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FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED MARCH 31, 2023
 (Based on JAPANESE GAAP) (Consolidated)

May 11, 2023

Company name: SECOM CO., LTD. (URL: <https://www.secom.co.jp/>)
 Code number: 9735 Tokyo Stock Exchange ----- Prime Market
 Representative: Ichiro Ozeki, President and Representative Director
 Inquiries: Seiya Nagao, Executive Officer and Head of Finance Division
 Phone (03) 5775-8100

Scheduled date of General Shareholders' Meeting: June 27, 2023
 Scheduled date of dividend payout: June 28, 2023
 Scheduled date of filing Securities Report: June 27, 2023
 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, 2023 (April 1, 2022 – March 31, 2023)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	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	%
Fiscal year ended								
March 31, 2023	1,101,307	4.9	136,700	(4.7)	156,124	1.9	96,085	1.9
March 31, 2022	1,049,859	1.3	143,499	4.8	153,186	10.2	94,273	26.2

Note: Comprehensive income For the fiscal year ended March 31, 2023: JPY 121,492 million [2.6%]
 For the fiscal year ended March 31, 2022: JPY 118,423 million [23.2%]

	Basic net income per share	Diluted net income per share	Net income / Equity	Ordinary profit / Total assets	Operating profit / Revenue
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2023	445.02	—	8.4	8.0	12.4
March 31, 2022	431.27	—	8.6	8.1	13.7

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

For the fiscal year ended March 31, 2023: JPY 7,886 million

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

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

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2023	1,989,062	1,316,047	58.5	5,427.63
March 31, 2022	1,907,755	1,256,036	58.8	5,147.30

Reference: Equity

As of March 31, 2023: JPY 1,164,425 million

As of March 31, 2022: JPY 1,122,536 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, 2023	146,426	(70,446)	(77,836)	513,592
March 31, 2022	164,911	(55,351)	(87,393)	513,902

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, 2022	—	90.00	—	90.00	180.00	39,271	41.7	3.6
March 31, 2023	—	90.00	—	95.00	185.00	39.814	41.6	3.5
March 31, 2024 (projected)	—	95.00	—	95.00	190.00		47.3	

3. Projections for the consolidated financial results for the fiscal year ending March 31, 2024 (April 1, 2023 – March 31, 2024) and the six-month period ending September 30, 2023 (April 1, 2023 – September 30, 2023)

(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, 2023	540,000	4.8	55,500	(8.4)	59,500	(12.9)	37,800	(14.0)	176.19
Year ending March 31, 2024	1,145,000	4.0	132,200	(3.3)	140,700	(9.9)	86,100	(10.4)	401.33

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, 2023.

* 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, 2023	233,299,898 shares
As of March 31, 2022	233,298,049 shares

- (ii) Number of shares of treasury stock

As of March 31, 2023	18,763,110 shares
As of March 31, 2022	15,215,218 shares

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

Fiscal year ended March 31, 2023	215,915,255 shares
Fiscal year ended March 31, 2022	218,595,381 shares

[Reference] Summary of nonconsolidated results**Nonconsolidated financial results for the fiscal year ended March 31, 2023 (April 1, 2022 – March 31, 2023)****(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, 2023	391,570	(0.9)	74,615	(5.2)	93,255	(1.9)	68,651	(1.8)
March 31, 2022	395,181	0.2	78,703	4.2	95,094	6.5	69,885	16.6

Fiscal year ended	Basic net income per share	Diluted net income per share
	Yen	Yen
March 31, 2023	317.95	—
March 31, 2022	319.70	—

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, 2023	992,881	860,308	86.6	4,010.07
March 31, 2022	993,501	859,950	86.6	3,943.23

Reference: Equity

As of March 31, 2023: JPY 860,308 million

As of March 31, 2022: JPY 859,950 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, 2024” on page 5 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..... 4
 - (4) Projections for the fiscal year ending March 31, 2024 5
 - (5) Basic Policy on Distribution of Surplus and Dividend Payments for the Current and Next Fiscal Year 6
 - (6) Significant Events Regarding Assumption of Going Concern, etc. 7

- 2. Consolidated Financial Statements 8**
 - (1) Consolidated Balance Sheets 8
 - (2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income 10
 - (3) Consolidated Statements of Changes in Net Assets 11
 - (4) Consolidated Statements of Cash Flows..... 13
 - (5) Notes Regarding the Consolidated Financial Statement..... 15

- 3. Nonconsolidated Financial Statements 22**
 - (1) Nonconsolidated Balance Sheets 22
 - (2) Nonconsolidated Statements of Income..... 25
 - (3) Nonconsolidated Statements of Changes in Net Assets..... 26
 - (4) Notes Regarding the Nonconsolidated Financial Statement..... 28

1. Operating Results

(1) Analysis on Operating Results

During the fiscal year ended March 31, 2023 (“the current fiscal year”), the Japanese economy showed movements of a gradual recovery in some areas such as corporate earnings and private consumption, as economic and social activities continued moving toward normalization under the “new normal”. On the other hand, continual attention has been required to downside risks in the economy due to the unstable international situation, supply-side constraints, rising prices and the global monetary tightening, as well as the trends of fluctuations in the financial and capital markets.

