

## Financial Review

### Operating Results

#### Overview

In the fiscal year ended March 31, 2022, SECOM CO., LTD. and its consolidated subsidiaries (collectively, "the Company") sought to provide high-quality services and products that respond to the diverse needs of customers in its core security services segment, as well as in its fire protection services, medical services, insurance services, geospatial information services, BPO and ICT services, and other services segments.

Consolidated net sales and operating revenue for the period under review amounted to ¥1,166.1 billion, rising 2.7%, or ¥30.8 billion, while operating income advanced 15.2%, or ¥20.6 billion, to ¥156.4 billion. This primarily reflected higher net sales and operating revenue, and operating income, in the security services segment, which were underpinned by increases for electronic security services in Japan and overseas, and for static security guard services, as well as in the fire protection services segment, which benefited from a concentration of profitable projects during the period, and the medical services segment, which was bolstered by improvements in the earnings of partner hospitals in Japan and a general hospital in India. Net income attributable to SECOM CO., LTD., climbed 19.8%, or ¥17.8 billion, to ¥107.7 billion.

#### Net Sales and Operating Revenue

Consolidated net sales and operating revenue rose 2.7%, or ¥30.8 billion, to ¥1,166.1 billion, owing to increases in all segments except insurance services. (For further information, please see Segment Information below.)

#### Costs and Expenses

Total costs and expenses were up 1.0%, or ¥10.2 billion, to ¥1,009.7 billion. Cost of sales, at ¥802.4 billion, increased 1.5%, or ¥12.2 billion, and accounted for 68.8% of net sales and operating revenue, compared with 69.6% in the preceding period. Factors contributing to the cost of sales ratio included improvements in the earnings of partner hospitals in Japan and a general hospital in India, which lowered the cost of sales ratio in the medical services segment, as well as to a concentration of profitable projects in the fire protection services segment.

Selling, general and administrative (SG&A) expenses increased 1.2%, or ¥2.5 billion, to ¥204.2 billion, equivalent to 17.5% of net sales and operating revenue, an improvement from 17.8% in the previous fiscal year. While the impairment loss on goodwill improved to ¥268 million, down ¥5.4 billion, loss on sales and disposal of fixed assets, net, rose ¥918 million, to ¥2.7 billion.

#### Operating Income

Operating income advanced 15.2%, or ¥20.6 billion, to ¥156.4 billion, owing mainly to increases in the security services, fire protection services and medical services segments. The

operating margin improved to 13.4%, from 12.0%. (For further information, please see Segment Information below.)

#### Other Income and Expenses

Other income declined ¥2.5 billion, to ¥9.7 billion, while other expenses increased ¥1.5 billion, to ¥4.4 billion. Net other income thus amounted to ¥5.3 billion, a decrease of ¥4.0 billion. This was due largely to a loss on other-than-temporary impairment of investment securities of ¥848 million, compared with a gain on other-than-temporary impairment of investment securities of ¥4.6 billion in the previous fiscal year. The Company also reported a ¥3.1 billion gain on private equity investments, compared with a ¥302 million loss on private equity investments in the preceding period.

#### Income Taxes

Income taxes amounted to ¥49.2 billion, up ¥1.6 billion, although this was equivalent to 30.4% of income from continuing operations before income taxes and equity in net income of affiliated companies, down from 32.8% in the previous fiscal year. Factors contributing to the decrease in income taxes as a percentage of income from continuing operations before income taxes and equity in net income of affiliated companies included the decline in impairment loss on goodwill.

#### Net Income Attributable to Noncontrolling Interests

Net income attributable to noncontrolling interests slipped ¥149 million, to ¥11.4 billion. This was due mainly to the fact that Secom Joshinetsu Co., Ltd., was made a wholly owned subsidiary, although the impact of this was partially offset by increases in operating income in the fire protection services segment and posted by overseas Group companies.

#### Net Income Attributable to SECOM CO., LTD.

Net income attributable to SECOM CO., LTD., climbed 19.8%, or ¥17.8 billion, to ¥107.7 billion, equivalent to 9.2% of net sales and operating revenue, rising from 7.9% in the previous fiscal year. Net income attributable to SECOM CO., LTD., per share was ¥492.83, up from ¥411.95. The figure of ¥175.00 for cash dividends per share that appears in the consolidated financial statements represents cash dividends approved and paid to shareholders during the period under review, namely, an ¥85.00 per share year-end dividend for the fiscal year ended March 31, 2021, approved at the Ordinary General Meeting of Shareholders held on June 25, 2021, and a ¥90.00 per share interim dividend determined by the Board of Directors and paid to shareholders of record as of September 30, 2021. The year-end cash dividend for the fiscal year ended March 31, 2022, approved at the Ordinary General Meeting of Shareholders held on June 28, 2022, was also ¥90.00 per share.

