

# Financial Data 2021



# AUDITED FINANCIAL STATEMENTS

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# Consolidated Financial Statements

## Consolidated Balance Sheets

SECOM CO., LTD. and Subsidiaries  
March 31, 2021 and 2020

	In millions of yen		Translation into thousands of U.S. dollars (Note 3)
	2021	March 31 2020	March 31 2021
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents (Notes 5 and 22).....	¥ 502,201	¥ 414,668	\$ 4,524,333
Time deposits (Note 13) .....	9,587	9,097	86,369
Cash deposits for armored car services (Note 6) .....	138,890	140,906	1,251,261
Short-term investments (Notes 7 and 22) .....	21,220	31,084	191,171
Notes and accounts receivable, trade .....	153,410	166,612	1,382,072
Due from subscribers.....	61,479	63,112	553,865
Inventories (Note 8) .....	31,784	56,297	286,342
Short-term deferred charges (Note 2 (13)).....	7,887	8,612	71,054
Short-term receivables (Notes 9, 13, 20 and 21) .....	27,666	25,679	249,243
Allowance for doubtful accounts (Note 9) .....	(1,708)	(1,641)	(15,387)
Deferred insurance acquisition costs (Note 14) .....	2,640	4,301	23,784
Other current assets.....	24,375	25,749	219,595
<b>Total current assets.....</b>	<b>979,431</b>	<b>944,476</b>	<b>8,823,702</b>
<b>Investments and long-term receivables:</b>			
Investment securities (Notes 2 (7), 7, 13 and 22).....	214,107	194,822	1,928,892
Investments in affiliated companies (Note 10) .....	67,130	64,499	604,775
Long-term receivables (Notes 9, 13, 20 and 21) .....	39,602	41,566	356,775
Lease deposits.....	19,731	17,725	177,757
Other investments .....	11,105	10,947	100,045
Allowance for doubtful accounts (Note 9) .....	(4,002)	(4,237)	(36,054)
<b>Total investments and long-term receivables.....</b>	<b>347,673</b>	<b>325,322</b>	<b>3,132,190</b>
<b>Property, plant and equipment (Notes 11, 13, 19 and 20):</b>			
Land .....	120,613	117,457	1,086,604
Buildings and improvements .....	377,361	365,362	3,399,649
Security equipment and control stations .....	355,945	346,168	3,206,712
Machinery, equipment and automobiles.....	160,139	156,830	1,442,694
Construction in progress.....	10,166	7,026	91,586
<b>Total property, plant and equipment.....</b>	<b>1,024,224</b>	<b>992,843</b>	<b>9,227,245</b>
Accumulated depreciation .....	(595,115)	(567,339)	(5,361,396)
<b>Total property, plant and equipment, net.....</b>	<b>429,109</b>	<b>425,504</b>	<b>3,865,849</b>
<b>Other assets:</b>			
Operating lease right-of-use assets (Notes 2 (12) and 19) .....	140,500	143,468	1,265,766
Long-term deferred charges (Note 2 (13)) .....	13,905	17,052	125,270
Goodwill (Note 12).....	109,946	108,925	990,505
Other intangible assets (Notes 12, 13, 19 and 20) .....	58,376	58,814	525,910
Prepaid pension and severance costs (Note 15) .....	39,532	31,790	356,144
Deferred income taxes (Note 17) .....	19,334	25,769	174,180
<b>Total other assets.....</b>	<b>381,593</b>	<b>385,818</b>	<b>3,437,775</b>
<b>Total assets.....</b>	<b>¥2,137,806</b>	<b>¥2,081,120</b>	<b>\$19,259,516</b>

See accompanying notes to consolidated financial statements.

	In millions of yen		Translation into thousands of U.S. dollars (Note 3)
	2021	March 31 2020	March 31 2021
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities:</b>			
Bank loans (Notes 6 and 13).....	¥ 33,852	¥ 39,002	\$ 304,973
Current portion of long-term debt (Notes 13, 19 and 21).....	15,457	17,983	139,252
Notes and accounts payable, trade.....	44,265	48,466	398,784
Other payables.....	43,679	44,331	393,505
Deposits received (Note 6).....	123,808	122,796	1,115,387
Deferred revenue.....	37,938	39,331	341,784
Accrued income taxes.....	23,560	24,811	212,252
Accrued payroll.....	41,119	39,650	370,441
Current operating lease liabilities (Notes 2 (12) and 19).....	20,448	19,171	184,216
Other current liabilities.....	35,876	35,623	323,207
Total current liabilities.....	420,002	431,164	3,783,801
<b>Long-term liabilities:</b>			
Long-term debt (Notes 13, 19 and 21).....	53,492	44,255	481,910
Guarantee deposits received.....	23,346	23,342	210,324
Accrued pension and severance costs (Note 15).....	29,868	31,393	269,081
Long-term deferred revenue.....	17,944	20,715	161,658
Unearned premiums and other insurance liabilities (Note 14).....	133,118	128,908	1,199,261
Investment deposits by policyholders (Notes 14 and 21).....	19,829	21,516	178,640
Deferred income taxes (Note 17).....	13,470	13,132	121,351
Noncurrent operating lease liabilities (Notes 2 (12) and 19).....	120,052	124,297	1,081,550
Other long-term liabilities (Notes 21, 22 and 23).....	15,542	14,991	140,021
Total long-term liabilities.....	426,661	422,549	3,843,796
<b>Total liabilities</b> .....	<b>846,663</b>	<b>853,713</b>	<b>7,627,597</b>
<b>Commitments and contingent liabilities</b> (Note 24)			
<b>Equity:</b>			
SECOM CO., LTD. shareholders' equity (Note 18):			
Common stock			
Authorized—900,000,000 shares, issued 233,295,926 shares in 2021			
Authorized—900,000,000 shares, issued 233,293,998 shares in 2020.....	66,410	66,401	598,288
Additional paid-in capital.....	74,607	74,680	672,135
Legal reserve.....	10,884	10,833	98,054
Retained earnings.....	1,070,419	1,017,661	9,643,414
Accumulated other comprehensive income (loss):			
Unrealized gains on securities (Note 7).....	2,566	2,046	23,117
Pension liability adjustments (Note 15).....	(658)	(4,601)	(5,928)
Foreign currency translation adjustments.....	(8,120)	(4,506)	(73,152)
	(6,212)	(7,061)	(55,963)
Common stock in treasury, at cost:			
15,034,565 shares in 2021 and 15,033,588 shares in 2020.....	(73,785)	(73,776)	(664,730)
Total SECOM CO., LTD. shareholders' equity.....	1,142,323	1,088,738	10,291,198
Noncontrolling interests.....	148,820	138,669	1,340,721
<b>Total equity</b> .....	<b>1,291,143</b>	<b>1,227,407</b>	<b>11,631,919</b>
<b>Total liabilities and equity</b> .....	<b>¥2,137,806</b>	<b>¥2,081,120</b>	<b>\$19,259,516</b>

See accompanying notes to consolidated financial statements.

## Consolidated Statements of Income

SECOM CO., LTD. and Subsidiaries  
Three years ended March 31, 2021

	In millions of yen			Translation into thousands of U.S. dollars (Note 3)
	Years ended March 31			Year ended March 31
	2021	2020	2019	2021
<b>Net sales and operating revenue</b> (Notes 14, 18, 22 and 25)	<b>¥1,135,339</b>	¥1,132,632	¥1,087,355	<b>\$10,228,279</b>
<b>Costs and expenses:</b>				
Cost of sales (Note 8)	790,288	795,318	763,459	7,119,711
Selling, general and administrative expenses (Notes 2 (18), 2 (19), 2 (20) and 4)	201,723	203,223	198,551	1,817,324
Impairment loss on long-lived assets (Note 11)	95	952	595	856
Impairment loss on goodwill (Note 12)	5,660	758	—	50,991
Gain and loss on sales and disposal of fixed assets, net	1,764	2,754	1,443	15,892
	<b>999,530</b>	1,003,005	964,048	<b>9,004,774</b>
<b>Operating income</b>	<b>135,809</b>	129,627	123,307	<b>1,223,505</b>
<b>Other income:</b>				
Interest and dividends	1,880	1,961	1,639	16,937
Gain and loss on sales of securities, net (Notes 7 and 18)	—	2,297	—	—
Gain on other-than-temporary impairment of investment securities (Notes 18 and 22)	4,594	—	—	41,387
Gain on private equity investments (Note 22)	—	—	4,673	—
Other (Notes 15,16, 18 and 23)	5,647	5,545	4,747	50,874
	<b>12,121</b>	9,803	11,059	<b>109,198</b>
<b>Other expenses:</b>				
Interest	1,168	1,120	1,111	10,523
Gain and loss on sales of securities, net (Notes 7 and 18)	121	—	115	1,090
Loss on other-than-temporary impairment of investment securities (Notes 18 and 22)	—	3,738	3,959	—
Loss on private equity investments (Note 22)	302	139	—	2,721
Other (Note 16)	1,254	1,477	1,123	11,297
	<b>2,845</b>	6,474	6,308	<b>25,631</b>
<b>Income from continuing operations before income taxes and equity in net income of affiliated companies</b>	<b>145,085</b>	132,956	128,058	<b>1,307,072</b>
<b>Income taxes</b> (Note 17):				
Current	43,743	45,546	47,088	394,081
Deferred	3,855	(4,711)	(12,076)	34,730
	<b>47,598</b>	40,835	35,012	<b>428,811</b>
<b>Income from continuing operations before equity in net income of affiliated companies</b>	<b>97,487</b>	92,121	93,046	<b>878,261</b>
<b>Equity in net income of affiliated companies</b> (Note 18)	<b>6,578</b>	6,654	7,002	<b>59,261</b>
<b>Income from continuing operations</b>	<b>104,065</b>	98,775	100,048	<b>937,522</b>
<b>Income (loss) from discontinued operations, net of tax</b> (Note 26)	<b>(2,570)</b>	975	393	<b>(23,153)</b>
<b>Net income</b>	<b>101,495</b>	99,750	100,441	<b>914,369</b>
<b>Less: Net income attributable to noncontrolling interests</b>	<b>(11,582)</b>	(12,614)	(10,755)	<b>(104,342)</b>
<b>Net income attributable to SECOM CO., LTD.</b>	<b>¥ 89,913</b>	¥ 87,136	¥ 89,686	<b>\$ 810,027</b>

	In yen			Translation into U.S. dollars (Note 3)
	Years ended March 31			Year ended March 31
	2021	2020	2019	2021
<b>Per share data</b> (Note 2(22)):				
Income from continuing operations attributable to SECOM CO., LTD.	¥423.73	¥394.76	¥409.11	\$3.82
Income (loss) from discontinued operations attributable to SECOM CO., LTD.	(11.78)	4.47	1.80	(0.11)
Net income attributable to SECOM CO., LTD.	411.95	399.23	410.91	3.71
<b>Cash dividends per share</b> (Note 18)	<b>¥170.00</b>	¥170.00	¥160.00	<b>\$1.53</b>

## Consolidated Statements of Comprehensive Income

SECOM CO., LTD. and Subsidiaries  
Three years ended March 31, 2021

	In millions of yen			Translation into thousands of U.S. dollars (Note 3)
	Years ended March 31			Year ended March 31
	2021	2020	2019	2021
<b>Comprehensive income:</b>				
Net income	¥101,495	¥99,750	¥100,441	\$914,369
Other comprehensive income (loss), net of tax:				
Unrealized gains on securities	519	(263)	274	4,676
Pension liability adjustments	4,462	(4,037)	(2,566)	40,200
Foreign currency translation adjustments	(3,975)	(2,934)	(4,908)	(35,810)
<b>Total comprehensive income</b>	<b>102,501</b>	92,516	93,241	<b>923,435</b>
<b>Less: Comprehensive income attributable to noncontrolling interests</b>	<b>(11,739)</b>	(12,364)	(10,060)	<b>(105,758)</b>
<b>Comprehensive income attributable to SECOM CO., LTD.</b>	<b>¥ 90,762</b>	¥80,152	¥ 83,181	<b>\$817,677</b>

See accompanying notes to consolidated financial statements.

## Consolidated Statements of Changes in Equity

SECOM CO., LTD. and Subsidiaries  
Three years ended March 31, 2021

In millions of yen

	Number of shares issued	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Common stock in treasury, at cost	SECOM CO., LTD. shareholders' equity	Noncontrolling interests	Total
<b>Balance, March 31, 2018</b>	233,290,441	¥66,385	¥73,133	¥10,733	¥ 896,586	¥27,189	(¥73,749)	¥1,000,277	¥131,028	¥1,131,305
Cumulative effect adjustments resulting from adoption of new accounting standards, net of tax	—	—	—	—	16,379	(20,762)	—	(4,383)	(421)	(4,804)
Comprehensive income:										
Net income	—	—	—	—	89,686	—	—	89,686	10,755	100,441
Other comprehensive income (loss), net of tax (Note 18):										
Unrealized gains on securities	—	—	—	—	—	274	—	274	—	274
Pension liability adjustments	—	—	—	—	—	(2,320)	—	(2,320)	(246)	(2,566)
Foreign currency translation adjustments	—	—	—	—	—	(4,459)	—	(4,459)	(449)	(4,908)
Total comprehensive income	—	—	—	—	—	—	—	83,181	10,060	93,241
Issuance of new stocks	1,778	8	7	—	—	—	—	15	—	15
Cash dividends paid to SECOM CO., LTD. shareholders	—	—	—	—	(34,922)	—	—	(34,922)	—	(34,922)
Cash dividends paid to noncontrolling interests	—	—	—	—	—	—	—	—	(6,252)	(6,252)
Transfer to legal reserve	—	—	—	50	(50)	—	—	—	—	—
Equity transactions with noncontrolling interests and other (Note 18)	—	—	26	—	—	—	—	26	(2,697)	(2,671)
Changes in the scope of application of the equity method	—	—	—	—	—	—	—	—	—	—
Gains on disposal of treasury stock	—	—	—	—	—	—	—	—	—	—
Net changes in treasury stock	—	—	—	—	—	—	(10)	(10)	—	(10)
<b>Balance, March 31, 2019</b>	233,292,219	66,393	73,166	10,783	967,679	(78)	(73,759)	1,044,184	131,718	1,175,902
Comprehensive income:										
Net income	—	—	—	—	87,136	—	—	87,136	12,614	99,750
Other comprehensive income (loss), net of tax (Note 18):										
Unrealized gains on securities	—	—	—	—	—	(263)	—	(263)	—	(263)
Pension liability adjustments	—	—	—	—	—	(3,858)	—	(3,858)	(178)	(4,036)
Foreign currency translation adjustments	—	—	—	—	—	(2,862)	—	(2,862)	(72)	(2,934)
Total comprehensive income	—	—	—	—	—	—	—	80,153	12,364	92,517
Issuance of new stocks	1,779	8	8	—	—	—	—	16	—	16
Cash dividends paid to SECOM CO., LTD. shareholders	—	—	—	—	(37,104)	—	—	(37,104)	—	(37,104)
Cash dividends paid to noncontrolling interests	—	—	—	—	—	—	—	—	(3,438)	(3,438)
Transfer to legal reserve	—	—	—	50	(50)	—	—	—	—	—
Equity transactions with noncontrolling interests and other (Note 18)	—	—	1,506	—	—	—	—	1,506	(1,975)	(469)
Changes in the scope of application of the equity method	—	—	—	—	—	—	—	—	—	—
Gains on disposal of treasury stock	—	—	0	—	—	—	0	0	—	0
Net changes in treasury stock	—	—	—	—	—	—	(17)	(17)	—	(17)
<b>Balance, March 31, 2020</b>	233,293,998	66,401	74,680	10,833	1,017,661	(70.61)	(73,776)	1,088,738	138,669	1,227,407
Comprehensive income:										
Net income	—	—	—	—	89,913	—	—	89,913	11,582	101,495
Other comprehensive income (loss), net of tax (Note 18):										
Unrealized gains on securities	—	—	—	—	—	519	—	519	—	519
Pension liability adjustments	—	—	—	—	—	3,942	—	3,942	520	4,462
Foreign currency translation adjustments	—	—	—	—	—	(3,612)	—	(3,612)	(363)	(3,975)
Total comprehensive income	—	—	—	—	—	—	—	90,762	11,739	102,501
Issuance of new stocks	1,928	9	9	—	—	—	—	18	—	18
Cash dividends paid to SECOM CO., LTD. shareholders	—	—	—	—	(37,104)	—	—	(37,104)	—	(37,104)
Cash dividends paid to noncontrolling interests	—	—	—	—	—	—	—	—	(2,523)	(2,523)
Transfer to legal reserve	—	—	—	51	(51)	—	—	—	—	—
Equity transactions with noncontrolling interests and other (Note 18)	—	—	(82)	—	—	—	—	(82)	935	853
Changes in the scope of application of the equity method	—	—	—	—	—	—	—	—	—	—
Gains on disposal of treasury stock	—	—	—	—	—	—	—	—	—	—
Net changes in treasury stock	—	—	—	—	—	—	(9)	(9)	—	(9)
<b>Balance, March 31, 2021</b>	233,295,926	¥66,410	¥74,607	¥10,884	¥1,070,419	(¥6,212)	(¥73,785)	¥1,142,323	¥148,820	¥1,291,143

