

Financial Review

Operating Results

Overview

In the fiscal year ended March 31, 2025, 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 ¥1,311.1 billion, up 2.1%, or ¥27.2 billion, from the previous fiscal year. This was despite a decrease in the insurance services segment, owing to a downward rebound from the significant gain on other-than-temporary impairment of investment securities reported in the preceding period, and reflected, among others, increases in the security services segment, underpinned by such factors as firm sales of and upward price revisions for on-line security systems and robust sales of merchandise, as well as in the fire protection services segment, thanks to firm orders, and the medical services business. Nonetheless, operating income declined 17.2%, or ¥26.6 billion, to ¥128.3 billion, with contributing factors including higher personnel expenses, attributable to increased investments in human resources, primarily in the security services segment, and a decrease in the insurance services segment, a consequence of the aforementioned downward rebound from the preceding period’s significant gain on other-than-temporary impairment of investment securities. Net income attributable to SECOM CO., LTD., was down 19.7%, or ¥24.8 billion, to ¥101.1 billion. This was due to the operating income decline, as well as to decreases in segments other than insurance services as a result of the significant downward rebound in other-than-temporary impairment of investment securities.

Net Sales and Operating Revenue

Net sales and operating revenue for the period under review amounted to ¥1,311.1 billion, up 2.1%, or ¥27.2 billion. While the insurance services segment reported a decline, mainly reflecting a downward rebound from the significant gain on other-than-temporary impairment of investment securities reported in the previous fiscal year, advances were seen in the security services segment, owing to, among others, solid sales of and upward sales price revisions for on-line security systems, which pushed up sales of electronic security services, and an increase in sales of merchandise, as well as in the fire protection services segment, thanks to firm orders, and the medical services business, which benefited from factors such as expanded revenue at affiliated medical institutions in Japan and in the pharmaceutical dispensing services business.

Costs and Expenses

Total costs and expenses increased 4.8%, or ¥53.9 billion, to ¥1,182.8 billion. Cost of sales, at ¥938.4 billion, rose 5.3%, or ¥47.3 billion, and accounted for 71.6% of net sales and operating revenue, up from 69.4%. Selling, general and administrative (SG&A) expenses advanced 5.6%, or ¥12.9 billion, to ¥241.4 billion, and was equivalent to 18.4% of net sales and operating revenue, up from 17.8%. Both cost of sales and SG&A expenses as a percentage of net sales

and operating revenue were bolstered principally by higher personnel expenses, attributable to increased investments in human resources, primarily in the security services segment, and the absence of a significant gain on other-than-temporary impairment of investment securities in the insurance services segment reported in the preceding period. Impairment loss on long-lived assets dipped ¥762 million, to ¥3.7 billion. Other factors included the absence of an impairment loss on goodwill, which was ¥4.4 billion in the preceding period due to factors such as losses on goodwill in the security services segment overseas and the real estate leasing business in Japan, and a ¥707 million gain on sales and disposal of fixed assets, net, compared with a ¥496 million loss in the preceding period.

Operating Income

Operating income declined 17.2%, or ¥26.6 billion, to ¥128.3 billion, owing to, among others, higher personnel expenses, with contributing factors including increased investments in human resources, mainly in the security services segment, and a decrease in the insurance services segment, a consequence of the aforementioned downward rebound from the significant gain on other-than-temporary impairment of investment securities reported in the preceding period. The operating margin was 9.8%, down from 12.1%.

Other Income and Expenses

Other income fell ¥10.6 billion, to ¥28.5 billion. Other expenses edged down ¥164 million, to ¥3.2 billion. Net other income thus amounted to ¥25.3 billion, a decrease of ¥10.5 billion. This was attributable largely to a decline in gain on other-than-temporary impairment of investment securities—which climbed to ¥9.8 billion in the preceding fiscal year against a backdrop of firm stock market conditions—to ¥443 million.

Income Taxes

Income taxes amounted to ¥46.5 billion, down ¥11.7 billion. This was equivalent to 30.3% of income from continuing operations before income taxes and equity in net income of affiliated companies, compared with 30.5% in the previous fiscal year.

