



**Internet Disclosure Accompanying
the Notice of the Convocation of
*The 58th Ordinary General Meeting of
Shareholders***

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|--|----|
| Notes to Consolidated Financial Statements | 1 |
| Notes to Non-Consolidated Financial Statements | 17 |

Pursuant to the relevant law and ordinance, and Article 16 of the Articles of Incorporation of SECOM CO., LTD., “Notes to Consolidated Financial Statements” and “Notes to Non-Consolidated Financial Statements” are made available on the Company’s web site (<https://www.secom.co.jp/english/ir/>). The Company provides this translation for your reference and convenience only and without any warranty as to its accuracy or otherwise.

Notes to Consolidated Financial Statements

Notes to Significant Items for Preparation of Consolidated Financial Statements

1. Scope of Consolidation

(1) Number of Consolidated Subsidiaries: 178

Names of major consolidated subsidiaries:

Secom Joshinetsu Co., Ltd., Asahi Security Co., Ltd., Nohmi Bosai Ltd., Nittan Co., Ltd., Secom Medical System Co., Ltd., Secom General Insurance Co., Ltd., Pasco Corporation, Secom Trust Systems Co., Ltd., At Tokyo Corporation, TMJ, Inc., Secom Home Life Co., Ltd., The Westec Security Group, Inc., Secom Plc

(2) Descriptions of Non-Consolidated Subsidiaries:

Eishin Denshi Co., Ltd., Kyoudou Setubi Ltd. and 7 other companies

(The reason for exclusion from scope of consolidation)

All of these 9 non-consolidated subsidiaries are of a small size, so that the aggregate amounts of total assets, revenue, net income/loss (an amount prorated to ownership) and retained earnings (an amount prorated to ownership) and others do not have a significant effect on the consolidated financial statements.

(3) Names of other companies owing majority of voting rights not regarded as subsidiaries:

Global Sales Training, Inc., CLP Auto Interior Corp., United Tactical Systems Holdings, LLC, CLP Legal Services, LLC, CLP Landscape Services, LLC, PF Holdco, LLC, Austin Fitness Holdings, LLC

(The reason for not regarded as subsidiaries)

These companies were acquired by subsidiaries of The Westec Security Group, Inc. through normal course of business with the objective of investment, not with the objective of control.

2. Equity Method

(1) Number of equity method affiliates: 16

Names of major affiliates accounted for under the equity method:
S1 Corporation, Toyo Tec Co., Ltd., Taiwan Secom Co., Ltd.

(2) Number of non-equity method affiliates: 8

(The reason for not applying the equity method)

These 8 companies are not accounted for under the equity method because their effect on net income/loss (an amount prorated to ownership) and retained earnings (an amount prorated to ownership) is insignificant and immaterial as a whole.

3. Changes in Scope of Consolidation and Companies Accounted for under the Equity Method

Consolidation

Newly consolidated subsidiaries: 5

SECOM Aktif Guvenlik Yatirim A.S. and 1 other company (New establishment)

Secom Tosec Co., Ltd. and 2 other companies (Acquisition)

Excluded from consolidation: 6

GIS Kansai Co., Ltd. and 2 other companies (Liquidation)

Yanoshin Air Conditioning Co., Ltd. and 1 other company (Merger)

Suzhou Super Dimension Earth Science Research and Development Co., Ltd. (Divesture)

Equity Method

Excluded from affiliates accounted for under the equity method: 2

BASE AEROFOTOGRAMETRIA E PROJETOS S.A. (Divesture)

Alfavision Corporation (Significance and materiality)

4. Closing Dates of Consolidated Subsidiaries and Equity Method Affiliates

With respect to overseas consolidated subsidiaries, 7 U.S. subsidiaries such as The Westec Security Group Inc., 8 Australia and New Zealand subsidiaries such as Secom Australia Pty., Ltd., 5 U.K. subsidiaries such as Secom Plc, 19 Chinese subsidiaries such as Secom (China) Co., Ltd., 4 Vietnam subsidiaries such as Secom Vietnam Security Service JSC, Secom (Singapore) Pte Ltd., Secom Medical System (Singapore) Pte Ltd., D'Garde Security Pte Ltd., Takshasila Hospitals Operating Pvt. Ltd., Takshasila Healthcare and Research Service Pvt. Ltd., PT. Nusantara Secom Infotech, PT. Secom Indonesia, PT. Secom Bhayangkara, Pasco Thailand Co., Ltd., Thai Secom Security Co., Ltd., Pasco Philippines Corp., Nohmi Taiwan Ltd., PASCO DO BRASIL CONSULTORIA TECHNICA LTDA., Aerodata International Surveys BVBA, Pasco Europe B.V., TMJP BPO SERVICES, INC., SECOM Aktif Guvenlik Yatirim A.S., Kent Güvenlik Sistemleri Elektronik İnşaat Sanayi ve Ticaret A.S. and PT. Secom Realty Indonesia close their book as of December 31 each year, and the financial statements as of this date are used for preparation of the consolidated financial statements.

With respect to domestic consolidated subsidiaries, while 2 companies such as Zao Urbane Properties Co., Ltd. close their book as of December 31 each year, the financial statements prepared pursuant to the provisional closing of books conducted as of March 31 are used for preparation of the consolidated financial statements.

With respect to equity method affiliates, 6 companies such as S1 Corporation and Taiwan Secom Co., Ltd. close their book as of December 31 each year, and the financial statements as of this date are used for preparation of the consolidated financial statements. While Koatsu Co., Ltd. closes its book as of September 30 each year, the financial statements prepared pursuant to the provisional closing of books conducted as of March 31 are used for preparation of the consolidated financial statements.

The necessary adjustments related to the consolidation are made for any major transactions which arise between the consolidated closing dates. The closing dates of other consolidated subsidiaries and equity method affiliates are the same as the consolidated closing date.

5. Significant Accounting Policies

(1) Valuation policies and methods for significant assets

1) Securities

a. Held-to-maturity debt securities are carried at amortized cost.

b. Available-for-sale

Securities with fair value

Stock and beneficiary securities: At fair value based on the average market price one month prior to the fiscal year-end

Others: At fair value based on market price at fiscal year-end

Net unrealized gains and losses of securities are primarily reported directly in net assets. The cost of securities sold is primarily calculated by the moving average method.

