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FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED MARCH 31, 2021
 (Based on JAPANESE GAAP) (Consolidated)

May 13, 2021

Company name: SECOM CO., LTD. (URL: <https://www.secom.co.jp/>)
 Code number: 9735 Tokyo Stock Exchange ----- First Section
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Scheduled date of General Shareholders' Meeting: June 25, 2021
 Scheduled date of dividend payout: June 28, 2021
 Scheduled date of filing Securities Report: June 25, 2021
 Preparation of supplementary materials: Applicable
 Holding of results information meeting: Applicable (for institutional investors and analysts)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the fiscal year ended March 31, 2021 (April 1, 2020 – March 31, 2021)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

Fiscal year ended	Revenue		Operating profit		Ordinary profit		Net income attributable to owners of the parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2021	1,035,898	(2.3)	136,925	(4.2)	138,990	(8.2)	74,681	(16.2)
March 31, 2020	1,060,070	4.6	142,858	9.7	151,356	4.5	89,080	(3.2)

Note: Comprehensive income For the fiscal year ended March 31, 2021: JPY 96,095 million [9.8%]
 For the fiscal year ended March 31, 2020: JPY 87,550 million [(2.6%)]

Fiscal year ended	Basic net income per share	Diluted net income per share	Net income / Equity	Ordinary profit / Total assets	Operating profit / Revenue
	Yen	Yen	%	%	%
March 31, 2021	342.17	—	7.1	7.6	13.2
March 31, 2020	408.14	—	8.8	8.5	13.5

Reference: Net gains from investment in affiliated companies accounted for under the equity method

For the fiscal year ended March 31, 2021: JPY 6,179 million

For the fiscal year ended March 31, 2020: JPY 5,982 million

Note: There is no diluted net income per share as there are no shares with dilutive effect.

(2) Consolidated financial position

As of	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
March 31, 2021	1,864,179	1,229,824	58.1	4,958.18
March 31, 2020	1,815,121	1,172,494	57.0	4,742.58

Reference: Equity

As of March 31, 2021: JPY 1,082,179 million

As of March 31, 2020: JPY 1,035,116 million

Note: Equity is calculated by deducting noncontrolling interests from net assets. Net assets per share is calculated by dividing equity by the number of common shares outstanding, excluding treasury stock, as of March 31.

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of the period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2021	181,932	(48,536)	(49,311)	490,039
March 31, 2020	175,559	(60,780)	(48,209)	406,479

2. Dividends

	Annual dividends per share					Total cash dividends (Total)	Payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
March 31, 2020	—	85.00	—	85.00	170.00	37,104	41.7	3.7
March 31, 2021	—	85.00	—	85.00	170.00	37,104	49.7	3.5
March 31, 2022 (projected)	—	85.00	—	90.00	175.00		44.2	

3. Projections for the consolidated financial results for the fiscal year ending March 31, 2022 (April 1, 2021 – March 31, 2022) and the six-month period ending September 30, 2021 (April 1, 2021 – September 30, 2021)

(Percentages indicate changes from the results of the corresponding periods of the previous year.)

	Projected revenue		Projected operating profit		Projected ordinary profit		Projected net income attributable to owners of the parent		Projected basic net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six-month period ending September 30, 2021	503,000	2.4	63,000	3.7	66,000	11.5	39,500	22.1	180.98
Year ending March 31, 2022	1,052,000	1.6	139,500	1.9	145,000	4.3	86,500	15.8	396.31

Note: The projected basic net income per share is calculated based on the number of common shares outstanding, excluding treasury stock, as of March 31, 2021.

* Notes

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries accompanied with changes in scope of consolidation): None
- (2) Changes in accounting policies, accounting estimates, and restatement
 - (i) Changes in accounting policies associated with amendment of accounting standards: None
 - (ii) Other changes in accounting policies: None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatement: None
- (3) Number of common shares outstanding
 - (i) Number of common shares outstanding, including treasury stock

As of March 31, 2021	233,295,926 shares
As of March 31, 2020	233,293,998 shares

- (ii) Number of shares of treasury stock

As of March 31, 2021	15,034,565 shares
As of March 31, 2020	15,033,588 shares

- (iii) Number of average common shares outstanding during the period

Fiscal year ended March 31, 2021	218,261,353 shares
Fiscal year ended March 31, 2020	218,260,796 shares

[Reference] Summary of nonconsolidated results**Nonconsolidated financial results for the fiscal year ended March 31, 2021 (April 1, 2020 – March 31, 2021)****(1) Nonconsolidated operating results**

(Percentages indicate year-on-year changes.)

Fiscal year ended	Revenue		Operating profit		Ordinary profit		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2021	394,389	(1.1)	75,541	(1.7)	89,301	(1.4)	59,960	(8.9)
March 31, 2020	398,929	1.2	76,877	0.1	90,538	1.8	65,808	(11.1)

Fiscal year ended	Basic net income per share	Diluted net income per share
	Yen	Yen
March 31, 2021	274.72	—
March 31, 2020	301.51	—

Note: There is no diluted net income per share as there are no shares with dilutive effect.

(2) Nonconsolidated financial position

As of	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
March 31, 2021	971,493	838,562	86.3	3,842.01
March 31, 2020	947,194	812,878	85.8	3,724.35

Reference: Equity

As of March 31, 2021: JPY 838,562 million

As of March 31, 2020: JPY 812,878 million

Note on status of audit procedures

This report is excluded from the scope of audit procedures.

Note on appropriate use of projections for the financial results; other special items:

The forward-looking statements including the future performance described in this document are provided based on both all information available at this moment and certain assumptions considered reasonable. Actual performance may differ materially from the forward-looking statements due to various factors hereafter occurred. For matters regarding assumptions on financial projections and notes for the use of financial projections, please refer to “1. Operating Results (4) Projections for the fiscal year ending March 31, 2022” on page 6 in the appendices.

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1. Operating Results

(1) Analysis on Operating Results

During the fiscal year ended March 31, 2021 (“the current fiscal year”), the Japanese economy remained challenging with a significant decline in corporate earnings due to COVID-19, and required continual attention to the trends of the infectious disease in Japan and overseas as well as the effects of fluctuations in the financial and capital markets. With the resume of social and economic activities, while measures are taken to prevent the spread of infections, the economy has shown some signs of recovery owing to the effects of various policies and improvements in overseas economies.

Under these circumstances, we have been actively working to implement initiatives to achieve the SECOM Group’s Vision for 2030, formulated with an aim to establish the “Social System Industry,” which delivers safety and peace of mind, as well as makes life more comfortable and convenient, and the SECOM Group Road Map 2022, in which we clarified what we should do now to achieve the vision.

Dealing with COVID-19, we provided products and services that contribute to preventing the spread of infections. In July 2020, we launched a thermal camera integrated with a tablet device, which can measure face surface temperatures despite wearing face masks. Responding to the needs for teleworking, we started to offer SECOM *Anshin* Telework via USB Remote Device in August, a service that allows employees to securely access to their companies’ IT systems from their private PCs. In order to further accelerate overseas businesses by promoting business operations in new potential markets such as growing wealthy and middle-classes in Asia, we acquired 100% outstanding shares of three security services providers under Johnson Controls International PLC (headquartered in Cork, Ireland) in Malaysia in September 2020, in Singapore in October, and in Hong Kong in February 2021, making each a subsidiary. In March 2021, we revamped COCO-SECOM, a mobile security system for outdoor use, with a newly invented function that links to a smartphone app and improves convenience for a variety of purposes including business and home use. In the period under review, we continued to provide meticulous and seamless services through various initiatives to satisfy the increasingly diversified and sophisticated needs of our customers for their safety and peace of mind.

Segment information is as follows.

In the security services segment, we provided customers chiefly with centralized monitoring services (on-line security systems) for commercial and residential clients, as well as static guard services, armored car services and merchandises.

For our commercial security services, we worked to expand the sales of System Security AZ (*1), an all-in-one system that accommodates a variety of functions that benefit customers’ business operations, including security and fire protection, as well as work efficiency solutions such as employee attendance management. In response to the increasingly diverse needs for video surveillance, we offered SECOM IP Camera System and SECOM Cloud Video Surveillance, which can be integrated with AZ and flexibly respond to a wide range of requests regardless of the scale of facilities, with the extensive lineup of surveillance cameras and cloud capability.

