

Consolidated Financial Statements

Consolidated Balance Sheets

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

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

LIABILITIES AND EQUITY

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

Consolidated Statements of Cash Flows

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

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

Segment Information

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

(1) Business Segment Information

	In millions of yen			In thousands of U.S. dollars
	2023	2022	2021	Year ended March 31 2023
Net sales and operating revenue:				
Security services—				
Customers	¥ 597,071	¥ 563,623	¥ 555,060	\$4,455,754
Intersegment	3,235	3,093	3,064	24,142
	600,306	566,716	558,124	4,479,896
Fire protection services—				
Customers	145,662	148,804	140,599	1,087,031
Intersegment	3,125	3,302	3,275	23,321
	148,787	152,106	143,874	1,110,352
Medical services—				
Customers	196,246	195,826	182,573	1,464,522
Intersegment	239	236	206	1,784
	196,485	196,062	182,779	1,466,306
Insurance services—				
Customers	58,876	51,769	58,291	439,373
Intersegment	3,012	3,151	3,084	22,478
	61,888	54,920	61,375	461,851
Geospatial information services—				
Customers	62,086	56,371	53,908	463,328
Intersegment	226	194	204	1,687
	62,312	56,565	54,112	465,015
BPO and ICT services—				
Customers	127,854	115,544	112,144	954,134
Intersegment	11,012	9,212	9,709	82,179
	138,866	124,756	121,853	1,036,313
Other services—				
Customers	39,521	34,161	32,764	294,933
Intersegment	1,560	1,235	1,187	11,642
	41,081	35,396	33,951	306,575
Total	1,249,725	1,186,521	1,156,068	9,326,308
Eliminations	(22,409)	(20,423)	(20,729)	(167,233)
Total net sales and operating revenue	¥1,227,316	¥1,166,098	¥1,135,339	\$9,159,075
Operating income (loss):				
Security services	¥109,420	¥113,380	¥101,096	\$ 816,567
Fire protection services	11,559	14,516	13,091	86,261
Medical services	10,504	13,636	3,938	78,388
Insurance services	7,090	8,547	9,309	52,910
Geospatial information services	5,807	3,874	4,443	43,336
BPO and ICT services	13,112	14,562	14,495	97,851
Other services	7,519	6,120	6,046	56,112
Total	165,011	174,635	152,418	1,231,425
Corporate expenses and eliminations	(19,459)	(18,233)	(16,609)	(145,216)
Operating income	¥145,552	¥156,402	¥135,809	\$1,086,209
Other income	20,040	9,670	12,121	149,552
Other expenses	(2,592)	(4,383)	(2,845)	(19,343)
Income from continuing operations before income taxes	¥163,000	¥161,689	¥145,085	\$1,216,418
Assets:				
Security services	¥ 961,134	¥ 916,912		\$ 7,172,642
Fire protection services	192,783	190,544		1,438,679
Medical services	203,876	203,299		1,521,463
Insurance services	244,332	247,258		1,823,373
Geospatial information services	77,827	77,954		580,799
BPO and ICT services	252,319	241,694		1,882,978
Other services	128,970	121,195		962,460
Total	2,061,241	1,998,856		15,382,394
Corporate items	136,491	112,948		1,018,590
Investments in affiliated companies	79,647	71,662		594,381
Total assets	¥2,277,379	¥2,183,466		\$16,995,365

Segment Information

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2023	2022	2021	2023
Depreciation and amortization:				
Security services	¥ 51,739	¥51,573	¥51,645	\$386,113
Fire protection services	2,955	2,836	2,662	22,052
Medical services	7,829	8,055	8,496	58,425
Insurance services	2,328	2,509	2,556	17,373
Geospatial information services	1,773	1,751	1,665	13,231
BPO and ICT services	9,917	9,751	9,816	74,008
Other services	1,303	1,158	1,008	9,724
Total	77,844	77,633	77,848	580,926
Corporate items	874	874	868	6,522
Total depreciation and amortization	¥ 78,718	¥78,507	¥78,716	\$587,448

Capital expenditure:				
Security services	¥ 66,278	¥44,059	¥44,276	\$494,612
Fire protection services	4,043	5,176	5,249	30,172
Medical services	5,620	4,018	4,057	41,940
Insurance services	3,075	2,770	1,936	22,948
Geospatial information services	2,600	2,608	2,052	19,403
BPO and ICT services	20,961	7,871	6,928	156,425
Other services	8,108	4,182	3,677	60,507
Total	110,685	70,684	68,175	826,007
Corporate items	795	584	486	5,933
Total capital expenditures	¥111,480	¥71,268	¥68,661	\$831,940

The capital expenditures in the above table represent the additions to property, plant and equipment and intangible assets of each segment. The Company has no single customer that accounts for more than 10 percent of total revenues.

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

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

(2) Geographic Segment Information

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

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2023	2022	2021	2023
Net sales and operating revenue:				
Japan	¥1,168,628	¥1,117,929	¥1,091,216	\$8,721,105
Other	58,688	48,169	44,123	437,970
Total	¥1,227,316	¥1,166,098	¥1,135,339	\$9,159,075

	In millions of yen			In thousands of U.S. dollars
	March 31			March 31
	2023	2022	2023	2023
Long-lived assets:				
Japan	¥798,435	¥755,252		\$5,958,470
Other	15,855	15,125		118,321
Total	¥814,290	¥770,377		\$6,076,791

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