

Financial Data 2022

Year ended March 31, 2022

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Consolidated Financial Statements

Consolidated Balance Sheets

SECOM CO., LTD. and Subsidiaries
March 31, 2022 and 2021

	In millions of yen		Translation into thousands of U.S. dollars (Note 3)
	2022	March 31 2021	March 31 2022
ASSETS			
Current assets:			
Cash and cash equivalents (Notes 5 and 22).....	¥ 531,555	¥ 502,201	\$ 4,357,008
Time deposits (Note 13).....	8,972	9,587	73,541
Cash deposits for armored car services (Note 6).....	136,478	138,890	1,118,672
Short-term investments (Notes 7 and 22).....	26,528	21,220	217,443
Notes and accounts receivable, trade.....	165,415	153,410	1,355,861
Due from subscribers.....	61,300	61,479	502,459
Inventories (Note 8).....	38,171	31,784	312,877
Short-term deferred charges (Note 2 (13)).....	7,973	7,887	65,352
Short-term receivables (Notes 9, 13, 20 and 21).....	26,192	27,666	214,689
Allowance for doubtful accounts (Note 9).....	(2,077)	(1,708)	(17,025)
Deferred insurance acquisition costs (Note 14).....	3,554	2,640	29,131
Other current assets.....	22,597	24,375	185,222
Total current assets.....	1,026,658	979,431	8,415,230
Investments and long-term receivables:			
Investment securities (Notes 2 (7), 7, 13 and 22).....	215,012	214,107	1,762,393
Investments in affiliated companies (Note 10).....	71,663	67,130	587,402
Long-term receivables (Notes 9, 13, 20 and 21).....	34,984	39,602	286,754
Lease deposits.....	20,699	19,731	169,664
Other investments.....	11,380	11,105	93,279
Allowance for doubtful accounts (Note 9).....	(4,201)	(4,002)	(34,434)
Total.....	349,537	347,673	2,865,058
Property, plant and equipment (Notes 11, 13, 19 and 20):			
Land.....	121,890	120,613	999,098
Buildings and improvements.....	388,254	377,361	3,182,410
Security equipment and control stations.....	365,350	355,945	2,994,672
Machinery, equipment and automobiles.....	163,887	160,139	1,343,336
Construction in progress.....	9,773	10,166	80,107
Total.....	1,049,154	1,024,224	8,599,623
Accumulated depreciation.....	(624,313)	(595,115)	(5,117,320)
Total.....	424,841	429,109	3,482,303
Other assets:			
Operating lease right-of-use assets (Notes 2 (12) and 19).....	137,412	140,500	1,126,328
Long-term deferred charges (Note 2 (13)).....	13,174	13,905	107,984
Goodwill (Note 12).....	109,653	109,946	898,795
Other intangible assets (Notes 12, 13, 19 and 20).....	58,676	58,376	480,951
Prepaid pension and severance costs (Note 15).....	47,852	39,532	392,230
Deferred income taxes (Note 17).....	15,663	19,334	128,385
Total.....	382,430	381,593	3,134,673
Total assets.....	¥2,183,466	¥2,137,806	\$17,897,264

See accompanying notes to consolidated financial statements.

	In millions of yen		Translation into thousands of U.S. dollars (Note 3)
	2022	March 31 2021	March 31 2022
LIABILITIES AND EQUITY			
Current liabilities:			
Bank loans (Notes 6 and 13).....	¥ 31,814	¥ 33,852	\$ 260,770
Current portion of long-term debt (Notes 13, 19 and 21).....	15,121	15,457	123,943
Notes and accounts payable, trade.....	46,038	44,265	377,361
Other payables.....	44,669	43,679	366,139
Deposits received (Note 6).....	124,001	123,808	1,016,402
Deferred revenue.....	38,259	37,938	313,598
Accrued income taxes.....	26,665	23,560	218,566
Accrued payroll.....	41,526	41,119	340,377
Current operating lease liabilities (Notes 2 (12) and 19).....	20,450	20,448	167,623
Other current liabilities.....	30,622	35,876	251,001
Total current liabilities.....	419,165	420,002	3,435,780
Long-term liabilities:			
Long-term debt (Notes 13, 19 and 21).....	51,844	53,492	424,951
Guarantee deposits received.....	23,238	23,346	190,475
Accrued pension and severance costs (Note 15).....	30,244	29,868	247,902
Long-term deferred revenue.....	16,545	17,944	135,615
Unearned premiums and other insurance liabilities (Note 14).....	133,014	133,118	1,090,279
Investment deposits by policyholders (Notes 14 and 21).....	16,966	19,829	139,066
Deferred income taxes (Note 17).....	14,277	13,470	117,025
Noncurrent operating lease liabilities (Notes 2 (12) and 19).....	116,962	120,052	958,705
Other long-term liabilities (Notes 21, 22 and 23).....	16,262	15,542	133,295
Total long-term liabilities.....	419,352	426,661	3,437,313
Total liabilities.....	838,517	846,663	6,873,093
Commitments and contingent liabilities (Note 24)			
Equity:			
SECOM CO., LTD. shareholders' equity (Note 18):			
Common stock			
Authorized—900,000,000 shares, issued 233,298,049 shares in 2022			
Authorized—900,000,000 shares, issued 233,295,926 shares in 2021.....	66,419	66,410	544,418
Additional paid-in capital.....	63,014	74,607	516,508
Legal reserve.....	10,972	10,884	89,934
Retained earnings.....	1,139,866	1,070,419	9,343,164
Accumulated other comprehensive income (loss):			
Unrealized gains on securities (Note 7).....	2,424	2,566	19,869
Pension liability adjustments (Note 15).....	3,325	(658)	27,254
Foreign currency translation adjustments.....	2,929	(8,120)	24,008
Total.....	8,678	(6,212)	71,131
Common stock in treasury, at cost:			
15,215,218 shares in 2022 and 15,034,565 shares in 2021.....	(79,437)	(73,785)	(651,123)
Total SECOM CO., LTD. shareholders' equity.....	1,209,512	1,142,323	9,914,032
Noncontrolling interests.....	135,437	148,820	1,110,139
Total equity.....	1,344,949	1,291,143	11,024,171
Total liabilities and equity.....	¥2,183,466	¥2,137,806	\$17,897,264

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

SECOM CO., LTD. and Subsidiaries
Three years ended March 31, 2022

	In millions of yen			Translation into thousands of U.S. dollars (Note 3)
	Years ended March 31			Year ended March 31
	2022	2021	2020	2022
Net sales and operating revenue (Notes 14, 18, 22 and 25)	¥1,166,098	¥1,135,339	¥1,132,632	\$9,558,180
Costs and expenses:				
Cost of sales (Note 8)	802,443	790,288	795,318	6,577,402
Selling, general and administrative expenses (Notes 2 (18), 2 (19), 2 (20) and 4)	204,190	201,723	203,223	1,673,689
Impairment loss on long-lived assets (Note 11)	113	95	952	926
Impairment loss on goodwill (Note 12)	268	5,660	758	2,197
Gain and loss on sales and disposal of fixed assets, net	2,682	1,764	2,754	21,984
	1,009,696	999,530	1,003,005	8,276,198
Operating income	156,402	135,809	129,627	1,281,982
Other income:				
Interest and dividends	1,784	1,880	1,961	14,623
Gain and loss on sales of securities, net (Notes 7 and 18)	334	—	2,297	2,738
Gain on other-than-temporary impairment of investment securities (Notes 18 and 22)	—	4,594	—	—
Gain on private equity investments (Note 22)	3,072	—	—	25,180
Other (Notes 15, 16, 18 and 23)	4,480	5,647	5,545	36,722
	9,670	12,121	9,803	79,263
Other expenses:				
Interest	1,165	1,168	1,120	9,549
Gain and loss on sales of securities, net (Notes 7 and 18)	—	121	—	—
Loss on other-than-temporary impairment of investment securities (Notes 18 and 22)	848	—	3,738	6,951
Loss on private equity investments (Note 22)	—	302	139	—
Other (Note 16)	2,370	1,254	1,477	19,427
	4,383	2,845	6,474	35,927
Income from continuing operations before income taxes and equity in net income of affiliated companies	161,689	145,085	132,956	1,325,318
Income taxes (Note 17):				
Current	46,738	43,743	45,546	383,098
Deferred	2,426	3,855	(4,711)	19,885
	49,164	47,598	40,835	402,983
Income from continuing operations before equity in net income of affiliated companies	112,525	97,487	92,121	922,335
Equity in net income of affiliated companies (Note 18)	6,639	6,578	6,654	54,418
Income from continuing operations	119,164	104,065	98,775	976,753
Income (loss) from discontinued operations, net of tax (Note 26)	—	(2,570)	975	—
Net income	119,164	101,495	99,750	976,753
Less: Net income attributable to noncontrolling interests	(11,433)	(11,582)	(12,614)	(93,713)
Net income attributable to SECOM CO., LTD.	¥ 107,731	¥ 89,913	¥ 87,136	\$ 883,040

	In yen			Translation into U.S. dollars (Note 3)
	Years ended March 31			Year ended March 31
	2022	2021	2020	2022
Per share data (Note 2 (22)):				
Income from continuing operations attributable to SECOM CO., LTD.	¥492.83	¥423.73	¥394.76	\$4.04
Income (loss) from discontinued operations attributable to SECOM CO., LTD.	—	(11.78)	4.47	—
Net income attributable to SECOM CO., LTD.	492.83	411.95	399.23	4.04
Cash dividends per share (Note 18)	¥175.00	¥170.00	¥170.00	\$1.43

Consolidated Statements of Comprehensive Income

SECOM CO., LTD. and Subsidiaries
Three years ended March 31, 2022

	In millions of yen			Translation into thousands of U.S. dollars (Note 3)
	Years ended March 31			Year ended March 31
	2022	2021	2020	2022
Comprehensive income:				
Net income	¥119,164	¥101,495	¥99,750	\$ 976,753
Other comprehensive income (loss), net of tax:				
Unrealized gains on securities	(142)	519	(263)	(1,164)
Pension liability adjustments	3,976	4,462	(4,037)	32,590
Foreign currency translation adjustments	11,678	(3,975)	(2,934)	95,721
Total comprehensive income	134,676	102,501	92,516	1,103,900
Less: Comprehensive income attributable to noncontrolling interests	(12,055)	(11,739)	(12,364)	(98,811)
Comprehensive income attributable to SECOM CO., LTD.	¥122,621	¥ 90,762	¥80,152	\$1,005,089

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

SECOM CO., LTD. and Subsidiaries
Three years ended March 31, 2022

	In millions of yen									
	Number of shares issued	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Accumulated other com- prehensive income (loss)	Common stock in treasury, at cost	Total SECOM CO., LTD. shareholders' equity	Noncontrolling interests	Total
Balance, March 31, 2019	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)
Gains on disposal of treasury stock	—	—	0	—	—	—	0	0	—	0
Net changes in treasury stock	—	—	—	—	—	—	(17)	(17)	—	(17)
Balance, March 31, 2020	233,293,998	66,401	74,680	10,833	1,017,661	(7,061)	(73,776)	1,088,738	138,669	1,227,407
Comprehensive income:										
Net income	—	—	—	—	89,913	—	—	89,913	11,582	101,495
Other comprehensive income (loss), net of tax (Note 18):										
Unrealized gains on securities	—	—	—	—	—	519	—	519	—	519
Pension liability adjustments	—	—	—	—	—	3,942	—	3,942	520	4,462
Foreign currency translation adjustments	—	—	—	—	—	(3,612)	—	(3,612)	(363)	(3,975)
Total comprehensive income								90,762	11,739	102,501
Issuance of new stocks	1,928	9	9	—	—	—	—	18	—	18
Cash dividends paid to SECOM CO., LTD. shareholders	—	—	—	—	(37,104)	—	—	(37,104)	—	(37,104)
Cash dividends paid to noncontrolling interests	—	—	—	—	—	—	—	—	(2,523)	(2,523)
Transfer to legal reserve	—	—	—	51	(51)	—	—	—	—	—
Equity transactions with noncontrolling interests and other (Note 18)	—	—	(82)	—	—	—	—	(82)	935	853
Gains on disposal of treasury stock	—	—	—	—	—	—	—	—	—	—
Net changes in treasury stock	—	—	—	—	—	—	(9)	(9)	—	(9)
Balance, March 31, 2021	233,295,926	66,410	74,607	10,884	1,070,419	(6,212)	(73,785)	1,142,323	148,820	1,291,143
Comprehensive income:										
Net income	—	—	—	—	107,731	—	—	107,731	11,433	119,164
Other comprehensive income (loss), net of tax (Note 18):										
Unrealized gains on securities	—	—	—	—	—	(142)	—	(142)	—	(142)
Pension liability adjustments	—	—	—	—	—	3,983	—	3,983	(7)	3,976
Foreign currency translation adjustments	—	—	—	—	—	11,049	—	11,049	629	11,678
Total comprehensive income								122,621	12,055	134,676
Issuance of new stocks	2,123	9	9	—	—	—	—	18	—	18
Cash dividends paid to SECOM CO., LTD. shareholders	—	—	—	—	(38,196)	—	—	(38,196)	—	(38,196)
Cash dividends paid to noncontrolling interests	—	—	—	—	—	—	—	—	(2,965)	(2,965)
Transfer to legal reserve	—	—	—	88	(88)	—	—	—	—	—
Equity transactions with noncontrolling interests and other (Note 18)	—	—	(11,602)	—	—	—	—	(11,602)	(22,473)	(34,075)
Gains on disposal of treasury stock	—	—	0	—	—	—	0	0	—	0
Net changes in treasury stock	—	—	—	—	—	—	(5,652)	(5,652)	—	(5,652)
Balance, March 31, 2022	233,298,049	¥66,419	¥63,014	¥10,972	¥1,139,866	¥ 8,678	(¥79,437)	¥1,209,512	¥135,437	¥1,344,949