For our residential security services, in addition to responding to security and fire protection needs, we improved the functions of SECOM Home Security NEO, a flexible system suited to modern lifestyles that can expand its services by linking with various devices, and have made continuous efforts to market it. Also, we provided *Mago*-channel with SECOM, a service that enables discreet monitoring of parents whom children have difficulties of visiting during the COVID-19 calamity.

Outside Japan, we promoted our “SECOM-style” security services, characterized by its emergency

response services, mainly in economically developing areas, such as People's Republic of China and Southeast Asia. We accelerated efforts to develop and introduce security systems adapted to local market while advancing initiatives for digital transformation of on-line security systems by incorporating latest technologies.

As a result, revenue decreased by 1.4% to 561.5 billion yen, mainly due to the decreases in sales of merchandise and revenue from installation largely affected by COVID-19, despite the brisk sales of on-line security systems for commercial and residential use. Operating profit decreased by 2.2% to 113.3 billion yen.

(*1) System Security: On-line security system for commercial subscribers

In the fire protection services segment, we provided a broad range of fire protection systems such as high-quality fire alarm systems and fire extinguishing systems along with customers' needs to a wide variety of facilities such as office buildings, production facilities, tunnels, cultural properties, ships and residences. In the current fiscal year, two major fire protection companies, Nohmi Bosai Ltd. and Nittan Co., Ltd., promoted various fire protection systems based on each company's business infrastructure and product development expertise.

Revenue decreased by 6.4% to 142.6 billion yen, mainly attributable to the effect of COVID-19 and the inclusion of large projects in the previous fiscal year. Operating profit decreased by 28.5% to 12.9 billion yen, chiefly owing to the concentration of projects with high profitability in the previous fiscal year.

In the medical services segment, we provided various medical services such as our core home medical services, including home nursing services and pharmaceutical dispensing and home delivery services, operation of residences for seniors, sales of electronic medical report systems, sales of medical equipment and pharmaceutical products, personal care services, and the leasing of real estate for medical institutions. Revenue decreased by 6.0% to 71.6 billion yen, mainly due to the decreases in sales of medical equipment and drugs largely affected by COVID-19 and in revenue in Takshasila Hospitals Operating Pvt. Ltd., a general hospital operating company in India. Operating profit decreased by 25.2% to 4.1 billion yen.

In the insurance services segment, we expanded marketing efforts for our unique non-life insurance offerings, including Security Discount Fire Policy for commercial facilities that offers discounts on premiums to customers who have installed on-line security systems, recognizing such systems as a risk-mitigating factor; SECOM *Anshin* My Home, the comprehensive fire insurance policy for residences that offers a variety of compensation plans and discount policies; MEDCOM, an unrestricted cancer treatment policy that offers compensation of actual cost of medical treatment; and SECOM *Anshin* My Car, a comprehensive automobile insurance policy that offers on-site support services provided by our emergency response personnel in the event of an accident.

Revenue increased by 4.6% to 49.4 billion yen, mainly due to the firm increase in sales of MEDCOM, an unrestricted cancer treatment policy, and automobile insurance policy provided by Secom General Insurance Co., Ltd. Operating profit decreased by 51.5% to 0.7 billion yen, chiefly owing to the effect of major disasters including the Typhoon No.10 and the Heavy Rain Event of July 2020.

In the geospatial information services segment, we collected geographic data from aerial photography, vehicle/ground surveying systems and satellite images, and provided the geospatial data services, by integrating, processing, and analyzing the geographic data, to domestic national and local governmental agencies, private sectors, and foreign governmental agencies including emerging and developing countries. Revenue increased by 1.6% to 54.8 billion yen, chiefly owing to the rise in revenue from domestic public-sector customers, with the increase in surveying services using airborne laser. Operating profit increased by 31.8% to 4.7 billion yen, attributable to the rise in revenue from domestic public-sector customers and

the improvement in cost ratio as a result of the enhanced production efficiency, as well as the decrease in selling, general and administrative expenses due to the business optimization efforts in the international division and changes in sales procedures utilizing remote environments.

In the BPO and ICT services segment, our distinctive portfolio includes business continuity planning (BCP) support, teleworking support, information security services and a variety of cloud-based services centering on the data centers as well as BPO related services including operation of contact center services. Revenue increased by 10.7% to 112.0 billion yen, chiefly owing to the increase in revenue in TMJ, Inc., a provider of BPO services including contact centers and back office services, and data center business. Operating profit increased by 19.5% to 11.8 billion yen.

Real estate and other services segment comprises real estate leasing and construction and installation services.

Revenue decreased by 26.7% to 43.7 billion yen, chiefly owing to the effect of the exclusion of the consolidated subsidiary, Secom Home Life Co., Ltd., from the scope of consolidation, due to the transfer of all of the issued shares in December 2020. Operating profit decreased by 7.0% to 5.5 billion yen.

As a result, consolidated revenue for the current fiscal year decreased by 2.3% to 1,035.8 billion yen compared with the previous fiscal year, and consolidated operating profit decreased by 4.2% to 136.9 billion yen, largely attributable to the effect of COVID-19. Consolidated ordinary profit decreased by 8.2% to 138.9 billion yen, mainly due to the recognition of net losses of 3.5 billion yen on private equity investment in the U.S. etc., compared with net gains of 2.0 billion yen in the previous fiscal year, in non-operating income/expenses. Consolidated net income attributable to owners of the parent decreased by 16.2% to 74.6 billion yen, mainly attributable to the recognition of amortization of goodwill of 5.6 billion yen and net losses of 2.9 billion yen on sales of investment securities in subsidiaries and affiliates in extraordinary losses.

(2) Analysis on Financial Positions

Total assets as of March 31, 2021 amounted to 1,864.1 billion yen, 2.7% or 49.0 billion yen higher than those at the end of the previous fiscal year. Total current assets, at 942.0 billion yen, were up 3.0% or 27.5 billion yen. This was largely attributable to the increase in cash on hand and in banks by 20.5% or 85.0 billion yen to 499.2 billion yen, despite the decreases in short-term investments by 33.5% or 10.8 billion yen to 21.5 billion yen, notes and accounts receivable, trade by 6.2% or 8.7 billion yen to 132.8 billion yen, as well as work in process for real estate inventories by 21.8 billion yen and real estate inventories by 4.7 billion yen, both of which are chiefly owing to the effect of exclusion of a consolidated subsidiary, Secom Home Life Co., Ltd., from the scope of consolidation, due to the transfer of all of its issued shares in December 2020. Total fixed assets, at 922.1 billion yen, were up 2.4% or 21.4 billion yen. This was mainly attributable to the increases in investment securities by 7.9% or 19.8 billion yen to 272.1 billion yen and net defined benefit asset by 24.4% or 7.7 billion yen to 39.5 billion yen, despite the decrease in deferred income taxes by 20.5% or 6.4 billion yen to 25.0 billion yen.

Total liabilities amounted to 634.3 billion yen, 1.3% or 8.2 billion yen lower than those at the end of the previous fiscal year. Total current liabilities amounted to 361.1 billion yen, were down 3.5% or 13.1 billion yen, owing largely to the decreases in notes and accounts payable, trade by 9.6% or 4.5 billion yen to 42.8 billion yen, bank loans by 11.9% or 4.5 billion yen to 33.8 billion yen, current portion of straight bonds by 84.9% or 2.4 billion yen to 0.4 billion yen, and accrued income taxes by 5.3% or 1.3 billion yen to 23.4 billion yen. Long-term liabilities increased by 1.8% or 4.9 billion yen to 273.2 billion yen, compared to those at the end of the previous fiscal year. This was mainly attributable to the increases in investment deposits by policyholders, unearned premiums and other insurance liabilities by 3.7% or 6.4 billion yen

to 181.0 billion yen, and long-term loans by 20.4% or 1.7 billion yen to 10.4 billion yen, despite the decreases in guarantee deposits received by 5.9% or 1.9 billion yen to 30.6 billion yen, and net defined benefit liability by 6.8% or 1.6 billion yen to 22.0 billion yen.

Total net assets amounted to 1,229.8 billion yen, 4.9% or 57.3 billion yen higher than those at the end of the previous fiscal year, mainly due to the increases in retained earnings by 3.9% or 37.5 billion yen and unrealized gains on securities by 82.9% or 10.0 billion yen, remeasurements of defined benefit plans, net of taxes by 287.4% or 3.1 billion yen, and noncontrolling interests by 7.5% or 10.2 billion yen, despite the decrease in foreign currency translation adjustments by 27.1% or 3.6 billion yen.

