Internet Disclosure Accompanying
the Notice of the Convocation of
The 61st Ordinary General Meeting of Shareholders

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: 161

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.

(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: 1
Scan Alarms and Security Systems (Ireland) Ltd. (Establishment investment)
Excluded from consolidation: 5
Zao Urbane Properties Co., Ltd. and 2 other companies (Merger)
PASCO DO BRASIL CONSULTORIA TECNICA LTDA. (Divesture)
D'Garde Security Pte. Ltd. (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, 16 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., 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., TMJP BPO SERVICES, INC., Secom Aktif Güvenlik Yatirim A.S., Secom Aktif Elektronik Güvenlik Çözümleri A.S., and Scan Alarms and Security Systems (Ireland) 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. Also, while Secom Smart (Malaysia) Sdn. Bhd., Secom Smart (Singapore) Pte. Ltd. and 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 December 31 are used.

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 other than shares that do not have a market value

At fair value

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.

Shares that do not have a market 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.

(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) Recognition Policies for Significant Revenue and Cost

1) Recognition Policies for Revenue and Cost from Contracts with Customers

In the major businesses of the Company and its consolidated subsidiaries related to revenue from contracts with customers, the details of major performance obligations, as well as the normal point in time when such performance obligations are satisfied (i.e., the normal point in time when revenue is recognized) are as follows:

a. Revenues from Security Services are mainly from centralized systems for businesses and homes, static guard services, and armored car services, and the Company identifies the performance obligation to provide services based on the security contract with the customer.

Such security contracts represent transactions in which the performance obligation is satisfied over a certain period, and the Company recognizes revenue in line with the fulfilment of the contract.

Equipment installation work fees received in a lump sum at the start of services for centralized systems and other points in time are allocated on a straight-line basis over the same period as the period in which the service is provided and revenue is recognized in the amount corresponding to the current fiscal year, if the customer is thought to receive the benefits as the performance obligations in the security contract is satisfied.

It should be noted that equipment installation work expenses are allocated on a straight line over the same period as the period in which the service is provided and recognized as expenses in the amount corresponding to the current fiscal year.
Additionally, consideration for these performance obligations is generally collected within one year from the time the performance obligations are satisfied, unless they are received as contract liabilities prior to the satisfaction of the performance obligations, and the amount of consideration contains no significant financing components.

b. Revenues from construction related to the Fire Protection Services are mainly from construction contracts for fire protection equipment, and the Company recognizes revenue over time by measuring the progress towards complete satisfaction of the performance obligation, as it has been determined that the performance obligation is satisfied over a certain period. The measurement of the progress towards complete satisfaction of the performance obligation is based on the percentage of the cost of construction incurred by the end of each reporting period to the estimated total cost of construction.
It should be noted that in cases where the expenses incurred are expected to be recovered despite not being able to reasonably estimate the degree of completion of the satisfaction of performance obligations, revenue is recognized using the cost recovery method.
Additionally, consideration for performance obligations of construction contracts is generally collected within one year from the time the performance obligations are satisfied, unless they are received as contract liabilities prior to the satisfaction of the performance obligations, and the amount of consideration contains no significant financing components.

2) Recognition Policies for Revenue and Cost 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.

6. Notes on 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.

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.

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.

These effects on the per-share information are stated in the relevant section.

(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.

In addition, notes including matters related to the breakdown of the financial instruments by level are made in “Notes to Financial Instruments” of “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 2,563 million, long-term loans receivable of YEN 29,494 million, an allowance for doubtful accounts of YEN 2,031 million for current assets, and an allowance for doubtful accounts of YEN 12,195 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 59,996 million and other intangible assets of YEN 33,684 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 61 million) and other (YEN 18 million) in investments and others.

