AUDITED FINANCIAL STATEMENTS

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Consolidated Financial Statements

Consolidated Balance Sheets

SECOM CO., LTD. and Subsidiaries
March 31, 2014 and 2013

	In millions of yen		Translation into thousands of U.S. dollars (Note 3)
	March 31		March 31
ASSETS	**2014**	2013	**2014**
Current assets:			
Cash and Cash equivalents (Notes 5 and 22)	**¥ 230,752**	¥ 222,696	**$ 2,240,311**
Time deposits (Note 13)	**9,524**	8,021	**92,466**
Cash deposits (Note 6)	**58,597**	56,090	**568,903**
Short-term investments (Notes 7 and 22)	**10,032**	12,079	**97,398**
Notes and accounts receivable, trade	**128,000**	119,914	**1,242,718**
Due from subscribers	**38,618**	34,856	**374,932**
Inventories (Note 8)	**51,865**	58,021	**503,544**
Short-term receivables (Notes 9, 13, 20 and 21)	**21,333**	21,466	**207,117**
Allowance for doubtful accounts (Note 9)	**(1,885)**	(2,176)	**(18,301)**
Deferred insurance acquisition costs (Note 14)	**5,015**	5,650	**48,689**
Deferred income taxes (Note 17)	**14,021**	15,387	**136,126**
Other current assets (Notes 21, 22 and 23)	**12,207**	13,937	**118,514**
Total current assets	**578,079**	565,941	**5,612,417**
Investments and long-term receivables:			
Investment securities (Notes 2 (7), 7, 13 and 22)	**204,604**	155,138	**1,986,447**
Investments in affiliated companies (Note 10)	**49,762**	39,137	**483,126**
Long-term receivables (Notes 9, 13, 20 and 21)	**49,718**	47,321	**482,699**
Lease deposits	**13,831**	13,656	**134,282**
Other investments	**12,775**	8,824	**124,028**
Allowance for doubtful accounts (Note 9)	**(5,987)**	(6,366)	**(58,126)**
	324,703	257,710	**3,152,456**
Property, plant and equipment (Notes 11, 13, 19 and 20)**:**			
Land	**113,159**	114,528	**1,098,631**
Buildings and improvements	**297,349**	285,609	**2,886,883**
Security equipment and control stations	**292,114**	282,533	**2,836,058**
Machinery, equipment and automobiles	**107,820**	99,758	**1,046,796**
Construction in progress	**7,840**	3,688	**76,117**
	818,282	786,116	**7,944,485**
Accumulated depreciation	**(423,895)**	(400,854)	**(4,115,485)**
	394,387	385,262	**3,829,000**
Other assets:			
Deferred charges (Note 2 (12))	**42,539**	41,995	**413,000**
Goodwill (Note 12)	**32,872**	32,736	**319,146**
Other intangible assets (Notes 12, 13, 19 and 20)	**39,010**	38,418	**378,738**
Prepaid pension and severance costs (Note 15)	**22,054**	11,538	**214,117**
Deferred income taxes (Note 17)	**7,061**	6,750	**68,553**
	143,536	131,437	**1,393,554**
Total assets	**¥1,440,705**	¥1,340,350	**$13,987,427**

See accompanying notes to consolidated financial statements.

LIABILITIES AND EQUITY	In millions of yen, March 31, 2014	In millions of yen, March 31, 2013	Translation into thousands of U.S. dollars (Note 3), March 31, 2014
Current liabilities:			
Bank loans (Notes 6 and 13)	¥ 52,542	¥ 39,032	$ 510,117
Current portion of long-term debt (Notes 13, 19 and 21)	15,398	17,281	149,495
Notes and accounts payable, trade	49,961	45,009	485,058
Other payables	32,228	32,845	312,893
Deposits received (Note 6)	22,416	30,090	217,631
Deferred revenue	39,487	39,677	383,369
Accrued income taxes	28,106	30,957	272,874
Accrued payrolls	28,964	27,627	281,204
Other current liabilities (Notes 17, 21 and 22)	26,016	24,998	252,582
Total current liabilities	295,118	287,516	2,865,223
Long-term liabilities:			
Long-term debt (Notes 13, 19 and 21)	47,850	48,762	464,563
Guarantee deposits received	34,657	34,227	336,476
Accrued pension and severance costs (Note 15)	28,279	29,318	274,553
Deferred revenue	16,835	16,824	163,447
Unearned premiums and other insurance liabilities (Note 14)	98,719	90,442	958,437
Investment deposits by policyholders (Notes 14 and 21)	29,531	29,483	286,709
Deferred income taxes (Note 17)	19,139	14,135	185,816
Other long-term liabilities (Notes 21, 22 and 23)	10,221	10,028	99,232
Total long-term liabilities	285,231	273,219	2,769,233
Total liabilities	580,349	560,735	5,634,456
Commitments and contingent liabilities (Note 24)			
Equity:			
SECOM CO., LTD. shareholders' equity (Note 18):			
Common stock			
Authorized—900,000,000 shares			
issued 233,288,717 shares in 2014 and 2013	66,378	66,378	644,447
Additional paid-in capital	73,781	73,809	716,320
Legal reserve	10,316	10,241	100,155
Retained earnings	674,585	623,599	6,549,369
Accumulated other comprehensive income (loss):			
Unrealized gains on securities (Note 7)	12,560	11,560	121,942
Unrealized gains on derivative instruments (Note 23)	9	8	87
Pension liability adjustments (Note 15)	(8,954)	(14,044)	(86,932)
Foreign currency translation adjustments	(1,894)	(18,710)	(18,388)
	1,721	(21,186)	16,709
Common stock in treasury, at cost:			
15,022,012 shares in 2014 and 15,018,951 shares in 2013	(73,682)	(73,665)	(715,359)
Total SECOM CO., LTD. shareholders' equity	753,099	679,176	7,311,641
Noncontrolling interests	107,257	100,439	1,041,330
Total equity	860,356	779,615	8,352,971
Total liabilities and equity	¥1,440,705	¥1,340,350	$13,987,427

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

SECOM CO., LTD. and Subsidiaries
Three years ended March 31, 2014

	In millions of yen			Translation into thousands of U.S. dollars (Note 3)
	Years ended March 31			Year ended March 31
	2014	2013	2012	**2014**
Net sales and operating revenue (Notes 14 ,18 and 22)	**¥921,178**	¥858,438	¥769,643	**$8,943,476**
Costs and expenses:				
Cost of sales (Note 8)	**628,937**	580,178	533,440	**6,106,184**
Selling, general and administrative expenses (Notes 2 (17), 2 (18), 2 (19) and 4)	**166,018**	161,085	145,598	**1,611,825**
Impairment loss on long-lived assets (Note 11)	**2,789**	381	71	**27,078**
Impairment loss on goodwill (Note 12)	**151**	1,052	1,218	**1,466**
Loss on sales and disposal of fixed assets, net	**3,194**	2,185	1,383	**31,010**
	801,089	744,881	681,710	**7,777,563**
Operating income	**120,089**	113,557	87,933	**1,165,913**
Other income:				
Interest and dividends	**1,310**	903	952	**12,718**
Gain on sales of securities, net (Notes 7 and 18)	**935**	150	29	**9,078**
Gain on private equity investments (Note 22)	**5,564**	5,095	3,491	**54,019**
Other (Notes 16, 18 and 23)	**3,852**	3,803	3,024	**37,398**
	11,661	9,951	7,496	**113,213**
Other expenses:				
Interest	**1,437**	1,537	1,597	**13,951**
Loss on other-than-temporary impairment of investment securities (Notes 18 and 22)	**78**	48	952	**757**
Other (Notes 16, 23 and 24)	**1,485**	1,563	2,677	**14,418**
	3,000	3,148	5,226	**29,126**
Income before income taxes and equity in net income of affliated companies	**128,750**	120,360	90,203	**1,250,000**
Income taxes (Note 17)**:**				
Current	**47,547**	45,142	33,558	**461,621**
Deferred	**2,151**	1,558	7,103	**20,883**
	49,698	46,700	40,661	**482,504**
Income from continuing operations before equity in net income of affiliated companies	**79,052**	73,660	49,542	**767,496**
Equity in net income of affliated companies (Note 18)	**4,017**	3,895	4,880	**39,000**
Income from continuing operations	**83,069**	77,555	54,422	**806,496**
Loss from discontinued operations, net of tax (Note 25)	**(138)**	(912)	(6,624)	**(1,340)**
Net income	**82,931**	76,643	47,798	**805,156**
Less: Net income attributable to noncontrolling interests	**(8,952)**	(6,063)	(6,561)	**(86,913)**
Net income attributable to SECOM CO., LTD.	**¥ 73,979**	¥ 70,580	¥ 41,237	**$ 718,243**

	In yen			Translation into U.S. dollars (Note 3)
	Years ended March 31			Year ended March 31
	2014	2013	2012	**2014**
Per share data (Note 2 (21))**:**				
Income from continuing operations attributable to SECOM CO., LTD.	**¥339.57**	¥327.03	¥218.74	**$3.30**
Loss from discontinued operations attributable to SECOM CO., LTD.	**(0.63)**	(3.67)	(29.77)	**(0.01)**
Net income attributable to SECOM CO., LTD.	**338.94**	323.36	188.97	**3.29**
Cash dividends per share	**¥105.00**	¥ 90.00	¥ 90.00	**$1.02**

Consolidated Statements of Comprehensive Income

SECOM CO., LTD. and Subsidiaries
Three years ended March 31, 2014

	In millions of yen			Translation into thousands of U.S. dollars (Note 3)
	Years ended March 31			Year ended March 31
	2014	2013	2012	**2014**
Comprehensive income:				
Net income	**¥ 82,931**	¥76,643	¥47,798	**$ 805,156**
Other comprehensive income (loss), net of tax:				
Unrealized gains on securities	**1,120**	7,384	2,486	**10,874**
Unrealized gains on derivative instruments	**2**	15	8	**20**
Pension liability adjustments	**5,543**	(708)	(1,953)	**53,815**
Foreign currency translation adjustments	**18,092**	10,105	(3,696)	**175,650**
Total comprehensive income	**107,688**	93,439	44,643	**1,045,515**
Less: Comprehensive income attributable to noncontrolling interests	**(10,802)**	(7,113)	(5,930)	**(104,874)**
Comprehensive income attributable to SECOM CO., LTD.	**¥ 96,886**	¥86,326	¥38,713	**$ 940,641**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

