The Electronic Provision Measures Matters

(The Matters Omitted from the Document for Delivery)

for

The 63rd Ordinary General Meeting of Shareholders

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.

Notes to Consolidated Financial Statements

Notes to Significant Items for Preparation of Consolidated Financial Statements

1. Scope of Consolidation

(1) Number of Consolidated Subsidiaries: 151

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 7 other companies

(The reason for exclusion from scope of consolidation)
All of these 9 non-consolidated subsidiaries are of a small size, so that the aggregate amounts of total assets, revenue, net income/loss (an amount prorated to ownership) and retained earnings (an amount prorated to ownership) and others do not have a significant effect on the consolidated financial statements.

(3) Names of Other Companies Owing Majority of Voting Rights not Regarded as Subsidiaries:

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

(The reason for not regarded as subsidiaries)
These companies were acquired by subsidiaries of The Westec Security Group, Inc. through normal course of business with the objective of investment, not with the objective of control.

2. Equity Method

(1) Number of equity method affiliates: 17

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

(2) Number of non-equity method non-consolidated subsidiaries and affiliates: 16

Eishin Denshi Co., Ltd., Kyoudou Setubi Ltd. and 14 other companies

(The reason for not applying the equity method)
These 9 non-consolidated subsidiaries and 7 non-equity method affiliates are not accounted for under the equity method because their effect on net income/loss (an amount prorated to ownership) and retained earnings (an amount prorated to ownership) is insignificant and immaterial as a whole.

3. Changes in Scope of Consolidation and Companies Accounted for under the Equity Method

Consolidation
Excluded from consolidation: 7
Ichibou Co., Ltd. and another company (Merger)
Social Rehabilitation Support Kitsuregawa Co., Ltd. and 4 other companies (Liquidation)

Equity Method: 1
ARTERIA Networks Corporation (Share acquisition)

4. Closing Dates of Consolidated Subsidiaries and Equity Method Affiliates

With respect to consolidated subsidiaries, 52 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, 6 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 Fixed Assets

1) Tangible Assets (except for leased assets)

a. Security equipment and control stations

Security equipment and control stations are depreciated over their average estimated useful lives (5-8 years) by the declining-balance method.

b. Other tangible fixed assets

Other tangible fixed assets are depreciated by the straight-line method.

Their main useful lives are as follows:

Buildings and improvements: 33-50 years

Tools and equipment: 2-20 years

2) Intangible Assets (except for leased assets)

Intangible fixed assets are amortized by the straight-line method. The software used in the Company is amortized by the straight-line method based on the useful lives within the Company (5 years).

3) Leased Assets

a. Leased assets related to ownership-transfer finance lease transactions

Depreciated, using the same depreciation method applied to fixed assets in possession.

b. Leased assets related to non-ownership-transfer finance lease transactions

Depreciated, using the straight-line method 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 prepare for losses from bad debts such as losses on trade receivables and loans, the allowance for doubtful accounts provides an estimated amount of uncollectables. It is determined based on the historical loss rate with respect to ordinary accounts, and an estimate of uncollectable amounts respectively determined by reference to specific doubtful accounts from customers who are experiencing financial difficulties.

2) Accrued Bonuses

The accrued bonuses are provided for the bonus payments to employees, at an amount incurred during the current fiscal year.

3) Accrued bonuses to directors

The accrued bonuses to directors are 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) Accrued Retirement Benefits for Directors and Audit & Supervisory Board Members

To prepare for payment for retirement benefits of Directors and Audit & Supervisory Board Members of domestic consolidated subsidiaries, a necessary amount at the end of the current fiscal year is accrued based on the rules of the Directors and Audit & Supervisory Board Members' retirement benefits.

(4) Recognition Policies for Significant Revenue and Cost

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

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

a. Revenues from Security Services are mainly from centralized systems for businesses and homes, static guard services, and armored car services, and the Company identifies the performance obligation to provide services based on the security contract with the customer.
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 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 2,448 million, long-term loans receivable of YEN 23,334 million, an allowance for doubtful accounts of YEN 2,143 million for current assets, and an allowance for doubtful accounts of YEN 10,284 million for fixed assets in the consolidated balance sheet for the current fiscal year.

