Internet Disclosure Accompanying the Notice of the Convocation of

The 60th Ordinary General Meeting of Shareholders

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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: 165

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., The Westec Security Group, Inc., Secom Plc

(2) Descriptions of Non-Consolidated Subsidiaries:

Eishin Denshi Co., Ltd., Kyoudou Setubi Ltd. and 5 other companies

(The reason for exclusion from scope of consolidation)
All of these 7 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:

Katzkin Holdings, LLC, United Tactical Systems Holdings, LLC, CLP Legal Services, LLC, CLP Landscape Services, LLC, PF Holdco, LLC, Austin Fitness Holdings, LLC, Handel's Holdco, LLC, CLP ICS Holdings, LLC, Genea Energy Partners, Inc.

(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

ADT SERVICES (M) SDN. BHD. and 4 other companies (Acquisition)

Excluded from consolidation: 6

Secom Home Life Co., Ltd. and 2 other companies (Divesture)

Nittan Electronic Co., Ltd. (Merger)

Kurashi-TEL Co., Ltd. and 1 other company (Liquidation)

Equity Method: None

4. Closing Dates of Consolidated Subsidiaries and Equity Method Affiliates

With respect to overseas consolidated subsidiaries, 6 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, 17 Chinese subsidiaries such as Secom (China) Co., Ltd., 6 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, PT. Secom Realty Indonesia, Pasco Thailand Co., Ltd., Thai Secom Security Co., Ltd., Pasco Philippines Corp., Nohmi Taiwan Ltd., PASCO DO BRASIL CONSULTORIA TECNICA LTDA., TMJP BPO SERVICES, INC., Secom Aktif Güvenlik Yatirim A.S., and Secom Aktif Elektronik Güvenlik Çözümleri A.S. 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 ADT SERVICES (M) SDN. BHD. and ADT INTEGRATED SECURITY SOLUTIONS PTE. LTD. close their book as of September 30, the financial statements prepared pursuant to the provisional closing of books conducted as of December 31 are used for preparation of the consolidated financial statements. Also, while ADT Alarm Monitoring Hong Kong Limited closes its book as of September 30, the financial statements prepared pursuant to the provisional closing of books conducted as of March 31 are used.

With respect to domestic consolidated subsidiaries, while Zao Urbane Properties Co., Ltd. closes its 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: 33-50 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

Hedging instruments:	Hedged items:
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 "Accounting Standards on Disclosure of Accounting Estimation")
We have applied "Accounting Standards on Disclosure of Accounting Estimation" (ASBJ Statement No.31, March 31, 2020) from the current fiscal year and notes to accounting estimation are stated in the Notes to Consolidated Financial Statements.

7. Notes on accounting estimates

(1) Allowance for doubtful accounts

1) Amounts stated in the consolidated financial statements
The Company has recognized short-term loans receivable of YEN 3,053 million, long-term loans receivable of YEN 33,301 million, an allowance for doubtful accounts of YEN 1,715 million for current assets, and an allowance for doubtful accounts of YEN 13,538 million for fixed assets in the consolidated balance sheet for the current fiscal year.

2) Other information to facilitate the understanding of accounting estimates
As stated in the above 5. (3) 1) Allowance for Doubtful Accounts, to provide for doubtful accounts such as trade accounts receivable and loans receivable, provisions are recognized as allowance for doubtful accounts. The amount of such an allowance for general receivables is determined based on historical default rates and the amount for specific receivables such as delinquent claims is determined as the expected non-recoverable amount based on recoverability assessment on an individual basis.
In identifying specific loans that are required to be assessed for recoverability on an individual basis, the Company takes into consideration the status of delinquency in repaying debts as well as the financial condition, past operating results, and future business plans of the debtors.
Among these factors, business plans are subject to uncertainty as they are affected by unforeseeable changes in business assumptions.
The non-recoverable amount of specific loans identified is estimated based on the debtors' financial condition and future business plans and involves significant judgment of the management on whether the plans for future revenue and expenses developed as part of the business plans are feasible, including whether the impact of unforeseeable changes in business assumptions is properly considered in these plans.

