

Financial Data 2023

AUDITED FINANCIAL STATEMENTS

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Consolidated Financial Statements

Consolidated Balance Sheets

SECOM CO., LTD. and Subsidiaries
March 31, 2023 and 2022

	In millions of yen		Translation into thousands of U.S. dollars (Note 3)
	2023	2022	March 31 2023
ASSETS			
Current assets:			
Cash and cash equivalents (Notes 5 and 22).....	¥ 524,777	¥ 531,555	\$ 3,916,246
Time deposits (Note 13).....	9,211	8,972	68,739
Cash deposits for armored car services (Note 6).....	135,460	136,478	1,010,896
Short-term investments (Notes 7 and 22).....	25,938	26,528	193,567
Notes and accounts receivable, trade.....	172,946	165,415	1,290,642
Due from subscribers.....	61,781	61,300	461,052
Inventories (Note 8).....	46,756	38,171	348,925
Short-term deferred charges (Note 2 (13)).....	7,565	7,973	56,455
Short-term receivables (Notes 9, 13, 20 and 21).....	29,730	26,192	221,866
Allowance for doubtful accounts (Note 9).....	(2,202)	(2,077)	(16,433)
Deferred insurance acquisition costs (Note 14).....	2,704	3,554	20,179
Other current assets.....	21,839	22,597	162,978
Total current assets.....	1,036,505	1,026,658	7,735,112
Investments and long-term receivables:			
Investment securities (Notes 2 (7), 7, 13 and 22).....	235,003	215,012	1,753,754
Investments in affiliated companies (Note 10).....	79,647	71,663	594,381
Long-term receivables (Notes 9, 13, 20 and 21).....	38,712	34,984	288,896
Lease deposits.....	22,078	20,699	164,761
Other investments.....	12,457	11,380	92,963
Allowance for doubtful accounts (Note 9).....	(4,175)	(4,201)	(31,157)
	383,722	349,537	2,863,598
Property, plant and equipment (Notes 11, 13, 19 and 20):			
Land.....	123,197	121,890	919,381
Buildings and improvements.....	397,640	388,254	2,967,463
Security equipment and control stations.....	372,650	365,350	2,780,970
Machinery, equipment and automobiles.....	168,973	163,887	1,260,993
Construction in progress.....	20,558	9,773	153,417
	1,083,018	1,049,154	8,082,224
Accumulated depreciation.....	(646,969)	(624,313)	(4,828,127)
	436,049	424,841	3,254,097
Other assets:			
Operating lease right-of-use assets (Notes 2 (12) and 19).....	130,584	137,412	974,507
Long-term deferred charges (Note 2 (13)).....	12,559	13,174	93,724
Goodwill (Note 12).....	141,626	109,653	1,056,910
Other intangible assets (Notes 12, 13, 19 and 20).....	65,743	58,676	490,619
Prepaid pension and severance costs (Note 15).....	55,552	47,852	414,567
Deferred income taxes (Note 17).....	15,039	15,663	112,231
	421,103	382,430	3,142,558
Total assets.....	¥2,277,379	¥2,183,466	\$16,995,365

See accompanying notes to consolidated financial statements.

	In millions of yen		Translation into thousands of U.S. dollars (Note 3)
	2023	2022	March 31
LIABILITIES AND EQUITY			
Current liabilities:			
Bank loans (Notes 6 and 13).....	¥ 30,096	¥ 31,814	\$ 224,597
Current portion of long-term debt (Notes 13, 19 and 21).....	12,527	15,121	93,485
Notes and accounts payable, trade.....	48,148	46,038	359,313
Other payables.....	46,284	44,669	345,403
Deposits received (Note 6).....	124,117	124,001	926,246
Deferred revenue.....	37,747	38,259	281,694
Accrued income taxes.....	23,121	26,665	172,545
Accrued payroll.....	46,476	41,526	346,836
Current operating lease liabilities (Notes 2 (12) and 19).....	21,040	20,450	157,015
Other current liabilities.....	44,547	30,622	332,440
Total current liabilities.....	434,103	419,165	3,239,574
Long-term liabilities:			
Long-term debt (Notes 13, 19 and 21).....	47,414	51,844	353,836
Guarantee deposits received.....	23,229	23,238	173,351
Accrued pension and severance costs (Note 15).....	31,090	30,244	232,015
Long-term deferred revenue.....	16,121	16,545	120,306
Unearned premiums and other insurance liabilities (Note 14).....	129,034	133,014	962,940
Investment deposits by policyholders (Notes 14 and 21).....	14,363	16,966	107,187
Deferred income taxes (Note 17).....	20,222	14,277	150,910
Noncurrent operating lease liabilities (Notes 2 (12) and 19).....	109,544	116,962	817,493
Other long-term liabilities (Notes 21, 22 and 23).....	16,767	16,262	125,125
Total long-term liabilities.....	407,784	419,352	3,043,163
Total liabilities	841,887	838,517	6,282,737
Commitments and contingent liabilities (Note 24)			
Equity:			
SECOM CO., LTD. shareholders' equity (Note 18):			
Common stock			
Authorized—900,000,000 shares, issued 233,299,898 shares in 2023			
Authorized—900,000,000 shares, issued 233,298,049 shares in 2022.....	66,427	66,419	495,724
Additional paid-in capital.....	63,082	63,014	470,761
Legal reserve.....	11,067	10,972	82,590
Retained earnings.....	1,212,269	1,139,866	9,046,784
Accumulated other comprehensive income (loss):			
Unrealized gains on securities (Note 7).....	(1,220)	2,424	(9,104)
Pension liability adjustments (Note 15).....	5,814	3,325	43,388
Foreign currency translation adjustments.....	18,991	2,929	141,724
	23,585	8,678	176,008
Common stock in treasury, at cost:			
18,763,110 shares in 2023 and 15,215,218 shares in 2022.....	(109,225)	(79,437)	(815,112)
Total SECOM CO., LTD. shareholders' equity.....	1,267,205	1,209,512	9,456,755
Noncontrolling interests.....	168,287	135,437	1,255,873
Total equity	1,435,492	1,344,949	10,712,628
Total liabilities and equity	¥2,277,379	¥2,183,466	\$16,995,365

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

SECOM CO., LTD. and Subsidiaries
Three years ended March 31, 2023

	In millions of yen			Translation into thousands of U.S. dollars (Note 3)
	Years ended March 31			Year ended March 31
	2023	2022	2021	2023
Net sales and operating revenue (Notes 14, 18, 22 and 25)	¥1,227,316	¥1,166,098	¥1,135,339	\$9,159,075
Costs and expenses:				
Cost of sales (Note 8)	861,802	802,443	790,288	6,431,358
Selling, general and administrative expenses (Notes 2 (18), 2 (19), 2 (20) and 4)	216,032	204,190	201,723	1,612,179
Impairment loss on long-lived assets (Note 11)	2,647	113	95	19,754
Impairment loss on goodwill (Note 12)	1,456	268	5,660	10,866
Gain and loss on sales and disposal of fixed assets, net	(173)	2,682	1,764	(1,291)
	1,081,764	1,009,696	999,530	8,072,866
Operating income	145,552	156,402	135,809	1,086,209
Other income:				
Interest and dividends	2,325	1,784	1,880	17,351
Gain and loss on sales of securities, net (Notes 7 and 18)	—	334	—	—
Gain on other-than-temporary impairment of investment securities (Notes 18 and 22)	478	—	4,594	3,567
Gain on private equity investments (Note 22)	11,792	3,072	—	88,000
Other (Notes 15, 16, 18 and 23)	5,445	4,480	5,647	40,634
	20,040	9,670	12,121	149,552
Other expenses:				
Interest	1,183	1,165	1,168	8,828
Gain and loss on sales of securities, net (Notes 7 and 18)	111	—	121	828
Loss on other-than-temporary impairment of investment securities (Notes 18 and 22)	—	848	—	—
Loss on private equity investments (Note 22)	—	—	302	—
Other (Note 16)	1,298	2,370	1,254	9,687
	2,592	4,383	2,845	19,343
Income from continuing operations before income taxes and equity in net income of affiliated companies	163,000	161,689	145,085	1,216,418
Income taxes (Note 17):				
Current	45,872	46,738	43,743	342,329
Deferred	3,584	2,426	3,855	26,746
	49,456	49,164	47,598	369,075
Income from continuing operations before equity in net income of affiliated companies	113,544	112,525	97,487	847,343
Equity in net income of affiliated companies (Note 18)	8,152	6,639	6,578	60,836
Income from continuing operations	121,696	119,164	104,065	908,179
Income (loss) from discontinued operations, net of tax (Note 26)	—	—	(2,570)	—
Net income	121,696	119,164	101,495	908,179
Less: Net income attributable to noncontrolling interests	(10,138)	(11,433)	(11,582)	(75,657)
Net income attributable to SECOM CO., LTD.	¥ 111,558	¥ 107,731	¥ 89,913	\$ 832,522

	In yen			Translation into U.S. dollars (Note 3)
	Years ended March 31			Year ended March 31
	2023	2022	2021	2023
Per share data (Note 2 (22)):				
Income from continuing operations attributable to SECOM CO., LTD.	¥516.68	¥492.83	¥423.73	\$3.86
Income (loss) from discontinued operations attributable to SECOM CO., LTD.	—	—	(11.78)	—
Net income attributable to SECOM CO., LTD.	516.68	492.83	411.95	3.86
Cash dividends per share (Note 18)	¥180.00	¥175.00	¥170.00	\$1.34

Consolidated Statements of Comprehensive Income

SECOM CO., LTD. and Subsidiaries
Three years ended March 31, 2023

	In millions of yen			Translation into thousands of U.S. dollars (Note 3)
	Years ended March 31			Year ended March 31
	2023	2022	2021	2023
Comprehensive income:				
Net income	¥121,696	¥119,164	¥101,495	\$ 908,179
Other comprehensive income (loss), net of tax:				
Unrealized gains on securities	(3,644)	(142)	519	(27,194)
Pension liability adjustments	2,716	3,976	4,462	20,269
Foreign currency translation adjustments	16,885	11,678	(3,975)	126,007
Total comprehensive income	137,653	134,676	102,501	1,027,261
Less: Comprehensive income attributable to noncontrolling interests	(11,188)	(12,055)	(11,739)	(83,492)
Comprehensive income attributable to SECOM CO., LTD.	¥126,465	¥122,621	¥ 90,762	\$ 943,769

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

SECOM CO., LTD. and Subsidiaries
Three years ended March 31, 2023

In millions of yen

	Number of shares issued	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Common stock in treasury, at cost	SECOM CO., LTD. shareholders' equity	Noncontrolling interests	Total
Balance, March 31, 2020	233,293,998	¥66,401	¥74,680	¥10,833	¥1,017,661	(¥ 7,061)	(¥ 73,776)	¥1,088,738	¥138,669	¥1,227,407
Comprehensive income:										
Net income	—	—	—	—	89,913	—	—	89,913	11,582	101,495
Other comprehensive income (loss), net of tax (Note 18):										
Unrealized gains on securities	—	—	—	—	—	519	—	519	—	519
Pension liability adjustments	—	—	—	—	—	3,942	—	3,942	520	4,462
Foreign currency translation adjustments	—	—	—	—	—	(3,612)	—	(3,612)	(363)	(3,975)
Total comprehensive income	—	—	—	—	—	—	—	90,762	11,739	102,501
Issuance of new stocks	1,928	9	9	—	—	—	—	18	—	18
Cash dividends paid to SECOM CO., LTD. shareholders	—	—	—	—	(37,104)	—	—	(37,104)	—	(37,104)
Cash dividends paid to noncontrolling interests	—	—	—	—	—	—	—	—	(2,523)	(2,523)
Transfer to legal reserve	—	—	—	51	(51)	—	—	—	—	—
Equity transactions with noncontrolling interests and other (Note 18)	—	—	(82)	—	—	—	—	(82)	935	853
Gains on disposal of treasury stock	—	—	—	—	—	—	—	—	—	—
Net changes in treasury stock	—	—	—	—	—	—	(9)	(9)	—	(9)
Balance, March 31, 2021	233,295,926	66,410	74,607	10,884	1,070,419	(6,212)	(73,785)	1,142,323	148,820	1,291,143
Comprehensive income:										
Net income	—	—	—	—	107,731	—	—	107,731	11,433	119,164
Other comprehensive income (loss), net of tax (Note 18):										
Unrealized gains on securities	—	—	—	—	—	(142)	—	(142)	—	(142)
Pension liability adjustments	—	—	—	—	—	3,983	—	3,983	(7)	3,976
Foreign currency translation adjustments	—	—	—	—	—	11,049	—	11,049	629	11,678
Total comprehensive income	—	—	—	—	—	—	—	122,621	12,055	134,676
Issuance of new stocks	2,123	9	9	—	—	—	—	18	—	18
Cash dividends paid to SECOM CO., LTD. shareholders	—	—	—	—	(38,196)	—	—	(38,196)	—	(38,196)
Cash dividends paid to noncontrolling interests	—	—	—	—	—	—	—	—	(2,965)	(2,965)
Transfer to legal reserve	—	—	—	88	(88)	—	—	—	—	—
Equity transactions with noncontrolling interests and other (Note 18)	—	—	(11,602)	—	—	—	—	(11,602)	(22,473)	(34,075)
Gains on disposal of treasury stock	—	—	0	—	—	—	0	0	—	0
Net changes in treasury stock	—	—	—	—	—	—	(5,652)	(5,652)	—	(5,652)
Balance, March 31, 2022	233,298,049	66,419	63,014	10,972	1,139,866	8,678	(79,437)	1,209,512	135,437	1,344,949
Comprehensive income:										
Net income	—	—	—	—	111,558	—	—	111,558	10,138	121,696
Other comprehensive income (loss), net of tax (Note 18):										
Unrealized gains on securities	—	—	—	—	—	(3,644)	—	(3,644)	—	(3,644)
Pension liability adjustments	—	—	—	—	—	2,490	—	2,490	226	2,716
Foreign currency translation adjustments	—	—	—	—	—	16,061	—	16,061	824	16,885
Total comprehensive income	—	—	—	—	—	—	—	126,465	11,188	137,653
Issuance of new stocks	1,849	8	8	—	—	—	—	16	—	16
Cash dividends paid to SECOM CO., LTD. shareholders	—	—	—	—	(39,060)	—	—	(39,060)	—	(39,060)
Cash dividends paid to noncontrolling interests	—	—	—	—	—	—	—	—	(3,199)	(3,199)
Transfer to legal reserve	—	—	—	95	(95)	—	—	—	—	—
Equity transactions with noncontrolling interests and other (Note 18)	—	—	60	—	—	—	—	60	24,861	24,921
Gains on disposal of treasury stock	—	—	0	—	—	—	0	0	—	0
Net changes in treasury stock	—	—	—	—	—	—	(29,788)	(29,788)	—	(29,788)
Balance, March 31, 2023	233,299,898	¥66,427	¥63,082	¥11,067	¥1,212,269	¥23,585	(¥109,225)	¥1,267,205	¥168,287	¥1,435,492

Translation into thousands of U.S. dollars (Note 3)

	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Common stock in treasury, at cost	SECOM CO., LTD. shareholders' equity	Noncontrolling interests	Total
Balance, March 31, 2022	\$495,664	\$470,254	\$81,881	\$8,506,463	\$ 64,761	(\$592,813)	\$9,026,210	\$1,010,724	\$10,036,934
Comprehensive income:									
Net income	—	—	—	832,522	—	—	832,522	75,657	908,179
Other comprehensive income (loss), net of tax (Note 18):									
Unrealized gains on securities	—	—	—	—	(27,194)	—	(27,194)	—	(27,194)
Pension liability adjustments	—	—	—	—	18,582	—	18,582	1,687	20,269
Foreign currency translation adjustments	—	—	—	—	119,859	—	119,859	6,148	126,007
Total comprehensive income	—	—	—	—	—	—	943,769	83,492	1,027,261
Issuance of new stocks	60	60	—	—	—	—	120	—	120
Cash dividends paid to SECOM CO., LTD. shareholders	—	—	—	(291,492)	—	—	(291,492)	—	(291,492)
Cash dividends paid to noncontrolling interests	—	—	—	—	—	—	—	(23,873)	(23,873)
Transfer to legal reserve	—	—	709	(709)	—	—	—	—	—
Equity transactions with noncontrolling interests and other (Note 18)	—	447	—	—	—	—	447	185,530	185,977
Gains on disposal of treasury stock	—	0	—	—	—	0	0	—	0
Net changes in treasury stock	—	—	—	—	—	(222,299)	(222,299)	—	(222,299)
Balance, March 31, 2023	\$495,724	\$470,761	\$82,590	\$9,046,784	\$176,008	(\$815,112)	\$9,456,755	\$1,255,873	\$10,712,628

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

SECOM CO., LTD. and Subsidiaries
Three years ended March 31, 2023

	In millions of yen			Translation into thousands of U.S. dollars (Note 3)
	Years ended March 31			Year ended March 31
	2023	2022	2021	2023
Cash flows from operating activities:				
Net income	¥121,696	¥119,164	¥101,495	\$ 908,179
Adjustments to reconcile net income to net cash provided by operating activities—				
Depreciation and amortization, including amortization of deferred charges (Notes 2 (11), 2 (13) and 12)	78,718	78,507	78,716	587,448
Accrual for pension and severance costs, less payments	(2,661)	(2,659)	(2,110)	(19,858)
Deferred income taxes, including discontinued operations	3,584	2,426	3,859	26,746
Gain and loss on sales and disposal of fixed assets, net	(173)	2,682	1,788	(1,291)
Impairment loss on long-lived assets (Note 11)	2,647	113	95	19,754
Write-down on real estate inventories (Note 8)	—	—	20	—
Gain and loss on private equity investments (Note 22)	(11,792)	(3,072)	302	(88,000)
Impairment loss on goodwill (Note 12)	1,456	268	5,660	10,866
Gain on sales of securities, net (Notes 7 and 14)	(2,713)	(709)	2,476	(20,246)
Loss on other-than-temporary impairment of investment securities (Notes 14 and 22)	(2,609)	2,373	(11,441)	(19,470)
Equity in net income of affiliated companies	(8,152)	(6,639)	(6,578)	(60,836)
Changes in assets and liabilities, net of effects from acquisitions and disposals:				
(Increase) decrease in cash deposits for armored car services	1,060	2,412	2,016	7,910
(Increase) decrease in receivables and due from subscribers, net of allowances	(3,797)	(10,450)	14,319	(28,336)
(Increase) decrease in inventories	(8,960)	(5,415)	(787)	(66,866)
Increase in deferred charges	(8,026)	(8,015)	(8,985)	(59,896)
Increase (decrease) in notes and accounts payable	2,117	2,986	(4,077)	15,799
Increase (decrease) in deposits received	(99)	163	1,061	(739)
Increase (decrease) in deferred revenue	(1,148)	(1,391)	(1,807)	(8,567)
Increase (decrease) in accrued income taxes	(4,015)	4,022	(935)	(29,963)
Increase (decrease) in guarantee deposits received	(136)	(210)	(1,197)	(1,015)
Increase (decrease) in unearned premiums and other insurance liabilities	(3,980)	(103)	4,209	(29,701)
Increase (decrease) in accrued consumption tax	(1,376)	(4,121)	1,295	(10,269)
Other, net	4,568	12,961	9,329	34,090
Net cash provided by operating activities	156,209	185,293	188,723	1,165,739
Cash flows from investing activities:				
(Increase) decrease in time deposits	(173)	738	(593)	(1,291)
Proceeds from sales of property, plant and equipment	6,514	3,602	766	48,612
Payments for purchases of property, plant and equipment	(52,846)	(55,075)	(50,122)	(394,373)
Payments for purchases of intangible assets	(12,004)	(10,778)	(10,738)	(89,582)
Proceeds from sales and redemptions of investment securities (Note 7)	53,331	33,243	47,859	397,993
Payments for purchases of investment securities	(48,829)	(31,683)	(55,991)	(364,396)
(Increase) decrease in short-term investments	(2,554)	—	9,269	(19,060)
Proceeds from sale of subsidiaries, net of cash and cash equivalents disposed of	(156)	(3)	14,633	(1,164)
Acquisitions, net of cash acquired (Note 4)	(18,929)	—	(7,098)	(141,261)
(Increase) decrease in short-term receivables, net	(187)	57	310	(1,396)
Payments for long-term receivables	(737)	(703)	(1,472)	(5,500)
Proceeds from long-term receivables	1,509	1,975	1,947	11,261
Other, net	(2,264)	(1,734)	(1,719)	(16,895)
Net cash used in investing activities	(77,325)	(60,361)	(52,949)	(577,052)
Cash flows from financing activities:				
Proceeds from long-term debt	2,837	5,349	16,699	21,172
Repayments of long-term debt	(16,701)	(16,953)	(18,752)	(124,634)
Increase (decrease) in bank loans, net	(1,275)	(1,903)	(4,500)	(9,515)
Increase (decrease) in investment deposits by policyholders	(2,603)	(2,863)	(1,687)	(19,425)
Dividends paid to SECOM CO., LTD. shareholders	(39,060)	(38,196)	(37,104)	(291,492)
Dividends paid to noncontrolling interests	(3,427)	(2,965)	(2,600)	(25,575)
Payments for acquisition of shares of consolidated subsidiaries from noncontrolling interest holders	(38)	(28,573)	(241)	(284)
Increase in treasury stock, net	(29,788)	(11,241)	(9)	(222,299)
Other, net	2,847	72	478	21,246
Net cash used in financing activities	(87,208)	(97,273)	(47,716)	(650,806)
Effect of exchange rate changes on cash and cash equivalents	1,546	1,695	(525)	11,537
Net increase in cash and cash equivalents	(6,778)	29,354	87,533	(50,582)
Cash and cash equivalents at beginning of year	531,555	502,201	414,668	3,966,828
Cash and cash equivalents at end of year	¥524,777	¥531,555	¥502,201	\$3,916,246

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

SECOM CO., LTD. and Subsidiaries
Three years ended March 31, 2023

1. Nature of Operations

The parent company and its subsidiaries (collectively "the Company") are engaged in the businesses of security services, fire protection services, medical services, insurance services, geospatial information services, BPO and ICT services, and other services. With these services combined, the Company is focusing on the establishment of a Social System Industry, a network of integrated services and systems, targeted at the needs of people and business.