2) Other information to facilitate the understanding of accounting estimates
As stated in the above 5. (3) 1) Allowance for Doubtful Accounts, to provide for doubtful accounts such as trade accounts receivable and loans receivable, provisions are recognized as allowance for doubtful accounts. The amount of such an allowance for general receivables

is determined based on historical default rates and the amount for specific receivables such as delinquent claims is determined as the expected non-recoverable amount based on recoverability assessment on an individual basis.
In identifying specific loans that are required to be assessed for recoverability on an individual basis, the Company takes into consideration the status of delinquency in repaying debts as well as the financial condition, past operating results, and future business plans of the debtors.
Among these factors, business plans are subject to uncertainty as they are affected by unforeseeable changes in business assumptions.
The non-recoverable amount of specific loans identified is estimated based on the debtors' financial condition and future business plans and involves significant judgment of the management on whether the plans for future revenue and expenses developed as part of the business plans are feasible, including whether the impact of unforeseeable changes in business assumptions is properly considered in these plans.

(2) Goodwill and Other Intangible Assets

1) Amounts stated in the consolidated financial statements
The Company has recognized goodwill of YEN 63,505 million and other intangible assets of YEN 39,739 million in the consolidated balance sheet for the current fiscal year.

2) Other information to facilitate the understanding of accounting estimates
Goodwill and other intangible fixed assets are amortized in a regular manner. However, if there is an indication of impairment for the asset group containing these intangible assets, they need to be tested to determine whether an impairment loss needs to be recognized by comparing the total amount of undiscounted future cash flows arising from the asset group with their carrying amount. If it is determined that an impairment loss needs to be recognized as a result of such a test, the Company writes down the carrying amount to the recoverable amount and recognizes the amount of write-down as an impairment loss.
An indication of impairment is considered to exist, for example, when operating activities continue to make losses or when there has been or there is expected to be a significant deterioration in the business environment.
The carrying amounts of goodwill and other intangible fixed assets reflect the consolidated subsidiaries' excess earnings power, value of their customer base, etc., based on the expectations for the future growth of their business as at the time of the acquisition of each consolidated subsidiary. For this reason, in such cases where the business growth expected at the time of acquisition of each consolidated subsidiary is not achieved or where there has been or there is expected to be a significant deterioration in the business environment on which the business plan was based, an indication of impairment is considered to exist and goodwill and other intangible assets may need to be tested for the recognition of an impairment loss, even if its operating activities in which the asset group containing these intangible fixed assets is used are not making continuous losses.

Notes to Consolidated Balance Sheet

1. Cash on Hand and in Banks, and “Other” in Investments and others

   Under certain provisions on sales agreements for investment securities that apply to certain consolidated subsidiaries, restrictions are imposed on the use of part of cash on hand and in banks, YEN 0 million, and other, YEN 42 million, in investments and others.

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

   For financial institutions, the Company and some of the domestic consolidated subsidiaries provide cash collection from and cash filling to cash dispensers located outside of financial institution facilities, and cash collection and delivery. The balance of cash deposits for armored car services includes cash on hand and cash in banks representing a total of YEN 17,337 million connected with cash filling services, which is restricted in use by the Group.
   The balance of cash deposits for armored car services includes YEN 20,402 million connected with cash collection administration services, which is also restricted in use by the Group. Also, the short-term bank loan balance includes YEN 14,746 million financed for the cash collection administration services.
   The balance of cash deposits for armored car services includes cash on hand and cash in banks representing a total of YEN 100,821 million connected with cash collection and delivery services, which is restricted in use by the Group and also the balance of deposits received for armored car services includes deposits received representing a total of YEN 100,523 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 receivables	3
Buildings and improvements	14,238
Land	25,325
Other - intangible assets (leasehold)	507
Investment securities	1,398
Long-term loans receivable	566
Total	42,040

(2) Collateral-related Liabilities

	(Millions of Yen)
Bank loans	1,020
Current portion of straight bonds	398
Straight bonds	2,683
Long-term loans	7,641
Total	11,743

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

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

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

	(Millions of Yen)
Notes receivable	12,703
Accounts receivable	126,719
Due from subscribers	39,706
Other	1,097
Contract assets	22,757

(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 55,105 million

(Note) The amounts of contract liabilities included in deferred revenue, other of current liabilities, and long-term deferred revenue are YEN 36,837 million, YEN 2,399 million, and YEN 15,868 million, respectively.