	Translation into thousands of U.S. dollars (Note 3)									
	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Accumulated other com- prehensive income (loss)	Common stock in treasury, at cost	Total SECOM CO., LTD. shareholders' equity	Noncontrolling interests	Total	
Balance, March 31, 2021	\$544,344	\$611,533	\$89,213	\$8,773,926	(\$50,918)	(\$604,795)	\$9,363,303	\$1,219,836	\$10,583,139	
Comprehensive income:										
Net income	—	—	—	883,040	—	—	883,040	93,713	976,753	
Other comprehensive income (loss), net of tax (Note 18):										
Unrealized gains on securities	—	—	—	—	(1,164)	—	(1,164)	—	(1,164)	
Pension liability adjustments	—	—	—	—	32,647	—	32,647	(57)	32,590	
Foreign currency translation adjustments	—	—	—	—	90,566	—	90,566	5,155	95,721	
Total comprehensive income							1,005,089	98,811	1,103,900	
Issuance of new stocks	74	74	—	—	—	—	148	—	148	
Cash dividends paid to SECOM CO., LTD. shareholders	—	—	—	(313,081)	—	—	(313,081)	—	(313,081)	
Cash dividends paid to noncontrolling interests	—	—	—	—	—	—	—	(24,303)	(24,303)	
Transfer to legal reserve	—	—	721	(721)	—	—	—	—	—	
Equity transactions with noncontrolling interests and other (Note 18)	—	(95,099)	—	—	—	—	(95,099)	(184,205)	(279,304)	
Gains on disposal of treasury stock	—	0	—	—	—	0	0	—	0	
Net changes in treasury stock	—	—	—	—	—	(46,328)	(46,328)	—	(46,328)	
Balance, March 31, 2022	\$544,418	\$516,508	\$89,934	\$9,343,164	\$71,131	(\$651,123)	\$9,914,032	\$1,110,139	\$11,024,171	

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

SECOM CO., LTD. and Subsidiaries
Three years ended March 31, 2022

	In millions of yen			Translation into thousands
	Years ended March 31			of U.S. dollars (Note 3)
	2022	2021	2020	Year ended March 31
Cash flows from operating activities:				
Net income	¥119,164	¥101,495	¥ 99,750	\$ 976,753
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)	78,507	78,716	77,574	643,500
Accrual for pension and severance costs, less payments	(2,659)	(2,110)	1,193	(21,795)
Deferred income taxes, including discontinued operations	2,426	3,859	(4,715)	19,885
Gain and loss on sales and disposal of fixed assets, net	2,682	1,788	2,770	21,984
Impairment loss on long-lived assets (Note 11)	113	95	952	926
Write-down on real estate inventories (Note 8)	—	20	66	—
Gain and loss on private equity investments (Note 22)	(3,072)	302	139	(25,180)
Impairment loss on goodwill (Note 12)	268	5,660	758	2,197
Gain on sales of securities, net (Notes 7 and 14)	(709)	2,476	(2,962)	(5,811)
Loss on other-than-temporary impairment of investment securities (Notes 14 and 22)	2,373	(11,441)	8,540	19,451
Equity in net income of affiliated companies	(6,639)	(6,578)	(6,654)	(54,418)
Changes in assets and liabilities, net of effects from acquisitions and disposals:				
(Increase) decrease in cash deposits for armored car services	2,412	2,016	1,430	19,770
(Increase) decrease in receivables and due from subscribers, net of allowances	(10,450)	14,319	(10,576)	(85,656)
(Increase) decrease in inventories	(5,415)	(787)	9,256	(44,385)
Increase in deferred charges	(8,015)	(8,985)	(11,754)	(65,697)
Increase (decrease) in notes and accounts payable	2,986	(4,077)	2,361	24,475
Increase (decrease) in deposits received	163	1,061	(4,822)	1,336
Increase (decrease) in deferred revenue	(1,391)	(1,807)	1,874	(11,402)
Increase (decrease) in accrued income taxes	4,022	(935)	5,146	32,967
Increase (decrease) in guarantee deposits received	(210)	(1,197)	(352)	(1,721)
Increase (decrease) in unearned premiums and other insurance liabilities	(103)	4,209	4,600	(844)
Increase (decrease) in accrued consumption tax	(4,121)	1,295	4,529	(33,779)
Other, net	12,961	9,329	5,295	106,239
Net cash provided by operating activities	185,293	188,723	184,398	1,518,795
Cash flows from investing activities:				
(Increase) decrease in time deposits	738	(593)	1,564	6,049
Proceeds from sales of property, plant and equipment	3,602	766	1,178	29,525
Payments for purchases of property, plant and equipment	(55,075)	(50,122)	(63,126)	(451,434)
Payments for purchases of intangible assets	(10,778)	(10,738)	(11,722)	(88,344)
Proceeds from sales and redemptions of investment securities (Note 7)	33,243	47,859	50,259	272,484
Payments for purchases of investment securities	(31,683)	(55,991)	(45,325)	(259,697)
(Increase) decrease in short-term investments	—	9,269	(1,357)	—
Proceeds from sale of subsidiaries, net of cash and cash equivalents disposed of	(3)	14,633	2,670	(25)
Acquisitions, net of cash acquired (Note 4)	—	(7,098)	(725)	—
(Increase) decrease in short-term receivables, net	57	310	(147)	467
Payments for long-term receivables	(703)	(1,472)	(1,416)	(5,762)
Proceeds from long-term receivables	1,975	1,947	1,578	16,189
Other, net	(1,734)	(1,719)	(42)	(14,214)
Net cash used in investing activities	(60,361)	(52,949)	(66,611)	(494,762)
Cash flows from financing activities:				
Proceeds from long-term debt	5,349	16,699	8,802	43,844
Repayments of long-term debt	(16,953)	(18,752)	(18,793)	(138,959)
Increase (decrease) in bank loans, net	(1,903)	(4,500)	162	(15,598)
Increase (decrease) in investment deposits by policyholders	(2,863)	(1,687)	(2,099)	(23,467)
Dividends paid to SECOM CO., LTD. shareholders	(38,196)	(37,104)	(37,104)	(313,081)
Dividends paid to noncontrolling interests	(2,965)	(2,600)	(3,425)	(24,303)
Payments for acquisition of shares of consolidated subsidiaries from noncontrolling interest holders	(28,573)	(241)	(659)	(234,205)
Increase in treasury stock, net	(11,241)	(9)	(16)	(92,139)
Other, net	72	478	190	588
Net cash used in financing activities	(97,273)	(47,716)	(52,942)	(797,320)
Effect of exchange rate changes on cash and cash equivalents	1,695	(525)	93	13,893
Net increase in cash and cash equivalents	29,354	87,533	64,938	240,606
Cash and cash equivalents at beginning of year	502,201	414,668	349,730	4,116,402
Cash and cash equivalents at end of year	¥531,555	¥502,201	¥414,668	\$4,357,008

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

SECOM CO., LTD. and Subsidiaries
Three years ended March 31, 2022

1. Nature of Operations

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

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

2. Significant Accounting Policies

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

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

(1) Basis of Consolidation and Investments in Affiliated Companies

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

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

(2) Consolidation of Variable Interest Entities

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

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

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

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

Total assets and liabilities held by VIEs of which the Company is the primary beneficiary were ¥90,505 million (\$741,844 thousand) and ¥92,880 million (\$761,311 thousand), respectively, at March 31, 2022, and ¥89,539 million and ¥98,588 million, respectively, at March 31, 2021. 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 ¥27,670 million (\$226,803 thousand) and ¥24,611 million (\$201,730 thousand), respectively, at March 31, 2022, and ¥27,610 million and ¥24,882 million, respectively, at March 31, 2021. The Company's assets in the consolidated balance sheets and the Company's maximum exposure to losses related to VIEs at March 31, 2022 and 2021 were ¥9,186 million (\$75,295 thousand) and ¥8,804 million, respectively.

(3) Revenue Recognition

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

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

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

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

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

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

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

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

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

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

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

(4) Foreign Currency Translation

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

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

(5) Cash Equivalents

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

(6) Investments in Debt and Equity Securities

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

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

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

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

(7) Private Equity Investments

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

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

The carrying value of private equity investments was ¥16,368 million (\$134,164 thousand) and ¥12,126 million at March 31, 2022 and 2021, respectively.

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

(8) Inventories

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

(9) Allowance for Doubtful Accounts

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

(10) Deferred Insurance Acquisition Costs

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

(11) Property, Plant and Equipment and Depreciation

Property, plant and equipment, including significant leasehold improvements, are carried at cost and depreciated at rates based on the estimated useful lives of the assets. Depreciation is computed using the straight-line method for assets other than security equipment and control stations. Security equipment and control stations are depreciated using the declining-balance method. Assets leased to others under operating leases are depreciated using the straight-line method over the estimated useful lives. Depreciation expense was ¥58,033 million (\$475,680 thousand), ¥57,067 million and ¥55,498 million for the years ended March 31, 2022, 2021 and 2020, 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 takes such options into consideration in order to determine the lease term when it is reasonably certain that it will exercise these options. The Company uses its incremental borrowing rate based on the information available at commencement to determine the present values of lease payments. The incremental borrowing rate is the rate of interest that the Company would have to pay to borrow.

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

Short-term deferred charges and long-term deferred charges primarily consist of costs related to installation services of security equipment used to provide on-line security systems. The installation costs are deferred and amortized using the straight-line method over the contractual period of security services after completion of the installation. Amortization expense was ¥9,466 million (\$77,590 thousand), ¥10,553 million and ¥11,080 million for the years ended March 31, 2022, 2021 and 2020, respectively.

(14) Impairment or Disposal of Long-Lived Assets

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

(15) Goodwill and Other Intangible Assets

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

(16) Unearned Premiums and Other Insurance Liabilities

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

(17) Income Taxes

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

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

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

(18) Research and Development

Research and development costs are charged to income as incurred. Research and development expenses included in selling, general and administrative expenses for the years ended March 31, 2022, 2021 and 2020 were ¥8,243 million (\$67,566 thousand), ¥8,034 million and ¥7,428 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, 2022, 2021 and 2020 were ¥5,416 million (\$44,393 thousand), ¥4,462 million and ¥5,740 million, respectively.

(20) Shipping and Handling Costs

Shipping and handling costs included in selling, general and administrative expenses for the years ended March 31, 2022, 2021 and 2020 were ¥1,337 million (\$10,959 thousand), ¥1,317 million and ¥1,482 million, respectively.

(21) Derivative Financial Instruments

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

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

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

(22) Per Share Data

Basic Earnings per Share ("EPS") is computed based on the average number of shares of common stock outstanding for the period. The average number of shares of common stock outstanding for the years ended March 31, 2022, 2021 and 2020 was 218,595 thousand shares, 218,261 thousand shares and 218,261 thousand shares, respectively. There were no potentially dilutive shares outstanding during the years ended March 31, 2022, 2021 or 2020.

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

(23) Use of Estimates

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

(24) Recent Pronouncements

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

In 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 the fiscal years beginning after December 15, 2020, including interim periods within that reporting period, and was adopted by the Company in the fiscal year beginning April 1, 2021. The adoption did not have a material impact on the Company's consolidated results of operations or financial position.

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

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

In November 2021, the FASB issued ASU No. 2021-10, "Disclosures by Business Entities about Government Assistance". This accounting standard requires annual disclosures about transactions with a government that are accounted for by applying a grant or contribution accounting model by analogy to other accounting guidance. The annual disclosure shall include: (1) information about the nature of the transactions and the related accounting policy used to account for the transactions, (2) the line items on the consolidated balance sheet and consolidated income statement that are affected by the transactions, and the amounts applicable to each financial statement line item, and (3) significant terms and conditions of the transactions, including commitments and contingencies. This accounting standard is effective for the fiscal years beginning after December 15, 2021, including interim periods within that reporting period, and will be adopted by the Company in the fiscal year beginning April 1, 2022. The Company is currently evaluating the effect of adopting this accounting standard on its 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 and 2020 were reclassified in the accompanying consolidated financial statements.

3. U.S. Dollar Amounts

U.S. dollar amounts have been included in these financial statements solely for the convenience of the reader. The translations of yen into U.S. dollars have been made at the rate of ¥122=US\$1, the approximate rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2022. 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. (Currently called SECOM SMART (MALAYSIA) SDN. BHD.)

