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FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED MARCH 31, 2022
 (Based on JAPANESE GAAP) (Consolidated)

May 12, 2022

Company name: SECOM CO., LTD. (URL: <https://www.secom.co.jp/>)
 Code number: 9735 Tokyo Stock Exchange ----- Prime Market
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Scheduled date of General Shareholders' Meeting: June 28, 2022
 Scheduled date of dividend payout: June 29, 2022
 Scheduled date of filing Securities Report: June 28, 2022
 Preparation of supplementary materials: Applicable
 Holding of results information meeting: Applicable (for institutional investors and analysts)

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

1. Consolidated financial results for the fiscal year ended March 31, 2022 (April 1, 2021 – March 31, 2022)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

Fiscal year ended	Revenue		Operating profit		Ordinary profit		Net income attributable to owners of the parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2022	1,049,859	1.3	143,499	4.8	153,186	10.2	94,273	26.2
March 31, 2021	1,035,898	(2.3)	136,925	(4.2)	138,990	(8.2)	74,681	(16.2)

Note: Comprehensive income For the fiscal year ended March 31, 2022: JPY 118,423 million [23.2%]
 For the fiscal year ended March 31, 2021: JPY 96,095 million [9.8%]

Fiscal year ended	Basic net income per share	Diluted net income per share	Net income / Equity	Ordinary profit / Total assets	Operating profit / Revenue
	Yen	Yen	%	%	%
March 31, 2022	431.27	—	8.6	8.1	13.7
March 31, 2021	342.17	—	7.1	7.6	13.2

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

For the fiscal year ended March 31, 2022: JPY 6,745 million

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

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

(2) Consolidated financial position

As of	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
March 31, 2022	1,907,755	1,256,036	58.8	5,147.30
March 31, 2021	1,864,179	1,229,824	58.1	4,958.18

Reference: Equity

As of March 31, 2022: JPY 1,122,536 million

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

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

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of the period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2022	164,911	(55,351)	(87,393)	513,902
March 31, 2021	181,932	(48,536)	(49,311)	490,039

2. Dividends

	Annual dividends per share					Total cash dividends (Total)	Payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
March 31, 2021	—	85.00	—	85.00	170.00	37,104	49.7	3.5
March 31, 2022	—	90.00	—	90.00	180.00	39,271	41.7	3.6
March 31, 2023 (projected)	—	90.00	—	95.00	185.00		46.2	

3. Projections for the consolidated financial results for the fiscal year ending March 31, 2023 (April 1, 2022 – March 31, 2023) and the six-month period ending September 30, 2022 (April 1, 2022 – September 30, 2022)

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

	Projected revenue		Projected operating profit		Projected ordinary profit		Projected net income attributable to owners of the parent		Projected basic net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six-month period ending September 30, 2022	500,000	(0.5)	61,000	(14.3)	64,500	(16.2)	41,500	(13.6)	190.29
Year ending March 31, 2023	1,059,400	0.9	134,000	(6.6)	141,000	(8.0)	87,300	(7.4)	400.31

Note: The projected basic net income per share is calculated based on the number of common shares outstanding, excluding treasury stock, as of March 31, 2022.

* Notes

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

- (i) Number of common shares outstanding, including treasury stock

As of March 31, 2022	233,298,049 shares
As of March 31, 2021	233,295,926 shares

- (ii) Number of shares of treasury stock

As of March 31, 2022	15,215,218 shares
As of March 31, 2021	15,034,565 shares

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

Fiscal year ended March 31, 2022	218,595,381 shares
Fiscal year ended March 31, 2021	218,261,353 shares

[Reference] Summary of nonconsolidated results**Nonconsolidated financial results for the fiscal year ended March 31, 2022 (April 1, 2021 – March 31, 2022)****(1) Nonconsolidated operating results**

(Percentages indicate year-on-year changes.)

Fiscal year ended	Revenue		Operating profit		Ordinary profit		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2022	395,181	0.2	78,703	4.2	95,094	6.5	69,885	16.6
March 31, 2021	394,389	(1.1)	75,541	(1.7)	89,301	(1.4)	59,960	(8.9)

Fiscal year ended	Basic net income per share	Diluted net income per share
	Yen	Yen
March 31, 2022	319.70	—
March 31, 2021	274.72	—

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

(2) Nonconsolidated financial position

As of	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
March 31, 2022	993,501	859,950	86.6	3,943.23
March 31, 2021	971,493	838,562	86.3	3,842.01

Reference: Equity

As of March 31, 2022: JPY 859,950 million

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

Note on status of audit procedures

This report is excluded from the scope of audit procedures.

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

The forward-looking statements including the future performance described in this document are provided based on both all information available at this moment and certain assumptions considered reasonable. Actual performance may differ materially from the forward-looking statements due to various factors hereafter occurred. For matters regarding assumptions on financial projections and notes for the use of financial projections, please refer to “1. Operating Results (4) Projections for the fiscal year ending March 31, 2023” on page 6 in the appendices.

Contents for the Appendices

- 1. Operating Results..... 2**
 - (1) Analysis on Operating Results..... 2
 - (2) Analysis on Financial Positions 4
 - (3) Analysis on Cash Flows..... 5
 - (4) Projections for the fiscal year ending March 31, 2023 6
 - (5) Basic Policy on Distribution of Surplus and Dividend Payments for the Current and Next Fiscal Year 7
 - (6) Significant Events Regarding Assumption of Going Concern, etc. 8

- 2. Consolidated Financial Statements 9**
 - (1) Consolidated Balance Sheets 9
 - (2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income 11
 - (3) Consolidated Statements of Changes in Net Assets 12
 - (4) Consolidated Statements of Cash Flows..... 14
 - (5) Notes Regarding the Consolidated Financial Statement..... 16

- 3. Nonconsolidated Financial Statements 28**
 - (1) Nonconsolidated Balance Sheets 28
 - (2) Nonconsolidated Statements of Income..... 31
 - (3) Nonconsolidated Statements of Changes in Net Assets..... 32
 - (4) Notes Regarding the Nonconsolidated Financial Statement..... 34

1. Operating Results

(1) Analysis on Operating Results

During the fiscal year ended March 31, 2022 (“the current fiscal year”), the Japanese economy showed movements of recovery in some areas such as corporate earnings and private consumption, although the situation remained challenging due to COVID-19. While economic and social activities move toward normalization with measures to prevent the spread of infections, continual attention has been required to downside risks in the economy due to the trends of the infectious disease in Japan and overseas, the fluctuations in the financial and capital markets, as well as the growing uncertainty of the international situation and the impact of rising raw material prices.

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

As an Official Partner in the category of Security Services and Planning, we sponsored the Olympic and Paralympic Games Tokyo 2020, held from July to September 2021. We contributed to safe and secure staging of the games by providing security services for competition venues and facilities. In response to the significant decline in the labor force and the rising demand for security, we launched the AI-powered Virtual Security Guard System in January 2022, which features a virtual character who performs security, receptionist and other static guard duties. We also started providing cocobo, a security robot that makes use of AI and 5G technologies to conduct security duties at commercial facilities and office buildings. In February, we released SECOM Cantabile, the app for Apple Watch and iPhone, which enhances the more convenient and pleasant use of SECOM Home Security. In the period under review, we continued to provide meticulous and seamless services through various initiatives to satisfy the increasingly diversified and sophisticated needs of our customers for their safety and peace of mind.

In December 2020, we transferred all of the issued shares of Secom Home Life Co., Ltd., which had been a consolidated subsidiary, and excluded it from the scope of consolidation. As a result, the segment name was changed from “real estate and other services” to “other services” from the current fiscal year. There is no change in the segment classification as a result of this change regarding the segment name noted above.

Effective from the current fiscal year, we have reviewed the segment classifications from the perspective of similarity and relevance of business activities in order to provide more appropriate information, and have reclassified some businesses previously included in the security services segment to the BPO and ICT services segment and the other services segment. For comparisons with the same period of the previous fiscal year, information prepared in accordance with the classification after the change is presented and analyzed.

Segment information is as follows.