5. Accumulated Depreciation of Tangible Assets

YEN 604,418 million

6. Investment in Non-Consolidated Subsidiaries and Affiliates:
(Fixed assets)
Investment securities (stocks) YEN 108,195 million

7. Contingent Liabilities:
Guarantees of liabilities of entities and individuals YEN 320 million

Notes to Consolidated Statement of Income

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

2. Impairment Losses
The Group recognized impairment losses, YEN 2,973 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	Software and goodwill, etc.	Kanto 11 Other 4	2,261
Idle assets	Buildings	Other 1	390
Rental real estate	Buildings	Kanto 1	322

The net realized value 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 6.0%.

Notes to Consolidated Statement of Changes in Net Assets

1. Items Related to Issued Shares and Treasury Stocks

(Unit : 1 share)

	Number of shares at the beginning of the fiscal year	Increase in the number of shares in the fiscal year	Decrease in the number of shares in the fiscal year	Number of shares at the end of the fiscal year
Issued shares				
Common stocks	233,299,898	-	-	233,299,898
Treasury stocks				
Common stocks	18,763,110	4,539,443	494,093	22,808,460

(Outline of reasons for change)

The increase of 4,539,443 shares of common stock in treasury stock is due to the repurchase of 4,537,300 shares resolved by the Board of Directors, the purchase of 1,607 shares constituting less than one unit, and the free-of-charge acquisition of 536 shares of restricted stock.

The decrease of 494,093 shares of common stock in treasury stock is due to the disposal of 492,675 shares as restricted stock to employees of the Company and its subsidiaries and the disposal of 1,418 shares as restricted stock remuneration to directors.

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 27, 2023	Common stock	20,380	95	March 31, 2023	June 28, 2023
Board of Directors Meeting on November 9, 2023	Common stock	20,101	95	September 30, 2023	December 8, 2023

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

The matters planned to be resolved on the general meeting of shareholders are as follows:

Resolution	Classes of shares	Source of dividend	Total amount of cash dividend (Millions of yen)	Cash dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 25, 2024	Common stock	Retained earnings	19,996	95	March 31, 2024	June 26, 2024

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, 2024 are listed below.

(Millions of Yen)

	Amount recognized on the consolidated balance sheet	Fair value	Difference
(1)Short-term investments and investment securities			
(i) Held-to-maturity debt securities	11,717	12,013	296
(ii) Investment securities in affiliates	62,720	142,899	80,179
(iii) Available-for-sale securities	284,659	284,659	-
(2)Lease receivables and investment in leased assets	40,007	39,899	(108)
(3)Long-term loans receivable	23,334		
Allowance for doubtful accounts (*3)	(9,438)		
	13,896	13,867	(28)
(4)Lease deposits	20,095	18,943	(1,152)
Total assets	433,097	512,282	79,185
(1)Straight bonds	3,081	3,081	-
(2)Long-term loans	10,924	10,918	(6)
(3)Guarantee deposits received	23,701	23,681	(20)
Total liabilities	37,708	37,681	(26)

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

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

(Millions of Yen)

Item	Amount recognized on the consolidated balance sheet
Unlisted stock	38,732
Unlisted stock of affiliates	45,474

*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 2,044 million.

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

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

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

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

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

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

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

(Millions of Yen)

Item	Fair value			
	Level1	Level2	Level3	Total
Short-term investments and investment securities				
Available-for-sale securities				
Stocks	80,008	-	-	80,008
Government bonds and Municipal bonds	11,874	25,425	-	37,299
Straight bonds	-	70,507	-	70,507
Other	43,789	10,675	42,377	96,843
Total assets	135,672	106,608	42,377	284,659

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

(Millions of Yen)

Item	Fair value			
	Level1	Level2	Level3	Total
Short-term investments and investment securities				
Held-to-maturity debt securities				
Government bonds and Municipal bonds	11,015	-	-	11,015
Straight bonds	-	-	609	609
Other	-	389	-	389
Investment securities in affiliates	142,899	-	-	142,899
Lease receivables and investment in leased assets	-	39,899	-	39,899
Long-term loans receivable	-	6,283	7,584	13,867
Lease deposits	-	18,943	-	18,943
Total assets	153,914	65,515	8,193	227,623
Straight bonds	-	3,081	-	3,081
Long-term loans	-	10,918	-	10,918
Guarantee deposits received	-	23,681	-	23,681
Total liabilities	-	37,681	-	37,681

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

Assets:

Short-term investments and investment securities

The fair value of stocks is based on the price quoted on the exchange whereas the fair value of straight bonds, 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.

