

Financial Data 2020

Year ended March 31, 2020

Contents

Consolidated Financial Statements	02
Consolidated Balance Sheets	02
Consolidated Statements of Income	04
Consolidated Statements of Comprehensive Income.....	04
Consolidated Statements of Changes in Equity	05
Consolidated Statements of Cash Flows	06
Notes to Consolidated Financial Statements.....	07
Independent Auditors' Report.....	33

Consolidated Financial Statements

Consolidated Balance Sheets

SECOM CO., LTD. and Subsidiaries
March 31, 2020 and 2019

	In millions of yen		Translation into thousands of U.S. dollars (Note 3)
	March 31 2020	March 31 2019	March 31 2020
ASSETS			
Current assets:			
Cash and Cash equivalents (Notes 5 and 22)	¥ 414,668	¥ 349,730	\$ 3,804,294
Time deposits (Note 13)	9,097	10,619	83,459
Cash deposits for armored car services (Note 6)	140,906	142,336	1,292,716
Short-term investments (Notes 7 and 22)	31,084	25,294	285,174
Notes and accounts receivable, trade	166,612	156,869	1,528,550
Due from subscribers	63,112	63,012	579,009
Inventories (Note 8)	56,297	65,945	516,486
Short-term receivables (Notes 9, 13, 20 and 21)	25,679	27,111	235,587
Allowance for doubtful accounts (Note 9)	(1,641)	(1,738)	(15,055)
Deferred insurance acquisition costs (Note 14)	4,301	6,809	39,459
Other current assets	25,749	24,301	236,229
Total current assets	935,864	870,288	8,585,908
Investments and long-term receivables:			
Investment securities (Notes 2 (7), 7, 13 and 22)	194,822	212,641	1,787,358
Investments in affiliated companies (Note 10)	64,499	63,697	591,734
Long-term receivables (Notes 9, 13, 20 and 21)	41,566	40,095	381,339
Lease deposits	17,725	17,245	162,615
Other investments	10,947	11,952	100,431
Allowance for doubtful accounts (Note 9)	(4,237)	(4,218)	(38,872)
	325,322	341,412	2,984,605
Property, plant and equipment (Notes 2 (12), 11, 13, 19 and 20):			
Land	117,457	116,540	1,077,587
Buildings and improvements	365,362	351,947	3,351,945
Security equipment and control stations	346,168	337,756	3,175,853
Machinery, equipment and automobiles	156,830	155,944	1,438,807
Construction in progress	7,026	6,759	64,459
	992,843	968,946	9,108,651
Accumulated depreciation	(567,339)	(552,719)	(5,204,945)
	425,504	416,227	3,903,706
Other assets:			
Operating lease right-of-use assets (Notes 2 (12) and 19)	143,468	—	1,316,220
Deferred charges (Note 2 (13))	25,664	25,220	235,450
Goodwill (Note 12)	108,925	108,122	999,312
Other intangible assets (Notes 12, 13, 19 and 20)	58,814	57,892	539,578
Prepaid pension and severance costs (Note 15)	31,790	38,489	291,651
Deferred income taxes (Note 17)	25,769	22,060	236,413
	394,430	251,783	3,618,624
Total assets	¥2,081,120	¥1,879,710	\$19,092,843

See accompanying notes to consolidated financial statements.

	In millions of yen		Translation into thousands of U.S. dollars (Note 3)
	March 31 2020	March 31 2019	March 31 2020
LIABILITIES AND EQUITY			
Current liabilities:			
Bank loans (Notes 6 and 13)	¥ 39,002	¥ 38,658	\$ 357,817
Current portion of long-term debt (Notes 13, 19 and 21)	17,983	18,447	164,982
Notes and accounts payable, trade	48,466	46,606	444,642
Other payables	44,331	44,208	406,706
Deposits received (Note 6)	122,796	127,619	1,126,569
Deferred revenue	37,048	35,947	339,890
Accrued income taxes	24,811	22,904	227,624
Accrued payroll	39,650	37,987	363,761
Current operating lease liabilities (Notes 2 (12) and 19)	19,171	—	175,881
Other current liabilities	37,906	32,992	347,761
Total current liabilities	431,164	405,368	3,955,633
Long-term liabilities:			
Long-term debt (Notes 13, 19 and 21)	44,255	45,342	406,009
Guarantee deposits received	31,546	31,887	289,413
Accrued pension and severance costs (Note 15)	31,393	30,913	288,009
Long-term deferred revenue	12,511	11,623	114,779
Unearned premiums and other insurance liabilities (Note 14)	128,908	124,309	1,182,642
Investment deposits by policyholders (Notes 14 and 21)	21,516	23,615	197,394
Deferred income taxes (Note 17)	13,132	16,041	120,477
Long-term operating lease liabilities (Notes 2 (12) and 19)	124,297	—	1,140,339
Other long-term liabilities (Notes 21, 22 and 23)	14,991	14,710	137,532
Total long-term liabilities	422,549	298,440	3,876,594
Total liabilities	853,713	703,808	7,832,227
Commitments and contingent liabilities (Note 24)			
Equity:			
SECOM CO., LTD. shareholders' equity (Note 18):			
Common stock			
Authorized—900,000,000 shares, issued 233,293,998 shares in 2020			
Authorized—900,000,000 shares, issued 233,292,219 shares in 2019	66,401	66,393	609,183
Additional paid-in capital	74,680	73,166	685,138
Legal reserve	10,833	10,783	99,385
Retained earnings	1,017,661	967,679	9,336,339
Accumulated other comprehensive income (loss):			
Unrealized gains on securities (Note 7)	2,046	2,309	18,771
Pension liability adjustments (Note 15)	(4,601)	(742)	(42,211)
Foreign currency translation adjustments	(4,506)	(1,645)	(41,338)
	(7,061)	(78)	(64,778)
Common stock in treasury, at cost:			
15,033,588 shares in 2020 and 15,031,867 shares in 2019	(73,776)	(73,759)	(676,844)
Total SECOM CO., LTD. shareholders' equity	1,088,738	1,044,184	9,988,423
Noncontrolling interests	138,669	131,718	1,272,193
Total equity	1,227,407	1,175,902	11,260,616
Total liabilities and equity	¥2,081,120	¥1,879,710	\$19,092,843

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

SECOM CO., LTD. and Subsidiaries
Three years ended March 31, 2020

	In millions of yen			Translation into thousands of U.S. dollars (Note 3)
	Years ended March 31			Year ended March 31
	2020	2019	2018	2020
Cash flows from operating activities:				
Net income	¥ 99,750	¥100,441	¥109,862	\$ 915,138
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)	77,574	75,300	78,955	711,688
Accrual for pension and severance costs, less payments	1,193	614	977	10,945
Deferred income taxes	(4,715)	(12,086)	(6,118)	(43,257)
Gain and loss on sales and disposal of fixed assets, net	2,770	1,444	(1,541)	25,413
Impairment loss on long-lived assets (Note 11)	952	595	841	8,734
Write-down on real estate inventories (Note 8)	66	580	865	606
Gain and loss on private equity investments (Note 22)	139	(4,673)	(5,884)	1,275
Impairment loss on goodwill (Note 12)	758	—	11	6,954
Gain on sales of securities, net (Notes 7 and 14)	(2,962)	(901)	(1,073)	(27,174)
Loss on other-than-temporary impairment of investment securities (Notes 14 and 22)	8,540	8,991	199	78,349
Equity in net income of affiliated companies	(6,654)	(7,002)	(7,179)	(61,046)
Changes in assets and liabilities, net of effects from acquisitions and disposals:				
(Increase) decrease in cash deposits for armored car services	1,430	(6,527)	(5,189)	13,119
(Increase) decrease in receivables and due from subscribers, net of allowances	(10,576)	(17,404)	(8,292)	(97,028)
(Increase) decrease in inventories	9,256	4,285	(18,639)	84,917
Increase in deferred charges	(11,754)	(10,716)	(15,902)	(107,835)
Increase (decrease) in notes and accounts payable	2,361	3,388	(378)	21,661
Increase (decrease) in deposits received	(4,822)	8,690	5,962	(44,239)
Increase (decrease) in deferred revenue	1,874	938	(779)	17,193
Increase (decrease) in accrued income taxes	5,146	(4,914)	(2,441)	47,211
Increase (decrease) in guarantee deposits received	(352)	(164)	(474)	(3,229)
Increase in unearned premiums and other insurance liabilities	4,600	9,495	4,796	42,202
Increase (decrease) in accrued consumption tax	4,529	(831)	1,924	41,550
Other, net	5,295	8,784	2,754	48,577
Net cash provided by operating activities	184,398	158,327	133,257	1,691,724
Cash flows from investing activities:				
(Increase) decrease in time deposits	1,564	(1,251)	172	14,349
Proceeds from sales of property, plant and equipment	1,178	3,379	6,166	10,807
Payments for purchases of property, plant and equipment	(63,126)	(56,401)	(53,751)	(579,138)
Payments for purchases of intangible assets	(11,722)	(11,454)	(7,859)	(107,541)
Proceeds from sales and redemptions of investment securities (Note 7)	50,259	43,597	69,365	461,092
Payments for purchases of investment securities	(45,325)	(36,686)	(51,098)	(415,826)
(Increase) decrease in short-term investments	(1,357)	(4,256)	(1,150)	(12,450)
Acquisitions, net of cash acquired (Note 4)	(725)	(3,133)	(23,283)	(6,651)
(Increase) decrease in short-term receivables, net	(147)	62	(457)	(1,349)
Payments for long-term receivables	(1,416)	(1,024)	(840)	(12,991)
Proceeds from long-term receivables	1,578	1,685	1,224	14,477
Other, net	2,628	1,052	50	24,114
Net cash used in investing activities	(66,611)	(64,430)	(61,461)	(611,107)
Cash flows from financing activities:				
Proceeds from long-term debt	8,802	7,161	9,613	80,752
Repayments of long-term debt	(18,793)	(20,184)	(20,582)	(172,413)
Increase (decrease) in bank loans, net	162	(1,789)	(3,378)	1,486
Increase (decrease) in investment deposits by policyholders	(2,099)	(1,592)	(2,483)	(19,257)
Dividends paid to SECOM CO., LTD. shareholders	(37,104)	(34,922)	(32,738)	(340,404)
Dividends paid to noncontrolling interests	(3,425)	(6,263)	(5,426)	(31,422)
Payments for acquisition of shares of consolidated subsidiaries from noncontrolling interest holders	(659)	(3,033)	(120)	(6,046)
Proceeds from sales of shares of consolidated subsidiaries to noncontrolling interest holders	—	—	—	—
Increase in treasury stock, net	(16)	(10)	(17)	(147)
Other, net	190	331	94	1,743
Net cash used in financing activities	(52,942)	(60,301)	(55,037)	(485,708)
Effect of exchange rate changes on cash and cash equivalents	93	(595)	370	853
Net increase in cash and cash equivalents	64,938	33,001	17,129	595,762
Cash and cash equivalents at beginning of year	349,730	316,729	299,600	3,208,532
Cash and cash equivalents at end of year	¥414,668	¥349,730	¥316,729	\$3,804,294

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

SECOM CO., LTD. and Subsidiaries
Three years ended March 31, 2020

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 real estate 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; real estate and other services, including the development and sale of condominiums equipped with security and contingency planning features, 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 ¥85,968 million (\$788,697 thousand) and ¥94,807 million (\$869,789 thousand), respectively, at March 31, 2020, and ¥73,396 million and ¥82,725 million, respectively, at March 31, 2019. 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 ¥28,067 million (\$257,495 thousand) and ¥25,738 million (\$236,128 thousand), respectively, at March 31, 2020, and ¥28,531 million and ¥26,610 million, respectively, at March 31, 2019. The Company’s assets in the consolidated balance sheets and the Company’s maximum exposure to losses related to VIEs at March 31, 2020 and 2019 were ¥7,273 million (\$66,725 thousand) and ¥6,851 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 real estate 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.

Revenue from sales of real estate is recognized when the title of the real estate is transferred to the customer.