On September 1, 2020, the Company acquired 100% of common shares outstanding of ADT SERVICES (M) SDN. BHD. for ¥5,113 million 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
Cash and cash equivalents.....	¥ 486
Cash deposits for armored car services.....	118
Other current assets.....	61
Investments and long-term receivables.....	25
Property, plant and equipment.....	68
Intangible assets, including goodwill.....	4,475
Total assets acquired.....	5,233
Current liabilities.....	105
Long-term liabilities.....	15
Total liabilities assumed.....	120
Net assets acquired.....	¥5,113

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

The Company recorded the acquisition costs of ¥15 million 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. (Currently called SECOM SMART (SINGAPORE) 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 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
Cash and cash equivalents.....	¥ 148
Cash deposits for armored car services.....	52
Other current assets.....	16
Property, plant and equipment.....	19
Intangible assets, including goodwill.....	1,577
Total assets acquired.....	1,812
Current liabilities.....	95
Total liabilities assumed.....	95
Net assets acquired.....	¥1,717

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

The Company recorded the acquisition costs of ¥11 million 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 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	
Cash and cash equivalents.....	¥ 172
Cash deposits for armored car services.....	47
Other current assets.....	6
Intangible assets, including goodwill.....	1,263
Total assets acquired.....	1,488
Current liabilities.....	111
Total liabilities assumed.....	111
Net assets acquired.....	¥1,377

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

The Company recorded the acquisition costs of ¥24 million 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, 2022 and 2021 comprise the following:

	In millions of yen		In thousands of U.S. dollars
	March 31	2021	March 31
	2022		2022
Cash.....	¥518,113	¥488,773	\$4,246,827
Time deposits.....	12,950	13,068	106,148
Call loans.....	—	—	—
Investment securities.....	492	360	4,033
	¥531,555	¥502,201	\$4,357,008

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 ¥17,467 million (\$143,172 thousand) and ¥118,972 million (\$975,180 thousand), respectively, at March 31, 2022, and ¥19,516 million and ¥119,334 million, respectively, at March 31, 2021. 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, 2022 and 2021 are as follows:

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

	In 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.....	—	—	—	—
	¥ 20,825	¥ 395	¥ —	¥ 21,220
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
	¥121,337	¥4,570	¥43	¥125,864

	In thousands of U.S. dollars			
	March 31, 2022			
	Cost	Gross unrealized		Fair value
		Gains	Losses	
Short-term investments:				
Available-for-sale:				
Debt securities.....	\$204,721	\$10,714	\$ 0	\$215,435
Held-to-maturity:				
Debt securities.....	2,008	0	0	2,008
	\$206,729	\$10,714	\$ 0	\$217,443
Investment securities:				
Available-for-sale:				
Debt securities.....	\$851,434	\$21,696	\$4,852	\$868,278
Held-to-maturity:				
Debt securities.....	94,730	9,532	1,934	102,328
	\$946,164	\$31,228	\$6,786	\$970,606

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, 2022 are as follows:

	In millions of yen			
	March 31, 2022			
	Less than 12 months		12 months or longer	
Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	
Available-for-sale:				
Debt securities.....	¥50,215	¥592	¥—	¥—
Held-to-maturity:				
Debt securities.....	¥ 696	¥236	¥—	¥—

	In thousands of U.S. dollars			
	March 31, 2022			
	Less than 12 months		12 months or longer	
Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	
Available-for-sale:				
Debt securities.....	\$411,599	\$4,852	\$—	\$—
Held-to-maturity:				
Debt securities.....	\$ 5,705	\$1,934	\$—	\$—

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, 2022.

At March 31, 2022, 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, 2022 are as follows:

	In millions of yen			
	March 31, 2022			
	Available-for-sale		Held-to-maturity	
	Cost	Fair value	Cost	Fair value
Due within 1 year.....	¥ 24,976	¥ 26,283	¥ 245	¥ 245
Due after 1 year through 5 years.....	64,615	66,284	—	—
Due after 5 years through 10 years.....	12,118	12,455	—	—
Due after 10 years.....	27,142	27,191	11,557	12,484
	¥128,851	¥132,213	¥11,802	¥12,729

	In thousands of U.S. dollars			
	March 31, 2022			
	Available-for-sale		Held-to-maturity	
	Cost	Fair value	Cost	Fair value
Due within 1 year.....	\$ 204,721	\$ 215,435	\$ 2,008	\$ 2,008
Due after 1 year through 5 years.....	529,631	543,311	—	—
Due after 5 years through 10 years.....	99,328	102,090	—	—
Due after 10 years.....	222,475	222,877	94,730	102,328
	\$1,056,155	\$1,083,713	\$96,738	\$104,336

Proceeds from the sale of "available-for-sale" securities for the years ended March 31, 2022, 2021 and 2020 were ¥19,515 million (\$159,959 thousand), ¥51,977 million and ¥35,559 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, 2022, 2021 and 2020 are as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31	2021	2020	Year ended March 31
	2022			2022
Gross realized gains.....	¥1,102	¥1,006	¥1,354	\$9,033
Gross realized losses.....	309	121	273	2,533

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 ¥14,818 million (\$121,459 thousand) and ¥13,098 million at March 31, 2022 and 2021, 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, 2022 and 2021 comprise the following:

	In millions of yen		In thousands of U.S. dollars
	March 31	2021	March 31
	2022		2022
Security-related products.....	¥10,188	¥ 9,513	\$ 83,508
Fire protection-related products.....	13,416	11,786	109,968
Real estate.....	2,594	187	21,262
Other-related products.....	11,973	10,298	98,139
	¥38,171	¥31,784	\$312,877

The amount of write-down on real estate inventories included in cost of sales for the years ended March 31, 2021 and 2020 were ¥20 million and ¥66 million, respectively. There is no write-down on real estate inventories included in cost of sales for the year ended March 31, 2022.

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

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

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

Financing receivables and allowance for doubtful accounts at March 31, 2022 and 2021 are as follows:

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

In 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 thousands of U.S. dollars					
Year ended March 31, 2022					
	Lease receivables	Loans receivable resulting from medical services	Other loans receivable	Other	Total
Allowance for doubtful accounts:					
Balance at beginning of year.....	\$ 2,483	\$21,320	\$ 4,287	\$5,525	\$ 33,615
Provision (Reversal) ...	(8)	2,705	(713)	(17)	1,967
Charge off.....	(500)	—	—	(0)	(500)
Other.....	—	—	8	—	8
Balance at end of year.....	1,975	24,025	3,582	5,508	35,090
Individually evaluated.....	1,090	24,025	3,582	5,508	34,205
Collectively evaluated.....	\$ 885	\$ —	\$ 0	\$ —	\$ 885
Financing receivables:					
Individually evaluated.....	\$ 1,770	\$34,295	\$ 3,960	\$5,778	\$ 45,803
Collectively evaluated.....	370,550	3,426	7,065	1,082	382,123
	\$372,320	\$37,721	\$11,025	\$6,860	\$427,926

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, 2022 and 2021 are as follows:

In millions of yen					
March 31, 2022					
	Lease receivables	Loans receivable resulting from medical services	Other loans receivable	Other	Total
Current.....	¥45,207	¥4,569	¥ 908	¥ 564	¥51,248
Overdue.....	216	33	437	273	959
Total:					
Financing receivables on nonaccrual status.....	¥ —	¥ 0	¥ 483	¥ —	¥ 483

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 on nonaccrual status.....	¥ —	¥ 1	¥ 597	¥ —	¥ 598

In thousands of U.S. dollars					
March 31, 2022					
	Lease receivables	Loans receivable resulting from medical services	Other loans receivable	Other	Total
Current.....	\$370,549	\$37,451	\$ 7,443	\$4,623	\$420,066
Overdue.....	1,771	270	3,582	2,237	7,860
Total:					
Financing receivables on nonaccrual status.....	\$ —	\$ 0	\$ 3,959	\$ —	\$ 3,959

Impaired receivables and the related allowance for doubtful accounts at March 31, 2022 and 2021 are as follows:

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

In millions of yen					
March 31, 2021					
	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 thousands of U.S. dollars					
March 31, 2022					
	Lease receivables	Loans receivable resulting from medical services	Other loans receivable	Other	Total
Impaired receivables.....	\$1,770	\$34,295	\$3,960	\$5,778	\$45,803
Related allowance for doubtful accounts.....	1,090	24,025	3,582	5,508	34,205

The average amounts of impaired receivables for the year ended March 31, 2022 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.....	¥247	¥4,603	¥540	¥713	¥6,103

In thousands of U.S. dollars					
	Lease receivables	Loans receivable resulting from medical services	Other loans receivable	Other	Total
Average amounts of impaired receivables.....	\$2,025	\$37,731	\$4,426	\$5,844	\$50,026

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 27.4 percent owned affiliate, which is listed on the Second Section (as of March 31, 2022. Transition to the Standard Market from April 4, 2022.) of the Tokyo Stock Exchange.

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

	In millions of yen		In thousands of U.S. dollars
	2022	2021	2022
Current assets.....	¥159,391	¥148,576	\$1,306,484
Noncurrent assets.....	210,205	199,105	1,722,991
Total assets.....	¥369,596	¥347,681	\$3,029,475
Current liabilities.....	¥ 88,868	¥ 86,471	\$ 728,426
Long-term liabilities.....	47,893	44,640	392,566
Equity.....	232,835	216,570	1,908,483
Total liabilities and equity.....	¥369,596	¥347,681	\$3,029,475

	In millions of yen			In thousands of U.S. dollars
	2022	2021	2020	2022
Net sales.....	¥322,411	¥289,647	¥292,856	\$2,642,713
Gross profit.....	¥ 83,546	¥ 76,983	¥ 78,425	\$ 684,803
Net income attributable to affiliated companies.....	¥ 25,449	¥ 23,931	¥ 23,549	\$ 208,598

Dividends received from affiliated companies for the years ended March 31, 2022, 2021 and 2020 were ¥5,088 million (\$41,705 thousand), ¥4,398 million and ¥4,112 million, respectively.

Three listed affiliated companies accounted for under the equity method with an aggregated carrying amount of ¥61,718 million (\$505,885 thousand) and ¥57,645 million at March 31, 2022 and 2021, respectively, had a quoted market value of ¥132,508 million (\$1,086,131 thousand) and ¥126,842 million at March 31, 2022 and 2021, respectively.

The amounts of goodwill included in the carrying amount of investments in affiliated companies were ¥4,613 million (\$37,811 thousand) and ¥4,560 million at March 31, 2022 and 2021, 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
	Years ended March 31	2021	2020	Year ended March 31
	2022			2022
Sales.....	¥1,080	¥1,326	¥1,291	\$ 8,852
Purchases.....	¥9,299	¥9,818	¥9,531	\$76,221
	In millions of yen			In thousands of U.S. dollars
	March 31	2021	March 31	2022
Notes and accounts receivable, trade.....	¥ 783	¥ 523		\$ 6,418
Loans receivable.....	¥ 10	¥ 118		\$ 82
Notes and accounts payable.....	¥3,458	¥3,302		\$28,344
Guarantees for bank loans.....	¥ —	¥ —		\$ —

The Company's equity in undistributed income of affiliates at March 31, 2022 and 2021 included in retained earnings was ¥45,314 million (\$371,426 thousand) and ¥43,731 million, respectively.

11. Long-Lived Assets

The Company has assessed the potential impairment of its long-lived assets. As a result of a significant decrease in revenue forecasts, the Company recognized impairment losses for the years ended March 31, 2022, 2021 and 2020. 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, 2022, 2021 and 2020 are as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31	2021	2020	Year ended March 31
	2022			2022
Security services.....	¥ —	¥ —	¥201	\$ —
Fire protection services.....	25	—	48	205
Medical services.....	—	—	—	—
Insurance services.....	—	—	—	—
Geospatial information services.....	4	21	259	33
BPO and ICT services.....	84	73	437	688
Other services.....	—	1	7	—
Corporate items.....	—	—	—	—
Total.....	¥113	¥95	¥952	\$926

12. Goodwill and Other Intangible Assets

The components of acquired intangible assets, excluding goodwill, at March 31, 2022 and 2021 are as follows:

	In millions of yen		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortized intangible assets:			
Software.....	¥ 73,909	(¥45,984)	¥27,925
Other.....	44,662	(18,844)	25,818
	¥118,571	(¥64,828)	¥53,743
Unamortized intangible assets.....	¥ 4,933	¥ —	¥ 4,933
	In millions of yen		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortized intangible assets:			
Software.....	¥ 72,048	(¥43,440)	¥28,608
Other.....	41,171	(16,439)	24,732
	¥113,219	(¥59,879)	¥53,340
Unamortized intangible assets.....	¥ 5,036	¥ —	¥ 5,036

	In thousands of U.S. dollars		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortized intangible assets:			
Software.....	\$605,811	(\$376,918)	\$228,893
Other.....	366,082	(154,459)	211,623
	\$971,893	(\$531,377)	\$440,516
Unamortized intangible assets.....	\$ 40,435	\$ —	\$ 40,435

Aggregate amortization expense for the years ended March 31, 2022, 2021 and 2020 was ¥11,008 million (\$90,230 thousand), ¥11,096 million and ¥10,996 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
2023.....	¥12,164	\$99,705
2024.....	10,496	86,033
2025.....	9,372	76,820
2026.....	6,720	55,082
2027.....	4,621	37,877

The changes in the carrying amount of goodwill by business segment for the years ended March 31, 2022 and 2021 are as follows:

	In millions of yen						
	Security services	Fire protection services	Medical services	Geospatial information services	BPO and ICT services	Other services	Total
Goodwill.....	¥65,521	¥1,999	¥9,399	¥4,439	¥35,114	¥2,536	¥119,008
Accumulated impairment losses.....	(3,637)	—	(5,361)	(775)	(175)	(135)	(10,083)
March 31, 2020.....	61,884	1,999	4,038	3,664	34,939	2,401	108,925
Goodwill acquired during the year...	7,307	123	—	—	—	—	7,430
Disposal.....	(519)	—	—	—	—	—	(519)
Impairment losses.....	(5,660)	—	—	—	—	—	(5,660)
Translation adjustment.....	(230)	—	—	—	—	—	(230)
Goodwill.....	71,673	2,122	9,399	3,855	35,114	2,401	124,564
Accumulated impairment losses.....	(8,891)	—	(5,361)	(191)	(175)	—	(14,618)
March 31, 2021.....	62,782	2,122	4,038	3,664	34,939	2,401	109,946
Goodwill acquired during the year...	52	—	—	—	—	—	52
Disposal.....	—	—	—	—	—	—	—
Impairment losses.....	(63)	—	(205)	—	—	—	(268)
Translation adjustment.....	(77)	—	—	—	—	—	(77)
Goodwill.....	71,648	2,122	9,399	3,855	35,114	2,401	124,539
Accumulated impairment losses.....	(8,954)	—	(5,566)	(191)	(175)	—	(14,886)
March 31, 2022.....	¥62,694	¥2,122	¥3,833	¥3,664	¥34,939	¥2,401	¥109,653

The data of the years ended March 31, 2021 and 2020 are presented based on the classification method after the segment change.

