



ANNUAL REPORT 2019

Year ended March 31, 2019

In response to changing customer needs, SECOM is working to realize its vision for the future—the **Social System Industry**—by providing comprehensive, integrated services and systems that make life more secure, convenient and comfortable.



SECOM CO., LTD., strives to create services and systems that deliver safety and peace of mind, as well as make life more comfortable and convenient, whenever and wherever necessary, for anyone and everyone. Accordingly, the Company is pushing forward with efforts to realize its Social System Industry vision, which describes a framework of distinctive, integrated services and systems.

Established in 1962, SECOM is recognized as Japan's first security services provider. Since then, the Company has sought to develop and advance a wide range of services and systems that respond to evolving social imperatives and benefit society. These include on-line security systems for commercial subscribers; home security systems; COCO-SECOM, a mobile security system for outdoor use; and the SECOM Drone, a small autonomous flying surveillance robot.

Today, the business portfolio of SECOM, which comprises the parent company and the companies of the SECOM Group, encompasses security services, fire protection services, medical services, insurance services, geospatial information services, business process outsourcing and information and communications technology (BPO and ICT) services, and real estate and other services.

To accelerate the realization of its Social System Industry vision, in May 2017, SECOM formulated the SECOM Group's Vision for 2030. Guided by this vision, the Group is working to create the ANSHIN* Platform, a service infrastructure designed to provide peace of mind to people in their everyday lives, as well as to society as a whole. Going forward, the Group will continue to capitalize on the ANSHIN Platform with the aim of delivering enduring peace of mind to an ever-changing society and helping to address key social imperatives. Through such efforts, we will continue growing together with society.

SECOM has also expanded outside Japan. Currently active in 18 countries and territories, the Group works to provide uniquely SECOM security services, fire protection services, medical services, geospatial information services, and BPO and ICT services customized to reflect local needs and sensibilities, and to encourage awareness of the SECOM brand worldwide.

*ANSHIN is Japanese for "peace of mind."

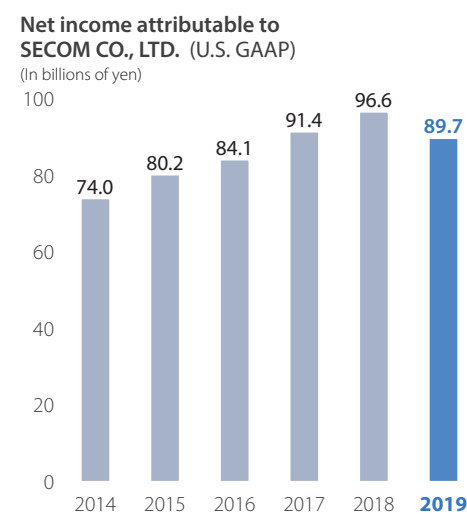
Contents

2	Financial Highlights	30	SECOM Today
4	A Message to Shareholders	44	Sustainability
9	Corporate Philosophy	46	ESG Initiatives
10	Milestones	55	Financial Review
12	SECOM at a Glance	59	Audited Financial Statements
14	SECOM's Core Competitive Advantages	92	Other Financial Data
18	The Value Creation Process	97	Consolidated Financial Data (Based on Japanese GAAP) (Reference)
20	The SECOM Group's Vision for 2030	101	Nonconsolidated Financial Data (Based on Japanese GAAP) (Reference)
24	Initiatives Aimed at Achieving the Goals of the SECOM Group Road Map 2022	105	Corporate Information
26	Special Feature 1 Human Resources: The Driving Force Behind SECOM's Growth	109	SECOM's Basic Business Areas
28	Special Feature 2 SECOM Security Services for Large-Scale Events	111	Directors, Audit and Supervisory Board Members and Executive Officers

Financial Highlights

U.S. GAAP SECOM CO., LTD. and Subsidiaries For the years ended/as of March 31	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2019	2018	2017	2019
Net sales and operating revenue	¥1,111,600	¥1,082,792	¥1,031,261	\$10,014,414
Operating income	123,711	140,111	127,395	1,114,514
Net income attributable to SECOM CO., LTD.	89,686	96,623	91,387	807,982
Total assets	1,879,710	1,838,945	1,763,278	16,934,324
Total SECOM CO., LTD. shareholders' equity	1,044,184	1,000,277	929,242	9,407,063
	In yen			In U.S. dollars
Per share of common stock:				
Net income attributable to SECOM CO., LTD.	¥ 410.91	¥ 442.70	¥ 418.71	\$ 3.70
Cash dividends	160.00	150.00	140.00	1.44
(Interim dividend)	80.00	75.00	70.00	0.72
SECOM CO., LTD. shareholders' equity	4,784.12	4,582.96	4,257.50	43.10

Notes: 1. Yen amounts have been translated into U.S. dollars, solely for the convenience of the reader, at the approximate rate of ¥111=US\$1, the rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2019.
2. Net income attributable to SECOM CO., LTD. per share of common stock is based on the average number of shares outstanding during each period, less treasury stock.
3. SECOM CO., LTD. shareholders' equity per share of common stock is based on the number of shares outstanding at the end of each period, less treasury stock.
4. Cash dividends per share of common stock are based on dividends approved and paid in each fiscal year. At the general shareholders' meeting held on June 26, 2019, approval was granted for a proposal to pay a year-end dividend of ¥85.00 for the year ended March 31, 2019. (For further information, please see Note 18 of the Notes to Consolidated Financial Statements.)

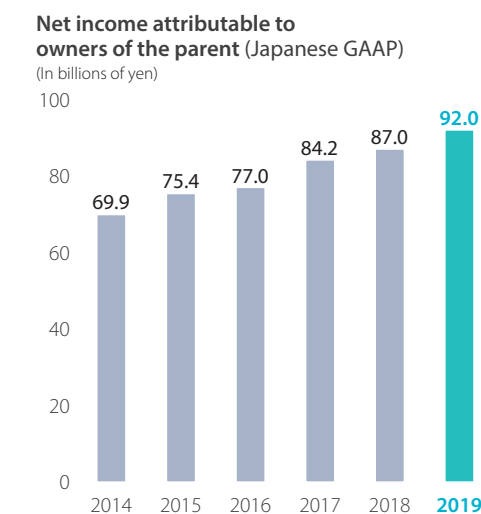


Note: In the year ended March 31, 2019, net income attributable to SECOM CO., LTD., was down ¥6.9 billion, to ¥89.7 billion. Principal factors contributing to this result included the application of a new accounting standard whereby gains or losses on equity investments are now charged to income for the period, which resulted in an increase in loss on other-than-temporary impairment of investment securities; investments to reinforce SECOM's operating foundation with the aim of ensuring sustainable growth; and the impact of multiple major natural disasters on results in the insurance services segment.
In the year ended March 31, 2018, net income attributable to SECOM CO., LTD., advanced ¥5.2 billion, to ¥96.6 billion. This result was attributable to higher operating income in six segments, including security services.
In the year ended March 31, 2017, net income attributable to SECOM CO., LTD., advanced ¥7.3 billion, to ¥91.4 billion. Factors behind this result included an increase in operating income, bolstered by higher sales of on-line security systems and a decrease in impairment loss on long-lived assets, and a gain on private equity investments.

Pursuant to the applicable Japanese law, SECOM is required to publish results in line with accounting principles generally accepted in Japan (Japanese GAAP). Key financial highlights calculated using Japanese GAAP are shown below for reference.

Japanese GAAP SECOM CO., LTD. and Subsidiaries For the years ended/as of March 31	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2019	2018	2017	2019
Revenue	¥1,013,823	¥ 970,624	¥ 928,098	\$ 9,133,541
Operating profit	130,213	135,448	131,050	1,173,090
Ordinary profit	144,889	144,318	147,033	1,305,306
Net income attributable to owners of the parent	92,009	86,993	84,170	828,910
Total assets	1,765,105	1,715,123	1,650,176	15,901,847
Total net assets	1,125,954	1,081,213	1,013,253	10,143,730
	In yen			In U.S. dollars
Per share of common stock:				
Net income	¥ 421.56	¥ 398.58	¥ 385.64	\$ 3.80
Cash dividends	165.00	155.00	145.00	1.49
(Interim dividend)	80.00	75.00	70.00	0.72
Net assets	4,562.08	4,364.63	4,086.87	41.10

Note: Cash dividends per share of common stock are based on dividends the record dates for which fall in each fiscal year. The consolidated dividend payout ratio for the fiscal year ended March 31, 2019, was 39.1%.



**Sharing the same philosophy and view of SECOM in the future,
the entire SECOM Group continues working to address increasingly diverse social imperatives
with the aim of further enhancing corporate value and growing together with society.**

Consolidated Operating Results

In the fiscal year ended March 31, 2019, the Japanese economy remained on a gentle upswing, underpinned by consistently high corporate earnings and improved employment levels. Nonetheless, uncertainties persisted regarding, among other factors, international trade issues, the economic outlook for the People's Republic of China (PRC) and emerging economies in Asia, and a lack of clarity around the United Kingdom's exit from the European Union. These and other economic and political trends overseas, together with the impact of fluctuations in the financial and capital markets, continued to warrant caution.

Against this backdrop, we pressed forward with ongoing efforts to realize our Social System Industry vision, in line with our goal of providing safety and peace of mind, as well as making life more comfortable and convenient, whenever and wherever necessary, for anyone and everyone. Efforts continued to concentrate on responding to the needs through the provision of high-grade services and systems in our security services, fire protection services, medical services, insurance services, geospatial information services, BPO and ICT services, and real estate and other services businesses.

Bolstered by the inclusion of a full year of results from TMJ, Inc., acquired in October 2017, and an increase in the medical services segment, underpinned by a rise in the number of patients at associated hospitals, consolidated net sales and operating revenue in the period under review rose 2.7%, or ¥28.8 billion, to ¥1,111.6 billion. Nonetheless, operating income declined 11.7%, or ¥16.4 billion, to ¥123.7 billion, owing to the occurrence of multiple major natural disasters and an increase in loss on other-than-temporary impairment of investment securities, as a result of which the insurance services segment reported an operating loss, as well as to the impact of investments to reinforce our operating foundation with the aim of ensuring sustainable growth. Net income attributable to SECOM CO., LTD. at ¥89.7 billion, was down 7.2%, or ¥6.9 billion.

Enhancing Returns to Shareholders

Seeing the provision of fair returns to shareholders as a crucial management task, we determine our consolidated dividend payout ratio and internal reserves based on an overall assessment of efforts to expand our operations and trends in our consolidated operating performance, in line with our policy of ensuring a consistent and stable distribution of profits. At the Ordinary General Meeting of Shareholders held on June 26, 2019, the payment of a year-end dividend of ¥85.00 per share was approved. As a consequence, dividends for the full term, which also included an interim dividend of ¥80.00, amounted to ¥165.00, up ¥10.00 from the previous fiscal year.

A New Management Team

On May 14, 2019, the Board of Directors passed a resolution to implement personnel changes to reinforce our management structure with the objective of accelerating the implementation of initiatives in line with the SECOM Group Road Map 2022 as we work to achieve the SECOM Group's Vision for 2030. Accordingly, effective from June 26, 2019, Yasuo Nakayama was appointed chairman and representative director, and Ichiro Ozeki was appointed president and representative director. Our former president steadily advanced efforts to enhance employee motivation and promote management reforms from a medium- to long-term perspective.

Our new president, Mr. Ozeki, who has extensive knowledge of digital and other advanced technologies, will exercise strong leadership in promoting measures to enhance the efficiency of systems, enabling us to continue responding flexibly to major socioenvironmental changes and in so doing to expand existing businesses. We will also accelerate the creation of vital new services. As chairman, Mr. Nakayama will endeavor to strengthen external activities, as well as to further promote environmental, social and governance (ESG) initiatives. Guided by our new management team, we will thus continue working to achieve sustainable growth.

Priority Challenges and Focused, Forward-Looking Investments

As a company that sees its mission as being to help achieve a society free from concerns, in May 2017 we formulated the SECOM Group's Vision for 2030. Guided by this vision, we are working to create the ANSHIN Platform, a service infrastructure designed to provide peace of mind to people in their everyday lives, as well as to society as a whole. In May 2018, we devised the SECOM Group Road Map 2022 to clarify the principal challenges we must address to achieve this vision, namely technological advances and a declining labor force. While technological advances, notably in artificial intelligence (AI) and the Internet of Things (IoT), have led to qualitative improvements in lifestyles, ensuring security is a prerequisite to enjoying the convenience of everyday life. Accordingly, needs related to physical and cyber security continue to expand. Japan's declining labor force is causing labor shortages and rising labor costs, driving up companies' need to enhance productivity and seek reliable partners to which they can outsource work. This situation is also leading to the expansion of needs related to care for children and seniors, owing to the growing prevalence of seniors-only households and families in which both parents work outside the home.

Anticipating that such needs will yield major business opportunities and believing in the importance of accelerating growth, we have embraced the challenge of self-change—a process we have dubbed “SECOM-Transformation”—in the two years ending March 31, 2020, we are promoting focused investments in human resources and systems. In addition to enhancing our ability to secure individuals with the high-level experience and skills necessary to work in IT and global business, investments in human resources emphasize the creation of positive working environments, enhancing our training programs and reinforcing our recruitment of front-line staff. Investment in systems centers on building next-generation core systems, as well as introducing AI, IoT and robotic process automation (RPA) to bolster operational quality and efficiency. In addition, we are advancing R&D to realize new services and systems that leverage the latest technologies. By promoting such investments, which aim to facilitate the creation of a strong foundation, we are driving the creation and growth of new businesses and expanding existing business.

Major Business Initiatives

Customer needs for security and peace of mind continue to increase and diversify, owing to dramatic societal change, a trend that is expected to drive the further expansion of the security services market. Against this backdrop, in our commercial security services business, we continued to provide on-line security systems and static guard and armored car services, as well as a variety of merchandise, including access control and security camera systems. In Japan, ensuring the effective use of human resources and enhancing productivity are increasingly urgent issues in light of persistent labor shortages. In this environment, we continued to offer a variety of solutions that respond to needs for reduced labor requirements and advanced automation achieved through greater efficiency.

SECOM LX, for example, combines an on-line security system with access control functions, and uses recorded entry and exit data to manage employee attendance, helping improve the efficiency and lower the cost of personnel management. In addition to partnering with a major retail group to reduce the workload of

static guards at large-scale facilities, we began offering SECOM Supply Chain Security Select, a service that assists companies in securing safety certification for their supply chains. Other achievements that make use of advanced technologies include development of the AI-powered Virtual Security Guard System, featuring a virtual character who performs security and receptionist duties, and the launch of service using SECOM Robot X2, an autonomous patrol robot.

We also continued to provide a variety of security solutions designed to ensure the safety and security of large-scale events. These include facial recognition systems that utilize AI and the SECOM Aerostat, a dirigible that captures images from above.

In addition to protection against burglary, theft and fire, Japan's home security market is seeing growing needs for services that assist with care for seniors living alone and for children at home alone, an increasing concern given the growing prevalence of families where both parents work outside the home. We continued to see robust sales of new mainstay SECOM Home Security NEO, a system that can be armed and disarmed remotely from a smartphone and which notifies subscribers when the system is accessed by family members entering or leaving the home. Boasting outstanding connectivity, SECOM Home Security NEO can also be linked with a variety of devices on the IoT. In the period under review, the service was linked with a unique communication robot, creating a new style of security services that provides seamless peace of mind. In April 2019, we launched the SECOM Senior Care Phone Service, which combines the SECOM My Doctor Plus emergency medical alert system for seniors with a safety confirmation function and does not require a home security services contract. In line with our goal of ensuring automated external defibrillators (AEDs) are available for use whenever and wherever needed, we launched SECOM MyAED, Japan's first on-line package service centering on home-use AEDs.

Overseas, we continued working to expand the provision of SECOM-style security services, a term we used to describe comprehensive on-line security systems that encompass everything from the installation of security equipment at the subscriber's premises to the prompt dispatch of emergency response personnel when needed, with efforts focused particularly on Southeast Asia and the PRC. In addition, we created a systems integration (SI) team, positioning us to capitalize on demand arising from the increasing construction of large-scale facilities in high-growth countries and territories, as well as made a full-scale entry into the market for home security services in major Asian urban centers. We also sought to fortify our regional sales configurations by, among others, accelerating sales of AEDs in Asia. In February 2019, we established a consolidated subsidiary in Turkey with a major local conglomerate.

In fire protection services, SECOM Group companies Nohmi Bosai Ltd. and Nittan Co., Ltd., two of Japan's leading names in this field, continued to earn consistently high marks from customers for their superior automatic fire alarm, fire extinguishing and other fire protection systems, which they provide for a variety of applications, including office buildings, plants, tunnels, structures designated as cultural properties, ships and homes. In the period under review, the two companies continued working to secure new orders by leveraging their respective business foundations and product development capabilities to address the needs of a broad range of customers.

Efforts in our medical services business emphasize Home Medical Services, which comprise home nursing and pharmaceutical dispensing services, support for affiliated medical institutions, sales of medical equipment and pharmaceuticals, the operation of residences for seniors, personal care services, and the provision of electronic medical reporting and other ICT-based systems in Japan, as well as the operation of a hospital in India. In the period under review, we launched the SECOM Vitalook service, a remote medical support platform that leverages our extensive know-how in home medical services, as well as our data center capabilities and advanced technologies. This service allows physicians, nurses and other healthcare professionals to review the electrocardiogram, blood pressure and other biometric data of home medical care patients remotely.

In the area of insurance services, we worked to expand sales of our distinctive non-life insurance policies. These include fire insurance policies that extend discounts to customers who have installed on-line security systems, recognizing this as a risk-mitigating factor, and MEDCOM, an unrestricted cancer treatment policy that covers entire cost of medical treatment for cancer.

Our geospatial information services business continued to focus on the collection of geographic data from commercial satellites, aircraft and proprietary vehicles, among others, which is integrated, processed and analyzed to provide geospatial information services to public-sector entities—including national and local governments—and customers in the private sector in Japan. We also offer these services to government agencies in emerging and developing economies.

BPO and ICT services encompass the provision of data center services, support for business continuity plans (BCPs), information security services, cloud-based services and BPO services. In response to heightened cyber-security needs, we expanded our information security services, including by launching the Cryptocurrency Wallet Service, which makes use of our extensive know-how in the secure management of private keys from cryptoasset exchanges. We also began offering SECOM Shift Scheduler, which automatically generates shift schedules, assisting the efforts of restaurants and retailers to enhance productivity.

Our real estate and other services business continued to concentrate on the development and sale of condominiums equipped with distinctive security and disaster preparedness features. Other services include real estate leasing, construction and installation.

Creating the ANSHIN Platform

Operating in an environment characterized by significant, continuous upheaval, we will continue to make use of the latest technologies to evolve as a provider of services that go beyond the conventional ideas of security to deliver safety and peace of mind, as well as to make life more comfortable and convenient, and that remains in close proximity to customers. To the more than 1.06 million commercial subscribers to which we provide security services across Japan, we will continue to leverage our robust operating foundation, which includes one of Japan's largest data centers, to provide innovative high-value-added services. To our domestic home security subscribers, who number in excess of 1.34 million, we will respond to rising needs for help with looking after vulnerable members of society by broadening our offerings to include not only services that feature emergency responses when needed but also systems that make use of various advanced technologies.

As a provider of services that fuse people and technologies, of which our on-line security systems are the best-known, we recognize that our ability to offer services that deliver such invisible qualities as security and peace of mind, as well as to make life more comfortable and convenient, depends not only on technological capabilities, but also on the capabilities of SECOM employees on the front lines. Japan's shrinking labor force continues to underscore the promotion of automation, enhancing efficiency and securing talented human resources as crucial management issues that we must prioritize going forward. To reduce the workload of frontline employees, thereby improving productivity and reinforcing our competitiveness, we will review business processes and systems rather than insisting on established routines.

We will also continue working to maximize employees' latent capabilities and inspire them to fulfill their potential by creating a virtuous circle rooted in employee job satisfaction, and will step up the promotion of efforts in line with the Tri-ion Initiative, which seeks to ensure that SECOM's Philosophy fully penetrates every aspect of our operations. In addition, we will fortify efforts to encourage a managerial mind-set among all employees, that is, on fostering employees who share SECOM's Philosophy, understand our mission and are capable of forming judgments and acting independently. At the organizational level, we will allocate greater authority to officers in charge to accelerate decision making and improve the efficiency of business management.

A Message to Shareholders

Our organization, which comprises individuals who share SECOM's Philosophy, the unflinching foundation of everything we do, who are highly adaptable to change, able to create value and committed to contributing to society, and which underpins our efforts to achieve SECOM Group's Vision for 2030, is an incomparable intangible asset. Going forward, we will capitalize on this organization to hasten the implementation of our business strategy, which centers on measures consistent with four concepts crucial to creating the *ANSHIN* Platform, a service infrastructure essential to the SECOM Group's Vision for 2030: "ALL SECOM," "Collaboration," "Connection" and "Enhanced Value." We will also promote mergers and acquisitions (M&As) to acquire businesses essential to the *ANSHIN* Platform, thereby reinforcing overall Group strengths.

Overseas, we will also take steps to further strengthen our operations and accelerate growth. To these ends, we will actively pursue the development of services tailored to the local business environment by leveraging but not being limited by our experience in Japan.

Since our establishment, we have emphasized contributing to society through our business activities. In 2019 and 2020, Japan will host a number of major events, including global sports tournaments. The entire SECOM Group family is committed to working as one to help ensure the safe and secure staging of these events.

As we continue to promote initiatives in line with the SECOM Group Road Map 2022 with the ultimate goal of achieving SECOM Group's Vision for 2030, we will remain committed to providing enduring peace of mind to an ever-changing society by helping to address increasingly complex and diverse social imperatives, thereby ensuring sustainable growth for society and ourselves and bolstering corporate value. In addition, we will continue to value communication with stakeholders, sharing information on our vision and management strategies with investors and engaging in constructive dialogue. In these and all of our endeavors to expand the operations of the SECOM Group, we look forward to the ongoing support and guidance of shareholders.

June 26, 2019



Makoto Iida

Founder



Yasuo Nakayama

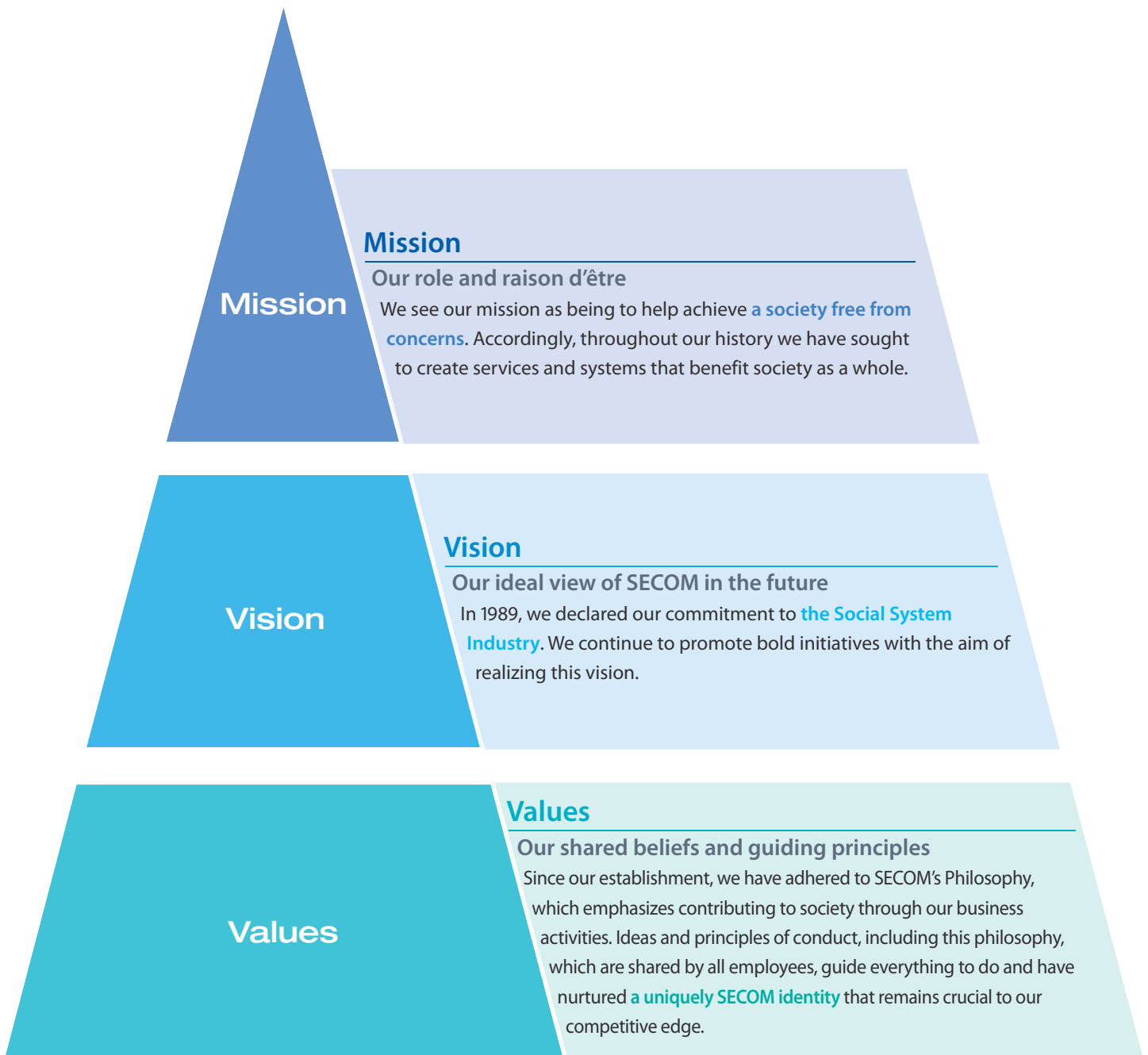
Chairman and
Representative Director



Ichiro Ozeki

President and
Representative Director

Corporate Philosophy



The Social System Industry

Our Social System Industry vision describes a framework of innovative and integrated services and systems that deliver safety, peace of mind, comfort and convenience.

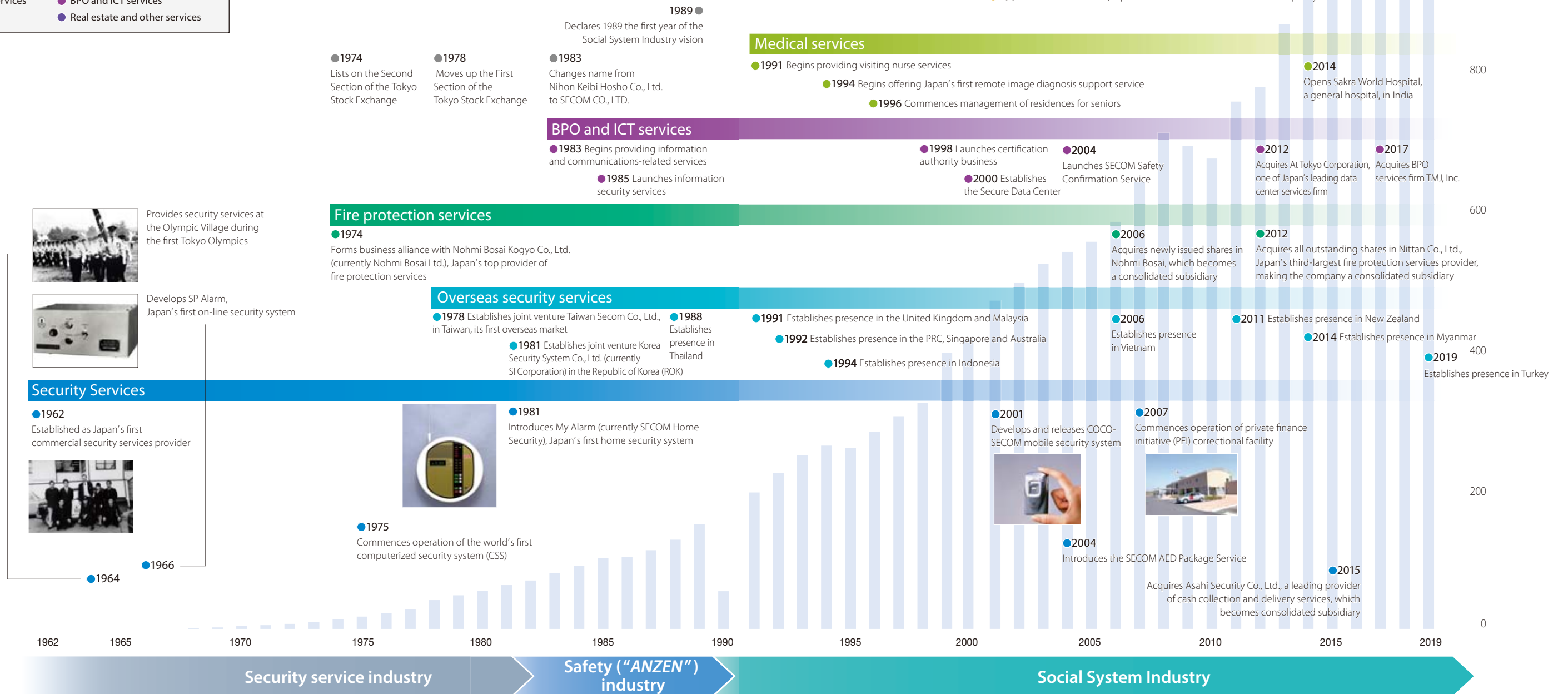
SECOM's Philosophy

SECOM's Philosophy has been passed down through generations of employees since our establishment and continues to be the driving force behind all we do. This philosophy emphasizes a refusal to be content with the status quo and a commitment to doing what is appropriate. The first element expresses our determination to provide innovative services and systems by challenging accepted norms, while the second means judging the legitimacy of our actions by examining whether they are just, fair and beneficial not only to SECOM but to society as a whole. We have published SECOM's Philosophy in the form of a handbook, which has been distributed to employees in Japan and overseas, and continue to capitalize on training and other opportunities to share the philosophy and advance its implementation.

Milestones


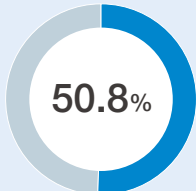


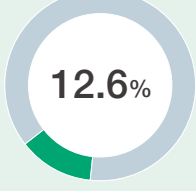


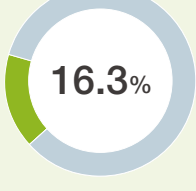


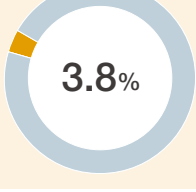


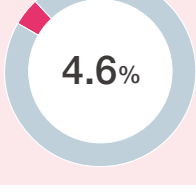


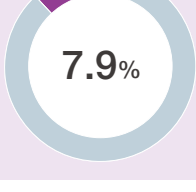


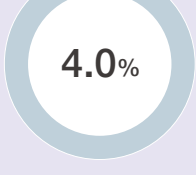

Established as Japan's first security services company, SECOM has pioneered the creation of services that deliver safety and peace of mind. Going forward, we will continue to develop and provide innovative services and systems that accelerate the realization of our Social System Industry vision, an original concept unparalleled anywhere else in the world.

- Security services
- Overseas security services
- Fire protection services
- Medical services
- Insurance services
- Geospatial information services
- BPO and ICT services
- Real estate and other services



Note: As indicated in the legend, this graph shows net sales and operating revenue for each fiscal year at the time of announcement. Figures have not been readjusted. However from the fiscal year ended November 30, 1978 through the fiscal year ended March 31, 2004, the Company reported "revenue and other income." Owing to a change in the Company's settlement date, the fiscal year ended March 31, 1990, was a transitional four-month period. Data for periods up to and including the fiscal year ended November 30, 1977, is nonconsolidated revenue for SECOM CO., LTD., calculated using Japanese GAAP.

SECOM at a Glance

Segment	Percentage of consolidated net sales and operating revenue*	Principal operations	Competitive advantages	Principal Group companies**
 <p>Security Services</p>	 <p>50.8%</p>	<ul style="list-style-type: none"> On-line security systems Static guard services Armored car services Merchandise and other <p>Principal initiatives  Pages 30-35</p>	<ul style="list-style-type: none"> Integrated approach to providing on-line security systems Robust technological foundation made possible by proprietary research and development configuration Nationwide network of 2,800 emergency depots, facilitating swift response in the event of an emergency and appropriate operational control Rental format that minimizes initial costs for subscribers and enables SECOM to take responsibility for equipment maintenance and upkeep Solid income foundation (attributable to stable recurring revenue) and robust customer base Overseas operations centered on the provision of on-line security systems with emergency response services 	<p>SECOM CO., LTD.***, Secom Joshinetsu Co., Ltd.****, Asahi Security Co., Ltd., Secom plc</p>
 <p>Fire Protection Services</p>	 <p>12.6%</p>	<ul style="list-style-type: none"> Fire alarm systems Fire extinguishing systems Maintenance services <p>Principal initiatives  Pages 36-37</p>	<ul style="list-style-type: none"> Two Group companies with the largest and third-largest shares of the Japanese fire protection market Comprehensive lineup of services that respond to a broad range of customer needs Integrated service configuration encompassing R&D and planning, equipment design and production, installation and maintenance Stable demand for equipment that complies with Japan's Fire Service Act Ability to extend renovation proposals that draw on a wealth of experience Expertise in fire extinguishing systems for tunnels and other large-scale structures 	<p>Nohmi Bosai Ltd.***, Nittan Co., Ltd.</p>
 <p>Medical Services</p>	 <p>16.3%</p>	<ul style="list-style-type: none"> Home medical services Operation of residences for seniors Medical services that leverage ICT Sales of medical equipment and pharmaceuticals Support for affiliated medical institutions <p>Principal initiatives  Pages 38</p>	<ul style="list-style-type: none"> Conviction that protecting health and life is the ultimate expression of the SECOM commitment to delivering safety and peace of mind Experience and extensive know-how in the provision of diverse medical services Strong collaboration with local communities aimed at realizing effective comprehensive community healthcare systems 	<p>Secom Medical System Co., Ltd.</p>
 <p>Insurance Services</p>	 <p>3.8%</p>	<ul style="list-style-type: none"> Fire insurance policies Automobile insurance policies Cancer treatment policies <p>Principal initiatives  Pages 39</p>	<ul style="list-style-type: none"> Belief in the need for both security services, which are preventative by nature, and non-life insurance, which looks after people in the event of misfortune Development and provision of unique policies that take into account the risk mitigating factors of on-line security systems Development and provision of an automotive insurance policy that includes access to emergency response services Development and provision of a cancer treatment policy that features full coverage for all treatment costs 	<p>Secom General Insurance Co., Ltd.</p>
 <p>Geospatial Information Services</p>	 <p>4.6%</p>	<ul style="list-style-type: none"> Public sector services Private sector services Overseas operations <p>Principal initiatives  Pages 40</p>	<ul style="list-style-type: none"> Service configuration overseen by the leading company in Japan's aerial surveying and geographic information system (GIS) markets Ability to provide geospatial information based on geographic data collected by commercial satellites, aircraft, vehicles and ships Technological capabilities and expertise in the integration, processing and analysis of geographic and related data to provide geospatial information Active efforts to cultivate new geospatial information services 	<p>Pasco Corporation***</p>
 <p>BPO and ICT Services</p>	 <p>7.9%</p>	<ul style="list-style-type: none"> Data center services Large-scale disaster preparedness services Information security services Cloud-based services BPO services <p>Principal initiatives  Pages 41-42</p>	<ul style="list-style-type: none"> Highly secure facilities and equipment and tailored support, as well as data center facilities boasting excellent connectivity that are among Japan's largest One of Japan's leading disaster management support services Seamless information security services encompassing the formulation of strategies, monitoring, implementation of countermeasures and restoration ICT services that reflect technological prowess, operational capabilities and know-how that facilitates the construction and operation of network systems that leverage extensive experience in the provision of security services Provision of high-grade contact center and other BPO services that deliver security and peace of mind 	<p>Secom Trust Systems Co., Ltd., At Tokyo Corporation, TMJ, Inc.</p>
 <p>Real Estate and Other Services</p>	 <p>4.0%</p>	<ul style="list-style-type: none"> Real estate development and sales Real estate leasing Construction and installation services Home services <p>Principal initiatives  Pages 43</p>	<ul style="list-style-type: none"> Development and sale of condominiums that incorporate sophisticated SECOM security as standard features Provision of diverse lifestyle support services that deliver safety and security and make life more comfortable and convenient 	<p>Secom Home Life Co., Ltd.</p>

* Pie charts show percentage of consolidated net sales and operating revenue (excluding intersegment transactions) for the year ended March 31, 2019

** For more information, please see pages 105-108.
*** Listed on the First Section of the Tokyo Stock Exchange
**** Listed on the Second Section of the Tokyo Stock Exchange

SECOM's Core Competitive Advantages

We continue to leverage three core competitive advantages to deepen our ties with customers and ensure sustainable growth.

A high market share and a robust brand associated with safety and peace of mind

A pioneer in Japan's security services industry, we have continuously updated and evolved our services in line with social change over more than five-and-a-half decades since our founding, achieving steady growth as the industry leader and nurturing the SECOM name as a trusted brand.

An early opportunity for dramatic progress: The 1964 Olympics

SECOM was established in 1962 as Japan's first security company. At first, our services consisted of random patrols of subscribers' unattended premises at night and static guard services, whereby security guards are posted at subscribers' premises. In 1964, we secured the contract to guard the athletes' village at the Olympic Games in Tokyo. Thanks to our success in fulfilling this contract, recognition of the SECOM name improved greatly and our contract volume rose substantially.

Emerging as a pioneering provider of security services

In 1966, we developed the first on-line security system in Japan, SP Alarm. At the time, contracts for security patrol and static guard services rose steadily, but having recognized the superiority of SP Alarm and viewing on-line systems as the future of security services we eliminated our security patrol services and shifted our focus to SP Alarm. Although this dramatic transformation was not without its difficulties, our employees were united in their determination to broaden the popularity of on-line security systems and succeeded in achieving steady growth in contract volume.

In subsequent years, we succeeded in making on-line security systems available to a broad range of customers by extending high-grade services at appropriate prices through a national network. By maintaining a close proximity to the community, we ensured our ability to promptly grasp

customers' needs for safety and peace of mind and swiftly provide solutions, thereby enhancing our reputation for reliability. At present, contracts for our on-line commercial and home security systems number more than 2.29 million, and we continue to enjoy a significant share of the Japanese market. Our accumulated experience and know-how in the provision of safety and peace of mind to a diverse range of customers and the reputation we enjoy for reliability have contributed to the rise of SECOM as a powerful, valuable brand.



Securing the contract to guard the athletes' village at the 1964 Tokyo Olympics gave SECOM a significant boost



The well-known red SECOM sticker: Providing security and peace of mind across Japan

Securing human resources capable of building brand value

The goal of the security services business is to provide safety and peace of mind. A company's ability to offer high-grade services depends on having employees who are highly adaptable to change, able to create value and committed to contributing to society. Our reputation as the leader of Japan's security services industry and our outstanding growth potential position us well to secure and foster the talented human resources who will be responsible for providing our various services in the years ahead, allowing us to maintain an edge over the competition.

Since our establishment, we have also sought to ensure that all employees share SECOM's Philosophy, the unflinching foundation of everything we do, and to encourage them to personify the philosophy, recognizing employees as a vital source of our competitiveness. In recent years, we have promoted efforts in line with the Tri-ion Initiative*, which seeks to confirm that SECOM's Philosophy fully penetrates every aspect of our operations and that employees are able to act independently in a manner consistent with this Philosophy.

* For further information on the Tri-ion Initiative, please refer to page 27.

We remain committed to achieving a society free from concerns by providing widely accepted high-grade services that deliver safety and peace of mind. By refusing to be content with the status quo, we will continue to be critical to earning the trust of customers and increasing the value of the SECOM brand.

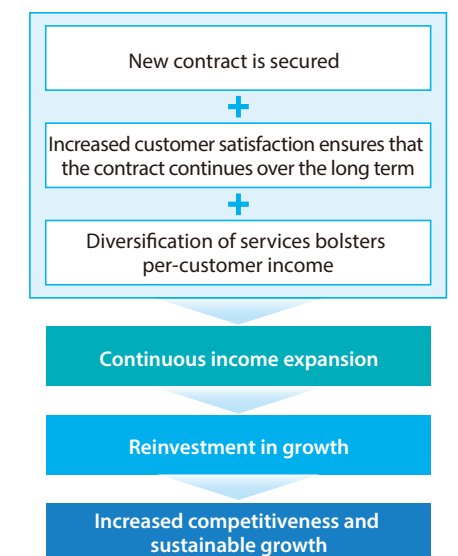
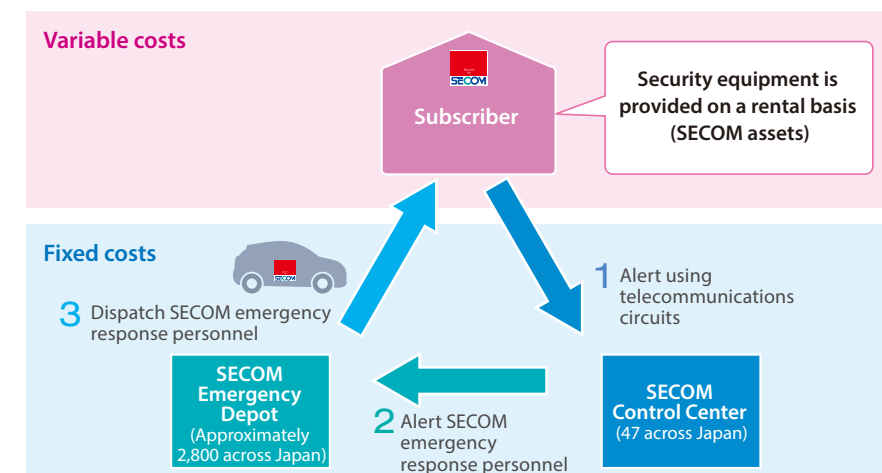
A recurring revenue-based business model that underpins sustainable growth

A distinguishing feature of our operating income is the fact that it is generated largely by long-term contracted services such as on-line security systems and other recurring

revenue-based businesses. As an example, the initial contract period for on-line security systems is five years, after which the contract is automatically renewed annually. To ensure

customers are content to leave contracts in place over the long term, all employees, from emergency response personnel to sales, technology and administrative department

Variable and Fixed Costs for On-Line Security Systems



SECOM's Core Competitive Advantages

staff, work to increase customer satisfaction by providing services that exceed their expectations. We also have customer satisfaction staff, who visit customers in person to furnish useful information and gain feedback, which we use to incorporate into our unceasing efforts to improve systems and services and grasp latent needs.