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

For our commercial security services, we worked to expand the sales of System Security AZ (*1), an all-in-one system that accommodates a variety of functions that benefit customers’ business operations, including security and fire protection, as well as work efficiency solutions such as employee attendance management. In response to the increasingly diverse needs for video surveillance, we offered SECOM IP

Camera System and SECOM Cloud Video Surveillance, which can be integrated with AZ and flexibly respond to a wide range of requests regardless of the scale of facilities, with the extensive lineup of surveillance cameras and cloud capability.

For our residential security services, in addition to responding to security and fire protection needs, we improved the functions of SECOM Home Security NEO, a flexible system suited to modern lifestyles that can expand its services by linking with various devices, and have made continuous efforts to market it. We also began offering the Monitoring Service for Seniors as an optional service for SECOM Home Security, which enables family members to check up on their parents living apart in a nonintrusive manner by using a smartphone app.

Outside Japan, we promoted our “SECOM-style” security services, characterized by its emergency response services, mainly in economically developing areas, such as Southeast Asia and the People’s Republic of China. We accelerated efforts to develop and introduce security systems adapted to the local market while advancing initiatives for digital transformation of on-line security systems by incorporating the latest technologies.

As a result, revenue increased by 0.4% to 558.0 billion yen, mainly due to the brisk sales of on-line security systems for commercial and residential use, as well as the increase in revenue in static guard services, despite the effect of the decrease in revenue by 5.5 billion yen owing to the exclusion of a subsidiary of Secom Home Life Co., Ltd. from the scope of consolidation. Operating profit increased by 3.8% to 116.1 billion yen.

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

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

Revenue increased by 4.3% to 148.8 billion yen, mainly attributable to the increase in revenue from fire alarm systems provided by Nohmi Bosai Ltd. Operating profit increased by 14.0% to 14.7 billion yen, chiefly owing to the concentration of projects with high profitability.

In the medical services segment, we provided various medical services such as our core home medical services, including home nursing services and pharmaceutical dispensing and home delivery services, operation of residences for seniors, sales of electronic medical report systems, sales of medical equipment and pharmaceutical products, personal care services, and the leasing of real estate for medical institutions. Revenue increased by 4.1% to 74.5 billion yen, mainly due to the increases in sales of medical consumables and in revenue in Takshasila Hospitals Operating Pvt. Ltd., a general hospital operating company in India. Operating profit increased by 37.9% to 5.6 billion yen.

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

Revenue increased by 6.5% to 52.6 billion yen, mainly due to the firm increase in sales of MEDCOM, an unrestricted cancer treatment policy provided by Secom General Insurance Co., Ltd. Operating profit increased by 27.0% to 1.0 billion yen, largely attributable to the decrease in losses from natural disasters.

In the geospatial information services segment, we collected geographic data from aerial photography, vehicle/ground surveying systems and satellite images, which we integrated, processed, and analyzed to provide geospatial information services to domestic national and local governmental agencies, private sectors, and foreign governmental agencies including emerging and developing countries.

Revenue increased by 2.8% to 56.3 billion yen, chiefly owing to the rise in revenue from domestic public-sector customers, with the increase in surveying services using airborne laser and in other services. Operating profit decreased by 13.4% to 4.0 billion yen, mainly attributable to the inclusion of head office relocation expenses and the rise in personnel expenses resulting from an increase in the number of employees, as well as the reversal of the provision for loss on construction contracts of large-scale projects in the international division in the previous fiscal year.

In the BPO and ICT services segment, our distinctive portfolio includes business continuity planning (BCP) support, teleworking support, information security services and a variety of cloud-based services, centering on the data centers, as well as BPO related services including operation of contact center services. Revenue increased by 3.3% to 115.6 billion yen, chiefly owing to the increases in revenue in TMJ, Inc., a provider of BPO services including contact centers and back office services, and data center business. Operating profit increased by 4.1% to 13.1 billion yen.

Other services segment comprises real estate leasing and construction and installation services.

Revenue decreased by 11.8% to 43.6 billion yen, mainly due to the effect of the decrease in revenue by 7.5 billion yen owing to the exclusion of Secom Home Life Co., Ltd. from the scope of consolidation. Operating profit decreased by 3.4% to 5.9 billion yen.

As a result, consolidated revenue for the current fiscal year increased by 1.3% to 1,049.8 billion yen compared with the previous fiscal year, due to the increases in revenue in all reportable segments despite the effect of the decreases in revenue by 13.1 billion yen owing to the exclusion of Secom Home Life Co., Ltd. and its subsidiary from the scope of consolidation in December 2020 and 3.3 billion yen attributable to the application of “Accounting Standard for Revenue Recognition” (ASBJ Statement No.29, March 31, 2020), etc. Consolidated operating profit increased by 4.8% to 143.4 billion yen, attributable to the effect of increases in operating profit in security services, fire protection services, medical services, insurance services and BPO and ICT services. Consolidated ordinary profit increased by 10.2% to 153.1 billion yen, mainly due to the recognition of net gains of 2.8 billion yen on private equity investment in the U.S. etc., compared with net losses of 3.5 billion yen in the previous fiscal year, in non-operating income/expenses. Consolidated net income attributable to owners of the parent increased by 26.2% to 94.2 billion yen, mainly attributable to the recognition of amortization of goodwill of 5.6 billion yen and net losses of 2.9 billion yen on sales of investment securities in subsidiaries and affiliates in the previous fiscal year in extraordinary losses.

Operating profit, ordinary profit and net income attributable to owners of the parent reached a record-high.

(2) Analysis on Financial Positions

Total assets as of March 31, 2022 amounted to 1,907.7 billion yen, 2.3% or 43.5 billion yen higher than those at the end of the previous fiscal year. Total current assets, at 986.2 billion yen, were up 4.7% or 44.1 billion yen. This was largely attributable to the increases in cash on hand and in banks by 4.6% or 23.1 billion yen to 522.3 billion yen, notes and accounts receivable – trade and contract assets by 12.8% or 16.9 billion yen to 149.8 billion yen. Total fixed assets, at 921.5 billion yen, were down 0.1% or 0.5 billion

yen. This was mainly attributable to the decrease in other of investments and others by 12.2% or 6.5 billion yen to 47.0 billion yen, despite the increase in net defined benefit asset by 21.0% or 8.3 billion yen to 47.8 billion yen.

Total liabilities amounted to 651.7 billion yen, 2.7% or 17.3 billion yen higher than those at the end of the previous fiscal year. Total current liabilities amounted to 361.7 billion yen, up 0.2% or 0.6 billion yen, owing to the increase in deferred revenue by 26.6% or 8.0 billion yen to 38.2 billion yen, despite the decrease in other by 27.4% or 6.4 billion yen to 17.0 billion yen. Long-term liabilities increased by 6.1% or 16.7 billion yen to 289.9 billion yen, compared to those at the end of the previous fiscal year. This was mainly attributable to the recognition of long-term deferred revenue of 16.5 billion yen and the increase in investment deposits by policyholders, unearned premiums and other insurance liabilities by 2.6% or 4.6 billion yen to 185.6 billion yen, despite the decrease in guarantee deposits received by 22.9% or 7.0 billion yen to 23.6 billion yen.

Total net assets amounted to 1,256.0 billion yen, 2.1% or 26.2 billion yen higher than those at the end of the previous fiscal year, mainly due to the increases in retained earnings by 4.5% or 45.3 billion yen and foreign currency translation adjustments by 66.9% or 11.3 billion yen, remeasurements of defined benefit plans, net of taxes by 61.6% or 2.6 billion yen, despite the decreases in capital surplus by 14.0% or 11.4 billion yen, common stock in treasury, at cost by 7.7% or 5.6 billion yen and noncontrolling interests by 9.6% or 14.1 billion yen.

(3) Analysis on Cash Flows

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

	(In millions of yen)		
	Year ended March 31, 2021	Year ended March 31, 2022	Increase (decrease)
Cash flows from operating activities	181,932	164,911	(17,020)
Cash flows from investing activities	(48,536)	(55,351)	(6,814)
Cash flows from financing activities	(49,311)	(87,393)	(38,081)
Effect of exchange rate changes on cash and cash equivalents	(524)	1,695	2,219
Net increase (decrease) in cash and cash equivalents	83,559	23,862	(59,697)
Cash and cash equivalents at beginning of the period	406,479	490,039	83,559
Cash and cash equivalents at end of the period	490,039	513,902	23,862

(Cash flows from operating activities)

Net cash provided by operating activities for the current fiscal year amounted to 164.9 billion yen; 181.9 billion yen in the previous fiscal year. Major factors of cash increase were income before income taxes of 152.0 billion yen and depreciation and amortization of 61.7 billion yen. Major factors of cash decrease were income taxes paid of 42.6 billion yen and increase in trade receivables and contract assets of 10.6 billion yen.

