

# Consolidated Financial Statements

## Consolidated Balance Sheets

SECOM CO., LTD. and Subsidiaries  
March 31, 2020 and 2019

|   | In millions of yen |            | Translation into thousands<br>of U.S. dollars |
|---|--------------------|------------|---|
|   | 2020               | 2019       | March 31                                      |
| <b>ASSETS</b>                                 |                    |            | <b>2020</b>                                   |
| <b>Current assets:</b>                        |                    |            |   |
| Cash and Cash equivalents.....                | ¥ 414,668          | ¥ 349,730  | \$ 3,804,294                                  |
| Time deposits.....                            | 9,097              | 10,619     | 83,459  |
| Cash deposits for armored car services.....   | 140,906            | 142,336    | 1,292,716                                     |
| Short-term investments.....                   | 31,084             | 25,294     | 285,174                                       |
| Notes and accounts receivable, trade.....     | 166,612            | 156,869    | 1,528,550                                     |
| Due from subscribers.....                     | 63,112             | 63,012     | 579,009                                       |
| Inventories.....                              | 56,297             | 65,945     | 516,486                                       |
| Short-term receivables.....                   | 25,679             | 27,111     | 235,587                                       |
| Allowance for doubtful accounts.....          | (1,641)            | (1,738)    | (15,055)                                      |
| Deferred insurance acquisition costs.....     | 4,301              | 6,809      | 39,459  |
| Other current assets.....                     | 25,749             | 24,301     | 236,229                                       |
| Total current assets.....                     | 935,864            | 870,288    | 8,585,908                                     |
| <b>Investments and long-term receivables:</b> |                    |            |   |
| Investment securities.....                    | 194,822            | 212,641    | 1,787,358                                     |
| Investments in affiliated companies.....      | 64,499             | 63,697     | 591,734                                       |
| Long-term receivables.....                    | 41,566             | 40,095     | 381,339                                       |
| Lease deposits.....                           | 17,725             | 17,245     | 162,615                                       |
| Other investments.....                        | 10,947             | 11,952     | 100,431                                       |
| Allowance for doubtful accounts.....          | (4,237)            | (4,218)    | (38,872)                                      |
|   | 325,322            | 341,412    | 2,984,605                                     |
| <b>Property, plant and equipment:</b>         |                    |            |   |
| Land.....                                     | 117,457            | 116,540    | 1,077,587                                     |
| Buildings and improvements.....               | 365,362            | 351,947    | 3,351,945                                     |
| Security equipment and control stations.....  | 346,168            | 337,756    | 3,175,853                                     |
| Machinery, equipment and automobiles.....     | 156,830            | 155,944    | 1,438,807                                     |
| Construction in progress.....                 | 7,026              | 6,759      | 64,459  |
|   | 992,843            | 968,946    | 9,108,651                                     |
| Accumulated depreciation.....                 | (567,339)          | (552,719)  | (5,204,945)                                   |
|   | 425,504            | 416,227    | 3,903,706                                     |
| <b>Other assets:</b>                          |                    |            |   |
| Operating lease right-of-use assets.....      | 143,468            | —          | 1,316,220                                     |
| Deferred charges.....                         | 25,664             | 25,220     | 235,450                                       |
| Goodwill.....                                 | 108,925            | 108,122    | 999,312                                       |
| Other intangible assets.....                  | 58,814             | 57,892     | 539,578                                       |
| Prepaid pension and severance costs.....      | 31,790             | 38,489     | 291,651                                       |
| Deferred income taxes.....                    | 25,769             | 22,060     | 236,413                                       |
|   | 394,430            | 251,783    | 3,618,624                                     |
| Total assets.....                             | ¥2,081,120         | ¥1,879,710 | \$19,092,843                                  |