SECOM CO., LTD. and Subsidiaries
Three years ended March 31, 2014

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 interest	Total
Balance, March 31, 2011	233,288,717	¥66,378	¥75,555	¥10,104	¥551,187	(¥34,805)	(¥74,924)	¥593,495	¥ 61,314	¥654,809
Comprehensive income:										
Net income	—	—	—	—	41,237	—	—	41,237	6,561	47,798
Other comprehensive income (loss), net of tax (Note 18):										
Unrealized holding gains on securities	—	—	—	—	—	2,515	—	2,515	(29)	2,486
Unrealized gains on derivative instruments	—	—	—	—	—	6	—	6	2	8
Pension liability adjustments	—	—	—	—	—	(1,613)	—	(1,613)	(340)	(1,953)
Foreign currency translation adjustments	—	—	—	—	—	(3,432)	—	(3,432)	(264)	(3,696)
Total comprehensive income								38,713	5,930	44,643
Cash dividends paid to SECOM CO., LTD. shareholders	—	—	—	—	(19,623)	—	—	(19,623)	—	(19,623)
Cash dividends paid to noncontrolling interests	—	—	—	—	—	—	—	—	(1,851)	(1,851)
Transfer to legal reserve	—	—	—	71	(71)	—	—	—	—	—
Equity transactions with noncontrolling interests and other (Note 18)	—	—	(642)	—	—	—	—	(642)	(615)	(1,257)
Losses on disposal of treasury stock	—	—	(352)	—	—	—	—	(352)	—	(352)
Net changes in treasury stock (Note 18)	—	—	—	—	—	—	1,264	1,264	—	1,264
Balance, March 31, 2012	233,288,717	66,378	74,561	10,175	572,730	(37,329)	(73,660)	612,855	64,778	677,633
Comprehensive income:										
Net income	—	—	—	—	70,580	—	—	70,580	6,063	76,643
Other comprehensive income (loss), net of tax (Note 18):										
Unrealized holding gains on securities	—	—	—	—	—	6,914	—	6,914	470	7,384
Unrealized gains on derivative instruments	—	—	—	—	—	8	—	8	7	15
Pension liability adjustments	—	—	—	—	—	(522)	—	(522)	(186)	(708)
Foreign currency translation adjustments	—	—	—	—	—	9,346	—	9,346	759	10,105
Total comprehensive income								86,326	7,113	93,439
Cash dividends paid to SECOM CO., LTD. shareholders	—	—	—	—	(19,645)	—	—	(19,645)	—	(19,645)
Cash dividends paid to noncontrolling interests	—	—	—	—	—	—	—	—	(1,460)	(1,460)
Transfer to legal reserve	—	—	—	66	(66)	—	—	—	—	—
Equity transactions with noncontrolling interests and other (Notes 4 and 18)	—	—	(752)	—	—	397	—	(355)	30,008	29,653
Losses on disposal of treasury stock	—	—	(0)	—	—	—	—	(0)	—	(0)
Net changes in treasury stock	—	—	—	—	—	—	(5)	(5)	—	(5)
Balance, March 31, 2013	233,288,717	66,378	73,809	10,241	623,599	(21,186)	(73,665)	679,176	100,439	779,615
Comprehensive income:										
Net income	—	—	—	—	**73,979**	—	—	**73,979**	**8,952**	**82,931**
Other comprehensive income (loss), net of tax (Note 18):										
Unrealized gains on securities	—	—	—	—	—	**1,000**	—	**1,000**	**120**	**1,120**
Unrealized gains on derivative instruments	—	—	—	—	—	**1**	—	**1**	**1**	**2**
Pension liability adjustments	—	—	—	—	—	**5,090**	—	**5,090**	**453**	**5,543**
Foreign currency translation adjustments	—	—	—	—	—	**16,816**	—	**16,816**	**1,276**	**18,092**
Total comprehensive income								**96,886**	**10,802**	**107,688**
Cash dividends paid to SECOM CO., LTD. shareholders	—	—	—	—	**(22,918)**	—	—	**(22,918)**	—	**(22,918)**
Cash dividends paid to noncontrolling interests	—	—	—	—	—	—	—	—	**(4,175)**	**(4,175)**
Transfer to legal reserve	—	—	—	**75**	**(75)**	—	—	—	—	—
Equity transactions with noncontrolling interests and other (Note 18)	—	—	**(28)**	—	—	—	—	**(28)**	**191**	**163**
Gains on disposal of treasury stock	—	—	**0**	—	—	—	—	**0**	—	**0**
Net changes in treasury stock	—	—	—	—	—	—	**(17)**	**(17)**	—	**(17)**
Balance, March 31, 2014	**233,288,717**	**¥66,378**	**¥73,781**	**¥10,316**	**¥674,585**	**¥ 1,721**	**(¥73,682)**	**¥753,099**	**¥107,257**	**¥860,356**

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 interest	Total
Balance, March 31, 2013	$644,447	$716,592	$ 99,427	$6,054,359	($205,689)	($715,194)	$6,593,942	$ 975,136	$7,569,078
Comprehensive income:									
Net income	—	—	—	**718,243**	—	—	**718,243**	**86,913**	**805,156**
Other comprehensive income (loss), net of tax (Note 18):									
Unrealized gains on securities	—	—	—	—	**9,709**	—	**9,709**	**1,165**	**10,874**
Unrealized gains on derivative instruments	—	—	—	—	**10**	—	**10**	**10**	**20**
Pension liability adjustments	—	—	—	—	**49,417**	—	**49,417**	**4,398**	**53,815**
Foreign currency translation adjustments	—	—	—	—	**163,262**	—	**163,262**	**12,388**	**175,650**
Total comprehensive income							**940,641**	**104,874**	**1,045,515**
Cash dividends paid to SECOM CO., LTD. shareholders	—	—	—	**(222,505)**	—	—	**(222,505)**	—	**(222,505)**
Cash dividends paid to noncontrolling interests	—	—	—	—	—	—	—	**(40,534)**	**(40,534)**
Transfer to legal reserve	—	—	**728**	**(728)**	—	—	—	—	—
Equity transactions with noncontrolling interests and other (Notes 18)	—	**(272)**	—	—	—	—	**(272)**	**1,854**	**1,582**
Gains on disposal of treasury stock	—	**0**	—	—	—	—	**0**	—	**0**
Net changes in treasury stock	—	—	—	—	—	**(165)**	**(165)**	—	**(165)**
Balance, March 31, 2014	**$644,447**	**$716,320**	**$100,155**	**$6,549,369**	**$ 16,709**	**($715,359)**	**$7,311,641**	**$1,041,330**	**$8,352,971**

See accompanying notes to consolidated financial statements.

Financial Section

Consolidated Statements of Cash Flows

SECOM CO., LTD. and Subsidiaries
Three years ended March 31, 2014

	In millions of yen			Translation into thousands of U.S. dollars (Note 3)
	Years ended March 31			Year ended March 31
	2014	2013	2012	2014
Cash flows from operating activities:				
Net income	¥ 82,931	¥ 76,643	¥ 47,798	$ 805,156
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)	66,661	60,674	58,117	647,194
Accrual for pension and severance costs, less payments	(2,907)	(1,471)	(3,268)	(28,223)
Deferred income taxes, including discontinued operations	1,832	1,538	4,664	17,786
Loss on sales and disposal of fixed assets, net, including discontinued operations	3,182	2,166	1,374	30,893
Impairment loss on long-lived assets, including discontinued operations (Note 11)	2,821	579	8,133	27,388
Write-down on real estate inventories (Note 8)	1,122	1,792	20,723	10,893
Gain on private equity investments (Note 22)	(5,564)	(5,095)	(3,491)	(54,019)
Impairment loss on goodwill (Note 12)	151	1,052	1,218	1,466
Gain on sales of securities, net (Notes 7 and 14)	(2,177)	(899)	(1,240)	(21,136)
Loss on other-than-temporary impairment of investment securities (Notes 14 and 22)	100	73	1,835	971
Equity in net income of affiliated companies	(4,017)	(3,895)	(4,880)	(39,000)
Payments for legal settlement (Note 24)	—	—	(799)	—
Changes in assets and liabilities, net of effects from acquisitions and disposals:				
(Increase) decrease in cash deposits	(2,508)	(2,038)	2,535	(24,350)
Increase in receivables and due from subscribers, net of allowances	(10,188)	(5,838)	(12,306)	(98,913)
(Increase) decrease in inventories	10,367	20,720	(3,940)	100,650
Increase in deferred charges	(16,375)	(15,515)	(15,652)	(158,981)
Increase in notes and accounts payable	3,306	6,831	10,030	32,097
Increase (decrease) in deposits received	(7,752)	2,328	2,123	(75,262)
Decrease in deferred revenue	(595)	(1,558)	(1,332)	(5,777)
Increase (decrease) in accrued income taxes	(3,028)	13,470	(4,880)	(29,398)
Increase in guarantee deposits received	275	65	161	2,670
Increase in unearned premiums and other insurance liabilities	8,277	6,445	383	80,359
Other, net	(2,704)	(621)	4,906	(26,250)
Net cash provided by operating activities	123,210	157,446	112,212	1,196,214
Cash flows from investing activities:				
(Increase) decrease in time deposits	(164)	3,500	9,230	(1,592)
Proceeds from sales of property, plant and equipment	1,114	2,603	179	10,816
Payments for purchases of property, plant and equipment	(56,274)	(64,321)	(53,496)	(546,350)
Payments for purchases of intangible assets	(7,113)	(5,444)	(5,887)	(69,058)
Proceeds from sales and redemptions of investment securities (Note 7)	43,782	37,443	73,693	425,068
Payments for purchases of investment securities	(76,342)	(31,345)	(66,283)	(741,184)
(Increase) decrease in short-term investments	(1,611)	4,152	(4,357)	(15,641)
Acquisitions, net of cash acquired (Note 4)	(1,249)	(63,701)	(1,275)	(12,126)
(Increase) decrease in short-term receivables ,net	56	(39)	(1,680)	544
Payments for long-term receivables	(2,921)	(1,057)	(1,741)	(28,359)
Proceeds from long-term receivables	3,314	1,590	4,322	32,175
Other, net	2,114	(1,976)	2,319	20,523
Net cash used in investing activities	(95,294)	(118,595)	(44,976)	(925,184)
Cash flows from financing activities:				
Proceeds from long-term debt	10,595	17,483	3,875	102,864
Repayments of long-term debt	(18,419)	(22,341)	(11,660)	(178,825)
Increase (decrease) in bank loans, net	13,483	(3,630)	(6,935)	130,903
Increase (decrease) in investment deposits by policyholders	48	(1,272)	(10,888)	466
Dividends paid to SECOM CO., LTD. shareholders	(22,918)	(19,645)	(19,623)	(222,505)
Dividends paid to noncontrolling interests	(4,175)	(1,460)	(1,851)	(40,534)
Payments for acquisition of shares of consolidated subsidiaries from noncontrolling interest holders	(618)	(252)	(466)	(6,000)
Proceeds from sales of shares of consolidated subsidiaries to noncontrolling interest holders	—	651	—	—
Increase in treasury stock, net	(18)	(5)	(292)	(175)
Other, net	131	86	124	1,272
Net cash used in financing activities	(21,891)	(30,385)	(47,716)	(212,534)
Effect of exchange rate changes on cash and cash equivalents	2,031	1,190	(422)	19,718
Net increase in cash and cash equivalents	8,056	9,656	19,098	78,214
Cash and cash equivalents at beginning of year	222,696	213,040	193,942	2,162,097
Cash and cash equivalents at end of year	¥230,752	¥222,696	¥213,040	$2,240,311