Ongoing investment to reinforce competitiveness

Our ability to ensure the stable, reliable provision of on-line security systems is underpinned by a robust infrastructure centered on control centers, which monitor the status of subscribers' premises, the IT systems that support these facilities and emergency depots, which provide emergency response services. Having established a configuration that enables us to provide on-line systems across Japan, we promote ongoing investments aimed at improving quality and functionality, thereby further reinforcing our competitiveness.

Expanding use of our recurring revenue-based business model

We have applied our recurring revenue-based business model in various SECOM Group business areas. In addition to on-line security systems, our security services segment includes two recurring revenue-based businesses, namely, static guard services and armored car services. In the fire protection segment, we view post-installation regular maintenance and inspection services and replacement, which is carried out after a set period of time, to essentially be recurring revenue-based businesses. Our medical services segment includes home medical services, as well as services that leverage ICT, notably an electronic medical report system and remote image diagnosis support services. Most of the businesses in our insurance services segment, including fire insurance and cancer treatment insurance, are recurring revenue-based businesses. In the geospatial information services segment, which has traditionally focused on outsourced work, we are promoting the expansion of continuous contract services. The BPO and ICT service segment primarily consists of recurring revenue-based businesses, including data centers, large-scale disaster response services, cloud-based services and BPO services.

Building a stable cycle of investment and growth

Going forward, we will continue striving to bolster our earnings by expanding application of this recurring revenue-based business model and remaining in close proximity to customers. We will also continue to reinvest in growth using cash generated by these businesses to further enhance our competitive edge and ensure sustainable growth.

Group strengths backed by a strong financial base

At present, the SECOM business portfolio encompasses seven segments: security services, fire protection services, medical services, insurance services, geospatial information services, BPO and ICT services, and real estate and other services. In all of these areas, we endeavor to help resolve our customers' concerns by rallying SECOM Group strengths to provide a diverse range of tailored services and products that deliver safety and peace of mind and make life more comfortable and convenient. Looking ahead, we will also continue working to drive innovation by combining these various services and products into tailored packages.

The ANSHIN Platform

With the aim of realizing our vision for the future—the Social System Industry—we formulated the SECOM Group's Vision for 2030, as part of which we are working to create the ANSHIN Platform, a service infrastructure through which we are striving to deliver peace of mind to people in their everyday lives and to society as a whole. We provide comprehensive services designed to address risks including crimes, accidents, cybercrime, natural disasters, illnesses and aging by helping prepare in advance, ensure an accurate grasp of conditions, minimize impact and achieve restoration. These four steps comprise the SECOM ANSHIN Flow, through which we endeavor to ensure the seamless provision of services that deliver peace of mind.

Investments to realize our vision

Efforts to create the ANSHIN Platform center on two key strategies. The "ALL SECOM" strategy focuses on rallying Group strengths, while the "Collaboration" strategy emphasizes working with various partners who share our philosophy. We also see M&As as a viable approach to creating the ANSHIN Platform, and, as stated in the SECOM Group Road Map for 2022, we will seek to invest in key growth businesses, namely, physical security, cyber security, BPO and ICT services and healthcare, as well as in start-ups with advanced technological capabilities. We have allocated ¥200 billion for M&As over five years (April 2018–March 2023). Active investments in growth, including in M&As, are possible thanks to our stable financial base, which reflects stable cash flows from recurring revenue-based businesses.

M&As to reinforce Group strengths

We have a long history of investing in M&As with the aim of further reinforcing the strengths of the SECOM Group. In 2006, we acquired Nohmi Bosai, Japan's largest provider of fire protection services, while in 2012 Japan's third-largest fire protection services provider, Nittan, joined the Group, enabling us to extend joint security services and fire protection services proposals. The same year, we also acquired At Tokyo, one of Japan's top data center services firms, positioning us to begin offering services using Big Data and

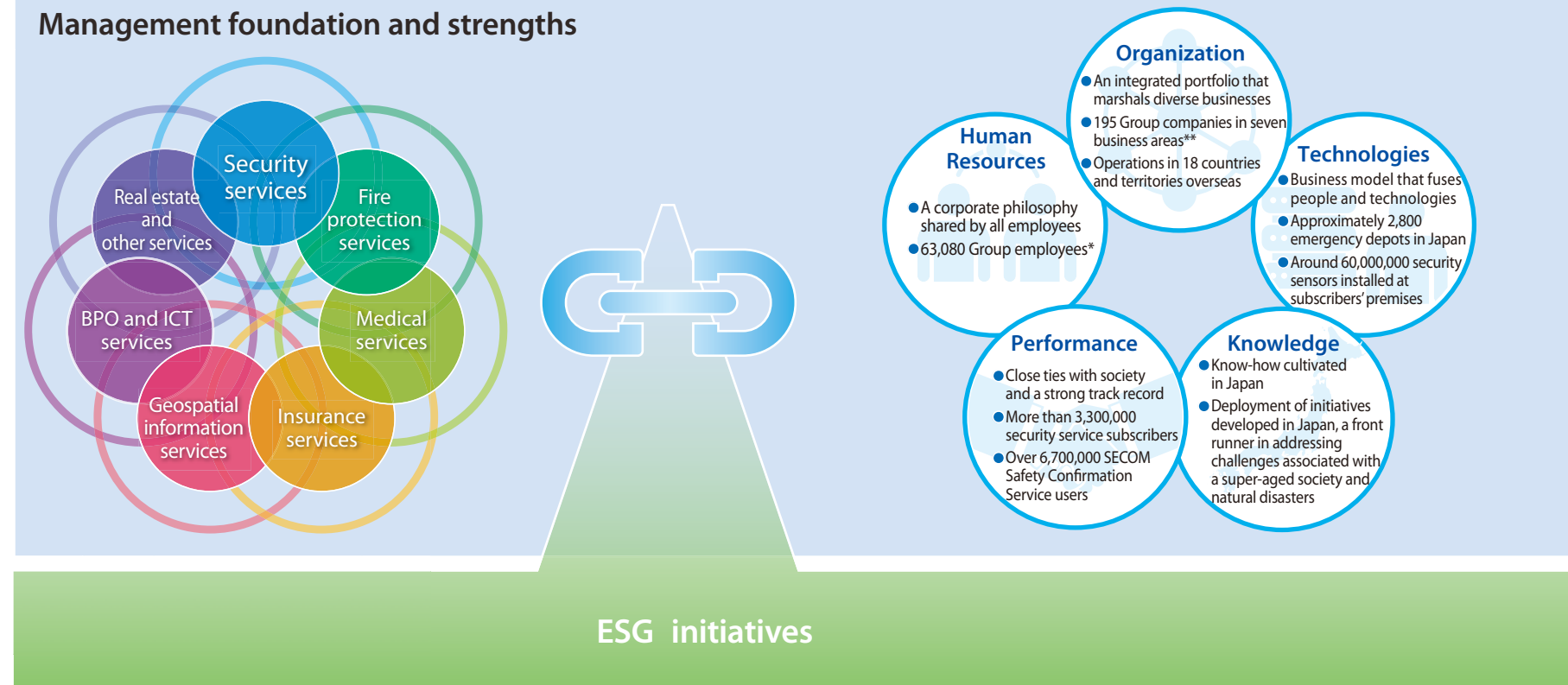
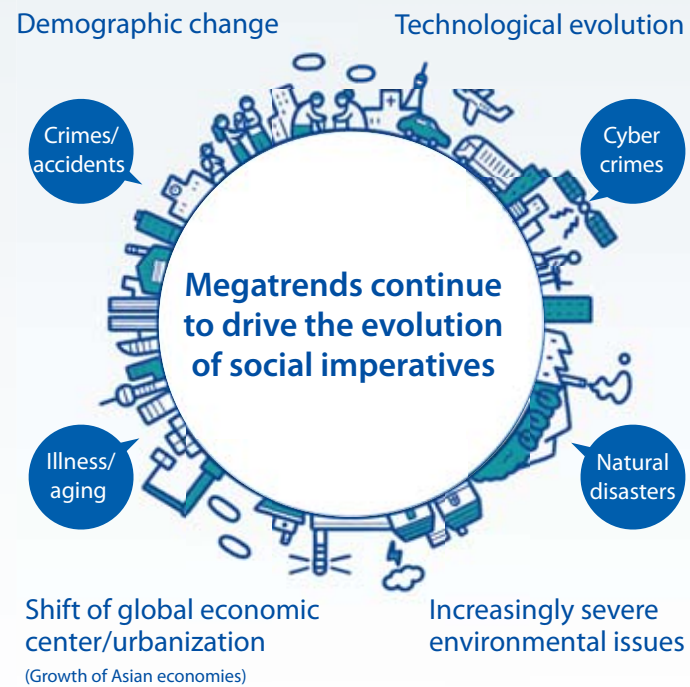
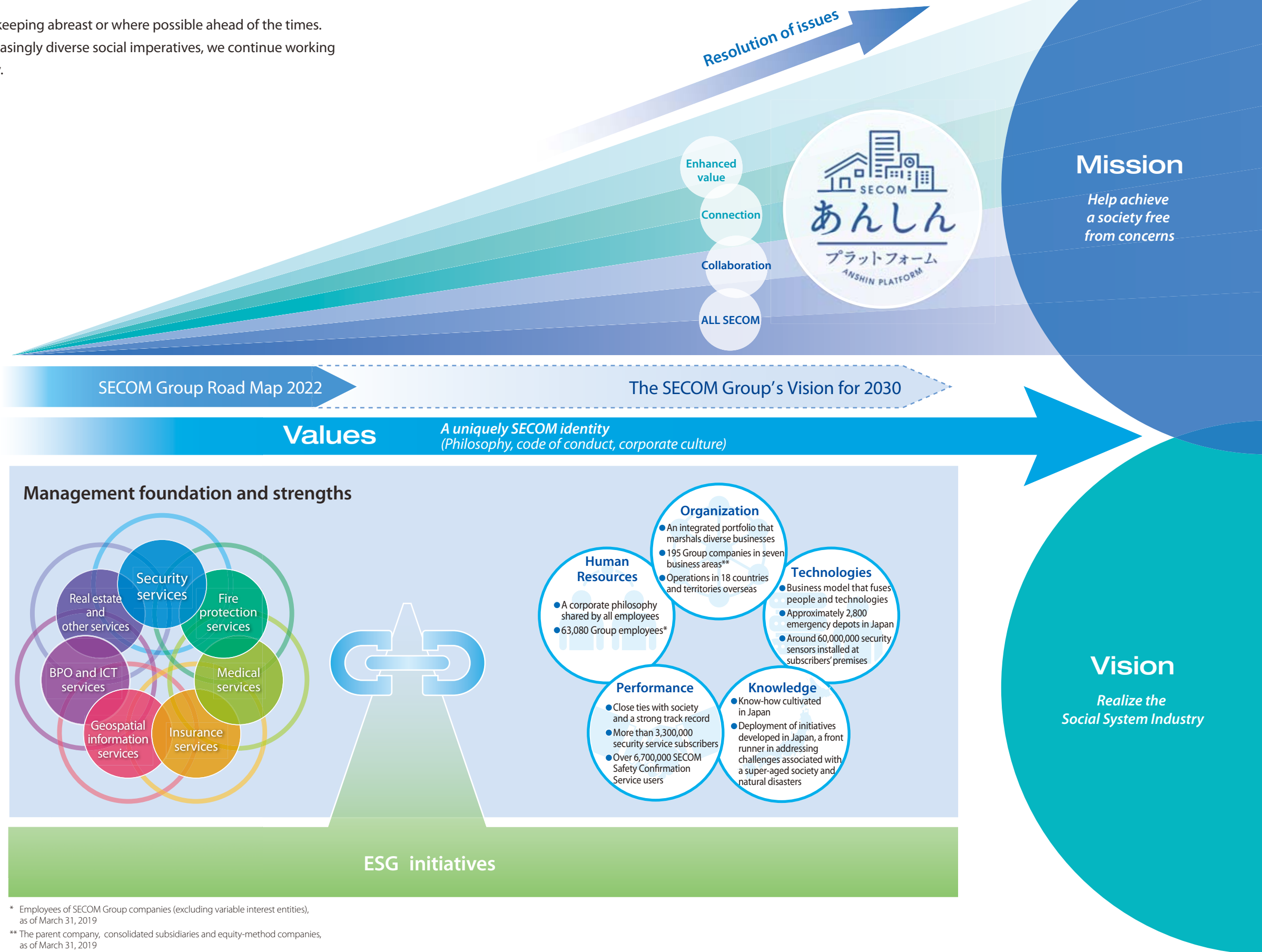
reinforcing our ICT business. In 2015, leading cash collection and delivery services provider Asahi Security became a consolidated subsidiary, allowing us to propose solutions combining security services with cash collection and delivery services, while in 2017 we acquired TMJ, a provider of contact center and other BPO services, enhancing our responsiveness to the rising need to be able to rely on others, a consequence to Japan's declining labor force.

Deepening ties with customers and ensuring sustainable growth

By enhancing SECOM Group strengths, we are expanding opportunities for customers to use SECOM services. While continuing to value our relationship with each and every customer, we will continue working to offer services optimized to suit their needs, thereby helping to resolve concerns and further reinforcing our bond with society. Guided by our mission of helping to achieve a society free from concerns, we will press ahead with efforts to ensure sustainable growth in a rapidly evolving society by swiftly identifying needs and offering a broad range of services.

The Value Creation Process

We remain committed to providing enduring peace of mind by keeping abreast or where possible ahead of the times. By reinforcing our relationship with society and addressing increasingly diverse social imperatives, we continue working to maximize our corporate value and grow together with society.



* Employees of SECOM Group companies (excluding variable interest entities), as of March 31, 2019
 ** The parent company, consolidated subsidiaries and equity-method companies, as of March 31, 2019

The SECOM Group's Vision for 2030



To accelerate the realization of our Social System Industry vision, in May 2017, we formulated the SECOM Group's Vision for 2030, which positions 2030 as an important milestone and further defines our direction going forward. One year later, in May 2018, we devised the SECOM Group Road Map 2022 to clarify the challenges we must address to achieve this vision.

Conceptual framework of the ANSHIN Platform

Guided by the SECOM Group's Vision for 2030, we are working to create the ANSHIN Platform, a service infrastructure through which we strive to provide services that deliver seamless peace of mind for anyone and everyone whenever and wherever necessary.

Anchored in the relationship of trust that we have cultivated with society, the ANSHIN Platform seeks to provide peace of mind to people in their everyday lives, as well as to

society as a whole through collaboration with partners in industry, government and academia who share our mission to help achieve a society free from concerns and who have diverse technologies and expertise.

For both companies and individuals, the occurrence of an unanticipated crime or disaster can interrupt daily rhythms. For companies, productivity can fall sharply. Moreover, the greater the damage is, the longer it takes to recover. Society faces significant risks

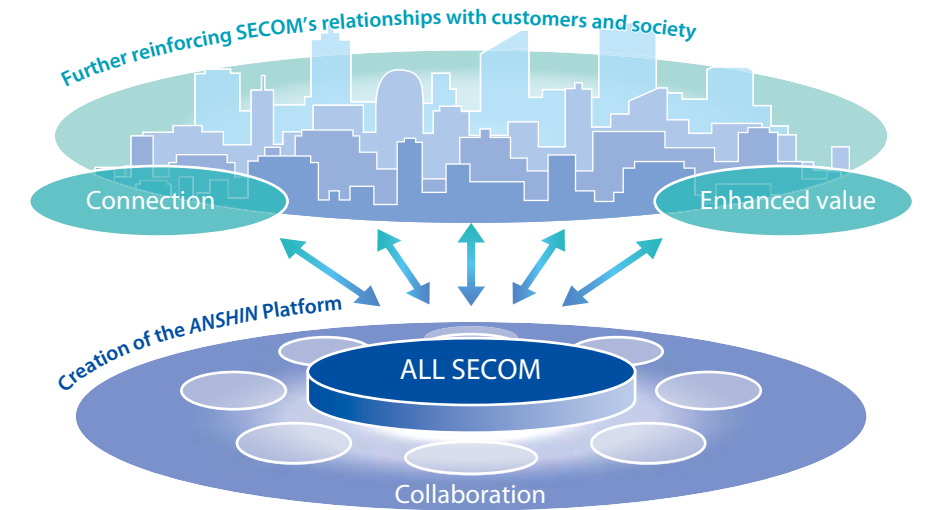
associated with crimes, accidents, cyber crimes, natural disasters, illnesses and aging. In addition to recognizing the importance of routine advance preparation, we provide comprehensive services designed to address potential risks by helping customers accurately grasp conditions, minimize impact and achieve restoration. These four approaches, which comprise what we call the SECOM ANSHIN Flow, enable us to provide seamless peace of mind.

Strategies for creating the ANSHIN Platform

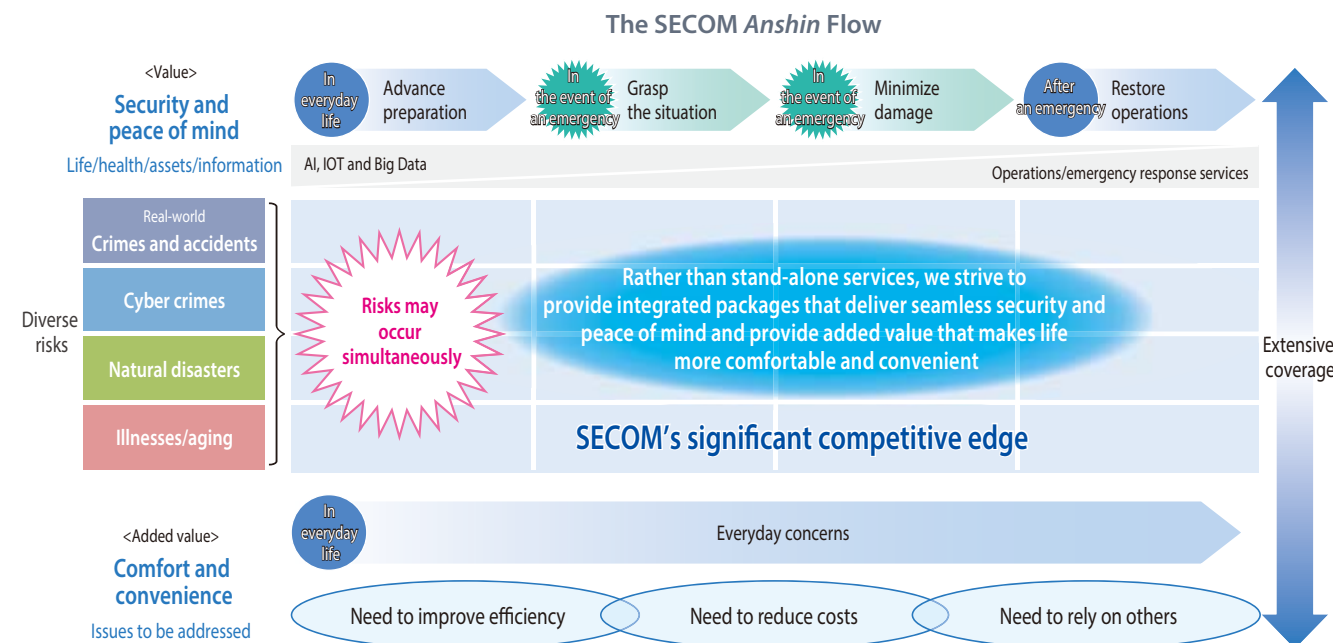
To create the ANSHIN Platform, we are currently promoting initiatives in line with four core strategies. The "ALL SECOM" strategy focuses on rallying SECOM Group strengths to maximize synergies. Through our "Collaboration" strategy we are endeavoring to integrate the business ideas and technologies of various partners who share our mission. Our "Connection" strategy emphasizes strengthening relationships with our customers and society by leveraging Big Data analysis, which makes

use of advanced information technologies, to respond to latent needs, while our "Enhanced value" strategy revolves around addressing everyday concerns by adding greater value to services that make

life more comfortable and convenient. These strategies continue to guide our efforts to create services and systems that address increasingly diverse needs for security and peace of mind.



The ANSHIN Platform Service Infrastructure



Targeting sustainable growth: Devising the SECOM Group Road Map 2022

In May 2018, we used backcasting* to devise the SECOM Group Road Map 2022 with the intention of clarifying the challenges we must address to achieve the SECOM Group's Vision for 2030. The road map identifies technological advances and a declining labor force as priority issues in today's rapidly changing society. For both companies

and society in general, these issues can become threats if not addressed properly. Accordingly, we believe that anticipating evolving needs for solutions will lead to major business opportunities that will allow us to contribute to the improvement of social productivity.

* Backcasting is a planning method that starts with envisioning a desirable future and working backward from there to identify steps necessary to attain that future.

Targeting sustainable growth

We place a particular emphasis on the sustainability of society and our businesses and thus see related expenditures not as costs but rather as investments that enable us to integrate changes in our operating environment into our operations over the long term. Since our establishment, we have tirelessly

pursued service innovations that create value. This is rooted in our fundamental commitment to offering services that anticipate what is needed to ensure sustainability for society, rather than simply providing services that will sell in any market. This is why people and technology will always be given top

priority. We will continue working tirelessly to enhance our ability to make effective use of these intangible assets, positioning us to cement our competitive edge and earn the trust of our customers and society, thereby growing sustainably.

Responding to demand related to the need for security in a connected society and the need to rely on others

Technological advances have brought an increase in the variety of connected devices. This is driving a variety of profound changes, including the realization of connected vehicles, the expanded use of drones and robots, the advent of unattended retail facilities and a cashless society, and the rising popularity of smart homes, that is, homes equipped with wireless smart locks and smart speakers. Such changes are expected to push up

demand related to the need for security in a connected society, which involves the fusion of physical and cyber security.

Owing to a declining labor force, companies face a growing need to outsource noncore functions, which enables them to concentrate on core businesses—the principal source of their competitiveness. We are also seeing an increase in needs related to care of children and seniors, owing to factors

such as falling birthrates, the graying of Japanese society and the prevalence of families in which both parents work outside the home. In response to expanding demand related to the need to rely on others, we will continue working to extend distinctive services that provide safety and peace of mind, as well as make life more comfortable and convenient, thereby helping to address key social imperatives.

Investments in future growth under the SECOM Group Road Map 2022

Under the SECOM Group Road Map 2022, we have positioned the two-year period ending March 31, 2020, as an investment phase and the three-year period ending March 31, 2023, as a high-growth phase.

During the investment phase, we promote focused investments in systems and human resources. Investments in systems center on building next-generation core systems

and reinforcing functions with the goal of improving service quality and productivity by reducing labor requirements and enhancing employee capabilities. We also invest actively in areas that help bolster the quality and efficiency of our operations, including AI, the IoT and RPA, as well as in efforts to drive R&D targeting innovative services and products that respond to needs engendered

by technological progress and a declining labor force.

Investments in human resources emphasize the reinforcement of critical capabilities that cannot be replaced with technology. Accordingly, we are stepping up efforts to enhance our human capital by securing human resources who have the ability to adapt to change and create value and who

seek to contribute to society. Specifically, we are improving our ability to attract and foster talented, experienced personnel, including IT specialists and individuals with global business skills. In addition, we make investments aimed at helping employees fulfill their potential, including the enhancement of our various training programs and other efforts

to create positive working environments and boost job satisfaction.

The SECOM Group Road Map 2022 also includes a strategy for making effective use of capital assets. This includes allocating ¥200 billion over the investment and high-growth phases for M&As in promising businesses, namely, physical security, cyber

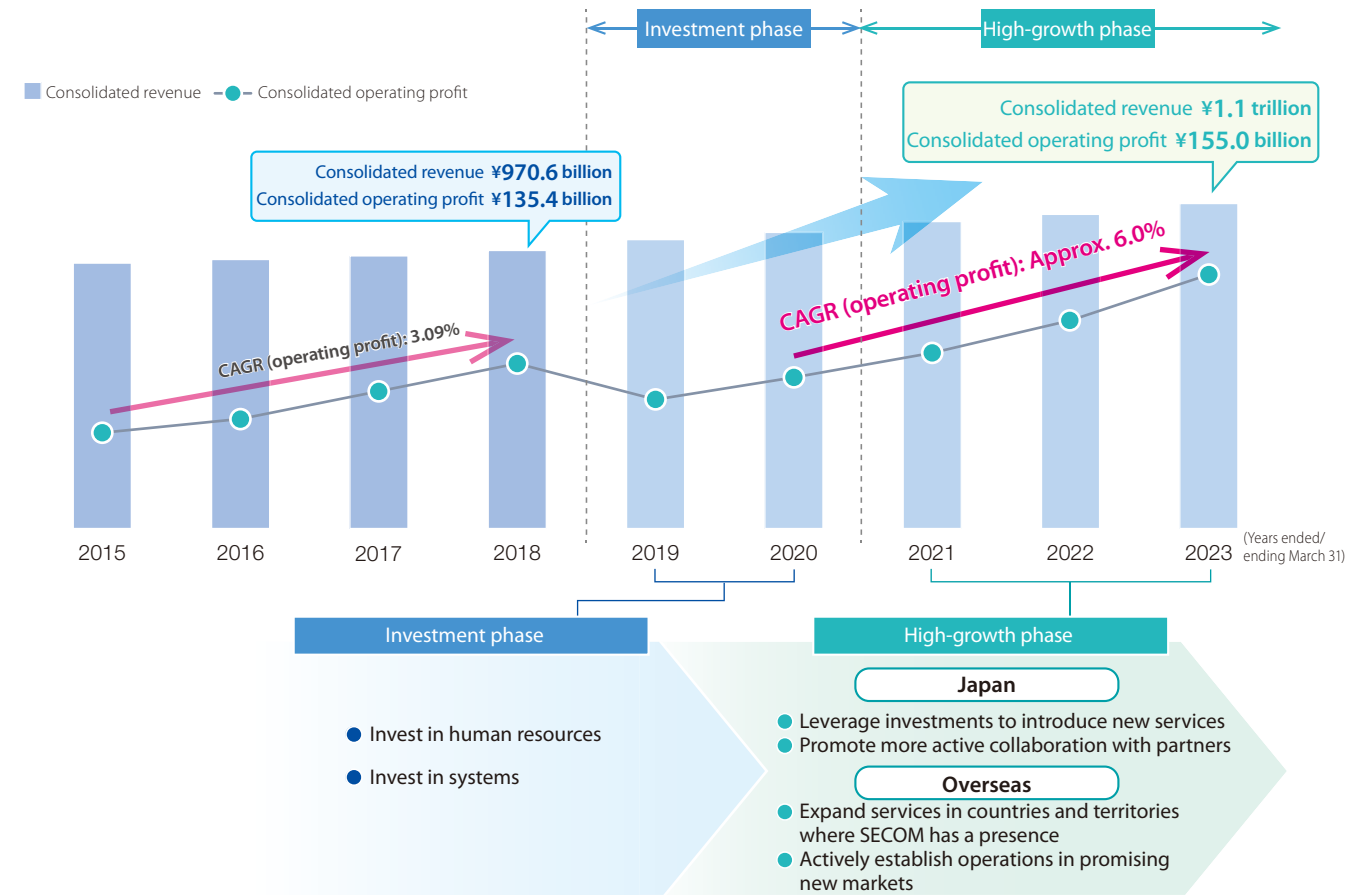
security, BPO and ICT services and health-care, as well as in startups with advanced technological capabilities.

SECOM Group Road Map 2022

Forecasts for the fiscal year ending March 31, 2023 (Japanese GAAP) (Provided for reference only)

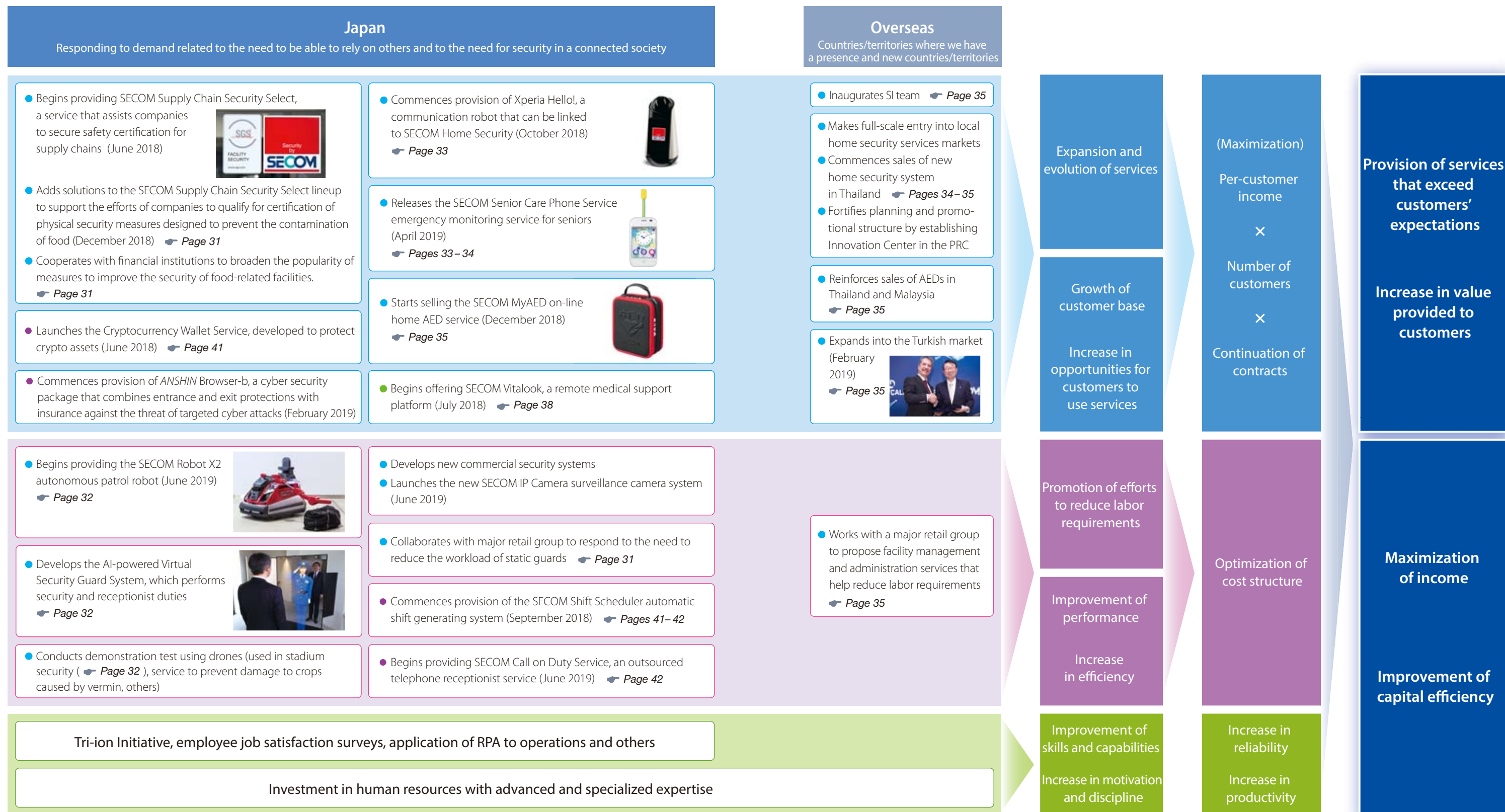


Note: Figures do not reflect the impact of new M&As.



Initiatives Aimed at Achieving the Goals of the SECOM Group Road Map 2022

With the aim of achieving the goals of the SECOM Group Road Map 2022, we are promoting focused, forward-looking investments and steadily implementing ambitious strategies for creating and growing new businesses and enhancing existing businesses.



Diverse human resources who share SECOM's Philosophy and thrive in a free and open corporate culture are our most important assets and the driving force behind our growth.

Encouraging a managerial mindset and enhancing employees' ability to cope with change

A company's ability to transform itself in response to dramatic changes in the operating environment hinges on its ability to adapt. We recognize that this depends on encouraging a managerial mindset among all employees, that is, on fostering employees who share SECOM's Philosophy, understand our mission and are capable of forming judgments and acting independently. To bolster the functioning of this mindset, we continue to promote a fair and impartial organization that ensures a free and open corporate culture and motivates employees to perform.

We also acknowledge that a high degree of job satisfaction is crucial to the success of our managerial mindset. We are thus working to create a virtuous circle, recognizing that improving job satisfaction makes it possible for employees to demonstrate their personal ambitions at a higher level, which helps raise the quality of the services we provide. This enhances customer satisfaction and society's perception of SECOM as a trustworthy brand, which in turn drives employees' efforts to devise and provide even better services. This virtuous circle, rooted in

employee job satisfaction, will support our efforts to ensure sustainable growth.



SECOM employees work to provide services worthy of customers' trust

SECOM's Philosophy: The unfaltering foundation of our corporate culture

Handed down since our establishment, SECOM's Philosophy has provided an essential spiritual anchor for both our diverse human resources and the SECOM Group as a whole, guiding the efforts of employees to maintain a managerial mindset and enabling us to maximize the power of our organization. This philosophy emphasizes a refusal to be content with the status quo and a commitment to doing what is appropriate and continues to be the driving force behind our growth and evolution. Acting in compliance with SECOM's

Philosophy, our employees are committed to keeping abreast of change and keen to contribute to society.

We have translated SECOM's Philosophy into multiple languages and work to advance awareness thereof among employees overseas. We view human resources who share this philosophy and thrive in a free and open corporate culture as incomparable intangible assets and a vital source of competitiveness. We will continue to prioritize these assets as we work to develop and provide original

services and systems that benefit society and draw on a corporate culture, the unfaltering foundation of which is SECOM's Philosophy.



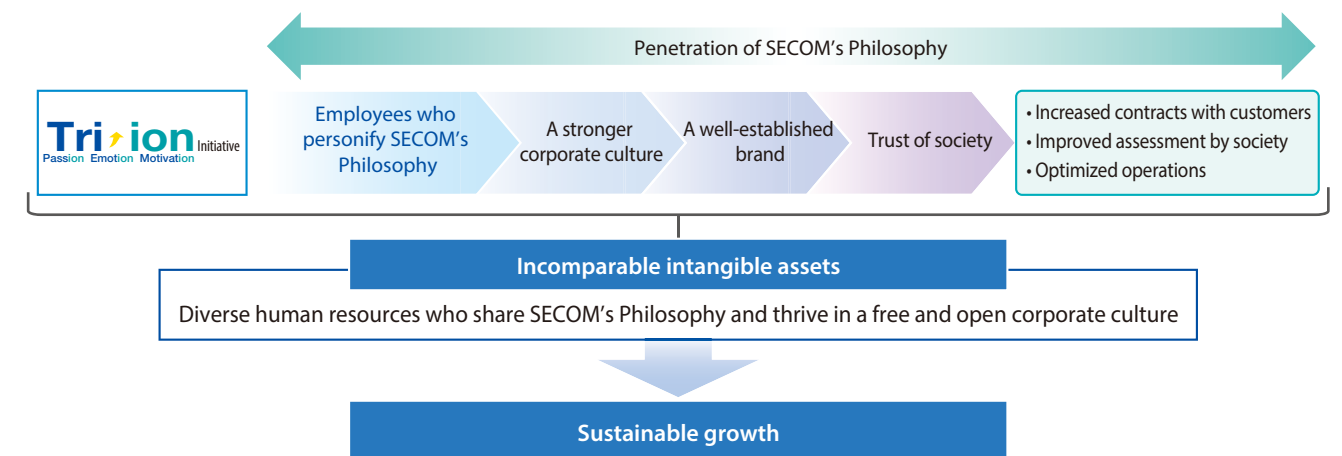
SECOM's Philosophy guides the actions of SECOM employees

The Tri-ion Initiative

In 2018, the year we formulated the SECOM Group Road Map 2022, we also began promoting efforts in line with the Tri-ion Initiative, a project that seeks to ensure that SECOM's Philosophy fully penetrates every aspect of the SECOM Group's operations and in so doing to bolster recognition of the SECOM brand. This initiative seeks to arouse

employees' passion, encourage them to share their excitement—a powerful emotion—and bolster motivation (the "ion" in the initiative's name is the last three letters of "passion," "emotion" and "motivation") and to nurture employees who personify SECOM's Philosophy. This is because we recognize that employees who act in

accordance with the philosophy are essential to a healthy corporate culture, which in turn is critical to enhancing society's recognition of SECOM as a trustworthy brand. Accordingly, having employees who thrive in a free and open corporate culture is the principal factor behind our brand image.



Promoting diversity

Understanding the importance of welcoming a broad spectrum of individuals with wide-ranging values and leveraging the capabilities of such individuals to create new value, we actively promote diversity. In October 2017, we established the Declaration of Promoting Diversity and Inclusions, which enshrines our commitment to acceptance

and respect for all employees, regardless of attributes such as gender, nationality or age, and to ensuring inclusive working environments that maximize the capabilities of all employees. Prior to this, on March 1, 2016, we announced the Action Plan on Women's Active Participation, which outlines a variety of initiatives aimed at creating positive

working environments conducive to job satisfaction for female employees. These include fostering female leaders and introducing flexible work styles that make it easier to balance competing responsibilities, thereby increasing our ability to retain female employees.

Special Feature 2 SECOM Security Services for Large-Scale Events

With Japan playing host to an increasing number of large-scale events, including major sports tournaments and international conferences, the need for sophisticated security solutions is rising. We provide advanced security systems that contribute to the safe and secure staging of such events.

3-Dimensional Security

To help ensure the safety and security of large-scale events, we offer 3-Dimensional Security, which provides security over wide areas from both the ground and the air to ensure the safe, secure staging of large-scale events held in major stadiums and hotels and at multiple dispersed venues. 3-Dimensional Security begins with the preparation of efficient, accurate security plans using high-precision geospatial information.

SECOM 3D Security Planning makes use of high-precision 3D maps to prepare simulations, facilitating a firm grasp of potential risks and the formulation of an optimal security plan. Based on the plan, images captured by temporarily installed security cameras, wearable cameras borne by security guards and SECOM Airship and SECOM Aerostat dirigibles are coordinated by a vehicle-mounted On-Site Center mobile monitoring

base. The On-Site Center's monitor facilitates the collection of image data and assessment of event status in real time, ensuring swift on-site command support at large-scale events.



A new-model On-Site Center



Ensuring the safe and secure staging of major sports tournaments

In March 2019, we provided advanced security systems that ensured the safety and security of organizers and participants in the Tokyo Marathon 2019. With approximately 38,000 runners, this annual event is Japan's largest marathon. As an official partner of this event, we have provided security services encompassing all principal areas of the marathon course since 2015. At the 2019 race, we also conducted verification testing for number of services that leverage innovative technologies, contributing to the safe and secure staging of the event. These included an AI-based image recognition system that

employs AI technologies to analyze images from surveillance cameras to effectively assess emergency situations and detect suspicious objects; SECOM Aerostat, which captures images from above; and a roadside security system, whereby security guards posted along the marathon course use smartphones to capture images and share information with relevant parties in the event of an irregularity.

We have also been designated as an official sponsor of Rugby World Cup 2019™, which is scheduled to begin in September 2019. As such, we will be responsible for

security for all 15 matches at Tokyo Stadium and International Stadium Yokohama, which include the opening match and the final.



©Tokyo Marathon Foundation
Roadside security for the Tokyo Marathon 2019

Preparing for the Olympic and Paralympic Games Tokyo 2020

With the aim of contributing to the safe and secure staging of the Olympic and Paralympic Games Tokyo 2020, which kick off in July 2020, we participated in the establishment of the Olympic and Paralympic Games 2020 Security Consortium, an association of private-sector security companies that will oversee security

services for the games. As a joint representative of the consortium, we will play a key role in ensuring the safe and secure staging of this seminal event.

We are also responsible for security planning and security services not only for Tokyo 2020-related facilities during construction,

but also for multiple facilities—including the Olympic Stadium, which will host the opening and closing ceremonies and other events, and the Olympic Village—during the games.

An Official Partner of the Olympic and Paralympic Games Tokyo 2020

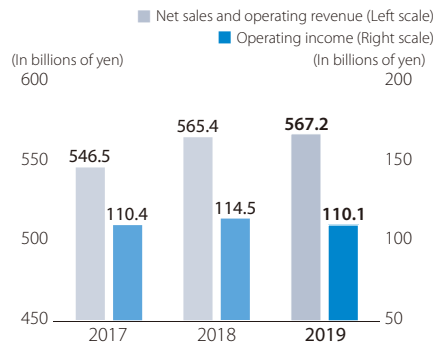
As an official partner (Security Services and Planning category), we will contribute to the safe and secure staging of the Olympic and Paralympic Games Tokyo 2020.

