

Financial Data
2024

Year ended March 31, 2024

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Consolidated Financial Statements

Consolidated Balance Sheets

SECOM CO., LTD. and Subsidiaries
March 31, 2024 and 2023

	In millions of yen		Translation into thousands of U.S. dollars (Note 3)
	March 31	March 31	March 31
	2024	2023	2024
ASSETS			
Current assets:			
Cash and cash equivalents (Notes 5 and 22).....	¥ 435,728	¥ 524,777	\$ 2,885,616
Time deposits (Note 13)	24,060	9,211	159,338
Cash deposits for armored car services (Note 6)	138,562	135,460	917,629
Short-term investments (Notes 7 and 22)	12,374	25,938	81,947
Notes and accounts receivable, trade	178,278	172,946	1,180,649
Due from subscribers.....	67,573	61,781	447,503
Inventories (Note 8)	52,530	46,756	347,881
Short-term deferred charges (Note 2 (13)).....	7,205	7,565	47,715
Short-term receivables (Notes 9, 13, 20 and 21)	25,719	29,730	170,325
Allowance for doubtful accounts (Note 9)	—	(2,202)	—
Allowance for credit losses (Note 9)	(2,191)	—	(14,510)
Deferred insurance acquisition costs (Note 14)	3,238	2,704	21,444
Other current assets.....	21,271	21,839	140,868
Total current assets.....	964,347	1,036,505	6,386,405
Investments and long-term receivables:			
Investment securities (Notes 2 (7), 7, 13 and 22)	291,716	235,003	1,931,894
Investments in affiliated companies (Note 10)	151,635	79,647	1,004,205
Long-term receivables (Notes 9, 13, 20 and 21)	38,077	38,712	252,166
Lease deposits	23,756	22,078	157,325
Other investments	13,397	12,457	88,721
Allowance for doubtful accounts (Note 9)	—	(4,175)	—
Allowance for credit losses (Note 9)	(3,886)	—	(25,735)
	514,695	383,722	3,408,576
Property, plant and equipment (Notes 11, 13, 19 and 20):			
Land	126,074	123,197	834,927
Buildings and improvements	412,137	397,640	2,729,384
Security equipment and control stations	390,434	372,650	2,585,656
Machinery, equipment and automobiles.....	174,704	168,973	1,156,980
Construction in progress	32,442	20,558	214,848
	1,135,791	1,083,018	7,521,795
Accumulated depreciation	(672,313)	(646,969)	(4,452,404)
	463,478	436,049	3,069,391
Other assets:			
Operating lease right-of-use assets (Notes 2 (12) and 19)	136,525	130,584	904,139
Long-term deferred charges (Note 2 (13)).....	13,085	12,559	86,656
Goodwill (Note 12).....	137,685	141,626	911,821
Other intangible assets (Notes 12, 13, 19 and 20)	65,025	65,743	430,629
Prepaid pension and severance costs (Note 15).....	69,583	55,552	460,814
Deferred income taxes (Note 17)	13,674	15,039	90,556
	435,577	421,103	2,884,615
Total assets	¥2,378,097	¥2,277,379	\$15,748,987

See accompanying notes to consolidated financial statements.

	In millions of yen		Translation into thousands of U.S. dollars (Note 3)
	March 31	March 31	March 31
	2024	2023	2024
LIABILITIES AND EQUITY			
Current liabilities:			
Bank loans (Notes 6 and 13).....	¥ 29,185	¥ 30,096	\$ 193,278
Current portion of long-term debt (Notes 13, 19 and 21)	11,350	12,527	75,166
Notes and accounts payable, trade	42,732	48,148	282,993
Other payables.....	52,981	46,284	350,868
Deposits received (Note 6)	131,584	124,117	871,417
Deferred revenue.....	37,576	37,747	248,848
Accrued income taxes	26,557	23,121	175,874
Accrued payroll.....	47,247	46,476	312,894
Current operating lease liabilities (Notes 2 (12) and 19)	22,811	21,040	151,066
Other current liabilities	34,220	44,547	226,622
Total current liabilities.....	436,243	434,103	2,889,026
Long-term liabilities:			
Long-term debt (Notes 13, 19 and 21).....	51,410	47,414	340,464
Guarantee deposits received.....	23,267	23,229	154,086
Accrued pension and severance costs (Note 15)	28,916	31,090	191,497
Long-term deferred revenue.....	15,870	16,121	105,099
Unearned premiums and other insurance liabilities (Note 14).....	127,915	129,034	847,119
Investment deposits by policyholders (Notes 14 and 21)	11,804	14,363	78,172
Deferred income taxes (Note 17)	34,374	20,222	227,642
Noncurrent operating lease liabilities (Notes 2 (12) and 19)	114,913	109,544	761,013
Other long-term liabilities (Notes 21, 22 and 23)	18,056	16,767	119,576
Total long-term liabilities	426,525	407,784	2,824,668
Total liabilities	862,768	841,887	5,713,694
Commitments and contingent liabilities (Note 24)			
Equity:			
SECOM CO., LTD. shareholders' equity (Note 18):			
Common stock			
Authorized—900,000,000 shares, issued 233,299,898 shares in 2024			
Authorized—900,000,000 shares, issued 233,299,898 shares in 2023	66,427	66,427	439,914
Additional paid-in capital.....	61,376	63,082	406,464
Legal reserve	11,278	11,067	74,689
Retained earnings.....	1,297,459	1,212,269	8,592,444
Accumulated other comprehensive income (loss):			
Unrealized gains on securities (Note 7)	167	(1,220)	1,106
Pension liability adjustments (Note 15).....	11,967	5,814	79,252
Foreign currency translation adjustments	30,332	18,991	200,874
	42,466	23,585	281,232
Common stock in treasury, at cost:			
22,808,460 shares in 2024 and 18,763,110 shares in 2023	(149,979)	(109,225)	(993,238)
Total SECOM CO., LTD. shareholders' equity.....	1,329,027	1,267,205	8,801,505
Noncontrolling interests.....	186,302	168,287	1,233,788
Total equity	1,515,329	1,435,492	10,035,293
Total liabilities and equity	¥2,378,097	¥2,277,379	\$15,748,987

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

SECOM CO., LTD. and Subsidiaries
Three years ended March 31, 2024

	In millions of yen			Translation into thousands of U.S. dollars (Note 3)
	Years ended March 31			Year ended March 31
	2024	2023	2022	2024
Net sales and operating revenue (Notes 14, 18, 22 and 25)	¥1,283,898	¥1,227,316	¥1,166,098	\$8,502,636
Costs and expenses:				
Cost of sales (Note 8)	891,103	861,802	802,443	5,901,344
Selling, general and administrative expenses (Notes 2 (18), 2 (19), 2 (20) and 4)	228,501	216,032	204,190	1,513,252
Impairment loss on long-lived assets (Note 11)	4,428	2,647	113	29,325
Impairment loss on goodwill (Note 12)	4,404	1,456	268	29,166
Gain and loss on sales and disposal of fixed assets, net	496	(173)	2,682	3,285
	1,128,932	1,081,764	1,009,696	7,476,372
Operating income	154,966	145,552	156,402	1,026,264
Other income:				
Interest and dividends	3,573	2,325	1,784	23,662
Gain and loss on sales of securities, net (Notes 7 and 18)	—	—	334	—
Gain on other-than-temporary impairment of investment securities (Notes 18 and 22) ...	9,771	478	—	64,709
Gain on private equity investments (Note 22)	18,221	11,792	3,072	120,669
Other (Notes 15, 16, 18 and 23)	7,545	5,445	4,480	49,967
	39,110	20,040	9,670	259,007
Other expenses:				
Interest	1,340	1,183	1,165	8,874
Gain and loss on sales of securities, net (Notes 7 and 18)	851	111	—	5,636
Loss on other-than-temporary impairment of investment securities (Notes 18 and 22) ...	—	—	848	—
Other (Note 16)	1,173	1,298	2,370	7,768
	3,364	2,592	4,383	22,278
Income from continuing operations before income taxes and equity in net income of affiliated companies	190,712	163,000	161,689	1,262,993
Income taxes (Note 17):				
Current	48,106	45,872	46,738	318,582
Deferred	10,107	3,584	2,426	66,934
	58,213	49,456	49,164	385,516
Income from continuing operations before equity in net income of affiliated companies	132,499	113,544	112,525	877,477
Equity in net income of affiliated companies (Note 18)	9,980	8,152	6,639	66,093
Net income	142,479	121,696	119,164	943,570
Less: Net income attributable to noncontrolling interests	(16,595)	(10,138)	(11,433)	(109,901)
Net income attributable to SECOM CO., LTD.	¥ 125,884	¥ 111,558	¥ 107,731	\$ 833,669

	In yen			Translation into U.S. dollars (Note 3)
	Years ended March 31			Year ended March 31
	2024	2023	2022	2024
Per share data (Note 2 (22)):				
Net income attributable to SECOM CO., LTD.	¥595.19	¥516.68	¥492.83	\$3.94
Cash dividends per share (Note 18)	¥190.00	¥180.00	¥175.00	\$1.26

Consolidated Statements of Comprehensive Income

SECOM CO., LTD. and Subsidiaries
Three years ended March 31, 2024

	In millions of yen			Translation into thousands of U.S. dollars (Note 3)
	Years ended March 31			Year ended March 31
	2024	2023	2022	2024
Comprehensive income:				
Net income	¥142,479	¥121,696	¥119,164	\$ 943,570
Other comprehensive income (loss), net of tax:				
Unrealized gains on securities	1,388	(3,644)	(142)	9,192
Pension liability adjustments	7,030	2,716	3,976	46,557
Foreign currency translation adjustments	12,380	16,885	11,678	81,986
Total comprehensive income	163,277	137,653	134,676	1,081,305
Less: Comprehensive income attributable to noncontrolling interests	(18,512)	(11,188)	(12,055)	(122,596)
Comprehensive income attributable to SECOM CO., LTD.	¥144,765	¥126,465	¥122,621	\$ 958,709

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

SECOM CO., LTD. and Subsidiaries
Three years ended March 31, 2024

	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, 2021	233,295,926	¥66,410	¥74,607	¥10,884	¥1,070,419	(¥ 6,212)	(¥ 73,785)	¥1,142,323	¥148,820	¥1,291,143
Comprehensive income:										
Net income	—	—	—	—	107,731	—	—	107,731	11,433	119,164
Other comprehensive income (loss), net of tax (Note 18):										
Unrealized gains on securities	—	—	—	—	—	(142)	—	(142)	—	(142)
Pension liability adjustments	—	—	—	—	—	3,983	—	3,983	(7)	3,976
Foreign currency translation adjustments	—	—	—	—	—	11,049	—	11,049	629	11,678
Total comprehensive income								122,621	12,055	134,676
Issuance of new stocks	2,123	9	9	—	—	—	—	18	—	18
Cash dividends paid to SECOM CO., LTD. shareholders	—	—	—	—	(38,196)	—	—	(38,196)	—	(38,196)
Cash dividends paid to noncontrolling interests	—	—	—	—	—	—	—	—	(2,965)	(2,965)
Transfer to legal reserve	—	—	—	88	(88)	—	—	—	—	—
Equity transactions with noncontrolling interests and other (Note 18)	—	—	(11,602)	—	—	—	—	(11,602)	(22,473)	(34,075)
Gains on disposal of treasury stock	—	—	0	—	—	—	0	0	—	0
Net changes in treasury stock	—	—	—	—	—	—	(5,652)	(5,652)	—	(5,652)
Balance, March 31, 2022	233,298,049	66,419	63,014	10,972	1,139,866	8,678	(79,437)	1,209,512	135,437	1,344,949
Comprehensive income:										
Net income	—	—	—	—	111,558	—	—	111,558	10,138	121,696
Other comprehensive income (loss), net of tax (Note 18):										
Unrealized gains on securities	—	—	—	—	—	(3,644)	—	(3,644)	—	(3,644)
Pension liability adjustments	—	—	—	—	—	2,490	—	2,490	226	2,716
Foreign currency translation adjustments	—	—	—	—	—	16,061	—	16,061	824	16,885
Total comprehensive income								126,465	11,188	137,653
Issuance of new stocks	1,849	8	8	—	—	—	—	16	—	16
Cash dividends paid to SECOM CO., LTD. shareholders	—	—	—	—	(39,060)	—	—	(39,060)	—	(39,060)
Cash dividends paid to noncontrolling interests	—	—	—	—	—	—	—	—	(3,199)	(3,199)
Transfer to legal reserve	—	—	—	95	(95)	—	—	—	—	—
Equity transactions with noncontrolling interests and other (Note 18)	—	—	60	—	—	—	—	60	24,861	24,921
Gains on disposal of treasury stock	—	—	0	—	—	—	0	0	—	0
Net changes in treasury stock	—	—	—	—	—	—	(29,788)	(29,788)	—	(29,788)
Balance, March 31, 2023	233,299,898	66,427	63,082	11,067	1,212,269	23,585	(109,225)	1,267,205	168,287	1,435,492
Comprehensive income:										
Net income	—	—	—	—	125,884	—	—	125,884	16,595	142,479
Other comprehensive income (loss), net of tax (Note 18):										
Unrealized gains on securities	—	—	—	—	—	1,388	—	1,388	—	1,388
Pension liability adjustments	—	—	—	—	—	6,152	—	6,152	878	7,030
Foreign currency translation adjustments	—	—	—	—	—	11,341	—	11,341	1,039	12,380
Total comprehensive income								144,765	18,512	163,277
Issuance of new stocks	—	—	—	—	—	—	—	—	—	—
Cash dividends paid to SECOM CO., LTD. shareholders	—	—	—	—	(40,483)	—	—	(40,483)	—	(40,483)
Cash dividends paid to noncontrolling interests	—	—	—	—	—	—	—	—	(2,864)	(2,864)
Transfer to legal reserve	—	—	—	211	(211)	—	—	—	—	—
Equity transactions with noncontrolling interests and other (Note 18)	—	—	(3,257)	—	—	—	—	(3,257)	2,367	(890)
Gains on disposal of treasury stock	—	—	1,551	—	—	—	3,248	4,799	—	4,799
Net changes in treasury stock	—	—	—	—	—	—	(44,002)	(44,002)	—	(44,002)
Balance, March 31, 2024	233,299,898	¥66,427	¥61,376	¥11,278	¥1,297,459	¥42,466	(¥149,979)	¥1,329,027	¥186,302	¥1,515,329

