying transactions and accounting events, including the related notes.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries to enable us to express our opinion on the consolidated financial statements. The auditor is responsible for directing, supervising, and performing the audit of the consolidated financial statements. The auditor is solely responsible for its audit opinion.

The auditor shall report to the Audit & Supervisory Board and its members on the planned scope and timing of the audit, significant audit findings, including significant deficiencies in internal control identified during the course of the audit, and other matters required by auditing standards and other matters required by auditing standards.

The auditor shall report to the Audit & Supervisory Board and its members that the auditor has complied with the provisions of the Japanese Code of Professional Ethics regarding independence and any matters that could reasonably be considered to affect the auditor's independence and any safeguards, if any, to remove or reduce impediments.

The auditor shall determine the matters discussed with Audit & Supervisory Board member and Audit & Supervisory Board that it considers to be of particular importance in its audit of the consolidated financial statements of fiscal year and shall include those matters in its audit report. However, such matters shall not be included in the auditor's report if the disclosure of such matters is prohibited by law or if, although extremely limited, the auditor determines that such matters should not be reported because the disadvantages of reporting such matters in the auditor's report are reasonably expected to outweigh the public interest.

#### <Internal Control Audit>

##### Audit Opinion

We have audited the internal control report of Japan Elevator Service Holdings Co., Ltd. as of March 31, 2023 for

the purpose of providing audit certification in accordance with the second paragraph of Article 193-2 of the Financial Instruments and Exchange Act.

In our opinion, the internal control report referred to above, in which Japan Elevator Service Holdings Co., Ltd. indicated that internal control over financial reporting as of March 31, 2023 was effective, presents fairly, in all material respects, the assessment results of internal control over financial reporting, based on criteria for assessment of internal control over financial reporting generally accepted in Japan.

#### Basis for Audit Opinion

We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibility is to express an opinion on the internal control over financial reporting based on our audit. We are independent of the company and its consolidated subsidiaries and fulfill our other ethical responsibilities as auditors in accordance with the rules of professional ethics in Japan. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our opinion.

#### Responsibility of management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Internal Control Report

Management is responsible for designing and operating internal control over financial reporting, and preparing and properly presenting an internal control report in accordance with the evaluation standards for internal control over financial reporting generally accepted in Japan.

The Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for monitoring and verifying the design and operation of internal control over financial reporting.

It is possible that internal control over financial reporting will not completely prevent or detect misstatements in financial reporting.

#### Auditor's Responsibility in Internal Control Audits

The auditor's responsibility is to obtain reasonable assurance about whether the internal control report is free of material misstatement based on the internal control audit performed by the auditor and to express an opinion on the internal control report from an independent standpoint in the internal control audit report.

In accordance with auditing standards for internal control over financial reporting generally accepted in Japan, the auditor, throughout the audit process, exercises professional judgment and maintains professional skepticism in

- The Company shall perform audit procedures to obtain audit evidence regarding the results of the assessment of internal control over financial reporting in the internal control report. Audit procedures for internal control audits are selected and applied at the auditor's discretion, based on the materiality of the effect on the reliability of financial reporting.
- The Board will consider the presentation of the internal control report as a whole, including the statements made by management regarding the scope of evaluation of internal control over financial reporting, the evaluation procedures and the evaluation results.
- Obtain sufficient appropriate audit evidence regarding the results of the assessment of internal control over financial reporting in the internal control report. The auditor is responsible for directing, supervising, and performing the audit of the internal control report. The auditor is solely responsible for its audit opinion.

The auditor shall report to the Audit & Supervisory Board member and the Audit & Supervisory Board on the scope and timing of the planned internal control audit, the results of the internal control audit, any significant deficiencies in internal control identified that should be disclosed, the results of their correction, and internal control audit, the significant deficiencies in internal control identified, the results of their remediation, and other matters required by the internal control audit standards.

The auditor shall report to the Audit & Supervisory Board and its members that the auditor has complied with the provisions of the Japanese Code of Professional Ethics regarding independence and any matters that could reasonably be considered to affect the auditor's independence and any safeguards, if any, to remove or reduce impediments.

#### Interests

We have no interest in or relationship with the Company or its consolidated subsidiaries which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act.

Ends

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(Notes) 1. The original of the above audit report is kept separately by the Company (securities report filing company).  
2. XBRL data is not included in the scope of the audit.

