Financial Review

Operating Results

Overview

In the fiscal year ended March 31, 2026, 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 ¥1,402.0 billion, up 6.9%, or ¥90.9 billion, from the fiscal year ended March 31, 2025, underpinned by increases across all segments. Operating income climbed 48.5%, or ¥62.5 billion, to ¥191.3 billion, also reflecting gains in all segments, among others. The operating income gain, together with a higher gain on other-than-temporary impairment of investment securities and other factors pushed net income attributable to SECOM CO., LTD., up 47.3%, or ¥48.0 billion, to ¥149.4 billion.

Net Sales and Operating Revenue

Net sales and operating revenue, at ¥1,402.0 billion, rose 6.9%, or ¥90.9 billion, thanks to increases across all segments. (For further information, please see Segment Information, which follows this section.)

Costs and Expenses

Total costs and expenses increased 2.4%, or ¥28.4 billion, to ¥1,210.7 billion. Cost of sales was up 2.1%, or ¥19.6 billion, to ¥958.1 billion, and accounted for 68.3% of net sales and operating revenue, down from 71.6% in the previous fiscal year, an improvement attributable largely to an abundance of profitable projects in the fire protection services segment. Selling, general and administrative (SG&A) expenses advanced 3.4%, or ¥8.1 billion, to ¥249.0 billion, and was equivalent to 17.8% of net sales and operating revenue, down from 18.4%. Impairment loss on long-lived assets declined ¥1.9 billion, to ¥1.7 billion. The Company also recorded a ¥482 million impairment loss on goodwill and a loss on sales and disposal of fixed assets, net, of ¥1.5 billion, compared with a gain of ¥707 million in the preceding period.

Operating Income

Operating income climbed 48.5%, or ¥62.5 billion, to ¥191.3 billion, owing primarily to gains in the insurance services and security services segments. The operating margin was 13.6%, up from 9.8%.

Other Income and Expenses

Other income advanced ¥2.1 billion, to ¥30.6 billion, while other expenses declined ¥312 million, to ¥2.9 billion, yielding net other income of ¥27.7 billion, up ¥2.4 billion. This was due largely to an increase in gain on other-than-temporary impairment of investment securities, to ¥12.7 billion, from ¥443 million in the previous fiscal year, against a backdrop of firm stock market conditions.

Income Taxes

Income taxes rose ¥17.4 billion, to ¥64.0 billion. This was equivalent to 29.2% of income from continuing operations before income taxes and equity in net income of affiliated companies, compared with 30.3% in the preceding period.

Equity in Net Income of Affiliated Companies

Equity in net income of affiliated companies increased ¥2.3 billion, to ¥10.6 billion. This primarily reflected a decrease in equity in net losses at such companies overseas.

Net Income Attributable to Noncontrolling Interests

Net income attributable to noncontrolling interests amounted to ¥16.2 billion, up ¥1.8 billion, the consequence mainly of an operating income gain in the fire protection services and insurance services segments.

Net Income Attributable to SECOM CO., LTD.

Net income attributable to SECOM CO., LTD., rose 47.3%, or ¥48.0 billion, to ¥149.4 billion, and accounted for 10.7% of net sales and operating revenue, up from 7.7%. Net income attributable to SECOM CO., LTD., per share advanced to ¥366.31, from ¥243.93. The figure of ¥100.00 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 ¥50.00 per share year-end dividend for the fiscal year ended March 31, 2025, approved at the Ordinary General Meeting of Shareholders held on June 26, 2025, and a ¥50.00 per share interim dividend determined by the Board of Directors and paid to shareholders of record as of September 30, 2025. The year-end cash dividend for the fiscal year ended March 31, 2026, approved at the Ordinary General Meeting of Shareholders held on June 26, 2026, was also ¥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, 2026, net sales and operating revenue in this segment rose 4.7%, or ¥30.6 billion, from the previous fiscal year, to ¥678.6 billion. Excluding intersegment transactions, segment net sales and operating revenue totaled ¥675.0 billion, equivalent to 48.1% of overall net sales and operating revenue, down from 49.1%.