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.

In June 2022, we started providing cocobo, a security robot that makes use of AI and 5G technologies to conduct monitoring and patrol services as well as security inspections at Narita International Airport and a large-scale complex. In July, we made Senon Ltd., which provides a wide range of services nationwide, including static guard services, electronic security services, airport security services, and vehicle fleet operation services, our subsidiary. In March 2023, we also announced the launch of a new service in April to help seniors relieve loneliness through the use of a communication robot. With this service, we aim to reduce the risk of a decline in cognitive and physical functions among seniors while relieving their loneliness by providing them with a sense of security that they are always connected to someone. In the period under review, we continued to provide meticulous and seamless services through various initiatives to satisfy the increasingly diversified and sophisticated needs of our customers for their safety and peace of mind.

Segment information is as follows.

In the security services segment, we provided 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 offer 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 the period under review, we launched System Security AZ-Air for small and medium-sized commercial facilities and offices, which was developed to provide more customers with the superior safety and various functions of AZ, and worked to expand their sales.

For our residential security services, we provide SECOM Home Security NEO, a flexible system suited to modern lifestyles that can expand its services beyond crime prevention and fire protection by linking with various devices. During the current fiscal year, we actively worked to expand SECOM Home Security that enhanced its convenience by linking with SECOM Cantabile, an app for Apple Watch and iPhone, which enables more comfortable and pleasant use of the system.

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 the digital transformation of on-line security systems by incorporating the latest technologies.

As a result, revenue increased by 4.5% to 583.3 billion yen, mainly owing to the contribution of Senon

Ltd., which became a consolidated subsidiary, and the increase in sales of large-scale security systems in overseas market. Operating profit decreased by 4.0% to 111.5 billion yen, attributable to the inclusion of relatively profitable projects in the previous fiscal year and the increase in selling, general and administrative expenses owing to the investments for future growth.

(*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 decreased by 2.1% to 145.6 billion yen, mainly attributable to the inclusion of large projects in the previous fiscal year. Operating profit decreased by 22.3% to 11.4 billion yen, chiefly owing to the concentration of projects with relatively high profitability in the previous fiscal year.

In the medical services segment, we provided various medical services such as our core home medical services, including home nursing services and pharmaceutical dispensing and home delivery services, operation of residences for seniors, sales of electronic medical report systems, sales of medical equipment and pharmaceutical products, personal care services, and the leasing of real estate for medical institutions. Revenue increased by 4.1% to 77.6 billion yen, mainly due to the increase in revenue in Takshasila Hospitals Operating Pvt. Ltd., a general hospital operating company in India and the brisk sales of medical equipment. Operating profit increased by 3.7% to 5.8 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 5.4% to 55.5 billion yen, mainly due to the increase in investment income and the firm rise in sales of MEDCOM, an unrestricted cancer treatment policy provided by Secom General Insurance Co., Ltd. Operating profit increased by 2.9% to 1.0 billion yen.

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 10.1% to 62.0 billion yen, owing to the rise in revenue from domestic public sector division and the international division. Operating profit increased by 66.0% to 6.7 billion yen, largely attributable to the cost ratio improvement in the domestic public sector division.

In the BPO and ICT services segment, our distinctive portfolio includes business continuity planning (BCP) support, teleworking support, information security services and a variety of cloud-based services, centering on the data centers, as well as BPO related services including operation of contact center services. Revenue increased by 10.7% to 128.0 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 was down 11.7% to 11.6 billion yen, attributable to the rise in cost mainly due to the increase in the fuel cost adjustment unit price in data center business.

Other services segment comprises real estate leasing and construction and installation services. Revenue increased by 12.2% to 48.9 billion yen. Operating profit increased by 11.6% to 6.6 billion yen.

As a result, consolidated revenue for the current fiscal year increased by 4.9% to 1,101.3 billion yen compared with the previous fiscal year, mainly owing to the contribution of Senon Ltd., which became a consolidated subsidiary in July. Consolidated operating profit decreased by 4.7% to 136.7 billion yen, largely attributable to the effect of decreases in operating profit in security services, fire protection services and BPO and ICT services. Consolidated ordinary profit increased by 1.9% to 156.1 billion yen, mainly due to the increase in net gains on private equity investment in the U.S. etc. by 4.6 billion yen. Consolidated net income attributable to owners of the parent increased by 1.9% to 96.0 billion yen.

Revenue, 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, 2023 amounted to 1,989.0 billion yen, 4.3% or 81.3 billion yen higher than those at the end of the previous fiscal year. Total current assets, at 1,007.5 billion yen, were up 2.2% or 21.3 billion yen. This was largely attributable to the increases in notes and accounts receivable – trade and contract assets by 5.1% or 7.5 billion yen to 157.4 billion yen, raw materials and supplies by 32.7% or 4.5 billion yen to 18.4 billion yen and due from subscribers by 10.2% or 4.0 billion yen to 43.5 billion yen. Total fixed assets, at 981.5 billion yen, were up 6.5% or 59.9 billion yen. This was mainly attributable to the increases in investment securities by 8.0% or 22.1 billion yen to 298.3 billion yen, intangible assets by 15.2% or 17.5 billion yen to 132.7 billion yen and total tangible assets by 3.4% or 13.3 billion yen to 403.8 billion yen.