	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, 2023	\$439,914	\$417,762	\$73,291	\$8,028,273	\$156,192	(\$723,344)	\$8,392,088	\$1,114,483	\$ 9,506,571
Comprehensive income:									
Net income	—	—	—	833,669	—	—	833,669	109,901	943,570
Other comprehensive income (loss), net of tax (Note 18):									
Unrealized gains on securities	—	—	—	—	9,192	—	9,192	—	9,192
Pension liability adjustments	—	—	—	—	40,742	—	40,742	5,815	46,557
Foreign currency translation adjustments	—	—	—	—	75,106	—	75,106	6,880	81,986
Total comprehensive income							958,709	122,596	1,081,305
Issuance of new stocks	—	—	—	—	—	—	—	—	—
Cash dividends paid to SECOM CO., LTD. shareholders	—	—	—	(268,100)	—	—	(268,100)	—	(268,100)
Cash dividends paid to noncontrolling interests	—	—	—	—	—	—	—	(18,967)	(18,967)
Transfer to legal reserve	—	—	1,398	(1,398)	—	—	—	—	—
Equity transactions with noncontrolling interests and other (Note 18)	—	(21,570)	—	—	—	—	(21,570)	15,676	(5,894)
Gains on disposal of treasury stock	—	10,272	—	—	—	21,510	31,782	—	31,782
Net changes in treasury stock	—	—	—	—	—	(291,404)	(291,404)	—	(291,404)
Balance, March 31, 2024	\$439,914	\$406,464	\$74,689	\$8,592,444	\$281,232	(\$993,238)	\$8,801,505	\$1,233,788	\$10,035,293

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

SECOM CO., LTD. and Subsidiaries
Three years ended March 31, 2024

	In millions of yen			Translation into thousands of U.S. dollars (Note 3)
	Years ended March 31			Year ended March 31
	2024	2023	2022	2024
Cash flows from operating activities:				
Net income	¥142,479	¥121,696	¥119,164	\$ 943,570
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).....	81,014	78,718	78,507	536,517
Accrual for pension and severance costs, less payments	(4,592)	(2,661)	(2,659)	(30,411)
Deferred income taxes, including discontinued operations	10,107	3,584	2,426	66,934
Gain and loss on sales and disposal of fixed assets, net.....	496	(173)	2,682	3,285
Impairment loss on long-lived assets (Note 11).....	4,428	2,647	113	29,325
Gain and loss on private equity investments (Note 22)	(18,221)	(11,792)	(3,072)	(120,669)
Impairment loss on goodwill (Note 12)	4,404	1,456	268	29,166
Gain on sales of securities, net (Notes 7 and 14)	(1,393)	(2,713)	(709)	(9,225)
Gain and loss on other-than-temporary impairment of investment securities				
(Notes 14 and 22).....	(26,642)	(2,609)	2,373	(176,437)
Equity in net income of affiliated companies.....	(9,980)	(8,152)	(6,639)	(66,093)
Changes in assets and liabilities, net of effects from acquisitions and disposals:				
(Increase) decrease in cash deposits for armored car services	(3,102)	1,060	2,412	(20,543)
(Increase) decrease in receivables and due from subscribers, net of allowances	(10,575)	(3,797)	(10,450)	(70,033)
(Increase) decrease in inventories.....	(7,112)	(8,960)	(5,415)	(47,099)
Increase in deferred charges	(9,024)	(8,026)	(8,015)	(59,762)
Increase (decrease) in notes and accounts payable	600	2,117	2,986	3,974
Increase (decrease) in deposits received	7,431	(99)	163	49,212
Increase (decrease) in deferred revenue.....	(738)	(1,148)	(1,391)	(4,887)
Increase (decrease) in accrued income taxes.....	3,428	(4,015)	4,022	22,702
Increase (decrease) in guarantee deposits received.....	(61)	(136)	(210)	(404)
Increase (decrease) in unearned premiums and other insurance liabilities	(1,119)	(3,980)	(103)	(7,411)
Increase (decrease) in accrued consumption tax	3,160	(1,376)	(4,121)	20,927
Other, net	14,886	4,568	12,961	98,581
Net cash provided by operating activities	179,874	156,209	185,293	1,191,219
Cash flows from investing activities:				
(Increase) decrease in time deposits	(14,778)	(173)	738	(97,868)
Proceeds from sales of property, plant and equipment	3,757	6,514	3,602	24,881
Payments for purchases of property, plant and equipment.....	(85,552)	(52,846)	(55,075)	(566,570)
Payments for purchases of intangible assets	(13,843)	(12,004)	(10,778)	(91,675)
Proceeds from sales and redemptions of investment securities (Note 7).....	34,075	53,331	33,243	225,662
Payments for purchases of investment securities	(93,943)	(48,829)	(31,683)	(622,139)
(Increase) decrease in short-term investments	2,731	(2,554)	—	18,086
Proceeds from sale of subsidiaries, net of cash and cash equivalents disposed of.....	—	(156)	(3)	—
Acquisitions, net of cash acquired (Note 4)	—	(18,929)	—	—
(Increase) decrease in short-term receivables, net.....	(40)	(187)	57	(265)
Payments for long-term receivables.....	(479)	(737)	(703)	(3,172)
Proceeds from long-term receivables.....	794	1,509	1,975	5,258
Other, net.....	(1,751)	(2,264)	(1,734)	(11,595)
Net cash used in investing activities.....	(169,029)	(77,325)	(60,361)	(1,119,397)
Cash flows from financing activities:				
Proceeds from long-term debt.....	1,100	2,837	5,349	7,285
Repayments of long-term debt	(15,074)	(16,701)	(16,953)	(99,828)
Increase (decrease) in bank loans, net	(914)	(1,275)	(1,903)	(6,053)
Increase (decrease) in investment deposits by policyholders.....	(2,559)	(2,603)	(2,863)	(16,947)
Dividends paid to SECOM CO., LTD. shareholders.....	(40,483)	(39,060)	(38,196)	(268,100)
Dividends paid to noncontrolling interests.....	(2,864)	(3,427)	(2,965)	(18,967)
Payments for acquisition of shares of consolidated subsidiaries from noncontrolling				
interest holders	(611)	(38)	(28,573)	(4,046)
Increase in treasury stock, net.....	(44,002)	(29,788)	(11,241)	(291,404)
Other, net.....	2,933	2,847	72	19,424
Net cash used in financing activities	(102,474)	(87,208)	(97,273)	(678,636)
Effect of exchange rate changes on cash and cash equivalents.....	2,580	1,546	1,695	17,086
Net increase in cash and cash equivalents	(89,049)	(6,778)	29,354	(589,728)
Cash and cash equivalents at beginning of year	524,777	531,555	502,201	3,475,344
Cash and cash equivalents at end of year.....	¥435,728	¥524,777	¥531,555	\$2,885,616

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

SECOM CO., LTD. and Subsidiaries
Three years ended March 31, 2024

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 collec- tion 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 pri- mary beneficiary through managing hospitals and health care-related institutions; non-life insurance services; geospatial information ser- vices using geospatial information systems (GIS) and surveying and measuring technology; BPO and ICT services, including data center services, business continuity plan support, information security ser- vices 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 incorpo- rated 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 sig- nificant 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 ¥81,073 million (\$536,907 thousand) and ¥80,016 million (\$529,907 thousand), respectively, at March 31, 2024, and ¥86,678 million and ¥83,676 million, respectively, at March 31, 2023. The creditors of VIEs do not have recourse to the Company’s gen- eral 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 ¥4,945 million (\$32,748 thousand) and ¥1,640 million (\$10,861 thou- sand), respectively, at March 31, 2024, and ¥6,269 million and ¥3,136 million, respectively, at March 31, 2023. The Company’s assets in the consolidated balance sheets and the Company’s maximum exposure to losses related to VIEs at March 31, 2024 and 2023 were ¥1,269 million (\$8,404 thousand) and ¥1,196 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 protec- tion services, medical services, insurance services, geospatial informa- tion 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 ser- vices, when such services are rendered. Subscribers are generally requested to prepay a portion of service charges, especially for secu- rity 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 treat- ment 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 ¥50,902 million (\$337,099 thousand) and ¥30,706 million at March 31, 2024 and 2023, 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 Credit Losses

The allowance for credit losses on financing receivables is based on an estimate of all credit losses expected to be incurred in the future over the remaining life of the receivables.

In recording allowance for credit losses, the Company manages credit quality collectively and for individually evaluated receivables, and collectively and individually evaluates financial assets based on historical credit loss experience and reasonable and supportable projections, including the financial condition of borrowers and delinquent payments.

(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 ¥59,785 million (\$395,929 thousand), ¥58,211 million and ¥58,033 million for the years ended March 31, 2024, 2023 and 2022, respectively. Maintenance, repairs and renewals are charged to income as incurred.

The estimated useful lives of depreciable assets are as follows:	
Buildings	33 to 50 years
Security equipment and control stations	5 to 8 years
Machinery, equipment and automobiles	2 to 20 years

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

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

(12) Leases as lessee

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

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

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

Short-term deferred charges and long-term deferred charges primarily consist of costs related to installation services of security equipment used to provide on-line security systems. The installation costs are deferred and amortized using the straight-line method over the contractual period of security services after completion of the installation. Amortization expense was ¥8,831 million (\$58,482 thousand), ¥9,073 million and ¥9,466 million for the years ended March 31, 2024, 2023 and 2022, 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, 2024, 2023 and 2022 were ¥7,816 million (\$51,762 thousand), ¥7,584 million and ¥8,243 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, 2024, 2023 and 2022 were ¥5,807 million (\$38,457 thousand), ¥5,884 million and ¥5,416 million, respectively.

(20) Shipping and Handling Costs

Shipping and handling costs included in selling, general and administrative expenses for the years ended March 31, 2024, 2023 and 2022 were ¥1,277 million (\$8,457 thousand), ¥1,349 million and ¥1,337 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, 2024, 2023 and 2022 was 211,502 thousand shares, 215,915 thousand shares and 218,595 thousand shares, respectively. There were no potentially dilutive shares outstanding during the years ended March 31, 2024, 2023 or 2022. 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 replaced the incurred loss methodology that delayed 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 was adopted by the Company in the fiscal year beginning April 1, 2023. The adoption did not have a material impact on the Company's consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-12, "Targeted Improvements to the Accounting for Long-Duration Contracts." This accounting standard changes the recognition, measurement, presentation and disclosure requirements for long duration contracts. This accounting standard was originally planned to be effective for the fiscal years beginning after December 15, 2020, however, in November 2019, the FASB issued ASU No. 2019-09, "Effective Dates," which defers the effective date of ASU No. 2018-12 for public entities excluding Securities and Exchange Commission (SEC) filers for three years. In addition, in December 2022, the FASB issued ASU No. 2022-05, "Transition for Sold Contracts," which amended some of ASU No. 2018-12. ASU No. 2022-05 is effective for the fiscal years beginning after December 15, 2024, and interim periods within the fiscal years beginning after December 15 2025, and will be adopted by the Company in the fiscal year beginning April 1, 2025. 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 was adopted by the Company in the fiscal year beginning April 1, 2023. The adoption did not have a material impact on the Company's consolidated financial statements.

In November 2023, the FASB issued ASU No. 2023-07, "Segment Reporting". This accounting standard requires improved disclosures for reportable segments by primarily through enhanced disclosures about significant segment expenses that are regularly provided to the chief operating decision maker (CODM). This accounting standard is effective for fiscal years beginning after December 15, 2024, including interim periods within that reporting period, and will be adopted by the Company in the fiscal year beginning April 1, 2024. As this accounting standard includes only disclosure requirements, the adoption will not have an impact on the Company's consolidated financial statements. In December 2023, the FASB issued ASU No. 2023-09, "Income Taxes". This accounting standard requires increased transparency in income tax disclosures by disclosing certain categories in the tax rate reconciliation tables, income taxes paid (domestic and foreign separately) and income from continuing operations before income taxes (domestic and foreign separately). This accounting standard is effective for fiscal years beginning after December 15, 2024, and will be adopted by the Company in the fiscal year beginning April 1, 2025. As this accounting standard includes only disclosure requirements, the adoption will not have an impact on the Company's consolidated financial statements.

(25) Discontinued Operations

ASC 205-20, "Discontinued Operations," requires the operating results of any component of an entity with its own identifiable operations and cash flows which is disposed of or is classified as held for sale, and with which the Company will not have significant continuing involvement to be reported in discontinued operations.

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 ¥151=US\$1, the approximate rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2024. These translations should not be construed as representing that the yen amounts actually constitute, or have been or could be converted into U.S. dollars at that rate.