The Company's principal business activities are security services, including on-line security systems for commercial and residential premises, static guard services, armored car services for cash collection and deposit and sales of security merchandise. The Company has also been diversifying its services covering: fire protection services, including automatic fire alarm systems and fire extinguishing systems; medical services, including home and other medical services and the operations of variable interest entities of which the Company is the primary beneficiary through managing hospitals and health care-related institutions; non-life insurance services; geospatial information services using geospatial information systems (GIS) and surveying and measuring technology; BPO and ICT services, including data center services, business continuity plan support, information security services and cloud-based services; as well as Business Process Outsourcing ("BPO") related services; other services, including lease of real estate, construction and installation services and other services.

2. Significant Accounting Policies

The parent company and its Japanese subsidiaries maintain their records and prepare their statutory financial statements in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"). Certain adjustments and reclassifications have been incorporated in the accompanying financial statements to conform with U.S. generally accepted accounting principles ("U.S. GAAP"). These adjustments were not recorded in the statutory books of account.

Significant accounting policies used in the preparation of the accompanying consolidated financial statements are summarized below:

(1) Basis of Consolidation and Investments in Affiliated Companies

The consolidated financial statements include the accounts of the parent company and those of its majority-owned subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation.

Investments in companies in which the ability to exercise significant influence exists (generally 20 to 50 percent owned companies), are accounted for under the equity method. Consolidated income includes the Company's current equity in the net income of affiliated companies, after elimination of intercompany profits.

(2) Consolidation of Variable Interest Entities

The consolidated financial statements also include variable interest entities ("VIEs") of which the Company is the primary beneficiary.

The Accounting Standards Codification ("ASC") 810, "Consolidation," issued by the Financial Accounting Standards Board ("FASB") requires the reporting entity to consolidate a variable interest entity ("VIE") as its primary beneficiary when it is deemed to have a controlling financial interest in a VIE, meeting both of the following characteristics:

- The power to direct activities of a VIE that most significantly impact the VIE's economic performance.
- The obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE.

The Company provides investments, loans and guarantees to organizations managing hospitals and health care-related institutions, to a company holding real estate, and to a PFI (Private Finance Initiative) organization which was established to build, maintain and operate correctional facilities. Certain of these organizations are considered VIEs under ASC 810.

Total assets and liabilities held by VIEs of which the Company is the primary beneficiary were ¥86,678 million (\$646,851 thousand) and ¥83,676 million (\$624,448 thousand), respectively, at March 31, 2023, and ¥90,505 million and ¥92,880 million, respectively, at March 31, 2022. The creditors of VIEs do not have recourse to the Company's general credit with the exception of debts guaranteed by the Company. Total assets and liabilities held by VIEs of which the Company holds significant variable interests but is not the primary beneficiary were ¥6,269 million (\$46,784 thousand) and ¥3,136 million (\$23,403 thousand), respectively, at March 31, 2023, and ¥27,670 million and ¥24,611 million, respectively, at March 31, 2022. The Company's assets in the consolidated balance sheets and the Company's maximum exposure to losses related to VIEs at March 31, 2023 and 2022 were ¥1,196 million (\$8,925 thousand) and ¥9,186 million, respectively.

(3) Revenue Recognition

The Company recognizes revenue based on the following five steps in accordance with ASC 606, "Revenue from Contracts with Customers."

- Step 1: Identify the contract with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The Company generates revenue principally through the sales of merchandise and services in the areas of security services, fire protection services, medical services, insurance services, geospatial information services, BPO and ICT services, and other services under separate contractual arrangements.

Revenue from term service contracts, including security services, is recognized over the contractual period or, in the case of specific services, when such services are rendered. Subscribers are generally requested to prepay a portion of service charges, especially for security services, which are credited to deferred revenue and recognized in income ratably over the covered service period. Revenue from the installation of security equipment used to provide on-line centralized security services is deferred and recognized over the contractual period of security services after completion of the installation. The related installation costs are also deferred and amortized over the contractual period (Note 2 (13)).

The Company enters into arrangements with multiple elements, which may include any combination of security equipment, installation and security services. The Company allocates revenue to each element based on its relative fair value if such element meets criteria for treatment as a separate unit of accounting as prescribed in ASC 606, "Revenue from Contracts with Customers." Otherwise, revenue is deferred until the undelivered elements are fulfilled as a single unit of accounting.

Revenue from sales of merchandise and software is recognized when the merchandise and software are received by the customer and, in the case of installations, when such installations are completed.

Revenue from construction contracts is recognized on the basis of the progress of the performance obligation, which is mainly measured by input methods based on costs incurred.

Excluding the aforementioned policy, the policies as specifically described hereinafter are applied for each of revenue items.

Property and casualty insurance premiums are earned ratably over the terms of the related insurance contracts. Unearned premiums are earned ratably over the terms of the unexpired portion of premiums written.

Revenue from sales of equipment under sales-type leases is recognized at the inception of the lease. Unearned income on sales-type leases and direct-financing leases is recognized over the life of each respective lease using the interest method. Leases not qualifying as sales-type leases or direct-financing leases are accounted for as operating leases and the related revenue is recognized over the lease term.

Taxes collected from customers and remitted to governmental authorities on revenue-producing transactions are accounted for on a net basis and therefore are excluded from net sales and operating revenue in the consolidated statements of income.

(4) Foreign Currency Translation

All asset and liability accounts of foreign subsidiaries and affiliates are translated into Japanese yen at the rates of exchange in effect at year-end and all income and expense accounts are translated at average rates of exchange during the year. The resulting translation adjustments are accumulated and reported as part of other comprehensive income (loss).

Foreign currency receivables and payables of the Company are translated into yen at the rate in effect at the balance sheet date and the resulting translation gains and losses are credited or charged to foreign currency income/expenses for the year.

(5) Cash Equivalents

For the purpose of the consolidated statements of cash flows, the Company considers all highly liquid investments purchased with initial maturities of three months or less to be cash equivalents.

(6) Investments in Debt and Equity Securities

The Company classifies investments in debt and equity securities as "available-for-sale" or "held-to-maturity." The Company has no securities classified as "trading." "Held-to-maturity" securities are those securities in which the Company has the ability and intent to hold the security until maturity. All securities not included in "trading" or "held-to-maturity" are classified as "available-for-sale" securities. Marketable equity securities classified as "available-for-sale" are measured at fair value with unrealized gains and losses included in income. Marketable debt securities classified as "available-for-sale" are measured at fair value, and unrealized holding gains and losses are reported as part of accumulated other comprehensive income (loss), net of tax. Debt securities classified as "held-to-maturity" are reported at amortized cost.

A decline in the fair value of any marketable debt securities classified as "available-for-sale" below cost that is deemed to be other-than-temporary results in a reduction in the carrying amount to fair value. The impairment is charged to income and a new cost basis for the securities is established. To determine whether an impairment is other-than-temporary, the Company considers the length of time and extent to which the market value of the security has been less than its original cost, the financial condition, other specific factors affecting the market value, deterioration of the credit condition of the issuers, and whether or not the Company is able to retain the investment for a period of time sufficient to allow for the anticipated recovery in market value.

Realized gain or losses on the sale of marketable debt securities classified as "available-for-sale" are based on the moving-average cost method and are credited or charged to income.

Other investments in non-public companies, except for private equity investments, are recorded at cost as fair value is not readily determinable. The Company periodically evaluates the values of other investments in non-public companies for possible impairment by taking into consideration the financial and operating conditions of the issuer, the general market conditions in the issuer's industry and the period of the decline in the estimated fair value and other relevant factors. If the impairment is determined to be other-than-temporary, other investments in non-public companies are written down to their impaired value through a charge to income.

(7) Private Equity Investments

The Company accounts for private equity investments in accordance with ASC 946, "Financial Services—Investment Companies," in which investments are accounted for at fair value based on the Company's assessment of each underlying investment. The investments, by their nature, have little or no price transparency.

Investments are initially carried at cost as an approximation of fair value. Adjustments to carrying value are made if there is evidence of a change in fair value. Downward adjustments are also made, in the absence of third-party transactions, if it is determined that the expected realizable value of the investment has declined below the carrying value.

The carrying value of private equity investments was ¥30,706 million (\$229,149 thousand) and ¥16,368 million at March 31, 2023 and 2022, respectively.

Private equity investments are included in investment securities in the consolidated balance sheets.

(8) Inventories

Inventories, consisting of security-related products, fire protection-related products, real estate and other related products, are stated at the lower of cost and net realizable value. Cost is determined, in the case of real estate, based on the specific identification method and, in the case of other inventories, primarily using the moving-average method.

(9) Allowance for Doubtful Accounts

The Company recognizes an allowance for doubtful accounts to ensure trade, short-term and long-term receivables, and other receivables are not overstated due to uncollectibility. Allowance for doubtful accounts is maintained for all customers based on a variety of factors, including the length of time receivables are past due, macroeconomic conditions, significant one-time events and historical experience. An additional reserve for individual accounts is recorded when the Company becomes aware of a customer's inability to meet its financial obligations, such as in the case of bankruptcy filings or deterioration in the customer's operating results or financial position. If circumstances related to customers change, estimates of the recoverability of receivables would be further adjusted.

(10) Deferred Insurance Acquisition Costs

Costs that vary with and are primarily related to acquiring new insurance policies are deferred and amortized principally over the premium-paying period of the related insurance policies applying a percentage relationship of cost incurred to premiums from contracts issued to applicable unearned premiums throughout the period of the contract.

(11) Property, Plant and Equipment and Depreciation

Property, plant and equipment, including significant leasehold improvements, are carried at cost and depreciated at rates based on the estimated useful lives of the assets. Depreciation is computed using the straight-line method for assets other than security equipment and control stations. Security equipment and control stations are depreciated using the declining-balance method. Assets leased to others under operating leases are depreciated using the straight-line method over the estimated useful lives. Depreciation expense was ¥58,211 million (\$434,410 thousand), ¥58,033 million and ¥57,067 million for the years ended March 31, 2023, 2022 and 2021, respectively. Maintenance, repairs and renewals are charged to income as incurred.

The estimated useful lives of depreciable assets are as follows:

Buildings	33 to 50 years
Security equipment and control stations	5 to 8 years
Machinery, equipment and automobiles	2 to 20 years

The Company recognizes asset retirement obligations if the fair value of the obligations can be reasonably estimated. Asset retirement obligations include those for which an entity has a legal obligation to perform an asset retirement activity, however, the timing and/or method of settling the obligation are conditional on a future event that may or may not be within the control of the entity.

Performance of a contractual asset retirement obligation is required for the building leased by a certain subsidiary when the lease matures and the Company returns the leased building to its owner. However, the Company plans not to relocate from the building and to continue to use it until it will be demolished without restoration. As such, the execution of such obligation is not expected. The Company evaluated all the available evidence as of March 31, 2023 and performed efforts to establish the best estimate. However, the scope and the amount of execution of the obligation cannot be reasonably estimated. Therefore, an asset retirement obligation for that building lease is not recognized.

(12) Leases as lessee

The Company recognizes a right of use asset and a lease liability at the lease commencement date, for finance leases and operating leases.

Some of the contracts include options to extend or to terminate the lease. The Company takes such options into consideration in order to determine the lease term when it is reasonably certain that it will exercise these options. The Company uses its incremental borrowing rate based on the information available at commencement to determine the present values of lease payments. The incremental borrowing rate is the rate of interest that the Company would have to pay to borrow.

(13) Short-Term Deferred Charges and Long-Term Deferred Charges

Short-term deferred charges and long-term deferred charges primarily consist of costs related to installation services of security equipment used to provide on-line security systems. The installation costs are deferred and amortized using the straight-line method over the contractual period of security services after completion of the installation. Amortization expense was ¥9,073 million (\$67,710 thousand), ¥9,466 million and ¥10,553 million for the years ended March 31, 2023, 2022 and 2021, respectively.

(14) Impairment or Disposal of Long-Lived Assets

In accordance with ASC 360, "Property, Plant and Equipment," the Company reviews the carrying amount of its long-lived assets held and used, other than goodwill and intangible assets with indefinite lives, and assets to be disposed of, whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Long-lived assets to be held and used are reviewed for impairment by comparing the carrying amount of the assets with their estimated future undiscounted cash flows. If it is determined that an impairment loss has occurred, the loss would be recognized during the period, and calculated as the difference between the assets' carrying amount and the fair value. Long-lived assets that are to be disposed of other than by sale are considered held and used until they are disposed of. Long-lived assets that are to be disposed of by sale are reported at the lower of their carrying amount or fair value less cost to sell. Reductions in the carrying amount are recognized in the period in which the long-lived assets are classified as held for sale.

(15) Goodwill and Other Intangible Assets

Goodwill represents the excess of costs over the fair value of assets of business acquired. Pursuant to ASC 350, "Intangibles—Goodwill and Other," goodwill and intangible assets acquired in a purchase business combination and determined to have an indefinite useful life are not amortized, but instead tested for impairment at least annually. This accounting standard also requires that intangible assets with estimable useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with ASC 360. The Company conducts its annual impairment test each fiscal year.

(16) Unearned Premiums and Other Insurance Liabilities

Unearned premiums are related to unexpired periods of insurance contracts and are earned on a pro-rata basis over the remaining contract period. Other insurance liabilities consist principally of liabilities for unpaid claims and adjustment expenses, which are estimates of payments to be made on reported claims and incurred but not reported claims, which are computed based on past experience for unpaid losses.

(17) Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and operating loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences and carryforwards are expected to be realized or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized.

The Company recognizes in the consolidated financial statements the impact of a tax position, if any, based on the technical merits of the position, when that position is more likely than not to be sustained upon examination. The benefit of the tax position is measured at the largest amount of benefit that has greater than 50 percent likelihood of being realized upon settlement with the appropriate tax authority.

The Company recognizes interest and penalties accrued related to unrecognized tax benefits in income taxes in the consolidated statements of income.

(18) Research and Development

Research and development costs are charged to income as incurred. Research and development expenses included in selling, general and administrative expenses for the years ended March 31, 2023, 2022 and 2021 were ¥7,584 million (\$56,597 thousand), ¥8,243 million and ¥8,034 million, respectively.

(19) Advertising Costs

Advertising costs are charged to income as incurred, except for the costs related to insurance policies. Advertising costs for acquiring new insurance policies are deferred and amortized as part of insurance acquisition costs. Advertising expenses included in selling, general and administrative expenses for the years ended March 31, 2023, 2022 and 2021 were ¥5,884 million (\$43,910 thousand), ¥5,416 million and ¥4,462 million, respectively.

(20) Shipping and Handling Costs

Shipping and handling costs included in selling, general and administrative expenses for the years ended March 31, 2023, 2022 and 2021 were ¥1,349 million (\$10,067 thousand), ¥1,337 million and ¥1,317 million, respectively.

(21) Derivative Financial Instruments

The Company accounts for derivative financial instruments in accordance with ASC 815, "Derivatives and Hedging."

The Company recognizes all derivative financial instruments in the consolidated financial statements at fair value regardless of the purpose or intent for holding them. Changes in the fair value of derivative financial instruments are either recognized periodically in income or in equity as a component of accumulated other comprehensive income (loss) depending on whether the derivative financial instruments qualify for hedge accounting, and if so, whether they qualify as a fair value hedge or a cash flow hedge. Changes in the fair values of derivative financial instruments accounted for as a fair value hedge are recorded in income along with the portion of the change in the fair value of the hedged item that relates to the hedged risk. Changes in the fair value of derivative financial instruments accounted for as a cash flow hedge, to the extent it is effective as a hedge, are recorded in accumulated other comprehensive income (loss), net of tax. Changes in the fair value of derivative financial instruments not qualifying as a hedge are reported in income.

The Company meets the documentation requirements necessary for effective hedges which include the risk management objective and strategy for undertaking various hedge transactions. In addition, formal assessment is made at inception of the hedge and periodically on an on-going basis, as to whether the derivatives used in hedging activities are highly effective in offsetting changes in fair values or cash flows of hedged items. Hedge accounting is discontinued for ineffective hedges, if any. Changes in fair value of discontinued hedges are recognized in income.

(22) Per Share Data

Basic Earnings per Share ("EPS") is computed based on the average number of shares of common stock outstanding for the period. The average number of shares of common stock outstanding for the years ended March 31, 2023, 2022 and 2021 was 215,915 thousand shares, 218,595 thousand shares and 218,261 thousand shares, respectively. There were no potentially dilutive shares outstanding during the years ended March 31, 2023, 2022 or 2021.

Cash dividends per share shown in the accompanying consolidated statements of income are computed based on dividends approved and paid in each fiscal year.

(23) Use of Estimates

The preparation of the consolidated financial statements requires management of the Company to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the carrying amounts of inventories, deferred insurance acquisition costs, investment securities, other investments, property, plant and equipment, goodwill, other intangible assets, unearned premiums and other insurance liabilities, valuation of receivables, valuation allowances for deferred income taxes, valuation of derivative instruments, assets and obligations related to employee benefits, asset retirement obligations, income tax uncertainties, and other contingencies.

(24) Recent Pronouncements

In June 2016, the FASB issued ASU No. 2016-13, "Measurement of Credit Losses on Financial Instruments." This accounting standard replaces the current incurred loss methodology that delays recognition of the full amount of credit losses until the loss was probable of occurring with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. This accounting standard was originally planned to be effective for the fiscal years beginning after December 15, 2020, however, in November 2019, the FASB issued ASU No. 2019-10, "Effective Dates," which defers the effective date of ASU No. 2016-13 for public entities excluding Securities and Exchange Commission (SEC) filers for two years. Therefore, this accounting standard is effective for the fiscal years beginning after December 15, 2022, including interim periods within that reporting period, and will be adopted by the Company in the fiscal year beginning April 1, 2023. The Company is currently evaluating the effect of adopting this accounting standard on its consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-12, "Targeted Improvements to the Accounting for Long-Duration Contracts." This accounting standard changes the recognition, measurement, presentation and disclosure requirements for long duration contracts. This accounting standard was originally planned to be effective for the fiscal years beginning after December 15, 2020, however, in November 2019, the FASB issued ASU No. 2019-09, "Effective Dates," which defers the effective date of ASU No. 2018-12 for public entities excluding Securities and Exchange Commission (SEC) filers for three years. In addition, in December 2022, the FASB issued ASU No. 2022-05, "Transition for Sold Contracts," which amended some of ASU No. 2018-12. ASU No. 2022-05 is effective for the fiscal years beginning after December 15, 2023, and interim periods within the fiscal years beginning after December 15 2024, and will be adopted by the Company in the fiscal year beginning April 1, 2024. The Company is currently evaluating the effect of adopting ASU No. 2018-12 on its consolidated financial statements.