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

	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Common stock in treasury, at cost	SECOM CO., LTD. shareholders' equity	Noncontrolling interests	Total
<b>Balance, March 31, 2020</b>	\$598,207	\$672,793	\$97,595	\$9,168,117	(\$63,613)	(\$664,649)	\$9,808,450	\$1,249,270	\$11,057,720
Comprehensive income:									
Net income	—	—	—	810,027	—	—	810,027	104,342	914,369
Other comprehensive income (loss), net of tax (Note 18):									
Unrealized gains on securities	—	—	—	—	4,676	—	4,676	—	4,676
Pension liability adjustments	—	—	—	—	35,515	—	35,515	4,685	40,200
Foreign currency translation adjustments	—	—	—	—	(32,541)	—	(32,541)	(3,269)	(35,810)
Total comprehensive income	—	—	—	—	—	—	817,677	105,758	923,435
Issuance of new stocks	81	81	—	—	—	—	162	—	162
Cash dividends paid to SECOM CO., LTD. shareholders	—	—	—	(334,271)	—	—	(334,271)	—	(334,271)
Cash dividends paid to noncontrolling interests	—	—	—	—	—	—	—	(22,730)	(22,730)
Transfer to legal reserve	—	—	—	459	(459)	—	—	—	—
Equity transactions with noncontrolling interests and other (Note 18)	—	—	(739)	—	—	—	(739)	8,423	7,684
Changes in the scope of application of the equity method	—	—	—	—	—	—	—	—	—
Gains on disposal of treasury stock	—	—	—	—	—	—	—	—	—
Net changes in treasury stock	—	—	—	—	—	(81)	(81)	—	(81)
<b>Balance, March 31, 2021</b>	\$598,288	\$672,135	\$98,054	\$9,643,414	(\$55,963)	(\$664,730)	\$10,291,198	\$1,340,721	\$11,631,919

See accompanying notes to consolidated financial statements.

## Consolidated Statements of Cash Flows

SECOM CO., LTD. and Subsidiaries  
Three years ended March 31, 2021

	In millions of yen			Translation into thousands of U.S. dollars (Note 3)
	Years ended March 31			Year ended March 31
	2021	2020	2019	2021
<b>Cash flows from operating activities:</b>				
Net income .....	¥101,495	¥ 99,750	¥100,441	\$ 914,369
Adjustments to reconcile net income to net cash provided by operating activities—				
Depreciation and amortization, including amortization of deferred charges (Notes 2 (11), 2 (13) and 12).....	78,716	77,574	75,300	709,153
Accrual for pension and severance costs, less payments .....	(2,110)	1,193	614	(19,009)
Deferred income taxes, including discontinued operations .....	3,859	(4,715)	(12,086)	34,766
Gain and loss on sales and disposal of fixed assets, net.....	1,788	2,770	1,444	16,108
Impairment loss on long-lived assets (Note 11).....	95	952	595	856
Write-down on real estate inventories (Note 8).....	20	66	580	180
Gain and loss on private equity investments (Note 22).....	302	139	(4,673)	2,721
Impairment loss on goodwill (Note 12) .....	5,660	758	—	50,991
Gain on sales of securities, net (Notes 7 and 14) .....	2,476	(2,962)	(901)	22,306
Loss on other-than-temporary impairment of investment securities (Notes 14 and 22).....	(11,441)	8,540	8,991	(103,072)
Equity in net income of affiliated companies.....	(6,578)	(6,654)	(7,002)	(59,261)
Changes in assets and liabilities, net of effects from acquisitions and disposals:				
(Increase) decrease in cash deposits for armored car services .....	2,016	1,430	(6,527)	18,162
(Increase) decrease in receivables and due from subscribers, net of allowances.....	14,319	(10,576)	(17,404)	129,000
(Increase) decrease in inventories.....	(787)	9,256	4,285	(7,090)
Increase in deferred charges .....	(8,985)	(11,754)	(10,716)	(80,946)
Increase (decrease) in notes and accounts payable .....	(4,077)	2,361	3,388	(36,730)
Increase (decrease) in deposits received .....	1,061	(4,822)	8,690	9,559
Increase (decrease) in deferred revenue.....	(1,807)	1,874	938	(16,279)
Increase (decrease) in accrued income taxes.....	(935)	5,146	(4,914)	(8,423)
Increase (decrease) in guarantee deposits received.....	(1,197)	(352)	(164)	(10,784)
Increase in unearned premiums and other insurance liabilities .....	4,209	4,600	9,495	37,919
Increase (decrease) in accrued consumption tax .....	1,295	4,529	(831)	11,667
Other, net .....	9,329	5,295	8,784	84,044
Net cash provided by operating activities .....	188,723	184,398	158,327	1,700,207
<b>Cash flows from investing activities:</b>				
(Increase) decrease in time deposits .....	(593)	1,564	(1,251)	(5,342)
Proceeds from sales of property, plant and equipment .....	766	1,178	3,379	6,901
Payments for purchases of property, plant and equipment.....	(50,122)	(63,126)	(56,401)	(451,550)
Payments for purchases of intangible assets .....	(10,738)	(11,722)	(11,454)	(96,739)
Proceeds from sales and redemptions of investment securities (Note 7).....	47,859	50,259	43,597	431,162
Payments for purchases of investment securities .....	(55,991)	(45,325)	(36,686)	(504,423)
(Increase) decrease in short-term investments .....	9,269	(1,357)	(4,256)	83,505
Proceeds from sale of subsidiaries, net of cash and cash equivalents disposed of.....	14,633	2,670	(0)	131,829
Acquisitions, net of cash acquired (Note 4) .....	(7,098)	(725)	(3,133)	(63,946)
(Increase) decrease in short-term receivables, net.....	310	(147)	62	2,793
Payments for long-term receivables.....	(1,472)	(1,416)	(1,024)	(13,261)
Proceeds from long-term receivables .....	1,947	1,578	1,685	17,541
Other, net.....	(1,719)	(42)	1,052	(15,488)
Net cash used in investing activities .....	(52,949)	(66,611)	(64,430)	(477,018)
<b>Cash flows from financing activities:</b>				
Proceeds from long-term debt.....	16,699	8,802	7,161	150,441
Repayments of long-term debt .....	(18,752)	(18,793)	(20,184)	(168,937)
Increase (decrease) in bank loans, net .....	(4,500)	162	(1,789)	(40,541)
Increase (decrease) in investment deposits by policyholders.....	(1,687)	(2,099)	(1,592)	(15,198)
Dividends paid to SECOM CO., LTD. shareholders.....	(37,104)	(37,104)	(34,922)	(334,271)
Dividends paid to noncontrolling interests.....	(2,600)	(3,425)	(6,263)	(23,423)
Payments for acquisition of shares of consolidated subsidiaries from noncontrolling interest holders .....	(241)	(659)	(3,033)	(2,171)
Proceeds from sales of shares of consolidated subsidiaries to noncontrolling interest holders .....	—	—	—	—
Increase in treasury stock, net.....	(9)	(16)	(10)	(81)
Other, net.....	478	190	331	4,307
Net cash used in financing activities .....	(47,716)	(52,942)	(60,301)	(429,874)
<b>Effect of exchange rate changes on cash and cash equivalents .....</b>	<b>(525)</b>	<b>93</b>	<b>(595)</b>	<b>(4,730)</b>
<b>Net increase in cash and cash equivalents .....</b>	<b>87,533</b>	<b>64,938</b>	<b>33,001</b>	<b>788,585</b>
<b>Cash and cash equivalents at beginning of year .....</b>	<b>414,668</b>	<b>349,730</b>	<b>316,729</b>	<b>3,735,748</b>
<b>Cash and cash equivalents at end of year .....</b>	<b>¥502,201</b>	<b>¥414,668</b>	<b>¥349,730</b>	<b>\$4,524,333</b>

See accompanying notes to consolidated financial statements.



## Notes to Consolidated Financial Statements

SECOM CO., LTD. and Subsidiaries  
Three years ended March 31, 2021

### 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 ¥89,539 million (\$806,658 thousand) and ¥98,588 million (\$888,180 thousand), respectively, at March 31, 2021, and ¥85,968 million and ¥94,807 million, respectively, at March 31, 2020. 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 ¥27,610 million (\$248,739 thousand) and ¥24,882 million (\$224,162 thousand), respectively, at March 31, 2021, and ¥28,067 million and ¥25,738 million, respectively, at March 31, 2020. The Company's assets in the consolidated balance sheets and the Company's maximum exposure to losses related to VIEs at March 31, 2021 and 2020 were ¥8,804 million (\$79,315 thousand) and ¥7,273 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 ¥12,126 million (\$109,243 thousand) and ¥10,366 million at March 31, 2021 and 2020, 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 ¥57,067 million (\$514,117 thousand), ¥55,498 million and ¥54,474 million for the years ended March 31, 2021, 2020 and 2019, respectively. Maintenance, repairs and renewals are charged to income as incurred.

The estimated useful lives of depreciable assets are as follows:

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

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

Performance of a contractual asset retirement obligation is required for the building leased by a certain subsidiary when the lease matures and the Company returns the leased building to its owner. However, the Company plans not to relocate from the building and to continue to use it until it will be demolished without restoration. As such, the execution of such obligation is not expected. The Company evaluated all the available evidence as of March 31, 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) Short-Term Deferred Charges and Long-Term Deferred Charges**

Short-term deferred charges and long-term deferred charges primarily consist of costs related to installation services of security equipment used to provide on-line security systems. The installation costs are deferred and amortized using the straight-line method over the contractual period of security services after completion of the installation. Amortization expense was ¥10,553 million (\$95,072 thousand), ¥11,080 million and ¥10,310 million for the years ended March 31, 2021, 2020 and 2019, respectively.

All of costs related to installation services of security equipment used to provide on-line security systems belong to deferred charges (other assets) until the year ended March 31, 2020. The Company classifies the cost by length of amortize period, and the costs to be amortized within one year is included short-term deferred charges (current assets) in the fiscal year ended March 31, 2021. As a result, deferred charges to be amortized within one year amounting ¥8,612 million have

been reclassified to short-term deferred charges (current assets) from deferred charges (other assets) in the balance sheet for the year ended March 31, 2020.

#### **(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, 2021, 2020 and 2019 were ¥8,034 million (\$72,378 thousand), ¥7,428 million and ¥7,345 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, 2021, 2020 and 2019 were ¥4,462 million (\$40,198 thousand), ¥5,740 million and ¥5,374 million, respectively.

#### **(20) Shipping and Handling Costs**

Shipping and handling costs included in selling, general and administrative expenses for the years ended March 31, 2021, 2020 and 2019 were ¥1,317 million (\$11,865 thousand), ¥1,482 million and ¥1,430 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 was 218,261 thousand shares for the years ended March 31, 2021, 2020 and 2019.

There were no potentially dilutive shares outstanding during the years ended March 31, 2021, 2020 or 2019.

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

#### **(23) Use of Estimates**

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

#### **(24) Recent Pronouncements**

In June 2016, the FASB issued ASU No. 2016-13, "Measurement of Credit Losses on Financial Instruments." This accounting standard replaces the current incurred loss methodology that delays recognition of the full amount of credit losses until the loss was probable of occurring with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. This accounting standard was originally planned to be effective for 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. 2018-12 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 was adopted by the Company in the fiscal year beginning April 1, 2020. As this accounting standard is a provision for presentation only, the adoption did 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 post-retirement plans. This accounting standard is effective for fiscal years ending after December 15, 2020, and was adopted by the Company in the fiscal year beginning April 1, 2020. As this accounting standard is a provision for presentation only, the adoption did not have an impact on the Company's consolidated financial statements.

#### (25) Discontinued Operations

ASC 205-20, "Discontinued Operations," requires the operating results of any component of an entity with its own identifiable operations and cash flows which is disposed of or is classified as held for sale, and with which the Company will not have significant continuing involvement to be reported in discontinued operations. The results of operations related to certain businesses classified as discontinued operations in the years ended March 31, 2021, 2020 and 2019 were reclassified in the accompanying consolidated financial statements.

#### (26) Reclassifications

Certain amounts in the accompanying consolidated financial statements for the years ended March 31, 2020 and 2019 have been reclassified to conform to the presentation used for the year ended March 31, 2021. Lump-sum payments of residences for seniors were presented as guarantee deposits received (long-term liabilities) until March 31, 2020. The Company has changed its presentation, and the lump-sum payments are included as long-term deferred revenue (long-term liabilities) as of March 31, 2021. As a result, lump-sum payments amounting to ¥8,204 million have been reclassified to long-term deferred revenue (long-term liabilities) from guarantee deposits received (long-term liabilities) in the balance sheet as of 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 ¥111=US\$1, the approximate rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2021. 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 ADT SERVICES (M) SDN. BHD.

On September 1, 2020, the Company acquired 100% of common shares outstanding of ADT SERVICES (M) SDN. BHD. for ¥5,113 million (\$46,063 thousand) in cash. The purpose of this acquisition is to increase corporate value through further accelerating the expansion of security business overseas.

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

	In millions of yen	In thousands of U.S. dollars
Cash and cash equivalents.....	¥ 486	\$ 4,378
Cash deposits for armored car services...	118	1,063
Other current assets.....	61	550
Investments and long-term receivables ...	25	225
Property, plant and equipment.....	68	613
Intangible assets, including goodwill .....	4,475	40,315
<b>Total assets acquired .....</b>	<b>5,233</b>	<b>47,144</b>
Current liabilities .....	105	946
Long-term liabilities .....	15	135
<b>Total liabilities assumed .....</b>	<b>120</b>	<b>1,081</b>
<b>Net assets acquired .....</b>	<b>¥5,113</b>	<b>\$46,063</b>

The goodwill of ¥4,475 million (\$40,315 thousand) represents expected excess earnings power based on the future business operations. It is not deductible for tax purposes and has been assigned to the Security services segment.

The Company recorded the acquisition costs of ¥15 million (\$135 thousand) related to this acquisition in selling, general and administrative expenses for the year ended March 31, 2021.

#### Acquisition of ADT Integrated Security Solutions PTE. LTD.

On October 1, 2020, the Company acquired 100% of common shares outstanding of ADT Integrated Security Solutions PTE. LTD. for ¥1,717 million (\$15,468 thousand) in cash. The purpose of this acquisition is to increase corporate value through further accelerating the expansion of security business overseas.

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

	In millions of yen	In thousands of U.S. dollars
Cash and cash equivalents.....	¥ 148	\$ 1,333
Cash deposits for armored car services...	52	468
Other current assets.....	16	145
Property, plant and equipment.....	19	171
Intangible assets, including goodwill .....	1,577	14,207
<b>Total assets acquired .....</b>	<b>1,812</b>	<b>16,324</b>
Current liabilities .....	95	856
Total liabilities assumed .....	95	856
<b>Net assets acquired .....</b>	<b>¥1,717</b>	<b>\$15,468</b>

The goodwill of ¥1,567 million (\$14,117 thousand) represents expected excess earnings power based on the future business operations. It is not deductible for tax purposes and has been assigned to the Security services segment.

The Company recorded the acquisition costs of ¥11 million (\$99 thousand) related to this acquisition in selling, general and administrative expenses for the year ended March 31, 2021.

### Acquisition of ADT Alarm Monitoring Hong Kong Limited

On February 5, 2021, the Company acquired 100% of common shares outstanding of ADT Alarm Monitoring Hong Kong Limited for ¥1,377 million (\$12,405 thousand) in cash and accounts payable. The purpose of this acquisition is to increase corporate value through further accelerating the expansion of security business overseas.