Our history with the Olympics stretches back five decades. Still in our infancy, in 1964 we provided security services for the Olympic Village at the first Tokyo Olympics, earning high marks and

the trust of society, an achievement that contributed to our subsequent evolution and growth.

We look forward to helping ensure the safety and security of the Olympic and Paralympic Games Tokyo 2020 and will continue working to create innovative services that will help us achieve this goal.





is also crucial, allowing us to swiftly leverage those determined to be optimal. We will continue to place a high priority on R&D in the years ahead, recognizing technological prowess as a key management resource critical to maintaining our competitive edge in the security services market.

To foster human resources, we provide training for emergency response personnel, sales staff, administrative staff and other employees at four training centers across Japan. This enables us to equip employees with the advanced knowledge and technical skills they need and ensures that they fully understand our corporate philosophy and observe a code of conduct befitting security professionals, yielding a robust service framework and facilitating the provision of high-grade, distinctively SECOM services.

Our operational and control structure is supported by extensive know-how accumulated since our establishment, the prompt decision making of our control center staff and swift actions of our highly trained emergency response personnel, and our nationwide network of 2,800 emergency depots, the largest in Japan.

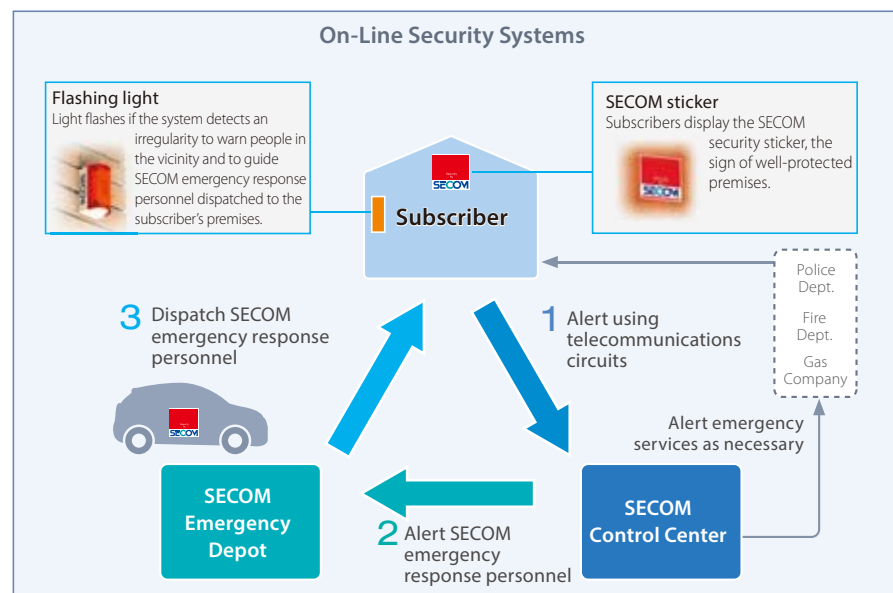
Business summary

Our security services business centers on the provision of on-line security systems, which includes the installation of sensors and other monitoring equipment and around-the-clock monitoring by a SECOM control center via telecommunications circuits. In the event an intruder, fire or other irregularity is detected, control center staff dispatch emergency response personnel from the nearest SECOM emergency depot and, if necessary, notify the police and/or fire department.

A key competitive advantage of our on-line security systems is our integrated service framework, whereby we take responsibility for everything, including R&D, production, marketing, security planning, equipment installation, around-the-clock monitoring, emergency response services and maintenance, which ensures the exceptional quality and reliability of our services.

Our ability to extend integrated on-line security systems derives from the three components of our operating foundation, namely, our technological prowess, human resources, and operational and control structure. Our technological prowess is underpinned by the SECOM Intelligent Systems

Laboratory, which conducts research in the area of core technologies, and the SECOM Development Center, which capitalizes on these core technologies to develop new security systems. These facilities form a robust R&D configuration that facilitates the swift and appropriate development and modification of systems that respond to the requirements and views of customers, contributing to improvements in the quality of our on-line security systems. In an era of rapid technological advances, our R&D team's ability to grasp the latest trends and appropriately evaluate various technologies



Operating highlights

Commercial security services

Capitalizing on our extensive lineup of on-line security systems for commercial subscribers, we work actively to respond to the diverse needs of companies in a wide range of industries. In the fiscal year ended March 31, 2019, we continued to see favorable sales of high-value-added offerings, notably SECOM AX, a remote imaging on-line security system; SECOM LX, which combines monitoring for intruders and fires with access control services, thereby reducing the labor requirements of personnel management; and SECOM FX, which integrates monitoring for intruders and fires with facility control functions. We are currently working to combine function-specific security systems and to develop and provide packages combining multiple systems that are tailored to the varied needs of subscribers.

Reinforcing our ability to propose solutions in the area of facility management

Helping reduce labor requirements for facility management

Ensuring the effective use of human resources and improving productivity in the area of facility management, which includes security services, maintenance and cleaning, have become urgent challenges in recent years, owing to a shortage of labor and rising personnel costs, a consequence of Japan's declining labor force and superaged society. We have partnered with a facility management services company that is part of a major retail group and are collaborating to promote efforts aimed at reducing labor requirements and facilitating the unattended management and administration of large-scale facility management. To this end, we are taking steps to reduce the workload of static guards by, among others, partially automating access control and store opening and closing procedures. Looking ahead, we will further expand such efforts with the aim of creating new business models.

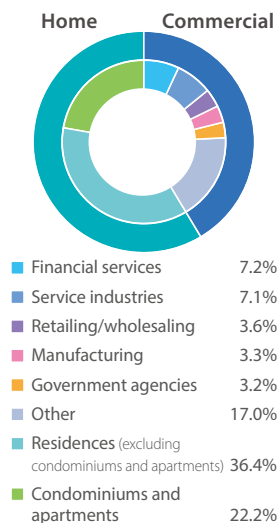
New service joins the SECOM Supply Chain Security Select lineup

In recent years, demands have increased for food-related facilities to implement measures to defend the safety of food against intentional contamination and other issues. In response, we have expanded the scope of SECOM Supply Chain Security Select, which assists companies in securing food safety certification across their supply chains, to include solutions to support the efforts of companies to qualify for certification by the SGS Group* of physical security measures designed to prevent intentional contamination of food, which seek to enhance the visibility of physical security measures crucial to food defense. Earning this certification enables food-related facilities to proffer objective evidence of the implementation status of physical security measures to clients, thereby enhancing such facilities' reputation for reliability. We also promote the acquisition of certification in cooperation with financial institutions rooted in Japan's agricultural, forestry and fisheries cooperatives.

*The SGS Group, headquartered in Geneva, Switzerland, is the world's leading inspection, verification, testing and certification company.

Contracts for On-Line Security Systems

(As of March 31, 2019)



SECOM control center

Advancing the use of AI, drone, robot and other advanced technologies

● AI-powered Virtual Security Guard System is developed

Against the backdrop of a declining labor force, demand in Japan for services that improve productivity and reduce labor requirements is rising in many industries. The security services industry is no exception. In response, SECOM has developed the AI-powered Virtual Security Guard System, which features a life-sized virtual character that appears on a large stationary mirror display and performs security and receptionist duties. Images captured by the virtual security guard and information on the guard's surroundings are transmitted in real time to the subscriber's on-site disaster prevention center, in response to which security guards on duty respond as necessary. Use of this system thus facilitates more efficient staffing and reduces operating costs.

Combining human capabilities and advanced technologies, the Virtual Security Guard System was realized through open innovation integrating our accumulated security services know-how with technologies of a major glass manufacturer, an IT

services company and a leading telecommunications carrier. The four companies involved in this initiative will step up collaboration with a view to commercializing this system in 2020. This will enhance our ability to help make society safer and more secure, as well as more comfortable and convenient.

● SECOM Robot X2 is unveiled

In June 2019, we began providing security services at Narita International Airport using autonomous patrol robot SECOM Robot X2, an updated version of SECOM Robot X, which was developed in 2005. We already offer a variety of services at the airport, including patrol and monitoring services by static guards and access control. By providing advanced services that combine the capabilities of humans and robots and improving efficiency, we will work not only to reduce the workload of static guards, but also to address the issue of a declining labor force, a key social imperative.

● Demonstration tests for drone-based stadium security service meets with success

In collaboration with a leading telecommunications carrier and a leading drone operator, we completed a successful demonstration test of a drone that combines 4G LTE network compliance and a human detection function and is designed to provide security over wide areas for use in sports stadiums. In the test, the drone was used for wide-area monitoring from a high altitude and automatically detected and located suspicious individuals in real time using an AI-based detection function. In addition, another drone patrolling at a low altitude automatically flew toward the suspicious individual when receiving map-linked directions, promptly notifying the stadium's operations center.

Thanks to the development of a new operational management system that uses AI and boasts an information provision function, the new drone is expected to find application not only in the area of security services, but also in various fields where drones are playing an increasingly important role, including equipment inspection and disaster response efforts.



AI enables the Virtual Security Guard System to greet visitors



SECOM Robot X2



A drone airborne above a sports stadium

■ Home Security Services

SECOM Home Security NEO, a new mainstay in our home security services lineup, is a system that can be armed and disarmed remotely from a smartphone. The system also includes a push notification* feature that enables subscribers to receive alerts on their smartphone when the system is accessed by family members entering or leaving the home. Enhanced convenience continues to underscore steady growth in the popularity of this system. In addition to standard home security, including monitoring for intruders and fires and emergency alerts, and optional services such as medical emergency calls, monitoring for gas leaks and safety monitoring, SECOM Home Security NEO can be linked with devices on the IoT to facilitate use of a variety of new services.

The first offering launched under the umbrella of our “Connection” strategy, SECOM My Doctor Watch, is an emergency medical alert and health management service based on a wearable wristband-style unit. SECOM My Doctor Watch sends an alert if it senses no movement from the wearer regardless of whether he or she is inside or outside the home, notifying SECOM that assistance is required. The tracker also

features fall detection, automatically sensing if the wearer has fallen due to a loss of consciousness or any other reason and alerting SECOM. SECOM My Doctor Watch’s health management function includes a pedometer, sleep tracking and a calorie expenditure counter and enables the wearer to access advice regarding lifestyle improvements by smartphone.

This was followed by SECOM *Anshin* Home Delivery Box. Connected to SECOM Home Security, this secure container includes monitoring for unauthorized opening and a smartphone-based delivery notification service that ensures the safe and secure delivery of packages even if the recipient is not at home.

*Push notification is the automatic delivery of information to a device with images or sound.

Responding to rising needs for monitoring services

● Communication robot-based discreet remote monitoring service premiers

In response to demand driven by rising needs for monitoring, in October 2018 we premiered a third offering under our “Connection” strategy, a new home security service that links SECOM Home Security with the Xperia Hello! communication robot. Key functions include voice-activated arming

and disarming of the home security system, subscriber voice-controlled display of the system’s current status and a robot prompt to program when the subscriber returns home or goes to bed.

Combining our accumulated expertise in emergency monitoring with the entertainment value of a robot that one can have conversations with, communications functions that bring family members together, and discreet monitoring using facial recognition and remote imaging, this service represents a truly innovative approach to peace of mind.

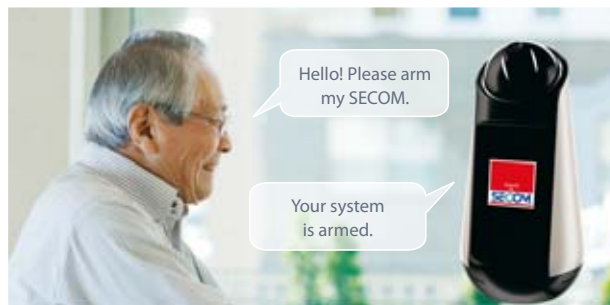
Going forward, we will continue working to provide services that deliver fun and convenience, as well as security and peace of mind, by keeping watch over subscribers both in everyday life and in the event of an emergency.

● SECOM Senior Care Phone Service targets a diverse range of customers

In April 2019, we introduced the brand-new SECOM Senior Care Phone Service. When the user presses the device’s safety confirmation in response to a prompt, an email verifying the user’s safety is automatically sent to registered individuals. If the user does not respond to the prompt, family members or



SECOM Home Security NEO



Xperia Hello!

*Xperia Hello! supports only the Japanese language.

Note: Xperia Hello! is a product of Sony Mobile Communications Inc.



SECOM Senior Care Phone Service

other registered individuals can request the dispatch of emergency response personnel.

Should an emergency arise, the user can summon help simply by pulling the device's strap, which sends an alert to SECOM and, if deemed necessary, triggers the dispatch of emergency response personnel. If emergency services are called, preregistered emergency contacts and information on chronic illnesses can be displayed on the device so that such information is immediately available to ambulance attendants and other emergency services personnel. We offer this service, which does not require a home security services contract, to a diverse range of customers, with the aim of helping resolve the concerns of elderly individuals and their families.

Other security services

COCO-SECOM, a mobile security system for outdoor use, uses signals from GPS satellites

and cellular phone base stations to pinpoint the location of dedicated portable transmitters carried by individuals or attached to objects. If a customer wants to locate a transmitter, he or she can trace it via a dedicated COCO-SECOM website or by contacting the COCO-SECOM Operations Center. Upon receiving a search request from a customer, operations center operators dispatch emergency response personnel and, if necessary, notify the police or the fire department. Users can also notify the COCO-SECOM Operations Center if they are concerned for their physical safety by pushing the transmitter's emergency alert button.

COCO-SECOM was originally developed to deter child abductions and track dementia patients who wander, as well as to prevent the theft of cars and motorcycles. Since then, use has diversified and expanded, bolstered by high marks given the system's convenience. Today, COCO-SECOM is also used to manage taxi and bus fleets, avert the theft of ATMs and manage employee safety.

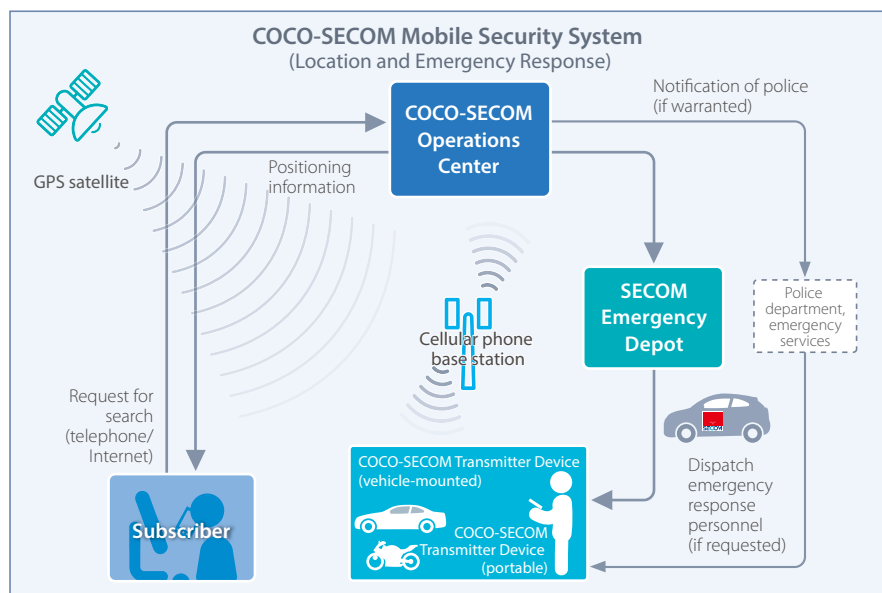
Overseas security services

We made our overseas debut in 1978, when we established a presence in Taiwan. Today, our overseas business encompasses operations in 13 countries and territories. A distinguishing feature of our overseas security services is that we offer on-line security systems with SECOM-style services customized to reflect local needs and sensibilities. The services we provide overseas, which are of the same high quality as those offered in Japan, continue to earn praise from overseas customers, as a result of which market acceptance is increasing steadily.

Publicly listed subsidiaries Taiwan Secom Co., Ltd., in Taiwan, and S1 Corporation, in the ROK, are among the largest providers of security systems in their respective markets. Both companies continue working to expand their operations by providing a wide range of security services with a focus on on-line security systems.

In the PRC, we have established a network of bases in 25 key coastal and inland cities through which we are working to gradually grow demand for commercial and home security systems, among others.

In Southeast Asia, which continues to see economic growth, the efforts of Group companies are bolstering acceptance of SECOM-style on-line security systems in Thailand, Malaysia, Singapore, Indonesia, Vietnam



Control center in the PRC (Beijing Jingdun Secom Electronic Security Co., Ltd.)

and Myanmar. We have also made a full-scale entry into the market for home security systems in major Asian urban centers and in Bangkok have commenced sales of a new-model smartphone-controlled home security system.

Group companies in Australia and New Zealand provide security services to major financial institutions and other customers, earning high marks from customers.

Subsidiary Secom plc provides high-grade, highly rated security services to customers across the United Kingdom.

We continue to promote a variety of collaborative efforts overseas. In one example, we are working with a major retail group to propose facility management and administration services for large commercial complexes that help reduce labor requirements in the PRC, Vietnam and Malaysia, among others. We are also reinforcing our sales of AEDs in Thailand and Malaysia. In addition, we are taking steps to strengthen our SI services business. To this end, we have created an SI team, positioning us to offer detailed proposals for various large-scale facilities under development in Asian markets.

Recognizing considerable potential for growth in the security services market in Turkey, which continues to see robust economic growth, in February 2019 we established a joint venture with a major local conglomerate. This will enable us to provide

high-grade SECOM-style security services to Turkish customers.

The desire for safety and peace of mind, as well as for comfort and convenience, is global. Accordingly, we will continue working to expand acceptance of SECOM-style services in countries and territories where we have established a presence, as well as to enter promising new overseas markets. We will also deploy the ANSHIN Platform overseas and promote the term ANSHIN as a universally recognized and accepted term.

■ Other new services

● SECURILOCK Smart launches

A recent addition to our lineup is SECURILOCK Smart, a smart lock system that allows users to activate and deactivate front door, main entrance and other locks remotely using a dedicated smartphone app. The absence of keys and key cards reduces risks associated with the loss thereof. In addition, usage is logged at a secure data center facility, making it possible to confirm who activated or deactivated the system from a smartphone and when. This system also eliminates the need for owners to hand over and collect keys for *minpaku* guest houses, temporary rental offices and members-only facilities. Used in homes, SECURILOCK Smart ensures that visiting nurses, for example, will

not disturb family members by unlocking and locking doors early in the morning and late at night. Going forward, we will step up efforts to market this convenient and highly adaptable system to diverse customers.

● SECOM MyAED on-line home-use AED package service is released

In 2004, we began offering the SECOM AED Package Service, which encompasses the lease and maintenance of AEDs, including the replacement of expendables. Our efforts to ensure that AEDs are available for use in the event of an emergency have earned us a significant share of the general market, which excludes hospitals and the fire department. Recognizing the fact that sudden cardiac deaths often occur at home and that having AEDs available to use should someone in the home suffer cardiac arrest, in December 2018 we launched SECOM MyAED, an on-line package service centering on home-use AEDs that includes repairs in the event of a malfunction and the replacement of expendables when necessary, ensuring that units are always in working order. We will continue working to promote the installation of AEDs in commercial spaces, as well as in homes, with the aim of ensuring these lifesaving kits are available to anyone and everyone whenever and wherever they are needed.



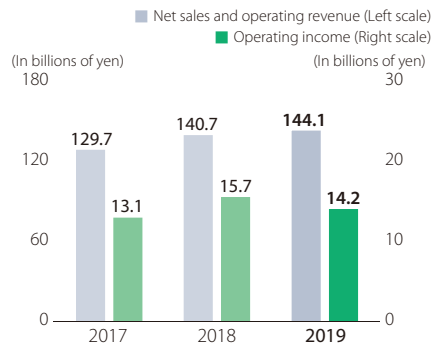
Entering the Turkish market



SECURILOCK Smart



SECOM MyAED



Operating highlights

The evolution of society continues to drive demand for increasingly diverse and sophisticated fire protection services. In this environment, subsidiaries Nohmi Bosai and Nittan, two of Japan's leading fire protection service providers, are capitalizing on their extensive experience to extend innovative and optimized services tailored to customer needs that encompass system planning, manufacturing, installation and maintenance.

In the area of automatic fire alarms, sales focused on securing orders for alarms for new buildings. At the same time, with the deterioration of existing systems fueling replacement orders in the renovations

market, Nohmi Bosai and Nittan continued to draw on their solid track record and the trust of customers to actively promote proposal-oriented sales efforts. In fire extinguishing equipment, major orders rose steadily.

● New integrated GR System for medium- and large-scale premises is launched

Nohmi Bosai recently launched R-26C, an automatic integrated analog GR fire alarm system optimized for medium- and large-scale commercial facilities and other premises. R-26C expands the maximum number of system units that can be built into the control panel to an industry-high 20, which makes it possible to connect an increased number of devices to a single control panel, sufficient for large facilities. User-friendly

features, including an easy-to-read 15-inch display, have earned the system praise from building fire safety officers. Looking ahead, Nohmi Bosai will continue to propose solutions centered on this new core offering.

● Rail Mist, designed to help ensure the stable operation of trains in summer, commences operation

Nohmi Bosai's Rail Mist system, which leverages its Dry Mist* cooling system technologies to stop rails from expanding due to high summer temperatures, has been installed at stations along the above-ground portions of Tokyo subway lines and commenced operation. By cooling the railroad switches, Rail Mist prevents sticking locks and other malfunctions, thereby helping ensure the stable operation of trains in the summer months. Nohmi Bosai looks forward to capitalizing on the success of this project to market Rail Mist to railway operators across Japan.

* Dry Mist sprays tap water in a fine mist, absorbing heat from the ground as it vaporizes, cooling the area sprayed by between 2° and 3° C.

● Local Area Emergency Information Network System is unveiled

Another new addition to Nohmi Bosai's portfolio is the Local Area Emergency Information Network System. This system facilitates swift



R-26C integrated GR system (Nohmi Bosai)



Rail Mist (Nohmi Bosai)

responses in the event of an emergency by sending an email to a designated recipient if sensors detect a fire or an equipment-related irregularity. By promoting the use of this system, which is suitable for installation in residential neighborhoods, structures classified as cultural properties and production facilities, Nohmi Bosai will continue working to contribute to safety and peace of mind for a wide range of local communities.

● **Compact dual optical spot-type smoke detector debuts**

A popular choice for hotels, dormitories and other types of accommodations, the dual optical spot-type detector distinguishes between smoke and steam. Recent years have seen an increase in demand from design-conscious customers for smoke detectors designed with the interior of hotel rooms and other types of accommodations in mind. In response, Nittan has debuted a compact dual optical spot-type smoke detector that complements indoor spaces. Sales of this new offering continue to expand, reflecting a favorable response for the unit as a detector that responds to the needs of various types of accommodations.



Dual optical spot-type smoke detector (Nittan)

● **Next-generation fire protection system for large-scale facilities is developed**

Nittan has developed a next-generation fire protection system for large-scale facilities that integrates a fire monitoring function and positioning information for people and objects. In addition to promptly indicating where fire has broken out, the system communicates the locations of people and objects in real time, thereby making it possible to effectively guide evacuations. The system also provides accurate information to the fire department, thereby assisting with lifesaving efforts. Making use of positioning information on an everyday basis enables subscribers to ensure the optimal management of people and objects in the event of an emergency.

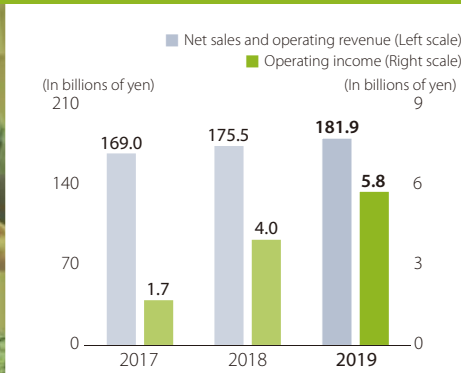
Demonstration tests for this system conducted at multiple facilities illuminated various needs, with many customers expressing high hopes that use of the system will contribute to smooth operations in the event of a fire. Nittan will continue seeking to address these needs by promoting modifications to the system.



Fire protection systems installed at important facilities overseas (Nittan)

● **Operations in overseas markets see brisk growth**

Nittan's subsidiary in the United Kingdom and production facility in Vietnam spearhead efforts to develop products that comply with Underwriters Laboratory (UL) and European Norm (EN) standards, which the company supplies to a variety of customers, including government facilities, banks, high-rise buildings and hotels, around the world. In the period under review, the company focused on expanding sales in emerging economies in Southeast Asia, Southwest Asia and Africa, where demand for fire protection systems is rising. In Vietnam, the company expanded its production facility and supply configuration. Sales of fire protection systems were robust in Sweden and Norway.



Operating highlights

Believing that protecting health and life is the ultimate expression of our commitment to delivering true safety and peace of mind to customers, we have capitalized on ICT to create a seamless menu of medical services encompassing medical care, nursing care and healthcare.

Our mainstay home medical services business provides care to patients in the comfort of their homes. This category includes pharmaceutical dispensing and home delivery, which involves filling prescriptions and delivering medications needed by patients at home; medical supplies such as infusion lines, including central venous catheters for home parenteral nutrition (HPN) and syringes; and extending advice to patients at home. Our home nursing services, which are offered through a nationwide network of 36 visiting nurse stations, support medical care at home by dispatching visiting nurses to provide expert services in the patient's home under the direction of his or her physician.

Our medical services business also includes support for affiliated medical institutions, sales of medical equipment, the operation of residences for seniors, personal care services and electronic medical support services in Japan, as well as the operation of a hospital in India.

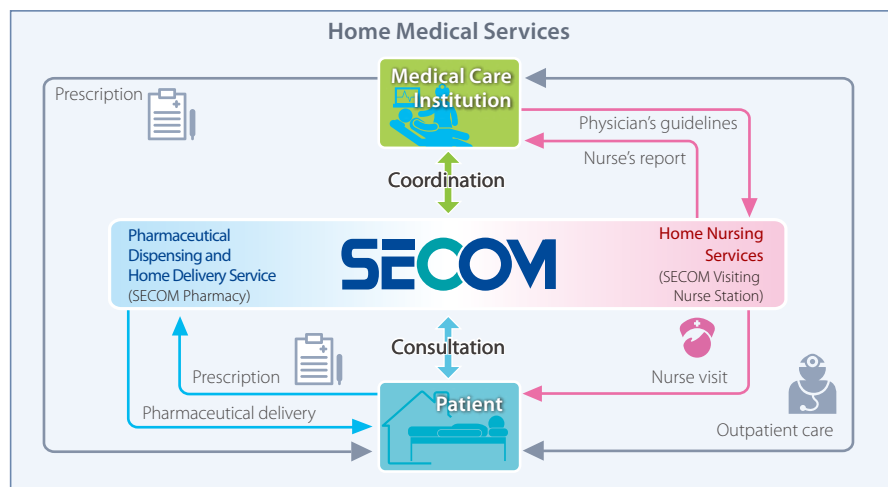
● Provision of SECOM Vitalook system begins

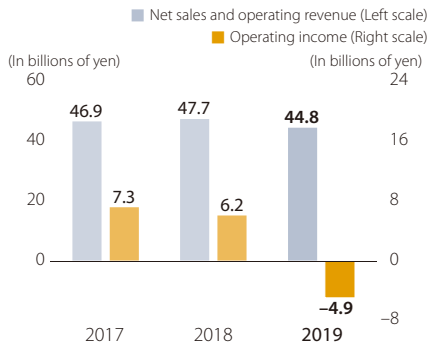
Japan's Ministry of Health, Labour and Welfare promotes home medical care with the aim of enabling seniors, even those requiring a high level of care, to remain in their community. However, because this requires visiting patients' homes to provide care, physicians' workload can increase significantly in the event of a sudden change in a patient's status. To address the need for support that reduces this workload and enhances the quality of care, we began offering the SECOM Vitalook system, a remote medical support platform that leverages our extensive know-how in home medical services and ICT, as well as our robust operating foundation. With this system, patients' biometric data, including electrocardiogram, heart rate, temperature, blood

pressure, weight and arterial blood oxygen saturation, is collected and stored at a data center in real time, allowing physicians, nurses, caregivers and other professionals to monitor the status of home medical care patients remotely. Other features of the system include an automatic alert function that notifies a designated person via email if the patient's heart rate rises too high or drops too low and enables physician-patient videocalls. Looking ahead, we will continue to actively expand our selection of ICT-based medical services.

● Comprehensive agreement is signed with the NCVC

We recently signed a comprehensive agreement with Japan's National Cerebral and Cardiovascular Center (NCVC) as part of an open innovation initiative aimed at improving healthcare and medical care services organized by the institution that involves collaboration among industry, academia and government. The NCVC provides world-class advanced care and conducts research in the area of cardiovascular medicine. The institution previously established the Open Innovation Center to promote joint R&D in the areas of advanced treatments and medical technologies. Under our comprehensive agreement with the NCVC, we will work to create a framework for regional cooperation that targets the prevention, treatment and research in the area of cardiovascular disease, thereby contributing to better community healthcare.





Operating highlights

We believe that both security services, which are preventative by nature, and non-life insurance, which looks after people should misfortune strike, are essential to our ability to deliver uninterrupted safety and peace of mind. In line with this belief, we continue to expand the scope of this business by offering a variety of distinctive insurance policies that we market actively through diverse sales channels.

- **MEDCOM: An unrestricted cancer treatment policy that covers all inpatient hospital treatment costs**

MEDCOM is an unrestricted cancer treatment policy that provides coverage for costs associated with all inpatient hospital treatments, including those covered under Japan's National Health Insurance (NHI) scheme, those for advanced medical care, and those for which the individual usually bears the burden. This enables the subscriber to concentrate on treatment without having to worry about the economic implications thereof. MEDCOM coverage also extends to outpatient treatment, an increasingly

key component of cancer care, providing up to ¥10 million per five-year period. These features continue to attract attention, underpinning the expansion of subscriptions.

- **Fire insurance policies with distinctively SECOM discounts**

SECOM *Anshin My Home* is a fire insurance policy for residential customers that offers a discount on premiums for subscribers who have installed on-line security systems, reflecting our belief that such systems reduce the risk of theft and fire. The Security Discount Fire Policy is a similar policy for commercial customers who have installed



SECOM General Insurance headquarters

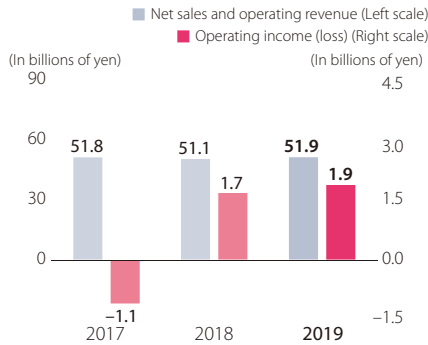
on-line security systems in which premiums are discounted to reflect the risk-mitigating benefits of such systems. We continue to see an increasing number of new commercial and home security subscribers for choosing to also sign up for fire insurance policies at the same time. Against this backdrop, we continue to expand sales of these policies.

- **SECOM *Anshin My Car*: Backed by on-site support from emergency response personnel**

SECOM *Anshin My Car* is an automotive insurance policy that includes around-the-clock access to on-site support by SECOM emergency response personnel in the event of an accident, helping to resolve concerns. This feature, which also includes emergency response personnel contacting the police and ambulance services and photographing the accident site, continues to earn high marks from subscribers.



SECOM *Anshin My Car* on-site support



Operating highlights

Subsidiary Pasco collects geographic data from commercial satellites, aircraft, drones, proprietary vehicles and ship-mounted sensors, among others, which it integrates, processes and analyzes to provide a variety of geospatial information services to public-sector entities—including national and local governments—and private-sector customers in Japan, thereby assisting efforts to address a variety of social imperatives. Pasco also extends services to government agencies overseas. Services for national and local governments in Japan account for approximately 80% of segment net sales and operating revenue.

In the area of services for public-sector entities in Japan, Pasco promoted efforts in the period under review to enhance national resilience to the risk of natural disasters attributable to climate change. In addition to disaster prevention and mitigation, including conducting risk assessments and proposing countermeasures in landslide hazard hotspots and promoting services designed to enhance river



Aerial photograph of areas damaged in the 2018 Hokkaido Eastern Iburi Earthquake

management and counter risks that make use of 3D measurement technologies, the company promoted services for road administrators aimed at supporting the renewal of aging infrastructure. Pasco also provided services that assist in ensuring appropriate forest management, regional industry promotion and support the sustainable management of water-related businesses.

In services for domestic private-sector customers, Pasco worked to address issues in the logistics industry, and develop new technologies and services that help enhance productivity on construction sites. Efforts in the area of services for overseas government agencies focused on improving the soundness of operations in a manner that aligns with the unique market environments of individual overseas subsidiaries, as well as on expanding Japan's official development assistance (ODA)-related orders from the Japan International Cooperation Agency (JICA).

Going forward, Pasco will work to create a private-sector-led satellite utilization business. To this end, the company will take advantage of its experience and know-how in this area, which the company entered in earnest in 2005.

● Business alliance in the logistics field is formed with mobile navigation services provider

Logistics services in Japan are increasingly broad and complex, owing to the rising popularity of online shopping and the diversification of consumer needs. Logistics

services providers face a variety of challenges, including a shrinking labor force, the need to normalize working hours and restrictions governing greenhouse gas emissions. Pasco recently formed a business alliance with a mobile navigation services provider and introduced a new service designed to help logistics services providers realize more efficient, more advanced transport and delivery operations. This service involves Pasco preparing a delivery plan designed to facilitate efficient conveyance to the final destination and, based on the plan, extending support by using mobile navigation to accurately predict arrival times, thereby improving efficiency.

● Sales of drone-mounted green laser scanners commence

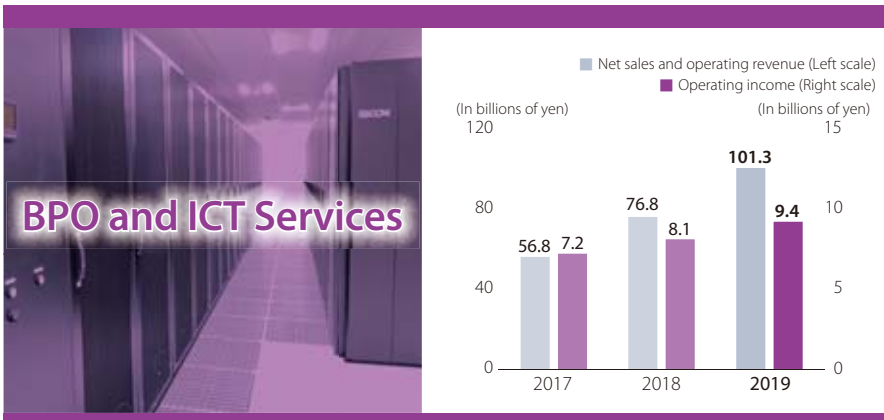
Following the successful completion of research aimed at commercializing a drone-mounted green laser scanner, in March 2019 Pasco acquired marketing rights for this new unit. Green laser scanners enable 3D topographical measurement of bodies of water, including both the beds and above-ground portions, facilitating the efficient creation of highly precise 3D data.

In the current fiscal year, ending March 31, 2020, Pasco began providing a comprehensive surveying services business that includes sales of green laser scanners, support for handling and measuring operations, the provision of data management software and the processing and analysis of 3D data. The company looks forward to these services helping to increase efficiency and improve precision in river management and fields included in the i-Construction* program.

* The i-Construction program was launched by Japan's Ministry of Land, Infrastructure, Transport and Tourism (MLIT) as an initiative aimed at deploying ICT in construction and civil engineering to help overcome persistent labor shortages.



Green laser scanner mounted on a drone



BPO and ICT Services

Operating highlights

This segment encompasses the operations of subsidiaries Secom Trust Systems Co., Ltd., which offers ICT services that resolve a variety of issues faced by customers, providing safety and peace of mind and making lives more comfortable and convenient; At Tokyo, one of Japan's largest data center operators; and TMJ, which offers BPO services, including contact center and back office support services.

- Large-scale disaster preparedness, information security and cloud-based services

Secom Trust Systems provides a variety of services that assist subscribers in formulating BCPs to ensure preparedness, as well as the ability to implement effective immediate response measures and promptly restart operations in the aftermath of a major disaster. The SECOM Safety Confirmation Service, one of Japan's foremost disaster management support services, helps subscribers swiftly ascertain the safety of employees and their families in the event of an earthquake or other disaster or the failure of key infrastructure. The SECOM Safety Confirmation Service SCM makes it possible for subscribers to confirm the safety of individuals in charge

at suppliers and quickly grasp the degree of damage to production facilities, allowing them to take effective steps to restore normal operations. These services continue to garner praise, as a result of which contracts with large companies and public-sector entities have grown steadily. At present, these services are used by approximately 7,300 companies employing around 6.7 million individuals.

To assist customers' efforts to prepare for dangers such as disasters, targeted cyber-attacks and system failures, Secom Trust Systems offers comprehensive information security services, ranging from advance diagnostics and the formulation of countermeasures by information security professionals to monitoring/operation and response services in the event an issue arises. The Cryptocurrency Wallet* Service, which protects cryptoassets, capitalizes on our robust secure data center capabilities and know-how in the management of private keys that we have accumulated as a certification authority. This service is attracting attention from a variety of companies.

Secom Trust Systems also extends cloud-based services, which leverage ICT to make customers' business processes more efficient. By digitizing documents and processes, the SECOM Anshin Eco Document Digitization Service realizes significant improvements in efficiency and reduces costs. The SECOM Anshin Employee Attendance Management Service works with SECOM LX, an on-line security system that includes an access control function, to enable the efficient management of entry and exit data, allowing companies to efficiently manage employee attendance. SECOM Shift Scheduler, which makes use of AI, is a service that automatically generates shift schedules and makes staffing recommendations, as well as makes it possible to check shifts from anywhere at any time. Inquiries regarding this system



Information for the Real-Time Disaster Information Service is collected and analyzed at the SECOM Anshin Information Center

have been steady from restaurants and retailers, as well as from interested parties in a number of other industries.

* A cryptocurrency wallet is a system of managing private keys that is crucial for cryptoasset transactions.

● Data center services

The increasing pervasiveness of cloud services and smartphones and the expanding use of AI and IoT continue to yield a steady stream of new services that make use of advanced technologies. Companies and individuals using services connected with data centers often access such services unconsciously, underscoring the fact that data centers today have become a key social infrastructure.

Data center operator At Tokyo capitalizes on its many years of experience and operational know-how to offer a diverse range of customers uninterrupted, around-the-clock world-class data center services that respond to diverse needs and have earned a reputation for quality and reliability. The data center services market continues to expand, bolstered by the increasing number of customers using cloud-based services. At Tokyo has a broad customer base that includes leading companies for which downtime could have

a significant impact on society and major global corporations. To describe its vision of its role as a data center services specialist in the future, At Tokyo devised the phrase "Continue. Connect. Co-Creat: The data center solutions that create and share values through uninterrupted connectivity." The company will continue to expand its data center business by leveraging its ability to provide connectivity to a wide range of service providers and other customers to create the platforms necessary to realize diverse services for an advanced information society.

● BPO services

Japan's declining labor force has led to acute labor shortages in many industries. Against this backdrop, the need to rely on others is spurring robust demand for BPO services.

TMJ provides high-grade, highly rated contact center and back office support services tailored to the needs of leading financial institutions and other companies. The company strives continuously to enhance the quality of its services by promoting quality control circle activities, efforts that have contributed to its ability to ensure long-term contracts with customers.

Recognizing an expanding need for receptionist services among companies in such an operating environment, TMJ recently began providing the SECOM Call on Duty Service, an outsourced telephone reception service that enhances the productivity of staff in departments responsible for customer service support. TMJ is also accelerating efforts to expand use of AI in contact center services in response to companies' needs to swiftly address customer issues and encourage customers to call for assistance, as well as to enhance the precision and efficiency of back office support services by increasing the automation of procedures. By leveraging advanced technologies, TMJ will continue working to realize superior customer experiences and drive digital transformation with the goal of providing its customers with high-grade BPO services that enjoy a solid reputation.

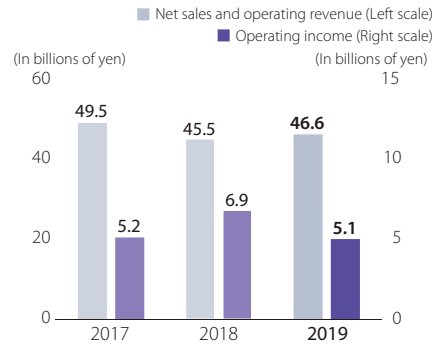


SECOM data center facility



TMJ contact center

Real Estate and Other Services



Operating highlights

● Real estate development and sales

We continue to promote the development and sales of the Glorio Residence series of condominiums, which boast exceptional, distinctively SECOM security features that reflect the concepts of security, peace of mind and reliability, and the Glorio Comfort series of highly secure compact urban condominiums. We also offer the Glorio Scelto series of condominiums for lease and pre-owned condominiums that have been renovated to improve functionality. Looking ahead, we will continue striving to meet the diverse needs of customers as a partner in the provision of living spaces that deliver safety and peace of mind.