In October 2021, the FASB issued ASU No. 2021-08, "Accounting for Contract Assets and Contract Liabilities from Contracts with Customers." This accounting standard requires an entity to recognize and measure contract assets and contract liabilities acquired in a business combination. This accounting standard is effective for the fiscal years beginning after December 15, 2022, including interim periods within that reporting period, and will be adopted by the Company in the fiscal year beginning April 1, 2023. The Company is currently evaluating the effect of adopting this accounting standard on its consolidated financial statements.

In November 2021, the FASB issued ASU No. 2021-10, "Disclosures by Business Entities about Government Assistance". This accounting standard requires annual disclosures about transactions with a government that are accounted for by applying a grant or contribution accounting model by analogy to other accounting guidance. The annual disclosure shall include: (1) information about the nature of the transactions and the related accounting policy used to account for the transactions, (2) the line items on the consolidated balance sheet and consolidated income statement that are affected by the transactions, and the amounts applicable to each financial statement line item, and (3) significant terms and conditions of the transactions, including commitments and contingencies. This accounting standard is effective for the fiscal years beginning after December 15, 2021, including interim periods within that reporting period, and was adopted by the Company in the fiscal year beginning April 1, 2022. The adoption did not have a material impact on the Company's consolidated financial statements.

In September 2022, the FASB issued ASU No. 2022-04, "Disclosure of Supplier Finance Program Obligations". This accounting standard requires an entity that uses a supplier finance program in connection with the purchase of goods and services to disclose the key matters of the program, information about obligations outstanding at the end of the reporting period, and a rollforward of those obligations during the reporting period. This accounting standard is effective for fiscal years beginning after December 15, 2022, including interim periods within that reporting period, and will be adopted by the Company in the fiscal year beginning April 1, 2023. As this accounting standard is a provision for presentation only, the adoption will not have an impact on the Company's consolidated financial statements.

(25) Discontinued Operations

ASC 205-20, "Discontinued Operations," requires the operating results of any component of an entity with its own identifiable operations and cash flows which is disposed of or is classified as held for sale, and with which the Company will not have significant continuing involvement to be reported in discontinued operations. The results of operations related to certain businesses classified as discontinued operations in the year ended March 31, 2021 were reclassified in the accompanying consolidated financial statements.

3. U.S. Dollar Amounts

U.S. dollar amounts have been included in these financial statements solely for the convenience of the reader. The translations of yen into U.S. dollars have been made at the rate of ¥134=US\$1, the approximate rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2023. These translations should not be construed as representing that the yen amounts actually constitute, or have been or could be converted into U.S. dollars at that rate.

4. Acquisitions

Acquisition of SENON LIMITED

On July 1, 2022, the Company acquired 55.1% of common shares outstanding of SENON LIMITED for ¥27,000 million (\$201,492 thousand) in cash. The purpose of this acquisition is to expand the business as a total security company through providing more customers with higher quality and optimized security services by combining SENON's wide range of security services nationwide with SECOM's technological advantages and expertise.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition.

	In millions of yen	In thousands of U.S. dollars
Cash and cash equivalents.....	¥ 8,263	\$ 61,664
Due from subscribers	3,991	29,784
Other current assets.....	620	4,627
Property, plant and equipment.....	4,305	32,127
Intangible assets, including goodwill	40,276	300,567
Other assets.....	5,572	41,582
Total assets acquired	63,027	470,351
Current liabilities	8,348	62,299
Long-term liabilities	5,563	41,515
Total liabilities assumed	13,911	103,814
Noncontrolling interests.....	22,116	165,045
Net assets acquired	¥27,000	\$201,492

Intangible assets of ¥7,737 million (\$57,741 thousand) subject to amortization include customer relationships of ¥7,685 million (\$57,351 thousand) with a useful life ranging from 10 to 15 years. Goodwill of ¥32,539 million (\$242,826 thousand) represents expected excess earnings power based on the future business operations. It is not deductible for tax purposes and has been assigned to the security services segment, and the real estate and other services segment.

The Company recorded acquisition costs of ¥63 million (\$470 thousand) related to this acquisition in selling, general and administrative expenses for the year ended March 31, 2023.

The following unaudited pro forma information shows the Company's consolidated results of operations for the years ended March 31, 2023 and 2022 as if the newly consolidated subsidiaries acquired in the year ended March 31, 2023, were consolidated on April 1, 2021.

	In millions of yen		In thousands of U.S. dollars
	Years ended March 31	2022	Year ended March 31
Unaudited	2023		2023
Pro forma net sales and operating revenue.....	¥1,236,730	¥1,203,822	\$9,229,328
Pro forma net income attributable to SECOM Co., Ltd.	111,711	108,364	833,664
		In yen	In U.S. dollars
		Years ended March 31	Year ended March 31
Unaudited	2023	2022	2023
Pro forma net income attributable to SECOM Co., Ltd. per share	¥517.39	¥495.73	\$3.86

The unaudited pro forma data is not necessarily indicative of the Company's consolidated results of operations that would actually have been reported if the transaction in fact had occurred on April 1, 2021, and is not necessarily representative of the Company's consolidated results of operations for any future period.

5. Cash and Cash Equivalents

Cash and cash equivalents at March 31, 2023 and 2022 comprise the following:

	In millions of yen		In thousands of U.S. dollars
	March 31	March 31	March 31
	2023	2022	2023
Cash.....	¥509,442	¥518,113	\$3,801,805
Time deposits.....	14,947	12,950	111,545
Call loans.....	—	—	—
Investment securities.....	388	492	2,896
	¥524,777	¥531,555	\$3,916,246

Investment securities include negotiable certificates of deposit and money management funds. These agreements mature within three months and their carrying values approximate fair value. The Company has not experienced any losses through default of the financial institutions and does not anticipate default of any outstanding agreements.

6. Cash Deposits for Armored Car Services

The Company operates cash collection and deposit services for financial institutions relating to cash dispensers located outside of financial institution facilities and also operates cash collection and delivery services for entities other than financial institutions. Cash deposit for armored car services balances are segregated from cash and cash equivalents and are restricted as to use by the Company. The Company funds most of the cash for such operations through bank overdrafts and deposits. Bank loans and deposits received, which relate to these operations, were ¥16,521 million (\$123,291 thousand) and ¥118,943 million (\$887,634 thousand), respectively, at March 31, 2023, and ¥17,467 million and ¥118,972 million, respectively, at March 31, 2022. As part of its fee arrangement, the Company is reimbursed for the interest cost of the related overdrafts.

7. Short-Term Investments and Investment Securities

Short-term investments (current) and investment securities (noncurrent) include debt and equity securities. The related aggregate fair value, gross unrealized gains, gross unrealized losses and costs pertaining to "available-for-sale" and "held-to-maturity" investments at March 31, 2023 and 2022 are as follows:

	In millions of yen			
	March 31, 2023			
	Cost	Gross unrealized		Fair value
	Gains	Losses		
Short-term investments:				
Available-for-sale:				
Debt securities.....	¥ 23,938	¥1,905	¥ 39	¥ 25,804
Held-to-maturity:				
Debt securities.....	134	—	1	133
	¥ 24,072	¥1,905	¥ 40	¥ 25,937
Investment securities:				
Available-for-sale:				
Debt securities.....	¥114,312	¥1,293	¥4,856	¥110,749
Held-to-maturity:				
Debt securities.....	11,659	808	219	12,248
	¥125,971	¥2,101	¥5,075	¥122,997

	In millions of yen			
	March 31, 2022			
	Cost	Gross unrealized		Fair value
	Gains	Losses		
Short-term investments:				
Available-for-sale:				
Debt securities.....	¥ 24,976	¥1,307	¥ 0	¥ 26,283
Held-to-maturity:				
Debt securities.....	245	0	0	245
	¥ 25,221	¥1,307	¥ 0	¥ 26,528
Investment securities:				
Available-for-sale:				
Debt securities.....	¥103,875	¥2,647	¥592	¥105,930
Held-to-maturity:				
Debt securities.....	11,557	1,163	236	12,484
	¥115,432	¥3,810	¥828	¥118,414

	In thousands of U.S. dollars			
	March 31, 2023			
	Cost	Gross unrealized		Fair value
	Gains	Losses		
Short-term investments:				
Available-for-sale:				
Debt securities.....	\$178,642	\$14,216	\$ 291	\$192,567
Held-to-maturity:				
Debt securities.....	1,000	—	7	993
	\$179,642	\$14,216	\$ 298	\$193,560
Investment securities:				
Available-for-sale:				
Debt securities.....	\$853,074	\$ 9,650	\$36,238	\$826,486
Held-to-maturity:				
Debt securities.....	87,007	6,030	1,635	91,402
	\$940,081	\$15,680	\$37,873	\$917,888

Gross unrealized losses on, and fair value of, "available-for-sale" and "held-to-maturity" securities, aggregated by investment category and the length of time that individual securities have been in a continuous unrealized loss position at March 31, 2023 are as follows:

	In millions of yen			
	March 31, 2023			
	Less than 12 months		12 months or longer	
	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
Available-for-sale:				
Debt securities	¥80,343	¥4,895	¥—	¥—
Held-to-maturity:				
Debt securities	¥ 852	¥ 220	¥—	¥—

	In thousands of U.S. dollars			
	March 31, 2023			
	Less than 12 months		12 months or longer	
	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
Available-for-sale:				
Debt securities	\$599,575	\$36,530	\$—	\$—
Held-to-maturity:				
Debt securities	\$ 6,358	\$ 1,642	\$—	\$—

Based on the Company's ability and intent to hold the investments for a reasonable period of time sufficient for a recovery of fair value, the credit condition of the issuers and other relevant factors, the Company does not consider these investments to be other-than-temporarily impaired at March 31, 2023.

At March 31, 2023, debt securities principally consisted of short-term investments in monetary trusts, Japanese government bonds, corporate bonds, U.S. treasury securities and U.S. Government Agency Bonds.

The cost and fair value of "available-for-sale" and "held-to-maturity" debt securities by contractual maturity at March 31, 2023 are as follows:

	In millions of yen			
	March 31, 2023			
	Available-for-sale		Held-to-maturity	
	Cost	Fair value	Cost	Fair value
Due within 1 year.....	¥ 23,938	¥ 25,804	¥ 134	¥ 133
Due after 1 year through 5 years.....	61,600	60,643	128	128
Due after 5 years through 10 years	21,606	21,210	100	100
Due after 10 years.....	31,106	28,896	11,431	12,020
	¥138,250	¥136,553	¥11,793	¥12,381

	In thousands of U.S. dollars			
	March 31, 2023			
	Available-for-sale		Held-to-maturity	
	Cost	Fair value	Cost	Fair value
Due within 1 year.....	\$ 178,642	\$ 192,567	\$ 1,000	\$ 993
Due after 1 year through 5 years.....	459,701	452,560	955	955
Due after 5 years through 10 years	161,239	158,284	746	746
Due after 10 years.....	232,134	215,642	85,306	89,701
	\$1,031,716	\$1,019,053	\$88,007	\$92,395

Proceeds from the sale of "available-for-sale" securities for the years ended March 31, 2023, 2022 and 2021 were ¥29,944 million (\$223,463 thousand), ¥19,515 million and ¥51,977 million, respectively. On those sales, the gross realized gains and gross realized losses, using a moving-average cost basis, for the years ended March 31, 2023, 2022 and 2021 are as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2023	2022	2021	2023
Gross realized gains	¥3,148	¥1,102	¥1,006	\$23,493
Gross realized losses	212	309	121	1,582

The Company maintains long-term investment securities, issued by a number of non-public companies, included as investment securities in the consolidated balance sheets. The aggregate carrying amount of the investments in non-public companies, at cost net of other-than-temporary impairment, was ¥6,922 million (\$51,657 thousand) and ¥14,818 million at March 31, 2023 and 2022, respectively. The corresponding fair value at that date was not computed as such estimation was not practicable and no significant events or changes that might have affected the fair value of the investments were observed.

8. Inventories

Inventories at March 31, 2023 and 2022 comprise the following:

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2023	2022	2023
Security-related products.....	¥10,517	¥10,188	\$ 78,485
Fire protection-related products.....	18,055	13,416	134,738
Real estate.....	4,147	2,594	30,948
Other-related products	14,037	11,973	104,754
	¥46,756	¥38,171	\$348,925

The amount of write-down on real estate inventories included in cost of sales for the year ended March 31, 2021 were ¥20 million. There is no write-down on real estate inventories included in cost of sales for the years ended March 31, 2023 and 2022.

9. Credit Quality of Financing Receivables and Allowance for Doubtful Accounts

The Company has financing receivables and classifies them into four categories: "lease receivables," "loans receivable resulting from medical services," "other loans receivable" and "other." Financing receivables classified as "lease receivables" are resulting from lease transactions of security merchandise and security systems.

The Company continuously monitors overdue financing receivables which, the Company considers, have a risk of uncollectability. For financing receivables with specific customer collection issues, the Company individually evaluates their collectability in order to determine the amount of allowance for doubtful accounts. For other financing receivables, the Company categorizes these receivables into groups by their nature and characteristics. The Company collectively evaluates the collectability of each group, using its historical experience of write-offs and determines the amount of allowance for doubtful accounts.

Financing receivables and allowance for doubtful accounts at March 31, 2023 and 2022 are as follows:

In millions of yen					
Year ended March 31, 2023					
	Lease receivables	Loans receivable resulting from medical services	Other loans receivable	Other	Total
Allowance for doubtful accounts:					
Balance at beginning of year.....	¥ 241	¥2,931	¥ 437	¥ 672	¥ 4,281
Provision (Reversal) ...	13	(50)	(6)	60	17
Charge off	(51)	—	—	(0)	(51)
Other	—	—	—	—	—
Balance at end of year.....	203	2,881	431	732	4,247
Individually evaluated.....	109	2,881	431	732	4,153
Collectively evaluated.....	¥ 94	¥ —	¥ 0	¥ —	¥ 94
Financing receivables:					
Individually evaluated.....	¥ 194	¥3,747	¥ 476	¥ 789	¥ 5,206
Collectively evaluated.....	49,223	342	859	132	50,556
	¥49,417	¥4,089	¥1,335	¥ 921	¥55,762

In millions of yen					
Year ended March 31, 2022					
	Lease receivables	Loans receivable resulting from medical services	Other loans receivable	Other	Total
Allowance for doubtful accounts:					
Balance at beginning of year.....	¥ 303	¥2,601	¥ 523	¥ 674	¥ 4,101
Provision (Reversal) ...	(1)	330	(87)	(2)	240
Charge off	(61)	—	—	(0)	(61)
Other	—	—	1	—	1
Balance at end of year.....	241	2,931	437	672	4,281
Individually evaluated.....	133	2,931	437	672	4,173
Collectively evaluated.....	¥ 108	¥ —	¥ 0	¥ —	¥ 108
Financing receivables:					
Individually evaluated.....	¥ 216	¥4,184	¥ 483	¥ 705	¥ 5,588
Collectively evaluated.....	45,207	418	862	132	46,619
	¥45,423	¥4,602	¥1,345	¥ 837	¥52,207

In thousands of U.S. dollars					
Year ended March 31, 2023					
	Lease receivables	Loans receivable resulting from medical services	Other loans receivable	Other	Total
Allowance for doubtful accounts:					
Balance at beginning of year.....	\$ 1,799	\$21,873	\$3,261	\$5,015	\$ 31,948
Provision (Reversal) ...	97	(373)	(45)	448	127
Charge off	(381)	—	—	(0)	(381)
Other	—	—	—	—	—
Balance at end of year.....	1,515	21,500	3,216	5,463	31,694
Individually evaluated.....	814	21,500	3,216	5,463	30,993
Collectively evaluated.....	\$ 701	\$ —	\$ 0	\$ —	\$ 701
Financing receivables:					
Individually evaluated.....	\$ 1,448	\$27,963	\$3,552	\$5,888	\$ 38,851
Collectively evaluated.....	367,336	2,552	6,410	985	377,283
	\$368,784	\$30,515	\$9,962	\$6,873	\$416,134

The Company considers receivables are past due and the financial position of the debtor to be credit quality indicators and classifies financing receivables into Overdue and Current. Financing receivables determined to have no prospects for collecting contractual interest on the basis of being past due and other factors are placed on nonaccrual status.

The aging analysis of the recorded financing receivables and financing receivables on nonaccrual status at March 31, 2023 and 2022 are as follows:

In millions of yen					
March 31, 2023					
	Lease receivables	Loans receivable resulting from medical services	Other loans receivable	Other	Total
Current.....	¥49,223	¥4,054	¥ 900	¥ 659	¥54,836
Overdue	194	35	435	262	926
Total:					
Financing receivables....	¥49,417	¥4,089	¥1,335	¥ 921	¥55,762
Financing receivables on nonaccrual status.....	¥ —	¥ 2	¥ 476	¥ —	¥ 478
In millions of yen					
March 31, 2022					
	Lease receivables	Loans receivable resulting from medical services	Other loans receivable	Other	Total
Current.....	¥45,207	¥4,569	¥ 908	¥ 564	¥51,248
Overdue	216	33	437	273	959
Total:					
Financing receivables....	¥45,423	¥4,602	¥1,345	¥ 837	¥52,207
Financing receivables on nonaccrual status.....	¥ —	¥ 0	¥ 483	¥ —	¥ 483

In thousands of U.S. dollars					
March 31, 2023					
	Lease receivables	Loans receivable resulting from medical services	Other loans receivable	Other	Total
Current.....	\$367,336	\$30,254	\$6,716	\$4,918	\$409,224
Overdue	1,448	261	3,246	1,955	6,910
Total:					
Financing receivables....	\$368,784	\$30,515	\$9,962	\$6,873	\$416,134
Financing receivables on nonaccrual status.....	\$ —	\$ 15	\$3,552	\$ —	\$ 3,567

Impaired receivables and the related allowance for doubtful accounts at March 31, 2023 and 2022 are as follows:

In millions of yen					
March 31, 2023					
	Lease receivables	Loans receivable resulting from medical services	Other loans receivable	Other	Total
Impaired receivables.....	¥194	¥3,747	¥476	¥789	¥5,206
Related allowance for doubtful accounts.....	109	2,881	431	732	4,153

In millions of yen					
March 31, 2022					
	Lease receivables	Loans receivable resulting from medical services	Other loans receivable	Other	Total
Impaired receivables.....	¥216	¥4,184	¥483	¥705	¥5,588
Related allowance for doubtful accounts.....	133	2,931	437	672	4,173

In thousands of U.S. dollars					
March 31, 2023					
	Lease receivables	Loans receivable resulting from medical services	Other loans receivable	Other	Total
Impaired receivables.....	\$1,448	\$27,963	\$3,552	\$5,888	\$38,851
Related allowance for doubtful accounts.....	814	21,500	3,216	5,463	30,993

The average amounts of impaired receivables for the year ended March 31, 2023 are as follows:

In millions of yen					
	Lease receivables	Loans receivable resulting from medical services	Other loans receivable	Other	Total
Average amounts of impaired receivables.....	¥205	¥3,966	¥479	¥747	¥5,397

In thousands of U.S. dollars					
	Lease receivables	Loans receivable resulting from medical services	Other loans receivable	Other	Total
Average amounts of impaired receivables.....	\$1,530	\$29,597	\$3,575	\$5,575	\$40,277

10. Investments in Affiliated Companies

The Company has investments in affiliated companies that are accounted for under the equity method. Investments principally consist of Taiwan Secom Co., Ltd., a 28.7 percent owned affiliate, which is listed on the Taiwan Stock Exchange; S1 Corporation, a 28.8 percent owned affiliate, which is listed on the Korea Exchange; and Toyo Tech Co., Ltd., a 28.1 percent owned affiliate, which is listed on the Standard Market of the Tokyo Stock Exchange.

Combined financial information for the affiliated companies accounted for under the equity method is as follows:

	In millions of yen		In thousands of U.S. dollars	
	March 31	2022	March 31	
	2023	2022	2023	
Current assets	¥184,748	¥159,391	\$1,378,716	
Noncurrent assets.....	229,218	210,205	1,710,583	
Total assets.....	¥413,966	¥369,596	\$3,089,299	
Current liabilities	¥107,634	¥ 88,868	\$ 803,239	
Long-term liabilities	46,959	47,893	350,440	
Equity.....	259,373	232,835	1,935,620	
Total liabilities and equity.....	¥413,966	¥369,596	\$3,089,299	
	In millions of yen		In thousands of U.S. dollars	
	Years ended March 31		Year ended March 31	
	2023	2022	2021	
Net sales.....	¥364,506	¥322,411	¥289,647	\$2,720,194
Gross profit.....	¥ 93,061	¥ 83,546	¥ 76,983	\$ 694,485
Net income attributable to affiliated companies.....	¥ 29,874	¥ 25,449	¥ 23,931	\$ 222,940

Dividends received from affiliated companies for the years ended March 31, 2023, 2022 and 2021 were ¥5,527 million (\$41,246 thousand), ¥5,088 million and ¥4,398 million, respectively.