4. Acquisitions

Acquisition of SENON LIMITED

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

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

	In millions of yen
Cash and cash equivalents.....	¥ 8,263
Due from subscribers	3,991
Other current assets.....	620
Property, plant and equipment.....	4,305
Intangible assets, including goodwill	40,276
Other assets.....	5,572
Total assets acquired	63,027
Current liabilities	8,348
Long-term liabilities	5,563
Total liabilities assumed	13,911
Noncontrolling interests.....	22,116
Net assets acquired	¥27,000

Intangible assets of ¥7,737 million subject to amortization include customer relationships of ¥7,685 million with a useful life ranging from 10 to 15 years. Goodwill of ¥32,539 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, and the real estate and other services segment.

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

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

	In millions of yen	
	Years ended March 31	
Unaudited	2023	2022
Pro forma net sales and operating revenue.....	¥1,236,730	¥1,203,822
Pro forma net income attributable to SECOM Co., Ltd.	111,711	108,364

	In yen	
	Years ended March 31	
Unaudited	2023	2022
Pro forma net income attributable to SECOM Co., Ltd. per share	¥517.39	¥495.73

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

5. Cash and Cash Equivalents

Cash and cash equivalents at March 31, 2024 and 2023 comprise the following:

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2024	2023	2024
Cash	¥416,263	¥509,442	\$2,756,708
Time deposits.....	12,187	14,947	80,709
Investment securities.....	7,278	388	48,199
	¥435,728	¥524,777	\$2,885,616

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 ¥15,091 million (\$99,940 thousand) and ¥123,521 million (\$818,020 thousand), respectively, at March 31, 2024, and ¥16,521 million and ¥118,943 million, respectively, at March 31, 2023. 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, 2024 and 2023 are as follows:

	In millions of yen			
	March 31, 2024			
	Cost	Gross unrealized		Fair value
		Gains	Losses	
Short-term investments:				
Available-for-sale:				
Debt securities	¥ 12,348	¥ 3	¥ 126	¥ 12,225
Held-to-maturity:				
Debt securities	149	—	2	147
	¥ 12,497	¥ 3	¥ 128	¥ 12,372
Investment securities:				
Available-for-sale:				
Debt securities	¥113,356	¥2,642	¥2,292	¥113,706
Held-to-maturity:				
Debt securities	11,569	499	202	11,866
	¥124,925	¥3,141	¥2,494	¥125,572

	In millions of yen			
	March 31, 2023			
	Cost	Gross unrealized		Fair value
		Gains	Losses	
Short-term investments:				
Available-for-sale:				
Debt securities	¥ 23,938	¥1,905	¥ 39	¥ 25,804
Held-to-maturity:				
Debt securities	134	—	1	133
	¥ 24,072	¥1,905	¥ 40	¥ 25,937

Investment securities:				
Available-for-sale:				
Debt securities	¥114,312	¥1,293	¥4,856	¥110,749
Held-to-maturity:				
Debt securities	11,659	808	219	12,248
	¥125,971	¥2,101	¥5,075	¥122,997

	In thousands of U.S. dollars			
	March 31, 2024			
	Cost	Gross unrealized		Fair value
		Gains	Losses	
Short-term investments:				
Available-for-sale:				
Debt securities	\$ 81,775	\$ 19	\$ 834	\$ 80,960
Held-to-maturity:				
Debt securities	987	—	13	974
	\$ 82,762	\$ 19	\$ 847	\$ 81,934

Investment securities:				
Available-for-sale:				
Debt securities	\$750,701	\$17,498	\$15,179	\$753,020
Held-to-maturity:				
Debt securities	76,616	3,305	1,338	78,583
	\$827,317	\$20,803	\$16,517	\$831,603

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, 2024 are as follows:

	In millions of yen			
	March 31, 2024			
	Less than 12 months	12 months or longer		
	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses

Available-for-sale:				
Debt securities	¥64,827	¥2,418	¥—	¥—

Held-to-maturity:				
Debt securities	¥ 899	¥ 204	¥—	¥—

	In thousands of U.S. dollars			
	March 31, 2024			
	Less than 12 months	12 months or longer		
	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses

Available-for-sale:				
Debt securities	\$429,318	\$16,013	\$—	\$—

Held-to-maturity:				
Debt securities	\$ 5,954	\$ 1,351	\$—	\$—

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, 2024.

At March 31, 2024, 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, 2024 are as follows:

	In millions of yen			
	March 31, 2024			
	Available-for-sale		Held-to-maturity	
	Cost	Fair value	Cost	Fair value
Due within 1 year	¥ 12,348	¥ 12,225	¥ 149	¥ 147
Due after 1 year through 5 years.....	62,107	63,137	143	142
Due after 5 years through 10 years	27,817	27,767	9,217	9,607
Due after 10 years	23,432	22,802	2,209	2,117
	¥125,704	¥125,931	¥11,718	¥12,013

	In thousands of U.S. dollars			
	March 31, 2024			
	Available-for-sale		Held-to-maturity	
	Cost	Fair value	Cost	Fair value
Due within 1 year	\$ 81,775	\$ 80,960	\$ 987	\$ 974
Due after 1 year through 5 years.....	411,305	418,126	947	940
Due after 5 years through 10 years	184,219	183,887	61,040	63,623
Due after 10 years	155,177	151,007	14,629	14,020
	\$832,476	\$833,980	\$77,603	\$79,557

Proceeds from the sale of “available-for-sale” securities for the years ended March 31, 2024, 2023 and 2022 were ¥12,685 million (\$84,007 thousand), ¥29,944 million and ¥19,515 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, 2024, 2023 and 2022 are as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2024	2023	2022	2024
Gross realized gains	¥2,678	¥3,148	¥1,102	\$17,735
Gross realized losses	1,285	212	309	8,510

The Company maintains long-term investment securities, issued by a number of non-public companies, included as investment securities in the consolidated balance sheets. The aggregate carrying amount of the investments in non-public companies, at cost net of other-than-temporary impairment, was ¥6,408 million (\$42,437 thousand) and ¥6,922 million at March 31, 2024 and 2023, 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, 2024 and 2023 comprise the following:

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2024	2023	2024
Security-related products	¥12,777	¥10,517	\$ 84,616
Fire protection-related products.....	21,566	18,055	142,821
Real estate	3,511	4,147	23,252
Other-related products	14,676	14,037	97,192
	¥52,530	¥46,756	\$347,881

There is no write-down on real estate inventories included in cost of sales for the years ended March 31, 2024, 2023 and 2022.

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

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

In recording allowance for credit losses, the Company manages credit quality as collectively and individually evaluated receivables, and collectively and individually evaluates financial assets based on historical credit loss experience and reasonable and supportable projections, including the financial condition of borrowers and delinquent payments.

Financing receivables, allowance for credit losses and allowance for doubtful accounts at March 31, 2024 and 2023 are as follows:

	In millions of yen				
	Year ended March 31, 2024				
	Lease receivables	Loans receivable resulting from medical services	Other loans receivable	Other	Total
Allowance for credit losses:					
Balance at beginning of year	¥ 203	¥2,881	¥ 431	¥ 732	¥ 4,247
Provision (Reversal) ...	26	(283)	(101)	97	(261)
Charge off	(34)	—	—	(0)	(34)
Other	—	—	—	—	—

Balance at end of year	195	2,598	330	829	3,952
Individually evaluated	104	2,598	330	829	3,861
Collectively evaluated	¥ 91	¥ —	¥ —	¥ —	¥ 91

Financing receivables:					
Individually evaluated	¥ 170	¥3,344	¥ 384	¥ 851	¥ 4,749
Collectively evaluated	48,427	328	1,131	142	50,028
	¥48,597	¥3,672	¥1,515	¥ 993	¥54,777

In millions of yen					
Year ended March 31, 2023					
	Lease receivables	Loans receivable resulting from medical services	Other loans receivable	Other	Total
Allowance for doubtful accounts:					
Balance at beginning of year	¥ 241	¥2,931	¥ 437	¥ 672	¥ 4,281
Provision (Reversal) ...	13	(50)	(6)	60	17
Charge off	(51)	—	—	(0)	(51)
Other	—	—	—	—	—
Balance at end of year	203	2,881	431	732	4,247
Individually evaluated	109	2,881	431	732	4,153
Collectively evaluated	¥ 94	¥ —	¥ 0	¥ —	¥ 94

Financing receivables:					
Individually evaluated	¥ 194	¥3,747	¥ 476	¥ 789	¥ 5,206
Collectively evaluated	49,223	342	859	132	50,556
	¥49,417	¥4,089	¥1,335	¥ 921	¥55,762

In thousands of U.S. dollars					
Year ended March 31, 2024					
	Lease receivables	Loans receivable resulting from medical services	Other loans receivable	Other	Total
Allowance for credit losses:					
Balance at beginning of year	\$ 1,344	\$19,079	\$ 2,854	\$4,848	\$ 28,125
Provision (Reversal) ...	172	(1,874)	(669)	643	(1,728)
Charge off	(225)	—	—	(0)	(225)
Other	—	—	—	—	—
Balance at end of year	1,291	17,205	2,185	5,491	26,172
Individually evaluated	688	17,205	2,185	5,491	25,569
Collectively evaluated	\$ 603	\$ —	\$ —	\$ —	\$ 603

Financing receivables:					
Individually evaluated	\$ 1,126	\$22,146	\$ 2,543	\$5,636	\$ 31,451
Collectively evaluated	320,709	2,172	7,490	940	331,311
	\$321,835	\$24,318	\$10,033	\$6,576	\$362,762

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, 2024 and 2023 are as follows:

In millions of yen					
March 31, 2024					
	Lease receivables	Loans receivable resulting from medical services	Other loans receivable	Other	Total
Current	¥48,427	¥3,635	¥1,172	¥ 818	¥54,052
Overdue	170	37	343	175	725
Total:					
Financing receivables	¥48,597	¥3,672	¥1,515	¥ 993	¥54,777
Financing receivables on nonaccrual status	¥ —	¥ 4	¥ 384	¥ —	¥ 388

In millions of yen					
March 31, 2023					
	Lease receivables	Loans receivable resulting from medical services	Other loans receivable	Other	Total
Current	¥49,223	¥4,054	¥ 900	¥ 659	¥54,836
Overdue	194	35	435	262	926
Total:					
Financing receivables	¥49,417	¥4,089	¥1,335	¥ 921	¥55,762
Financing receivables on nonaccrual status	¥ —	¥ 2	¥ 476	¥ —	¥ 478

In thousands of U.S. dollars					
March 31, 2024					
	Lease receivables	Loans receivable resulting from medical services	Other loans receivable	Other	Total
Current	\$320,709	\$24,073	\$ 7,761	\$5,418	\$357,961
Overdue	1,126	245	2,272	1,158	4,801
Total:					
Financing receivables	\$321,835	\$24,318	\$10,033	\$6,576	\$362,762
Financing receivables on nonaccrual status	\$ —	\$ 26	\$ 2,544	\$ —	\$ 2,570

Impaired receivables and the related allowance for credit losses and allowance for doubtful accounts at March 31, 2024 and 2023 are as follows:

In millions of yen					
March 31, 2024					
	Lease receivables	Loans receivable resulting from medical services	Other loans receivable	Other	Total
Impaired receivables	¥170	¥3,344	¥384	¥851	¥4,749
Related allowance for credit losses	104	2,598	330	829	3,861

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

In thousands of U.S. dollars					
March 31, 2024					
	Lease receivables	Loans receivable resulting from medical services	Other loans receivable	Other	Total
Impaired receivables	\$1,126	\$22,146	\$2,543	\$5,636	\$31,451
Related allowance for credit losses	688	17,205	2,185	5,491	25,569

The average amounts of impaired receivables for the year ended March 31, 2024 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	¥182	¥3,545	¥430	¥821	¥4,978

In thousands of U.S. dollars					
	Lease receivables	Loans receivable resulting from medical services	Other loans receivable	Other	Total
Average amounts of impaired receivables	\$1,205	\$23,477	\$2,848	\$5,437	\$32,967

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 27.3 percent owned affiliate, which is listed on the Standard Market of the Tokyo Stock Exchange.

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

In millions of yen			In thousands of U.S. dollars
March 31			March 31
2024	2023		2024
Current assets	¥257,376	¥184,748	\$ 1,704,477
Noncurrent assets	366,937	229,218	2,430,046
Total assets	¥624,313	¥413,966	\$4,134,523
Current liabilities	¥140,403	¥107,634	\$ 929,821
Long-term liabilities	127,887	46,959	846,934
Equity	356,023	259,373	2,357,768
Total liabilities and equity	¥624,313	¥413,966	\$4,134,523

In millions of yen			In thousands of U.S. dollars
Years ended March 31			Year ended March 31
2024	2023	2022	2024
Net sales	¥454,890	¥364,506	\$3,012,517
Gross profit	¥120,201	¥ 93,061	\$ 796,033
Net income attributable to affiliated companies	¥ 33,860	¥ 29,874	\$ 224,238

Dividends received from affiliated companies for the years ended March 31, 2024, 2023 and 2022 were ¥6,103 million (\$40,417 thousand), ¥5,527 million and ¥5,088 million, respectively.

Three listed affiliated companies accounted for under the equity method with an aggregated carrying amount of ¥75,072 million (\$497,166 thousand) and ¥68,863 million at March 31, 2024 and 2023, respectively, had a quoted market value of ¥142,900 million (\$946,358 thousand) and ¥116,913 million at March 31, 2024 and 2023, respectively.