● Real estate leasing

Our real estate leasing business focuses on advantageous locations in central Tokyo. This business comprises extensive, highly rated maintenance and management that are used by diverse companies in various industries.

● Construction and installation

We have created a configuration for providing a wide range of high-value-added services, from the design and installation of air conditioning, plumbing and electrical systems to building maintenance.

● Home services

SECOM Home Service is an optional suite of services available to SECOM Home Security subscribers with a diverse menu that enables us to tailor packages that help customers resolve concerns in everyday life. Services offered range from housework support to patrolling around subscribers' homes when they are out.



Glorio Residence Shonan Hiratsuka



SECOM Home Service

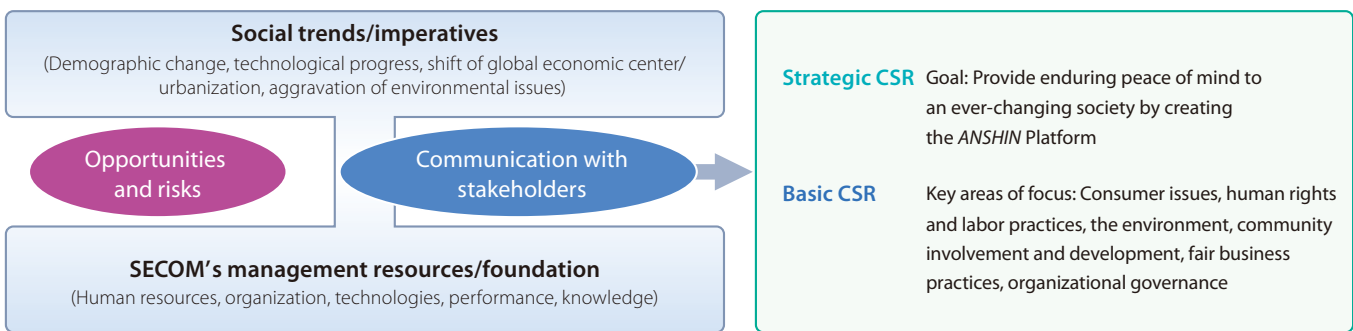
Sustainability

Since our establishment, we have sought to fulfill our responsibility to society through our business activities, acknowledging the importance of sustainability for ourselves and for society. In promoting corporate social responsibility (CSR) initiatives, we abstract a broad range of social imperatives, which we examine in light of our management

resources and the opinions and expectations of our stakeholders. We classify CSR initiatives designed to help address social imperatives through our businesses as “strategic” and those aimed at earning the trust of stakeholders as “basic.”

To encourage employee awareness of our CSR initiatives, we share information via our

Group in-house newsletter. We also respond to requests for information from stakeholders and continue to expand our ESG-related disclosure via our corporate website and by responding to questionnaires from ESG assessment organizations.



The SDGs* and the UNGC; Support for the TCFD**

Our basic policy of contributing to society through our business activities has many aspects in common with the United Nations' Sustainable Development Goals (SDGs) in terms of focus on achieving sustainability

for society. Seeking to further our goal of helping to achieve sustainability for society, on May 2, 2018, we became a signatory to the United Nations Global Compact (UNGC).

In July 2019, we announced our support for the Task Force on Climate-related Financial Disclosures (TCFD).



* The SDGs were adopted at the UN Sustainable Development Summit in September 2015 as goals essential to sustainable development for the planet to be attained by 2030.

** The TCFD was established in 2015 under the auspice of the Financial Stability Board (FSB) to develop basic principles for disclosing the impact of climate-related factors on companies' income and cash flows.

Basic CSR initiatives

Taking into account the key areas of focus in ISO 26000, the international standard for social responsibility, we have organized our basic CSR initiatives into six key categories.

1. Consumer issues

To guarantee that the quality of our services is consistently worthy of the SECOM name, we have established a framework in our security services business that ensures exceptional safety and reliability across all processes, from R&D through to maintenance, and conduct practical training for employees that aims to enhance their know-how and skill levels.

We also work to further enhance service quality by paying heed to feedback from customers. We have positioned staff across Japan who specialize in promoting customer satisfaction and who are charged with visiting customers to gain feedback. Through SECOM customer service centers we respond to various requests and inquiries received by telephone regarding services, systems and products.

2. Human rights and labor practices

In line with our belief that creating working environments conducive to job satisfaction and helping employees fulfill their potential are key to driving growth for SECOM, we attach importance to diversity. We also recognize respect for human rights as an essential aspect of corporate management and provide training aimed at enhancing employees' understanding thereof.

Our commitment to respect for human rights is proclaimed in The Constitutions of the SECOM Group, a set of 10 provisions that

serve as our basic operating principle, while the SECOM Group Code of Employee Conduct sets forth specific standards to be observed.

We also place a priority on ensuring safety and a favorable work-life balance for our employees. Accordingly, we have put in place generous health management and leave programs. In addition, we have established a dedicated website and a sexual harassment hotline that enable employees to anonymously consult with professionals regarding problems or concerns.

Once annually, we conduct employee satisfaction surveys. Survey findings are published in-house and reflected in improvements to various systems and programs.

3. Environment

In the belief that protecting the environment is essential to our ability to provide security and support comfortable lifestyles, we continue to promote awareness of our environmental philosophy, which is to incorporate consideration for the environment into all areas of our operations, and of our basic environmental policy. We are also implementing measures aimed at addressing such key issues as global warming and resource depletion and ensuring our operations conform with pertinent laws and regulations.

4. Community involvement and development

We recognize contributing to the community through the provision of safety and peace of mind as an important responsibility. We promote a variety of efforts to fulfill this

responsibility, including offering programs for children, women and seniors designed to raise crime prevention awareness. In the fiscal year ended March 31, 2019, such efforts included child safety classes and crime prevention awareness seminars for women, held 133 times and 35 times, respectively, at locations across Japan. Our social contribution activities include extending support to areas devastated by natural disasters.

5. Fair business practices

Efforts to strengthen our cooperation with suppliers, as well as to promote mutual understanding and compliance with laws and regulations, have enabled us to create a solid framework for providing high-grade services and systems.

We have also formulated the SECOM Group CSR Guidelines for Suppliers—which sets forth issues that we require suppliers to address, including organizational governance and fair operating practices, human rights and labor practices, consumer issues and the environment—and strive to promote awareness of CSR across our entire value chain, as well as to reinforce responses.

6. Organizational governance

To increase the efficiency and transparency of management practices, thereby enabling us to consistently increase our corporate value, we are taking steps to enhance our corporate governance system. As well, we are promoting decisive management-led efforts to strengthen our compliance framework and improve disclosure.

For more information, please visit:

 www.secom.co.jp/english/csr/

Environmental initiatives

Combating global warming

We have positioned the reduction of CO₂ emissions as a key performance indicator (KPI) since 2008. In the fiscal year ended March 31, 2019, initiatives implemented in relation to SECOM service vehicles and offices with the goal of preventing global warming reduced emissions of greenhouse gases by 3,564.0 metric tons. Total emissions of greenhouse gases in the period under review amounted to 169,892.0 metric tons. To improve the

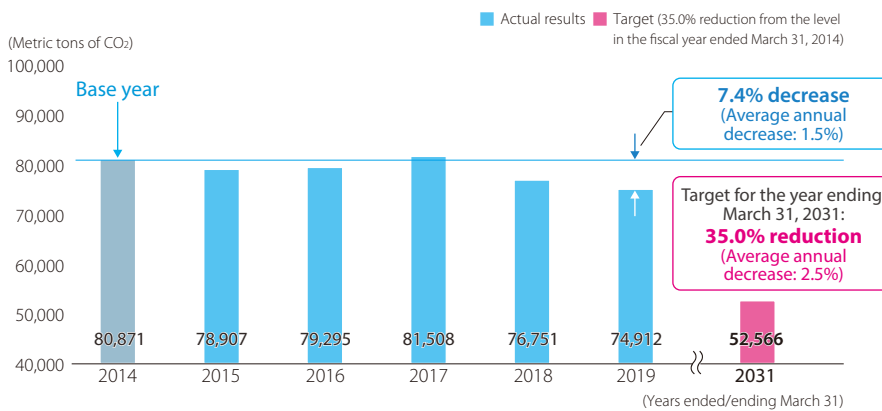
environmental performance of service vehicles, we are working to replace all four-wheeled vehicles with fuel-efficient alternatives by the year ending March 31, 2021. We are also promoting environment-friendly and safe driving through education and efforts to advance awareness.

In line with the Paris Agreement and the Japanese government's plan for reducing greenhouse gases, we have set a target for

reducing greenhouse gas emissions attributable to our security services business by 35.0% from the level in the year ended March 31, 2014, by the year ending March 31, 2031.

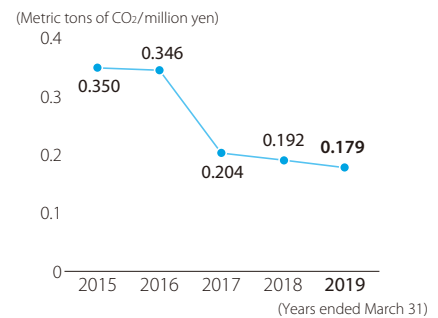
Seeking to do our part to curb increases in global average temperature, we will endeavor to achieve an 80.0% reduction of our greenhouse gas emissions by 2050.

Greenhouse Emissions: Actual Results and Medium-Term Target



* Greenhouse gas emissions for each fiscal year are calculated in terms of metric tons of CO₂ equivalent.
 ** Scope of reporting: SECOM CO., LTD. and 27 principal subsidiaries in the security services business.

Greenhouse Gas Emissions per Unit of Sales by the SECOM Group



Creating a zero resource-waste, low-carbon business model

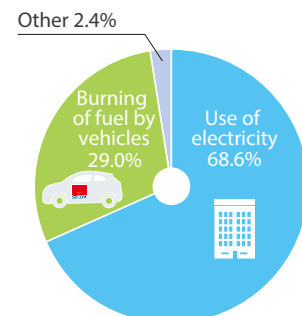
Our integrated framework for providing on-line security systems, whereby we take responsibility for the entire life cycle of equipment, from R&D and production through to installation, operation, collection and disposal, has enabled us to create a zero resource-waste, low-carbon business model, that is, a business model that enhances recycling rates and energy efficiency.

To advance environment-friendly equipment design, that is, design that minimizes impact on the environment, including by reducing consumption of electricity and size, facilitating reuse, encouraging long-time use

and eliminating hazardous substances. To this end, we have distributed the SECOM Green Design Guidelines to our 122 suppliers and are promoting their use across our entire supply chain.

From the perspectives of environmental preservation and effective resource use, we repair and reuse security equipment collected from subscribers, or carefully dismantle such equipment and separate constituent materials. In the period under review, these efforts yielded 1,499.0 metric tons of resources with marketable value.

Breakdown of CO₂ Emissions by the SECOM Group in the Year Ended March 31, 2019



Social initiatives

Disaster mitigation and support for affected areas

We provide long-term on-site support for recovery and reconstruction in areas struck by geographically extensive disasters. As well, we seek to assist with everyday efforts to enhance disaster preparedness.

In areas damaged by torrential rains in southwestern Japan in July 2018 (officially

called the “Heavy rain of July, Heisei 30”), for example, we capitalized on our distinctive technological prowess and know-how to provide extensive support for local residents. Pasco used satellite images and aerial photography, among others, to capture images to swiftly gauge the extent of damage.

We also cooperate enthusiastically in volunteer fire brigade activities, the cornerstone of community fire prevention efforts. Our efforts include encouraging employees who want to register as volunteer firefighters.

In the community

We recognize that we have an obligation to contribute to the communities we serve in multiple ways, including by creating employment opportunities and supporting community development. Accordingly, we collaborate with various partners, including national and local governments, companies and nongovernmental organizations (NGOs).

Agreement with Shibuya Ward

In August 2016, we concluded the Shibuya Social Action Partner Agreement with Tokyo’s Shibuya Ward, where our corporate

headquarters is located. Under the agreement, we work with ward authorities to promote a variety of efforts aimed at enhancing Shibuya’s appeal to people who live, work and play there. These include advancing urban development that emphasizes a high level of disaster preparedness, supporting efforts to promote better health for a super-aged society and furthering awareness of diversity-related issues. For example, for three consecutive years we have sponsored and had a booth at SHIBUYA BOSAI FES, a comprehensive annual disaster drill held to

raise awareness of the importance of being prepared for disasters.

Agreement with Toshima Ward

In June 2018, we concluded the Agreement on Safe and Secure Community-Driven Urban Development with Toshima Ward, another of Tokyo’s 23 wards. Under this agreement, we provide support for crime-prevention efforts and disaster-preparedness training, as well as promote first aid at various events.

Employee training and education

In line with our belief that the power of an organization is the sum of its parts, we devote considerable resources to fostering human resource. We have developed training and educational programs tailored to different growth stages and job classifications. In addition, we have added an e-learning

component to promotion examinations, the content of which ranges from corporate principles and the SECOM Group Code of Employee Conduct to social norms, CSR, business policies and product knowledge. We have also developed an e-learning program for all employees that addresses

the protection of confidential information, prevention of insider trading and elimination of all types of harassment by not simply mandating study but also conducting exams to ascertain comprehension, thereby reinforcing awareness.

Supporting work–life balance

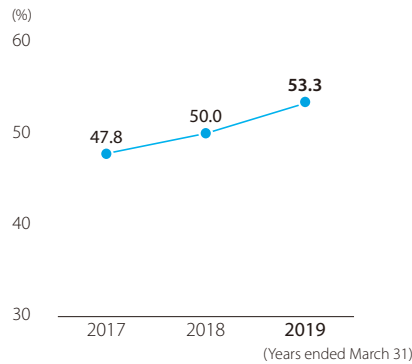
We view work–life balance, including sufficient physical and mental rest and a fulfilling private life as essential to the ability to approach one’s work with energy and focus.

Accordingly, we have introduced systems that allow employees to take a “flex” vacation of up to 10 consecutive days annually—in theory at any time of the year—and a two-week

“refresh” vacation every 10 years. In addition, we actively encourage employees to take annual paid vacation days.

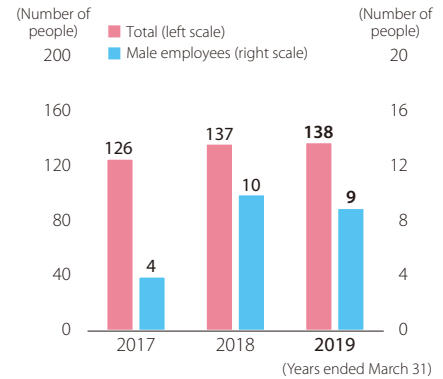
To assist employees in balancing the demand of career and home, we have created childcare and nursing care leave programs and continue to promote measures to encourage their use. In addition, we have also created the SECOM Life support program, whereby we endeavor to provide long-term support for career advancement by considering locations and work styles that accommodate each employees specific circumstances.

Percentage of Annual Paid Vacation Days Taken by Employees



* Scope: SECOM CO., LTD.
Owing to a change in the method of calculation used, figures for previous fiscal years have been adjusted.

Employees Taking Childcare Leave



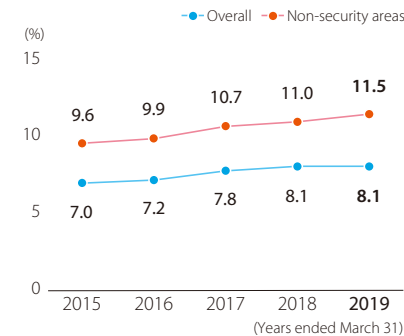
* Scope: SECOM CO., LTD.
Owing to a change in the method of aggregation used, figures for previous fiscal years have been adjusted.

Advancing diversity and inclusion

Understanding the importance of welcoming a broad spectrum of individuals with wide-ranging values, without regard for considerations such as gender, nationality or age, and of leveraging the capabilities of such individuals to create new value, we actively promote diversity in our labor force. In October 2017, we established the Declaration of Promoting Diversity and Inclusions, which enshrines our commitment to respecting all employees and enabling each individual to maximize his or her capabilities by creating positive work environments, as well as to advancing the careers of female employees, providing job and other opportunities for individuals with disabilities and encouraging the effective deployment of older employees.

Prior to this, in line with our belief in the importance of changing the mindsets of both male and female employees, on March 1, 2016, we announced the Action Plan on Women's Active Participation, which outlines a variety of initiatives aimed at creating positive working environments conducive to job satisfaction for female employees. With the aim of actively fostering female leaders, we are a member of the Japan Women's Innovative Network (J-Win), an NPO. We dispatch two female

Female Employees in Management Positions



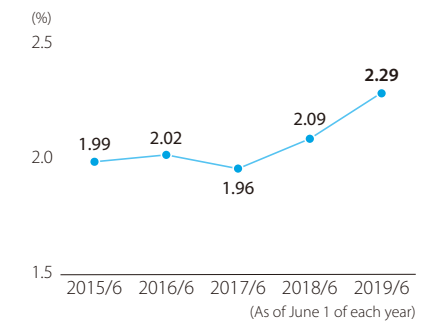
* Scope of reporting: SECOM CO., LTD.

employees to participate in J-Win programs, which are aimed at cultivating skills and helping female employees build networks.

To create opportunities for individuals with disabilities to find employment and participate more fully in society, we have created special subsidiary* Secom Business Plus Co., Ltd., and are stepping up recruiting efforts. We also take steps to ensure working environments that accommodate specific needs, including arranging for sign language interpreters and providing assistive devices and software.

*A special subsidiary is a company established with the objective of promoting the employment of individuals with disabilities.

Percentage of Labor Force Accounted for by Individuals with Disabilities



* Scope of reporting: SECOM CO., LTD., Secom Trust Systems Co., Ltd. and Secom Business Plus Co., Ltd.

While the mandatory retirement age at the parent company is 60, employees can be rehired up to the age of 65. We have also developed systems that enable employees over 50 to shorten their working hours and facilitate the rehiring of employees over 65 who want to continue working, as well as the Second Stage Promotion System, which allows employees themselves to determine the timing of their retirement between the ages of 50 and 60.

Corporate governance

Basic philosophy

With the aim of earning the support of our customers, shareholders, clients, employees, local communities and other stakeholders as a company with value that is worthy of trust, we strive to maximize corporate value over the medium to long term and recognize the importance of fulfilling our responsibilities as a corporate citizen and achieving sustainable growth and development.

In line with Japan's Corporate Governance Code and at the direction of top management, outside members of the Board of Directors and Audit & Supervisory Board provide independent oversight of the management team's performance in a manner that takes into account the interest of stakeholders and ensures the appropriate execution of business activities. We also work

actively to disclose information to shareholders and other stakeholders and strengthen our compliance framework.

Initiatives to strengthen corporate governance

Area	1986	2000	2005	2010	2015	2019
Establishment of corporate governance system	● 1986: Creates SECOM's Philosophy		● 2006: Formulates basic rules of management for SECOM Group companies	● 2010: Establishes the SECOM Group Management Committee		
Separation of management and execution			● 2004: Institutes an executive officer system			
Number of directors designated in the Articles of Incorporation			Up to 2004: Maximum of 40 ● From 2005: Maximum of 20			
Term of service of directors			Up to 2003: 2 years ● From 2004: 1 year			
Number of directors		● 2000–2001: 28–29 ● 2002–2003: 22–23 ● From 2004: 10–13				
Number of auditors				Up to 2010: 4 ● From 2011: 5		
Number of outside directors					● 2013–2015: 2 ● From 2016: 3	
Number of outside auditors			Up to 2002: 2 ● From 2003: 3			
Remuneration for/ appointment of directors					● 2016: Establishes Nomination and Compensation Committee ● 2017: Adopts performance-linked remuneration system	

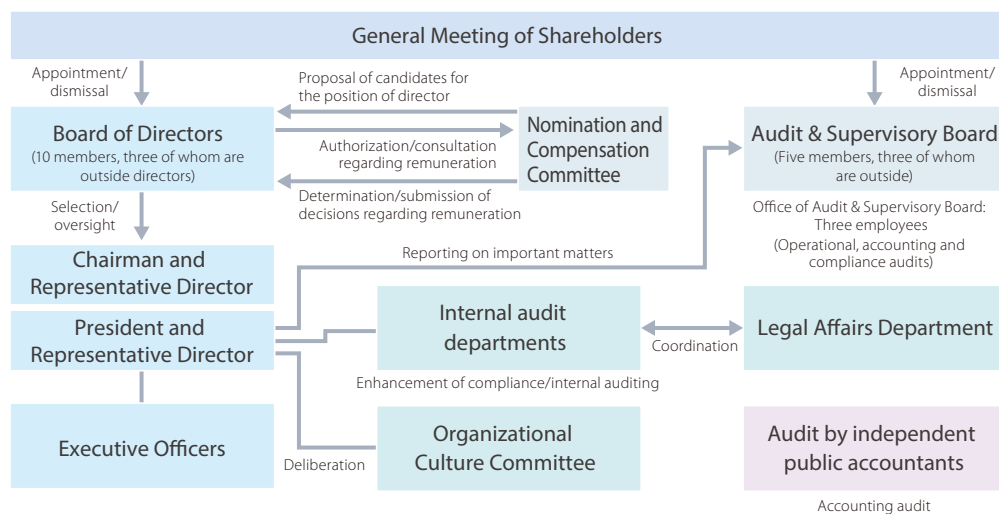
Outline of corporate governance system

We are a company with an Audit & Supervisory Board. The Board of Directors, which includes three outside members, makes decisions pertaining to business execution and other corporate matters. Executive officers, led by the President and Representative Director, are responsible for business execution. We have adopted an Audit & Supervisory Board System, whereby

the Audit & Supervisory Board, which includes three outside members, and the Board of Directors coordinate with the internal audit departments to audit and supervise directors' and executive officers' discharge of their duties. We believe that this enables us to conduct independent oversight of management and ensure appropriate business execution.

The Nomination and Compensation Committee has been established as internal committee of the Board of Directors. This committee, which is responsible for presenting candidates for the position of director to the Board of Directors and for ensuring the appropriateness of remuneration for directors, comprises five directors, three of whom are outside.

Corporate governance organization



Board of Directors	Executive Officers	Audit & Supervisory Board
The Board of Directors comprises 10 directors and in principle meets monthly, with five members of the Audit & Supervisory Board also in attendance. The Board of Directors is responsible for deciding overall management policies and business execution policies, as well as for monitoring the performance of duties by directors, and strives to promote the active exchange of opinions with the aim of ensuring effective and swift decision making. Six of the 10 members are responsible for business execution, with the remaining four members (the founder and the three outside directors) having no involvement.	We have adopted an executive officers system, whereby the Board of Directors is responsible for decision making and the executive officers are responsible for business execution. This was done with the aim of strengthening field divisions and enhancing customer service systems by clarifying responsibilities and authority and expediting business execution. We currently have 29 executive officers, six of whom are also directors.	The Audit & Supervisory Board comprises five members, two of whom are full-time and three of whom are outside. In principle, the Audit & Supervisory Board meets monthly. Individuals well-versed in our businesses and internal affairs, as well as in finance and accounting, are appointed to serve as full-time members, while individuals who are independent of the management team, have extensive knowledge of corporate management, legal, financial and other matters and are capable of providing effective oversight and monitoring of the management team, are appointed to serve as outside members.

Nomination of candidates for appointment to the Board of Directors and the Audit & Supervisory Board

In accordance with the policy for appointment set forth by the Board of Directors, candidates for appointment to the Board of Directors and the Audit & Supervisory Board are decided through deliberation by the Board of Directors. Candidates for the Board of Directors are nominated from among candidates determined through discussion by the Nomination and Compensation Committee, the majority of whom are outside directors. Candidates for the Audit & Supervisory Board are nominated with the agreement of the Audit & Supervisory Board.

Internal audits and cooperation among boards and offices

Audits by the Audit & Supervisory Board
Audit & Supervisory Board members attend important meetings, including those of the Board of Directors, to exchange opinions on overall corporate management, as well as to collect reports on the discharge of duties from directors and other pertinent individuals and conduct audits focused on the possible occurrence of violations of laws, regulations, the Articles of Incorporation and/or shareholders' interests. The Audit & Supervisory Board also conducts audits of our overall business

activities, as well as those of subsidiaries and affiliates, in accordance with annual audit plans.

Principal activities of the Audit & Supervisory Board in the fiscal year ended March 31, 2019

Participation in meetings of the Board of Directors	100%
Participation in meetings of the Audit & Supervisory Board	100%
Information sessions with directors and other executives of subsidiaries and affiliated companies	69 times
Audits conducted by Audit & Supervisory Board members at remote locations	106 locations

Regular meetings between the representative director and Audit & Supervisory Board members

Audit & Supervisory Board members hold regular (monthly) meetings with the Representative Director, during which they exchange opinions on important management-related issues, including the results of audits, to ensure common understanding.

Meetings between Audit & Supervisory Board members and accounting auditors

Audit & Supervisory Board members meet regularly (six times annually) with the accounting auditors, as well as additional

meetings as necessary, for the purpose of exchanging opinions and information. Audit & Supervisory Board members receive explanations and exchange opinions regarding annual audit plans and audit results. If necessary, Audit & Supervisory Board members also act as witnesses during audits conducted by the accounting auditors at remote locations and during audit reviews (33 times in the fiscal year ended March 31, 2019).

Collaboration with internal audit and other departments

Audit & Supervisory Board members hold regular (monthly) meetings with the Audit and Compliance Department, during which they receive reports and exchange opinions regarding the results of internal audits and, as appropriate, receive reports on inspections of SECOM Group companies from and exchange opinions and information with the Group Governance Department. If necessary, to ensure the efficiency of audits, Audit & Supervisory Board members ask the internal audit departments to conduct investigations.

Outside directors and outside Audit & Supervisory Board members

We appoint individuals who have extensive knowledge of corporate management to serve as outside directors, thereby incorporating a broad range of external perspectives not constrained by the internal affairs. We have thus structure that ensures the transparency and objectivity of management.

We appoint Audit & Supervisory Board members who have a wealth of knowledge of corporate management, legal, financial and other matters (including three outside

members, who are essentially independent of the management team). We have also established an auditing organization (including the Office of Audit & Supervisory Board Members) that operates independent of day-to-day operations and a process (including periodic meetings between the Representative Director, among others, and the Audit & Supervisory Board members). This insures that Audit & Supervisory Board members' objective and neutral opinions are reflected promptly

in operations. As a consequence, we believe that we fulfill our responsibility to conduct independent oversight of management performance in a manner that takes into account the interests of stakeholders.

We appoint outside directors and outside Audit & Supervisory Board members on the basis of pertinent requirements set forth in Japan's Companies Act and the standards concerning independence set forth by financial instruments exchanges.

Outside directors and outside Audit & Supervisory Board members

	Name	Principal activities	Attendance at Board of Directors' meetings	Attendance at Audit & Supervisory Board meetings
Outside directors	Takaharu Hirose	Mr. Hirose offers advice and suggestions at meetings of the Board of Directors based on experience and insights gained in the foundation and management of multiple enterprises and industry organizations. He also asks questions and states opinions to clarify issues.	12/12	—
	Hirobumi Kawano	Mr. Kawano offers advice and suggestions at meetings of the Board of Directors based on experience and insights gained through the holding of important positions in government. He also asks questions and states opinions to clarify issues.	12/12	—
	Hajime Watanabe	Mr. Watanabe offers advice and suggestions at meetings of the Board of Directors based on experience and insights gained through his many years of experience in corporate management. He also asks questions and states opinions to clarify issues.	12/12	—
Outside Audit & Supervisory Board members	Hideki Kato	Mr. Kato offers advice and suggestions at meetings of the Board of Directors based on experience gained through the execution of national policies and insights gained as a result of his accomplishments at a policy think tank. He also asks questions and states opinions to clarify issues.	12/12	13/13
	Makoto Yasuda	Mr. Yasuda offers advice and suggestions at meetings of the Board of Directors based on experience and insights gained in the management of a global enterprise. He also asks questions and states opinions to clarify issues.	12/12	13/13
	Masao Yokomizo	Mr. Yokomizo offers advice and suggestions at meetings of the Board of Directors based on experience and insights gained through the holding of important positions in government. He also asks questions and states opinions to clarify issues.	12/12	13/13

Note: Information on attendance at meetings of the Board of Directors and Audit & Supervisory Board is for the fiscal year ended March 31, 2019.

Remuneration for directors and Audit & Supervisory Board members

Remuneration for directors consists of pecuniary remuneration and stock compensation (shares with restrictions on transfer). Outside directors are eligible for pecuniary remuneration only.

Pecuniary remuneration is determined by the Nomination and Compensation Committee, which has received authorization from the Board of Directors, within the maximum limit resolved at the Ordinary General Meeting of Shareholders. Pecuniary remuneration for directors comprises basic remuneration and bonuses, the latter of which is linked to consolidated operating

results and individual contribution. Outside directors receive basic remuneration only.

Stock compensation is determined by discussion of the Board of Directors, taking into account deliberations by the Nomination and Compensation Committee within the limit resolved at the Ordinary General Meeting of Shareholders set separately from that set for pecuniary remuneration. In addition to incentives offered with the goal of driving sustainable growth in corporate value, directors other than those who are outside receive shares with restrictions on transfer, the objective of which is

to promote the further sharing of value with shareholders.

Remuneration for Audit & Supervisory Board members, which comprises pecuniary remuneration only, is determined through discussion involving Audit & Supervisory Board members in amounts commensurate with individual duties. Remuneration for Audit & Supervisory Board members is set within the maximum limit resolved at the Ordinary General Meeting of Shareholders.

Remuneration for directors and Audit & Supervisory Board members (Fiscal year ended March 31, 2019)

Position	Total remuneration (Millions of yen)	Breakdown of total remuneration (Millions of yen)			Number of entitled individuals
		Basic remuneration	Bonus	Restricted stock	
Directors (excluding outside directors)	327	265	46	14	8
Audit & Supervisory Board members (excluding outside members)	45	45	–	–	3
Outside directors	28	28	–	–	3
Outside Audit & Supervisory Board members	25	25	–	–	3
Total	426	365	46	14	17

Evaluation of the Board of Directors' effectiveness

Evaluation process

In January 2019, the Board of Directors conducted a survey, after which it interviewed additional pertinent individuals as necessary. Responses were collated by the Board's secretariat in early March and a summary of findings subsequently discussed at a meeting of the Board of Directors.

Summary of findings

Composition of the Board of Directors and frequency of meetings

The diversity of the Board of Directors is guaranteed. The Board is an appropriate size to ensure swift decision making. In principle, the Board of Directors meets monthly, with additional meetings held as necessary to ensure swift discussion and decision making for critical matters. The matters handled by the Board of Directors are selected appropriately. Improvements in the administration of the

board were seen from the 2018 survey's results. Opinions were also expressed regarding, among others, the further diversification of the Board's composition and the amendment of materials to invigorate discussions.

Monitoring function of the Board of Directors

In an atmosphere that encourages members to speak, both outside directors and outside Audit & Supervisory Board members actively express their views, ensuring an appropriate balance between execution and monitoring. Matters deemed particularly critical by the Board of Directors are discussed by the board prior to resolution and pending matters are reported on at the Board of Directors meeting subsequent to resolution, thereby facilitating appropriate judgment by directors and Audit & Supervisory Board members. In addition, where necessary, consensus building between

full-time and outside directors and Audit & Supervisory Board members is carried out smoothly. This shows that the monitoring function of the Board of Directors is judged to be sufficient overall. Constructive opinions were also expressed regarding the need for further efforts to make use of external experts and for further discussions regarding management and personnel strategies that reflect changes in the business environment and associated risks.

Future initiatives

To further enhance corporate value and realize an even more effective Board of Directors, we will continue to promote efforts to improve the board's functions based on evaluations and opinions expressed.

Compliance

Basic policy and system

We provide security services, the objective of which is to protect the lives and assets of our customers from legal violations or malfeasance by third parties. As such, we recognize the importance of discharging duties in good faith to earn the trust of our customers and of society as a whole. To this end, we have formulated the SECOM Group Code of Employee Conduct, which prescribes ideals covering official and private affairs and standards to be followed in the discharge of duties for all directors and employees. We take advantage of various opportunities to promote the unqualified observance of the code.

We view compliance as encompassing not only observing laws, regulations and our Articles of Incorporation, but also operating in a manner that adheres to the spirit thereof. Accordingly, compliance forms an integral component of our day-to-day operations. This approach is notable in that it does not involve the establishment of a dedicated system overseen by a specific department or director. Each and every employee is on the front line of promoting the SECOM Group Code of Employee Conduct, including compliance, with direction provided by individuals in charge in each department. Directors provide further

control for departments under their control, while the President and Representative Director provides control for the Company as a whole.

Each director analyzes and evaluates business and frauds risk annually in the business area for which he or she is responsible, reports findings to the President and Representative Director, appropriately reviews internal regulations and various manuals formulated and, if necessary, implements corrective measures. In addition, a new Risk Management Committee, chaired by the Risk Management Officer, has been established to conduct Companywide risk assessments and formulate countermeasures.

Initiatives aimed at ensuring fair operating practices

The SECOM Group Code of Employee Conduct contains rules regarding, among others, the maintenance of a mindset that refuses to be tempted to commit graft, which begins with

a pretense of kindness; the pride of being incorruptible by overcoming the temptation to hinder others' discharge of their duties; and the prevention of bribery, including through

the prohibition of individual transactions and the lending or borrowing of money involving customers or affiliated companies. We work actively to enforce the observance of these rules.

Global compliance training

To ensure our ability to provide same level of service in overseas markets as we do in Japan, we have translated SECOM's Philosophy and the SECOM Group Code of Employee Conduct into

multiple different languages and work to advance awareness thereof. We also provide compliance training tailored to local circumstances for senior management at overseas

Group companies and employees from Japan taking up overseas postings that focuses on obeying laws and regulations, preventing bribery and ensuring effective information management.

Operation of whistle-blowing system

We have established a whistle-blowing system that enables individuals to seek advice regarding or report issues of non-compliance. Employees and executives becoming aware of a violation of the SECOM Group Code of Employee Conduct are obliged to submit a report to his or her superior. However, in the event that no corrective measures are taken after the submission of a report, or if

circumstances make submitting a report difficult, employees and executives can report to the Audit and Compliance Department directly via the Hot Helpline. We have also established the Group Head Office Helpline, which enables employees and executives of subsidiaries to report compliance violations directly to the Group Governance Department. The content of reports

submitted via these help lines is kept confidential and necessary investigations and appropriate measures are undertaken swiftly. This protects whistle-blowers from any adverse impacts. Help line reports received totaled 48 in the fiscal year ended March 31, 2019, 60 in the fiscal year ended March 31, 2018 and 60 in the fiscal year ended March 31, 2017.

Operating Results

Overview

In the fiscal year ended March 31, 2019, SECOM CO., LTD. and its subsidiaries (collectively, "the Company") sought to provide high-quality products and services that respond to the diverse needs of customers in its core security services segment, as well as in its fire protection services, medical services, insurance services, geospatial information services, BPO and ICT services, and real estate and other services segments.

Thanks to the inclusion of a full year of results for TMJ, acquired in October 2017, and an increase in the medical services segment, bolstered by a rise in the number of patients at associated hospitals, among others, consolidated net sales and operating revenue in the period under review rose 2.7%, or ¥28.8 billion, to ¥1,111.6 billion. Nonetheless, operating income declined 11.7%, or ¥16.4 billion, to ¥123.7 billion, owing to a variety of factors, including the occurrence of multiple major natural disasters and a greater loss on other-than-temporary impairment of investment securities, as a result of which the insurance services segment reported an operating loss, and the impact of forward-looking investments to reinforce the Company's operating foundation with the aim of ensuring sustainable growth. Net income attributable to SECOM CO., LTD., was down 7.2%, or ¥6.9 billion, to ¥89.7 billion.

Net Sales and Operating Revenue

Owing to the inclusion of a full year of results for TMJ, acquired in October 2017, and an increase in the medical services segment, underpinned by a rise in the number of patients at associated hospitals, among others, consolidated net sales and operating revenue in the period under review rose 2.7%, or ¥28.8 billion, to ¥1,111.6 billion. (For further details, please see Segment Information below.)

Cost and Expenses

Total costs and expenses advanced 4.8%, or ¥45.2 billion, to ¥987.9 billion. Cost of sales rose 4.4%, or ¥33.0 billion, to ¥784.9 billion, and was equivalent to 70.6% of net sales and operating revenue, up from 69.4% in the previous fiscal year. Principle factors behind this result included an increase in cost of sales in the insurance services segment, which reflected the occurrence of multiple major natural disasters and a greater loss on other-than-temporary impairment of investment securities, and the inclusion of a full year of results for TMJ, which has a comparatively high cost of sales ratio. Owing to the

application of a new accounting standard, "Recognition and Measurement of Financial Assets and Financial Liabilities," whereby equity investments are recognized at fair value at end of year, effective from the period under review gains or losses on equity investments are charged to income for the period.

Selling, general and administrative (SG&A) expenses rose 5.0%, or ¥9.5 billion, to ¥200.9 billion, reflecting an increase in up-front expenses, accounted for 18.1% of net sales and operating revenue, up from 17.7% in the preceding period. Impairment loss on long-lived assets declined to ¥595 million, from ¥841 million. Additionally, the Company reported a loss on sales and disposal of fixed assets, net, of ¥1.4 billion, compared with a net gain of ¥1.5 billion in the previous fiscal year attributable to income from real estate sales and other factors.

Operating Income

Operating income decreased 11.7%, or ¥16.4 billion to ¥123.7 billion, despite higher net sales and operating revenue, as both the cost of sales and SG&A expense ratios rose. The operating margin slipped to 11.1%, from 12.9%.

Other Income and Expenses

Other income declined ¥2.2 billion, to ¥11.2 billion. This was attributable largely to a ¥1.2 billion decrease in gain on private equity investments to ¥4.7 billion. Other expenses amounted to ¥6.4 billion, up ¥3.6 billion, reflecting a ¥3.9 billion increase in loss on other-than-temporary impairment of investment securities, to ¥4.0 billion. As a consequence, net other income was ¥4.9 billion, down ¥5.8 billion from the previous fiscal year.

Income from Continuing Operations before Income Taxes and Equity in Net Income of Affiliated Companies

The aforementioned results yielded income from continuing operations before income taxes and equity in net income of affiliated companies of ¥128.6 billion, down 14.7%, or ¥22.2 billion, from the preceding period.

Income Taxes

Income taxes totaled ¥35.1 billion, a decrease of ¥13.0 billion. This was equivalent to 27.3% of income from continuing operations before income taxes and equity in net income of affiliated companies, compared with 31.9% in the previous fiscal year, owing to a reversal of the valuation allowance and other factors.

Equity in Net Income of Affiliated Companies

Equity in net income of affiliated companies edged down ¥177 million, to ¥7.0 billion.

Net Income Attributable to Noncontrolling Interests

Net income attributable to noncontrolling interests amounted to ¥10.8 billion, down ¥2.5 billion. Principal factors behind this result included a decline in operating income in the fire protection services segment, an operating loss in the insurance services segment and a decrease in gain on private equity investments.

Net Income Attributable to SECOM CO., LTD.

Net income attributable to SECOM CO., LTD., at ¥89.7 billion, declined 7.2%, or ¥6.9 billion. Net income attributable to SECOM CO., LTD., as a percentage of net sales and operating revenue was 8.1%, compared with 8.9% in the previous fiscal year. Net income attributable to SECOM CO., LTD. per share was ¥410.91, down from ¥442.70.

At the Ordinary General Meeting of Shareholders held on June 26, 2019, a proposal to pay a year-end dividend of ¥85.00 was approved. As a consequence, cash dividends for the period—which also included an interim dividend of ¥80.00 approved at the Board of Directors' meeting held on November 8, 2018—amounted to ¥165.00 per share, an increase of ¥10.00. However, because both the ¥80.00 per share year-end dividend for the year ended March 31, 2018, approved at the Ordinary General Meeting of Shareholders held on June 26, 2018, and the ¥80.00 per share interim dividend for the preceding period, determined by the Board of Directors and paid to shareholders of record as of September 30, 2018, were paid during the period, cash dividends paid to shareholders in the period under review—the figure that appears in the financial statements—amounted to ¥160.00 per share.

Segment Information

(For further details, please see note 27 of the Notes to the Consolidated Financial Statements)

Security Services

The security services segment comprises electronic security services, which center on on-line security systems; other security services; and merchandise and other. In the period under review, net sales and operating revenue in this segment edged up 0.3%, or ¥1.8 billion, to ¥567.2 billion. Excluding inter-segment transactions, net sales and operating revenue in this segment amounted to ¥563.7 billion, representing 50.8% of overall net sales and operating revenue, compared with 51.9% in the previous fiscal year.

In addition to on-line commercial and home security systems, electronic security services include large-scale proprietary security systems, which focus on surveillance services for the subscriber's premises. On-line commercial and home security systems use sensors, controllers and other equipment installed at the subscriber's premises to detect events, including intrusions, fires and equipment malfunctions. Equipment is linked to a SECOM control center via telecommunications circuits to facilitate around-the-clock monitoring. Should an irregularity be detected, relevant information is relayed to the control center, where staff dispatch emergency response personnel to take appropriate measures. If necessary, control center staff also notify the police, fire department or other emergency services.

The Company employs a rental format, whereby it maintains ownership of security equipment and provides it to subscribers on a rental basis. This minimizes initial costs for subscribers and guarantees the quality and stability of its services. The initial contract period for security services is five years, with contracts renewed automatically each subsequent year. Depreciation for security equipment is computed using the declining-balance method principally over five years.