(3) Analysis on Cash Flows

Cash and cash equivalents (“cash”) for the current fiscal year are as follows:

(In millions of yen)			
	Year ended March 31, 2020	Year ended March 31, 2021	Increase (decrease)
Cash flows from operating activities	175,559	181,932	6,373
Cash flows from investing activities	(60,780)	(48,536)	12,243
Cash flows from financing activities	(48,209)	(49,311)	(1,102)
Effect of exchange rate changes on cash and cash equivalents	93	(524)	(617)
Net increase (decrease) in cash and cash equivalents	66,662	83,559	16,896
Cash and cash equivalents at beginning of the period	339,817	406,479	66,662
Cash and cash equivalents at end of the period	406,479	490,039	83,559

(Cash flows from operating activities)

Net cash provided by operating activities for the current fiscal year amounted to 181.9 billion yen; 175.5 billion yen in the previous fiscal year. Major factors of cash increase were income before income taxes of 128.8 billion yen and depreciation and amortization of 60.7 billion yen. Major factor of cash decrease was income taxes paid of 43.8 billion yen.

(Cash flows from investing activities)

Net cash used in investing activities was 48.5 billion yen; 60.7 billion yen in the previous fiscal year. Major factors of cash decrease were payments for purchases of investment securities of 55.9 billion yen, payments for purchases of tangible assets, including security equipment and control stations of 47.8 billion yen, and payments for purchases of intangible assets of 10.2 billion yen. Major factor of cash increase was proceeds from sales and redemptions of investment securities of 47.8 billion yen.

(Cash flows from financing activities)

Net cash used in financing activities amounted to 49.3 billion yen; 48.2 billion yen in the previous fiscal year. Major factors of cash decrease were dividends paid of 37.1 billion yen, repayments of lease obligations of 4.9 billion yen, decrease in bank loans, net of 3.9 billion yen, and payments for redemption of straight bonds of 2.9 billion. Major factor of cash increase was proceeds from long-term loans of 4.5 billion yen.

As a result, cash and cash equivalents as of March 31, 2021 were 490.0 billion yen, 83.5 billion yen higher than those at the end of the previous fiscal year.

(Reference) Trend of indices related to cash flows

	Years ended				
	March 31, 2017	March 31, 2018	March 31, 2019	March 31, 2020	March 31, 2021
Equity ratio (%)	54.1	55.5	56.4	57.0	58.1
Equity ratio (market price base) (%)	105.4	100.8	117.2	107.9	109.0
Interest-bearing liabilities / Cash flows from operating activities (in year)	0.5	0.6	0.5	0.4	0.4
Interest coverage ratio	173.8	153.0	207.3	260.6	237.0

Note: Equity ratio = Equity / Total assets

Equity ratio (market price base) = Market capitalization / Total assets

Interest coverage ratio = Cash flows from operating activities / Interest paid

(4) Projections for the fiscal year ending March 31, 2022

In regard to the outlook in the Japanese economy, it is expected to recover moderately, supported by the effects of various policies and improvements in overseas economies. However, the economy is anticipated to stay severely affected by COVID-19 since its containment is yet to be forecasted. Conditions will remain uncertain, with attentions required to the further impacts on the domestic and overseas economies by the trend of the COVID-19 infections, and the effects of fluctuations in the financial and capital markets.

COVID-19 has a significant impact on the global economic and social activities. The SECOM Group maintains the provision of security and other services while taking thorough measures against infections. We will continue working to minimize the impact, placing our highest priority on ensuring the safety of our customers and employees while paying full attention toward COVID-19.

We formulated the SECOM Group Road Map 2022 with the intension to clarify challenges we must address to achieve the SECOM Group's Vision for 2030, and identified technological advances and a declining labor force as priority issues. Guided by the Road Map, with an aim to accelerate our speed of growth, we will aggressively continue to take initiatives to respond to the two priority issues ahead of time by developing and fostering new businesses in order to create new value, and expand and upgrade existing businesses.

(Notes for projections)

Projections for the consolidated financial results for the fiscal year ending March 31, 2022, are based on management's assumptions in light of information currently available. As actual performance may differ materially from the forward-looking statements due to various factors hereafter occurred, you should refrain making an investment decision by solely relying on these projections. Such factors include, but are not limited to, changes in economic conditions affecting our group's operations, market trends, legislative changes, occurrences of natural disasters, product recalls and the results of contingency.

(Consolidated financial results)

(In billions of yen)

	Year ended March 31, 2020	Year ended March 31, 2021	Year ending March 31, 2022 (Projections)
Revenue	1,060.0	1,035.8	1,052.0
Change from the previous year	+4.6%	(2.3%)	+1.6%
Operating profit	142.8	136.9	139.5
Change from the previous year	+9.7%	(4.2%)	+1.9%
Ordinary profit	151.3	138.9	145.0
Change from the previous year	+4.5%	(8.2%)	+4.3%
Net income attributable to owners of the parent	89.0	74.6	86.5
Change from the previous year	(3.2%)	(16.2%)	+15.8%
Basic net income per share (in yen)	408.14	342.17	396.31

(5) Basic Policy on Distribution of Surplus and Dividend Payments for the Current and Next Fiscal Year

We consider the return of profits on a long-term basis to shareholders a crucial management task. Management determines the consolidated dividend payout ratio and the level of internal reserves in overall consideration of the future expansion of our business and consolidated results of operations while keeping in line with the basic policy that ensures the continued and stable dividend payments. Our basic policy of distribution of surplus in the form of dividend payment is that the Company makes it a rule to distribute dividends twice annually, in the form of an interim dividend, with a record date of September 30 each year, which is paid by resolution of the Board of Directors, and a year-end dividend, with a record date of March 31 each year, which is paid by resolution of the General Meeting of Shareholders. We intend to use internal reserves for investments required for increased new customer contracts, research and development and other strategic investments so as to ensure to strengthen our corporate structure and expand our business.

Based on the basic policy aforesaid, we have determined to propose to the Ordinary General Meeting of Shareholders that the year-end dividends for the current fiscal year be 85 yen per share, the same amount as the previous fiscal year, to respond to shareholders' continuous support although net income attributable to owner of the parent fell short of the forecast mainly attributable to the recognition of the net losses on private equity investment in the U.S. etc. due to the effect of COVID-19, the net losses on sales of investment securities in subsidiaries and affiliates owing to the transfer of all of the issued shares of Secom Home Life Co., Ltd., and the temporary losses including amortization of goodwill. The dividends for the current fiscal year are 170 yen per share, the sum of the interim dividends of 85 yen per share and the year-end dividends of 85 yen per share, the same amount as the previous fiscal year, and consolidated dividend payout ratio is 49.7%.

The dividends for the next fiscal year are planned to be 175 yen per share, the sum of the interim dividends of 85 yen per share and the year-end dividends of 90 yen per share.

(6) Significant Events Regarding Assumption of Going Concern, etc.

Not applicable

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

	(In millions of yen)	
	March 31, 2020	March 31, 2021
ASSETS:		
Current assets:		
Cash on hand and in banks	414,199	499,247
Cash deposits for armored car services	140,905	138,889
Notes and accounts receivable, trade	141,609	132,886
Due from subscribers	40,745	39,980
Short-term investments	32,442	21,579
Lease receivables and investment in leased assets	42,768	41,511
Merchandise and products	13,862	14,289
Real estate inventories	4,930	186
Work in process	5,237	4,880
Costs on uncompleted construction contracts	10,780	7,524
Work in process for real estate inventories	21,806	—
Raw materials and supplies	10,927	11,003
Short-term loans receivable	4,525	3,053
Other	31,400	28,714
Allowance for doubtful accounts	(1,677)	(1,715)
Total current assets	914,465	942,033
Fixed assets:		
Tangible assets:		
Buildings and improvements, net	153,307	152,770
Security equipment and control stations, net	74,309	74,704
Land	117,720	120,876
Other, net	40,970	43,424
Total tangible assets	386,308	391,775
Intangible assets	124,767	120,277
Investments and others:		
Investment securities	252,299	272,123
Long-term loans receivable	34,351	33,301
Net defined benefit asset	31,789	39,532
Deferred income taxes	31,554	25,085
Other	52,232	53,588
Allowance for doubtful accounts	(12,647)	(13,538)
Total investments and others	389,580	410,093
Total fixed assets	900,656	922,145
Total assets	1,815,121	1,864,179

(1) Consolidated Balance Sheets (Continued)

