



The Electronic Provision Measures Matters
(The Matters Omitted from the Document for Delivery)
for
The 65th Ordinary General Meeting of Shareholders

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Pursuant to the relevant law and ordinance, and Article 16, Paragraph 2 of the Articles of Incorporation of SECOM CO., LTD., the aforementioned Matters are not included in the document that is to be issued to a shareholder who requested the issuance of such a document.

System under which the Company's Business is Ensured to be Properly Executed

1. Basic Policy and Overview of the Status of Operation Regarding Internal Control System

Outline of the “system under which the execution of duties by Directors is ensured to comply with laws and regulations and the Articles of Incorporation, and the system under which the Company’s business and the group of enterprises consisting of the Company and subsidiaries is ensured to properly execute its business” (so-called the basic policy regarding the internal control system) of the Company, which the Board of Directors’ Meeting resolved, is as follows. (The latest revision was made on February 8, 2024.)

(1) General

This resolution manifests the basic policy regarding the internal control system of the Company resolved by the Board of Directors based on Article 362, Paragraph 5 of the Companies Act, and the policy shall be constantly reviewed and improved.

(2) System under which the execution of duties by Directors and employees is ensured to comply with laws and regulations and the Articles of Incorporation

[Basic Policy]

From the start, compliance with laws and regulations and the Articles of Incorporation has been an indispensable requirement of our business, and we have always sought to operate in strict adherence to this spirit. Compliance is a part of the Company’s daily routines, and the Company places emphasis on the system that each executive and employee maintains a high level of awareness of compliance and promotes that.

- (i) Executives and employees act in accordance with the “SECOM Group Code of Employee Conduct,” which sets behavioral standards for the execution of duties, including compliance with laws and regulations, and the Article of Incorporation. They also conduct business operations based on the “Constitution of SECOM’s Business and Operation.”
- (ii) The Executive Officers in charge of each area are responsible for having thorough knowledge of regulations related to their duties and the relationships of such regulations with their own operations. They are responsible for proposing responses to any revisions of laws to the President and Representative Director. They are also responsible for responding appropriately to issues and problems. The Legal Department and other relevant departments and sections support them, providing cross-organization coordination. President and Representative Director reports them to the Board of Directors as necessary.
- (iii) Following the orders of the President and Representative Director, the Internal Audit and Compliance Department provides cross-organizational inspection in a timely manner over the execution of duties, praises the observance of laws and regulations and the Company’s rules, and at the same time points out matters that need correction. The Internal Audit and Compliance Department reports the findings of the inspection to the President and Representative Director and the Audit & Supervisory Board Members.

[English Translation]

- (iv) When executives and employees of the Company become aware of unethical actions, they have the obligation to report such actions to the superior. A “Hot Helpline” is established to facilitate direct contact with the Internal Audit and Compliance Department or the outside law firm if corrective actions are not taken even after reporting to superiors or it is difficult to report. Pursuant to the “Basic Policy of the SECOM Group for Compliance” and the “Internal Reporting Rules,” the Company will keep the reported matters confidential, and take necessary investigation and appropriate measures. The reporter will suffer no disadvantage on the grounds of such report.
- (v) The Company establishes a standing Organizational Culture Committee, chaired by the President and Representative Director. The Organizational Culture Committee determines important official commendations and dispositions as well as measures to foster the open organizational culture. Revisions of the “SECOM Group Code of Employee Conduct” and/or critical compliance-related matters are undertaken after discussion with the Organizational Culture Committee and subject to the approval of the Board of Directors after obtaining the opinions of the Audit & Supervisory Board Members.

[Status of Operation]

The Company promotes to instill and entrench the “SECOM Group Code of Employee Conduct” and the “SECOM’s Philosophy” via trainings, in-house activities, e-learnings among others.

With regard to compliance-related problems, the Company has developed a system with which each executive and employee can respond appropriately. Important issues of them are handled by each regional Control Center and such information is brought together to the Central Control Center of the Headquarters. The Central Control Center communicates that to the relevant departments and reports to the President and Representative Director when necessary.

The Internal Audit and Compliance Department conducts operational audits based on the audit plan, reports the audit results to the President and Representative Director and the Audit & Supervisory Board Members on a monthly basis, and makes proposals to departments in charge to take corrective measures necessary to solve any issues identified. The President and Representative Director instructs departments in charge to correct such issues when necessary.

There were 141 reports made through “Hot Helpline” and the Organizational Culture Committee meetings were held 9 times for the current fiscal year.

(3) System under which information regarding execution of business by Directors shall be maintained and controlled

[Basic Policy]

Information regarding the execution of duties of Directors shall be properly maintained and administered pursuant to the rules of the Company, which will be amended upon reviewing the operating conditions when necessary.

[Status of Operation]

Information regarding the execution of duties of Directors such as minutes of the meetings of the Board of Directors and decision-making documents are stored and managed in a proper manner in conformance with the “Basic Policy of the SECOM Group for Information Security.”

(4) System regarding control of risk of loss and other system

[Basic Policy]

- (i) The Company's overall risk management is, with acknowledgement that risk management itself is the Company's business, supervised by the President and Representative Director. Executive Officers in charge and department managers analyze and assess business risk and fraud risk in the operational areas for which they are responsible. On this basis, the system is reviewed to respond to changes in business environment and important issues are reported to the Board of Directors and the Audit & Supervisory Board.
- (ii) In order to grasp company-wide risks and consider necessary measures, a Risk Committee, which is chaired by the Director responsible for risk management, shall be convened and report as necessary to the President and Representative Director and the Board of Directors.
- (iii) Any important changes of the Company's risk control system shall be subject to the approval of the Board of Directors after obtaining the opinions of the Audit & Supervisory Board Members.

[Status of Operation]

Each Executive Officer and department manager properly analyzes and assesses risks in the operational areas for which he/she is responsible and reports the results to the President and Representative Director. They also respond appropriately to the revealed risks. The Risk Committee meetings were held 6 times for the current fiscal year. The Risk Committee grasps company-wide risk and considers necessary measures.

The analysis and assessment is conducted under the classification of risks as below.

① Large-scale calamity risk	② Compliance risk
③ System risk	④ Service providing risk
⑤ Administrative work and accounting risk	⑥ Supply chain risk
⑦ Infection risk	⑧ SDGs related risk, etc.