(Cash flows from investing activities)

Net cash used in investing activities was 55.3 billion yen; 48.5 billion yen in the previous fiscal year. Major factors of cash decrease were payments for purchases of tangible assets, including security equipment and control stations of 53.1 billion yen and payments for purchases of investment securities of 31.6 billion yen. Major factor of cash increase was proceeds from sales and redemptions of investment securities of 33.2 billion yen.

(Cash flows from financing activities)

Net cash used in financing activities amounted to 87.3 billion yen; 49.3 billion yen in the previous fiscal year. Major factors of cash decrease were dividends paid of 38.1 billion yen, purchase of shares of

subsidiaries not resulting in change in scope of consolidation of 28.5 billion yen, increase in treasury stocks, net of 11.2 billion yen and repayments of lease obligations of 5.6 billion yen. Major factor of cash increase was proceeds from long-term loans of 4.8 billion yen.

As a result, cash and cash equivalents as of March 31, 2022 were 513.9 billion yen, 23.8 billion yen higher than those at the end of the previous fiscal year.

(Reference) Trend of indices related to cash flows

	Years ended				
	March 31, 2018	March 31, 2019	March 31, 2020	March 31, 2021	March 31, 2022
Equity ratio (%)	55.5	56.4	57.0	58.1	58.8
Equity ratio (market price base) (%)	100.8	117.2	107.9	109.0	101.4
Interest-bearing liabilities / Cash flows from operating activities (in year)	0.6	0.5	0.4	0.4	0.4
Interest coverage ratio	153.0	207.3	260.6	237.0	195.9

Note: Equity ratio = Equity / Total assets

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

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

(4) Projections for the fiscal year ending March 31, 2023

In regard to the outlook in the Japanese economy, it is expected to recover moderately, supported by the effects of various policies and improvements in overseas economies, although it is anticipated to stay affected by COVID-19. Conditions will remain uncertain, with attentions required to the further impacts on the domestic and overseas economies due to the trend of COVID-19, the effects of fluctuations in the financial and capital markets, as well as the international situation and the impact of rising raw material prices.

We have been promoting various initiatives to achieve the SECOM Group's Vision for 2030. The social environment is constantly changing, making it difficult to predict the future, and yet we will continue to invest in systems and human resources for our future growth. Going forward, we will promote various measures to respond to changes in the society, thereby steadily creating and nurturing new businesses through new value creation and expanding existing businesses to further accelerate our growth.

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

For the projections for the fiscal year ending March 31, 2023, we expect revenue to increase by 9.5 billion yen to 1,059.4 billion yen. On the other hand, we expect operating profit to decrease by 9.4 billion yen to 134.0 billion yen mainly attributable to the concentration of projects with high profitability in fire protection services in the fiscal year ended March 31, 2022, the increase in cost due to the rise in fuel cost adjustment unit price and others in data center business of BPO and ICT services, and the revision of wage as the investment in human resource at group companies.

(Notes for projections)

Projections for the consolidated financial results for the fiscal year ending March 31, 2023, are based on management's assumptions in light of information currently available. As actual performance may differ materially from the forward-looking statements due to various factors hereafter occurred, you should refrain from making an investment decision by solely relying on these projections. Such factors include, but are not limited to, changes in economic conditions affecting our group's operations, market trends, legislative changes, occurrences of natural disasters, product recalls and the results of contingency.

(Consolidated financial results)

	(In billions of yen)		
	Year ended March 31, 2021	Year ended March 31, 2022	Year ending March 31, 2023 (Projections)
Revenue	1,035.8	1,049.8	1,059.4
Change from the previous year	(2.3%)	+1.3%	+0.9%
Operating profit	136.9	143.4	134.0
Change from the previous year	(4.2%)	+4.8%	(6.6%)
Ordinary profit	138.9	153.1	141.0
Change from the previous year	(8.2%)	+10.2%	(8.0%)
Net income attributable to owners of the parent	74.6	94.2	87.3
Change from the previous year	(16.2%)	+26.2%	(7.4%)
Basic net income per share (in yen)	342.17	431.27	400.31

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

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

Based on the basic policy aforesaid, we have determined to propose to the Ordinary General Meeting of Shareholders that the year-end dividends for the current fiscal year be 90 yen per share to respond to shareholders' continuous support. The dividends for the current fiscal year are 180 yen per share, the sum of the interim dividends of 90 yen per share and the year-end dividends of 90 yen per share, 10 yen higher than those for the previous fiscal year, and consolidated dividend payout ratio is 41.7%.

Interim dividends of 90 yen has been increased by 5 yen from the initial interim dividend forecast, based on the fact that operating profit, ordinary profit and net income attributable to owners of the parent reached record-highs for the six-month period ended September 30.

Based on the resolution adopted by its Board of Directors at the meeting held on February 10, 2022, the Company repurchased 1,318,500 shares of its own shares at the repurchase price of 11,231,926,487 yen by the market purchase on the Tokyo Stock Exchange during the period from February 14 to March 31,

2022. The Company continues to repurchase its own shares with the maximum total repurchase price of 30 billion yen until the repurchase period ends on June 23, 2022.

The dividends for the next fiscal year are planned to be 185 yen per share, the sum of the interim dividends of 90 yen per share and the year-end dividends of 95 yen per share.

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

Not applicable

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

	(In millions of yen)	
	March 31, 2021	March 31, 2022
ASSETS:		
Current assets:		
Cash on hand and in banks	499,247	522,363
Cash deposits for armored car services	138,889	136,477
Notes and accounts receivable, trade	132,886	—
Notes and accounts receivable - trade and contract assets	—	149,878
Due from subscribers	39,980	39,468
Short-term investments	21,579	27,020
Lease receivables and investment in leased assets	41,511	37,518
Merchandise and products	14,289	14,724
Real estate inventories	186	2,593
Work in process	4,880	5,629
Costs on uncompleted construction contracts	7,524	—
Raw materials and supplies	11,003	13,930
Short-term loans receivable	3,053	2,563
Other	28,714	36,064
Allowance for doubtful accounts	(1,715)	(2,031)
Total current assets	942,033	986,202
Fixed assets:		
Tangible assets:		
Buildings and improvements, net	152,770	151,809
Security equipment and control stations, net	74,704	73,911
Land	120,876	122,050
Other, net	43,424	42,695
Total tangible assets	391,775	390,467
Intangible assets	120,277	115,228
Investments and others:		
Investment securities	272,123	276,230
Long-term loans receivable	33,301	29,494
Net defined benefit asset	39,532	47,852
Deferred income taxes	25,085	27,407
Other	53,588	47,068
Allowance for doubtful accounts	(13,538)	(12,195)
Total investments and others	410,093	415,858
Total fixed assets	922,145	921,553
Total assets	1,864,179	1,907,755

(1) Consolidated Balance Sheets (Continued)