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 ¥10,366 million (\$95,101 thousand) and ¥13,372 million at March 31, 2020 and 2019, 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. 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 ¥55,498 million (\$509,156 thousand), ¥54,474 million and ¥54,127 million for the years ended March 31, 2020, 2019 and 2018, respectively. Maintenance, repairs and renewals are charged to income as incurred.

The estimated useful lives of depreciable assets are as follows:

Buildings	22 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, 2018 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 take such options into consideration in order to determine the lease term when it is reasonably certain that it will exercise these options. The Company use their 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) Deferred Charges

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 ¥11,080 million (\$101,651 thousand), ¥10,310 million and ¥15,529 million for the years ended March 31, 2020, 2019 and 2018, 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, 2020, 2019 and 2018 were ¥7,428 million (\$68,147 thousand), ¥7,345 million and ¥6,383 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, 2020, 2019 and 2018 were ¥5,740 million (\$52,661 thousand), ¥5,374 million and ¥5,011 million, respectively.

(20) Shipping and Handling Costs

Shipping and handling costs included in selling, general and administrative expenses for the years ended March 31, 2020, 2019 and 2018 were ¥1,482 million (\$13,596 thousand), ¥1,430 million and ¥1,380 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, 2020, 2019 and 2018 was 218,261 thousand shares, 218,261 thousand shares and 218,260 thousand shares, respectively. There were no potentially dilutive shares outstanding during the years ended March 31, 2020, 2019 or 2018.

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 February 2016, the FASB issued ASU No. 2016-02 "Leases." This accounting standard requires lessees to recognize almost all lease assets and lease liabilities on the balance sheet that arise from lease contracts which are classified as operating leases. The Company used the modified retrospective method of adoption and elected the transition method that allows for application of the standard at the adoption date. The Company also elected the package of practical expedients of not reassessing lease classifications and others for lease contracts that expired or exists as of the adoption date. This accounting standard is effective for fiscal years beginning after December 15, 2018, including interim periods within that reporting period and was adopted by the Company in the fiscal year beginning April 1, 2019. As a result of the adoption of this accounting standard, the Company recognized ¥151,472 million (\$1,389,651 thousand) of operating lease right-of-use assets and ¥151,472 million (\$1,389,651 thousand) of operating lease liabilities on the consolidated balance sheet at April 1, 2019.

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 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 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 January 2017, the FASB issued ASU No. 2017-04, "Simplifying the Test for Goodwill Impairment." This accounting standard eliminates Step 2 from the goodwill impairment test. Instead, the amendments require an entity to perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. This accounting standard is effective for fiscal years beginning after December 15, 2020, including interim periods within that reporting period, and will be adopted by the Company in the fiscal year beginning April 1, 2021. 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 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. 2018-13 for public entities excluding Securities and Exchange Commission (SEC) filers for three years. Therefore, this accounting standard is effective for fiscal years beginning after December 15, 2023, and interim periods within 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 this accounting standard on its consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13, "Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement." This accounting standard adds to, removes and modifies the disclosure requirements for fair value measurements. This accounting standard is effective for fiscal years beginning after December 15, 2019, and will be adopted by the Company in the fiscal year beginning April 1, 2020. As this accounting standard is a provision for presentation only, the adoption will not have an impact on the Company's consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-14, "Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans." This accounting standard adds to, removes and clarifies the disclosure requirements for defined benefit pension or other postretirement plans. This accounting standard is effective for fiscal years ending after December 15, 2020, and will be adopted by the Company in the fiscal year beginning April 1, 2020. 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.

(26) Reclassifications

Certain amounts in the accompanying consolidated financial statements for the years ended March 31, 2019 and 2018 have been reclassified to conform to the presentation used for the year ended March 31, 2020.

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 ¥109=US\$1, the approximate rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2020. 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 TMJ, Inc.

On October 2, 2017, the Company acquired 100% of common shares outstanding of TMJ, Inc. for ¥26,550 million in cash. The purpose of this acquisition is to increase corporate value through generating various synergies including further improvements in quality of existing business and development and provision of new BPO (Business Process Outsourcing) services by taking full advantage of the collective strengths of SECOM and TMJ.

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

	In millions of yen
Cash and cash equivalents	¥ 2,654
Cash deposits for armored car services	3,803
Other current assets	290
Investments and long-term receivables	1,642
Property, plant and equipment	1,262
Intangible assets, including goodwill	24,919
Total assets acquired	34,570
Current liabilities	5,075
Long-term liabilities	2,945
Total liabilities assumed	8,020
Net assets acquired	¥26,550

Intangible assets of ¥7,448 million subject to amortization include customer relationships of ¥6,796 million with a 15-year useful life. The goodwill of ¥17,471 million represents expected excess earnings power based on the future business operations. It is not deductible for tax purposes and has been assigned to the BPO and ICT services segment.

The Company recorded the acquisition costs of ¥274 million related to this acquisition in selling, general and administrative expenses for the year ended March 31, 2018.

The following unaudited pro forma information shows the Company's consolidated results of operations for the year ended March 31, 2018 as if the newly consolidated subsidiaries acquired in the year ended March 31, 2018, were consolidated on April 1, 2016.

Unaudited	In millions of yen
Pro forma net sales and operating revenue	¥1,099,655
Pro forma net income attributable to SECOM Co., Ltd.	97,714
Unaudited	In yen
Pro forma net income attributable to SECOM Co., Ltd. per share	¥447.69

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, 2016, 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, 2020 and 2019 comprise the following:

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2020	2019	2020
Cash	¥400,286	¥337,195	\$3,672,349
Time deposits	13,024	12,447	119,486
Call loans	—	—	—
Investment securities	1,358	88	12,459
	¥414,668	¥349,730	\$3,804,294

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 ¥22,565 million (\$207,018 thousand) and ¥118,302 million (\$1,085,339 thousand), respectively, at March 31, 2020, and ¥21,211 million and ¥121,087 million, respectively, at March 31, 2019. 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, 2020 and 2019 are as follows:

	In millions of yen			
	March 31, 2020			
	Cost	Gross unrealized Gains	Gross unrealized Losses	Fair value
Short-term investments:				
Available-for-sale:				
Debt securities	¥ 29,244	¥ 343	¥ 3	¥ 29,584
Held-to-maturity:				
Debt securities	1,500	9	—	1,509
	¥ 30,744	¥ 352	¥ 3	¥ 31,093
Investment securities:				
Available-for-sale:				
Debt securities	¥106,004	¥3,021	¥568	¥108,457
Held-to-maturity:				
Debt securities	11,509	1,461	—	12,970
	¥117,513	¥4,482	¥568	¥121,427

	In millions of yen			
	March 31, 2019			
	Cost	Gross unrealized Gains	Gross unrealized Losses	Fair value
Short-term investments:				
Available-for-sale:				
Debt securities	¥ 24,460	¥ 865	¥ 31	¥ 25,294
Held-to-maturity:				
Debt securities	—	—	—	—
	¥ 24,460	¥ 865	¥ 31	¥ 25,294
Investment securities:				
Available-for-sale:				
Debt securities	¥111,534	¥ 2,644	¥ 320	¥113,858
Held-to-maturity:				
Debt securities	12,954	1,743	—	14,697
	¥124,488	¥ 4,387	¥ 320	¥128,555

	In thousands of U.S. dollars			
	March 31, 2020			
	Cost	Gross unrealized Gains	Gross unrealized Losses	Fair value
Short-term investments:				
Available-for-sale:				
Debt securities	\$ 268,294	\$ 3,147	\$ 28	\$ 271,413
Held-to-maturity:				
Debt securities	13,761	83	—	13,844
	\$ 282,055	\$ 3,230	\$ 28	\$ 285,257
Investment securities:				
Available-for-sale:				
Debt securities	\$ 972,514	\$27,716	\$5,211	\$ 995,019
Held-to-maturity:				
Debt securities	105,587	13,404	—	118,991
	\$1,078,101	\$41,120	\$5,211	\$1,114,010

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, 2020 are as follows:

	In millions of yen			
	March 31, 2020			
	Less than 12 months Fair value	Gross unrealized losses	12 months or longer Fair value	Gross unrealized losses
Available-for-sale:				
Debt securities	¥37,691	¥571	¥—	¥—
Held-to-maturity:				
Debt securities	¥ —	¥ —	¥—	¥—
	In thousands of U.S. dollars			
	March 31, 2020			
	Less than 12 months Fair value	Gross unrealized losses	12 months or longer Fair value	Gross unrealized losses
Available-for-sale:				
Debt securities	\$345,789	\$5,239	\$—	\$—
Held-to-maturity:				
Debt securities	\$ —	\$ —	\$—	\$—

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, 2020.

At March 31, 2020, 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, 2020 are as follows:

	In millions of yen			
	March 31, 2020			
	Available-for-sale		Held-to-maturity	
	Cost	Fair value	Cost	Fair value
Due within 1 year	¥ 29,244	¥ 29,584	¥ 1,500	¥ 1,509
Due after 1 year through 5 years	80,652	81,767	117	122
Due after 5 years through 10 years	11,407	12,309	—	—
Due after 10 years	13,945	14,381	11,392	12,848
	¥135,248	¥138,041	¥13,009	¥14,479

	In thousands of U.S. dollars			
	March 31, 2020			
	Available-for-sale		Held-to-maturity	
	Cost	Fair value	Cost	Fair value
Due within 1 year	\$ 268,294	\$ 271,413	\$ 13,761	\$ 13,844
Due after 1 year through 5 years	739,927	750,156	1,073	1,119
Due after 5 years through 10 years	104,651	112,927	—	—
Due after 10 years	127,936	131,936	104,514	117,872
	\$1,240,808	\$1,266,432	\$119,348	\$132,835

Proceeds from the sale of "available-for-sale" securities for the years ended March 31, 2020, 2019 and 2018 were ¥35,559 million (\$326,229 thousand), ¥11,603 million and ¥26,488 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, 2020, 2019 and 2018 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
	2020	2019	2018	2020
Gross realized gains	¥1,354	¥1,457	¥1,689	\$12,422
Gross realized losses	273	53	268	2,505

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 ¥11,911 million (\$109,275 thousand) and ¥10,890 million at March 31, 2020 and 2019, 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, 2020 and 2019 comprise the following:

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2020	2019	2020
Security-related products	¥ 9,123	¥ 8,611	\$ 83,697
Fire protection-related products	11,422	12,160	104,789
Real estate	26,738	36,607	245,303
Other-related products	9,014	8,567	82,697
	¥56,297	¥65,945	\$516,486

Work in process for real estate inventories at March 31, 2020 and 2019, amounting to ¥21,807 million (\$200,064 thousand) and ¥30,743 million, respectively, are included in real estate.

The amount of write-down on real estate inventories included in cost of sales for the years ended March 31, 2020, 2019 and 2018 were ¥66 million (\$606 thousand), ¥580 million and ¥865 million, respectively.