The amounts of goodwill included in the carrying amount of investments in affiliated companies were ¥50,150 million (\$332,119 thousand) and ¥4,818 million at March 31, 2024 and 2023, 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			Year ended March 31
2024	2023	2022	2024
Sales	¥ 1,099	¥1,104	\$ 7,278
Purchases	¥10,317	¥8,810	\$68,325

In millions of yen			In thousands of U.S. dollars
March 31			March 31
2024	2023		2024
Notes and accounts receivable, trade	¥471	¥ 475	\$3,119
Loans receivable	¥ —	¥ 3	\$ —
Notes and accounts payable	¥618	¥2,376	\$4,093
Guarantees for bank loans	¥ —	¥ —	\$ —

The Company's equity in undistributed income of affiliates at March 31, 2024 and 2023 included in retained earnings was ¥51,634 million (\$341,947 thousand) and ¥47,969 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, 2024, 2023 and 2022. 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, 2024, 2023 and 2022 are as follows:

In millions of yen			In thousands of U.S. dollars
Years ended March 31			Year ended March 31
2024	2023	2022	2024
Security services	¥ 918	¥ 154	\$ 6,079
Fire protection services	—	—	—
Medical services	2,466	742	16,331
Insurance services	—	—	—
Geospatial information services	302	1,726	2,000
BPO and ICT services	742	25	4,915
Other services	—	—	—
Corporate items	—	—	—
Total	¥4,428	¥2,647	\$29,325

12. Goodwill and Other Intangible Assets

The components of acquired intangible assets, excluding goodwill, at March 31, 2024 and 2023 are as follows:

	In millions of yen		
		March 31, 2024	
	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortized intangible assets:			
Software	¥ 77,130	(¥48,621)	¥28,509
Other	56,515	(24,588)	31,927
	¥133,645	(¥73,209)	¥60,436

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

	In thousands of U.S. dollars		
		March 31, 2024	
	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortized intangible assets:			
Software	\$510,795	(\$321,993)	\$188,802
Other	374,272	(162,834)	211,438
	\$885,067	(\$484,827)	\$400,240

Unamortized intangible assets	\$ 30,389	\$ —	\$ 30,389
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Aggregate amortization expense for the years ended March 31, 2024, 2023 and 2022 was ¥12,398 million (\$82,106 thousand), ¥11,434 million and ¥11,008 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
2025	¥16,788	\$111,179
2026	11,047	73,159
2027	9,152	60,609
2028	7,723	51,146
2029	5,818	38,530

The changes in the carrying amount of goodwill by business segment for the years ended March 31, 2024 and 2023 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	¥71,648	¥2,122	¥9,399	¥3,855	¥35,114	¥2,401	¥124,539
Accumulated impairment losses	(8,954)	—	(5,566)	(191)	(175)	—	(14,886)
March 31, 2022	62,694	2,122	3,833	3,664	34,939	2,401	109,653
Goodwill acquired during the year ...	25,410	84	—	—	—	7,128	32,622
Disposal	—	—	—	—	—	—	—
Impairment losses	(1,084)	—	(372)	—	—	—	(1,456)
Translation adjustment	807	—	—	—	—	—	807
Goodwill	97,866	2,206	9,399	3,855	35,114	9,529	157,969
Accumulated impairment losses	(10,039)	—	(5,938)	(191)	(175)	—	(16,343)
March 31, 2023	87,827	2,206	3,461	3,664	34,939	9,529	141,626
Goodwill acquired during the year ...	—	—	—	—	—	—	—
Disposal	—	—	—	—	—	—	—
Impairment losses	(1,500)	—	(1,077)	—	—	(1,827)	(4,404)
Translation adjustment	463	—	—	—	—	—	463
Goodwill	98,329	2,206	9,399	3,855	35,114	9,529	158,432
Accumulated impairment losses	(11,539)	—	(7,015)	(191)	(175)	(1,827)	(20,747)
March 31, 2024	¥86,790	¥2,206	¥2,384	¥3,664	¥34,939	¥7,702	¥137,685

	In thousands of U.S. dollars						
	Security services	Fire protection services	Medical services	Geospatial information services	BPO and ICT services	Other services	Total
Goodwill	\$648,119	\$14,609	\$62,246	\$25,530	\$232,543	\$63,106	\$1,046,153
Accumulated impairment losses	(66,483)	—	(39,325)	(1,265)	(1,159)	—	(108,232)
March 31, 2023	581,636	14,609	22,921	24,265	231,384	63,106	937,921
Goodwill acquired during the year ...	—	—	—	—	—	—	—
Disposal	—	—	—	—	—	—	—
Impairment losses	(9,934)	—	(7,132)	—	—	(12,100)	(29,166)
Translation adjustment	3,066	—	—	—	—	—	3,066
Goodwill	651,185	14,609	62,246	25,530	232,543	63,106	1,049,219
Accumulated impairment losses	(76,417)	—	(46,457)	(1,265)	(1,159)	(12,100)	(137,398)
March 31, 2024	\$574,768	\$14,609	\$15,789	\$24,265	\$231,384	\$51,006	\$ 911,821

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 ¥29,185 million (\$193,278 thousand) and ¥30,096 million at March 31, 2024 and 2023, respectively, are generally comprised of 30 to 365 day notes. The weighted average interest rate was 0.81 percent and 0.64 percent at March 31, 2024 and 2023, 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, 2024, Nohmi Bosai Ltd. and Arai & Co., Ltd., subsidiaries of the parent company, had an unused committed line of credit from short-term arrangements of ¥4,408 million (\$29,192 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, 2024, the Company had overdraft agreements with 32 banks and its unused lines of credit amounted to ¥68,440 million (\$453,245 thousand). The Company incurs no fee on the unused portion of these overdraft agreements. The overdraft agreements expire in the period from April 2024 to March 2025. The Company has the ability and intent to extend these overdraft agreements under similar terms and conditions.

Long-term debt at March 31, 2024 and 2023 comprises the following:

	In millions of yen		In thousands of U.S. dollars
	March 31	March 31	March 31
	2024	2023	2024
Loans, principally from banks due 2023–2041 with interest rates ranging from 0.13% to 2.00%:			
Secured	¥ 9,988	¥13,206	\$ 66,146
Unsecured	15,972	17,147	105,775
0.31% unsecured bonds due 2023	—	5	—
0.40% unsecured bonds due 2024	—	5	—
Unsecured bonds due 2023–2040 with floating interest rates based on 6-month Japanese yen TIBOR	3,003	3,391	19,888
Obligations under finance leases, due 2023–2062 (Note 19)	33,797	26,187	223,821
	62,760	59,941	415,630
	(11,350)	(12,527)	(75,166)
Less: Portion due within one year			
	¥51,410	¥47,414	\$340,464

Assets pledged as collateral for bank loans and long-term debt at March 31, 2024 and 2023 are as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31	March 31	March 31
	2024	2023	2024
Time deposits	¥ —	¥ —	\$ —
Short-term and long-term receivables	6,011	5,689	39,808
Investment securities	1,399	1,399	9,265
Property, plant and equipment	39,572	40,950	262,066
Other intangible assets	¥ 508	¥ 508	\$ 3,364

The aggregate annual maturities on long-term debt at March 31, 2024 are as follows:

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2025	¥11,350	\$ 75,166
2026	8,918	59,060
2027	6,975	46,192
2028	5,181	34,311
2029	5,267	34,881
Thereafter	25,069	166,020
	¥62,760	\$415,630

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, 2024 and 2023 were ¥101,743 million (\$673,795 thousand) and ¥83,381 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, 2024, 2023 and 2022 were gains of ¥19,115 million (\$126,589 thousand), and gains of ¥4,954 million, and losses of ¥1,150 million, respectively. Gains and losses on other-than-temporary impairments of investment securities for the years ended March 31, 2024, 2023 and 2022 were gains of ¥16,871 million (\$111,728 thousand), and gains of ¥2,131 million and losses of ¥1,525 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, 2024, 2023 and 2022 are as follows.

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

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31		Year ended March 31	
	2024	2023	2022	2024
Net periodic pension and severance costs:				
Service cost.....	¥7,699	¥8,070	¥7,983	\$50,987
Interest cost.....	998	558	450	6,609
Expected return on plan assets.....	(4,004)	(3,719)	(3,540)	(26,517)
Amortization of prior service benefit.....	30	30	30	199
Recognized actuarial loss.....	184	443	419	1,219
Net periodic pension and severance costs.....	¥4,907	¥5,382	¥5,342	\$32,497

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	Year ended March 31	
	2024	2023	2024
Change in benefit obligation:			
Benefit obligation at beginning of year.....	¥123,979	¥124,999	\$ 821,053
Service cost.....	7,699	8,070	50,988
Interest cost.....	998	558	6,609
Actuarial loss.....	(835)	(4,972)	(5,530)
Benefits paid.....	(8,013)	(7,576)	(53,066)
Acquisition.....	—	2,908	—
Other.....	—	(8)	—
Benefit obligation at end of year.....	123,828	123,979	820,054
Change in plan assets:			
Fair value of plan assets at beginning of year.....	148,441	142,607	983,053
Actual return on plan assets.....	14,487	1,199	95,940
Employer contribution.....	7,446	5,922	49,311
Benefits paid.....	(5,879)	(5,553)	(38,933)
Acquisition.....	—	4,274	—
Other.....	—	(8)	—
Fair value of plan assets at end of year.....	164,495	148,441	1,089,371
Funded status at the end of year.....	¥ 40,667	¥ 24,462	\$ 269,317

Amounts recognized in the consolidated balance sheets at March 31, 2024 and 2023 consist of:

	In millions of yen		In thousands of U.S. dollars
	March 31	March 31	
	2024	2023	2024
Prepaid pension and severance costs.....	¥69,583	¥55,552	\$460,814
Accrued pension and severance costs.....	(28,916)	(31,090)	(191,497)
Net amount recognized.....	¥40,667	¥24,462	\$269,317

Other changes in plan assets and benefit obligations recognized in other comprehensive income (loss) for the year ended March 31, 2024 are summarized as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31	March 31	
	2024	2023	2024
Current year actuarial gain.....	(¥11,318)		(\$74,953)
Amortization of actuarial loss.....	(184)		(1,219)
Amortization of prior service benefit.....	(30)		(199)
	(¥11,532)		(\$76,371)

Amounts recognized in accumulated other comprehensive income (loss) at March 31, 2024 and 2023 consist of:

	In millions of yen		In thousands of U.S. dollars
	March 31	March 31	
	2024	2023	2024
Actuarial (gain) loss.....	(¥16,435)	(¥4,933)	(\$108,841)
Prior service benefit.....	133	163	881
Net amount recognized.....	(¥16,302)	(¥4,770)	(\$107,960)

The accumulated benefit obligation for the pension plan was ¥120,761 million (\$799,742 thousand) and ¥123,737 million at March 31, 2024 and 2023, respectively.

The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for the pension plans with projected benefit obligation and accumulated benefit obligation in excess of plan assets were ¥55,526 million (\$367,722 thousand), ¥52,460 million (\$347,417 thousand) and ¥32,879 million (\$217,742 thousand), respectively, at March 31, 2024, and ¥55,946 million, ¥55,626 million and ¥29,136 million, respectively, at March 31, 2023.

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, 2024 and 2023 are as follows:

	March 31	
	2024	2023
Discount rate.....	1.2%	0.9%
Rate of compensation increase.....	2.4%	2.4%
Interest crediting rate for cash balance plans.....	0.3%	0.1%

Weighted-average assumptions used to determine net pension and severance costs for the years ended March 31, 2024, 2023 and 2022 are as follows:

	Years ended March 31		
	2024	2023	2022
Discount rate.....	0.9%	0.5%	0.4%
Expected return on plan assets.....	3.0%	3.0%	3.0%
Rate of compensation increase.....	2.4%	2.5%	2.5%
Interest crediting rate for cash balance plans....	0.1%	0.1%	0.1%

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

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

The following table represents the fair value of the Company's pension plan assets at March 31, 2024 and 2023. The three levels of inputs used to measure fair value are more fully described in Note 22.

	In millions of yen				
	March 31, 2024				
	Level 1	Level 2	Level 3	Total	
Cash and cash equivalents.....	¥ 2,579	¥ —	¥ —	¥ 2,579	
Equity securities					
Japanese companies.....	6,393	—	—	6,393	
Foreign companies.....	1	—	—	1	
Debt securities					
Government bonds.....	—	—	—	—	
Non-government bonds.....	—	—	—	—	
Pooled funds.....	3,611	68,396	61,606	133,613	
Call loans.....	—	2,475	—	2,475	
Insurance contracts.....	—	20,042	—	20,042	
Other.....	—	(1,044)	436	(608)	
	¥12,584	¥89,869	¥62,042	¥164,495	

* The pension investment trust fund included in the plan's pooled funds is classified as Level 2, and invests approximately 40% in equity securities, 40% in debt securities and 20% in other investments. The unquoted beneficial certificate of security investment trust included in the plan's pooled funds is classified as Level 3.

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

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

	In thousands of U.S. dollars			
	March 31, 2024			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$17,079	\$ —	\$ —	\$ 17,079
Equity securities				
Japanese companies	42,338	—	—	42,338
Foreign companies	7	—	—	7
Debt securities				
Government bonds	—	—	—	—
Non-government bonds	—	—	—	—
Pooled funds	23,914	452,954	407,987	884,855
Call loans	—	16,391	—	16,391
Insurance contracts	—	132,728	—	132,728
Other	—	(6,914)	2,887	(4,027)
	\$83,338	\$595,159	\$410,874	\$1,089,371

* The pension investment trust fund included in the plan's pooled funds is classified as Level 2, and invests approximately 40% in equity securities, 40% in debt securities and 20% in other investments. The unquoted beneficial certificate of security investment trust included in the plan's pooled funds is classified as Level 3.

The following table represents the changes in Level 3 investments for the years ended March 31, 2024 and 2023.