	(In millions of yen)	
	March 31, 2021	March 31, 2022
LIABILITIES:		
Current liabilities:		
Notes and accounts payable, trade	42,858	44,271
Bank loans	33,806	32,159
Current portion of straight bonds	439	409
Lease obligations	4,730	4,843
Payables - other	42,215	43,257
Accrued income taxes	23,440	25,043
Accrued consumption taxes	12,652	8,966
Accrued expenses	7,828	8,436
Deposits received for armored car services	119,334	118,971
Deferred revenue	30,192	38,228
Accrued bonuses	18,298	17,960
Provision for losses on construction contracts	1,820	2,159
Other	23,488	17,041
Total current liabilities	361,106	361,750
Long-term liabilities:		
Straight bonds	3,899	3,489
Long-term loans	10,444	11,650
Lease obligations	12,854	15,077
Guarantee deposits received	30,694	23,669
Deferred income taxes	7,314	6,859
Accrued retirement benefits for directors and audit and supervisory board members	793	842
Net defined benefit liability	22,098	21,896
Long-term deferred revenue	—	16,545
Investment deposits by policyholders, unearned premiums and other insurance liabilities	181,014	185,698
Other	4,134	4,240
Total long-term liabilities	273,248	289,969
Total liabilities	634,355	651,719
NET ASSETS:		
Shareholders' equity:		
Common stock	66,410	66,419
Capital surplus	81,801	70,335
Retained earnings	998,405	1,043,766
Common stock in treasury, at cost	(73,785)	(79,436)
Total shareholders' equity	1,072,832	1,101,084
Accumulated other comprehensive income (losses):		
Unrealized gains on securities	22,122	20,220
Deferred losses on hedges	(11)	(6)
Foreign currency translation adjustments	(17,011)	(5,627)
Remeasurements of defined benefit plans, net of taxes	4,247	6,865
Total accumulated other comprehensive income (losses)	9,346	21,451
Noncontrolling interests	147,645	133,499
Total net assets	1,229,824	1,256,036
Total liabilities and net assets	1,864,179	1,907,755

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

Consolidated Statements of Income

	(In millions of yen)	
	Year ended	Year ended
	March 31, 2021	March 31, 2022
Revenue	1,035,898	1,049,859
Costs of revenue	705,326	712,187
Gross profit	330,571	337,672
Selling, general and administrative expenses	193,645	194,173
Operating profit	136,925	143,499
Non-operating income	11,554	14,977
Non-operating expenses	9,489	5,290
Ordinary profit	138,990	153,186
Extraordinary profit	352	1,033
Extraordinary losses	10,499	2,206
Income before income taxes	128,843	152,013
Income taxes - current	43,023	45,045
Income taxes - deferred	(68)	1,223
Total income taxes	42,955	46,269
Net income	85,888	105,744
Net income attributable to noncontrolling interests	11,207	11,470
Net income attributable to owners of the parent	74,681	94,273

Consolidated Statements of Comprehensive Income

	(In millions of yen)	
	Year ended	Year ended
	March 31, 2021	March 31, 2022
Net income	85,888	105,744
Other comprehensive income (losses):		
Unrealized gains (losses) on securities	10,451	(1,835)
Foreign currency translation adjustments	(4,485)	9,484
Remeasurements of defined benefit plans, net of taxes	3,715	2,491
Share of other comprehensive income (losses) of affiliated companies accounted for under the equity method	525	2,539
Total other comprehensive income (losses)	10,206	12,679
Comprehensive income	96,095	118,423
Comprehensive income attributable to:		
Owners of the parent company	84,240	106,378
Noncontrolling interests	11,854	12,044

(3) Consolidated Statements of Changes in Net Assets

Fiscal year ended March 31, 2021

(In millions of yen)

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

(In millions of yen)

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

Fiscal year ended March 31, 2022

(In millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Common stock in treasury, at cost	Total shareholders' equity
Balance at the beginning of the current period	66,410	81,801	998,405	(73,785)	1,072,832
Cumulative effects of changes in accounting policies			(10,717)		(10,717)
Restated balance	66,410	81,801	987,688	(73,785)	1,062,115
Changes during the current period:					
Issuance of new stocks	9	9			18
Cash dividends			(38,195)		(38,195)
Net income attributable to owners of the parent			94,273		94,273
Changes due to share exchange		214		5,589	5,804
Purchase of treasury stock				(11,241)	(11,241)
Disposal of treasury stock		0		0	0
Changes in shares of parent arising from transactions with non-controlling interest		(11,690)			(11,690)
Net changes of items other than shareholders' equity					
Total changes during the current period	9	(11,465)	56,077	(5,651)	38,969
Balance at the end of the current period	66,419	70,335	1,043,766	(79,436)	1,101,084

(In millions of yen)

	Accumulated other comprehensive income (losses)					Noncontrolling interests	Total net assets
	Unrealized gains (losses) on securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans, net of taxes	Total accumulated other comprehensive income		
Balance at the beginning of the current period	22,122	(11)	(17,011)	4,247	9,346	147,645	1,229,824
Cumulative effects of changes in accounting policies					—	(625)	(11,343)
Restated balance	22,122	(11)	(17,011)	4,247	9,346	147,019	1,218,481
Changes during the current period:							
Issuance of new stocks							18
Cash dividends							(38,195)
Net income attributable to owners of the parent							94,273
Changes due to share exchange							5,804
Purchase of treasury stock							(11,241)
Disposal of treasury stock							0
Changes in shares of parent arising from transactions with non-controlling interest							(11,690)
Net changes of items other than shareholders' equity	(1,901)	4	11,384	2,618	12,105	(13,519)	(1,414)
Total changes during the current period	(1,901)	4	11,384	2,618	12,105	(13,519)	37,555
Balance at the end of the current period	20,220	(6)	(5,627)	6,865	21,451	133,499	1,256,036

(4) Consolidated Statements of Cash Flows

(In millions of yen)

	Year ended March 31, 2021	Year ended March 31, 2022
Cash flows from operating activities:		
Income before income taxes	128,843	152,013
Depreciation and amortization	60,759	61,799
Amortization of goodwill	11,252	5,661
Net (gains) losses from investment in affiliated companies accounted for under the equity method	(6,179)	(6,745)
Increase (decrease) in allowance for doubtful accounts	1,142	(1,049)
Increase/decrease in net defined benefit liability and asset	(3,374)	(4,949)
Interest and dividend income	(4,470)	(4,364)
Interest expenses	824	837
Exchange (gains) losses	243	100
Net (gains) losses on sales and disposal of fixed assets	1,748	2,078
Impairment losses on fixed assets	95	113
Net (gains) losses on sales of investment securities	(646)	(668)
Net (gains) losses on revaluation of investment securities	311	274
Net (gains) losses on sales of investment securities in subsidiaries and affiliates	2,967	94
Write-down on real estate inventories	20	—
Net (gains) losses on private equity investment	3,513	(2,872)
(Increase) decrease in notes and accounts receivable, trade, and due from subscribers	8,926	—
(Increase) decrease in trade receivables and contract assets	—	(10,618)
(Increase) decrease in lease receivables and investment in leased assets	1,256	4,566
(Increase) decrease in inventories	4,360	(5,337)
Increase (decrease) in accounts payable	(4,427)	2,625
Increase (decrease) in accrued consumption taxes	1,294	(4,222)
Increase (decrease) in deferred revenue	(119)	(1,389)
Increase (decrease) in investment deposits by policyholders, unearned premiums and other insurance liabilities	6,412	4,683
Increase/decrease in cash deposits/deposits received for armored car services	3,048	2,049
Other	(348)	3,849
Subtotal	217,453	198,528
Interest and dividend received	9,048	9,919
Interest paid	(767)	(841)
Income taxes paid	(43,801)	(42,694)
Net cash provided by (used in) operating activities	181,932	164,911

(4) Consolidated Statements of Cash Flows (Continued)

(In millions of yen)

	Year ended March 31, 2021	Year ended March 31, 2022
Cash flows from investing activities:		
(Increase) decrease in time deposits, net	(593)	737
(Increase) decrease in short-term investments, net	9,268	—
Payments for purchases of tangible assets	(47,861)	(53,114)
Proceeds from sales of tangible assets	759	3,534
Payments for purchases of intangible assets	(10,249)	(10,557)
Payments for purchases of investment securities	(55,980)	(31,672)
Proceeds from sales and redemptions of investment securities	47,858	33,243
Payments for acquisitions of affiliates	(10)	(10)
(Increase) decrease in short-term loans receivable, net	600	23
Payments for long-term loans receivable	(5,688)	(798)
Proceeds from long-term loans receivable	7,547	4,990
Acquisitions of subsidiaries accompanied with changes in scope of consolidation	(7,097)	—
Divestitures of subsidiaries accompanied with changes in scope of consolidation	14,633	(2)
Other	(1,724)	(1,723)
Net cash provided by (used in) investing activities	(48,536)	(55,351)
Cash flows from financing activities:		
Increase (decrease) in bank loans, net	(3,979)	(2,163)
Proceeds from long-term loans	4,592	4,848
Repayments of long-term loans	(2,751)	(3,095)
Repayments of lease obligations	(4,965)	(5,641)
Proceeds from issuance of straight bonds	191	—
Payments for redemption of straight bonds	(2,921)	(439)
Proceeds from stock issuance to noncontrolling shareholders	477	72
Dividends paid	(37,104)	(38,195)
Dividends paid for noncontrolling shareholders	(2,600)	(2,964)
(Increase) decrease in treasury stocks, net	(9)	(11,241)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(240)	(28,572)
Net cash provided by (used in) financing activities	(49,311)	(87,393)
Effect of exchange rate changes on cash and cash equivalents	(524)	1,695
Net increase (decrease) in cash and cash equivalents	83,559	23,862
Cash and cash equivalents at beginning of the period	406,479	490,039
Cash and cash equivalents at end of the period	490,039	513,902

(5) Notes Regarding the Consolidated Financial Statement

[Notes Regarding the Assumption of Going Concern]

Not applicable

[Changes in Accounting Policies]

(Application of Accounting Standard for Revenue Recognition, etc.)