	In thousands of U.S. dollars						
	Security services	Fire protection services	Medical services	Geospatial information services	BPO and ICT services	Other services	Total
Goodwill.....	\$587,484	\$17,393	\$77,041	\$31,599	\$287,819	\$19,680	\$1,021,016
Accumulated impairment losses.....	(72,877)	—	(43,943)	(1,566)	(1,434)	—	(119,820)
March 31, 2021.....	514,607	17,393	33,098	30,033	286,385	19,680	901,196
Goodwill acquired during the year...	426	—	—	—	—	—	426
Disposal.....	—	—	—	—	—	—	—
Impairment losses.....	(517)	—	(1,680)	—	—	—	(2,197)
Translation adjustment.....	(630)	—	—	—	—	—	(630)
Goodwill.....	587,280	17,393	77,041	31,599	287,819	19,680	1,020,812
Accumulated impairment losses.....	(73,394)	—	(45,623)	(1,566)	(1,434)	—	(122,017)
March 31, 2022.....	\$513,886	\$17,393	\$31,418	\$30,033	\$286,385	\$19,680	\$ 898,795

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 ¥31,814 million (\$260,770 thousand) and ¥33,852 million at March 31, 2022 and 2021, respectively, are generally comprised of 30 to 365 day notes. The weighted average interest rate was 0.67 percent and 0.73 percent at March 31, 2022 and 2021, 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, 2022, Nohmi Bosai Ltd. and Arai & Co., Ltd., subsidiaries of the parent company, had an unused committed line of credit from short-term arrangements of ¥4,128 million (\$33,836 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 (tibor), on the unused portion of the line of credit.

At March 31, 2022, the Company had overdraft agreements with 32 banks and its unused lines of credit amounted to ¥70,810 million (\$580,413 thousand). The Company incurs no fee on the unused portion of these overdraft agreements. The overdraft agreements expire in the period from April 2022 to March 2023. The Company has the ability and intent to extend these overdraft agreements under similar terms and conditions.

Long-term debt at March 31, 2022 and 2021 comprises the following:

	In millions of yen		In thousands of U.S. dollars
	March 31	2021	March 31
	2022		2022
Loans, principally from banks due 2022–2041 with interest rates ranging from 0.13% to 5.00%:			
Secured.....	¥15,604	¥15,899	\$127,902
Unsecured.....	19,409	21,821	159,090
0.26% unsecured bonds due 2021.....	—	10	—
0.25% unsecured bonds due 2021.....	—	10	—
0.31% unsecured bonds due 2023.....	12	19	98
0.40% unsecured bonds due 2024.....	9	13	74
0.29% unsecured bonds due 2022.....	—	10	—
Unsecured bonds due 2021–2040 with floating interest rates based on 6-month Japanese yen TIBOR.....	3,779	4,166	30,977
Obligations under finance leases, due 2022–2043 (Note 19).....	28,152	27,001	230,753
	66,965	68,949	548,894
Less: Portion due within one year.....	(15,121)	(15,457)	(123,943)
	¥51,844	¥53,492	\$424,951

Assets pledged as collateral for bank loans and long-term debt at March 31, 2022 and 2021 are as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31	2021	March 31
	2022		2022
Time deposits.....	¥ 1,619	¥ 1,356	\$ 13,270
Short-term and long-term receivables...	6,372	6,425	52,230
Investment securities.....	1,590	1,580	13,033
Property, plant and equipment.....	46,429	42,762	380,566
Other intangible assets.....	¥ 818	¥ 818	\$ 6,705

The aggregate annual maturities on long-term debt at March 31, 2022 are as follows:

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2023.....	¥15,121	\$123,943
2024.....	10,758	88,180
2025.....	8,372	68,623
2026.....	5,604	45,934
2027.....	3,691	30,254
Thereafter.....	23,419	191,960
	¥66,965	\$548,894

14. Insurance-Related Operations

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

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

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

The net equity of Secom Insurance at March 31, 2022 and 2021 were ¥80,205 million (\$657,418 thousand) and ¥74,111 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, 2022, 2021 and 2020 were losses of ¥1,150 million (\$9,426 thousand), and gains of ¥7,654 million, and losses of ¥4,136 million, respectively. Gains and losses on other-than-temporary impairments of investment securities for the years ended March 31, 2022, 2021 and 2020 were losses of ¥1,525 million (\$12,500 thousand), and gains of ¥6,848 million and losses of ¥4,802 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, 2022, 2021 and 2020 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	2021	2020	2022
Net periodic pension and severance costs:				
Service cost.....	¥7,983	¥8,149	¥8,016	\$65,433
Interest cost.....	450	440	314	3,689
Expected return on plan assets.....	(3,540)	(3,403)	(3,312)	(29,016)
Amortization of prior service benefit.....	30	25	(1)	246
Recognized actuarial loss.....	419	429	185	3,434
Transfer to the defined contribution pension plan....	—	—	444	—
Net periodic pension and severance costs.....	¥5,342	¥5,640	¥5,646	\$43,786

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	2021	Year ended March 31
	2022		2022
Change in benefit obligation:			
Benefit obligation			
at beginning of year.....	¥123,797	¥118,915	\$1,014,730
Service cost.....	7,983	8,149	65,433
Interest cost.....	450	440	3,689
Actuarial (gain) loss.....	(175)	3,144	(1,434)
Benefits paid.....	(7,056)	(6,092)	(57,836)
Decrease due to disposal of interest in subsidiaries.....	—	(776)	—
Other.....	—	17	—
Benefit obligation at end of year.....	124,999	123,797	1,024,582
Change in plan assets:			
Fair value of plan assets			
at beginning of year.....	133,461	119,312	1,093,943
Actual return on plan assets.....	8,301	12,475	68,041
Employer contribution.....	5,948	6,106	48,754
Benefits paid.....	(5,103)	(4,432)	(41,828)
Fair value of plan assets at end of year.....	142,607	133,461	1,168,910
Funded status at the end of year.....	¥ 17,608	¥ 9,664	\$ 144,328

Amounts recognized in the consolidated balance sheets at March 31, 2022 and 2021 consist of:

	In millions of yen		In thousands of U.S. dollars
	March 31	2021	March 31
	2022		2022
Prepaid pension and severance costs.....	¥47,852	¥39,532	\$392,230
Accrued pension and severance costs.....	(30,244)	(29,868)	(247,902)
Net amount recognized.....	¥17,608	¥ 9,664	\$144,328

Other changes in plan assets and benefit obligations recognized in other comprehensive income (loss) for the year ended March 31, 2022 are summarized as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31	2021	March 31
	2022		2022
Current year actuarial gain.....	(¥4,937)		(\$40,467)
Amortization of actuarial loss.....	(419)		(3,434)
Amortization of prior service benefit.....	(30)		(246)
	(¥5,386)		(\$44,147)

Amounts recognized in accumulated other comprehensive income (loss) at March 31, 2022 and 2021 consist of:

	In millions of yen		In thousands of U.S. dollars
	March 31	2021	March 31
	2022		2022
Actuarial (gain) loss.....	(¥2,038)	¥3,318	(\$16,705)
Prior service benefit.....	193	223	1,582
Net amount recognized.....	(¥1,845)	¥3,541	(\$15,123)

The accumulated benefit obligation for the pension plan was ¥124,717 million (\$1,022,270 thousand) and ¥123,909 million at March 31, 2022 and 2021, 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 ¥54,248 million (\$444,656 thousand), ¥53,966 million (\$442,344 thousand) and ¥25,225 million (\$206,762 thousand), respectively, at March 31, 2022, and ¥52,976 million, ¥53,088 million and ¥24,200 million, respectively, at March 31, 2021.

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, 2022 and 2021 are as follows:

	March 31	
	2022	2021
Discount rate.....	0.5%	0.4%
Rate of compensation increase.....	2.5%	2.5%
Interest crediting rate for cash balance plans.....	0.1%	0.1%

Weighted-average assumptions used to determine net pension and severance costs for the years ended March 31, 2022, 2021 and 2020 are as follows:

	Years ended March 31		
	2022	2021	2020
Discount rate.....	0.4%	0.4%	0.3%
Expected return on plan assets.....	3.0%	3.0%	3.0%
Rate of compensation increase.....	2.5%	2.5%	2.2%
Interest crediting rate for cash balance plans....	0.1%	0.1%	5.5%

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

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

The following table represents the fair value of the Company's pension plan assets at March 31, 2022 and 2021. The three levels of inputs used to measure fair value are more fully described in Note 22.

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

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

	In 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 thousands of U.S. dollars			
	March 31, 2022			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 97,598	\$ —	\$ —	\$ 97,598
Equity securities				
Japanese companies	42,148	—	—	42,148
Foreign companies	57	—	—	57
Debt securities				
Government bonds	—	—	—	—
Non-government bonds	—	—	—	—
Pooled funds	30,967	508,926	330,656	870,549
Call loans	—	27,148	—	27,148
Insurance contracts	—	129,082	—	129,082
Other	—	(1,246)	3,574	2,328
	\$170,770	\$663,910	\$334,230	\$1,168,910

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

The following table represents the changes in Level 3 investments for the years ended March 31, 2022 and 2021.

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

	In millions of yen			
	Year ended March 31, 2021			
	Equity securities	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 thousands of U.S. dollars			
	Year ended March 31, 2022			
	Equity securities	Pooled funds	Other	Total
Balance at beginning of year	\$3,475	\$255,754	\$4,041	\$263,270
Actual return on plan assets:				
Relating to assets sold during the year	(156)	7,631	(164)	7,311
Relating to assets held at end of year	—	30,967	238	31,205
Purchases, sales and settlements, net	(3,319)	36,304	(541)	32,444
Transfer to (from) Level 3, net	—	—	—	—
Balance at end of year	\$ —	\$330,656	\$3,574	\$334,230

The Company expects to contribute ¥5,766 million (\$47,262 thousand) to its domestic defined benefit plans in the year ending March 31, 2023.

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

Years ending March 31	In thousands of U.S. dollars	
	In millions of yen	U.S. dollars
2023	¥ 6,405	\$ 52,500
2024	6,646	54,475
2025	6,518	53,426
2026	6,422	52,639
2027	6,369	52,205
2028–2032	37,139	304,418

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, 2022, 2021 and 2020 were ¥2,225 million (\$18,238 thousand), ¥2,276 million and ¥2,127 million, respectively.

16. Exchange Gains and Losses

Other expenses for the years ended March 31, 2022, 2021 and 2020 includes net exchange losses of ¥100 million (\$820 thousand), ¥243 million and ¥484 million, respectively.

17. Income Taxes

Total income taxes for the years ended March 31, 2022, 2021 and 2020 are allocated as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2022	2021	2020	2022
Consolidated income taxes from continuing operations	¥49,164	¥47,598	¥40,835	\$402,983
Consolidated income taxes from discontinued operations	—	(561)	104	—
Shareholders' equity—accumulated other comprehensive income (loss):				
Unrealized gains on securities	(55)	214	(102)	(451)
Pension liability adjustments	1,664	1,977	(1,856)	13,639
Foreign currency translation adjustments	(5)	—	—	(41)
	¥50,768	¥49,228	¥38,981	\$416,130

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, 2022, 2021 and 2020.

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
	2022	2021	2020	2022
Income taxes computed at statutory tax rate	¥49,315	¥44,251	¥40,550	\$404,221
Increase (decrease) resulting from:				
Reversal of valuation allowance	(1,244)	(1,052)	(1,172)	(10,196)
Per capita tax	1,045	1,079	911	8,566
Provision of valuation allowance	320	1,705	273	2,623
Net effect of changes in corporate tax rates	(24)	52	10	(197)
Other, net	(248)	1,563	263	(2,034)
Consolidated income taxes from continuing operations	¥49,164	¥47,598	¥40,835	\$402,983

The significant components of deferred tax assets and liabilities at March 31, 2022 and 2021 are as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31	2021	March 31
	2022		2022
Deferred tax assets:			
Operating lease liabilities.....	¥ 39,096	¥ 43,427	\$320,459
Accrued pension and severance costs.....	8,733	8,535	71,582
Property, plant and equipment.....	6,667	6,701	54,648
Accrued bonus.....	6,453	6,542	52,893
Adjustment of book value at the date of acquisition			
Land and buildings.....	5,391	5,433	44,189
Other assets.....	400	388	3,279
Vacation accrual.....	5,675	5,496	46,516
Loss carryforwards.....	3,307	4,253	27,107
Deferred revenue.....	3,221	4,868	26,402
Unrealized intra-entity profit on asset transfer.....	2,548	3,002	20,885
Investment securities.....	2,256	3,094	18,492
Allowance for doubtful accounts.....	1,816	1,714	14,885
Intangible assets.....	1,291	1,355	10,582
Other.....	16,416	14,393	134,557
Gross deferred tax assets.....	103,270	109,201	846,476
Less: Valuation allowance.....	(16,384)	(17,357)	(134,295)
Total deferred tax assets.....	86,886	91,844	712,181
Deferred tax liabilities:			
Operating lease right-of-use assets.....	(39,096)	(43,427)	(320,459)
Prepaid pension and severance costs.....	(14,523)	(11,836)	(119,041)
Adjustment of book value at the date of acquisition			
Intangible assets.....	(6,664)	(7,373)	(54,623)
Land and buildings.....	(3,371)	(3,562)	(27,631)
Other assets.....	(717)	(762)	(5,877)
Unrealized gains on securities.....	(8,189)	(8,766)	(67,123)
Investments in affiliated companies.....	(7,224)	(6,582)	(59,213)
Deferred installation costs.....	(2,329)	(378)	(19,090)
Other.....	(3,387)	(3,294)	(27,764)
Gross deferred tax liabilities.....	(85,500)	(85,980)	(700,821)
Net deferred tax assets (liabilities).....	¥ 1,386	¥ 5,864	\$ 11,360

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, 2022, 2021 and 2020 was a decrease of ¥973 million (\$7,975 thousand), and a decrease of ¥2,746 million and a decrease of ¥546 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, 2022 and 2021.