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

	In millions of yen	In thousands of U.S. dollars
Cash and cash equivalents.....	¥ 172	\$ 1,550
Cash deposits for armored car services ...	47	423
Other current assets.....	6	54
Intangible assets, including goodwill .....	1,263	11,378
<b>Total assets acquired.....</b>	<b>1,488</b>	<b>13,405</b>
Current liabilities .....	111	1,000
<b>Total liabilities assumed .....</b>	<b>111</b>	<b>1,000</b>
<b>Net assets acquired.....</b>	<b>¥1,377</b>	<b>\$12,405</b>

The goodwill of ¥1,263 million (\$11,378 thousand) represents expected excess earnings power based on the future business operations. It is not deductible for tax purposes and has been assigned to the Security services segment.

The Company recorded the acquisition costs of ¥24 million (\$216 thousand) related to this acquisition in selling, general and administrative expenses for the year ended March 31, 2021.

### 5. Cash and Cash Equivalents

Cash and cash equivalents at March 31, 2021 and 2020 comprise the following:

	In millions of yen		In thousands of U.S. dollars
	March 31	March 31	March 31
	2021	2020	2021
Cash.....	¥488,773	¥400,286	\$4,403,360
Time deposits.....	13,068	13,024	117,730
Call loans.....	—	—	—
Investment securities.....	360	1,358	3,243
	<b>¥502,201</b>	<b>¥414,668</b>	<b>\$4,524,333</b>

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 ¥19,516 million (\$175,820 thousand) and ¥119,334 million (\$1,075,081 thousand), respectively, at March 31, 2021, and ¥22,565 million and ¥118,302 million, respectively, at March 31, 2020. 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, 2021 and 2020 are as follows:

In millions of yen				
March 31, 2021				
	Cost	Gross unrealized		Fair value
		Gains	Losses	
Short-term investments:				
Available-for-sale:				
Debt securities.....	¥ 20,825	¥ 395	¥ —	¥ 21,220
Held-to-maturity:				
Debt securities.....	—	—	—	—
	<b>¥ 20,825</b>	<b>¥ 395</b>	<b>¥ —</b>	<b>¥ 21,220</b>
Investment securities:				
Available-for-sale:				
Debt securities.....	¥109,504	¥3,208	¥43	¥112,669
Held-to-maturity:				
Debt securities.....	11,833	1,362	—	13,195
	<b>¥121,337</b>	<b>¥4,570</b>	<b>¥43</b>	<b>¥125,864</b>

In millions of yen				
March 31, 2020				
	Cost	Gross unrealized		Fair value
		Gains	Losses	
Short-term investments:				
Available-for-sale:				
Debt securities.....	¥ 29,244	¥ 343	¥ 3	¥ 29,584
Held-to-maturity:				
Debt securities.....	1,500	9	—	1,509
	<b>¥ 30,744</b>	<b>¥ 352</b>	<b>¥ 3</b>	<b>¥ 31,093</b>
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
	<b>¥117,513</b>	<b>¥4,482</b>	<b>¥568</b>	<b>¥121,427</b>

In thousands of U.S. dollars				
March 31, 2021				
	Cost	Gross unrealized		Fair value
		Gains	Losses	
Short-term investments:				
Available-for-sale:				
Debt securities.....	\$ 187,613	\$ 3,558	\$ —	\$ 191,171
Held-to-maturity:				
Debt securities.....	—	—	—	—
	<b>\$ 187,613</b>	<b>\$ 3,558</b>	<b>\$ —</b>	<b>\$ 191,171</b>
Investment securities:				
Available-for-sale:				
Debt securities.....	\$ 986,523	\$28,900	\$387	\$1,015,036
Held-to-maturity:				
Debt securities.....	106,604	12,270	—	118,874
	<b>\$1,093,127</b>	<b>\$41,170</b>	<b>\$387</b>	<b>\$1,133,910</b>

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, 2021 are as follows:

	In millions of yen			
	March 31, 2021			
	Less than 12 months		12 months or longer	
	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
Available-for-sale:				
Debt securities .....	¥5,214	¥43	¥—	¥—
Held-to-maturity:				
Debt securities .....	¥ —	¥—	¥—	¥—

	In thousands of U.S. dollars			
	March 31, 2021			
	Less than 12 months		12 months or longer	
	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
Available-for-sale:				
Debt securities .....	\$46,973	\$387	\$—	\$—
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, 2021.

At March 31, 2021, 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, 2021 are as follows:

	In millions of yen			
	March 31, 2021			
	Available-for-sale		Held-to-maturity	
	Cost	Fair value	Cost	Fair value
Due within 1 year.....	¥ 20,825	¥ 21,220	¥ —	¥ —
Due after 1 year through 5 years.....	78,691	80,801	224	226
Due after 5 years through 10 years .....	9,292	9,902	—	—
Due after 10 years.....	21,521	21,966	11,609	12,969
	¥130,329	¥133,889	¥11,833	¥13,195

	In thousands of U.S. dollars			
	March 31, 2021			
	Available-for-sale		Held-to-maturity	
	Cost	Fair value	Cost	Fair value
Due within 1 year.....	\$ 187,613	\$ 191,171	\$ —	\$ —
Due after 1 year through 5 years.....	708,928	727,937	2,018	2,036
Due after 5 years through 10 years .....	83,712	89,207	—	—
Due after 10 years.....	193,883	197,892	104,586	116,838
	\$1,174,136	\$1,206,207	\$106,604	\$118,874

Proceeds from the sale of "available-for-sale" securities for the years ended March 31, 2021, 2020 and 2019 were ¥51,977 million (\$468,261 thousand), ¥35,559 million and ¥11,603 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, 2021, 2020 and 2019 are as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2021	2020	2019	2021
Gross realized gains .....	¥1,006	¥1,354	¥1,457	\$9,063
Gross realized losses .....	121	273	53	1,090

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 ¥13,098 million (\$118,000 thousand) and ¥11,911 million at March 31, 2021 and 2020, 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, 2021 and 2020 comprise the following:

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2021	2020	2021
Security-related products.....	¥ 9,513	¥ 9,123	\$ 85,703
Fire protection-related products.....	11,786	11,422	106,179
Real estate.....	187	26,738	1,685
Other-related products .....	10,298	9,014	92,775
	¥31,784	¥56,297	\$286,342

Work in process for real estate inventories at March 31, 2020, amounting to ¥21,807 million, is included in real estate. Work in process for real estate inventories at March 31, 2021, is no longer accounted.

The amount of write-down on real estate inventories included in cost of sales for the years ended March 31, 2021, 2020 and 2019 were ¥20 million (\$180 thousand), ¥66 million and ¥580 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, 2021 and 2020 are as follows:

	In millions of yen				
	Year ended March 31, 2021				
	Lease receivables	Loans receivable resulting from medical services	Other loans receivable	Other	Total
Allowance for doubtful accounts:					
Balance at beginning of year.....	¥ 204	¥2,364	¥ 566	¥1,090	¥ 4,224
Provision (Reversal) ...	60	237	28	(270)	55
Charge off .....	39	—	—	(69)	(30)
Other .....	—	—	(71)	(77)	(148)
Balance at end of year.....	303	2,601	523	674	4,101
Individually evaluated.....	181	2,601	523	674	3,979
Collectively evaluated.....	¥ 122	¥ —	¥ 0	¥ —	¥ 122
Financing receivables:					
Individually evaluated.....	¥ 279	¥5,021	¥ 597	¥ 720	¥ 6,617
Collectively evaluated.....	49,525	527	951	132	51,135
	¥49,804	¥5,548	¥1,548	¥ 852	¥57,752

	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 thousands of U.S. dollars				
	Year ended March 31, 2021				
	Lease receivables	Loans receivable resulting from medical services	Other loans receivable	Other	Total
Allowance for doubtful accounts:					
Balance at beginning of year.....	\$ 1,838	\$21,297	\$ 5,099	\$9,820	\$ 38,054
Provision (Reversal) ...	541	2,135	252	(2,433)	495
Charge off .....	351	—	—	(621)	(270)
Other .....	—	—	(639)	(694)	(1,333)
Balance at end of year.....	2,730	23,432	4,712	6,072	36,946
Individually evaluated.....	1,632	23,432	4,712	6,072	35,848
Collectively evaluated.....	\$ 1,098	\$ —	\$ 0	\$ —	\$ 1,098
Financing receivables:					
Individually evaluated.....	\$ 2,514	\$45,234	\$ 5,379	\$6,486	\$ 59,613
Collectively evaluated.....	446,171	4,748	8,567	1,189	460,675
	\$448,685	\$49,982	\$13,946	\$7,675	\$520,288

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, 2021 and 2020 are as follows:

	In millions of yen				
	March 31, 2021				
	Lease receivables	Loans receivable resulting from medical services	Other loans receivable	Other	Total
Current.....	¥49,525	¥5,515	¥1,001	¥ 574	¥56,615
Overdue .....	279	33	547	278	1,137
Total:					
Financing receivables....	¥49,804	¥5,548	¥1,548	¥ 852	¥57,752
Financing receivables on nonaccrual status.....	¥ —	¥ 1	¥ 597	¥ —	¥ 598
	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....	¥51,548	¥5,635	¥2,269	¥1,405	¥60,857
Financing receivables on nonaccrual status.....	¥ —	¥ 1	¥ 885	¥ —	¥ 886



In thousands of U.S. dollars					
<b>March 31, 2021</b>					
	Lease receivables	Loans receivable resulting from medical services	Other loans receivable	Other	Total
Current.....	\$446,171	\$49,685	\$ 9,018	\$5,171	\$510,045
Overdue .....	2,514	297	4,928	2,504	10,243
Total:					
Financing receivables....	\$448,685	\$49,982	\$13,946	\$7,675	\$520,288
Financing receivables on nonaccrual status.....	\$ —	\$ 9	\$ 5,378	\$ —	\$ 5,387

Impaired receivables and the related allowance for doubtful accounts at March 31, 2021 and 2020 are as follows:

In millions of yen					
<b>March 31, 2021</b>					
	Lease receivables	Loans receivable resulting from medical services	Other loans receivable	Other	Total
Impaired receivables.....	¥279	¥5,021	¥597	¥720	¥6,617
Related allowance for doubtful accounts.....	181	2,601	523	674	3,979

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 thousands of U.S. dollars					
<b>March 31, 2021</b>					
	Lease receivables	Loans receivable resulting from medical services	Other loans receivable	Other	Total
Impaired receivables.....	\$2,514	\$45,234	\$5,379	\$6,486	\$59,613
Related allowance for doubtful accounts.....	1,632	23,432	4,712	6,072	35,848

The average amounts of impaired receivables for the year ended March 31, 2021 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.....	¥288	¥5,088	¥741	¥991	¥7,108

In thousands of U.S. dollars					
	Lease receivables	Loans receivable resulting from medical services	Other loans receivable	Other	Total
Average amounts of impaired receivables.....	\$2,595	\$45,838	\$6,676	\$8,928	\$64,037

## 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 27.5 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	
	March 31	2020	March 31	
	2021	2020	2021	
Current assets .....	¥148,576	¥140,422	\$1,338,523	
Noncurrent assets.....	199,105	189,945	1,793,738	
Total assets.....	¥347,681	¥330,367	\$3,132,261	
Current liabilities .....	¥ 86,471	¥ 87,359	\$ 779,018	
Long-term liabilities .....	44,640	37,614	402,162	
Equity.....	216,570	205,394	1,951,081	
Total liabilities and equity.....	¥347,681	¥330,367	\$3,132,261	
	In millions of yen		In thousands of U.S. dollars	
	Years ended March 31		Year ended March 31	
	2021	2020	2019	
Net sales.....	¥289,647	¥292,856	¥289,172	\$2,609,432
Gross profit.....	¥ 76,983	¥ 78,425	¥ 81,096	\$ 693,541
Net income attributable to affiliated companies.....	¥ 23,931	¥ 23,549	¥ 20,435	\$ 215,595

Dividends received from affiliated companies for the years ended March 31, 2021, 2020 and 2019 were ¥4,398 million (\$39,622 thousand), ¥4,112 million and ¥4,390 million, respectively.

Three listed affiliated companies accounted for under the equity method with an aggregated carrying amount of ¥57,645 million (\$519,324 thousand) and ¥55,118 million at March 31, 2021 and 2020, respectively, had a quoted market value of ¥126,842 million (\$1,142,721 thousand) and ¥109,766 million at March 31, 2021 and 2020, respectively.

The amounts of goodwill included in the carrying amount of investments in affiliated companies were ¥4,560 million (\$41,081 thousand) and ¥4,545 million at March 31, 2021 and 2020, respectively.

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

	In millions of yen			In thousands of U.S. dollars
	2021	2020	2019	2021
Sales.....	<b>¥1,326</b>	¥1,291	¥1,422	<b>\$11,946</b>
Purchases.....	<b>¥9,818</b>	¥9,531	¥6,965	<b>\$88,450</b>

  

	In millions of yen		In thousands of U.S. dollars
	2021	2020	2021
Notes and accounts receivable, trade.....	<b>¥ 523</b>	¥ 401	<b>\$ 4,712</b>
Loans receivable.....	<b>¥ 118</b>	¥ 225	<b>\$ 1,063</b>
Notes and accounts payable.....	<b>¥3,302</b>	¥2,430	<b>\$29,748</b>
Guarantees for bank loans.....	<b>¥ —</b>	¥ —	<b>\$ —</b>

The Company's equity in undistributed income of affiliates at March 31, 2021 and 2020 included in retained earnings was ¥43,731 million (\$393,973 thousand) and ¥41,752 million, respectively.

### 11. Long-Lived Assets

The Company has assessed the potential impairment of its long-lived assets. As a result of a significant decrease in revenue forecasts, the Company principally recognized impairment losses on certain business assets of the BPO and ICT services segment for the year ended March 31, 2021, on certain business assets of the BPO and ICT services segment for the year ended March 31, 2020, and on certain business assets of the geospatial information services segment for the year ended March 31, 2019. The fair value was determined based on the estimated present value of future cash flows or appraisal value.

Impairment losses on long-lived assets by business segment for the years ended March 31, 2021, 2020 and 2019 are as follows:

	In millions of yen			In thousands of U.S. dollars
	2021	2020	2019	2021
Security services.....	<b>¥—</b>	¥201	¥ 11	<b>\$ —</b>
Fire protection services.....	<b>—</b>	48	23	<b>—</b>
Medical services.....	<b>—</b>	—	—	<b>—</b>
Insurance services.....	<b>—</b>	—	—	<b>—</b>
Geospatial information services.....	<b>21</b>	259	545	<b>189</b>
BPO and ICT services.....	<b>73</b>	437	16	<b>658</b>
Real estate and other services.....	<b>1</b>	7	—	<b>9</b>
Corporate items.....	<b>—</b>	—	—	<b>—</b>
Total.....	<b>¥95</b>	¥952	¥595	<b>\$856</b>

### 12. Goodwill and Other Intangible Assets

The components of acquired intangible assets, excluding goodwill, at March 31, 2021 and 2020 are as follows:

	In millions of yen		
	March 31, 2021		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortized intangible assets:			
Software.....	<b>¥ 72,048</b>	<b>(¥43,440)</b>	<b>¥28,608</b>
Other.....	<b>41,171</b>	<b>(16,439)</b>	<b>24,732</b>
	<b>¥113,219</b>	<b>(¥59,879)</b>	<b>¥53,340</b>
Unamortized intangible assets.....	<b>¥ 5,036</b>	<b>¥ —</b>	<b>¥ 5,036</b>

	In millions of yen		
	March 31, 2020		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortized intangible assets:			
Software.....	¥ 68,867	(¥41,187)	¥27,680
Other.....	40,619	(14,198)	26,421
	¥109,486	(¥55,385)	¥54,101

Unamortized intangible assets.....	¥ 4,713	¥ —	¥ 4,713
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	In thousands of U.S. dollars		
	March 31, 2021		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortized intangible assets:			
Software.....	<b>\$ 649,081</b>	<b>(\$391,351)</b>	<b>\$257,730</b>
Other.....	<b>370,910</b>	<b>(148,099)</b>	<b>222,811</b>
	<b>\$1,019,991</b>	<b>(\$539,450)</b>	<b>\$480,541</b>
Unamortized intangible assets.....	<b>\$ 45,369</b>	<b>\$ —</b>	<b>\$ 45,369</b>

Aggregate amortization expense for the years ended March 31, 2021, 2020 and 2019 was ¥11,096 million (\$99,964 thousand), ¥10,996 million and ¥10,516 million, respectively. Amortized intangible assets are amortized using the straight-line method over their estimated useful lives. The weighted average amortization period for internal use software is approximately five years.