Total liabilities amounted to 673.0 billion yen, 3.3% or 21.2 billion yen higher than those at the end of the previous fiscal year. Total current liabilities amounted to 377.4 billion yen, up 4.3% or 15.7 billion yen, owing to the increase in other by 78.9% or 13.4 billion yen to 30.4 billion yen mainly due to the increase in accounts payable for equipment. Long-term liabilities increased by 1.9% or 5.5 billion yen to 295.5 billion yen, compared to those at the end of the previous fiscal year, mainly attributable to the increases in deferred income taxes by 59.0% or 4.0 billion yen to 10.9 billion yen and net defined benefit liability by 9.3% or 2.0 billion yen to 23.9 billion yen.

Total net assets amounted to 1,316.0 billion yen, 4.8% or 60.0 billion yen higher than those at the end of the previous fiscal year, mainly due to the increases in retained earnings by 5.5% or 57.0 billion yen, foreign currency translation adjustments by 16.1 billion yen and noncontrolling interests by 13.6% or 18.1 billion yen, despite the decrease in common stock in treasury, at cost by 37.5% or 29.7 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, 2022	Year ended March 31, 2023	Increase (decrease)
Cash flows from operating activities	164,911	146,426	(18,485)
Cash flows from investing activities	(55,351)	(70,446)	(15,095)
Cash flows from financing activities	(87,393)	(77,836)	9,556
Effect of exchange rate changes on cash and cash equivalents	1,695	1,546	(148)
Net increase (decrease) in cash and cash equivalents	23,862	(310)	(24,172)
Cash and cash equivalents at beginning of the period	490,039	513,902	23,862
Cash and cash equivalents at end of the period	513,902	513,592	(310)

(Cash flows from operating activities)

Net cash provided by operating activities for the current fiscal year amounted to 146.4 billion yen; 164.9 billion yen in the previous fiscal year. Major factors of cash increase were income before income taxes of 153.3 billion yen and depreciation and amortization of 62.5 billion yen. Major factors of cash decrease were income taxes paid of 47.5 billion yen and increase in inventories of 9.1 billion yen.

(Cash flows from investing activities)

Net cash used in investing activities was 70.4 billion yen; 55.3 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 49.7 billion yen, payments for purchases of investment securities of 48.6 billion yen and acquisitions of subsidiaries accompanied with changes in scope of consolidation of 18.9 billion yen. Major factor of cash increase was proceeds from sales and redemptions of investment securities of 53.3 billion yen.

(Cash flows from financing activities)

Net cash used in financing activities amounted to 77.8 billion yen; 87.3 billion yen in the previous fiscal year. Major factors of cash decrease were dividends paid of 39.0 billion yen, increase in treasury stocks, net of 29.7 billion yen and repayments of lease obligations of 4.9 billion yen.

As a result, cash and cash equivalents as of March 31, 2023 were 513.5 billion yen, 0.3 billion yen lower than those at the end of the previous fiscal year.

(Reference) Trend of indices related to cash flows

	Years ended				
	March 31, 2019	March 31, 2020	March 31, 2021	March 31, 2022	March 31, 2023
Equity ratio (%)	56.4	57.0	58.1	58.8	58.5
Equity ratio (market price base) (%)	117.2	107.9	109.0	101.4	88.1
Interest-bearing liabilities / Cash flows from operating activities (in year)	0.5	0.4	0.4	0.4	0.4
Interest coverage ratio	207.3	260.6	237.0	195.9	165.6

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, 2024

In regard to the outlook in the Japanese economy, it is expected to recover moderately under the “new normal”, supported by the effects of various policies. However, conditions will remain uncertain, with attentions required to the risks that a downturn in overseas economies could put downward pressure on the Japanese economy, amid ongoing global monetary tightening, as well as the effects of rising prices, supply-side constraints, and fluctuations in financial and capital markets.

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.

For the projections for the fiscal year ending March 31, 2024, we expect an increase in all business segments except for the geospatial information services, and total revenue is expected to rise by 43.6 billion yen to 1,145.0 billion yen. On the other hand, we expect operating profit to decrease by 4.5 billion yen to 132.2 billion yen, attributable to the decline in operating profit in security services due to investments to further improve productivity, strengthen promotions for overseas growth, and increase employee engagement in order to achieve the SECOM Group Road Map 2027, which was newly established in May 2023, as well as decrease in operating profit in geospatial information services mainly due to a fall in revenue. As the net gains on private equity investment in the U.S. etc. was strong during the current fiscal year, consolidated ordinary profit is expected to decrease by 15.4 billion yen to 140.7 billion yen. Consolidated net income attributable to owners of the parent is expected to decrease by 9.9 billion yen to 86.1 billion yen.