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

SECOM CO., LTD. and Subsidiaries
Three years ended March 31, 2014

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, geographic information services, information and communication related 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; non-life insurance services; geographic information services using geographic information system (GIS) and surveying and measuring technology; information and communication related services, which center on data center services and also include business continuity plan support, information security services and cloud-based 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.

The excess of cost over underlying identifiable net assets at acquisition dates of investments in subsidiaries and affiliated companies is recognized as goodwill.

(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 ¥68,024 million ($660,427 thousand) and ¥73,248 million ($711,146 thousand), respectively, at March 31, 2014, and ¥68,093 million and ¥73,490 million, respectively, at March 31, 2013. 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 ¥31,991 million ($310,592 thousand) and ¥32,039 million ($311,058 thousand), respectively, at March 31, 2014, and ¥32,983 million and ¥33,499 million, respectively, at March 31, 2013. The Company's assets in the consolidated balance sheets and the Company's maximum exposure to losses related to VIEs at March 31, 2014 and 2013 were ¥4,840 million ($46,990 thousand) and ¥4,653 million, respectively.

(3) Revenue Recognition

The Company generates revenue principally through sales of security services, merchandise and software, and insurance services under separate contractual arrangements. The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, title and risk of loss have been transferred to the customer, the sales price is fixed or determinable, and collectibility is probable.

Revenue from 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 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 605, "Revenue Recognition." 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 principally recognized when construction is completed.

Revenue from long-term contracts for fire protection services and geographic information services is principally recognized under the percentage-of-completion method.

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

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 income 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 debt and equity securities which are classified as "available-for-sale" are recorded at fair value. Unrealized holding gains and losses on securities classified as "available-for-sale" 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 available-for-sale securities below cost that is deemed to be other-than-temporary results in a reduction in 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.

Other investments in non-public companies 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.

Realized gains or losses on the sale of investments are based on the moving-average cost method and are credited or charged 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 ¥33,083 million ($321,194 thousand) and ¥37,493 million at March 31, 2014 and 2013, 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 ¥45,523 million ($441,971 thousand), ¥40,187 million and ¥37,120 million for the years ended March 31, 2014, 2013 and 2012, 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 the fiscal year ended March 31, 2014 and performed efforts to establish the best estimate. However, the scope and the probability 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 ¥14,397 million ($139,777 thousand), ¥14,492 million and ¥14,877 million for the years ended March 31, 2014, 2013 and 2012, 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 at the end of 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 is greater than 50 percent likely 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, 2014, 2013 and 2012 were ¥6,950 million ($67,476 thousand), ¥6,479 million and ¥6,083 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, 2014, 2013 and 2012 were ¥3,823 million ($37,117 thousand), ¥4,230 million and ¥3,246 million, respectively.

(19) Shipping and Handling Costs

Shipping and handling costs included in selling, general and administrative expenses for the years ended March 31, 2014, 2013 and 2012 were ¥1,160 million ($11,262 thousand), ¥1,296 million and ¥927 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 their 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, 2014, 2013 and 2012 was 218,268 thousand shares, 218,271 thousand shares and 218,217 thousand shares, respectively. There were no potentially dilutive shares outstanding during the years ended March 31, 2014, 2013 or 2012.

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 July 2012, the FASB issued ASU No. 2012-02, "Testing Indefinite-Lived Intangible Assets for Impairment." This accounting standard allows an entity first to assess qualitative factors to determine whether it is more likely than not that the indefinite-lived intangible asset is impaired as a basis for determining whether it is necessary to perform the impairment test. An entity is not required to calculate the fair value of the indefinite-lived intangible assets unless the entity determines that it is more likely than not that the indefinite-lived intangible asset is impaired. This accounting standard is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012, and was adopted by the Company in the fiscal year ended March 31, 2014. The adoption of this accounting standard did not have a material impact on the Company's consolidated results of operations and financial position.

In February 2013, the FASB issued ASU No. 2013-02, "Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income." This accounting standard requires an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, this accounting standard requires an entity to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures required under U.S. GAAP that provide additional detail about those amounts. This accounting standard is effective for fiscal years beginning after December 15, 2012, and was adopted by the Company in the fiscal year ended March 31, 2014. As this accounting standard is a provision for presentation only, the adoption did not have an impact on the Company's consolidated results of operations or financial position. See accompanying note 18 for related disclosure.

In March 2013, the FASB issued ASU No. 2013-05, "Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity." This accounting standard resolved diversity in practice and clarifies the applicable guidance for the release of the cumulative translation adjustment when the parent company sells a part or all of its investment in a foreign entity, ceases to have a controlling financial interest in a subsidiary or group of assets that is a business within a foreign entity, or obtains control in a business combination achieved in stages involving an equity method investment that is a foreign entity. This accounting standard is effective for fiscal years beginning after December 15, 2013 and will be adopted by the Company in the fiscal year beginning April 1, 2014. The adoption will not have a material impact on the Company's consolidated results of operations or financial position.

In June 2013, the FASB issued ASU No. 2013-08, "Amendments for the Scope, Measurement, and Disclosure Requirements." This accounting standard changes the approach to the investment company assessment in ASC 946, clarifies the characteristics of an investment company, and provides comprehensive guidance for assessing whether an entity is an investment company. This accounting standard also amends the measurement criteria for noncontrolling ownership interests in other investment companies and provides additional disclosure requirements. This accounting standard is effective for interim and annual fiscal years beginning after December 15, 2013 and will be adopted by the Company in the fiscal year beginning April 1, 2014. The adoption will not have a material impact on the Company's consolidated results of operations or financial position.

In April 2014, the FASB issued ASU No. 2014-08, "Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity." This accounting standard changes the criteria for reporting discontinued operations in ASC 205-20. A disposal of a component of an entity or a group of components of an entity is required to be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results. This accounting standard is effective for fiscal years beginning after December 15, 2014, and will be adopted by the Company in the fiscal year beginning April 1, 2015. As this accounting standard is a provision for presentation only, the adoption will not have an impact on the Company's consolidated results of operations or financial position.

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 is effective for fiscal years beginning after December 15, 2016, including interim periods within that reporting period and will be adopted by the Company in the fiscal year beginning April 1, 2017. The Company is currently evaluating the effect of adopting this accounting standard on its 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. The results of operations related to certain businesses classified as discontinued operations in the years ended March 31, 2014, 2013 and 2012 were reclassified in the accompanying consolidated financial statements.

(25) Reclassifications

Certain amounts in the accompanying consolidated financial statements for the years ended March 31, 2013 and 2012 have been reclassified to conform to the presentation used for the year ended March 31, 2014.

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 ¥103=US$1, the rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2014. These translations should not be construed as representing that the yen amounts actually represent, or have been or could be converted into U.S. dollars at that rate.

4. Acquisitions

Acquisition of Nittan Co., Ltd.

On April 1, 2012, the Company acquired 100% of common shares outstanding of LIXIL NITTAN Co., Ltd. for ¥12,713 million in cash and changed its name to Nittan Co., Ltd. The purpose of this acquisition is (i) to enhance fire protection services, including flexible response to environmental changes, such as increased awareness of disaster prevention due to the Great East Japan Earthquake (domestic) and increasing disaster prevention in emerging countries (overseas), and (ii) research and development of next-generation systems for disaster prevention.

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	¥ 2,937
Other current assets	17,954
Investments and long-term receivables	1,650
Property, plant and equipment	6,014
Intangible assets, including goodwill	2,080
Other assets	1,018
Total assets acquired	31,653
Current liabilities	13,446
Long-term liabilities	5,359
Total liabilities assumed	18,805
Noncontrolling interests	135
Net assets acquired	¥12,713

The goodwill of ¥1,872 million represents expected excess earning power based on future business operations. It is not deductible for tax purposes and has been assigned to the Fire protection services segment.

Acquisition of At Tokyo Corporation

On October 31, 2012, the Company acquired 50.882% of common shares outstanding of At Tokyo Corporation for ¥33,328 million in cash. The purpose of this acquisition is to accelerate the data center business and realize a variety of business synergies by further improving data center service quality and new information security services.