Lease deposits

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

Liabilities:

Straight bonds

These items are stated at present value calculated by discounting the sum of the principal and interest at the interest rate assumed when new similar straight bonds are issued, according to the residual period of the straight bonds, and classified into Level 2 fair value.

Long-term loans

These items are stated at present value calculated by discounting the sum of the principal and interest at the interest rate assumed when a new similar debt is taken on, and classified into Level 2 fair value.

Guarantee deposits received

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

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

(1) Quantitative information on significant unobservable inputs

Item	Valuation Technique	Significant Unobservable Inputs	Scope of Input
Short-term investments and investment securities			
Available-for-sale securities			
Other	Present value Technique	Discount rate	20% - 30%
		Year of disposal	2024 - 2025
		EBITDA multiples	5 - 7.5x

(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)

	Short-term investments and investment securities
	Available-for-sale securities
	Others
Beginning balance	25,310
Profit or loss or other comprehensive income for the current fiscal year	
Profit or loss (*1)	14,439
Other comprehensive income	1,861
Net changes due to purchases, sales, issues and settlements	766
Ending balance	42,377
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)	14,644

(*1) Included in loss or gain 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 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	47,294	(444)	46,850	90,164
Medical facilities	49,600	(1,464)	48,135	63,040
Other	9,934	(50)	9,884	12,684
Total	106,829	(1,959)	104,869	165,889

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

(Note 2) The fair value at the end of the current fiscal year is, in the case of major properties, the amount based on real-estate appraisal by an external real-estate appraiser, and in the case of other properties, the amount calculated in-house based on the Real Estate Appraisal Standard. However, if no significant fluctuations have occurred in a certain valuation or an index that is deemed to properly reflect the market price since the acquisition of the property from a third party or the most recent external valuation, the fair value is based on such valuation or the amount adjusted by using the index.

Profit or loss on rental properties and other real estate for the fiscal year ended March 31, 2024 is as follows:

(Millions of Yen)

	Rental income	Rental expenses	Difference	Other (gains/losses on sale etc.)
Office buildings	4,096	1,818	2,278	(187)
Medical facilities	7,119	3,842	3,277	(216)
Other	462	218	244	(391)
Total	11,679	5,878	5,800	(795)

(Note 1) The rental expenses include depreciation, repair costs, insurance premium, taxes and public imposts, etc.

(Note 2) Other includes impairment losses on fixed assets recognized as extraordinary losses, 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	517,015	-	-	-	-
Other	88,234	160,602	72,969	714	60,500
Revenue from contracts with customers	605,249	160,602	72,969	714	60,500
Other revenue	8,834	-	7,155	57,432	-
Revenue from customers	614,083	160,602	80,124	58,146	60,500

	Reportable segments		Other services	Total
	BPO and ICT services	Subtotal		
Revenue from security contracts	-	517,015	-	517,015
Other	127,228	510,249	37,454	547,704
Revenue from contracts with customers	127,228	1,027,265	37,454	1,064,720
Other revenue	-	73,421	16,599	90,020
Revenue from customers	127,228	1,100,686	54,053	1,154,740

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

2. Basic Information for Understanding Revenue from Contracts with Customers

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

3. Information for Understanding the Amounts of Revenue in and after the Fiscal Year Ended March 31, 2024

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

(Millions of Yen)

	Fiscal year ended March 31, 2024
Claims arising from contracts with customers (beginning balance of the year)	173,166
Claims arising from contracts with customers (ending balance of the year)	180,226
Contract assets (beginning balance of the year)	22,476
Contract assets (ending balance of the year)	22,757
Contract liabilities (beginning balance of the year)	55,052
Contract liabilities (ending balance of the year)	55,105

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, 2024, most of the YEN 38,931 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, 2024
One year or less	157,077
More than one year	194,491
Total	351,568