|   | In millions of yen |            | Translation into thousands<br>of U.S. dollars |
|---|--------------------|------------|---|
|   | 2020               | 2019       | March 31                                      |
| <b>LIABILITIES AND EQUITY</b>   |                    |            |   |
| <b>Current liabilities:</b>   |                    |            |   |
| Bank loans .....  | ¥ 39,002           | ¥ 38,658   | \$ 357,817                                    |
| Current portion of long-term debt.....                                | 17,983             | 18,447     | 164,982                                       |
| Notes and accounts payable, trade .....                               | 48,466             | 46,606     | 444,642                                       |
| Other payables .....  | 44,331             | 44,208     | 406,706                                       |
| Deposits received .....   | 122,796            | 127,619    | 1,126,569                                     |
| Deferred revenue.....   | 37,048             | 35,947     | 339,890                                       |
| Accrued income taxes.....   | 24,811             | 22,904     | 227,624                                       |
| Accrued payroll .....   | 39,650             | 37,987     | 363,761                                       |
| Current operating lease liabilities.....                              | 19,171             | —          | 175,881                                       |
| Other current liabilities .....                                       | 37,906             | 32,992     | 347,761                                       |
| Total current liabilities .....                                       | 431,164            | 405,368    | 3,955,633                                     |
| <b>Long-term liabilities:</b>   |                    |            |   |
| Long-term debt .....  | 44,255             | 45,342     | 406,009                                       |
| Guarantee deposits received.....                                      | 31,546             | 31,887     | 289,413                                       |
| Accrued pension and severance costs .....                             | 31,393             | 30,913     | 288,009                                       |
| Long-term deferred revenue.....                                       | 12,511             | 11,623     | 114,779                                       |
| Unearned premiums and other insurance liabilities .....               | 128,908            | 124,309    | 1,182,642                                     |
| Investment deposits by policyholders .....                            | 21,516             | 23,615     | 197,394                                       |
| Deferred income taxes.....  | 13,132             | 16,041     | 120,477                                       |
| Long-term operating lease liabilities.....                            | 124,297            | —          | 1,140,339                                     |
| Other long-term liabilities .....                                     | 14,991             | 14,710     | 137,532                                       |
| Total long-term liabilities .....                                     | 422,549            | 298,440    | 3,876,594                                     |
| Total liabilities .....   | 853,713            | 703,808    | 7,832,227                                     |
| <b>Commitments and contingent liabilities</b>                         |                    |            |   |
| <b>Equity:</b>  |                    |            |   |
| SECOM CO., LTD. shareholders' equity:                                 |                    |            |   |
| Common stock  |                    |            |   |
| Authorized—900,000,000 shares, issued 233,293,998 shares in 2020      |                    |            |   |
| Authorized—900,000,000 shares, issued 233,292,219 shares in 2019..... | 66,401             | 66,393     | 609,183                                       |
| Additional paid-in capital.....                                       | 74,680             | 73,166     | 685,138                                       |
| Legal reserve .....   | 10,833             | 10,783     | 99,385  |
| Retained earnings.....  | 1,017,661          | 967,679    | 9,336,339                                     |
| Accumulated other comprehensive income (loss):                        |                    |            |   |
| Unrealized gains on securities .....                                  | 2,046              | 2,309      | 18,771  |
| Pension liability adjustments .....                                   | (4,601)            | (742)      | (42,211)                                      |
| Foreign currency translation adjustments .....                        | (4,506)            | (1,645)    | (41,338)                                      |
|   | (7,061)            | (78)       | (64,778)                                      |
| Common stock in treasury, at cost:                                    |                    |            |   |
| 15,033,588 shares in 2020 and 15,031,867 shares in 2019.....          | (73,776)           | (73,759)   | (676,844)                                     |
| Total SECOM CO., LTD. shareholders' equity.....                       | 1,088,738          | 1,044,184  | 9,988,423                                     |
| Noncontrolling interests .....  | 138,669            | 131,718    | 1,272,193                                     |
| Total equity.....   | 1,227,407          | 1,175,902  | 11,260,616                                    |
| Total liabilities and equity .....                                    | ¥2,081,120         | ¥1,879,710 | \$19,092,843                                  |

## Consolidated Financial Statements

### Consolidated Statements of Income

SECOM CO., LTD. and Subsidiaries  
Three years ended March 31, 2020

|   | In millions of yen   |            |            | Translation into thousands<br>of U.S. dollars |
|---|----------------------|------------|------------|---|
|   | Years ended March 31 |            |            | Year ended March 31                           |
|   | 2020                 | 2019       | 2018       | 2020  |
| <b>Net sales and operating revenue</b> .....  | <b>¥1,160,707</b>    | ¥1,111,600 | ¥1,082,792 | <b>\$10,648,688</b>                           |
| <b>Costs and expenses:</b>  |                      |            |            |   |
| Cost of sales .....   | <b>819,867</b>       | 784,918    | 751,944    | <b>7,521,715</b>                              |
| Selling, general and administrative expenses .....  | <b>205,796</b>       | 200,932    | 191,389    | <b>1,888,037</b>                              |
| Impairment loss on long-lived assets .....  | <b>952</b>           | 595        | 841        | <b>8,734</b>                                  |
| Impairment loss on goodwill .....   | <b>758</b>           | —          | 11         | <b>6,954</b>                                  |
| Gain and loss on sales and disposal of fixed assets, net .....  | <b>2,770</b>         | 1,444      | (1,504)    | <b>25,413</b>                                 |
|   | <b>1,030,143</b>     | 987,889    | 942,681    | <b>9,450,853</b>                              |
| Operating income.....   | <b>130,564</b>       | 123,711    | 140,111    | <b>1,197,835</b>                              |
| <b>Other income:</b>  |                      |            |            |   |
| Interest and dividends.....   | <b>2,127</b>         | 1,807      | 1,637      | <b>19,514</b>                                 |
| Gain and loss on sales of securities, net.....  | <b>2,297</b>         | —          | 237        | <b>21,073</b>                                 |
| Gain on private equity investments .....  | <b>—</b>             | 4,673      | 5,884      | <b>—</b>                                      |
| Other.....  | <b>5,557</b>         | 4,766      | 5,696      | <b>50,982</b>                                 |
|   | <b>9,981</b>         | 11,246     | 13,454     | <b>91,569</b>                                 |
| <b>Other expenses:</b>  |                      |            |            |   |
| Interest .....  | <b>1,151</b>         | 1,184      | 1,236      | <b>10,560</b>                                 |
| Gain and loss on sales of securities, net.....  | <b>—</b>             | 115        | —          | <b>—</b>                                      |
| Loss on other-than-temporary impairment of investment securities .....  | <b>3,738</b>         | 3,959      | 57         | <b>34,294</b>                                 |
| Loss on private equity investments .....  | <b>139</b>           | —          | —          | <b>1,275</b>                                  |
| Other.....  | <b>1,482</b>         | 1,136      | 1,482      | <b>13,595</b>                                 |
|   | <b>6,510</b>         | 6,394      | 2,775      | <b>59,724</b>                                 |
| Income from continuing operations before income taxes and equity<br>in net income of affiliated companies ..... | <b>134,035</b>       | 128,563    | 150,790    | <b>1,229,680</b>                              |
| <b>Income taxes:</b>  |                      |            |            |   |
| Current.....  | <b>45,654</b>        | 47,210     | 54,225     | <b>418,844</b>                                |
| Deferred .....  | <b>(4,715)</b>       | (12,086)   | (6,118)    | <b>(43,256)</b>                               |
|   | <b>40,939</b>        | 35,124     | 48,107     | <b>375,588</b>                                |
| Income from continuing operations before equity in net income of<br>affiliated companies.....                   | <b>93,096</b>        | 93,439     | 102,683    | <b>854,092</b>                                |
| <b>Equity in net income of affiliated companies</b> .....   | <b>6,654</b>         | 7,002      | 7,179      | <b>61,046</b>                                 |
| Net income.....   | <b>99,750</b>        | 100,441    | 109,862    | <b>915,138</b>                                |
| <b>Less: Net income attributable to noncontrolling interests</b> .....  | <b>(12,614)</b>      | (10,755)   | (13,239)   | <b>(115,725)</b>                              |
| Net income attributable to SECOM CO., LTD. ....   | <b>¥ 87,136</b>      | ¥ 89,686   | ¥ 96,623   | <b>\$ 799,413</b>                             |