Securities with no fair value

At cost, principally based on the moving average method

2) Derivatives

Derivatives are stated at fair value.

3) Inventories

Inventories are principally stated at cost based on the moving average method (or at the net realizable value (NRV) calculated by writing down the book value to reflect a decrease in the NRV).

4) Real estate for sale

Stated at cost by the specific cost method (or at the NRV calculated by writing down the book value to reflect a decrease in the NRV).

(2) Depreciation and Amortization of Depreciable and Amortizable Fixed Assets

1) Tangible Assets (except for leased assets)

a. Security equipment and control stations

Security equipment and control stations are depreciated over their average estimated useful lives (5-8 years) by the declining-balance method.

b. Other tangible fixed assets

Other tangible fixed assets are depreciated by the straight-line method.

Their main useful lives are as follows:

Buildings and improvements: 22-50 years

Tools and equipment: 2-20 years

2) Intangible Assets (except for leased assets)

Intangible fixed assets are amortized by the straight-line method.

The software used in the Company is amortized by the straight-line method based on the useful lives within the Company (5 years).

3) Leased Assets

a. Leased assets related to ownership-transfer finance lease transactions

Depreciated, using the same depreciation method applied to fixed assets in possession.

b. Leased assets related to non-ownership-transfer finance lease transactions

Depreciated, using the straight-line method over a useful life equal to the lease period with a residual value of zero.

In addition, non-ownership-transfer finance leases entered into on or before March 31, 2008 are treated using the method applicable to operating lease transactions.

4) Long-term Prepaid Expenses

Long-term prepaid expenses are amortized by the straight-line method. With respect to the installation costs related to security equipment at the customer premises, any portion exceeding the amount received from the customer is included in “long-term prepaid expenses” and amortized by the straight-line method over the contract period (5 years).

(3) Basis for Significant Allowances

1) Allowance for Doubtful Accounts

To prepare for losses from bad debts such as losses on trade receivables and loans, the allowance for doubtful accounts provides an estimated amount of uncollectables. It is determined based on the historical loss rate with respect to ordinary accounts, and an estimate of uncollectable amounts respectively determined by reference to specific doubtful accounts from customers who are experiencing financial difficulties.

2) Accrued Bonuses

The accrued bonuses are provided for the bonus payments to employees, at an amount incurred during the current fiscal year.

3) Provision for Loss on Construction Contracts

To prepare for future losses on construction contracts etc., an accrual is provided based on the estimated losses on construction contracts etc. that are undelivered at the end of the current fiscal year.

4) Accrued Retirement Benefits for Directors and Audit & Supervisory Board Members

To prepare for payment for retirement benefits of Directors and Audit & Supervisory Board Members of domestic consolidated subsidiaries, a necessary amount at the end of the current fiscal year is accrued based on the rules of the Directors and Audit & Supervisory Board Members' retirement benefits.

(4) Revenue and Cost Recognition Policies

1) Revenue Recognition Policies for Construction Contracts and Cost of Completed Work

Percentage-of-completion method is applied to construction contracts whose outcomes are deemed certain for progress until the end of the current fiscal year, and the completed-contract method is applied to other construction contracts. The percentage of costs incurred to the estimated total cost is used for estimating the percentage of completion.

2) Recognition Policies for Revenue and Costs of Finance Leases

Revenue and cost are recognized upon receipt of lease payments.

(5) Other Significant Items for Preparation of Consolidated Financial Statements

1) Accounting for Major Hedge

a. Hedge Accounting Policy

The Company principally applies deferred hedging accounting. The interest rate swaps that fulfill requirements for exceptional treatments permitted for interest rate swaps are accounted for using exceptional treatments.

b. Hedging Instruments and Hedged Items

| <u>Hedging instruments:</u> | <u>Hedged items:</u> |
|-----------------------------|----------------------|
|-----------------------------|----------------------|

| | |
|--------------------|---------------|
| Interest rate swap | Loans payable |
|--------------------|---------------|

c. Hedging Policy

The risks for forward interest rate fluctuations are to be hedged principally pursuant to the risk management policy of the Company.

d. Assessment of Hedge Effectiveness

Hedge effectiveness is assessed by comparing the cumulative totals of price fluctuations of the hedged items and hedging instruments from the beginning of hedging to the effective point of assessment, taking the changes of both the hedged items and hedging instruments into account. However, when an item is judged to fulfill requirements for exceptional treatments, the assessment of hedge effectiveness is omitted.

2) Accounting for Retirement Benefit

To prepare for the retirement benefits of employees, the Company and its domestic consolidated subsidiaries recognize a net defined benefit asset and a net defined benefit liability for the amount calculated by deducting plan assets from retirement benefit obligations, based on the estimated amount of these items at the end of the current fiscal year.

Prior service cost is recognized as profit or loss in the year of occurrence.

Actuarial gains and losses are amortized from the following fiscal year of occurrence, using the straight-line method over certain years within the average remaining service period (mainly 10 years).

Unrecognized actuarial gains and losses are included in the line item "Remeasurements of defined benefit plans, net of taxes" of

accumulated other comprehensive income in the net assets section.

3) Amortization of Goodwill and Negative Goodwill

Goodwill is amortized by the straight-line method over 5-20 years.

4) Accounting for Consumption Tax etc.

Tax-exclusive method is adopted.

6. Changes in the Presentation

(Change Resulting from the Application of “Partial Amendments to Accounting Standard for Tax Effect Accounting”)

From the beginning of the current fiscal year, we have applied “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No.28, February 16, 2018) (the “Standard”). Accordingly, deferred tax assets are classified as part of “Investments and others”, and deferred tax liabilities are classified as part of “Long-term liabilities” section.

In the notes concerning tax effect accounting, we added the information prescribed in Note 8(2) of the “Interpretive Notes for Accounting Standard for Tax Effect Accounting” as amended by paragraph 4 of the Standard.

(Notes related to consolidated statements of income)

Net losses on disposal of fixed assets,” which was included in “Other” in extraordinary losses until the previous fiscal year, is presented separately for the current fiscal year as its materiality has increased. The amount of “Loss on abandonment of fixed assets” for the previous fiscal year was YEN 206 million.