## Segment Information

In December 2020, all issued shares of Secom Home Life Co., Ltd., previously a consolidated subsidiary, were transferred to a third party, as a result of which the company was excluded from the scope of consolidation. As a consequence, the name of the segment to which the company was allocated, real estate and other services, was renamed "other services." This change did not prompt any adjustments to segment classification. Subsequently, a review of segment classification was conducted from the perspective of similarity and relevance of business activities. As a result, certain services previously included in the security services segment were reclassified to the BPO and ICT services and the other services segments. Segment results figures for prior periods have been restated to conform with the new classification. (For further information, please see Note 28.)

### Security Services

Security services include electronic security services, which center on on-line security systems, other security services, and merchandise and other. In the fiscal year ended March 31, 2022, net sales and operating revenue in this segment increased 1.5%, or ¥8.6 billion, to ¥566.7 billion. Excluding intersegment transactions, segment net sales and operating revenue were ¥563.6 billion, representing 48.3% of overall net sales and operating revenue, down from 48.9% in the previous fiscal year.

In addition to on-line commercial and home security systems, electronic security services include large-scale proprietary security systems, which focus on surveillance at subscribers' premises. On-line commercial and home security systems use sensors, controllers and other equipment installed at subscribers' premises to detect events, including intrusions, fires and equipment malfunctions. Equipment is linked to a SECOM control center via telecommunications circuits to facilitate around-the-clock monitoring. Should an irregularity be detected, relevant information is relayed to the control center, where staff dispatch emergency response personnel to take appropriate measures. If necessary, control center staff also notify the police, fire department or other emergency services. The Company employs a rental format, whereby it maintains ownership of security equipment and provides it to subscribers on a rental basis. This minimizes initial costs for subscribers and guarantees the quality and stability of its services. The initial contract period for security services is generally five years, with contracts renewed automatically each subsequent year. Depreciation for security equipment is computed using the declining balance method principally over five years.

The Company takes full responsibility for all aspects of its on-line commercial and home security systems, from R&D through to equipment manufacturing, security planning, installation, around-the-clock monitoring, emergency response services and equipment maintenance. This integrated approach

leverages the Company's half-century-plus of experience and know-how in providing electronic security services, together with its R&D team's ability to recognize and address false alarms, to ensure highly efficient operations.

Net sales and operating revenue from electronic security services advanced 1.1%, or ¥3.9 billion, to ¥348.7 billion. This primarily reflected firm sales of on-line commercial and home security systems in Japan and increases in sales by overseas Group companies, as well as the impact of currency exchange rates.

Other security services include static guard and armored car services. Net sales and operating revenue generated by static guard services, which are provided by highly trained professional security guards for systems requiring human judgment and flexible responsiveness, rose 8.8%, or ¥6.1 billion, to ¥75.5 billion, owing mainly to the Company's provision of security services for competition venues and other facilities for the Olympic and Paralympic Games Tokyo 2020, held during the period under review. Net sales and operating revenue generated by armored car services, which involve the transport of cash, securities and other valuables using specially fitted armored cars and security professionals, edged down 0.6%, or ¥374 million, to ¥62.5 billion, due principally to changes in the operations of financial institutions.

The merchandise and other category encompasses a wide range of security products, including security camera systems, access control systems, automated fire extinguishing systems and external monitoring systems, which can be freestanding or linked to on-line security systems. Net sales and operating revenue in this category declined 1.3%, or ¥1.0 billion, to ¥76.9 billion, as COVID-19 prompted customers to curb investments, negatively impacting turnover.

Operating income in this segment rose 12.2%, or ¥12.3 billion, to ¥113.4 billion, while the operating margin improved to 20.0%, compared with 18.1% in the preceding period. Principal factors behind this result included a decrease in impairment loss on goodwill, to ¥63 million, from ¥5.7 billion, and an increase in sales of high-margin electronic security services.

### Fire Protection Services

The fire protection services segment focuses on high-grade, tailored, automatic fire alarm systems, fire extinguishing systems and other fire protection systems for a wide range of applications, including office buildings, plants, tunnels, cultural properties, ships and residences. In the period under review, Nohmi Bosai and Nittan, two of Japan's leading domestic fire protection services providers, sought to leverage their respective business foundations and product development capabilities to secure orders.