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	¥ 3,922
Other current assets	6,145
Investments and long-term receivables	262
Property, plant and equipment	54,917
Intangible assets, including goodwill	33,540
Other assets	1,308
Total assets acquired	100,094
Current liabilities	6,770
Long-term liabilities	38,258
Total liabilities assumed	45,028
Noncontrolling interests	21,738
Net assets acquired	¥ 33,328

Intangible assets of ¥15,230 million subject to amortization include customer relationships of ¥12,158 million with a 20-year useful life and trademarks of ¥3,072 million with a 15-year useful life. The goodwill of ¥17,468 million represents expected excess earning power based on future business operations. It is not deductible for tax purposes and has been assigned to the Information and communication related services segment.

The Company recorded the acquisition cost of ¥212 million related to these acquisitions in selling, general and administrative expenses for the year ended March 31, 2013.

The fair value of noncontrolling interests is measured at the price based on the acquisition price with an adjustment for control premium.

The following unaudited pro forma information shows the Company's consolidated results of operations for the years ended March 31, 2013 and 2012 as if the newly consolidated subsidiaries acquired in the year ended March 31, 2013, were consolidated on April 1, 2011.

	In millions of yen	
	Years ended March 31	
Unaudited	2013	2012
Pro forma net sales and operating revenue	¥884,835	¥842,626
Pro forma net income attributable to SECOM CO., LTD.	71,764	42,830

	In yen	
	Years ended March 31	
Unaudited	2013	2012
Pro forma net income attributable to SECOM CO., LTD. per share	¥328.79	¥196.27

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 transactions in fact had occurred on April 1, 2011, 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, 2014 and 2013 are comprised of the following:

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2014	2013	**2014**
Cash	**¥170,032**	¥152,779	**$1,650,796**
Time deposits	**37,296**	20,772	**362,098**
Call loan	**20,500**	46,500	**199,029**
Investment securities	**2,924**	2,645	**28,388**
	¥230,752	¥222,696	**$2,240,311**

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

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 services for entities other than financial institutions. Cash deposit 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 ¥36,704 million ($356,350 thousand) and ¥17,765 million ($172,476 thousand), respectively, at March 31, 2014, and ¥26,598 million and ¥24,863 million, respectively, at March 31, 2013. 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 cost pertaining to "available-for-sale" and "held-to-maturity" investments at March 31, 2014 and 2013 are as follows:

	In millions of yen			
	March 31, 2014			
		Gross unrealized		
	Cost	Gains	Losses	Fair value
Short-term investments:				
Available-for-sale:				
Debt securities	**¥ 10,011**	**¥ 21**	**¥ 0**	**¥ 10,032**
	¥ 10,011	**¥ 21**	**¥ 0**	**¥ 10,032**
Investment securities:				
Available-for-sale:				
Equity securities	**¥ 31,829**	**¥15,141**	**¥338**	**¥ 46,632**
Debt securities	**99,182**	**4,831**	**72**	**103,941**
Held-to-maturity:				
Debt securities	**12,309**	**507**	**10**	**12,806**
	¥143,320	**¥20,479**	**¥420**	**¥163,379**

	In millions of yen			
	March 31, 2013			
		Gross unrealized		
	Cost	Gains	Losses	Fair value
Short-term investments:				
Available-for-sale:				
Equity securities	¥ 222	¥ 369	¥ —	¥ 591
Debt securities	11,434	59	5	11,488
	¥11,656	¥ 428	¥ 5	¥ 12,079
Investment securities:				
Available-for-sale:				
Equity securities	¥30,921	¥13,571	¥200	¥ 44,292
Debt securities	56,025	4,562	0	60,587
Held-to-maturity:				
Debt securities	2,588	318	—	2,906
	¥89,534	¥18,451	¥200	¥107,785

	In thousands of U.S. dollars			
	March 31, 2014			
		Gross unrealized		
	Cost	Gains	Losses	Fair value
Short-term investments:				
Available-for-sale:				
Debt securities	**$ 97,194**	**$ 204**	**$ 0**	**$ 97,398**
	$ 97,194	**$ 204**	**$ 0**	**$ 97,398**
Investment securities:				
Available-for-sale:				
Equity securities	**$ 309,019**	**$147,001**	**$3,282**	**$ 452,738**
Debt securities	**962,932**	**46,903**	**699**	**1,009,136**
Held-to-maturity:				
Debt securities	**119,505**	**4,922**	**97**	**124,330**
	$1,391,456	**$198,826**	**$4,078**	**$1,586,204**

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, 2014 are as follows:

	In millions of yen			
	March 31, 2014			
	Less than 12 months		12 months or longer	
	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
Available-for-sale:				
Equity securities	¥ 4,330	¥338	¥—	¥—
Debt securities	16,573	72	—	—
	¥20,903	¥410	¥—	¥—
Held-to-maturity:				
Debt securities	¥ 1,466	¥ 10	¥—	¥—

	In thousands of U.S. dollars			
	March 31, 2014			
	Less than 12 months		12 months or longer	
	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
Available-for-sale:				
Equity securities	$ 42,039	$3,282	$—	$—
Debt securities	160,903	699	—	—
	$202,942	$3,981	$—	$—
Held-to-maturity:				
Debt securities	$ 14,233	$ 97	$—	$—

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, 2014.

At March 31, 2014, 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, 2014 are as follows:

	In millions of yen			
	March 31, 2014			
	Available-for-sale		Held-to-maturity	
	Cost	Fair value	Cost	Fair value
Due within 1 year	¥ 10,011	¥ 10,032	¥ —	¥ —
Due after 1 year through 5 years	63,636	66,486	3,021	3,024
Due after 5 years through 10 years	25,906	26,927	1,510	1,597
Due after 10 years	9,640	10,528	7,778	8,185
	¥109,193	¥113,973	¥12,309	¥12,806

	In thousands of U.S. dollars			
	March 31, 2014			
	Available-for-sale		Held-to-maturity	
	Cost	Fair value	Cost	Fair value
Due within 1 year	$ 97,194	$ 97,398	$ —	$ —
Due after 1 year through 5 years	617,825	645,495	29,330	29,359
Due after 5 years through 10 years	251,515	261,427	14,660	15,505
Due after 10 years	93,592	102,214	75,515	79,466
	$1,060,126	$1,106,534	$119,505	$124,330

During the years ended March 31, 2014, 2013 and 2012, the net unrealized gains and losses on "available-for-sale" securities included as part of accumulated other comprehensive income (loss), net of tax, increased by ¥1,000 million ($9,709 thousand), ¥6,914 million and ¥2,515 million, respectively.

Proceeds from the sale of "available-for-sale" securities for the years ended March 31, 2014, 2013 and 2012 were ¥14,475 million ($140,534 thousand), ¥20,479 million and ¥72,223 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, 2014, 2013 and 2012 are as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2014	2013	2012	2014
Gross realized gains	¥1,694	¥1,051	¥1,950	$16,447
Gross realized losses	212	144	662	2,058

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 ¥8,639 million ($83,874 thousand) and ¥10,178 million at March 31, 2014 and 2013, 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 investments were observed.

8. Inventories

Inventories at March 31, 2014 and 2013 are comprised of the following:

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2014	2013	2014
Security-related products	¥ 9,718	¥ 7,822	$ 94,350
Fire protection-related products	16,763	16,647	162,748
Real estate	15,429	26,293	149,796
Other-related products	9,955	7,259	96,650
	¥51,865	¥58,021	$503,544

Work in process for real estate inventories at March 31, 2014 and 2013, amounting to ¥15,396 million ($149,476 thousand) and ¥13,348 million, respectively, are included in real estate.

Costs on uncompleted construction contracts at March 31, 2014 and 2013, amounting to ¥8,414 million ($81,689 thousand) and ¥7,983 million, respectively, are included in fire protection-related products.

The amount of write-down on real estate inventories included in cost of sales for the years ended March 31, 2014, 2013 and 2012 were ¥1,122 million ($10,893 thousand), ¥1,792 million and ¥20,723 million, respectively.

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

The Company has financing receivables and classifies them into five categories: "lease receivables," "loans receivable resulting from medical services," "loans receivable resulting from insurance services," "other loans receivable" and "other." Financing receivables classified as "lease receivables" are resulting from lease transactions of security equipment and real estate for offices and medical institutions.

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, 2014 and 2013 are as follows:

In millions of yen

	Year ended March 31, 2014					
	Lease receivables	Loans receivable resulting from medical services	Loans receivable resulting from insurance services	Other loans receivable	Other	Total
Allowance for doubtful accounts:						
Balance at beginning of year	¥ 406	¥ 2,351	¥ 121	¥2,883	¥ 820	¥ 6,581
Provision (Reversal)	76	0	(46)	196	33	259
Charge off	(65)	(630)	—	(22)	(20)	(737)
Other*	—	—	—	17	8	25
Balance at end of year	417	1,721	75	3,074	841	6,128
Individually evaluated	84	1,721	72	3,074	841	5,792
Collectively evaluated	¥ 333	¥ —	¥ 3	¥ —	¥ —	¥ 336
Financing receivables:						
Individually evaluated	¥ 102	¥12,964	¥ 74	¥3,283	¥ 869	¥17,292
Collectively evaluated	42,422	510	2,223	2,450	157	47,762
	¥42,524	¥13,474	¥2,297	¥5,733	¥1,026	¥65,054

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

In millions of yen

	Year ended March 31, 2013					
	Lease receivables	Loans receivable resulting from medical services	Loans receivable resulting from insurance services	Other loans receivable	Other	Total
Allowance for doubtful accounts:						
Balance at beginning of year	¥ 384	¥ 2,512	¥ 671	¥3,165	¥ 893	¥ 7,625
Provision (Reversal)	79	482	30	16	(5)	602
Charge off	(57)	(643)	(580)	(323)	(121)	(1,724)
Other*	—	—	—	25	53	78
Balance at end of year	406	2,351	121	2,883	820	6,581
Individually evaluated	82	2,351	77	2,883	820	6,213
Collectively evaluated	¥ 324	¥ —	¥ 44	¥ —	¥ —	¥ 368
Financing receivables:						
Individually evaluated	¥ 104	¥12,795	¥ 83	¥3,037	¥ 849	¥16,868
Collectively evaluated	39,658	524	3,775	2,442	156	46,555
	¥39,762	¥13,319	¥3,858	¥5,479	¥1,005	¥63,423