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, 2020 and 2019 are as follows:

In millions of yen					
Year ended March 31, 2020					
	Lease receivables	Loans receivable resulting from medical services	Other loans receivable	Other	Total
Allowance for doubtful accounts:					
Balance at beginning of year.....	¥ 237	¥2,367	¥ 484	¥1,162	¥ 4,250
Provision (Reversal) ...	(88)	(2)	84	(49)	(55)
Charge off.....	55	—	(2)	(23)	30
Other.....	—	—	—	—	—
Balance at end of year.....	204	2,365	566	1,090	4,225
Individually evaluated	186	2,365	566	1,090	4,207
Collectively evaluated	¥ 18	¥ —	¥ 0	¥ —	¥ 18
Financing receivables:					
Individually evaluated	¥ 297	¥5,155	¥ 885	¥1,262	¥ 7,599
Collectively evaluated	51,251	480	1,384	143	53,258
	¥51,548	¥5,635	¥2,269	¥1,405	¥60,857

In millions of yen					
Year ended March 31, 2019					
	Lease receivables	Loans receivable resulting from medical services	Other loans receivable	Other	Total
Allowance for doubtful accounts:					
Balance at beginning of year.....	¥ 275	¥2,373	¥ 539	¥1,216	¥ 4,403
Provision (Reversal) ...	(70)	(6)	(55)	(54)	(185)
Charge off.....	32	—	—	(0)	32
Other	—	—	—	—	—
Balance at end of year.....	237	2,367	484	1,162	4,250
Individually evaluated	169	2,367	484	1,162	4,182
Collectively evaluated	¥ 68	¥ —	¥ 0	¥ —	¥ 68
Financing receivables:					
Individually evaluated	¥ 277	¥5,142	¥ 832	¥1,407	¥ 7,658
Collectively evaluated	50,374	579	1,277	199	52,429
	¥50,651	¥5,721	¥2,109	¥1,606	¥60,087

In thousands of U.S. dollars					
Year ended March 31, 2020					
	Lease receivables	Loans receivable resulting from medical services	Other loans receivable	Other	Total
Allowance for doubtful accounts:					
Balance at beginning of year.....	\$ 2,174	\$21,716	\$ 4,440	\$10,661	\$ 38,991
Provision (Reversal) ...	(807)	(19)	771	(450)	(505)
Charge off.....	505	—	(18)	(211)	276
Other.....	—	—	—	—	—
Balance at end of year.....	1,872	21,697	5,193	10,000	38,762
Individually evaluated	1,707	21,697	5,193	10,000	38,597
Collectively evaluated	\$ 165	\$ —	\$ 0	\$ —	\$ 165
Financing receivables:					
Individually evaluated	\$ 2,724	\$47,293	\$ 8,120	\$11,578	\$ 69,715
Collectively evaluated	470,193	4,404	12,697	1,312	488,606
	\$472,917	\$51,697	\$20,817	\$12,890	\$558,321

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, 2020 and 2019 are as follows:

In millions of yen					
March 31, 2020					
	Lease receivables	Loans receivable resulting from medical services	Other loans receivable	Other	Total
Current	¥51,251	¥5,601	¥1,406	¥ 849	¥59,107
Overdue.....	297	34	863	556	1,750
Total:					
Financing receivables on nonaccrual status.....	¥ —	¥ 1	¥ 885	¥ —	¥ 886

In millions of yen					
March 31, 2019					
	Lease receivables	Loans receivable resulting from medical services	Other loans receivable	Other	Total
Current	¥50,374	¥5,685	¥1,310	¥ 957	¥58,326
Overdue.....	277	36	799	649	1,761
Total:					
Financing receivables on nonaccrual status.....	¥ —	¥ 3	¥ 833	¥ —	¥ 836

In thousands of U.S. dollars					
March 31, 2020					
	Lease receivables	Loans receivable resulting from medical services	Other loans receivable	Other	Total
Current.....	\$470,192	\$51,385	\$12,900	\$ 7,789	\$542,266
Overdue.....	2,725	312	7,917	5,101	16,055
Total:					
Financing receivables on nonaccrual status.....	\$ —	\$ 9	\$ 8,119	\$ —	\$ 8,128

Impaired receivables and the related allowance for doubtful accounts at March 31, 2020 and 2019 are as follows:

In millions of yen					
March 31, 2020					
	Lease receivables	Loans receivable resulting from medical services	Other loans receivable	Other	Total
Impaired receivables.....	¥297	¥5,155	¥885	¥1,262	¥7,599
Related allowance for doubtful accounts.....	186	2,365	566	1,090	4,207

In millions of yen					
March 31, 2019					
	Lease receivables	Loans receivable resulting from medical services	Other loans receivable	Other	Total
Impaired receivables.....	¥277	¥5,142	¥832	¥1,407	¥7,658
Related allowance for doubtful accounts.....	169	2,367	484	1,162	4,182

In thousands of U.S. dollars					
March 31, 2020					
	Lease receivables	Loans receivable resulting from medical services	Other loans receivable	Other	Total
Impaired receivables.....	\$2,724	\$47,293	\$8,120	\$11,578	\$69,715
Related allowance for doubtful accounts.....	1,707	21,697	5,193	10,000	38,597

The average amounts of impaired receivables for the year ended March 31, 2020 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.....	¥287	¥5,149	¥858	¥1,335	¥7,629

In thousands of U.S. dollars					
	Lease receivables	Loans receivable resulting from medical services	Other loans receivable	Other	Total
Average amounts of impaired receivables.....	\$2,633	\$47,239	\$7,872	\$12,248	\$69,992

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 27.9 percent owned affiliate, which is listed on the Second Section of the Tokyo Securities 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
	2020	2019	2020
Current assets.....	¥140,422	¥133,699	\$1,288,275
Noncurrent assets	189,945	188,009	1,742,615
Total assets.....	¥330,367	¥321,708	\$3,030,890
Current liabilities.....	¥ 87,359	¥ 78,969	\$ 801,458
Long-term liabilities.....	37,614	40,801	345,083
Equity	205,394	201,938	1,884,349
Total liabilities and equity	¥330,367	¥321,708	\$3,030,890

	In millions of yen			In thousands of U.S. dollars
	2020	2019	2018	2020
Net sales	¥292,856	¥289,172	¥283,066	\$2,686,752
Gross profit.....	¥ 78,425	¥ 81,096	¥ 83,626	\$ 719,495
Net income attributable to affiliated companies....	¥ 23,549	¥ 20,435	¥ 25,266	\$ 216,046

Dividends received from affiliated companies for the years ended March 31, 2020, 2019 and 2018 were ¥4,112 million (\$37,725 thousand), ¥4,390 million and ¥4,199 million, respectively.

Three listed affiliated companies accounted for under the equity method with an aggregated carrying amount of ¥55,118 million (\$505,670 thousand) and ¥54,608 million at March 31, 2020 and 2019, respectively, had a quoted market value of ¥109,766 million (\$1,007,028 thousand) and ¥138,854 million at March 31, 2020 and 2019, respectively.

The amounts of goodwill included in the carrying amount of investments in affiliated companies were ¥4,545 million (\$41,697 thousand) and ¥4,665 million at March 31, 2020 and 2019, respectively.

Assets pledged as collateral for bank loans and long-term debt at March 31, 2020 and 2019 are as follows:

	In millions of yen		In thousands of U.S. dollars	
	March 31	2019	March 31	2020
Time deposits.....	¥ 1,234	¥ 1,349	\$ 11,321	
Short-term and long-term receivables ...	6,194	6,166	56,826	
Investment securities.....	1,275	1,319	11,697	
Property, plant and equipment.....	44,195	43,637	405,459	
Other intangible assets.....	¥ 818	¥ 818	\$ 7,505	

The aggregate annual maturities on long-term debt at March 31, 2020 are as follows:

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2021.....	¥17,983	\$164,982
2022.....	12,392	113,688
2023.....	10,366	95,101
2024.....	6,255	57,385
2025.....	3,703	33,972
Thereafter.....	11,539	105,863
	¥62,238	\$570,991

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 personal accident and 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, 2020 and 2019 was ¥67,850 million (\$622,477 thousand) and ¥72,174 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, 2020, 2019 and 2018 were losses of ¥4,136 million (\$37,945 thousand) and ¥4,016 million, and gains of ¥694 million, respectively. Losses on other-than-temporary impairments of investment securities for the years ended March 31, 2020, 2019 and 2018 were ¥4,802 million (\$44,055 thousand), ¥5,032 million and ¥142 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, 2020, 2019 and 2018 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	
	2020	2019	2018	2020	2019
Net periodic pension and severance costs:					
Service cost.....	¥8,016	¥7,787	¥7,996	\$73,541	
Interest cost.....	314	398	404	2,881	
Expected return on plan assets.....	(3,312)	(3,254)	(3,109)	(30,385)	
Amortization of prior service benefit.....	(1)	(4)	(306)	(9)	
Recognized actuarial loss.....	185	176	287	1,697	
Transfer to the defined contribution pension plan ...	444	—	—	4,073	
Net periodic pension and severance costs.....	¥5,646	¥5,103	¥5,272	\$51,798	

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

	In millions of yen		In thousands of U.S. dollars	
	2020	2019	2020	2019
Change in benefit obligation:				
Benefit obligation at beginning of year.....	¥116,147	¥113,324	\$1,065,569	
Service cost.....	8,016	7,787	73,541	
Interest cost.....	314	398	2,881	
Actuarial (gain) loss.....	1,022	(154)	9,376	
Prior service benefit.....	16	—	147	
Benefits paid.....	(5,980)	(6,586)	(54,862)	
Acquisition.....	—	1,723	—	
Transfer to the defined contribution pension plan.....	(617)	(140)	(5,661)	
Transfer of the substitutional portion of the welfare pension fund.....	—	(205)	—	
Other.....	(3)	—	(27)	
Benefit obligation at end of year.....	118,915	116,147	1,090,964	
Change in plan assets:				
Fair value of plan assets at beginning of year.....	123,723	125,349	1,135,073	
Actual return on plan assets.....	(1,745)	(142)	(16,009)	
Employer contribution.....	2,794	2,256	25,633	
Benefits paid.....	(4,387)	(4,572)	(40,247)	
Acquisition.....	—	1,016	—	
Transfer to the defined contribution pension plan.....	(1,025)	—	(9,404)	
Transfer of the substitutional portion of the welfare pension fund.....	—	(260)	—	
Other.....	(48)	76	(440)	
Fair value of plan assets at end of year.....	119,312	123,723	1,094,606	
Funded status at the end of year.....	¥ 397	¥ 7,576	\$ 3,642	

Amounts recognized in the consolidated balance sheets at March 31, 2020 and 2019 consist of:

	In millions of yen		In thousands of U.S. dollars	
	2020	2019	2020	2019
Prepaid pension and severance costs.....	¥31,790	¥38,489	\$291,651	
Accrued pension and severance costs.....	(31,393)	(30,913)	(288,009)	
Net amount recognized.....	¥ 397	¥ 7,576	\$ 3,642	

Other changes in plan assets and benefit obligations recognized in other comprehensive income (loss) for the year ended March 31, 2020 are summarized as follows:

	In millions of yen		In thousands of U.S. dollars	
	2020	2019	2020	2019
Current year actuarial loss.....	¥6,079		\$55,770	
Amortization of actuarial loss.....	(185)		(1,697)	
Transfer to the defined contribution pension plan.....	(35)		(321)	
Current year prior service benefit.....	16		147	
Amortization of prior service benefit.....	1		9	
	¥5,876		\$53,908	

Amounts recognized in accumulated other comprehensive income (loss) at March 31, 2020 and 2019 consist of:

	In millions of yen		In thousands of U.S. dollars	
	2020	2019	2020	2019
Actuarial loss.....	¥9,675	¥3,816	\$88,762	
Prior service benefit.....	248	231	2,275	
Net amount recognized.....	¥9,923	¥4,047	\$91,037	

The estimated prior service benefit and actuarial loss for the defined benefit pension plans that will be amortized from accumulated other comprehensive income (loss) into net periodic benefit cost over the next year are ¥-27 million (\$-248 thousand) and ¥202 million (\$1,853 thousand), respectively.

The accumulated benefit obligation for the pension plan was ¥118,612 million (\$1,088,183 thousand) and ¥115,843 million at March 31, 2020 and 2019, respectively.

The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for the pension plans with accumulated benefit obligation in excess of plan assets were ¥52,018 million (\$477,229 thousand), ¥51,714 million (\$474,440 thousand) and ¥22,071 million (\$202,486 thousand), respectively, at March 31, 2020, and ¥51,666 million, ¥51,362 million and ¥18,580 million, respectively, at March 31, 2019.

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, 2020 and 2019 are as follows:

	March 31	
	2020	2019
Discount rate.....	0.4%	0.3%
Rate of compensation increase.....	2.5%	2.2%

Weighted-average assumptions used to determine net pension and severance costs for the years ended March 31, 2020, 2019 and 2018 are as follows:

	Years ended March 31		
	2020	2019	2018
Discount rate.....	0.3%	0.4%	0.4%
Expected return on plan assets.....	3.0%	3.0%	3.0%
Rate of compensation increase.....	2.2%	2.6%	2.7%

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 checked 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, 2020 and 2019. The three levels of inputs used to measure fair value are more fully described in Note 22.