(Notes for projections)

Projections for the consolidated financial results for the fiscal year ending March 31, 2024, 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, 2022	Year ended March 31, 2023	Year ending March 31, 2024 (Projections)
Revenue	1,049.8	1,101.3	1,145.0
Change from the previous year	+1.3%	+4.9%	+4.0%
Operating profit	143.4	136.7	132.2
Change from the previous year	+4.8%	(4.7%)	(3.3%)
Ordinary profit	153.1	156.1	140.7
Change from the previous year	+10.2%	+1.9%	(9.9%)
Net income attributable to owners of the parent	94.2	96.0	86.1
Change from the previous year	+26.2%	+1.9%	(10.4%)
Basic net income per share (in yen)	431.27	445.02	401.33

(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 95 yen per share to respond to shareholders' continuous support. The dividends for the current fiscal year are 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, 5 yen higher than those for the previous fiscal year, and consolidated dividend payout ratio is 41.6%.

Based on the resolution adopted by its Board of Directors at the meeting held on February 10, 2022, the Company repurchased 3,479,300 shares of its own shares at the repurchase price of 29,999,639,960 yen by the market purchase on the Tokyo Stock Exchange during the period from February 14 to June 3, 2022. Based on the resolution adopted by its Board of Directors at the meeting held on February 9, 2023, the Company also repurchased 1,386,200 shares of its own shares at the repurchase price of 11,012,757,477 yen by the market purchase on the Tokyo Stock Exchange during the period from February 10 to March 31, 2023. The Company continues the repurchase with the maximum total repurchase price of 25 billion yen until the repurchase period ends on May 31, 2023.

The dividends for the next fiscal year are planned to be 190 yen per share, the sum of the interim dividends of 95 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, 2022	March 31, 2023
ASSETS:		
Current assets:		
Cash on hand and in banks	522,363	522,396
Cash deposits for armored car services	136,477	135,459
Notes and accounts receivable - trade and contract assets	149,878	157,475
Due from subscribers	39,468	43,503
Short-term investments	27,020	26,325
Lease receivables and investment in leased assets	37,518	41,120
Merchandise and products	14,724	17,361
Real estate inventories	2,593	4,146
Work in process	5,629	5,707
Raw materials and supplies	13,930	18,482
Short-term loans receivable	2,563	2,408
Other	36,064	35,324
Allowance for doubtful accounts	(2,031)	(2,163)
Total current assets	986,202	1,007,547
Fixed assets:		
Tangible assets:		
Buildings and improvements, net	151,809	150,733
Security equipment and control stations, net	73,911	75,650
Land	122,050	123,358
Other, net	42,695	54,095
Total tangible assets	390,467	403,837
Intangible assets	115,228	132,772
Investments and others:		
Investment securities	276,230	298,364
Long-term loans receivable	29,494	25,692
Net defined benefit asset	47,852	55,551
Deferred income taxes	27,407	27,426
Other	47,068	48,770
Allowance for doubtful accounts	(12,195)	(10,900)
Total investments and others	415,858	444,905
Total fixed assets	921,553	981,515
Total assets	1,907,755	1,989,062

(1) Consolidated Balance Sheets (Continued)

	(In millions of yen)	
	March 31, 2022	March 31, 2023
LIABILITIES:		
Current liabilities:		
Notes and accounts payable, trade	44,271	46,985
Bank loans	32,159	29,085
Current portion of straight bonds	409	407
Lease obligations	4,843	4,704
Payables - other	43,257	44,551
Accrued income taxes	25,043	22,762
Accrued consumption taxes	8,966	8,549
Accrued expenses	8,436	11,312
Deposits received for armored car services	118,971	118,943
Deferred revenue	38,228	37,730
Accrued bonuses	17,960	19,653
Provision for losses on construction contracts	2,159	2,312
Other	17,041	30,482
Total current liabilities	361,750	377,482
Long-term liabilities:		
Straight bonds	3,489	3,081
Long-term loans	11,650	12,349
Lease obligations	15,077	14,657
Guarantee deposits received	23,669	23,662
Deferred income taxes	6,859	10,906
Accrued retirement benefits for directors and audit and supervisory board members	842	829
Net defined benefit liability	21,896	23,935
Long-term deferred revenue	16,545	16,121
Investment deposits by policyholders, unearned premiums and other insurance liabilities	185,698	186,033
Other	4,240	3,955
Total long-term liabilities	289,969	295,533
Total liabilities	651,719	673,015
NET ASSETS:		
Shareholders' equity:		
Common stock	66,419	66,427
Capital surplus	70,335	70,349
Retained earnings	1,043,766	1,100,791
Common stock in treasury, at cost	(79,436)	(109,224)
Total shareholders' equity	1,101,084	1,128,343
Accumulated other comprehensive income (losses):		
Unrealized gains on securities	20,220	18,771
Deferred losses on hedges	(6)	(3)
Foreign currency translation adjustments	(5,627)	10,497
Remeasurements of defined benefit plans, net of taxes	6,865	6,815
Total accumulated other comprehensive income (losses)	21,451	36,081
Noncontrolling interests	133,499	151,621
Total net assets	1,256,036	1,316,047
Total liabilities and net assets	1,907,755	1,989,062