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

For financial institutions, the Company and some of the domestic consolidated subsidiaries provide cash collection from and cash filling to cash dispensers located outside of financial institution facilities, and cash collection and delivery. The balance of cash deposits for armored car services includes cash on hand and cash in banks representing a total of YEN 17,253 million connected with cash filling services, which is restricted in use by the Group. The short-term bank loan balance includes YEN 817 million financed for the cash filling services.
The balance of cash deposits for armored car services includes YEN 19,174 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 16,650 million financed for the cash collection administration services.
The balance of cash deposits for armored car services includes cash on hand and cash in banks representing a total of YEN 100,049 million connected with cash collection and delivery services, which is restricted in use by the

Group and also the balance of deposits received for armored car services includes deposits received representing a total of YEN 100,031 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)	1,619
Short-term loans receivables	17
Other - current assets (receivable - other)	689
Buildings and improvements	20,758
Land	25,606
Other - intangible assets (leasehold)	818
Investment securities	1,590
Long-term loans receivable	576
Total	51,676

(2) Collateral-related Liabilities

	(Millions of Yen)
Bank loans	1,635
Current portion of straight bonds	398
Straight bonds	3,480
Long-term loans	8,362
Total	13,876

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. Receivables from Contracts with Customers and Contract Assets and Contract Liabilities

(1) The amounts of receivables from contracts with customers and contract assets included in notes and accounts receivable-trade and contract assets, due from subscribers, and other of current assets are as follows.

	(Millions of Yen)
Notes receivable	11,449
Accounts receivable	114,776
Due from subscribers	32,902
Other	894
Contract assets	23,434

(2) The amount of contract liabilities included in deferred revenue, other of current liabilities, and long-term deferred revenue is as follows.

Contract liabilities YEN 56,158 million

(Note) The amounts of contract liabilities included in deferred revenue, other of current liabilities, and long-term deferred revenue are YEN 37,762 million, YEN 1,851 million, and YEN 16,545 million, respectively.

5. Accumulated Depreciation of Tangible Assets

YEN 563,581 million

6. Investment in Non-Consolidated Subsidiaries and Affiliates:

(Fixed assets)

Investment securities (stocks) YEN 62,484 million

7. Contingent Liabilities:
   Guarantees of liabilities of entities and individuals YEN 404 million

Notes to Consolidated Statement of Income

1. Revenue from Contracts with Customers
   Revenue stated in the Consolidated Statements of Income has not been classified into revenue from contracts with customers and other revenue.
   The amount of revenue from contracts with customers has been stated in “1. Information on the breakdown of revenue from contracts with customers” of “Notes on Revenue Recognition” of “Notes to Consolidated Financial Statements.”

2. Amortization of Goodwill in Extraordinary Losses
   Part of 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	233,295,926	2,123	-	233,298,049
Treasury stocks				
Common stocks	15,034,565	1,319,647	1,138,994	15,215,218

(Outline of reasons for change)
The increase of 2,123 in the number of common stocks of issued shares is due to the issuance of restricted shares.
The increase of 1,319,647 in the number of common stocks of treasury stocks is due to the repurchase of 1,318,500 own shares resolved by the Board of Directors and the purchase of 1,147 shares constituting less than one unit.
The decrease of 1,138,994 in the number of common stocks of treasury stocks is due to the share exchange of 1,138,992 own shares and requests to sell 2 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, 2021	Common stock	18,552	85	March 31, 2021	June 28, 2021
Board of Directors Meeting on November 10, 2021	Common stock	19,643	90	September 30, 2021	December 8, 2021

(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 28, 2022	Common stock	Retained earnings	19,627	90	March 31, 2022	June 29, 2022

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, 2022 are listed below.

(Millions of Yen)

	Amount recognized on the consolidated balance sheet	Fair value	Difference
(1)Short-term investments and investment securities			
(i) Held-to-maturity debt securities	11,823	12,728	905
(ii) Investment securities in affiliates	52,008	132,508	80,499
(iii) Available-for-sale securities	214,127	214,127	-
(2)Lease receivables and investment in leased assets	37,518	37,511	(7)
(3)Long-term loans receivable	29,494		
Allowance for doubtful accounts (*3)	(11,491)		
	18,002	18,038	36
(4)Lease deposits	17,335	17,265	(69)
Total assets	350,815	432,179	81,364
(1)Straight bonds	3,899	3,899	(0)
(2)Long-term loans	11,650	11,647	(3)
(3)Guarantee deposits received	23,669	23,668	(0)
Total liabilities	39,218	39,214	(4)
Derivative transactions (*4)			
(i) Hedge accounting not applied	-	-	-
(ii) Hedge accounting applied	-	<0>	(0)
Total derivative transactions	-	<0>	(0)