	In millions of yen			
	March 31, 2020			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	¥12,919	¥ —	¥ —	¥ 12,919
Equity securities				
Japanese companies	2,799	—	424	3,223
Foreign companies	2,538	—	—	2,538
Debt securities				
Government bonds	2,592	113	—	2,705
Non-government bonds	—	—	—	—
Pooled funds.....	384	44,584	32,058	77,026
Call loans.....	—	5,761	—	5,761
Insurance contracts.....	—	14,142	—	14,142
Other.....	8	282	708	998
	¥21,240	¥64,882	¥33,190	¥119,312

*The plan's government bonds include approximately 5% Japanese bonds and 95% foreign bonds.

*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, 2019			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	¥ 6,618	¥ —	¥ —	¥ 6,618
Equity securities				
Japanese companies	22,944	—	424	23,368
Foreign companies	5,240	—	—	5,240
Debt securities				
Government bonds	2,485	414	—	2,899
Non-government bonds	—	—	—	—
Pooled funds.....	411	47,345	19,545	67,301
Call loans.....	—	3,770	—	3,770
Insurance contracts.....	—	13,493	—	13,493
Other.....	2	448	584	1,034
	¥37,700	¥65,470	¥20,553	¥123,723

*The plan's government bonds include approximately 10% Japanese bonds and 90% foreign bonds.

*The pension investment trust fund included in the plan's pooled funds is classified as Level 2, and invests approximately 50% in equity securities, 40% 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, 2020			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$118,523	\$ —	\$ —	\$ 118,523
Equity securities				
Japanese companies	25,679	—	3,890	29,569
Foreign companies	23,284	—	—	23,284
Debt securities				
Government bonds	23,780	1,037	—	24,817
Non-government bonds	—	—	—	—
Pooled funds.....	3,523	409,028	294,110	706,661
Call loans.....	—	52,853	—	52,853
Insurance contracts.....	—	129,743	—	129,743
Other.....	73	2,588	6,495	9,156
	\$194,862	\$595,249	\$304,495	\$1,094,606

*The plan's government bonds include approximately 5% Japanese bonds and 95% foreign bonds.

*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, 2020 and 2019.

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, 2020			
	Equity securities Japanese companies	Pooled funds	Other	Total
Balance at beginning of year.....	¥424	¥19,545	¥584	¥20,553
Actual return on plan assets:				
Relating to assets sold during the year.....	—	729	28	757
Relating to assets held at end of year.....	—	(1,044)	(12)	(1,056)
Purchases, sales and settlements, net	—	12,828	108	12,936
Transfer to (from) Level 3, net ...	—	—	—	—
Balance at end of year.....	¥424	¥32,058	¥708	¥33,190

	In millions of yen			
	Year ended March 31, 2019			
	Equity securities Japanese companies	Pooled funds	Other	Total
Balance at beginning of year.....	¥ —	¥24,433	¥1,234	¥25,667
Actual return on plan assets:				
Relating to assets sold during the year.....	—	552	79	631
Relating to assets held at end of year.....	—	141	(1)	140
Purchases, sales and settlements, net	—	(1,533)	(728)	(2,261)
Transfer to (from) Level 3, net ...	424	(4,048)	—	(3,624)
Balance at end of year.....	¥424	¥19,545	¥ 584	¥20,553

	In thousands of U.S. dollars			
	Year ended March 31, 2020			
	Equity securities Japanese companies	Pooled funds	Other	Total
Balance at beginning of year.....	\$3,890	\$179,312	\$5,358	\$188,560
Actual return on plan assets:				
Relating to assets sold during the year.....	—	6,688	257	6,945
Relating to assets held at end of year.....	—	(9,578)	(110)	(9,688)
Purchases, sales and settlements, net	—	117,688	990	118,678
Transfer to (from) Level 3, net ...	—	—	—	—
Balance at end of year.....	\$3,890	\$294,110	\$6,495	\$304,495

The Company expects to contribute ¥6,047 million (\$55,477 thousand) to its domestic defined benefit plans in the year ending March 31, 2021.

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

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2021.....	¥ 5,646	\$ 51,798
2022.....	5,869	53,844
2023.....	6,270	57,523
2024.....	6,462	59,284
2025.....	6,362	58,367
2026–2030.....	33,277	305,294

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, 2020, 2019 and 2018 were ¥2,127 million (\$19,514 thousand), ¥1,963 million and ¥1,851 million, respectively.

16. Exchange Gains and Losses

Other expenses for the years ended March 31, 2020, 2019 and 2018 includes net exchange losses of ¥484 million (\$4,440 thousand), ¥169 million and ¥213 million, respectively.

17. Income Taxes

Total income taxes for the years ended March 31, 2020, 2019 and 2018 are allocated as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2020	2019	2018	2020
Consolidated income taxes from continuing operations	¥40,939	¥35,124	¥48,107	\$375,588
Shareholders' equity—accumulated other comprehensive income (loss):				
Unrealized gains on securities.....	(102)	139	155	(936)
Pension liability adjustments	(1,856)	(986)	2,332	(17,028)
Foreign currency translation adjustments	—	(662)	662	—
	¥38,981	¥33,615	¥51,256	\$357,624

The parent company and its domestic subsidiaries are subject to a number of income taxes. The statutory income tax rate in Japan, which was approximately 30.7 percent for the year ended March 31, 2018, decreased to approximately 30.5 percent for the years ended March 31, 2020 and 2019.

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
	2020	2019	2018	2020
Income taxes computed at statutory tax rate.....	¥40,881	¥39,212	¥46,293	\$375,055
Increase (decrease) resulting from:				
Provision of valuation allowance	273	215	2,116	2,503
Per capita tax	916	882	882	8,404
Reversal of valuation allowance	(1,440)	(3,959)	(835)	(13,210)
Net effect of changes in corporate tax rates.....	10	139	660	91
Other, net	299	(1,365)	(1,009)	2,745
Consolidated income taxes from continuing operations.....	¥40,939	¥35,124	¥48,107	\$375,588

The significant components of deferred tax assets and liabilities at March 31, 2020 and 2019 are as follows:

	In millions of yen		In thousands of U.S. dollars	
	March 31 2020	March 31 2019	March 31 2020	March 31 2019
Deferred tax assets:				
Operating lease liabilities.....	¥ 44,235	¥ —	\$ 405,826	
Accrued pension and severance costs.....	9,243	8,354	84,798	
Property, plant and equipment.....	7,064	6,749	64,808	
Accrued bonus.....	6,460	6,181	59,266	
Loss carryforwards.....	6,381	6,527	58,541	
Adjustment of book value at the date of acquisition				
Land and buildings.....	5,592	6,073	51,303	
Other assets.....	392	399	3,596	
Deferred revenue.....	5,696	5,382	52,257	
Vacation accrual.....	5,002	4,441	45,890	
Investment securities.....	3,624	4,307	33,248	
Unrealized intra-entity profit on assets.....	3,549	3,521	32,560	
Allowance for doubtful accounts..	1,634	1,714	14,991	
Intangible assets.....	1,507	1,549	13,826	
Write-down on real estate inventories.....	317	595	2,908	
Other.....	14,882	14,255	136,532	
Gross deferred tax assets.....	115,578	70,047	1,060,350	
Less: Valuation allowance.....	(20,103)	(20,649)	(184,431)	
Total deferred tax assets.....	95,475	49,398	875,919	
Deferred tax liabilities:				
Operating lease right-of-use assets.....	(44,235)	—	(405,826)	
Adjustment of book value at the date of acquisition				
Intangible assets.....	(8,081)	(8,826)	(74,138)	
Land and buildings.....	(3,735)	(3,904)	(34,266)	
Other assets.....	(861)	(920)	(7,899)	
Prepaid pension and severance costs.....	(9,777)	(11,014)	(89,697)	
Investments in affiliated companies.....	(6,223)	(6,021)	(57,092)	
Unrealized gains on securities.....	(5,115)	(7,494)	(46,927)	
Deferred installation costs.....	(1,108)	(888)	(10,165)	
Other.....	(3,703)	(4,312)	(33,973)	
Gross deferred tax liabilities.....	(82,838)	(43,379)	(759,983)	
Net deferred tax assets (liabilities).....	¥ 12,637	¥ 6,019	\$ 115,936	

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, 2020, 2019 and 2018 was a decrease of ¥546 million (\$5,009 thousand), and a decrease of ¥6,860 million and an increase of ¥1,862 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, 2020 and 2019.

Net deferred tax assets (liabilities) at March 31, 2020 and 2019 are reflected in the accompanying consolidated balance sheets under the following captions:

	In millions of yen		In thousands of U.S. dollars	
	March 31 2020	March 31 2019	March 31 2020	March 31 2019
Deferred income taxes (Other assets).....	¥25,769	¥22,060	\$236,413	
Deferred income taxes (Long-term liabilities).....	(13,132)	(16,041)	(120,477)	
Net deferred tax assets (liabilities).....	¥12,637	¥ 6,019	\$115,936	

The Company has not recognized deferred tax liabilities for a portion of undistributed earnings of foreign subsidiaries of ¥36,817 million (\$337,771 thousand) totaling ¥650 million (\$5,963 thousand) at March 31, 2020 as they are not expected to be remitted in the foreseeable future.

At March 31, 2020, the operating loss carryforwards of domestic subsidiaries amounted to ¥13,465 million (\$123,532 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
2021.....	¥ 116	\$ 1,064
2022.....	1,949	17,881
2023.....	1,391	12,761
2024.....	2,388	21,908
2025.....	3,525	32,339
2026.....	1,895	17,385
2027.....	1,661	15,239
2028.....	—	—
2029.....	192	1,761
2030.....	348	3,194
	¥13,465	\$123,532

The operating loss carryforwards of overseas subsidiaries at March 31, 2020 amounted to ¥8,554 million (\$78,477 thousand), a part of which will begin to expire in the year ending March 31, 2021.

The total amount of unrecognized tax benefits for the years ended March 31, 2020, 2019 and 2018 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, 2020, 2019 and 2018.

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, 2020, the Company does not expect significant changes to the unrecognized tax benefits within the next twelve 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 2019, 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, 2020, 2019 and 2018 are as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31 2020	March 31 2019	March 31 2018	Year ended March 31 2020
Net income attributable to SECOM CO., LTD.	¥87,136	¥89,686	¥96,623	\$799,413
Net transfers from (to) noncontrolling interests.....	1,506	26	24	13,817
Change from net income attributable to SECOM CO., LTD. and transfers from (to) noncontrolling interests.....	¥88,642	¥89,712	¥96,647	\$813,230

(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 ¥650,875 million (\$5,971,330 thousand) at March 31, 2020.