(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, 2022	March 31, 2023
Revenue	1,049,859	1,101,307
Costs of revenue	712,187	758,850
Gross profit	337,672	342,456
Selling, general and administrative expenses	194,173	205,756
Operating profit	143,499	136,700
Non-operating income	14,977	23,326
Non-operating expenses	5,290	3,903
Ordinary profit	153,186	156,124
Extraordinary profit	1,033	2,474
Extraordinary losses	2,206	5,230
Income before income taxes	152,013	153,367
Income taxes - current	45,045	44,750
Income taxes - deferred	1,223	2,490
Total income taxes	46,269	47,241
Net income	105,744	106,126
Net income attributable to noncontrolling interests	11,470	10,040
Net income attributable to owners of the parent	94,273	96,085

Consolidated Statements of Comprehensive Income

	(In millions of yen)	
	Year ended	Year ended
	March 31, 2022	March 31, 2023
Net income	105,744	106,126
Other comprehensive income (losses):		
Unrealized gains (losses) on securities	(1,835)	(1,306)
Foreign currency translation adjustments	9,484	13,472
Remeasurements of defined benefit plans, net of taxes	2,491	(683)
Share of other comprehensive income (losses) of affiliated companies accounted for under the equity method	2,539	3,884
Total other comprehensive income (losses)	12,679	15,366
Comprehensive income	118,423	121,492
Comprehensive income attributable to:		
Owners of the parent company	106,378	110,715
Noncontrolling interests	12,044	10,776

(3) Consolidated Statements of Changes in Net Assets

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

Fiscal year ended March 31, 2023

(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	66,419	70,335	1,043,766	(79,436)	1,101,084
Cumulative effects of changes in accounting policies					—
Restated balance	66,419	70,335	1,043,766	(79,436)	1,101,084
Changes during the current period:					
Issuance of new stocks	7	7			15
Cash dividends			(39,060)		(39,060)
Net income attributable to owners of the parent			96,085		96,085
Changes due to share exchange					—
Purchase of treasury stock				(29,788)	(29,788)
Disposal of treasury stock		0		0	0
Changes in shares of parent arising from transactions with non-controlling interest		6			6
Net changes of items other than shareholders' equity					
Total changes during the current period	7	14	57,025	(29,788)	27,258
Balance at the end of the current period	66,427	70,349	1,100,791	(109,224)	1,128,343

(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	20,220	(6)	(5,627)	6,865	21,451	133,499	1,256,036
Cumulative effects of changes in accounting policies							—
Restated balance	20,220	(6)	(5,627)	6,865	21,451	133,499	1,256,036
Changes during the current period:							
Issuance of new stocks							15
Cash dividends							(39,060)
Net income attributable to owners of the parent							96,085
Changes due to share exchange							—
Purchase of treasury stock							(29,788)
Disposal of treasury stock							0
Changes in shares of parent arising from transactions with non-controlling interest							6
Net changes of items other than shareholders' equity	(1,448)	3	16,125	(49)	14,629	18,121	32,751
Total changes during the current period	(1,448)	3	16,125	(49)	14,629	18,121	60,010
Balance at the end of the current period	18,771	(3)	10,497	6,815	36,081	151,621	1,316,047

(4) Consolidated Statements of Cash Flows

	(In millions of yen)	
	Year ended	Year ended
	March 31, 2022	March 31, 2023
Cash flows from operating activities:		
Income before income taxes	152,013	153,367
Depreciation and amortization	61,799	62,514
Amortization of goodwill	5,661	6,426
Net (gains) losses from investment in affiliated companies accounted for under the equity method	(6,745)	(7,886)
Increase (decrease) in allowance for doubtful accounts	(1,049)	(1,294)
Increase/decrease in net defined benefit liability and asset	(4,949)	(5,365)
Interest and dividend income	(4,364)	(5,094)
Interest expenses	837	869
Exchange (gains) losses	100	(348)
Net (gains) losses on sales and disposal of fixed assets	2,078	(226)
Impairment losses on fixed assets	113	3,182
Net (gains) losses on sales of investment securities	(668)	(1,705)
Net (gains) losses on revaluation of investment securities	274	506
Net (gains) losses on sales of investment securities in subsidiaries and affiliates	94	223
Net (gains) losses on private equity investment	(2,872)	(7,508)
(Increase) decrease in trade receivables and contract assets	(10,618)	(7,384)
(Increase) decrease in lease receivables and investment in leased assets	4,566	(3,601)
(Increase) decrease in inventories	(5,337)	(9,194)
Increase (decrease) in accounts payable	2,625	2,721
Increase (decrease) in accrued consumption taxes	(4,222)	(1,254)
Increase (decrease) in deferred revenue	(1,389)	(1,134)
Increase (decrease) in investment deposits by policyholders, unearned premiums and other insurance liabilities	4,683	335
Increase/decrease in cash deposits/deposits received for armored car services	2,049	989
Other	3,849	4,355
Subtotal	198,528	183,494
Interest and dividend received	9,919	11,318
Interest paid	(841)	(884)
Income taxes paid	(42,694)	(47,501)
Net cash provided by (used in) operating activities	164,911	146,426

(4) Consolidated Statements of Cash Flows (Continued)