Net sales and operating revenue in the area of electronic security services totaled ¥388.4 billion, expanding 3.5%, or ¥13.1 billion. Causes included firm sales of on-line 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 ¥114.2 billion, up 9.1%, or ¥9.6 billion, with contributing factors including the provision of security at the Expo 2025 Osaka venue and the expansion of security services at airports and nuclear power plants. 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 2.5%, or ¥1.6 billion, to ¥68.5 billion, reflecting, among others, a greater contract volume and upward price revisions. In merchandise and other, which includes security camera 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 increased 7.0%, or ¥6.8 billion, to ¥104.0 billion, owing to robust sales of merchandise, notably access control systems and surveillance camera systems.

Segment operating income advanced 19.6%, or ¥20.2 billion, to ¥122.8 billion. The operating margin rose to 18.1%, from 15.8%. Key causes included higher revenue across all segment businesses, including 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, 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 5.0%, or ¥9.1 billion, to ¥189.9 billion, as firm orders bolstered sales of fire alarm systems, among others. Thanks chiefly to higher segment sales and a significant number of highly profitable orders, as well as improved profit margins, which were supported by systematic price adjustments and efforts to enhance efficiency amid escalating raw materials prices, operating income expanded 27.3%, or ¥5.2 billion, to ¥24.4 billion. The operating margin was 12.9%, up from 10.6%.

Medical Services

Medical services include 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.

In this segment, net sales and operating revenue advanced 5.1%, or ¥10.2 billion, to ¥210.2 billion, mainly reflecting higher revenue attributable to affiliated medical institutions in Japan, sales of medical equipment and pharmaceuticals and the Company's general hospital in India. Owing largely to an improvement in profitability at affiliated hospitals in Japan and higher income at the Company's general hospital in India, operating income increased 592.3%, or ¥7.1 billion, to ¥8.3 billion. The operating margin improved to 4.0%, from 0.6%.

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 policyholder be involved in an accident.

Segment net sales and operating revenue rose 54.8%, or ¥32.2 billion, to ¥91.0 billion, a result primarily of firm sales of MEDCOM, among others, and net realized gains on invested assets (including a gain on other-than-temporary impairment of investment securities) of ¥23.1 billion, compared with net realized losses of ¥3.4 billion in the previous fiscal year. Operating income soared 599.4%, or ¥29.8 billion, to ¥34.7 billion, reflecting a decline in losses arising from natural disasters, as well as the aforementioned net realized gains on invested assets.

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 increased 4.0%, or ¥2.3 billion, to ¥60.9 billion, owing chiefly to higher revenue from domestic public-sector customers. Thanks mainly to higher segment net sales and operating revenue, together with an improvement in the operating margin on services for domestic public-sector customers and a decrease in selling, general and administrative expenses, operating income climbed 86.3%, or ¥2.2 billion, to ¥4.7 billion. The operating margin rose to 7.8%, from 4.3%.

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, and certification authority services, as well as BPO services, which include the operation of contact centers.

In this segment, net sales and operating revenue edged up 0.4%, or ¥542 million, to ¥139.7 billion, bolstered by higher revenue from the data center services business and robust sales of servers and other equipment. Operating income increased 21.0%, or ¥1.8 billion, to ¥10.1 billion. The operating margin was 7.3%, up from 6.0%.

Other Services

The other services segment provides real estate leasing, as well as construction and installation services, among others. Segment net sales and operating revenue advanced 7.5%, or ¥3.7 billion, to ¥53.1 billion, bolstered by the divestiture of certain real estate for lease and brisk results for construction and installation services. Segment operating income, at ¥9.9 billion, was up 10.0%, or ¥899 million, owing largely to higher gains in the construction and installation services business. The operating margin rose to 18.7%, from 18.2%.

Financial Position

Total assets as of March 31, 2026, amounted to ¥2,547.0 billion, up ¥100.6 billion from the end of the preceding period. Total current assets, at ¥1,005.6 billion, increased ¥15.0 billion, and represented 39.5% of total assets. The current ratio was 2.1 times.