The Company takes full responsibility for all aspects of its on-line commercial and home security systems, from R&D through to equipment manufacturing, sales, security planning, installation, monitoring, emergency response services and equipment maintenance. This integrated approach leverages the Company's half-century-plus of experience and knowhow in providing electronic security services, together with its R&D team's ability to recognize and address false alarms, to ensure highly efficient operations.

Net sales and operating revenue from electronic security services rose 0.9%, or ¥3.1 billion, to ¥344.3 billion. Despite a decline in large-scale installations, among others, sales of on-line security systems advanced, bolstered by expanded sales of high-value-added commercial security services that respond to diverse security needs and of SECOM Home Security NEO and other home security systems that addresses growing needs for help in caring for vulnerable members of society.

Other security services include static guard services and armored car services. Net sales and operating revenue generated by static guard services, which are provided by highly trained professional security guards for systems requiring human judgment and flexible responsiveness, rose 12.3%, or ¥7.2 billion, to ¥66.3 billion, reflecting contributions from Secom Tosec Co., Ltd., in which we acquired an 80.1% stake in August 2018 and firm demand for these services. Armored car services, which involve the transport of cash, securities and other valuables using specially fitted armored cars and security professionals, generated net sales and operating revenue of ¥62.4 billion, up 2.2%, or ¥1.3 billion. Principal factors behind this result included an increase in sales at Asahi Security, which principally provides cash collection and delivery services.

The merchandise and other category encompasses sales of a wide range of security products, including security camera systems, access control systems, automated fire extinguishing systems and external monitoring systems, which can be freestanding or linked to on-line security systems. Net sales and operating revenue in this category were down 10.1%, or ¥10.2 billion, to ¥90.8 billion, owing mainly to the absence of large-scale sales-type leases, which pushed up results in the preceding period.

Operating income in the security services segment declined 3.8%, or ¥4.3 billion, to ¥110.1 billion. The operating margin slipped to 19.4%, from 20.2% in the previous fiscal year. These results primarily reflected forward-looking investments to reinforce the Company's operating foundation with the aim of ensuring sustainable growth and to absence of large-scale sales-type leases, a key factor in the previous fiscal year.

Fire Protection Services

The fire protection services segment focuses on high-grade, tailored, automatic fire alarm systems, fire extinguishing systems and other fire protection systems for a wide range of applications, including office buildings, plants, tunnels, cultural properties, ships and residences. In the period under review, Nohmi Bosai and Nittan, two of Japan's leading domestic fire protection services providers, sought to leverage their respective business foundations and product development capabilities to secure orders for fire protection systems.

Net sales and operating revenue in this segment amounted to ¥144.1 billion, up 2.4%, or ¥3.4 billion, underpinned by contributions from major projects, a result of robust sales efforts, and other factors. Operating income decreased 9.8%, or ¥1.5 billion, to ¥14.2 billion, a consequence of factors such as a cluster of projects with a higher cost of sales ratio than in the preceding period and an increase in SG&A expenses, reflecting higher R&D and personnel costs. The operating margin was

9.8%, down from 11.2% in the previous fiscal year.

Medical Services

The medical services segment emphasizes Home Medical Services, which comprise home nursing and pharmaceutical dispensing services, support for affiliated medical institutions, sales of medical equipment and pharmaceuticals, the operation of residences for seniors, personal care services, and the provision of electronic medical reporting and other ICT-based systems in Japan, as well as the operation of a hospital in India. The segment also includes the operations of variable interest entities (VIEs) of which the Company is the primary beneficiary, which manage hospitals and health care-related institutions.

Segment net sales and operating revenue advanced 3.6%, or ¥6.4 billion, to ¥181.9 billion, owing to an increase in the net sales and operating revenue of VIEs, bolstered by a rise in the number of patients at associated hospitals, among others. Despite an increase in the cost of sales ratio accompanying the revision of drug prices in Japan, operating income climbed 43.3%, or ¥1.7 billion, to ¥5.8 billion and the operating margin improved to 3.2%, from 2.3% in the previous fiscal year, reflecting an improvement in the profitability of hospitals managed by VIEs.

Insurance Services

The insurance services segment continued to expand sales of an extensive lineup of distinctive non-life insurance policies, including the Security Discount Fire Policy, a commercial fire insurance policy, and SECOM *Anshin My Home*, a comprehensive fire insurance policy for homes—both of which extend discounts on premiums to customers who have installed on-line security systems, recognizing this as a risk-mitigating factor—and SECOM *Anshin My Car*, a comprehensive automobile insurance policy that offers onsite support services provided by SECOM emergency response personnel should the policyholders be involved in an accident, and MEDCOM, an unrestricted cancer treatment policy that covers the entire cost of medical treatment for cancer.

Net sales and operating revenue in this segment declined 6.2%, of ¥3.0 billion, to ¥44.8 billion, despite robust sales of MEDCOM and fire insurance policies. This result was attributable mainly to the application of the new "Recognition and Measurement of Financial Assets and Financial Liabilities" accounting standard, which resulted in an increase in loss on other-than-temporary impairment of investment securities. The segment reported an operating loss of ¥4.9 billion, compared with operating income of ¥6.2 billion in the preceding period, owing primarily to increases in losses incurred as a result of the aforementioned major natural disasters and loss on other-than-temporary impairment of investment securities.

Geospatial Information Services

The geospatial information services segment centers on the collection of geographic data using commercial satellites, aircraft and surveying using proprietary vehicles, among others, which is integrated, processed and analyzed to provide geospatial information services to public-sector entities—including national and local governments—and customers in the private sector in Japan. These services are also offered to government agencies overseas.

Net sales and operating revenue in this segment edged up 1.6%, or ¥814 million, to ¥51.9 billion, bolstered by an increase in sales to domestic customers. Operating income rose 12.1%, or ¥202 million, to ¥1.9 billion, thanks to an improved cost of sales ratio in Japan and a decline in SG&A expenses. The operating margin improved to 3.6%, from 3.3% in the previous fiscal year. The name of this segment was changed to geospatial

information services, from geographic information services, effective from the period under review. This change did not entail any reclassification of reportable segments.

BPO and ICT Services

BPO and ICT services encompass the provision of data center services, BCP support services, information security services, cloud-based services and BPO services.

Segment net sales and operating revenue climbed 31.8%, or ¥24.4 billion, to ¥101.3 billion, owing to contributions from TMJ, which became a consolidated subsidiary in October 2017, and higher revenue from the data center services, among others. Operating income was up 15.5%, or ¥1.3 billion, to ¥9.4 billion, and the operating margin decreased to 9.3%, from 10.6%. This reflected comparatively profitable systems development projects, the inclusion of a full year of results for TMJ and a decline in impairment loss on long-lived

assets, as well as the fact that TMJ has a comparatively lower operating margin.

Real Estate and Other Services

The real estate and other services segment includes the development and sale of, among others, condominiums equipped with distinctive security and disaster preparedness features, as well as real estate leasing, construction and installation, and other services.

Net sales and operating revenue in this segment rose 2.4%, or ¥1.1 billion, to ¥46.6 billion, with contributing factors including an increase in the construction and installation business, as well as to the sale of blocks of renovated pre-owned condominiums. Operating income fell 26.4%, or ¥1.8 billion, to ¥5.1 billion, owing to the absence of income from real estate sales reported in the preceding period. The operating margin declined to 10.9%, from 15.2% in the previous fiscal year.

Financial Position

Total assets as of March 31, 2019, amounted to ¥1,879.7 billion, an increase of ¥40.8 billion from the end of the preceding period. Total current assets rose ¥62.4 billion, to ¥870.3 billion, and accounted for 46.3% of total assets. The current ratio edged up to 2.1 times, from 2.0 times. Cash and cash equivalents totaled ¥349.7 billion, up ¥33.0 billion, reflecting the fact that net cash provided by operating activities exceeded net cash used in investing and financing activities. (For further details, please see Cash Flows, which follows this section.) Notes and accounts receivable, trade, climbed ¥12.2 billion, to ¥156.9 billion, owing to factors such as an increase attributable to the application of a new accounting standard, "Revenue from Contracts with Customers," as well as to higher net sales and operating revenue. Notes and accounts receivable are affected by the fact that income in the fire

protection services and geospatial information segments tend to be concentrated toward the end of the fiscal year. Cash deposits for armored car services advanced ¥6.5 billion, to ¥142.3 billion, with contributing factors including the expansion of cash collection and delivery service contracts. Inventories were down ¥16.1 billion, to ¥65.9 billion, as the application of the new "Revenue from Contracts with Customers" accounting standard resulted in a decrease in costs related to incomplete construction contracts, leading to declines of ¥8.3 billion in inventories of fire protection-related products, to ¥12.2 billion, and ¥7.8 billion in inventories of real estate for sale, to ¥36.6 billion.

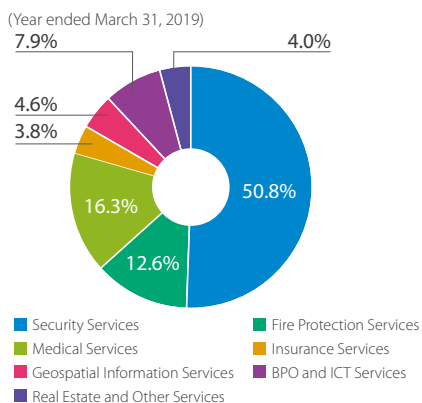
Investments and long-term receivables decreased ¥16.8 billion, to ¥341.4 billion. This represented 18.2% of total assets. Investment securities, at ¥212.6 billion, were down ¥14.6

billion. This was due to the reclassification of corporate bonds and other debt securities due within one year in current assets, as well as to a greater loss on other-than-temporary impairment of investment securities.

Property, plant and equipment, at ¥416.2 billion, was down ¥3.9 billion, equivalent to 22.1% of total assets. Land rose ¥2.6 billion, to ¥116.5 billion, reflecting an increase in real estate for lease.

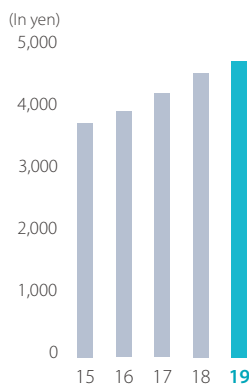
Other assets declined ¥8.7 billion, to ¥251.8 billion, and accounted for 13.4% of total assets. Goodwill was up ¥1.6 billion, to ¥108.1 billion and other intangible assets rose ¥865 million, to ¥57.9 billion. Deferred charges decreased ¥17.1 billion, to ¥25.2 billion, a consequence of the application of the new "Revenue from Contracts with Customers" accounting standard. Deferred income taxes advanced ¥8.8 billion, to ¥22.1 billion, with

Percentage of Consolidated Net Sales and Operating Revenue*

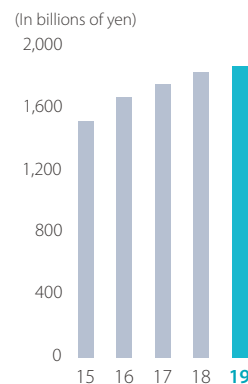


* Pie chart shows percentage of consolidated net sales and operating revenue (excluding intersegment transactions)

SECOM CO., LTD. Shareholders' Equity per Share



Total Assets



Financial Review

contributing factors including a reversal of the valuation allowance.

Total liabilities as of March 31, 2019, amounted to ¥703.8 billion, a decline of ¥3.8 billion from the end of the previous fiscal year, and accounted for 37.4% of total liabilities and equity. Total current liabilities were ¥405.4 billion, an increase of ¥5.7 billion, and accounted for 21.5% of total liabilities and equity. Deposits received rose ¥8.7 billion, to ¥127.6 billion, as the expansion of service contracts pushed up cash deposits for armored car services.

Total long-term liabilities, at ¥298.4 billion, were down ¥9.5 billion, and represented 15.9%

of total liabilities and equity. Long-term debt declined ¥5.0 billion, to ¥45.3 billion, owing to repayments, as well as to the transfer of certain debt to “bank loans” in current liabilities, among others. Deferred income taxes fell ¥10.5 billion, to ¥16.0 billion, reflecting a reversal of the valuation allowance.

Total SECOM CO., LTD. shareholders’ equity increased ¥43.9 billion, to ¥1,044.2 billion. Retained earnings climbed ¥71.1 billion, to ¥967.7 billion, with contributing factors including net income attributable to SECOM CO., LTD. and the payment of dividends, as well as cumulative-effect adjustment from

unrealized gains on securities to retained earnings at the beginning of the fiscal year of ¥20.8 billion. Accumulated other comprehensive loss was ¥78 million, compared with accumulated other comprehensive income of ¥27.2 billion in the preceding period, owing to a decrease in unrealized gains on securities, which was a significant factor in the previous fiscal year. As a result, the equity ratio was 55.6%, compared with 54.4% at the end of the previous fiscal year.

Cash Flows

The Company is committed to maintaining sufficient liquidity to allow flexibility in its operations and ensure a solid financial foundation. To the best of its ability, the Company is also firmly committed to financing strategic investments with cash generated by its operating activities.

In the period under review, net cash provided by operating activities amounted to ¥158.3 billion. The principal components of this were net income of ¥100.4 billion, and depreciation and amortization, including amortization of deferred charges, a non-cash item, of ¥75.3 billion, which were partially offset by an increase in receivables and due from subscribers, net of allowances, of ¥17.4 billion and an increase in deferred charges of ¥10.7 billion. Deferred charges consisted primarily of costs related to the installation of equipment for on-line security systems. (For further details, please see note 2 (12) of the Notes to the Consolidated Financial Statements.)

Net cash provided by operating activities was ¥25.1 billion higher than in the fiscal year ended March 31, 2018. Factors behind this increase included a ¥4.3 billion decrease in inventories, compared with an ¥18.6 billion increase in the previous fiscal year, owing to

declines in inventories of real estate for sale and of fire protection-related products, the latter reflecting a decrease in costs related to incomplete construction contracts.

Net cash used in investing activities was ¥64.4 billion. This result was despite proceeds from sales and redemptions of investment securities of ¥43.6 billion and was a consequence of payments for purchases of property, plant and equipment of ¥56.4 billion, owing to outlays for security equipment and forward-looking investments to reinforce the Company’s operating foundation; payments for purchases of intangible assets of ¥11.5 billion, attributable to forward-looking investments to reinforce the Company’s operating foundation; and payments for purchases of investment securities of ¥36.7 billion, primarily in the insurance services segment and through private equity investments in the United States.

Net cash used in investing activities was ¥3.0 billion higher than in the fiscal year ended March 31, 2018, despite a decline in outlays for acquisitions, net of cash acquired, which rose in the previous period as a result of the acquisition of TMJ, among others. Factors behind this result included cash

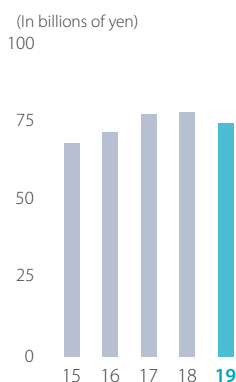
generated by an increase in short-term investments and net proceeds from sales and redemption of investment securities of ¥2.7 billion, compared with ¥17.1 billion in the preceding period, and an increase in outlays for purchases of property, plant and equipment and of intangible assets.

Net cash used in financing activities was ¥60.3 billion. This was due primarily to dividends paid to SECOM CO., LTD. shareholders of ¥34.9 billion, and repayments of long-term debt of ¥20.2 billion.

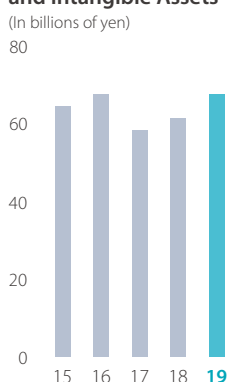
Net cash used in financing activities was ¥5.3 billion higher than in the fiscal year ended March 31, 2018. This primarily reflected dividends paid to noncontrolling interests arising from the purchase of treasury stock by subsidiary Secom Joshinetsu Co., Ltd., a decline in proceeds from long-term debt and the increase in dividends paid to SECOM CO., LTD. shareholders.

The Company’s operating, investing and financing activities in the period under review yielded net cash and cash equivalents of ¥349.7 billion, up ¥33.0 billion from net cash and cash equivalents at the beginning of the period, which were of ¥316.7 billion.

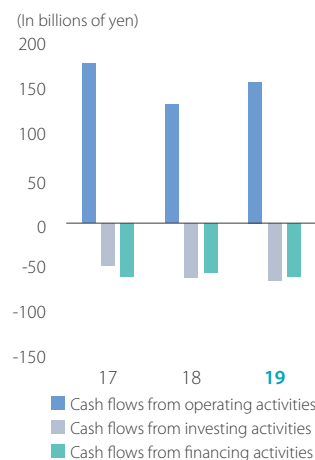
Depreciation and Amortization



Purchases of Property, Plant and Equipment and Intangible Assets



Cash Flows



Consolidated Financial Statements

Consolidated Balance Sheets

SECOM CO., LTD. and Subsidiaries
March 31, 2019 and 2018

	In millions of yen		Translation into thousands of U.S. dollars (Note 3)
	2019	2018	March 31
ASSETS			2019
Current assets:			
Cash and Cash equivalents (Notes 5 and 22).....	¥ 349,730	¥ 316,729	\$ 3,150,721
Time deposits (Note 13).....	10,619	9,593	95,667
Cash deposits for armored car services (Note 6).....	142,336	135,809	1,282,306
Short-term investments (Notes 7 and 22).....	25,294	17,211	227,874
Notes and accounts receivable, trade.....	156,869	144,657	1,413,234
Due from subscribers.....	63,012	49,789	567,676
Inventories (Note 8).....	65,945	82,058	594,099
Short-term receivables (Notes 9, 13, 20 and 21).....	27,111	27,930	244,243
Allowance for doubtful accounts (Note 9).....	(1,738)	(1,807)	(15,658)
Deferred insurance acquisition costs (Note 14).....	6,809	6,540	61,342
Other current assets.....	24,301	19,368	218,927
Total current assets.....	870,288	807,877	7,840,431
Investments and long-term receivables:			
Investment securities (Notes 2 (7), 7, 13 and 22).....	212,641	227,255	1,915,685
Investments in affiliated companies (Note 10).....	63,697	64,620	573,847
Long-term receivables (Notes 9, 13, 20 and 21).....	40,095	43,281	361,216
Lease deposits.....	17,245	17,264	155,360
Other investments.....	11,952	10,086	107,676
Allowance for doubtful accounts (Note 9).....	(4,218)	(4,298)	(38,000)
	341,412	358,208	3,075,784
Property, plant and equipment (Notes 11, 13, 19 and 20):			
Land.....	116,540	113,916	1,049,910
Buildings and improvements.....	351,947	340,822	3,170,694
Security equipment and control stations.....	337,756	329,655	3,042,847
Machinery, equipment and automobiles.....	155,944	150,528	1,404,901
Construction in progress.....	6,759	7,479	60,892
	968,946	942,400	8,729,244
Accumulated depreciation.....	(552,719)	(530,052)	(4,979,450)
	416,227	412,348	3,749,794
Other assets:			
Deferred charges (Note 2 (12)).....	25,220	42,325	227,207
Goodwill (Note 12).....	108,122	106,512	974,072
Other intangible assets (Notes 12, 13, 19 and 20).....	57,892	57,027	521,549
Prepaid pension and severance costs (Note 15).....	38,489	41,409	346,748
Deferred income taxes (Note 17).....	22,060	13,239	198,739
	251,783	260,512	2,268,315
Total assets.....	¥1,879,710	¥1,838,945	\$16,934,324

See accompanying notes to consolidated financial statements.

LIABILITIES AND EQUITY	In millions of yen		Translation into thousands of U.S. dollars (Note 3)
	2019	March 31 2018	March 31 2019
Current liabilities:			
Bank loans (Notes 6 and 13).....	¥ 38,658	¥ 38,969	\$ 348,270
Current portion of long-term debt (Notes 13, 19 and 21).....	18,447	19,632	166,189
Notes and accounts payable, trade.....	46,606	44,901	419,874
Other payables.....	44,208	41,546	398,270
Deposits received (Note 6).....	127,619	118,897	1,149,721
Deferred revenue.....	35,947	38,395	323,847
Accrued income taxes.....	22,904	25,994	206,342
Accrued payroll.....	37,987	36,531	342,225
Other current liabilities (Note 17).....	32,992	34,792	297,225
Total current liabilities.....	405,368	399,657	3,651,963
Long-term liabilities:			
Long-term debt (Notes 13, 19 and 21).....	45,342	50,299	408,486
Guarantee deposits received.....	31,887	32,109	287,270
Accrued pension and severance costs (Note 15).....	30,913	29,384	278,495
Long-term deferred revenue.....	11,623	15,194	104,712
Unearned premiums and other insurance liabilities (Note 14).....	124,309	114,814	1,119,901
Investment deposits by policyholders (Notes 14 and 21).....	23,615	25,208	212,748
Deferred income taxes (Note 17).....	16,041	26,530	144,514
Other long-term liabilities (Notes 21, 22 and 23).....	14,710	14,445	132,523
Total long-term liabilities.....	298,440	307,983	2,688,649
Total liabilities.....	703,808	707,640	6,340,612

Commitments and contingent liabilities (Note 24)

Equity:

SECOM CO., LTD. shareholders' equity (Note 18):

Common stock			
Authorized—900,000,000 shares, issued 233,292,219 shares in 2019			
Authorized—900,000,000 shares, issued 233,290,441 shares in 2018.....	66,393	66,385	598,135
Additional paid-in capital.....	73,166	73,133	659,153
Legal reserve.....	10,783	10,733	97,144
Retained earnings.....	967,679	896,586	8,717,829
Accumulated other comprehensive income (loss):			
Unrealized gains on securities (Note 7).....	2,309	22,797	20,802
Pension liability adjustments (Note 15).....	(742)	1,578	(6,685)
Foreign currency translation adjustments.....	(1,645)	2,814	(14,820)
	(78)	27,189	(703)
Common stock in treasury, at cost:			
15,031,867 shares in 2019 and 15,030,573 shares in 2018.....	(73,759)	(73,749)	(664,495)
Total SECOM CO., LTD. shareholders' equity.....	1,044,184	1,000,277	9,407,063
Noncontrolling interests.....	131,718	131,028	1,186,649
Total equity.....	1,175,902	1,131,305	10,593,712
Total liabilities and equity.....	¥1,879,710	¥1,838,945	\$16,934,324

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

SECOM CO., LTD. and Subsidiaries
Three years ended March 31, 2019

	In millions of yen			Translation into thousands of U.S. dollars (Note 3)
	Years ended March 31			Year ended March 31
	2019	2018	2017	2019
Net sales and operating revenue (Notes 14, 18 and 22)	¥1,111,600	¥1,082,792	¥1,031,261	\$10,014,414
Costs and expenses:				
Cost of sales (Note 8)	784,918	751,944	711,511	7,071,333
Selling, general and administrative expenses (Notes 2 (17), 2 (18), 2 (19) and 4)	200,932	191,389	185,721	1,810,198
Impairment loss on long-lived assets (Note 11)	595	841	2,689	5,360
Impairment loss on goodwill (Note 12)	—	11	1,193	—
Gain and loss on sales and disposal of fixed assets, net	1,444	(1,504)	2,752	13,009
	987,889	942,681	903,866	8,899,900
Operating income	123,711	140,111	127,395	1,114,514
Other income:				
Interest and dividends	1,807	1,637	1,286	16,278
Gain and loss on sales of securities, net (Notes 7 and 18)	—	237	391	—
Gain on private equity investments (Note 22)	4,673	5,884	13,887	42,099
Other (Notes 15, 16, 18 and 23)	4,766	5,696	5,354	42,937
	11,246	13,454	20,918	101,314
Other expenses:				
Interest	1,184	1,236	1,369	10,666
Gain and loss on sales of securities, net (Notes 7 and 18)	115	—	—	1,036
Loss on other-than-temporary impairment of investment securities (Notes 18 and 22)	3,959	57	77	35,667
Other (Note 16)	1,136	1,482	1,644	10,234
	6,394	2,775	3,090	57,603
Income from continuing operations before income taxes and equity in net income of affiliated companies	128,563	150,790	145,223	1,158,225
Income taxes (Note 17):				
Current	47,210	54,225	43,449	425,315
Deferred	(12,086)	(6,118)	3,563	(108,883)
	35,124	48,107	47,012	316,432
Income from continuing operations before equity in net income of affiliated companies	93,439	102,683	98,211	841,793
Equity in net income of affiliated companies (Note 18)	7,002	7,179	5,178	63,081
Net income	100,441	109,862	103,389	904,874
Less: Net income attributable to noncontrolling interests	(10,755)	(13,239)	(12,002)	(96,892)
Net income attributable to SECOM CO., LTD.	¥ 89,686	¥ 96,623	¥ 91,387	\$ 807,982

	In yen			Translation into U.S. dollars (Note 3)
	Years ended March 31			Year ended March 31
	2019	2018	2017	2019
Per share data (Note 2 (21)):				
Net income attributable to SECOM CO., LTD.	¥410.91	¥442.70	¥418.71	\$3.70
Cash dividends per share (Note 18)	¥160.00	¥150.00	¥140.00	\$1.44

Consolidated Statements of Comprehensive Income

SECOM CO., LTD. and Subsidiaries
Three years ended March 31, 2019

	In millions of yen			Translation into thousands of U.S. dollars (Note 3)
	Years ended March 31			Year ended March 31
	2019	2018	2017	2019
Comprehensive income:				
Net income	¥100,441	¥109,862	¥103,389	\$904,874
Other comprehensive income (loss), net of tax:				
Unrealized gains on securities	274	256	4,600	2,468
Pension liability adjustments	(2,566)	5,376	4,675	(23,117)
Foreign currency translation adjustments	(4,908)	1,952	(5,726)	(44,216)
Total comprehensive income	93,241	117,446	106,938	840,009
Less: Comprehensive income attributable to noncontrolling interests	(10,060)	(13,710)	(12,388)	(90,631)
Comprehensive income attributable to SECOM CO., LTD.	¥ 83,181	¥103,736	¥ 94,550	\$749,378

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

SECOM CO., LTD. and Subsidiaries
Three years ended March 31, 2019

In millions of yen

	Number of shares issued	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Common stock in treasury, at cost	Total SECOM CO., LTD. shareholders' equity	Noncontrolling interests	Total
Balance, March 31, 2016	233,288,717	¥66,378	¥73,118	¥10,526	¥772,061	¥16,913	(¥73,718)	¥ 865,278	¥111,319	¥ 976,597
Comprehensive income:										
Net income	—	—	—	—	91,387	—	—	91,387	12,002	103,389
Other comprehensive income (loss), net of tax (Note 18):										
Unrealized gains on securities	—	—	—	—	—	4,376	—	4,376	224	4,600
Pension liability adjustments	—	—	—	—	—	4,400	—	4,400	275	4,675
Foreign currency translation adjustments	—	—	—	—	—	(5,613)	—	(5,613)	(113)	(5,726)
Total comprehensive income	—	—	—	—	—	—	—	94,550	12,388	106,938
Cash dividends paid to SECOM CO., LTD. shareholders	—	—	—	—	(30,557)	—	—	(30,557)	—	(30,557)
Cash dividends paid to noncontrolling interests	—	—	—	—	—	—	—	—	(2,941)	(2,941)
Transfer to legal reserve	—	—	—	106	(106)	—	—	—	—	—
Equity transactions with noncontrolling interests and other (Note 18)										
Changes in the scope of application of the equity method	—	—	(16)	—	—	—	—	(16)	1,460	1,444
Gains on disposal of treasury stock	—	—	0	—	—	—	—	0	—	0
Net changes in treasury stock	—	—	—	—	—	—	(13)	(13)	—	(13)
Balance, March 31, 2017	233,288,717	66,378	73,102	10,632	832,785	20,076	(73,731)	929,242	122,226	1,051,468
Comprehensive income:										
Net income	—	—	—	—	96,623	—	—	96,623	13,239	109,862
Other comprehensive income (loss), net of tax (Note 18):										
Unrealized gains on securities	—	—	—	—	—	268	—	268	(12)	256
Pension liability adjustments	—	—	—	—	—	5,070	—	5,070	306	5,376
Foreign currency translation adjustments	—	—	—	—	—	1,775	—	1,775	177	1,952
Total comprehensive income	—	—	—	—	—	—	—	103,736	13,710	117,446
Issuance of new stocks	1,724	7	7	—	—	—	—	14	—	14
Cash dividends paid to SECOM CO., LTD. shareholders	—	—	—	—	(32,738)	—	—	(32,738)	—	(32,738)
Cash dividends paid to noncontrolling interests	—	—	—	—	—	—	—	—	(5,381)	(5,381)
Transfer to legal reserve	—	—	—	101	(101)	—	—	—	—	—
Equity transactions with noncontrolling interests and other (Note 18)										
Changes in the scope of application of the equity method	—	—	24	—	—	—	—	24	473	497
Gains on disposal of treasury stock	—	—	0	—	—	—	—	0	—	0
Net changes in treasury stock	—	—	—	—	—	—	(18)	(18)	—	(18)
Balance, March 31, 2018	233,290,441	66,385	73,133	10,733	896,586	27,189	(73,749)	1,000,277	131,028	1,131,305
Cumulative effect adjustments resulting from adoption of new accounting standards, net of tax (Note 2 (23))										
	—	—	—	—	16,379	(20,762)	—	(4,383)	(421)	(4,804)
Comprehensive income:										
Net income	—	—	—	—	89,686	—	—	89,686	10,755	100,441
Other comprehensive income (loss), net of tax (Note 18):										
Unrealized gains on securities	—	—	—	—	—	274	—	274	—	274
Pension liability adjustments	—	—	—	—	—	(2,320)	—	(2,320)	(246)	(2,566)
Foreign currency translation adjustments	—	—	—	—	—	(4,459)	—	(4,459)	(449)	(4,908)
Total comprehensive income	—	—	—	—	—	—	—	83,181	10,060	93,241
Issuance of new stocks	1,778	8	7	—	—	—	—	15	—	15
Cash dividends paid to SECOM CO., LTD. shareholders	—	—	—	—	(34,922)	—	—	(34,922)	—	(34,922)
Cash dividends paid to noncontrolling interests	—	—	—	—	—	—	—	—	(6,252)	(6,252)
Transfer to legal reserve	—	—	—	50	(50)	—	—	—	—	—
Equity transactions with noncontrolling interests and other (Note 18)										
Changes in the scope of application of the equity method	—	—	26	—	—	—	—	26	(2,697)	(2,671)
Gains on disposal of treasury stock	—	—	—	—	—	—	—	—	—	—
Net changes in treasury stock	—	—	—	—	—	—	(10)	(10)	—	(10)
Balance, March 31, 2019	233,292,219	¥66,393	¥73,166	¥10,783	¥967,679	(¥ 78)	(¥73,759)	¥1,044,184	¥131,718	¥1,175,902

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

	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Common stock in treasury, at cost	Total SECOM CO., LTD. shareholders' equity	Noncontrolling interests	Total
Balance, March 31, 2018	\$598,063	\$658,856	\$96,694	\$8,077,351	\$244,946	(\$664,405)	\$9,011,505	\$1,180,432	\$10,191,937
Cumulative effect adjustments resulting from adoption of new accounting standards, net of tax (Note 2 (23))									
	—	—	—	147,559	(187,045)	—	(39,486)	(3,793)	(43,279)
Comprehensive income:									
Net income	—	—	—	807,982	—	—	807,982	96,892	904,874
Other comprehensive income (loss), net of tax (Note 18):									
Unrealized gains on securities	—	—	—	—	2,468	—	2,468	—	2,468
Pension liability adjustments	—	—	—	—	(20,901)	—	(20,901)	(2,216)	(23,117)
Foreign currency translation adjustments	—	—	—	—	(40,171)	—	(40,171)	(4,045)	(44,216)
Total comprehensive income	—	—	—	—	—	—	749,378	90,631	840,009
Issuance of new stocks	72	63	—	—	—	—	135	—	135
Cash dividends paid to SECOM CO., LTD. shareholders	—	—	—	(314,613)	—	—	(314,613)	—	(314,613)
Cash dividends paid to noncontrolling interests	—	—	—	—	—	—	—	(56,324)	(56,324)
Transfer to legal reserve	—	—	450	(450)	—	—	—	—	—
Equity transactions with noncontrolling interests and other (Notes 18)									
Changes in the scope of application of the equity method	—	234	—	—	—	—	234	(24,297)	(24,063)
Gains on disposal of treasury stock	—	—	—	—	—	—	—	—	—
Net changes in treasury stock	—	—	—	—	—	(90)	(90)	—	(90)
Balance, March 31, 2019	\$598,135	\$659,153	\$97,144	\$8,717,829	(\$ 703)	(\$664,495)	\$9,407,063	\$1,186,649	\$10,593,712

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

SECOM CO., LTD. and Subsidiaries
Three years ended March 31, 2019

	In millions of yen			Translation into thousands of U.S. dollars (Note 3)
	Years ended March 31			Year ended March 31
	2019	2018	2017	2019
Cash flows from operating activities:				
Net income.....	¥100,441	¥109,862	¥103,389	\$ 904,874
Adjustments to reconcile net income to net cash provided by operating activities—				
Depreciation and amortization, including amortization of deferred charges (Notes 2 (11), 2 (12) and 12).....	75,300	78,955	78,183	678,378
Accrual for pension and severance costs, less payments.....	614	977	754	5,532
Deferred income taxes.....	(12,086)	(6,118)	3,563	(108,883)
Gain and loss on sales and disposal of fixed assets, net.....	1,444	(1,541)	2,712	13,009
Impairment loss on long-lived assets (Note 11).....	595	841	2,689	5,360
Write-down on real estate inventories (Note 8).....	580	865	1,164	5,225
Gain on private equity investments (Note 22).....	(4,673)	(5,884)	(13,887)	(42,099)
Impairment loss on goodwill (Note 12).....	—	11	1,193	—
Gain on sales of securities, net (Notes 7 and 14).....	(901)	(1,073)	(1,500)	(8,117)
Loss on other-than-temporary impairment of investment securities (Notes 14 and 22).....	8,991	199	182	81,000
Equity in net income of affiliated companies.....	(7,002)	(7,179)	(5,178)	(63,081)
Changes in assets and liabilities, net of effects from acquisitions and disposals:				
(Increase) decrease in cash deposits for armored car services.....	(6,527)	(5,189)	(2,352)	(58,802)
(Increase) decrease in receivables and due from subscribers, net of allowances.....	(17,404)	(8,292)	(1,268)	(156,793)
(Increase) decrease in inventories.....	4,285	(18,639)	187	38,604
Increase in deferred charges.....	(10,716)	(15,902)	(15,887)	(96,541)
Increase (decrease) in notes and accounts payable.....	3,388	(378)	3,435	30,523
Increase (decrease) in deposits received.....	8,690	5,962	6,627	78,288
Decrease in deferred revenue.....	938	(779)	(1,560)	8,450
Increase (decrease) in accrued income taxes.....	(4,914)	(2,441)	4,334	(44,270)
Increase (decrease) in guarantee deposits received.....	(164)	(474)	(1,023)	(1,477)
Increase in unearned premiums and other insurance liabilities.....	9,495	4,796	4,449	85,541
Increase (decrease) in accrued consumption tax.....	(831)	1,924	(879)	(7,486)
Other, net.....	8,784	2,754	9,296	79,134
Net cash provided by operating activities.....	158,327	133,257	178,623	1,426,369
Cash flows from investing activities:				
(Increase) decrease in time deposits.....	(1,251)	172	(70)	(11,270)
Proceeds from sales of property, plant and equipment.....	3,379	6,166	1,465	30,441
Payments for purchases of property, plant and equipment.....	(56,401)	(53,751)	(51,222)	(508,117)
Payments for purchases of intangible assets.....	(11,454)	(7,859)	(7,338)	(103,189)
Proceeds from sales and redemptions of investment securities (Note 7).....	43,597	69,365	43,290	392,766
Payments for purchases of investment securities.....	(36,686)	(51,098)	(32,613)	(330,505)
(Increase) decrease in short-term investments.....	(4,256)	(1,150)	(2,283)	(38,342)
Acquisitions, net of cash acquired (Note 4).....	(3,133)	(23,283)	(167)	(28,225)
(Increase) decrease in short-term receivables, net.....	62	(457)	(62)	559
Payments for long-term receivables.....	(1,024)	(840)	(760)	(9,225)
Proceeds from long-term receivables.....	1,685	1,224	1,721	15,180
Other, net.....	1,052	50	839	9,477
Net cash used in investing activities.....	(64,430)	(61,461)	(47,200)	(580,450)
Cash flows from financing activities:				
Proceeds from long-term debt.....	7,161	9,613	8,407	64,514
Repayments of long-term debt.....	(20,184)	(20,582)	(20,059)	(181,838)
Increase (decrease) in bank loans, net.....	(1,789)	(3,378)	(13,528)	(16,117)
Increase (decrease) in investment deposits by policyholders.....	(1,592)	(2,483)	(2,112)	(14,342)
Dividends paid to SECOM CO., LTD. shareholders.....	(34,922)	(32,738)	(30,557)	(314,613)
Dividends paid to noncontrolling interests.....	(6,263)	(5,426)	(3,556)	(56,423)
Payments for acquisition of shares of consolidated subsidiaries from noncontrolling interest holders.....	(3,033)	(120)	(489)	(27,324)
Proceeds from sales of shares of consolidated subsidiaries to noncontrolling interest holders.....	—	—	618	—
Increase in treasury stock, net.....	(10)	(17)	(13)	(90)
Other, net.....	331	94	1,464	2,982
Net cash used in financing activities.....	(60,301)	(55,037)	(59,825)	(543,251)
Effect of exchange rate changes on cash and cash equivalents.....	(595)	370	(980)	(5,361)
Net increase in cash and cash equivalents.....	33,001	17,129	70,618	297,307
Cash and cash equivalents at beginning of year.....	316,729	299,600	228,982	2,853,414
Cash and cash equivalents at end of year.....	¥349,730	¥316,729	¥299,600	\$3,150,721

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

SECOM CO., LTD. and Subsidiaries
Three years ended March 31, 2019

1. Nature of Operations

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

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

2. Significant Accounting Policies

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

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

(1) Basis of Consolidation and Investments in Affiliated Companies

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

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

(2) Consolidation of Variable Interest Entities

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

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

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

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

Total assets and liabilities held by VIEs of which the Company is the primary beneficiary were ¥73,396 million (\$661,225 thousand) and ¥82,725 million (\$745,270 thousand), respectively, at March 31, 2019, and ¥74,539 million and ¥84,029 million, respectively, at March 31, 2018. The creditors of VIEs do not have recourse to the Company’s general credit with the exception of debts guaranteed by the Company. Total assets and liabilities held by VIEs of which the Company holds significant variable interests but is not the primary beneficiary were ¥28,531 million (\$257,036 thousand) and ¥26,610 million (\$239,730 thousand), respectively, at March 31, 2019, and ¥29,232 million and ¥27,699 million, respectively, at March 31, 2018. The Company’s assets in the consolidated balance sheets and the Company’s maximum exposure to losses related to VIEs at March 31, 2019 and 2018 were ¥6,851 million (\$61,721 thousand) and ¥6,415 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 contracts with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

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

Revenue from term service contracts, including security services, is recognized over the contractual period or, in the case of specific services, when such services are rendered. Subscribers are generally requested to prepay a portion of service charges, especially for security services, which are credited to deferred revenue and recognized in income ratably over the covered service period. Revenue from the installation of security equipment used to provide on-line centralized security services is deferred and recognized over the contractual period of security services after completion of the installation. The related installation costs are also deferred and amortized over the contractual period (Note 2 (12)).

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

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

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

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

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

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

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

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

(4) Foreign Currency Translation

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

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

(5) Cash Equivalents

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

(6) Investments in Debt and Equity Securities

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

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

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

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

(7) Private Equity Investments

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

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

The carrying value of private equity investments was ¥13,372 million (\$120,468 thousand) and ¥29,815 million at March 31, 2019 and 2018, 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 or market. Cost is determined, in the case of real estate, based on the specific identification method and, in the case of other inventories, primarily using the moving-average method.

(9) Allowance for Doubtful Accounts

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

(10) Deferred Insurance Acquisition Costs

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

(11) Property, Plant and Equipment and Depreciation

Property, plant and equipment, including significant leasehold improvements, are carried at cost and depreciated at rates based on the estimated useful lives of the assets. Depreciation is computed using the straight-line method for assets other than security equipment and

control stations. Security equipment and control stations are depreciated using the declining-balance method. Assets leased to others under operating leases are depreciated using the straight-line method over the estimated useful lives. Depreciation expense was ¥54,474 million (\$490,757 thousand), ¥54,127 million and ¥53,677 million for the years ended March 31, 2019, 2018 and 2017, respectively. Maintenance, repairs and renewals are charged to income as incurred.

The estimated useful lives of depreciable assets are as follows:

Buildings	22 to 50 years
Security equipment and control stations	5 to 8 years
Machinery, equipment and automobiles	2 to 20 years

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

Performance of a contractual asset retirement obligation is required for the building leased by a certain subsidiary when the lease matures and the Company returns the leased building to its owner. However, the Company plans not to relocate from the building and to continue to use it until it will be demolished without restoration. As such, the execution of such obligation is not expected. The Company evaluated all the available evidence as of March 31, 2018 and performed efforts to establish the best estimate. However, the scope and the amount of execution of the obligation cannot be reasonably estimated. Therefore, an asset retirement obligation for that building lease is not recognized.