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, 2024		
	Pooled funds	Other	Total
Balance at beginning of year	¥60,008	¥403	¥60,411
Actual return on plan assets:			
Relating to assets sold during the year...	72	11	83
Relating to assets held at end of year	5,635	27	5,662
Purchases, sales and settlements, net	(4,109)	(5)	(4,114)
Transfer to (from) Level 3, net	—	—	—
Balance at end of year	¥61,606	¥436	¥62,042

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

	In thousands of U.S. dollars		
	Year ended March 31, 2024		
	Pooled funds	Other	Total
Balance at beginning of year	\$397,404	\$2,669	\$400,073
Actual return on plan assets:			
Relating to assets sold during the year ...	477	73	550
Relating to assets held at end of year	37,318	179	37,497
Purchases, sales and settlements, net	(27,212)	(34)	(27,246)
Transfer to (from) Level 3, net	—	—	—
Balance at end of year	\$407,987	\$2,887	\$410,874

The Company expects to contribute ¥5,834 million (\$38,636 thousand) to its domestic defined benefit plans in the year ending March 31, 2025.

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

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2025	¥ 6,670	\$ 44,172
2026	6,608	43,762
2027	6,685	44,272
2028	7,173	47,503
2029	7,778	51,510
2030–2034	39,232	259,815

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, 2024, 2023 and 2022 were ¥2,453 million (\$16,245 thousand), ¥2,332 million and ¥2,225 million, respectively.

16. Exchange Gains and Losses

Other income for the years ended March 31, 2024 and 2023 includes net exchange gains of ¥609 million (\$4,033 thousand) and ¥348 million, respectively. Other expense for the year ended March 31, 2022 includes net exchange losses of ¥100 million.

17. Income Taxes

Total income taxes for the years ended March 31, 2024, 2023 and 2022 are allocated as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2024	2023	2022	2024
Consolidated income taxes from continuing operations	¥58,213	¥49,456	¥49,164	\$385,516
Shareholders' equity—accumulated other comprehensive income (loss):				
Unrealized gains on securities	540	(1,415)	(55)	3,576
Pension liability adjustments	3,441	886	1,664	22,788
Foreign currency translation adjustments	—	5	(5)	—
	¥62,194	¥48,932	¥50,768	\$411,880

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, 2024, 2023 and 2022.

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
	2024	2023	2022	2024
Income taxes computed at statutory tax rate	¥58,167	¥49,715	¥49,315	\$385,212
Increase (decrease) resulting from:				
Per capita tax	1,114	1,105	1,045	7,377
Provision of valuation allowance	319	285	320	2,113
Reversal of valuation allowance	(233)	(1,760)	(1,244)	(1,543)
Net effect of changes in corporate tax rates	17	(17)	(24)	112
Other, net	(1,171)	128	(248)	(7,755)
Consolidated income taxes from continuing operations	¥58,213	¥49,456	¥49,164	\$385,516

The significant components of deferred tax assets and liabilities at March 31, 2024 and 2023 are as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2024	2023	2024
Deferred tax assets:			
Operating lease liabilities	¥ 43,238	¥ 40,406	\$286,344
Accrued pension and severance costs	8,095	9,191	53,609
Accrued bonus	7,034	7,010	46,583
Property, plant and equipment	6,613	6,477	43,794
Vacation accrual	6,056	5,944	40,106
Adjustment of book value at the date of acquisition			
Land and buildings	5,347	5,362	35,411
Other assets	389	394	2,576
Loss carryforwards	3,478	3,542	23,033
Unrealized intra-entity profit on asset transfer	2,409	2,397	15,954
Intangible assets	1,789	1,560	11,848
Allowance for doubtful accounts ..	—	1,840	—
Allowance for credit losses	1,775	—	11,755
Deferred revenue	887	1,889	5,874
Other	17,839	16,378	118,139
Gross deferred tax assets	104,949	102,390	695,026
Less: Valuation allowance	(14,934)	(15,189)	(98,901)
Total deferred tax assets	90,015	87,201	596,125
Deferred tax liabilities:			
Operating lease right-of-use assets	(42,840)	(40,406)	(283,709)
Prepaid pension and severance cost	(20,909)	(17,002)	(138,470)
Unrealized gains on securities	(15,995)	(7,657)	(105,927)
Adjustment of book value at the date of acquisition			
Intangible assets	(7,547)	(8,447)	(49,980)
Land and buildings	(2,976)	(3,292)	(19,709)
Other assets	(699)	(730)	(4,629)
Investments in affiliated companies	(10,143)	(8,721)	(67,172)
Deferred installation costs	(555)	(1,283)	(3,675)
Other	(9,051)	(4,846)	(59,940)
Gross deferred tax liabilities	(110,715)	(92,384)	(733,211)
Net deferred tax assets (liabilities)	(¥ 20,700)	(¥ 5,183)	(\$137,086)

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, 2024, 2023 and 2022 was a decrease of ¥255 million (\$1,689 thousand), and a decrease of ¥1,195 million and a decrease of ¥973 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, 2024 and 2023.

Net deferred tax assets (liabilities) at March 31, 2024 and 2023 are reflected in the accompanying consolidated balance sheets under the following captions:

	In millions of yen		In thousands of U.S. dollars
	March 31	March 31	
	2024	2023	2024
Deferred income taxes (Other assets)	¥13,674	¥15,039	\$ 90,556
Deferred income taxes (Long-term liabilities).....	(34,374)	(20,222)	(227,642)
Net deferred tax assets (liabilities).....	(¥20,700)	(¥ 5,183)	(\$137,086)

At March 31, 2024, the operating loss carryforwards of domestic subsidiaries amounted to ¥6,227 million (\$41,238 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
2025	¥ 251	\$ 1,662
2026	760	5,033
2027	516	3,417
2028	—	—
2029	168	1,113
2030	173	1,146
2031	1,044	6,914
2032	601	3,980
2033	596	3,947
2034	2,118	14,026
	¥6,227	\$41,238

The operating loss carryforwards of overseas subsidiaries at March 31, 2024 amounted to ¥5,412 million (\$35,841 thousand), a part of which will begin to expire in the year ending March 31, 2025.

The total amount of unrecognized tax benefits for the years ended March 31, 2024, 2023 and 2022 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, 2024, 2023 and 2022.

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, 2024, 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 2023, 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, 2024, 2023 and 2022 are as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31	Years ended March 31	Years ended March 31	Year ended March 31
	2024	2023	2022	2024
Net income attributable to SECOM CO., LTD.	¥125,884	¥111,558	¥107,731	\$833,669
Transfers from (to) noncontrolling interests:				
Decrease in additional paid-in capital related to the acquisition of Secom Joshinetsu Co., Ltd.'s ownership interests	—	—	(11,603)	—
Other, net	(3,257)	60	1	(21,570)
Net transfers from (to) noncontrolling interests...	(3,257)	60	(11,602)	(21,570)
Change from net income attributable to SECOM CO., LTD. and transfers from (to) noncontrolling interests	¥122,627	¥111,618	¥ 96,129	\$812,099

(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 ¥680,111 million (\$4,504,046 thousand) at March 31, 2024.

Subsequent to March 31, 2024, the parent company's Board of Directors declared a year-end cash dividend of ¥95 (\$0.63) per share, totaling ¥19,997 million (\$132,430 thousand), to shareholders of record on March 31, 2024. The dividend declared was approved at the general shareholders' meeting held on June 25, 2024. 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, 2024, 2023 and 2022 are as follows:

	In millions of yen		
	Pre-tax amount	Tax (expense) or benefit	Net-of-tax amount
For the year ended March 31, 2024:			
Unrealized gains on securities—			
Unrealized gains or losses arising during the period	¥ 2,815	(¥ 763)	¥ 2,052
Less: Reclassification adjustment for gains or losses realized in net income	(887)	223	(664)
Pension liability adjustments—			
Unrealized gains or losses arising during the period	10,326	(3,370)	6,956
Less: Reclassification adjustment for gains or losses realized in net income	145	(71)	74
Foreign currency translation adjustments—			
Unrealized gains or losses arising during the period	12,673	—	12,673
Less: Reclassification adjustment for gains or losses realized in net income	(293)	—	(293)
Other comprehensive income (loss)	¥24,779	(¥3,981)	¥20,798

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

For the year ended March 31, 2022:

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

	In thousands of U.S. dollars		
	Pre-tax amount	Tax (expense) or benefit	Net-of-tax amount
For the year ended March 31, 2024:			
Unrealized gains on securities—			
Unrealized gains or losses arising during the period.....	\$ 18,642	(\$ 5,053)	\$ 13,589
Less: Reclassification adjustment for gains or losses realized in net income.....	(5,874)	1,477	(4,397)
Pension liability adjustments—			
Unrealized gains or losses arising during the period.....	68,385	(22,318)	46,067
Less: Reclassification adjustment for gains or losses realized in net income	960	(470)	490
Foreign currency translation adjustments—			
Unrealized gains or losses arising during the period.....	83,926	—	83,926
Less: Reclassification adjustment for gains or losses realized in net income	(1,940)	—	(1,940)
Other comprehensive income (loss)	\$164,099	(\$26,364)	\$137,735

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, 2024, 2023 and 2022 are as follows:

	In thousands of U.S. dollars		
	In millions of yen	Year ended March 31	Year ended March 31
	2024	2023	2022
Unrealized gains on securities—			
Net sales and operating revenue	(¥2,025)	(¥2,050)	(¥308)
Gain and loss on sales of securities, net	(1,138)	(170)	(133)
Loss on other-than-temporary impairment of investment securities.....	2,276	340	266
Pension liability adjustments—			
Net periodic pension and severance costs (Note 15)	214	473	449
Equity in net income of affiliated companies	(69)	250	116
Foreign currency translation adjustments—			
Gain and loss on sales of securities, net	(293)	(5)	58

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, 2024 and 2023 is as follows:

	In thousands of U.S. dollars	
	In millions of yen	March 31
	2024	2023
Buildings and improvements	¥21,650	¥12,336
Machinery, equipment and automobiles	34,944	35,112
Other intangible assets	1,263	1,386
Accumulated depreciation and amortization	(26,325)	(25,936)
	¥31,532	¥22,898

Depreciation and amortization expenses for assets under finance leases for the years ended March 31, 2024, 2023 and 2022 were ¥7,987 million (\$52,894 thousand), ¥8,073 million and ¥7,817 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, 2024:

Years ending March 31	In thousands of U.S. dollars	
	In millions of yen	U.S. dollars
2025	¥ 8,013	\$ 53,066
2026	6,083	40,285
2027	4,303	28,497
2028	3,116	20,636
2029	4,101	27,159
Thereafter	27,620	182,914
Total minimum lease payments.....	53,236	352,557
Less: Amount representing interest.....	(19,439)	(128,736)
Present value of net minimum lease payments (Note 13)	33,797	223,821
Less: Current portion.....	(7,056)	(46,728)
Long-term finance lease obligations	¥26,741	\$177,093

Operating lease expenses for the years ended March 31, 2024 and 2023 were ¥25,625 million (\$169,702 thousand) and ¥22,776 million, respectively.

Supplemental cash flow information is as follows:

	In thousands of U.S. dollars	
	In millions of yen	Year ended March 31
	2024	2023
Cash paid for amounts included in the measurement of operating lease liabilities	¥86,215	¥24,523
Right of use assets obtained in exchange for operating lease liabilities	93,356	17,695

The following is a schedule by year of the future minimum lease payments under operating leases at March 31, 2024:

Years ending March 31	In thousands of U.S. dollars	
	In millions of yen	U.S. dollars
2025	¥ 22,903	\$ 151,675
2026	16,912	112,000
2027	12,089	80,060
2028	9,503	62,934
2029	8,495	56,258
Thereafter	87,231	577,688
Total minimum lease payments.....	157,133	1,040,615
Less: Amount representing interest.....	(19,409)	(128,536)
Present value of net minimum lease payments.....	¥137,724	\$ 912,079

The following is remaining lease term and discount rate under operating leases at March 31, 2024 and 2023:

	March 31, 2024	March 31, 2023
Weighted-average remaining lease term..	184 months	172 months
Weighted-average discount rate.....	1.36%	0.73%

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, 2024 and 2023 is as follows:

	In thousands of U.S. dollars	
	In millions of yen	U.S. dollars
	March 31	March 31
	2024	2023
Total minimum lease payments to be received	¥57,639	¥58,850
Estimated executory cost.....	(5,162)	(5,433)
Unearned income.....	(3,879)	(3,999)
Lease receivables, net.....	48,598	49,418
Less: Current portion.....	(15,398)	(15,859)
Long-term lease receivables, net ...	¥33,200	¥33,559

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, 2024:

Years ending March 31	In thousands of U.S. dollars	
	In millions of yen	U.S. dollars
2025	¥17,487	\$115,808
2026	14,399	95,358
2027	10,928	72,371
2028	7,804	51,682
2029	4,578	30,318
Thereafter	2,443	16,178
Total future minimum lease payments to be received	¥57,639	\$381,715

A summary of investment in property under operating leases and property held for lease at March 31, 2024 and 2023 is as follows:

	In thousands of U.S. dollars	
	In millions of yen	U.S. dollars
	March 31	March 31
	2024	2023
Land	¥43,526	¥43,817
Buildings and improvements	34,061	35,858
Other intangible assets.....	1,038	1,038
Accumulated depreciation and amortization	(15,454)	(16,046)
	¥63,171	¥64,667

The future minimum rentals under noncancelable operating leases at March 31, 2024 are as follows:

Years ending March 31	In thousands of U.S. dollars	
	In millions of yen	U.S. dollars
2025	¥2,763	\$18,298
2026	394	2,609
2027	317	2,099
2028	199	1,318
2029	199	1,318
Thereafter	2,204	14,596
Total future minimum rentals.....	¥6,076	\$40,238

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, 2024 and 2023 are as follows:

	In millions of yen			
	March 31			
	2024		2023	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Non-derivatives:				
Assets—				
Long-term receivables including current portion (Less allowance for doubtful accounts and allowance for credit losses)	¥50,601	¥50,463	¥51,310	¥51,148
Liabilities—				
Long-term debt including current portion	62,760	62,754	59,941	59,928
Investment deposits by policyholders	11,804	11,967	14,363	14,726
Derivatives:				
Assets—				
Interest rate swaps (Other investments)	1	1	2	2
Liabilities—				
Interest rate swaps (Other long-term liabilities)	—	—	—	—

	In thousands of U.S. dollars			
	March 31, 2024			
	Carrying amount	Estimated fair value		
Non-derivatives:				
Assets—				
Long-term receivables including current portion (Less allowance for doubtful accounts and allowance for credit losses)	\$335,106	\$334,192		
Liabilities—				
Long-term debt including current portion	415,630	415,589		
Investment deposits by policyholders	78,172	79,252		
Derivatives:				
Assets—				
Interest rate swaps (Other investments)	7	7		
Liabilities—				
Interest rate swaps (Other long-term liabilities)	—	—		

Limitation:

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

22. Fair Value Measurements

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

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

The following table represents the Company’s assets and liabilities that are measured at fair value on a recurring basis at March 31, 2024 and 2023. Transfers between levels are recognized at the end of the respective reporting periods.