|   | In yen               |         |         | Translation into<br>U.S. dollars |
|---|----------------------|---------|---------|----------------------------------|
|   | Years ended March 31 |         |         | Year ended March 31              |
|   | 2020                 | 2019    | 2018    | 2020                             |
| <b>Per share data:</b>                          |                      |         |         |                                  |
| Net income attributable to SECOM CO., LTD. .... | <b>¥399.23</b>       | ¥410.91 | ¥442.70 | <b>\$3.66</b>                    |
| <b>Cash dividends per share</b> .....           | <b>¥170.00</b>       | ¥160.00 | ¥150.00 | <b>\$1.56</b>                    |

### Consolidated Statements of Comprehensive Income

SECOM CO., LTD. and Subsidiaries  
Three years ended March 31, 2020

|  | In millions of yen   |          |          | Translation into thousands<br>of U.S. dollars |
|--|----------------------|----------|----------|---|
|  | Years ended March 31 |          |          | Year ended March 31                           |
|  | 2020                 | 2019     | 2018     | 2020  |
| <b>Comprehensive income:</b>   |                      |          |          |   |
| Net income.....  | <b>¥99,750</b>       | ¥100,441 | ¥109,862 | <b>\$915,138</b>                              |
| Other comprehensive income (loss), net of tax:                                   |                      |          |          |   |
| Unrealized gains on securities .....   | <b>(263)</b>         | 274      | 256      | <b>(2,413)</b>                                |
| Pension liability adjustments .....  | <b>(4,037)</b>       | (2,566)  | 5,376    | <b>(37,037)</b>                               |
| Foreign currency translation adjustments .....                                   | <b>(2,934)</b>       | (4,908)  | 1,952    | <b>(26,917)</b>                               |
| Total comprehensive income .....   | <b>92,516</b>        | 93,241   | 117,446  | <b>848,771</b>                                |
| <b>Less: Comprehensive income attributable to noncontrolling interests</b> ..... | <b>(12,364)</b>      | (10,060) | (13,710) | <b>(113,431)</b>                              |
| Comprehensive income attributable to SECOM CO., LTD. ....                        | <b>¥80,152</b>       | ¥ 83,181 | ¥103,736 | <b>\$735,340</b>                              |