Three listed affiliated companies accounted for under the equity method with an aggregated carrying amount of ¥68,863 million (\$513,903 thousand) and ¥61,718 million at March 31, 2023 and 2022, respectively, had a quoted market value of ¥116,913 million (\$872,485 thousand) and ¥132,508 million at March 31, 2023 and 2022, respectively.

The amounts of goodwill included in the carrying amount of investments in affiliated companies were ¥4,818 million (\$35,955 thousand) and ¥4,613 million at March 31, 2023 and 2022, respectively.

A summary of transactions and balances with the affiliated companies accounted for under the equity method is presented below:

	In millions of yen			In thousands of U.S. dollars
	2023	2022	2021	2023
Sales.....	¥1,104	¥1,080	¥1,326	\$ 8,239
Purchases.....	¥8,810	¥9,299	¥9,818	\$65,746

	In millions of yen		In thousands of U.S. dollars
	2023	2022	2023
Notes and accounts receivable, trade	¥ 475	¥ 783	\$ 3,545
Loans receivable.....	¥ 3	¥ 10	\$ 22
Notes and accounts payable	¥2,376	¥3,458	\$17,731
Guarantees for bank loans	¥ —	¥ —	\$ —

The Company's equity in undistributed income of affiliates at March 31, 2023 and 2022 included in retained earnings was ¥47,969 million (\$357,978 thousand) and ¥45,314 million, respectively.

11. Long-Lived Assets

The Company has assessed the potential impairment of its long-lived assets. As a result of a significant decrease in revenue forecasts, the Company recognized impairment losses for the years ended March 31, 2023, 2022 and 2021. The fair value was determined based on the estimated present value of future cash flows or appraisal value.

Impairment losses on long-lived assets by business segment for the years ended March 31, 2023, 2022 and 2021 are as follows:

	In millions of yen			In thousands of U.S. dollars
	2023	2022	2021	2023
Security services	¥ 154	¥ —	¥ —	\$ 1,149
Fire protection services.....	—	25	—	—
Medical services	742	—	—	5,537
Insurance services.....	—	—	—	—
Geospatial information services	1,726	4	21	12,881
BPO and ICT services.....	25	84	73	187
Other services.....	—	—	1	—
Corporate items	—	—	—	—
Total	¥2,647	¥113	¥95	\$19,754

12. Goodwill and Other Intangible Assets

The components of acquired intangible assets, excluding goodwill, at March 31, 2023 and 2022 are as follows:

	In millions of yen		
	March 31, 2023		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortized intangible assets:			
Software	¥ 77,024	(¥48,512)	¥28,512
Other	54,224	(21,623)	32,601
	¥131,248	(¥70,135)	¥61,113
Unamortized intangible assets	¥ 4,630	¥ —	¥ 4,630

	In millions of yen		
	March 31, 2022		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortized intangible assets:			
Software	¥ 73,909	(¥45,984)	¥27,925
Other	44,662	(18,844)	25,818
	¥118,571	(¥64,828)	¥53,743
Unamortized intangible assets	¥ 4,933	¥ —	¥ 4,933

	In thousands of U.S. dollars		
	March 31, 2023		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortized intangible assets:			
Software	\$574,806	(\$362,030)	\$212,776
Other	404,657	(161,366)	243,291
	\$979,463	(\$523,396)	\$456,067
Unamortized intangible assets	\$ 34,552	\$ —	\$ 34,552

Aggregate amortization expense for the years ended March 31, 2023, 2022 and 2021 was ¥11,434 million (\$85,328 thousand), ¥11,008 million and ¥11,096 million, respectively. Amortized intangible assets are amortized using the straight-line method over their estimated useful lives. The weighted average amortization period for internal use software is approximately five years.

The estimated aggregate amortization expense for intangible assets for the next five years is as follows:

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2024.....	¥13,282	\$99,119
2025.....	12,762	95,239
2026.....	9,004	67,194
2027.....	7,446	55,567
2028.....	6,000	44,776

The changes in the carrying amount of goodwill by business segment for the years ended March 31, 2023 and 2022 are as follows:

	In millions of yen						Total
	Security services	Fire protection services	Medical services	Geospatial information services	BPO and ICT services	Other services	
Goodwill.....	¥71,673	¥2,122	¥9,399	¥3,855	¥35,114	¥2,401	¥124,564
Accumulated impairment losses.....	(8,891)	—	(5,361)	(191)	(175)	—	(14,618)
March 31, 2021	62,782	2,122	4,038	3,664	34,939	2,401	109,946
Goodwill acquired during the year...	52	—	—	—	—	—	52
Disposal.....	—	—	—	—	—	—	—
Impairment losses.....	(63)	—	(205)	—	—	—	(268)
Translation adjustment.....	(77)	—	—	—	—	—	(77)
Goodwill.....	71,648	2,122	9,399	3,855	35,114	2,401	124,539
Accumulated impairment losses.....	(8,954)	—	(5,566)	(191)	(175)	—	(14,886)
March 31, 2022	62,694	2,122	3,833	3,664	34,939	2,401	109,653
Goodwill acquired during the year...	25,410	84	—	—	—	7,128	32,622
Disposal.....	—	—	—	—	—	—	—
Impairment losses.....	(1,084)	—	(372)	—	—	—	(1,456)
Translation adjustment.....	807	—	—	—	—	—	807
Goodwill.....	97,866	2,206	9,399	3,855	35,114	9,529	157,969
Accumulated impairment losses.....	(10,039)	—	(5,938)	(191)	(175)	—	(16,343)
March 31, 2023	¥87,827	¥2,206	¥3,461	¥3,664	¥34,939	¥9,529	¥141,626

	In thousands of U.S. dollars						
	Security services	Fire protection services	Medical services	Geospatial information services	BPO and ICT services	Other services	Total
Goodwill.....	\$534,687	\$15,836	\$70,141	\$28,768	\$262,045	\$17,918	\$ 929,395
Accumulated impairment losses.....	(66,821)	—	(41,537)	(1,425)	(1,306)	—	(111,089)
March 31, 2022	467,866	15,836	28,604	27,343	260,739	17,918	818,306
Goodwill acquired during the year...	189,627	627	—	—	—	53,194	243,448
Disposal.....	—	—	—	—	—	—	—
Impairment losses.....	(8,090)	—	(2,776)	—	—	—	(10,866)
Translation adjustment.....	6,022	—	—	—	—	—	6,022
Goodwill.....	730,344	16,463	70,141	28,768	262,045	71,112	1,178,873
Accumulated impairment losses.....	(74,919)	—	(44,313)	(1,425)	(1,306)	—	(121,963)
March 31, 2023	\$655,425	\$16,463	\$25,828	\$27,343	\$260,739	\$71,112	\$1,056,910

Impairment losses on goodwill recognized in the above table are mainly due to decreases in the estimated fair value of reporting units in each segment mainly caused by decreases in projected cash flows. The fair value is determined based on the estimated present value of future cash flows.

13. Bank Loans and Long-Term Debt

Bank loans of ¥30,096 million (\$224,597 thousand) and ¥31,814 million at March 31, 2023 and 2022, respectively, are generally comprised of 30 to 365 day notes. The weighted average interest rate was 0.64 percent and 0.67 percent at March 31, 2023 and 2022, respectively. Substantially all of these loans are borrowed from banks. The Company has entered into basic agreements with these banks which state that, with respect to all present or future loans with such banks, collateral (including sums on deposit with such banks) or guarantors shall be provided immediately upon request. Further, any collateral furnished pursuant to such agreements or otherwise will be applicable to all indebtedness to such banks. The Company has not been requested to submit such additional security.

At March 31, 2023, Nohmi Bosai Ltd. and Arai & Co., Ltd., subsidiaries of the parent company, had an unused committed line of credit from short-term arrangements of ¥4,268 million (\$31,851 thousand). The line of credit expires in March 2026. Under the agreement, Nohmi Bosai Ltd. is required to pay commitment fees, at an annual rate of 0.15 percent, on the unused portion of the line of credit. The line of credit expires in April 2041. Under the agreement, Arai & Co., Ltd. is required to pay commitment fees, at an annual rate of 0.55 percent and Japanese yen one month Tokyo Interbank Offered Rate (tibur), on the unused portion of the line of credit.

At March 31, 2023, the Company had overdraft agreements with 31 banks and its unused lines of credit amounted to ¥69,040 million (\$515,224 thousand). The Company incurs no fee on the unused portion of these overdraft agreements. The overdraft agreements expire in the period from April 2023 to March 2024. The Company has the ability and intent to extend these overdraft agreements under similar terms and conditions.

Long-term debt at March 31, 2023 and 2022 comprises the following:

	In millions of yen		In thousands of U.S. dollars
	March 31	March 31	March 31
	2023	2022	2023
Loans, principally from banks due 2022–2041 with interest rates ranging from 0.13% to 5.00%:			
Secured.....	¥13,206	¥15,604	\$ 98,552
Unsecured.....	17,147	19,409	127,963
0.31% unsecured bonds due 2023.....	5	12	37
0.40% unsecured bonds due 2024.....	5	9	37
Unsecured bonds due 2022–2040 with floating interest rates based on 6-month Japanese yen TIBOR.....	3,391	3,779	25,307
Obligations under finance leases, due 2022–2054 (Note 19).....	26,187	28,152	195,425
	59,941	66,965	447,321
Less: Portion due within one year.....	(12,527)	(15,121)	(93,485)
	¥47,414	¥51,844	\$353,836

Assets pledged as collateral for bank loans and long-term debt at March 31, 2023 and 2022 are as follows:

	In millions of yen		In thousands of U.S. dollars	
	March 31		March 31	
	2023	2022	2023	
Time deposits.....	¥ —	¥ 1,619	\$ —	—
Short-term and long-term receivables...	5,689	6,372	42,455	
Investment securities.....	1,399	1,590	10,440	
Property, plant and equipment.....	40,950	46,429	305,597	
Other intangible assets.....	¥ 508	¥ 818	\$ 3,791	

The aggregate annual maturities on long-term debt at March 31, 2023 are as follows:

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2024.....	¥12,527	\$ 93,485
2025.....	9,520	71,045
2026.....	7,343	54,799
2027.....	5,493	40,993
2028.....	3,808	28,418
Thereafter.....	21,250	158,581
	¥59,941	\$447,321

14. Insurance-Related Operations

Secom General Insurance Co., Ltd. ("Secom Insurance"), a subsidiary of the parent company, maintains accounting records as noted in Note 2 in accordance with Japanese GAAP, which vary in certain respects from U.S. GAAP. Those differences are principally, (a) that insurance acquisition costs are charged to expense when incurred under Japanese GAAP whereas under U.S. GAAP, those costs are deferred and amortized generally over the premium-paying period of the insurance policies, (b) that liabilities related to incurred but not reported claims are computed based on related regulations in Japan whereas under U.S. GAAP, those liabilities are computed based on past experience for unreported losses, and (c) that unearned premiums are calculated based on the documents authorized by the Supervisory Authorities in Japan whereas under U.S. GAAP, unearned premiums are reflected based on the lapse and surrender over the contract period.

In addition, under certain property and casualty insurance contracts with a refund clause and long-term insurance policies that provide refunds at maturity, such as fire, the policyholder receives a refund if premiums have been fully paid unless a substantial settlement (as defined in the policy) has occurred. The Company has provided for such refundable amounts by classifying a portion of the net premiums written, together with interest thereon, as investment deposits by policyholders. Contract and policy terms are principally five years.

For purposes of preparing the consolidated financial statements, appropriate adjustments have been made to reflect such items in accordance with U.S. GAAP.

The net equity of Secom Insurance at March 31, 2023 and 2022 were ¥83,381 million (\$622,246 thousand) and ¥80,205 million, respectively.

Net sales and operating revenue of Secom Insurance include net realized investment gains and losses, including gains and losses on sales of securities, losses on other-than-temporary impairment of investment securities and impairment losses on long-lived assets.

Net realized investment gains and losses, including losses on other-than-temporary impairments, for the years ended March 31, 2023, 2022 and 2021 were gains of ¥4,954 million (\$36,970 thousand), and losses of ¥1,150 million, and gains of ¥7,654 million, respectively. Gains and losses on other-than-temporary impairments of investment securities for the years ended March 31, 2023, 2022 and 2021 were gains of ¥2,131 million (\$15,903 thousand), and losses of ¥1,525 million and gains of ¥6,848 million, respectively.

15. Pension and Severance Costs

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

The parent company and certain domestic subsidiaries have adopted a cash balance pension plan and a defined contribution pension plan. Benefits under the cash balance pension plan are calculated as a certain percentage of employees' annual income over their period of service, plus interest calculated as the 3-year average yield for 10-year government bonds. The defined contribution pension plan was established in April 2003, by transferring a portion equivalent to 20 percent of the cash balance pension plan, including portions funded in prior periods. A specified percentage of employees' annual income is contributed to the defined contribution pension plan.

In April 2005, the parent company and certain domestic subsidiaries transferred an additional portion of the cash balance pension plan to the defined contribution pension plan. Accordingly, the ratio of the accumulated amount in the cash balance pension plan and the amount of contributions to the defined contribution pension plan changed to 70 percent and 30 percent, including portions funded in prior periods.

Net periodic pension and severance costs for the years ended March 31, 2023, 2022 and 2021 are as follows.

The service cost component of net periodic pension cost and severance cost for the Company's cash balance pension plan is included in cost of sales and selling, general and administrative expenses in the consolidated statements of income. The components other than the service cost component are included in other income in the consolidated statements of income.

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2023	2022	2021	2023
Net periodic pension and severance costs:				
Service cost.....	¥8,070	¥7,983	¥8,149	\$60,224
Interest cost.....	558	450	440	4,164
Expected return on plan assets.....	(3,719)	(3,540)	(3,403)	(27,754)
Amortization of prior service benefit.....	30	30	25	224
Recognized actuarial loss.....	443	419	429	3,306
Net periodic pension and severance costs.....	¥5,382	¥5,342	¥5,640	\$40,164

The changes in benefit obligation, plan assets and funded status are as follows:

	In millions of yen		In thousands of U.S. dollars
	Years ended March 31	2022	Year ended March 31
	2023	2022	2023
Change in benefit obligation:			
Benefit obligation			
at beginning of year.....	¥124,999	¥123,797	\$ 932,828
Service cost.....	8,070	7,983	60,225
Interest cost.....	558	450	4,164
Actuarial loss.....	(4,972)	(175)	(37,104)
Benefits paid.....	(7,576)	(7,056)	(56,537)
Acquisition.....	2,908	—	21,701
Other.....	(8)	—	(60)
Benefit obligation			
at end of year.....	123,979	124,999	925,217
Change in plan assets:			
Fair value of plan assets			
at beginning of year.....	142,607	133,461	1,064,231
Actual return on plan assets.....	1,199	8,301	8,948
Employer contribution.....	5,922	5,948	44,194
Benefits paid.....	(5,553)	(5,103)	(41,440)
Acquisition.....	4,274	—	31,896
Other.....	(8)	—	(60)
Fair value of plan assets			
at end of year.....	148,441	142,607	1,107,769
Funded status			
at the end of year.....	¥ 24,462	¥ 17,608	\$ 182,552

Amounts recognized in the consolidated balance sheets at March 31, 2023 and 2022 consist of:

	In millions of yen		In thousands of U.S. dollars
	March 31	2022	March 31
	2023	2022	2023
Prepaid pension and severance costs.....	¥55,552	¥47,852	\$414,567
Accrued pension and severance costs.....	(31,090)	(30,244)	(232,015)
Net amount recognized.....	¥24,462	¥17,608	\$182,552

Other changes in plan assets and benefit obligations recognized in other comprehensive income (loss) for the year ended March 31, 2023 are summarized as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31	2022	March 31
	2023	2022	2023
Current year actuarial gain.....	(¥2,452)	—	(\$18,298)
Amortization of actuarial loss.....	(443)	—	(3,306)
Amortization of prior service benefit.....	(30)	—	(224)
	(¥2,925)	—	(\$21,828)

Amounts recognized in accumulated other comprehensive income (loss) at March 31, 2023 and 2022 consist of:

	In millions of yen		In thousands of U.S. dollars
	March 31	2022	March 31
	2023	2022	2023
Actuarial (gain) loss.....	(¥4,933)	(¥2,038)	(\$36,813)
Prior service benefit.....	163	193	1,216
Net amount recognized.....	(¥4,770)	(¥1,845)	(\$35,597)

The accumulated benefit obligation for the pension plan was ¥123,737 million (\$923,410 thousand) and ¥124,717 million at March 31, 2023 and 2022, respectively.

The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for the pension plans with projected benefit obligation and accumulated benefit obligation in excess of plan assets were ¥55,946 million (\$417,507 thousand), ¥55,626 million (\$415,119 thousand) and ¥29,136 million (\$217,433 thousand), respectively, at March 31, 2023, and ¥54,248 million, ¥53,966 million and ¥25,225 million, respectively, at March 31, 2022.

The Company uses March 31 as the measurement date for the domestic pension plan.

Weighted-average assumptions used to determine the benefit obligation at March 31, 2023 and 2022 are as follows:

	March 31	
	2023	2022
Discount rate.....	0.9%	0.5%
Rate of compensation increase.....	2.4%	2.5%
Interest crediting rate for cash balance plans.....	0.1%	0.1%

Weighted-average assumptions used to determine net pension and severance costs for the years ended March 31, 2023, 2022 and 2021 are as follows:

	Years ended March 31		
	2023	2022	2021
Discount rate.....	0.5%	0.4%	0.4%
Expected return on plan assets.....	3.0%	3.0%	3.0%
Rate of compensation increase.....	2.5%	2.5%	2.5%
Interest crediting rate for cash balance plans....	2.3%	0.1%	0.1%

The Company determines the expected long-term rate of return based on the expected long-term return of the various asset categories in which it invests. The Company considers the current expectations for future returns and the actual historical returns of each plan asset category.

The Company's investment policy is designed to ensure that sufficient plan assets are available to provide future payments of pension benefits to the eligible plan participants. Plan assets set target allocations for the individual asset categories and are invested primarily in equity and debt securities, and other assets such as real estate with the objective to minimize risk and achieve the expected rate of return. The investment results are periodically reviewed and asset allocation is adjusted to target allocations as necessary.

The following table represents the fair value of the Company's pension plan assets at March 31, 2023 and 2022. The three levels of inputs used to measure fair value are more fully described in Note 22.

	In millions of yen			
	March 31, 2023			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	¥ 6,071	¥ —	¥ —	¥ 6,071
Equity securities				
Japanese companies	5,557	—	—	5,557
Foreign companies	1	—	—	1
Debt securities				
Government bonds	—	—	—	—
Non-government bonds	—	—	—	—
Pooled funds	2,496	41,492	60,008	103,996
Call loans	—	13,117	—	13,117
Insurance contracts	—	19,354	—	19,354
Other	—	(58)	403	345
	¥14,125	¥73,905	¥60,411	¥148,441

* The pension investment trust fund included in the plan's pooled funds is classified as Level 2, and invests approximately 30% in equity securities, 50% in debt securities and 20% in other investments. The unquoted beneficial certificate of security investment trust included in the plan's pooled funds is classified as Level 3.

	In millions of yen			
	March 31, 2022			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	¥11,907	¥ —	¥ —	¥ 11,907
Equity securities				
Japanese companies	5,142	—	—	5,142
Foreign companies	7	—	—	7
Debt securities				
Government bonds	—	—	—	—
Non-government bonds	—	—	—	—
Pooled funds	3,778	62,089	40,340	106,207
Call loans	—	3,312	—	3,312
Insurance contracts	—	15,748	—	15,748
Other	—	(152)	436	284
	¥20,834	¥80,997	¥40,776	¥142,607

* The pension investment trust fund included in the plan's pooled funds is classified as Level 2, and invests approximately 60% in equity securities, 30% in debt securities and 10% in other investments. The unquoted beneficial certificate of security investment trust included in the plan's pooled funds is classified as Level 3.

	In thousands of U.S. dollars			
	March 31, 2023			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 45,306	\$ —	\$ —	\$ 45,306
Equity securities				
Japanese companies	41,470	—	—	41,470
Foreign companies	7	—	—	7
Debt securities				
Government bonds	—	—	—	—
Non-government bonds	—	—	—	—
Pooled funds	18,627	309,642	447,821	776,090
Call loans	—	97,888	—	97,888
Insurance contracts	—	144,433	—	144,433
Other	—	(433)	3,008	2,575
	\$105,410	\$551,530	\$450,829	\$1,107,769

* The pension investment trust fund included in the plan's pooled funds is classified as Level 2, and invests approximately 30% in equity securities, 50% in debt securities and 20% in other investments. The unquoted beneficial certificate of security investment trust included in the plan's pooled funds is classified as Level 3.