From the beginning of the fiscal year ended March 31, 2022, we have applied “Accounting Standard for Revenue Recognition” (ASBJ Statement No.29, March 31, 2020; hereinafter, “Accounting Standard for Revenue Recognition”), etc. Accordingly, we recognize revenue to describe the transfer of promised goods or services to customers in the amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The major changes due to the application of Accounting Standard for Revenue Recognition etc. are as follows:

(1) Initial lump sum revenue related to service contracts, etc.

With respect to the initial lump-sum revenue from some service contracts, etc., the Company previously recognized revenue at the time of acceptance, but has changed to recognize the revenue over a certain period when the customer receives the benefits as performance obligations are satisfied.

(2) Revenue recognition related to construction contracts

For construction contracts, the Company previously applied the percentage-of-completion method when the outcome of the construction activity is deemed certain. However, when control over goods or services is to be transferred to the customer over a certain period of time, the Company has changed the method to one in which revenue is recognized over a certain period of time as the performance obligation to transfer the goods or services to the customer is satisfied. The Company measures the degree of progress toward satisfaction of performance obligations based on the percentage of construction costs incurred by the end of each reporting period to the total construction costs expected to be incurred. In addition, when the degree of progress toward satisfying the performance obligation cannot be reasonably estimated in the early stages of a contract but the costs to be incurred are expected to be recovered, the Company recognizes revenue under the cost recovery method.

The application of the Accounting Standard for the Revenue Recognition, etc. is subject to the transitional treatment provided for in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the current fiscal year, was added to or subtracted from the beginning balance of retained earnings of the current fiscal year, and thus the new accounting policy has been applied from the beginning balance. In addition, the Company has applied the method prescribed in proviso (1) of Paragraph 86 of the Accounting Standard for Revenue Recognition. The cumulative effect, after accounting procedures for contract changes made prior to the beginning of the current fiscal year based on the contract terms after reflecting all contract changes, was added to or subtracted from the beginning balance of retained earnings of the current fiscal year.

In addition, “Notes and accounts receivable, trade,” which was a part of “Current assets” in the consolidated balance sheet for the previous fiscal year, is included in “Notes and accounts receivable – trade and contract assets” from the current fiscal year and a part of “Guarantee deposits received,” which was included in “Long-term liabilities,” is included in “Long-term deferred revenue” from the current fiscal year. In respect of the Consolidated Statements of Cash flows, “(Increase) decrease in notes and accounts receivable, trade, and due from subscribers,” which was included in “Cash flows from operating activities,” is included in “(Increase) decrease in trade receivables and contract assets.” In accordance

with the transitional treatment stipulated in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, the results for the previous fiscal years are not restated using the new presentation method.

As a result, for the Consolidated Statements of Income for the current fiscal year, revenue decreased by 3,301 million yen, cost of revenue decreased by 2,497 million yen, operating profit decreased by 803 million yen, non-operating expenses decreased by 470 million yen, ordinary profit and income before income taxes decreased by 332 million yen, respectively, compared to those before Accounting Standard for Revenue Recognition, etc. being applied.

As for the Consolidated Statements of Cash Flows for the current fiscal year, income before income taxes decreased by 332 million yen, compared to those before Accounting Standard for Revenue Recognition, etc. being applied.

Retained earnings of the Consolidated Statements of Changes in Net Assets at the beginning of current period decreased by 10,717 million yen as the cumulative effect of applying the policy to all prior periods was reflected to net assets at the beginning of the current fiscal year, compared to those before Accounting Standard for Revenue Recognition, etc. being applied.

Net assets per share and basic net income per share for the current fiscal year decreased by 50.22 yen and 1.08 yen, respectively, compared to those before Accounting Standard for Revenue Recognition, etc. being applied.

(Application of Accounting Standard for Fair Value Measurement, etc.)

From the beginning of the current fiscal year, we have applied “Accounting Standard for Fair Value Measurement” (ASBJ Statement No.30, July 4, 2019; hereinafter, “Fair Value Accounting Standards”), etc. In accordance with the transitional treatment set forth in Paragraph 19 of Fair Value Accounting Standards and Paragraph 44-2 of “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019), we have applied prospectively new accounting policies prescribed by Fair Value Accounting Standards, etc. Consequently, from the current fiscal year, we have adopted the valuation method based on the market price on the closing date of stocks and beneficiary securities with market value that are among other securities, from the previous method that was based on the average market price over a one-month period prior to the closing date.

[Additional Information]

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

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

[Segment Information, etc.]

(Segment Information)

1. Summary of Reportable Segments

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

The Company plans and decides group strategies, allocates resources and evaluates performance for those segments, which are “security services,” “fire protection services,” “medical services,” “insurance

services,” “geospatial information services,” “BPO and ICT services,” and other services (“real estate leasing,” “construction and installation services,” etc.).

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

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

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

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

3. Information about Amounts of Revenue, Profits or Loss, Assets and Other Items of Reportable Segments Fiscal year ended March 31, 2021

(In millions of yen)

	Reportable segments				
	Security services	Fire protection services	Medical services	Insurance services	Geospatial information services
Revenue:					
Customers	555,767	142,660	71,624	49,491	54,821
Intersegment	11,545	3,277	206	3,087	207
Subtotal	567,313	145,938	71,831	52,579	55,029
Segment profit	111,849	12,972	4,104	793	4,716
Segment assets	996,133	176,055	133,627	231,615	66,183
Other items:					
Depreciation and amortization	39,395	2,558	3,599	2,737	1,659
Amortization of goodwill	8,825	279	—	—	—
Impairment losses on fixed assets	—	—	—	—	20
Increase in tangible and intangible assets (Note 4)	44,872	5,249	1,308	2,100	2,052

	Reportable segments		Real estate and other services (Note 1)	Total	Adjustment (Note 2)	Amount on consolidated statements of income (Note 3)
	BPO and ICT services	Subtotal				
Revenue:						
Customers	112,025	986,392	49,506	1,035,898	—	1,035,898
Intersegment	12,106	30,430	1,193	31,624	(31,624)	—
Subtotal	124,131	1,016,822	50,699	1,067,522	(31,624)	1,035,898
Segment profit	12,664	147,100	6,182	153,282	(16,356)	136,925
Segment assets	149,804	1,753,419	145,914	1,899,334	(35,154)	1,864,179
Other items:						
Depreciation and amortization	9,815	59,764	1,014	60,778	(19)	60,759
Amortization of goodwill	2,077	11,183	69	11,252	—	11,252
Impairment losses on fixed assets	73	94	1	95	—	95
Increase in tangible and intangible assets (Note 4)	6,984	62,566	3,676	66,243	(330)	65,913

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

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

Adjustment of segment assets includes intersegment elimination of (195,375) million yen and corporate assets not belonging to each reportable segment of 160,220 million yen. Major components of corporate assets are cash on hand and in banks, loans, short-term investments and investment securities of the Company.