Net deferred tax assets (liabilities) at March 31, 2022 and 2021 are reflected in the accompanying consolidated balance sheets under the following captions:

	In millions of yen		In thousands of U.S. dollars
	March 31	2021	March 31
	2022		2022
Deferred income taxes (Other assets).....	¥15,663	¥19,334	\$128,385
Deferred income taxes (Long-term liabilities).....	(14,277)	(13,470)	(117,025)
Net deferred tax assets (liabilities).....	¥ 1,386	¥ 5,864	\$ 11,360

The Company has not recognized deferred tax liabilities for a portion of undistributed earnings of foreign subsidiaries of ¥38,084 million (\$312,164 thousand) totaling ¥724 million (\$5,934 thousand) at March 31, 2022 as they are not expected to be remitted in the foreseeable future.

At March 31, 2022, the operating loss carryforwards of domestic subsidiaries amounted to ¥6,022 million (\$49,361 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
2023.....	¥ 219	\$ 1,795
2024.....	178	1,459
2025.....	1,149	9,418
2026.....	1,650	13,525
2027.....	567	4,648
2028.....	—	—
2029.....	186	1,525
2030.....	179	1,467
2031.....	1,155	9,467
2032.....	739	6,057
	¥6,022	\$49,361

The operating loss carryforwards of overseas subsidiaries at March 31, 2022 amounted to ¥6,091 million (\$49,926 thousand), a part of which will begin to expire in the year ending March 31, 2023.

The total amount of unrecognized tax benefits for the years ended March 31, 2022, 2021 and 2020 was insignificant. Also, there were no significant movements in the gross amounts of unrealized tax benefits and the amounts of interest and penalties recognized due to the unrecognized tax benefits during the years ended March 31, 2022, 2021 and 2020.

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, 2022, 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 2021, 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, 2022, 2021 and 2020 are as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31	2021	2020	2022
Net income attributable to SECOM CO., LTD.....	¥107,731	¥89,913	¥87,136	\$883,040
Transfers from (to) noncontrolling interests:				
Decrease in additional paid-in capital related to the acquisition of Secom Joshinetsu Co., Ltd.'s ownership interests.....	(11,603)	—	—	(95,107)
Other, net.....	1	(82)	1,506	8
Net transfers from (to) noncontrolling interests....	(11,602)	(82)	1,506	(95,099)
Change from net income attributable to SECOM CO., LTD. and transfers from (to) noncontrolling interests.....	¥ 96,129	¥89,831	¥88,642	\$787,941

(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 ¥676,587 million (\$5,545,795 thousand) at March 31, 2022.

Subsequent to March 31, 2022, the parent company's Board of Directors declared a year-end cash dividend of ¥90 (\$0.74) per share, totaling ¥19,627 million (\$160,877 thousand), to shareholders of record on March 31, 2022. The dividend declared was approved at the general shareholders' meeting held on June 28, 2022. 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, 2022, 2021 and 2020 are as follows:

	In millions of yen		
	Pre-tax amount	Tax (expense) or benefit	Net-of-tax amount
For the year ended March 31, 2022:			
Unrealized gains on securities—			
Unrealized gains or losses arising during the period.....	(¥ 22)	¥ 10	(¥ 12)
Less: Reclassification adjustment for gains or losses realized in net income.....	(175)	45	(130)
Pension liability adjustments—			
Unrealized gains or losses arising during the period.....	5,075	(1,504)	3,571
Less: Reclassification adjustment for gains or losses realized in net income.....	565	(160)	405
Foreign currency translation adjustments—			
Unrealized gains or losses arising during the period.....	11,615	—	11,615
Less: Reclassification adjustment for gains or losses realized in net income.....	58	5	63
Other comprehensive income (loss).....	¥17,116	(¥1,604)	¥15,512
For the year ended March 31, 2021:			
Unrealized gains on securities—			
Unrealized gains or losses arising during the period.....	¥1,193	(¥ 338)	¥ 855
Less: Reclassification adjustment for gains or losses realized in net income.....	(460)	124	(336)
Pension liability adjustments—			
Unrealized gains or losses arising during the period.....	5,973	(1,832)	4,141
Less: Reclassification adjustment for gains or losses realized in net income.....	466	(145)	321
Foreign currency translation adjustments—			
Unrealized gains or losses arising during the period.....	(4,053)	—	(4,053)
Less: Reclassification adjustment for gains or losses realized in net income.....	78	—	78
Other comprehensive income (loss).....	¥3,197	(¥2,191)	¥1,006

	In millions of yen		
	Pre-tax amount	Tax (expense) or benefit	Net-of-tax amount
For the year ended March 31, 2020:			
Unrealized gains on securities—			
Unrealized gains or losses arising during the period.....	¥ 139	(¥ 34)	¥ 105
Less: Reclassification adjustment for gains or losses realized in net income.....	(504)	136	(368)
Pension liability adjustments—			
Unrealized gains or losses arising during the period.....	(6,124)	1,914	(4,210)
Less: Reclassification adjustment for gains or losses realized in net income.....	231	(58)	173
Foreign currency translation adjustments—			
Unrealized gains or losses arising during the period.....	(2,934)	—	(2,934)
Other comprehensive income (loss).....	(¥9,192)	¥1,958	(¥7,234)

	In thousands of U.S. dollars		
	Pre-tax amount	Tax (expense) or benefit	Net-of-tax amount
For the year ended March 31, 2022:			
Unrealized gains on securities—			
Unrealized gains or losses arising during the period.....	(\$ 180)	\$ 82	(\$ 98)
Less: Reclassification adjustment for gains or losses realized in net income.....	(1,435)	369	(1,066)
Pension liability adjustments—			
Unrealized gains or losses arising during the period.....	41,598	(12,328)	29,270
Less: Reclassification adjustment for gains or losses realized in net income.....	4,631	(1,311)	3,320
Foreign currency translation adjustments—			
Unrealized gains or losses arising during the period.....	95,205	—	95,205
Less: Reclassification adjustment for gains or losses realized in net income.....	475	41	516
Other comprehensive income (loss).....	\$140,294	(\$13,147)	\$127,147

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, 2022, 2021 and 2020 are as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31	2021	2020	Year ended March 31
	2022			2022
Unrealized gains on securities—				
Net sales and operating revenue.....	(¥308)	(¥392)	(¥422)	(\$2,525)
Gain and loss on sales of securities, net.....	(133)	67	82	(1,090)
Loss on other-than-temporary impairment of investment securities.....	266	(135)	(164)	2,180
Pension liability adjustments—				
Net periodic pension and severance costs (Note 15).....	449	454	184	3,680
Equity in net income of affiliated companies.....	116	12	47	951
Foreign currency translation adjustments—				
Gain and loss on sales of securities, net.....	58	78	—	475

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, 2022 and 2021 is as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31	2021	March 31
	2022		2022
Buildings and improvements.....	¥12,289	¥11,013	\$100,730
Machinery, equipment and automobiles.....	36,079	35,945	295,730
Other intangible assets.....	1,554	36	12,738
Accumulated depreciation and amortization.....	(24,896)	(23,063)	(204,066)
	¥25,026	¥23,931	\$205,132

Depreciation and amortization expenses for assets under finance leases for the years ended March 31, 2022, 2021 and 2020 were ¥7,817 million (\$64,074 thousand), ¥7,542 million and ¥7,530 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, 2022:

Years ending March 31	In millions of yen		In thousands of U.S. dollars
	Years ended March 31	2021	Year ended March 31
	2022		2022
2023.....	¥ 7,727		\$ 63,336
2024.....	6,170		50,574
2025.....	4,877		39,975
2026.....	3,179		26,057
2027.....	1,624		13,311
Thereafter.....	13,845		113,484
Total minimum lease payments.....	37,422		306,737
Less: Amount representing interest.....	(9,270)		(75,984)
Present value of net minimum lease payments (Note 13).....	28,152		230,753
Less: Current portion.....	(7,116)		(58,327)
Long-term finance lease obligations.....	¥21,036		\$172,426

Operating lease expenses for the years ended March 31, 2022 and 2021 were ¥22,199 million (\$181,959 thousand) and ¥22,927 million, respectively.

Supplemental cash flow information is as follows:

	In millions of yen		In thousands of U.S. dollars
	Years ended March 31	2021	Year ended March 31
	2022		2022
Cash paid for amounts included in the measurement of operating lease liabilities.....	¥25,319	¥21,845	\$207,533
Right of use assets obtained in exchange for operating lease liabilities.....	22,231	18,876	182,221

The following is a schedule by year of the future minimum lease payments under operating leases at March 31, 2022:

Years ending March 31	In millions of yen		In thousands of U.S. dollars
	March 31	2021	March 31
	2022		2022
2023.....	¥ 20,489		\$ 167,943
2024.....	14,446		118,410
2025.....	10,655		87,336
2026.....	9,448		77,443
2027.....	7,691		63,041
Thereafter.....	83,240		682,295
Total minimum lease payments.....	145,969		1,196,468
Less: Amount representing interest.....	(8,557)		(70,140)
Present value of net minimum lease payments.....	¥137,412		\$1,126,328

The following is remaining lease term and discount rate under operating leases at March 31, 2022 and 2021:

	March 31, 2022	March 31, 2021
Weighted-average remaining lease term..	183 months	190 months
Weighted-average discount rate.....	0.67%	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, 2022 and 2021 is as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31	2021	March 31
	2022		2022
Total minimum lease payments to be received.....	¥53,572	¥58,861	\$439,115
Estimated executory cost.....	(4,360)	(4,837)	(35,738)
Unearned income.....	(3,789)	(4,220)	(31,057)
Lease receivables, net.....	45,423	49,804	372,320
Less: Current portion.....	(15,772)	(16,532)	(129,279)
Long-term lease receivables, net...	¥29,651	¥33,272	\$243,041

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, 2022:

Years ending March 31	In millions of yen		In thousands of U.S. dollars
	Years ended March 31	2021	Year ended March 31
	2022		2022
2023.....	¥17,803		\$145,926
2024.....	13,815		113,238
2025.....	9,950		81,557
2026.....	6,831		55,992
2027.....	3,345		27,418
Thereafter.....	1,828		14,984
Total future minimum lease payments to be received.....	¥53,572		\$439,115

A summary of investment in property under operating leases and property held for lease at March 31, 2022 and 2021 is as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31	2021	March 31
	2022		2022
Land.....	¥43,232	¥39,574	\$354,361
Buildings and improvements.....	34,660	34,714	284,098
Other intangible assets.....	662	662	5,426
Accumulated depreciation and amortization.....	(14,805)	(14,186)	(121,352)
	¥63,749	¥60,764	\$522,533

The future minimum rentals under noncancelable operating leases at March 31, 2022 are as follows:

Years ending March 31	In millions of yen		In thousands of U.S. dollars
	March 31	2021	March 31
	2022		2022
2023.....	¥2,824		\$23,148
2024.....	406		3,328
2025.....	242		1,984
2026.....	173		1,418
2027.....	162		1,328
Thereafter.....	2,100		17,212
Total future minimum rentals.....	¥5,907		\$48,418

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, 2022 and 2021 are as follows:

	In millions of yen			
	2022		2021	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
In thousands of U.S. dollars				
March 31, 2022				
Carrying amount Estimated fair value Carrying amount Estimated fair value				
Non-derivatives:				
Assets—				
Long-term receivables including current portion (Less allowance for doubtful accounts) ...	¥47,732	¥48,273	¥53,387	¥53,714
Liabilities—				
Long-term debt including current portion	66,965	66,961	68,949	68,947
Investment deposits by policyholders	16,966	17,484	19,829	20,582
Derivatives:				
Liabilities—				
Interest rate swaps (Other long-term liabilities)	0	0	1	1
In thousands of U.S. dollars				
March 31, 2022				
Carrying amount Estimated fair value				
Non-derivatives:				
Assets—				
Long-term receivables including current portion (Less allowance for doubtful accounts)		\$391,246		\$395,680
Liabilities—				
Long-term debt including current portion		548,894		548,861
Investment deposits by policyholders		139,066		143,311
Derivatives:				
Liabilities—				
Interest rate swaps (Other long-term liabilities)		0		0

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, 2022 and 2021. Transfers between levels are recognized at the end of the respective reporting periods.