*1 “Cash on hand and in banks,” “Cash deposits for armored car services,” “Notes and accounts receivable-trade and contract assets,” “Due from subscribers,” “Short-term loans receivable,” “Notes and accounts payable, trade,” “Bank loans,” “Payables - other,” “Accrued income taxes, ” and “Deposits received for armored car services” are not included, as they fall under cash or they are settled in a short period of time and their fair values approximate their book values.

*2 Shares that do not have a market value are not included in “(1) Short-term investments and investment securities”. The amounts of these financial instruments recognized on the Consolidated Balance Sheet are as follows

(Millions of Yen)

Item	Amount recognized on the consolidated balance sheet
Unlisted stock	5,533
Unlisted stock of affiliates	10,476

*3 Allowance for doubtful accounts for long-term loans receivable is deducted.

*4 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 < >.

*5 The Company's shares in Investments in partnerships and similar entities, which are recognized in net amounts in the Consolidated Balance Sheet are not included. The amount of such investments recognized in the Consolidated Balance Sheet is YEN 9,283 million.

3. Matters Related to the Breakdown of the Fair Value of Financial Instruments by Level

The fair value hierarchy of financial instruments is categorized into the following three levels according to the degree of observability and importance of the inputs used in the calculation of fair value.

Level 1 fair value: The fair value calculated based on quoted market prices of assets and liabilities for fair values in active markets among the observable inputs for calculating fair value

Level 2 fair value: The fair value calculated using inputs other than those included in Level 1 inputs, among the observable inputs for calculating fair value

Level 3 fair value: The fair value calculated using unobservable inputs

If multiple inputs with significant impact are used for the fair value measurement of a financial instrument, the financial instrument is classified into the lowest priority level of fair value measurement to which each input belongs.

(1) Financial instruments at fair value on the Consolidated Balance Sheet

(Millions of Yen)

Item	Fair value			
	Level1	Level2	Level3	Total
Short-term investments and investment securities				
Available-for-sale securities				
Stocks	52,630	-	-	52,630
Government bonds and Municipal bonds	12,291	26,834	-	39,125
Straight bonds	-	64,903	-	64,903
Other	27,625	1,052	15,112	43,790
Total assets	92,547	92,789	15,112	200,449
Derivative transactions (*1)				
Interest rates related	-	<0>	-	<0>
Total derivative transactions	-	<0>	-	<0>

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

*2 The fair values of investment trust funds are not included. The amount of investment trust funds recognized in the Consolidated Balance Sheet is YEN 13,677 million.

(2) Financial instruments which other than stated at fair value on the Consolidated Balance Sheet

(Millions of Yen)

Item	Fair value			
	Level1	Level2	Level3	Total
Short-term investments and investment securities				
Held-to-maturity debt securities				
Government bonds and Municipal bonds	11,722	-	-	11,722
Straight bonds	-	-	573	573
Other	-	432	-	432
Investment securities in affiliates	132,508	-	-	132,508
Lease receivables and investment in leased assets	-	37,511	-	37,511
Long-term loans receivable	-	8,566	9,472	18,038
Lease deposits	-	17,265	-	17,265
Total assets	144,230	63,775	10,046	218,052
Straight bonds	-	3,899	-	3,899
Long-term loans	-	11,647	-	11,647
Guarantee deposits received	-	23,668	-	23,668
Total liabilities	-	39,214	-	39,214

(Note 1) Description of the valuation techniques and inputs used to measure fair value

Assets:

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. As listed stock and government bonds are traded on active markets, they are classified into Level 1 fair value. Other bonds, etc. are less frequently traded on the market and their prices are not deemed to be quoted prices on an active market, and their fair values are, therefore, classified into Level 2 fair value. If their values are calculated using techniques such as the present value technique based on significant unobservable inputs, they are classified into Level 3 fair value.