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

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

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

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

Fiscal year ended March 31, 2022

(In millions of yen)

	Reportable segments				
	Security services	Fire protection services	Medical services	Insurance services	Geospatial information services
Revenue:					
Revenue from security contracts	475,476	—	—	—	—
Other	73,786	148,803	67,161	634	56,371
Revenue from contracts with customers	549,262	148,803	67,161	634	56,371
Other revenue	8,830	—	7,413	52,056	—
Customers	558,093	148,803	74,575	52,691	56,371
Intersegment	11,718	3,302	235	3,151	193
Subtotal	569,811	152,106	74,810	55,842	56,565
Segment profit	116,139	14,788	5,661	1,007	4,085
Segment assets	994,894	184,330	131,724	237,845	69,283
Other items:					
Depreciation and amortization	40,288	2,701	3,458	2,689	1,748
Amortization of goodwill	3,357	156	—	—	—
Impairment losses on fixed assets	—	25	—	—	3
Increase in tangible and intangible assets	44,486	5,176	1,836	2,881	2,607

	Reportable segments		Other services (Note 1)	Total	Adjustment (Note 2)	Amount on consolidated statements of income (Note 3)
	BPO and ICT services	Subtotal				
Revenue:						
Revenue from security contracts	—	475,476	—	475,476	—	475,476
Other	115,683	462,441	26,957	489,399	—	489,399
Revenue from contracts with customers	115,683	937,918	26,957	964,875	—	964,875
Other revenue	—	68,301	16,682	84,983	—	84,983
Customers	115,683	1,006,219	43,640	1,049,859	—	1,049,859
Intersegment	9,082	27,683	1,234	28,918	(28,918)	—
Subtotal	124,766	1,033,903	44,875	1,078,778	(28,918)	1,049,859
Segment profit	13,179	154,862	5,975	160,837	(17,337)	143,499
Segment assets	148,695	1,766,775	147,438	1,914,213	(6,457)	1,907,755
Other items:						
Depreciation and amortization	9,757	60,643	1,138	61,781	17	61,799
Amortization of goodwill	2,077	5,591	69	5,661	—	5,661
Impairment losses on fixed assets	83	112	0	113	—	113
Increase in tangible and intangible assets	7,871	64,858	4,181	69,040	45	69,085

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

Note 2: Adjustment of segment profit includes intersegment eliminations of (330) million yen and corporate expenses not allocated to each reportable segment of 17,667 million yen. Major components of corporate expenses are expenses regarding planning, personnel and administrative departments of the Company's headquarters, etc.

Adjustment of segment assets includes intersegment elimination of (179,685) million yen and corporate assets not belonging to each reportable segment of 173,227 million yen. Major components of corporate assets are cash on hand and in banks, loans, short-term investments and investment securities of the Company.

Adjustment of depreciation includes intersegment elimination of (856) million yen and depreciation of corporate assets not belonging to each reportable segment of 874 million yen.

Adjustment of increase in tangible and intangible assets includes intersegment elimination of (538) million yen and capital investments of software, etc. not belonging to each reportable segment of 584 million yen.

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

4. Events related to Changes in Reportable Segments, etc.

In December 2020, we transferred all of the issued shares of Secom Home Life Co., Ltd., which had been a consolidated subsidiary, and excluded it from the scope of consolidation. As a result, the segment name was changed from “real estate and other services” to “other services” from the current fiscal year. There is no change in the segment classification as a result of this change regarding the segment name noted above.

Effective from the current fiscal year, we have reviewed the segment classifications from the perspective of similarity and relevance of business activities in order to provide more appropriate information, and have reclassified some businesses previously included in the security services segment to the BPO and ICT services segment and the other services segment. The segment information for the previous fiscal year is based on the classification after the change.

Since we have applied the Accounting Standard for Revenue Recognition, etc. to the consolidated financial statements relevant to the current fiscal year and changed the accounting method for revenue recognition, as stated in the “Changes in accounting policies,” the method for calculating profit or loss in the business segments are changed as well. As a result of this change, compared with the previous method, revenue in the security services segment for the current fiscal year decreased by 1,663 million yen and segment profit decreased by 943 million yen, while revenue in the fire protection services segment decreased by 775 million yen and segment profit increased by 15 million yen.

(Related Information)

Year Ended March 31, 2021

1. Information by Products and Services

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

2. Information by Regions

(1) Revenue

(In millions of yen)

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

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

(2) Tangible Assets

(In millions of yen)

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

3. Information of Major Customers

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

Year Ended March 31, 2022

1. Information by Products and Services

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

2. Information by Regions

(1) Revenue

(In millions of yen)

Japan	Others	Total
1,001,690	48,169	1,049,859

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

(2) Tangible Assets

(In millions of yen)

Japan	Others	Total
379,272	11,195	390,467

3. Information of Major Customers

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

(Information Regarding Amortized Amounts and Unamortized Balance of Goodwill by Reportable Segment)

Year Ended March 31, 2021

(In millions of yen)

	Reportable segments				
	Security services	Fire protection services	Medical services	Insurance services	Geospatial information services
Amortized amount (Note)	8,825	279	—	—	—
Unamortized balance	45,872	165	—	—	—

(In millions of yen)

	Reportable segments		Real estate and other services	Total	Adjustment	Amount on consolidated financial statements
	BPO and ICT services	Subtotal				
Amortized amount	2,077	11,183	69	11,252	—	11,252
Unamortized balance	19,271	65,308	295	65,604	—	65,604

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

Year Ended March 31, 2022

(In millions of yen)

	Reportable segments				
	Security services	Fire protection services	Medical services	Insurance services	Geospatial information services
Amortized amount (Note)	3,357	156	—	—	—
Unamortized balance	42,567	8	—	—	—

(In millions of yen)

	Reportable segments		Real estate and other services	Total	Adjustment	Amount on consolidated financial statements
	BPO and ICT services	Subtotal				
Amortized amount	2,077	5,591	69	5,661	—	5,661
Unamortized balance	17,193	59,770	226	59,996	—	59,996

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

[Notes to Business Combination]

Transactions under Common Control, etc.

(Acquisition of additional shares of the consolidated subsidiary)

1. The Outline of Transactions

(1) The Name of the Combined Company and its Business

The name of the combined company: The consolidated subsidiary of the Company, Secom Joshinetsu Co., Ltd.

Business description : Security business centering on on-line security system and other business

(2) Date of Business Combination

July 15, 2021

(3) Legal Form of Business Combination

Acquisition of shares from non-controlling shareholders

(4) Name of Company after Business Combination

Not changed

(5) Other Matters Relating to the Transactions

The Company resolved in the meeting of the Board of Directors on May 28, 2021 to acquire shares of Secom Joshinetsu through the tender offer and make Secom Joshinetsu a wholly owned subsidiary of the Company, in order to achieve quick and highly flexible decision-making through integration of the Company and Secom Joshinetsu and concentrate necessary management resources on the security service business along with strong coordination with Secom Joshinetsu, leading to the achievement of the sustainable development and pursuing the further enhancement of both companies' corporate values. The Company implemented the tender offer from May 31, 2021 to July 9, 2021.

As a result, the Company's ownership ratio of the total number of issued shares of Secom Joshinetsu (excluding the number of treasury shares owned by Secom Joshinetsu) increased from 54.03% (as of May 28, 2021) to 88.03%.

On November 1, 2021, the share exchange was implemented in which the Company became a wholly owning parent company in share exchange and Secom Joshinetsu became a wholly owned subsidiary in share exchange, and Secom Joshinetsu became a wholly owned subsidiary of the Company.

2. Summary of Accounting Treatment

Based on the "Accounting Standards for Business Combinations" (ASBJ Statement No.21, January 16, 2019) and "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestures" (ASBJ Statement No.10, January 16, 2019), the Share Exchange was accounted for as a transaction under common control, etc.

3. Matters Related to the Additional Acquisition of Shares of the Consolidated Subsidiary

Acquisition Cost and Breakdown Thereof

<u>Consideration for the Acquisition</u>	<u>Cash on hand and in banks</u>	<u>27,442 million yen</u>
Acquisition Cost		27,442 million yen

4. Matters Related to Changes in Shares of the Company Arising from Transactions with Non-controlling Shareholders

- (1) Major Factors in Changes in Capital Surplus
Acquisition of additional shares of a subsidiary
- (2) Amount of Capital Surplus decreased by Transactions with Non-controlling Shareholders
11,518 million yen

(Wholly Owning a Subsidiary through the Share Exchange)

1. The Outline of the Transaction

- (1) The Name of the Combined Company and its Business

The name of the combined company: The consolidated subsidiary of the Company, Secom Joshinetsu Co., Ltd.