(2) Goodwill and other intangible assets

1) Amounts stated in the consolidated financial statements
The Company has recognized goodwill of YEN 65,604 million and other intangible assets of YEN 31,789 million in the consolidated balance sheet for the current fiscal year.

2) Other information to facilitate the understanding of accounting estimates

Goodwill and other intangible fixed assets are amortized in a regular manner. However, if there is an indication of impairment for the asset group containing these intangible assets, they need to be tested to determine whether an impairment loss needs to be recognized by comparing the total amount of undiscounted future cash flows arising from the asset group with their carrying amount. If it is determined that an impairment loss needs to be recognized as a result of such a test, the Company writes down the carrying amount to the recoverable amount and recognizes the amount of write-down as an impairment loss.

An indication of impairment is considered to exist, for example, when operating activities continue to make losses or when there has been or there is expected to be a significant deterioration in the business environment.

The carrying amounts of goodwill and other intangible fixed assets reflect the consolidated subsidiaries' excess earnings power, value of their customer base, etc., based on the expectations for the future growth of their business as at the time of the acquisition of each consolidated subsidiary. For this reason, in such cases where the business growth expected at the time of acquisition of each consolidated subsidiary is not achieved or where there has been or there is expected to be a significant deterioration in the business environment on which the business plan was based, an indication of impairment is considered to exist and goodwill and other intangible assets may need to be tested for the recognition of an impairment loss, even if its operating activities in which the asset group containing these intangible fixed assets is used are not making continuous losses.

Additional Information

(Accounting estimates of the impact of the COVID-19 pandemic)

The Company has developed accounting estimates in such areas as impairment accounting for fixed assets and allowance for doubtful accounts based on the assumption that the effect of the COVID-19 pandemic will last at least for some time, and has determined that it does not have a significant impact on its consolidated financial statements at this point. However, as the impact of COVID-19 is subject to a number of uncertain elements, the Group's financial condition and operating results from the next year onward may be significantly affected.

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 340 million) and other (YEN 10 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 20,261 million connected with cash filling services, which is restricted in use by the Group. The short-term bank loan balance includes YEN 2,767 million financed for the cash filling services.

The balance of cash deposits for armored car services includes YEN 19,314 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 16,749 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 99,313 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 99,295 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)	1,356
Short-term loans receivables	35
Other - current assets (receivable - other)	707
Buildings and improvements	18,664
Land	23,980
Other - intangible assets (leasehold)	818
Investment securities	1,579
Long-term loans receivable	594
Total	47,737

(2) Collateral-related Liabilities

	(Millions of Yen)
Bank loans	1,201
Current portion of straight bonds	398
Straight bonds	3,878
Long-term loans	7,608
Total	13,087

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. Change of purpose of owning real estate for sale in process
YEN 5,279 million of real estate for sale in process was transferred to Buildings and improvements and Land due to change to purpose of owning.

5. Accumulated Depreciation of Tangible Assets
YEN 539,317 million

6. Investment in Non-Consolidated Subsidiaries and Affiliates:
(Fixed assets)
Investment securities (stocks) YEN 58,761 million

7. Contingent Liabilities:
Guarantees of liabilities of entities and individuals
YEN 371 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 20 million

2. Amortization of Goodwill in Extraordinary losses
Goodwill was amortized pursuant to Paragraph 32 of the "Practical Guidelines for Capital Consolidation Procedures in Consolidated Financial Statements" (Japanese Institute of Certified Public Accountants (JICPA), last revised February 16, 2018, Accounting System Committee Report No. 7)

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	233,293,998	1,928	-	233,295,926
Treasury stocks				
Common stocks	15,033,588	977	-	15,034,565

(Outline of reasons for change)
The increase of 1,928 in the number of common stocks of issued shares is due to the issuance of restricted shares.
The increase of 977 in the number of common stocks of treasury stocks is due to the purchase of shares constituting less than one unit.