Cash and cash equivalents, the principal component of current assets, edged up ¥135 million, to ¥418.8 billion. (For further information, please see Cash Flows, which follows this section.) Notes and accounts receivable, trade, rose ¥11.2 billion, to ¥197.4 billion, reflecting, among others, an increase in 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 ¥1.2 billion, to ¥142.2 billion. Cash deposits for this purpose are funded primarily through bank overdrafts and deposits and their use by the Company is restricted. Inventories, at ¥62.3 billion, were up ¥10.9 billion, as higher sales of security merchandise and net sales and operating revenue increases in the fire protection services segment prompted the expansion of related inventories.

Investments and long-term receivables advanced ¥47.9 billion, to ¥576.4 billion, and represented 22.6% of total assets. Principal contributing factors included investment securities of ¥325.5 billion, up ¥27.5 billion, due to higher invested assets in the non-life insurance business, and investments in affiliated companies, which rose ¥13.8 billion, to ¥169.6 billion.

Property, plant and equipment, less accumulated depreciation, were up ¥12.3 billion, to ¥490.7 billion, equivalent to 19.3% of total assets. Causes included increases in buildings and improvements related to the opening of new data centers, and in security equipment and control stations.

Other assets advanced ¥25.3 billion, to ¥474.2 billion, and accounted for 18.6% of total assets. This was thanks chiefly to increases of ¥11.5 billion in prepaid pension and severance costs, to ¥85.1 billion, owing to higher pension investment income, and ¥5.8 billion in other intangible assets, to ¥73.7 billion, owing largely to an increase in software.

Total liabilities as of March 31, 2026, were ¥910.0 billion, up ¥34.9 billion, representing 35.7% of total liabilities and equity. Total current liabilities rose ¥28.5 billion, to ¥479.7 billion, and accounted for 18.8% of total liabilities and equity. Total long-term liabilities, at ¥430.4 billion, were up ¥6.4 billion, and were equivalent to 16.9% of total liabilities and equity.

Total SECOM CO., LTD. shareholders' equity climbed ¥57.8 billion, to ¥1,434.7 billion. The equity ratio was level at 56.3%. Retained earnings advanced ¥108.1 billion, to ¥1,471.4 billion, with contributing factors including net income attributable to SECOM CO., LTD., and the payment of dividends. Reflecting a ¥6.1 billion increase in pension liability adjustments, to ¥16.4 billion, among others, accumulated other comprehensive income was up ¥7.7 billion, to ¥64.4 billion. Common stock in treasury, at cost, rose ¥60.0 billion, to ¥236.7 billion, owing mainly to 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.

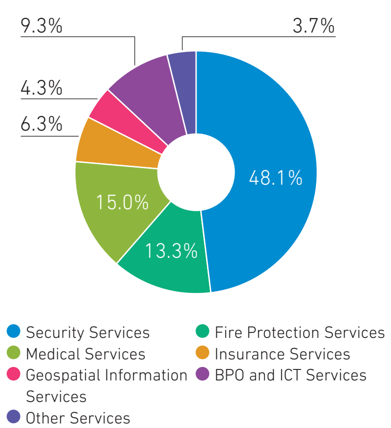
In the fiscal year ended March 31, 2026, net cash provided by operating activities amounted to ¥218.0 billion. Principal components of this included net income of ¥165.6 billion and depreciation and amortization, including amortization of deferred charges, of ¥88.3 billion. Key negative adjustments included a gain on other-than-temporary impairment of investment securities of ¥35.3 billion, equity in net income of affiliated companies of ¥10.6 billion and an increase in inventories of ¥9.5 billion. Net cash provided by operating activities rose ¥41.6 billion from the fiscal year ended March 31, 2025, with contributing factors including a ¥35.3 billion gain on other-than-temporary impairment of investment securities, compared with a loss of ¥3.0 billion in the previous fiscal year, a net income increase of ¥49.8 billion, and a gain on private equity investments of ¥5.8 billion, compared with a gain of ¥17.5 billion in the preceding period.