* "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, 2014					
	Lease receivables	Loans receivable resulting from medical services	Loans receivable resulting from insurance services	Other loans receivable	Other	Total
Allowance for doubtful accounts:						
Balance at beginning of year	$ 3,942	$ 22,825	$ 1,175	$27,990	$ 7,961	$ 63,893
Provision (Reversal)	738	0	(447)	1,904	320	2,515
Charge off	(631)	(6,116)	—	(214)	(194)	(7,155)
Other*	—	—	—	165	78	243
Balance at end of year	4,049	16,709	728	29,845	8,165	59,496
Individually evaluated	816	16,709	699	29,845	8,165	56,234
Collectively evaluated	$ 3,233	$ —	$ 29	$ —	$ —	$ 3,262
Financing receivables:						
Individually evaluated	$ 990	$125,864	$ 718	$31,874	$8,437	$167,883
Collectively evaluated	411,864	4,952	21,583	23,786	1,524	463,709
	$412,854	$130,816	$22,301	$55,660	$9,961	$631,592

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

The Company considers the fact that 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, 2014 and 2013 are as follows:

In millions of yen

March 31, 2014	Lease receivables	Loans receivable resulting from medical services	Loans receivable resulting from insurance services	Other loans receivable	Other	Total
Current	¥42,422	¥13,434	¥2,223	¥2,551	¥ 626	¥61,256
Overdue	102	40	74	3,182	400	3,798
Total: Financing receivables	¥42,524	¥13,474	¥2,297	¥5,733	¥1,026	¥65,054
Financing receivables on nonaccrual status	¥ —	¥ 3,719	¥ 74	¥3,282	¥ —	¥ 7,075

In millions of yen

March 31, 2013	Lease receivables	Loans receivable resulting from medical services	Loans receivable resulting from insurance services	Other loans receivable	Other	Total
Current	¥39,658	¥13,279	¥3,775	¥2,567	¥ 670	¥59,949
Overdue	104	40	83	2,912	335	3,474
Total: Financing receivables	¥39,762	¥13,319	¥3,858	¥5,479	¥1,005	¥63,423
Financing receivables on nonaccrual status	¥ —	¥ 4,359	¥ 83	¥3,037	¥ —	¥ 7,479

In thousands of U.S. dollars

March 31, 2014	Lease receivables	Loans receivable resulting from medical services	Loans receivable resulting from insurance services	Other loans receivable	Other	Total
Current	$411,864	$130,427	$21,583	$24,767	$6,077	$594,718
Overdue	990	389	718	30,893	3,884	36,874
Total: Financing receivables	$412,854	$130,816	$22,301	$55,660	$9,961	$631,592
Financing receivables on nonaccrual status	$ —	$ 36,107	$ 718	$31,864	$ —	$ 68,689

Impaired receivables and the related allowance for doubtful accounts at March 31, 2014 and 2013 are as follows:

In millions of yen

March 31, 2014	Lease receivables	Loans receivable resulting from medical services	Loans receivable resulting from insurance services	Other loans receivable	Other	Total
Impaired receivables	¥102	¥12,964	¥74	¥3,283	¥869	¥17,292
Related allowance for doubtful accounts	84	1,721	72	3,074	841	5,792

In millions of yen

March 31, 2013	Lease receivables	Loans receivable resulting from medical services	Loans receivable resulting from insurance services	Other loans receivable	Other	Total
Impaired receivables	¥104	¥12,795	¥83	¥3,037	¥849	¥16,868
Related allowance for doubtful accounts	82	2,351	77	2,883	820	6,213

In thousands of U.S. dollars

March 31, 2014	Lease receivables	Loans receivable resulting from medical services	Loans receivable resulting from insurance services	Other loans receivable	Other	Total
Impaired receivables	$990	$125,864	$718	$31,874	$8,437	$167,883
Related allowance for doubtful accounts	816	16,709	699	29,845	8,165	56,234

The average amounts of impaired receivables for the year ended March 31, 2014 are as follows:

In millions of yen

	Lease receivables	Loans receivable resulting from medical services	Loans receivable resulting from insurance services	Other loans receivable	Other	Total
Average amounts of impaired receivables	¥103	¥12,880	¥78	¥3,160	¥859	¥17,080

In thousands of U.S. dollars

	Lease receivables	Loans receivable resulting from medical services	Loans receivable resulting from insurance services	Other loans receivable	Other	Total
Average amounts of impaired receivables	$1,000	$125,049	$757	$30,680	$8,339	$165,825

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 28.8 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 27.8 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
	2014	2013	2014
Current assets	¥114,922	¥101,060	$1,115,748
Noncurrent assets	140,185	108,887	1,361,019
Total assets	¥255,107	¥209,947	$2,476,767
Current liabilities	¥ 59,268	¥ 46,082	$ 575,417
Long-term liabilities	37,565	34,944	364,709
Equity	158,274	128,921	1,536,641
Total liabilities and equity	¥255,107	¥209,947	$2,476,767

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2014	2013	2012	**2014**
Net sales	**¥198,890**	¥162,379	¥159,802	**$1,930,971**
Gross profit	**¥ 65,492**	¥ 52,691	¥ 53,394	**$ 635,845**
Net income attributable to affiliated companies	**¥ 14,305**	¥ 15,056	¥ 16,683	**$ 138,883**

Dividends received from affiliated companies for the years ended March 31, 2014, 2013 and 2012 were ¥2,652 million ($25,748 thousand), ¥2,403 million and ¥2,324 million, respectively.

Three listed affiliated companies accounted for under the equity method with an aggregated carrying amount of ¥41,903 million ($406,825 thousand) and ¥32,363 million at March 31, 2014 and 2013, respectively, had a quoted market value of ¥119,638 million ($1,161,534 thousand) and ¥79,750 million at March 31, 2014 and 2013, respectively.

The amounts of goodwill included in the carrying amount of investments in affiliated companies were ¥4,589 million ($44,553 thousand) and ¥3,051 million at March 31, 2014 and 2013, 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
	2014	2013	2012	**2014**
Sales	**¥1,549**	¥1,924	¥2,113	**$15,039**
Purchases	**¥5,982**	¥6,573	¥6,125	**$58,078**

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2014	2013	**2014**
Notes and accounts receivable, trade	**¥ 426**	¥ 490	**$ 4,136**
Loans receivable	**¥ 563**	¥ 469	**$ 5,466**
Notes and accounts payable	**¥2,494**	¥2,820	**$24,214**
Guarantees for bank loans	**¥ 665**	¥ 139	**$ 6,456**

The Company's equity in undistributed income of affiliates at March 31, 2014 and 2013 included in retained earnings was ¥25,668 million ($249,204 thousand) and ¥24,696 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 real estate of the medical services segment for the year ended March 31, 2014. 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, 2014, 2013 and 2012 are as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2014	2013	2012	**2014**
Security services	**¥ 296**	¥ —	¥—	**$ 2,874**
Fire protection services	**21**	34	48	**204**
Medical services	**1,871**	—	—	**18,166**
Insurance services	**—**	—	—	**—**
Geographic information services	**164**	297	18	**1,592**
Information and communication related services	**40**	50	—	**388**
Real estate and other services	**—**	—	5	**—**
Corporate items	**397**	—	—	**3,854**
Total	**¥2,789**	¥381	¥71	**$27,078**

12. Goodwill and Other Intangible Assets

The components of acquired intangible assets, excluding goodwill, at March 31, 2014 and 2013 are as follows:

	In millions of yen		
	March 31, 2014		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortized intangible assets:			
Software	**¥43,907**	**(¥25,795)**	**¥18,112**
Other	**21,415**	**(4,515)**	**16,900**
	¥65,322	**(¥30,310)**	**¥35,012**
Unamortized intangible assets	**¥ 3,998**	**¥ —**	**¥ 3,998**

	In millions of yen		
	March 31, 2013		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortized intangible assets:			
Software	¥43,896	(¥26,818)	¥17,078
Other	19,806	(2,724)	17,082
	¥63,702	(¥29,542)	¥34,160
Unamortized intangible assets	¥ 4,258	¥ —	¥ 4,258

	In thousands of U.S. dollars		
	March 31, 2014		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortized intangible assets:			
Software	**$426,282**	**($250,437)**	**$175,845**
Other	**207,913**	**(43,835)**	**164,078**
	$634,195	**($294,272)**	**$339,923**
Unamortized intangible assets	**$ 38,815**	**$ —**	**$ 38,815**

Aggregate amortization expense for the years ended March 31, 2014, 2013 and 2012 was ¥6,741 million ($65,446 thousand), ¥5,995 million and ¥6,120 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
2015	¥7,031	$68,262
2016	5,607	54,437
2017	4,700	45,631
2018	3,766	36,563
2019	2,687	26,087

The changes in the carrying amount of goodwill by business segment for the years ended March 31, 2014 and 2013 are as follows:

	In millions of yen						
	Security services	Fire protection services	Medical services	Geographic information services	Information and communication related services	Real estate and other services	Total
Goodwill	¥3,820	¥ 81	¥9,970	¥4,991	¥ 175	¥1,962	¥20,999
Accumulated impairment losses	(1,199)	—	(4,607)	(648)	(175)	(135)	(6,764)
March 31, 2012	2,621	81	5,363	4,343	—	1,827	14,235
Goodwill acquired during the year	—	1,872	—	—	17,468	—	19,340
Impairment losses	(468)	—	—	(584)	—	—	(1,052)
Translation adjustment	198	—	—	15	—	—	213
Goodwill	4,018	1,953	9,399	4,667	17,643	1,962	39,642
Accumulated impairment losses	(1,667)	—	(4,036)	(893)	(175)	(135)	(6,906)
March 31, 2013	2,351	1,953	5,363	3,774	17,468	1,827	32,736
Impairment losses	**(151)**	**—**	**—**	**—**	**—**	**—**	**(151)**
Translation adjustment	**269**	**—**	**—**	**18**	**—**	**—**	**287**
Goodwill	**4,192**	**1,953**	**9,399**	**4,530**	**17,643**	**1,962**	**39,679**
Accumulated impairment losses	**(1,723)**	**—**	**(4,036)**	**(738)**	**(175)**	**(135)**	**(6,807)**
March 31, 2014	**¥2,469**	**¥1,953**	**¥5,363**	**¥3,792**	**¥17,468**	**¥1,827**	**¥32,872**