Notes to Consolidated Balance Sheet

1. Cash on hand and in banks, and “Other” in Investments and others

Under certain provisions on sales agreements for investment securities that apply to certain consolidated subsidiaries, restrictions are imposed on the use of part of cash on hand and in banks (YEN 73 million) and other (YEN 215 million) in investments and others.

2. Cash Deposits for Armored Car Services and Short-term Bank Loans, and Deposits Received for Armored Car Services

For financial institutions, the Company and some of the domestic consolidated subsidiaries provide cash collection from and cash filling to cash dispensers located outside of financial institution facilities, and cash collection and delivery. The balance of cash deposits for armored car services includes cash on hand and cash in banks representing a total of YEN 17,934 million connected with cash filling services, which is restricted in use by the Group. The short-term bank loan balance includes YEN 4,002 million financed for the cash filling services.

The balance of cash deposits for armored car services includes YEN 24,296 million connected with cash collection administration services, which is also restricted in use by the Group. Also, the short-term bank loan balance includes YEN 17,208 million financed for the cash collection administration services.

The balance of cash deposits for armored car services includes cash on hand and cash in banks representing a total of YEN 100,104 million connected with cash collection and delivery services, which is restricted in use by the Group and also the balance of deposits received for armored car services includes deposits received representing a total of YEN 100,085 million connected with cash collection and delivery services.

3. Assets Pledged as Collateral and Collateral-related Liabilities:

(1) Assets Pledged as Collateral

| | (Millions of Yen) |
|---|-------------------|
| Cash on hand and in banks (time deposit) | 1,348 |
| Short-term loans receivables | 22 |
| Other - current assets (receivable - other) | 700 |
| Buildings and improvements | 19,602 |
| Land | 22,944 |
| Other - intangible assets (leasehold) | 818 |
| Investment securities | 1,318 |
| Long-term loans receivable | 662 |
| <u>Total</u> | <u>47,418</u> |

(2) Collateral-related Liabilities

| | (Millions of Yen) |
|-----------------------------------|-------------------|
| Bank loans | 3,068 |
| Current portion of straight bonds | 1,948 |
| Straight bonds | 4,080 |
| Long-term loans | 4,736 |
| <u>Total</u> | <u>13,833</u> |

In addition to the above liabilities, short-term loans receivable, investment securities and long-term loans receivable are pledged as collateral for the debts of affiliates and other debts.

4. Accumulated Depreciation of Tangible Assets

YEN 505,520 million

5. Investment in Non-Consolidated Subsidiaries and Affiliates:
(Fixed assets)

Investment securities (stocks) YEN 56,522 million

6. Contingent Liabilities:

Guarantees of liabilities of entities and individuals
YEN 1,053 million

Notes to Consolidated Statement of Income

1. Write-down on Real Estate Inventories Included in Cost of Revenue
(including write-down on work in process for real estate inventories)
YEN 579 million

Notes to Consolidated Statement of Changes in Net Assets

1. Items Related to Issued Shares and Treasury Stocks

(Unit : 1 share)

| | Number of shares at the beginning of the fiscal year | Increase in the number of shares in the fiscal year | Decrease in the number of shares in the fiscal year | Number of shares at the end of the fiscal year |
|-----------------|--|---|---|--|
| Issued shares | | | | |
| Common stocks | 233,290,441 | 1,778 | - | 233,292,219 |
| Treasury stocks | | | | |
| Common stocks | 15,030,573 | 1,294 | - | 15,031,867 |

(Outline of reasons for change)

The increase of 1,778 in the number of common stocks of issued shares is due to the issuance of restricted shares.

The increase of 1,294 in the number of common stocks of treasury stocks is due to the purchase of 1,174 shares constituting less than one unit and the acquisition of 120 restricted shares without consideration.

2. Items Related to Dividends

(1) Amount of Dividends Paid

| Resolution | Classes of Shares | Total amount of cash dividend (Millions of Yen) | Cash dividend per share(Yen) | Record date | Effective date |
|---|-------------------|---|------------------------------|--------------------|------------------|
| Ordinary General Meeting of Shareholders on June 26, 2018 | Common stock | 17,460 | 80 | March 31, 2018 | June 27, 2018 |
| Board of Directors Meeting on November 8, 2018 | Common stock | 17,460 | 80 | September 30, 2018 | December 7, 2018 |

(2) Of the dividends whose record date belongs to the current fiscal year, the following are those dividends whose effective date belongs to the next fiscal year.

The matters planned to be resolved on the general meeting of shareholders are as follows:

| Resolution | Classes of Shares | Source of dividend | Total amount of cash dividend (Millions of Yen) | Cash dividend per share (Yen) | Record date | Effective date |
|---|-------------------|--------------------|---|-------------------------------|----------------|----------------|
| Ordinary General Meeting of Shareholders on June 26, 2019 | Common stock | Retained earnings | 18,552 | 85 | March 31, 2019 | June 27, 2019 |

Notes to Financial Instruments

1. Items Related to Status of Financial Instruments

The Group (excluding its insurance services segment) raises necessary funds, with the aim of establishing “Social System Industry,” by means of procuring funds from markets and borrowing money from financial institutions. The Group also holds financial instruments for promoting its business and investment. Derivatives are primarily used for averting market risks associated with loans, etc., and it is the Group’s policy not to perform speculative transactions.

The Group’s insurance services segment manages funds using financial instruments for the purpose of safely and carefully holding and managing insurance premiums received from policyholders for underwriting insurance policies as a source of funds for paying for future insurance claims. As the financial instruments in which the Group’s insurance services segment invests are exposed to market risks including interest rate fluctuation risks, the Group’s insurance services segment performs asset-liability management (ALM) to prevent any adverse impact of such risks from arising.