	(In millions of yen)	
	March 31, 2020	March 31, 2021
LIABILITIES:		
Current liabilities:		
Notes and accounts payable, trade	47,409	42,858
Bank loans	38,364	33,806
Current portion of straight bonds	2,916	439
Lease obligations	4,702	4,730
Payables - other	42,927	42,215
Accrued income taxes	24,740	23,440
Accrued consumption taxes	11,666	12,652
Accrued expenses	7,294	7,828
Deposits received for armored car services	118,302	119,334
Deferred revenue	31,224	30,192
Accrued bonuses	18,213	18,298
Provision for losses on construction contracts	2,391	1,820
Other	24,129	23,488
Total current liabilities	374,284	361,106
Long-term liabilities:		
Straight bonds	4,143	3,899
Long-term loans	8,674	10,444
Lease obligations	11,865	12,854
Guarantee deposits received	32,632	30,694
Deferred income taxes	7,866	7,314
Accrued retirement benefits for directors and audit and supervisory board members	794	793
Net defined benefit liability	23,710	22,098
Investment deposits by policyholders, unearned premiums and other insurance liabilities	174,602	181,014
Other	4,052	4,134
Total long-term liabilities	268,343	273,248
Total liabilities	642,627	634,355
NET ASSETS:		
Shareholders' equity:		
Common stock	66,401	66,410
Capital surplus	81,874	81,801
Retained earnings	960,828	998,405
Common stock in treasury, at cost	(73,775)	(73,785)
Total shareholders' equity	1,035,328	1,072,832
Accumulated other comprehensive income (losses):		
Unrealized gains on securities	12,095	22,122
Deferred losses on hedges	(15)	(11)
Foreign currency translation adjustments	(13,388)	(17,011)
Remeasurements of defined benefit plans, net of taxes	1,096	4,247
Total accumulated other comprehensive income (losses)	(212)	9,346
Noncontrolling interests	137,378	147,645
Total net assets	1,172,494	1,229,824
Total liabilities and net assets	1,815,121	1,864,179

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

	(In millions of yen)	
	Year ended	Year ended
	March 31, 2020	March 31, 2021
Revenue	1,060,070	1,035,898
Costs of revenue	722,546	705,326
Gross profit	337,523	330,571
Selling, general and administrative expenses	194,664	193,645
Operating profit	142,858	136,925
Non-operating income	13,778	11,554
Non-operating expenses	5,281	9,489
Ordinary profit	151,356	138,990
Extraordinary profit	3,471	352
Extraordinary losses	6,971	10,499
Income before income taxes	147,855	128,843
Income taxes - current	45,488	43,023
Income taxes - deferred	128	(68)
Total income taxes	45,616	42,955
Net income	102,238	85,888
Net income attributable to noncontrolling interests	13,158	11,207
Net income attributable to owners of the parent	89,080	74,681

Consolidated Statements of Comprehensive Income

	(In millions of yen)	
	Year ended	Year ended
	March 31, 2020	March 31, 2021
Net income	102,238	85,888
Other comprehensive income (losses):		
Unrealized gains (losses) on securities	(6,288)	10,451
Foreign currency translation adjustments	(1,236)	(4,485)
Remeasurements of defined benefit plans, net of taxes	(5,695)	3,715
Share of other comprehensive income (losses) of affiliated companies accounted for under the equity method	(1,468)	525
Total other comprehensive income (losses)	(14,688)	10,206
Comprehensive income	87,550	96,095
Comprehensive income attributable to:		
Owners of the parent company	74,994	84,240
Noncontrolling interests	12,555	11,854

(3) Consolidated Statements of Changes in Net Assets

Fiscal year ended March 31, 2020

(In millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Common stock in treasury, at cost	Total shareholders' equity
Balance at the beginning of the current period	66,392	80,360	908,852	(73,759)	981,846
Changes during the current period:					
Issuance of new stocks	8	8			16
Cash dividends			(37,104)		(37,104)
Net income attributable to owners of the parent			89,080		89,080
Purchase of treasury stock				(16)	(16)
Disposal of treasury stock		0		0	0
Changes in shares of parent arising from transactions with non-controlling interest		1,505			1,505
Net changes of items other than shareholders' equity					
Total changes during the current period	8	1,513	51,975	(16)	53,481
Balance at the end of the current period	66,401	81,874	960,828	(73,775)	1,035,328

(In millions of yen)

	Accumulated other comprehensive income (losses)					Noncontrolling interests	Total net assets
	Unrealized gains (losses) on securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans, net of taxes	Total accumulated other comprehensive income		
Balance at the beginning of the current period	18,157	(21)	(10,683)	6,421	13,873	130,234	1,125,954
Changes during the current period:							
Issuance of new stocks							16
Cash dividends							(37,104)
Net income attributable to owners of the parent							89,080
Purchase of treasury stock							(16)
Disposal of treasury stock							0
Changes in shares of parent arising from transactions with non-controlling interest							1,505
Net changes of items other than shareholders' equity	(6,061)	5	(2,704)	(5,325)	(14,085)	7,143	(6,942)
Total changes during the current period	(6,061)	5	(2,704)	(5,325)	(14,085)	7,143	46,539
Balance at the end of the current period	12,095	(15)	(13,388)	1,096	(212)	137,378	1,172,494

Fiscal year ended March 31, 2021

(In millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Common stock in treasury, at cost	Total shareholders' equity
Balance at the beginning of the current period	66,401	81,874	960,828	(73,775)	1,035,328
Changes during the current period:					
Issuance of new stocks	9	9			18
Cash dividends			(37,104)		(37,104)
Net income attributable to owners of the parent			74,681		74,681
Purchase of treasury stock				(9)	(9)
Disposal of treasury stock					—
Changes in shares of parent arising from transactions with non-controlling interest		(82)			(82)
Net changes of items other than shareholders' equity					
Total changes during the current period	9	(73)	37,577	(9)	37,503
Balance at the end of the current period	66,410	81,801	998,405	(73,785)	1,072,832

(In millions of yen)

	Accumulated other comprehensive income (losses)					Noncontrolling interests	Total net assets
	Unrealized gains (losses) on securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans, net of taxes	Total accumulated other comprehensive income		
Balance at the beginning of the current period	12,095	(15)	(13,388)	1,096	(212)	137,378	1,172,494
Changes during the current period:							
Issuance of new stocks							18
Cash dividends							(37,104)
Net income attributable to owners of the parent							74,681
Purchase of treasury stock							(9)
Disposal of treasury stock							—
Changes in shares of parent arising from transactions with non-controlling interest							(82)
Net changes of items other than shareholders' equity	10,026	4	(3,623)	3,151	9,558	10,267	19,826
Total changes during the current period	10,026	4	(3,623)	3,151	9,558	10,267	57,330
Balance at the end of the current period	22,122	(11)	(17,011)	4,247	9,346	147,645	1,229,824

(4) Consolidated Statements of Cash Flows

	(In millions of yen)	
	Year ended	Year ended
	March 31, 2020	March 31, 2021
Cash flows from operating activities:		
Income before income taxes	147,855	128,843
Depreciation and amortization	59,611	60,759
Amortization of goodwill	5,527	11,252
Net (gains) losses from investment in affiliated companies accounted for under the equity method	(5,982)	(6,179)
Increase (decrease) in allowance for doubtful accounts	(418)	1,142
Increase/decrease in net defined benefit liability and asset	(789)	(3,374)
Interest and dividend income	(4,853)	(4,470)
Interest expenses	780	824
Exchange (gains) losses	483	243
Net (gains) losses on sales and disposal of fixed assets	2,708	1,748
Impairment losses on fixed assets	1,671	95
Net (gains) losses on sales of investment securities	(1,220)	(646)
Net (gains) losses on revaluation of investment securities	2,274	311
Net (gains) losses on sales of investment securities in subsidiaries and affiliates	(2,016)	2,967
Write-down on real estate inventories	66	20
Write-down on investments in capital	877	—
Net (gains) losses on private equity investment	(2,015)	3,513
(Increase) decrease in notes and accounts receivable, trade, and due from subscribers	(7,695)	8,926
(Increase) decrease in lease receivables and investment in leased assets	(837)	1,256
(Increase) decrease in inventories	10,058	4,360
Increase (decrease) in accounts payable	2,084	(4,427)
Increase (decrease) in accrued consumption taxes	4,456	1,294
Increase (decrease) in deferred revenue	672	(119)
Increase (decrease) in investment deposits by policyholders, unearned premiums and other insurance liabilities	1,735	6,412
Increase/decrease in cash deposits/deposits received for armored car services	(1,354)	3,048
Other	(6,520)	(348)
Subtotal	207,161	217,453
Interest and dividend received	9,423	9,048
Interest paid	(673)	(767)
Income taxes paid	(40,351)	(43,801)
Net cash provided by (used in) operating activities	175,559	181,932