The following table represents the changes in Level 3 investments for the years ended March 31, 2023 and 2022.

Level 3 investments, mainly in unquoted certificates of beneficial interests in securities investment trust included in the plan's pooled funds, are at the discretion of the administrator of the fund. Their fair values are estimated based on unobservable inputs provided by the administrator of the fund.

	In millions of yen			
	Year ended March 31, 2023			
	Equity securities Japanese companies	Pooled funds	Other	Total
Balance at beginning of year	¥—	¥40,340	¥436	¥40,776
Actual return on plan assets:				
Relating to assets sold during the year	—	208	14	222
Relating to assets held at end of year	—	2,478	5	2,483
Purchases, sales and settlements, net	—	16,982	(52)	16,930
Transfer to (from) Level 3, net	—	—	—	—
Balance at end of year	¥—	¥60,008	¥403	¥60,411

	In millions of yen			
	Year ended March 31, 2022			
	Equity securities	Pooled funds	Other	Total
Japanese companies				
Balance at beginning of year	¥424	¥31,202	¥493	¥32,119
Actual return on plan assets:				
Relating to assets sold during the year	(19)	931	(20)	892
Relating to assets held at end of year	—	3,778	29	3,807
Purchases, sales and settlements, net	(405)	4,429	(66)	3,958
Transfer to (from) Level 3, net	—	—	—	—
Balance at end of year	¥ —	¥40,340	¥436	¥40,776

	In thousands of U.S. dollars			
	Year ended March 31, 2023			
	Equity securities	Pooled funds	Other	Total
Japanese companies				
Balance at beginning of year	\$—	\$301,045	\$3,254	\$304,299
Actual return on plan assets:				
Relating to assets sold during the year	—	1,552	105	1,657
Relating to assets held at end of year	—	18,493	37	18,530
Purchases, sales and settlements, net	—	126,731	(388)	126,343
Transfer to (from) Level 3, net	—	—	—	—
Balance at end of year	\$—	\$447,821	\$3,008	\$450,829

The Company expects to contribute ¥5,636 million (\$42,060 thousand) to its domestic defined benefit plans in the year ending March 31, 2024.

The following benefit payments, which reflect future service, as appropriate, are expected to be paid.

Years ending March 31	In thousands of	
	In millions of yen	U.S. dollars
2024	¥ 6,878	\$ 51,328
2025	6,745	50,336
2026	6,702	50,015
2027	6,698	49,985
2028	7,183	53,604
2029–2033	39,518	294,910

The parent company and certain subsidiaries have defined contribution pension plans. The contributions to the defined contribution pension plans for the years ended March 31, 2023, 2022 and 2021 were ¥2,332 million (\$17,403 thousand), ¥2,225 million and ¥2,276 million, respectively.

16. Exchange Gains and Losses

Other income for the year ended March 31, 2023 includes net exchange gains of ¥348 million (\$2,599 thousand). Other expense for the years ended March 31, 2022 and 2021 includes net exchange losses of ¥100 million and ¥243 million, respectively.

17. Income Taxes

Total income taxes for the years ended March 31, 2023, 2022 and 2021 are allocated as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2023	2022	2021	2023
Consolidated income taxes from continuing operations	¥49,456	¥49,164	¥47,598	\$369,075
Consolidated income taxes from discontinued operations	—	—	(561)	—
Shareholders' equity—accumulated other comprehensive income (loss):				
Unrealized gains on securities	(1,415)	(55)	214	(10,560)
Pension liability adjustments	886	1,664	1,977	6,612
Foreign currency translation adjustments	5	(5)	—	37
	¥48,932	¥50,768	¥49,228	\$365,164

The parent company and its domestic subsidiaries are subject to a number of income taxes. The statutory income tax rate in Japan was approximately 30.5 percent for the years ended March 31, 2023, 2022 and 2021.

Reconciliations of the differences between income taxes computed at statutory tax rates and consolidated income taxes from continuing operations are as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2023	2022	2021	2023
Income taxes computed at statutory tax rate	¥49,715	¥49,315	¥44,251	\$371,007
Increase (decrease) resulting from:				
Reversal of valuation allowance	(1,760)	(1,244)	(1,052)	(13,134)
Per capita tax	1,105	1,045	1,079	8,246
Provision of valuation allowance	285	320	1,705	2,127
Net effect of changes in corporate tax rates	(17)	(24)	52	(126)
Other, net	128	(248)	1,563	955
Consolidated income taxes from continuing operations	¥49,456	¥49,164	¥47,598	\$369,075

The significant components of deferred tax assets and liabilities at March 31, 2023 and 2022 are as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31	2022	March 31
	2023	2022	2023
Deferred tax assets:			
Operating lease liabilities.....	¥ 40,406	¥ 39,096	\$301,537
Accrued pension and severance costs.....	9,191	8,733	68,590
Accrued bonus.....	7,010	6,453	52,313
Property, plant and equipment.....	6,477	6,667	48,336
Vacation accrual.....	5,944	5,675	44,358
Adjustment of book value at the date of acquisition			
Land and buildings.....	5,362	5,391	40,015
Other assets.....	394	400	2,940
Loss carryforwards.....	3,542	3,307	26,433
Unrealized intra-entity profit on asset transfer.....	2,397	2,548	17,888
Deferred revenue.....	1,889	3,221	14,097
Allowance for doubtful accounts.....	1,840	1,816	13,731
Intangible assets.....	1,560	1,291	11,642
Investment securities.....	—	2,256	—
Other.....	16,378	16,416	122,224
Gross deferred tax assets.....	102,390	103,270	764,104
Less: Valuation allowance.....	(15,189)	(16,384)	(113,351)
Total deferred tax assets.....	87,201	86,886	650,753
Deferred tax liabilities:			
Operating lease right-of-use assets.....	(40,406)	(39,096)	(301,537)
Prepaid pension and severance cost.....	(17,002)	(14,523)	(126,881)
Adjustment of book value at the date of acquisition			
Intangible assets.....	(8,447)	(6,664)	(63,037)
Land and buildings.....	(3,292)	(3,371)	(24,567)
Other assets.....	(730)	(717)	(5,448)
Investments in affiliated companies.....	(8,721)	(7,224)	(65,082)
Unrealized gains on securities.....	(7,657)	(8,189)	(57,142)
Deferred installation costs.....	(1,283)	(2,329)	(9,575)
Other.....	(4,846)	(3,387)	(36,163)
Gross deferred tax liabilities.....	(92,384)	(85,500)	(689,432)
Net deferred tax assets (liabilities).....	(¥ 5,183)	¥ 1,386	(\$ 38,679)

The valuation allowance principally relates to deferred tax assets of subsidiaries with operating loss carryforwards, for tax purposes, that are not expected to be realized. The net change in the total valuation allowance for the years ended March 31, 2023, 2022 and 2021 was a decrease of ¥1,195 million (\$8,918 thousand), and a decrease of ¥973 million and a decrease of ¥2,746 million, respectively.

In assessing the realizability of deferred tax assets, the Company's management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. The Company's management considered the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this

assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, the Company's management believes it is more likely than not that the Company will realize the benefits of these deductible differences, net of the existing valuation allowance at March 31, 2023 and 2022.

Net deferred tax assets (liabilities) at March 31, 2023 and 2022 are reflected in the accompanying consolidated balance sheets under the following captions:

	In millions of yen		In thousands of U.S. dollars
	March 31	2022	March 31
	2023	2022	2023
Deferred income taxes			
(Other assets).....	¥15,039	¥15,663	\$112,231
Deferred income taxes (Long-term liabilities).....	(20,222)	(14,277)	(150,910)
Net deferred tax assets (liabilities).....	(¥ 5,183)	¥ 1,386	(\$ 38,679)

The Company has not recognized deferred tax liabilities for a portion of undistributed earnings of foreign subsidiaries of ¥50,188 million (\$374,537 thousand) totaling ¥878 million (\$6,552 thousand) at March 31, 2023 as they are not expected to be remitted in the foreseeable future.

At March 31, 2023, the operating loss carryforwards of domestic subsidiaries amounted to ¥4,888 million (\$36,478 thousand) and are available for offsetting against future taxable earnings of such subsidiaries for up to ten years, as follows:

Expires in the years ending March 31	In millions of yen	In thousands of U.S. dollars
2024.....	¥ 171	\$ 1,276
2025.....	244	1,821
2026.....	760	5,672
2027.....	567	4,231
2028.....	—	—
2029.....	169	1,261
2030.....	179	1,336
2031.....	1,044	7,791
2032.....	696	5,194
2033.....	1,058	7,896
	¥4,888	\$36,478

The operating loss carryforwards of overseas subsidiaries at March 31, 2023 amounted to ¥5,121 million (\$38,216 thousand), a part of which will begin to expire in the year ending March 31, 2024.

The total amount of unrecognized tax benefits for the years ended March 31, 2023, 2022 and 2021 was insignificant. Also, there were no significant movements in the gross amounts of unrecognized tax benefits and the amounts of interest and penalties recognized due to the unrecognized tax benefits during the years ended March 31, 2023, 2022 and 2021.

Although the Company believes its estimates of unrecognized tax benefits are reasonable, uncertainties regarding the final determination of income tax audit settlements and any related litigation could affect the total amount of unrecognized tax benefits in future periods. Based on the information available as of March 31, 2023, the Company does not expect significant changes to the unrecognized tax benefits within the next 12 months.

The Company files tax returns in Japan and various foreign jurisdictions. In Japan, the Company is no longer subject to regular income tax examinations by the tax authorities for years before 2012. In other foreign tax jurisdictions, major subsidiaries are no longer subject to income tax examinations by tax authorities for years before 2022, with some exceptions.

18. Shareholders' Equity

(1) Additional Paid-In Capital

The change in additional paid-in capital includes the effect of changes in the Company's ownership interest in its consolidated subsidiaries.

The net income attributable to SECOM CO., LTD. and transfers from (to) noncontrolling interests for the years ended March 31, 2023, 2022 and 2021 are as follows:

	In millions of yen			In thousands of U.S. dollars
	2023	2022	2021	2023
Net income attributable to SECOM CO., LTD.	¥111,558	¥107,731	¥89,913	\$832,522
Transfers from (to) noncontrolling interests:				
Decrease in additional paid-in capital related to the acquisition of Secom Joshinetsu Co., Ltd.'s ownership interests	—	(11,603)	—	—
Other, net	60	1	(82)	447
Net transfers from (to) noncontrolling interests	60	(11,602)	(82)	447
Change from net income attributable to SECOM CO., LTD. and transfers from (to) noncontrolling interests	¥111,618	¥96,129	¥89,831	\$832,969

(2) Retained Earnings

The Japanese Companies Act provides that an amount equal to 10 percent of surplus distributed by the parent company and its Japanese subsidiaries be appropriated as a legal reserve until the aggregate amount of additional paid-in capital and legal reserve equals 25 percent of the common stock account.

The amount available for dividends under the Japanese Companies Act is based on the amount recorded in the parent company's non-consolidated statutory financial statements in accordance with Japanese GAAP. Such amount was ¥681,170 million (\$5,083,358 thousand) at March 31, 2023.

Subsequent to March 31, 2023, the parent company's Board of Directors declared a year-end cash dividend of ¥95 (\$0.71) per share, totaling ¥20,381 million (\$152,097 thousand), to shareholders of record on March 31, 2023. The dividend declared was approved at the general shareholders' meeting held on June 27, 2023. Dividends are recorded in the year they are declared.

The Company has made it a basic policy to distribute dividends twice a year, the interim dividend whose record date is September 30 each year and commenced from the year ended March 31, 2015, and the year-end dividend whose record date is March 31 each year. The interim dividend is determined by the Board of Directors and the year-end dividend is determined by the General Meeting of Shareholders.

Cash dividends per share are computed based on dividends paid for the year.

(3) Common Stock in Treasury

The Company may repurchase its common stock from the market pursuant to the Japanese Companies Act. There are certain restrictions on payment of dividends in connection with the treasury stock repurchased.

(4) Other Comprehensive Income (Loss)

Components of other comprehensive income (loss) for the years ended March 31, 2023, 2022 and 2021 are as follows:

	In millions of yen		
	Pre-tax amount	Tax (expense) or benefit	Net-of-tax amount
For the year ended March 31, 2023:			
Unrealized gains on securities—			
Unrealized gains or losses arising during the period	¥ 3,179	¥914	¥ 2,265
Less: Reclassification			
adjustment for gains or losses realized in net income	(1,880)	501	(1,379)
Pension liability adjustments—			
Unrealized gains or losses arising during the period	2,879	(704)	2,175
Less: Reclassification			
adjustment for gains or losses realized in net income	723	(182)	541
Foreign currency translation adjustments—			
Unrealized gains or losses arising during the period	16,895	—	16,895
Less: Reclassification			
adjustment for gains or losses realized in net income	(5)	(5)	(10)
Other comprehensive income (loss)	¥15,433	¥524	¥15,957

For the year ended March 31, 2022:

Unrealized gains on securities—			
Unrealized gains or losses arising during the period	¥ 22	¥ 10	¥ 12
Less: Reclassification			
adjustment for gains or losses realized in net income	(175)	45	(130)
Pension liability adjustments—			
Unrealized gains or losses arising during the period	5,075	(1,504)	3,571
Less: Reclassification			
adjustment for gains or losses realized in net income	565	(160)	405
Foreign currency translation adjustments—			
Unrealized gains or losses arising during the period	11,615	—	11,615
Less: Reclassification			
adjustment for gains or losses realized in net income	58	5	63
Other comprehensive income (loss)	¥17,116	(¥1,604)	¥15,512

	In millions of yen		
	Pre-tax amount	Tax (expense) or benefit	Net-of-tax amount
For the year ended March 31, 2021:			
Unrealized gains on securities—			
Unrealized gains or losses arising during the period.....	¥1,193	(¥ 338)	¥ 855
Less: Reclassification adjustment for gains or losses realized in net income.....	(460)	124	(336)
Pension liability adjustments—			
Unrealized gains or losses arising during the period.....	5,973	(1,832)	4,141
Less: Reclassification adjustment for gains or losses realized in net income.....	466	(145)	321
Foreign currency translation adjustments—			
Unrealized gains or losses arising during the period.....	(4,053)	—	(4,053)
Less: Reclassification adjustment for gains or losses realized in net income.....	78	—	78
Other comprehensive income (loss).....	¥3,197	(¥2,191)	¥1,006

	In thousands of U.S. dollars		
	Pre-tax amount	Tax (expense) or benefit	Net-of-tax amount
For the year ended March 31, 2023:			
Unrealized gains on securities—			
Unrealized gains or losses arising during the period.....	(\$ 23,724)	\$6,821	(\$ 16,903)
Less: Reclassification adjustment for gains or losses realized in net income.....	(14,030)	3,739	(10,291)
Pension liability adjustments—			
Unrealized gains or losses arising during the period.....	21,485	(5,254)	16,231
Less: Reclassification adjustment for gains or losses realized in net income.....	5,396	(1,358)	4,038
Foreign currency translation adjustments—			
Unrealized gains or losses arising during the period.....	126,081	—	126,081
Less: Reclassification adjustment for gains or losses realized in net income.....	(37)	(37)	(74)
Other comprehensive income (loss).....	\$115,171	\$3,911	\$119,082

Reclassification adjustments for gains or losses realized in net income (pre-tax amount) included in the consolidated statements of income for the years ended March 31, 2023, 2022 and 2021 are as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31	2022	2021	Year ended March 31
	2023	2022	2021	2023
Unrealized gains on securities—				
Net sales and operating revenue.....	(¥2,050)	(¥308)	(¥392)	(\$15,299)
Gain and loss on sales of securities, net.....	(170)	(133)	67	(1,269)
Loss on other-than-temporary impairment of investment securities.....	340	266	(135)	2,538
Pension liability adjustments—				
Net periodic pension and severance costs (Note 15).....	473	449	454	3,530
Equity in net income of affiliated companies.....	250	116	12	1,866
Foreign currency translation adjustments—				
Gain and loss on sales of securities, net.....	(5)	58	78	(37)

19. Leases as lessee

The Company leases certain office space, employee residential facilities, equipment for armored car services and transportation equipment. Some leased buildings, and equipment for armored car services and transportation equipment are held under finance leases. Other leases are classified as operating leases.

A summary of leased assets under finance leases at March 31, 2023 and 2022 is as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31	2022	March 31
	2023	2022	2023
Buildings and improvements.....	¥12,336	¥12,289	\$ 92,060
Machinery, equipment and automobiles.....	35,112	36,079	262,030
Other intangible assets.....	1,386	1,554	10,343
Accumulated depreciation and amortization.....	(25,936)	(24,896)	(193,552)
	¥22,898	¥25,026	\$170,881

Depreciation and amortization expenses for assets under finance leases for the years ended March 31, 2023, 2022 and 2021 were ¥8,073 million (\$60,246 thousand), ¥7,817 million and ¥7,542 million, respectively.

The following is a schedule by year of future minimum lease payments under finance leases and the present value of the net minimum lease payments at March 31, 2023:

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2024.....	¥ 7,592	\$ 56,657
2025.....	5,977	44,604
2026.....	4,318	32,224
2027.....	2,667	19,903
2028.....	1,567	11,694
Thereafter.....	12,975	96,828
Total minimum lease payments.....	35,096	261,910
Less: Amount representing interest.....	(8,909)	(66,485)
Present value of net minimum lease payments (Note 13).....	26,187	195,425
Less: Current portion.....	(6,912)	(51,582)
Long-term finance lease obligations.....	¥19,275	\$143,843

Operating lease expenses for the years ended March 31, 2023 and 2022 were ¥22,776 million (\$169,970 thousand) and ¥22,199 million, respectively.

Supplemental cash flow information is as follows:

	In millions of yen		In thousands of U.S. dollars
	Years ended March 31	Year ended March 31	Year ended March 31
	2023	2022	2023
Cash paid for amounts included in the measurement of operating lease liabilities.....	¥24,523	¥25,319	\$183,007
Right of use assets obtained in exchange for operating lease liabilities.....	17,695	22,231	132,052

The following is a schedule by year of the future minimum lease payments under operating leases at March 31, 2023:

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2024.....	¥ 21,084	\$ 157,343
2025.....	14,394	107,418
2026.....	10,773	80,396
2027.....	8,458	63,119
2028.....	7,531	56,201
Thereafter.....	76,442	570,463
Total minimum lease payments.....	138,682	1,034,940
Less: Amount representing interest.....	(8,098)	(60,433)
Present value of net minimum lease payments.....	¥130,584	\$ 974,507

The following is remaining lease term and discount rate under operating leases at March 31, 2023 and 2022:

	March 31, 2023	March 31, 2022
Weighted-average remaining lease term..	172 months	183 months
Weighted-average discount rate.....	0.73%	0.67%

20. Leases as lessor

The Company's leasing operations consist principally of leasing of security merchandise, security systems and real estate for offices and medical institutions. Most of the security merchandise and security systems on lease are classified as sales-type leases or direct-financing leases. Other leases are classified as operating leases.

A summary of lease receivables under sales-type and direct-financing leases at March 31, 2023 and 2022 is as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31	March 31	March 31
	2023	2022	2023
Total minimum lease payments to be received.....	¥58,850	¥53,572	\$439,179
Estimated executory cost.....	(5,433)	(4,360)	(40,545)
Unearned income.....	(3,999)	(3,789)	(29,843)
Lease receivables, net.....	49,418	45,423	368,791
Less: Current portion.....	(15,859)	(15,772)	(118,351)
Long-term lease receivables, net...	¥33,559	¥29,651	\$250,440

The following is a schedule by year of future minimum lease payments to be received under sales-type leases and direct-financing leases at March 31, 2023:

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2024.....	¥18,049	\$134,694
2025.....	14,213	106,067
2026.....	11,097	82,813
2027.....	7,613	56,813
2028.....	4,489	33,500
Thereafter.....	3,389	25,292
Total future minimum lease payments to be received.....	¥58,850	\$439,179

A summary of investment in property under operating leases and property held for lease at March 31, 2023 and 2022 is as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31	March 31	March 31
	2023	2022	2023
Land.....	¥43,817	¥43,232	\$326,993
Buildings and improvements.....	35,858	34,660	267,597
Other intangible assets.....	1,038	662	7,746
Accumulated depreciation and amortization.....	(16,046)	(14,805)	(119,746)
	¥64,667	¥63,749	\$482,590

The future minimum rentals under noncancelable operating leases at March 31, 2023 are as follows:

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2024.....	¥2,865	\$21,381
2025.....	426	3,179
2026.....	274	2,045
2027.....	210	1,567
2028.....	192	1,433
Thereafter.....	2,381	17,768
Total future minimum rentals.....	¥6,348	\$47,373

21. Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of financial instruments in cases for which it is practicable. The three levels of inputs used to measure fair value are more fully described in Note 22.