2. Items Related to Fair Values of Financial Instruments etc.

The amounts recognized on the consolidated balance sheet, fair values and corresponding differences as of March 31, 2019 are listed below. Items whose fair value has been deemed extremely difficult to identify are not included in the table below. (See Note 2)

(Millions of Yen)

| | Amount recognized on the consolidated balance sheet | Fair value | Difference |
|--|--|-------------------|---------------|
| (1)Cash on hand and in banks | 350,319 | 350,319 | - |
| (2)Cash deposits for armored car services | 142,335 | 142,335 | - |
| (3)Notes and accounts receivable, trade | 133,659 | 133,659 | - |
| (4)Due from subscribers | 41,616 | 41,616 | - |
| (5)Short-term investments and investment securities | | | |
| (i) Held-to-maturity debt securities | 12,975 | 14,696 | 1,721 |
| (ii) Investment securities in affiliates | 47,202 | 138,853 | 91,650 |
| (iii) Available-for-sale securities | 214,601 | 214,601 | - |
| (6)Lease receivables and investment in leased assets | 41,826 | 41,788 | (38) |
| (7)Short-term loans receivable | 4,398 | | |
| Allowance for doubtful accounts | - | | |
| | 4,398 | 4,398 | - |
| (8)Long-term loans receivable | 35,284 | | |
| Allowance for doubtful accounts (*1) | (11,857) | | |
| | 23,427 | 23,719 | 292 |
| (9)Lease deposits | 14,188 | 14,120 | (68) |
| Total assets | 1,026,552 | 1,120,109 | 93,557 |
| (1)Notes and accounts payable, trade | 45,826 | 45,826 | - |
| (2)Bank loans | 39,126 | 39,126 | - |
| (3)Payables - other | 42,645 | 42,645 | - |
| (4)Accrued income taxes | 22,767 | 22,767 | - |
| (5)Deposits received for armored car services | 121,086 | 121,086 | - |
| (6)Straight bonds | 6,712 | 6,714 | 1 |
| (7)Long-term loans | 10,063 | 10,064 | 0 |
| (8)Guarantee deposits received | 4,065 | 4,067 | 2 |
| Total liabilities | 292,293 | 292,298 | 4 |
| Derivative transactions (*2) | | | |
| (i) Hedge accounting not applied | - | - | - |
| (ii) Hedge accounting applied | - | <15> | (15) |
| Total derivative transactions | - | <15> | (15) |

*1 Allowance for doubtful accounts for loans receivable is deducted.

*2 Net claims and obligations arising from derivative transactions are shown as net values. Items for which the total is a net obligation are shown in parentheses < >.

(Note 1) Calculation method of fair value of financial instruments and matters concerning securities and derivative transactions

Assets:

(1) Cash on hand and in banks, (2) Cash deposits for armored car services, (3) Notes and accounts receivable, trade, (4) Due from subscribers and (7) Short-term loans receivable

These items are stated at their book value, as these items are mainly settled in a short period of time and their fair value approximates their book value.

(5) Short-term investments and investment securities

The fair value of stocks is based on the price quoted on the exchange whereas the fair value of straight bonds etc. is based on the price quoted on the exchange or the price presented by the corresponding financial institution.

[English Translation]

(6) Lease receivables and investment in leased assets

These items are stated at present value calculated by discounting the sum of the principal and interest at the interest rate assumed when a new similar lease transaction is performed.

(8) Long-term loans receivable

These items are stated at present value calculated by discounting the sum of the principal and interest at the interest rate assumed when a new similar loan transaction is performed with respect to each category based on type, internal rating and period of the loans receivable. The fair value of doubtful accounts is approximately the same as the value on the balance sheet as of the fiscal year-end less the current estimated losses from loan, as the estimated losses from loan is calculated based on the discounted present value of estimated cash flow or the expected recoverable amount with collateral and guarantee etc.; therefore, the said value is stated as fair value. Certain consolidated subsidiaries calculate the present value of future cash flow by discounting the future cash flow at an interest rate equal to an appropriate index such as the yield of government bonds plus the credit spread according to the residual period.

(9) Lease deposits

Lease deposits are stated at present value calculated by discounting the future cash flow at risk-free interest rate.

Liabilities:

(1) Notes and accounts payable, trade, (2) Bank loans, (3) Payables – other, (4) Accrued income taxes and (5) Deposits received for armored car services
These items are stated at their book value, as these items are mainly settled in a short period of time and their fair value approximates their book value.

(6) Straight bonds

These items are stated at present value calculated by discounting the sum of the principal and interest at the interest rate assumed when new similar straight bonds are issued, according to the residual period of the straight bonds.

(7) Long-term loans

These items are stated at present value calculated by discounting the sum of the principal and interest at the interest rate assumed when a new similar debt is taken on.

(8) Guarantee deposits received

Guarantee deposits received are stated at present value calculated by discounting the future cash flow at risk-free interest rate.

Derivative transactions:

Derivatives are stated at the price presented by the financial institution with which the Group has concluded an agreement.

(Note 2) Financial instruments whose fair value is deemed extremely difficult to identify

(Millions of Yen)

| Item | Amount recognized on the consolidated balance sheet |
|---|---|
| Unlisted stock (*1) | 3,766 |
| Unlisted stock of affiliates (*1) | 9,319 |
| Investments in limited partnerships for investment, etc. (*1) | 7,093 |
| Deposit from business activities (*2) | 28,890 |

*1 Not included in “(5) Short-term investments and investment securities” due to lack of market price and extreme difficulty in identifying fair value.

*2 Not included in “(8) Guarantee deposits received” because reasonable estimation of cash flow is deemed extremely difficult due to lack of market price and difficulty in calculating the effective depositing period.

Notes to Rental Property and Other Real Estate

The Company and some of its consolidated subsidiaries own rental office buildings and medical facilities such as hospitals, in addition to rental housing etc. mainly in Tokyo and other major cities across the country.

The amount recognized on the consolidated balance sheet, the amount of increase/decrease during the current fiscal year and the fair value of such rental properties are as follows:

(Millions of Yen)

| | Amount recognized on the consolidated balance sheet | | | Fair value at the end of the fiscal year |
|--------------------|---|--|---------------------------------------|--|
| | Balance at the beginning of the fiscal year | Increase/decrease during the fiscal year | Balance at the end of the fiscal year | |
| Office buildings | 36,234 | 4,087 | 40,321 | 72,616 |
| Medical facilities | 55,402 | (1,464) | 53,938 | 62,459 |
| Other | 9,011 | (423) | 8,587 | 9,997 |
| Total | 100,648 | 2,198 | 102,847 | 145,073 |

(Note 1) The amount recognized on the consolidated balance sheet equals the acquisition cost less accumulated depreciation and accumulated impairment loss.