	In millions of yen			
	March 31, 2022			
	Level 1	Level 2	Level 3	Total
In thousands of U.S. dollars				
March 31, 2022				
Carrying amount Estimated fair value				
Assets:				
Cash equivalents.....	¥ 492	¥ —	¥ —	¥ 492
Short-term investments and investment securities	104,545	93,619	16,368	214,532
Total assets	¥105,037	¥93,619	¥16,368	¥215,024
Liabilities:				
Derivatives (Other long-term liabilities)	¥ —	¥ 0	¥ —	¥ 0
Total liabilities.....	¥ —	¥ 0	¥ —	¥ 0
In millions of yen				
March 31, 2021				
Carrying amount Estimated fair value				
Assets:				
Cash equivalents.....	¥ 360	¥ —	¥ —	¥ 360
Short-term investments and investment securities	147,490	50,408	12,126	210,024
Total assets	¥147,850	¥50,408	¥12,126	¥210,384
Liabilities:				
Derivatives (Other long-term liabilities)	¥ —	¥ 1	¥ —	¥ 1
Total liabilities.....	¥ —	¥ 1	¥ —	¥ 1

	In thousands of U.S. dollars			
	March 31, 2022			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents.....	\$ 4,033	\$ —	\$ —	\$ 4,033
Short-term investments and investment securities	856,925	767,369	134,164	1,758,458
Total assets	\$860,958	\$767,369	\$134,164	\$1,762,491
Liabilities:				
Derivatives (Other long-term liabilities)	\$ —	\$ 0	\$ —	\$ 0
Total liabilities.....	\$ —	\$ 0	\$ —	\$ 0

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, 2022 and 2021, amounting to ¥16,368 million (\$134,164 thousand) and ¥12,126 million, respectively, are primarily private equity investments. The valuation technique and significant unobservable inputs are as follows:

Valuation technique	Significant unobservable inputs	March 31, 2022
		Range
Discounted cash flows	Discount rate	15%–30%
	Exit timing	2022–2025
	EBITDA multiple	0x–9.9x
March 31, 2021		
Valuation technique	Significant unobservable inputs	Range
Discounted cash flows	Discount rate	4.75%–25%
	Exit timing	2021–2025
	EBITDA multiple	(23.2)x–16.4x

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, 2022 and 2021.

	In millions of yen		In thousands of U.S. dollars
	Years ended March 31	2021	Year ended March 31 2022
Balance at beginning of year	¥12,126	¥10,366	\$ 99,393
Total gains or losses (realized and unrealized):			
Included in earnings	2,998	(396)	24,574
Included in other comprehensive income.....	—	—	—
Purchases	138	2,853	1,131
Sales	(240)	(26)	(1,967)
Redemptions	—	—	—
Cancellation of contract.....	—	—	—
Foreign currency translation adjustments	1,346	(671)	11,033
Balance at end of year	¥16,368	¥12,126	\$134,164
Changes in unrealized gains or losses relating to instruments still held at end of year:			
Included in earnings	¥ 2,758	(¥ 256)	\$ 22,607

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, 2022, non-marketable equity securities with a carrying amount of ¥14,820 million (\$121,475 thousand) were written down to their fair value of ¥14,818 million (\$121,459 thousand), resulting in an other-than-temporary impairment charge of ¥2 million (\$16 thousand), which was included in earnings. For the year ended March 31, 2021, non-marketable equity securities with a carrying amount of ¥13,307 million were written down to their fair value of ¥13,099 million, resulting in an other-than-temporary impairment charge of ¥208 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, 2022 and 2021 are as follows:

Location	In millions of yen		In thousands of U.S. dollars
	March 31 2022	2021	March 31 2022
Liabilities:			
Interest rate swaps	—	—	—
Other long-term liabilities	¥0	¥1	\$0

Effects of derivative instruments on the consolidated statements of income for the years ended March 31, 2022, 2021 and 2020 are as follows:

Location	In millions of yen			In thousands of U.S. dollars
	Years ended March 31 2022	2021	2020	Year ended March 31 2022
Derivatives not designated as hedging instruments				
Interest rate swaps	¥1	¥4	¥11	\$8

24. Commitments and Contingent Liabilities

The Company has commitments outstanding at March 31, 2022 for the purchase of property, plant and equipment of approximately ¥2,505 million (\$20,533 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 ¥405 million (\$3,320 thousand) at March 31, 2022. The carrying amounts of the liabilities recognized as the Company's obligations under these guarantees at March 31, 2022 and 2021 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, 2022, 2021 and 2020 are as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31 2022	2021	2020	Year ended March 31 2022
Revenue recognized from contracts with customers...	¥1,091,537	¥1,061,271	¥1,062,804	\$8,947,024
Revenue recognized from other sources.....	74,561	74,068	69,828	611,156
Total.....	¥1,166,098	¥1,135,339	¥1,132,632	\$9,558,180

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

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

(2) Contract balances

Contract balances arising from contracts with customers at March 31, 2022 and 2021 are as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31 2022	2021	March 31 2022
Receivables*1.....	¥178,114	¥183,826	\$1,459,951
Contract assets*2.....	23,435	31,063	192,090
Contract liabilities*3.....	56,190	58,033	460,574

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

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

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

The balance of contract liabilities due within one year, amounting to ¥39,194 million as of March 31, 2021, is recognized as revenue for the fiscal year ended March 31, 2022.

(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, 2022 and 2021 are as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31 2022	2021	March 31 2022
Due within 1 year.....	¥146,856	¥157,986	\$1,203,738
Due after 1 year	196,256	220,557	1,608,656
	¥343,112	¥378,543	\$2,812,394

26. Discontinued Operations

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

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

Discontinued operations for the years ended March 31, 2021 and 2020 are as follows:

	In millions of yen	
	Years ended March 31 2021	2020
Net sales and operating revenue.....	¥12,892	¥28,075
Income (loss) from discontinued operations before income taxes.....	31	1,079
Loss on sales of discontinued operations.....	(3,162)	—
Income taxes.....	561	(104)
Income (loss) from discontinued operations, net of taxes.....	(2,570)	975
Attributable to noncontrolling interests.....	—	—
Attributable to SECOM CO., LTD.	(2,570)	975

Income (loss) from discontinued operations, net of tax, by business segment for the years ended March 31, 2021 and 2020 is as follows:

	In millions of yen	
	Years ended March 31 2021	2020
Security services	(¥ 666)	¥180
Other services.....	(1,904)	795
Income (loss) from discontinued operations, net of taxes.....	(2,570)	975

27. Supplemental Cash Flow Information

Supplemental cash flow information is as follows:

	In millions of yen			In thousands of U.S. dollars
	2022	2021	2020	2022
Cash paid during the year for:				
Interest	¥ 1,170	¥ 1,117	¥ 1,044	\$ 9,590
Income taxes.....	42,883	43,904	40,584	351,500
Non-cash investing and financing activities:				
Additions to obligations under finance leases.....	8,406	7,311	7,568	68,902
Significant acquisitions (Note 4)—				
Assets acquired	—	8,533	—	—
Liabilities assumed.....	—	(326)	—	—
Considerations for equity	—	8,207	—	—
Cash and cash equivalents on hand.....	—	(806)	—	—
Total considerations	¥ —	¥ 7,401	¥ —	\$ —

28. Segment Information

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

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

In December 2020, the Company transferred all of the issued shares of Secom Home Life Co., Ltd., which had been a consolidated subsidiary, and excluded it from the scope of consolidation. As a result, the segment name was changed from "real estate and other services" to "other services" from the fiscal year ended March 31, 2022. There is no change in the segment classification as a result of this change regarding the segment name noted above. Effective from the fiscal year ended March 31, 2022, the Company has reviewed the segment classifications from the perspective of similarity and relevance of business activities in order to provide more appropriate information, and has reclassified some businesses previously included in the security services segment to the BPO and ICT services segment and the other services segment. Accordingly, segment information of all prior periods has been restated to conform to the presentation used for the fiscal year ended March 31, 2022.

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

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

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

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

Information by business and geographic segments for the years ended and as of March 31, 2022, 2021 and 2020 is as follows:

(1) Business Segment Information

	In millions of yen			In thousands of U.S. dollars
	2022	2021	2020	2022
Net sales and operating revenue:				
Security services—				
Customers	¥ 563,623	¥ 555,060	¥ 561,067	\$4,619,861
Intersegment	3,093	3,064	3,370	25,352
	566,716	558,124	564,437	4,645,213
Fire protection services—				
Customers	148,804	140,599	151,861	1,219,705
Intersegment	3,302	3,275	4,050	27,066
	152,106	143,874	155,911	1,246,771
Medical services—				
Customers	195,826	182,573	187,101	1,605,131
Intersegment	236	206	220	1,934
	196,062	182,779	187,321	1,607,065
Insurance services—				
Customers	51,769	58,291	43,515	424,336
Intersegment	3,151	3,084	3,413	25,828
	54,920	61,375	46,928	450,164
Geospatial information services—				
Customers	56,371	53,908	53,535	462,057
Intersegment	194	204	201	1,590
	56,565	54,112	53,736	463,647
BPO and ICT services—				
Customers	115,544	112,144	99,833	947,082
Intersegment	9,212	9,709	13,321	75,508
	124,756	121,853	113,154	1,022,590
Other services—				
Customers	34,161	32,764	35,720	280,008
Intersegment	1,235	1,187	1,363	10,123
	35,396	33,951	37,083	290,131
Total	1,186,521	1,156,068	1,158,570	9,725,581
Eliminations	(20,423)	(20,729)	(25,938)	(167,401)
Total net sales and operating revenue.....	¥1,166,098	¥1,135,339	¥1,132,632	\$9,558,180

	In millions of yen			In thousands of U.S. dollars
	2022	2021	2020	2022
Operating income (loss):				
Security services	¥113,380	¥101,096	¥106,850	\$ 929,344
Fire protection services	14,516	13,091	17,817	118,984
Medical services	13,636	3,938	6,232	111,770
Insurance services	8,547	9,309	(4,319)	70,057
Geospatial information services	3,874	4,443	3,030	31,754
BPO and ICT services.....	14,562	14,495	11,474	119,361
Other services	6,120	6,046	6,282	50,164
Total	174,635	152,418	147,366	1,431,434
Corporate expenses and eliminations	(18,233)	(16,609)	(17,739)	(149,452)
Operating income	¥156,402	¥135,809	¥129,627	\$1,281,982
Other income	9,670	12,121	9,803	79,263
Other expenses	(4,383)	(2,845)	(6,474)	(35,927)
Income from continuing operations before income taxes.....	¥161,689	¥145,085	¥132,956	\$1,325,318
Assets:				
Security services	¥ 916,912	¥ 905,667		\$ 7,515,672
Fire protection services	190,544	180,083		1,561,836
Medical services	203,299	202,191		1,666,385
Insurance services	247,258	242,071		2,026,705
Geospatial information services	77,954	72,703		638,967
BPO and ICT services.....	241,694	246,586		1,981,098
Other services	121,195	118,314		993,402
Total	1,998,856	1,967,615		16,384,065
Corporate items	112,948	103,059		925,803
Investments in affiliated companies	71,662	67,132		587,396
Total assets	¥2,183,466	¥2,137,806		\$17,897,264

Independent Auditors' Report



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

Opinion

We have audited the consolidated financial statements of SECOM CO., LTD. and its subsidiaries (the Company), which comprise the consolidated balance sheets as of March 31, 2022 and 2021, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended March 31, 2022, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2022 and 2021, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2022, in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 29 to the consolidated financial statements, which describes the Company entered into the share purchase agreement on May 12, 2022 and acquired 55.1% shares of the common shares outstanding of SENON LIMITED on July 1, 2022.

Our opinion is not modified in respect of this matter.

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Convenience Translations

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2022 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

KPMG AZSA LLC

Tokyo, Japan
September 7, 2022

(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, 2022, 2021 and 2020 and long-lived assets as of March 31, 2022 and 2021 were as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31	2021	2020	Year ended March 31
	2022			2022
Net sales and operating revenue:				
Japan.....	¥1,117,929	¥1,091,216	¥1,083,446	\$9,163,352
Other.....	48,169	44,123	49,186	394,828
Total.....	¥1,166,098	¥1,135,339	¥1,132,632	\$9,558,180
Long-lived assets:				
Japan.....	¥755,252	¥771,547		\$6,190,590
Other.....	15,125	13,711		123,975
Total.....	¥770,377	¥785,258		\$6,314,565

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

29. Subsequent Events

(Business Combination by Share Acquisition)

SECOM entered into the share purchase agreement on May 12, 2022 to acquire 55.1%, or 7,612,000 shares of the common shares outstanding of SENON LIMITED and acquired the shares on July 1, 2022.

(1) Purpose of Acquisition

SENON provides a wide range of security services nationwide as a total security company. Its business includes security guard services, electronic security services, airport security services, and vehicle fleet operation services. SECOM believes that SENON's strengths as a total security company combined with SECOM's technological advantages and expertise will enable us to provide more customers with higher quality and optimized security services.

(2) Acquisition Cost of Company Subject to Business Combination and Breakdown Thereof

	Cash	26,999 million yen
Consideration for Acquisition		26,999 million yen
Acquisition Cost		26,999 million yen

(3) Amount of Goodwill Incurred, Reasons for the Goodwill Incurred and the Method and the Period of Amortization

Not determined at this point of time.