(4) Consolidated Statements of Cash Flows (Continued)

	(In millions of yen)	
	Year ended	Year ended
	March 31, 2020	March 31, 2021
Cash flows from investing activities:		
(Increase) decrease in time deposits, net	1,554	(593)
(Increase) decrease in short-term investments, net	(1,356)	9,268
Payments for purchases of tangible assets	(58,357)	(47,861)
Proceeds from sales of tangible assets	1,177	759
Payments for purchases of intangible assets	(11,431)	(10,249)
Payments for purchases of investment securities	(45,286)	(55,980)
Proceeds from sales and redemptions of investment securities	50,259	47,858
Payments for acquisitions of affiliates	(39)	(10)
(Increase) decrease in short-term loans receivable, net	(192)	600
Payments for long-term loans receivable	(4,969)	(5,688)
Proceeds from long-term loans receivable	5,967	7,547
Acquisitions of subsidiaries accompanied with changes in scope of consolidation	(725)	(7,097)
Divestitures of subsidiaries accompanied with changes in scope of consolidation	2,670	14,633
Other	(50)	(1,724)
Net cash provided by (used in) investing activities	(60,780)	(48,536)
Cash flows from financing activities:		
Increase (decrease) in bank loans, net	1,261	(3,979)
Proceeds from long-term loans	450	4,592
Repayments of long-term loans	(4,035)	(2,751)
Repayments of lease obligations	(5,152)	(4,965)
Proceeds from issuance of straight bonds	2,351	191
Payments for redemption of straight bonds	(2,070)	(2,921)
Proceeds from stock issuance to noncontrolling shareholders	190	477
Dividends paid	(37,104)	(37,104)
Dividends paid for noncontrolling shareholders	(3,424)	(2,600)
(Increase) decrease in treasury stocks, net	(16)	(9)
Payments for acquisitions of subsidiaries not accompanied with changes in scope of consolidation	(659)	(240)
Net cash provided by (used in) financing activities	(48,209)	(49,311)
Effect of exchange rate changes on cash and cash equivalents	93	(524)
Net increase (decrease) in cash and cash equivalents	66,662	83,559
Cash and cash equivalents at beginning of the period	339,817	406,479
Cash and cash equivalents at end of the period	406,479	490,039

(5) Notes Regarding the Consolidated Financial Statement

[Notes Regarding the Assumption of Going Concern]

Not applicable

[Additional Information]

“Accounting estimates of the impact of the spread of COVID-19”

The SECOM Group has made accounting estimates for impairment of fixed assets and allowance for doubtful accounts based on the assumption that the impact of the spread of COVID-19 will continue for at least a certain period of time. At this point in time, we expect that there will be no material impact on the consolidated financial statements. However, since there are a number of uncertainties regarding the impact of the spread of COVID-19, there may be a significant impact on the financial position and operating results of the SECOM Group in the next fiscal year and beyond.

(6) Segment Information, etc.

[Segment Information]

1. Summary of Reportable Segments

The reportable segments of SECOM CO., LTD. and its subsidiaries (collectively “the Company”) are segments, based on the Company’s components, for which separate financial information is available and operating results are regularly reviewed by the Board of Directors for the decision of resource allocation and performance evaluation.

The Company plans and decides group strategies, allocates resources and evaluates performance for those segments, which are “security services,” “fire protection services,” “medical services,” “insurance services,” “geospatial information services,” “BPO and ICT services,” and real estate and other services (“real estate development and sales,” “real estate leasing,” and “construction and installation services,” etc.).

Accordingly, the Company considers these six segments – “security services,” “fire protection services,” “medical services,” “insurance services,” “geospatial information services” and “BPO and ICT services” – as reportable segments. Principal services and products of each reportable segment are as follows.

“Security services” segment offers comprehensive security services which provide customers with security and peace of mind, including core centralized security systems (on-line security systems) for commercial and residential premises. “Fire protection services” segment provides a variety of fire protection systems such as fire alarm systems and fire extinguishing systems to office buildings, plants, tunnels, cultural properties, ships and residences. “Medical services” segment provides a variety of medical services such as core home medical services including home nursing services and pharmaceutical services, operation of residence for seniors, electronic medical reports, real estate leasing for medical institutions, and sales of medical equipment. “Insurance services” segment develops and markets unique insurance policies that take installation of security systems as a risk-mitigating factor, and insurance policies to overcome cancer by having the best cancer treatments, etc. “Geospatial information services” segment provides geospatial information services for national, local and overseas governmental agencies. “BPO and ICT services” segment provides information security services, BCP support services, data center services and BPO related services.

2. Calculation Method Used for Determining Revenue, Profit or loss, Assets and Other Items of Reportable Segments

Profits of reportable segments are based on operating profit. Intersegment revenue and transfers are determined based on actual market pricing.

3. Information about Amounts of Revenue, Profits or Loss, Assets and Other Items of Reportable Segments

Fiscal year ended March 31, 2020

(In millions of yen)

	Reportable segments				
	Security services	Fire protection services	Medical services	Insurance services	Geospatial information services
Revenue:					
Customers	569,317	152,396	76,218	47,319	53,941
Intersegment	12,370	4,050	220	3,413	201
Subtotal	581,688	156,446	76,438	50,732	54,142
Segment profit	115,829	18,154	5,488	1,637	3,578
Segment assets	987,413	172,628	139,483	218,191	63,311
Other items					
Depreciation and amortization	39,407	2,448	3,556	2,427	1,692
Amortization of goodwill	3,252	156	32	0	7
Impairment losses on fixed assets	921	47	—	—	258
Increase in tangible and intangible assets (Note 4)	45,616	2,568	3,719	4,792	2,987

	Reportable segments		Real estate and other services (Note 1)	Total	Adjustment (Note 2)	Amount on consolidated statements of income (Note 3)
	BPO and ICT services	Subtotal				
Revenue:						
Customers	101,211	1,000,403	59,666	1,060,070	—	1,060,070
Intersegment	13,149	33,405	1,271	34,676	(34,676)	—
Subtotal	114,360	1,033,808	60,938	1,094,747	(34,676)	1,060,070
Segment profit	9,876	154,566	5,978	160,544	(17,685)	142,858
Segment assets	145,031	1,726,061	155,933	1,881,994	(66,872)	1,815,121
Other items						
Depreciation and amortization	9,296	58,828	775	59,603	7	59,611
Amortization of goodwill	2,077	5,527	—	5,527	—	5,527
Impairment losses on fixed assets	437	1,664	6	1,671	—	1,671
Increase in tangible and intangible assets (Note 4)	12,894	72,578	2,120	74,699	77	74,776

Note 1: Real estate and other services is an operating segment not designated as a reportable segment, and comprises real estate development and sales, real estate leasing, construction and installation services, etc.

Note 2: Adjustment of segment profit includes intersegment eliminations of 253 million yen and corporate expenses not allocated to each reportable segment of 17,432 million yen. Major components of corporate expenses are expenses regarding planning, personnel and administrative departments of the Company's headquarters, etc.

Adjustment of segment assets includes intersegment elimination of (228,761) million yen and corporate assets not belonging to each reportable segment of 161,888 million yen. Major components of corporate assets are cash on hand and in banks, loans, short-term investments and investment securities of the Company.

Adjustment of depreciation includes intersegment elimination of (849) million yen and depreciation of corporate assets not belonging to each reportable segment of 857 million yen.

Adjustment of increase in tangible and intangible assets includes intersegment elimination of (1,038) million yen and capital investments of software, etc. not belonging to each reportable segment of 1,115 million yen.

Note 3: Segment profit is adjusted to operating profit in the consolidated statements of income.

Note 4: Increase in tangible and intangible assets includes increase accompanied by new consolidation.