(Note 2) The increase in office buildings during the current fiscal year is mainly attributable to an increase of YEN 1,496 million due to the change of use from own occupancy and an increase of YEN 2,604 million at Arai & Co., Ltd., a consolidated subsidiary of the Company.

(Note 3) The fair value at the end of the current fiscal year is, in the case of major properties, the amount based on real-estate appraisal by an external real-estate appraiser, and in the case of other properties, the amount calculated in-house based on the Real Estate Appraisal Standard. However, if no significant fluctuations have occurred in a certain valuation or an index that is deemed to properly reflect the market price since the acquisition of the property from a third party or the most recent external valuation, the fair value is based on such valuation or the amount adjusted by using the index.

[English Translation]

Profit or loss on rental properties and other real estate for the fiscal year ended March 31, 2019 is as follows:

(Millions of Yen)

| | Rental income | Rental expenses | Difference | Other (gains/losses on sale etc.) |
|--------------------|---------------|-----------------|------------|---|
| Office buildings | 3,488 | 1,550 | 1,938 | 596 |
| Medical facilities | 7,007 | 3,335 | 3,672 | - |
| Other | 431 | 182 | 249 | 147 |
| Total | 10,927 | 5,068 | 5,859 | 744 |

(Note 1) The rental expenses include depreciation, repair costs, insurance premium, taxes and public imposts, etc.

(Note 2) Other includes gain on tangible assets recognized as extraordinary profit, impairment loss on fixed assets recognized as extraordinary losses, etc.

Notes to Deferred Income Tax Accounting

1. The Significant Components of Deferred Income Tax Assets and Deferred Income Tax Liabilities:

| Deferred income tax assets: | (Millions of Yen) |
|--|-------------------|
| Investment deposits by policyholders, unearned premiums and other insurance liabilities | 12,712 |
| Net defined benefit liability | 7,039 |
| Eliminations of unrealized gain | 6,557 |
| Adjustment of book value of fixed assets of subsidiaries at fair value at the date of consolidation (land and buildings) | 5,414 |
| Impairment loss | 5,389 |
| Accrued bonuses | 5,331 |
| Operating loss carry-forwards | 4,937 |
| Allowance for doubtful accounts | 4,760 |
| Write-down on fixed assets | 4,231 |
| Write-down on work in process for real estate inventories | 594 |
| Other | 15,226 |
| Gross deferred income tax assets | 72,194 |
| Valuation allowance | (18,877) |
| Total deferred income tax assets | 53,317 |
| Deferred income tax liabilities: | |
| Net defined benefit asset | (11,770) |
| Adjustment of book value of fixed assets of subsidiaries at fair value at the date of consolidation (intangible assets) | (8,826) |
| Unrealized gains on securities | (6,884) |
| Adjustment of book value of fixed assets of subsidiaries at fair value at the date of consolidation (land and buildings) | (5,240) |
| Adjustment of book value of fixed assets of subsidiaries at fair value at the date of consolidation (other fixed assets) | (1,001) |
| Other | (860) |
| Total deferred income tax liabilities | (34,583) |
| Net deferred income tax assets | 18,734 |

[English Translation]

(Note) The valuation allowance has decreased by YEN 5,738 million. The decrease is mainly due to a decrease of YEN 3,456 million in tax loss valuation allowance related to deductible temporary differences and a decrease of YEN 1,923 million in tax loss valuation allowance related to tax loss carry-forwards at a consolidated subsidiary.

2. Summary of the Reconciliation between the Statutory Tax Rate and the Effective Tax Rate after the Application of Deferred Income Tax Accounting

| | |
|--|----------------|
| Statutory tax rate (Reconciliation) | 30.5(%) |
| Decrease in valuation allowance | (2.4) |
| Unrealized gains on investments in affiliated securities | (1.4) |
| Amortization of goodwill | 1.1 |
| Research and development tax credits | (0.7) |
| Per capita levy of corporate inhabitant tax | 0.6 |
| Other | (0.5) |
| <hr/> Effective tax rate after the application of deferred income tax accounting | <hr/> 27.2 (%) |

Notes to Retirement Benefits

1. Outline of the Retirement Benefit Plan Adopted:

Employees of the Company and its consolidated domestic subsidiaries whose services are terminated are, under most circumstances, eligible for lump-sum severance indemnities and/or eligible for pension benefits.

The Company and its domestic consolidated subsidiaries with the same retirement benefit plan have adopted a severance indemnity plan and a defined contribution pension plan, and have also implemented a matching contribution plan since July 2012. The method of calculating the severance indemnity under the severance indemnity plan is to pay out to the employees an amount equal to a certain percentage of their annual income over their period of service, plus interest which is calculated as the 3-year average yield of applicants for 10-year government bonds. The defined contribution pension plan was established in April 2003, a portion equivalent to 20 % of the severance indemnity plan so far accumulated was transferred to the new plan, and a specified percentage of annual income is contributed thereto. The Company transferred an additional portion of the severance indemnity plan funds to the defined contribution pension plan in April 2005, and accordingly, the ratio of the accumulated amount in the severance indemnity plan and the amount of contributions to the defined contribution pension plan, including the past reserve, changed to 70 % and 30 %, respectively.

The majority of the consolidated overseas subsidiaries have adopted a variety of pension plans that essentially cover all employees. Most of these plans are defined contribution pension plans.

In defined contribution pension plans and lump-sum severance indemnity plans for some consolidated subsidiaries, net defined benefit liabilities and retirement benefit expenses are calculated using the simplified method.