Net sales and operating revenue in this segment, at ¥152.1 billion, advanced 5.7%, or ¥8.2 billion. Principal factors behind this result included an increase in Nohmi Bosai's revenue from fire alarm systems. Operating income rose 10.9%, or ¥1.4 billion, to ¥14.5 billion, reflecting a concentration of profitable projects during the period. The operating margin was 9.5%, up from 9.1%.

### Medical Services

Medical services include the provision of home nursing services, pharmaceutical dispensing services, support for affiliated medical institutions in Japan, sales of medical equipment, the operation of a general hospital in India, the operation of residences for seniors and other personal care services, health and preventative care services, and ICT-based medical services, which include electronic medical report systems. Additionally, this segment includes the operations of variable interest entities (VIEs) of which the Company is the primary beneficiary, which manage hospitals and health care-related institutions.

Segment net sales and operating revenue rose 7.3%, or ¥13.3 billion, to ¥196.1 billion, while operating income soared 246.3%, or ¥9.7 billion, to ¥13.6 billion. These increases were attributable to improvements in the results of partner hospitals in Japan and a general hospital in India. The operating margin climbed to 7.0%, from 2.2%.

### Insurance Services

The insurance services segment continued to expand sales of an extensive lineup of distinctive non-life insurance policies, including the Security Discount Fire Policy, a commercial fire insurance policy, and SECOM *Anshin My Home*, a comprehensive fire insurance policy for homes (both of which extend discounts on premiums to customers who have installed on-line security systems, recognizing this as a risk-mitigating factor), the MEDCOM unrestricted cancer treatment policy, which covers the entire cost of medical treatment for cancer, and SECOM *Anshin My Car*, a comprehensive automobile insurance policy that offers onsite support services provided by SECOM emergency response personnel should the policyholders be involved in an accident.

Net sales and operating revenue in this segment declined 10.5%, or ¥6.5 billion, to ¥54.9 billion, despite brisk sales of MEDCOM, owing to net realized investment losses (including losses on other-than-temporary impairments of investment securities) of ¥1.2 billion, compared with net realized investment gains of ¥7.7 billion in the preceding period. Segment operating income, at ¥8.5 billion, was down 8.2%, or ¥762 million, primarily reflecting the aforementioned net realized investment losses, although this factor was partially offset by a decrease in losses due to natural disasters.

### Geospatial Information Services

The geospatial information services segment centers on the collection of geographic data using commercial satellites, aircraft and surveying using proprietary vehicles, among others, which is integrated, processed and analyzed to provide geospatial information services to public-sector entities—including national and local governments—and customers in the private sector in Japan. These services are also offered to government agencies overseas. Segment net sales and operating revenue advanced 4.5%, or ¥2.5 billion, to ¥56.6 billion, bolstered by an increase in revenue from domestic public-sector customers, to which the provision of surveying services employing aerial lasers expanded. Operating income, at ¥3.9 billion was down 12.8%, or ¥569 million, a consequence mainly of the inclusion of head office relocation expenses and rising personnel expenses resulting from an expanded number of employees, as well as of a reversal of the provision for loss on construction contracts for large-scale projects for overseas customers in the previous period. The operating margin declined to 6.8%, from 8.2%.

### BPO and ICT Services

BPO and ICT services, which focus on the provision of data center services, also encompass distinctively SECOM BCP support, telework support, information security and cloud-based services, and BPO services, which include the operation of contact centers. Net sales and operating revenue in this segment were up 2.4%, or ¥2.9 billion, to ¥124.8 billion, thanks principally to increased revenue in the BPO services business, underpinned by efforts to cultivate customers and higher orders from existing customers, as well as in the data center services business. Owing to higher net sales and operating revenue, operating income edged up 0.5%, or ¥67 million, to ¥14.6 billion. This was despite a negative rebound in the BPO services business, which benefited in the previous period from the presence of profitable projects, combined with upfront expenses associated with the expansion of the contact center network to accommodate growing demand, as well as higher utility costs attributable to fuel cost adjustments at data centers. The operating margin dipped to 11.7%, from 11.9%.

### Other Services

The other services segment encompasses real estate leasing, as well as construction and installation services. Segment net sales and operating revenue rose 4.3%, or ¥1.4 billion, to ¥35.4 billion, owing to a full year of lease income from real estate projects completed in the previous fiscal year, as well as to an increase in revenue from construction projects. Operating income, at ¥6.1 billion, was up 1.2%, or ¥74 million, while the operating margin was 17.3%, down from 17.8%.