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

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2022.....	¥11,389	\$102,604
2023.....	9,950	89,640
2024.....	8,686	78,252
2025.....	6,375	57,432
2026.....	4,972	44,793

The changes in the carrying amount of goodwill by business segment for the years ended March 31, 2021 and 2020 are as follows:

	In millions of yen						
	Security services	Fire protection services	Medical services	Geospatial information services	BPO and ICT services	Real estate and other services	Total
Goodwill.....	¥64,399	¥1,999	¥9,399	¥4,574	¥35,114	¥1,962	¥117,447
Accumulated impairment losses.....	(2,879)	—	(5,361)	(775)	(175)	(135)	(9,325)
<b>March 31, 2019</b> ....	<b>61,520</b>	<b>1,999</b>	<b>4,038</b>	<b>3,799</b>	<b>34,939</b>	<b>1,827</b>	<b>108,122</b>
Goodwill acquired during the year...	1,768	—	—	—	—	—	1,768
Disposal.....	—	—	—	(134)	—	—	(134)
Impairment losses.....	(758)	—	—	—	—	—	(758)
Translation adjustment.....	(72)	—	—	(1)	—	—	(73)
Goodwill.....	66,095	1,999	9,399	4,439	35,114	1,962	119,008
Accumulated impairment losses.....	(3,637)	—	(5,361)	(775)	(175)	(135)	(10,083)
<b>March 31, 2020</b> ....	<b>62,458</b>	<b>1,999</b>	<b>4,038</b>	<b>3,664</b>	<b>34,939</b>	<b>1,827</b>	<b>108,925</b>
Goodwill acquired during the year...	<b>7,307</b>	<b>123</b>	—	—	—	—	<b>7,430</b>
Disposal.....	<b>(519)</b>	—	—	—	—	—	<b>(519)</b>
Impairment losses.....	<b>(5,660)</b>	—	—	—	—	—	<b>(5,660)</b>
Translation adjustment.....	<b>(230)</b>	—	—	—	—	—	<b>(230)</b>
Goodwill.....	<b>72,247</b>	<b>2,122</b>	<b>9,399</b>	<b>3,855</b>	<b>35,114</b>	<b>1,827</b>	<b>124,564</b>
Accumulated impairment losses.....	<b>(8,891)</b>	—	<b>(5,361)</b>	<b>(191)</b>	<b>(175)</b>	—	<b>(14,618)</b>
<b>March 31, 2021</b> ....	<b>¥63,356</b>	<b>¥2,122</b>	<b>¥4,038</b>	<b>¥3,664</b>	<b>¥34,939</b>	<b>¥1,827</b>	<b>¥109,946</b>

	In thousands of U.S. dollars						
	Security services	Fire protection services	Medical services	Geospatial information services	BPO and ICT services	Real estate and other services	Total
Goodwill.....	\$595,451	\$18,009	\$84,675	\$39,991	\$316,343	\$17,675	\$1,072,144
Accumulated impairment losses.....	(32,766)	—	(48,297)	(6,982)	(1,577)	(1,216)	(90,838)
<b>March 31, 2020</b> ....	<b>562,685</b>	<b>18,009</b>	<b>36,378</b>	<b>33,009</b>	<b>314,766</b>	<b>16,459</b>	<b>981,306</b>
Goodwill acquired during the year...	<b>65,829</b>	<b>1,108</b>	—	—	—	—	<b>66,937</b>
Disposal.....	<b>(4,676)</b>	—	—	—	—	—	<b>(4,676)</b>
Impairment losses.....	<b>(50,991)</b>	—	—	—	—	—	<b>(50,991)</b>
Translation adjustment.....	<b>(2,071)</b>	—	—	—	—	—	<b>(2,071)</b>
Goodwill.....	<b>650,875</b>	<b>19,117</b>	<b>84,675</b>	<b>34,730</b>	<b>316,343</b>	<b>16,459</b>	<b>1,122,199</b>
Accumulated impairment losses.....	<b>(80,099)</b>	—	<b>(48,297)</b>	<b>(1,721)</b>	<b>(1,577)</b>	—	<b>(131,694)</b>
<b>March 31, 2021</b> ....	<b>\$570,776</b>	<b>\$19,117</b>	<b>\$36,378</b>	<b>\$33,009</b>	<b>\$314,766</b>	<b>\$16,459</b>	<b>\$ 990,505</b>

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

### 13. Bank Loans and Long-Term Debt

Bank loans of ¥33,852 million (\$304,973 thousand) and ¥39,002 million at March 31, 2021 and 2020, respectively, are generally comprised of 30 to 365 day notes. The weighted average interest rate was 0.73 percent and 1.19 percent at March 31, 2021 and 2020, respectively. Substantially all of these loans are borrowed from banks. The Company has entered into basic agreements with these banks which state that, with respect to all present or future loans with such banks, collateral (including sums on deposit with such banks) or guarantors shall be provided immediately upon request. Further, any collateral furnished pursuant to such agreements or otherwise will be applicable to all indebtedness to such banks. The Company has not been requested to submit such additional security.

At March 31, 2021, Nohmi Bosai Ltd. and Arai & Co., Ltd., subsidiaries of the parent company, had an unused committed line of credit from a short-term arrangement of ¥4,890 million (\$44,054 thousand). The line of credit expires in March 2026. Under the agreement, Nohmi Bosai Ltd. is required to pay commitment fees, at an annual rate of 0.15 percent, on the unused portion of the line of credit. The line of credit expires in April 2041. Under the agreement, Arai & Co., Ltd. is required to pay commitment fees, at an annual rate of 0.55 percent and Japanese yen one month Tokyo Interbank Offered Rate (tibur), on the unused portion of the line of credit.

At March 31, 2021, the Company had overdraft agreements with 33 banks and its unused lines of credit amounted to ¥70,730 million (\$637,207 thousand). The Company incurs no fee on the unused portion of these overdraft agreements. The overdraft agreements expire in the period from April 2021 to March 2022. The Company has the ability and intent to extend these overdraft agreements under similar terms and conditions.

Long-term debt at March 31, 2021 and 2020 comprises the following:

	In thousands of U.S. dollars	
	March 31 2021	March 31 2020
Loans, principally from banks due 2021–2041 with interest rates ranging from 0.15% to 5.00%:		
Secured.....	<b>\$15,899</b>	\$10,729
Unsecured.....	<b>21,821</b>	19,003
0.38% unsecured bonds due 2021.....	—	497
0.26% unsecured bonds due 2021.....	<b>10</b>	30
0.25% unsecured bonds due 2021.....	<b>10</b>	30
0.31% unsecured bonds due 2023.....	<b>19</b>	26
0.40% unsecured bonds due 2024.....	<b>13</b>	17
0.29% unsecured bonds due 2022.....	<b>10</b>	20
Unsecured bonds due 2020–2040 with floating interest rates based on 6-month Japanese yen TIBOR.....	<b>4,166</b>	6,314
Obligations under finance leases, due 2021–2043 (Note 19).....	<b>27,001</b>	25,572
	<b>68,949</b>	62,238
Less: Portion due within one year.....	<b>(15,457)</b>	(17,983)
	<b>\$53,492</b>	\$44,255

Assets pledged as collateral for bank loans and long-term debt at March 31, 2021 and 2020 are as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2021	2020	2021
Time deposits.....	¥ 1,356	¥ 1,234	\$ 12,216
Short-term and long-term receivables...	6,425	6,194	57,883
Investment securities.....	1,580	1,275	14,234
Property, plant and equipment.....	42,762	44,195	385,243
Other intangible assets.....	¥ 818	¥ 818	\$ 7,369

The aggregate annual maturities on long-term debt at March 31, 2021 are as follows:

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2022.....	¥15,457	\$139,252
2023.....	13,200	118,919
2024.....	9,094	81,928
2025.....	6,383	57,505
2026.....	4,540	40,901
Thereafter.....	20,275	182,657
	¥68,949	\$621,162

#### 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, 2021 and 2020 was ¥74,111 million (\$667,667 thousand) and ¥67,850 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, 2021, 2020 and 2019 were gains of ¥7,654 million (\$68,955 thousand), and losses of ¥4,136 million, and losses of ¥4,016 million, respectively. Gains and losses on other-than-temporary impairments of investment securities for the years ended March 31, 2021, 2020 and 2019 were gains of ¥6,848 million (\$61,694 thousand), and losses of ¥4,802 million and ¥5,032 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, 2021, 2020 and 2019 are as follows.

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

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2021	2020	2019	2021
Net periodic pension and severance costs:				
Service cost.....	¥8,149	¥8,016	¥7,787	\$73,415
Interest cost.....	440	314	398	3,964
Expected return on plan assets.....	(3,403)	(3,312)	(3,254)	(30,658)
Amortization of prior service benefit.....	25	(1)	(4)	225
Recognized actuarial loss.....	429	185	176	3,865
Transfer to the defined contribution pension plan....	—	444	—	—
Net periodic pension and severance costs.....	¥5,640	¥5,646	¥5,103	\$50,811

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

	In millions of yen		In thousands of U.S. dollars
	Years ended March 31	2020	Year ended March 31
	2021	2020	2021
<b>Change in benefit obligation:</b>			
Benefit obligation			
at beginning of year.....	<b>¥118,915</b>	¥116,147	<b>\$1,071,306</b>
Service cost.....	<b>8,149</b>	8,016	<b>73,415</b>
Interest cost.....	<b>440</b>	314	<b>3,964</b>
Actuarial (gain) loss.....	<b>3,144</b>	1,022	<b>28,324</b>
Prior service benefit.....	<b>—</b>	16	<b>—</b>
Benefits paid.....	<b>(6,092)</b>	(5,980)	<b>(54,883)</b>
Decrease due to disposal of interest in subsidiaries.....	<b>(776)</b>	—	<b>(6,991)</b>
Transfer to the defined contribution pension plan.....	<b>—</b>	(617)	<b>—</b>
Other.....	<b>17</b>	(3)	<b>153</b>
Benefit obligation at end of year.....	<b>123,797</b>	118,915	<b>1,115,288</b>
<b>Change in plan assets:</b>			
Fair value of plan assets			
at beginning of year.....	<b>119,312</b>	123,723	<b>1,074,883</b>
Actual return on plan assets.....	<b>12,475</b>	(1,745)	<b>112,387</b>
Employer contribution.....	<b>6,106</b>	2,794	<b>55,009</b>
Benefits paid.....	<b>(4,432)</b>	(4,387)	<b>(39,928)</b>
Transfer to the defined contribution pension plan.....	<b>—</b>	(1,025)	<b>—</b>
Other.....	<b>—</b>	(48)	<b>—</b>
Fair value of plan assets at end of year.....	<b>133,461</b>	119,312	<b>1,202,351</b>
Funded status at the end of year.....	<b>¥ 9,664</b>	¥ 397	<b>\$ 87,063</b>

Amounts recognized in the consolidated balance sheets at March 31, 2021 and 2020 consist of:

	In millions of yen		In thousands of U.S. dollars
	March 31	2020	March 31
	2021	2020	2021
Prepaid pension and severance costs.....	<b>¥39,532</b>	¥31,790	<b>\$356,144</b>
Accrued pension and severance costs.....	<b>(29,868)</b>	(31,393)	<b>(269,081)</b>
Net amount recognized.....	<b>¥ 9,664</b>	¥ 397	<b>\$ 87,063</b>

Other changes in plan assets and benefit obligations recognized in other comprehensive income (loss) for the year ended March 31, 2021 are summarized as follows:

	In millions of yen	In thousands of U.S. dollars
	March 31	March 31
	2021	2021
Current year actuarial gain.....	<b>(¥5,928)</b>	<b>(\$53,405)</b>
Amortization of actuarial loss.....	<b>(429)</b>	<b>(3,865)</b>
Amortization of prior service benefit.....	<b>(25)</b>	<b>(225)</b>
	<b>(¥6,382)</b>	<b>(\$57,495)</b>

Amounts recognized in accumulated other comprehensive income (loss) at March 31, 2021 and 2020 consist of:

	In millions of yen		In thousands of U.S. dollars
	March 31	2020	March 31
	2021	2020	2021
Actuarial loss.....	<b>¥3,318</b>	¥9,675	<b>\$29,892</b>
Prior service benefit.....	<b>223</b>	248	<b>2,009</b>
Net amount recognized.....	<b>¥3,541</b>	¥9,923	<b>\$31,901</b>

The accumulated benefit obligation for the pension plan was ¥123,909 million (\$1,116,297 thousand) and ¥118,612 million at March 31, 2021 and 2020, respectively.

The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for the pension plans with projected benefit obligation and accumulated benefit obligation in excess of plan assets were ¥52,976 million (\$477,261 thousand), ¥53,088 million (\$478,270 thousand) and ¥24,200 million (\$218,018 thousand), respectively, at March 31, 2021, and ¥52,018 million, ¥51,714 million and ¥22,071 million, respectively, at March 31, 2020.

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, 2021 and 2020 are as follows:

	March 31	
	2021	2020
Discount rate.....	<b>0.4%</b>	0.4%
Rate of compensation increase.....	<b>2.5%</b>	2.5%
Interest crediting rate for cash balance plans.....	<b>0.1%</b>	5.5%

Weighted-average assumptions used to determine net pension and severance costs for the years ended March 31, 2021, 2020 and 2019 are as follows:

	Years ended March 31		
	2021	2020	2019
Discount rate.....	<b>0.4%</b>	0.3%	0.4%
Expected return on plan assets.....	<b>3.0%</b>	3.0%	3.0%
Rate of compensation increase.....	<b>2.5%</b>	2.2%	2.6%
Interest crediting rate for cash balance plans....	<b>0.1%</b>	5.5%	4.3%

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, 2021 and 2020. The three levels of inputs used to measure fair value are more fully described in Note 22.

	In millions of yen			
	March 31, 2021			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	¥ 4,464	¥ —	¥ —	¥ 4,464
Equity securities				
Japanese companies	4,060	—	424	4,484
Foreign companies	7	—	—	7
Debt securities				
Government bonds	1,182	47	—	1,229
Non-government bonds	—	—	—	—
Pooled funds	4,993	69,488	31,202	105,683
Call loans	—	2,158	—	2,158
Insurance contracts	—	15,256	—	15,256
Other	—	(313)	493	180
	¥14,706	¥86,636	¥32,119	¥133,461

\* The plan's government bonds are all 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 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 thousands of U.S. dollars			
	March 31, 2021			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 40,216	\$ —	\$ —	\$ 40,216
Equity securities				
Japanese companies	36,576	—	3,820	40,396
Foreign companies	63	—	—	63
Debt securities				
Government bonds	10,649	423	—	11,072
Non-government bonds	—	—	—	—
Pooled funds	44,982	626,018	281,099	952,099
Call loans	—	19,441	—	19,441
Insurance contracts	—	137,441	—	137,441
Other	—	(2,818)	4,441	1,623
	\$132,486	\$780,505	\$289,360	\$1,202,351

\* The plan's government bonds are all 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.

The following table represents the changes in Level 3 investments for the years ended March 31, 2021 and 2020.

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, 2021			
	Equity securities Japanese companies	Pooled funds	Other	Total
Balance at beginning of year	¥424	¥32,058	¥708	¥33,190
Actual return on plan assets:				
Relating to assets sold during the year	—	933	26	959
Relating to assets held at end of year	—	2,221	(25)	2,196
Purchases, sales and settlements, net	—	(917)	(216)	(1,133)
Transfer to (from) Level 3, net	—	(3,093)	—	(3,093)
Balance at end of year	¥424	¥31,202	¥493	¥32,119

	In millions of yen			
	Year ended March 31, 2020			
	Equity securities	Pooled funds	Other	Total
Japanese companies				
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 thousands of U.S. dollars			
	Year ended March 31, 2021			
	Equity securities	Pooled funds	Other	Total
Japanese companies				
Balance at beginning of year .....	\$3,820	\$288,811	\$6,378	\$299,009
Actual return on plan assets:				
Relating to assets sold during the year .....	—	8,405	234	8,639
Relating to assets held at end of year .....	—	20,009	(225)	19,784
Purchases, sales and settlements, net .....	—	(8,261)	(1,946)	(10,207)
Transfer to (from) Level 3, net .....	—	(27,865)	—	(27,865)
Balance at end of year .....	\$3,820	\$281,099	\$4,441	\$289,360

The Company expects to contribute ¥5,822 million (\$52,450 thousand) to its domestic defined benefit plans in the year ending March 31, 2022.