	In millions of yen			
	March 31, 2024			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents.....	¥ 7,278	¥ —	¥ —	¥ 7,278
Short-term investments and investment securities	135,733	99,329	50,902	285,964
Total assets	¥143,011	¥99,329	¥50,902	¥293,242
Liabilities:				
Derivatives (Other long-term liabilities)	¥ —	¥ —	¥ —	¥ —
Total liabilities	¥ —	¥ —	¥ —	¥ —

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

	In thousands of U.S. dollars			
	March 31, 2024			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents.....	\$ 48,199	\$ —	\$ —	\$ 48,199
Short-term investments and investment securities	898,894	657,808	337,099	1,893,801
Total assets	\$947,093	\$657,808	\$337,099	\$1,942,000
Liabilities:				
Derivatives (Other long-term liabilities)	\$ —	\$ —	\$ —	\$ —
Total liabilities	\$ —	\$ —	\$ —	\$ —

Cash Equivalents

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

Short-Term Investments and Investment Securities

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

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

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

The Company’s Level 3 investment securities that are measured at fair value on a recurring basis at March 31, 2024 and 2023, amounting to ¥50,902 million (\$337,099 thousand) and ¥30,706 million, respectively, are primarily private equity investments. The valuation technique and significant unobservable inputs are as follows:

Valuation technique	March 31, 2024	
	Significant unobservable inputs	Range
Discounted cash flows	Discount rate	20%–30%
	Exit timing	2024–2025
	EBITDA multiple	5x–7.5x

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

Derivative Financial Investments

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

The following table represents the changes in Level 3 assets measured on a recurring basis for the years ended March 31, 2024 and 2023.

	In millions of yen		In thousands of U.S. dollars
	Years ended March 31	Year ended March 31	
	2024	2023	2024
Balance at beginning of year	¥30,706	¥16,368	\$203,351
Total gains or losses (realized and unrealized):			
Included in earnings	17,630	11,595	116,754
Included in other comprehensive income	—	—	—
Purchases	766	1,363	5,073
Sales	—	(979)	—
Redemptions	—	—	—
Cancellation of contract	—	—	—
Foreign currency translation adjustments	1,800	2,359	11,921
Balance at end of year	¥50,902	¥30,706	\$337,099
Changes in unrealized gains or losses relating to instruments still held at end of year:			
Included in earnings	¥17,628	¥11,023	\$116,742

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, 2024, non-marketable equity securities with a carrying amount of ¥6,621 million (\$43,848 thousand) were written down to their fair value of ¥6,408 million (\$42,437 thousand), resulting in an other-than-temporary impairment charge of ¥213 million (\$1,411 thousand), which was included in earnings. For the year ended March 31, 2023, non-marketable equity securities with a carrying amount of ¥7,403 million were written down to their fair value of ¥6,922 million, resulting in an other-than-temporary impairment charge of ¥481 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, 2024 and 2023 are as follows:

Derivatives not designated as hedging instruments		In millions of yen		In thousands of U.S. dollars
		March 31		March 31
Location		2024	2023	2024
Assets:				
Interest rate swaps	Other investments	¥ 1	¥ 2	\$ 7
Liabilities:				
Interest rate swaps	Other long-term liabilities	¥—	¥—	\$—

Effects of derivative instruments on the consolidated statements of income for the years ended March 31, 2024, 2023 and 2022 are as follows:

Derivatives not designated as hedging instruments

		In millions of yen		In thousands of U.S. dollars
		Years ended March 31		Year ended March 31
Location		2024	2023	2022
Interest rate swaps	Other income	¥0	¥2	¥1
				2024
				\$0

24. Commitments and Contingent Liabilities

The Company has commitments outstanding at March 31, 2024 for the purchase of property, plant and equipment of approximately ¥5,578 million (\$36,940 thousand).

The Company provides guarantees to third parties mainly with respect to bank loans extended to its affiliated companies and other entities. Such guarantees are provided to enhance the credit standing of the affiliated companies and other entities. For each guarantee provided, the Company would have to perform under the guarantee if the affiliated companies and other entities default on a payment within the guaranteed period of one to five years. The maximum amount of undiscounted payments the Company would have to make in the event of default amounts to ¥268 million (\$1,775 thousand) at March 31, 2024. The carrying amounts of the liabilities recognized as the Company's obligations under these guarantees at March 31, 2024 and 2023 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, 2024, 2023 and 2022 are as follows:

		In millions of yen		In thousands of U.S. dollars
		Years ended March 31		Year ended March 31
		2024	2023	2022
Revenue recognized from contracts with customers...	¥1,182,488	¥1,137,910	¥1,091,537	\$7,831,047
Revenue recognized from other sources.....	101,410	89,406	74,561	671,589
Total.....	¥1,283,898	¥1,227,316	¥1,166,098	\$8,502,636

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

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

(2) Contract balances

Contract balances arising from contracts with customers at March 31, 2024 and 2023 are as follows:

		In millions of yen		In thousands of U.S. dollars
		March 31		March 31
		2024	2023	2024
Receivables*1.....	¥196,175	¥194,354		\$1,299,172
Contract assets*2.....	22,757	22,477		150,709
Contract liabilities*3.....	55,116	55,070		365,007

*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 and allowance for credit losses.

*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 and allowance for credit losses.

*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 ¥38,948 million as of March 31, 2023, is recognized as revenue for the fiscal year ended March 31, 2024.

(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, 2024 and 2023 are as follows:

		In millions of yen		In thousands of U.S. dollars
		March 31		March 31
		2024	2023	2024
Due within 1 year.....	¥157,072	¥148,763		\$1,040,212
Due after 1 year	194,482	186,538		1,287,960
	¥351,554	¥335,301		\$2,328,172

26. Supplemental Cash Flow Information

Supplemental cash flow information is as follows:

		In millions of yen		In thousands of U.S. dollars
		Years ended March 31		Year ended March 31
		2024	2023	2022
Cash paid during the year for:				
Interest	¥ 1,361	¥ 1,198	¥ 1,170	\$ 9,013
Income taxes.....	44,748	49,887	42,883	296,344
Non-cash investing and financing activities:				
Additions to obligations under finance leases.....	16,461	5,669	8,406	109,013
Significant acquisitions (Note 4)—				
Assets acquired.....	—	63,027	—	—
Liabilities assumed.....	—	(13,911)	—	—
Non controlling interest...	—	(22,116)	—	—
Considerations for equity	—	27,000	—	—
Cash and cash equivalents on hand.....	—	(8,263)	—	—
Total considerations	¥ —	¥18,737	¥ —	\$ —

27. Segment Information

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

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

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

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

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

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

Information by business and geographic segments for the years ended and as of March 31, 2024, 2023 and 2022 is as follows:

(1) Business Segment Information

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2024	2023	2022	2024
Net sales and operating revenue:				
Security services—				
Customers	¥ 623,102	¥ 597,071	¥ 563,623	\$4,126,504
Intersegment	3,169	3,235	3,093	20,987
	626,271	600,306	566,716	4,147,491
Fire protection services—				
Customers	160,601	145,662	148,804	1,063,582
Intersegment	3,282	3,125	3,302	21,735
	163,883	148,787	152,106	1,085,317
Medical services—				
Customers	192,600	196,246	195,826	1,275,497
Intersegment	251	239	236	1,662
	192,851	196,485	196,062	1,277,159
Insurance services—				
Customers	75,189	58,876	51,769	497,940
Intersegment	2,685	3,012	3,151	17,781
	77,874	61,888	54,920	515,721
Geospatial information services—				
Customers	60,501	62,086	56,371	400,669
Intersegment	204	226	194	1,351
	60,705	62,312	56,565	402,020
BPO and ICT services—				
Customers	127,090	127,854	115,544	841,656
Intersegment	13,225	11,012	9,212	87,583
	140,315	138,866	124,756	929,239
Other services—				
Customers	44,815	39,521	34,161	296,788
Intersegment	1,355	1,560	1,235	8,974
	46,170	41,081	35,396	305,762
Total	1,308,069	1,249,725	1,186,521	8,662,709
Eliminations	(24,171)	(22,409)	(20,423)	(160,073)
Total net sales and operating revenue	¥1,283,898	¥1,227,316	¥1,166,098	\$8,502,636

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2024	2023	2022	2024
Operating income (loss):				
Security services	¥107,525	¥109,420	¥113,380	\$ 712,086
Fire protection services	15,278	11,559	14,516	101,179
Medical services	782	10,504	13,636	5,179
Insurance services	26,571	7,090	8,547	175,967
Geospatial information services	5,080	5,807	3,874	33,642
BPO and ICT services	12,748	13,112	14,562	84,424
Other services	6,381	7,519	6,120	42,258
Total	174,365	165,011	174,635	1,154,735
Corporate expenses and eliminations	(19,399)	(19,459)	(18,233)	(128,471)
Operating income	¥154,966	¥145,552	¥156,402	\$1,026,264
Other income	39,110	20,040	9,670	259,007
Other expenses	(3,364)	(2,592)	(4,383)	(22,278)
Income from continuing operations before income taxes	¥190,712	¥163,000	¥161,689	\$1,262,993
Assets:				
Security services	¥ 870,512	¥ 961,134		\$ 5,764,980
Fire protection services	202,181	192,783		1,338,947
Medical services	205,725	203,876		1,362,417
Insurance services	266,027	244,332		1,761,768
Geospatial information services	80,315	77,827		531,887
BPO and ICT services	279,241	252,319		1,849,278
Other services	128,098	128,970		848,333
Total	2,032,099	2,061,241		13,457,610
Corporate items	194,363	136,491		1,287,172
Investments in affiliated companies	151,635	79,647		1,004,205
Total assets	¥2,378,097	¥2,277,379		\$15,748,987

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2024	2023	2022	2024
Depreciation and amortization:				
Security services	¥ 53,611	¥ 51,739	¥51,573	\$355,040
Fire protection services	2,958	2,955	2,836	19,589
Medical services	7,728	7,829	8,055	51,179
Insurance services	2,658	2,328	2,509	17,603
Geospatial information services	1,825	1,773	1,751	12,086
BPO and ICT services	10,114	9,917	9,751	66,980
Other services	1,325	1,303	1,158	8,775
Total	80,219	77,844	77,633	531,252
Corporate items	795	874	874	5,265
Total depreciation and amortization	¥ 81,014	¥ 78,718	¥78,507	\$536,517
Capital expenditure:				
Security services	¥ 54,352	¥ 66,278	¥44,059	\$359,947
Fire protection services	3,377	4,043	5,176	22,364
Medical services	11,167	5,620	4,018	73,954
Insurance services	3,354	3,075	2,770	22,212
Geospatial information services	2,362	2,600	2,608	15,642
BPO and ICT services	26,255	20,961	7,871	173,874
Other services	2,423	8,108	4,182	16,046
Total	103,290	110,685	70,684	684,039
Corporate items	1,023	795	584	6,775
Total capital expenditures	¥104,313	¥111,480	¥71,268	\$690,814

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
	2024	2023	2022	2024
Electronic security services	¥365,980	¥356,962	¥348,749	\$2,423,709
Other security services:				
Static guard services	100,063	89,200	75,459	662,669
Armored car services	65,367	62,920	62,467	432,894
Merchandise and other	91,692	87,989	76,948	607,232
Total security services	¥623,102	¥597,071	¥563,623	\$4,126,504

(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, 2024, 2023 and 2022 and long-lived assets as of March 31, 2024 and 2023 were as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2024	2023	2022	2024
Net sales and operating revenue:				
Japan	¥1,220,710	¥1,168,628	¥1,117,929	\$8,084,172
Other	63,188	58,688	48,169	418,464
Total	¥1,283,898	¥1,227,316	¥1,166,098	\$8,502,636
Long-lived assets:				
Japan	¥826,731	¥798,435		\$5,475,040
Other	19,286	15,855		127,722
Total	¥846,017	¥814,290		\$5,602,762

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

28. Subsequent Events

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

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

The Company determined to conduct the repurchase of its own shares pursuant to Article 156 of the Companies Act as applied pursuant to Article 165, Paragraph 3 of such Act at the Board of Directors' meeting held on May 10, 2024.