	(In millions of yen)	
	Year ended	Year ended
	March 31, 2022	March 31, 2023
Cash flows from investing activities:		
(Increase) decrease in time deposits, net	737	(172)
(Increase) decrease in short-term investments, net	—	(2,554)
Payments for purchases of tangible assets	(53,114)	(49,779)
Proceeds from sales of tangible assets	3,534	6,505
Payments for purchases of intangible assets	(10,557)	(11,559)
Payments for purchases of investment securities	(31,672)	(48,647)
Proceeds from sales and redemptions of investment securities	33,243	53,331
Payments for acquisitions of affiliates	(10)	(181)
(Increase) decrease in short-term loans receivable, net	23	(186)
Payments for long-term loans receivable	(798)	(944)
Proceeds from long-term loans receivable	4,990	5,113
Acquisitions of subsidiaries accompanied with changes in scope of consolidation	—	(18,928)
Divestitures of subsidiaries accompanied with changes in scope of consolidation	(2)	(156)
Other	(1,723)	(2,287)
Net cash provided by (used in) investing activities	(55,351)	(70,446)
Cash flows from financing activities:		
Increase (decrease) in bank loans, net	(2,163)	(1,275)
Proceeds from long-term loans	4,848	2,837
Repayments of long-term loans	(3,095)	(4,574)
Repayments of lease obligations	(5,641)	(4,945)
Payments for redemption of straight bonds	(439)	(409)
Proceeds from stock issuance to noncontrolling shareholders	72	2,845
Dividends paid	(38,195)	(39,060)
Dividends paid for noncontrolling shareholders	(2,964)	(3,426)
(Increase) decrease in treasury stocks, net	(11,241)	(29,788)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(28,572)	(38)
Net cash provided by (used in) financing activities	(87,393)	(77,836)
Effect of exchange rate changes on cash and cash equivalents	1,695	1,546
Net increase (decrease) in cash and cash equivalents	23,862	(310)
Cash and cash equivalents at beginning of the period	490,039	513,902
Cash and cash equivalents at end of the period	513,902	513,592

(5) Notes Regarding the Consolidated Financial Statement

[Notes Regarding the Assumption of Going Concern]

Not applicable

[Changes in Accounting Policies]

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

From the beginning of the current fiscal year, we have applied “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Statement No.31, June 17, 2021; hereinafter, “Implementation Guidance on Fair Value Accounting Standards”), etc. In accordance with the transitional treatment set forth in Article 27-2 of “Implementation Guidance on Accounting Standard for Fair Value Measurement”, we have applied prospectively new accounting policies prescribed by the Implementation Guidance on Fair Value Accounting Standards, etc. There is no impact of this application on the consolidated financial statements.

[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, 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.

Fiscal year ended March 31, 2023

(In millions of yen)

	Reportable segments				
	Security services	Fire protection services	Medical services	Insurance services	Geospatial information services
Revenue:					
Revenue from security contracts	495,314	—	—	—	—
Other	79,497	145,662	70,189	664	62,085
Revenue from contracts with customers	574,812	145,662	70,189	664	62,085
Other revenue	8,526	—	7,433	54,896	—
Customers	583,338	145,662	77,623	55,560	62,085
Intersegment	11,988	3,124	239	3,012	226
Subtotal	595,327	148,787	77,862	58,573	62,312
Segment profit	111,501	11,497	5,873	1,037	6,781
Segment assets	1,009,466	186,757	136,293	238,929	70,088
Other items:					
Depreciation and amortization	40,739	2,877	3,355	2,504	1,773
Amortization of goodwill	4,071	16	—	—	—
Impairment losses on fixed assets	1,431	—	—	—	1,725
Increase in tangible and intangible assets (Note 4)	66,752	4,042	2,107	3,133	2,600

	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	—	495,314	—	495,314	—	495,314
Other	128,082	486,182	32,248	518,431	—	518,431
Revenue from contracts with customers	128,082	981,497	32,248	1,013,745	—	1,013,745
Other revenue	—	70,856	16,705	87,562	—	87,562
Customers	128,082	1,052,353	48,953	1,101,307	—	1,101,307
Intersegment	10,789	29,380	1,560	30,940	(30,940)	—
Subtotal	138,871	1,081,733	50,514	1,132,248	(30,940)	1,101,307
Segment profit	11,643	148,334	6,666	155,000	(18,299)	136,700
Segment assets	162,750	1,804,284	148,014	1,952,299	36,763	1,989,062
Other items:						
Depreciation and amortization	9,916	61,166	1,253	62,420	94	62,514
Amortization of goodwill	2,077	6,165	261	6,426	—	6,426
Impairment losses on fixed assets	25	3,182	0	3,182	—	3,182
Increase in tangible and intangible assets (Note 4)	20,960	99,596	8,108	107,705	262	107,968

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 (253) million yen and corporate expenses not allocated to each reportable segment of 18,553 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 (163,218) million yen and corporate assets not belonging to each reportable segment of 199,981 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 (779) 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 (532) million yen and capital investments of software, etc. not belonging to each reportable segment of 795 million yen.

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

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

(Related Information)

Year Ended March 31, 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.