(12) Deferred Charges

Deferred charges primarily consist of costs related to installation services of security equipment used to provide on-line security systems. The installation costs are deferred and amortized using the straight-line method over the contractual period of security services after completion of the installation. Amortization expense was ¥10,310 million (\$92,882 thousand), ¥15,529 million and ¥15,596 million for the years ended March 31, 2019, 2018 and 2017, respectively.

(13) 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.

(14) 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.

(15) 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.

(16) 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.

(17) 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, 2019, 2018 and 2017 were ¥7,345 million (\$66,171 thousand), ¥6,383 million and ¥6,491 million, respectively.

(18) 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, 2019, 2018 and 2017 were ¥5,374 million (\$48,414 thousand), ¥5,011 million and ¥5,072 million, respectively.

(19) Shipping and Handling Costs

Shipping and handling costs included in selling, general and administrative expenses for the years ended March 31, 2019, 2018 and 2017 were ¥1,430 million (\$12,883 thousand), ¥1,380 million and ¥1,220 million, respectively.

(20) 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.

(21) 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, 2019, 2018 and 2017 was 218,261 thousand shares, 218,260 thousand shares and 218,261 thousand shares, respectively. There were no potentially dilutive shares outstanding during the years ended March 31, 2019, 2018 or 2017.

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

(22) 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.

(23) Recent Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers." This accounting standard requires an entity to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be

entitled in exchange for those goods or services. This accounting standard also requires an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Both qualitative and quantitative information is required. This accounting standard was originally planned to be effective for fiscal years beginning after December 15, 2016, however, in August 2015, the FASB issued ASU No. 2015-14, which defers the effective date of ASU No. 2014-09 for one year. Therefore, this accounting standard is effective for fiscal years beginning after December 15, 2017, including interim periods within that reporting period, and was adopted by the Company in the fiscal year beginning April 1, 2018, using the cumulative-effect method, for only those contracts that are not completed at the date of initial adoption. The effect of adopting this accounting standard on the Company's consolidated financial statements at the adoption date was a decrease of ¥18,044 million (\$162,559 thousand) in assets, a decrease of ¥13,408 million (\$120,793 thousand) in liabilities, and a decrease of ¥4,353 million (\$39,216 thousand) in retained earnings. The difference compared to the results of applying the previous guidance was a decrease of ¥3,333 million (\$30,027 thousand) in net sales and operating revenue, a decrease of ¥2,911 million (\$26,225 thousand) in costs and expenses, and a decrease of ¥185 million (\$1,667 thousand) in net income attributable to noncontrolling interests on the Company's consolidated financial statements for the year ended at March 31, 2019.

In January 2016, the FASB issued ASU No. 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities." This accounting standard significantly changes the income statement impact of equity investments and the recognition of changes in fair value of financial liabilities when the fair value is elected. This accounting standard is effective for fiscal years beginning after December 15, 2017, including interim periods within that reporting period, and was adopted by the Company in the fiscal year beginning April 1, 2018. The Company recognized cumulative-effect adjustment from unrealized gains on securities of ¥20,762 million (\$187,045 thousand) at March 31, 2018 which had been recognized as other comprehensive income as a transfer to retained earnings.

In February 2016, the FASB issued ASU No. 2016-02, "Leases." This accounting standard requires lessees to recognize almost all lease assets and lease liabilities on the balance sheet that arise from lease contracts which are classified as operating leases. This accounting standard is effective for fiscal years beginning after December 15, 2018, including interim periods within that reporting period and will be adopted by the Company in the fiscal year beginning April 1, 2019. The Company is currently evaluating the effect of adopting this accounting standard on its consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, "Measurement of Credit Losses on Financial Instruments." This accounting standard replaces the current incurred loss methodology that delays recognition of the full amount of credit losses until the loss was probable of occurring with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. This accounting standard is effective for fiscal years beginning after December 15, 2020, including interim periods within that reporting period, and will be adopted by the Company in the fiscal year beginning April 1, 2021. The Company is currently evaluating the effect of adopting this accounting standard on its consolidated financial statements.

In October 2016, the FASB issued ASU No. 2016-16, "Intra-Entity Transfers of Assets Other Than Inventory." This accounting standard eliminates the exception for an intra-entity transfer of an asset other than inventory which prohibits the recognition of current and deferred income tax until the asset has been sold to an outside party and requires an entity to recognize the income tax consequences when the transfer

occurs. This accounting standard is effective for fiscal years beginning after December 15, 2017, including interim periods within that reporting period, and was adopted by the Company in the fiscal year beginning April 1, 2018. The adoption did not have a material impact on the Company's consolidated results of operations or financial position.

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

In March 2017, the FASB issued ASU No. 2017-07, "Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost." This accounting standard requires an entity to disaggregate the service cost component from the other components of net benefit cost, and present the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost are required to be presented in the income statement separately from the service cost component, such as in other income (expenses). This accounting standard allows only the service cost component to be eligible for capitalization. This accounting standard is effective for fiscal years beginning after December 15, 2017, including interim periods within that reporting period, and was adopted by the Company in the fiscal year beginning April 1, 2018. The adoption of this accounting standard resulted in reclassification of ¥1,522 million from cost of sales and ¥1,202 million from selling, general and administrative expenses into other income for the year ended March 31, 2018, and ¥1,549 million from cost of sales and ¥1,234 million from selling, general and administrative expenses into other income for the year ended March 31, 2017. Please refer to note 15 for further information. The adoption of the capitalization of the service cost component of net benefit cost 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 is effective for fiscal years beginning after December 15, 2020, and will be adopted by the Company in the fiscal year beginning April 1, 2021. The Company is currently evaluating the effect of adopting this accounting standard on its consolidated financial statements.

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

In August 2018, the FASB issued ASU No. 2018-14, "Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans." This accounting standard adds, removes and clarifies the

disclosure requirements for defined benefit pension or other postretirement plans. This accounting standard is effective for fiscal years beginning after December 15, 2020, and will be adopted by the Company in the fiscal year beginning April 1, 2021. Early adoption is permitted, and the Company is currently evaluating the timing of its adoption. As this accounting standard is a provision for presentation only, the adoption will not have an impact on the Company's consolidated financial statements.

(24) 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.

(25) Reclassifications

Certain amounts in the accompanying consolidated financial statements for the years ended March 31, 2018 and 2017 have been reclassified to conform to the presentation used for the year ended March 31, 2019.

3. U.S. Dollar Amounts

U.S. dollar amounts have been included in these financial statements solely for the convenience of the reader. The translations of yen into U.S. dollars have been made at the rate of ¥111=US\$1, the approximate rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2019. These translations should not be construed as representing that the yen amounts actually constitute, or have been or could be converted into U.S. dollars at that rate.

4. Acquisitions

Acquisition of TMJ, Inc.

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

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

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

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

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

The following unaudited pro forma information shows the Company's consolidated results of operations for the years ended March 31, 2018 and 2017 as if the newly consolidated subsidiaries acquired in the year ended March 31, 2018, were consolidated on April 1, 2016.

Unaudited	In millions of yen	
	Years ended March 31	
	2018	2017
Pro forma net sales and operating revenue	¥1,099,655	¥1,066,938
Pro forma net income attributable to SECOM Co., Ltd.	97,714	92,070

Unaudited	In yen	
	Years ended March 31	
	2018	2017
Pro forma net income attributable to SECOM Co., Ltd. per share.....	¥447.69	¥421.83

The unaudited pro forma data is not necessarily indicative of the Company's consolidated results of operations that would actually have been reported if the transaction in fact had occurred on April 1, 2016, and is not necessarily representative of the Company's consolidated results of operations for any future period.

5. Cash and Cash Equivalents

Cash and cash equivalents at March 31, 2019 and 2018 comprise the following:

	In millions of yen		In thousands of U.S. dollars	
	March 31		March 31	
	2019	2018	2019	2018
Cash.....	¥337,195	¥304,415	\$3,037,793	
Time deposits.....	12,447	12,165	112,135	
Call loans.....	—	—	—	
Investment securities.....	88	149	793	
	¥349,730	¥316,729	\$3,150,721	

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 ¥21,211 million (\$191,090 thousand) and ¥121,087 million (\$1,090,874 thousand), respectively, at March 31, 2019, and ¥21,940 million and ¥113,830 million, respectively, at March 31, 2018. 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, 2019 and 2018 are as follows:

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

*After the adoption of ASU No. 2016-01, equity investments are measured at fair value with changes in the fair value recognized in net income at March 31, 2019.

	In millions of yen			
	March 31, 2018			
	Cost	Gross unrealized		Fair value
		Gains	Losses	
Short-term investments:				
Available-for-sale:				
Debt securities	¥ 16,319	¥ 902	¥ 10	¥ 17,211
Held-to-maturity:				
Debt securities.....	—	—	—	—
	¥ 16,319	¥ 902	¥ 10	¥ 17,211
Investment securities:				
Available-for-sale:				
Equity securities	¥ 35,071	¥31,714	¥ 175	¥ 66,610
Debt securities	105,423	2,799	913	107,309
Held-to-maturity:				
Debt securities.....	13,006	1,546	—	14,552
	¥153,500	¥36,059	¥1,088	¥188,471

	In thousands of U.S. dollars			
	March 31, 2019			
	Cost	Gross unrealized		Fair value
		Gains	Losses	
Short-term investments:				
Available-for-sale:				
Debt securities	\$ 220,360	\$ 7,793	\$ 279	\$ 227,874
Held-to-maturity:				
Debt securities.....	—	—	—	—
	\$ 220,360	\$ 7,793	\$ 279	\$ 227,874
Investment securities:				
Available-for-sale:				
Equity securities	\$ —	\$ —	\$ —	\$ —
Debt securities	1,004,811	23,820	2,883	1,025,748
Held-to-maturity:				
Debt securities.....	116,703	15,702	—	132,405
	\$1,121,514	\$39,522	\$2,883	\$1,158,153

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, 2019 are as follows:

	In millions of yen			
	March 31, 2019			
	Less than 12 months		12 months or longer	
	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
Available-for-sale:				
Debt securities	¥33,725	¥351	¥—	¥—
	¥33,725	¥351	¥—	¥—
Held-to-maturity:				
Debt securities	¥ —	¥ —	¥—	¥—

	In thousands of U.S. dollars			
	March 31, 2019			
	Less than 12 months		12 months or longer	
	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
Available-for-sale:				
Debt securities	\$303,829	\$3,162	\$—	\$—
	\$303,829	\$3,162	\$—	\$—
Held-to-maturity:				
Debt securities	\$ —	\$ —	\$—	\$—

Based on the Company's ability and intent to hold the investments for a reasonable period of time sufficient for a recovery of fair value, the credit condition of the issuers and other relevant factors, the Company does not consider these investments to be other-than-temporarily impaired at March 31, 2019.

At March 31, 2019, 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, 2019 are as follows:

	In millions of yen			
	March 31, 2019			
	Available-for-sale		Held-to-maturity	
	Cost	Fair value	Cost	Fair value
Due within 1 year	¥ 24,460	¥ 25,294	¥ —	¥ —
Due after 1 year through 5 years	90,477	91,589	1,510	1,540
Due after 5 years through 10 years	2,875	3,148	—	—
Due after 10 years	18,182	19,121	11,444	13,157
	¥135,994	¥139,152	¥12,954	¥14,697

	In thousands of U.S. dollars			
	March 31, 2019			
	Available-for-sale		Held-to-maturity	
	Cost	Fair value	Cost	Fair value
Due within 1 year	\$ 220,360	\$ 227,874	\$ —	\$ —
Due after 1 year through 5 years	815,108	825,126	13,604	13,874
Due after 5 years through 10 years	25,901	28,360	—	—
Due after 10 years	163,802	172,262	103,099	118,531
	\$1,225,171	\$1,253,622	\$116,703	\$132,405

Proceeds from the sale of "available-for-sale" securities for the years ended March 31, 2019, 2018 and 2017 were ¥11,603 million (\$104,532 thousand), ¥26,488 million and ¥15,574 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, 2019, 2018 and 2017 are as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2019	2018	2017	2019
Gross realized gains	¥1,457	¥1,689	¥1,623	\$13,126
Gross realized losses	53	268	72	477

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 ¥10,890 million (\$98,108 thousand) and ¥10,515 million at March 31, 2019 and 2018, 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, 2019 and 2018 comprise the following:

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2019	2018	2019
Security-related products	¥ 8,611	¥ 7,433	\$ 77,577
Fire protection-related products	12,160	20,476	109,549
Real estate	36,607	44,455	329,793
Other-related products	8,567	9,694	77,180
	¥65,945	¥82,058	\$594,099

Work in process for real estate inventories at March 31, 2019 and 2018, amounting to ¥30,743 million (\$276,964 thousand) and ¥39,689 million, respectively, are included in real estate.

The amount of write-down on real estate inventories included in cost of sales for the years ended March 31, 2019, 2018 and 2017 were ¥580 million (\$5,225 thousand), ¥865 million and ¥1,164 million, respectively.

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

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

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

Financing receivables and allowance for doubtful accounts at March 31, 2019 and 2018 are as follows:

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

	In millions of yen				
	Year ended March 31, 2018				
	Lease receivables	Loans receivable resulting from medical services	Other loans receivable	Other	Total
Allowance for doubtful accounts:					
Balance at beginning of year.....	¥ 356	¥2,390	¥ 698	¥ 850	¥ 4,294
Provision (Reversal).....	(133)	(17)	(143)	366	73
Charge off.....	52	—	—	(0)	52
Other*.....	—	—	(16)	0	(16)
Balance at end of year.....	275	2,373	539	1,216	4,403
Individually evaluated.....	119	2,373	539	1,216	4,247
Collectively evaluated.....	¥ 156	¥ —	¥ 0	¥ —	¥ 156
Financing receivables:					
Individually evaluated.....	¥ 197	¥5,666	¥ 948	¥1,404	¥ 8,215
Collectively evaluated.....	54,203	548	921	143	55,815
	¥54,400	¥6,214	¥1,869	¥1,547	¥64,030

* "Other" principally includes the effect of changes in foreign currency exchange rates and the scope of consolidation.

	In thousands of U.S. dollars				
	Year ended March 31, 2019				
	Lease receivables	Loans receivable resulting from medical services	Other loans receivable	Other	Total
Allowance for doubtful accounts:					
Balance at beginning of year.....	\$ 2,478	\$21,378	\$ 4,856	\$10,954	\$ 39,666
Provision (Reversal).....	(631)	(54)	(496)	(486)	(1,667)
Charge off.....	288	—	—	(0)	288
Other.....	—	—	—	—	—
Balance at end of year.....	2,135	21,324	4,360	10,468	38,287
Individually evaluated.....	1,522	21,324	4,360	10,468	37,674
Collectively evaluated.....	\$ 613	\$ —	\$ 0	\$ —	\$ 613
Financing receivables:					
Individually evaluated.....	\$ 2,495	\$46,324	\$ 7,495	\$12,676	\$ 68,990
Collectively evaluated.....	453,820	5,217	11,505	1,792	472,334
	\$456,315	\$51,541	\$19,000	\$14,468	\$541,324

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, 2019 and 2018 are as follows:

	In millions of yen				
	March 31, 2019				
	Lease receivables	Loans receivable resulting from medical services	Other loans receivable	Other	Total
Current.....	¥50,374	¥5,685	¥1,310	¥ 957	¥58,326
Overdue.....	277	36	799	649	1,761
Total:					
Financing receivables.....	¥50,651	¥5,721	¥2,109	¥1,606	¥60,087
Financing receivables on nonaccrual status.....	¥ —	¥ 3	¥ 833	¥ —	¥ 836
	In millions of yen				
	March 31, 2018				
	Lease receivables	Loans receivable resulting from medical services	Other loans receivable	Other	Total
Current.....	¥54,203	¥6,177	¥ 953	¥ 843	¥62,176
Overdue.....	197	37	916	704	1,854
Total:					
Financing receivables.....	¥54,400	¥6,214	¥1,869	¥1,547	¥64,030
Financing receivables on nonaccrual status.....	¥ —	¥ 4	¥ 948	¥ —	¥ 952

In thousands of U.S. dollars					
March 31, 2019					
	Lease receivables	Loans receivable resulting from medical services	Other loans receivable	Other	Total
Current.....	\$453,820	\$51,216	\$11,802	\$ 8,621	\$525,459
Overdue.....	2,495	325	7,198	5,847	15,865
Total:					
Financing receivables.....	\$456,315	\$51,541	\$19,000	\$14,468	\$541,324
Financing receivables on nonaccrual status.....	\$ —	\$ 27	\$ 7,505	\$ —	\$ 7,532

Impaired receivables and the related allowance for doubtful accounts at March 31, 2019 and 2018 are as follows:

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

In millions of yen					
March 31, 2018					
	Lease receivables	Loans receivable resulting from medical services	Other loans receivable	Other	Total
Impaired receivables.....	¥197	¥5,666	¥948	¥1,404	¥8,215
Related allowance for doubtful accounts.....	119	2,373	539	1,216	4,247

In thousands of U.S. dollars					
March 31, 2019					
	Lease receivables	Loans receivable resulting from medical services	Other loans receivable	Other	Total
Impaired receivables.....	\$2,495	\$46,324	\$7,495	\$12,676	\$68,990
Related allowance for doubtful accounts.....	1,522	21,324	4,360	10,468	37,674

The average amounts of impaired receivables for the year ended March 31, 2019 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.....	¥214	¥5,499	¥818	¥1,253	¥7,784

In thousands of U.S. dollars					
	Lease receivables	Loans receivable resulting from medical services	Other loans receivable	Other	Total
Average amounts of impaired receivables.....	\$1,928	\$49,541	\$7,369	\$11,288	\$70,126

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 27.6 percent owned affiliate, which is listed on the Second Section of the Tokyo Securities Exchange.

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

	In millions of yen		In thousands of U.S. dollars	
	March 31	March 31	March 31	
	2019	2018	2019	
Current assets.....	¥133,699	¥127,793	\$1,204,495	
Noncurrent assets.....	188,009	196,908	1,693,775	
Total assets.....	¥321,708	¥324,701	\$2,898,270	
Current liabilities.....	¥ 78,969	¥ 79,246	\$ 711,432	
Long-term liabilities.....	40,801	42,160	367,577	
Equity.....	201,938	203,295	1,819,261	
Total liabilities and equity.....	¥321,708	¥324,701	\$2,898,270	
	In millions of yen		In thousands of U.S. dollars	
	Years ended March 31	Years ended March 31	Year ended March 31	
	2019	2018	2017	
Net sales.....	¥289,172	¥283,066	¥255,263	\$2,605,153
Gross profit.....	¥ 81,096	¥ 83,626	¥ 78,246	\$ 730,595
Net income attributable to affiliated companies.....	¥ 20,435	¥ 25,266	¥ 17,320	\$ 184,099

Dividends received from affiliated companies for the years ended March 31, 2019, 2018 and 2017 were ¥4,390 million (\$39,550 thousand), ¥4,199 million and ¥3,036 million, respectively.

Three listed affiliated companies accounted for under the equity method with an aggregated carrying amount of ¥54,608 million (\$491,964 thousand) and ¥51,410 million at March 31, 2019 and 2018, respectively, had a quoted market value of ¥138,854 million (\$1,250,937 thousand) and ¥141,738 million at March 31, 2019 and 2018, respectively.

The amounts of goodwill included in the carrying amount of investments in affiliated companies were ¥4,665 million (\$42,027 thousand) and ¥4,836 million at March 31, 2019 and 2018, 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
	2019	2018	2017	2019
Sales	¥1,422	¥1,371	¥1,455	\$12,811
Purchases	¥6,965	¥6,293	¥4,749	\$62,748

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2019	2018	2019
Notes and accounts receivable, trade	¥ 490	¥ 475	\$ 4,414
Loans receivable	¥ 331	¥ 492	\$ 2,982
Notes and accounts payable	¥3,128	¥2,406	\$28,180
Guarantees for bank loans	¥ —	¥ —	\$ —

The Company's equity in undistributed income of affiliates at March 31, 2019 and 2018 included in retained earnings was ¥39,466 million (\$35,550 thousand) and ¥37,763 million, respectively.

11. Long-Lived Assets

The Company has assessed the potential impairment of its long-lived assets. As a result of a significant decrease in revenue forecasts, the Company principally recognized impairment losses on certain business assets of the geospatial information services segment for the year ended March 31, 2019, on certain business assets of the BPO and ICT services segment for the year ended March 31, 2018, and on certain business assets of the geospatial information services segment for the year ended March 31, 2017. 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, 2019, 2018 and 2017 are as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2019	2018	2017	2019
Security services	¥ 11	¥ 47	¥ 42	\$ 99
Fire protection services	23	15	62	207
Medical services	—	—	556	—
Insurance services	—	—	—	—
Geospatial information services	545	364	1,473	4,910
BPO and ICT services	16	415	485	144
Real estate and other services	—	—	71	—
Corporate items	—	—	—	—
Total	¥595	¥841	¥2,689	\$5,360

12. Goodwill and Other Intangible Assets

The components of acquired intangible assets, excluding goodwill, at March 31, 2019 and 2018 are as follows:

	In millions of yen		
	March 31, 2019		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortized intangible assets:			
Software	¥ 63,865	(¥38,759)	¥25,106
Other	40,765	(12,156)	28,609
	¥104,630	(¥50,915)	¥53,715
Unamortized intangible assets	¥ 4,177	¥ —	¥ 4,177

	In millions of yen		
	March 31, 2018		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortized intangible assets:			
Software	¥53,535	(¥33,380)	¥20,155
Other	40,228	(9,307)	30,921
	¥93,763	(¥42,687)	¥51,076
Unamortized intangible assets	¥ 5,951	¥ —	¥ 5,951

	In thousands of U.S. dollars		
	March 31, 2019		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortized intangible assets:			
Software	\$575,360	(\$349,180)	\$226,180
Other	367,252	(109,514)	257,738
	\$942,612	(\$458,694)	\$483,918
Unamortized intangible assets	\$ 37,632	\$ —	\$ 37,632

Aggregate amortization expense for the years ended March 31, 2019, 2018 and 2017 was ¥10,516 million (\$9,739 thousand), ¥9,299 million and ¥8,910 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
2020	¥10,898	\$98,180
2021	9,006	81,135
2022	7,296	65,730
2023	5,862	52,811
2024	4,475	40,315

The changes in the carrying amount of goodwill by business segment for the years ended March 31, 2019 and 2018 are as follows:

	In millions of yen						
	Security services	Fire protection services	Medical services	Geospatial information services	BPO and ICT services	Real estate and other services	Total
Goodwill.....	¥62,741	¥1,942	¥9,399	¥4,577	¥17,643	¥1,962	¥ 98,264
Accumulated impairment losses.....	(2,879)	—	(5,350)	(775)	(175)	(135)	(9,314)
March 31, 2017.....	59,862	1,942	4,049	3,802	17,468	1,827	88,950
Goodwill acquired during the year.....	38	57	—	—	17,471	—	17,566
Disposal.....	—	—	—	—	—	—	—
Impairment losses.....	—	—	(11)	—	—	—	(11)
Translation adjustment.....	9	—	—	(2)	—	—	7
Goodwill.....	62,788	1,999	9,399	4,575	35,114	1,962	115,837
Accumulated impairment losses.....	(2,879)	—	(5,361)	(775)	(175)	(135)	(9,325)
March 31, 2018.....	59,909	1,999	4,038	3,800	34,939	1,827	106,512
Goodwill acquired during the year.....	1,623	—	—	—	—	—	1,623
Disposal.....	—	—	—	—	—	—	—
Impairment losses.....	—	—	—	—	—	—	—
Translation adjustment.....	(12)	—	—	(1)	—	—	(13)
Goodwill.....	64,399	1,999	9,399	4,574	35,114	1,962	117,447
Accumulated impairment losses.....	(2,879)	—	(5,361)	(775)	(175)	(135)	(9,325)
March 31, 2019.....	¥61,520	¥1,999	¥4,038	¥3,799	¥34,939	¥1,827	¥108,122

	In thousands of U.S. dollars						
	Security services	Fire protection services	Medical services	Geospatial information services	BPO and ICT services	Real estate and other services	Total
Goodwill.....	\$565,658	\$18,009	\$84,675	\$41,216	\$316,343	\$17,675	\$1,043,576
Accumulated impairment losses.....	(25,937)	—	(48,297)	(6,982)	(1,577)	(1,216)	(84,009)
March 31, 2018.....	539,721	18,009	36,378	34,234	314,766	16,459	959,567
Goodwill acquired during the year.....	14,622	—	—	—	—	—	14,622
Disposal.....	—	—	—	—	—	—	—
Impairment losses.....	—	—	—	—	—	—	—
Translation adjustment.....	(108)	—	—	(9)	—	—	(117)
Goodwill.....	580,172	18,009	84,675	41,207	316,343	17,675	1,058,081
Accumulated impairment losses.....	(25,937)	—	(48,297)	(6,982)	(1,577)	(1,216)	(84,009)
March 31, 2019.....	\$554,235	\$18,009	\$36,378	\$34,225	\$314,766	\$16,459	\$ 974,072

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 ¥38,658 million (\$348,270 thousand) and ¥38,969 million at March 31, 2019 and 2018, respectively, are generally comprised of 30 to 365 day notes. The weighted average interest rate was 0.68 percent and 0.76 percent at March 31, 2019 and 2018, 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, 2019, Nohmi Bosai Ltd. and Arai & Co., Ltd., subsidiaries of the parent company, had an unused committed line of credit from a short-term arrangement of ¥6,800 million (\$61,261 thousand). The line of credit expires in March 2021. 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, 2019, the Company had overdraft agreements with 44 banks and its unused lines of credit amounted to ¥73,867 million (\$665,468 thousand). The Company incurs no fee on the unused portion of these overdraft agreements. The overdraft agreements expire in the period from April 2019 to March 2020. The Company has the ability and intent to extend these overdraft agreements under similar terms and conditions.

Long-term debt at March 31, 2019 and 2018 comprises the following:

	In millions of yen		In thousands of U.S. dollars
	March 31	2018	March 31
Loans, principally from banks due 2017–2033 with interest rates ranging from 0.10% to 10.90%:			
Secured.....	¥12,270	¥14,545	\$110,541
Unsecured.....	20,426	25,106	184,018
0.38% unsecured bonds due 2021.....	493	490	4,441
0.26% unsecured bonds due 2021.....	50	70	450
0.25% unsecured bonds due 2021.....	50	70	450
0.31% unsecured bonds due 2023.....	33	40	297
0.40% unsecured bonds due 2024.....	22	26	198
0.29% unsecured bonds due 2022.....	30	40	270
Unsecured bonds due 2017–2027 with floating interest rates based on 6-month Japanese yen TIBOR.....	5,946	5,299	53,568
Obligations under capital leases, due 2017–2043 (Note 19).....	24,469	24,246	220,442
	63,789	69,932	574,675
Less: Portion due within one year.....	(18,447)	(19,632)	(166,189)
	¥45,342	¥50,300	\$408,486

Assets pledged as collateral for bank loans and long-term debt at March 31, 2019 and 2018 are as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2019	2018	2019
Time deposits.....	¥ 1,349	¥ 1,437	\$ 12,153
Short-term and long-term receivables.....	6,166	6,130	55,550
Investment securities.....	1,319	1,332	11,883
Property, plant and equipment.....	43,637	43,510	393,126
Other intangible assets.....	¥ 818	¥ 818	\$ 7,369

The aggregate annual maturities on long-term debt at March 31, 2019 are as follows:

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2020.....	¥18,447	\$166,189
2021.....	14,529	130,892
2022.....	9,137	82,315
2023.....	7,277	65,559
2024.....	3,716	33,477
Thereafter.....	10,683	96,243
	¥63,789	\$574,675

14. Insurance-Related Operations

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

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

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

The net equity of Secom Insurance at March 31, 2019 and 2018 was ¥72,174 million (\$650,216 thousand) and ¥75,968 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, 2019, 2018 and 2017 were losses of ¥4,016 million (\$36,180 thousand), and gains of ¥694 million and ¥1,004 million, respectively. Losses on other-than-temporary impairments of investment securities for the years ended March 31, 2019, 2018 and 2017 were ¥5,032 million (\$45,333 thousand), ¥142 million and ¥105 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, 2019, 2018 and 2017 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
	2019	2018	2017	2019
Net periodic pension and severance costs:				
Service cost.....	¥7,787	¥7,996	¥7,889	\$70,152
Interest cost.....	398	404	349	3,586
Expected return on plan assets.....	(3,254)	(3,109)	(2,919)	(29,315)
Amortization of prior service benefit.....	(4)	(306)	(966)	(36)
Recognized actuarial loss.....	176	287	754	1,586
Net periodic pension and severance costs.....	¥5,103	¥5,272	¥5,107	\$45,973

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	Years ended March 31	Year ended March 31
	2019	2018	2019
Change in benefit obligation:			
Benefit obligation			
at beginning of year.....	¥113,324	¥111,632	\$1,020,937
Service cost.....	7,787	7,996	70,152
Interest cost.....	398	404	3,586
Actuarial (gain) loss.....	(154)	(1,281)	(1,387)
Benefits paid.....	(6,586)	(6,018)	(59,334)
Acquisition.....	1,723	591	15,523
Transfer to the defined contribution pension plan.....	(140)	—	(1,261)
Transfer of the substitutational portion of the welfare pension fund.....	(205)	—	(1,847)
Benefit obligation at end of year.....	116,147	113,324	1,046,369
Change in plan assets:			
Fair value of plan assets			
at beginning of year.....	125,349	117,278	1,129,270
Actual return on plan assets.....	(142)	9,425	(1,279)
Employer contribution.....	2,256	2,396	20,324
Benefits paid.....	(4,572)	(4,139)	(41,189)
Acquisition.....	1,016	389	9,153
Transfer of the substitutational portion of the welfare pension fund.....	(260)	—	(2,342)
Other.....	76	—	685
Fair value of plan assets at end of year.....	123,723	125,349	1,114,622
Funded status at the end of year.....	¥ 7,576	¥ 12,025	\$ 68,253

Amounts recognized in the consolidated balance sheets at March 31, 2019 and 2018 consist of:

	In millions of yen		In thousands of U.S. dollars
	March 31	March 31	March 31
	2019	2018	2019
Prepaid pension and severance costs.....	¥38,489	¥41,409	\$346,748
Accrued pension and severance costs.....	(30,913)	(29,384)	(278,495)
Net amount recognized.....	¥ 7,576	¥12,025	\$ 68,253

Other changes in plan assets and benefit obligations recognized in other comprehensive income (loss) for the year ended March 31, 2019 are summarized as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31	March 31	March 31
	2019	2018	2019
Current year actuarial loss.....	¥3,241	—	\$29,199
Amortization of actuarial loss.....	(176)	—	(1,586)
Amortization of prior service benefit.....	4	—	36
	¥3,069	—	\$27,649

Amounts recognized in accumulated other comprehensive income (loss) at March 31, 2019 and 2018 consist of:

	In millions of yen		In thousands of U.S. dollars
	March 31	March 31	March 31
	2019	2018	2019
Actuarial loss.....	¥3,816	¥751	\$34,378
Prior service benefit.....	231	227	2,081
Net amount recognized.....	¥4,047	¥978	\$36,459

The estimated prior service benefit and actuarial loss for the defined benefit pension plans that will be amortized from accumulated other comprehensive income (loss) into net periodic benefit cost over the next year are ¥-1 million (\$-9 thousand) and ¥207 million (\$1,865 thousand), respectively.

The accumulated benefit obligation for the pension plan was ¥115,843 million (\$1,043,631 thousand) and ¥113,039 million at March 31, 2019 and 2018, respectively.

The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for the pension plans with accumulated benefit obligation in excess of plan assets were ¥51,666 million (\$465,459 thousand), ¥51,362 million (\$462,721 thousand) and ¥18,580 million (\$167,387 thousand), respectively, at March 31, 2019, and ¥49,470 million, ¥49,186 million and ¥29,006 million, respectively, at March 31, 2018.

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, 2019 and 2018 are as follows:

	March 31	
	2019	2018
Discount rate.....	0.3%	0.4%
Rate of compensation increase.....	2.2%	2.6%

Weighted-average assumptions used to determine net pension and severance costs for the years ended March 31, 2019, 2018 and 2017 are as follows:

	Years ended March 31		
	2019	2018	2017
Discount rate.....	0.4%	0.4%	0.3%
Expected return on plan assets.....	3.0%	3.0%	3.0%
Rate of compensation increase.....	2.6%	2.7%	2.6%

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. The policy uses target allocations for the individual asset categories. Plan assets are invested primarily in equity and debt securities, and pooled funds with the objective to minimize risk and achieve the expected rate of return. The investment results are periodically checked and asset allocation is adjusted as necessary.

The following table represents the fair value of the Company's pension plan assets at March 31, 2019 and 2018. The three levels of inputs used to measure fair value are more fully described in Note 22.

	In millions of yen			
	March 31, 2019			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents.....	¥ 6,618	¥ —	¥ —	¥ 6,618
Equity securities				
Japanese companies.....	22,944	—	424	23,368
Foreign companies.....	5,240	—	—	5,240
Debt securities				
Government bonds.....	2,485	414	—	2,899
Non-government bonds.....	—	—	—	—
Pooled funds.....	411	47,345	19,545	67,301
Call loans.....	—	3,770	—	3,770
Insurance contracts.....	—	13,493	—	13,493
Other.....	2	448	584	1,034
	¥37,700	¥65,470	¥20,553	¥123,723

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

* The pension investment trust fund included in the plan's pooled funds is classified as Level 2, and invests approximately 50% in equity securities, 40% in debt securities and 10% in other investments. The unquoted beneficial certificate of security investment trust included in the plan's pooled funds is classified as Level 3.

	In millions of yen			
	March 31, 2018			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents.....	¥ 8,142	¥ —	¥ —	¥ 8,142
Equity securities				
Japanese companies.....	23,703	434	—	24,137
Foreign companies.....	3,837	—	—	3,837
Debt securities				
Government bonds.....	2,515	494	—	3,009
Non-government bonds.....	—	2,032	—	2,032
Pooled funds.....	595	39,134	24,433	64,162
Call loans.....	—	5,314	—	5,314
Insurance contracts.....	—	13,127	—	13,127
Other.....	—	355	1,234	1,589
	¥38,792	¥60,890	¥25,667	¥125,349

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

* The pension investment trust fund included in the plan's pooled funds is classified as Level 2, and invests approximately 50% in equity securities, 40% in debt securities and 10% in other investments. The unquoted beneficial certificate of security investment trust included in the plan's pooled funds is classified as Level 3.

	In thousands of U.S. dollars			
	March 31, 2019			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents.....	\$ 59,622	\$ —	\$ —	\$ 59,622
Equity securities				
Japanese companies.....	206,703	—	3,820	210,523
Foreign companies.....	47,207	—	—	47,207
Debt securities				
Government bonds.....	22,387	3,730	—	26,117
Non-government bonds.....	—	—	—	—
Pooled funds.....	3,703	426,531	176,081	606,315
Call loans.....	—	33,964	—	33,964
Insurance contracts.....	—	121,559	—	121,559
Other.....	18	4,036	5,261	9,315
	\$339,640	\$589,820	\$185,162	\$1,114,622

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

* The pension investment trust fund included in the plan's pooled funds is classified as Level 2, and invests approximately 50% in equity securities, 40% in debt securities and 10% in other investments. The unquoted beneficial certificate of security investment trust included in the plan's pooled funds is classified as Level 3.

The following table represents the changes in Level 3 investments for the years ended March 31, 2019 and 2018.

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

	In millions of yen			
	Year ended March 31, 2018			
	Equity securities Japanese companies	Pooled funds	Other	Total
Balance at beginning of year.....	¥—	¥26,273	¥ 778	¥27,051
Actual return on plan assets:				
Relating to assets sold during the year.....	—	(1,047)	68	(979)
Relating to assets held at end of year.....	—	615	(78)	537
Purchases, sales and settlements, net.....	—	(1,408)	466	(942)
Transfer to (from) Level 3, net.....	—	—	—	—
Balance at end of year.....	¥—	¥24,433	¥1,234	¥25,667

	In thousands of U.S. dollars			
	Year ended March 31, 2019			
	Equity securities Japanese companies	Pooled funds	Other	Total
Balance at beginning of year.....	\$ —	\$220,117	\$11,117	\$231,234
Actual return on plan assets:				
Relating to assets sold during the year.....	—	4,973	712	5,685
Relating to assets held at end of year.....	—	1,270	(9)	1,261
Purchases, sales and settlements, net.....	—	(13,811)	(6,559)	(20,370)
Transfer to (from) Level 3, net.....	3,820	(36,468)	—	(32,648)
Balance at end of year.....	\$3,820	\$176,081	\$ 5,261	\$185,162

The Company expects to contribute ¥2,669 million (\$24,045 thousand) to its domestic defined benefit plans in the year ending March 31, 2020.

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
2020.....	¥ 5,451	\$ 49,108
2021.....	5,615	50,586
2022.....	5,806	52,306
2023.....	6,009	54,135
2024.....	6,177	55,649
2025–2029.....	31,347	282,405

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, 2019, 2018 and 2017 were ¥1,963 million (\$17,685 thousand), ¥1,851 million and ¥2,192 million, respectively.

16. Exchange Gains and Losses

Other expenses for the years ended March 31, 2019, 2018 and 2017 includes net exchange losses of ¥169 million (\$1,523 thousand), ¥213 million and ¥454 million, respectively.

17. Income Taxes

Total income taxes for the years ended March 31, 2019, 2018 and 2017 are allocated as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2019	2018	2017	2019
Consolidated income taxes from continuing operations.....	¥35,124	¥48,107	¥47,012	\$316,432
Shareholders' equity—accumulated other comprehensive income (loss):				
Unrealized gains on securities.....	139	155	1,244	1,253
Pension liability adjustments.....	(986)	2,332	1,876	(8,884)
Foreign currency translation adjustments.....	(662)	662	(358)	(5,964)
	¥33,615	¥51,256	¥49,774	\$302,837

The parent company and its domestic subsidiaries are subject to a number of income taxes. As a result of revisions to domestic laws during the third quarter ended December 31, 2015, and the fourth quarter ended March 31, 2016, the statutory income tax rate in Japan, which was approximately 30.7 percent for the years ended March 31, 2017 and 2018, decreased to approximately 30.5 percent for the year ended March 31, 2019.

Reconciliations of the differences between income taxes computed at statutory tax rates and consolidated income taxes from continuing operations are as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2019	2018	2017	2019
Income taxes computed at statutory tax rate.....	¥39,212	¥46,293	¥44,584	\$353,261
Increase (decrease) resulting from:				
Provision of valuation allowance.....	215	2,116	714	1,935
Per capita tax.....	882	882	867	7,946
Reversal of valuation allowance.....	(3,959)	(835)	(1,048)	(35,665)
Net effect of changes in corporate tax rates.....	139	660	512	1,252
Other, net.....	(1,365)	(1,009)	1,383	(12,297)
Consolidated income taxes from continuing operations.....	¥35,124	¥48,107	¥47,012	\$316,432

The significant components of deferred tax assets and liabilities at March 31, 2019 and 2018 are as follows:

	In millions of yen		In thousands of U.S. dollars	
	2019	2018	2019	2018
Deferred tax assets:				
Accrued pension and severance costs.....	¥ 8,354	¥ 8,637	\$ 75,261	
Property, plant and equipment.....	6,749	7,448	60,802	
Loss carryforwards.....	6,527	9,138	58,802	
Adjustment of book value at the date of acquisition				
Land and buildings.....	6,073	6,153	54,712	
Other assets.....	399	399	3,595	
Accrued bonus.....	6,181	5,813	55,685	
Deferred revenue.....	5,382	7,176	48,486	
Vacation accrual.....	4,441	4,289	40,009	
Investment securities.....	4,307	2,139	38,802	
Unrealized intra-entity profit on assets.....	3,521	—	31,721	
Allowance for doubtful accounts.....	1,714	1,774	15,441	
Intangible assets.....	1,549	1,798	13,955	
Write-down on real estate inventories.....	595	631	5,360	
Other.....	14,255	12,003	128,423	
Gross deferred tax assets.....	70,047	67,398	631,054	
Less: Valuation allowance.....	(20,649)	(27,509)	(186,027)	
Total deferred tax assets.....	49,398	39,889	445,027	
Deferred tax liabilities:				
Adjustment of book value at the date of acquisition				
Intangible assets.....	(8,826)	(9,690)	(79,514)	
Land and buildings.....	(3,904)	(4,117)	(35,171)	
Other assets.....	(920)	(951)	(8,288)	
Prepaid pension and severance costs.....	(11,014)	(12,646)	(99,225)	
Unrealized gains on securities.....	(7,494)	(9,570)	(67,514)	
Investments in affiliated companies.....	(6,021)	(6,458)	(54,243)	
Deferred installation costs.....	(888)	(5,204)	(8,000)	
Other.....	(4,312)	(4,544)	(38,847)	
Gross deferred tax liabilities.....	(43,379)	(53,180)	(390,802)	
Net deferred tax assets (liabilities).....	¥ 6,019	(¥13,291)	\$ 54,225	

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, 2019, 2018 and 2017 was a decrease of ¥6,860 million (\$61,802 thousand), and an increase of ¥1,862 million and ¥599 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, 2019 and 2018.