## Consolidated Statements of Changes in Equity

SECOM CO., LTD. and Subsidiaries  
Three years ended March 31, 2020

In millions of yen

|   | Number of<br>shares<br>issued | Common<br>stock | Additional<br>paid-in<br>capital | Legal<br>reserve | Retained<br>earnings | Accumulated<br>other com-<br>prehensive<br>income (loss) | Common<br>stock in<br>treasury,<br>at cost | Total<br>SECOM CO., LTD.<br>shareholders'<br>equity | Noncontrolling<br>interests | Total      |
|---|-------------------------------|-----------------|----------------------------------|------------------|----------------------|--|--|---|-----------------------------|------------|
| <b>Balance, March 31, 2017</b>  | 233,288,717                   | ¥66,378         | ¥73,102                          | ¥10,632          | ¥ 832,785            | ¥20,076  | (¥73,731)                                  | ¥ 929,242   | ¥122,226                    | ¥1,051,468 |
| Comprehensive income:   |                               |                 |                                  |                  |                      |  |  |   |                             |            |
| Net income  | —                             | —               | —                                | —                | 96,623               | —  | —  | 96,623  | 13,239                      | 109,862    |
| Other comprehensive income (loss), net of tax:  |                               |                 |                                  |                  |                      |  |  |   |                             |            |
| Unrealized gains on securities  | —                             | —               | —                                | —                | —                    | 268  | —  | 268   | (12)                        | 256        |
| Pension liability adjustments   | —                             | —               | —                                | —                | —                    | 5,070  | —  | 5,070   | 306                         | 5,376      |
| Foreign currency translation adjustments  | —                             | —               | —                                | —                | —                    | 1,775  | —  | 1,775   | 177                         | 1,952      |
| Total comprehensive income  | —                             | —               | —                                | —                | —                    | —  | —  | 103,736   | 13,710                      | 117,446    |
| Issuance of new stocks  | 1,724                         | 7               | 7                                | —                | —                    | —  | —  | 14  | —                           | 14         |
| Cash dividends paid to SECOM CO., LTD. shareholders   | —                             | —               | —                                | —                | (32,738)             | —  | —  | (32,738)  | —                           | (32,738)   |
| Cash dividends paid to noncontrolling interests   | —                             | —               | —                                | —                | —                    | —  | —  | —   | (5,381)                     | (5,381)    |
| Transfer to legal reserve   | —                             | —               | —                                | 101              | (101)                | —  | —  | —   | —                           | —          |
| Equity transactions with noncontrolling interests and other                                   | —                             | —               | 24                               | —                | —                    | —  | —  | 24  | 473                         | 497        |
| Changes in the scope of application of the equity method                                      | —                             | —               | —                                | —                | 17                   | —  | —  | 17  | —                           | 17         |
| Gains on disposal of treasury stock   | —                             | —               | 0                                | —                | —                    | —  | —  | 0   | —                           | 0          |
| Net changes in treasury stock   | —                             | —               | —                                | —                | —                    | —  | (18)                                       | (18)  | —                           | (18)       |
| <b>Balance, March 31, 2018</b>  | 233,290,441                   | 66,385          | 73,133                           | 10,733           | 896,586              | 27,189   | (73,749)                                   | 1,000,277   | 131,028                     | 1,131,305  |
| Cumulative effect adjustments resulting from adoption of new accounting standards, net of tax | —                             | —               | —                                | —                | 16,379               | (20,762)   | —  | (4,383)   | (421)                       | (4,804)    |
| Comprehensive income:   |                               |                 |                                  |                  |                      |  |  |   |                             |            |
| Net income  | —                             | —               | —                                | —                | 89,686               | —  | —  | 89,686  | 10,755                      | 100,441    |
| Other comprehensive income (loss), net of tax:  |                               |                 |                                  |                  |                      |  |  |   |                             |            |
| Unrealized gains on securities  | —                             | —               | —                                | —                | —                    | 274  | —  | 274   | —                           | 274        |
| Pension liability adjustments   | —                             | —               | —                                | —                | —                    | (2,320)  | —  | (2,320)   | (246)                       | (2,566)    |
| Foreign currency translation adjustments  | —                             | —               | —                                | —                | —                    | (4,459)  | —  | (4,459)   | (449)                       | (4,908)    |
| Total comprehensive income  | —                             | —               | —                                | —                | —                    | —  | —  | 83,181  | 10,060                      | 93,241     |
| Issuance of new stocks  | 1,778                         | 8               | 7                                | —                | —                    | —  | —  | 15  | —                           | 15         |
| Cash dividends paid to SECOM CO., LTD. shareholders   | —                             | —               | —                                | —                | (34,922)             | —  | —  | (34,922)  | —                           | (34,922)   |
| Cash dividends paid to noncontrolling interests   | —                             | —               | —                                | —                | —                    | —  | —  | —   | (6,252)                     | (6,252)    |
| Transfer to legal reserve   | —                             | —               | —                                | 50               | (50)                 | —  | —  | —   | —                           | —          |
| Equity transactions with noncontrolling interests and other                                   | —                             | —               | 26                               | —                | —                    | —  | —  | 26  | (2,697)                     | (2,671)    |
| Changes in the scope of application of the equity method                                      | —                             | —               | —                                | —                | —                    | —  | —  | —   | —                           | —          |
| Gains on disposal of treasury stock   | —                             | —               | —                                | —                | —                    | —  | —  | —   | —                           | —          |
| Net changes in treasury stock   | —                             | —               | —                                | —                | —                    | —  | (10)                                       | (10)  | —                           | (10)       |
| <b>Balance, March 31, 2019</b>  | 233,292,219                   | 66,393          | 73,166                           | 10,783           | 967,679              | (78)   | (73,759)                                   | 1,044,184   | 131,718                     | 1,175,902  |
| Comprehensive income:   |                               |                 |                                  |                  |                      |  |  |   |                             |            |
| Net income  | —                             | —               | —                                | —                | 87,136               | —  | —  | 87,136  | 12,614                      | 99,750     |
| Other comprehensive income (loss), net of tax:  |                               |                 |                                  |                  |                      |  |  |   |                             |            |
| Unrealized gains on securities  | —                             | —               | —                                | —                | —                    | (263)  | —  | (263)   | —                           | (263)      |
| Pension liability adjustments   | —                             | —               | —                                | —                | —                    | (3,858)  | —  | (3,858)   | (178)                       | (4,036)    |
| Foreign currency translation adjustments  | —                             | —               | —                                | —                | —                    | (2,862)  | —  | (2,862)   | (72)                        | (2,934)    |
| Total comprehensive income  | —                             | —               | —                                | —                | —                    | —  | —  | 80,153  | 12,364                      | 92,517     |
| Issuance of new stocks  | 1,779                         | 8               | 8                                | —                | —                    | —  | —  | 16  | —                           | 16         |
| Cash dividends paid to SECOM CO., LTD. shareholders   | —                             | —               | —                                | —                | (37,104)             | —  | —  | (37,104)  | —                           | (37,104)   |
| Cash dividends paid to noncontrolling interests   | —                             | —               | —                                | —                | —                    | —  | —  | —   | (3,438)                     | (3,438)    |
| Transfer to legal reserve   | —                             | —               | —                                | 50               | (50)                 | —  | —  | —   | —                           | —          |
| Equity transactions with noncontrolling interests and other                                   | —                             | —               | 1,506                            | —                | —                    | —  | —  | 1,506   | (1,975)                     | (469)      |
| Changes in the scope of application of the equity method                                      | —                             | —               | —                                | —                | —                    | —  | —  | —   | —                           | —          |
| Gains on disposal of treasury stock   | —                             | —               | 0                                | —                | —                    | —  | 0  | 0   | —                           | 0          |
| Net changes in treasury stock   | —                             | —               | —                                | —                | —                    | —  | (17)                                       | (17)  | —                           | (17)       |
| <b>Balance, March 31, 2020</b>  | 233,293,998                   | ¥66,401         | ¥74,680                          | ¥10,833          | ¥1,017,661           | (¥ 7,061)  | (¥73,776)                                  | ¥1,088,738  | ¥138,669                    | ¥1,227,407 |