Year Ended March 31, 2023

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
1,042,620	58,687	1,101,307

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

(2) Tangible Assets

(In millions of yen)

Japan	Others	Total
391,779	12,058	403,837

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, 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).

Year Ended March 31, 2023

(In millions of yen)

	Reportable segments				
	Security services	Fire protection services	Medical services	Insurance services	Geospatial information services
Amortized amount (Note)	4,071	16	—	—	—
Unamortized balance	51,506	74	—	—	—

(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	6,165	261	6,426	—	6,426
Unamortized balance	15,116	66,697	3,798	70,496	—	70,496

[Notes to Business Combination]

Business Combination by Share Acquisition

1. Outline of Business Combination

(i) Name and Business Description of the Acquired Company

- (a) Name: Senon Ltd.
(b) Business Description: Security Services

(ii) 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.

(iii) Date of Business Combination

July 1, 2022

(iv) Legal Form of Business Combination

Share acquisition

(v) Name of Company after Business Combination

Senon Ltd.

(vi) Percentage of Voting Rights Acquired

55.1%

(vii) Principal Reason for Determining Acquiring Company

Since the Company delivered the consideration of the 55.1% of the voting rights consisted of cash only, the Company is determined as the acquiring company.

2. Period Included in Consolidated Financial Statements

July 1, 2022 – March 31, 2023

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

Consideration for Acquisition

Cash on hand and in banks	<u>26,999 million yen</u>
Acquisition Cost	26,999 million yen

4. Details and Amount of Acquisition Related Costs

Advisory fees etc. 63 million yen

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

(i) Amount of Goodwill

17,497 million yen

(ii) Cause of Goodwill

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

(iii) Amortization Method and Period

Amortization by the straight-line method over 15 years

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

Current assets	12,874 million yen
<u>Fixed assets</u>	<u>16,415 million yen</u>
Total assets	29,289 million yen

Current liabilities	6,846 million yen
<u>Long-term liabilities</u>	<u>5,195 million yen</u>
Total liabilities	12,041 million yen

7. Amount and Amortization Period Allocated to Intangible Assets

	[Amount]	[Amortization Period]
Customer Relationships	7,685 million yen	10-15 years

[Significant Subsequent Events]

The Company and Marubeni Corporation determined today to jointly acquire the shares of common stock of ARTERIA Networks Corporation by tender offer pursuant to the Financial Instruments and Exchange Act.

For further information, please refer to “Notice Concerning Planned Commencement of Tender Offer for Shares of ARTERIA Networks Corporation (Securities Code: 4423)” announced on May 11, 2023.

3. Nonconsolidated Financial Statements

(1) Nonconsolidated Balance Sheets

	(In millions of yen)	
	March 31, 2022	March 31, 2023
ASSETS:		
Current assets:		
Cash on hand and in banks	227,828	214,287
Cash deposits for armored car services	33,777	32,088
Notes receivable	363	388
Due from subscribers	17,890	18,722
Accounts receivable - trade and contract assets	9,777	11,934
Receivables - other	4,375	4,479
Merchandise	7,328	7,265
Supplies	2,507	2,263
Prepaid expenses	8,674	9,521
Short-term loans receivable	14,420	13,786
Other	7,887	2,232
Allowance for doubtful accounts	(41)	(38)
Total current assets	334,790	316,931
Fixed assets:		
Tangible assets:		
Buildings and improvements	16,534	15,569
Automobiles	588	589
Security equipment and control stations	68,972	69,670
Machinery and equipment	90	121
Tools, furniture and fixtures	4,071	3,776
Land	22,230	22,159
Construction in progress	3,542	4,398
Other	1,521	1,419
Total tangible assets	117,553	117,703
Intangible assets:		
Software	7,137	7,104
Other	3,655	5,211
Total intangible assets	10,792	12,316

(1) Nonconsolidated Balance Sheets (Continued)

	(In millions of yen)	
	March 31, 2022	March 31, 2023
Investments and others:		
Investment securities	23,047	26,762
Investment securities in subsidiaries and affiliates	393,659	420,624
Investments in subsidiaries and affiliates	2,179	2,179
Long-term loans receivable	51,307	32,483
Lease deposits	7,565	7,578
Long-term prepaid expenses	11,721	11,562
Prepaid pension and severance costs	29,605	34,006
Deferred income taxes	5,548	3,849
Insurance funds	4,370	4,298
Other	2,234	3,244
Allowance for doubtful accounts	(874)	(660)
Total investments and others	530,365	545,929
Total fixed assets	658,710	675,949
Total assets	993,501	992,881
LIABILITIES:		
Current liabilities:		
Accounts payable	3,676	4,183
Bank loans	17,467	16,180
Lease obligations	275	284
Payables – other	16,445	16,719
Payables – construction	3,530	4,749
Accrued income taxes	11,189	9,973
Accrued consumption taxes	3,489	2,898
Accrued expenses	779	753
Deposits received for armored car services	16,313	15,907
Deferred revenue	22,963	22,615
Accrued bonuses	6,432	6,299
Allowance for loss on contracts	—	1,141
Other	3,932	4,352
Total current liabilities	106,496	106,060
Long-term liabilities:		
Lease obligations	3,691	3,543
Guarantee deposits received	15,975	15,823
Long-term deferred revenue	6,059	6,138
Accrued pension and severance costs	1,037	687
Other	291	320
Total long-term liabilities	27,054	26,512
Total liabilities	133,551	132,572