Subsequent to March 31, 2020, the parent company's Board of Directors declared a year-end cash dividend of ¥85 (\$0.78) per share, totaling ¥18,552 million (\$170,202 thousand), to shareholders of record on March 31, 2020. The dividend declared was approved at the general shareholders' meeting held on June 25, 2020. 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, 2020, 2019 and 2018 are as follows:

	In millions of yen		
	Pre-tax amount	Tax (expense) or benefit	Net-of-tax amount
For the year ended March 31, 2020:			
Unrealized gains on securities—			
Unrealized gains or losses arising during the period.....	¥ 139	(¥ 34)	¥ 105
Less: Reclassification adjustment for gains or losses realized in net income.....	(504)	136	(368)
Pension liability adjustments—			
Unrealized gains or losses arising during the period.....	(6,124)	1,914	(4,210)
Less: Reclassification adjustment for gains or losses realized in net income.....	231	(58)	173
Foreign currency translation adjustments.....	(2,934)	—	(2,934)
Other comprehensive income (loss).....	(¥9,192)	¥1,958	(¥7,234)
For the year ended March 31, 2019:			
Unrealized gains on securities—			
Unrealized gains or losses arising during the period.....	¥1,236	(¥ 359)	¥ 877
Less: Reclassification adjustment for gains or losses realized in net income.....	(823)	220	(603)
Pension liability adjustments—			
Unrealized gains or losses arising during the period.....	(3,756)	1,030	(2,726)
Less: Reclassification adjustment for gains or losses realized in net income.....	204	(44)	160
Foreign currency translation adjustments.....	(5,570)	662	(4,908)
Other comprehensive income (loss).....	(¥8,709)	¥1,509	(¥7,200)

	In millions of yen		
	Pre-tax amount	Tax (expense) or benefit	Net-of-tax amount
For the year ended March 31, 2018:			
Unrealized gains on securities—			
Unrealized gains or losses arising during the period	¥ 1,319	(¥ 413)	¥ 906
Less: Reclassification adjustment for gains or losses realized in net income	(908)	258	(650)
Pension liability adjustments—			
Unrealized gains or losses arising during the period	7,695	(2,315)	5,380
Less: Reclassification adjustment for gains or losses realized in net income	13	(17)	(4)
Foreign currency translation adjustments	2,614	(662)	1,952
Other comprehensive income (loss)	¥10,733	(¥3,149)	¥7,584

	In thousands of U.S. dollars		
	Pre-tax amount	Tax (expense) or benefit	Net-of-tax amount
For the year ended March 31, 2020:			
Unrealized gains on securities—			
Unrealized gains or losses arising during the period	\$ 1,275	(\$ 312)	\$ 963
Less: Reclassification adjustment for gains or losses realized in net income	(4,624)	1,248	(3,376)
Pension liability adjustments—			
Unrealized gains or losses arising during the period	(56,184)	17,560	(38,624)
Less: Reclassification adjustment for gains or losses realized in net income	2,119	(532)	1,587
Foreign currency translation adjustments	(26,917)	—	(26,917)
Other comprehensive income (loss)	(\$84,331)	\$17,964	(\$66,367)

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, 2020, 2019 and 2018 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
	2020	2019	2018	2020
Unrealized gains on securities—				
Net sales and operating revenue	(¥422)	(¥825)	(¥694)	(\$3,872)
Gain on sales of securities, net	82	(2)	(269)	752
Loss on other-than-temporary impairment of investment securities	(164)	4	55	(1,504)
Pension liability adjustments—				
Net periodic pension and severance costs (Note 15)	184	172	(19)	1,688
Equity in net income of affiliated companies	¥ 47	¥ 32	¥ 32	\$ 431

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, 2020 and 2019 is as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31	March 31	March 31
	2020	2019	2020
Buildings and improvements	¥ 9,546	¥ 8,504	\$ 87,578
Machinery, equipment and automobiles	35,117	36,008	322,174
Other intangible assets	98	173	899
Accumulated depreciation and amortization	(22,084)	(23,107)	(202,606)
	¥22,677	¥21,578	\$208,045

Depreciation and amortization expenses for assets under finance leases for the years ended March 31, 2020, 2019 and 2018 were ¥7,530 million (\$69,083 thousand), ¥6,856 million and ¥6,313 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, 2020:

Years ending March 31	In thousands of U.S. dollars	
	In millions of yen	U.S. dollars
2021	¥ 7,309	\$ 67,055
2022	5,836	53,541
2023	4,536	41,615
2024	3,197	29,330
2025	1,871	17,165
Thereafter	9,614	88,202
Total minimum lease payments	32,363	296,908
Less: Amount representing interest	(6,791)	(62,301)
Present value of net minimum lease payments (Note 13)	25,572	234,607
Less: Current portion	(6,684)	(61,323)
Long-term finance lease obligations	¥18,888	\$173,284

Operating lease expense for the year ended March 31, 2020 were ¥22,317 million (\$204,743 thousand).

Supplemental cash flow information is as follows:

	In thousands of U.S. dollars	
	In millions of yen	U.S. dollars
	2020	2020
Cash paid for amounts included in the measurement of operating lease liabilities	¥20,424	\$187,376
Right of use assets obtained in exchange for operating lease liabilities	12,421	113,954

The following is a schedule by year of the future minimum lease payments under operating leases at March 31, 2020:

Years ending March 31	In thousands of U.S. dollars	
	In millions of yen	U.S. dollars
2021	¥ 19,275	\$ 176,835
2022	13,927	127,771
2023	10,879	99,807
2024	9,583	87,917
2025	8,024	73,615
Thereafter	94,470	866,697
Total minimum lease payments	156,158	1,432,642
Less: Amount representing interest	(12,690)	(116,422)
Present value of net minimum lease payments	¥143,468	\$1,316,220

The following is remaining lease term and discount rate under operating leases at March 31, 2020:

Weighted-average remaining lease term	217 months
Weighted-average discount rate	0.64%

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, 2020 and 2019 is as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31	March 31	March 31
	2020	2019	2020
Total minimum lease payments to be received	¥60,638	¥59,332	\$556,312
Estimated executory cost	(4,975)	(5,004)	(45,642)
Unearned income	(4,116)	(3,678)	(37,762)
Lease receivables, net	51,547	50,650	472,908
Less: Current portion	(16,562)	(17,257)	(151,945)
Long-term lease receivables, net	¥34,985	¥33,393	\$320,963

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, 2020:

Years ending March 31	In thousands of U.S. dollars	
	In millions of yen	U.S. dollars
2021	¥18,737	\$171,899
2022	15,583	142,963
2023	11,996	110,055
2024	7,958	73,009
2025	4,095	37,569
Thereafter	2,269	20,817
Total future minimum lease payments to be received	¥60,638	\$556,312

A summary of investment in property under operating leases and property held for lease at March 31, 2020 and 2019 is as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31	March 31	March 31
	2020	2019	2020
Land	¥35,395	¥34,353	\$324,725
Buildings and improvements	29,940	30,258	274,679
Other intangible assets	662	662	6,073
Accumulated depreciation and amortization	(13,540)	(13,398)	(124,220)
	¥52,457	¥51,875	\$481,257

The future minimum rentals under noncancelable operating leases at March 31, 2020 are as follows:

Years ending March 31	In thousands of U.S. dollars	
	In millions of yen	U.S. dollars
2021	¥2,216	\$20,330
2022	320	2,936
2023	162	1,486
2024	162	1,486
2025	162	1,486
Thereafter	2,424	22,239
Total future minimum rentals	¥5,446	\$49,963

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, 2020 and 2019 are as follows:

	In millions of yen			
	2020		2019	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Non-derivatives:				
Assets—				
Long-term receivables including current portion (Less allowance for doubtful accounts)....	¥55,832	¥56,084	¥54,995	¥55,414
Liabilities—				
Long-term debt including current portion.....	62,238	62,239	63,789	63,786
Investment deposits by policyholders	21,516	22,388	23,615	24,427
Derivatives:				
Assets—				
Forward exchange contract (Other current assets)	—	—	—	—
Liabilities—				
Interest rate swaps (Other long-term liabilities).....	4	4	15	15
In thousands of U.S. dollars				
March 31, 2020				
	Carrying amount	Estimated fair value		
Non-derivatives:				
Assets—				
Long-term receivables including current portion (Less allowance for doubtful accounts)		\$512,220	\$514,532	
Liabilities—				
Long-term debt including current portion.....		570,990	571,000	
Investment deposits by policyholders		197,394	205,394	
Derivatives:				
Assets—				
Forward exchange contract (Other current assets)		—	—	
Liabilities—				
Interest rate swaps (Other long-term liabilities).....		37	37	

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, 2020 and 2019. Transfers between levels are recognized at the end of the respective reporting periods.

	In millions of yen			
	March 31, 2020			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents.....	¥ 1,358	¥ —	¥ —	¥ 1,358
Short-term investments and investment securities.....	138,041	52,250	10,366	200,657
Derivatives (Other current assets).....	—	—	—	—
Total assets	¥139,399	¥52,250	¥10,366	¥202,015
Liabilities:				
Derivatives (Other long-term liabilities).....	¥ —	¥ 4	¥ —	¥ 4
Total liabilities	¥ —	¥ 4	¥ —	¥ 4

	In millions of yen			
	March 31, 2019			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents.....	¥ 88	¥ —	¥ —	¥ 88
Short-term investments and investment securities.....	147,516	52,840	13,372	213,728
Derivatives (Other current assets).....	—	—	—	—
Total assets	¥147,604	¥52,840	¥13,372	¥213,816
Liabilities:				
Derivatives (Other long-term liabilities).....	¥ —	¥ 15	¥ —	¥ 15
Total liabilities	¥ —	¥ 15	¥ —	¥ 15

	In thousands of U.S. dollars			
	March 31, 2020			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents.....	\$ 12,459	\$ —	\$ —	\$ 12,459
Short-term investments and investment securities.....	1,266,430	479,358	95,101	1,840,889
Derivatives (Other current assets).....	—	—	—	—
Total assets	\$1,278,889	\$479,358	\$95,101	\$1,853,348
Liabilities:				
Derivatives (Other long-term liabilities).....	\$ —	\$ 37	\$ —	\$ 37
Total liabilities	\$ —	\$ 37	\$ —	\$ 37

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, 2020 and 2019, amounting to ¥10,366 million (\$95,101 thousand) and ¥13,372 million, respectively, are primarily private equity investments. The valuation technique and significant unobservable inputs are as follows:

			March 31, 2020	
Valuation technique	Significant unobservable inputs	Range		
Discounted cash flows	Discount rate		15%–25%	
	Exit timing		2020–2024	
	EBITDA multiple		(4.0)x–14.2x	
			March 31, 2019	
Valuation technique	Significant unobservable inputs	Range		
Discounted cash flows	Discount rate		15%–30%	
	Exit timing		2019–2023	
	EBITDA multiple		3.4x–26.6x	

Derivative Financial Investments

Derivative financial instruments comprise forward exchange contracts, interest rate swaps and others. 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, 2020 and 2019.

	In millions of yen		In thousands of U.S. dollars
	Years ended March 31	Year ended March 31	Year ended March 31
	2020	2019	2020
Balance at beginning of year.....	¥13,372	¥29,815	\$122,679
Total gains or losses (realized and unrealized):			
Included in earnings.....	93	5,285	854
Included in other comprehensive income.....	—	—	—
Purchases.....	3,017	6,048	27,679
Sales.....	(5,941)	(27,243)	(54,505)
Redemptions.....	—	—	—
Cancellation of contract.....	—	—	—
Foreign currency translation adjustments.....	(175)	(533)	(1,606)
Balance at end of year.....	¥10,366	¥13,372	\$ 95,101
Changes in unrealized gains or losses relating to instruments still held at end of year:			
Included in earnings.....	(¥ 4,030)	(¥ 776)	(\$ 36,972)

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

Non-marketable equity securities with a carrying amount of ¥12,004 million (\$110,128 thousand) were written down to their fair value of ¥11,911 million (\$109,275 thousand), resulting in an other-than-temporary impairment charge of ¥93 million (\$853 thousand), which was included in earnings for the year ended March 31, 2020. For the year ended March 31, 2019, non-marketable equity securities with a carrying amount of ¥10,891 million were written down to their fair value of ¥10,890 million, resulting in an other-than-temporary impairment charge of ¥1 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, 2020 and 2019 are as follows:

		In millions of yen		In thousands of U.S. dollars
		March 31	2019	March 31
Derivatives not designated as hedging instruments				
Assets:				
Forward exchange contract	Other current assets	¥—	¥—	\$—
Liabilities:				
Interest rate swaps	Other long-term liabilities	4	15	37

Effects of derivative instruments on the consolidated statements of income for the years ended March 31, 2020, 2019 and 2018 are as follows:

		In millions of yen			In thousands of U.S. dollars
		Years ended March 31	2019	2018	Year ended March 31
Derivatives not designated as hedging instruments					
Forward exchange contract					
Other income		¥—	¥—	¥—	\$ —
Interest rate swaps					
Other income		11	17	27	101

24. Commitments and Contingent Liabilities

The Company has commitments outstanding at March 31, 2020 for the purchase of property, plant and equipment of approximately ¥6,152 million (\$56,440 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 ¥772 million (\$7,083 thousand) at March 31, 2020. The carrying amounts of the liabilities recognized as the Company's obligations under these guarantees at March 31, 2020 and 2019 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, 2020 and 2019 are as follows:

	In millions of yen		In thousands of U.S. dollars
	Year ended March 31	2019	Year ended March 31
Revenue recognized from contracts with customers	¥1,090,879	¥1,045,995	\$10,008,064
Revenue recognized from other sources	69,828	65,605	640,624
Total	¥1,160,707	¥1,111,600	\$10,648,688

The disaggregation of revenue by operating segments is described in Note 27.