Translation into thousands of U.S. dollars

|   | Common<br>stock | Additional<br>paid-in<br>capital | Legal<br>reserve | Retained<br>earnings | Accumulated<br>other com-<br>prehensive<br>income (loss) | Common<br>stock in<br>treasury,<br>at cost | Total<br>SECOM CO., LTD.<br>shareholders'<br>equity | Noncontrolling<br>interests | Total        |
|---|-----------------|----------------------------------|------------------|----------------------|--|--|---|-----------------------------|--------------|
| <b>Balance, March 31, 2019</b>                              | \$609,110       | \$671,248                        | \$98,926         | \$8,877,789          | (\$ 716)   | (\$676,688)                                | \$9,579,669   | \$1,208,422                 | \$10,788,091 |
| Comprehensive income:                                       |                 |                                  |                  |                      |  |  |   |                             |              |
| Net income  | —               | —                                | —                | 799,413              | —  | —  | 799,413   | 115,725                     | 915,138      |
| Other comprehensive income (loss), net of tax:              |                 |                                  |                  |                      |  |  |   |                             |              |
| Unrealized gains on securities                              | —               | —                                | —                | —                    | (2,413)  | —  | (2,413)   | —                           | (2,413)      |
| Pension liability adjustments                               | —               | —                                | —                | —                    | (35,393)   | —  | (35,393)  | (1,633)                     | (37,026)     |
| Foreign currency translation adjustments                    | —               | —                                | —                | —                    | (26,256)   | —  | (26,256)  | (661)                       | (26,917)     |
| Total comprehensive income                                  | —               | —                                | —                | —                    | —  | —  | 735,351   | 113,431                     | 848,782      |
| Issuance of new stocks                                      | 73              | 73                               | —                | —                    | —  | —  | 146   | —                           | 146          |
| Cash dividends paid to SECOM CO., LTD. shareholders         | —               | —                                | —                | (340,404)            | —  | —  | (340,404)   | —                           | (340,404)    |
| Cash dividends paid to noncontrolling interests             | —               | —                                | —                | —                    | —  | —  | —   | (31,541)                    | (31,541)     |
| Transfer to legal reserve                                   | —               | —                                | 459              | (459)                | —  | —  | —   | —                           | —            |
| Equity transactions with noncontrolling interests and other | —               | 13,817                           | —                | —                    | —  | —  | 13,817  | (18,119)                    | (4,302)      |
| Changes in the scope of application of the equity method    | —               | —                                | —                | —                    | —  | —  | —   | —                           | —            |
| Gains on disposal of treasury stock                         | —               | 0                                | —                | —                    | —  | 0  | 0   | —                           | 0            |
| Net changes in treasury stock                               | —               | —                                | —                | —                    | —  | (156)                                      | (156)   | —                           | (156)        |
| <b>Balance, March 31, 2020</b>                              | \$609,183       | \$685,138                        | \$99,385         | \$9,336,339          | (\$64,778)   | (\$676,844)                                | \$9,988,423   | \$1,272,193                 | \$11,260,616 |