	In thousands of U.S. dollars						
	Security services	Fire protection services	Medical services	Geographic information services	Information and communication related services	Real estate and other services	Total
Goodwill	$39,009	$18,961	$91,252	$45,311	$171,291	$19,049	$384,873
Accumulated impairment losses	(16,184)	—	(39,184)	(8,670)	(1,699)	(1,311)	(67,048)
March 31, 2013	22,825	18,961	52,068	36,641	169,592	17,738	317,825
Impairment losses	**(1,466)**	**—**	**—**	**—**	**—**	**—**	**(1,466)**
Translation adjustment	**2,612**	**—**	**—**	**175**	**—**	**—**	**2,787**
Goodwill	**40,699**	**18,961**	**91,252**	**43,981**	**171,291**	**19,049**	**385,233**
Accumulated impairment losses	**(16,728)**	**—**	**(39,184)**	**(7,165)**	**(1,699)**	**(1,311)**	**(66,087)**
March 31, 2014	**$23,971**	**$18,961**	**$52,068**	**$36,816**	**$169,592**	**$17,738**	**$319,146**

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 ¥52,542 million ($510,117 thousand) and ¥39,032 million at March 31, 2014 and 2013, respectively, are generally comprised of 30 to 365 day notes. The weighted average interest rate was 1.17 percent and 1.15 percent at March 31, 2014 and 2013, 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, 2014, Nohmi Bosai Ltd., a subsidiary of the parent company, had an unused committed line of credit from a short-term arrangement of ¥4,000 million ($38,835 thousand). The line of credit expires in March 2016. 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. At March 31, 2014, the Company had overdraft agreements with 29 banks and its unused lines of credit amounted to ¥27,893 million ($270,806 thousand). The Company incurs no fee on the unused portion of these overdraft agreements. The overdraft agreements expire in the period from April 2014 to March 2015. The Company has the ability and intent to extend these overdraft agreements under similar terms and conditions.

Long-term debt at March 31, 2014 and 2013 comprise the following:

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2014	2013	**2014**
Loans, principally from banks due 2013–2033 with interest rates ranging from 0.55% to 5.45%:			
Secured	**¥20,834**	¥24,332	**$202,272**
Unsecured	**16,949**	17,245	**164,553**
1.13% unsecured bonds due 2014	**1,384**	1,471	**13,437**
0.5% unsecured bonds due 2015	**100**	—	**971**
0.81% unsecured bonds due 2016	**100**	—	**971**
0.52% unsecured bonds due 2016	**168**	—	**1,631**
Unsecured bonds due 2013–2020 with floating interest rates based on 6-month TIBOR plus 0.00%–0.15%	**10,685**	11,865	**103,738**
Obligations under capital leases, due 2013–2040 (Note 19)	**13,028**	11,130	**126,485**
	63,248	66,043	**614,058**
Less: Portion due within one year	**(15,398)**	(17,281)	**(149,495)**
	¥47,850	¥48,762	**$464,563**

Assets pledged as collateral for bank loans and long-term debt at March 31, 2014 and 2013 are as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2014	2013	**2014**
Time deposits	**¥ 2,315**	¥ 2,210	**$ 22,476**
Short-term and long-term receivables	**5,591**	5,527	**54,281**
Investment securities	**1,525**	1,084	**14,806**
Property, plant and equipment	**52,574**	52,721	**510,427**
Other intangible assets	**¥ 818**	¥ 818	**$ 7,942**

The aggregate annual maturities on long-term debt at March 31, 2014 are as follows:

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2015	¥15,398	$149,495
2016	11,804	114,602
2017	7,647	74,243
2018	7,508	72,893
2019	5,707	55,408
Thereafter	15,184	147,417
	¥63,248	$614,058

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, 2014 and 2013 was ¥52,761 million ($512,243 thousand) and ¥50,882 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, 2014, 2013 and 2012 were gains of ¥1,221 million ($11,854 thousand), ¥724 million and ¥328 million, respectively. Losses on other-than-temporary impairments of investment securities for the years ended March 31, 2014, 2013 and 2012 were ¥22 million ($214 thousand), ¥25 million and ¥883 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, 2014, 2013 and 2012 are as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2014	2013	2012	2014
Net periodic pension and severance costs:				
Service cost	¥6,181	¥8,269	¥5,560	$60,010
Interest cost	1,297	1,533	1,572	12,592
Expected return on plan assets	(2,299)	(2,241)	(2,130)	(22,320)
Amortization of prior service benefit	(1,601)	(1,600)	(1,649)	(15,544)
Recognized actuarial loss	1,581	1,407	1,222	15,350
Net periodic pension and severance costs	¥5,159	¥7,368	¥4,575	$50,088

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

	In millions of yen		In thousands of U.S. dollars
	Years ended March 31		Year ended March 31
	2014	2013	2014
Change in benefit obligation:			
Benefit obligation at beginning of year	¥101,151	¥ 85,785	$982,049
Service cost	6,181	8,269	60,010
Interest cost	1,297	1,533	12,592
Actuarial (gain) loss	(4,933)	4,055	(47,893)
Prior service liability	—	472	—
Benefits paid	(5,582)	(5,834)	(54,194)
Acquisition	272	6,871	2,640
Benefit obligation at end of year	98,386	101,151	955,204
Change in plan assets:			
Fair value of plan assets at beginning of year	83,371	72,210	809,427
Actual return on plan assets	5,976	6,826	58,019
Employer contribution	6,325	6,171	61,408
Benefits paid	(3,787)	(3,801)	(36,767)
Acquisition	276	1,965	2,680
Fair value of plan assets at end of year	92,161	83,371	894,767
Funded status at the end of year	(¥ 6,225)	(¥ 17,780)	($ 60,437)

Amounts recognized in the consolidated balance sheet at March 31, 2014 and 2013 consist of:

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2014	2013	2014
Prepaid pension and severance costs	¥22,054	¥11,538	$214,117
Accrued pension and severance costs	(28,279)	(29,318)	(274,553)
Net amount recognized	(¥ 6,225)	(¥17,780)	($ 60,436)

Other changes in plan assets and benefit obligations recognized in other comprehensive income (loss) for the year ended March 31, 2014 are summarized as follows:

	In millions of yen	In thousands of U.S. dollars
Current year actuarial gain	(¥8,610)	($83,592)
Amortization of actuarial loss	(1,581)	(15,350)
Amortization of prior service benefit	1,601	15,544
	(¥8,590)	($83,398)

Amounts recognized in accumulated other comprehensive income (loss) at March 31, 2014 and 2013 consist of:

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2014	2013	2014
Actuarial loss	¥20,524	¥30,715	$199,262
Prior service benefit	(4,133)	(5,734)	(40,126)
Net amount recognized	¥16,391	¥24,981	$159,136

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 ¥1,575 million ($15,291 thousand) and ¥1,017 million ($9,874 thousand), respectively.

The accumulated benefit obligation for the pension plan was ¥90,316 million ($876,854 thousand) and ¥92,862 million at March 31, 2014 and 2013, 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 ¥42,682 million ($414,388 thousand), ¥38,220 million ($371,068 thousand) and ¥14,987 million ($145,505 thousand), respectively, at March 31, 2014, and ¥47,619 million, ¥42,896 million and ¥18,564 million, respectively, at March 31, 2013.

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, 2014 and 2013 are as follows:

	March 31	
	2014	2013
Discount rate	1.1%	1.4%
Rate of compensation increase	2.7%	2.7%

Weighted-average assumptions used to determine net pension and severance costs for the years ended March 31, 2014, 2013 and 2012 are as follows:

	Years ended March 31		
	2014	2013	2012
Discount rate	1.4%	1.8%	2.1%
Expected return on plan assets	3.0%	3.0%	3.0%
Rate of compensation increase	2.7%	2.6%	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 does not use 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, 2014 and 2013. The three levels of inputs used to measure fair value are more fully described in Note 22.

In millions of yen

	March 31, 2014			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	¥ 1,750	¥ —	¥ —	¥ 1,750
Equity securities				
Japanese companies	13,900	—	—	13,900
Debt securities				
Government bonds	5,221	154	—	5,375
Non-government bonds	242	2,099	729	3,070
Pooled funds	28	31,201	18,885	50,114
Call loans	—	7,225	—	7,225
Insurance contracts	—	9,855	—	9,855
Other	—	112	760	872
	¥21,141	¥50,646	¥20,374	¥92,161

*The plan's equity securities include common stock of the parent company and its domestic subsidiaries in the amount of ¥11 million at March 31, 2014.
*The plan's government bonds include approximately 20% Japanese bonds and 80% foreign bonds. The non-goverment 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 and 50% in debt securities. 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, 2013			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	¥ 899	¥ —	¥ —	¥ 899
Equity securities				
Japanese companies	12,043	—	—	12,043
Debt securities				
Government bonds	3,708	75	—	3,783
Non-government bonds	774	200	911	1,885
Pooled funds	—	26,831	20,807	47,638
Call loans	—	8,071	—	8,071
Insurance contracts	—	8,836	—	8,836
Other	—	(552)	768	216
	¥17,424	¥43,461	¥22,486	¥83,371

*The plan's equity securities include common stock of the parent company and its domestic subsidiaries in the amount of ¥3 million at March 31, 2013.
*The plan's government bonds include approximately 95% Japanese bonds and 5% foreign bonds. The non-goverment bonds include approximately 50% Japanese bonds and 50% foreign bonds.
*The pension investment trust fund included in the plan's pooled funds is classified as Level 2, and invests approximately 65% in equity securities, 30% in debt securities and 5% 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, 2014			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 16,990	$ —	$ —	$ 16,990
Equity securities				
Japanese companies	134,951	—	—	134,951
Debt securities				
Government bonds	50,689	1,495	—	52,184
Non-government bonds	2,350	20,378	7,078	29,806
Pooled funds	272	302,922	183,350	486,544
Call loans	—	70,146	—	70,146
Insurance contracts	—	95,680	—	95,680
Other	—	1,088	7,378	8,466
	$205,252	$491,709	$197,806	$894,767

*The plan's equity securities include common stock of the parent company and its domestic subsidiaries in the amount of $107 thousand at March 31, 2014.
*The plan's government bonds include approximately 20% Japanese bonds and 80% foreign bonds. The non-goverment 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 and 50% in debt securities. 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, 2014 and 2013.