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

Years ending March 31	In thousands of	
	In millions of yen	U.S. dollars
2022 .....	¥ 5,891	\$ 53,072
2023 .....	6,326	56,991
2024 .....	6,583	59,306
2025 .....	6,383	57,505
2026 .....	6,307	56,820
2027–2031 .....	35,021	315,505

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, 2021, 2020 and 2019 were ¥2,276 million (\$20,505 thousand), ¥2,127 million and ¥1,963 million, respectively.

## 16. Exchange Gains and Losses

Other expenses for the years ended March 31, 2021, 2020 and 2019 includes net exchange losses of ¥243 million (\$2,189 thousand), ¥484 million and ¥169 million, respectively.

## 17. Income Taxes

Total income taxes for the years ended March 31, 2021, 2020 and 2019 are allocated as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2021	2020	2019	2021
Consolidated income taxes from continuing operations .....	¥47,598	¥40,835	¥35,012	\$428,811
Consolidated income taxes from discontinued operations .....	(561)	104	112	(5,054)
Shareholders' equity—accumulated other comprehensive income (loss):				
Unrealized gains on securities .....	214	(102)	139	1,928
Pension liability adjustments .....	1,977	(1,856)	(986)	17,811
Foreign currency translation adjustments .....	—	—	(662)	—
	¥49,228	¥38,981	¥33,615	\$443,496

The parent company and its domestic subsidiaries are subject to a number of income taxes. The statutory income tax rate in Japan was approximately 30.5 percent for the years ended March 31, 2021, 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
	2021	2020	2019	2021
Income taxes computed at statutory tax rate .....	¥44,251	¥40,550	¥39,058	\$398,658
Increase (decrease) resulting from:				
Provision of valuation allowance .....	1,705	273	215	15,360
Per capita tax .....	1,079	911	877	9,721
Reversal of valuation allowance .....	(1,052)	(1,172)	(3,903)	(9,478)
Net effect of changes in corporate tax rates .....	52	10	139	469
Other, net .....	1,563	263	(1,374)	14,081
Consolidated income taxes from continuing operations .....	¥47,598	¥40,835	¥35,012	\$428,811

The significant components of deferred tax assets and liabilities at March 31, 2021 and 2020 are as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2021	2020	2021
<b>Deferred tax assets:</b>			
Operating lease liabilities.....	¥ 43,427	¥ 44,235	\$ 391,234
Accrued pension and severance costs.....	8,535	9,243	76,892
Property, plant and equipment.....	6,701	7,064	60,369
Accrued bonus.....	6,542	6,460	58,937
Adjustment of book value at the date of acquisition			
Land and buildings.....	5,433	5,592	48,946
Other assets.....	388	392	3,495
Vacation accrual.....	5,496	5,002	49,514
Deferred revenue.....	4,868	5,696	43,856
Loss carryforwards.....	4,253	6,381	38,315
Investment securities.....	3,094	3,624	27,874
Unrealized intra-entity profit on assets.....	3,002	3,549	27,045
Allowance for doubtful accounts...	1,714	1,634	15,441
Intangible assets.....	1,355	1,507	12,207
Write-down on real estate inventories.....	—	317	—
Other.....	14,393	14,882	129,667
Gross deferred tax assets.....	109,201	115,578	983,792
Less: Valuation allowance.....	(17,357)	(20,103)	(156,369)
Total deferred tax assets.....	91,844	95,475	827,423
<b>Deferred tax liabilities:</b>			
Operating lease right-of-use assets.....	(43,427)	(44,235)	(391,234)
Prepaid pension and severance costs.....	(11,836)	(9,777)	(106,631)
Adjustment of book value at the date of acquisition			
Intangible assets.....	(7,373)	(8,081)	(66,423)
Land and buildings.....	(3,562)	(3,735)	(32,090)
Other assets.....	(762)	(861)	(6,865)
Unrealized gains on securities.....	(8,766)	(5,115)	(78,973)
Investments in affiliated companies.....	(6,582)	(6,223)	(59,297)
Deferred installation costs.....	(378)	(1,108)	(3,405)
Other.....	(3,294)	(3,703)	(29,676)
Gross deferred tax liabilities.....	(85,890)	(82,838)	(774,594)
Net deferred tax assets.....	¥ 5,864	¥ 12,637	\$ 52,829

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, 2021, 2020 and 2019 was a decrease of ¥2,746 million (\$24,739 thousand), and a decrease of ¥546 million and a decrease of ¥6,860 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, 2021 and 2020.

Net deferred tax assets (liabilities) at March 31, 2021 and 2020 are reflected in the accompanying consolidated balance sheets under the following captions:

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2021	2020	2021
Deferred income taxes (Other assets).....	¥19,334	¥25,769	\$174,180
Deferred income taxes (Long-term liabilities).....	(13,470)	(13,132)	(121,351)
Net deferred tax assets (liabilities).....	¥ 5,864	¥12,637	\$ 52,829

The Company has not recognized deferred tax liabilities for a portion of undistributed earnings of foreign subsidiaries of ¥37,530 million (\$338,108 thousand) totaling ¥660 million (\$5,946 thousand) at March 31, 2021 as they are not expected to be remitted in the foreseeable future.

At March 31, 2021, the operating loss carryforwards of domestic subsidiaries amounted to ¥8,747 million (\$78,802 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
2022.....	¥ 743	\$ 6,694
2023.....	1,251	11,270
2024.....	816	7,351
2025.....	1,238	11,153
2026.....	1,767	15,919
2027.....	781	7,036
2028.....	—	—
2029.....	187	1,685
2030.....	226	2,036
2031.....	1,738	15,658
	¥8,747	\$78,802

The operating loss carryforwards of overseas subsidiaries at March 31, 2021 amounted to ¥5,963 million (\$53,721 thousand), a part of which will begin to expire in the year ending March 31, 2022.

The total amount of unrecognized tax benefits for the years ended March 31, 2021, 2020 and 2019 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, 2021, 2020 and 2019.

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, 2021, the Company does not expect significant changes to the unrecognized tax benefits within the next 12 months.



The Company files tax returns in Japan and various foreign jurisdictions. In Japan, the Company is no longer subject to regular income tax examinations by the tax authorities for years before 2012. In other foreign tax jurisdictions, major subsidiaries are no longer subject to income tax examinations by tax authorities for years before 2020, 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, 2021, 2020 and 2019 are as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31	2020	2019	Year ended March 31
	2021			2021
Net income attributable to SECOM CO., LTD.....	<b>¥89,913</b>	¥87,136	¥89,686	<b>\$810,027</b>
Net transfers from (to) noncontrolling interests.....	<b>(82)</b>	1,506	26	<b>(739)</b>
Change from net income attributable to SECOM CO., LTD. and transfers from (to) noncontrolling interests.....	<b>¥89,831</b>	¥88,642	¥89,712	<b>\$809,288</b>

### (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 ¥673,721 million (\$6,069,559 thousand) at March 31, 2021.

Subsequent to March 31, 2021, the parent company's Board of Directors declared a year-end cash dividend of ¥85 (\$0.77) per share, totaling ¥18,552 million (\$167,135 thousand), to shareholders of record on March 31, 2021. The dividend declared was approved at the general shareholders' meeting held on June 25, 2021. 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, 2021, 2020 and 2019 are as follows:

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

### 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)

	In millions of yen		
	Pre-tax amount	Tax (expense) or benefit	Net-of-tax amount
<b>For the year ended March 31, 2019:</b>			
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 thousands of U.S. dollars		
	Pre-tax amount	Tax (expense) or benefit	Net-of-tax amount
<b>For the year ended March 31, 2021:</b>			
Unrealized gains on securities—			
Unrealized gains or losses arising during the period.....	\$10,748	(\$ 3,045)	\$ 7,703
Less: Reclassification adjustment for gains or losses realized in net income.....	(4,144)	1,117	(3,027)
Pension liability adjustments—			
Unrealized gains or losses arising during the period.....	53,813	(16,505)	37,308
Less: Reclassification adjustment for gains or losses realized in net income.....	4,198	(1,306)	2,892
Foreign currency translation adjustments.....	(36,513)	—	(36,513)
Less: Reclassification adjustment for gains or losses realized in net income.....	703	—	703
Other comprehensive income (loss).....	\$28,805	(\$19,739)	\$ 9,066

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, 2021, 2020 and 2019 are as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31	2020	2019	Year ended March 31
	2021	2020	2019	2021
Unrealized gains on securities—				
Net sales and operating revenue.....	(¥392)	(¥422)	(¥825)	(\$3,532)
Gain on sales of securities, net.....	67	82	(2)	604
Loss on other-than-temporary impairment of investment securities.....	(135)	(164)	4	(1,216)
Pension liability adjustments—				
Net periodic pension and severance costs (Note 15).....	454	184	172	4,090
Equity in net income of affiliated companies.....	¥ 12	¥ 47	¥ 32	\$ 108

#### 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, 2021 and 2020 is as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31	March 31	March 31
	2021	2020	2021
Buildings and improvements.....	¥11,013	¥ 9,546	\$ 99,216
Machinery, equipment and automobiles.....	35,945	35,117	323,829
Other intangible assets.....	36	98	324
Accumulated depreciation and amortization.....	(23,063)	(22,084)	(207,775)
	¥23,931	¥22,677	\$215,594

Depreciation and amortization expenses for assets under finance leases for the years ended March 31, 2021, 2020 and 2019 were ¥7,542 million (\$67,946 thousand), ¥7,530 million and ¥6,856 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, 2021:

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2022.....	¥ 7,658	\$ 68,991
2023.....	6,249	56,297
2024.....	4,845	43,649
2025.....	3,286	29,604
2026.....	1,879	16,928
Thereafter.....	12,494	112,559
Total minimum lease payments.....	36,411	328,028
Less: Amount representing interest.....	(9,410)	(84,775)
Present value of net minimum lease payments (Note 13).....	27,001	243,253
Less: Current portion.....	(7,050)	(63,513)
Long-term finance lease obligations.....	¥19,951	\$179,740

Operating lease expenses for the years ended March 31, 2021 and 2020 were ¥22,927 million (\$206,550 thousand) and ¥22,317 million, respectively.

Supplemental cash flow information is as follows:

	In millions of yen		In thousands of U.S. dollars
	Years ended March 31	Year ended March 31	Year ended March 31
	<b>2021</b>	2020	<b>2021</b>
Cash paid for amounts included in the measurement of operating lease liabilities.....	<b>¥21,845</b>	¥20,424	<b>\$196,802</b>
Right of use assets obtained in exchange for operating lease liabilities.....	<b>18,876</b>	12,421	<b>170,054</b>

The following is a schedule by year of the future minimum lease payments under operating leases at March 31, 2021:

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2022.....	¥ 20,484	\$ 184,541
2023.....	14,983	134,982
2024.....	10,728	96,649
2025.....	8,695	78,333
2026.....	7,799	70,261
Thereafter.....	86,203	776,604
Total minimum lease payments.....	148,892	1,341,370
Less: Amount representing interest.....	(8,392)	(75,604)
Present value of net minimum lease payments.....	¥140,500	\$1,265,766

The following is remaining lease term and discount rate under operating leases at March 31, 2021 and 2020:

	March 31, 2021	March 31, 2020
Weighted-average remaining lease term..	<b>190 months</b>	217 months
Weighted-average discount rate.....	<b>0.64%</b>	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, 2021 and 2020 is as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31	March 31	March 31
	<b>2021</b>	2020	<b>2021</b>
Total minimum lease payments to be received.....	<b>¥58,861</b>	¥60,638	<b>\$530,279</b>
Estimated executory cost.....	<b>(4,837)</b>	(4,975)	<b>(43,577)</b>
Unearned income.....	<b>(4,220)</b>	(4,116)	<b>(38,017)</b>
Lease receivables, net.....	<b>49,804</b>	51,547	<b>448,685</b>
Less: Current portion.....	<b>(16,532)</b>	(16,562)	<b>(148,937)</b>
Long-term lease receivables, net ...	<b>¥33,272</b>	¥34,985	<b>\$299,748</b>

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, 2021:

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2022.....	¥18,785	\$169,234
2023.....	15,230	137,207
2024.....	11,207	100,964
2025.....	7,331	66,045
2026.....	4,212	37,946
Thereafter.....	2,096	18,883
Total future minimum lease payments to be received.....	¥58,861	\$530,279

A summary of investment in property under operating leases and property held for lease at March 31, 2021 and 2020 is as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31	March 31	March 31
	<b>2021</b>	2020	<b>2021</b>
Land.....	<b>¥39,574</b>	¥35,395	<b>\$356,523</b>
Buildings and improvements.....	<b>34,714</b>	29,940	<b>312,739</b>
Other intangible assets.....	<b>662</b>	662	<b>5,964</b>
Accumulated depreciation and amortization.....	<b>(14,186)</b>	(13,540)	<b>(127,803)</b>
	<b>¥60,764</b>	¥52,457	<b>\$547,423</b>

The future minimum rentals under noncancelable operating leases at March 31, 2021 are as follows:

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2022.....	¥2,608	\$23,495
2023.....	421	3,793
2024.....	276	2,486
2025.....	186	1,676
2026.....	175	1,577
Thereafter.....	2,262	20,378
Total future minimum rentals.....	¥5,928	\$53,405

## 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, 2021 and 2020 are as follows:

	In millions of yen			
	2021		March 31, 2020	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Non-derivatives:				
Assets—				
Long-term receivables including current portion (Less allowance for doubtful accounts) ...	¥53,387	¥53,714	¥55,832	¥56,084
Liabilities—				
Long-term debt including current portion	68,949	68,947	62,238	62,239
Investment deposits by policyholders	19,829	20,582	21,516	22,388
Derivatives:				
Assets—				
Forward exchange contract (Other current assets) ...	—	—	—	—
Liabilities—				
Interest rate swaps (Other long-term liabilities)	1	1	4	4

	In thousands of U.S. dollars	
	March 31, 2021	
	Carrying amount	Estimated fair value
Non-derivatives:		
Assets—		
Long-term receivables including current portion (Less allowance for doubtful accounts)	\$480,964	\$483,910
Liabilities—		
Long-term debt including current portion	621,161	621,144
Investment deposits by policyholders	178,640	185,423
Derivatives:		
Assets—		
Forward exchange contract (Other current assets)	—	—
Liabilities—		
Interest rate swaps (Other long-term liabilities)	9	9

### 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, 2021 and 2020. Transfers between levels are recognized at the end of the respective reporting periods.