# Consolidated Financial Statements

## Consolidated Statements of Cash Flows

SECOM CO., LTD. and Subsidiaries  
Three years ended March 31, 2020

|   | In millions of yen   |                 |                 | Translation into thousands<br>of U.S. dollars |
|---|----------------------|-----------------|-----------------|---|
|   | Years ended March 31 |                 |                 | Year ended March 31                           |
|   | 2020                 | 2019            | 2018            | 2020  |
| <b>Cash flows from operating activities:</b>  |                      |                 |                 |   |
| Net income.....   | ¥ 99,750             | ¥100,441        | ¥109,862        | \$ 915,138                                    |
| Adjustments to reconcile net income to net cash provided by operating activities—                         |                      |                 |                 |   |
| Depreciation and amortization, including amortization of deferred charges.....                            | 77,574               | 75,300          | 78,955          | 711,688                                       |
| Accrual for pension and severance costs, less payments.....   | 1,193                | 614             | 977             | 10,945  |
| Deferred income taxes.....  | (4,715)              | (12,086)        | (6,118)         | (43,257)                                      |
| Gain and loss on sales and disposal of fixed assets, net.....   | 2,770                | 1,444           | (1,541)         | 25,413  |
| Impairment loss on long-lived assets.....   | 952                  | 595             | 841             | 8,734   |
| Write-down on real estate inventories.....  | 66                   | 580             | 865             | 606   |
| Gain and loss on private equity investments.....  | 139                  | (4,673)         | (5,884)         | 1,275   |
| Impairment loss on goodwill.....  | 758                  | —               | 11              | 6,954   |
| Gain on sales of securities, net.....   | (2,962)              | (901)           | (1,073)         | (27,174)                                      |
| Loss on other-than-temporary impairment of investment securities.....                                     | 8,540                | 8,991           | 199             | 78,349  |
| Equity in net income of affiliated companies.....   | (6,654)              | (7,002)         | (7,179)         | (61,046)                                      |
| Changes in assets and liabilities, net of effects from acquisitions and disposals:                        |                      |                 |                 |   |
| (Increase) decrease in cash deposits for armored car services.....  | 1,430                | (6,527)         | (5,189)         | 13,119  |
| (Increase) decrease in receivables and due from subscribers, net of allowances.....                       | (10,576)             | (17,404)        | (8,292)         | (97,028)                                      |
| (Increase) decrease in inventories.....   | 9,256                | 4,285           | (18,639)        | 84,917  |
| Increase in deferred charges.....   | (11,754)             | (10,716)        | (15,902)        | (107,835)                                     |
| Increase (decrease) in notes and accounts payable.....  | 2,361                | 3,388           | (378)           | 21,661  |
| Increase (decrease) in deposits received.....   | (4,822)              | 8,690           | 5,962           | (44,239)                                      |
| Increase (decrease) in deferred revenue.....  | 1,874                | 938             | (779)           | 17,193  |
| Increase (decrease) in accrued income taxes.....  | 5,146                | (4,914)         | (2,441)         | 47,211  |
| Increase (decrease) in guarantee deposits received.....   | (352)                | (164)           | (474)           | (3,229)                                       |
| Increase in unearned premiums and other insurance liabilities.....  | 4,600                | 9,495           | 4,796           | 42,202  |
| Increase (decrease) in accrued consumption tax.....   | 4,529                | (831)           | 1,924           | 41,550  |
| Other, net.....   | 5,295                | 8,784           | 2,754           | 48,577  |
| Net cash provided by operating activities.....  | 184,398              | 158,327         | 133,257         | 1,691,724                                     |
| <b>Cash flows from investing activities:</b>  |                      |                 |                 |   |
| (Increase) decrease in time deposits.....   | 1,564                | (1,251)         | 172             | 14,349  |
| Proceeds from sales of property, plant and equipment.....   | 1,178                | 3,379           | 6,166           | 10,807  |
| Payments for purchases of property, plant and equipment.....  | (63,126)             | (56,401)        | (53,751)        | (579,138)                                     |
| Payments for purchases of intangible assets.....  | (11,722)             | (11,454)        | (7,859)         | (107,541)                                     |
| Proceeds from sales and redemptions of investment securities.....   | 50,259               | 43,597          | 69,365          | 461,092                                       |
| Payments for purchases of investment securities.....  | (45,325)             | (36,686)        | (51,098)        | (415,826)                                     |
| (Increase) decrease in short-term investments.....  | (1,357)              | (4,256)         | (1,150)         | (12,450)                                      |
| Acquisitions, net of cash acquired.....   | (725)                | (3,133)         | (23,283)        | (6,651)                                       |
| (Increase) decrease in short-term receivables, net.....   | (147)                | 62              | (457)           | (1,349)                                       |
| Payments for long-term receivables.....   | (1,416)              | (1,024)         | (840)           | (12,991)                                      |
| Proceeds from long-term receivables.....  | 1,578                | 1,685           | 1,224           | 14,477  |
| Other, net.....   | 2,628                | 1,052           | 50              | 24,114  |
| Net cash used in investing activities.....  | (66,611)             | (64,430)        | (61,461)        | (611,107)                                     |
| <b>Cash flows from financing activities:</b>  |                      |                 |                 |   |
| Proceeds from long-term debt.....   | 8,802                | 7,161           | 9,613           | 80,752  |
| Repayments of long-term debt.....   | (18,793)             | (20,184)        | (20,582)        | (172,413)                                     |
| Increase (decrease) in bank loans, net.....   | 162                  | (1,789)         | (3,378)         | 1,486   |
| Increase (decrease) in investment deposits by policyholders.....  | (2,099)              | (1,592)         | (2,483)         | (19,257)                                      |
| Dividends paid to SECOM CO., LTD. shareholders.....   | (37,104)             | (34,922)        | (32,738)        | (340,404)                                     |
| Dividends paid to noncontrolling interests.....   | (3,425)              | (6,263)         | (5,426)         | (31,422)                                      |
| Payments for acquisition of shares of consolidated subsidiaries from noncontrolling interest holders..... | (659)                | (3,033)         | (120)           | (6,046)                                       |
| Proceeds from sales of shares of consolidated subsidiaries to noncontrolling interest holders.....        | —                    | —               | —               | —   |
| Increase in treasury stock, net.....  | (16)                 | (10)            | (17)            | (147)   |
| Other, net.....   | 190                  | 331             | 94              | 1,743   |
| Net cash used in financing activities.....  | (52,942)             | (60,301)        | (55,037)        | (485,708)                                     |
| <b>Effect of exchange rate changes on cash and cash equivalents.....</b>                                  | <b>93</b>            | <b>(595)</b>    | <b>370</b>      | <b>853</b>                                    |
| <b>Net increase in cash and cash equivalents.....</b>   | <b>64,938</b>        | <b>33,001</b>   | <b>17,129</b>   | <b>595,762</b>                                |
| <b>Cash and cash equivalents at beginning of year.....</b>  | <b>349,730</b>       | <b>316,729</b>  | <b>299,600</b>  | <b>3,208,532</b>                              |
| <b>Cash and cash equivalents at end of year.....</b>  | <b>¥414,668</b>      | <b>¥349,730</b> | <b>¥316,729</b> | <b>\$3,804,294</b>                            |

## Segment Information

Information by business and geographic segments for the years ended and as of March 31, 2020, 2019 and 2018 is as follows:

### (1) Business Segment Information

|  | In millions of yen |            |            | In thousands of U.S. dollars |
|--|--------------------|------------|------------|------------------------------|
|  | 2020               | 2019       | 2018       | 2020                         |
| Net sales and operating revenue:         |                    |            |            |                              |
| Security services—                       |                    |            |            |                              |
| Customers .....                          | ¥ 577,252          | ¥ 563,739  | ¥ 562,272  | \$ 5,295,890                 |
| Intersegment.....                        | 3,207              | 3,428      | 3,144      | 29,422                       |
|  | <b>580,459</b>     | 567,167    | 565,416    | <b>5,325,312</b>             |
| Fire protection services—                |                    |            |            |                              |
| Customers .....                          | 151,861            | 140,139    | 136,559    | 1,393,220                    |
| Intersegment.....                        | 4,050              | 3,942      | 4,170      | 37,156                       |
|  | <b>155,911</b>     | 144,081    | 140,729    | <b>1,430,376</b>             |
| Medical services—                        |                    |            |            |                              |
| Customers .....                          | 187,101            | 181,705    | 175,318    | 1,716,523                    |
| Intersegment.....                        | 220                | 168        | 185        | 2,018                        |
|  | <b>187,321</b>     | 181,873    | 175,503    | <b>1,718,541</b>             |
| Insurance services—                      |                    |            |            |                              |
| Customers .....                          | 43,515             | 41,637     | 44,683     | 399,220                      |
| Intersegment.....                        | 3,413              | 3,120      | 3,034      | 31,312                       |
|  | <b>46,928</b>      | 44,757     | 47,717     | <b>430,532</b>               |
| Geospatial information services—         |                    |            |            |                              |
| Customers .....                          | 53,535             | 51,510     | 50,906     | 491,147                      |
| Intersegment.....                        | 201                | 386        | 176        | 1,844                        |
|  | <b>53,736</b>      | 51,896     | 51,082     | <b>492,991</b>               |
| BPO and ICT services—                    |                    |            |            |                              |
| Customers .....                          | 97,515             | 88,065     | 69,569     | 894,633                      |
| Intersegment.....                        | 13,422             | 13,209     | 7,275      | 123,138                      |
|  | <b>110,937</b>     | 101,274    | 76,844     | <b>1,017,771</b>             |
| Real estate and other services—          |                    |            |            |                              |
| Customers .....                          | 49,928             | 44,805     | 43,485     | 458,055                      |
| Intersegment.....                        | 1,271              | 1,787      | 2,004      | 11,661                       |
|  | <b>51,199</b>      | 46,592     | 45,489     | <b>469,716</b>               |
| Total.....                               | <b>1,186,491</b>   | 1,137,640  | 1,102,780  | <b>10,885,239</b>            |
| Eliminations .....                       | <b>(25,784)</b>    | (26,040)   | (19,988)   | <b>(236,551)</b>             |
| Total net sales and operating revenue... | <b>¥1,160,707</b>  | ¥1,111,600 | ¥1,082,792 | <b>\$10,648,688</b>          |

|  | In millions of yen |          |          | In thousands of U.S. dollars |
|--|--------------------|----------|----------|------------------------------|
|  | 2020               | 2019     | 2018     | 2020                         |
| Operating income (loss):                                 |                    |          |          |                              |
| Security services .....                                  | ¥108,923           | ¥110,146 | ¥114,469 | \$ 999,294                   |
| Fire protection services .....                           | 17,817             | 14,188   | 15,730   | 163,459                      |
| Medical services .....                                   | 6,232              | 5,782    | 4,034    | 57,174                       |
| Insurance services.....                                  | (4,319)            | (4,856)  | 6,221    | (39,624)                     |
| Geospatial information services .....                    | 3,030              | 1,878    | 1,676    | 27,798                       |
| BPO and ICT services.....                                | 10,624             | 9,390    | 8,133    | 97,468                       |
| Real estate and other services.....                      | 5,996              | 5,084    | 6,910    | 55,009                       |
| Total.....   | <b>148,303</b>     | 141,612  | 157,173  | <b>1,360,578</b>             |
| Corporate expenses and eliminations.....                 | (17,739)           | (17,901) | (17,062) | (162,743)                    |
| Operating income .....                                   | <b>¥130,564</b>    | ¥123,711 | ¥140,111 | <b>\$1,197,835</b>           |
| Other income.....  | 9,981              | 11,246   | 13,454   | 91,569                       |
| Other expenses .....                                     | (6,510)            | (6,394)  | (2,775)  | (59,724)                     |
| Income from continuing operations before income taxes... | <b>¥134,035</b>    | ¥128,563 | ¥150,790 | <b>\$1,229,680</b>           |

|  | In millions of yen |            |      | In thousands of U.S. dollars |
|--|--------------------|------------|------|------------------------------|
|  | 2020               | 2019       | 2020 | 2020                         |
| Assets:                                  |                    |            |      |                              |
| Security services .....                  | ¥ 853,101          | ¥ 768,128  |      | \$ 7,826,615                 |
| Fire protection services .....           | 175,854            | 162,549    |      | 1,613,339                    |
| Medical services.....                    | 201,449            | 178,755    |      | 1,848,156                    |
| Insurance services.....                  | 231,650            | 235,773    |      | 2,125,229                    |
| Geospatial information services .....    | 68,516             | 67,768     |      | 628,587                      |
| BPO and ICT services.....                | 243,152            | 152,777    |      | 2,230,752                    |
| Real estate and other services.....      | 137,425            | 142,750    |      | 1,260,780                    |
| Total.....                               | <b>1,911,147</b>   | 1,708,500  |      | <b>17,533,458</b>            |
| Corporate items.....                     | 105,473            | 107,513    |      | 967,642                      |
| Investments in affiliated companies..... | 64,500             | 63,697     |      | 591,743                      |
| Total assets.....                        | <b>¥2,081,120</b>  | ¥1,879,710 |      | <b>\$19,092,843</b>          |