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 25, 2020	Common stock	18,552	85	March 31, 2020	June 26, 2020
Board of Directors Meeting on November 9, 2020	Common stock	18,552	85	September 30, 2020	December 7, 2020

(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 25, 2021	Common stock	Retained earnings	18,552	85	March 31, 2021	June 28, 2021

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, 2021 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	499,247	499,247	-
(2)Cash deposits for armored car services	138,889	138,889	-
(3)Notes and accounts receivable, trade	132,886	132,886	-
(4)Due from subscribers	39,980	39,980	-
(5)Short-term investments and investment securities			
(i) Held-to-maturity debt securities	11,853	13,194	1,340
(ii) Investment securities in affiliates	48,834	126,842	78,007
(iii) Available-for-sale securities	209,989	209,989	-
(6)Lease receivables and investment in leased assets	41,511	41,498	(13)
(7)Short-term loans receivable	3,053		
Allowance for doubtful accounts	-		
	3,053	3,053	-
(8)Long-term loans receivable	33,301		
Allowance for doubtful accounts (*1)	(12,828)		
	20,473	20,525	52
(9)Lease deposits	16,458	16,392	(65)
Total assets	1,163,180	1,242,501	79,320
(1)Notes and accounts payable, trade	42,858	42,858	-
(2)Bank loans	33,806	33,806	-
(3)Payables - other	42,215	42,215	-
(4)Accrued income taxes	23,440	23,440	-
(5)Deposits received for armored car services	119,334	119,334	-
(6)Straight bonds	4,338	4,338	(0)
(7)Long-term loans	10,444	10,442	(1)
(8)Guarantee deposits received	4,102	4,104	1
Total liabilities	280,541	280,540	(0)
Derivative transactions (*2)			
(i) Hedge accounting not applied	-	-	-
(ii) Hedge accounting applied	-	<0>	(0)
Total derivative transactions	-	<0>	(0)

*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.

(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)	4,326
Unlisted stock of affiliates (*1)	9,927
Investments in limited partnerships for investment, etc. (*1)	8,771
Deposit from business activities (*2)	26,592

*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	41,592	2,427	44,020	80,412
Medical facilities	54,285	(1,548)	52,737	62,428
Other	8,424	4,313	12,738	14,120
Total	104,302	5,193	109,495	156,961

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

(Note 2) A major amount of increase in “Other” item is YEN 5,279 million, which is a transfer of real estate for sale in process due to change of purpose of owning such real estate.

(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.

Profit or loss on rental properties and other real estate for the fiscal year ended March 31, 2021 is as follows:

(Millions of Yen)

	Rental income	Rental expenses	Difference	Other (gains/losses on sale etc.)
Office buildings	3,583	1,542	2,040	(23)
Medical facilities	6,960	3,323	3,636	-
Other	457	214	242	97
Total	11,001	5,081	5,920	73

(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	13,822
Net defined benefit liability	6,435
Eliminations of unrealized gain	6,021
Accrued bonuses	5,654
Allowance for doubtful accounts	5,035
Impairment loss	4,970
Adjustment of book value of fixed assets of subsidiaries at fair value at the date of consolidation (land and buildings)	4,767
Write-down on fixed assets	4,695
Operating loss carryforwards	2,500
Other	14,254
Gross deferred income tax assets	68,159
Valuation allowance (*)	(15,791)
Total deferred income tax assets	52,367

Deferred income tax liabilities:

Net defined benefit asset	(11,836)
Unrealized gains on securities	(8,491)
Adjustment of book value of fixed assets of subsidiaries at fair value at the date of consolidation (intangible assets)	(7,372)
Adjustment of book value of fixed assets of subsidiaries at fair value at the date of consolidation (land and buildings)	(4,917)
Adjustment of book value of fixed assets of subsidiaries at fair value at the date of consolidation (other fixed assets)	(960)
Other	(1,017)
Total deferred income tax liabilities	(34,596)
Net deferred income tax assets	17,771

(*) Valuation allowance declined by YEN 2,682 million. This is mainly because valuation allowance related to operating loss carryforwards at a consolidated subsidiary fell by YEN 2,253 million.