# Independent Auditor's Report

June 23, 2023

Japan Elevator Service Holdings Co., Ltd.

To: Board of Directors

Ernst & Young ShinNihon LLC

Tokyo Office

Designated Limited Liability Partner  
Managing Partner

Certified public  
accountant

Masayoshi Zenpo

Designated Limited Liability Partner  
Managing Partner

Certified public  
accountant

Rentaro Miki

## Audit Opinion

In order to perform audit certification pursuant to the provisions of Article 193, Paragraph 2, Item 1 of the Financial Instruments and Exchange Act, we have audited the financial statements of Japan Elevator Service Holdings Co., Ltd. for the 29th fiscal year from April 1, 2022 to March 31, 2023, namely, the balance sheets, statements of income, statements of changes in net assets, significant accounting policies, other notes and supplementary schedules, which are referred to in "Financial Statements and Supplementary Data."

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Japan Elevator Service Holdings Co., Ltd. as of March 31, 2023, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in Japan.

## Basis for Audit Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility in auditing standards is described in "Auditor's Responsibility in an Audit of Financial Statements. We are independent of the company and fulfill our other ethical responsibilities as auditors in accordance with the rules of professional ethics in our country. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our opinion.

## Key Audit Matters

Key audit considerations are those matters that the auditor, as a professional expert, considered to be of particular importance in the audit of the financial statements for the period under review. The major audit considerations are those matters addressed in the course of performing the audit of the financial statements as a whole and in forming our audit opinion, and we do not express an opinion on those matters individually.

Valuation of shares of affiliated companies acquired through M&A	
Details of major audit considerations and reasons for decisions	Audit Responses
<p>The company is a holding company, and as of March 31, 2023, it has 4,297 million yen of stocks of affiliated companies on its balance sheet. The amount is equivalent to 19% of total assets, the majority of which are shares in affiliated companies acquired through M&amp;A. Shares of affiliates acquired through mergers and acquisitions include non-marketable shares and other shares acquired to reflect excess earning power.</p> <p>In considering whether an investment in an affiliate should be impaired, the company compares the acquisition price with the actual value reflecting excess earning power.</p> <p>The company focuses on whether the excess earning power projected at the time of acquisition will be realized over the life of the asset, including the achievement of operating profit and future cash flows in the future business plan approved by management.</p> <p>With respect to the determination of the existence of excess earning power included in such real value, as well as Goodwill generated by M&amp;A recorded in consolidated balance sheets, we determined that the determination of excess earning power of affiliates acquired through M&amp;A is a major audit consideration, as it involves subjective judgments by management.</p>	<p>In considering the valuation of the shares of affiliated companies acquired through mergers and acquisitions, we primarily performed the following audit procedures</p> <ul style="list-style-type: none"> <li>• In order to evaluate the design and operation of internal control over the valuation of stocks of subsidiaries and affiliates, we reviewed relevant vouchers and asked questions to the persons in charge of internal control.</li> <li>• The excess earning power contained in the shares of affiliated companies is recorded on consolidated balance sheets as Goodwill.</li> <li>• The audit responses to Goodwill's assessment were the audit responses described in the Key Audit Considerations of the Independent Auditor's Report on the Consolidated Financial Statements.</li> </ul>

#### Other Descriptions

Other information included in the annual report, other than the consolidated financial statements and financial statements and the audited reports thereon. Management is responsible for preparing and disclosing other statements. In addition, the Audit & Supervisory Board and its members are responsible for monitoring the directors' performance of their duties in the development and operation of other stated reporting processes.

Our audit opinion on the financial statements does not include any other description, and we express no opinion on any other description.

Our responsibility in the audit of the financial statements is to read the other statements and, in the course of reading the other statements, to consider whether there are material differences between the other statements and the financial statements or our knowledge obtained in the audit, and to pay attention to whether there are any indication of material errors in the other statements other than such material differences. In addition to such material differences, we also pay attention to whether there are any other indications of material errors in the statements.

If, based on the work we have performed, we determine that there are material errors in the other entries, we are required to report those facts.

We have no other matters to report.

#### Management and Audit & Supervisory Board Members and the Audit & Supervisory Board's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of financial statements in accordance with accounting principles generally accepted in Japan. This includes the establishment and operation of such internal control as management determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing whether it is appropriate to prepare the financial statements on a going concern basis and for disclosing matters related to going concern when required to do so in accordance with accounting principles generally accepted in Japan.