(5) System by which efficient execution of duties of Directors shall be ensured

[Basic Policy]

- (i) The Board of Directors consists of Directors including Outside Directors in an independent position. Based on the "Rules of the Board of Directors," the Board determines important matters stipulated in the relevant laws and regulations and makes decisions on corporate management. The Board also oversees appropriate executions of the duties by Directors.
- (ii) The Company introduces the system of Executive Officers aiming to implement the execution of Directors' duties efficiently.
- (iii) The Company utilizes the information systems and secures its business expansion and stable and efficient operations.
- (iv) The Company will share the medium and long-term business vision, and for the purpose of the accomplishment thereof, the Board of

[English Translation]

Directors will design an annual business plan and deliberate the progress of the plan.

[Status of Operation]

The Board of Directors consists of 10 Directors including 4 Outside Directors. As a general rule, a meeting of the Board of Directors is held once a month with the attendance of Directors as well as 5 Audit & Supervisory Board Members including 3 Outside Audit & Supervisory Board Members. At meetings of the Board of Directors, important management matters are deliberated and the status of execution of duties by Directors is reported, based on the “Business Vision” of the Company, and the Board of Directors strives for accurate and prompt decision-making. 33 Executive Officers including 6 Directors are making efforts to make decisions and to execute their duties in a more expeditious manner. (The above officer structure is as of March 31, 2026.)

Furthermore, to allow Directors and Audit & Supervisory Board Members to make appropriate judgments, the Company provides opportunities outside the Board of Directors’ meetings to exchange opinions and deepen understanding of its businesses. For particularly important matters, the Company conducts preliminary briefings to stimulate discussions at Board of Directors’ meetings, holds multiple rounds of discussions, and provides progress reports after resolutions have been adopted. The Company conducts measures against cyberattacks, monitoring, regular inspections and reviews for stable operations of the information systems. It also considers and promotes measures to strengthen cybersecurity across the Group through the Cybersecurity Enhancement Committee.

(6) System under which the group of enterprises consisting of the Company and subsidiaries is ensured to properly execute its business

(6-1) System under which the execution of duties by Directors, etc. and employees of subsidiaries is ensured to comply with laws and regulations and the Articles of Incorporation

[Basic Policy]

- (i) Abiding by the “Constitution of SECOM’s Business and Operation,” each of the subsidiaries shares the “SECOM Group Code of Employee Conduct,” which applies to all executives and employees. United by these guidelines, the executives and employees work to accomplish the corporate goals in an appropriate manner.
- (ii) Each of the subsidiaries carries out IT controls in conformance with the “Basic Policy of the SECOM Group for Information Security.” The Company’s ICT Executive Officers conduct timely inspections covering the IT management of major subsidiaries.
- (iii) The “SECOM Group Management Committee,” which is chaired by the Company’s President and Representative Director and whose members are composed of the presidents of major subsidiaries and other parties appointed by the chairperson, works to ensure that appropriate operations are carried out. It accomplishes this goal by conducting discussions of issues related to the internal controls in an effort to share Group information and operating philosophy. Where necessary, the President and Representative Director reports the results to the Board of Directors

[English Translation]

and the Audit & Supervisory Board.

- (iv) The President and Representative Director of the Company issues orders to the internal audit departments (Internal Audit and Compliance Department and Group Governance Department) to inspect subsidiaries, if necessary. The subsidiaries accept the inspection by the Company, and at the same time promote the understanding and improvement of compliance-related issues by exchanging information with the Company. Furthermore, the Company establishes the whistle-blowing system “Group Head Office Helpline” which enables executives and employees of subsidiaries to directly report to the Company’s Group Governance Department, whenever they become aware of any non-compliance. Pursuant to the “Basic Policy of the SECOM Group for Compliance” and the “Internal Reporting Rules,” the Company will keep the reported matters confidential, and take necessary investigation and appropriate measures. The reporter will suffer no disadvantage on the grounds of such report.
- (v) The Audit & Supervisory Board Members of the Company visit major subsidiaries and conduct audits regarding internal controls.
- (vi) The Company establishes a liaison meeting with Group Audit & Supervisory Board Members after discussion with its Audit & Supervisory Board in an attempt to share information.

(6-2) System under which the matters related to the execution of duties by Directors, etc., of subsidiaries are reported to the Company

[Basic Policy]

The Company establishes and implements the “Basic Rules for SECOM Group Corporate Management,” which clarify the guidelines for the items to be approved by the Company in advance and the items to be reported to the Company.

(6-3) Rules and other systems for controlling risks of loss of subsidiaries

[Basic Policy]

Pursuant to the “Meaning of the Risk Control and Risk Control Basic Policy for SECOM and SECOM Group,” the subsidiaries develop risk control systems. Furthermore, upon the occurrence of important events, the subsidiaries will take appropriate measures under the Company’s control.

(6-4) System which ensures that Directors, etc., of the subsidiaries execute their duties efficiently

[Basic Policy]

- (i) All Directors of the subsidiaries will efficiently carry out the operation and execution of business on the basis of the “Constitution of SECOM’s Business and Operation.”
- (ii) The Company and the subsidiaries will formulate the annual business plans based on the “Business Vision” of the SECOM Group, and confirm the progress of the plans.

[Status of Operation]

Information on important compliance-related issues is brought together to the Central Control Center of the Company. The Central Control Center communicates that to the relevant departments and reports to the President and Representative Director when necessary.

[English Translation]

The President and Representative Director of the Company convened the “SECOM Group Management Committee Meetings” 4 times for the current fiscal year and confirmed the progress of the business plans of the subsidiaries. To enhance the subsidiaries’ corporate governance, Audit & Supervisory Board Members visited and interviewed the Group subsidiaries. Also, to enhance the integration with the Group Audit & Supervisory Board Members, etc., they held the “Liaison Meetings with Group Audit & Supervisory Board Members and the Internal Audit Departments of SECOM Group” and the “Information Exchange Meetings.” Internal audit departments inspect the subsidiaries as needed, and take appropriate steps in collaboration with relevant sections and the subsidiaries in response to any internal reports made through the “Group Head Office Helpline.”