Fiscal year ended March 31, 2021

(In millions of yen)

	Reportable segments				
	Security services	Fire protection services	Medical services	Insurance services	Geospatial information services
Revenue:					
Customers	561,531	142,660	71,624	49,491	54,821
Intersegment	11,553	3,277	206	3,087	207
Subtotal	573,084	145,938	71,831	52,579	55,029
Segment profit	113,331	12,972	4,104	793	4,716
Segment assets	1,005,583	176,055	133,627	231,615	66,183
Other items					
Depreciation and amortization	39,732	2,558	3,599	2,737	1,659
Amortization of goodwill	8,895	279	—	—	—
Impairment losses on fixed assets	—	—	—	—	20
Increase in tangible and intangible assets (Note 4)	45,121	5,249	1,308	2,100	2,052

	Reportable segments		Real estate and other services (Note 1)	Total	Adjustment (Note 2)	Amount on consolidated statements of income (Note 3)
	BPO and ICT services	Subtotal				
Revenue:						
Customers	112,025	992,155	43,742	1,035,898	—	1,035,898
Intersegment	9,580	27,913	1,093	29,006	(29,006)	—
Subtotal	121,606	1,020,068	44,835	1,064,904	(29,006)	1,035,898
Segment profit	11,805	147,724	5,558	153,282	(16,356)	136,925
Segment assets	148,070	1,761,135	137,908	1,899,044	(34,864)	1,864,179
Other items						
Depreciation and amortization	9,646	59,932	846	60,778	(19)	60,759
Amortization of goodwill	2,077	11,252	—	11,252	—	11,252
Impairment losses on fixed assets	73	94	1	95	—	95
Increase in tangible and intangible assets (Note 4)	6,879	62,711	3,532	66,243	(330)	65,913

Note 1: Real estate and other services is an operating segment not designated as a reportable segment, and comprises real estate development and sales, real estate leasing, construction and installation services, etc.

Note 2: Adjustment of segment profit includes intersegment eliminations of (377) million yen and corporate expenses not allocated to each reportable segment of 16,734 million yen. Major components of corporate expenses are expenses regarding planning, personnel and administrative departments of the Company's headquarters, etc.

Adjustment of segment assets includes intersegment elimination of (195,084) million yen and corporate assets not belonging to each reportable segment of 160,220 million yen. Major components of corporate assets are cash on hand and in banks, loans, short-term investments and investment securities of the Company.

Adjustment of depreciation includes intersegment elimination of (887) million yen and depreciation of corporate assets not belonging to each reportable segment of 867 million yen.

Adjustment of increase in tangible and intangible assets includes intersegment elimination of (816) million yen and capital investments of software, etc. not belonging to each reportable segment of 486 million yen.

Note 3: Segment profit is adjusted to operating profit in the consolidated statements of income.

Note 4: Increase in tangible and intangible assets includes increase accompanied by new consolidation.

[Related Information]

Year Ended March 31, 2020

1. Information by Products and Services

Information is omitted as similar information is disclosed in Segment Information.

2. Information by Regions

(1) Revenue

(In millions of yen)

Japan	Others	Total
1,010,884	49,185	1,060,070

Note: Revenues were divided into countries or areas based on customer locations.

(2) Tangible Assets

(In millions of yen)

Japan	Others	Total
376,884	9,424	386,308

3. Information of Major Customers

Information is omitted as there is no single customer with over 10% of total revenue in the consolidated statements of income.

Year Ended March 31, 2021

1. Information by Products and Services

Information is omitted as similar information is disclosed in Segment Information.

2. Information by Regions

(1) Revenue

(In millions of yen)

Japan	Others	Total
991,774	44,123	1,035,898

Note: Revenues were divided into countries or areas based on customer locations.

(2) Tangible Assets

(In millions of yen)

Japan	Others	Total
382,012	9,762	391,775

3. Information of Major Customers

Information is omitted as there is no single customer with over 10% of total revenue in the consolidated statements of income.

[Information Regarding Amortized Amounts and Unamortized Balance of Goodwill by Reportable Segment]

Year Ended March 31, 2020

(In millions of yen)

	Reportable segments				
	Security services	Fire protection services	Medical services	Insurance services	Geospatial information services
Amortized amount	3,252	156	32	0	7
Unamortized balance	47,944	321	—	—	—

(In millions of yen)

	Reportable segments		Real estate and other services	Total	Adjustment	Amount on consolidated financial statements
	BPO and ICT services	Subtotal				
Amortized amount	2,077	5,527	—	5,527	—	5,527
Unamortized balance	21,349	69,615	—	69,615	—	69,615

Year Ended March 31, 2021

(In millions of yen)

	Reportable segments				
	Security services	Fire protection services	Medical services	Insurance services	Geospatial information services
Amortized amount (Note)	8,895	279	—	—	—
Unamortized balance	46,168	165	—	—	—

(In millions of yen)

	Reportable segments		Real estate and other services	Total	Adjustment	Amount on consolidated financial statements
	BPO and ICT services	Subtotal				
Amortized amount	2,077	11,252	—	11,252	—	11,252
Unamortized balance	19,271	65,604	—	65,604	—	65,604

Note: Amortization of security services for the current period includes the amount amortized in accordance with the provisions of Paragraph 32 of the "Practical Guidelines for Capital Consolidation Procedures in Consolidated Financial Statements" (JICPA, last revised February 16, 2018, Accounting System Committee Report No. 7).

(7) Notes to Business Combination

Business Combination by Share Acquisition

1. Acquisition of ADT SERVICES (M) SDN. BHD.

1. Outline of Business Combination

(i) Name and Business Description of the Acquired Company

(a) Name

ADT SERVICES (M) SDN. BHD.

(b) Business Description

Electronic Security Services

(ii) Purpose of Acquisition

ADT SERVICES (M) SDN. BHD. provides state-of-the-art security systems to a wide range of sectors in Malaysia, from homes and small and medium-sized businesses to banks, government agencies and large corporations, offering safety and peace of mind to individuals, homes and businesses. By leveraging the synergy between SECOM Group companies and the new subsidiary, we aim to further accelerate the expansion of our overseas businesses and enhance our corporate value.

(iii) Date of Business Combination

September 1, 2020

(iv) Legal Form of Business Combination

Share acquisition

(v) Name of Company after Business Combination

ADT SERVICES (M) SDN. BHD.

(vi) Percentage of Voting Rights Acquired

100%

(vii) Principal Reason for Determining Acquiring Company

Since the Company delivered the consideration of the acquired shares which consisted of cash only, the Company is determined as the acquiring company.

2. Period Included in Consolidated Financial Statements

October 1, 2020 – December 31, 2020

3. Acquisition Cost of Company Subject to Business Combination and Breakdown Thereof

Consideration for Acquisition

<u>Cash on hand and in banks</u>	<u>5,113 million yen</u>
Acquisition Cost	5,113 million yen

4. Details and Amount of Acquisition Related Costs

Advisory fees etc. 15 million yen

5. Amount and Cause of Goodwill, Amortization Method and Period

(i) Amount of Goodwill

4,475 million yen

(ii) Cause of Goodwill

Estimated future excess earning power being expected based on the future business operation.

(iii) Amortization Method and Period

Amortization by the straight-line method over 10 years

Parts of goodwill are recognized in extraordinary losses as amortization of goodwill in accordance with the provisions of Paragraph 32 of the "Practical Guidelines for Capital Consolidation Procedures in Consolidated Financial Statements" (JICPA, last revised February 16, 2018, Accounting System Committee Report No. 7).

6. Amount of Assets Acquired and Liabilities Assumed on the Day of Business Combination

Current assets	665 million yen
Fixed assets	94 million yen
<u>Total assets</u>	<u>759 million yen</u>
Current liabilities	105 million yen
Long-term liabilities	15 million yen
<u>Total liabilities</u>	<u>121 million yen</u>

2. Acquisition of ADT INTEGRATED SECURITY SOLUTIONS PTE. LTD.

1. Outline of Business Combination

(i) Name and Business Description of the Acquired Company

(a) Name

ADT INTEGRATED SECURITY SOLUTIONS PTE. LTD.

(b) Business Description

Electronic Security Services

(ii) Purpose of Acquisition

ADT INTEGRATED SECURITY SOLUTIONS PTE. LTD. provides state-of-the-art security systems to a wide range of sectors in Singapore, from homes and small and medium-sized businesses to banks, government agencies and large corporations, offering safety and peace of mind to individuals, homes and businesses. By leveraging the synergy between SECOM Group companies and the new subsidiary, we aim to further accelerate the expansion of our overseas businesses and enhance our corporate value.

(iii) Date of Business Combination

October 1, 2020

(iv) Legal Form of Business Combination

Share acquisition

(v) Name of Company after Business Combination

ADT INTEGRATED SECURITY SOLUTIONS PTE. LTD.