Notes to Deferred Income Tax Accounting

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

Deferred income tax assets:	(Millions of Yen)
Investment deposits by policyholders, unearned premiums and other insurance liabilities	19,462
Net defined benefit liability	6,339
Accrued bonuses	6,112
Eliminations of unrealized gain	5,538
Write-down on fixed assets	5,114
Impairment loss	4,691
Adjustment of book value of fixed assets of subsidiaries at fair value at the date of consolidation (land and buildings)	4,665
Allowance for doubtful accounts	3,986
Operating loss carryforwards	2,525
Write-down on inventories	1,776
Asset retirement obligations	1,457
Other	11,336
Gross deferred income tax assets	73,009
Valuation allowance	(14,095)
Total deferred income tax assets	58,913

Deferred income tax liabilities:	
Net defined benefit asset	(20,908)
Unrealized gains on securities	(16,355)
Adjustment of book value of fixed assets of subsidiaries at fair value at the date of consolidation (intangible assets)	(7,546)
Adjustment of book value of fixed assets of subsidiaries at fair value at the date of consolidation (land and buildings)	(4,296)
Investment securities	(3,129)
Adjustment of book value of fixed assets of subsidiaries at fair value at the date of consolidation (other fixed assets)	(973)
Other	(2,252)
Total deferred income tax liabilities	(55,462)
Net deferred income tax assets	3,451

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

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

Notes to Retirement Benefits

1. Outline of the Retirement Benefit Plan Adopted:

Employees of the Company and its consolidated domestic subsidiaries whose services are terminated are, under most circumstances, eligible for lump-sum severance indemnities and/or eligible for pension benefits.

The Company and its domestic consolidated subsidiaries with the same retirement benefit plan have adopted a severance indemnity plan and a defined contribution pension plan, and have also implemented a matching contribution plan since July 2012. The method of calculating the severance indemnity under the severance indemnity plan is to pay out to the employees an amount equal to a certain percentage of their annual income over their period of service, plus interest which is calculated as the 3-year average yield of applicants for 10-year government bonds. The defined contribution pension plan was established in April 2003, a portion equivalent to 20 % of the severance indemnity plan so far accumulated was transferred to the new plan, and a specified percentage of annual income is contributed thereto. The Company transferred an additional portion of the severance indemnity plan funds to the defined contribution pension plan in April 2005, and accordingly, the ratio of the accumulated amount in the severance indemnity plan and the amount of contributions to the defined contribution pension plan, including the past reserve, changed to 70 % and 30 %, respectively.

The majority of the consolidated overseas subsidiaries have adopted a variety of pension plans that essentially cover all employees. Most of these plans are defined contribution pension plans.

In defined benefit pension plans and lump-sum severance indemnity plans for some consolidated subsidiaries, net defined benefit liabilities and retirement benefit expenses are calculated using the simplified method.

2. Defined Benefit Plans

(1) Reconciliation of beginning and ending balances of retirement benefit obligations (excluding those pertaining to plans to which the simplified method is applied)

(Millions of Yen)

Beginning balance of retirement benefit obligations	104,667
Service cost	6,035
Interest cost	808
Actuarial gains and losses incurred	(524)
Retirement benefits paid	(6,609)
Ending balance of retirement benefit obligations	104,377

(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	139,398
Expected rate of return	3,904
Actuarial gains and losses incurred	10,194
Contributions from the employer	6,714
Retirement benefits paid	(5,442)
Ending balance of plan assets	154,769

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

	(Millions of Yen)
Beginning balance of net defined benefit liability	3,114
Retirement benefit expenses	544
Retirement benefits paid	(403)
Contributions to the plan	(138)
Ending balance of net defined benefit liability	3,117

(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	88,342
Plan assets	(157,684)
	(69,341)
Retirement benefit obligations of non-funded plans	22,067
Net amount of assets and liabilities recognized in the consolidated balance sheet	(47,274)

	(Millions of Yen)
Net defined benefit liability	22,308
Net defined benefit asset	(69,583)
Net amount of assets and liabilities recognized in the consolidated balance sheet	(47,274)

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

(5) Retirement benefit expenses and their breakdown

	(Millions of Yen)
Service cost	6,035
Interest cost	808
Expected rate of return	(3,904)
Amortization of actuarial gains and losses	(2,092)
Retirement benefit expenses calculated using the simplified method	544
Retirement benefit expenses pertaining to defined benefit plans	1,391

(6) Remeasurements of defined benefit plans
The breakdown of the amount recognized in remeasurements of defined benefit plans (before the tax effect) is as follows:

	(Millions of Yen)
Unrecognized actuarial gains and losses	(17,906)
Total	(17,906)

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

Discount rate	Mainly 1.2%
Long-term expected rate of return	Mainly 3.0%

3. Defined Contribution Plans
The amount of contribution required for the Company and its consolidated subsidiaries is YEN 2,452 million in total.