Business description : Security business centering on on-line security system and other business

- (2) Date of Business Combination

November 1, 2021

- (3) Legal Form of Business Combination

Share Exchange, in which the Company was a wholly owning parent company in share exchange and Secom Joshinetsu was a wholly owned subsidiary in share exchange

- (4) Name of Company after Business Combination

Not changed

- (5) Other Matters Relating to the Transactions

Through the tender offer the Company implemented from May 31, 2021 to July 9, 2021, and the Share Exchange, the Company made Secom Joshinetsu a wholly owned subsidiary in order to achieve quick and highly flexible decision-making through integration of the Company and Secom Joshinetsu, and concentrate necessary management resources on the security service business along with strong coordination with Secom Joshinetsu, leading to the achievement of the sustainable development and pursuing further enhancement of both companies' corporate values.

2. Summary of Accounting Treatment

Based on the "Accounting Standards for Business Combinations" (ASBJ Statement No.21, January 16, 2019) and "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestures" (ASBJ Statement No.10, January 16, 2019), the Share Exchange was accounted for as a transaction under common control, etc.

3. Matters Related to the Additional Acquisition of Shares of the Subsidiary

- (1) Acquisition Cost and Breakdown Thereof

<u>Consideration for the Acquisition</u>	<u>Common shares of the Company</u>	<u>9,021 million yen</u>
Acquisition Cost		9,021 million yen

(2) Allotment Ratio in the Share Exchange

	SECOM (wholly owning parent company in share exchange)	Secom Joshinetsu (wholly owned subsidiary in share exchange)
Allotment ratio pertaining to the Share Exchange	1	0.74

The Company allotted 0.74 common shares per 1 common share of Secom Joshinetsu.

(3) Shares Allotted by the Share Exchange

The Company allotted 1,138,992 common shares in the Share Exchange.

Upon the allotment, the Company allotted 1,138,992 treasury shares it owned.

(4) Calculation Method of Share Exchange Ratio

Based on the valuation report for the Share Exchange by SMBC Nikko Securities Inc. as the Company's financial advisor and a third-party valuation organization as well as advice from URYU & ITOGA as its legal advisor, both of whom being respectively independent from the Company and Secom Joshinetsu, and after repeated discussions and negotiations with Secom Joshinetsu, it was decided that the Share Exchange would not harm the interests of the shareholders of the Company and Secom Joshinetsu, and we came to the conclusion that it is appropriate to carry out the Share Exchange with the Share Exchange ratio.

4. Matters Related to Changes in Shares of the Company Arising from Transactions with Non-controlling Shareholders

(1) Major Factors in Changes in Capital Surplus

Acquisition of additional shares of a subsidiary

(2) Amount of Capital Surplus decreased by Transactions with Non-controlling Shareholders

214 million yen

[Significant Subsequent Events]

SECOM entered into the share purchase agreement on May 12, 2022 to acquire 55.1%, or 7,612,000 shares of the common shares outstanding of SENON LIMITED on July 1, 2022.

1. Purpose of Acquisition

SENON provides a wide range of security services nationwide as a total security company. Its business includes security guard services, electronic security services, airport security services, and vehicle fleet operation services. SECOM believes that SENON's strengths as a total security company combined with SECOM's technological advantages and expertise will enable us to provide more customers with higher quality and optimized security services.

2. The Transferors for the Share Purchase

Hironobu Koyano, 1 corporation and 14 individuals

3. Outline of a Subsidiary to be Acquired

(1) Name : SENON LIMITED

(2) Business description: Security

(3) Size : Capital 100 million yen (as of March 31, 2022)

4. Schedule for the Share Purchase

(1) Execution of share purchase agreement: May 12, 2022

(2) Date of acquisition : July 1, 2022 (planned)

5. The Number of Shares to be Acquired and Conditions of Shares Held before and after the Acquisition

(1) The number of shares held before the acquisition : — shares (Shareholding ratio: —%)

(2) The number of shares to be acquired : 7,612,000 shares
(Acquisition price: 26,999 million yen)

(3) The number of shares to be held after the acquisition : 7,612,000 shares
(Shareholding ratio: 55.1%)

6. Funding Method

Fund on hand (planned)

3. Nonconsolidated Financial Statements

(1) Nonconsolidated Balance Sheets

	(In millions of yen)	
	March 31, 2021	March 31, 2022
ASSETS:		
Current assets:		
Cash on hand and in banks	224,817	227,828
Cash deposits for armored car services	37,273	33,777
Notes receivable	360	363
Due from subscribers	18,046	17,890
Accounts receivable, trade	10,802	—
Accounts receivable - trade and contract assets	—	9,777
Receivables - other	4,249	4,375
Merchandise	7,300	7,328
Supplies	2,356	2,507
Prepaid expenses	2,483	8,674
Short-term loans receivable	22,123	14,420
Other	8,568	7,887
Allowance for doubtful accounts	(70)	(41)
Total current assets	338,310	334,790
Fixed assets:		
Tangible assets:		
Buildings and improvements	16,283	16,534
Automobiles	557	588
Security equipment and control stations	71,042	68,972
Machinery and equipment	105	90
Tools, furniture and fixtures	3,812	4,071
Land	22,249	22,230
Construction in progress	4,457	3,542
Other	1,623	1,521
Total tangible assets	120,132	117,553
Intangible assets:		
Software	7,826	7,137
Other	3,516	3,655
Total intangible assets	11,343	10,792

(1) Nonconsolidated Balance Sheets (Continued)

	(In millions of yen)	
	March 31, 2021	March 31, 2022
Investments and others:		
Investment securities	22,215	23,047
Investment securities in subsidiaries and affiliates	356,243	393,659
Investments in subsidiaries and affiliates	2,179	2,179
Long-term loans receivable	57,331	51,307
Lease deposits	7,650	7,565
Long-term prepaid expenses	20,104	11,721
Prepaid pension and severance costs	25,825	29,605
Deferred income taxes	4,408	5,548
Insurance funds	4,268	4,370
Other	2,307	2,234
Allowance for doubtful accounts	(827)	(874)
Total investments and others	501,706	530,365
Total fixed assets	633,182	658,710
Total assets	971,493	993,501
LIABILITIES:		
Current liabilities:		
Accounts payable	4,505	3,676
Bank loans	19,516	17,467
Lease obligations	263	275
Payables – other	17,297	16,445
Payables – construction	4,348	3,530
Accrued income taxes	10,594	11,189
Accrued consumption taxes	5,131	3,489
Accrued expenses	675	779
Deposits received for armored car services	17,788	16,313
Deferred revenue	19,808	22,963
Accrued bonuses	6,718	6,432
Other	4,603	3,932
Total current liabilities	111,252	106,496
Long-term liabilities:		
Lease obligations	3,807	3,691
Guarantee deposits received	16,167	15,975
Long-term deferred revenue	—	6,059
Accrued pension and severance costs	1,389	1,037
Other	313	291
Total long-term liabilities	21,678	27,054
Total liabilities	132,931	133,551

(1) Nonconsolidated Balance Sheets (Continued)

	(In millions of yen)	
	March 31, 2021	March 31, 2022
NET ASSETS:		
Shareholders' equity:		
Common stock	66,410	66,419
Capital surplus:		
Additional paid-in capital	83,086	83,095
Other capital surplus	0	3,432
Total capital surplus	83,087	86,528
Retained earnings:		
Legal reserve	9,028	9,028
Other retained earnings:		
Reserve for system developments	800	800
General reserve	2,212	2,212
Accumulated earnings carried forward	744,495	768,348
Total retained earnings	756,535	780,388
Common stock in treasury, at cost	(73,785)	(79,436)
Total shareholders' equity	832,248	853,900
Valuation, translation adjustments and others:		
Unrealized gains on securities	6,313	6,049
Total valuation, translation adjustments and others	6,313	6,049
Total net assets	838,562	859,950
Total liabilities and net assets	971,493	993,501