(1) Cash and Cash Equivalents; Time Deposits; Cash Deposits for armored car services; Notes and Accounts Receivable, Trade; Due from Subscribers; Short-Term Receivables; Bank Loans; Notes and Accounts Payable, Trade; Other Payables; Deposits Received; Accrued Income Taxes; and Accrued Payroll

The carrying amounts approximate fair value because of the short-term maturities of such instruments.

(2) Short-Term Investments; Investment Securities

The fair values of short-term investments and investment securities are principally based on quoted market prices.

(3) Long-Term Receivables Including Current Portion

Long-term receivables, including the current portion, are classified as Level 2 and fair value is estimated based on the present value of future cash flows through estimated maturity, discounted using estimated market discount rates.

(4) Long-Term Debt Including Current Portion

Long-term debt, including the current portion, is classified as Level 2 and fair value is estimated based on the present value of future cash flows of each instrument discounted using the Company's current incremental borrowing rates for similar liabilities.

(5) Investment Deposits by Policyholders

The fair values of investment deposits by policyholders are classified as Level 3 and estimated based on the present value of future cash flows, discounted using the interest rates currently being offered for similar contracts.

(6) Derivatives

The fair values of derivatives are estimated using current market pricing models by obtaining quotes from financial institutions.

The carrying amounts and estimated fair values of financial instruments, excluding, debt and equity securities, which are disclosed in Notes 2 (7) and 7, at March 31, 2023 and 2022 are as follows:

	In millions of yen			
	2023		2022	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Non-derivatives:				
Assets—				
Long-term receivables including current portion (Less allowance for doubtful accounts) ...	¥51,310	¥51,148	¥47,732	¥48,273
Liabilities—				
Long-term debt including current portion	59,941	59,928	66,965	66,961
Investment deposits by policyholders	14,363	14,726	16,966	17,484
Derivatives:				
Assets—				
Interest rate swaps (Other investments)	2	2	—	—
Liabilities—				
Interest rate swaps (Other long-term liabilities)	—	—	0	0
			In thousands of U.S. dollars	
			March 31, 2023	
			Carrying amount	Estimated fair value
Non-derivatives:				
Assets—				
Long-term receivables including current portion (Less allowance for doubtful accounts)			\$382,910	\$381,701
Liabilities—				
Long-term debt including current portion			447,321	447,224
Investment deposits by policyholders			107,187	109,896
Derivatives:				
Assets—				
Interest rate swaps (Other investments)			15	15
Liabilities—				
Interest rate swaps (Other long-term liabilities)			—	—

Limitation:

Fair value estimates are made at a specific point in time based on relevant market information and information about financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

22. Fair Value Measurements

ASC 820, "Fair Value Measurements and Disclosures," defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. This accounting standard establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value as follows:

- Level 1— Inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2— Inputs are quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable, and inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3— Inputs are derived from valuation techniques in which one or more significant inputs or value drivers are unobservable, which reflect the reporting entity's own assumptions about the assumptions that market participants would use in establishing a price.

The following table represents the Company's assets and liabilities that are measured at fair value on a recurring basis at March 31, 2023 and 2022. Transfers between levels are recognized at the end of the respective reporting periods.

	In millions of yen			
	March 31, 2023			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents.....	¥ 388	¥ —	¥ —	¥ 388
Short-term investments and investment securities	107,461	103,915	30,706	242,082
Total assets	¥107,849	¥103,915	¥30,706	¥242,470
Liabilities:				
Derivatives (Other long-term liabilities).....	¥ —	¥ —	¥ —	¥ —
Total liabilities.....	¥ —	¥ —	¥ —	¥ —

	In millions of yen			
	March 31, 2022			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents.....	¥ 492	¥ —	¥ —	¥ 492
Short-term investments and investment securities	104,545	93,619	16,368	214,532
Total assets	¥105,037	¥93,619	¥16,368	¥215,024
Liabilities:				
Derivatives (Other long-term liabilities).....	¥ —	¥ 0	¥ —	¥ 0
Total liabilities.....	¥ —	¥ 0	¥ —	¥ 0

In thousands of U.S. dollars

	March 31, 2023			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents.....	\$ 2,896	\$ —	\$ —	\$ 2,896
Short-term investments and investment securities	801,948	775,485	229,149	1,806,582
Total assets	\$804,844	\$775,485	\$229,149	\$1,809,478
Liabilities:				
Derivatives (Other long-term liabilities).....	\$ —	\$ —	\$ —	\$ —
Total liabilities.....	\$ —	\$ —	\$ —	\$ —

Cash Equivalents

All highly liquid investments with initial maturities of three months or less are considered to be cash equivalents, and principally valued using quoted prices for identical assets in markets that are not active.

Short-Term Investments and Investment Securities

Equity securities and debt securities classified as Level 1 assets are valued using unadjusted quoted market prices in active markets with sufficient volume and frequency of transactions.

Level 2 assets comprise principally debt securities, which are valued using quoted prices for similar assets in active markets, or quoted prices for identical or similar assets in markets that are not active.

Non-marketable securities classified as Level 3 assets are valued based on unobservable inputs as the market for the assets was not active at the measurement date. The fair value is determined by using a valuation technique, such as the discounted cash flow model, which best reflects the nature, characteristics and risks of each asset. These significant unobservable inputs contain discount rates, exit timing and an EBITDA multiple. An increase (decrease) in the discount rates, the later (earlier) exit and a decrease (increase) in the EBITDA multiple would result in a decrease (increase) in the fair value of non-marketable securities.

The Company's Level 3 investment securities that are measured at fair value on a recurring basis at March 31, 2023 and 2022, amounting to ¥30,706 million (\$229,149 thousand) and ¥16,368 million, respectively, are primarily private equity investments. The valuation technique and significant unobservable inputs are as follows:

Valuation technique	Significant unobservable inputs	March 31, 2023
		Range
Discounted cash flows	Discount rate	15%–30%
	Exit timing	2023–2025
	EBITDA multiple	5x–8.4x
March 31, 2022		
Valuation technique	Significant unobservable inputs	Range
Discounted cash flows	Discount rate	15%–30%
	Exit timing	2022–2025
	EBITDA multiple	0x–9.9x

Derivative Financial Investments

Derivative financial instruments comprise interest rate swaps. These derivative instruments are valued using observable market data and classified as Level 2 liabilities.

The following table represents the changes in Level 3 assets measured on a recurring basis for the years ended March 31, 2023 and 2022.

	In millions of yen		In thousands of U.S. dollars
	Years ended March 31		Year ended March 31
	2023	2022	2023
Balance at beginning of year	¥16,368	¥12,126	\$122,149
Total gains or losses (realized and unrealized):			
Included in earnings	11,595	2,998	86,530
Included in other comprehensive income.....	—	—	—
Purchases	1,363	138	10,172
Sales	(979)	(240)	(7,306)
Redemptions	—	—	—
Cancellation of contract.....	—	—	—
Foreign currency translation adjustments	2,359	1,346	17,604
Balance at end of year	¥30,706	¥16,368	\$229,149
Changes in unrealized gains or losses relating to instruments still held at end of year:			
Included in earnings	¥11,023	¥ 2,758	\$ 82,261

Total gains or losses (realized or unrealized) related to short-term investments and investment securities are primarily included in net sales and operating revenue or gain/loss on private equity investments, in the consolidated statements of income.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

For the year ended March 31, 2023, non-marketable equity securities with a carrying amount of ¥7,403 million (\$55,247 thousand) were written down to their fair value of ¥6,922 million (\$51,657 thousand), resulting in an other-than-temporary impairment charge of ¥481 million (\$3,590 thousand), which was included in earnings. For the year ended March 31, 2022, non-marketable equity securities with a carrying amount of ¥14,820 million were written down to their fair value of ¥14,818 million, resulting in an other-than-temporary impairment charge of ¥2 million, which was included in earnings. All impaired non-marketable equity securities were classified as Level 3 assets as the Company uses unobservable inputs such as future cash flows to value these investments.

Long-lived assets (Note 11) and goodwill (Note 12) are also measured at fair value on a nonrecurring basis. All impaired long-lived assets and goodwill were classified as Level 3 assets as the Company uses unobservable inputs to value these assets. These Level 3 assets are not significant.

23. Derivative Financial Instruments

(1) Risk Management Policy

The Company utilizes derivative financial instruments in the normal course of business to reduce exposure to fluctuations in interest rates. The Company assesses interest rate risk by continually monitoring changes in the exposure and by evaluating hedging opportunities. The Company does not hold or issue derivative financial instruments for trading purposes. The Company is also exposed to credit-related losses in the event of non-performance by counterparties to derivative financial instruments, but it is not expected that any counterparties will fail to meet their obligations, because most of the counterparties are internationally recognized financial institutions and contracts are diversified amongst a number of major financial institutions.

(2) Risk Management

The Company has exposure to the market risk of changes in interest rates which relates primarily to its debt obligations. The Company principally enters into interest rate swap agreements to manage fluctuations in cash flows resulting from changes in interest rates. Interest rate swaps are used to change floating rates on debt obligations to fixed rates by entering into receive-floating, pay-fixed interest rate swaps under which the Company receives floating interest rate proceeds and makes fixed interest rate payments, thereby effectively creating fixed-rate debt.

(3) Cash Flow Hedges

The Company designates interest rate swap agreements as cash flow hedges for variability of cash flows originating from floating rate borrowings. The effective portion of changes in fair values of derivative instruments designated as cash flow hedges of these debt obligations are reported in other comprehensive income (loss). These amounts are reclassified into current income in the same period that hedged items affect current income. The ineffective portion of changes in fair values are reported in income immediately.

(4) Derivative Instruments Not Designated as Hedges

The Company enters into interest rate swap agreements to reduce exposure to fluctuations in interest rates relating primarily to debt obligations and other agreements. Changes in fair value of these derivative financial instruments, which are not designated as hedges, are reported in current income.

Fair values of derivative instruments reflected in the consolidated balance sheets as of March 31, 2023 and 2022 are as follows:

Derivatives not designated as hedging instruments

Location	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2023	2022	2023
Assets:			
Interest rate swaps	¥ 2	¥—	\$15
Other investments			
Liabilities:			
Interest rate swaps	¥—	¥ 0	\$—
Other long-term liabilities			

Effects of derivative instruments on the consolidated statements of income for the years ended March 31, 2023, 2022 and 2021 are as follows:

Derivatives not designated as hedging instruments

Location	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2023	2022	2021	2023
Interest rate swaps	¥2	¥1	¥4	\$14
Other income				

24. Commitments and Contingent Liabilities

The Company has commitments outstanding at March 31, 2023 for the purchase of property, plant and equipment of approximately ¥5,272 million (\$39,343 thousand).

The Company provides guarantees to third parties mainly with respect to bank loans extended to its affiliated companies and other entities. Such guarantees are provided to enhance the credit standing of the affiliated companies and other entities. For each guarantee provided, the Company would have to perform under the guarantee if the affiliated companies and other entities default on a payment within the guaranteed period of one to five years. The maximum amount of undiscounted payments the Company would have to make in the event of default amounts to ¥268 million (\$2,000 thousand) at March 31, 2023. The carrying amounts of the liabilities recognized as the Company's obligations under these guarantees at March 31, 2023 and 2022 were deemed insignificant.

It is not anticipated that damages, if any, resulting from legal actions will have a material impact on the Company's consolidated financial statements.

25. Revenue

(1) Disaggregation of revenue

Revenue from contracts with customers and other sources for the years ended March 31, 2023, 2022 and 2021 are as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31	Years ended March 31	Years ended March 31	Year ended March 31
	2023	2022	2021	2023
Revenue recognized from contracts with customers...	¥1,137,910	¥1,091,537	¥1,061,271	\$8,491,866
Revenue recognized from other sources.....	89,406	74,561	74,068	667,209
Total.....	¥1,227,316	¥1,166,098	¥1,135,339	\$9,159,075

The disaggregation of revenue by operating segments is described in Note 28.

Revenue recognized from other sources primarily comprises revenue recognized from lease contracts and insurance contracts.

(2) Contract balances

Contract balances arising from contracts with customers at March 31, 2023 and 2022 are as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31	March 31	March 31
	2023	2022	2023
Receivables*1.....	¥194,354	¥178,114	\$1,450,403
Contract assets*2.....	22,477	23,435	167,739
Contract liabilities*3.....	55,070	56,190	410,970

*1 Receivables are included in notes and accounts receivable, trade, due from subscribers and short-term receivables in the accompanying consolidated balance sheets. These amounts are before deducting allowance for doubtful accounts.

*2 Contract assets are included in notes and accounts receivable, trade in the accompanying consolidated balance sheets. These amounts are before deducting allowance for doubtful accounts.

*3 Contract liabilities are included in deferred revenue, other current liabilities and long-term deferred revenue in the accompanying consolidated balance sheets.

The balance of contract liabilities due within one year, amounting to ¥39,644 million as of March 31, 2022, is recognized as revenue for the fiscal year ended March 31, 2023.

(3) Transaction price allocated to the remaining performance obligations

The aggregate amounts of transaction price allocated to unsatisfied performance obligations related to contracts that have original expected durations in excess of one year at March 31, 2023 and 2022 are as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31	March 31	March 31
	2023	2022	2023
Due within 1 year.....	¥148,763	¥146,856	\$1,110,172
Due after 1 year.....	186,538	196,256	1,392,075
	¥335,301	¥343,112	\$2,502,247

26. Discontinued Operations

The Company accounted for the sale of certain businesses in accordance with ASC 205-20, "Discontinued Operations."

The Company sold certain businesses included in the other services segment, during the year ended March 31, 2021. The Company reported the operating results related to these operations as discontinued operations. Prior period figures have been restated.

Discontinued operations for the year ended March 31, 2021 are as follows:

	In millions of yen
	Year ended March 31
	2021
Net sales and operating revenue.....	¥12,892
Income (loss) from discontinued operations before income taxes.....	31
Loss on sales of discontinued operations.....	(3,162)
Income taxes.....	561
Income (loss) from discontinued operations, net of taxes.....	(2,570)
Attributable to noncontrolling interests.....	—
Attributable to SECOM CO., LTD.	(2,570)

Income (loss) from discontinued operations, net of tax, by business segment for the year ended March 31, 2021 is as follows:

	In millions of yen
	Year ended March 31
	2021
Security services.....	(¥ 666)
Other services.....	(1,904)
Income (loss) from discontinued operations, net of taxes.....	(2,570)

27. Supplemental Cash Flow Information

Supplemental cash flow information is as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2023	2022	2021	2023
Cash paid during the year for:				
Interest	¥ 1,198	¥ 1,170	¥ 1,117	\$ 8,940
Income taxes	49,887	42,883	43,904	372,291
Non-cash investing and financing activities:				
Additions to obligations under finance leases	5,669	8,406	7,311	42,306
Significant acquisitions (Note 4)—				
Assets acquired	63,027	—	8,533	470,351
Liabilities assumed	(13,911)	—	(326)	(103,814)
Non controlling interest	(22,116)	—	—	(165,045)
Considerations for equity	27,000	—	8,207	201,492
Cash and cash equivalents on hand	(8,263)	—	(806)	(61,664)
Total considerations	¥18,737	¥ —	¥ 7,401	\$139,828

28. Segment Information

The Company discloses financial and descriptive information about the Company's reportable operating segments. The operating segments reported below are the segments of the Company for which separate financial information is available and for which operating profit/loss amounts are evaluated regularly by management in deciding how to allocate resources and assess performance.

The Company has seven reportable business segments: security services, fire protection services, medical services, insurance services, geospatial information services, BPO and ICT services, and other services.

The security services segment provides various types of security services by utilizing the Company's unique security systems and manufacturing and selling security merchandise. The fire protection services segment provides various types of fire protection equipment, such as automatic fire alarm and fire extinguishing and other fire protection systems for office buildings, plants, tunnels, ships, residences and cultural monuments. The medical services segment provides intravenous solutions to patients at home, home-based nursing care services, medical data transmission services by utilizing the Company's network and leasing of real estate for medical institutions. In addition, the VIE, of which the Company is the primary beneficiary manage hospitals and health care-related institutions. The insurance services segment includes the non-life insurance-related underwriting business in the Japanese market. The geospatial information services segment includes surveying and measuring services and GIS services. The BPO and ICT services segment includes various BPO related services, data center services, business continuity plan support, information security services and cloud services. The other services segment includes leasing of real estate, construction and installation services and other services.

Corporate expenses consist principally of general and administrative expenses of the planning, personnel and administrative departments of the parent company and administrative departments of the foreign holding company.

Intersegment sales are priced on a basis intended to approximate amounts charged to unaffiliated customers.

Identifiable assets are those assets used exclusively in the operations of each segment or which are allocated when used jointly. Corporate assets, which are held by the parent company and the foreign holding company for general and administrative facilities, consist principally of cash and cash equivalents, short-term investments, investment securities, land, buildings and improvements, machinery, equipment and automobiles.

Information by business and geographic segments for the years ended and as of March 31, 2023, 2022 and 2021 is as follows:

(1) Business Segment Information

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2023	2022	2021	2023
Net sales and operating revenue:				
Security services—				
Customers	¥ 597,071	¥ 563,623	¥ 555,060	\$4,455,754
Intersegment	3,235	3,093	3,064	24,142
	600,306	566,716	558,124	4,479,896
Fire protection services—				
Customers	145,662	148,804	140,599	1,087,031
Intersegment	3,125	3,302	3,275	23,321
	148,787	152,106	143,874	1,110,352
Medical services—				
Customers	196,246	195,826	182,573	1,464,522
Intersegment	239	236	206	1,784
	196,485	196,062	182,779	1,466,306
Insurance services—				
Customers	58,876	51,769	58,291	439,373
Intersegment	3,012	3,151	3,084	22,478
	61,888	54,920	61,375	461,851
Geospatial information services—				
Customers	62,086	56,371	53,908	463,328
Intersegment	226	194	204	1,687
	62,312	56,565	54,112	465,015
BPO and ICT services—				
Customers	127,854	115,544	112,144	954,134
Intersegment	11,012	9,212	9,709	82,179
	138,866	124,756	121,853	1,036,313
Other services—				
Customers	39,521	34,161	32,764	294,933
Intersegment	1,560	1,235	1,187	11,642
	41,081	35,396	33,951	306,575
Total	1,249,725	1,186,521	1,156,068	9,326,308
Eliminations	(22,409)	(20,423)	(20,729)	(167,233)
Total net sales and operating revenue	¥1,227,316	¥1,166,098	¥1,135,339	\$9,159,075

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2023	2022	2021	2023
Operating income (loss):				
Security services	¥109,420	¥113,380	¥101,096	\$ 816,567
Fire protection services	11,559	14,516	13,091	86,261
Medical services	10,504	13,636	3,938	78,388
Insurance services	7,090	8,547	9,309	52,910
Geospatial information services	5,807	3,874	4,443	43,336
BPO and ICT services	13,112	14,562	14,495	97,851
Other services	7,519	6,120	6,046	56,112
Total	165,011	174,635	152,418	1,231,425
Corporate expenses and eliminations	(19,459)	(18,233)	(16,609)	(145,216)
Operating income	¥145,552	¥156,402	¥135,809	\$1,086,209
Other income	20,040	9,670	12,121	149,552
Other expenses	(2,592)	(4,383)	(2,845)	(19,343)
Income from continuing operations before income taxes	¥163,000	¥161,689	¥145,085	\$1,216,418

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2023	2022	2023
Assets:			
Security services	¥ 961,134	¥ 916,912	\$ 7,172,642
Fire protection services	192,783	190,544	1,438,679
Medical services	203,876	203,299	1,521,463
Insurance services	244,332	247,258	1,823,373
Geospatial information services	77,827	77,954	580,799
BPO and ICT services	252,319	241,694	1,882,978
Other services	128,970	121,195	962,460
Total	2,061,241	1,998,856	15,382,394
Corporate items	136,491	112,948	1,018,590
Investments in affiliated companies	79,647	71,662	594,381
Total assets	¥2,277,379	¥2,183,466	\$16,995,365

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2023	2022	2021	2023
Depreciation and amortization:				
Security services	¥ 51,739	¥51,573	¥51,645	\$386,113
Fire protection services	2,955	2,836	2,662	22,052
Medical services	7,829	8,055	8,496	58,425
Insurance services	2,328	2,509	2,556	17,373
Geospatial information services	1,773	1,751	1,665	13,231
BPO and ICT services	9,917	9,751	9,816	74,008
Other services	1,303	1,158	1,008	9,724
Total	77,844	77,633	77,848	580,926
Corporate items	874	874	868	6,522
Total depreciation and amortization	¥ 78,718	¥78,507	¥78,716	\$587,448
Capital expenditure:				
Security services	¥ 66,278	¥44,059	¥44,276	\$494,612
Fire protection services	4,043	5,176	5,249	30,172
Medical services	5,620	4,018	4,057	41,940
Insurance services	3,075	2,770	1,936	22,948
Geospatial information services	2,600	2,608	2,052	19,403
BPO and ICT services	20,961	7,871	6,928	156,425
Other services	8,108	4,182	3,677	60,507
Total	110,685	70,684	68,175	826,007
Corporate items	795	584	486	5,933
Total capital expenditures	¥111,480	¥71,268	¥68,661	\$831,940

The capital expenditures in the above table represent the additions to property, plant and equipment and intangible assets of each segment.