Notes to Asset Retirement Obligation

1. Asset Retirement Obligations Recognized in Consolidated Balance Sheet
   Footnote information of asset retirement obligations recognized in the consolidated balance sheet is omitted as they are immaterial.

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

Notes to Per-Share Information

Net assets per share:	YEN	5,816.74
Net income per share:	YEN	482.04

Notes to Significant Subsequent Events

(Repurchase of the Company's own shares)
At the Board of Directors meeting held on May 10, 2024, 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 such 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 Purchase

(1) Class of shares to be purchased	Shares of common stock of the Company
(2) Total number of shares that may be repurchased	4,500,000 shares (maximum) (2.14% of total issued shares (excluding treasury shares))
(3) Total repurchase price	YEN 30,000,000,000 (maximum)
(4) Repurchase period	From May 13, 2024 to August 6, 2024
(5) Repurchase method	Market purchase on the Tokyo Stock Exchange

Notes to Non-Consolidated Financial Statements

Notes to Significant Accounting Policies

1. Valuation Policies and Methods for Assets

(1) Valuation Policies and Methods for Securities

1) Held-to-maturity debt securities
Amortized cost method

2) Investment Securities in Subsidiaries and Affiliates
At cost, based on the moving average method

3) Available-for-sale Securities
Securities other than shares that do not have a market value
At fair value
Net unrealized gains and losses of securities are reported directly in net assets. The cost of securities sold is calculated by the moving average method.

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

(2) Valuation Policies and Methods for Inventories
Merchandise and supplies are stated at cost determined by the moving average method (or at the net realizable value (NRV) calculated by writing down the book value to reflect a decrease in the NRV).

2. Depreciation and Amortization of Depreciable and Amortizable Fixed Assets

(1) Tangible Assets: (except for leased assets)

1) Security equipment and control stations
Security equipment and control stations are depreciated over their average estimated useful lives (5-8 years) by the declining-balance method.

2) Other tangible fixed assets
Other tangible fixed assets are depreciated by the straight-line method.
Their main useful lives are as follows:
Buildings and improvements: 33-50 years

(2) Intangible Assets
Intangible fixed assets are amortized by the straight-line method.
The software used in the Company is amortized by the straight-line method based on the useful lives within the Company (5 years).

(3) Leased Assets

1) Leased assets related to ownership-transfer finance lease transactions
Depreciated, using the same depreciation method applied to fixed assets in possession.

2) Leased assets related to non-ownership-transfer finance lease transactions
Depreciated, using the straight-line method over a useful life equal to the lease period with a residual value of zero.
In addition, non-ownership-transfer finance leases entered into on or before March 31, 2008 are treated using the method applicable to operating lease transactions.

(4) Long-term Prepaid Expenses:
Long-term prepaid expenses are amortized by the straight-line method.

3. Basis for Significant Allowances

(1) Allowance for Doubtful Accounts

To prepare for losses from bad debts such as losses on trade receivables and loans, the allowance for doubtful accounts provides an estimated amount of uncollectables. It is determined based on historical loss rate with respect to ordinary accounts, and an estimate of uncollectable amounts, respectively determined by reference to specific doubtful accounts from customers who are experiencing financial difficulties.

(2) Accrued Bonuses

The accrued bonuses are provided for the bonus payments to employees, at an amount incurred during the current fiscal year.

(3) Accrued bonuses to directors

The accrued bonuses to directors are provided for bonuses payments to directors, at an amount incurred during the current fiscal year.

(4) Accrued Pension and Severance Costs

To prepare for the retirement benefits of employees, the Company provides an amount of accrued pension and severance costs and prepaid pension and severance costs at the end of the current fiscal year, based on the estimated amount of projected benefit obligation and plan assets as of the end of the current fiscal year.