(7) Matters related to employees to assist duties of Audit & Supervisory Board Members when Audit & Supervisory Board Members requests to do so and matters related to the independence of such employees from Directors and ensuring the effectiveness of the instructions of the Audit & Supervisory Board Members

[Basic Policy]

- (i) The Company establishes the system to assist audit duties, by establishing the Office of Audit & Supervisory Board staffed by at least two employees with the exclusive duties.
- (ii) The assistants for the Audit & Supervisory Board Members may conduct investigations necessary for the audit by the Audit & Supervisory Board Members, following the instructions of the Audit & Supervisory Board Members.
- (iii) Transfer and evaluation of the assistants for the Audit & Supervisory Board Members shall be determined upon the approval of the Audit & Supervisory Board. The assistants who received necessary instruction on audit duties by Audit & Supervisory Board Members shall not be subject to any instruction or order from Directors and Executive Officers and employees with respect to the subject audit duties, nor be obligated to report to them.

[Status of Operation]

The Company has established the Office of Audit & Supervisory Board staffed by three designated employees who are familiar with the Company’s internal affairs. The assistants for the Audit & Supervisory Board Members carry out their duties following the instructions of the Audit & Supervisory Board Members, and transfer and evaluation of the assistants shall be determined upon the approval of the Audit & Supervisory Board.

(8) System under which any report is made to Audit & Supervisory Board Members and system which ensures that the persons who made the reports will not be treated disadvantageously on the grounds of such reports

(8-1) System under which Directors and Accounting Advisors and employees make any reports to the Audit & Supervisory Board Members

[Basic Policy]

- (i) Upon discussion with the Audit & Supervisory Board, the following matters shall be considered as the matters to be reported

[English Translation]

by Directors to the Audit & Supervisory Board Members.

- (1) matters resolved by the Organization Culture Committee and other committees;
 - (2) matters likely to be materially harming the Company;
 - (3) important matters relating to monthly business conditions;
 - (4) important matters relating to internal audit and risk management;
 - (5) material violation of laws and regulations or the Articles of Incorporation; and
 - (6) important matters from viewpoint of compliance.
- (ii) Notwithstanding (i) above, the Audit & Supervisory Board Members may, where necessary and in a timely manner, request that Directors and employees make a report.
- (iii) The matters reported to the “Hot Helpline” will be reported to the Audit & Supervisory Board Members from the Internal Audit and Compliance Department.

(8-2) System under which persons executing duties as the subsidiary’s Directors, Accounting Advisors, Audit & Supervisory Board Members, Executive Officers, members who execute the business, etc., other persons equivalent to such persons, and employees, or any persons receiving reports from these persons, make reports to the Audit & Supervisory Board Members

[Basic Policy]

The matters reported to the “Group Head Office Helpline” will be reported to the Audit & Supervisory Board Members from the Group Governance Department.

(8-3) System which ensures that the persons who made the reports to Audit & Supervisory Board Members will not be treated disadvantageously on the grounds of such reports

[Basic Policy]

Pursuant to the “Basic Policy of the SECOM Group for Compliance” and the “Internal Reporting Rules,” the Company will keep the reported matters confidential, and promptly take necessary investigation and appropriate measures, while the reporter will suffer no disadvantage on the grounds of such report.

[Status of Operation]

Audit & Supervisory Board Members receive from the internal audit departments, in addition to the matters to be reported by Directors to Audit & Supervisory Board Members pursuant to the basic policies of internal control system, any matter internally reported through the whistle-blowing system, namely, “Hot Helpline” and “Group Head Office Helpline,” etc., appropriately. A system under which a person who made a report is not treated disadvantageously has been complied with during the current fiscal year.

(9) Matters regarding the policies for the procedures of the advance payment or reimbursement of expenses incurred for the execution of duties by the Audit & Supervisory Board Members and other processing of expenses or debts incurred for the execution of such duties

[Basic Policy]

The Company bears the expenses incurred for the execution of duties

[English Translation]

by the Audit & Supervisory Board Members.

[Status of Operation]

Budget for expenses that will arise in relation to the execution of duties by Audit & Supervisory Board Members are determined by resolution of the Audit & Supervisory Board and reported to the Board of Directors. These expenses are paid by the Company.

(10) System under which audit by Audit & Supervisory Board Members is ensured to be performed efficiently

[Basic Policy]

- (i) The Company establishes the system under which the Audit & Supervisory Board shall regularly hold meetings with the President and Representative Director and the Accounting Auditor, to exchange opinions so that audits shall be performed efficiently.
- (ii) The Audit & Supervisory Board Members attend the meetings of the Board of Directors, attend important meetings to exchange opinions regarding overall management-related matters, if necessary, and conduct periodical interviews with Directors and employees of the Company and the subsidiaries.
- (iii) The Company ensures that the Audit & Supervisory Board may retain attorneys-at-law at its discretion and, if necessary, have opportunities to retain and consult professional accountants with respect to their audit duties.

[Status of Operation]

During the current fiscal year, Audit & Supervisory Board Members held 12 meetings with the President and Representative Director and 14 meetings with Accounting Auditors to exchange opinions. In addition, Audit & Supervisory Board Members attend meetings of the Board of Directors and other important meetings to exchange opinions, and conduct interviews with Directors and employees of the Company and its subsidiaries on a regular basis.

2. Result of Evaluation of the Board of Directors

The Company has conducted the evaluation of the Board of Directors through the questionnaires to Directors and Audit & Supervisory Board Members. As a result, it was confirmed that the composition of the Board of Directors ensures diversity and that the board size is appropriate. Outside Directors are also actively expressing their opinions and thus the business execution and the oversight of the management are well-balanced. Meanwhile, there were constructive suggestions prompting further development of debate from a medium- to long-term perspective on subjects including specific discussion on major direction of business strategy in consideration of changes in the social environment, governance, and the risks associated therewith.