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, and classified into Level 2 fair value.

Long-term loans

Long-term loans 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, and are therefore classified into Level 2 fair value. 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 the loan, as the estimated losses from the loan are calculated based on the discounted present value of the estimated cash flow or upon separately considering the expected recoverable amount; therefore, the said value is stated as fair value, and their fair values are, therefore, classified into Level 3 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, and their fair values are, therefore, classified into Level 2 fair value.

Lease deposits

Lease deposits are stated at present value calculated by discounting the future cash flow at risk-free interest rate and classified into Level 2 fair value.

Liabilities:

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, and classified into Level 2 fair value.

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, and classified into Level 2 fair value.

Guarantee deposits received

Guarantee deposits received are stated at present value calculated by discounting the future cash flow at risk-free interest rate, and classified into Level 2 fair value.

Derivative transactions

Interest Rate Swap are stated at the price presented by the financial institution with which the Group has concluded an agreement, and classified into Level 2 fair value.

(Note 2) Information about financial assets and liabilities measured and stated on the consolidated balance sheet at fair value and classified into Level 3

(1) Quantitative information on significant unobservable inputs

Item	Valuation Technique	Significant Unobservable Inputs	Scope of Input
Short-term investments and investment securities			
Available-for-sale securities			
Other	Present value Technique	Discount rate	15% - 30%
		Year of disposal	2022 - 2025
		EBITDA multiples	0 - 9.9x

(2) Description of the fair value valuation process

The Group has established policies and procedures for measuring the fair value approved by an appropriate person of authority. In the measurement of fair value, the validity of the valuation technique and inputs used in the measurement of fair value, and the appropriateness of the classification of the fair value level are verified. The verification results are reported in an appropriate manner to the person of authority, thereby ensuring the appropriateness of the policies and procedures for measuring fair value.

In the measurement of fair value, a valuation model that most suitably reflects the nature, characteristics and risks of the individual assets is used. In addition, when using the quoted market prices obtained from a third party as fair value, the validity of the prices is verified by appropriate methods such as confirmation of the valuation technique and inputs used and comparison with the fair value of similar financial instruments.

(3) Description of the impact on fair values where significant unobservable inputs are varied
Significant unobservable inputs include the discount rate, the time of disposal, and EBITDA multiples. Generally, fair values decrease when the discount rate is raised, the time of disposal is extended, and the EBITDA multiples are lowered. Fair values increase when the discount rate is lowered, the time of disposal is shortened, and the EBITDA multiples are raised.

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	44,020	3,092	47,113	86,130
Medical facilities	52,737	(1,572)	51,164	63,900
Other	12,738	(2,950)	9,787	11,717
Total	109,495	(1,430)	108,065	161,749

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

(Note 2) 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, 2022 is as follows:

(Millions of Yen)

	Rental income	Rental expenses	Difference	Other (gains/losses on sale etc.)
Office buildings	4,191	2,103	2,088	(85)
Medical facilities	7,037	3,272	3,765	-
Other	565	304	261	183
Total	11,794	5,679	6,114	97

(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, etc.

Notes on Revenue Recognition

1. Information on the Breakdown of Revenue from Contracts with Customers

(Millions of Yen)

	Reportable segments				
	Security services	Fire protection services	Medical services	Insurance services	Geospatial information services
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	-
Revenue from customers	558,093	148,803	74,575	52,691	56,371

	Reportable segments		Other services	Total
	BPO and ICT services	Subtotal		
Revenue from security contracts	-	475,476	-	475,476
Other	115,683	462,441	26,957	489,399
Revenue from contracts with customers	115,683	937,918	26,957	964,875
Other revenue	-	68,301	16,682	84,983
Revenue from customers	115,683	1,006,219	43,640	1,049,859

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

2. Basic Information for Understanding Revenue from Contracts with Customers

Please refer to “5. (4) Recognition Policies for Significant Revenue and Cost” of “Notes to Significant Items for Preparation of Consolidated Financial Statements” of “Notes to Consolidated Financial Statements.”