# Consolidated Financial Statements

## Segment Information

|   | In millions of yen |         |         | In thousands of<br>U.S. dollars |
|---|--------------------|---------|---------|---------------------------------|
|   | 2020               | 2019    | 2018    | 2020                            |
| Depreciation and amortization:            |                    |         |         |                                 |
| Security services .....                   | <b>¥50,383</b>     | ¥49,409 | ¥54,091 | <b>\$462,231</b>                |
| Fire protection services .....            | <b>2,537</b>       | 2,375   | 2,128   | <b>23,275</b>                   |
| Medical services .....                    | <b>8,321</b>       | 8,684   | 8,675   | <b>76,339</b>                   |
| Insurance services .....                  | <b>2,290</b>       | 1,792   | 1,808   | <b>21,009</b>                   |
| Geospatial information services .....     | <b>1,700</b>       | 2,249   | 2,540   | <b>15,596</b>                   |
| BPO and ICT services ...                  | <b>10,644</b>      | 9,075   | 7,813   | <b>97,651</b>                   |
| Real estate and other services .....      | <b>842</b>         | 953     | 1,066   | <b>7,725</b>                    |
| Total .....                               | <b>76,717</b>      | 74,537  | 78,121  | <b>703,826</b>                  |
| Corporate items .....                     | <b>857</b>         | 763     | 834     | <b>7,862</b>                    |
| Total depreciation and amortization ..... | <b>¥77,574</b>     | ¥75,300 | ¥78,955 | <b>\$711,688</b>                |
| Capital expenditure:                      |                    |         |         |                                 |
| Security services .....                   | <b>¥44,930</b>     | ¥48,451 | ¥44,404 | <b>\$412,202</b>                |
| Fire protection services .....            | <b>2,569</b>       | 2,269   | 3,910   | <b>23,569</b>                   |
| Medical services .....                    | <b>8,778</b>       | 4,750   | 5,276   | <b>80,532</b>                   |
| Insurance services .....                  | <b>4,440</b>       | 2,972   | 1,900   | <b>40,734</b>                   |
| Geospatial information services .....     | <b>2,987</b>       | 2,420   | 1,701   | <b>27,404</b>                   |
| BPO and ICT services ...                  | <b>12,894</b>      | 9,085   | 31,987  | <b>118,294</b>                  |
| Real estate and other services .....      | <b>2,121</b>       | 4,550   | 1,690   | <b>19,459</b>                   |
| Total .....                               | <b>78,719</b>      | 74,497  | 90,868  | <b>722,194</b>                  |
| Corporate items .....                     | <b>1,116</b>       | 1,291   | 349     | <b>10,239</b>                   |
| Total capital expenditures .....          | <b>¥79,835</b>     | ¥75,788 | ¥91,217 | <b>\$732,433</b>                |

The capital expenditures in the above table represent the additions to property, plant and equipment and intangible assets of each segment.

The Company has no single customer that accounts for more than 10 percent of total revenues.

The following table is a breakdown of security services revenue to external customers by service category. The security services business is managed as a single operating segment by the Company's management.

|                                    | In millions of yen |          |          | In thousands of<br>U.S. dollars |
|------------------------------------|--------------------|----------|----------|---------------------------------|
|                                    | 2020               | 2019     | 2018     | 2020                            |
| Electronic security services ..... | <b>¥347,156</b>    | ¥344,297 | ¥341,157 | <b>\$3,184,917</b>              |
| Other security services:           |                    |          |          |                                 |
| Static guard services .....        | <b>70,029</b>      | 66,265   | 59,030   | <b>642,468</b>                  |
| Armored car services .....         | <b>63,602</b>      | 62,417   | 61,089   | <b>583,505</b>                  |
| Merchandise and other .....        | <b>96,465</b>      | 90,760   | 100,996  | <b>885,000</b>                  |
| Total security services .....      | <b>¥577,252</b>    | ¥563,739 | ¥562,272 | <b>\$5,295,890</b>              |

## (2) Geographic Segment Information

Net sales and operating revenue attributed to countries based on the geographical location of customers for the years ended 2020, 2019 and 2018 and long-lived assets as of March 31, 2020 and 2019 were as follows:

|                                  | In millions of yen |            |            | In thousands of<br>U.S. dollars |
|----------------------------------|--------------------|------------|------------|---------------------------------|
|                                  | 2020               | 2019       | 2018       | 2020                            |
| Net sales and operating revenue: |                    |            |            |                                 |
| Japan .....                      | <b>¥1,111,521</b>  | ¥1,063,223 | ¥1,034,228 | <b>\$10,197,440</b>             |
| Other .....                      | <b>49,186</b>      | 48,377     | 48,564     | <b>451,248</b>                  |
| Total .....                      | <b>¥1,160,707</b>  | ¥1,111,600 | ¥1,082,792 | <b>\$10,648,688</b>             |
| Long-lived assets:               |                    |            |            |                                 |
| Japan .....                      | <b>¥772,155</b>    | ¥618,061   |            | <b>\$7,083,991</b>              |
| Other .....                      | <b>13,122</b>      | 11,699     |            | <b>120,385</b>                  |
| Total .....                      | <b>¥785,277</b>    | ¥629,760   |            | <b>\$7,204,376</b>              |

There are no individually material countries other than Japan with respect to net sales and operating revenue and long-lived assets.