Level 3 investments, mainly in the unquoted beneficial certificate of security investment trust 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, 2014				
	Debt securities				
	Government bonds	Non-government bonds	Pooled funds	Other	Total
Balance at beginning of year	¥—	¥911	¥20,807	¥768	¥22,486
Actual return on plan assets:					
Relating to assets sold during the year	—	—	606	34	640
Relating to assets held at end of year	—	(182)	1,344	(8)	1,154
Purchases, sales and settlements, net	—	—	(3,559)	(34)	(3,593)
Transfer from Level 3, net	—	—	(313)	—	(313)
Balance at end of year	¥—	¥729	¥18,885	¥760	¥20,374

In millions of yen

	Government bonds	Non-government bonds	Pooled funds	Other	Total
	Year ended March 31, 2013				
	Debt securities				
Balance at beginning of year	¥ 1	¥794	¥16,669	¥450	¥17,914
Actual return on plan assets:					
Relating to assets sold during the year	—	—	(622)	18	(604)
Relating to assets held at end of year	—	117	3,226	(280)	3,063
Purchases, sales and settlements, net	—	—	816	281	1,097
Transfer into (from) Level 3, net	(1)	—	718	299	1,016
Balance at end of year	¥—	¥911	¥20,807	¥768	¥22,486

In thousands of U.S. dollars

	Government bonds	Non-government bonds	Pooled funds	Other	Total
	Year ended March 31, 2014				
	Debt securities				
Balance at beginning of year	**$—**	**$8,845**	**$202,010**	**$7,456**	**$218,311**
Actual return on plan assets:					
Relating to assets sold during the year	**—**	**—**	**5,883**	**330**	**6,213**
Relating to assets held at end of year	**—**	**(1,767)**	**13,049**	**(78)**	**11,204**
Purchases, sales and settlements, net	**—**	**—**	**(34,553)**	**(330)**	**(34,883)**
Transfer from Level 3, net	**—**	**—**	**(3,039)**	**—**	**(3,039)**
Balance at end of year	**$—**	**$7,078**	**$183,350**	**$7,378**	**$197,806**

The Company expects to contribute ¥6,045 million ($58,689 thousand) to its domestic defined benefit plans in the year ending March 31, 2015.

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

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2015	¥ 4,492	$ 43,612
2016	5,071	49,233
2017	4,918	47,748
2018	5,494	53,340
2019	5,822	56,524
2020–2024	29,446	285,883

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, 2014, 2013 and 2012 were ¥1,679 million ($16,301 thousand), ¥1,645 million and ¥1,613 million, respectively.

16. Exchange Gains and Losses

Other income for the years ended March 31, 2014 and 2013 includes net exchange gains of ¥408 million ($3,961 thousand) and ¥276 million, respectively. Other expenses for the year ended March 31, 2012 include net exchange losses of ¥145 million.

17. Income Taxes

Total income taxes for the years ended March 31, 2014, 2013 and 2012 are allocated as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2014	2013	2012	**2014**
Consolidated income taxes from continuing operations	**¥49,698**	¥46,700	¥40,661	**$482,504**
Consolidated income taxes from discontinued operations	**(172)**	149	(2,459)	**(1,670)**
Shareholders' equity—accumulated other comprehensive income (loss):				
Unrealized gains on securities	**440**	3,511	1,213	**4,272**
Unrealized gains on derivative instruments	**(0)**	10	—	**(0)**
Pension liability adjustments	**3,183**	(184)	(945)	**30,904**
Foreign currency translation adjustments	**121**	—	—	**1,175**
	¥53,270	¥50,186	¥38,470	**$517,185**

The parent company and its domestic subsidiaries were subject to a corporate tax of 28.05 percent for the years ended March 31, 2014 and 2013 and 30 percent for the year ended March 31, 2012, an inhabitants tax of approximately 20.3 percent, and a deductible enterprise tax of approximately 7.4 percent, which, in the aggregate, results in a statutory tax rate in Japan of approximately 37.8 percent for the years ended March 31, 2014 and 2013 and 40.5 percent for the year ended March 31, 2012.

Due to the promulgation on December 2, 2011 of the "Act for Partial Amendment of the Income Tax Act, etc. for the Purpose of Creating a Taxation System Responding to Changes in Economic and Social Structures" and the "Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction Following the Great East Japan Earthquake," the statutory tax rate used to calculate the deferred tax assets and liabilities for the year ended March 31, 2012 changed mainly from 40.5 percent to 37.8 percent for those items scheduled for reversal during the period from April 1, 2012 to March 31, 2015, and to 35.4 percent for those items scheduled for reversal on or after April 1, 2015. As a result, income taxes for the year ended March 31, 2012 increased by ¥2,068 million.

Due to the promulgation on March 31, 2014 of the "Partial Amendment of the Income Tax Act, etc.," the statutory tax rate used to calculate the deferred tax assets and liabilities for the years ended March 31, 2014 changed mainly from 37.8% to 35.4% for those scheduled for reversal during the period from April 1, 2014 to March 31, 2015. As a result, income taxes for the year ended March 31, 2014 increased by ¥1,119 million ($10,864 thousand).

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
	2014	2013	2012	**2014**
Income taxes computed at statutory tax rate	**¥48,668**	¥45,496	¥36,532	**$472,505**
Increase (decrease) resulting from:				
Reversal of valuation allowance	**(1,234)**	(518)	(6,000)	**(11,981)**
Net effect of changes in corporate tax rates	**1,119**	—	2,068	**10,864**
Per capita tax	**857**	850	804	**8,320**
Provision of valuation allowance	**832**	477	7,098	**8,078**
Other, net	**(544)**	395	159	**(5,282)**
Consolidated income taxes from continuing operations	**¥49,698**	¥46,700	¥40,661	**$482,504**

The significant components of deferred tax assets and liabilities at March 31, 2014 and 2013 are as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2014	2013	**2014**
Deferred tax assets:			
Loss carryforwards	**¥11,277**	¥11,821	**$109,485**
Accrued pension and severance costs	**9,753**	10,108	**94,689**
Deferred revenue	**8,958**	9,438	**86,971**
Property, plant and equipment	**8,913**	7,820	**86,534**
Adjustment of book value at the date of acquisition—			
Land and buildings	**7,869**	8,510	**76,398**
Other assets	**265**	315	**2,573**
Accrued bonus	**6,014**	6,266	**58,388**
Vacation accrual	**3,495**	3,493	**33,932**
Write-down on real estate inventories	**2,781**	4,536	**27,000**
Allowance for doubtful accounts	**2,635**	2,676	**25,583**
Intangible assets	**1,641**	1,499	**15,932**
Investment securities	**49**	464	**476**
Other	**9,328**	9,979	**90,562**
Gross deferred tax assets	**72,978**	76,925	**708,523**
Less: Valuation allowance	**(29,972)**	(30,227)	**(290,990)**
Total deferred tax assets	**43,006**	46,698	**417,533**
Deferred tax liabilities:			
Adjustment of book value at the date of acquisition—			
Land and buildings	**(5,201)**	(5,632)	**(50,495)**
Intangible assets	**(5,160)**	(5,448)	**(50,097)**
Other assets	**(1,332)**	(2,075)	**(12,932)**
Prepaid pension and severance costs	**(7,862)**	(4,010)	**(76,330)**
Deferred installation costs	**(6,464)**	(7,086)	**(62,757)**
Unrealized holding gains on securities	**(6,133)**	(5,777)	**(59,544)**
Investments in affiliated companies	**(5,506)**	(5,105)	**(53,456)**
Other	**(3,749)**	(4,558)	**(36,399)**
Gross deferred tax liabilities	**(41,407)**	(39,691)	**(402,010)**
Net deferred tax assets	**¥ 1,599**	¥ 7,007	**$ 15,523**

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, 2014, 2013 and 2012 was an increase of ¥255 million ($2,476 thousand) and ¥299 million and a decrease of ¥3,771 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, 2014 and 2013.

Net deferred tax assets at March 31, 2014 and 2013 are reflected in the accompanying consolidated balance sheets under the following captions:

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2014	2013	**2014**
Deferred income taxes (Current assets)	**¥14,021**	¥15,387	**$136,126**
Deferred income taxes (Other assets)	**7,061**	6,750	**68,553**
Other current liabilities (Current liabilities)	**(344)**	(995)	**(3,340)**
Deferred income taxes (Long-term liabilities)	**(19,139)**	(14,135)	**(185,816)**
Net deferred tax assets	**¥ 1,599**	¥ 7,007	**$ 15,523**

The Company has not recognized deferred tax liabilities of ¥615 million ($5,971 thousand) for a portion of undistributed earnings of foreign subsidiaries totaling ¥19,853 million ($192,748 thousand) at March 31, 2014 as they are not expected to be remitted in the foreseeable future.

At March 31, 2014, the operating loss carryforwards of domestic subsidiaries amounted to ¥24,948 million ($242,214 thousand) and are available for offsetting against future taxable earnings of such subsidiaries for up to nine years, as follows:

Expires in the years ending March 31	In millions of yen	In thousands of U.S. dollars
2015	¥ 2,720	$ 26,408
2016	—	—
2017	—	—
2018	6,738	65,417
2019	6,788	65,903
2020	1,904	18,485
2021	1,257	12,204
2022	3,379	32,806
2023	2,162	20,991
	¥24,948	$242,214

The operating loss carryforwards of overseas subsidiaries at March 31, 2014 amounted to ¥7,118 million ($69,107 thousand), a part of which will begin to expire in the year ending March 31, 2015.