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)	
Amortization of goodwill	2.7
Unrealized gains on investments in affiliated securities	(1.5)
Per capita levy of corporate inhabitant tax	0.8
Utilization of operating loss carryforwards	(0.8)
Research and development tax credits	(0.8)
Difference in tax rate with consolidated companies	0.6
Adjustment of loss (gain) on sales of shares of subsidiaries and affiliates	0.6
Increase in valuation allowance	0.5
Permanently non-taxable expenses such as entertainment expenses	0.4
Other	0.3
Effective tax rate after the application of deferred income tax accounting	33.3 (%)

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 benefit 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	99,762
Service cost	5,825
Interest cost	385
Actuarial gains and losses incurred	3,184
Retirement benefits paid	(4,929)
Ending balance of retirement benefit obligations	104,227

(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	111,355
Expected rate of return	3,140
Actuarial gains and losses incurred	8,956
Contributions from the employer	5,300
Retirement benefits paid	(3,990)
Ending balance of plan assets	124,762

(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	3,513
Retirement benefit expenses	543
Retirement benefits paid	(256)
Contributions to the plan	(134)
Decrease due to exclusion of subsidiaries from consolidation	(581)
Other	17
Ending balance of net defined benefit liability	3,102

(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	89,445
Plan assets	(127,387)
	(37,941)
Retirement benefit obligations of non-funded plans	20,507
Net amount of assets and liabilities recognized in the consolidated balance sheet	(17,433)

	(Millions of Yen)
Net defined benefit liability	22,098
Net defined benefit asset	(39,532)
Net amount of assets and liabilities recognized in the consolidated balance sheet	(17,433)

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

(5) Retirement benefit expenses and their breakdown

	(Millions of Yen)
Service cost	5,825
Interest cost	385
Expected rate of return	(3,140)
Amortization of actuarial gains and losses	(415)
Retirement benefit expenses calculated using the simplified method	543
Retirement benefit expenses pertaining to defined benefit plans	3,197

(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	(6,690)
Total	(6,690)

(7) Matters concerning actuarial assumptions
Major actuarial assumptions applied at the end of the current fiscal year

Discount rate	Mainly 0.4%
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 2,275 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 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		
Cash on hand and in banks	5,113	million yen
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
Total assets	759	million yen
Current liabilities	105	million yen
Long-term liabilities	15	million yen
Total liabilities	121	million yen

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
Acquisition Cost	1,717	million yen

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
Fixed assets	29	million yen
Total assets	245	million yen
Current liabilities	95	million yen
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

Cash on hand and in banks	(Payables-other included)	1,377	million yen
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
Total assets	225	million yen
Current liabilities	111	million yen
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. on December 22, 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
Total assets	28,395	million yen
Current liabilities	23,511	million yen
Long-term liabilities	644	million yen
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

Notes to Per-Share Information

Net assets per share:	YEN	4,958.18
Net income per share:	YEN	342.17

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: 33-50 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.
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.

Notes on Changes in Presentation Method

(Changes in relation to the application of the "Accounting Standard for Disclosure of Accounting Estimates")
The "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020) has been applied from the current fiscal year, and Notes on Accounting Estimates are included in the Notes to Non-Consolidated Financial Statements.

Notes on Accounting Estimates

1. Investment Securities in Subsidiaries and Affiliated Companies

(1) Amounts stated in financial statements
The amount of investment securities in subsidiaries and affiliated companies of YEN 356,243 million stated in the balance sheet for the current fiscal year includes investments in unlisted subsidiaries that the Company has acquired through an acquisition transaction.

(2) Other information to facilitate the understanding of accounting estimates
Shares for which market prices are not available acquired through investments in unlisted subsidiaries are stated in the balance sheet at acquisition costs. If the net asset value of an issuer of these shares is judged to have declined significantly due to the deterioration in the financial condition of the issuer, a valuation loss on these securities needs to be recognized unless the recoverability of the net asset value is supported by sufficient evidence.
In the case where the Company acquires shares of an investee at a price that is considerably higher than its net assets per share as per its financial statements reflecting the excess earnings power and the like of the investee, if the net asset value subsequently declines significantly due to a decline in excess earnings power and the like, a valuation loss on the investment in the investee needs to be recognized even if there has been no deterioration in its financial condition.
The acquisition cost of shares pertaining to the investment in unlisted subsidiaries acquired through an acquisition reflects their excess earnings power, value of their customer base, etc., based on the expectations for the future growth of their business as at the time of the acquisition of each subsidiary. For this reason, if the excess earnings power and the like has been impaired because the business growth expected at the time of acquisition is not achieved and/or there has been or there is expected to be a significant deterioration in the business environment on which the business plan was based, a valuation loss may need to be recognized on investments in these subsidiaries, even if there has been no deterioration in their financial condition since the acquisition.