1. Reason for Repurchase

The Company strives to increase its corporate value by conducting business with a focus on all stakeholders in order to realize sustainable growth. The Company will enhance shareholder returns and improve capital efficiency through flexible repurchases of its own shares, comprehensively taking into account, among others, growth investments, dividend levels, capital efficiency, and share price levels.

2. Details of Repurchase

(1) Class of shares to be repurchased	Shares of common stock of the Company
(2) Total number of shares that may be repurchased	4,500,000 shares (maximum) (2.14% of total issued shares (excluding treasury shares))
(3) Total repurchase price	JPY 30,000,000,000 (maximum)
(4) Repurchase period	From May 13, 2024 to August 6, 2024
(5) Repurchase method	Market purchase on the Tokyo Stock Exchange



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, 2024 and 2023, 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, 2024, 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, 2024 and 2023, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2024 in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

KPMG AZSA LLC, a limited liability audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.



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.

Fee-related Information

Fees paid or payable to our firm and to other firms within the same network as our firm for audit and non-audit services provided to the Company and its subsidiaries for the current year are 760 million yen and 177 million yen, respectively.

Convenience Translations

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2024 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 4, 2024

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Summary of Selected Financial Data

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

	In millions of yen					
	2024	2023	2022	2021	2020	2019
Composition of consolidated net sales and operating revenue by segment						
Net sales and operating revenue.....	¥1,283,898	¥1,227,316	¥1,166,098	¥1,135,339	¥1,132,632	¥1,087,355
Security services:	623,102	597,071	563,623	555,060	561,067	548,271
As a percentage of net sales and operating revenue	48.5%	48.6%	48.3%	48.9%	49.5%	50.4%
Electronic security services.....	365,980	356,962	348,749	344,882	344,992	342,299
As a percentage of net sales and operating revenue	28.5	29.1	29.9	30.4	30.5	31.5
Other security services—						
Static guard services	100,063	89,200	75,459	69,370	70,054	66,289
As a percentage of net sales and operating revenue	7.8	7.3	6.5	6.1	6.2	6.1
Armored car services.....	65,367	62,920	62,467	62,841	63,602	62,417
As a percentage of net sales and operating revenue	5.1	5.1	5.4	5.5	5.6	5.7
Subtotal.....	165,430	152,120	137,926	132,211	133,656	128,706
Merchandise and other	91,692	87,989	76,948	77,967	82,419	77,266
As a percentage of net sales and operating revenue	7.1	7.1	6.6	6.9	7.2	7.1
Fire protection services.....	160,601	145,662	148,804	140,599	151,861	140,139
As a percentage of net sales and operating revenue	12.5	11.9	12.8	12.4	13.4	12.9
Medical services.....	192,600	196,246	195,826	182,573	187,101	181,705
As a percentage of net sales and operating revenue	15.0	16.0	16.8	16.1	16.5	16.7
Insurance services	75,189	58,876	51,769	58,291	43,515	41,637
As a percentage of net sales and operating revenue	5.9	4.8	4.4	5.1	3.8	3.8
Geospatial information services	60,501	62,086	56,371	53,908	53,535	51,510
As a percentage of net sales and operating revenue	4.7	5.1	4.8	4.7	4.7	4.7
BPO and ICT services.....	127,090	127,854	115,544	112,144	99,833	90,225
As a percentage of net sales and operating revenue	9.9	10.4	9.9	9.9	8.8	8.2
Other services.....	44,815	39,521	34,161	32,764	35,720	33,868
As a percentage of net sales and operating revenue	3.5	3.2	3.0	2.9	3.3	3.3
Net income attributable to SECOM CO., LTD., cash dividends and SECOM CO., LTD. shareholders' equity						
Net income attributable to SECOM CO., LTD.	¥ 125,884	¥ 111,558	¥ 107,731	¥ 89,913	¥ 87,136	¥ 89,686
Cash dividends paid ⁽²⁾	40,483	39,060	38,196	37,104	37,104	34,922
SECOM CO., LTD. shareholders' equity	1,329,027	1,267,205	1,209,512	1,142,323	1,088,738	1,044,184
Consolidated financial ratios						
Percentage of working capital accounted for by:						
Debt—						
Bank loans.....	2.1	2.2	2.4	2.7	3.3	3.4
Current portion of long-term debt	0.8	0.9	1.2	1.2	1.5	1.6
Straight bonds.....	0.2	0.2	0.3	0.3	0.3	0.4
Other long-term debt.....	3.4	3.3	3.7	4.0	3.4	3.6
Total debt	6.5	6.6	7.6	8.3	8.5	8.9
SECOM CO., LTD. shareholders' equity.....	93.5	93.4	92.4	91.7	91.5	91.1
Total capitalization	100.0	100.0	100.0	100.0	100.0	100.0
Return on total assets (percentage) ^(a)	5.3	4.9	4.9	4.2	4.2	4.8
Return on equity (percentage) ^(a)	9.5	8.8	8.9	7.9	8.0	8.6
Percentage of net sales and operating revenue absorbed by ^(c) :						
Depreciation and amortization	6.3	6.4	6.7	6.9	5.7	6.8
Rental expense under operating leases	2.6	2.6	2.5	2.6	2.4	2.5
Ratio of accumulated depreciation to depreciable						
assets (percentage)	68.8	68.9	68.0	66.6	65.3	65.4
Net property turnover (times) ^(c)	2.77	2.81	2.75	2.65	2.73	2.67
Before-tax interest coverage (times) ^{(c) (d)}	143.3	138.8	139.8	125.2	117.5	109.6

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

	2024	2023	2022	2021	2020	2019
Number of shares outstanding						
Issued.....	233,299,898	233,299,898	233,298,049	233,295,926	233,293,998	233,292,219
Owned by SECOM CO., LTD.	22,808,460	18,763,110	15,215,218	15,034,565	15,033,588	15,031,867
Balance.....	210,491,438	214,536,788	218,082,831	218,261,361	218,260,410	218,260,352
Per share information						
Net income attributable to SECOM CO., LTD.						
per share (in yen) ⁽¹⁾	¥ 595.19	¥ 516.68	¥ 492.83	¥ 411.95	¥ 399.23	¥ 410.91
Cash dividends paid per share (in yen) ⁽²⁾	190.00	180.00	175.00	170.00	170.00	160.00
SECOM CO., LTD. shareholders' equity						
per share (in yen) ⁽³⁾	6,313.92	5,906.70	5,546.11	5,233.74	4,988.25	4,784.12
Cash flow per share (in yen) ^{(1) (a)}	786.83	700.34	677.24	602.60	533.88	590.91
Price/Book value ratio.....	1.74	1.38	1.60	1.78	1.80	1.98
Price/Earnings ratio	18.41	15.80	17.99	22.61	22.48	23.08
Price/Cash flow ratio.....	13.93	11.66	13.09	15.45	16.81	16.05
Stock price at year-end (in yen)	10,960	8,164	8,868	9,313	8,974	9,482

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, 2024, cash dividends of ¥19,997 million (¥95 per share) were approved at the general shareholders' meeting on June 25, 2024 (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	2024	2023	2022	2021	2020	2019
Number of shareholders	39,195	24,202	23,401	21,739	23,297	24,023
Common shares held by:						
Financial institutions.....	37.71%	36.98%	39.13%	39.44%	38.65%	37.14%
Securities firms.....	2.22	3.22	3.05	2.81	1.95	3.30
Other domestic corporations.....	2.67	2.73	2.78	2.45	2.50	2.46
Foreign investors	42.45	41.44	40.96	41.55	42.76	42.74
Individuals and others	5.17	7.59	7.56	7.31	7.70	7.92
Treasury stock	9.78	8.04	6.52	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
2022	April–June.....	¥ 9,449	¥ 7,917	¥28,246.53	¥25,748.72
	July–September	9,266	8,132	29,222.77	25,935.62
	October–December	8,789	7,511	28,383.09	26,093.67
2023	January–March	8,221	7,301	28,623.15	25,716.86
	April–June.....	9,881	8,126	33,706.08	27,472.63
	July–September	10,485	9,109	33,753.33	31,450.76
2024	October–December	10,860	9,848	33,681.24	30,526.88
	January–March	11,860	10,110	40,888.43	33,288.29

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					
	2024	2023	2022	2021	2020	2019
Current assets:						
Cash on hand and in banks.....	¥ 440,936	¥ 522,396	¥ 522,363	¥ 499,247	¥ 414,199	¥ 350,319
Cash deposits for armored car services.....	138,562	135,459	136,477	138,889	140,905	142,335
Notes and accounts receivable, trade.....	—	—	—	132,886	141,609	133,659
Notes and accounts receivable—trade and contract assets	162,325	157,475	149,878	—	—	—
Due from subscribers.....	48,367	43,503	39,468	39,980	40,745	41,616
Short-term investments	19,652	26,325	27,020	21,579	32,442	25,382
Lease receivables and investments in leased assets.....	40,007	41,120	37,518	41,511	42,768	41,826
Merchandise and products.....	21,545	17,361	14,724	14,289	13,862	14,146
Real estate inventories.....	3,501	4,146	2,593	186	4,930	5,864
Work in process.....	6,368	5,707	5,629	4,880	5,237	5,872
Costs on uncompleted construction contracts	—	—	—	7,524	10,780	10,971
Work in process for real estate inventories.....	—	—	—	—	21,806	30,743
Raw materials and supplies	20,088	18,482	13,930	11,003	10,927	10,398
Short-term loans receivable.....	2,448	2,408	2,563	3,053	4,525	4,398
Other	35,919	35,324	36,064	28,714	31,400	31,000
Allowance for doubtful accounts.....	(2,143)	(2,163)	(2,031)	(1,715)	(1,677)	(1,775)
Total current assets.....	937,580	1,007,547	986,202	942,033	914,465	846,759
Fixed assets:						
Tangible assets:						
Buildings and improvements, net	154,626	150,733	151,809	152,770	153,307	148,693
Security equipment and control stations, net	82,354	75,650	73,911	74,704	74,309	71,715
Land	126,235	123,358	122,050	120,876	117,720	116,876
Other, net	69,104	54,095	42,695	43,424	40,970	41,115
Total tangible assets.....	432,321	403,837	390,467	391,775	386,308	378,401
Intangible assets	124,871	132,772	115,228	120,277	124,767	128,215
Investments and others:						
Investment securities	425,696	298,364	276,230	272,123	252,299	269,575
Long-term loans receivable.....	23,334	25,692	29,494	33,301	34,351	35,284
Net defined benefit asset.....	69,583	55,551	47,852	39,532	31,789	38,488
Deferred income taxes	23,276	27,426	27,407	25,085	31,554	27,469
Other	54,402	48,770	47,068	53,588	52,232	53,952
Allowance for doubtful accounts.....	(10,284)	(10,900)	(12,195)	(13,538)	(12,647)	(13,042)
Total investments and others	586,008	444,905	415,858	410,093	389,580	411,728
Total fixed assets	1,143,201	981,515	921,553	922,145	900,656	918,346
Total assets.....	¥2,080,781	¥1,989,062	¥1,907,755	¥1,864,179	¥1,815,121	¥1,765,105

LIABILITIES	In millions of yen					
	2024	2023	2022	2021	2020	2019
Current liabilities:						
Notes and accounts payable, trade	¥ 41,003	¥ 46,985	¥ 44,271	¥ 42,858	¥ 47,409	¥ 45,826
Bank loans	26,910	29,085	32,159	33,806	38,364	39,126
Current portion of straight bonds	398	407	409	439	2,916	2,009
Lease obligations.....	5,186	4,704	4,843	4,730	4,702	4,875
Payables—other	51,043	44,551	43,257	42,215	42,927	42,645
Accrued income taxes.....	26,895	22,762	25,043	23,440	24,740	22,767
Accrued consumption taxes.....	11,620	8,549	8,966	12,652	11,666	7,209
Accrued expenses	11,177	11,312	8,436	7,828	7,294	7,329
Deposits received for armored car services	123,521	118,943	118,971	119,334	118,302	121,086
Deferred revenue	37,565	37,730	38,228	30,192	31,224	30,438
Accrued bonuses	19,794	19,653	17,960	18,298	18,213	17,255
Accrued bonuses to directors.....	71	—	—	—	—	—
Provision for losses on construction contracts	2,352	2,312	2,159	1,820	2,391	2,913
Other	20,802	30,482	17,041	23,488	24,129	25,975
Total current liabilities	378,343	377,482	361,750	361,106	374,284	369,458
Long-term liabilities:						
Straight bonds	2,683	3,081	3,489	3,899	4,143	4,702
Long-term loans	10,924	12,349	11,650	10,444	8,674	10,063
Lease obligations.....	22,863	14,657	15,077	12,854	11,865	11,960
Guarantee deposits received.....	23,701	23,662	23,669	30,694	32,632	32,955
Deferred income taxes	19,824	10,906	6,859	7,314	7,866	8,735
Accrued retirement benefits for directors and audit and supervisory board members	792	829	842	793	794	1,046
Net defined benefit liability	22,308	23,935	21,896	22,098	23,710	22,953
Long-term deferred revenue.....	15,868	16,121	16,545	—	—	—
Investment deposits by policyholders, unearned premiums and other insurance liabilities.....	188,103	186,033	185,698	181,014	174,602	172,866
Other	4,678	3,955	4,240	4,134	4,052	4,406
Total long-term liabilities	311,749	295,533	289,969	273,248	268,343	269,691
Total liabilities.....	690,092	673,015	651,719	634,355	642,627	639,150
NET ASSETS						
Shareholders' equity:						
Common stock.....	¥ 66,427	¥ 66,427	¥ 66,419	¥ 66,410	¥ 66,401	¥ 66,392
Capital surplus.....	71,775	70,349	70,335	81,801	81,874	80,360
Retained earnings.....	1,162,259	1,100,791	1,043,766	998,405	960,828	908,852
Common stock in treasury, at cost	(149,978)	(109,224)	(79,436)	(73,785)	(73,775)	(73,759)
Total shareholders' equity.....	1,150,483	1,128,343	1,101,084	1,072,832	1,035,328	981,846
Accumulated other comprehensive income:						
Unrealized gains on securities	40,637	18,771	20,220	22,122	12,095	18,157
Deferred losses on hedges	(1)	(3)	(6)	(11)	(15)	(21)
Foreign currency translation adjustments	22,259	10,497	(5,627)	(17,011)	(13,388)	(10,683)
Remeasurements of defined benefit plans, net of taxes	10,995	6,815	6,865	4,247	1,096	6,421
Total accumulated other comprehensive income	73,890	36,081	21,451	9,346	(212)	13,873
Noncontrolling interests	166,314	151,621	133,499	147,645	137,378	130,234
Total net assets	1,390,689	1,316,047	1,256,036	1,229,824	1,172,494	1,125,954
Total liabilities and net assets	¥2,080,781	¥1,989,062	¥1,907,755	¥1,864,179	¥1,815,121	¥1,765,105