2. Defined Benefit Plans

- (1) Reconciliation of beginning and ending balances of retirement benefit obligations (excluding those pertaining to plans to which the simplified method is applied)

| (Millions of Yen) | |
|---|---------|
| Beginning balance of retirement benefit obligations | 94,814 |
| Service cost | 5,744 |
| Interest cost | 369 |
| Actuarial gains and losses incurred | (82) |
| Retirement benefits paid | (5,379) |
| Increment by recent consolidation | 1,631 |
| Increase due to change from simplified method to principle method | 61 |
| Ending balance of retirement benefit obligations | 97,159 |

- (2) Reconciliation of beginning and ending balances of plan assets (excluding those pertaining to plans to which the simplified method is applied)

| (Millions of Yen) | |
|-------------------------------------|---------|
| Beginning balance of plan assets | 117,625 |
| Expected rate of return | 3,451 |
| Actuarial gains and losses incurred | (3,654) |
| Contributions from the employer | 1,407 |
| Retirement benefits paid | (4,013) |
| Increment by recent consolidation | 1,015 |
| Other | 75 |
| Ending balance of plan assets | 115,908 |

- (3) Reconciliation of beginning and ending balances of net defined benefit liability pertaining to plans to which the simplified method is applied

| (Millions of Yen) | |
|---|-------|
| Beginning balance of net defined benefit liability | 3,251 |
| Retirement benefit expenses | 536 |
| Retirement benefits paid | (334) |
| Contributions to the plan | (122) |
| Increment by recent consolidation | 91 |
| Decrease due to change from simplified method to principle method | (67) |
| Decrease due to transfer to defined contribution plan | (140) |
| Ending balance of net defined benefit liability | 3,213 |

- (4) Reconciliation of ending balances of retirement benefit obligations and plan assets with net defined benefit liability and net defined benefit asset recognized in the consolidated balance sheet

(Millions of Yen)

| | |
|---|-----------|
| Retirement benefit obligations of funded plans | 82,803 |
| Plan assets | (118,353) |
| | (35,549) |
| Retirement benefit obligations of non-funded plans | 20,013 |
| Net amount of assets and liabilities recognized in the consolidated balance sheet | (15,535) |

(Millions of Yen)

| | |
|---|----------|
| Net defined benefit liability | 22,953 |
| Net defined benefit asset | (38,488) |
| Net amount of assets and liabilities recognized in the consolidated balance sheet | (15,535) |

(Note) Including plans to which the simplified method is applied.

- (5) Retirement benefit expenses and their breakdown

(Millions of Yen)

| | |
|--|---------|
| Service cost | 5,744 |
| Interest cost | 369 |
| Expected rate of return | (3,451) |
| Amortization of actuarial gains and losses | (853) |
| Retirement benefit expenses calculated using the simplified method | 536 |
| Retirement benefit expenses pertaining to defined benefit plans | 2,344 |

- (6) Remeasurements of defined benefit plans

The breakdown of the amount recognized in remeasurements of defined benefit plans (before the tax effect) is as follows:

(Millions of Yen)

| | |
|---|---------|
| Unrecognized actuarial gains and losses | (9,534) |
| Total | (9,534) |

- (7) Matters concerning actuarial assumptions

Major actuarial assumptions applied at the end of the current fiscal year

| | |
|-----------------------------------|-------------|
| Discount rate | Mainly 0.3% |
| Long-term expected rate of return | Mainly 3.0% |

3. Defined contribution plans

The amount of contribution required for the Company and its consolidated subsidiaries is YEN 1,963 million in total.

Notes to Asset Retirement Obligation

1. Asset retirement obligations recognized in consolidated balance sheet
Footnote information of asset retirement obligations recognized in the consolidated balance sheet is omitted as they are immaterial.
2. Asset retirement obligations not recognized in consolidated balance sheet
A certain building of a consolidated subsidiary must be restored to its original state under the building lease agreement upon returning the building at the expiry of the lease. However, the Company does not plan to relocate from the building in its business strategies and it is assumed to be used until the building is demolished through the renewal of the agreement. In cases where the building is demolished, it is not expected to execute the contractual obligation to restore the building to its original state. For this reason, though the Company tried to establish best estimates, considering evidence available as at the closing date, asset retirement obligations have not been recognized with respect to such obligations, since it is impracticable to forecast the probability regarding the scope and the amount of asset retirement obligations.

Notes to Per-Share Information

| | |
|-----------------------|--------------|
| Net assets per share: | YEN 4,562.08 |
| Net income per share: | YEN 421.56 |

Notes to Non-Consolidated Financial Statements

Notes to Significant Accounting Policies

1. Valuation Policies and Methods for Assets

(1) Valuation Policies and Methods for Securities

1) Held-to-maturity debt securities
Amortized cost method

2) Investment Securities in Subsidiaries and Affiliates
At cost, based on the moving average method

3) Available-for-sale Securities
Securities with fair value
Stock and beneficiary securities: At fair value based on the average market price in one month prior to the fiscal year-end.
Others: At fair value based on market price at fiscal year-end

Net unrealized gains and losses of securities are reported directly in net assets. The cost of securities sold is calculated by the moving average method.

Securities with no fair value
At cost, based on the moving average method or amortized cost method.

(2) Valuation Policies and Methods for Inventories

Merchandise and supplies are stated at cost determined by the moving average method (or at the net realizable value (NRV) calculated by writing down the book value to reflect a decrease in the NRV).

2. Depreciation and Amortization of Depreciable and Amortizable Fixed Assets

(1) Tangible Assets: (except for leased assets)

1) Security equipment and control stations
Security equipment and control stations are depreciated over their average estimated useful lives (5-8 years) by the declining-balance method.

2) Other tangible fixed assets
Other tangible fixed assets are depreciated by the straight-line method. Their main useful lives are as follows:
Buildings and improvements: 22-50 years

(2) Intangible Assets

Intangible fixed assets are amortized by the straight-line method. The software used in the Company is amortized by the straight-line method based on the useful lives within the Company (5 years).

(3) Leased Assets

1) Leased assets related to ownership-transfer finance lease transactions
Depreciated, using the same depreciation method applied to fixed assets in possession.

2) Leased assets related to non-ownership-transfer finance lease transactions
Depreciated, using the straight-line method over a useful life equal to the lease period with a residual value of zero.

[English Translation]

In addition, non-ownership-transfer finance leases entered into on or before March 31, 2008 are treated using the method applicable to operating lease transactions.

(4) Long-term Prepaid Expenses:

Long-term prepaid expenses are amortized by the straight-line method. With respect to the installation costs related to security equipment at the customer premises, any portion exceeding the amount received from the customer is included in "long-term prepaid expenses" and amortized by the straight-line method over the contract period (5 years).