(vi) Percentage of Voting Rights Acquired

100%

(vii) Principal Reason for Determining Acquiring Company

Since the Company delivered the consideration of the acquired shares which consisted of cash only, the Company is determined as the acquiring company.

2. Period Included in Consolidated Financial Statements

As the deemed acquisition date is December 31, 2020, and the length of period between the acquisition date and the consolidated closing date does not exceed three months, only the balance sheet is consolidated in the current fiscal period; the business results of the acquired company are not included.

3. Acquisition Cost of Company Subject to Business Combination and Breakdown Thereof

Consideration for Acquisition

Cash on hand and in banks	1,717 million yen
<u>Acquisition Cost</u>	<u>1,717 million yen</u>

4. Details and Amount of Acquisition Related Costs

Advisory fees etc. 11 million yen

5. Amount and Cause of Goodwill, Amortization Method and Period

(i) Amount of Goodwill

1,567 million yen

(ii) Cause of Goodwill

Estimated future excess earning power being expected based on the future business operation.

(iii) Amortization Method and Period

Amortization by the straight-line method over 10 years

Parts of goodwill are recognized in extraordinary losses as amortization of goodwill in accordance with the provisions of Paragraph 32 of the "Practical Guidelines for Capital Consolidation Procedures in Consolidated Financial Statements" (JICPA, last revised February 16, 2018, Accounting System Committee Report No. 7).

6. Amount of Assets Acquired and Liabilities Assumed on the Day of Business Combination

Current assets	216 million yen
<u>Fixed assets</u>	<u>29 million yen</u>
Total assets	245 million yen
<u>Current liabilities</u>	<u>95 million yen</u>
Total liabilities	95 million yen

3. Acquisition of ADT Alarm Monitoring Hong Kong Limited

1. Outline of Business Combination

(i) Name and Business Description of the Acquired Company

(a) Name

ADT Alarm Monitoring Hong Kong Limited

(b) Business Description

Electronic Security Services

(ii) Purpose of Acquisition

ADT Alarm Monitoring Hong Kong Limited provides state-of-the-art security systems to a wide range of sectors in Hong Kong, from homes and small and medium-sized businesses to banks, government agencies and large corporations, offering safety and peace of mind to individuals, homes and businesses. By leveraging the synergy between SECOM Group companies and the new subsidiary, we aim to further accelerate the expansion of our overseas businesses and enhance our corporate value.

(iii) Date of Business Combination

February 5, 2021

(iv) Legal Form of Business Combination

Share acquisition

(v) Name of Company after Business Combination

ADT Alarm Monitoring Hong Kong Limited

(vi) Percentage of Voting Rights Acquired

100%

(vii) Principal Reason for Determining Acquiring Company

Since the Company delivered the consideration of the acquired shares which consisted of cash only, the Company is determined as the acquiring company.

2. Period Included in Consolidated Financial Statements

As the deemed acquisition date is March 31, 2021, only the balance sheet is consolidated in the current fiscal period; the business results of the acquired company are not included.

3. Acquisition Cost of Company Subject to Business Combination and Breakdown Thereof

Consideration for Acquisition

<u>Cash on hand and in banks (Payables-other included)</u>	<u>1,377 million yen</u>
Acquisition Cost	1,377 million yen

4. Details and Amount of Acquisition Related Costs

Advisory fees etc. 24 million yen

5. Amount and Cause of Goodwill, Amortization Method and Period

(i) Amount of Goodwill

1,263 million yen

(ii) Cause of Goodwill

Estimated future excess earning power being expected based on the future business operation.

(iii) Amortization Method and Period

Amortization by the straight-line method over 10 years

Parts of goodwill are recognized in extraordinary losses as amortization of goodwill in accordance with the provisions of Paragraph 32 of the "Practical Guidelines for Capital Consolidation Procedures in Consolidated Financial Statements" (JICPA, last revised February 16, 2018, Accounting System Committee Report No. 7).

6. Amount of Assets Acquired and Liabilities Assumed on the Day of Business Combination

Current assets	225 million yen
<hr/>	
Total assets	225 million yen
Current liabilities	111 million yen
<hr/>	
Total liabilities	111 million yen

Business Divestiture

We transferred all of the issued shares of our consolidated subsidiary, Secom Home Life Co., Ltd. (hereinafter "Secom Home Life"), to ANABUKI KOSAN INC. in December 2020.

Accompanying this transfer, Secom Home Life and its subsidiary, Secom Home Life Kanri Co., Ltd. (hereinafter, "Home Life Kanri") are excluded from the consolidated subsidiaries of SECOM CO., LTD.

1. Outline of Business Divestiture

(i) Name of the Company Purchasing the Shares

ANABUKI KOSAN INC.

(ii) Description of the Business divested

(a) Name

Secom Home Life Co., Ltd.

(b) Business Description

Development, sales, brokerage and renovation of condominiums

(iii) Purpose of Divestiture

Since Eclairer Co., Ltd. (presently Secom Home Life) joined the SECOM group in 1997, with the aim of pursuing safety and peace of mind for living environment, which is one of the necessities of life, "clothing, food and housing," we have developed and supplied condominiums placing safety and peace of mind as the highest priority, capitalizing our group business network. Also, Home Life Kanri, a subsidiary of Secom Home Life, has delivered safety and peace of mind for living environment through the provision of management services for buildings and condominiums with "SECOM's Quality Standard."

SECOM CO., LTD. concluded the transfer of the businesses of Secom Home Life and Home Life Kanri to a real estate company is the best option for further growth of both companies and decided to transfer all of the shares of Secom Home Life to ANABUKI KOSAN INC.

(iv) Date of Divestiture

December 22, 2020

- (v) Other Matters Concerning the Transaction, including Legal Form
Share transfer in which the consideration received is only cash or other property

2. Outline of Accounting

(1) Amount of Gain or Loss on Transfer

Net loss on sales of investment securities in subsidiaries and affiliates 2,767 million yen

(2) Book Value of Assets and Liabilities of Divested Business and Breakdown Thereof

Current assets	26,747 million yen
Fixed assets	1,648 million yen
<hr/>	
Total assets	28,395 million yen
Current liabilities	23,511 million yen
Long-term liabilities	644 million yen
<hr/>	
Total liabilities	24,156 million yen

(3) Accounting Process

The difference between the book value of the transferred shares on a consolidated basis and the transfer price has been recorded as net loss on sales of investment securities in subsidiaries and affiliates in extraordinary losses.

3. Reportable Segment to which Divested Business was Designated

Not designated as a reportable segment. Classified in Real estate and other services.

4. Approximate Amount of Profit and Loss of Divested Business Recorded in the Consolidated Statement of Income for the Current Fiscal Year

Revenue	13,129 million yen
Operating Profit	327 million yen

(8) Significant Subsequent Events

Not applicable

3. Nonconsolidated Financial Statements

(1) Nonconsolidated Balance Sheets

	(In millions of yen)	
	March 31, 2020	March 31, 2021
ASSETS:		
Current assets:		
Cash on hand and in banks	164,370	224,817
Cash deposits for armored car services	36,730	37,273
Notes receivable	586	360
Due from subscribers	18,241	18,046
Accounts receivable, trade	12,280	10,802
Receivables - other	4,353	4,249
Short-term investments	1,499	—
Merchandise	7,144	7,300
Supplies	2,111	2,356
Prepaid expenses	2,432	2,483
Short-term loans receivable	42,473	22,123
Other	9,208	8,568
Allowance for doubtful accounts	(89)	(70)
Total current assets	301,340	338,310
Fixed assets:		
Tangible assets:		
Buildings and improvements	17,427	16,283
Automobiles	492	557
Security equipment and control stations	71,533	71,042
Machinery and equipment	114	105
Tools, furniture and fixtures	4,193	3,812
Land	22,281	22,249
Construction in progress	3,433	4,457
Other	1,725	1,623
Total tangible assets	121,203	120,132
Intangible assets:		
Software	8,181	7,826
Other	1,602	3,516
Total intangible assets	9,783	11,343

(1) Nonconsolidated Balance Sheets (Continued)