In calculating retirement benefit liabilities, the benefit formula basis is adopted to attribute the estimate amount of retirement benefit to the current fiscal year end.

Prior service liability is recognized as profit or loss in the year of occurrence.

Actuarial gains and losses are amortized from the following fiscal year of occurrence, using the straight-line method over certain years within the average remaining service period (10 years).

(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.

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.

6. Changes in Presentation Method

(Notes to Statements of Income)
"Gain on liquidation of subsidiaries and affiliates" and "Gain on sales of tangible assets," which were included in "Other" under extraordinary profit in the previous fiscal year, are presented as separate line items from the current fiscal year due to their increased importance. For the previous fiscal year, "Gain on liquidation of subsidiaries and affiliates" was YEN 0 million, and "Gain on sales of tangible assets" was YEN 8 million.

"Impairment losses" which was included in "Other" under extraordinary losses in the previous fiscal year, is presented as a separate line item in the current fiscal year due to its increased importance. "Impairment losses" for the previous fiscal year was YEN 154 million.

Notes on Accounting Estimates

Investment Securities in Subsidiaries and Affiliates

(1) Amounts Stated in Financial Statements
The amount of investment securities in subsidiaries and affiliates of YEN 453,175 million stated in the balance sheet for the current fiscal year includes investments in unlisted subsidiaries that the Company has acquired through an acquisition transaction.

(2) Other Information to Facilitate the Understanding of Accounting Estimates
Shares for which market prices are not available acquired through investments in unlisted subsidiaries are stated in the balance sheet at acquisition costs. If the net asset value of an issuer of these shares is judged to have declined significantly due to the deterioration in the financial condition of the issuer, a valuation loss on these securities needs to be recognized unless the recoverability of the net asset value is supported by sufficient evidence.
In the case where the Company acquires shares of an investee at a price that is considerably higher than its net assets per share as per its financial statements reflecting the excess earnings power and the like of the investee, if the net asset value subsequently declines significantly due to a decline in excess earnings power and the like, a valuation loss on the investment in the investee needs to be recognized even if there has been no deterioration in its financial condition.
The acquisition cost of shares pertaining to the investment in unlisted subsidiaries acquired through an acquisition reflects their excess earnings power, value of their customer base, etc., based on the expectations for the

future growth of their business as at the time of the acquisition of each subsidiary. For this reason, if the excess earnings power and the like has been impaired because the business growth expected at the time of acquisition is not achieved and/or there has been or there is expected to be a significant deterioration in the business environment on which the business plan was based, a valuation loss may need to be recognized on investments in these subsidiaries, even if there has been no deterioration in their financial condition since the acquisition.

Notes to the Non-Consolidated Balance Sheet

1. Cash Deposits for Armored Car Services and Short-term Bank Loans

For financial institutions, the Company provides cash filling to and cash collection from cash dispensers located outside of financial institution facilities.
The balance of cash deposits for armored car services includes cash on hand and cash in banks of representing a total of YEN 14,951 million connected with cash filling services, which is restricted in use by the Company.
The balance of cash deposits for armored car services includes YEN 20,391 million connected with cash collection administration services, which is also restricted in use by the Company. Also, the short-term bank loan balance includes YEN 14,746 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	1,358
Investment securities in subsidiaries and affiliates	40
Long-term loans receivable	566
Total	1,968

Collateral-related Liabilities —

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

3. Accumulated Depreciation of Assets

Accumulated depreciation of tangible assets: YEN 317,286 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.	999
Employees	145
Purchasers of real estate the Company sold	139
Secom Fort West Co., Ltd.	112
Purchasers of merchandises by leasing transactions etc.	96
Others	28
Total	2,607

(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 201,813 million, including YEN 187,778 million of investment deposits by policyholders, unearned premiums and other insurance liabilities, and the total assets are YEN 251,941 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	24,193
Long-term receivables	51,416
Short-term payables	8,559
Long-term payables	2,350

Notes to Non-Consolidated Statement of Income

Operating Transactions and Non-operating Transactions with Subsidiaries and Affiliates

	(Millions of Yen)
Operating transactions (Revenue)	18,746
Operating transactions (Expense)	43,588
Non-operating transactions (Income)	37,394

Notes to Non-Consolidated Statements of Changes in Net Assets

Items Related to Classes and Total Number of Treasury Stocks

(Unit: 1 share)

Classes of shares	Number of shares at the beginning of the fiscal year	Increase in number of shares in the fiscal year	Decrease in number of shares in the fiscal year	Number of shares at the end of the fiscal year
Common stock	18,763,110	4,539,443	494,093	22,808,460

(Outline of reasons for change)

The increase of 4,539,443 shares of common stock in treasury stock is due to the repurchase of 4,537,300 shares resolved by the Board of Directors, the purchase of 1,607 shares constituting less than one unit, and the free-of-charge acquisition of 536 shares of restricted stock.