3. Basis for Significant Allowances

(1) Allowance for Doubtful Accounts

To prepare for losses from bad debts such as losses on trade receivables and loans, the allowance for doubtful accounts provides an estimated amount of uncollectables. It is determined based on historical loss rate with respect to ordinary accounts, and an estimate of uncollectable amounts, respectively determined by reference to specific doubtful accounts from customers who are experiencing financial difficulties.

(2) Accrued Bonuses

Accrued bonuses are provided for the bonus payments to employees, at an amount incurred during the current fiscal year.

(3) Accrued Pension and Severance Costs

To prepare for the retirement benefits of employees, the Company provides an amount of accrued pension and severance costs and prepaid pension and severance costs at the end of the current fiscal year, based on the estimated amount of projected benefit obligation and plan assets as of the end of the current fiscal year.

In calculating retirement benefit liabilities, the benefit formula basis is adopted to attribute the estimate amount of retirement benefit to the current fiscal year end.

Prior service liability is recognized as profit or loss in the year of occurrence.

Actuarial gains and losses are amortized from the following fiscal year of occurrence, using the straight-line method over certain years within the average remaining service period (10 years).

4. Revenue and Cost Recognition Policies

Revenue Recognition Policies for Construction Contracts and Cost of Completed Work

Percentage-of-completion method is applied to construction contracts whose outcomes are deemed certain for progress until the end of the current fiscal year, and the completed-contract method is applied to other construction contracts. The percentage of costs incurred to the estimated total cost is used for estimating the percentage of completion.

5. Other Significant Accounting Policies

(1) Accounting for retirement benefits

The accounting for unrecognized actuarial gains and losses to retirement benefits is different from the accounting for those items in the consolidated financial statements.

(2) Accounting for Consumption Tax etc.

Tax-exclusive method is adopted.

6. Changes in the Presentation

(Change Resulting from the Application of “Partial Amendments to Accounting Standard for Tax Effect Accounting”)

From the beginning of the current fiscal year, we have applied “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No.28, February 16, 2018) (the “Standard”). Accordingly, deferred tax assets are classified as part of “Investments and others,” and deferred tax liabilities are classified as part of “Long-term liabilities.”

Notes to the Non-Consolidated Balance Sheet

1. Cash Deposits for Armored Car Services and Short-term Bank Loans

For financial institutions, the Company provides cash filling to and cash collection from cash dispensers located outside of financial institution facilities.

The balance of cash deposits for armored car services includes cash on hand and cash in banks of representing a total of YEN 15,221 million connected with cash filling services, which is restricted in use by the Company. The short-term bank loan balance includes YEN 4,002 million financed for the cash filling services.

The balance of cash deposits for armored car services includes YEN 24,283 million connected with cash collection administration services, which is also restricted in use by the Company. Also, the short-term bank loan balance includes YEN 17,208 million financed for the cash collection administration services.

2. Assets Pledged as Collateral and Collateral-related Liabilities

Assets Pledged as Collateral

| | (Millions of Yen) |
|--|-------------------|
| Short-term loans receivable | 22 |
| Investment securities | 1,088 |
| Investment securities in subsidiaries and affiliates | 45 |
| Long-term loans receivable | 662 |
| <u>Total</u> | <u>1,818</u> |

Collateral-related Liabilities

-

Short-term loans receivables, investment securities, investment securities in subsidiaries and affiliates, and long-term loans receivable are pledged as collateral for the debts of subsidiaries and affiliates and other debts.

3. Accumulated Depreciation of Assets

Accumulated depreciation of tangible assets: YEN 291,079 million

4. Contingent Liabilities

(1) Guarantees

Liabilities of the below entities and employees are guaranteed.

| | (Millions of Yen) |
|--|-------------------|
| Alive Medicare Co., Ltd. | 1,358 |
| SECOM Aktif Guvenlik Yatirim A.S. | 668 |
| Takshasila Hospitals Operating Pvt. Ltd. | 608 |
| Secom Fort West Co., Ltd. | 349 |
| Secom Home Life Co., Ltd. | 242 |
| Others | 22 |
| Employees | 204 |
| Purchaser of merchandises by leasing transactions etc. | 40 |
| Total | 3,494 |

(2) Net Assets Maintaining Agreement

The Company entered into a net assets maintaining agreement with Secom General Insurance Co., Ltd., under which the Company is obligated to provide funds to Secom General Insurance Co., Ltd. if and when the net assets of Secom General Insurance Co., Ltd. become lower than the specified amount or its current assets necessary for the payment of its liabilities are insufficient. The total liabilities of Secom General Insurance Co., Ltd. at the end of the current fiscal year are YEN 184,015 million, including YEN 173,329 million of investment deposits by policyholders, unearned premiums and other insurance liabilities, and the total assets are YEN 217,926 million.

However, this agreement is not construed as the Company's guarantee with respect to payment obligations of Secom General Insurance Co., Ltd. Secom General Insurance Co., Ltd. maintained net assets above the required level, and its current assets were not insufficient at the end of the current fiscal year.

5. Financial Receivables/Payables to Subsidiaries and Affiliates (excluding those separately presented)

| | (Millions of Yen) |
|------------------------|-------------------|
| Short-term receivables | 41,906 |
| Long-term receivables | 117,644 |
| Short-term payables | 9,306 |
| Long-term payables | 2,788 |

Notes to Non-Consolidated Statement of Income

1. Operating Transactions and Non-operating Transactions with Subsidiaries and Affiliates

| | (Millions of Yen) |
|-------------------------------------|-------------------|
| Operating transactions (Revenue) | 17,857 |
| Operating transactions (Expense) | 46,021 |
| Non-operating transactions (Income) | 13,983 |

Notes to Non-Consolidated Statements of Changes in Net Assets

Items Related to Classes and Total Number of Treasury Stocks

(Unit: 1 share)

| Classes of shares | Number of shares at the beginning of the fiscal year | Increase in number of shares in the fiscal year | Decrease in number of shares in the fiscal year | Number of shares at the end of the fiscal year |
|-------------------|--|---|---|--|
| Common stock | 15,030,573 | 1,294 | - | 15,031,867 |

(Outline of reasons for change)

The increase of 1,294 in the number of common stocks is due to the purchase of 1,174 shares constituting less than one unit and the acquisition of 120 restricted shares without consideration.