3. Information for Understanding the Amounts of Revenue in and after the Fiscal Year Ended March 31, 2022

(1) Balance, etc. of contract assets and contract liabilities

(Millions of Yen)

	Fiscal year ended March 31, 2022
Claims arising from contracts with customers (beginning balance of the year)	150,904
Claims arising from contracts with customers (ending balance of the year)	160,023
Contract assets (beginning balance of the year)	20,388
Contract assets (ending balance of the year)	23,434
Contract liabilities (beginning balance of the year)	57,105
Contract liabilities (ending balance of the year)	56,158

Contract assets comprise rights to claim consideration on construction contracts, etc., by the Company and its consolidated subsidiaries that have been completed by the fiscal year-end but remain unclaimed. Contract assets are transferred to receivables from contracts with customers at the point in time when the rights to claim consideration by the Company and its consolidated subsidiaries become unconditional.

Contract liabilities mainly comprise deferred revenue received from customers concerning service contracts, etc., and are reversed upon the recognition of revenue.

For the fiscal year ended March 31, 2022, most of the YEN 39,161 million of the beginning balance of contract liabilities of one year or less has been recognized as revenue in the current fiscal year.

(2) Transaction price allocated to remaining performance obligations

In the notes to the transaction price allocated to remaining performance obligations, the Company and its consolidated subsidiaries apply the practical expedient, and contracts with terms initially expected to be one year or less are not included in the notes.

The total transaction price allocated to remaining performance obligations and the expected time of revenue recognition are as follows.

(Millions of Yen)

	Fiscal year ended March 31, 2022
One year or less	146,867
More than one year	196,270
Total	343,138

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	16,118
Net defined benefit liability	6,516
Accrued bonuses	5,535
Eliminations of unrealized gain	5,524
Write-down on fixed assets	4,981
Adjustment of book value of fixed assets of subsidiaries at fair value at the date of consolidation (land and buildings)	4,710
Allowance for doubtful accounts	4,587
Impairment loss	4,530
Effect from the application of Accounting Standard for Revenue Recognition (deferred revenue)	3,221
Operating loss carryforwards	2,360
Effect from the application of Accounting Standard for Revenue Recognition (prepaid expenses)	2,206
Other	13,296
Gross deferred income tax assets	73,590
Valuation allowance	(15,000)
Total deferred income tax assets	58,589

Deferred income tax liabilities:

Net defined benefit asset	(14,522)
Unrealized gains on securities	(7,895)
Adjustment of book value of fixed assets of subsidiaries at fair value at the date of consolidation (intangible assets)	(6,663)
Adjustment of book value of fixed assets of subsidiaries at fair value at the date of consolidation (land and buildings)	(4,680)
Effect from the application of Accounting Standard for Revenue Recognition (prepaid expenses)	(2,328)
Adjustment of book value of fixed assets of subsidiaries at fair value at the date of consolidation (other fixed assets)	(941)
Other	(1,007)
Total deferred income tax liabilities	(38,040)
Net deferred income tax assets	20,548

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

In the current fiscal year, difference between the statutory tax rate and the effective tax rate after the application of deferred income tax accounting accounted for less than 5% to the statutory tax rate. Accordingly the note is omitted.

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	104,227
Service cost	5,955
Interest cost	411
Actuarial gains and losses incurred	(322)
Retirement benefits paid	(5,578)
Ending balance of retirement benefit obligations	104,693

   (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	124,762
Expected rate of return	3,520
Actuarial gains and losses incurred	4,680
Contributions from the employer	5,198
Retirement benefits paid	(4,559)
Ending balance of plan assets	133,603

(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	3,102
Retirement benefit expenses	523
Retirement benefits paid	(529)
Contributions to the plan	(141)
Ending balance of net defined benefit liability	2,955

(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	89,769
Plan assets	(136,289)
	(46,519)
Retirement benefit obligations of non-funded plans	20,564
Net amount of assets and liabilities recognized in the consolidated balance sheet	(25,955)