Condensed Consolidated Statements of Income (Based on Japanese GAAP)

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

	In millions of yen					
	2024	2023	2022	2021	2020	2019
Revenue	¥1,154,740	¥1,101,307	¥1,049,859	¥1,035,898	¥1,060,070	¥1,013,823
Percentage change from prior year	4.9%	4.9%	1.3%	(2.3)%	4.6%	4.5%
Costs of revenue	797,456	758,850	712,187	705,326	722,546	692,211
As a percentage of revenue	69.1	68.9	67.8	68.1	68.2	68.3
Gross profit	357,284	342,456	337,672	330,571	337,523	321,611
As a percentage of revenue	30.9	31.1	32.2	31.9	31.8	31.7
Selling, general and administrative expenses	216,626	205,756	194,173	193,645	194,664	191,397
As a percentage of revenue	18.8	18.7	18.5	18.7	18.4	18.9
Operating profit	140,658	136,700	143,499	136,925	142,858	130,213
As a percentage of revenue	12.2	12.4	13.7	13.2	13.5	12.8
Non-operating income	31,615	23,326	14,977	11,554	13,778	19,646
Non-operating expenses	5,414	3,903	5,290	9,489	5,281	4,970
Ordinary profit	166,859	156,124	153,186	138,990	151,356	144,889
As a percentage of revenue	14.4	14.2	14.6	13.4	14.3	14.3
Extraordinary profit	2,922	2,474	1,033	352	3,471	1,909
Extraordinary losses	6,015	5,230	2,206	10,499	6,971	2,838
Income before income taxes	163,765	153,367	152,013	128,843	147,855	143,960
As a percentage of revenue	14.2	13.9	14.5	12.4	13.9	14.2
Income taxes—current	47,787	44,750	45,045	43,023	45,488	47,001
Income taxes—deferred	1,773	2,490	1,223	(68)	128	(7,808)
Net income	114,204	106,126	105,744	85,888	102,238	104,766
Net income attributable to noncontrolling interests	12,253	10,040	11,470	11,207	13,158	12,757
Net income attributable to owners of the parent	101,951	96,085	94,273	74,681	89,080	92,009
As a percentage of revenue	8.8	8.7	9.0	7.2	8.4	9.1
Percentage change from prior year	6.1	1.9	26.2	(16.2)	(3.2)	5.8

Consolidated Statements of Comprehensive Income (Based on Japanese GAAP)

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

	In millions of yen					
	2024	2023	2022	2021	2020	2019
Net income	¥114,204	¥106,126	¥105,744	¥85,888	¥102,238	¥104,766
Other comprehensive income (losses):						
Unrealized gains (losses) on securities	22,782	(1,306)	(1,835)	10,451	(6,288)	(5,740)
Deferred gains (losses) on hedges	—	—	—	—	—	(0)
Foreign currency translation adjustments	9,833	13,472	9,484	(4,485)	(1,236)	(2,616)
Remeasurements of defined benefit plans	5,988	(683)	2,491	3,715	(5,695)	(3,056)
Share of other comprehensive income (losses) of affiliated companies accounted for under the equity method	2,118	3,884	2,539	525	(1,468)	(3,439)
Total other comprehensive income (losses)	40,723	15,366	12,679	10,206	(14,688)	(14,853)
Comprehensive income	154,928	121,492	118,423	96,095	87,550	89,913
Comprehensive income attributable to:						
Owners of the parent company	139,760	110,715	106,378	84,240	74,994	77,988
Noncontrolling interests	15,167	10,776	12,044	11,854	12,555	11,924

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

ASSETS	In millions of yen					
	2024	2023	2022	2021	2020	2019
Current assets:						
Cash on hand and in banks.....	¥ 128,047	¥214,287	¥227,828	¥224,817	¥164,370	¥120,815
Cash deposits for armored car services.....	35,342	32,088	33,777	37,273	36,730	39,504
Notes receivable.....	481	388	363	360	586	723
Due from subscribers.....	19,048	18,722	17,890	18,046	18,241	17,931
Accounts receivable, trade.....	—	—	—	10,802	12,280	11,516
Accounts receivable—trade and contract assets	12,395	11,934	9,777	—	—	—
Receivables—other.....	6,398	4,479	4,375	4,249	4,353	4,714
Short-term investments	—	—	—	—	1,499	—
Merchandise.....	8,586	7,265	7,328	7,300	7,144	7,047
Supplies.....	2,207	2,263	2,507	2,356	2,111	1,686
Prepaid expenses	10,224	9,521	8,674	2,483	2,432	2,599
Short-term loans receivable	15,086	13,786	14,420	22,123	42,473	35,250
Other.....	1,879	2,232	7,887	8,568	9,208	4,530
Allowance for doubtful accounts	(44)	(38)	(41)	(70)	(89)	(101)
Total current assets.....	239,653	316,931	334,790	338,310	301,340	246,218
Fixed assets:						
Tangible assets:						
Buildings and improvements, net	14,538	15,569	16,534	16,283	17,427	16,263
Automobiles, net.....	591	589	588	557	492	501
Security equipment and control stations, net	75,549	69,670	68,972	71,042	71,533	69,049
Machinery and equipment, net	104	121	90	105	114	143
Tools, furniture and fixtures, net.....	4,183	3,776	4,071	3,812	4,193	3,566
Land	22,016	22,159	22,230	22,249	22,281	21,952
Construction in progress	5,591	4,398	3,542	4,457	3,433	4,721
Other, net	1,317	1,419	1,521	1,623	1,725	1,827
Total tangible assets.....	123,893	117,703	117,553	120,132	121,203	118,025
Intangible assets:						
Software	10,159	7,104	7,137	7,826	8,181	8,560
Other	4,334	5,211	3,655	3,516	1,602	920
Total intangible assets	14,493	12,316	10,792	11,343	9,783	9,480
Investments and others:						
Investment securities	65,995	26,762	23,047	22,215	17,749	21,982
Investment securities in subsidiaries and affiliated companies.....	453,175	420,624	393,659	356,243	353,592	353,375
Investments in subsidiaries and affiliated companies.....	2,102	2,179	2,179	2,179	2,179	2,149
Long-term loans receivable.....	46,278	32,483	51,307	57,331	81,174	113,221
Lease deposits	7,643	7,578	7,565	7,650	7,564	7,578
Long-term prepaid expenses	14,776	11,562	11,721	20,104	20,876	20,461
Prepaid pension and severance costs.....	38,400	34,006	29,605	25,825	22,614	21,410
Deferred income taxes	750	3,849	5,548	4,408	5,306	5,442
Insurance funds.....	4,279	4,298	4,370	4,268	4,227	4,109
Other	3,179	3,244	2,234	2,307	2,408	2,458
Allowance for doubtful accounts.....	(491)	(660)	(874)	(827)	(2,826)	(4,442)
Total investments and others	636,089	545,929	530,365	501,706	514,866	547,748
Total fixed assets	774,477	675,949	658,710	633,182	645,853	675,254
Total assets.....	¥1,014,130	¥992,881	¥993,501	¥971,493	¥947,194	¥921,472

LIABILITIES	In millions of yen					
	2024	2023	2022	2021	2020	2019
Current liabilities:						
Accounts payable.....	¥ 4,326	¥ 4,183	¥ 3,676	¥ 4,505	¥ 4,125	¥ 3,820
Bank loans	14,746	16,180	17,467	19,516	22,565	21,211
Lease obligations.....	308	284	275	263	271	309
Payables—other	20,170	16,719	16,445	17,297	17,381	19,769
Payables—construction	4,228	4,749	3,530	4,348	4,127	5,437
Accrued income taxes.....	10,880	9,973	11,189	10,594	11,848	11,210
Accrued consumption taxes	3,923	2,898	3,489	5,131	5,106	3,221
Accrued expenses	707	753	779	675	739	747
Deposits received for armored car services	20,593	15,907	16,313	17,788	14,192	18,348
Deferred revenue	22,455	22,615	22,963	19,808	20,147	19,949
Accrued bonuses	6,693	6,299	6,432	6,718	6,849	6,488
Accrued bonuses to directors.....	40	—	—	—	—	—
Allowance for loss on contracts.....	281	1,141	—	—	—	—
Other	4,975	4,352	3,932	4,603	4,902	2,590
Total current liabilities	114,332	106,060	106,496	111,252	112,258	113,104
Long-term liabilities:						
Lease obligations.....	3,435	3,543	3,691	3,807	3,867	3,971
Guarantee deposits received.....	15,735	15,823	15,975	16,167	16,347	16,462
Long-term deferred revenue.....	6,412	6,138	6,059	—	—	—
Accrued pension and severance costs.....	408	687	1,037	1,389	1,517	1,788
Other	543	320	291	313	326	343
Total long-term liabilities	26,534	26,512	27,054	21,678	22,058	22,566
Total liabilities	140,867	132,572	133,551	132,931	134,316	135,670
NET ASSETS						
Shareholders' equity:						
Common stock.....	¥ 66,427	¥ 66,427	¥ 66,419	¥ 66,410	¥ 66,401	¥ 66,392
Capital surplus:						
Additional paid-in capital.....	83,103	83,103	83,095	83,086	83,077	83,069
Other capital surplus	4,983	3,432	3,432	0	0	0
Total capital surplus	88,087	86,536	86,528	83,087	83,078	83,069
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	844,392	797,939	768,348	744,495	721,639	692,935
Total retained earnings.....	856,433	809,979	780,388	756,535	733,679	704,976
Common stock in treasury, at cost.....	(149,978)	(109,224)	(79,436)	(73,785)	(73,775)	(73,759)
Total shareholders' equity.....	860,968	853,718	853,900	832,248	809,383	780,679
Valuation, translation adjustments and others:						
Unrealized gains on securities	12,294	6,589	6,049	6,313	3,494	5,122
Total valuation, translation adjustments and others	12,294	6,589	6,049	6,313	3,494	5,122
Total net assets	873,263	860,308	859,950	838,562	812,878	785,801
Total liabilities and net assets	¥1,014,130	¥992,881	¥993,501	¥971,493	¥947,194	¥921,472

Condensed Nonconsolidated Statements of Income (Based on Japanese GAAP)

SECOM CO., LTD.

Years ended March 31

	In millions of yen					
	2024	2023	2022	2021	2020	2019
Revenue.....	¥405,671	¥391,570	¥395,181	¥394,389	¥398,929	¥394,181
<i>Percentage change from prior year</i>	3.6%	(0.9)%	0.2%	(1.1)%	1.2%	1.6%
Costs.....	243,745	232,887	234,703	235,165	236,397	234,046
<i>As a percentage of revenue</i>	60.1	59.5	59.4	59.6	59.3	59.4
Gross profit.....	161,925	158,683	160,478	159,224	162,531	160,134
<i>As a percentage of revenue</i>	39.9	40.5	40.6	40.4	40.7	40.6
Selling, general and administrative expenses.....	87,062	84,067	81,775	83,682	85,654	83,301
<i>As a percentage of revenue</i>	21.5	21.5	20.7	21.2	21.5	21.1
Operating profit.....	74,863	74,615	78,703	75,541	76,877	76,833
<i>As a percentage of revenue</i>	18.5	19.1	19.9	19.2	19.3	19.5
Non-operating income.....	39,507	20,887	18,872	16,174	16,950	15,006
Non-operating expenses.....	2,145	2,247	2,480	2,414	3,289	2,866
Ordinary profit.....	112,225	93,255	95,094	89,301	90,538	88,972
<i>As a percentage of revenue</i>	27.7	23.8	24.1	22.6	22.7	22.6
Extraordinary profit.....	950	463	548	226	1,651	87
Extraordinary losses.....	3,419	2,184	1,621	8,992	2,092	203
Income before income taxes.....	109,757	91,534	94,021	80,534	90,097	88,855
<i>As a percentage of revenue</i>	27.1	23.4	23.8	20.4	22.6	22.5
Income taxes.....	22,820	22,883	24,135	20,574	24,289	14,838
<i>Effective tax rate.....</i>	20.8	25.0	25.7	25.5	27.0	16.7
Net income.....	86,936	68,651	69,885	59,960	65,808	74,016
<i>As a percentage of revenue</i>	21.4	17.5	17.7	15.2	16.5	18.8
<i>Percentage change from prior year</i>	26.6	(1.8)	16.6	(8.9)	(11.1)	9.3