Equity in Net Income of Affiliated Companies

Equity in net income of affiliated companies fell ¥1.7 billion, to ¥8.3 billion. This primarily reflected higher personnel expenses at some overseas companies.

Net Income Attributable to Noncontrolling Interests

Net income attributable to noncontrolling interests, at ¥14.4 billion, was down ¥2.2 billion, owing principally to operating income declines in the geospatial information services segment and in the data center services component of the BPO and ICT services segment, a result of upfront expenses.

Net Income Attributable to SECOM CO., LTD.

Net income attributable to SECOM CO., LTD., decreased 19.7%, or ¥24.8 billion, to ¥101.1 billion, and accounted for 7.7% of net sales and operating revenue, down from 9.8%. Net income attributable to SECOM CO., LTD., per share declined to ¥243.03, from ¥297.60. The figure of ¥95.00 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, a ¥47.50 per share year-end dividend for the fiscal year ended March 31, 2024, approved at the Ordinary General Meeting of Shareholders held on June 25, 2024, and a ¥47.50 per share interim dividend determined by the Board of Directors and paid to shareholders of record as of September 30, 2024. The year-end cash dividend for the fiscal year ended March 31, 2025, approved at the Ordinary General Meeting of Shareholders held on June 26, 2025, was ¥50.00 per share.

Segment Information

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, 2025, net sales and operating revenue in this segment rose 3.5%, or ¥21.8 billion, from the preceding period, to ¥648.1 billion. Excluding intersegment transactions, segment net sales and operating revenue totaled ¥643.9 billion, equivalent to 49.1% of overall net sales and operating revenue, up from 48.5%.

Net sales and operating revenue in the area of electronic security services totaled ¥375.3 billion, expanding 2.5%, or ¥9.3 billion. Contributing factors included firm sales of on-line commercial and home security systems and the impact of upward price revisions.

Other security services include static guard and armored car services. Static guard services, which depend on human judgment and flexible responsiveness and are provided by highly trained professional guards, generated net sales and operating revenue of ¥104.6 billion, up 4.5%, or ¥4.5 billion, underpinned by, among others, the expanded provision of airport security services and one-off projects in overseas markets. Net sales and operating revenue from armored car services, which involve the safe and reliable transport of cash, securities and other valuables using specially fitted armored cars and security professionals, rose 2.3%, or ¥1.5 billion, to ¥66.9 billion, owing largely to a greater contract volume and upward price revisions.

In merchandise and other, which includes security camera systems, access control systems, automated fire extinguishing systems and external monitoring systems that can be freestanding or linked to on-line security systems, net sales and operating revenue advanced 6.0% or ¥5.5 billion, to ¥97.2 billion, buttressed by robust sales of merchandise, notably security camera systems.

Segment operating income edged down 4.5%, or ¥4.9 billion, to ¥102.6 billion. The operating margin slipped to 15.8%, from 17.2%. Key factors behind these results included higher personnel expenses, attributable to an annual base salary increase and other measures aimed at improving working conditions, implemented in response to socioeconomic changes.

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, production facilities, tunnels, cultural properties, ships and homes. In the period under review, the segment’s core companies, Nohmi Bosai and Nittan, leaders in Japan’s fire protection services market, sought

to leverage their respective operating foundations, product development capabilities and other strengths to secure orders for such systems.

Segment net sales and operating revenue rose 10.3%, or ¥17.0 billion, to ¥180.8 billion, as elevated orders bolstered sales of fire extinguishing and fire alarm systems. As a consequence of higher segment sales, as well as improved profit margins—supported by systematic price adjustments amid escalating raw materials prices, and efforts to enhance efficiency, among others—operating income expanded 25.5%, or ¥3.9 billion, to ¥19.2 billion. The operating margin was 10.6%, up from 9.3%.

Medical Services

Medical services include the home nursing services, pharmaceutical dispensing services, support for affiliated medical institutions in Japan, sales of medical equipment and other items, 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 services, notably electronic medical report systems. The operations of variable interest entities (VIEs) of which the Company is the primary beneficiary, which manage hospitals and other health care-related institutions in Japan, are also accounted for in this segment.