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, 2020 and 2019 are as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31	2019	March 31
	2020	2019	2020
Receivables*1	¥195,208	¥188,182	\$1,790,899
Contract assets*2	34,516	31,699	316,661
Contract liabilities*3	52,198	50,116	478,881

*1 Receivables are included in notes and accounts receivable, trade, due from subscribers 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.

Revenue recognized for the fiscal year ended March 31, 2020 that was included in the contract liability balance as of March 31, 2019 was ¥38,493 million.

(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, 2020 and 2019 are as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31	2019	March 31
2020	2019	2020	
Due within 1 year	¥150,321	¥156,933	\$1,379,092
Due after 1 year	208,004	221,605	1,908,294
Total	¥358,325	¥378,538	\$3,287,386

26. Supplemental Cash Flow Information

Supplemental cash flow information is as follows:

	In millions of yen			In thousands of U.S. dollars
	2020	2019	2018	2020
Cash paid during the year for:				
Interest.....	¥ 1,044	¥ 1,114	¥ 1,278	\$ 9,578
Income taxes.....	40,584	52,021	55,970	372,330
Non-cash investing and financing activities:				
Additions to obligations under finance leases.....	7,568	7,225	6,355	69,431
Increase in land, buildings and improvements by offsetting long-term receivables.....	—	—	—	—
Significant acquisitions (Note 4)—				
Assets acquired.....	—	—	34,570	—
Liabilities assumed.....	—	—	(8,020)	—
Considerations for equity.....	—	—	26,550	—
Cash and cash equivalents on hand ...	—	—	(2,654)	—
Total considerations.....	¥ —	¥ —	¥23,896	\$ —

27. 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 real estate and other services.

Pasco Corporation, the principal company in the geographic information services, released "Pasco Group's Medium-Term Management Plan 2018–2022" on May 9, 2018, expressing its aim to become a comprehensive company in geospatial information industry pursuing a business model that capitalizes on positional information including various related events. Accordingly, the segment name was changed from geographic information services to geospatial information services

from the year ended March 31, 2019. Reportable segments are not reclassified as a result of this change.

The Company changed the designation of information and communication related services, which focused primarily on ICT related services and data center services, to BPO and ICT services with the acquisition of TMJ, Inc., a subsidiary newly consolidated from October 2017. The Company acquired all shares in TMJ, Inc. which provides various BPO related services including operation of call center services with the aim of expanding its business capabilities through integrating BPO related services with existing information and communication related services. Reportable segments are not reclassified by this change.

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 real estate and other services segment includes development and sales of condominiums equipped with security and contingency planning features, 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, 2020, 2019 and 2018 is as follows:

(1) Business Segment Information

	In millions of yen			In thousands of U.S. dollars
	2020	2019	2018	2020
Net sales and operating revenue:				
Security services—				
Customers.....	¥ 577,252	¥ 563,739	¥ 562,272	\$ 5,295,890
Intersegment.....	3,207	3,428	3,144	29,422
	580,459	567,167	565,416	5,325,312
Fire protection services—				
Customers.....	151,861	140,139	136,559	1,393,220
Intersegment.....	4,050	3,942	4,170	37,156
	155,911	144,081	140,729	1,430,376
Medical services—				
Customers.....	187,101	181,705	175,318	1,716,523
Intersegment.....	220	168	185	2,018
	187,321	181,873	175,503	1,718,541
Insurance services—				
Customers.....	43,515	41,637	44,683	399,220
Intersegment.....	3,413	3,120	3,034	31,312
	46,928	44,757	47,717	430,532
Geospatial information services—				
Customers.....	53,535	51,510	50,906	491,147
Intersegment.....	201	386	176	1,844
	53,736	51,896	51,082	492,991
BPO and ICT services—				
Customers.....	97,515	88,065	69,569	894,633
Intersegment.....	13,422	13,209	7,275	123,138
	110,937	101,274	76,844	1,017,771
Real estate and other services—				
Customers.....	49,928	44,805	43,485	458,055
Intersegment.....	1,271	1,787	2,004	11,661
	51,199	46,592	45,489	469,716
Total.....	1,186,491	1,137,640	1,102,780	10,885,239
Eliminations.....	(25,784)	(26,040)	(19,988)	(236,551)
Total net sales and operating revenue.....	¥1,160,707	¥1,111,600	¥1,082,792	\$10,648,688

	In millions of yen			In thousands of U.S. dollars
	2020	2019	2018	2020
Operating income (loss):				
Security services.....	¥108,923	¥110,146	¥114,469	\$ 999,294
Fire protection services.....	17,817	14,188	15,730	163,459
Medical services.....	6,232	5,782	4,034	57,174
Insurance services.....	(4,319)	(4,856)	6,221	(39,624)
Geospatial information services.....	3,030	1,878	1,676	27,798
BPO and ICT services.....	10,624	9,390	8,133	97,468
Real estate and other services.....	5,996	5,084	6,910	55,009
Total.....	148,303	141,612	157,173	1,360,578
Corporate expenses and eliminations.....	(17,739)	(17,901)	(17,062)	(162,743)
Operating income.....	¥130,564	¥123,711	¥140,111	\$1,197,835
Other income.....	9,981	11,246	13,454	91,569
Other expenses.....	(6,510)	(6,394)	(2,775)	(59,724)
Income from continuing operations before income taxes....	¥134,035	¥128,563	¥150,790	\$1,229,680
Assets:				
Security services.....	¥ 853,101	¥ 768,128		\$ 7,826,615
Fire protection services.....	175,854	162,549		1,613,339
Medical services.....	201,449	178,755		1,848,156
Insurance services.....	231,650	235,773		2,125,229
Geospatial information services.....	68,516	67,768		628,587
BPO and ICT services.....	243,152	152,777		2,230,752
Real estate and other services.....	137,425	142,750		1,260,780
Total.....	1,911,147	1,708,500		17,533,458
Corporate items.....	105,473	107,513		967,642
Investments in affiliated companies....	64,500	63,697		591,743
Total assets.....	¥2,081,120	¥1,879,710		\$19,092,843

	In millions of yen			In thousands of U.S. dollars
	2020	2019	2018	2020
Depreciation and amortization:				
Security services	¥50,383	¥49,409	¥54,091	\$462,231
Fire protection services	2,537	2,375	2,128	23,275
Medical services	8,321	8,684	8,675	76,339
Insurance services	2,290	1,792	1,808	21,009
Geospatial information services	1,700	2,249	2,540	15,596
BPO and ICT services	10,644	9,075	7,813	97,651
Real estate and other services	842	953	1,066	7,725
Total	76,717	74,537	78,121	703,826
Corporate items	857	763	834	7,862
Total depreciation and amortization	¥77,574	¥75,300	¥78,955	\$711,688
Capital expenditure:				
Security services	¥44,930	¥48,451	¥44,404	\$412,202
Fire protection services	2,569	2,269	3,910	23,569
Medical services	8,778	4,750	5,276	80,532
Insurance services	4,440	2,972	1,900	40,734
Geospatial information services	2,987	2,420	1,701	27,404
BPO and ICT services	12,894	9,085	31,987	118,294
Real estate and other services	2,121	4,550	1,690	19,459
Total	78,719	74,497	90,868	722,194
Corporate items	1,116	1,291	349	10,239
Total capital expenditures	¥79,835	¥75,788	¥91,217	\$732,433

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
	2020	2019	2018	2020
Electronic security services	¥347,156	¥344,297	¥341,157	\$3,184,917
Other security services:				
Static guard services	70,029	66,265	59,030	642,468
Armored car services	63,602	62,417	61,089	583,505
Merchandise and other	96,465	90,760	100,996	885,000
Total security services	¥577,252	¥563,739	¥562,272	\$5,295,890

(2) Geographic Segment Information

Net sales and operating revenue attributed to countries based on the geographical location of customers for the years ended 2020, 2019 and 2018 and long-lived assets as of March 31, 2020 and 2019 were as follows:

	In millions of yen			In thousands of U.S. dollars
	2020	2019	2018	2020
Net sales and operating revenue:				
Japan	¥1,111,521	¥1,063,223	¥1,034,228	\$10,197,440
Other	49,186	48,377	48,564	451,248
Total	¥1,160,707	¥1,111,600	¥1,082,792	\$10,648,688
Long-lived assets:				
Japan	¥772,155	¥618,061		\$7,083,991
Other	13,122	11,699		120,385
Total	¥785,277	¥629,760		\$7,204,376

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

28. Subsequent Events

The Company has evaluated subsequent events through July 30, 2020, the date at which the financial statements were available to be issued, and determined there is no item to disclose.

Independent Auditors' Report



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

We have audited the accompanying consolidated financial statements of SECOM CO., LTD. and its subsidiaries, which comprise the consolidated balance sheets as of March 31, 2020 and 2019, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for each of the years in the three-year period ended March 31, 2020, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of SECOM CO., LTD. and its subsidiaries as of March 31, 2020 and 2019 and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2020, in accordance with U.S. generally accepted accounting principles.

Convenience Translations

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2020 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
July 30, 2020

OTHER FINANCIAL DATA

Contents

Summary of Selected Financial Data.....	35
Common Stock Data.....	37

Summary of Selected Financial Data

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

	In millions of yen					
	2020	2019	2018	2017	2016	2015
Composition of consolidated net sales and operating revenue by segment						
Net sales and operating revenue.....	¥1,160,707	¥1,111,600	¥1,082,792	¥1,031,261	¥983,428	¥945,238
Security services:.....	577,252	563,739	562,272	543,524	505,058	487,063
As a percentage of net sales and operating revenue.....	49.7%	50.8%	51.9%	52.7%	51.4%	51.5%
Electronic security services.....	347,156	344,297	341,157	338,744	330,843	326,300
As a percentage of net sales and operating revenue.....	29.9	31.0	31.5	32.8	33.6	34.5
Other security services—						
Static guard services.....	70,029	66,265	59,030	56,417	55,907	53,788
As a percentage of net sales and operating revenue.....	6.0	6.0	5.5	5.5	5.7	5.7
Armored car services.....	63,602	62,417	61,089	57,873	32,990	21,010
As a percentage of net sales and operating revenue.....	5.5	5.6	5.6	5.6	3.4	2.2
Subtotal.....	133,631	128,682	120,119	114,290	88,897	74,798
Merchandise and other.....	96,465	90,760	100,996	90,490	85,318	85,965
As a percentage of net sales and operating revenue.....	8.3	8.2	9.3	8.8	8.7	9.1
Fire protection services.....	151,861	140,139	136,559	126,232	131,743	121,189
As a percentage of net sales and operating revenue.....	13.1	12.6	12.6	12.2	13.4	12.8
Medical services.....	187,101	181,705	175,318	168,819	163,538	155,884
As a percentage of net sales and operating revenue.....	16.1	16.3	16.2	16.4	16.6	16.5
Insurance services.....	43,515	41,637	44,683	43,780	40,654	38,259
As a percentage of net sales and operating revenue.....	3.8	3.8	4.2	4.3	4.1	4.1
Geospatial information services.....	53,535	51,510	50,906	51,609	52,553	52,760
As a percentage of net sales and operating revenue.....	4.6	4.6	4.7	5.0	5.4	5.6
BPO and ICT services.....	97,515	88,065	69,569	49,681	48,294	47,412
As a percentage of net sales and operating revenue.....	8.4	7.9	6.4	4.8	4.9	5.0
Real estate and other services.....	49,928	44,805	43,485	47,616	41,588	42,671
As a percentage of net sales and operating revenue.....	4.3	4.0	4.0	4.6	4.2	4.5
Net income attributable to SECOM CO., LTD., cash dividends and SECOM CO., LTD. shareholders' equity						
Net income attributable to SECOM CO., LTD.	¥ 87,136	¥ 89,686	¥ 96,623	¥ 91,387	¥ 84,072	¥ 80,184
Cash dividends paid ⁽²⁾	37,104	34,922	32,738	30,557	28,373	38,197
SECOM CO., LTD. shareholders' equity.....	1,088,738	1,044,184	1,000,277	929,242	865,278	825,969
Consolidated financial ratios						
Percentage of working capital accounted for by:						
Debt—						
Bank loans.....	3.3	3.4	3.5	4.0	5.6	4.7
Current portion of long-term debt.....	1.5	1.6	1.7	1.9	1.8	1.4
Straight bonds.....	0.3	0.4	0.5	0.7	0.8	0.9
Other long-term debt.....	3.4	3.6	4.1	4.5	5.3	4.9
Total debt.....	8.5	8.9	9.8	11.1	13.5	11.9
SECOM CO., LTD. shareholders' equity.....	91.5	91.1	90.2	88.9	86.5	88.1
Total capitalization.....	100.0	100.0	100.0	100.0	100.0	100.0
Return on total assets (percentage) ^(a)	4.2	4.8	5.3	5.2	5.0	5.3
Return on equity (percentage) ^(b)	8.0	8.6	9.7	9.8	9.7	9.7
Percentage of net sales and operating revenue absorbed by ^(c) :						
Depreciation and amortization.....	5.7	6.8	7.3	7.6	7.4	7.3
Rental expense under operating leases.....	2.4	2.5	2.3	2.5	2.5	2.4
Ratio of accumulated depreciation to depreciable assets (percentage).....						
.....	65.3	65.4	64.6	63.2	62.8	61.6
Net property turnover (times) ^(c)	2.73	2.67	2.63	2.49	2.38	2.38
Before-tax interest coverage (times) ^{(c)(d)}	117.5	109.6	123.0	107.1	89.2	93.8