[English Translation]

Consolidated Statement of Changes in Net Assets

(Fiscal Year from April 1, 2025 to March 31, 2026)

(Millions of Yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	66,427	68,864	1,230,672	(176,716)	1,189,247
Changes during period					
Dividends of surplus			(41,151)		(41,151)
Profit attributable to owners of parent			112,662		112,662
Purchase of treasury shares				(60,003)	(60,003)
Disposal of treasury shares		21		48	69
Change in ownership interest of parent due to transactions with non-controlling interests		742			742
Net changes in items other than shareholders' equity					
Total changes during period	—	764	71,510	(59,954)	12,319
Balance at end of period	66,427	69,628	1,302,182	(236,671)	1,201,567

(Millions of Yen)

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	38,661	(0)	34,960	7,478	81,100	177,388	1,447,736
Changes during period							
Dividends of surplus							(41,151)
Profit attributable to owners of parent							112,662
Purchase of treasury shares							(60,003)
Disposal of treasury shares							69
Change in ownership interest of parent due to transactions with non-controlling interests							742
Net changes in items other than shareholders' equity	26,691	20	844	4,334	31,891	7,734	39,626
Total changes during period	26,691	20	844	4,334	31,891	7,734	51,946
Balance at end of period	65,353	20	35,805	11,813	112,992	185,122	1,499,682

[English Translation]

Notes to Consolidated Financial Statements

Notes to Significant Items for Preparation of Consolidated Financial Statements

1. Scope of Consolidation

(1) Number of Consolidated Subsidiaries: 148

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, Secom Medical System (Singapore) Pte. Ltd., Takshasila Hospitals Operating Pvt. Ltd.

(2) Descriptions of Non-Consolidated Subsidiaries:

Eishin Denshi Co., Ltd., Kyoudou Setubi Ltd. and 25 other companies

(The reason for exclusion from scope of consolidation)

All of these 27 non-consolidated subsidiaries are of a small size, so that the aggregate amounts of total assets, net sales, profit/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 Owning Majority of Voting Rights not Regarded as Subsidiaries:

Katzkin Holdings, LLC, United Tactical Systems Holdings, LLC, CLP Legal Services, LLC, PF Holdco, LLC, Austin Fitness Holdings, LLC, Handel's Holdco, 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: 17

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

(2) Non-equity method non-consolidated subsidiaries and affiliates

Eishin Denshi Co., Ltd., Kyoudou Setubi Ltd. and 33 other companies

(The reason for not applying the equity method)

These 27 non-consolidated subsidiaries and 8 non-equity method affiliates are not accounted for under the equity method because their effect on profit/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: 3

Meisei Electric Co., Ltd. and 2 other companies (Share acquisition)

Excluded from consolidation: 3

Receptor Limited and 2 other companies (Liquidation)

Equity Method : None

4. Closing Dates of Consolidated Subsidiaries and Equity Method Affiliates

With respect to consolidated subsidiaries, 48 overseas subsidiaries close their books as of December 31 each year, and the financial statements as of this date are used for preparation of the consolidated financial statements.

With respect to equity method affiliates, 5 companies 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 1 company 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 date and their 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) 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).

3) 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 Non-current Assets

[English Translation]

- 1) Property, Plant and Equipment (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 property, plant and equipment
Other property, plant and equipment are depreciated by the straight-line method.
Their main useful lives are as follows:
Buildings: 33-50 years
Tools, furniture and fixtures: 2-20 years
- 2) Intangible Assets (except for leased assets)
Intangible 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 non-current assets in possession.
 - b. Leased assets related to non-ownership-transfer finance lease transactions
Depreciated, using the straight-line method mainly 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 provide for losses from bad debts on trade receivables, loans and other receivables, the allowance for doubtful accounts is recorded based on an estimate of uncollectible amounts. The allowance is determined based on historical loss rates for ordinary receivables and, for specific doubtful receivables from customers experiencing financial difficulties, by individually assessing their collectability.
- 2) Provision for Bonuses
The provision for bonuses is provided for the bonus payments to employees, at an amount incurred during the current fiscal year.
- 3) Provision for bonuses to directors (and other officers)
The provision for bonuses to directors (and other officers) is provided for bonuses payments to directors, at an amount incurred during the current fiscal year.
- 4) 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.

- 5) Provision for Retirement Benefits for Directors (and other officers)
To prepare for payment for retirement benefits of Directors (and other officers) 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 other officers)' 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.

As such security contracts represent contracts in which services are continuously provided over the contract period, based on the contract with the customer, and it has been determined that the performance obligations are satisfied over a certain period, the Company recognizes revenue through allocation on a straight line over the period stipulated by the contract in which the service is provided. 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 are 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 for the Fire Protection Services are mainly related to 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. As it has been determined that the cost of construction incurred is proportionate to the progress towards complete satisfaction of the performance obligation, progress is measured based on the cost of construction incurred by the end

of each reporting period as a percentage of the total estimated 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 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.

2) Amortization of Goodwill and Negative Goodwill

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

6. Notes Regarding Changes in Presentation

(Matters Related to Consolidated Statements of Income)

Business restructuring expenses and provision of reserve for price fluctuation, which were included in "Other" under extraordinary losses in the previous fiscal year, are presented as separate line items from the current fiscal year due to their increased materiality. In the previous fiscal year, business restructuring expenses amounted to YEN 149 million, and provision of reserve for price fluctuation amounted to YEN 356 million.

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 2,453 million and long-term loans receivable of YEN 19,055 million. Additionally, an allowance for doubtful accounts of YEN 2,623 million for current assets, and an allowance for doubtful accounts of

YEN 8,908 million for non-current assets were recorded on 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 56,051 million and other intangible assets of YEN 46,144 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 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 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 assets is used are not making continuous losses.

Notes to Consolidated Balance Sheet

1. Cash and Deposits

In consolidated subsidiaries, YEN 48 million of cash and deposits is subject to restrictions on use pursuant to the terms of an agreement regarding the transfer of investment securities.

2. Cash Deposits for Cash Collection and Deposit Services and Short-term Borrowings, and Deposits Received for Cash Collection and Deposit Services

For financial institutions, the Company and some of the domestic consolidated subsidiaries provide cash collection from and cash filling to cash dispensers installed by financial institutions, and cash collection and delivery. The balance of cash deposits for cash collection and deposit services includes cash and deposits representing a total of YEN 20,645 million connected with cash filling services, which is restricted in use by the Group.

The balance of cash deposits for cash collection and deposit services includes YEN 17,849 million connected with cash collection administration services, which is also restricted in use by the Group. Also, the short-term borrowings balance includes YEN 16,293 million financed for the cash collection administration services.