Net sales and operating revenue in this segment rose 3.7%, or ¥7.2 billion, to ¥200.0 billion, reflecting increased revenue at affiliated medical institutions in Japan and in the pharmaceutical dispensing services business. Owing to a decline in impairment loss on long-lived assets, the absence of impairment losses on goodwill reported in the previous fiscal year and higher income at the Company’s general hospital in India, operating income soared 53.5%, or ¥418 million, to ¥1.2 billion. The operating margin improved to 0.6%, from 0.4%.

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 all out-of-pocket costs for medical treatment for cancer; and SECOM *Anshin* My Car, a comprehensive automobile insurance policy that offers on-site support services provided by SECOM emergency response personnel should the policyholders be involved in an accident.

Net sales and operating revenue declined 24.5%, or ¥19.1 billion, to ¥58.8 billion, a result mainly of a loss on other-than-temporary impairment of investment securities of ¥3.4 billion, compared with a gain of ¥16.9 billion in the preceding period. Operating income fell 83.3%, or ¥22.1 billion, to ¥4.4 billion, owing primarily to the loss on other-than-temporary impairment of investment securities, as well as to higher underwriting expenses, owing to increases in commissions and collection fees and in losses arising from more frequent natural disasters.

Geospatial Information Services

Geospatial information services center on the collection of geographic data using commercial satellites, aircraft and surveying with 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.

Net sales and operating revenue in this segment slipped 3.5%, or ¥2.2 billion, to ¥58.6 billion, chiefly reflecting reduced revenue from domestic public-sector customers. This combined with an increase in cost of sales as a percentage of net sales and operating revenue, among others, to push operating income down 50.0%, or ¥2.5 billion, to ¥2.5 billion. The operating margin fell to 4.3%, from 8.4%.

BPO and ICT Services

BPO and ICT services, which focus on the provision of data center services, also encompass distinctively SECOM BCP support, information security and cloud-based services, certification authority and BPO services, which include the operation of contact centers.

Segment net sales and operating revenue edged down 0.8%, or ¥1.2 billion, to ¥139.1 billion. Excluding the impact of inter-segment transactions, however, segment net sales and operating revenue was ¥128.3 billion, up 1.0%, or ¥1.2 billion, thanks largely to expanded revenue in the data center business and robust sales of servers and other equipment. Operating income declined 34.3%, or ¥4.4 billion, to ¥8.4 billion, and the operating margin fell to 6.0%, from 9.1%, a consequence of elevated costs arising from upfront expenses associated with the opening of a new data center in July 2024 and SG&A expenses, owing to higher personnel expenses.

Other Services

The other services segment provides real estate leasing, as well as construction and installation services. Net sales and operating revenue in this segment advanced 7.0%, or ¥3.2 billion, to ¥49.4

billion, bolstered primarily by favorable results in the construction and installation services business. Operating income climbed 41.1%, or ¥2.6 billion, to ¥9.0 billion, underpinned by, among others, an increase in the construction and installation services business and the divestiture of certain real estate for lease. The operating margin was 18.2%, up from 13.8%.

Financial Position

Total assets as of March 31, 2025, amounted to ¥2,440.0 billion, up ¥61.9 billion from the end of the preceding period. Total current assets, at ¥990.7 billion, increased ¥26.3 billion, and represented 40.6% of total assets. The current ratio remained level at 2.2 times.

Cash and cash equivalents, the principal component of current assets, totaled ¥418.6 billion, a decrease of ¥17.1 billion. (For further information, please see Cash Flows, which follows this section.) Notes and accounts receivable, trade, rose ¥7.9 billion, to ¥186.2 billion, a consequence of 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 segments tends to be concentrated toward the end of the fiscal year. Cash deposits for armored car services advanced ¥2.4 billion, to ¥141.0 billion. Cash deposits for this purpose are funded largely through bank overdrafts and deposits and their use by the Company is restricted. Short-term investments rose ¥12.8 billion, to ¥25.2 billion, a result of such factors as the transfer of public and corporate bonds with maturities of one year or less from investment securities, as well as to the acquisition of short-term bonds.