	(In millions of yen)	
	March 31, 2020	March 31, 2021
Investments and others:		
Investment securities	17,749	22,215
Investment securities in subsidiaries and affiliates	353,592	356,243
Investments in subsidiaries and affiliates	2,179	2,179
Long-term loans receivable	81,174	57,331
Lease deposits	7,564	7,650
Long-term prepaid expenses	20,876	20,104
Prepaid pension and severance costs	22,614	25,825
Deferred income taxes	5,306	4,408
Insurance funds	4,227	4,268
Other	2,408	2,307
Allowance for doubtful accounts	(2,826)	(827)
Total investments and others	514,866	501,706
Total fixed assets	645,853	633,182
Total assets	947,194	971,493
LIABILITIES:		
Current liabilities:		
Accounts payable	4,125	4,505
Bank loans	22,565	19,516
Lease obligations	271	263
Payables – other	17,381	17,297
Payables – construction	4,127	4,348
Accrued income taxes	11,848	10,594
Accrued consumption taxes	5,106	5,131
Accrued expenses	739	675
Deposits received for armored car services	14,192	17,788
Deferred revenue	20,147	19,808
Accrued bonuses	6,849	6,718
Other	4,902	4,603
Total current liabilities	112,258	111,252
Long-term liabilities:		
Lease obligations	3,867	3,807
Guarantee deposits received	16,347	16,167
Accrued pension and severance costs	1,517	1,389
Other	326	313
Total long-term liabilities	22,058	21,678
Total liabilities	134,316	132,931

(1) Nonconsolidated Balance Sheets (Continued)

	(In millions of yen)	
	March 31, 2020	March 31, 2021
NET ASSETS:		
Shareholders' equity:		
Common stock	66,401	66,410
Capital surplus:		
Additional paid-in capital	83,077	83,086
Other capital surplus	0	0
Total capital surplus	83,078	83,087
Retained earnings:		
Legal reserve	9,028	9,028
Other retained earnings:		
Reserve for system developments	800	800
General reserve	2,212	2,212
Accumulated earnings carried forward	721,639	744,495
Total retained earnings	733,679	756,535
Common stock in treasury, at cost	(73,775)	(73,785)
Total shareholders' equity	809,383	832,248
Valuation, translation adjustments and others:		
Unrealized gains on securities	3,494	6,313
Total valuation, translation adjustments and others	3,494	6,313
Total net assets	812,878	838,562
Total liabilities and net assets	947,194	971,493

(2) Nonconsolidated Statements of Income

	(In millions of yen)	
	Year ended March 31, 2020	Year ended March 31, 2021
Revenue	398,929	394,389
Costs	236,397	235,165
Gross profit	162,531	159,224
Selling, general and administrative expenses	85,654	83,682
Operating profit	76,877	75,541
Non-operating income:		
Interest income	1,086	873
Dividends income	14,678	14,185
Other	1,186	1,114
Total non-operating income	16,950	16,174
Non-operating expenses:		
Interest expenses	188	177
Loss on sales and disposal of fixed assets	1,662	1,398
Write-off of long-term prepaid expenses	522	485
Other	917	353
Total non-operating expenses	3,289	2,414
Ordinary profit	90,538	89,301
Extraordinary profit:		
Gain on liquidation of subsidiaries and affiliates	2	208
Gain on sales of investment securities	52	8
Reversal of allowance for doubtful accounts	1,594	—
Other	0	9
Total extraordinary profit	1,651	226
Extraordinary losses:		
Loss on revaluation of investment securities in subsidiaries and affiliates	859	5,874
Loss on debt forgiveness of subsidiaries and affiliates	—	2,551
Loss on revaluation of investment securities	530	242
Loss on sales of investment securities in subsidiaries and affiliates	—	194
Loss on disposal of tangible assets	701	—
Other	0	130
Total extraordinary losses	2,092	8,992
Income before income taxes	90,097	80,534
Income taxes - current	23,439	20,913
Income taxes - deferred	849	(339)
Total income taxes	24,289	20,574
Net income	65,808	59,960

(3) Nonconsolidated Statements of Changes in Net Assets

Fiscal year ended March 31, 2020

(In millions of yen)

	Shareholders' equity			
	Common Stock	Capital surplus		
		Additional paid-in capital	Other capital surplus	Total capital surplus
Balance at the beginning of the current period	66,392	83,069	0	83,069
Changes during the current period:				
Issuance of new stocks	8	8		8
Cash dividends				
Net income				
Purchase of treasury stock				
Disposal of treasury stock			0	0
Net changes of items other than shareholders' equity				
Total changes during the current period	8	8	0	8
Balance at the end of the current period	66,401	83,077	0	83,078

(In millions of yen)

	Shareholders' equity				
	Retained earnings				Total retained earnings
	Legal reserve	Other retained earnings			
Reserve for system developments		General reserve	Accumulated earnings carried forward		
Balance at the beginning of the current period	9,028	800	2,212	692,935	704,976
Changes during the current period:					
Issuance of new stocks					
Cash dividends				(37,104)	(37,104)
Net income				65,808	65,808
Purchase of treasury stock					
Disposal of treasury stock					
Net changes of items other than shareholders' equity					
Total changes during the current period	—	—	—	28,703	28,703
Balance at the end of the current period	9,028	800	2,212	721,639	733,679

(In millions of yen)

	Shareholders' equity		Valuation, translation adjustments and others		Total net assets
	Common Stock in treasury, at cost	Total shareholders' equity	Unrealized gains (losses) on securities	Total valuation, translation adjustments and others	
Balance at the beginning of the current period	(73,759)	780,679	5,122	5,122	785,801
Changes during the current period:					
Issuance of new stocks		16			16
Cash dividends		(37,104)			(37,104)
Net income		65,808			65,808
Purchase of treasury stock	(16)	(16)			(16)
Disposal of treasury stock	0	0			0
Net changes of items other than shareholders' equity			(1,628)	(1,628)	(1,628)
Total changes during the current period	(16)	28,704	(1,628)	(1,628)	27,076
Balance at the end of the current period	(73,775)	809,383	3,494	3,494	812,878

Fiscal year ended March 31, 2021

(In millions of yen)

	Shareholders' equity			
	Common Stock	Capital surplus		
		Additional paid-in capital	Other capital surplus	Total capital surplus
Balance at the beginning of the current period	66,401	83,077	0	83,078
Changes during the current period:				
Issuance of new stocks	9	9		9
Cash dividends				
Net income				
Purchase of treasury stock				
Disposal of treasury stock				
Net changes of items other than shareholders' equity				
Total changes during the current period	9	9	—	9
Balance at the end of the current period	66,410	83,086	0	83,087

(In millions of yen)

	Shareholders' equity				
	Retained earnings				
	Legal reserve	Other retained earnings			Total retained earnings
		Reserve for system developments	General reserve	Accumulated earnings carried forward	
Balance at the beginning of the current period	9,028	800	2,212	721,639	733,679
Changes during the current period:					
Issuance of new stocks					
Cash dividends				(37,104)	(37,104)
Net income				59,960	59,960
Purchase of treasury stock					
Disposal of treasury stock					
Net changes of items other than shareholders' equity					
Total changes during the current period	—	—	—	22,855	22,855
Balance at the end of the current period	9,028	800	2,212	744,495	756,535

(In millions of yen)

	Shareholders' equity		Valuation, translation adjustments and others		Total net assets
	Common Stock in treasury, at cost	Total shareholders' equity	Unrealized gains (losses) on securities	Total valuation, translation adjustments and others	
Balance at the beginning of the current period	(73,775)	809,383	3,494	3,494	812,878
Changes during the current period:					
Issuance of new stocks		18			18
Cash dividends		(37,104)			(37,104)
Net income		59,960			59,960
Purchase of treasury stock	(9)	(9)			(9)
Disposal of treasury stock		—			—
Net changes of items other than shareholders' equity			2,819	2,819	2,819
Total changes during the current period	(9)	22,864	2,819	2,819	25,684
Balance at the end of the current period	(73,785)	832,248	6,313	6,313	838,562

(4) Notes Regarding the Nonconsolidated Financial Statement

[Notes Regarding the Assumption of Going Concern]

Not applicable

[Changes to Disclosure Method]

(Notes to Statements of Income)

“Gain on liquidation of subsidiaries and affiliates,” which was included in “Other” under extraordinary profit in the previous fiscal year, is presented as a separate line item from the current fiscal year due to its increased importance. To reflect this change in disclosures, the financial statements for the previous fiscal year have been reclassified. As a result, the 2 million yen presented as “Other” under extraordinary profit in the income statement for the previous fiscal year, has been reclassified as “Gain on liquidation of subsidiaries and affiliates.”

[Significant Subsequent Events]

Not applicable