The balance of cash deposits for cash collection and deposit services includes cash and deposits representing a total of YEN 103,745 million connected with cash collection and delivery services, which is restricted in use by the Group and also the balance of deposits received for cash collection and deposit services includes deposits received representing a total of YEN 103,178 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)
Short-term loans receivable	3
Buildings and structures	14,620
Land	25,325
Other - intangible assets (leasehold)	507
Investment securities	1,389
Long-term loans receivable	560
<u>Total</u>	<u>42,406</u>

(2) Collateral-related Liabilities

	(Millions of Yen)
Short-term borrowings	1,285
Current portion of bonds payable	271
Bonds payable	2,139
Long-term borrowings	6,649
<u>Total</u>	<u>10,346</u>

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

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

[English Translation]

- (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 - trade	8,875
Accounts receivable - trade	140,570
Due from subscribers	43,190
Other	1,110
Contract assets	31,454

- (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 60,810 million

(Note) The amounts of contract liabilities included in deferred revenue, other of current liabilities, and long-term deferred revenue are YEN 38,287 million, YEN 5,643 million, and YEN 16,879 million, respectively.

5. Accumulated Depreciation of Property, Plant and Equipment
YEN 636,657 million
6. Investment in Non-Consolidated Subsidiaries and Affiliates:
(Non-current assets)
Investment securities (stocks) YEN 121,252 million
7. Contingent Liabilities:
Guarantees of liabilities of entities and individuals YEN 191 million

Notes to Consolidated Statement of Income

1. Revenue from Contracts with Customers
Net sales 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. Impairment Losses
The Group recognized impairment losses of YEN 1,491 million in the following groups of assets for the current fiscal year. The Company and its subsidiaries determine the grouping of assets in accordance with the categories used for management accounting purposes for operating assets and on the basis of individual assets for idle assets and rental real estate. With regard to operating assets, idle assets and rental real estate whose profitability fell significantly for the current fiscal year due to sluggish business performance, etc., the Group reduced their book values to the recoverable amounts.

Use	Type	Region	Impairment loss (Millions of Yen)
Operating assets	Buildings and software, etc.	Kanto 4 Other 4	1,454
Idle assets	Buildings and land	Kanto 1 Other 2	15
Rental real estate	Buildings	Kanto 1	21

The recoverable amount of the asset groups is measured at net selling price or value in use. Net selling price is determined based on the disposal price or the appraisal value provided by real estate appraisers. Value in use is calculated mainly based on future cash flows discounted by the rate of 5.5%.

3. Business restructuring expenses

These are severance payments made to employees in connection with measures to improve the profitability of overseas subsidiaries.

Notes to Consolidated Statement of Changes in Net Assets

1. Items Related to Issued Shares and Treasury Shares

(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 stock	466,599,796	-	-	466,599,796
Treasury Shares				
Common stock	50,925,784	11,226,152	13,289	62,138,647

(Outline of reasons for change)

(Note 1) The increase of 11,226,152 shares in the number of treasury shares of common stock consists of an increase of 11,190,100 shares due to the acquisition of treasury shares pursuant to a resolution by the Board of Directors, an increase of 35,400 shares due to the free acquisition of restricted stock, and an increase of 652 shares due to the repurchase of fractional shares.

(Note 2) The decrease of 13,289 shares in the number of treasury shares of common stock is attributable to the disposal of 13,101 shares as restricted stock as director remuneration, and a decrease of 188 shares due to fractional share purchase requests.

2. Items Related to Dividends

(1) Amount of Dividends Paid

Resolution	Classes of shares	Total amount of cash dividend (Millions of yen)	Cash dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 26, 2025	Common stock	20,783	50	March 31, 2025	June 27, 2025
Board of Directors Meeting on November 11, 2025	Common stock	20,367	50	September 30, 2025	December 8, 2025

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

The matters planned to be resolved on the General Meeting of Shareholders are as follows:

Resolution	Classes of shares	Source of dividend	Total amount of cash dividend (Millions of yen)	Cash dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 26, 2026	Common stock	Retained earnings	20,223	50	March 31, 2026	June 29, 2026

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, 2026 are listed below.

(Millions of Yen)

	Amount recognized on the consolidated balance sheet	Fair value	Difference
(1)Securities and investment securities			
(i) Held-to-maturity debt securities	11,421	10,612	(809)
(ii) Shares of subsidiaries and associates	68,578	166,383	97,804
(iii) Available-for-sale securities	351,255	351,255	-
(2)Lease receivables and investments in leases	45,228	44,884	(343)
(3)Long-term loans receivable	19,055		
Allowance for doubtful accounts (*3)	(8,156)		
	10,898	10,884	(14)
(4)Leasehold and guarantee deposits	22,417	19,678	(2,739)
Total assets	509,800	603,698	93,897
(1)Bonds payable	2,411	2,411	-
(2)Long-term borrowings	9,648	9,648	0
(3)Long-term guarantee deposits	24,300	24,270	(30)
Total liabilities	36,360	36,330	(30)

*1 “Cash and deposits,” “Cash deposits for cash collection and deposit services,” “Call loan,” “Notes and accounts receivable - trade, and contract assets,” “Due from subscribers,” “Short-term loans receivable,” “Notes and accounts payable - trade,” “Short-term borrowings,” “Accounts payable - other,” “Income taxes payable,” and “Deposits received for cash collection and deposit 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) Securities 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	41,507
Unlisted stock of affiliates	52,673

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

*4 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 1,717 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

[English Translation]

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
Securities and investment securities				
Available-for-sale securities				
Stocks	108,603	-	-	108,603
Government bonds and Municipal bonds	21,169	8,157	-	29,327
Corporate bonds	-	71,240	-	71,240
Other	55,165	34,839	52,078	142,084
Total assets	184,939	114,238	52,078	351,255

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

(Millions of Yen)

Item	Fair value			
	Level1	Level2	Level3	Total
Securities and investment securities				
Held-to-maturity debt securities				
Government bonds and Municipal bonds	9,767	-	-	9,767
Corporate bonds	-	100	644	744
Other	-	100	-	100
Shares of subsidiaries and associates	166,383	-	-	166,383
Lease receivables and investments in leases	-	44,884	-	44,884
Long-term loans receivable	-	4,194	6,689	10,884
Leasehold and guarantee deposits	-	19,678	-	19,678
Total assets	176,150	68,957	7,333	252,442
Bonds payable	-	2,411	-	2,411
Long-term borrowings	-	9,648	-	9,648
Long-term guarantee deposits	-	24,270	-	24,270
Total liabilities	-	36,330	-	36,330

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

Assets:

Securities and investment securities

The fair value of stocks is based on the price quoted on the exchange whereas the fair value of straight bonds, investment trusts, etc. is based on the price quoted on the exchange or the price presented by the corresponding financial institution. As listed stock, government bonds and exchange-traded funds 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. For investment trusts which do not have prices quoted on the market, the net asset value per unit is deemed their fair value and they are classified into Level 2 fair value provided that there are no significant restrictions to the extent that compensation for risks is demanded by market participants concerning a cancellation or a buyback request. 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.