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 17,981 million connected with cash filling services, which is restricted in use by the Company. The

short-term bank loan balance includes YEN 2,767 million financed for the cash filling services.

The balance of cash deposits for armored car services includes YEN 19,292 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 16,749 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	35
Investment securities	1,358
Investment securities in subsidiaries and affiliates	45
Long-term loans receivable	594
Total	2,033

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 301,865 million

4. Contingent Liabilities

(1) Guarantees

Liabilities of the below entities and employees are guaranteed.

	(Millions of Yen)
Alive Medicare Co., Ltd.	1,125
Secom Aktif Güvenlik Yatirim A.S.	774
Secom Fort West Co., Ltd.	238
Purchasers of real estate the Company sold	201
Employees	191
Purchasers of merchandises by leasing transactions etc.	34
Others	10
Total	2,575

(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 193,154 million, including YEN 181,604 million of investment deposits by policyholders, unearned premiums and other insurance liabilities, and the total assets are

YEN 228,916 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	28,739
Long-term receivables	62,646
Short-term payables	7,448
Long-term payables	2,631

Notes to Non-Consolidated Statement of Income

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

	(Millions of Yen)
Operating transactions (Revenue)	17,604
Operating transactions (Expense)	43,656
Non-operating transactions (Income)	14,650

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	15,033,588	977	-	15,034,565

(Outline of reasons for change)

The increase of 977 in the number of common stocks is due to the purchase of shares constituting less than one unit.

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	7,043
Impairment loss	2,263
Accrued bonuses	2,049
Write-down on fixed assets	1,250
Write-down on inventories	723
Allowance for defined benefit	423
Other	2,565
Gross deferred income tax assets	16,320
Valuation allowance	(1,264)
Total deferred income tax assets	15,056

Deferred income tax liabilities:	
Prepaid pension and severance costs	(7,876)
Other	(2,770)
Total deferred income tax liabilities	(10,647)
Net deferred income tax assets (liabilities)	4,408

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)	
Permanently non-taxable income such as dividends income	(5.0)
Research and development tax credits	(0.8)
Per capita levy of corporate inhabitant tax	0.7
Permanently non-taxable expenses such as entertainment expenses	0.1
Other	(0.0)
Effective tax rate after the application of deferred income tax accounting	25.5 (%)

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. (Note 3)	-	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	72.1	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. (Note 3)	Execution of loans (Collection of loans) Receipt of interests (Note 2) Waiver of debt (Note 3)	7,480 (4,955) 9 4,484	-	-
Secom Credit Co., Ltd.	Execution of loans (Collection of loans) Receipt of interests (Note 2)	41,370 (63,920) 98	Short-term loans receivable	1,800
			Long-term loans receivable	13,150
Secom Medical System Co., Ltd.	Execution of loans (Collection of loans) Receipt of interests (Note 2)	8,340 (12,494) 385	Short-term loans receivable	13,190
			Long-term loans receivable	25,464
Pasco Corporation	(Collection of loans) Receipt of interests (Note 2)	(10,900) 1	-	-
Arai & Co., Ltd.	Execution of loans (Collection of loans) Receipt of interests (Note 2)	5,650 (6,264) 214	Short-term loans receivable	5,851
			Long-term loans receivable	7,772
At Tokyo Corporation	(Collection of loans) Receipt of interests (Note 2)	(4,000) 47	Long-term loans receivable	8,200

(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 Company transferred all shares of Secom Home Life Co., Ltd. （currently ANABUKI HOMELIFE Co., Ltd.） and it is no longer a related party. The amount of transactions stated herein is the one at the time of the disposition. The debt was waived prior to the sale of Secom Home Life Co., Ltd. In relation to the waiver, the Company reversed YEN 1,960 million previously recorded as allowance and recorded YEN 2,524 million as the loss on debt forgiveness of subsidiaries and affiliates.

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)	30	Accrued service fee	0
			Unearned service fee	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	3,842.01
Net income per share:	YEN	274.72

[English Translation]