(1) Nonconsolidated Balance Sheets (Continued)

	(In millions of yen)	
	March 31, 2022	March 31, 2023
NET ASSETS:		
Shareholders' equity:		
Common stock	66,419	66,427
Capital surplus:		
Additional paid-in capital	83,095	83,103
Other capital surplus	3,432	3,432
Total capital surplus	86,528	86,536
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	768,348	797,939
Total retained earnings	780,388	809,979
Common stock in treasury, at cost	(79,436)	(109,224)
Total shareholders' equity	853,900	853,718
Valuation, translation adjustments and others:		
Unrealized gains on securities	6,049	6,589
Total valuation, translation adjustments and others	6,049	6,589
Total net assets	859,950	860,308
Total liabilities and net assets	993,501	992,881

(2) Nonconsolidated Statements of Income

	(In millions of yen)	
	Year ended March 31, 2022	Year ended March 31, 2023
Revenue	395,181	391,570
Costs	234,703	232,887
Gross profit	160,478	158,683
Selling, general and administrative expenses	81,775	84,067
Operating profit	78,703	74,615
Non-operating income:		
Interest income	688	546
Dividends income	17,421	19,832
Other	762	507
Total non-operating income	18,872	20,887
Non-operating expenses:		
Interest expenses	144	118
Loss on sales and disposal of fixed assets	1,609	1,348
Payment for disaster	—	305
Other	726	476
Total non-operating expenses	2,480	2,247
Ordinary profit	95,094	93,255
Extraordinary profit:		
Gain on sales of investment securities	545	242
Reversal of allowance for doubtful accounts	3	213
Other	—	8
Total extraordinary profit	548	463
Extraordinary losses:		
Loss on revaluation of investment securities in subsidiaries and affiliates	772	2,029
Loss on disposal of intangible assets	554	—
Loss on revaluation of investment securities	204	—
Other	89	154
Total extraordinary losses	1,621	2,184
Income before income taxes	94,021	91,534
Income taxes - current	21,720	21,421
Income taxes - deferred	2,415	1,462
Total income taxes	24,135	22,883
Net income	69,885	68,651

(3) Nonconsolidated Statements of Changes in Net Assets

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

Fiscal year ended March 31, 2023

(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	66,419	83,095	3,432	86,528
Cumulative effects of changes in accounting policies				
Restated balance	66,419	83,095	3,432	86,528
Changes during the current period:				
Issuance of new stocks	7	7		7
Cash dividends				
Net income				
Changes due to share exchange				
Purchase of treasury stock				
Disposal of treasury stock			0	0
Net changes of items other than shareholders' equity				
Total changes during the current period	7	7	0	7
Balance at the end of the current period	66,427	83,103	3,432	86,536

(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	768,348	780,388
Cumulative effects of changes in accounting policies					
Restated balance	9,028	800	2,212	768,348	780,388
Changes during the current period:					
Issuance of new stocks					
Cash dividends				(39,060)	(39,060)
Net income				68,651	68,651
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	—	—	—	29,590	29,590
Balance at the end of the current period	9,028	800	2,212	797,939	809,979

(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	(79,436)	853,900	6,049	6,049	859,950
Cumulative effects of changes in accounting policies		—			—
Restated balance	(79,436)	853,900	6,049	6,049	859,950
Changes during the current period:					
Issuance of new stocks		15			15
Cash dividends		(39,060)			(39,060)
Net income		68,651			68,651
Changes due to share exchange		—			—
Purchase of treasury stock	(29,788)	(29,788)			(29,788)
Disposal of treasury stock	0	0			0
Net changes of items other than shareholders' equity			539	539	539
Total changes during the current period	(29,788)	(181)	539	539	358
Balance at the end of the current period	(109,224)	853,718	6,589	6,589	860,308

(4) Notes Regarding the Nonconsolidated Financial Statement

[Notes Regarding the Assumption of Going Concern]

Not applicable

[Changes in Accounting Policies]

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

From the beginning of the current fiscal year, we have applied “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Statement No.31, June 17, 2021; hereinafter, “Implementation Guidance on Fair Value Accounting Standards”), etc. In accordance with the transitional treatment set forth in Article 27-2 of “Implementation Guidance on Accounting Standard for Fair Value Measurement”, we have applied prospectively new accounting policies prescribed by the Implementation Guidance on Fair Value Accounting Standards, etc. There is no impact of this application on the financial statements.

[Changes to Disclosure Method]

(Notes to Statements of Income)

“Reversal of allowance for doubtful accounts”, which was included in “Other” under extraordinary profit in the previous fiscal year, is presented as a separate line item from the current fiscal year due to its increased importance. To reflect this change in disclosures, the financial statements for the previous fiscal year have been reclassified. As a result, the 3 million yen presented as “Other” under extraordinary profit in the income statement for the previous fiscal year, has been reclassified as “Reversal of allowance for doubtful accounts”.

[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.