Investments and long-term receivables, rose ¥13.7 billion, to ¥528.4 billion, and accounted for 21.7% of total assets. Primary contributing factors included investment securities of ¥298.1 billion, up ¥6.4 billion, reflecting, among others, an increase in fair value of private equity investments, as well as investments in affiliated companies of ¥155.8 billion, up ¥4.2 billion, owing primarily to a weaker yen.

Property, plant and equipment, less accumulated depreciation, rose ¥15.0 billion, to ¥478.4 billion, equivalent to 19.6% of total assets. Causes included increases in buildings and improvements related to the opening of a new data center, and in security equipment and control stations.

Other assets advanced ¥6.9 billion, to ¥442.5 billion, equivalent to 18.1% of total assets. This was despite the fact that operating lease right-of-use assets declined ¥4.3 billion, to ¥132.3 billion, and was due mainly to a ¥4.0 billion increase in prepaid pension and severance costs, to ¥73.6 billion, owing to higher pension investment income, and a ¥2.9 billion increase in other intangible assets, to ¥67.9 billion, due mainly to an increase in software.

Total liabilities as of March 31, 2025, amounted to ¥874.0 billion, up ¥11.3 billion, representing 35.8% of total liabilities and equity. Total current liabilities rose ¥14.9 billion, to ¥451.1 billion, and accounted for 18.5% of total liabilities and equity. Total long-term liabilities, at ¥422.9 billion, were down ¥3.6 billion, and were equivalent to 17.3% of total liabilities and equity.

Total SECOM CO., LTD. shareholders' equity climbed ¥42.7 billion, to ¥1,371.7 billion, lifting the equity ratio to 56.2%, from 55.9% a year earlier. Retained earnings advanced ¥61.2 billion, to ¥1,358.7 billion, with contributing factors including net income attributable to SECOM CO., LTD., and the payment of dividends. Owing to a weaker yen, among others, foreign currency translation adjustments increased ¥15.1 billion, to ¥45.4 billion, as a consequence of which accumulated other comprehensive income was up ¥13.6 billion, to ¥56.0 billion. Common stock in treasury, at cost, rose ¥26.7 billion, to ¥176.7 billion, reflecting such factors as the purchase of treasury stock on the open market.

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, 2025, net cash provided by operating activities amounted to ¥176.4 billion. Principal components of this included net income of ¥115.4 billion and depreciation and amortization, including amortization of deferred charges, of ¥85.3 billion. Key negative adjustments included a gain on private equity investments of ¥17.5 billion and an increase in deferred charges of ¥9.7 billion. Net cash provided by operating activities was down ¥3.5 billion from the previous fiscal year, owing largely to a loss on other-than-temporary impairment of investment securities of ¥3.0 billion, compared with a gain of ¥26.6 billion in the preceding period, a ¥27.1 billion decline in net income, and a ¥4.0 billion decrease in deposits received, compared with an increase of ¥7.4 billion in the preceding period.

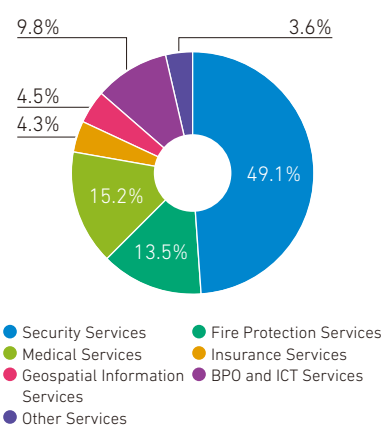
Net cash used in investing activities was ¥104.8 billion. Primary applications included payments for purchases of property, plant and equipment of ¥79.9 billion, owing to, among others, acquisition of security equipment and control stations, and of equipment for newly built data centers, and payments for purchases of intangible fixed assets of ¥17.9 billion. Net cash used in investing activities decreased ¥64.2 billion from the previous fiscal year. This reflected purchases of investment securities of ¥16.8 billion, compared with ¥93.9 billion in the preceding period as a result of investments in ARTERIA Networks in Japan, and Eagle Eye Networks and Brivo in the United States, and a ¥12.4 billion decline in proceeds from sales and redemption of investment securities.