The Audit & Supervisory Board and its members are responsible for monitoring the directors' performance of their duties in the development and operation of the financial reporting process.



## Auditor's Responsibility in an Audit of Financial Statements

The auditor's responsibility is to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, based on the audit performed by the auditor, and to express an opinion on the financial statements that is independent in the auditor's report. A misstatement is considered to be material if it could have been caused by fraud or error and, individually or in the aggregate, could reasonably be expected to affect the decisions of users of the financial statements.

The auditor shall exercise professional judgment throughout the audit process in accordance with auditing standards generally accepted as fair and appropriate in Japan, and shall maintain professional skepticism and

- Identify and assess the risk of material misstatement due to fraud or error. In addition, audit procedures shall be designed and implemented to address the risks of material misstatement. The selection and application of audit procedures are at the auditor's discretion. In addition, we obtain sufficient and appropriate audit evidence on which to base our opinion.
- Although the purpose of an audit of financial statements is not to express an opinion on the effectiveness of internal control, the auditor considers internal control relevant to the audit in making those risk assessments in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of the accounting policies and methods of application thereof adopted by management and the reasonableness of the accounting estimates made by management and the appropriateness of the related notes.
- Conclude whether it is appropriate for management to prepare the financial statements on a going concern basis and, based on the audit evidence obtained, whether there are material uncertainties regarding events or conditions that might cast significant doubt on the entity's ability to continue as a going concern. If a material uncertainty regarding the entity's ability to continue as a going concern is identified, the auditor is required to draw attention in the auditor's report to the notes to the financial statements or, if the notes to the financial statements regarding the material uncertainty are not appropriate, to express an opinion with qualifications on the financial statements. The auditor's conclusion is based on audit evidence obtained up to the date of the auditor's report; however, future events or circumstances may cause the entity to cease to exist as a going concern.
- Assess whether the presentation and notes to the financial statements are in accordance with accounting principles generally accepted in Japan, as well as the presentation, organization, and content of the financial statements, including related notes, and whether the financial statements present fairly the underlying transactions and accounting events.

The auditor shall report to the Audit & Supervisory Board and its members on the planned scope and timing of the audit, significant audit findings, including significant deficiencies in internal control identified during the course of the audit, and other matters required by auditing standards and other matters required by auditing standards.

The auditor shall report to the Audit & Supervisory Board and its members that the auditor has complied with the provisions of the Japanese Code of Professional Ethics regarding independence and any matters that could reasonably be considered to affect the auditor's independence and any safeguards, if any, to remove or reduce impediments.

The auditor shall determine the matters discussed with the Audit & Supervisory Board and the Audit & Supervisory Board members that are of particular importance in the audit of the financial statements for the current fiscal year, and shall include those matters in the auditor's report. However, such matters shall not be included in the auditor's report if the disclosure of such matters is prohibited by law or if, although extremely limited, the auditor determines that such matters should not be reported because the disadvantages of reporting such matters in the auditor's report are reasonably expected to outweigh the public interest.

## Interests

We have no interest in or relationship with the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act.

Ends

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(Notes) 1. The original of the above audit report is kept separately by the Company (securities report filing company).

2. XBRL data is not included in the scope of the audit.

[Cover]

[Documents to be filed]	Internal Control Report
[Legal basis of documents]	Article 24-4-4, Paragraph 1 of the Financial Instruments and Exchange Law
[Filed with]	Director-General of Kanto Finance Bureau
[Date of filing]	June 26, 2023
[Company name]	ジャパンエレベーターサービスホールディングス株式会社
[English translation name]	JAPAN ELEVATOR SERVICE HOLDINGS CO.,LTD.
[Name and title of representative]	Katsushi Ishida, President and Representative Director CEO
[Title and name of the Chief Financial Officer]	Kimihiko Imamura, Director, Deputy President and Executive Officer CFO, General Manager of Business Administration Headquarters
[Location of head office]	1-3-13 Nihonbashi, Chuo-ku, Tokyo
[Place for public inspection]	Tokyo Stock Exchange, Inc. (2-1 Nihonbashi Kabuto-cho, Chuo-ku, Tokyo)