Net deferred tax assets (liabilities) at March 31, 2019 and 2018 are reflected in the accompanying consolidated balance sheets under the following captions:

	In millions of yen		In thousands of U.S. dollars	
	2019	2018	2019	2018
Deferred income taxes (Other assets).....	¥22,060	¥13,239	\$198,739	
Deferred income taxes (Long-term liabilities).....	(16,041)	(26,530)	(144,514)	
Net deferred tax assets (liabilities).....	¥ 6,019	(¥13,291)	\$ 54,225	

The Company has not recognized deferred tax liabilities for a portion of undistributed earnings of foreign subsidiaries of ¥36,749 million (\$331,072 thousand) totaling ¥646 million (\$5,820 thousand) at March 31, 2019 as they are not expected to be remitted in the foreseeable future.

At March 31, 2019, the operating loss carryforwards of domestic subsidiaries amounted to ¥13,442 million (\$121,099 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
2020.....	¥ 249	\$ 2,243
2021.....	116	1,045
2022.....	2,209	19,901
2023.....	1,419	12,784
2024.....	2,396	21,586
2025.....	3,473	31,288
2026.....	1,813	16,333
2027.....	1,615	14,550
2028.....	—	—
2029.....	152	1,369
	¥13,442	\$121,099

The operating loss carryforwards of overseas subsidiaries at March 31, 2019 amounted to ¥8,736 million (\$78,703 thousand), a part of which will begin to expire in the year ending March 31, 2020.

The total amount of unrecognized tax benefits for the years ended March 31, 2019, 2018 and 2017 was insignificant. Also, there were no significant movements in the gross amounts of unrecognized tax benefits and the amounts of interest and penalties recognized due to the unrecognized tax benefits during the years ended March 31, 2019, 2018 and 2017.

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, 2019, the Company does not expect significant changes to the unrecognized tax benefits within the next twelve months.

The Company files tax returns in Japan and various foreign jurisdictions. In Japan, the Company is no longer subject to regular income tax examinations by the tax authorities for years before 2012. In other foreign tax jurisdictions, major subsidiaries are no longer subject to income tax examinations by tax authorities for years before 2018, 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, 2019, 2018 and 2017 are as follows:

	In millions of yen			In thousands of U.S. dollars
	2019	2018	2017	2019
Net income attributable to SECOM CO., LTD.	¥89,686	¥96,623	¥91,387	\$807,982
Net transfers from (to) noncontrolling interests	26	24	(16)	234
Change from net income attributable to SECOM CO., LTD. and transfers from (to) noncontrolling interests	¥89,712	¥96,647	¥91,371	\$808,216

(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 nonconsolidated statutory financial statements in accordance with Japanese GAAP. Such amount was ¥622,185 million (\$5,605,270 thousand) at March 31, 2019.

Subsequent to March 31, 2019, the parent company's Board of Directors declared a year-end cash dividend of ¥85 (\$0.77) per share, totaling ¥18,552 million (\$167,135 thousand), to shareholders of record on March 31, 2019. The dividend declared was approved at the general shareholders' meeting held on June 26, 2019. 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, 2019, 2018 and 2017 are as follows:

	In millions of yen		
	Pre-tax amount	Tax (expense) or benefit	Net-of-tax amount
For the year ended March 31, 2019:			
Unrealized gains on securities—			
Unrealized gains or losses arising during the period.....	¥1,236	(¥ 359)	¥ 877
Less: Reclassification adjustment for gains or losses realized in net income.....	(823)	220	(603)
Pension liability adjustments—			
Unrealized gains or losses arising during the period.....	(3,756)	1,030	(2,726)
Less: Reclassification adjustment for gains or losses realized in net income.....	204	(44)	160
Foreign currency translation adjustments.....	(5,570)	662	(4,908)
Other comprehensive income (loss)	(¥8,709)	¥1,509	(¥7,200)
For the year ended March 31, 2018:			
Unrealized gains on securities—			
Unrealized gains or losses arising during the period.....	¥ 1,319	(¥ 413)	¥ 906
Less: Reclassification adjustment for gains or losses realized in net income.....	(908)	258	(650)
Pension liability adjustments—			
Unrealized gains or losses arising during the period.....	7,695	(2,315)	5,380
Less: Reclassification adjustment for gains or losses realized in net income.....	13	(17)	(4)
Foreign currency translation adjustments.....	2,614	(662)	1,952
Other comprehensive income (loss)	¥10,733	(¥3,149)	¥7,584

	In millions of yen		
	Pre-tax amount	Tax (expense) or benefit	Net-of-tax amount
For the year ended March 31, 2017:			
Unrealized gains on securities—			
Unrealized gains or losses arising during the period.....	¥7,048	(¥1,586)	¥5,462
Less: Reclassification adjustment for gains or losses realized in net income.....	(1,204)	342	(862)
Pension liability adjustments—			
Unrealized gains or losses arising during the period.....	6,656	(1,869)	4,787
Less: Reclassification adjustment for gains or losses realized in net income.....	(105)	(7)	(112)
Foreign currency translation adjustments.....	(6,084)	358	(5,726)
Other comprehensive income (loss).....	¥6,311	(¥2,762)	¥3,549

	In thousands of U.S. dollars		
	Pre-tax amount	Tax (expense) or benefit	Net-of-tax amount
For the year ended March 31, 2019:			
Unrealized gains on securities—			
Unrealized gains or losses arising during the period.....	\$11,135	(\$ 3,235)	\$ 7,900
Less: Reclassification adjustment for gains or losses realized in net income.....	(7,414)	1,982	(5,432)
Pension liability adjustments—			
Unrealized gains or losses arising during the period.....	(33,838)	9,280	(24,558)
Less: Reclassification adjustment for gains or losses realized in net income.....	1,837	(396)	1,441
Foreign currency translation adjustments.....	(50,180)	5,964	(44,216)
Other comprehensive income (loss).....	(\$78,460)	\$13,595	(\$64,865)

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, 2019, 2018 and 2017 are as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2019	2018	2017	2019
Unrealized gains on securities—				
Net sales and operating revenue.....	(¥825)	(¥694)	(¥1,007)	(\$7,432)
Gain on sales of securities, net.....	(2)	(269)	(268)	(18)
Loss on other-than-temporary impairment of investment securities.....	4	55	71	36
Pension liability adjustments—				
Net periodic pension and severance costs (Note 15).....	172	(19)	(212)	1,550
Equity in net income of affiliated companies.....	¥ 32	¥ 32	¥ 107	\$ 287

19. 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 capital leases. Other leases are classified as operating leases.

On April 23, 1996, the Company entered into a long-term lease agreement for a building and land in Mitaka, Tokyo. The lease term is 30 years beginning May 1, 1996. On July 15, 2010, the Company also entered into a long-term lease agreement for the adjoining land and buildings. The lease term is also 30 years beginning July 15, 2010. For financial reporting purposes, the portion of these lease arrangements relating to the building has been classified as a capital lease; accordingly, an asset of approximately ¥7,209 million (\$64,946 thousand) has been recorded in the buildings and improvements account. The portion of the lease relating to the land has been classified as an operating lease. The future minimum lease payment for the site at March 31, 2019 was ¥3,854 million (\$34,721 thousand).

A summary of leased assets under capital leases at March 31, 2019 and 2018 is as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2019	2018	2019
Buildings and improvements.....	¥ 8,504	¥ 8,452	\$ 76,613
Machinery, equipment and automobiles.....	36,008	32,664	324,396
Other intangible assets.....	173	298	1,559
Accumulated depreciation and amortization.....	(23,107)	(21,723)	(208,171)
	¥21,578	¥19,691	\$194,397

Depreciation and amortization expenses for assets under capital leases for the years ended March 31, 2019, 2018 and 2017 were ¥6,856 million (\$61,766 thousand), ¥6,313 million and ¥6,785 million, respectively.

The following is a schedule by year of future minimum lease payments under capital leases and the present value of the net minimum lease payments at March 31, 2019:

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2020	¥ 7,041	\$ 63,432
2021	5,418	48,811
2022	4,093	36,874
2023	2,948	26,559
2024	1,795	16,171
Thereafter	10,329	93,054
Total minimum lease payments.....	31,624	284,901
Less: Amount representing interest.....	(7,155)	(64,459)
Present value of net minimum lease payments (Note 13).....	24,469	220,442
Less: Current portion.....	(6,414)	(57,784)
Long-term capital lease obligations	¥18,055	\$162,658

Rental expenses under operating leases for the years ended March 31, 2019, 2018 and 2017 were ¥27,924 million (\$251,568 thousand), ¥25,513 million and ¥25,359 million, respectively. A significant portion of such rentals relates to cancelable short-term leases for office space and employee residential facilities, many of which are renewed upon expiration.

On December 8, 2000, the Company entered into a lease agreement for a building and land in Shibuya, Tokyo. The lease term is 20 years beginning December 8, 2000. For financial reporting purposes, the lease has been classified as an operating lease. Based on the agreement, the annual lease payment for the site is approximately ¥1,312 million (\$11,820 thousand) over a 20-year period.

The future minimum lease payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year at March 31, 2019 are as follows:

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2020	¥11,707	\$105,468
2021	8,609	77,559
2022	7,326	66,000
2023	7,017	63,216
2024	2,872	25,874
Thereafter	21,975	197,973
Total future minimum lease payments.....	¥59,506	\$536,090

20. 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, 2019 and 2018 is as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31	March 31	March 31
	2019	2018	2019
Total minimum lease payments to be received.....	¥59,332	¥63,766	\$534,523
Estimated executory cost.....	(5,004)	(5,839)	(45,081)
Unearned income.....	(3,678)	(3,527)	(33,136)
Lease receivables, net.....	50,650	54,400	456,306
Less: Current portion.....	(17,257)	(17,899)	(155,468)
Long-term lease receivables, net.....	¥33,393	¥36,501	\$300,838

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, 2019:

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2020	¥19,446	\$175,189
2021	14,829	133,595
2022	11,638	104,847
2023	8,044	72,468
2024	4,004	36,072
Thereafter	1,371	12,352
Total future minimum lease payments to be received.....	¥59,332	\$534,523

A summary of investment in property under operating leases and property held for lease at March 31, 2019 and 2018 is as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31	March 31	March 31
	2019	2018	2019
Land	¥34,353	¥31,499	\$309,486
Buildings and improvements.....	30,258	30,578	272,595
Other intangible assets.....	662	662	5,964
Accumulated depreciation and amortization.....	(13,398)	(12,725)	(120,703)
	¥51,875	¥50,014	\$467,342

The future minimum rentals under noncancelable operating leases at March 31, 2019 are as follows:

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2020	¥2,062	\$18,577
2021	253	2,279
2022	162	1,459
2023	162	1,459
2024	162	1,459
Thereafter	2,586	23,299
Total future minimum rentals.....	¥5,387	\$48,532

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, 2019 and 2018 are as follows:

	In millions of yen			
	2019		2018	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Non-derivatives:				
Assets—				
Long-term receivables including current portion (Less allowance for doubtful accounts).....	¥54,995	¥55,414	¥58,996	¥59,356
Liabilities—				
Long-term debt including current portion.....	63,789	63,786	69,931	69,937
Investment deposits by policyholders.....	23,615	24,427	25,208	26,212
Derivatives:				
Assets—				
Forward exchange contract (Other current assets).....	—	—	—	—
Liabilities—				
Interest rate swaps (Other long-term liabilities).....	15	15	33	33

	In thousands of U.S. dollars	
	March 31, 2019	
	Carrying amount	Estimated fair value
Non-derivatives:		
Assets—		
Long-term receivables including current portion (Less allowance for doubtful accounts).....	\$495,450	\$499,225
Liabilities—		
Long-term debt including current portion.....	574,676	574,649
Investment deposits by policyholders.....	212,748	220,063
Derivatives:		
Assets—		
Forward exchange contract (Other current assets).....	—	—
Liabilities—		
Interest rate swaps (Other long-term liabilities).....	135	135

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, 2019 and 2018. Transfers between levels are recognized at the end of the respective reporting periods.

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

	In millions of yen			
	March 31, 2018			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents.....	¥ 149	¥ —	¥ —	¥ 149
Short-term investments and investment securities.....	149,365	41,433	29,815	220,613
Derivatives (Other current assets).....	—	—	—	—
Total assets.....	¥149,514	¥41,433	¥29,815	¥220,762
Liabilities:				
Derivatives (Other long-term liabilities).....	¥ —	¥ 33	¥ —	¥ 33
Total liabilities.....	¥ —	¥ 33	¥ —	¥ 33

	In thousands of U.S. dollars			
	March 31, 2019			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents.....	\$ 793	\$ —	\$ —	\$ 793
Short-term investments and investment securities.....	1,328,972	476,036	120,468	1,925,476
Derivatives (Other current assets).....	—	—	—	—
Total assets.....	\$1,329,765	\$476,036	\$120,468	\$1,926,269
Liabilities:				
Derivatives (Other long-term liabilities).....	\$ —	\$ 135	\$ —	\$ 135
Total liabilities.....	\$ —	\$ 135	\$ —	\$ 135

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, 2019 and 2018, amounting to ¥13,372 million (\$120,468 thousand) and ¥29,815 million, respectively, are primarily private equity investments. The valuation technique and significant unobservable inputs are as follows:

			March 31, 2019
Valuation technique	Significant unobservable inputs	Range	
Discounted cash flows	Discount rate	15%–30%	
	Exit timing	2019–2023	
	EBITDA multiple	3.4x–26.6x	
			March 31, 2018
Valuation technique	Significant unobservable inputs	Range	
Discounted cash flows	Discount rate	20%–30%	
	Exit timing	2018–2022	
	EBITDA multiple	3.2x–8x	

Derivative Financial Investments

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

The following table represents the changes in Level 3 assets measured on a recurring basis for the years ended March 31, 2019 and 2018.

	In millions of yen		In thousands of U.S. dollars
	Years ended March 31	2018	Year ended March 31
	2019	2018	2019
Balance at beginning of year.....	¥29,815	¥49,738	\$268,604
Total gains or losses (realized and unrealized):			
Included in earnings.....	5,285	5,964	47,612
Included in other comprehensive income.....	—	—	—
Purchases.....	6,048	5,270	54,486
Sales.....	(27,243)	(29,479)	(245,432)
Redemptions.....	—	—	—
Cancellation of contract.....	—	—	—
Foreign currency translation adjustments.....	(533)	(1,678)	(4,802)
Balance at end of year.....	¥13,372	¥29,815	\$120,468
Changes in unrealized gains or losses relating to instruments still held at end of year:			
Included in earnings.....	(¥ 776)	¥ 399	(\$ 6,991)

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

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Non-marketable equity securities with a carrying amount of ¥10,891 million (\$98,117 thousand) were written down to their fair value of ¥10,890 million (\$98,108 thousand), resulting in an other-than-temporary impairment charge of ¥1 million (\$9 thousand), which was included in earnings for the year ended March 31, 2019. For the year ended March 31, 2018, non-marketable equity securities with a carrying amount of ¥10,517 million were written down to their fair value of ¥10,515 million, resulting in an other-than-temporary impairment charge of ¥2 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, 2019 and 2018 are as follows:

Derivatives not designated as hedging instruments

Location	In millions of yen		In thousands of U.S. dollars	
	2019	2018	2019	
Assets:				
Forward exchange contract	Other current assets	¥—	¥ 0	\$ —
Liabilities:				
Interest rate swaps	Other long-term liabilities	15	33	135

Effects of derivative instruments on the consolidated statements of income for the years ended March 31, 2019, 2018 and 2017 are as follows:

Derivatives not designated as hedging instruments

Location	In millions of yen			In thousands of U.S. dollars	
	2019	2018	2017	2019	
Forward exchange contract	Other income	¥—	¥—	¥ 2	\$ —
Interest rate swaps	Other income	17	27	38	153

24. Commitments and Contingent Liabilities

The Company has commitments outstanding at March 31, 2019 for the purchase of property, plant and equipment of approximately ¥8,316 million (\$7,919 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 ¥969 million (\$8,730 thousand) at March 31, 2019. The carrying amounts of the liabilities recognized as the Company's obligations under these guarantees at March 31, 2019 and 2018 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 year ended March 31, 2019 is as follows:

	In millions of yen	In thousands of U.S. dollars
	Year ended March 31	Year ended March 31
	2019	2019
Revenue recognized from contracts with customers	¥1,045,995	\$ 9,423,378
Revenue recognized from other sources	65,605	591,036
Total	¥1,111,600	\$10,014,414

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, 2019 and at April 1, 2018 are as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31	April 1	March 31
	2019	2018	2019
Receivables* ¹	¥188,182	¥173,603	\$1,695,333
Contract assets* ²	31,699	28,390	285,577
Contract liabilities* ³	50,116	48,307	451,495

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

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

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

Revenue recognized for the fiscal year ended March 31, 2019 that was included in the contract liability balance as of April 1, 2018 was ¥37,129 million.

(3) Transaction price allocated to the remaining performance obligations

The aggregate amounts of transaction price allocated to unsatisfied performance obligations related to contracts that have original expected durations in excess of one year at March 31, 2019 are as follows:

	In millions of yen	In thousands of U.S. dollars
	March 31	March 31
	2019	2019
Due within 1 year	¥156,933	\$1,413,811
Due after 1 year	221,605	1,996,441
	¥378,538	\$3,410,252

26. Supplemental Cash Flow Information

Supplemental cash flow information is as follows:

	In millions of yen			In thousands of U.S. dollars
	2019	2018	2017	2019
Cash paid during the year for:				
Interest.....	¥ 1,114	¥ 1,278	¥ 1,379	\$ 10,036
Income taxes.....	52,021	55,970	40,165	468,658
Non-cash investing and financing activities:				
Additions to obligations under capital leases.....	7,225	6,355	6,035	65,090
Increase in land, buildings and improvements by offsetting long-term receivables.....	—	—	—	—
Significant acquisitions (Note 4)—				
Assets acquired.....	—	34,570	—	—
Liabilities assumed.....	—	(8,020)	—	—
Considerations for equity.....	—	26,550	—	—
Cash and cash equivalents on hand.....	—	(2,654)	—	—
Total considerations.....	¥ —	¥23,896	¥ —	\$ —

27. Segment Information

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

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

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

information services to geospatial information services from the year ended March 31, 2019. Reportable segments are not reclassified by this change.

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

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

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

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

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

Information by business and geographic segments for the years ended and as of March 31, 2019, 2018 and 2017 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
	2019	2018	2017	2019
Net sales and operating revenue:				
Security services—				
Customers.....	¥ 563,739	¥ 562,272	¥ 543,524	\$ 5,078,730
Intersegment.....	3,428	3,144	2,968	30,883
	567,167	565,416	546,492	5,109,613
Fire protection services—				
Customers.....	140,139	136,559	126,232	1,262,514
Intersegment.....	3,942	4,170	3,459	35,514
	144,081	140,729	129,691	1,298,028
Medical services—				
Customers.....	181,705	175,318	168,819	1,636,981
Intersegment.....	168	185	182	1,514
	181,873	175,503	169,001	1,638,495
Insurance services—				
Customers.....	41,637	44,683	43,780	375,108
Intersegment.....	3,120	3,034	3,094	28,108
	44,757	47,717	46,874	403,216
Geospatial information services—				
Customers.....	51,510	50,906	51,609	464,054
Intersegment.....	386	176	231	3,477
	51,896	51,082	51,840	467,531
BPO and ICT services—				
Customers.....	88,065	69,569	49,681	793,378
Intersegment.....	13,209	7,275	7,126	119,000
	101,274	76,844	56,807	912,378
Real estate and other services—				
Customers.....	44,805	43,485	47,616	403,649
Intersegment.....	1,787	2,004	1,923	16,099
	46,592	45,489	49,539	419,748
Total.....	1,137,640	1,102,780	1,050,244	10,249,009
Eliminations.....	(26,040)	(19,988)	(18,983)	(234,595)
Total net sales and operating revenue.....	¥1,111,600	¥1,082,792	¥1,031,261	\$10,014,414

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2019	2018	2017	2019
Operating income (loss):				
Security services.....	¥110,146	¥114,469	¥110,370	\$ 992,306
Fire protection services.....	14,188	15,730	13,146	127,820
Medical services.....	5,782	4,034	1,680	52,090
Insurance services.....	(4,856)	6,221	7,268	(43,748)
Geospatial information services.....	1,878	1,676	(1,119)	16,919
BPO and ICT services.....	9,390	8,133	7,175	84,595
Real estate and other services.....	5,084	6,910	5,241	45,802
Total.....	141,612	157,173	143,761	1,275,784
Corporate expenses and eliminations.....	(17,901)	(17,062)	(16,366)	(161,270)
Operating income.....	¥123,711	¥140,111	¥127,395	\$1,114,514
Other income.....	11,246	13,454	20,918	101,314
Other expenses.....	(6,394)	(2,775)	(3,090)	(57,603)
Income from continuing operations before income taxes.....	¥128,563	¥150,790	¥145,223	\$1,158,225
Assets:				
Security services.....	¥ 768,128	¥ 727,449		\$ 6,920,072
Fire protection services.....	162,549	159,114		1,464,405
Medical services.....	178,755	180,594		1,610,405
Insurance services.....	235,773	233,618		2,124,081
Geospatial information services.....	67,768	69,306		610,523
BPO and ICT services.....	152,777	149,553		1,376,369
Real estate and other services.....	142,750	145,289		1,286,036
Total.....	1,708,500	1,664,923		15,391,891
Corporate items.....	107,513	109,402		968,586
Investments in affiliated companies.....	63,697	64,620		573,847
Total assets.....	¥1,879,710	¥1,838,945		\$16,934,324

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2019	2018	2017	2019
Depreciation and amortization:				
Security services.....	¥49,409	¥54,091	¥54,770	\$445,126
Fire protection services.....	2,375	2,128	1,837	21,396
Medical services.....	8,684	8,675	8,433	78,234
Insurance services.....	1,792	1,808	1,521	16,144
Geospatial information services.....	2,249	2,540	3,011	20,261
BPO and ICT services.....	9,075	7,813	6,824	81,757
Real estate and other services.....	953	1,066	868	8,586
Total.....	74,537	78,121	77,264	671,504
Corporate items.....	763	834	919	6,874
Total depreciation and amortization.....	¥75,300	¥78,955	¥78,183	\$678,378
Capital expenditure:				
Security services.....	¥48,451	¥44,404	¥39,956	\$436,495
Fire protection services.....	2,269	3,910	4,678	20,441
Medical services.....	4,750	5,276	9,646	42,793
Insurance services.....	2,972	1,900	2,087	26,775
Geospatial information services.....	2,420	1,701	1,904	21,802
BPO and ICT services.....	9,085	31,987	7,686	81,847
Real estate and other services.....	4,550	1,690	233	40,991
Total.....	74,497	90,868	66,190	671,144
Corporate items.....	1,291	349	856	11,631
Total capital expenditures.....	¥75,788	¥91,217	¥67,046	\$682,775

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
	2019	2018	2017	2019
Electronic security services.....	¥344,297	¥341,157	¥338,744	\$3,101,775
Other security services:				
Static guard services.....	66,265	59,030	56,417	596,982
Armored car services.....	62,417	61,089	57,873	562,315
Merchandise and other.....	90,760	100,996	90,490	817,658
Total security services.....	¥563,739	¥562,272	¥543,524	\$5,078,730

(2) Geographic Segment Information

Net sales and operating revenue attributed to countries based on the geographical location of customers for the years ended 2019, 2018 and 2017 and long-lived assets as of March 31, 2019 and 2018 were as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2019	2018	2017	2019
Net sales and operating revenue:				
Japan.....	¥1,063,223	¥1,034,228	¥ 985,366	\$ 9,578,585
Other.....	48,377	48,564	45,895	435,829
Total.....	¥1,111,600	¥1,082,792	¥1,031,261	\$10,014,414
Long-lived assets:				
Japan.....	¥618,061	¥629,069		\$5,568,117
Other.....	11,699	11,239		105,396
Total.....	¥629,760	¥640,308		\$5,673,513

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

28. Subsequent Events

The Company has evaluated subsequent events through July 30, 2019, the date at which the financial statements were available to be issued, and determined there is no item to disclose.

Independent Auditors' Report



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

We have audited the accompanying consolidated financial statements of SECOM CO., LTD. and its subsidiaries, which comprise the consolidated balance sheets as of March 31, 2019 and 2018, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for each of the years in the three-year period ended March 31, 2019, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of SECOM CO., LTD. and its subsidiaries as of March 31, 2019 and 2018 and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2019, in accordance with U.S. generally accepted accounting principles.

Convenience Translations

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2019 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

KPMG AZSA LLC

Tokyo, Japan
July 30, 2019

Summary of Selected Financial Data

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

In millions of yen

	2019	2018	2017	2016	2015	2014
Composition of consolidated net sales and operating revenue by segment						
Net sales and operating revenue.....	¥1,111,600	¥1,082,792	¥1,031,261	¥983,428	¥945,238	¥921,146
Security services:.....	563,739	562,272	543,524	505,058	487,063	472,449
As a percentage of net sales and operating revenue.....	50.8%	51.9%	52.7%	51.4%	51.5%	51.3%
Electronic security services.....	344,297	341,157	338,744	330,843	326,300	318,116
As a percentage of net sales and operating revenue.....	31.0	31.5	32.8	33.6	34.5	34.5
Other security services—						
Static guard services.....	66,265	59,030	56,417	55,907	53,788	51,681
As a percentage of net sales and operating revenue.....	6.0	5.5	5.5	5.7	5.7	5.6
Armored car services.....	62,417	61,089	57,873	32,990	21,010	20,767
As a percentage of net sales and operating revenue.....	5.6	5.6	5.6	3.4	2.2	2.3
Subtotal.....	128,682	120,119	114,290	88,897	74,798	72,448
Merchandise and other.....	90,760	100,996	90,490	85,318	85,965	81,885
As a percentage of net sales and operating revenue.....	8.2	9.3	8.8	8.7	9.1	8.9
Fire protection services.....	140,139	136,559	126,232	131,743	121,189	122,046
As a percentage of net sales and operating revenue.....	12.6	12.6	12.2	13.4	12.8	13.3
Medical services.....	181,705	175,318	168,819	163,538	155,884	150,535
As a percentage of net sales and operating revenue.....	16.3	16.2	16.4	16.6	16.5	16.3
Insurance services.....	41,637	44,683	43,780	40,654	38,259	37,011
As a percentage of net sales and operating revenue.....	3.8	4.2	4.3	4.1	4.1	4.0
Geospatial information services.....	51,510	50,906	51,609	52,553	52,760	54,697
As a percentage of net sales and operating revenue.....	4.6	4.7	5.0	5.4	5.6	5.9
BPO and ICT services.....	88,065	69,569	49,681	48,294	47,412	46,992
As a percentage of net sales and operating revenue.....	7.9	6.4	4.8	4.9	5.0	5.1
Real estate and other services.....	44,805	43,485	47,616	41,588	42,671	37,416
As a percentage of net sales and operating revenue.....	4.0	4.0	4.6	4.2	4.5	4.1

Net income attributable to SECOM CO., LTD., cash dividends and SECOM CO., LTD. shareholders' equity

Net income attributable to SECOM CO., LTD.	¥ 89,686	¥ 96,623	¥ 91,387	¥ 84,072	¥ 80,184	¥ 73,979
Cash dividends paid ⁽²⁾	34,922	32,738	30,557	28,373	38,197	22,918
SECOM CO., LTD. shareholders' equity.....	1,044,184	1,000,277	929,242	865,278	825,969	753,099

Consolidated financial ratios

Percentage of working capital accounted for by:

Debt—						
Bank loans.....	3.4	3.5	4.0	5.6	4.7	6.0
Current portion of long-term debt.....	1.6	1.7	1.9	1.8	1.4	1.8
Straight bonds.....	0.4	0.5	0.7	0.8	0.9	0.9
Other long-term debt.....	3.6	4.1	4.5	5.3	4.9	4.6
Total debt.....	8.9	9.8	11.1	13.5	11.9	13.3
SECOM CO., LTD. shareholders' equity.....	91.1	90.2	88.9	86.5	88.1	86.7
Total capitalization.....	100.0	100.0	100.0	100.0	100.0	100.0
Return on total assets (percentage) ^(a)	4.8	5.3	5.2	5.0	5.3	5.1
Return on equity (percentage) ^(b)	8.6	9.7	9.8	9.7	9.7	9.8
Percentage of net sales and operating revenue absorbed by ^(c) :						
Depreciation and amortization.....	6.8	7.3	7.6	7.4	7.3	7.2
Rental expense under operating leases.....	2.5	2.3	2.5	2.5	2.4	2.4
Ratio of accumulated depreciation to depreciable assets (percentage).....	65.4	64.6	63.2	62.8	61.6	60.8
Net property turnover (times) ^(c)	2.67	2.63	2.49	2.38	2.38	2.34
Before-tax interest coverage (times) ^{(c) (d)}	109.6	123.0	107.1	89.2	93.8	90.4

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

	2019	2018	2017	2016	2015	2014
Number of shares outstanding						
Issued	233,292,219	233,290,441	233,288,717	233,288,717	233,288,717	233,288,717
Owned by the Company	15,031,867	15,030,573	15,028,470	15,026,824	15,024,812	15,022,012
Balance	218,260,352	218,259,868	218,260,247	218,261,893	218,263,905	218,266,705
Per share information						
Net income attributable to SECOM CO., LTD.						
per share (in yen) ⁽¹⁾	¥ 410.91	¥ 442.70	¥ 418.71	¥ 385.19	¥ 367.37	¥ 338.94
Cash dividends paid per share (in yen) ⁽²⁾	160.00	150.00	140.00	130.00	175.00	105.00
SECOM CO., LTD. shareholders' equity						
per share (in yen) ⁽³⁾	4,784.12	4,582.96	4,257.50	3,964.40	3,784.27	3,450.36
Cash flow per share (in yen) ^{(1)(e)}	590.91	649.44	631.91	582.27	557.88	529.35
Price/Book value ratio	1.98	1.73	1.87	2.11	2.12	1.72
Price/Earnings ratio	23.08	17.89	19.03	21.72	21.84	17.54
Price/Cash flow ratio	16.05	12.20	12.61	14.37	14.38	11.23
Stock price at year-end (in yen)	9,482	7,920	7,969	8,366	8,025	5,946

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, 2019, cash dividends of ¥18,552 million (¥85 per share) were approved at the general shareholders' meeting on June 26, 2019 (see Note 18 of the accompanying notes to consolidated financial statements).
(3) Per share amounts are based on the number of shares outstanding at the end of each period, less treasury stock.

Common Stock Data

SECOM CO., LTD.
As of March 31

SHAREHOLDER INFORMATION	2019	2018	2017	2016	2015	2014
Number of shareholders	24,023	26,809	25,200	24,975	24,852	27,054
Common shares held by:						
Financial institutions	37.14%	35.94%	35.05%	32.50%	29.89%	31.28%
Securities firms	3.30	1.63	3.89	3.52	3.43	4.88
Other domestic corporations	2.46	2.53	2.51	2.92	3.16	2.56
Foreign investors	42.74	44.85	43.42	44.46	44.95	42.32
Individuals and others	7.92	8.61	8.69	10.16	12.13	12.52
Treasury stock	6.44	6.44	6.44	6.44	6.44	6.44
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

PRICE INFORMATION (TOKYO STOCK EXCHANGE)		Price per share (in yen)		Nikkei Stock Average (in yen)	
		High	Low	High	Low
2017	April–June	¥8,686	¥7,814	¥20,230.41	¥18,335.63
	July–September	8,687	7,921	20,397.58	19,274.82
	October–December	9,118	8,170	22,939.18	20,400.78
2018	January–March	8,833	7,435	24,124.15	20,617.86
	April–June	8,550	7,751	23,002.37	21,292.29
	July–September	9,368	8,130	24,120.04	21,546.99
	October–December	9,827	8,765	24,270.62	19,155.74
2019	January–March	9,684	8,781	21,822.04	19,561.96

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

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.

Condensed Consolidated Balance Sheets (Based on Japanese GAAP)

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

	In millions of yen					
ASSETS	2019	2018	2017	2016	2015	2014
Current assets:						
Cash on hand and in banks.....	¥ 350,319	¥ 317,267	¥ 302,364	¥ 228,458	¥ 232,221	¥ 210,514
Cash deposits for armored car services.....	142,335	135,808	130,619	128,267	50,395	58,597
Call loans.....	—	—	—	—	15,500	20,500
Notes and accounts receivable, trade.....	133,659	129,984	119,801	122,048	114,071	115,318
Due from subscribers.....	41,616	35,272	33,090	31,812	26,316	25,174
Short-term investments.....	25,382	17,360	29,387	34,448	28,517	12,955
Lease receivables and investments in leased assets.....	41,826	45,544	43,974	39,542	39,242	33,188
Merchandise and products.....	14,146	12,321	11,915	13,099	14,163	14,186
Real estate inventories.....	5,864	4,766	5,223	3,527	3,063	33
Work in process.....	5,872	5,057	4,913	5,557	4,031	4,602
Costs on uncompleted construction contracts.....	10,971	10,441	8,979	9,070	9,460	8,983
Work in process for real estate inventories.....	30,743	39,688	22,283	23,024	21,058	15,396
Raw materials and supplies.....	10,398	8,849	8,385	8,579	7,913	7,573
Deferred income taxes.....	—	—	14,003	12,728	12,808	13,254
Short-term loans receivable.....	4,398	5,196	4,942	4,086	2,268	2,699
Other.....	31,000	26,352	23,684	27,375	21,111	17,623
Allowance for doubtful accounts.....	(1,775)	(1,818)	(1,766)	(1,883)	(1,997)	(2,026)
Total current assets.....	846,759	792,094	761,804	689,744	600,146	558,574
Fixed assets:						
Tangible assets:						
Buildings and improvements, net.....	148,693	148,622	150,254	148,828	148,375	153,278
Security equipment and control stations, net.....	71,715	70,872	69,569	71,447	70,478	68,759
Land.....	116,876	114,287	116,825	116,613	119,604	113,946
Other, net.....	41,115	39,907	39,886	39,415	23,702	24,849
Total tangible assets.....	378,401	373,689	376,536	376,305	362,161	360,833
Intangible assets.....	128,215	131,028	112,131	119,505	49,411	53,596
Investments and others:						
Investment securities.....	269,575	280,659	280,974	264,400	284,322	246,233
Long-term loans receivable.....	35,284	35,284	38,403	39,401	42,904	45,701
Net defined benefit asset.....	38,488	41,409	35,282	30,796	35,010	17,612
Deferred income taxes.....	27,469	21,658	9,592	8,602	4,874	13,521
Other.....	53,952	52,332	51,436	54,978	49,382	48,486
Allowance for doubtful accounts.....	(13,042)	(13,033)	(15,990)	(15,698)	(17,525)	(16,352)
Total investments and others.....	411,728	418,311	399,698	382,482	398,969	355,203
Total fixed assets.....	918,346	923,029	888,367	878,293	810,541	769,633
Deferred assets.....	—	—	4	14	26	17
Total assets.....	¥1,765,105	¥1,715,123	¥1,650,176	¥1,568,052	¥1,410,715	¥1,328,226

In millions of yen

LIABILITIES	2019	2018	2017	2016	2015	2014
Current liabilities:						
Notes and accounts payable, trade.....	¥ 45,826	¥ 43,929	¥ 44,635	¥ 41,794	¥ 43,160	¥ 49,409
Bank loans.....	39,126	41,558	44,969	55,283	44,965	52,120
Current portion of straight bonds.....	2,009	795	1,460	2,582	1,414	4,640
Lease obligations.....	4,875	4,932	4,752	4,724	503	579
Payables—other.....	42,645	40,102	37,469	38,376	33,849	31,316
Accrued income taxes.....	22,767	25,896	27,557	22,341	21,063	27,744
Accrued consumption taxes.....	7,209	7,959	5,765	6,611	12,878	4,151
Accrued expenses.....	7,329	7,084	5,315	5,562	4,653	4,625
Deposits received for armored car services.....	121,086	113,830	107,878	101,306	16,945	17,765
Deferred revenue.....	30,438	30,309	30,552	31,389	31,348	31,027
Accrued bonuses.....	17,255	16,209	15,447	15,524	14,652	14,437
Provision for loss on construction contracts.....	2,913	2,436	2,532	1,397	1,612	1,981
Other.....	25,975	22,499	25,596	20,738	20,707	16,883
Total current liabilities.....	369,458	357,544	353,933	347,633	247,755	256,684
Long-term liabilities:						
Straight bonds.....	4,702	5,322	7,003	8,251	8,413	7,796
Long-term loans.....	10,063	12,721	14,123	20,033	20,602	17,256
Lease obligations.....	11,960	11,902	11,777	11,954	3,712	4,183
Guarantee deposits received.....	32,955	33,181	33,907	35,002	36,000	36,542
Deferred income taxes.....	8,735	14,217	21,943	14,026	13,554	11,169
Accrued retirement benefits for directors and audit and supervisory board members.....	1,046	1,421	1,306	1,387	1,415	1,635
Net defined benefit liability.....	22,953	21,849	22,428	22,816	18,504	18,569
Investment deposits by policyholders, unearned premiums and other insurance liabilities.....	172,866	172,345	166,155	159,636	150,119	141,099
Other.....	4,406	3,403	4,342	4,166	3,295	2,918
Total long-term liabilities.....	269,691	276,366	282,989	277,274	255,618	241,171
Total liabilities.....	639,150	633,910	636,922	624,907	503,374	497,856
NET ASSETS						
Shareholders' equity:						
Common stock.....	¥ 66,392	¥ 66,385	¥ 66,377	¥ 66,377	¥ 66,377	¥ 66,377
Capital surplus.....	80,360	80,328	80,297	80,326	80,265	83,054
Retained earnings.....	908,852	851,764	797,493	743,353	694,688	656,286
Common stock in treasury, at cost.....	(73,759)	(73,748)	(73,731)	(73,717)	(73,701)	(73,682)
Total shareholders' equity.....	981,846	924,729	870,437	816,340	767,630	732,036
Accumulated other comprehensive income:						
Unrealized gains on securities.....	18,157	23,759	25,125	19,964	26,981	12,504
Deferred losses on hedges.....	(21)	(24)	(30)	(40)	(34)	(33)
Foreign currency translation adjustments.....	(10,683)	(5,774)	(7,954)	(2,196)	1,477	(10,885)
Remeasurements of defined benefit plans, net of taxes.....	6,421	9,933	4,423	(783)	4,390	(3,506)
Total accumulated other comprehensive income.....	13,873	27,894	21,563	16,944	32,815	(1,921)
Noncontrolling interests	130,234	128,589	121,253	109,859	106,895	100,253
Total net assets.....	1,125,954	1,081,213	1,013,253	943,144	907,341	830,369
Total liabilities and net assets.....	¥1,765,105	¥1,715,123	¥1,650,176	¥1,568,052	¥1,410,715	¥1,328,226

Condensed Consolidated Statements of Income (Based on Japanese GAAP)

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

	In millions of yen					
	2019	2018	2017	2016	2015	2014
Revenue	¥1,013,823	¥970,624	¥928,098	¥881,028	¥840,722	¥822,228
Percentage change from prior year	4.5%	4.6%	5.3%	4.8%	2.2%	7.4%
Costs of revenue	692,211	652,673	621,412	586,539	557,884	542,949
As a percentage of revenue	68.3	67.2	67.0	66.6	66.4	66.0
Gross profit	321,611	317,950	306,686	294,488	282,837	279,278
As a percentage of revenue	31.7	32.8	33.0	33.4	33.6	34.0
Selling, general and administrative expenses	191,397	182,502	175,636	165,906	159,222	159,259
As a percentage of revenue	18.9	18.8	18.9	18.8	18.9	19.4
Operating profit	130,213	135,448	131,050	128,582	123,615	120,018
As a percentage of revenue	12.8	14.0	14.1	14.6	14.7	14.6
Non-operating income	19,646	13,152	22,371	11,380	18,366	13,100
Non-operating expenses	4,970	4,281	6,388	5,136	5,293	6,441
Ordinary profit	144,889	144,318	147,033	134,826	136,688	126,677
As a percentage of revenue	14.3	14.9	15.8	15.3	16.3	15.4
Extraordinary profit	1,909	2,471	516	1,584	1,962	2,025
Extraordinary losses	2,838	2,545	5,697	15,003	11,384	3,876
Income before income taxes	143,960	144,245	141,852	121,408	127,265	124,826
As a percentage of revenue	14.2	14.9	15.3	13.8	15.1	15.2
Income taxes—current	47,001	54,811	43,326	39,150	43,156	48,485
Income taxes—deferred	(7,808)	(9,314)	2,369	(526)	(37)	(2,110)
Net income	104,766	98,748	96,156	82,784	84,146	78,451
Net income attributable to noncontrolling interests	12,757	11,755	11,986	5,745	8,754	8,574
Net income attributable to owners of the parent	92,009	86,993	84,170	77,039	75,392	69,876
As a percentage of revenue	9.1	9.0	9.1	8.7	9.0	8.5
Percentage change from prior year	5.8	3.4	9.3	2.2	7.9	9.8

Consolidated Statements of Comprehensive Income (Based on Japanese GAAP)

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

	In millions of yen					
	2019	2018	2017	2016	2015	2014
Net income	¥104,766	¥ 98,748	¥ 96,156	¥ 82,784	¥ 84,146	¥78,451
Other comprehensive income (loss):						
Unrealized gains (losses) on securities	(5,740)	(1,649)	5,324	(7,103)	15,058	543
Deferred gains on hedges	(0)	0	—	—	—	—
Foreign currency translation adjustments	(2,616)	(1,003)	(3,539)	(1,616)	9,527	11,787
Remeasurements of defined benefit plans	(3,056)	5,595	4,698	(6,163)	8,581	—
Share of other comprehensive gains (losses) of affiliated companies accounted for under the equity method	(3,439)	3,876	(1,327)	(2,743)	3,676	6,649
Total other comprehensive income (loss)	(14,853)	6,819	5,155	(17,626)	36,843	18,980
Comprehensive income	89,913	105,568	101,312	65,157	120,990	97,431
Comprehensive income attributable to:						
Owners of the parent company	77,988	93,323	88,789	61,168	110,128	87,480
Noncontrolling interests	11,924	12,244	12,522	3,989	10,861	9,950