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

	2020	2019	2018	2017	2016	2015
Number of shares outstanding						
Issued	233,293,998	233,292,219	233,290,441	233,288,717	233,288,717	233,288,717
Owned by the Company	15,033,588	15,031,867	15,030,573	15,028,470	15,026,824	15,024,812
Balance	218,260,410	218,260,352	218,259,868	218,260,247	218,261,893	218,263,905
Per share information						
Net income attributable to SECOM CO., LTD.						
per share (in yen) ⁽¹⁾	¥ 399.23	¥ 410.91	¥ 442.70	¥ 418.71	¥ 385.19	¥ 367.37
Cash dividends paid per share (in yen) ⁽²⁾	170.00	160.00	150.00	140.00	130.00	175.00
SECOM CO., LTD. shareholders' equity						
per share (in yen) ⁽³⁾	4,988.25	4,784.12	4,582.96	4,257.50	3,964.40	3,784.27
Cash flow per share (in yen) ^{(1)(e)}	533.88	590.91	649.44	631.91	582.27	557.88
Price/Book value ratio	1.80	1.98	1.73	1.87	2.11	2.12
Price/Earnings ratio	22.48	23.08	17.89	19.03	21.72	21.84
Price/Cash flow ratio	16.81	16.05	12.20	12.61	14.37	14.38
Stock price at year-end (in yen)	8,974	9,482	7,920	7,969	8,366	8,025

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, 2020, cash dividends of ¥18,552 million (¥85 per share) were approved at the general shareholders' meeting on June 25, 2020 (see Note 18 of the accompanying 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	2020	2019	2018	2017	2016	2015
Number of shareholders	23,297	24,023	26,809	25,200	24,975	24,852
Common shares held by:						
Financial institutions	38.65%	37.14%	35.94%	35.05%	32.50%	29.89%
Securities firms	1.95	3.30	1.63	3.89	3.52	3.43
Other domestic corporations	2.50	2.46	2.53	2.51	2.92	3.16
Foreign investors	42.76	42.74	44.85	43.42	44.46	44.95
Individuals and others	7.70	7.92	8.61	8.69	10.16	12.13
Treasury stock	6.44	6.44	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
2018 April–June	¥8,550	¥7,751	¥23,002.37	¥21,292.29
July–September	9,368	8,130	24,120.04	21,546.99
October–December	9,827	8,765	24,270.62	19,155.74
2019 January–March	9,684	8,781	21,822.04	19,561.96
April–June	9,670	8,830	22,307.58	20,408.54
July–September	10,005	8,149	22,098.84	20,261.04
October–December	10,095	9,288	24,066.12	21,341.74
2020 January–March	9,965	7,188	24,083.51	16,552.83

CONSOLIDATED FINANCIAL DATA

(BASED ON JAPANESE GAAP) [REFERENCE]

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

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

*One share was split into two.

Contents

Condensed Consolidated Balance Sheets (Based on Japanese GAAP).....	40
Condensed Consolidated Statements of Income (Based on Japanese GAAP).....	42
Consolidated Statements of Comprehensive Income (Based on Japanese GAAP).....	42

Condensed Consolidated Balance Sheets (Based on Japanese GAAP)

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

ASSETS	In millions of yen					
	2020	2019	2018	2017	2016	2015
Current assets:						
Cash on hand and in banks.....	¥ 414,199	¥ 350,319	¥ 317,267	¥ 302,364	¥ 228,458	¥ 232,221
Cash deposits for armored car services.....	140,905	142,335	135,808	130,619	128,267	50,395
Call loans.....	—	—	—	—	—	15,500
Notes and accounts receivable, trade.....	141,609	133,659	129,984	119,801	122,048	114,071
Due from subscribers.....	40,745	41,616	35,272	33,090	31,812	26,316
Short-term investments.....	32,442	25,382	17,360	29,387	34,448	28,517
Lease receivables and investments in leased assets.....	42,768	41,826	45,544	43,974	39,542	39,242
Merchandise and products.....	13,862	14,146	12,321	11,915	13,099	14,163
Real estate inventories.....	4,930	5,864	4,766	5,223	3,527	3,063
Work in process.....	5,237	5,872	5,057	4,913	5,557	4,031
Costs on uncompleted construction contracts.....	10,780	10,971	10,441	8,979	9,070	9,460
Work in process for real estate inventories.....	21,806	30,743	39,688	22,283	23,024	21,058
Raw materials and supplies.....	10,927	10,398	8,849	8,385	8,579	7,913
Deferred income taxes.....	—	—	—	14,003	12,728	12,808
Short-term loans receivable.....	4,525	4,398	5,196	4,942	4,086	2,268
Other.....	31,400	31,000	26,352	23,684	27,375	21,111
Allowance for doubtful accounts.....	(1,677)	(1,775)	(1,818)	(1,766)	(1,883)	(1,997)
Total current assets.....	914,465	846,759	792,094	761,804	689,744	600,146
Fixed assets:						
Tangible assets:						
Buildings and improvements, net.....	153,307	148,693	148,622	150,254	148,828	148,375
Security equipment and control stations, net.....	74,309	71,715	70,872	69,569	71,447	70,478
Land.....	117,720	116,876	114,287	116,825	116,613	119,604
Other, net.....	40,970	41,115	39,907	39,886	39,415	23,702
Total tangible assets.....	386,308	378,401	373,689	376,536	376,305	362,161
Intangible assets.....	124,767	128,215	131,028	112,131	119,505	49,411
Investments and others:						
Investment securities.....	252,299	269,575	280,659	280,974	264,400	284,322
Long-term loans receivable.....	34,351	35,284	35,284	38,403	39,401	42,904
Net defined benefit asset.....	31,789	38,488	41,409	35,282	30,796	35,010
Deferred income taxes.....	31,554	27,469	21,658	9,592	8,602	4,874
Other.....	52,232	53,952	52,332	51,436	54,978	49,382
Allowance for doubtful accounts.....	(12,647)	(13,042)	(13,033)	(15,990)	(15,698)	(17,525)
Total investments and others.....	389,580	411,728	418,311	399,698	382,482	398,969
Total fixed assets.....	900,656	918,346	923,029	888,367	878,293	810,541
Deferred assets	—	—	—	4	14	26
Total assets.....	¥1,815,121	¥1,765,105	¥1,715,123	¥1,650,176	¥1,568,052	¥1,410,715

LIABILITIES	In millions of yen					
	2020	2019	2018	2017	2016	2015
Current liabilities:						
Notes and accounts payable, trade.....	¥ 47,409	¥ 45,826	¥ 43,929	¥ 44,635	¥ 41,794	¥ 43,160
Bank loans.....	38,364	39,126	41,558	44,969	55,283	44,965
Current portion of straight bonds.....	2,916	2,009	795	1,460	2,582	1,414
Lease obligations.....	4,702	4,875	4,932	4,752	4,724	503
Payables—other.....	42,927	42,645	40,102	37,469	38,376	33,849
Accrued income taxes.....	24,740	22,767	25,896	27,557	22,341	21,063
Accrued consumption taxes.....	11,666	7,209	7,959	5,765	6,611	12,878
Accrued expenses.....	7,294	7,329	7,084	5,315	5,562	4,653
Deposits received for armored car services.....	118,302	121,086	113,830	107,878	101,306	16,945
Deferred revenue.....	31,224	30,438	30,309	30,552	31,389	31,348
Accrued bonuses.....	18,213	17,255	16,209	15,447	15,524	14,652
Provision for losses on construction contracts.....	2,391	2,913	2,436	2,532	1,397	1,612
Other.....	24,129	25,975	22,499	25,596	20,738	20,707
Total current liabilities.....	374,284	369,458	357,544	353,933	347,633	247,755
Long-term liabilities:						
Straight bonds.....	4,143	4,702	5,322	7,003	8,251	8,413
Long-term loans.....	8,674	10,063	12,721	14,123	20,033	20,602
Lease obligations.....	11,865	11,960	11,902	11,777	11,954	3,712
Guarantee deposits received.....	32,632	32,955	33,181	33,907	35,002	36,000
Deferred income taxes.....	7,866	8,735	14,217	21,943	14,026	13,554
Accrued retirement benefits for directors and audit and supervisory board members.....	794	1,046	1,421	1,306	1,387	1,415
Net defined benefit liability.....	23,710	22,953	21,849	22,428	22,816	18,504
Investment deposits by policyholders, unearned premiums and other insurance liabilities.....	174,602	172,866	172,345	166,155	159,636	150,119
Other.....	4,052	4,406	3,403	4,342	4,166	3,295
Total long-term liabilities.....	268,343	269,691	276,366	282,989	277,274	255,618
Total liabilities.....	642,627	639,150	633,910	636,922	624,907	503,374
NET ASSETS						
Shareholders' equity:						
Common stock.....	¥ 66,401	¥ 66,392	¥ 66,385	¥ 66,377	¥ 66,377	¥ 66,377
Capital surplus.....	81,874	80,360	80,328	80,297	80,326	80,265
Retained earnings.....	960,828	908,852	851,764	797,493	743,353	694,688
Common stock in treasury, at cost.....	(73,775)	(73,759)	(73,748)	(73,731)	(73,717)	(73,701)
Total shareholders' equity.....	1,035,328	981,846	924,729	870,437	816,340	767,630
Accumulated other comprehensive income:						
Unrealized gains on securities.....	12,095	18,157	23,759	25,125	19,964	26,981
Deferred losses on hedges.....	(15)	(21)	(24)	(30)	(40)	(34)
Foreign currency translation adjustments.....	(13,388)	(10,683)	(5,774)	(7,954)	(2,196)	1,477
Remeasurements of defined benefit plans, net of taxes.....	1,096	6,421	9,933	4,423	(783)	4,390
Total accumulated other comprehensive income.....	(212)	13,873	27,894	21,563	16,944	32,815
Noncontrolling interests	137,378	130,234	128,589	121,253	109,859	106,895
Total net assets.....	1,172,494	1,125,954	1,081,213	1,013,253	943,144	907,341
Total liabilities and net assets.....	¥1,815,121	¥1,765,105	¥1,715,123	¥1,650,176	¥1,568,052	¥1,410,715

Condensed Consolidated Statements of Income (Based on Japanese GAAP)