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31	2021	2020	Year ended March 31
	2022			2022
Depreciation and amortization:				
Security services.....	¥51,573	¥51,645	¥50,045	\$422,729
Fire protection services.....	2,836	2,662	2,537	23,246
Medical services.....	8,055	8,496	8,321	66,025
Insurance services.....	2,509	2,556	2,290	20,566
Geospatial information services.....	1,751	1,665	1,700	14,352
BPO and ICT services.....	9,751	9,816	10,822	79,926
Other services.....	1,158	1,008	1,002	9,492
Total.....	77,633	77,848	76,717	636,336
Corporate items.....	874	868	857	7,164
Total depreciation and amortization.....	¥78,507	¥78,716	¥77,574	\$643,500
Capital expenditure:				
Security services.....	¥44,059	¥44,276	¥44,672	\$361,139
Fire protection services.....	5,176	5,249	2,569	42,426
Medical services.....	4,018	4,057	8,778	32,934
Insurance services.....	2,770	1,936	4,440	22,705
Geospatial information services.....	2,608	2,052	2,987	21,377
BPO and ICT services.....	7,871	6,928	13,034	64,516
Other services.....	4,182	3,677	2,239	34,279
Total.....	70,684	68,175	78,719	579,376
Corporate items.....	584	486	1,116	4,787
Total capital expenditures.....	¥71,268	¥68,661	¥79,835	\$584,163

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

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

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

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31	2021	2020	Year ended March 31
	2022			2022
Electronic security services.....	¥348,749	¥344,882	¥344,992	\$2,858,598
Other security services:				
Static guard services.....	75,459	69,370	70,054	618,516
Armored car services.....	62,467	62,841	63,602	512,025
Merchandise and other.....	76,948	77,967	82,419	630,722
Total security services.....	¥563,623	¥555,060	¥561,067	\$4,619,861

OTHER FINANCIAL DATA

Summary of Selected Financial Data

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

	In millions of yen					
	2022	2021	2020	2019	2018	2017
Composition of consolidated net sales and operating revenue by segment						
Net sales and operating revenue.....	¥1,166,098	¥1,135,339	¥1,132,632	¥1,087,355	¥1,058,568	¥1,004,094
Security services:.....	563,623	555,060	561,067	548,271	547,015	529,144
As a percentage of net sales and operating revenue	48.3%	48.9%	49.5%	50.4%	51.7%	52.7%
Electronic security services.....	348,749	344,882	344,992	342,299	339,445	337,283
As a percentage of net sales and operating revenue	29.9	30.4	30.5	31.5	32.0	33.6
Other security services—						
Static guard services.....	75,459	69,370	70,054	66,289	59,054	56,438
As a percentage of net sales and operating revenue	6.5	6.1	6.2	6.1	5.6	5.6
Armored car services.....	62,467	62,841	63,602	62,417	61,089	57,873
As a percentage of net sales and operating revenue	5.4	5.5	5.6	5.7	5.8	5.8
Subtotal.....	137,926	132,211	133,656	128,706	120,143	114,311
Merchandise and other.....	76,948	77,967	82,419	77,266	87,427	77,550
As a percentage of net sales and operating revenue	6.6	6.9	7.2	7.1	8.3	7.7
Fire protection services.....	148,804	140,599	151,861	140,139	136,559	126,232
As a percentage of net sales and operating revenue	12.8	12.4	13.4	12.9	12.9	12.6
Medical services.....	195,826	182,573	187,101	181,705	175,318	168,819
As a percentage of net sales and operating revenue	16.8	16.1	16.5	16.7	16.6	16.8
Insurance services.....	51,769	58,291	43,515	41,637	44,683	43,780
As a percentage of net sales and operating revenue	4.4	5.1	3.8	3.8	4.2	4.4
Geospatial information services.....	56,371	53,908	53,535	51,510	50,906	51,609
As a percentage of net sales and operating revenue	4.8	4.7	4.7	4.7	4.8	5.1
BPO and ICT services.....	115,544	112,144	99,833	90,225	71,475	51,255
As a percentage of net sales and operating revenue	9.9	9.9	8.8	8.2	6.7	5.1
Other services.....	34,161	32,764	35,720	33,868	32,612	33,255
As a percentage of net sales and operating revenue	3.0	2.9	3.3	3.3	3.1	3.3
Net income attributable to SECOM CO., LTD., cash dividends and SECOM CO., LTD. shareholders' equity						
Net income attributable to SECOM CO., LTD.	¥ 107,731	¥ 89,913	¥ 87,136	¥ 89,686	¥ 96,623	¥ 91,387
Cash dividends paid ⁽²⁾	38,196	37,104	37,104	34,922	32,738	30,557
SECOM CO., LTD. shareholders' equity.....	1,209,512	1,142,323	1,088,738	1,044,184	1,000,277	929,242
Consolidated financial ratios						
Percentage of working capital accounted for by:						
Debt—						
Bank loans.....	2.4	2.7	3.3	3.4	3.5	4.0
Current portion of long-term debt.....	1.2	1.2	1.5	1.6	1.7	1.9
Straight bonds.....	0.3	0.3	0.3	0.4	0.5	0.7
Other long-term debt.....	3.7	4.0	3.4	3.6	4.1	4.5
Total debt.....	7.6	8.3	8.5	8.9	9.8	11.1
SECOM CO., LTD. shareholders' equity.....	92.4	91.7	91.5	91.1	90.2	88.9
Total capitalization.....	100.0	100.0	100.0	100.0	100.0	100.0
Return on total assets (percentage) ^(a)	4.9	4.2	4.2	4.8	5.3	5.2
Return on equity (percentage) ^(b)	8.9	7.9	8.0	8.6	9.7	9.8
Percentage of net sales and operating revenue absorbed by ^(c) :						
Depreciation and amortization.....	6.7	6.9	5.7	6.8	7.3	7.6
Rental expense under operating leases.....	2.5	2.6	2.4	2.5	2.3	2.5
Ratio of accumulated depreciation to depreciable						
assets (percentage).....	68.0	66.6	65.3	65.4	64.6	63.2
Net property turnover (times) ^(c)	2.75	2.65	2.73	2.67	2.63	2.49
Before-tax interest coverage (times) ^{(c) (d)}	139.8	125.2	117.5	109.6	123.0	107.1

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

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	2022	2021	2020	2019	2018	2017
Number of shares outstanding						
Issued.....	233,298,049	233,295,926	233,293,998	233,292,219	233,290,441	233,288,717
Owned by SECOM CO., LTD.	15,215,218	15,034,565	15,033,588	15,031,867	15,030,573	15,028,470
Balance.....	218,082,831	218,261,361	218,260,410	218,260,352	218,259,868	218,260,247
Per share information						
Net income attributable to SECOM CO., LTD. per share (in yen) ⁽¹⁾	¥ 492.83	¥ 411.95	¥ 399.23	¥ 410.91	¥ 442.70	¥ 418.71
Cash dividends paid per share (in yen) ⁽²⁾	175.00	170.00	170.00	160.00	150.00	140.00
SECOM CO., LTD. shareholders' equity per share (in yen) ⁽³⁾	5,546.11	5,233.74	4,988.25	4,784.12	4,582.96	4,257.50
Cash flow per share (in yen) ^{(1)(e)}	677.24	602.60	533.88	590.91	649.44	631.91
Price/Book value ratio.....	1.60	1.78	1.80	1.98	1.73	1.87
Price/Earnings ratio.....	17.99	22.61	22.48	23.08	17.89	19.03
Price/Cash flow ratio.....	13.09	15.45	16.81	16.05	12.20	12.61
Stock price at year-end (in yen).....	8,868	9,313	8,974	9,482	7,920	7,969

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 ¥19,627 million (¥90 per share) were approved at the general shareholders' meeting on June 28, 2022 (see Note 18 of the notes to consolidated financial statements).
(3) Per share amounts are based on the number of shares outstanding at the end of each period, less treasury stock.

Common Stock Data

SECOM CO., LTD.
As of March 31

SHAREHOLDER INFORMATION	2022	2021	2020	2019	2018	2017
Number of shareholders.....	23,401	21,739	23,297	24,023	26,809	25,200
Common shares held by:						
Financial institutions.....	39.13%	39.44%	38.65%	37.14%	35.94%	35.05%
Securities firms.....	3.05	2.81	1.95	3.30	1.63	3.89
Other domestic corporations.....	2.78	2.45	2.50	2.46	2.53	2.51
Foreign investors.....	40.96	41.55	42.76	42.74	44.85	43.42
Individuals and others.....	7.56	7.31	7.70	7.92	8.61	8.69
Treasury stock.....	6.52	6.44	6.44	6.44	6.44	6.44
Total.....	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

PRICE INFORMATION (TOKYO STOCK EXCHANGE)

		Price per share (in yen)		Nikkei Stock Average (in yen)	
		High	Low	High	Low
2020	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
	April–June.....	9,555	8,201	30,089.25	27,448.01
	July–September.....	8,704	8,027	30,670.10	27,013.25
2022	October–December.....	8,318	7,536	29,794.37	27,528.87
	January–March.....	9,100	7,610	29,332.16	24,717.53

CONSOLIDATED FINANCIAL DATA

(BASED ON JAPANESE GAAP) [REFERENCE]

COMMON STOCK ISSUES

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

Note: The above is a record of 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.

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Condensed Consolidated Balance Sheets (Based on Japanese GAAP)

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

ASSETS	In millions of yen					
	2022	2021	2020	2019	2018	2017
Current assets:						
Cash on hand and in banks.....	¥ 522,363	¥ 499,247	¥ 414,199	¥ 350,319	¥ 317,267	¥ 302,364
Cash deposits for armored car services.....	136,477	138,889	140,905	142,335	135,808	130,619
Notes and accounts receivable, trade.....	—	132,886	141,609	133,659	129,984	119,801
Notes and accounts receivable—trade and contract assets.....	149,878	—	—	—	—	—
Due from subscribers.....	39,468	39,980	40,745	41,616	35,272	33,090
Short-term investments.....	27,020	21,579	32,442	25,382	17,360	29,387
Lease receivables and investments in leased assets.....	37,518	41,511	42,768	41,826	45,544	43,974
Merchandise and products.....	14,724	14,289	13,862	14,146	12,321	11,915
Real estate inventories.....	2,593	186	4,930	5,864	4,766	5,223
Work in process.....	5,629	4,880	5,237	5,872	5,057	4,913
Costs on uncompleted construction contracts.....	—	7,524	10,780	10,971	10,441	8,979
Work in process for real estate inventories.....	—	—	21,806	30,743	39,688	22,283
Raw materials and supplies.....	13,930	11,003	10,927	10,398	8,849	8,385
Deferred income taxes.....	—	—	—	—	—	14,003
Short-term loans receivable.....	2,563	3,053	4,525	4,398	5,196	4,942
Other.....	36,064	28,714	31,400	31,000	26,352	23,684
Allowance for doubtful accounts.....	(2,031)	(1,715)	(1,677)	(1,775)	(1,818)	(1,766)
Total current assets.....	986,202	942,033	914,465	846,759	792,094	761,804
Fixed assets:						
Tangible assets:						
Buildings and improvements, net.....	151,809	152,770	153,307	148,693	148,622	150,254
Security equipment and control stations, net.....	73,911	74,704	74,309	71,715	70,872	69,569
Land.....	122,050	120,876	117,720	116,876	114,287	116,825
Other, net.....	42,695	43,424	40,970	41,115	39,907	39,886
Total tangible assets.....	390,467	391,775	386,308	378,401	373,689	376,536
Intangible assets.....	115,228	120,277	124,767	128,215	131,028	112,131
Investments and others:						
Investment securities.....	276,230	272,123	252,299	269,575	280,659	280,974
Long-term loans receivable.....	29,494	33,301	34,351	35,284	35,284	38,403
Net defined benefit asset.....	47,852	39,532	31,789	38,488	41,409	35,282
Deferred income taxes.....	27,407	25,085	31,554	27,469	21,658	9,592
Other.....	47,068	53,588	52,232	53,952	52,332	51,436
Allowance for doubtful accounts.....	(12,195)	(13,538)	(12,647)	(13,042)	(13,033)	(15,990)
Total investments and others.....	415,858	410,093	389,580	411,728	418,311	399,698
Total fixed assets.....	921,553	922,145	900,656	918,346	923,029	888,367
Deferred assets.....	—	—	—	—	—	4
Total assets.....	¥1,907,755	¥1,864,179	¥1,815,121	¥1,765,105	¥1,715,123	¥1,650,176

LIABILITIES	In millions of yen					
	2022	2021	2020	2019	2018	2017
Current liabilities:						
Notes and accounts payable, trade.....	¥ 44,271	¥ 42,858	¥ 47,409	¥ 45,826	¥ 43,929	¥ 44,635
Bank loans.....	32,159	33,806	38,364	39,126	41,558	44,969
Current portion of straight bonds.....	409	439	2,916	2,009	795	1,460
Lease obligations.....	4,843	4,730	4,702	4,875	4,932	4,752
Payables—other.....	43,257	42,215	42,927	42,645	40,102	37,469
Accrued income taxes.....	25,043	23,440	24,740	22,767	25,896	27,557
Accrued consumption taxes.....	8,966	12,652	11,666	7,209	7,959	5,765
Accrued expenses.....	8,436	7,828	7,294	7,329	7,084	5,315
Deposits received for armored car services.....	118,971	119,334	118,302	121,086	113,830	107,878
Deferred revenue.....	38,228	30,192	31,224	30,438	30,309	30,552
Accrued bonuses.....	17,960	18,298	18,213	17,255	16,209	15,447
Provision for losses on construction contracts.....	2,159	1,820	2,391	2,913	2,436	2,532
Other.....	17,041	23,488	24,129	25,975	22,499	25,596
Total current liabilities.....	361,750	361,106	374,284	369,458	357,544	353,933
Long-term liabilities:						
Straight bonds.....	3,489	3,899	4,143	4,702	5,322	7,003
Long-term loans.....	11,650	10,444	8,674	10,063	12,721	14,123
Lease obligations.....	15,077	12,854	11,865	11,960	11,902	11,777
Guarantee deposits received.....	23,669	30,694	32,632	32,955	33,181	33,907
Deferred income taxes.....	6,859	7,314	7,866	8,735	14,217	21,943
Accrued retirement benefits for directors and audit and supervisory board members.....	842	793	794	1,046	1,421	1,306
Net defined benefit liability.....	21,896	22,098	23,710	22,953	21,849	22,428
Long-term deferred revenue.....	16,545	—	—	—	—	—
Investment deposits by policyholders, unearned premiums and other insurance liabilities.....	185,698	181,014	174,602	172,866	172,345	166,155
Other.....	4,240	4,134	4,052	4,406	3,403	4,342
Total long-term liabilities.....	289,969	273,248	268,343	269,691	276,366	282,989
Total liabilities.....	651,719	634,355	642,627	639,150	633,910	636,922
NET ASSETS						
Shareholders' equity:						
Common stock.....	¥ 66,419	¥ 66,410	¥ 66,401	¥ 66,392	¥ 66,385	¥ 66,377
Capital surplus.....	70,335	81,801	81,874	80,360	80,328	80,297
Retained earnings.....	1,043,766	998,405	960,828	908,852	851,764	797,493
Common stock in treasury, at cost.....	(79,436)	(73,785)	(73,775)	(73,759)	(73,748)	(73,731)
Total shareholders' equity.....	1,101,084	1,072,832	1,035,328	981,846	924,729	870,437
Accumulated other comprehensive income:						
Unrealized gains on securities.....	20,220	22,122	12,095	18,157	23,759	25,125
Deferred losses on hedges.....	(6)	(11)	(15)	(21)	(24)	(30)
Foreign currency translation adjustments.....	(5,627)	(17,011)	(13,388)	(10,683)	(5,774)	(7,954)
Remeasurements of defined benefit plans, net of taxes.....	6,865	4,247	1,096	6,421	9,933	4,423
Total accumulated other comprehensive income.....	21,451	9,346	(212)	13,873	27,894	21,563
Noncontrolling interests.....	133,499	147,645	137,378	130,234	128,589	121,253
Total net assets.....	1,256,036	1,229,824	1,172,494	1,125,954	1,081,213	1,013,253
Total liabilities and net assets.....	¥1,907,755	¥1,864,179	¥1,815,121	¥1,765,105	¥1,715,123	¥1,650,176