The Company has no single customer that accounts for more than 10 percent of total revenues.

The following table is a breakdown of security services revenue to external customers by service category. The security services business is managed as a single operating segment by the Company's management.

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2023	2022	2021	2023
Electronic security services	¥356,962	¥348,749	¥344,882	\$2,663,896
Other security services:				
Static guard services	89,200	75,459	69,370	665,672
Armored car services	62,920	62,467	62,841	469,552
Merchandise and other	87,989	76,948	77,967	656,634
Total security services	¥597,071	¥563,623	¥555,060	\$4,455,754

(2) Geographic Segment Information

Net sales and operating revenue attributed to countries based on the geographical location of customers for the years ended March 31, 2023, 2022 and 2021 and long-lived assets as of March 31, 2023 and 2022 were as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2023	2022	2021	2023
Net sales and operating revenue:				
Japan	¥1,168,628	¥1,117,929	¥1,091,216	\$8,721,105
Other	58,688	48,169	44,123	437,970
Total	¥1,227,316	¥1,166,098	¥1,135,339	\$9,159,075
Long-lived assets:				
Japan	¥798,435	¥755,252		\$5,958,470
Other	15,855	15,125		118,321
Total	¥814,290	¥770,377		\$6,076,791

There are no individually material countries other than Japan with respect to net sales and operating revenue and long-lived assets.

29. Subsequent Events

Notice regarding the investments in Eagle Eye Networks, Inc. and Brivo, Inc.

The Company has reached agreements to make investments in Eagle Eye Networks, Inc. and Brivo, Inc. by way of a third-party allotment. Both companies are global leaders of cloud based physical security solution providers owned by Mr. Dean Drako, a US entrepreneur, which develop Surveillance as a Service ("SaaS") business mainly in North America. Both Companies will be equity-method affiliates of the Company through future procedures.

1. Reason for the investments

In May 2023, the Company formulated the SECOM Group Road Map 2027 in order to realize the goals of the SECOM Group's Vision for 2030 with the aim of striving to continuously deliver safety and peace of mind to our customers in an ever-changing society. Expansion of its overseas business is one of the important strategic initiatives on the Road Map and the Company has been exploring investment opportunities in United States with priority, which is one of the largest single markets for security services and incubates various new technologies.

Eagle Eye Networks, Inc. and Brivo, Inc. are the leading U.S. companies in Video Surveillance as a Service ("VSaaS") and Access Control as a Service ("ACaaS") industries. Using these investments, both companies will accelerate enhancing their Artificial Intelligence ("AI") analytics capabilities and expanding their global business. The Company will build a new business portfolio with high growth potential, realize mid- and long-term business synergies, and expand its global business in USA and other overseas markets through the investments. Furthermore, by collaborating with both companies which have state-of-the-art technologies and unique solutions, the Company will enhance the capability to provide solutions to its global customers.

2. Outline of the Companies to be Invested

Name	Eagle Eye Networks, Inc.	Brivo, Inc.
Business Description	Eagle Eye Networks, Inc. is the global leader in cloud video surveillance, delivering cyber-secure cloud-based video with artificial intelligence (AI) and analytics to make businesses more efficient and the world a safer place.	Brivo, Inc., created the cloud-based access control category over 20 years ago and remains the global leader serving commercial real estate, multifamily residential, and large distributed enterprises.
Location	Texas, USA	Maryland, USA
Name of Representative	Dean Drako (Founder & CEO)	Steve Van Till (Founder & CEO)
Year of Establishment	2012	1999

3. Outline of the Investment

	Eagle Eye Networks, Inc.	Brivo, Inc.
Method of allotment	Third-party allotment	Third-party allotment
Amount to be raised	USD 192.5 million in total	

Notice Regarding Tender Offer for Shares of ARTERIA Networks Corporation

The Company determined on May 11, 2023, to conduct the tender offer for the shares of common stock of ARTERIA Networks Corporation (the "Target Company") (the "Tender Offer") pursuant to the Financial Instruments and Exchange Act with Marubeni Corporation ("Marubeni"); together with the Company, hereinafter collectively referred to as the "Tender Offerors"). The Tender Offerors commenced the Tender Offer from July 5, 2023, and it was completed on August 2, 2023.

In addition, following the results of the Tender Offer, the Tender Offerors plan to conduct a series of procedures to make the Tender Offerors the only shareholders of the Target Company. The Target Company will promptly announce future procedures as soon as they are determined upon consultation between the Tender Offerors and the Target Company.

1. Purpose of the Purchase

The Tender Offerors conducted the Tender Offer, in which all of the Target Company Shares are subject, as part of a series of transactions aimed at making the Tender Offerors the only shareholders of the Target Company with the percentage of voting rights held by Marubeni and the Company in the Target Company after privatization to be 66.66% and 33.34%, respectively. The Target Company will be an equity-method affiliate of the Company through future procedures.

2. Outline of Target Company

Name	ARTERIA Networks Corporation
Location	6-9-8, Shinbashi, Minato-ku, Tokyo
Name and title of representatives	Representative Director, President & CEO Mr. Koji Kabumoto
Business	Telecommunications business under the Telecommunications Business Law
Capital	JPY 5,150,000,000 (as of March 31, 2023)
Date of incorporation	February 12, 2016

3. Results of the Tender Offer

The Tender Offerors have not set the maximum number of shares to be purchased in the Tender Offer.

Also, the Tender Offerors have set a condition that, if the total number of the Tendered Shares is less than the minimum number of shares to be purchased (8,293,500 shares), the Tender Offerors will not purchase any of the Tendered Shares. As the total number of the Tendered Shares was no less than the minimum number of shares to be purchased, the Tender Offerors purchased all of the Tendered Shares.

- 1) Number of Purchased Shares Purchased by the Company
Common stock 12,223,187 shares
- 2) Shareholding Ratio of the Company after the Tender Offer
24.48%
- 3) Tender Offer Price
JPY 1,980 per ordinary share
(Total price of the Company JPY 24,201 million)

4. Source of Funding of the Company

Self-funding

Notice Regarding Determination of Repurchase of the Company's Own Shares

(Repurchase of the Company's Own Shares in Accordance with the Provision of the Articles of Incorporation Pursuant to Article 165, Paragraph 2 of the Companies Act)

The Company determined to conduct the repurchase of its own shares pursuant to Article 156 of the Companies Act as applied pursuant to Article 165, Paragraph 3 of such Act at the Board of Directors's meeting held on August 9, 2023.

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 Repurchase

- | | |
|--|--|
| (1) Class of shares to be repurchased | Shares of common stock of the Company |
| (2) Total number of shares that may be repurchased | 4,500,000 shares (maximum)
(2.11% of total issued shares (excluding treasury shares)) |
| (3) Total repurchase price | JPY 30,000,000,000 (maximum) |
| (4) Repurchase period | From August 10, 2023 to December 22, 2023 |
| (5) Repurchase method | Market purchase on the Tokyo Stock Exchange |

Independent Auditors' Report



Independent Auditors' Report

The Board of Directors and Shareholders
SECOM CO., LTD.

Opinion

We have audited the consolidated financial statements of SECOM CO., LTD. and its subsidiaries (the Company), which comprise the consolidated balance sheets as of March 31, 2023 and 2022, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended March 31, 2023, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2023 and 2022, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2023 in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.



In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Convenience Translations

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2023 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

KPMG AZSA LLC

Tokyo, Japan
September 6, 2023

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Summary of Selected Financial Data

SECOM CO., LTD. and Subsidiaries
Years ended/as of March 31

	In millions of yen					
	2023	2022	2021	2020	2019	2018
Composition of consolidated net sales and operating revenue by segment						
Net sales and operating revenue.....	¥1,227,316	¥1,166,098	¥1,135,339	¥1,132,632	¥1,087,355	¥1,058,568
Security services:	597,071	563,623	555,060	561,067	548,271	547,015
As a percentage of net sales and operating revenue	48.6%	48.3%	48.9%	49.5%	50.4%	51.7%
Electronic security services.....	356,962	348,749	344,882	344,992	342,299	339,445
As a percentage of net sales and operating revenue	29.1	29.9	30.4	30.5	31.5	32.0
Other security services—						
Static guard services	89,200	75,459	69,370	70,054	66,289	59,054
As a percentage of net sales and operating revenue	7.3	6.5	6.1	6.2	6.1	5.6
Armored car services.....	62,920	62,467	62,841	63,602	62,417	61,089
As a percentage of net sales and operating revenue	5.1	5.4	5.5	5.6	5.7	5.8
Subtotal.....	152,120	137,926	132,211	133,656	128,706	120,143
Merchandise and other	87,989	76,948	77,967	82,419	77,266	87,427
As a percentage of net sales and operating revenue	7.1	6.6	6.9	7.2	7.1	8.3
Fire protection services	145,662	148,804	140,599	151,861	140,139	136,559
As a percentage of net sales and operating revenue	11.9	12.8	12.4	13.4	12.9	12.9
Medical services.....	196,246	195,826	182,573	187,101	181,705	175,318
As a percentage of net sales and operating revenue	16.0	16.8	16.1	16.5	16.7	16.6
Insurance services	58,876	51,769	58,291	43,515	41,637	44,683
As a percentage of net sales and operating revenue	4.8	4.4	5.1	3.8	3.8	4.2
Geospatial information services	62,086	56,371	53,908	53,535	51,510	50,906
As a percentage of net sales and operating revenue	5.1	4.8	4.7	4.7	4.7	4.8
BPO and ICT services.....	127,854	115,544	112,144	99,833	90,225	71,475
As a percentage of net sales and operating revenue	10.4	9.9	9.9	8.8	8.2	6.7
Other services.....	39,521	34,161	32,764	35,720	33,868	32,612
As a percentage of net sales and operating revenue	3.2	3.0	2.9	3.3	3.3	3.1
Net income attributable to SECOM CO., LTD., cash dividends and SECOM CO., LTD. shareholders' equity						
Net income attributable to SECOM CO., LTD.	¥ 111,558	¥ 107,731	¥ 89,913	¥ 87,136	¥ 89,686	¥ 96,623
Cash dividends paid ⁽²⁾	39,060	38,196	37,104	37,104	34,922	32,738
SECOM CO., LTD. shareholders' equity	1,267,205	1,209,512	1,142,323	1,088,738	1,044,184	1,000,277
Consolidated financial ratios						
Percentage of working capital accounted for by:						
Debt—						
Bank loans.....	2.2	2.4	2.7	3.3	3.4	3.5
Current portion of long-term debt	0.9	1.2	1.2	1.5	1.6	1.7
Straight bonds.....	0.2	0.3	0.3	0.3	0.4	0.5
Other long-term debt.....	3.3	3.7	4.0	3.4	3.6	4.1
Total debt	6.6	7.6	8.3	8.5	8.9	9.8
SECOM CO., LTD. shareholders' equity.....	93.4	92.4	91.7	91.5	91.1	90.2
Total capitalization.....	100.0	100.0	100.0	100.0	100.0	100.0
Return on total assets (percentage) ^(a)	4.9	4.9	4.2	4.2	4.8	5.3
Return on equity (percentage) ^(b)	8.8	8.9	7.9	8.0	8.6	9.7
Percentage of net sales and operating revenue absorbed by ^(c) :						
Depreciation and amortization	6.4	6.7	6.9	5.7	6.8	7.3
Rental expense under operating leases	2.6	2.5	2.6	2.4	2.5	2.3
Ratio of accumulated depreciation to depreciable assets (percentage)						
.....	68.9	68.0	66.6	65.3	65.4	64.6
Net property turnover (times) ^(c)	2.81	2.75	2.65	2.73	2.67	2.63
Before-tax interest coverage (times) ^{(c) (d)}	138.8	139.8	125.2	117.5	109.6	123.0

Note: Installation revenue is included in the corresponding electronic security services.

	2023	2022	2021	2020	2019	2018
Number of shares outstanding						
Issued.....	233,299,898	233,298,049	233,295,926	233,293,998	233,292,219	233,290,441
Owned by SECOM CO., LTD.	18,763,110	15,215,218	15,034,565	15,033,588	15,031,867	15,030,573
Balance.....	214,536,788	218,082,831	218,261,361	218,260,410	218,260,352	218,259,868
Per share information						
Net income attributable to SECOM CO., LTD. per share (in yen) ⁽¹⁾	¥ 516.68	¥ 492.83	¥ 411.95	¥ 399.23	¥ 410.91	¥ 442.70
Cash dividends paid per share (in yen) ⁽²⁾	180.00	175.00	170.00	170.00	160.00	150.00
SECOM CO., LTD. shareholders' equity per share (in yen) ⁽³⁾	5,906.70	5,546.11	5,233.74	4,988.25	4,784.12	4,582.96
Cash flow per share (in yen) ^{(1)(e)}	700.34	677.24	602.60	533.88	590.91	649.44
Price/Book value ratio.....	1.38	1.60	1.78	1.80	1.98	1.73
Price/Earnings ratio	15.80	17.99	22.61	22.48	23.08	17.89
Price/Cash flow ratio.....	11.66	13.09	15.45	16.81	16.05	12.20
Stock price at year-end (in yen)	8,164	8,868	9,313	8,974	9,482	7,920

Notes: (a) Net income attributable to SECOM CO., LTD. / Total assets
(b) Net income attributable to SECOM CO., LTD. / SECOM CO., LTD. shareholders' equity
(c) Including discontinued operations
(d) (Income before income taxes and equity in net income of affiliated companies + Interest expense) / Interest expense
(e) (Net income attributable to SECOM CO., LTD. + Depreciation and amortization – Dividends approved) / Average number of shares outstanding during each period

(1) Per share amounts are based on the average number of shares outstanding during each period.
(2) Subsequent to March 31, 2023, cash dividends of ¥20,381 million (¥95 per share) were approved at the general shareholders' meeting on June 27, 2023 (see Note 18 of the notes to consolidated financial statements).
(3) Per share amounts are based on the number of shares outstanding at the end of each period, less treasury stock.

Common Stock Data

SECOM CO., LTD.
As of March 31

SHAREHOLDER INFORMATION	2023	2022	2021	2020	2019	2018
Number of shareholders.....	24,202	23,401	21,739	23,297	24,023	26,809
Common shares held by:						
Financial institutions.....	36.98%	39.13%	39.44%	38.65%	37.14%	35.94%
Securities firms.....	3.22	3.05	2.81	1.95	3.30	1.63
Other domestic corporations.....	2.73	2.78	2.45	2.50	2.46	2.53
Foreign investors.....	41.44	40.96	41.55	42.76	42.74	44.85
Individuals and others.....	7.59	7.56	7.31	7.70	7.92	8.61
Treasury stock.....	8.04	6.52	6.44	6.44	6.44	6.44
Total.....	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

PRICE INFORMATION (TOKYO STOCK EXCHANGE)		Price per share (in yen)		Nikkei Stock Average (in yen)	
		High	Low	High	Low
2021	April–June.....	¥ 9,555	¥8,201	¥30,089.25	¥27,448.01
	July–September.....	8,704	8,027	30,670.10	27,013.25
	October–December.....	8,318	7,536	29,794.37	27,528.87
2022	January–March.....	9,100	7,610	29,332.16	24,717.53
	April–June.....	9,449	7,917	28,246.53	25,748.72
	July–September.....	9,266	8,132	29,222.77	25,935.62
	October–December.....	8,789	7,511	28,383.09	26,093.67
2023	January–March.....	8,221	7,301	28,623.15	25,716.86

COMMON STOCK ISSUES

Date	Additional shares issued (In thousands)	Shares outstanding after issue (In thousands)	Share capital after issue (In thousands of yen)	Allotment ratio to shareholders	Remarks
June 15, 1974	1,968	9,200	¥ 460,000	—	Issue at market price (¥900)
Dec. 21, 1974	2,760	11,960	598,000	3 for 10	Stock split
May 21, 1975	1,196	13,156	657,800	1 for 10	Stock split
May 21, 1975	1,244	14,400	720,000	—	Issue at market price (¥1,134)
Dec. 1, 1975	4,320	18,720	936,000	3 for 10	Stock split
May 31, 1976	1,880	20,600	1,030,000	—	Issue at market price (¥2,570)
June 1, 1976	2,060	22,660	1,133,000	1 for 10	Stock split
Dec. 1, 1976	6,798	29,458	1,472,900	3 for 10	Stock split
Nov. 30, 1977	2,042	31,500	1,575,000	—	Issue at market price (¥1,700)
Dec. 1, 1977	6,300	37,800	1,890,000	2 for 10	Stock split
Dec. 1, 1978	7,560	45,360	2,268,000	2 for 10	Stock split
June 1, 1981	3,000	48,360	2,418,000	—	Issue at market price (¥2,230)
Dec. 1, 1981	4,836	53,196	2,659,800	1 for 10	Stock split
Jan. 20, 1983	5,320	58,516	3,000,000	1 for 10	Stock split
Nov. 30, 1983	194	58,710	3,280,942	—	Conversion of convertible bonds
Nov. 30, 1984	1,418	60,128	5,329,282	—	Conversion of convertible bonds
Nov. 30, 1985	186	60,314	5,602,945	—	Conversion of convertible bonds
Jan. 20, 1986	6,031	66,345	5,602,945	1 for 10	Stock split
Nov. 30, 1986	2,878	69,223	11,269,932	—	Conversion of convertible bonds
Nov. 30, 1987	1,609	70,832	15,021,200	—	Conversion of convertible bonds
Jan. 20, 1988	3,541	74,373	15,021,200	0.5 for 10	Stock split
Nov. 30, 1988	439	74,812	16,063,099	—	Conversion of convertible bonds
Nov. 30, 1989	1,808	76,620	21,573,139	—	Conversion of convertible bonds
Jan. 19, 1990	22,986	99,606	21,573,139	3 for 10	Stock split
Mar. 31, 1990	1,446	101,052	25,070,104	—	Conversion of convertible bonds
Mar. 31, 1991	2,949	104,001	32,244,732	—	Conversion of convertible bonds
Mar. 31, 1992	2,035	106,036	37,338,751	—	Conversion of convertible bonds
Mar. 31, 1993	267	106,303	37,991,568	—	Conversion of convertible bonds
Mar. 31, 1994	6,986	113,289	56,756,263	—	Conversion of convertible bonds
Mar. 31, 1995	477	113,766	58,214,178	—	Conversion of convertible bonds
Mar. 31, 1996	613	114,379	59,865,105	—	Conversion of convertible bonds
Mar. 31, 1997	1,825	116,204	65,253,137	—	Conversion of convertible bonds
Mar. 31, 1998	29	116,233	65,327,060	—	Conversion of convertible bonds
Mar. 31, 1999	159	116,392	65,709,927	—	Conversion of convertible bonds
Nov. 19, 1999	116,410	232,802	65,709,927	10 for 10*	Stock split
Mar. 31, 2000	273	233,075	66,096,852	—	Conversion of convertible bonds
Mar. 31, 2001	25	233,100	66,126,854	—	Conversion of convertible bonds
Mar. 31, 2002	175	233,275	66,360,338	—	Conversion of convertible bonds
Mar. 31, 2003	6	233,281	66,368,827	—	Conversion of convertible bonds
Mar. 31, 2005	8	233,289	66,377,829	—	Conversion of convertible bonds
July 27, 2017	1	233,290	66,385,263	—	Issue of new shares as restricted stock compensation
July 26, 2018	2	233,292	66,392,692	—	Issue of new shares as restricted stock compensation
July 26, 2019	2	233,294	66,401,083	—	Issue of new shares as restricted stock compensation
July 22, 2020	2	233,296	66,410,237	—	Issue of new shares as restricted stock compensation
July 21, 2021	2	233,298	66,419,390	—	Issue of new shares as restricted stock compensation
July 27, 2022	2	233,300	66,427,074	—	Issue of new shares as restricted stock compensation

Note: The above is a record of SECOC's common stock issues since the common stock was listed on the Tokyo Stock Exchange in June 1974.