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

	In millions of yen					
	2020	2019	2018	2017	2016	2015
Revenue	¥1,060,070	¥1,013,823	¥970,624	¥928,098	¥881,028	¥840,722
Percentage change from prior year	4.6%	4.5%	4.6%	5.3%	4.8%	2.2%
Costs of revenue	722,546	692,211	652,673	621,412	586,539	557,884
As a percentage of revenue	68.2	68.3	67.2	67.0	66.6	66.4
Gross profit	337,523	321,611	317,950	306,686	294,488	282,837
As a percentage of revenue	31.8	31.7	32.8	33.0	33.4	33.6
Selling, general and administrative expenses	194,664	191,397	182,502	175,636	165,906	159,222
As a percentage of revenue	18.4	18.9	18.8	18.9	18.8	18.9
Operating profit	142,858	130,213	135,448	131,050	128,582	123,615
As a percentage of revenue	13.5	12.8	14.0	14.1	14.6	14.7
Non-operating income	13,778	19,646	13,152	22,371	11,380	18,366
Non-operating expenses	5,281	4,970	4,281	6,388	5,136	5,293
Ordinary profit	151,356	144,889	144,318	147,033	134,826	136,688
As a percentage of revenue	14.3	14.3	14.9	15.8	15.3	16.3
Extraordinary profit	3,471	1,909	2,471	516	1,584	1,962
Extraordinary losses	6,971	2,838	2,545	5,697	15,003	11,384
Income before income taxes	147,855	143,960	144,245	141,852	121,408	127,265
As a percentage of revenue	13.9	14.2	14.9	15.3	13.8	15.1
Income taxes—current	45,488	47,001	54,811	43,326	39,150	43,156
Income taxes—deferred	128	(7,808)	(9,314)	2,369	(526)	(37)
Net income	102,238	104,766	98,748	96,156	82,784	84,146
Net income attributable to noncontrolling interests	13,158	12,757	11,755	11,986	5,745	8,754
Net income attributable to owners of the parent	89,080	92,009	86,993	84,170	77,039	75,392
As a percentage of revenue	8.4	9.1	9.0	9.1	8.7	9.0
Percentage change from prior year	(3.2)	5.8	3.4	9.3	2.2	7.9

Consolidated Statements of Comprehensive Income (Based on Japanese GAAP)

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

	In millions of yen					
	2020	2019	2018	2017	2016	2015
Net income	¥102,238	¥104,766	¥ 98,748	¥ 96,156	¥ 82,784	¥ 84,146
Other comprehensive income (losses):						
Unrealized gains (losses) on securities	(6,288)	(5,740)	(1,649)	5,324	(7,103)	15,058
Deferred gains (losses) on hedges	—	(0)	0	—	—	—
Foreign currency translation adjustments	(1,236)	(2,616)	(1,003)	(3,539)	(1,616)	9,527
Remeasurements of defined benefit plans	(5,695)	(3,056)	5,595	4,698	(6,163)	8,581
Share of other comprehensive income (losses) of affiliated companies accounted for under the equity method	(1,468)	(3,439)	3,876	(1,327)	(2,743)	3,676
Total other comprehensive income (losses)	(14,688)	(14,853)	6,819	5,155	(17,626)	36,843
Comprehensive income	87,550	89,913	105,568	101,312	65,157	120,990
Comprehensive income attributable to:						
Owners of the parent company	74,994	77,988	93,323	88,789	61,168	110,128
Noncontrolling interests	12,555	11,924	12,244	12,522	3,989	10,861

NONCONSOLIDATED FINANCIAL DATA (BASED ON JAPANESE GAAP) [REFERENCE]

Contents

Condensed Nonconsolidated Balance Sheets (Based on Japanese GAAP).....	44
Condensed Nonconsolidated Statements of Income (Based on Japanese GAAP).....	46

Condensed Nonconsolidated Balance Sheets (Based on Japanese GAAP)

SECOM CO., LTD.
As of March 31

ASSETS	In millions of yen					
	2020	2019	2018	2017	2016	2015
Current assets:						
Cash on hand and in banks.....	¥164,370	¥120,815	¥ 85,009	¥ 87,387	¥ 45,433	¥ 93,569
Cash deposits for armored car services.....	36,730	39,504	38,347	37,869	40,877	48,396
Notes receivable.....	586	723	523	621	592	640
Due from subscribers.....	18,241	17,931	17,286	16,480	16,229	16,066
Accounts receivable, trade.....	12,280	11,516	10,995	10,650	10,996	11,202
Receivables—other.....	4,353	4,714	4,387	3,088	4,454	3,054
Short-term investments.....	1,499	—	—	—	3,444	437
Merchandise.....	7,144	7,047	5,628	5,312	6,453	6,694
Supplies.....	2,111	1,686	1,767	1,722	1,676	1,379
Prepaid expenses.....	2,432	2,599	2,556	2,323	2,172	2,210
Deferred income taxes.....	—	—	—	3,710	3,736	4,415
Short-term loans receivable.....	42,473	35,250	28,017	27,539	22,255	20,423
Other.....	9,208	4,530	1,712	1,804	1,698	1,772
Allowance for doubtful accounts.....	(89)	(101)	(105)	(117)	(152)	(216)
Total current assets.....	301,340	246,218	196,128	198,394	159,867	210,048
Fixed assets:						
Tangible assets:						
Buildings and improvements, net.....	17,427	16,263	16,160	16,282	16,572	16,458
Automobiles, net.....	492	501	611	709	795	824
Security equipment and control stations, net.....	71,533	69,049	67,746	65,997	67,624	67,715
Machinery and equipment, net.....	114	143	162	179	170	192
Tools, furniture and fixtures, net.....	4,193	3,566	2,861	3,173	3,424	3,326
Land.....	22,281	21,952	22,077	21,978	22,015	28,303
Construction in progress.....	3,433	4,721	4,812	2,195	1,564	1,714
Other, net.....	1,725	1,827	72	69	18	12
Total tangible assets.....	121,203	118,025	114,504	110,585	112,187	118,548
Intangible assets:						
Software.....	8,181	8,560	5,903	6,125	5,794	4,644
Other.....	1,602	920	741	400	574	730
Total intangible assets.....	9,783	9,480	6,644	6,526	6,369	5,375
Investments and others:						
Investment securities.....	17,749	21,982	24,583	23,083	20,588	29,725
Investment securities in subsidiaries and affiliated companies.....	353,592	353,375	350,551	323,993	325,104	239,120
Investments in subsidiaries and affiliated companies.....	2,179	2,149	2,098	2,098	1,938	1,938
Long-term loans receivable.....	81,174	113,221	138,277	134,796	146,716	150,955
Lease deposits.....	7,564	7,578	7,650	7,559	7,642	7,526
Long-term prepaid expenses.....	20,876	20,461	20,622	20,847	21,244	22,126
Prepaid pension and severance costs.....	22,614	21,410	20,763	21,643	23,177	21,530
Deferred income taxes.....	5,306	5,442	—	—	—	—
Insurance funds.....	4,227	4,109	4,046	4,294	4,294	4,294
Other.....	2,408	2,458	2,613	2,560	2,545	2,534
Allowance for doubtful accounts.....	(2,826)	(4,442)	(4,440)	(5,532)	(5,551)	(17,946)
Total investments and others.....	514,866	547,748	566,767	535,344	547,700	461,806
Total fixed assets.....	645,853	675,254	687,917	652,456	666,256	585,730
Total assets.....	¥947,194	¥921,472	¥884,045	¥850,851	¥826,124	¥795,778

LIABILITIES	In millions of yen					
	2020	2019	2018	2017	2016	2015
Current liabilities:						
Accounts payable.....	¥ 4,125	¥ 3,820	¥ 4,108	¥ 3,604	¥ 3,641	¥ 3,172
Bank loans.....	22,565	21,211	21,940	22,703	36,923	29,416
Lease obligations.....	271	309	229	215	198	185
Payables—other.....	17,381	19,769	16,708	14,476	15,698	15,675
Payables—construction.....	4,127	5,437	3,897	4,018	3,980	4,480
Accrued income taxes.....	11,848	11,210	13,162	14,345	9,479	10,826
Accrued consumption taxes.....	5,106	3,221	3,817	2,883	2,718	7,088
Accrued expenses.....	739	747	691	697	737	800
Deposits received for armored car services.....	14,192	18,348	16,446	15,187	13,975	15,124
Deferred revenue.....	20,147	19,949	20,300	20,629	20,923	21,269
Accrued bonuses.....	6,849	6,488	6,300	6,278	6,246	6,296
Other.....	4,902	2,590	2,623	4,014	4,177	4,311
Total current liabilities.....	112,258	113,104	110,226	109,053	118,699	118,647
Long-term liabilities:						
Lease obligations.....	3,867	3,971	2,358	2,477	2,601	2,661
Guarantee deposits received.....	16,347	16,462	16,640	16,804	17,038	17,286
Deferred income taxes.....	—	—	3,575	6,642	6,213	3,400
Accrued pension and severance costs.....	1,517	1,788	2,164	2,506	2,835	3,241
Other.....	326	343	91	103	378	408
Total long-term liabilities.....	22,058	22,566	24,830	28,533	29,068	26,998
Total liabilities.....	134,316	135,670	135,057	137,587	147,768	145,646
NET ASSETS						
Shareholders' equity:						
Common stock.....	¥ 66,401	¥ 66,392	¥ 66,385	¥ 66,377	¥ 66,377	¥ 66,377
Capital surplus:						
Additional paid-in capital.....	83,077	83,069	83,061	83,054	83,054	83,054
Other capital surplus.....	0	0	0	0	0	0
Total capital surplus.....	83,078	83,069	83,062	83,054	83,054	83,054
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.....	721,639	692,935	653,840	618,887	586,082	556,013
Total retained earnings.....	733,679	704,976	665,881	630,927	598,122	568,053
Common stock in treasury, at cost.....	(73,775)	(73,759)	(73,748)	(73,731)	(73,717)	(73,701)
Total shareholders' equity.....	809,383	780,679	741,579	706,629	673,836	643,784
Valuation, translation adjustments and others:						
Unrealized gains on securities.....	3,494	5,122	7,408	6,634	4,518	6,347
Total valuation, translation adjustments and others.....	3,494	5,122	7,408	6,634	4,518	6,347
Total net assets.....	812,878	785,801	748,988	713,263	678,355	650,132
Total liabilities and net assets.....	¥947,194	¥921,472	¥884,045	¥850,851	¥826,124	¥795,778

Condensed Nonconsolidated Statements of Income (Based on Japanese GAAP)

SECOM CO., LTD.
Years ended March 31

	In millions of yen					
	2020	2019	2018	2017	2016	2015
Revenue.....	¥398,929	¥394,181	¥387,881	¥382,476	¥376,044	¥370,663
<i>Percentage change from prior year.....</i>	1.2%	1.6%	1.4%	1.7%	1.5%	1.8%
Costs.....	236,397	234,046	229,332	227,204	223,189	221,441
<i>As a percentage of revenue.....</i>	59.3	59.4	59.1	59.4	59.4	59.7
Gross profit.....	162,531	160,134	158,549	155,271	152,855	149,221
<i>As a percentage of revenue.....</i>	40.7	40.6	40.9	40.6	40.6	40.3
Selling, general and administrative expenses.....	85,654	83,301	80,380	78,988	77,191	76,046
<i>As a percentage of revenue.....</i>	21.5	21.1	20.7	20.7	20.5	20.5
Operating profit.....	76,877	76,833	78,168	76,283	75,664	73,174
<i>As a percentage of revenue.....</i>	19.3	19.5	20.2	19.9	20.1	19.8
Non-operating income.....	16,950	15,006	14,978	13,389	13,639	11,714
Non-operating expenses.....	3,289	2,866	2,064	3,130	2,691	3,316
Ordinary profit.....	90,538	88,972	91,083	86,543	86,612	81,572
<i>As a percentage of revenue.....</i>	22.7	22.6	23.5	22.6	23.0	22.0
Extraordinary profit.....	1,651	87	1,896	651	3,064	1,670
Extraordinary losses.....	2,092	203	324	100	6,733	2,805
Income before income taxes.....	90,097	88,855	92,655	87,094	82,943	80,437
<i>As a percentage of revenue.....</i>	22.6	22.5	23.9	22.8	22.1	21.7
Income taxes.....	24,289	14,838	24,962	23,833	24,500	22,945
<i>Effective tax rate.....</i>	27.0	16.7	26.9	27.4	29.5	28.5
Net income.....	65,808	74,016	67,692	63,260	58,442	57,492
<i>As a percentage of revenue.....</i>	16.5	18.8	17.5	16.5	15.5	15.5
<i>Percentage change from prior year.....</i>	(11.1)	9.3	7.0	8.2	1.7	11.6