(2) Nonconsolidated Statements of Income

	(In millions of yen)	
	Year ended March 31, 2021	Year ended March 31, 2022
Revenue	394,389	395,181
Costs	235,165	234,703
Gross profit	159,224	160,478
Selling, general and administrative expenses	83,682	81,775
Operating profit	75,541	78,703
Non-operating income:		
Interest income	873	688
Dividends income	14,185	17,421
Other	1,114	762
Total non-operating income	16,174	18,872
Non-operating expenses:		
Interest expenses	177	144
Loss on sales and disposal of fixed assets	1,398	1,609
Write-off of long-term prepaid expenses	485	—
Other	353	726
Total non-operating expenses	2,414	2,480
Ordinary profit	89,301	95,094
Extraordinary profit:		
Gain on sales of investment securities	8	545
Gain on liquidation of subsidiaries and affiliates	208	—
Other	9	3
Total extraordinary profit	226	548
Extraordinary losses:		
Loss on revaluation of investment securities in subsidiaries and affiliates	5,874	772
Loss on disposal of intangible assets	66	554
Loss on revaluation of investment securities	242	204
Loss on debt forgiveness of subsidiaries and affiliates	2,551	—
Loss on sales of investment securities in subsidiaries and affiliates	194	—
Other	63	89
Total extraordinary losses	8,992	1,621
Income before income taxes	80,534	94,021
Income taxes - current	20,913	21,720
Income taxes - deferred	(339)	2,415
Total income taxes	20,574	24,135
Net income	59,960	69,885

(3) Nonconsolidated Statements of Changes in Net Assets

Fiscal year ended March 31, 2021

(In millions of yen)

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

(In millions of yen)

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

(In millions of yen)

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

Fiscal year ended March 31, 2022

(In millions of yen)

	Shareholders' equity			
	Common Stock	Capital surplus		
		Additional paid-in capital	Other capital surplus	Total capital surplus
Balance at the beginning of the current period	66,410	83,086	0	83,087
Cumulative effects of changes in accounting policies				
Restated balance	66,410	83,086	0	83,087
Changes during the current period:				
Issuance of new stocks	9	9		9
Cash dividends				
Net income				
Changes due to share exchange			3,431	3,431
Purchase of treasury stock				
Disposal of treasury stock			0	0
Net changes of items other than shareholders' equity				
Total changes during the current period	9	9	3,431	3,441
Balance at the end of the current period	66,419	83,095	3,432	86,528

(In millions of yen)

	Shareholders' equity				
	Retained earnings				Total retained earnings
	Legal reserve	Other retained earnings			
Reserve for system developments		General reserve	Accumulated earnings carried forward		
Balance at the beginning of the current period	9,028	800	2,212	744,495	756,535
Cumulative effects of changes in accounting policies				(7,836)	(7,836)
Restated balance	9,028	800	2,212	736,658	748,698
Changes during the current period:					
Issuance of new stocks					
Cash dividends				(38,195)	(38,195)
Net income				69,885	69,885
Changes due to share exchange					
Purchase of treasury stock					
Disposal of treasury stock					
Net changes of items other than shareholders' equity					
Total changes during the current period	—	—	—	31,690	31,690
Balance at the end of the current period	9,028	800	2,212	768,348	780,388

(In millions of yen)

	Shareholders' equity		Valuation, translation adjustments and others		Total net assets
	Common Stock in treasury, at cost	Total shareholders' equity	Unrealized gains (losses) on securities	Total valuation, translation adjustments and others	
Balance at the beginning of the current period	(73,785)	832,248	6,313	6,313	838,562
Cumulative effects of changes in accounting policies		(7,836)			(7,836)
Restated balance	(73,785)	824,411	6,313	6,313	830,725
Changes during the current period:					
Issuance of new stocks		18			18
Cash dividends		(38,195)			(38,195)
Net income		69,885			69,885
Changes due to share exchange	5,589	9,021			9,021
Purchase of treasury stock	(11,241)	(11,241)			(11,241)
Disposal of treasury stock	0	0			0
Net changes of items other than shareholders' equity			(264)	(264)	(264)
Total changes during the current period	(5,651)	29,488	(264)	(264)	29,224
Balance at the end of the current period	(79,436)	853,900	6,049	6,049	859,950

(4) Notes Regarding the Nonconsolidated Financial Statement

[Notes Regarding the Assumption of Going Concern]

Not applicable

[Changes in Accounting Policies]

(Application of Accounting Standard for Revenue Recognition, etc.)

From the beginning of the fiscal year ended March 31, 2022, we have applied “Accounting Standard for Revenue Recognition” (ASBJ Statement No.29, March 31, 2020; hereinafter, “Accounting Standard for Revenue Recognition”), etc. Accordingly, we recognize revenue to describe the transfer of promised goods or services to customers in the amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The major changes due to the application of Accounting Standard for Revenue Recognition etc. are as follows:

Revenue related to security equipment installation work

With respect to the initial lump-sum revenue from installation fees received at the start of services of the Centralized security systems, the Company previously recognized revenue at the time when the construction is completed and accepted by the customer. However, the Company recognizes revenue over the contract period of time, when the customer receives the benefits as the performance obligations under the security contract are satisfied, and the amount is evenly allocated over the same period as the service period.

The application of the Accounting Standard for the Revenue Recognition, etc. is subject to the transitional treatment provided for in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of current fiscal year, was added to or subtracted from the beginning balance of retained earnings of the current fiscal year, and thus the new accounting policy has been applied from the beginning balance. In addition, the Company has applied the method prescribed in proviso (1) of Paragraph 86 of the Accounting Standard for Revenue Recognition. The cumulative effect, after accounting procedures for contract changes made prior to the beginning of the current fiscal year based on the contract terms after reflecting all contract changes, was added to or subtracted from the beginning balance of retained earnings of the current fiscal year.

In addition, “Accounts receivable, trade,” which was a part of “Current assets” in the nonconsolidated balance sheet for the previous fiscal year, is included in “Accounts receivable – trade and contract assets” from the current fiscal year. In accordance with the transitional treatment stipulated in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, the results for the previous fiscal years are not restated using the new presentation method.

As a result, for the Nonconsolidated Statements of Income for the current fiscal year, revenue decreased by 2,003 million yen, costs decreased by 1,097 million yen, operating profit decreased by 906 million yen, non-operating expenses decreased by 413 million yen, ordinary profit and income before income taxes decreased by 492 million yen, respectively, compared to those before Accounting Standard for Revenue Recognition, etc. being applied.

Accumulated earnings carried forward of the Nonconsolidated Statements of Changes in Net Assets at the beginning of current period decreased by 7,836 million yen as the cumulative effect of applying the policy to all prior periods was reflected to net assets at the beginning of the current fiscal year, compared to those before Accounting Standard for Revenue Recognition, etc. being applied.

Net assets per share and basic net income per share for the current fiscal year decreased by 37.51 yen and 1.57 yen, respectively, compared to those before Accounting Standard for Revenue Recognition, etc. being applied.

(Application of Accounting Standard for Fair Value Measurement, etc.)

From the beginning of the current fiscal year, we have applied “Accounting Standard for Fair Value Measurement” (ASBJ Statement No.30, July 4, 2019; hereinafter, “Fair Value Accounting Standards”), etc. In accordance with the transitional treatment set forth in Paragraph 19 of Fair Value Accounting Standards and Paragraph 44-2 of “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019), we have applied prospectively new accounting policies prescribed by Fair Value Accounting Standards, etc. Consequently, from the current fiscal year, we have adopted the valuation method based on the market price on the closing date of stocks and beneficiary securities with market value that are among other securities, from the previous method that was based on the average market price over a one-month period prior to the closing date.

[Changes to Disclosure Method]

(Notes to Statements of Income)

“Loss on disposal of intangible assets,” which was included in “Other” under extraordinary losses in the previous fiscal year, is presented as a separate line item from the current fiscal year due to its increased importance. To reflect this change in disclosures, the financial statements for the previous fiscal year have been reclassified. As a result, the 66 million yen presented as “Other” under extraordinary losses in the income statement for the previous fiscal year, has been reclassified as “Loss on disposal of intangible assets.”

[Notes to Business Combination]

Notes are omitted as the same information is disclosed in Consolidated Financial Statements, Notes to Business Combination.

[Significant Subsequent Events]

Notes are omitted as the same information is disclosed in Consolidated Financial Statements, Significant Subsequent Events.