	In millions of yen			
	March 31, 2021			
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Cash equivalents.....	¥ 360	¥ —	¥ —	¥ 360
Short-term investments and investment securities .....	147,490	50,408	12,126	210,024
Derivatives (Other current assets).....	—	—	—	—
<b>Total assets .....</b>	<b>¥147,850</b>	<b>¥50,408</b>	<b>¥12,126</b>	<b>¥210,384</b>
<b>Liabilities:</b>				
Derivatives (Other long-term liabilities).....	¥ —	¥ 1	¥ —	¥ 1
<b>Total liabilities.....</b>	<b>¥ —</b>	<b>¥ 1</b>	<b>¥ —</b>	<b>¥ 1</b>

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

	In thousands of U.S. dollars			
	March 31, 2021			
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Cash equivalents.....	\$ 3,243	\$ —	\$ —	\$ 3,243
Short-term investments and investment securities .....	1,328,738	454,126	109,243	1,892,107
Derivatives (Other current assets).....	—	—	—	—
<b>Total assets .....</b>	<b>\$1,331,981</b>	<b>\$454,126</b>	<b>\$109,243</b>	<b>\$1,895,350</b>
<b>Liabilities:</b>				
Derivatives (Other long-term liabilities).....	\$ —	\$ 9	\$ —	\$ 9
<b>Total liabilities.....</b>	<b>\$ —</b>	<b>\$ 9</b>	<b>\$ —</b>	<b>\$ 9</b>

### 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, 2021 and 2020, amounting to ¥12,126 million (\$109,243 thousand) and ¥10,366 million, respectively, are primarily private equity investments. The valuation technique and significant unobservable inputs are as follows:

Valuation technique	Significant unobservable inputs	March 31, 2021
		Range
Discounted cash flows	Discount rate	4.75%–25%
	Exit timing	2021–2025
	EBITDA multiple	(23.2)x–16.4x
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

### 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, 2021 and 2020.

	In millions of yen		In thousands of U.S. dollars
	Years ended March 31		Year ended March 31
	2021	2020	2021
Balance at beginning of year .....	<b>¥10,366</b>	¥13,372	<b>\$ 93,387</b>
Total gains or losses (realized and unrealized):			
Included in earnings .....	<b>(396)</b>	93	<b>(3,568)</b>
Included in other comprehensive income.....	—	—	—
Purchases .....	<b>2,853</b>	3,017	<b>25,703</b>
Sales .....	<b>(26)</b>	(5,941)	<b>(234)</b>
Redemptions .....	—	—	—
Cancellation of contract.....	—	—	—
Foreign currency translation adjustments .....	<b>(671)</b>	(175)	<b>(6,045)</b>
Balance at end of year .....	<b>¥12,126</b>	¥10,366	<b>\$109,243</b>
Changes in unrealized gains or losses relating to instruments still held at end of year:			
Included in earnings .....	<b>(¥ 256)</b>	(¥ 4,030)	<b>( \$ 2,306)</b>

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

#### Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

For the year ended March 31, 2021, non-marketable equity securities with a carrying amount of ¥13,307 million (\$119,883 thousand) were written down to their fair value of ¥13,099 million (\$118,009 thousand), resulting in an other-than-temporary impairment charge of ¥208 million (\$1,874 thousand), which was included in earnings. For the year ended March 31, 2020, non-marketable equity securities with a carrying amount of ¥12,004 million were written down to their fair value of ¥11,911 million, resulting in an other-than-temporary impairment charge of ¥93 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, 2021 and 2020 are as follows:

#### Derivatives not designated as hedging instruments

Location	In millions of yen		In thousands of U.S. dollars	
	March 31		March 31	
	2021	2020	2021	
Assets:				
Forward exchange contract	Other current assets	¥—	¥—	\$—
Liabilities:				
Interest rate swaps	Other long-term liabilities	1	4	9

Effects of derivative instruments on the consolidated statements of income for the years ended March 31, 2021, 2020 and 2019 are as follows:

#### Derivatives not designated as hedging instruments

Location	In millions of yen			In thousands of U.S. dollars	
	Years ended March 31			Year ended March 31	
	2021	2020	2019	2021	
Forward exchange contract	Other income	¥—	¥—	¥—	\$—
Interest rate swaps	Other income	4	11	17	36

## 24. Commitments and Contingent Liabilities

The Company has commitments outstanding at March 31, 2021 for the purchase of property, plant and equipment of approximately ¥3,361 million (\$30,279 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 ¥372 million (\$3,351 thousand) at March 31, 2021. The carrying amounts of the liabilities recognized as the Company's obligations under these guarantees at March 31, 2021 and 2020 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, 2021 and 2020 are as follows:

	In millions of yen		In thousands of U.S. dollars
	Year ended March 31	Year ended March 31	Year ended March 31
	2021	2020	2021
Revenue recognized from contracts with customers.....	¥1,061,271	¥1,062,804	\$ 9,561,000
Revenue recognized from other sources.....	74,068	69,828	667,279
Total.....	¥1,135,339	¥1,132,632	\$10,228,279

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, 2021 and 2020 are as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31	March 31	March 31
	2021	2020	2021
Receivables*1.....	¥183,826	¥195,208	\$1,656,090
Contract assets*2.....	31,063	34,516	279,847
Contract liabilities*3.....	58,033	52,198	522,820

\*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 year ended March 31, 2021 that was included in the contract liability balance as of March 31, 2020 was ¥39,688 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, 2021 and 2020 are as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31	March 31	March 31
	2021	2020	2021
Due within 1 year.....	¥157,986	¥150,321	\$1,423,297
Due after 1 year.....	220,557	208,004	1,987,000
	¥378,543	¥358,325	\$3,410,297

## 26. Discontinued Operations

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

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

Discontinued operations for the years ended March 31, 2021, 2020 and 2019 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
	2021	2020	2019	2021
Net sales and operating revenue.....	¥12,892	¥28,075	¥24,245	\$116,144
Income (loss) from discontinued operations before income taxes.....	31	1,079	505	279
Loss on sales of discontinued operations.....	(3,162)	—	—	(28,486)
Income taxes.....	561	(104)	(112)	5,054
Income (loss) from discontinued operations, net of taxes.....	(2,570)	975	393	(23,153)
Attributable to noncontrolling interests....	—	—	—	—
Attributable to SECOM CO., LTD. ....	(2,570)	975	393	(23,153)

Income (loss) from discontinued operations, net of tax, by business segment for the years ended March 31, 2021, 2020 and 2019 is 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
	2021	2020	2019	2021
Security services.....	(¥ 666)	¥180	¥172	(\$ 6,000)
Real estate and other services.....	(1,904)	795	221	(17,153)
Income (loss) from discontinued operations, net of taxes.....	(2,570)	975	393	(23,153)

## 27. Supplemental Cash Flow Information

Supplemental cash flow information is as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2021	2020	2019	2021
Cash paid during the year for:				
Interest .....	¥ 1,117	¥ 1,044	¥ 1,114	\$ 10,063
Income taxes .....	43,904	40,584	52,021	395,532
Non-cash investing and financing activities:				
Additions to obligations under finance leases .....	7,311	7,568	7,225	65,865
Increase in land, buildings and improvements by offsetting long-term receivables .....	—	—	—	—
Significant acquisitions (Note 4)—				
Assets acquired .....	8,533	—	—	76,874
Liabilities assumed .....	(326)	—	—	(2,937)
Considerations for equity .....	8,207	—	—	73,937
Cash and cash equivalents on hand .....	(806)	—	—	(7,261)
Total considerations .....	¥ 7,401	¥ —	¥ —	\$ 66,676

## 28. Segment Information

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

The Company has seven reportable business segments: security services, fire protection services, medical services, insurance services, geospatial information services, BPO and ICT services, and 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 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, 2021, 2020 and 2019 is as follows:

(1) Business Segment Information

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2021	2020	2019	2021
Net sales and operating revenue:				
Security services—				
Customers .....	¥ 563,349	¥ 570,041	¥ 557,123	\$ 5,075,216
Intersegment .....	3,072	3,370	3,039	27,676
	566,421	573,411	560,162	5,102,892
Fire protection services—				
Customers .....	140,599	151,861	140,139	1,266,658
Intersegment .....	3,275	4,050	3,942	29,505
	143,874	155,911	144,081	1,296,163
Medical services—				
Customers .....	182,573	187,101	181,705	1,644,802
Intersegment .....	206	220	168	1,856
	182,779	187,321	181,873	1,646,658
Insurance services—				
Customers .....	58,291	43,515	41,637	525,144
Intersegment .....	3,084	3,413	3,120	27,784
	61,375	46,928	44,757	552,928
Geospatial information services—				
Customers .....	53,908	53,535	51,510	485,658
Intersegment .....	204	201	386	1,838
	54,112	53,736	51,896	487,496
BPO and ICT services—				
Customers .....	109,619	97,616	88,162	987,559
Intersegment .....	9,709	13,321	13,121	87,468
	119,328	110,937	101,283	1,075,027
Real estate and other services—				
Customers .....	27,000	28,963	27,079	243,242
Intersegment .....	1,087	1,271	1,786	9,793
	28,087	30,234	28,865	253,035
Total .....	1,155,976	1,158,478	1,112,917	10,414,199
Eliminations .....	(20,637)	(25,846)	(25,562)	(185,920)
Total net sales and operating revenue .....	¥1,135,339	¥1,132,632	¥1,087,355	\$10,228,279

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2021	2020	2019	2021
Operating income (loss):				
Security services .....	¥102,579	¥108,646	¥109,879	\$ 924,135
Fire protection services .....	13,091	17,817	14,188	117,937
Medical services .....	3,938	6,232	5,782	35,477
Insurance services .....	9,309	(4,319)	(4,856)	83,865
Geospatial information services .....	4,443	3,030	1,878	40,027
BPO and ICT services .....	13,636	10,624	9,390	122,847
Real estate and other services .....	5,422	5,336	4,947	48,847
Total .....	152,418	147,366	141,208	1,373,135
Corporate expenses and eliminations .....	(16,609)	(17,739)	(17,901)	(149,630)
Operating income .....	¥135,809	¥129,627	¥123,307	\$1,223,505
Other income .....	12,121	9,803	11,059	109,198
Other expenses .....	(2,845)	(6,474)	(6,308)	(25,631)
Income from continuing operations before income taxes .....	¥145,085	¥132,956	¥128,058	\$1,307,072
Assets:				
Security services .....	¥ 915,768	¥ 853,101		\$ 8,250,162
Fire protection services .....	180,083	175,854		1,622,369
Medical services .....	202,191	201,449		1,821,541
Insurance services .....	242,071	231,650		2,180,820
Geospatial information services .....	72,703	68,516		654,982
BPO and ICT services .....	245,129	243,152		2,208,369
Real estate and other services .....	109,670	137,425		988,018
Total .....	1,967,615	1,911,147		17,726,261
Corporate items .....	103,059	105,473		928,459
Investments in affiliated companies .....	67,132	64,500		604,796
Total assets .....	¥2,137,806	¥2,081,120		\$19,259,516

	In millions of yen			In thousands of U.S. dollars
	2021	2020	2019	2021
Depreciation and amortization:				
Security services .....	<b>¥41,360</b>	¥50,383	¥49,409	<b>\$372,612</b>
Fire protection services .....	<b>2,662</b>	2,537	2,375	<b>23,982</b>
Medical services .....	<b>8,496</b>	8,321	8,684	<b>76,541</b>
Insurance services .....	<b>2,556</b>	2,290	1,792	<b>23,027</b>
Geospatial information services .....	<b>1,665</b>	1,700	2,249	<b>15,000</b>
BPO and ICT services .....	<b>9,647</b>	10,644	9,075	<b>86,910</b>
Real estate and other services .....	<b>909</b>	842	953	<b>8,189</b>
Total .....	<b>67,295</b>	76,717	74,537	<b>606,261</b>
Corporate items .....	<b>868</b>	857	763	<b>7,820</b>
Total depreciation and amortization .....	<b>¥68,163</b>	¥77,574	¥75,300	<b>\$614,081</b>
Capital expenditure:				
Security services .....	<b>¥44,525</b>	¥44,930	¥48,451	<b>\$401,126</b>
Fire protection services .....	<b>5,249</b>	2,569	2,269	<b>47,288</b>
Medical services .....	<b>4,057</b>	8,778	4,750	<b>36,550</b>
Insurance services .....	<b>1,936</b>	4,440	2,972	<b>17,441</b>
Geospatial information services .....	<b>2,052</b>	2,987	2,420	<b>18,486</b>
BPO and ICT services .....	<b>6,824</b>	12,894	9,085	<b>61,477</b>
Real estate and other services .....	<b>3,532</b>	2,121	4,550	<b>31,820</b>
Total .....	<b>68,175</b>	78,719	74,497	<b>614,188</b>
Corporate items .....	<b>486</b>	1,116	1,291	<b>4,378</b>
Total capital expenditures .....	<b>¥68,661</b>	¥79,835	¥75,788	<b>\$618,566</b>

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
	2021	2020	2019	2021
Electronic security services .....	<b>¥347,407</b>	¥347,209	¥344,362	<b>\$3,129,794</b>
Other security services:				
Static guard services .....	<b>69,370</b>	70,054	66,289	<b>624,954</b>
Armored car services .....	<b>62,841</b>	63,602	62,417	<b>566,132</b>
Merchandise and other .....	<b>83,731</b>	89,176	84,055	<b>754,336</b>
Total security services .....	<b>¥563,349</b>	¥570,041	¥557,123	<b>\$5,075,216</b>

## (2) Geographic Segment Information

Net sales and operating revenue attributed to countries based on the geographical location of customers for the years ended March 31, 2021, 2020 and 2019 and long-lived assets as of March 31, 2021 and 2020 were as follows:

	In millions of yen			In thousands of U.S. dollars
	2021	2020	2019	2021
Net sales and operating revenue:				
Japan .....	<b>¥1,091,216</b>	¥1,083,446	¥1,038,978	<b>\$ 9,830,774</b>
Other .....	<b>44,123</b>	49,186	48,377	<b>397,505</b>
Total .....	<b>¥1,135,339</b>	¥1,132,632	¥1,087,355	<b>\$10,228,279</b>
Long-lived assets:				
Japan .....	<b>¥771,547</b>	¥772,155		<b>\$6,950,874</b>
Other .....	<b>13,711</b>	13,122		<b>123,523</b>
Total .....	<b>¥785,258</b>	¥785,277		<b>\$7,074,397</b>

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

## 29. Subsequent Events

Making a wholly owned subsidiary through Tender Offer and Share Exchange

### (1) Purpose of Tender Offer and Share Exchange

The Company resolved by the meeting of its board of directors on May 28, 2021 to acquire the ordinary shares (the "Target Company Share") of SECOM JOSHINETSU CO., LTD. (listed on the Second Section of the Tokyo Stock Exchange, Inc., securities code 4342, hereinafter the "Target Company") by tender offer (the "Tender Offer") pursuant to the Financial Instruments and Exchange Act (Act No. 25 of 1948, as amended), since it intends to make the Target Company a wholly owned subsidiary. And the Company completed the Tender Offer from May 31, 2021 to July 9, 2021, and acquired Target Company Share as below. And the Company resolved by the meeting of its board of directors on August 6, 2021 to implement a share exchange (the "Share Exchange") in which the Company will become a wholly owning parent company in share exchange and Target Company will become a wholly owned subsidiary in share exchange and the companies executed a share exchange agreement (the "Share Exchange Agreement") pertaining to the Share Exchange between the companies. While the Company planned to carry out procedures to acquire all Target Company Share by executing the Share Exchange Agreement after completion of the Tender Offer in case it failed to acquire all Target Company Share, since the Company failed to acquire all Target Company Share, the Company and the Target Company decided to make the Target Company a wholly owned subsidiary of the Company by the Share Exchange.

### (2) Overview of the Tender Offer

1. Class of Share to be Purchased  
Ordinary share
2. Tender Offer Period  
From May 31, 2021 (Monday) to July 9, 2021 (Friday)  
(30 Business Days)
3. Purchase Price  
JPY 6,350 per ordinary share

### (3) Result of the Tender Offer

1. Outcome of the Tender Offer  
As the maximum and minimum numbers of shares to be purchased had not been set in the Tender Offer, the Company purchased all Tendered Shares.
2. Number of Purchased Shares  
4,374,192 ordinary shares
3. Ownership Ratio of Shares due to Purchase  
88.03%
4. Total Purchase Price  
JPY 27,776,119,200

## (4) Summary of the Share Exchange

### 1. Schedule of the Share Exchange

Date of Public Notice for Base Date of Extraordinary Shareholders Meeting (SECOM JOSHINETSU)	July 16, 2021
Base Date of Extraordinary Shareholders Meeting (SECOM JOSHINETSU)	July 31, 2021
Date of Board of Directors' resolution to enter into the Share Exchange Agreement (both companies)	August 6, 2021
Date of Share Exchange Agreement (both companies)	August 6, 2021
Date of Extraordinary Shareholders Meeting to Approve the Share Exchange (SECOM JOSHINETSU)	September 27, 2021 (tentative)
Last trading day (SECOM JOSHINETSU)	October 27, 2021 (tentative)
Delisting day (SECOM JOSHINETSU)	October 28, 2021 (tentative)
Effective date of the Share Exchange	November 1, 2021 (tentative)

Note: Schedule above is subject to change by agreement of both companies.