## Financial Position

Total assets as of March 31, 2022, amounted to ¥2,183.5 billion, an increase of ¥45.7 billion from the end of the previous fiscal year. Total current assets climbed ¥47.2 billion, to ¥1,026.7 billion, and accounted for 47.0% of total assets. The current ratio was 2.4 times, compared with 2.3 times a year earlier. The principal component of current assets, cash and cash equivalents, was ¥531.6 billion, up ¥29.4 billion. (For further information, please see Cash Flows, which follows this section.) Notes and accounts receivable, trade rose ¥12.0 billion, to ¥165.4 billion, reflecting such factors as higher net sales and operating revenue in the fire protection services segment. Notes and accounts receivable, trade, are affected by the fact that net sales and operating revenue in the fire protection services and geospatial information services businesses tends to be concentrated toward the end of the fiscal year. Cash deposits for armored car services declined ¥2.4 billion, to ¥136.5 billion. These cash deposits are funded largely through bank overdrafts and deposits and their use by the Company is restricted. Inventories rose ¥6.4 billion, to ¥38.2 billion, owing primarily to the purchase of real estate for sales and steps taken to increase inventories of components for fire protection services-related products to circumvent procurement difficulties. Investments and long-term receivables, at ¥349.5 billion, were up ¥1.9 billion, and represented 16.0% of total assets.

Property, plant and equipment, less accumulated depreciation, amounted to ¥424.8 billion, down ¥4.3 billion, accounting for 19.5% of total assets. Other assets rose ¥837 million, to ¥382.4 billion, equivalent to 17.5% of total assets.

Total liabilities as of March 31, 2022, amounted to ¥838.5 billion, a decrease of ¥8.1 billion from a year earlier, and represented 38.4% of total liabilities and equity. Total current liabilities, at ¥419.2 billion, were down ¥837 million, and accounted for 19.2% of total liabilities and equity. Total long-term liabilities declined ¥7.3 billion, to ¥419.4 billion, equivalent to 19.2% of total liabilities and equity.

Total SECOM CO., LTD. shareholders' equity advanced ¥67.2 billion, to ¥1,209.5 billion. Retained earnings increased ¥69.4 billion, to ¥1,139.9 billion, with contributing factors including net income attributable to SECOM CO., LTD., and the payment of dividends. Additional paid-in capital decreased ¥11.6 billion, to ¥63.0 billion, owing mainly to the acquisition of the ownership interests of Secom Joshinetsu via a tender offer, undertaken with the aim of making it a wholly owned subsidiary. Owing to yen depreciation, foreign currency translation adjustments were a positive ¥2.9 billion, compared with a negative ¥8.1 billion as of the end of the preceding period. The equity ratio was 55.4%, up from 53.4% at the previous fiscal year-end.

## Cash Flows

The Company is committed to maintaining sufficient liquidity to allow flexibility in its operations and ensure a solid financial foundation. To the best of its ability, the Company is also firmly committed to financing strategic investments with cash generated by its operating activities.

In the fiscal year ended March 31, 2022, net cash provided by operating activities amounted to ¥185.3 billion. The principal components of this were net income of ¥119.2 billion, and depreciation and amortization, including amortization of deferred charges—a non-cash item—of ¥78.5 billion. Net cash provided by operating activities was down ¥3.4 billion from the fiscal year ended March 31, 2021, despite an increase in net income of ¥17.7 billion, as a ¥10.5 billion increase in receivables and due from subscribers, net of allowances, compared with a decrease of ¥14.3 billion in the preceding period, pushed down cash generated by operating activities.

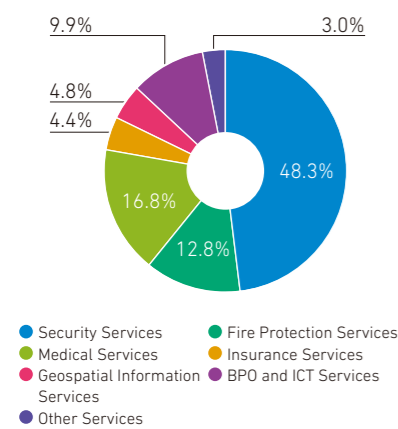
Net cash used in investing activities was ¥60.4 billion. The principal applications of cash included payments for purchases of property, plant and equipment of ¥55.1 billion, used primarily for purchases of equipment necessitated by rising subscriptions for security services, and payments for purchases of intangible assets of ¥10.8 billion. Net cash used in investing activities was up ¥7.4 billion from the previous fiscal year, owing principally to the absence of ¥14.6 billion in proceeds from the sales of subsidiaries, net of cash and cash equivalents disposed of, and

¥7.1 billion in acquisitions, net of cash acquired, which had a significant impact in the preceding period. Investments in the insurance services segment and private equity investments in the United States yielded higher net proceeds from sales and redemptions of investment securities of ¥1.6 billion, up from ¥1.1 billion.