## 1 [Matters Concerning the Basic Framework for Internal Control over Financial Reporting]

Katsushi Ishida, President and Representative Director CEO, and Kimihiko Imamura, Director, Deputy President and Executive Officer CFO, General Manager of Business Management Headquarters, are responsible for the establishment and operation of internal control over financial reporting of the Company, its consolidated subsidiaries and equity method affiliates (hereinafter referred to as "the Group"). The Group designs and operates internal control over financial reporting (internal control over financial reporting) in accordance with the basic framework for internal control set forth in the "Standards for Management Assessment and Audit of Internal Control Over Financial Reporting and Implementation Standards for Management Assessment and Audit of Internal Control Over Financial Reporting (Opinion)" issued by the Business Accounting Deliberation Council.

Since internal control attempts to achieve its objectives to a reasonable extent by organically linking and integrally functioning each basic element of internal control, it is possible that misstatements in financial reports may not be completely prevented or detected by internal control over financial reporting.

## 2 [Matters Related to the Scope of Valuation, Base Date and Valuation Procedures]

The evaluation of internal control over financial reporting was conducted with a base date of March 31, 2023, the end of the current fiscal year, and in making the evaluation, the Company followed generally accepted standards for evaluating internal control over financial reporting.

In this assessment, we evaluate internal controls that have a significant impact on the overall financial reporting on a consolidated basis (company-wide internal controls), and then select business processes to be evaluated based on the results of the evaluation. In assessing the business process, we evaluated the effectiveness of internal control by analyzing the selected business process, identifying key control points that have a significant impact on the reliability of financial reporting, and evaluating the design and operation of those key control points.

The scope of the assessment of internal control over financial reporting was determined for our group as necessary from the perspective of the materiality of its impact on the reliability of financial reporting. The materiality of the effects on the reliability of financial reporting was determined by considering the significance of monetary and qualitative effects, and the scope of assessment of internal control over business processes was reasonably determined based on the results of the assessment of company-wide internal control conducted for the Company and its 14 consolidated subsidiaries.

For the scope of evaluation of internal control over business processes, we checked the net sales (after elimination of inter-company transactions) of each business location for the previous fiscal year and designated five business locations that had approximately two-thirds of the consolidated net sales for the previous fiscal year as "important business locations. In the selected important business locations, the business processes related to Net sales, Accounts receivable - trade, and inventories were evaluated as accounts that are significantly related to the business objectives of the company. In addition, regardless of the selected significant business locations, other business locations are also included in the scope of evaluation, and business processes related to significant accounts that have a high possibility of material misstatement and involve estimates and forecasts, and business processes related to businesses or operations that conduct high-risk transactions are added to the scope of evaluation as significant business processes, taking into account their impact on financial reporting.

## 3 [Matters Related to Evaluation Results]

As a result of the above evaluation, we concluded that the Group's internal control over financial reporting was effective as of the end of the current fiscal year.

## 4 [Appendix]

There is nothing to be added.

## 5 [Special Note]

There are no matters requiring special mention.

[Cover]

[Documents to be filed]	Certificate
[Legal basis of documents]	Article 24-4-4-2, Paragraph 1 of the Financial Instruments and Exchange Law
[Filed with]	Director-General of Kanto Finance Bureau
[Date of filing]	June 26, 2023
[Company name]	ジャパンエレベーターサービスホールディングス株式会社
[English translation name]	JAPAN ELEVATOR SERVICE HOLDINGS CO.,LTD.
[Name and title of representative]	Katsushi Ishida, President and Representative Director CEO
[Title and name of the Chief Financial Officer]	Kimihiko Imamura, Director, Deputy President and Executive Officer CFO, General Manager of Business Administration Headquarters
[Location of head office]	1-3-13 Nihonbashi, Chuo-ku, Tokyo
[Place for public inspection]	Tokyo Stock Exchange, Inc. (2-1 Nihonbashi Kabuto-cho, Chuo-ku, Tokyo)

1 [Matters Concerning the Appropriateness of the Information in the Annual Securities Report]

Katsushi Ishida, President and Representative Director CEO, and Kimihiko Imamura, Director, Deputy President and Executive Officer CFO, General Manager of Business Management Headquarters, have confirmed that the information in the Company's Annual Securities Report for the 29th fiscal year (April 1, 2022 to March 31, 2023) is properly presented in accordance with the Financial Instruments and Exchange Law.

2 [Special Note]

There are no matters requiring special mention.