Condensed Consolidated Statements of Income (Based on Japanese GAAP)

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

	In millions of yen					
	2022	2021	2020	2019	2018	2017
Revenue	¥1,049,859	¥1,035,898	¥1,060,070	¥1,013,823	¥970,624	¥928,098
Percentage change from prior year	1.3%	(2.3)%	4.6%	4.5%	4.6%	5.3%
Costs of revenue	712,187	705,326	722,546	692,211	652,673	621,412
As a percentage of revenue	67.8	68.1	68.2	68.3	67.2	67.0
Gross profit	337,672	330,571	337,523	321,611	317,950	306,686
As a percentage of revenue	32.2	31.9	31.8	31.7	32.8	33.0
Selling, general and administrative expenses	194,173	193,645	194,664	191,397	182,502	175,636
As a percentage of revenue	18.5	18.7	18.4	18.9	18.8	18.9
Operating profit	143,499	136,925	142,858	130,213	135,448	131,050
As a percentage of revenue	13.7	13.2	13.5	12.8	14.0	14.1
Non-operating income	14,977	11,554	13,778	19,646	13,152	22,371
Non-operating expenses	5,290	9,489	5,281	4,970	4,281	6,388
Ordinary profit	153,186	138,990	151,356	144,889	144,318	147,033
As a percentage of revenue	14.6	13.4	14.3	14.3	14.9	15.8
Extraordinary profit	1,033	352	3,471	1,909	2,471	516
Extraordinary losses	2,206	10,499	6,971	2,838	2,545	5,697
Income before income taxes	152,013	128,843	147,855	143,960	144,245	141,852
As a percentage of revenue	14.5	12.4	13.9	14.2	14.9	15.3
Income taxes—current	45,045	43,023	45,488	47,001	54,811	43,326
Income taxes—deferred	1,223	(68)	128	(7,808)	(9,314)	2,369
Net income	105,744	85,888	102,238	104,766	98,748	96,156
Net income attributable to noncontrolling interests	11,470	11,207	13,158	12,757	11,755	11,986
Net income attributable to owners of the parent	94,273	74,681	89,080	92,009	86,993	84,170
As a percentage of revenue	9.0	7.2	8.4	9.1	9.0	9.1
Percentage change from prior year	26.2	(16.2)	(3.2)	5.8	3.4	9.3

Consolidated Statements of Comprehensive Income (Based on Japanese GAAP)

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

	In millions of yen					
	2022	2021	2020	2019	2018	2017
Net income	¥105,744	¥85,888	¥102,238	¥104,766	¥ 98,748	¥ 96,156
Other comprehensive income (losses):						
Unrealized gains (losses) on securities	(1,835)	10,451	(6,288)	(5,740)	(1,649)	5,324
Deferred gains (losses) on hedges	—	—	—	(0)	0	—
Foreign currency translation adjustments	9,484	(4,485)	(1,236)	(2,616)	(1,003)	(3,539)
Remeasurements of defined benefit plans	2,491	3,715	(5,695)	(3,056)	5,595	4,698
Share of other comprehensive income (losses) of affiliated companies accounted for under the equity method	2,539	525	(1,468)	(3,439)	3,876	(1,327)
Total other comprehensive income (losses)	12,679	10,206	(14,688)	(14,853)	6,819	5,155
Comprehensive income	118,423	96,095	87,550	89,913	105,568	101,312
Comprehensive income attributable to:						
Owners of the parent company	106,378	84,240	74,994	77,988	93,323	88,789
Noncontrolling interests	12,044	11,854	12,555	11,924	12,244	12,522

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	2022	2021	2020	2019	2018	2017
Current assets:						
Cash on hand and in banks.....	¥227,828	¥224,817	¥164,370	¥120,815	¥ 85,009	¥ 87,387
Cash deposits for armored car services.....	33,777	37,273	36,730	39,504	38,347	37,869
Notes receivable.....	363	360	586	723	523	621
Due from subscribers.....	17,890	18,046	18,241	17,931	17,286	16,480
Accounts receivable, trade.....	—	10,802	12,280	11,516	10,995	10,650
Accounts receivable—trade and contract assets.....	9,777	—	—	—	—	—
Receivables—other.....	4,375	4,249	4,353	4,714	4,387	3,088
Short-term investments.....	—	—	1,499	—	—	—
Merchandise.....	7,328	7,300	7,144	7,047	5,628	5,312
Supplies.....	2,507	2,356	2,111	1,686	1,767	1,722
Prepaid expenses.....	8,674	2,483	2,432	2,599	2,556	2,323
Deferred income taxes.....	—	—	—	—	—	3,710
Short-term loans receivable.....	14,420	22,123	42,473	35,250	28,017	27,539
Other.....	7,887	8,568	9,208	4,530	1,712	1,804
Allowance for doubtful accounts.....	(41)	(70)	(89)	(101)	(105)	(117)
Total current assets.....	334,790	338,310	301,340	246,218	196,128	198,394
Fixed assets:						
Tangible assets:						
Buildings and improvements, net.....	16,534	16,283	17,427	16,263	16,160	16,282
Automobiles, net.....	588	557	492	501	611	709
Security equipment and control stations, net.....	68,972	71,042	71,533	69,049	67,746	65,997
Machinery and equipment, net.....	90	105	114	143	162	179
Tools, furniture and fixtures, net.....	4,071	3,812	4,193	3,566	2,861	3,173
Land.....	22,230	22,249	22,281	21,952	22,077	21,978
Construction in progress.....	3,542	4,457	3,433	4,721	4,812	2,195
Other, net.....	1,521	1,623	1,725	1,827	72	69
Total tangible assets.....	117,553	120,132	121,203	118,025	114,504	110,585
Intangible assets:						
Software.....	7,137	7,826	8,181	8,560	5,903	6,125
Other.....	3,655	3,516	1,602	920	741	400
Total intangible assets.....	10,792	11,343	9,783	9,480	6,644	6,526
Investments and others:						
Investment securities.....	23,047	22,215	17,749	21,982	24,583	23,083
Investment securities in subsidiaries and affiliated companies.....	393,659	356,243	353,592	353,375	350,551	323,993
Investments in subsidiaries and affiliated companies.....	2,179	2,179	2,179	2,149	2,098	2,098
Long-term loans receivable.....	51,307	57,331	81,174	113,221	138,277	134,796
Lease deposits.....	7,565	7,650	7,564	7,578	7,650	7,559
Long-term prepaid expenses.....	11,721	20,104	20,876	20,461	20,622	20,847
Prepaid pension and severance costs.....	29,605	25,825	22,614	21,410	20,763	21,643
Deferred income taxes.....	5,548	4,408	5,306	5,442	—	—
Insurance funds.....	4,370	4,268	4,227	4,109	4,046	4,294
Other.....	2,234	2,307	2,408	2,458	2,613	2,560
Allowance for doubtful accounts.....	(874)	(827)	(2,826)	(4,442)	(4,440)	(5,532)
Total investments and others.....	530,365	501,706	514,866	547,748	566,767	535,344
Total fixed assets.....	658,710	633,182	645,853	675,254	687,917	652,456
Total assets.....	¥993,501	¥971,493	¥947,194	¥921,472	¥884,045	¥850,851

	In millions of yen					
LIABILITIES	2022	2021	2020	2019	2018	2017
Current liabilities:						
Accounts payable.....	¥ 3,676	¥ 4,505	¥ 4,125	¥ 3,820	¥ 4,108	¥ 3,604
Bank loans.....	17,467	19,516	22,565	21,211	21,940	22,703
Lease obligations.....	275	263	271	309	229	215
Payables—other.....	16,445	17,297	17,381	19,769	16,708	14,476
Payables—construction.....	3,530	4,348	4,127	5,437	3,897	4,018
Accrued income taxes.....	11,189	10,594	11,848	11,210	13,162	14,345
Accrued consumption taxes.....	3,489	5,131	5,106	3,221	3,817	2,883
Accrued expenses.....	779	675	739	747	691	697
Deposits received for armored car services.....	16,313	17,788	14,192	18,348	16,446	15,187
Deferred revenue.....	22,963	19,808	20,147	19,949	20,300	20,629
Accrued bonuses.....	6,432	6,718	6,849	6,488	6,300	6,278
Other.....	3,932	4,603	4,902	2,590	2,623	4,014
Total current liabilities.....	106,496	111,252	112,258	113,104	110,226	109,053
Long-term liabilities:						
Lease obligations.....	3,691	3,807	3,867	3,971	2,358	2,477
Guarantee deposits received.....	15,975	16,167	16,347	16,462	16,640	16,804
Deferred income taxes.....	—	—	—	—	3,575	6,642
Long-term deferred revenue.....	6,059	—	—	—	—	—
Accrued pension and severance costs.....	1,037	1,389	1,517	1,788	2,164	2,506
Other.....	291	313	326	343	91	103
Total long-term liabilities.....	27,054	21,678	22,058	22,566	24,830	28,533
Total liabilities.....	133,551	132,931	134,316	135,670	135,057	137,587
NET ASSETS						
Shareholders' equity:						
Common stock.....	¥ 66,419	¥ 66,410	¥ 66,401	¥ 66,392	¥ 66,385	¥ 66,377
Capital surplus:						
Additional paid-in capital.....	83,095	83,086	83,077	83,069	83,061	83,054
Other capital surplus.....	3,432	0	0	0	0	0
Total capital surplus.....	86,528	83,087	83,078	83,069	83,062	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.....	768,348	744,495	721,639	692,935	653,840	618,887
Total retained earnings.....	780,388	756,535	733,679	704,976	665,881	630,927
Common stock in treasury, at cost.....	(79,436)	(73,785)	(73,775)	(73,759)	(73,748)	(73,731)
Total shareholders' equity.....	853,900	832,248	809,383	780,679	741,579	706,629
Valuation, translation adjustments and others:						
Unrealized gains on securities.....	6,049	6,313	3,494	5,122	7,408	6,634
Total valuation, translation adjustments and others.....	6,049	6,313	3,494	5,122	7,408	6,634
Total net assets.....	859,950	838,562	812,878	785,801	748,988	713,263
Total liabilities and net assets.....	¥993,501	¥971,493	¥947,194	¥921,472	¥884,045	¥850,851

Condensed Nonconsolidated Statements of Income (Based on Japanese GAAP)

SECOM CO., LTD.

Years ended March 31

	In millions of yen					
	2022	2021	2020	2019	2018	2017
Revenue.....	¥395,181	¥394,389	¥398,929	¥394,181	¥387,881	¥382,476
<i>Percentage change from prior year</i>	0.2%	(1.1)%	1.2%	1.6%	1.4%	1.7%
Costs.....	234,703	235,165	236,397	234,046	229,332	227,204
<i>As a percentage of revenue</i>	59.4	59.6	59.3	59.4	59.1	59.4
Gross profit.....	160,478	159,224	162,531	160,134	158,549	155,271
<i>As a percentage of revenue</i>	40.6	40.4	40.7	40.6	40.9	40.6
Selling, general and administrative expenses.....	81,775	83,682	85,654	83,301	80,380	78,988
<i>As a percentage of revenue</i>	20.7	21.2	21.5	21.1	20.7	20.7
Operating profit.....	78,703	75,541	76,877	76,833	78,168	76,283
<i>As a percentage of revenue</i>	19.9	19.2	19.3	19.5	20.2	19.9
Non-operating income.....	18,872	16,174	16,950	15,006	14,978	13,389
Non-operating expenses.....	2,480	2,414	3,289	2,866	2,064	3,130
Ordinary profit.....	95,094	89,301	90,538	88,972	91,083	86,543
<i>As a percentage of revenue</i>	24.1	22.6	22.7	22.6	23.5	22.6
Extraordinary profit.....	548	226	1,651	87	1,896	651
Extraordinary losses.....	1,621	8,992	2,092	203	324	100
Income before income taxes.....	94,021	80,534	90,097	88,855	92,655	87,094
<i>As a percentage of revenue</i>	23.8	20.4	22.6	22.5	23.9	22.8
Income taxes.....	24,135	20,574	24,289	14,838	24,962	23,833
<i>Effective tax rate</i>	25.7	25.5	27.0	16.7	26.9	27.4
Net income.....	69,885	59,960	65,808	74,016	67,692	63,260
<i>As a percentage of revenue</i>	17.7	15.2	16.5	18.8	17.5	16.5
<i>Percentage change from prior year</i>	16.6	(8.9)	(11.1)	9.3	7.0	8.2