### 2. Method of the Share Exchange

In the Share Exchange, the Company will become a wholly owning parent company in share exchange and the Target Company will become a wholly owned subsidiary in share exchange. The Share Exchange will be implemented with setting November 1, 2021 as the effective date of the Share Exchange, for the Company, without obtaining the approval by the shareholder meeting by way of the simplified share exchange as set forth in the main paragraph of Article 796, Paragraph 2 of the Companies Act and the Target Company will obtain the approval for execution of the Share Exchange Agreement in its extraordinary shareholder meeting to be held on September 27, 2021. The effective date of the Share Exchange is subject to change by agreement of both companies.

### 3. Allotment of shares in the Share Exchange

	SECOM (wholly owning parent company in share exchange)	SECOM JOSHINETSU (wholly owned subsidiary in share exchange)
Allotment ratio pertaining to the Share Exchange	1	0.74
Number of shares allotted by the Share Exchange	Ordinary shares of SECOM: 1,139,286 shares (tentative)	

Note: The Company allots 0.74 ordinary shares per 1 Target Company Share. No shares will be allotted in the Share Exchange to Target Company Share (11,325,244 shares as of August, 6, 2021) that the Company owns on effective date of the Share Exchange.

**(5) Basis of Valuation of the Share Exchange Ratio**

After deliberate discussion and consideration with the Target Company based on the valuation report for share exchange ratio submitted by SMBC Nikko Securities Inc. as the financial advisor and the third party valuation organization being independent from the Company and the Target Company and based on advice from URYU & ITOGA as its legal advisor, SECOM made a decision that the Share Exchange would not hamper the interest of shareholders of the Company and the Target Company, thus leading to the conclusion that it is reasonable to implement the Share Exchange at the Share Exchange Ratio.

**(6) Outline of the Target Company**

<u>Wholly owned subsidiary in share exchange</u>	
Name:	SECOM JOSHINETSU CO.,LTD.
Location:	1-10, Shinkocho, Chuo-ku, Niigata
Name and title of representative:	Representative Director & President Mr. Yoshinori Yamanaka
Business:	Security business centering around online security system and other business
Capital:	JPY 3,530,020,000
Date of incorporation:	May 25, 1967

# Independent Auditors' Report

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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, 2021 and 2020, 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, 2021, 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, 2021 and 2020 and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2021, 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, 2021 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  
August 31, 2021

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# Summary of Selected Financial Data

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

	In millions of yen					
	2021	2020	2019	2018	2017	2016
<b>Composition of consolidated net sales and operating revenue by segment</b>						
Net sales and operating revenue.....	<b>¥1,135,339</b>	¥1,132,632	¥1,087,355	¥1,058,568	¥1,004,094	¥961,202
Security services: .....	<b>563,349</b>	570,041	557,123	555,444	536,897	498,385
As a percentage of net sales and operating revenue .....	<b>49.6%</b>	50.3%	51.2%	52.4%	53.4%	51.9%
Electronic security services.....	<b>347,407</b>	347,209	344,362	341,207	338,797	330,894
As a percentage of net sales and operating revenue .....	<b>30.6</b>	30.7	31.7	32.2	33.7	34.4
Other security services—						
Static guard services .....	<b>69,370</b>	70,054	66,289	59,054	56,438	55,925
As a percentage of net sales and operating revenue .....	<b>6.1</b>	6.2	6.1	5.6	5.6	5.8
Armored car services.....	<b>62,841</b>	63,602	62,417	61,089	57,873	32,990
As a percentage of net sales and operating revenue .....	<b>5.5</b>	5.6	5.7	5.8	5.8	3.4
Subtotal.....	<b>132,211</b>	133,656	128,706	120,143	114,311	88,915
Merchandise and other .....	<b>83,731</b>	89,176	84,055	94,094	83,789	78,576
As a percentage of net sales and operating revenue .....	<b>7.4</b>	7.9	7.7	8.9	8.3	8.2
Fire protection services.....	<b>140,599</b>	151,861	140,139	136,559	126,232	131,743
As a percentage of net sales and operating revenue .....	<b>12.4</b>	13.4	12.9	12.9	12.6	13.7
Medical services.....	<b>182,573</b>	187,101	181,705	175,318	168,819	163,538
As a percentage of net sales and operating revenue .....	<b>16.1</b>	16.5	16.7	16.6	16.8	17.0
Insurance services .....	<b>58,291</b>	43,515	41,637	44,683	43,780	40,654
As a percentage of net sales and operating revenue .....	<b>5.1</b>	3.8	3.8	4.2	4.4	4.2
Geospatial information services .....	<b>53,908</b>	53,535	51,510	50,906	51,609	52,553
As a percentage of net sales and operating revenue .....	<b>4.7</b>	4.7	4.7	4.8	5.1	5.5
BPO and ICT services.....	<b>109,619</b>	97,616	88,162	69,713	49,741	48,368
As a percentage of net sales and operating revenue .....	<b>9.7</b>	8.6	8.1	6.6	5.0	5.0
Real estate and other services.....	<b>27,000</b>	28,963	27,079	25,945	27,016	25,961
As a percentage of net sales and operating revenue .....	<b>2.4</b>	2.6	2.5	2.5	2.7	2.7
<b>Net income attributable to SECOM CO., LTD., cash dividends and SECOM CO., LTD. shareholders' equity</b>						
Net income attributable to SECOM CO., LTD. ....	<b>¥ 89,913</b>	¥ 87,136	¥ 89,686	¥ 96,623	¥ 91,387	¥ 84,072
Cash dividends paid <sup>(2)</sup> .....	<b>37,104</b>	37,104	34,922	32,738	30,557	28,373
SECOM CO., LTD. shareholders' equity .....	<b>1,142,323</b>	1,088,738	1,044,184	1,000,277	929,242	865,278
<b>Consolidated financial ratios</b>						
Percentage of working capital accounted for by:						
Debt—						
Bank loans.....	<b>2.7</b>	3.3	3.4	3.5	4.0	5.6
Current portion of long-term debt .....	<b>1.2</b>	1.5	1.6	1.7	1.9	1.8
Straight bonds.....	<b>0.3</b>	0.3	0.4	0.5	0.7	0.8
Other long-term debt.....	<b>4.0</b>	3.4	3.6	4.1	4.5	5.3
Total debt .....	<b>8.3</b>	8.5	8.9	9.8	11.1	13.5
SECOM CO., LTD. shareholders' equity.....	<b>91.7</b>	91.5	91.1	90.2	88.9	86.5
Total capitalization.....	<b>100.0</b>	100.0	100.0	100.0	100.0	100.0
Return on total assets (percentage) <sup>(a)</sup> .....	<b>4.2</b>	4.2	4.8	5.3	5.2	5.0
Return on equity (percentage) <sup>(b)</sup> .....	<b>7.9</b>	8.0	8.6	9.7	9.8	9.7
Percentage of net sales and operating revenue absorbed by <sup>(c)</sup> :						
Depreciation and amortization .....	<b>6.9</b>	5.7	6.8	7.3	7.6	7.4
Rental expense under operating leases .....	<b>2.6</b>	2.4	2.5	2.3	2.5	2.5
Ratio of accumulated depreciation to depreciable assets (percentage) .....						
.....	<b>66.6</b>	65.3	65.4	64.6	63.2	62.8
Net property turnover (times) <sup>(c)</sup> .....	<b>2.65</b>	2.73	2.67	2.63	2.49	2.38
Before-tax interest coverage (times) <sup>(c) (d)</sup> .....	<b>125.2</b>	117.5	109.6	123.0	107.1	89.2

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

	2021	2020	2019	2018	2017	2016
<b>Number of shares outstanding</b>						
Issued.....	<b>233,295,926</b>	233,293,998	233,292,219	233,290,441	233,288,717	233,288,717
Owned by SECOM CO., LTD. ....	<b>15,034,565</b>	15,033,588	15,031,867	15,030,573	15,028,470	15,026,824
Balance.....	<b>218,261,361</b>	218,260,410	218,260,352	218,259,868	218,260,247	218,261,893
<b>Per share information:</b>						
Net income attributable to SECOM CO., LTD. per share (in yen) <sup>(1)</sup> .....	<b>¥ 411.95</b>	¥ 399.23	¥ 410.91	¥ 442.70	¥ 418.71	¥ 385.19
Cash dividends paid per share (in yen) <sup>(2)</sup> .....	<b>170.00</b>	170.00	160.00	150.00	140.00	130.00
SECOM CO., LTD. shareholders' equity per share (in yen) <sup>(3)</sup> .....	<b>5,233.74</b>	4,988.25	4,784.12	4,582.96	4,257.50	3,964.40
Cash flow per share (in yen) <sup>(1)(e)</sup> .....	<b>602.60</b>	533.88	590.91	649.44	631.91	582.27
Price/Book value ratio.....	<b>1.78</b>	1.80	1.98	1.73	1.87	2.11
Price/Earnings ratio .....	<b>22.61</b>	22.48	23.08	17.89	19.03	21.72
Price/Cash flow ratio.....	<b>15.45</b>	16.81	16.05	12.20	12.61	14.37
Stock price at year-end (in yen) .....	<b>9,313</b>	8,974	9,482	7,920	7,969	8,366

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, 2021, cash dividends of ¥18,552 million (¥85 per share) were approved at the general shareholders' meeting on June 25, 2021 (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

<b>SHAREHOLDER INFORMATION</b>	<b>2021</b>	2020	2019	2018	2017	2016
Number of shareholders.....	<b>21,739</b>	23,297	24,023	26,809	25,200	24,975
Common shares held by:						
Financial institutions.....	<b>39.44%</b>	38.65%	37.14%	35.94%	35.05%	32.50%
Securities firms.....	<b>2.81</b>	1.95	3.30	1.63	3.89	3.52
Other domestic corporations.....	<b>2.45</b>	2.50	2.46	2.53	2.51	2.92
Foreign investors.....	<b>41.55</b>	42.76	42.74	44.85	43.42	44.46
Individuals and others.....	<b>7.31</b>	7.70	7.92	8.61	8.69	10.16
Treasury stock.....	<b>6.44</b>	6.44	6.44	6.44	6.44	6.44
Total.....	<b>100.00%</b>	100.00%	100.00%	100.00%	100.00%	100.00%

<b>PRICE INFORMATION (TOKYO STOCK EXCHANGE)</b>		Price per share (in yen)		Nikkei Stock Average (in yen)	
		High	Low	High	Low
2019	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
	April–June.....	9,700	8,240	23,178.10	17,818.72
	July–September.....	10,330	9,061	23,559.30	21,710.00
	October–December.....	10,625	8,735	27,568.15	22,977.13
2021	January–March.....	10,265	9,073	30,467.75	27,055.94

## COMMON STOCK ISSUES

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

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.

# CONSOLIDATED FINANCIAL DATA

(BASED ON JAPANESE GAAP) [REFERENCE]

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## Condensed Consolidated Balance Sheets (Based on Japanese GAAP)

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

	In millions of yen					
ASSETS	2021	2020	2019	2018	2017	2016
<b>Current assets:</b>						
Cash on hand and in banks.....	¥ 499,247	¥ 414,199	¥ 350,319	¥ 317,267	¥ 302,364	¥ 228,458
Cash deposits for armored car services.....	138,889	140,905	142,335	135,808	130,619	128,267
Notes and accounts receivable, trade.....	132,886	141,609	133,659	129,984	119,801	122,048
Due from subscribers.....	39,980	40,745	41,616	35,272	33,090	31,812
Short-term investments.....	21,579	32,442	25,382	17,360	29,387	34,448
Lease receivables and investments in leased assets.....	41,511	42,768	41,826	45,544	43,974	39,542
Merchandise and products.....	14,289	13,862	14,146	12,321	11,915	13,099
Real estate inventories.....	186	4,930	5,864	4,766	5,223	3,527
Work in process.....	4,880	5,237	5,872	5,057	4,913	5,557
Costs on uncompleted construction contracts.....	7,524	10,780	10,971	10,441	8,979	9,070
Work in process for real estate inventories.....	—	21,806	30,743	39,688	22,283	23,024
Raw materials and supplies.....	11,003	10,927	10,398	8,849	8,385	8,579
Deferred income taxes.....	—	—	—	—	14,003	12,728
Short-term loans receivable.....	3,053	4,525	4,398	5,196	4,942	4,086
Other.....	28,714	31,400	31,000	26,352	23,684	27,375
Allowance for doubtful accounts.....	(1,715)	(1,677)	(1,775)	(1,818)	(1,766)	(1,883)
Total current assets.....	942,033	914,465	846,759	792,094	761,804	689,744
<b>Fixed assets:</b>						
Tangible assets:						
Buildings and improvements, net.....	152,770	153,307	148,693	148,622	150,254	148,828
Security equipment and control stations, net.....	74,704	74,309	71,715	70,872	69,569	71,447
Land.....	120,876	117,720	116,876	114,287	116,825	116,613
Other, net.....	43,424	40,970	41,115	39,907	39,886	39,415
Total tangible assets.....	391,775	386,308	378,401	373,689	376,536	376,305
Intangible assets.....	120,277	124,767	128,215	131,028	112,131	119,505
Investments and others:						
Investment securities.....	272,123	252,299	269,575	280,659	280,974	264,400
Long-term loans receivable.....	33,301	34,351	35,284	35,284	38,403	39,401
Net defined benefit asset.....	39,532	31,789	38,488	41,409	35,282	30,796
Deferred income taxes.....	25,085	31,554	27,469	21,658	9,592	8,602
Other.....	53,588	52,232	53,952	52,332	51,436	54,978
Allowance for doubtful accounts.....	(13,538)	(12,647)	(13,042)	(13,033)	(15,990)	(15,698)
Total investments and others.....	410,093	389,580	411,728	418,311	399,698	382,482
Total fixed assets.....	922,145	900,656	918,346	923,029	888,367	878,293
Deferred assets.....	—	—	—	—	4	14
<b>Total assets.....</b>	<b>¥1,864,179</b>	<b>¥1,815,121</b>	<b>¥1,765,105</b>	<b>¥1,715,123</b>	<b>¥1,650,176</b>	<b>¥1,568,052</b>

In millions of yen

LIABILITIES	2021	2020	2019	2018	2017	2016
Notes and accounts payable, trade .....	¥ 42,858	¥ 47,409	¥ 45,826	¥ 43,929	¥ 44,635	¥ 41,794
Bank loans .....	33,806	38,364	39,126	41,558	44,969	55,283
Current portion of straight bonds .....	439	2,916	2,009	795	1,460	2,582
Lease obligations .....	4,730	4,702	4,875	4,932	4,752	4,724
Payables—other .....	42,215	42,927	42,645	40,102	37,469	38,376
Accrued income taxes .....	23,440	24,740	22,767	25,896	27,557	22,341
Accrued consumption taxes .....	12,652	11,666	7,209	7,959	5,765	6,611
Accrued expenses .....	7,828	7,294	7,329	7,084	5,315	5,562
Deposits received for armored car services .....	119,334	118,302	121,086	113,830	107,878	101,306
Deferred revenue .....	30,192	31,224	30,438	30,309	30,552	31,389
Accrued bonuses .....	18,298	18,213	17,255	16,209	15,447	15,524
Provision for losses on construction contracts .....	1,820	2,391	2,913	2,436	2,532	1,397
Other .....	23,488	24,129	25,975	22,499	25,596	20,738
Total current liabilities .....	361,106	374,284	369,458	357,544	353,933	347,633
<b>Long-term liabilities:</b>						
Straight bonds .....	3,899	4,143	4,702	5,322	7,003	8,251
Long-term loans .....	10,444	8,674	10,063	12,721	14,123	20,033
Lease obligations .....	12,854	11,865	11,960	11,902	11,777	11,954
Guarantee deposits received .....	30,694	32,632	32,955	33,181	33,907	35,002
Deferred income taxes .....	7,314	7,866	8,735	14,217	21,943	14,026
Accrued retirement benefits for directors and audit and supervisory board members .....	793	794	1,046	1,421	1,306	1,387
Net defined benefit liability .....	22,098	23,710	22,953	21,849	22,428	22,816
Investment deposits by policyholders, unearned premiums and other insurance liabilities .....	181,014	174,602	172,866	172,345	166,155	159,636
Other .....	4,134	4,052	4,406	3,403	4,342	4,166
Total long-term liabilities .....	273,248	268,343	269,691	276,366	282,989	277,274
Total liabilities .....	634,355	642,627	639,150	633,910	636,922	624,907
<b>NET ASSETS</b>						
<b>Shareholders' equity:</b>						
Common stock .....	¥ 66,410	¥ 66,401	¥ 66,392	¥ 66,385	¥ 66,377	¥ 66,377
Capital surplus .....	81,801	81,874	80,360	80,328	80,297	80,326
Retained earnings .....	998,405	960,828	908,852	851,764	797,493	743,353
Common stock in treasury, at cost .....	(73,785)	(73,775)	(73,759)	(73,748)	(73,731)	(73,717)
Total shareholders' equity .....	1,072,832	1,035,328	981,846	924,729	870,437	816,340
<b>Accumulated other comprehensive income:</b>						
Unrealized gains on securities .....	22,122	12,095	18,157	23,759	25,125	19,964
Deferred losses on hedges .....	(11)	(15)	(21)	(24)	(30)	(40)
Foreign currency translation adjustments .....	(17,011)	(13,388)	(10,683)	(5,774)	(7,954)	(2,196)
Remeasurements of defined benefit plans, net of taxes .....	4,247	1,096	6,421	9,933	4,423	(783)
Total accumulated other comprehensive income .....	9,346	(212)	13,873	27,894	21,563	16,944
<b>Noncontrolling interests</b> .....	147,645	137,378	130,234	128,589	121,253	109,859
Total net assets .....	1,229,824	1,172,494	1,125,954	1,081,213	1,013,253	943,144
<b>Total liabilities and net assets</b> .....	¥1,864,179	¥1,815,121	¥1,765,105	¥1,715,123	¥1,650,176	¥1,568,052