(Millions of Yen)

Net defined benefit liability	21,896
Net defined benefit asset	(47,852)
Net amount of assets and liabilities recognized in the consolidated balance sheet	(25,955)

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

(5) Retirement benefit expenses and their breakdown

(Millions of Yen)

Service cost	5,955
Interest cost	411
Expected rate of return	(3,520)
Amortization of actuarial gains and losses	(1,408)
Retirement benefit expenses calculated using the simplified method	523
Retirement benefit expenses pertaining to defined benefit plans	1,960

(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	(10,284)
Total	(10,284)

(7) Matters concerning actuarial assumptions

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

Discount rate	Mainly 0.5%
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 2,225 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

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

Consideration for the Acquisition Cash on hand and in banks	27,442 million yen
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) Cost of Acquisition and Breakdown by Type of Consideration
Acquisition Cost and Breakdown Thereof

Consideration for the Acquisition Common shares of the Company	9,021 million yen
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

Notes to Per-Share Information

Net assets per share:	YEN	5,147.30
Net income per share:	YEN	431.27

As stated in “6. Notes on Changes in Accounting Policies” under “Notes to Significant Items for Preparation of Consolidated Financial Statements” of “Notes to Consolidated Financial Statements,” the Company has applied the “Accounting Standard for Revenue Recognition.”
As a result, for the fiscal year ended March 31, 2022, net assets per share and basic net income per share decreased by YEN 50.22 and YEN 1.08, respectively.

Notes to 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)

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 other than shares that do not have a market value
At fair value
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.

Shares that do not have a market value
At cost, principally based on the moving average 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.

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

In the Company's major businesses related to revenue from contracts with customers, the details of major performance obligations, as well as the normal point in time when such performance obligations are satisfied (i.e., the normal point in time when revenue is recognized) are as follows.

In Security Services including the centralized systems for businesses and homes, the static guard services, and the armored car services, the Company identifies the performance obligation to provide services based on the security contract with the customer.
Such security contracts represent transactions in which the performance obligation is satisfied over a certain period, and the Company recognizes revenue in line with the performance of the contract. Equipment installation work fees received in a lump sum at the start of services for centralized systems and other points in time are allocated on a straight-line basis over the same period as the period in which the service is provided and revenue is recognized in the amount corresponding to the current fiscal year, if the customer is thought to receive the benefits as the performance obligations in the security contract is satisfied.
It should be noted that security equipment installation work expenses are allocated on a straight line over the same period as the period in which the service is provided and recognized as expenses in the amount corresponding to the current fiscal year.
Additionally, consideration for these performance obligations is generally collected within one year from the time the performance obligations are satisfied, unless they are received as contract liabilities prior to the satisfaction of the performance obligations, and the amount of consideration contains no significant financing components.

5. Other Significant Accounting Policies

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.

6. 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. "Loss on disposal of intangible assets" for the previous fiscal year was 66 million yen.

Notes on 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.

As a result, for Nonconsolidated Statements of Income for the current fiscal year, revenue decreased by 2,003 million yen, costs of revenue 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 Nonconsolidated Statements of Changes in Net Assets at the beginning of the 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.

These effects on the per-share information are described in the corresponding parts.

(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.

Notes on Accounting Estimates

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 393,659 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 14,616 million connected with cash filling services, which is restricted in use by the Company. The short-term bank loan balance includes YEN 817 million financed for the cash filling services.
The balance of cash deposits for armored car services includes YEN 19,161 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 16,650 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	17
Investment securities	1,358
Investment securities in subsidiaries and affiliates	45
Long-term loans receivable	576
Total	1,997

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 310,561 million

4. Contingent Liabilities

(1) Guarantees

Liabilities of the below entities and employees are guaranteed.