Leasehold and guarantee deposits

Leasehold and guarantee 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:

Bonds payable

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 bonds are issued, according to the residual period of the bonds, and classified into Level 2 fair value.

Long-term borrowings

[English Translation]

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.

Long-term guarantee deposits

Long-term guarantee 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.

(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
Securities and investment securities			
Available-for-sale securities			
Other	Present value Technique	Discount rate	20% - 30%
		Year of disposal	2026 - 2027
		EBITDA multiples	5 - 10x

(2) Reconciliation from beginning balance to ending balance, and net evaluation gains or losses recognized in profit or loss for the current fiscal year

(Millions of Yen)

	Securities and investment securities
	Available-for-sale securities
	Others
Beginning balance	63,412
Profit or loss or other comprehensive income for the current fiscal year	
Profit or loss (*1)	7,237
Other comprehensive income	(1,112)
Net changes due to purchases, sales, issues and settlements	(17,459)
Ending balance	52,078
Of the amounts recorded as gains or losses for the current fiscal year, net evaluation gains or losses on financial assets and liabilities held on the date of consolidated balance sheet (*1)	(4,394)

(*1) Included in gain or loss on investment partnerships in the Consolidated Statements of Income

(3) 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

[English Translation]

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.

(4) 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	47,047	2,160	49,207	101,248
Medical facilities	46,784	(1,421)	45,363	68,916
Other	7,561	28	7,590	11,292
Total	101,393	767	102,161	181,457

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

(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, 2026 is as follows:

(Millions of Yen)

	Rental income	Rental expenses	Difference	Other (gains/losses on sale etc.)
Office buildings	4,626	2,028	2,598	-
Medical facilities	7,361	3,941	3,419	(21)
Other	669	190	478	143
Total	12,657	6,161	6,496	121

(Note 1) The rental expenses include depreciation, repair expenses, insurance expenses, taxes and dues, etc.

(Note 2) Other includes gain on sale of non-current assets recognized as extraordinary income, 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	555,133	-	-	-	-
Other	96,663	186,884	84,486	715	60,645
Revenue from contracts with customers	651,797	186,884	84,486	715	60,645
Other revenue	8,804	-	7,599	64,686	-
Revenue from external customers	660,602	186,884	92,086	65,401	60,645

	Reportable segments		Other services	Total
	BPO and ICT services	Subtotal		
Revenue from security contracts	-	555,133	-	555,133
Other	129,901	559,296	43,980	603,277
Revenue from contracts with customers	129,901	1,114,430	43,980	1,158,411
Other revenue	-	81,090	17,395	98,485
Revenue from external customers	129,901	1,195,521	61,375	1,256,896

[English Translation]

(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 for the Current Fiscal Year and Subsequent Fiscal Years

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

(Millions of Yen)

	Fiscal year ended March 31, 2026
Receivables from contracts with customers (beginning balance of the year)	185,086
Receivables from contracts with customers (ending balance of the year)	193,746
Contract assets (beginning balance of the year)	26,902
Contract assets (ending balance of the year)	31,454
Contract liabilities (beginning balance of the year)	58,032
Contract liabilities (ending balance of the year)	60,810

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, 2026, most of the YEN 41,141 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, 2026
One year or less	182,813
More than one year	252,013
Total	434,827

Notes to Deferred Tax Accounting

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

Deferred tax assets:	(Millions of Yen)
Reserve for contract of insurance	23,265
Provision for bonuses	7,213
Eliminations of unrealized gain	6,048
Retirement benefit liability	5,494
Loss on valuation of non-current assets	4,822
Adjustment of book value of non-current assets of subsidiaries at fair value at the date of consolidation (land and buildings)	4,767
Allowance for doubtful accounts	3,379
Impairment losses	3,323
Operating loss carryforwards	2,916
Loss on valuation of inventories	2,237
Asset retirement obligations	1,955
Other	12,350
Gross deferred tax assets	77,776
Valuation allowance	(15,084)
Total deferred tax assets	62,692

Deferred tax liabilities:

Valuation difference on available-for-sale securities	(28,177)
Retirement benefit asset	(25,262)
Adjustment of book value of non-current assets of subsidiaries at fair value at the date of consolidation (intangible assets)	(5,894)
Adjustment of book value of non-current assets of subsidiaries at fair value at the date of consolidation (land and buildings)	(4,042)
Investment securities	(3,244)
Adjustment of book value of non-current assets of subsidiaries at fair value at the date of consolidation (other non-current assets)	(999)
Other	(2,230)
Total deferred tax liabilities	(69,851)
Net deferred tax assets	(7,159)

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

Statutory effective tax rate for companies submitting consolidated financial statements (Reconciliation)	30.4 (%)
Profit (loss) of entities accounted for using equity method	(1.6)
Tax incentives for wages	(1.4)
Amortization of goodwill	1.1
Research and development tax credits	(0.6)
Per capita levy of corporate inhabitant tax	0.6
Other	0.4
Effective tax rate after the application of deferred tax accounting	28.9 (%)

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	100,822
Service cost	5,578
Interest cost	1,824
Actuarial gains and losses incurred	(2,750)
Retirement benefits paid	(6,775)
Past service liabilities	(13)
Increase due to new consolidation	1,071
Ending balance of retirement benefit obligations	99,756

(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	155,208
Expected rate of return	4,348
Actuarial gains and losses incurred	5,107
Contributions from the employer	5,635
Retirement benefits paid	(5,281)
Ending balance of plan assets	165,018

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

[English Translation]

	(Millions of Yen)
Beginning balance of net defined benefit liability	2,658
Retirement benefit expenses	635
Retirement benefits paid	(372)
Contributions to the plan	(140)
Ending balance of net defined benefit liability	2,781