The decrease of 494,093 shares of common stock in treasury stock is due to the disposal of 492,675 shares as restricted stock to employees of the Company and its subsidiaries and the disposal of 1,418 shares as restricted stock remuneration to directors.

Notes to Revenue Recognition

Basic Information for Understanding Revenue

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

Notes to Deferred Income Tax Accounting

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

Deferred income tax assets:	(Millions of Yen)
Loss on impairment of investment securities in subsidiaries and affiliates	8,210
Impairment loss	2,539
Accrued bonuses	2,041
Write-down on fixed assets	1,335
Write-down on inventories	641
Excess depreciation of fixed assets	602
Effect from the application of Accounting Standard for Revenue Recognition (prepaid expenses)	500
Effect from the application of Accounting Standard for Revenue Recognition (deferred revenue)	479
Other	3,213
Gross deferred income tax assets	19,564
Valuation allowance	(1,302)
Total deferred income tax assets	18,262

Deferred income tax liabilities:	
Prepaid pension and severance costs	(11,712)
Other	(5,800)
Total deferred income tax liabilities	(17,512)
Net deferred income tax assets (liabilities)	750

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

Statutory tax rate	30.5 (%)
(Reconciliation)	
Permanently non-taxable income such as dividends income	(9.8)
Per capita levy of corporate inhabitant tax	0.5
Research and development tax credits	(0.3)
Permanently non-taxable expenses such as entertainment expenses	0.2
Other	(0.3)
Effective tax rate after the application of deferred income tax accounting	20.8 (%)

Notes to Fixed Assets under Leases

Besides the ones booked as fixed assets on the balance sheet of the Company, some of buildings are used based on the finance lease contracts other than those deemed to transfer the ownership of the leased assets to the lessees.

Notes to Transactions with Related Parties

1. Subsidiaries, affiliates etc.

Type	Name of Company	Voting Rights Held by the Company (%)	Relationship with the Related Party
Subsidiary	Secom Medical System Co., Ltd.	100.0	Loan of funds Concurrent appointment of officers
Subsidiary	Arai & Co., Ltd.	92.5	Loan of funds Concurrent appointment of officers
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)	5,135 (6,090) 227	Short-term loans receivable	9,520
			Long-term loans receivable	17,822
Arai & Co., Ltd.	(Collection of loans) Receipt of interests (Note 1)	(1,501) 172	Short-term loans receivable	1,334
			Long-term loans receivable	9,559
At Tokyo Corporation	Execution of loans Receipt of interests (Note 1)	19,500 73	Short-term loans receivable	3,000
			Long-term loans receivable	16,500

(Notes)

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

2. Officers (Directors/audit and supervisory board members), major individual shareholders, etc.

Type	Name of Company	Voting Rights Held by the Company (%)	Relationship with the Related Party
Company whose majority voting rights are owned by an officer and his/her close relatives (including its subsidiary)	Watanabe Pipe Co., Ltd. (Note 1)	-	Provision of services such as security services Concurrent appointment of an officer

Name of Company	Transactions	Amount of Transactions (Millions of Yen)	Account	Year-end Balance (Millions of Yen)
Watanabe Pipe Co., Ltd. (Note 1)	Electronic security service and maintenance, etc.(Note 2)	64	Accrued service fee	0
			Receivables – other	0
			Unearned service fee	0

Notes:

1. A company 100% of whose voting rights are directly held by a company whose majority voting rights are held by Mr. Hajime Watanabe, a Director of the Company, and his close relatives.
2. The transactions are carried out under standard terms and conditions similar to those applied to arms-length transactions.

Notes to Per-Share Information

Net assets per share:	YEN	4,148.69
Net income per share:	YEN	411.04

Notes to Significant Subsequent Events

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