Net cash used in investing activities was ¥92.1 billion. Primary applications of cash included payments for purchases of property, plant and equipment of ¥72.4 billion, owing to, among others, the acquisition of security equipment and control stations, and equipment for newly built data centers, as well as payments for purchase of investment securities of ¥34.2 billion. Net cash used in investing activities was down ¥12.7 billion from the previous fiscal year. This occurred despite an increase of ¥17.4 billion in payments for purchases of investment securities and was primarily due to a ¥25.1 billion increase in proceeds from sales and redemptions of investment securities.

Net cash used in financing activities amounted to ¥127.1 billion. This was due largely to dividends paid to SECOM CO., LTD. shareholders of ¥41.2 billion and an increase in treasury stock, net, of ¥60.0 billion. Net cash used in financing activities was ¥36.1 billion higher than in the preceding period, a consequence mainly of a ¥30.0 billion greater increase in treasury stock, net, thanks to the purchase of treasury stock on the open market.

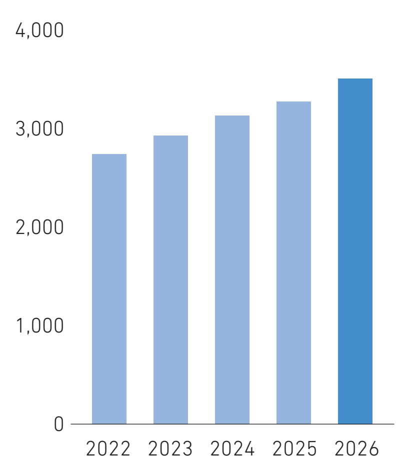
Owing to the Company's operating, investing and financing activities in the period under review, cash and cash equivalents at end of year totaled ¥418.8 billion, up ¥135 million from cash and cash equivalents at beginning of year of ¥418.6 billion.

Percentage of Consolidated Net Sales and Operating Revenue*
(Year ended March 31, 2026)

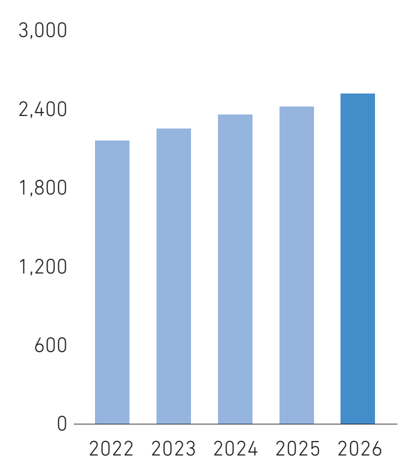


*Pie chart shows percentage of consolidated net sales and operating revenue (excluding intersegment transactions)

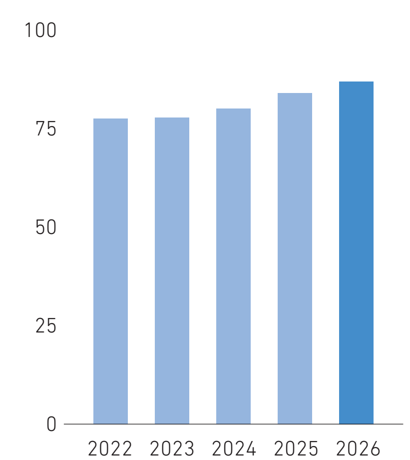
SECOM CO., LTD. Shareholders' Equity per Share
(In yen)



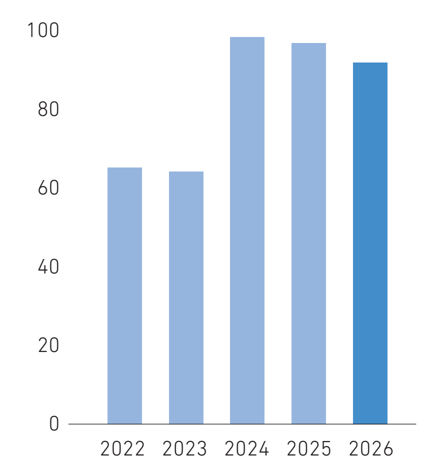
Total Assets
(In billions of yen)



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)