Condensed Nonconsolidated Balance Sheets (Based on Japanese GAAP)

SECOM CO., LTD.
As of March 31

	In millions of yen					
ASSETS	2019	2018	2017	2016	2015	2014
Current assets:						
Cash on hand and in banks.....	¥120,815	¥ 85,009	¥ 87,387	¥ 45,433	¥ 93,569	¥ 80,908
Cash deposits for armored car services.....	39,504	38,347	37,869	40,877	48,396	56,818
Notes receivable.....	723	523	621	592	640	683
Due from subscribers.....	17,931	17,286	16,480	16,229	16,066	14,991
Accounts receivable, trade.....	11,516	10,995	10,650	10,996	11,202	9,960
Receivables—other.....	4,714	4,387	3,088	4,454	3,054	2,699
Short-term investments.....	—	—	—	3,444	437	437
Merchandise.....	7,047	5,628	5,312	6,453	6,694	5,489
Supplies.....	1,686	1,767	1,722	1,676	1,379	1,303
Prepaid expenses.....	2,599	2,556	2,323	2,172	2,210	2,109
Deferred income taxes.....	—	—	3,710	3,736	4,415	4,382
Short-term loans receivable.....	35,250	28,017	27,539	22,255	20,423	20,653
Other.....	4,530	1,712	1,804	1,698	1,772	2,031
Allowance for doubtful accounts.....	(101)	(105)	(117)	(152)	(216)	(221)
Total current assets.....	246,218	196,128	198,394	159,867	210,048	202,248
Fixed assets:						
Tangible assets:						
Buildings and improvements, net.....	16,263	16,160	16,282	16,572	16,458	17,466
Automobiles, net.....	501	611	709	795	824	865
Security equipment and control stations, net.....	69,049	67,746	65,997	67,624	67,715	66,683
Machinery and equipment, net.....	143	162	179	170	192	232
Tools, furniture and fixtures, net.....	3,566	2,861	3,173	3,424	3,326	2,922
Land.....	21,952	22,077	21,978	22,015	28,303	29,520
Construction in progress.....	4,721	4,812	2,195	1,564	1,714	1,848
Other, net.....	1,827	72	69	18	12	105
Total tangible assets.....	118,025	114,504	110,585	112,187	118,548	119,644
Intangible assets:						
Goodwill.....	—	—	—	—	—	2,607
Software.....	8,560	5,903	6,125	5,794	4,644	3,910
Other.....	920	741	400	574	730	1,768
Total intangible assets.....	9,480	6,644	6,526	6,369	5,375	8,286
Investments and others:						
Investment securities.....	21,982	24,583	23,083	20,588	29,725	23,789
Investment securities in subsidiaries and affiliated companies.....	353,375	350,551	323,993	325,104	239,120	239,008
Investments in subsidiaries and affiliated companies.....	2,149	2,098	2,098	1,938	1,938	1,827
Long-term loans receivable.....	113,221	138,277	134,796	146,716	150,955	143,741
Lease deposits.....	7,578	7,650	7,559	7,642	7,526	7,553
Long-term prepaid expenses.....	20,461	20,622	20,847	21,244	22,126	20,780
Prepaid pension and severance costs.....	21,410	20,763	21,643	23,177	21,530	16,962
Deferred income taxes.....	5,442	—	—	—	—	—
Insurance funds.....	4,109	4,046	4,294	4,294	4,294	3,988
Other.....	2,458	2,613	2,560	2,545	2,534	2,777
Allowance for doubtful accounts.....	(4,442)	(4,440)	(5,532)	(5,551)	(17,946)	(17,698)
Total investments and others.....	547,748	566,767	535,344	547,700	461,806	442,730
Total fixed assets.....	675,254	687,917	652,456	666,256	585,730	570,662
Total assets.....	¥921,472	¥884,045	¥850,851	¥826,124	¥795,778	¥772,910

In millions of yen

LIABILITIES	2019	2018	2017	2016	2015	2014
Current liabilities:						
Accounts payable.....	¥ 3,820	¥ 4,108	¥ 3,604	¥ 3,641	¥ 3,172	¥ 3,429
Bank loans.....	21,211	21,940	22,703	36,923	29,416	36,703
Lease obligations.....	309	229	215	198	185	176
Payables—other.....	19,769	16,708	14,476	15,698	15,675	14,546
Payables—construction.....	5,437	3,897	4,018	3,980	4,480	4,218
Accrued income taxes.....	11,210	13,162	14,345	9,479	10,826	12,366
Accrued consumption taxes.....	3,221	3,817	2,883	2,718	7,088	1,478
Accrued expenses.....	747	691	697	737	800	802
Deposits received for armored car services.....	18,348	16,446	15,187	13,975	15,124	16,175
Deferred revenue.....	19,949	20,300	20,629	20,923	21,269	21,301
Accrued bonuses.....	6,488	6,300	6,278	6,246	6,296	6,246
Other.....	2,590	2,623	4,014	4,177	4,311	3,530
Total current liabilities.....	113,104	110,226	109,053	118,699	118,647	120,976
Long-term liabilities:						
Lease obligations.....	3,971	2,358	2,477	2,601	2,661	2,747
Guarantee deposits received.....	16,462	16,640	16,804	17,038	17,286	17,622
Deferred income taxes.....	—	3,575	6,642	6,213	3,400	307
Accrued pension and severance costs.....	1,788	2,164	2,506	2,835	3,241	3,555
Other.....	343	91	103	378	408	459
Total long-term liabilities.....	22,566	24,830	28,533	29,068	26,998	24,692
Total liabilities.....	135,670	135,057	137,587	147,768	145,646	145,668
NET ASSETS						
Shareholders' equity:						
Common stock.....	¥ 66,392	¥ 66,385	¥ 66,377	¥ 66,377	¥ 66,377	¥ 66,377
Capital surplus:						
Additional paid-in capital.....	83,069	83,061	83,054	83,054	83,054	83,054
Other capital surplus.....	0	0	0	0	0	0
Total capital surplus.....	83,069	83,062	83,054	83,054	83,054	83,054
Retained earnings:						
Legal reserve.....	9,028	9,028	9,028	9,028	9,028	9,028
Other retained earnings:						
Reserve for system developments.....	800	800	800	800	800	800
General reserve.....	2,212	2,212	2,212	2,212	2,212	2,212
Accumulated earnings carried forward.....	692,935	653,840	618,887	586,082	556,013	536,978
Total retained earnings.....	704,976	665,881	630,927	598,122	568,053	549,018
Common stock in treasury, at cost.....	(73,759)	(73,748)	(73,731)	(73,717)	(73,701)	(73,682)
Total shareholders' equity.....	780,679	741,579	706,629	673,836	643,784	624,768
Valuation, translation adjustments and others:						
Unrealized gains (losses) on securities.....	5,122	7,408	6,634	4,518	6,347	2,473
Total valuation, translation adjustments and others.....	5,122	7,408	6,634	4,518	6,347	2,473
Total net assets.....	785,801	748,988	713,263	678,355	650,132	627,242
Total liabilities and net assets.....	¥921,472	¥884,045	¥850,851	¥826,124	¥795,778	¥772,910

Condensed Nonconsolidated Statements of Income (Based on Japanese GAAP)

SECOM CO., LTD.
Years ended March 31

	In millions of yen					
	2019	2018	2017	2016	2015	2014
Revenue.....	¥394,181	¥387,881	¥382,476	¥376,044	¥370,663	¥364,280
<i>Percentage change from prior year</i>	1.6%	1.4%	1.7%	1.5%	1.8%	2.5%
Service charges.....	332,995	327,470	322,338	317,764	314,068	309,499
<i>Percentage change from prior year</i>	1.7	1.6	1.4	1.2	1.5	1.4
Sales of merchandise.....	61,185	60,411	60,137	58,280	56,594	54,781
<i>Percentage change from prior year</i>	1.3	0.5	3.2	3.0	3.3	9.4
Costs.....	234,046	229,332	227,204	223,189	221,441	215,849
<i>As a percentage of revenue</i>	59.4	59.1	59.4	59.4	59.7	59.3
Costs of service.....	190,628	186,639	184,225	181,597	180,850	177,339
<i>As a percentage of service charges</i>	57.2	57.0	57.2	57.1	57.6	57.3
Costs of sales.....	43,418	42,693	42,978	41,591	40,590	38,509
<i>As a percentage of merchandise sales</i>	71.0	70.7	71.5	71.4	71.7	70.3
Gross profit.....	160,134	158,549	155,271	152,855	149,221	148,431
<i>As a percentage of revenue</i>	40.6	40.9	40.6	40.6	40.3	40.7
Gross profit on service.....	142,367	140,831	138,112	136,166	133,217	132,159
<i>As a percentage of service charges</i>	42.8	43.0	42.8	42.9	42.4	42.7
Gross profit on sales.....	17,767	17,718	17,159	16,688	16,003	16,272
<i>As a percentage of merchandise sales</i>	29.0	29.3	28.5	28.6	28.3	29.7
Selling, general and administrative expenses.....	83,301	80,380	78,988	77,191	76,046	75,521
<i>As a percentage of revenue</i>	21.1	20.7	20.7	20.5	20.5	20.7
Operating profit.....	76,833	78,168	76,283	75,664	73,174	72,909
<i>As a percentage of revenue</i>	19.5	20.2	19.9	20.1	19.8	20.0
Non-operating income.....	15,006	14,978	13,389	13,639	11,714	10,269
Non-operating expenses.....	2,866	2,064	3,130	2,691	3,316	4,295
Ordinary profit.....	88,972	91,083	86,543	86,612	81,572	78,884
<i>As a percentage of revenue</i>	22.6	23.5	22.6	23.0	22.0	21.7
Extraordinary profit.....	87	1,896	651	3,064	1,670	491
Extraordinary losses.....	203	324	100	6,733	2,805	1,604
Income before income taxes.....	88,855	92,655	87,094	82,943	80,437	77,771
<i>As a percentage of revenue</i>	22.5	23.9	22.8	22.1	21.7	21.3
Income taxes.....	14,838	24,962	23,833	24,500	22,945	26,273
<i>Effective tax rate</i>	16.7	26.9	27.4	29.5	28.5	33.8
Net income.....	74,016	67,692	63,260	58,442	57,492	51,497
<i>As a percentage of revenue</i>	18.8	17.5	16.5	15.5	15.5	14.1
<i>Percentage change from prior year</i>	9.3	7.0	8.2	1.7	11.6	4.8

Corporate Information

(As of June 30, 2019)

Headquarters:	5-1, Jingumae 1-chome, Shibuya-ku, Tokyo 150-0001, Japan
Independent auditors:	KPMG AZSA LLC
Administrator of the register of shareholders:	Mitsubishi UFJ Trust and Banking Corporation 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8212, Japan

MAJOR CONSOLIDATED SUBSIDIARIES

	Issued capital (In millions of yen)	Percentage of equity/ voting rights	Lines of business	(As of June 30, 2019)
Domestic				
<Security services>				
Secom Joshinetsu Co., Ltd.	¥3,530	(50.9)%	Security services	
Secom Hokuriku Co., Ltd.	201	59.1	Security services	
Secom Yamanashi Co., Ltd.	15	70.0	Security services	
Secom Mie Co., Ltd.	50	51.0	Security services	
Secom Sanin Co., Ltd.	290	64.3	Security services	
Secom Kochi Co., Ltd.	50	40.0	Security services	
Secom Miyazaki Co., Ltd.	30	68.3	Security services	
Secom Ryukyu Co., Ltd.	76	50.0	Security services	
Secom Jastic Co., Ltd.	100	100.0	Security services	
Secom Jastic Joshinetsu Co., Ltd.	40	(100.0)	Security services	
Secom Jastic Hokuriku Co., Ltd.	10	(100.0)	Security services	
Secom Jastic Yamanashi Co., Ltd.	10	(100.0)	Security services	
Secom Jastic Sanin Co., Ltd.	10	(100.0)	Security services	
Secom Jastic Kochi Co., Ltd.	10	(100.0)	Security services	
Secom Jastic Miyazaki Co., Ltd.	10	(100.0)	Security services	
Secom Static Hokkaido Co., Ltd.	50	100.0	Security services	
Secom Static Tohoku Co., Ltd.	50	100.0	Security services	
Secom Static Nishi-Nihon Co., Ltd.	50	100.0	Security services	
Secom Static Kansai Co., Ltd.	50	100.0	Security services	
Secom Static Ryukyu Co., Ltd.	10	(100.0)	Security services	
Secom Sado Co., Ltd.	24	(100.0)	Security services	
JK. Siress Co., Ltd.	10	(100.0)	Security services	
Japan Safety Guard Co., Ltd.	100	60.0	Security services	
Japan Nuclear Security System Co., Ltd.	200	50.0	Security services	
Meian Co., Ltd.	60	51.0	Security services	
Secom Tech Sanin Co., Ltd.	23	(100.0)	Installation of security equipment	
Secom Techno Joshinetsu Co., Ltd.	30	(100.0)	Installation of security equipment	
Secom Win Co., Ltd.	15	66.7	Installation of security equipment and facilities	
Secom Industries Co., Ltd.	499	100.0	Manufacturing of security equipment	
Otec Electronics Co., Ltd.	200	82.0	Manufacturing and sales of security systems	
Secom Alpha Co., Ltd.	271	100.0	Sales of security and water-treatment equipment	
Secom Mine Security Co., Ltd.	30	100.0	Security services	
Social Rehabilitation Support Kitsuregawa Co., Ltd.	10	51.7	Operation of PFI correctional facilities	
Secom Kitsuregawa Security Co., Ltd.	50	100.0	Security services	
Home Life Kanri Co., Ltd.	40	(100.0)	Condominium management	
Kumalift Co., Ltd.	100	100.0	Manufacture, sales and maintenance of freight elevators	
Asahi Security Co., Ltd.	100	100.0	Security services	
Secom Tosec Co., Ltd.	30	80.1	Security services	

Notes: 1. () indicates the percentage of equity/voting rights held by both SECOM CO., LTD. and certain of its subsidiaries, or by certain subsidiaries independently.
2. Subsidiaries are categorized into segments above according to their major lines of business.

(Continued)

MAJOR CONSOLIDATED SUBSIDIARIES

	Issued capital (In millions of yen)	Percentage of equity/ voting rights	Lines of business	(As of June 30, 2019)
<Fire protection services>				
Nohmi Bosai Ltd.	¥13,302	(50.4)%	Manufacturing and sales of fire protection equipment and facilities	
Ichibou Co., Ltd.	28	(73.2)	Installation of fire protection equipment	
Kyushu Nohmi Co., Ltd.	30	(100.0)	Installation and maintenance of fire protection equipment	
Chiyoda Service Co., Ltd.	20	(70.0)	Building management	
Nohmi Engineering Corp.	80	(100.0)	Installation of fire protection equipment	
Nohmi System Co., Ltd.	20	(100.0)	Maintenance of fire protection equipment	
Iwate Nohmi Co., Ltd.	30	(100.0)	Installation of fire protection equipment	
Tohoku Nohmi Co., Ltd.	32	(100.0)	Installation of fire protection equipment	
Aomori Nohmi Co., Ltd.	20	(100.0)	Installation of fire protection equipment	
Nissin Bohsai Co., Ltd.	50	(100.0)	Installation of fire protection equipment	
Chiba Nohmi Co., Ltd.	10	(100.0)	Installation of fire protection equipment	
Shikoku Nohmi Co., Ltd.	20	(100.0)	Installation of fire protection equipment	
Nohmi Techno Engineering Co., Ltd.	40	(100.0)	Installation of environmental monitoring systems	
Akita Nohmi Co., Ltd.	20	(100.0)	Installation of fire protection equipment	
Fukushima Nohmi Co., Ltd.	20	(100.0)	Installation of fire protection equipment	
Niigata Nohmi Co., Ltd.	20	(100.0)	Installation of fire protection equipment	
Hokkaido Nohmi Co., Ltd.	20	(100.0)	Installation of fire protection equipment	
Yashima Bosai Setsubi Co., Ltd.	20	(82.0)	Installation of fire protection equipment	
System Service Co., Ltd.	80	(100.0)	Installation and maintenance of fire protection equipment	
Nittan Co., Ltd.	2,303	100.0	Installation, sales and maintenance of fire protection equipment	
Nittan Electronic Co., Ltd.	60	(100.0)	Manufacturing of fire protection equipment	
Nittan Denko Co., Ltd.	10	(100.0)	Installation and maintenance of fire protection equipment	
Nittan Hokkaido Service Center Co., Ltd.	10	(100.0)	Installation and maintenance of fire protection equipment	
Nittan Tohoku Service Center Co., Ltd.	10	(100.0)	Installation and maintenance of fire protection equipment	
Sogo Denki Trading Co., Ltd.	10	(100.0)	Installation and maintenance of fire protection equipment	
Shell beach Co., Ltd.	10	(100.0)	Installation and maintenance of fire protection equipment	
Consilium Nittan Marine Ltd.	42	(50.0)	Sales of fire protection equipment	
<Medical services>				
Secom Medical System Co., Ltd.	100	100.0	Home health/nursing care and other medical-related services	
Mac Corp.	95	(100.0)	Sales of medical equipment	
Yoshikikaku Co., Ltd.	20	(100.0)	Operation of restaurants and shops at medical facilities	
Kensei Co., Ltd.	100	(100.0)	Management of pharmacies	
Secomfort Tama Co., Ltd.	100	(100.0)	Management of nursing homes	
Alive Medicare Co., Ltd.	50	(100.0)	Management of nursing homes	
Secomfort Co., Ltd.	100	(100.0)	Management of nursing homes	
Secomfort West Co., Ltd.	100	(100.0)	Management of nursing homes	
US Chemical Co., Ltd.	3	(100.0)	Management of pharmacies	
Secom Medipharma Co., Ltd.	10	(100.0)	Wholesaling of pharmaceuticals	

Notes: 1. () indicates the percentage of equity/voting rights held by both SECOM CO., LTD. and certain of its subsidiaries, or by certain subsidiaries independently.
2. Subsidiaries are categorized into segments above according to their major lines of business.

(Continued)

MAJOR CONSOLIDATED SUBSIDIARIES

	Issued capital (In millions of yen)	Percentage of equity/ voting rights	Lines of business	(As of June 30, 2019)
<Insurance services>				
Secom Insurance Service Co., Ltd.	¥ 100	(100.0)%	Non-life insurance agency	
Secom General Insurance Co., Ltd.	16,809	97.1	Non-life insurance	
<Geospatial information services>				
Pasco Corp.	8,758	69.8	Geographic information services	
GIS Hokkaido Co., Ltd.	190	(100.0)	Geographic information services	
GIS Kanto Co., Ltd.	40	(52.6)	Geographic information services	
Mid Map Tokyo Corp.	15	(60.0)	Geographic information services	
RILC Corp.	20	(100.0)	Geographic information services	
Higashi-Nihon Sogo Keikaku Co., Ltd.	200	(100.0)	Geographic information services	
Satellite Image Marketing Corp.	60	(100.0)	Geographic information services	
<BPO and ICT services>				
Secom Trust Systems Co., Ltd.	1,469	100.0	Information, communication, information security services and software development	
At Tokyo Corp.	13,379	50.9	Data center business	
TMJ, Inc.	100	100.0	BPO services	
BIOS, Inc.	39	(90.0)	Bilingual IT services	
Mobile Select, Inc.	10	(100.0)	Contact center support services	
<Real estate and other services>				
Secom Home Life Co., Ltd.	3,700	99.9	Development of residential buildings	
Arai & Co., Ltd.	3,000	86.7	Real estate leasing	
Arai Corporation, Inc.	10	(100.0)	Management of real estate	
Secom Credit Co., Ltd.	400	100.0	Credit services	
Secom Corp.	100	100.0	Clerical services	
Secom Auto Service Co., Ltd.	45	100.0	Car maintenance	
Wonder Dream Co., Ltd.	100	100.0	Employee welfare for SECOM Group	
Secom Business Plus Co., Ltd.	20	100.0	General office services	
Secom Home Service Co., Ltd.	32	100.0	Lifestyle support services	
Kurashi-TEL Co., Ltd.	100	100.0	Comprehensive lifestyle support services	
Secom Engineering Co., Ltd.	100	100.0	Design, construction and maintenance of facilities	
Toko Create Co., Ltd.	50	96.6	Electrical engineering	

Notes: 1. () indicates the percentage of equity/voting rights held by both SECOM CO., LTD. and certain of its subsidiaries, or by certain subsidiaries independently.
2. Subsidiaries are categorized into segments above according to their major lines of business.

(Continued)

MAJOR CONSOLIDATED SUBSIDIARIES

	Issued capital	Percentage of equity/ voting rights	Lines of business	(As of June 30, 2019)
Overseas				
<Security services>				
Secom plc	£44,126 thousand	100.0%	Security services	
Scan Alarms Ltd.	£20 thousand	(100.0)	Holding company	
Scan Alarms & Security Systems (UK) Ltd.	£50 thousand	(100.0)	Security services	
Secom (China) Co., Ltd.	¥5,550 million	100.0	Holding company	
Dalian Secom Security Co., Ltd.	US\$2,000 thousand	(95.0)	Security services	
Shanghai Secom Security Co., Ltd.	Rmb80,000 thousand	(85.0)	Security services	
Beijing Jingdun Secom Electronic Security Co., Ltd.	US\$2,500 thousand	(80.0)	Security services	
Qingdao Secom Security Co., Ltd.	US\$1,000 thousand	(80.0)	Security services	
Guangdong Secom Security Co., Ltd.	US\$4,500 thousand	(100.0)	Security services	
Fujian Secom Security Co., Ltd.	Rmb15,000 thousand	(95.0)	Security services	
Sichuan Secom Security Co., Ltd.	Rmb10,000 thousand	(100.0)	Security services	
Shaanxi Secom Security Co., Ltd.	Rmb10,000 thousand	(100.0)	Security services	
Zhejiang Secom Security Co., Ltd.	Rmb15,000 thousand	(97.0)	Security services	
Liaoning Secom Security Co., Ltd.	Rmb10,000 thousand	(60.0)	Security services	
Secom Jindun (Tianjin) Security Co., Ltd.	Rmb5,000 thousand	(69.4)	Security services	
Jiangsu Secom Security Co., Ltd.	Rmb15,000 thousand	(100.0)	Security services	
PT. Secom Indonesia	US\$4,111 thousand	49.0	Security services	
PT. Secom Bhayangkara	IRPA3,200 million	(40.0)	Security services	
PT. Secom Realty Indonesia	IRPA97,972 million	(99.9)	Real estate leasing	
Thai Secom Security Co., Ltd.	THB378,934 thousand	49.0	Security services	
Secom Australia Pty. Ltd.	AUD18,126 thousand	100.0	Security services	
Secom Technical Services Unit Trust	AUD5,951 thousand	(70.0)	Security services	
Secom Guardall NZ Ltd.	NZD1,604 thousand	(100.0)	Security services	
Secom Trading Co., Ltd.	¥120 million	100.0	Sales of security equipment	
Secom Vietnam Security Service JSC	VND95,177 million	(80.0)	Security services	
Secom (Singapore) Pte. Ltd.	S\$5,000 thousand	46.6	Security services	
D'Garde Security Pte. Ltd.	S\$100 thousand	(100.0)	Security services	
Secom Aktif Guvenlik Yatirim A.S.	TRY26,584 thousand	50.0	Security services	
Kent Guvenlik Sistemleri Elektronik Insaat Sanayi ve Ticaret A.S.	TRY19,302 thousand	(100.0)	Security services	
<Other services>				
Shanghai Nohmi Secom Fire Protection Equipment Co., Ltd.	US\$14,300 thousand	(100.0)	Manufacturing and sales of fire protection equipment and facilities	
Nohmi Taiwan Ltd.	NT\$15,000 thousand	(96.3)	Manufacturing and sales of fire protection equipment and facilities	
Nittan Europe Ltd.	£1,194 thousand	(100.0)	Sales of fire protection equipment	
Nittan Fire Protection System (Zhongshan) Co., Ltd.	US\$1,400 thousand	(100.0)	Sales of fire protection equipment	
Nittan Asean Co., Ltd. – Vietnam Headquarters	US\$3,236 thousand	(100.0)	Manufacturing of fire protection equipment	
Secom Medical System (Singapore) Pte. Ltd.	S\$51,330 thousand	(100.0)	Holding company	
Takshasila Hospitals Operating Pvt. Ltd.	INR3,029 million	(49.7)	Hospital management	
Takshasila Healthcare and Research Service Pvt. Ltd.	INR15 million	(99.3)	Management of hospital real estate	
Pasco Philippines Corp.	PHP50,400 thousand	(100.0)	Geographic information services	
Pasco China Corp.	Rmb22,320 thousand	(99.0)	Geographic information services	
Pasco (Thailand) Co., Ltd.	THB129,000 thousand	(100.0)	Geographic information services	
PT. Nusantara Secom InfoTech	US\$3,304 thousand	(100.0)	Geographic information services and software development	
Aerodata International Surveys BVBA	EUR14,302 thousand	(100.0)	Geographic information services	
Pasco Europe B.V.	EUR4,000 thousand	(100.0)	Geographic information services	
Pasco North America Inc.	US\$5,621 thousand	(100.0)	Geographic information services	
Keystone Aerial Surveys Inc.	US\$0.6 thousand	(100.0)	Geographic information services	
Value Communication Services (Shanghai), Inc.	Rmb35,749 thousand	(100.0)	BPO services	
Jie Sheng Communication Services (Shanghai), Inc.	Rmb5,000 thousand	(100.0)	BPO services	
TMJP BPO Services, Inc.	PHP35,900 thousand	(99.9)	BPO services	
The Westec Security Group, Inc.	US\$0.3 thousand	100.0	Holding company	
ClearLight Partners, LLC	—	(99.7)	Investment	
ClearLight Partners II, LLC	—	(99.0)	Investment	
ClearLight Partners III, LLC	—	(98.0)	Investment	

Notes: 1. () indicates the percentage of equity/voting rights held by both SECOM CO., LTD. and certain of its subsidiaries, or by certain subsidiaries independently.
2. Subsidiaries are categorized into segments above according to their major lines of business.

SECOM's Basic Business Areas

SECOM offers a wide range of services and products with the aim of realizing its Social System Industry vision.

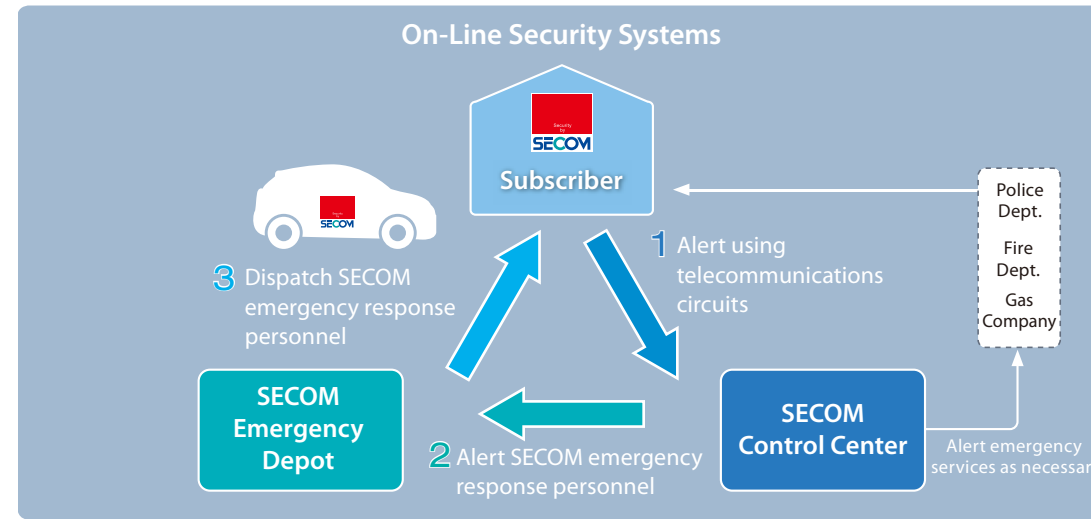
Security Services

On-Line Security Systems for Commercial Use and Security Services for Large-Scale Events

- **SECOM AX**
SECOM AX is an on-line security system with advanced on-site image sensors that incorporate microphones to enable SECOM control center staff to check the subscriber's premises by listening and viewing.
- **SECOM IX**
SECOM IX is a remote imaging security system for commercial facilities offering around-the-clock services.
- **SECOM DX**
SECOM DX is an on-line security system developed to meet the needs of shops, offices, warehouses, factories and other commercial and industrial establishments.
- **SECOM TX**
SECOM TX is an on-line security system for commercial buildings with more than one tenant.
- **HANKS SYSTEM**
HANKS SYSTEM is an on-line security system for financial institutions, including automated banking facilities.
- **SECOM CX**
SECOM CX offers a comprehensive building management system that monitors and manages large building complexes.
- **SECOM LX**
SECOM LX is an on-line security system that includes an access control function.
- **SECOM FX**
SECOM FX is a system that combines monitoring for intruders and fire with facility control functions.
- **SECOM DRONE**
Working in tandem with an on-line security system, this small autonomous flying surveillance robot flies toward unauthorized individuals or vehicles, choosing the optimal angles from which to capture images, which are then sent to a control center.
- **SECOM 3D SECURITY PLANNING**
SECOM 3D Security Planning makes use of high-precision digital relief maps to conduct multifaceted, multidimensional risk assessments, thereby facilitating sophisticated security planning.
- **SECOM AIRSHIP/SECOM AEROSTAT**
These dirigibles are used for overhead surveillance at large-scale events to ensure the prompt detection of problems and in disaster situations to provide support for efforts to swiftly gauge the extent of damage to evacuation guidance, among others.

Fire Protection Services

- **FIRE ALARM SYSTEMS**
This business encompasses the assembly, installation and sale of a broad range of equipment and systems, including automatic fire alarm systems, environmental monitoring systems, and fire and smoke control systems, suited to buildings of varying sizes and uses, from homes to large-scale commercial and industrial facilities.
- **FIRE EXTINGUISHING SYSTEMS**
SECOM offers an extensive lineup, including fire sprinklers and other water fire extinguishing systems, foam fire extinguishing systems, dry chemical fire extinguishing systems and inert gas fire extinguishing systems, for applications ranging from office buildings to chemical plants and tunnels.
- **MAINTENANCE SERVICES**
This business centers on inspection, maintenance and repair services, as well as around-the-clock on-line monitoring and other services provided through a customer services center.
- **OTHERS**
This category comprises the installation and maintenance of parking lot control systems and the assembly and sale of printed circuit boards for manufacturers in other industries, including medical and electronics equipment.



On-Line Security Systems for Residential Use

- **SECOM HOME SECURITY**
SECOM Home Security is a comprehensive home security system combining around-the-clock intrusion- and fire-prevention services, emergency call services, gas leak monitoring and medical emergency call services. The new SECOM Home Security NEO is an advanced version that features a desktop controller and can be operated from a smartphone. This service can also be linked with devices on the IoT, facilitating access to a variety of new services.
- **SECURITY SYSTEMS FOR CONDOMINIUMS AND APARTMENTS**
SECOM provides comprehensive building management functions for condominiums and total safety with a centralized security system for each unit in the building. SECOM's menu includes services for small-scale apartments.
- **SECOM MY DOCTOR WATCH**
SECOM My Doctor Watch is a wearable wristband-style emergency medical alert and health management service. This service is offered as an option to SECOM Home Security subscribers.
- **SECOM SENIOR CARE PHONE SERVICE**
When the user presses the device's safety confirmation button in response to a prompt, an email verifying the user's safety is automatically sent to registered

Medical Services

- **HOME MEDICAL SERVICES**
SECOM's medical services for patients at home include pharmaceutical services, encompassing the preparation and delivery of prescription pharmaceuticals, and home nursing services provided through visiting nurse stations. SECOM also provides consulting and support services for physicians opening home medical care clinics.
- **HOME-BASED PERSONAL CARE SERVICES**
SECOM provides patients recovering at home with caregivers to assist with personal hygiene, bathing, exercise and other daily activities, as well as provide light housekeeping.
- **SECOM UBIQUITOUS ELECTRONIC MEDICAL REPORT (EMR)**
SECOM Ubiquitous EMR is a medical report system for home medical care aimed at clinics and small and medium-sized hospitals. The system enables the sharing of data among members of the home-care team, including the primary physician, visiting nurse and pharmacy.
- **Hospi-net**
Hospi-net, a remote image diagnosis support service, transmits magnetic resonance imaging (MRI), computerized tomography (CT) and other images to SECOM's Hospi-net center, where diagnostic experts examine them and provide consultation to the primary physician.
- **MY SPOON**
My Spoon is a robot that enables people with impaired upper body mobility to eat with minimal assistance. This is the first robot of its kind in Japan.
- **RESIDENCES FOR SENIORS AND NURSING HOMES**
SECOM manages the Sacrava Seijo, Comfort Royal Life Tama, Comfort Garden Azamino and Comfort Hills Rokko residences for seniors and the Alive Care Home series of nursing homes.
- **SECOM HEALTH CARE CLUB KENKO**
SECOM Health Care Club KENKO is a membership-based club that provides access to a variety of health management services, including testing with a PET/CT scanner. The club is offered through an alliance with Yotsuya Medical Cube, a cutting-edge clinic in Tokyo.

individuals. Whether indoors or out, the device, when activated, sends an emergency signal to SECOM. If requested, SECOM can also dispatch emergency response personnel. If deemed necessary, SECOM staff also contacts emergency services, in which case preregistered emergency information is displayed on the subscriber's device, thereby ensuring it is immediately available to ambulance attendants and hospital staff.

Large-Scale Proprietary Security Systems

- **TOTAX ZETA**
TOTAX ZETA integrates networking capabilities and a security system into a comprehensive local control system for industrial complexes and buildings.
- **COCO-SECOM**
COCO-SECOM is an innovative system that uses signals from global positioning system (GPS) satellites and cellular telephone base stations to locate moving objects, such as people, vehicles and property. As an option, customers can also request to have emergency response personnel dispatched to the location of the object or an emergency alert relayed to a predetermined telephone number.

Insurance Services

- **SECURITY DISCOUNT FIRE POLICY**
Security Discount Fire Policy is a commercial fire insurance policy that features reduced premiums for subscribers to commercial security systems.
- **SECOM ANSHIN MY HOME**
SECOM Anshin My Home is a comprehensive fire insurance policy that features reduced premiums for subscribers to home security systems.
- **MEDCOM**
MEDCOM is an unrestricted treatment policy that covers the cost of cancer treatment not covered by Japan's national health insurance scheme, as well as the patient's portion of the cost of medical care covered by the national health insurance scheme. MEDCOM also provides hospital referrals and treatment-related consulting services.
- **SECOM ANSHIN MY CAR**
SECOM Anshin My Car is a comprehensive automobile insurance policy that includes on-site emergency services in the event of an accident, as well as discounts for drivers without a traffic violation history or on cars equipped with anti-theft devices.

Geospatial Information Services

- **PasCAL SERIES**
Designed for local governments, the PasCAL series of comprehensive GIS services facilitates the effective use of GIS in a variety of situations.
- **MarketPlanner SERIES**
The MarketPlanner series uses a variety of data sorting and presentation methods to support the efforts of growing companies to establish area marketing strategies.
- **SAFE ROUTE MAPPING SERVICE**
This service helps companies ensure their employees are able to reach home safely and assists crisis management efforts in the event of a major earthquake. A version of this service is also available to individuals.

Static Guard Services

Static guard services are provided for facilities where customer needs are best served by professionally trained on-site personnel.

Armored Car Services

SECOM provides armored car services for the collection and transportation of cash and other valuables.

SECOM AED Package Service

The SECOM AED Package Service is a full-service package encompassing leasing and maintenance of emergency lifesaving kits featuring automated external defibrillators (AEDs) to non-medical professionals. SECOM MyAED, a version for home-use AEDs, is also offered.

Merchandise

- **SECURITY CAMERA SYSTEM**
This multifunctional, cost-effective security camera system provides stable monitoring even in places where insufficient light makes clear images difficult and allows the combined use of digital and analog cameras. It is also capable of detecting attempts to disable or destroy the camera. The system offers an optional service whereby camera images are transmitted via a network to a SECOM data center facility for storage.
- **SECURILOCK SERIES**
The SECURILOCK series uses identification numbers, integrated circuit (IC) pass cards and other methods to control access to restricted areas.
- **SESAMO SERIES**
The SESAMO series comprises access-control systems for use in corporate offices, factories, parking facilities and any other security-sensitive areas. These systems employ such technologies as contactless IC pass cards, magnetic cards, personal identification numbers, and finger vein authentication.
- **TOMAHAWK SERIES**
The TOMAHAWK series is an extensive lineup of innovative extinguishing systems, including TOMAHAWK MACH II residential-use fire extinguisher and TOMAHAWK III high-speed automated fire extinguishing system with gas suppression.
- **PYTHAGORAS SERIES**
PYTHAGORAS is a series of security vaults with superior protection, heat resistance and performance.
- **SECURIFACE**
SECURIFACE is a residential intercom system that combines a face detection function with SECOM Home Camera System, enhancing security for people at home.
- **LASER SENSOR**
Laser Sensor is an external monitoring sensor that uses a laser beam to facilitate effective detection of intrusions over a broad area. The sensor is flexible and can be programmed to accommodate various monitoring areas.

BPO and ICT Services

- **DATA CENTERS**
Robust facility construction, stable electric power supplies, dependable networks and top-grade SECOM security enable SECOM to provide safe storage for information assets, as well as a variety of other services.
- **LARGE-SCALE DISASTER RESPONSE SERVICES**
SECOM provides solutions encompassing everything from services that optimize companies' preparedness for disasters to services that assist companies when disaster strikes and during post-disaster reconstruction. These include SECOM Safety Confirmation Service, which helps companies confirm the safety of employees in the event of a disaster, as well as to gather and share crucial information on conditions on the ground.
- **INFORMATION SECURITY SERVICES**
SECOM provides a variety of services designed to protect subscribers' information against cyber attacks and other dangers, including diagnosing and analyzing network problems, monitoring for system and network viruses and emergency on-site response services in the event an irregularity is detected.
- **CLOUD-BASED SERVICES**
SECOM extends cloud-based services that help increase customers competitiveness, productivity and ability to create value by digitizing their business processes.
- **BPO SERVICES**
SECOM offers contact center, back office support and a broad range of other BPO services.

Real Estate and Other Services

- **REAL ESTATE DEVELOPMENT AND SALES**
SECOM offers Glorio condominiums.
- **SECOM HOME SERVICE/SEIKATSU TASUKE**
SECOM Home Service is a suite of convenient lifestyle support services for SECOM Home Security subscribers ranging from patrolling subscribers' homes when occupants are away to assistance with housekeeping. *Seikatsu Tasuke* is a comprehensive suite of lifestyle and household support services.

Directors, Audit and Supervisory Board Members and Executive Officers

Directors



Makoto Iida
Founder



Yasuo Nakayama
Chairman and
Representative Director



Ichiro Ozeki
President and
Representative Director



Yasuyuki Yoshida
Senior Executive Director



Tatsuro Fuse
Executive Director



Tatsuya Izumida
Director



Tatsushi Kurihara
Director



Takaharu Hirose
Outside Director



Hirobumi Kawano
Outside Director



Hajime Watanabe
Outside Director

Audit and Supervisory Board Members

Takayuki Ito

Koji Kato

Hideki Kato*

Makoto Yasuda*

Setsuo Tanaka*

*Outside

Executive Team

Directors

Yasuo Nakayama
Chairman and
Representative Director

Ichiro Ozeki
President and
Representative Director

Yasuyuki Yoshida
Senior Executive Director

Tatsuro Fuse
Executive Director

Tatsuya Izumida
Director

Tatsushi Kurihara
Director

Executive Officers

Kenichi Furukawa
Managing Executive Officer

Masahiro Takeda
Managing Executive Officer

Toshiaki Mizuno
Managing Executive Officer

Shokichi Ishimura
Managing Executive Officer

Keitaro Arai
Managing Executive Officer

Osamu Ueda
Managing Executive Officer

Yoichi Sugimoto
Executive Officer

Sumiyuki Fukumitsu
Executive Officer

Kensuke Shindo
Executive Officer

Yasufumi Kuwahara
Executive Officer

Noriyuki Fukuoka
Executive Officer

Takeshi Akagi
Executive Officer

Sadahiro Sato
Executive Officer

Yoshinori Yamanaka
Executive Officer

Seiya Nagao
Executive Officer

Noriyuki Uematsu
Executive Officer

Osamu Nagai
Executive Officer

Atsushi Komatsu
Executive Officer

Kazuhiro Mitomo
Executive Officer

Takehiko Senda
Executive Officer

Takashi Nakada
Executive Officer

Michiyoshi Morita
Executive Officer

Makoto Inaba
Executive Officer

(As of July 31, 2019)



SECOM CO., LTD.

5-1, Jingumae 1-chome, Shibuya-ku,
Tokyo 150-0001, Japan

www.secom.co.jp



Printed in Japan