Net cash used in financing activities amounted to ¥97.3 billion. This largely reflected dividends paid to SECOM CO., LTD. shareholders of ¥38.2 billion; payments for acquisition of shares of consolidated subsidiaries from noncontrolling interest holders of ¥28.6 billion, related mainly to the acquisition of the ownership interests of Secom Joshinetsu; and an increase in treasury stock, net, of ¥11.2 billion, owing to the purchase of treasury stock on the open market in accordance with a resolution of the Board of Directors. Net cash used in financing activities was up ¥49.6 billion from the preceding period, a consequence primarily of increases in payments for acquisition of shares of consolidated subsidiaries from noncontrolling interest holders and purchases of treasury stock and a decline in proceeds from long-term debt.

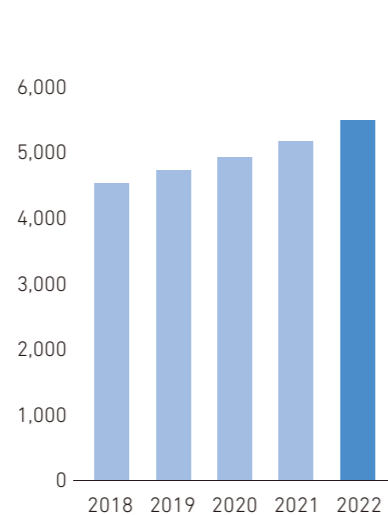
Owing to the Company's operating, investing and financing activities in the period under review, cash and cash equivalents at end of year amounted to ¥531.6 billion, up ¥29.4 billion from cash equivalents at beginning of year of ¥502.2 billion.

**Percentage of Consolidated Net Sales and Operating Revenue\***  
(Year ended March 31, 2022)

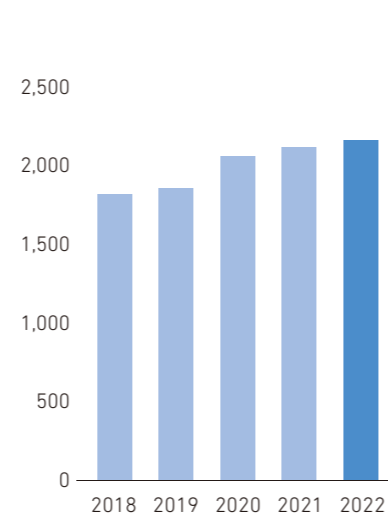


\*Pie chart shows percentage of consolidated net sales and operating revenue (excluding intersegment transactions)

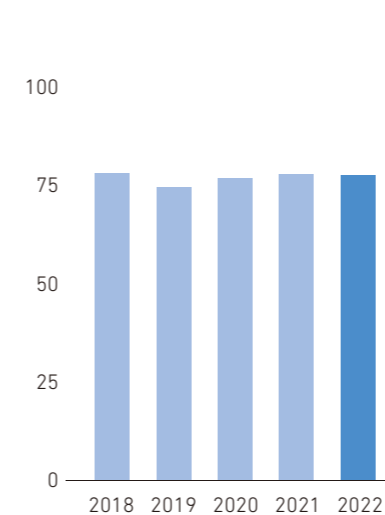
**SECOM CO., LTD. Shareholders' Equity per Share**  
(In yen)



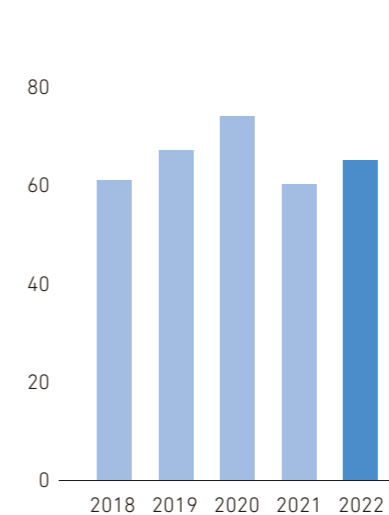
**Total Assets**  
(In billions of yen)



**Depreciation and Amortization**  
(In billions of yen)



**Purchases of Property, Plant and Equipment and Intangible Assets**  
(In billions of yen)



**Cash Flows**  
(In billions of yen)