Net cash used in financing activities amounted to ¥91.0 billion. This was due mainly to dividends paid to SECOM CO., LTD. shareholders of ¥39.7 billion and an increase in treasury stock, net, of ¥30.0 billion. Net cash used in financing activities fell ¥11.4 billion from the previous fiscal year, a consequence largely of a ¥14.0 billion smaller increase in treasury stock, net.

Owing to the Company's operating, investing and financing activities in the period under review, cash and cash equivalents at end of year totaled ¥418.6 billion, down ¥17.1 billion from cash equivalents at beginning of year of ¥435.7 billion.

Percentage of Consolidated Net Sales and Operating Revenue*

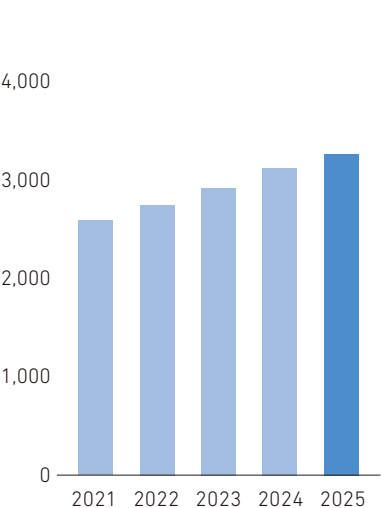
(Year ended March 31, 2025)



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

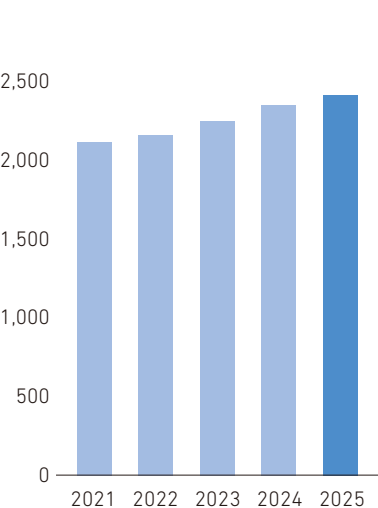
SECOM CO., LTD. Shareholders' Equity per Share

(In yen)



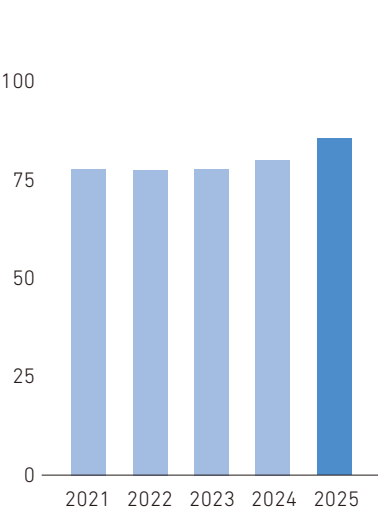
Total Assets

(In billions of yen)



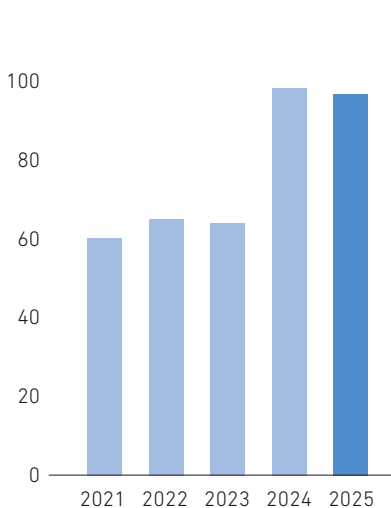
Depreciation and Amortization

(In billions of yen)



Purchases of Property, Plant and Equipment and Intangible Assets

(In billions of yen)



Cash Flows

(In billions of yen)