*One share was split into two.

CONSOLIDATED FINANCIAL DATA

(BASED ON JAPANESE GAAP) [REFERENCE]

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Condensed Consolidated Balance Sheets (Based on Japanese GAAP)

SECOM CO., LTD. and Subsidiaries
As of March 31

	In millions of yen					
ASSETS	2023	2022	2021	2020	2019	2018
Current assets:						
Cash on hand and in banks.....	¥ 522,396	¥ 522,363	¥ 499,247	¥ 414,199	¥ 350,319	¥ 317,267
Cash deposits for armored car services.....	135,459	136,477	138,889	140,905	142,335	135,808
Notes and accounts receivable, trade.....	—	—	132,886	141,609	133,659	129,984
Notes and accounts receivable—trade and contract assets.....	157,475	149,878	—	—	—	—
Due from subscribers.....	43,503	39,468	39,980	40,745	41,616	35,272
Short-term investments.....	26,325	27,020	21,579	32,442	25,382	17,360
Lease receivables and investments in leased assets.....	41,120	37,518	41,511	42,768	41,826	45,544
Merchandise and products.....	17,361	14,724	14,289	13,862	14,146	12,321
Real estate inventories.....	4,146	2,593	186	4,930	5,864	4,766
Work in process.....	5,707	5,629	4,880	5,237	5,872	5,057
Costs on uncompleted construction contracts.....	—	—	7,524	10,780	10,971	10,441
Work in process for real estate inventories.....	—	—	—	21,806	30,743	39,688
Raw materials and supplies.....	18,482	13,930	11,003	10,927	10,398	8,849
Short-term loans receivable.....	2,408	2,563	3,053	4,525	4,398	5,196
Other.....	35,324	36,064	28,714	31,400	31,000	26,352
Allowance for doubtful accounts.....	(2,163)	(2,031)	(1,715)	(1,677)	(1,775)	(1,818)
Total current assets.....	1,007,547	986,202	942,033	914,465	846,759	792,094
Fixed assets:						
Tangible assets:						
Buildings and improvements, net.....	150,733	151,809	152,770	153,307	148,693	148,622
Security equipment and control stations, net.....	75,650	73,911	74,704	74,309	71,715	70,872
Land.....	123,358	122,050	120,876	117,720	116,876	114,287
Other, net.....	54,095	42,695	43,424	40,970	41,115	39,907
Total tangible assets.....	403,837	390,467	391,775	386,308	378,401	373,689
Intangible assets.....	132,772	115,228	120,277	124,767	128,215	131,028
Investments and others:						
Investment securities.....	298,364	276,230	272,123	252,299	269,575	280,659
Long-term loans receivable.....	25,692	29,494	33,301	34,351	35,284	35,284
Net defined benefit asset.....	55,551	47,852	39,532	31,789	38,488	41,409
Deferred income taxes.....	27,426	27,407	25,085	31,554	27,469	21,658
Other.....	48,770	47,068	53,588	52,232	53,952	52,332
Allowance for doubtful accounts.....	(10,900)	(12,195)	(13,538)	(12,647)	(13,042)	(13,033)
Total investments and others.....	444,905	415,858	410,093	389,580	411,728	418,311
Total fixed assets.....	981,515	921,553	922,145	900,656	918,346	923,029
Total assets.....	¥1,989,062	¥1,907,755	¥1,864,179	¥1,815,121	¥1,765,105	¥1,715,123

In millions of yen

LIABILITIES	2023	2022	2021	2020	2019	2018
Current liabilities:						
Notes and accounts payable, trade	¥ 46,985	¥ 44,271	¥ 42,858	¥ 47,409	¥ 45,826	¥ 43,929
Bank loans	29,085	32,159	33,806	38,364	39,126	41,558
Current portion of straight bonds	407	409	439	2,916	2,009	795
Lease obligations	4,704	4,843	4,730	4,702	4,875	4,932
Payables—other	44,551	43,257	42,215	42,927	42,645	40,102
Accrued income taxes	22,762	25,043	23,440	24,740	22,767	25,896
Accrued consumption taxes	8,549	8,966	12,652	11,666	7,209	7,959
Accrued expenses	11,312	8,436	7,828	7,294	7,329	7,084
Deposits received for armored car services	118,943	118,971	119,334	118,302	121,086	113,830
Deferred revenue	37,730	38,228	30,192	31,224	30,438	30,309
Accrued bonuses	19,653	17,960	18,298	18,213	17,255	16,209
Provision for losses on construction contracts	2,312	2,159	1,820	2,391	2,913	2,436
Other	30,482	17,041	23,488	24,129	25,975	22,499
Total current liabilities	377,482	361,750	361,106	374,284	369,458	357,544
Long-term liabilities:						
Straight bonds	3,081	3,489	3,899	4,143	4,702	5,322
Long-term loans	12,349	11,650	10,444	8,674	10,063	12,721
Lease obligations	14,657	15,077	12,854	11,865	11,960	11,902
Guarantee deposits received	23,662	23,669	30,694	32,632	32,955	33,181
Deferred income taxes	10,906	6,859	7,314	7,866	8,735	14,217
Accrued retirement benefits for directors and audit and supervisory board members	829	842	793	794	1,046	1,421
Net defined benefit liability	23,935	21,896	22,098	23,710	22,953	21,849
Long-term deferred revenue	16,121	16,545	—	—	—	—
Investment deposits by policyholders, unearned premiums and other insurance liabilities	186,033	185,698	181,014	174,602	172,866	172,345
Other	3,955	4,240	4,134	4,052	4,406	3,403
Total long-term liabilities	295,533	289,969	273,248	268,343	269,691	276,366
Total liabilities	673,015	651,719	634,355	642,627	639,150	633,910
NET ASSETS						
Shareholders' equity:						
Common stock	¥ 66,427	¥ 66,419	¥ 66,410	¥ 66,401	¥ 66,392	¥ 66,385
Capital surplus	70,349	70,335	81,801	81,874	80,360	80,328
Retained earnings	1,100,791	1,043,766	998,405	960,828	908,852	851,764
Common stock in treasury, at cost	(109,224)	(79,436)	(73,785)	(73,775)	(73,759)	(73,748)
Total shareholders' equity	1,128,343	1,101,084	1,072,832	1,035,328	981,846	924,729
Accumulated other comprehensive income:						
Unrealized gains on securities	18,771	20,220	22,122	12,095	18,157	23,759
Deferred losses on hedges	(3)	(6)	(11)	(15)	(21)	(24)
Foreign currency translation adjustments	10,497	(5,627)	(17,011)	(13,388)	(10,683)	(5,774)
Remeasurements of defined benefit plans, net of taxes	6,815	6,865	4,247	1,096	6,421	9,933
Total accumulated other comprehensive income	36,081	21,451	9,346	(212)	13,873	27,894
Noncontrolling interests	151,621	133,499	147,645	137,378	130,234	128,589
Total net assets	1,316,047	1,256,036	1,229,824	1,172,494	1,125,954	1,081,213
Total liabilities and net assets	¥1,989,062	¥1,907,755	¥1,864,179	¥1,815,121	¥1,765,105	¥1,715,123

Condensed Consolidated Statements of Income (Based on Japanese GAAP)

SECOM CO., LTD. and Subsidiaries
Years ended March 31

	In millions of yen					
	2023	2022	2021	2020	2019	2018
Revenue	¥1,101,307	¥1,049,859	¥1,035,898	¥1,060,070	¥1,013,823	¥970,624
Percentage change from prior year	4.9%	1.3%	(2.3)%	4.6%	4.5%	4.6%
Costs of revenue	758,850	712,187	705,326	722,546	692,211	652,673
As a percentage of revenue	68.9	67.8	68.1	68.2	68.3	67.2
Gross profit	342,456	337,672	330,571	337,523	321,611	317,950
As a percentage of revenue	31.1	32.2	31.9	31.8	31.7	32.8
Selling, general and administrative expenses	205,756	194,173	193,645	194,664	191,397	182,502
As a percentage of revenue	18.7	18.5	18.7	18.4	18.9	18.8
Operating profit	136,700	143,499	136,925	142,858	130,213	135,448
As a percentage of revenue	12.4	13.7	13.2	13.5	12.8	14.0
Non-operating income	23,326	14,977	11,554	13,778	19,646	13,152
Non-operating expenses	3,903	5,290	9,489	5,281	4,970	4,281
Ordinary profit	156,124	153,186	138,990	151,356	144,889	144,318
As a percentage of revenue	14.2	14.6	13.4	14.3	14.3	14.9
Extraordinary profit	2,474	1,033	352	3,471	1,909	2,471
Extraordinary losses	5,230	2,206	10,499	6,971	2,838	2,545
Income before income taxes	153,367	152,013	128,843	147,855	143,960	144,245
As a percentage of revenue	13.9	14.5	12.4	13.9	14.2	14.9
Income taxes—current	44,750	45,045	43,023	45,488	47,001	54,811
Income taxes—deferred	2,490	1,223	(68)	128	(7,808)	(9,314)
Net income	106,126	105,744	85,888	102,238	104,766	98,748
Net income attributable to noncontrolling interests	10,040	11,470	11,207	13,158	12,757	11,755
Net income attributable to owners of the parent	96,085	94,273	74,681	89,080	92,009	86,993
As a percentage of revenue	8.7	9.0	7.2	8.4	9.1	9.0
Percentage change from prior year	1.9	26.2	(16.2)	(3.2)	5.8	3.4

Consolidated Statements of Comprehensive Income (Based on Japanese GAAP)

SECOM CO., LTD. and Subsidiaries
Years ended March 31

	In millions of yen					
	2023	2022	2021	2020	2019	2018
Net income	¥106,126	¥105,744	¥85,888	¥102,238	¥104,766	¥ 98,748
Other comprehensive income (losses):						
Unrealized gains (losses) on securities	(1,306)	(1,835)	10,451	(6,288)	(5,740)	(1,649)
Deferred gains (losses) on hedges	—	—	—	—	(0)	0
Foreign currency translation adjustments	13,472	9,484	(4,485)	(1,236)	(2,616)	(1,003)
Remeasurements of defined benefit plans	(683)	2,491	3,715	(5,695)	(3,056)	5,595
Share of other comprehensive income (losses) of affiliated companies accounted for under the equity method	3,884	2,539	525	(1,468)	(3,439)	3,876
Total other comprehensive income (losses)	15,366	12,679	10,206	(14,688)	(14,853)	6,819
Comprehensive income	121,492	118,423	96,095	87,550	89,913	105,568
Comprehensive income attributable to:						
Owners of the parent company	110,715	106,378	84,240	74,994	77,988	93,323
Noncontrolling interests	10,776	12,044	11,854	12,555	11,924	12,244

NONCONSOLIDATED FINANCIAL DATA

(BASED ON JAPANESE GAAP) [REFERENCE]

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Condensed Nonconsolidated Balance Sheets (Based on Japanese GAAP)

SECOM CO., LTD.
As of March 31

	In millions of yen					
ASSETS	2023	2022	2021	2020	2019	2018
Current assets:						
Cash on hand and in banks.....	¥214,287	¥227,828	¥224,817	¥164,370	¥120,815	¥ 85,009
Cash deposits for armored car services.....	32,088	33,777	37,273	36,730	39,504	38,347
Notes receivable.....	388	363	360	586	723	523
Due from subscribers.....	18,722	17,890	18,046	18,241	17,931	17,286
Accounts receivable, trade.....	—	—	10,802	12,280	11,516	10,995
Accounts receivable—trade and contract assets.....	11,934	9,777	—	—	—	—
Receivables—other.....	4,479	4,375	4,249	4,353	4,714	4,387
Short-term investments.....	—	—	—	1,499	—	—
Merchandise.....	7,265	7,328	7,300	7,144	7,047	5,628
Supplies.....	2,263	2,507	2,356	2,111	1,686	1,767
Prepaid expenses.....	9,521	8,674	2,483	2,432	2,599	2,556
Short-term loans receivable.....	13,786	14,420	22,123	42,473	35,250	28,017
Other.....	2,232	7,887	8,568	9,208	4,530	1,712
Allowance for doubtful accounts.....	(38)	(41)	(70)	(89)	(101)	(105)
Total current assets.....	316,931	334,790	338,310	301,340	246,218	196,128
Fixed assets:						
Tangible assets:						
Buildings and improvements, net.....	15,569	16,534	16,283	17,427	16,263	16,160
Automobiles, net.....	589	588	557	492	501	611
Security equipment and control stations, net.....	69,670	68,972	71,042	71,533	69,049	67,746
Machinery and equipment, net.....	121	90	105	114	143	162
Tools, furniture and fixtures, net.....	3,776	4,071	3,812	4,193	3,566	2,861
Land.....	22,159	22,230	22,249	22,281	21,952	22,077
Construction in progress.....	4,398	3,542	4,457	3,433	4,721	4,812
Other, net.....	1,419	1,521	1,623	1,725	1,827	72
Total tangible assets.....	117,703	117,553	120,132	121,203	118,025	114,504
Intangible assets:						
Software.....	7,104	7,137	7,826	8,181	8,560	5,903
Other.....	5,211	3,655	3,516	1,602	920	741
Total intangible assets.....	12,316	10,792	11,343	9,783	9,480	6,644
Investments and others:						
Investment securities.....	26,762	23,047	22,215	17,749	21,982	24,583
Investment securities in subsidiaries and affiliated companies.....	420,624	393,659	356,243	353,592	353,375	350,551
Investments in subsidiaries and affiliated companies.....	2,179	2,179	2,179	2,179	2,149	2,098
Long-term loans receivable.....	32,483	51,307	57,331	81,174	113,221	138,277
Lease deposits.....	7,578	7,565	7,650	7,564	7,578	7,650
Long-term prepaid expenses.....	11,562	11,721	20,104	20,876	20,461	20,622
Prepaid pension and severance costs.....	34,006	29,605	25,825	22,614	21,410	20,763
Deferred income taxes.....	3,849	5,548	4,408	5,306	5,442	—
Insurance funds.....	4,298	4,370	4,268	4,227	4,109	4,046
Other.....	3,244	2,234	2,307	2,408	2,458	2,613
Allowance for doubtful accounts.....	(660)	(874)	(827)	(2,826)	(4,442)	(4,440)
Total investments and others.....	545,929	530,365	501,706	514,866	547,748	566,767
Total fixed assets.....	675,949	658,710	633,182	645,853	675,254	687,917
Total assets.....	¥992,881	¥993,501	¥971,493	¥947,194	¥921,472	¥884,045

In millions of yen

LIABILITIES	2023	2022	2021	2020	2019	2018
Current liabilities:						
Accounts payable.....	¥ 4,183	¥ 3,676	¥ 4,505	¥ 4,125	¥ 3,820	¥ 4,108
Bank loans	16,180	17,467	19,516	22,565	21,211	21,940
Lease obligations.....	284	275	263	271	309	229
Payables—other.....	16,719	16,445	17,297	17,381	19,769	16,708
Payables—construction.....	4,749	3,530	4,348	4,127	5,437	3,897
Accrued income taxes.....	9,973	11,189	10,594	11,848	11,210	13,162
Accrued consumption taxes.....	2,898	3,489	5,131	5,106	3,221	3,817
Accrued expenses.....	753	779	675	739	747	691
Deposits received for armored car services.....	15,907	16,313	17,788	14,192	18,348	16,446
Deferred revenue.....	22,615	22,963	19,808	20,147	19,949	20,300
Accrued bonuses.....	6,299	6,432	6,718	6,849	6,488	6,300
Allowance for loss on contracts.....	1,141	—	—	—	—	—
Other.....	4,352	3,932	4,603	4,902	2,590	2,623
Total current liabilities.....	106,060	106,496	111,252	112,258	113,104	110,226
Long-term liabilities:						
Lease obligations.....	3,543	3,691	3,807	3,867	3,971	2,358
Guarantee deposits received.....	15,823	15,975	16,167	16,347	16,462	16,640
Deferred income taxes.....	—	—	—	—	—	3,575
Long-term deferred revenue.....	6,138	6,059	—	—	—	—
Accrued pension and severance costs.....	687	1,037	1,389	1,517	1,788	2,164
Other.....	320	291	313	326	343	91
Total long-term liabilities.....	26,512	27,054	21,678	22,058	22,566	24,830
Total liabilities	132,572	133,551	132,931	134,316	135,670	135,057
NET ASSETS						
Shareholders' equity:						
Common stock.....	¥ 66,427	¥ 66,419	¥ 66,410	¥ 66,401	¥ 66,392	¥ 66,385
Capital surplus:						
Additional paid-in capital.....	83,103	83,095	83,086	83,077	83,069	83,061
Other capital surplus.....	3,432	3,432	0	0	0	0
Total capital surplus.....	86,536	86,528	83,087	83,078	83,069	83,062
Retained earnings:						
Legal reserve.....	9,028	9,028	9,028	9,028	9,028	9,028
Other retained earnings:						
Reserve for system developments.....	800	800	800	800	800	800
General reserve.....	2,212	2,212	2,212	2,212	2,212	2,212
Accumulated earnings carried forward.....	797,939	768,348	744,495	721,639	692,935	653,840
Total retained earnings.....	809,979	780,388	756,535	733,679	704,976	665,881
Common stock in treasury, at cost.....	(109,224)	(79,436)	(73,785)	(73,775)	(73,759)	(73,748)
Total shareholders' equity	853,718	853,900	832,248	809,383	780,679	741,579
Valuation, translation adjustments and others:						
Unrealized gains on securities.....	6,589	6,049	6,313	3,494	5,122	7,408
Total valuation, translation adjustments and others	6,589	6,049	6,313	3,494	5,122	7,408
Total net assets	860,308	859,950	838,562	812,878	785,801	748,988
Total liabilities and net assets	¥992,881	¥993,501	¥971,493	¥947,194	¥921,472	¥884,045

Condensed Nonconsolidated Statements of Income (Based on Japanese GAAP)

SECOM CO., LTD.
Years ended March 31

	In millions of yen					
	2023	2022	2021	2020	2019	2018
Revenue.....	¥391,570	¥395,181	¥394,389	¥398,929	¥394,181	¥387,881
<i>Percentage change from prior year</i>	(0.9)%	0.2%	(1.1)%	1.2%	1.6%	1.4%
Costs.....	232,887	234,703	235,165	236,397	234,046	229,332
<i>As a percentage of revenue</i>	59.5	59.4	59.6	59.3	59.4	59.1
Gross profit.....	158,683	160,478	159,224	162,531	160,134	158,549
<i>As a percentage of revenue</i>	40.5	40.6	40.4	40.7	40.6	40.9
Selling, general and administrative expenses.....	84,067	81,775	83,682	85,654	83,301	80,380
<i>As a percentage of revenue</i>	21.5	20.7	21.2	21.5	21.1	20.7
Operating profit.....	74,615	78,703	75,541	76,877	76,833	78,168
<i>As a percentage of revenue</i>	19.1	19.9	19.2	19.3	19.5	20.2
Non-operating income.....	20,887	18,872	16,174	16,950	15,006	14,978
Non-operating expenses.....	2,247	2,480	2,414	3,289	2,866	2,064
Ordinary profit.....	93,255	95,094	89,301	90,538	88,972	91,083
<i>As a percentage of revenue</i>	23.8	24.1	22.6	22.7	22.6	23.5
Extraordinary profit.....	463	548	226	1,651	87	1,896
Extraordinary losses.....	2,184	1,621	8,992	2,092	203	324
Income before income taxes.....	91,534	94,021	80,534	90,097	88,855	92,655
<i>As a percentage of revenue</i>	23.4	23.8	20.4	22.6	22.5	23.9
Income taxes.....	22,883	24,135	20,574	24,289	14,838	24,962
<i>Effective tax rate</i>	25.0	25.7	25.5	27.0	16.7	26.9
Net income.....	68,651	69,885	59,960	65,808	74,016	67,692
<i>As a percentage of revenue</i>	17.5	17.7	15.2	16.5	18.8	17.5
<i>Percentage change from prior year</i>	(1.8)	16.6	(8.9)	(11.1)	9.3	7.0