(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	83,417
Plan assets	(168,055)
	(84,637)
Retirement benefit obligations of non-funded plans	22,156
Net amount of assets and liabilities recognized in the consolidated balance sheet	(62,480)

	(Millions of Yen)
Retirement benefit liability	22,294
Retirement benefit asset	(84,775)
Net amount of assets and liabilities recognized in the consolidated balance sheet	(62,480)

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

(5) Retirement benefit expenses and their breakdown

	(Millions of Yen)
Service cost	5,578
Interest cost	1,824
Expected rate of return	(4,348)
Amortization of actuarial gains and losses	(1,640)
Past service costs recognized as expenses	(13)
Retirement benefit expenses calculated using the simplified method	635
Retirement benefit expenses pertaining to defined benefit plans	2,036

(6) Remeasurements of defined benefit plans

The breakdown of the amount recognized in remeasurements of defined benefit plans (before corporate taxes, etc., and the tax effect) is as follows:

	(Millions of Yen)
Unrecognized actuarial gains and losses	(21,460)
Total	(21,460)

(7) Matters concerning actuarial assumptions

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

Discount rate	Mainly 2.8%
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 3,262 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 building leased by a consolidated subsidiary must be restored to its original state under the building lease agreement upon returning the building at the expiry of the lease. However, the Company does not plan to relocate from the building in its business strategies and it is assumed to be used until the building is demolished through the renewal of the agreement. In cases where the building is demolished, it is not expected to execute the contractual obligation to restore the building to its original state. For this reason, though the Company tried to establish best estimates, considering evidence available as at the closing date, asset retirement obligations have not been recognized with respect to such obligations, since it is impracticable to forecast the probability regarding the scope and the amount of asset retirement obligations.

Notes to Per-Share Information

Net assets per share:	YEN	3,250.15
Basic earnings per share:	YEN	276.17

Notes to Significant Subsequent Events

(Repurchase and Cancellation of the Company's own shares)

At the Board of Directors meeting held on May 12, 2026, the Company resolved matters regarding the repurchase of the Company's own shares pursuant to Article 156 of the Companies Act, as applied pursuant to Article 165, Paragraph 3 of the same Act, as well as the cancellation of the Company's own shares pursuant to Article 178 of the Companies Act.

1. Reason for Repurchase

The Company strives to increase its corporate value by conducting business with a focus on all stakeholders in order to realize sustainable growth. The Company will enhance shareholder returns and improve capital efficiency through flexible repurchases of its own shares, comprehensively taking into account, among others, growth investments, dividend levels, capital efficiency, and share price levels.

2. Details of the Repurchase

(1) Class of shares to be repurchased	Shares of common stock of the Company
(2) Total number of shares that may be repurchased	23,000,000 shares (maximum) (5.69% of total issued shares (excluding treasury shares))
(3) Total repurchase price	YEN 100,000,000,000 (maximum)
(4) Repurchase period	From May 13, 2026 to February 25, 2027
(5) Repurchase method	Market purchase on the Tokyo Stock Exchange

3. Details of Cancellation

[English Translation]

(1) Class of shares to be cancelled	Shares of common stock of the Company
(2) Total number of shares to be cancelled	Total number of all treasury shares acquired in accordance with 2. above
(3) Scheduled date of cancellation	March 31, 2027

Non-Consolidated Statement of Changes in Net Assets

(Fiscal Year from April 1, 2025 to March 31, 2026)

(Millions of Yen)

	Shareholders' equity			
	Share capital	Capital surplus		
		Legal capital surplus	Other capital surplus	Total capital surplus
Balance at beginning of period	66,427	83,103	6,798	89,902
Changes during period:				
Dividends of surplus				
Profit				
Purchase of treasury shares				
Disposal of treasury shares			21	21
Net changes in items other than shareholders' equity				
Total changes during period	-	-	21	21
Balance at end of period	66,427	83,103	6,819	89,923

(Millions of Yen)

	Shareholders' equity				
	Retained earnings				
	Legal retained earnings	Other retained earnings			Total retained earnings
Reserve for system developments		General reserve	Retained earnings brought forward		
Balance at beginning of period	9,028	800	2,212	896,619	908,659
Changes during period:					
Dividends of surplus				(41,151)	(41,151)
Profit				100,798	100,798
Purchase of treasury shares					
Disposal of treasury shares					
Net changes in items other than shareholders' equity					
Total changes during period	-	-	-	59,647	59,647
Balance at end of period	9,028	800	2,212	956,266	968,306

(Millions of Yen)

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of period	(176,716)	888,272	12,768	12,768	901,041
Changes during period:					
Dividends of surplus		(41,151)			(41,151)
Profit		100,798			100,798
Purchase of treasury shares	(60,003)	(60,003)			(60,003)
Disposal of treasury shares	48	69			69
Net changes in items other than shareholders' equity			6,629	6,629	6,629
Total changes during period	(59,954)	(286)	6,629	6,629	6,343
Balance at end of period	(236,671)	887,985	19,398	19,398	907,384

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 Non-current Assets
 - (1) Property, Plant and Equipment: (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 property, plant and equipment
Other property, plant and equipment are depreciated by the straight-line method.
Their main useful lives are as follows:
Buildings: 33-50 years
 - (2) Intangible Assets
Intangible 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 non-current 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 provide for losses from bad debts on trade receivables, loans and other receivables, the allowance for doubtful accounts is recorded based on an estimate of uncollectible amounts. The allowance is determined based on historical loss rates for ordinary receivables and, for specific doubtful receivables from customers experiencing financial difficulties, by individually assessing their collectability.
- (2) Provision for Bonuses
The provision for bonuses is provided for the bonus payments to employees, at an amount incurred during the current fiscal year.
- (3) Provision for bonuses to directors (and other officers)
The provision for bonuses to directors (and other officers) is provided for bonuses payments to directors, at an amount incurred during the current fiscal year.
- (4) Provision for Pension and Severance Costs
To prepare for the retirement benefits of employees, the Company provides an amount of provision for 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).
- (5) Allowance for Loss on Contracts
To prepare for future losses relating to the performance of contracts, an accrual is provided in the amount of the estimated future loss for those contracts for which future losses are estimated at the end of the current fiscal year and for which the amount of such losses can be reasonably estimated.
- (6) Provision for Shareholder Benefit Program
To provide for expenses incurred under the shareholder benefit program, the amount expected to be incurred in the next fiscal year has been recorded.