	(Millions of Yen)
Secom Aktif Güvenlik Yatirim A.S.	1,084
Alive Medicare Co., Ltd.	940
Secom Aktif Elektronik Güvenlik Çözümleri A.S.	459
Purchasers of real estate the Company sold	193
Secom Fort West Co., Ltd.	187
Employees	164
Purchasers of merchandises by leasing transactions etc.	51
Others	19
Total	3,100

(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 199,034 million, including YEN 186,078 million of investment deposits by policyholders, unearned premiums and other insurance liabilities, and the total assets are YEN 234,443 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	21,616
Long-term receivables	56,666
Short-term payables	6,285
Long-term payables	2,553

Notes to Non-Consolidated Statement of Income

Operating Transactions and Non-operating Transactions with Subsidiaries and Affiliates

	(Millions of Yen)
Operating transactions (Revenue)	17,150
Operating transactions (Expense)	39,246
Non-operating transactions (Income)	17,657

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	15,034,565	1,319,647	1,138,994	15,215,218

(Outline of reasons for change)

The increase of 1,319,647 in the number of common stocks of treasury stocks is due to the repurchase of 1,318,500 own shares resolved by the Board of Directors and the purchase of 1,147 shares constituting less than one unit.

The decrease of 1,138,994 in the number of common stocks of treasury stocks is due to the share exchange of 1,138,992 own shares and requests to sell 2 shares constituting less than one unit.

Notes to Revenue Recognition

Basic Information for Understanding Revenue

Please refer to “4 Revenue and Cost Recognition Policies” of “Notes to Significant Accounting Policies.”

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	7,284
Impairment loss	2,262
Accrued bonuses	1,961
Effect from the application of Accounting Standard for Revenue Recognition (prepaid expenses)	1,940
Effect from the application of Accounting Standard for Revenue Recognition (deferred revenue)	1,933
Write-down on fixed assets	1,279
Write-down on inventories	552
Other	2,917
Gross deferred income tax assets	20,132
Valuation allowance	(1,264)
Total deferred income tax assets	18,868

Deferred income tax liabilities:	
Prepaid pension and severance costs	(9,029)
Other	(4,289)
Total deferred income tax liabilities	(13,319)
Net deferred income tax assets (liabilities)	5,548

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)
Per capita levy of corporate inhabitant tax	0.6
Research and development tax credits	(0.5)
Permanently non-taxable expenses such as entertainment expenses	0.2
Other	(0.1)
Effective tax rate after the application of deferred income tax accounting	25.7 (%)

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 Business Combination

Such notes are omitted because the same notes are described in Consolidated Financial Statements, "Consolidated Financial Statements (Notes to Business Combination)."

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 Credit Co., Ltd.	100.0	Loan of funds
Subsidiary	Secom Medical System Co., Ltd.	100.0	Loan of funds Concurrent appointment of officers
Subsidiary	Arai & Co., Ltd.	92.5	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 Credit Co., Ltd.	Execution of loans (Collection of loans) Receipt of interests (Note 1)	32,450 (34,180) 37	Short-term loans receivable	1,000
			Long-term loans receivable	12,220
Secom Medical System Co., Ltd.	Execution of loans (Collection of loans) Receipt of interests (Note 1)	750 (7,434) 303	Short-term loans receivable	11,654
			Long-term loans receivable	20,315
Arai & Co., Ltd.	Execution of loans (Collection of loans) Receipt of interests (Note 1)	1,700 (2,787) 206	Short-term loans receivable	699
			Long-term loans receivable	11,837

(Notes)

1. The interest rates for the loans above are determined, referring to market interest rates etc.

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 1)	-	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 1)	Electronic security service and maintenance (Note 2)	31	Accrued service fee	0
			Unearned service fee	0

Notes:

1. 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.
2. 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	3,943.23
Net income per share:	YEN	319.70

As stated in “Notes on Changes in Accounting Policies” of “Notes to Consolidated Financial Statements,” the Company has applied the “Accounting Standard for Revenue Recognition.”
As a result, for the fiscal year ended March 31, 2022, net assets per share and basic net income per share decreased by YEN 37.51 and YEN 1.57, respectively.

Notes to Significant Subsequent Events

Such notes are omitted because the same notes are described in Consolidated Financial Statements, “Consolidated Financial Statements (Notes to Significant Subsequent Events).”