## Condensed Consolidated Statements of Income (Based on Japanese GAAP)

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

	In millions of yen					
	2021	2020	2019	2018	2017	2016
Revenue	<b>¥1,035,898</b>	¥1,060,070	¥1,013,823	¥970,624	¥928,098	¥881,028
<i>Percentage change from prior year</i> .....	<b>(2.3)%</b>	4.6%	4.5%	4.6%	5.3%	4.8%
Costs of revenue .....	<b>705,326</b>	722,546	692,211	652,673	621,412	586,539
<i>As a percentage of revenue</i> .....	<b>68.1</b>	68.2	68.3	67.2	67.0	66.6
Gross profit .....	<b>330,571</b>	337,523	321,611	317,950	306,686	294,488
<i>As a percentage of revenue</i> .....	<b>31.9</b>	31.8	31.7	32.8	33.0	33.4
Selling, general and administrative expenses .....	<b>193,645</b>	194,664	191,397	182,502	175,636	165,906
<i>As a percentage of revenue</i> .....	<b>18.7</b>	18.4	18.9	18.8	18.9	18.8
Operating profit .....	<b>136,925</b>	142,858	130,213	135,448	131,050	128,582
<i>As a percentage of revenue</i> .....	<b>13.2</b>	13.5	12.8	14.0	14.1	14.6
Non-operating income .....	<b>11,554</b>	13,778	19,646	13,152	22,371	11,380
Non-operating expenses .....	<b>9,489</b>	5,281	4,970	4,281	6,388	5,136
Ordinary profit .....	<b>138,990</b>	151,356	144,889	144,318	147,033	134,826
<i>As a percentage of revenue</i> .....	<b>13.4</b>	14.3	14.3	14.9	15.8	15.3
Extraordinary profit .....	<b>352</b>	3,471	1,909	2,471	516	1,584
Extraordinary losses .....	<b>10,499</b>	6,971	2,838	2,545	5,697	15,003
Income before income taxes .....	<b>128,843</b>	147,855	143,960	144,245	141,852	121,408
<i>As a percentage of revenue</i> .....	<b>12.4</b>	13.9	14.2	14.9	15.3	13.8
Income taxes—current .....	<b>43,023</b>	45,488	47,001	54,811	43,326	39,150
Income taxes—deferred .....	<b>(68)</b>	128	(7,808)	(9,314)	2,369	(526)
Net income .....	<b>85,888</b>	102,238	104,766	98,748	96,156	82,784
Net income attributable to noncontrolling interests .....	<b>11,207</b>	13,158	12,757	11,755	11,986	5,745
Net income attributable to owners of the parent .....	<b>74,681</b>	89,080	92,009	86,993	84,170	77,039
<i>As a percentage of revenue</i> .....	<b>7.2</b>	8.4	9.1	9.0	9.1	8.7
<i>Percentage change from prior year</i> .....	<b>(16.2)</b>	(3.2)	5.8	3.4	9.3	2.2

## Consolidated Statements of Comprehensive Income (Based on Japanese GAAP)

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

	In millions of yen					
	2021	2020	2019	2018	2017	2016
Net income .....	<b>¥85,888</b>	¥102,238	¥104,766	¥ 98,748	¥ 96,156	¥ 82,784
Other comprehensive income (losses):						
Unrealized gains (losses) on securities .....	<b>10,451</b>	(6,288)	(5,740)	(1,649)	5,324	(7,103)
Deferred gains (losses) on hedges .....	<b>—</b>	—	(0)	0	—	—
Foreign currency translation adjustments .....	<b>(4,485)</b>	(1,236)	(2,616)	(1,003)	(3,539)	(1,616)
Remeasurements of defined benefit plans .....	<b>3,715</b>	(5,695)	(3,056)	5,595	4,698	(6,163)
Share of other comprehensive income (losses) of affiliated companies accounted for under the equity method .....	<b>525</b>	(1,468)	(3,439)	3,876	(1,327)	(2,743)
Total other comprehensive income (losses) .....	<b>10,206</b>	(14,688)	(14,853)	6,819	5,155	(17,626)
Comprehensive income .....	<b>96,095</b>	87,550	89,913	105,568	101,312	65,157
Comprehensive income attributable to:						
Owners of the parent company .....	<b>84,240</b>	74,994	77,988	93,323	88,789	61,168
Noncontrolling interests .....	<b>11,854</b>	12,555	11,924	12,244	12,522	3,989

# NONCONSOLIDATED FINANCIAL DATA

(BASED ON JAPANESE GAAP) [REFERENCE]

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## Condensed Nonconsolidated Balance Sheets (Based on Japanese GAAP)

SECOM CO., LTD.  
As of March 31

	In millions of yen					
ASSETS	2021	2020	2019	2018	2017	2016
<b>Current assets:</b>						
Cash on hand and in banks.....	¥224,817	¥164,370	¥120,815	¥ 85,009	¥ 87,387	¥ 45,433
Cash deposits for armored car services.....	37,273	36,730	39,504	38,347	37,869	40,877
Notes receivable.....	360	586	723	523	621	592
Due from subscribers.....	18,046	18,241	17,931	17,286	16,480	16,229
Accounts receivable, trade.....	10,802	12,280	11,516	10,995	10,650	10,996
Receivables—other.....	4,249	4,353	4,714	4,387	3,088	4,454
Short-term investments.....	—	1,499	—	—	—	3,444
Merchandise.....	7,300	7,144	7,047	5,628	5,312	6,453
Supplies.....	2,356	2,111	1,686	1,767	1,722	1,676
Prepaid expenses.....	2,483	2,432	2,599	2,556	2,323	2,172
Deferred income taxes.....	—	—	—	—	3,710	3,736
Short-term loans receivable.....	22,123	42,473	35,250	28,017	27,539	22,255
Other.....	8,568	9,208	4,530	1,712	1,804	1,698
Allowance for doubtful accounts.....	(70)	(89)	(101)	(105)	(117)	(152)
<b>Total current assets.....</b>	<b>338,310</b>	<b>301,340</b>	<b>246,218</b>	<b>196,128</b>	<b>198,394</b>	<b>159,867</b>
<b>Fixed assets:</b>						
Tangible assets:						
Buildings and improvements, net.....	16,283	17,427	16,263	16,160	16,282	16,572
Automobiles, net.....	557	492	501	611	709	795
Security equipment and control stations, net.....	71,042	71,533	69,049	67,746	65,997	67,624
Machinery and equipment, net.....	105	114	143	162	179	170
Tools, furniture and fixtures, net.....	3,812	4,193	3,566	2,861	3,173	3,424
Land.....	22,249	22,281	21,952	22,077	21,978	22,015
Construction in progress.....	4,457	3,433	4,721	4,812	2,195	1,564
Other, net.....	1,623	1,725	1,827	72	69	18
<b>Total tangible assets.....</b>	<b>120,132</b>	<b>121,203</b>	<b>118,025</b>	<b>114,504</b>	<b>110,585</b>	<b>112,187</b>
Intangible assets:						
Software.....	7,826	8,181	8,560	5,903	6,125	5,794
Other.....	3,516	1,602	920	741	400	574
<b>Total intangible assets.....</b>	<b>11,343</b>	<b>9,783</b>	<b>9,480</b>	<b>6,644</b>	<b>6,526</b>	<b>6,369</b>
Investments and others:						
Investment securities.....	22,215	17,749	21,982	24,583	23,083	20,588
Investment securities in subsidiaries and affiliated companies.....	356,243	353,592	353,375	350,551	323,993	325,104
Investments in subsidiaries and affiliated companies.....	2,179	2,179	2,149	2,098	2,098	1,938
Long-term loans receivable.....	57,331	81,174	113,221	138,277	134,796	146,716
Lease deposits.....	7,650	7,564	7,578	7,650	7,559	7,642
Long-term prepaid expenses.....	20,104	20,876	20,461	20,622	20,847	21,244
Prepaid pension and severance costs.....	25,825	22,614	21,410	20,763	21,643	23,177
Deferred income taxes.....	4,408	5,306	5,442	—	—	—
Insurance funds.....	4,268	4,227	4,109	4,046	4,294	4,294
Other.....	2,307	2,408	2,458	2,613	2,560	2,545
Allowance for doubtful accounts.....	(827)	(2,826)	(4,442)	(4,440)	(5,532)	(5,551)
<b>Total investments and others.....</b>	<b>501,706</b>	<b>514,866</b>	<b>547,748</b>	<b>566,767</b>	<b>535,344</b>	<b>547,700</b>
<b>Total fixed assets.....</b>	<b>633,182</b>	<b>645,853</b>	<b>675,254</b>	<b>687,917</b>	<b>652,456</b>	<b>666,256</b>
<b>Total assets.....</b>	<b>¥971,493</b>	<b>¥947,194</b>	<b>¥921,472</b>	<b>¥884,045</b>	<b>¥850,851</b>	<b>¥826,124</b>



In millions of yen

LIABILITIES	2021	2020	2019	2018	2017	2016
<b>Current liabilities:</b>						
Accounts payable.....	¥ 4,505	¥ 4,125	¥ 3,820	¥ 4,108	¥ 3,604	¥ 3,641
Bank loans .....	19,516	22,565	21,211	21,940	22,703	36,923
Lease obligations.....	263	271	309	229	215	198
Payables—other .....	17,297	17,381	19,769	16,708	14,476	15,698
Payables—construction .....	4,348	4,127	5,437	3,897	4,018	3,980
Accrued income taxes .....	10,594	11,848	11,210	13,162	14,345	9,479
Accrued consumption taxes .....	5,131	5,106	3,221	3,817	2,883	2,718
Accrued expenses .....	675	739	747	691	697	737
Deposits received for armored car services .....	17,788	14,192	18,348	16,446	15,187	13,975
Deferred revenue .....	19,808	20,147	19,949	20,300	20,629	20,923
Accrued bonuses .....	6,718	6,849	6,488	6,300	6,278	6,246
Other .....	4,603	4,902	2,590	2,623	4,014	4,177
Total current liabilities .....	111,252	112,258	113,104	110,226	109,053	118,699
<b>Long-term liabilities:</b>						
Lease obligations.....	3,807	3,867	3,971	2,358	2,477	2,601
Guarantee deposits received.....	16,167	16,347	16,462	16,640	16,804	17,038
Deferred income taxes .....	—	—	—	3,575	6,642	6,213
Accrued pension and severance costs.....	1,389	1,517	1,788	2,164	2,506	2,835
Other.....	313	326	343	91	103	378
Total long-term liabilities .....	21,678	22,058	22,566	24,830	28,533	29,068
<b>Total liabilities</b> .....	<b>132,931</b>	<b>134,316</b>	<b>135,670</b>	<b>135,057</b>	<b>137,587</b>	<b>147,768</b>
<b>NET ASSETS</b>						
<b>Shareholders' equity:</b>						
Common stock.....	¥ 66,410	¥ 66,401	¥ 66,392	¥ 66,385	¥ 66,377	¥ 66,377
Capital surplus:						
Additional paid-in capital.....	83,086	83,077	83,069	83,061	83,054	83,054
Other capital surplus .....	0	0	0	0	0	0
Total capital surplus .....	83,087	83,078	83,069	83,062	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 .....	744,495	721,639	692,935	653,840	618,887	586,082
Total retained earnings.....	756,535	733,679	704,976	665,881	630,927	598,122
Common stock in treasury, at cost.....	(73,785)	(73,775)	(73,759)	(73,748)	(73,731)	(73,717)
<b>Total shareholders' equity</b> .....	<b>832,248</b>	<b>809,383</b>	<b>780,679</b>	<b>741,579</b>	<b>706,629</b>	<b>673,836</b>
<b>Valuation, translation adjustments and others:</b>						
Unrealized gains on securities .....	6,313	3,494	5,122	7,408	6,634	4,518
<b>Total valuation, translation adjustments and others</b> .....	<b>6,313</b>	<b>3,494</b>	<b>5,122</b>	<b>7,408</b>	<b>6,634</b>	<b>4,518</b>
<b>Total net assets</b> .....	<b>838,562</b>	<b>812,878</b>	<b>785,801</b>	<b>748,988</b>	<b>713,263</b>	<b>678,355</b>
<b>Total liabilities and net assets</b> .....	<b>¥971,493</b>	<b>¥947,194</b>	<b>¥921,472</b>	<b>¥884,045</b>	<b>¥850,851</b>	<b>¥826,124</b>

## Condensed Nonconsolidated Statements of Income (Based on Japanese GAAP)

SECOM CO., LTD.

Years ended March 31

	In millions of yen					
	2021	2020	2019	2018	2017	2016
Revenue.....	<b>¥394,389</b>	¥398,929	¥394,181	¥387,881	¥382,476	¥376,044
<i>Percentage change from prior year</i> .....	<i>(1.1)%</i>	1.2%	1.6%	1.4%	1.7%	1.5%
Costs.....	<b>235,165</b>	236,397	234,046	229,332	227,204	223,189
<i>As a percentage of revenue</i> .....	<i>59.6</i>	59.3	59.4	59.1	59.4	59.4
Gross profit.....	<b>159,224</b>	162,531	160,134	158,549	155,271	152,855
<i>As a percentage of revenue</i> .....	<i>40.4</i>	40.7	40.6	40.9	40.6	40.6
Selling, general and administrative expenses.....	<b>83,682</b>	85,654	83,301	80,380	78,988	77,191
<i>As a percentage of revenue</i> .....	<i>21.2</i>	21.5	21.1	20.7	20.7	20.5
Operating profit.....	<b>75,541</b>	76,877	76,833	78,168	76,283	75,664
<i>As a percentage of revenue</i> .....	<i>19.2</i>	19.3	19.5	20.2	19.9	20.1
Non-operating income.....	<b>16,174</b>	16,950	15,006	14,978	13,389	13,639
Non-operating expenses.....	<b>2,414</b>	3,289	2,866	2,064	3,130	2,691
Ordinary profit.....	<b>89,301</b>	90,538	88,972	91,083	86,543	86,612
<i>As a percentage of revenue</i> .....	<i>22.6</i>	22.7	22.6	23.5	22.6	23.0
Extraordinary profit.....	<b>226</b>	1,651	87	1,896	651	3,064
Extraordinary losses.....	<b>8,992</b>	2,092	203	324	100	6,733
Income before income taxes.....	<b>80,534</b>	90,097	88,855	92,655	87,094	82,943
<i>As a percentage of revenue</i> .....	<i>20.4</i>	22.6	22.5	23.9	22.8	22.1
Income taxes.....	<b>20,574</b>	24,289	14,838	24,962	23,833	24,500
<i>Effective tax rate</i> .....	<i>25.5</i>	27.0	16.7	26.9	27.4	29.5
Net income.....	<b>59,960</b>	65,808	74,016	67,692	63,260	58,442
<i>As a percentage of revenue</i> .....	<i>15.2</i>	16.5	18.8	17.5	16.5	15.5
<i>Percentage change from prior year</i> .....	<i>(8.9)</i>	(11.1)	9.3	7.0	8.2	1.7