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.

As such security contracts represent contracts in which services are continuously provided over the contract period, based on the contract with the customer, and it has been determined that the performance obligations are satisfied over a certain period, the Company recognizes revenue through

allocation on a straight line over the period stipulated by the contract in which the service is provided. 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.

Notes on Accounting Estimates

Shares of subsidiaries and associates

(1) Amounts Stated in Financial Statements

The amount of shares of subsidiaries and associates of YEN 468,935 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 Cash Collection and Deposit Services and Short-term Borrowings

For financial institutions, the Company provides cash filling to and cash collection from cash dispensers installed by financial institutions.

The balance of cash deposits for cash collection and deposit services includes cash and deposits of representing a total of YEN 16,126 million connected with cash filling services, which is restricted in use by the Company.

The balance of cash deposits for cash collection and deposit services includes YEN 17,845 million connected with cash collection administration services, which is also restricted in use by the Company. Also, the short-term borrowings balance includes YEN 16,293 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	3
Investment securities	1,352
Long-term loans receivable	560
<u>Total</u>	<u>1,915</u>

Collateral-related Liabilities

—

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

3. Accumulated Depreciation of Assets

Accumulated depreciation of property, plant and equipment: YEN 314,498 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.	935
Employees	137
Purchasers of real estate the Company sold	124
Purchasers of merchandises by leasing transactions etc.	111
Others	59
<u>Total</u>	<u>2,453</u>

(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 202,078 million, including YEN 187,765 million of investment deposits by policyholders, unearned premiums and other insurance liabilities, and the total assets are YEN 272,771 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	44,334
Long-term receivables	27,547
Short-term payables	7,745
Long-term payables	2,487

Notes to Non-Consolidated Statement of Income

Operating Transactions and Non-operating Transactions with Subsidiaries and Affiliates

	(Millions of Yen)
Operating transactions (Revenue)	18,671
Operating transactions (Expense)	48,047
Non-operating transactions (Income)	45,822

Notes to Non-Consolidated Statements of Changes in Net Assets

Items Related to Classes and Total Number of Treasury Shares

(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	50,925,784	11,226,152	13,289	62,138,647

(Outline of reasons for change)

The increase of 11,226,152 shares in the number of treasury shares of common stock consists of an increase of 11,190,100 shares due to the acquisition of treasury shares pursuant to a resolution by the Board of Directors, an increase of 35,400 shares due to the free acquisition of restricted stock, and an increase of 652 shares due to the repurchase of fractional shares. The decrease of 13,289 shares in the number of treasury shares of common stock is attributable to the disposal of 13,101 shares as restricted stock as director remuneration, and a decrease of 188 shares due to fractional share purchase requests.

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 Tax Accounting

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

Deferred tax assets:	(Millions of Yen)
Loss on valuation of shares of subsidiaries and associates	8,426
Provision for bonuses	2,202
Loss on valuation of non-current assets	1,380
Impairment losses	874
Loss on valuation of inventories	601
Unpaid external business tax	439
Loss on valuation of investment securities	434
Unpaid social insurance premiums, etc.	431
Other	2,838
Gross deferred tax assets	17,628
Valuation allowance	(1,336)
Total deferred tax assets	16,291

[English Translation]

Deferred tax liabilities:	
Prepaid pension costs	(14,769)
Valuation difference on available-for-sale securities	(8,838)
Other	(11)
<u>Total deferred tax liabilities</u>	<u>(23,618)</u>
<u>Net deferred tax assets (liabilities)</u>	<u>(7,326)</u>

(Changes in Presentation Method)

“Excess depreciation of fixed assets,” which was presented as a separate line item in the previous fiscal year, has diminished in importance and is included in “Other” under deferred tax assets from the current fiscal year. In addition, “Unpaid external business tax,” which was included in “Other” under deferred tax assets in the previous fiscal year, has increased in importance and is presented as a separate line item from the current fiscal year. The amount of “Unpaid external business tax” in the previous fiscal year was YEN 371 million.

“Valuation difference on available-for-sale securities,” which was included in “Other” under deferred tax liabilities in the previous fiscal year, has increased in importance and is presented as a separate line item from the current fiscal year. The amount of “Valuation difference on available-for-sale securities” in the previous fiscal year was YEN (5,817) million.

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

Statutory tax rate	30.4 (%)
(Reconciliation)	
Permanently non-taxable income such as dividend income	(10.3)
Tax incentives for wages	(1.1)
Research and development tax credits	(0.5)
Per capita levy of corporate inhabitant tax	0.4
Permanently non-taxable expenses such as entertainment expenses	0.2
Other	(0.0)
<u>Effective tax rate after the application of deferred tax accounting</u>	<u>19.1 (%)</u>

Notes to Non-current Assets under Leases

In addition to non-current assets recognized on the Company’s balance sheet, part of the buildings is used under finance lease contracts that do not transfer ownership of the leased assets to the lessee.

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 Medical System Co., Ltd.	100.0	Loan of funds Concurrent appointment of officers
Subsidiary	Arai & Co., Ltd.	92.5	Loan of funds
Subsidiary	At Tokyo Corporation	50.8	Loan of funds Concurrent appointment of officers

Name of Company	Transactions	Amount of Transactions (Millions of Yen)	Account	Year-end Balance (Millions of Yen)
Secom Medical System Co., Ltd.	Execution of loans (Collection of loans) Receipt of interests (Note 1)	3,878	Short-term loans receivable	6,137
		(8,117) 279	Long-term loans receivable	12,749
Arai & Co., Ltd.	Execution of loans (Collection of loans) Receipt of interests (Note 1)	1,800	Short-term loans receivable	4,474
		(687) 194	Long-term loans receivable	6,897
At Tokyo Corporation	(Collection of loans) Receipt of interests (Note 1)	(3,000)	Short-term loans receivable	25,000
		286		

(Notes)

- 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, etc. (Note 2)	72	Due from subscribers	0
			Accounts receivable - other	0
			Deferred revenue	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 arm's-length transactions.

Notes to Per-Share Information

Net assets per share:	YEN	2,243.44
Basic earnings per share:	YEN	247.09

Notes to Significant Subsequent Events

Notes are omitted because the same information is presented in "Notes to Significant Subsequent Events" of the Notes to Consolidated Financial Statements.

[English Translation]