Notes to Deferred Income Tax Accounting

1. The Significant Components of Deferred Income Tax Assets and Deferred Income Tax Liabilities:

| Deferred income tax assets: | (Millions of Yen) |
|--|-------------------|
| Loss on impairment of investment securities in subsidiaries and affiliates | 5,024 |
| Impairment loss | 2,270 |
| Accrued bonuses | 1,979 |
| Allowance for doubtful accounts | 1,386 |
| Write-down on fixed assets | 1,290 |
| Accrued pension and severance costs | 545 |
| Other | 2,710 |
| <u>Gross deferred income tax assets</u> | <u>15,207</u> |
| Valuation allowance | (987) |
| <u>Total deferred income tax assets</u> | <u>14,220</u> |
| Deferred income tax liabilities: | |
| Prepaid pension and severance costs | (6,530) |
| Other | (2,248) |
| <u>Total deferred income tax liabilities</u> | <u>(8,778)</u> |
| <u>Net deferred income tax assets(liabilities)</u> | <u>5,442</u> |

2. Summary of the Reconciliation between the Statutory Tax Rate and the Effective Tax Rate after the Application of Deferred Income Tax Accounting:

| | |
|---|-----------------|
| Statutory tax rate | 30.5 (%) |
| (Reconciliation) | |
| Decrease in valuation allowance | (9.7) |
| Permanently non-taxable income such as dividends income | (4.0) |
| Research and development tax credits | (0.7) |
| Per capita levy of corporate inhabitant tax | 0.4 |
| Permanently non-taxable expenses such as entertainment expenses | 0.2 |
| Other | (0.0) |
| <u>Effective tax rate after the application of deferred income tax accounting</u> | <u>16.7 (%)</u> |

Notes to Fixed Assets under Leases

Besides the ones booked as fixed assets on the balance sheet of the Company, some of buildings are used based on the finance lease contracts other than those deemed to transfer the ownership of the leased assets to the lessees.

Notes to Transactions with Related Parties

1. Subsidiaries, affiliates etc.

| Type | Name of Company | Voting Rights Held by the Company (%) | Relationship with the Related Party |
|------------|--------------------------------|---------------------------------------|---|
| Subsidiary | Secom Home Life Co., Ltd. | 100.0 | Loan of funds |
| Subsidiary | Secom Credit Co., Ltd. | 100.0 | Loan of funds |
| Subsidiary | Secom Medical System Co., Ltd. | 100.0 | Loan of funds Concurrent appointment of officers |
| Subsidiary | Pasco Corporation | 72.2 | Loan of funds |
| Subsidiary | Arai & Co., Ltd. | 92.5 | Loan of funds Concurrent appointment of officers |
| Subsidiary | At Tokyo Corporation | 50.8 | Loan of funds Concurrent appointment of officers |

| Name of Company | Transactions | Amount of Transactions (Millions of Yen) | Account | Year-end Balance (Millions of Yen) |
|--------------------------------|---|--|-------------------------------------|------------------------------------|
| Secom Home Life Co., Ltd. | Execution of loans (Collection of loans) Receipt of interests (Note 2) | 23,360 (38,720) 72 | Long-term loans receivable (Note 3) | 17,180 |
| | | | Short-term loans receivable | 7,300 |
| Secom Credit Co., Ltd. | Execution of loans (Collection of loans) Receipt of interests (Note 2) | 23,900 (17,500) 202 | Long-term loans receivable | 25,300 |
| | | | Short-term loans receivable | 12,014 |
| Secom Medical System Co., Ltd. | Execution of loans (Collection of loans) Receipt of interests (Note 2) | 7,055 (11,103) 462 | Long-term loans receivable | 32,300 |
| | | | Short-term loans receivable | 13,700 |
| Pasco Corporation | Execution of loans (Collection of loans) Receipt of interests (Note 2) | 13,700 (15,000) 12 | Short-term loans receivable | 13,700 |
| Arai & Co., Ltd. | Execution of loans (Collection of loans) Receipt of interests (Note 2) | 1,300 (432) 317 | Short-term loans receivable | 464 |
| | | | Long-term loans receivable | 20,939 |
| At Tokyo Corporation | (Collection of loans) Receipt of interests (Note 2) | (4,000) 72 | Long-term loans receivable | 14,200 |

(Notes)

1. Consumption taxes are not included in the amounts listed above.
2. The interest rates for the loans above are determined, referring to market interest rates etc.
3. The amount of YEN 3,629 million has been recorded as allowance for doubtful accounts for the loans receivable from Secom Home Life Co., Ltd.

2. Officers (Directors/audit and supervisory board members), major individual shareholders, etc.

| Type | Name of Company | Voting Rights Held by the Company (%) | Relationship with the Related Party |
|---|-------------------------------------|---------------------------------------|---|
| Company whose majority voting rights are owned by an officer and his/her close relatives (including its subsidiary) | Watanabe Pipe Co., Ltd. (Note 2) | - | Provision of services such as security services Concurrent appointment of an officer |

| Name of Company | Transactions | Amount of Transactions (Millions of Yen) | Account | Year-end Balance (Millions of Yen) |
|-------------------------------------|---|--|----------------------|------------------------------------|
| Watanabe Pipe Co., Ltd. (Note 2) | Electronic security service and maintenance (Note 3) | 27 | Due from subscribers | 0 |
| | | | Deferred revenue | 0 |

Notes:

1. In the table above, the transaction amount is presented exclusive of consumption taxes and the ending balance is presented inclusive of consumption taxes.
2. A company 100% of whose voting rights are directly held by a company whose majority voting rights are held by Mr. Hajime Watanabe, a Director of the Company, and his close relatives.
3. The transactions are carried out under standard terms and conditions similar to those applied to arms-length transactions.

Notes to Per-Share Information

| | | |
|-----------------------|-----|----------|
| Net assets per share: | YEN | 3,600.30 |
| Net income per share: | YEN | 339.12 |