The total amount of unrecognized tax benefits for the years ended March 31, 2014, 2013 and 2012 were insignificant. Also, there were no significant movements in the gross amounts of unrealized tax benefits and the amounts of interest and penalties recognized due to the unrecognized tax benefits during the years ended March 31, 2014, 2013 and 2012.

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, 2014, 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 2009. In other foreign tax jurisdictions, major subsidiaries are no longer subject to income tax examinations by tax authorities for years before 2013, 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, 2014, 2013 and 2012 are as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2014	2013	2012	**2014**
Net income attributable to SECOM CO., LTD.	**¥73,979**	¥70,580	¥41,237	**$718,243**
Transfers from (to) noncontrolling interests:				
Decrease in additional paid-in capital related to the acquisition of Secom Techno Service Co., Ltd.'s ownership interests	**—**	—	(476)	**—**
Other, net	**(28)**	(752)	(166)	**(272)**
Net transfers from (to) noncontrolling interests	**(28)**	(752)	(642)	**(272)**
Change from net income attributable to SECOM CO., LTD. and transfers from (to) noncontrolling interests	**¥73,951**	¥69,828	¥40,595	**$717,971**

(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 ¥466,306 million ($4,527,243 thousand) at March 31, 2014.

Subsequent to March 31, 2014, the parent company's Board of Directors declared an annual cash dividend of ¥115 ($1.12) per share, totaling ¥25,100 million ($243,689 thousand), to shareholders of record on March 31, 2014. The dividend declared was approved at the general shareholders' meeting held on June 25, 2014. Dividends are recorded in the year they are declared.

The Japanese Companies Act provides that a company can make dividends of surplus anytime with resolution of the shareholders.

(3) Common Stock in Treasury

For the year ended March 31, 2012, common stock in treasury decreased by ¥1,264 million, primarily due to allotment with respect to the absorption-type merger of Secom Techno Service Co., Ltd.

The Company may repurchase its common stock from the market pursuant to the Japanese Companies Act.

(4) Other Comprehensive Income (Loss)

Components of other comprehensive income (loss) for the years ended March 31, 2014, 2013 and 2012 are as follows:

	In millions of yen		
	Pre-tax amount	Tax (expense) or benefit	Net-of-tax amount
For the year ended March 31, 2014:			
Unrealized holding gains on securities—			
Unrealized holding gains or losses arising during the period	**¥ 3,229**	**(¥ 974)**	**¥ 2,255**
Less: Reclassification adjustment for gains or losses realized in net income	**(1,669)**	**534**	**(1,135)**
Unrealized gains on derivative instruments—			
Unrealized gains or losses arising during the year	**19**	**(6)**	**13**
Less: Reclassification adjustment for gains or losses realized in net income	**(17)**	**6**	**(11)**
Pension liability adjustments—			
Unrealized gains or losses arising during the period	**8,471**	**(3,153)**	**5,318**
Less: Reclassification adjustment for gains or losses realized in net income	**255**	**(30)**	**225**
Foreign currency translation adjustments	**18,213**	**(121)**	**18,092**
Other comprehensive income (loss)	**¥28,501**	**(¥3,744)**	**¥24,757**

Financial Section

	Pre-tax amount	Tax (expense) or benefit	Net-of-tax amount
	In millions of yen		
For the year ended March 31, 2013:			
Unrealized holding gains on securities—			
Unrealized holding gains or losses arising during the period	¥11,607	(¥3,740)	¥ 7,867
Less: Reclassification adjustment for gains or losses realized in net income	(713)	229	(484)
Unrealized gains on derivative instruments—			
Unrealized gains or losses arising during the year	10	(4)	6
Less: Reclassification adjustment for gains or losses realized in net income	15	(6)	9
Pension liability adjustments—			
Unrealized gains or losses arising during the period	(897)	117	(780)
Less: Reclassification adjustment for gains or losses realized in net income	5	67	72
Foreign currency translation adjustments	10,105	—	10,105
Other comprehensive income (loss)	¥20,132	(¥3,337)	¥16,795
For the year ended March 31, 2012:			
Unrealized holding gains on securities—			
Unrealized holding gains or losses arising during the period	¥3,136	(¥968)	¥2,168
Less: Reclassification adjustment for gains or losses realized in net income	563	(245)	318
Unrealized gains on derivative instruments—			
Unrealized gains or losses arising during the year	—	—	—
Less: Reclassification adjustment for gains or losses realized in net income	8	—	8
Pension liability adjustments—			
Unrealized gains or losses arising during the period	(2,421)	684	(1,737)
Less: Reclassification adjustment for gains or losses realized in net income	(477)	261	(216)
Foreign currency translation adjustments	(3,696)	—	(3,696)
Other comprehensive income (loss)	(¥2,887)	(¥268)	(¥3,155)

	Pre-tax amount	Tax (expense) or benefit	Net-of-tax amount
	In thousands of U.S. dollars		
For the year ended March 31, 2014:			
Unrealized holding gains on securities—			
Unrealized holding gains or losses arising during the period	**$ 31,349**	**($ 9,456)**	**$ 21,893**
Less: Reclassification adjustment for gains or losses realized in net income	**(16,203)**	**5,184**	**(11,019)**
Unrealized gains on derivative instruments—			
Unrealized gains or losses arising during the year	**185**	**(58)**	**127**
Less: Reclassification adjustment for gains or losses realized in net income	**(165)**	**58**	**(107)**
Pension liability adjustments—			
Unrealized gains or losses arising during the period	**82,243**	**(30,612)**	**51,631**
Less: Reclassification adjustment for gains or losses realized in net income	**2,476**	**(292)**	**2,184**
Foreign currency translation adjustments	**176,825**	**(1,175)**	**175,650**
Other comprehensive income (loss)	**$276,710**	**($36,351)**	**$240,359**

Reclassification adjustments for gains or losses realized in net income (pre-tax amount) are included in the consolidated statement of income for the year ended March 31, 2014 as follows:

	In millions of yen	In thousands of U.S. dollars
Unrealized gains on securities—		
Net sales and operating revenue	**(¥1,221)**	**($11,854)**
Gain on sales of securities, net	**(483)**	**(4,689)**
Loss on other-than-temporary impairment of investment securities	**35**	**340**
Unrealized gains on derivative instruments—		
Other income	**(17)**	**(165)**
Pension liability adjustments—		
Net periodic pension and severance costs (Note 15)	**(20)**	**(194)**
Equity in net income of affiliated companies	**¥ 275**	**$ 2,670**

19. Lessee

The Company leases certain office space, employee residential facilities, and computer and transportation equipment. Some leased buildings, and computer 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 ($69,990 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 payments for the site at March 31, 2014 were ¥5,853 million ($56,825 thousand).

A summary of leased assets under capital leases at March 31, 2014 and 2013 is as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2014	2013	**2014**
Buildings and improvements	**¥ 8,908**	¥ 8,209	**$ 86,485**
Machinery, equipment and automobiles	**11,107**	10,198	**107,835**
Other intangible assets	**95**	163	**922**
Accumulated depreciation	**(9,776)**	(8,598)	**(94,913)**
	¥10,334	¥ 9,972	**$100,329**

Depreciation expenses for assets under capital leases for the years ended March 31, 2014, 2013 and 2012 were ¥2,668 million ($25,903 thousand), ¥2,688 million and ¥2,630 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, 2014:

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2015	¥ 2,788	$ 27,068
2016	2,017	19,583
2017	1,562	15,165
2018	1,200	11,650
2019	1,034	10,039
Thereafter	12,632	122,640
Total minimum lease payments	21,233	206,145
Less: Amount representing interest	(8,205)	(79,660)
Present value of net minimum lease payments (Note 13)	13,028	126,485
Less: Current portion	(2,268)	(22,019)
Long-term capital lease obligations	¥10,760	$104,466

Rental expenses under operating leases for the years ended March 31, 2014, 2013 and 2012 were ¥21,774 million ($211,398 thousand), ¥18,264 million and ¥16,419 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, annual lease payments for the site are approximately ¥1,299 million ($12,612 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, 2014 are as follows:

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2015	¥ 8,753	$ 84,981
2016	8,397	81,524
2017	8,356	81,126
2018	8,261	80,204
2019	8,267	80,262
Thereafter	33,330	323,592
Total future minimum lease payments	¥73,364	$731,689

20. Lessor

The Company's leasing operations consist principally of leasing of security merchandise, security systems and real estate for office 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, 2014 and 2013 is as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2014	2013	**2014**
Total minimum lease payments to be received	**¥51,037**	¥52,780	**$495,505**
Estimated executory cost	**(3,869)**	(4,671)	**(37,564)**
Estimated unguaranteed residual value	**—**	1,262	**—**
Unearned income	**(4,644)**	(9,609)	**(45,087)**
Lease receivables, net	**42,524**	39,762	**412,854**
Less: Current portion	**(12,769)**	(12,034)	**(123,971)**
Long-term lease receivables, net	**¥29,755**	¥27,728	**$288,883**

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, 2014:

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2015	¥14,992	$145,553
2016	12,525	121,602
2017	9,767	94,825
2018	7,340	71,262
2019	4,232	41,087
Thereafter	2,181	21,176
Total future minimum lease payments to be received	¥51,037	$495,505

A summary of investment in property under operating leases and property held for lease at March 31, 2014 and 2013 is as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2014	2013	**2014**
Land	**¥32,944**	¥33,230	**$319,845**
Buildings and improvements	**31,659**	28,541	**307,369**
Other intangible assets	**662**	662	**6,427**
Accumulated depreciation	**(10,441)**	(9,687)	**(101,369)**
	¥54,824	¥52,746	**$532,272**

The future minimum rentals under noncancelable operating leases at March 31, 2014 are as follows:

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2015	¥2,273	$22,068
2016	166	1,612
2017	162	1,573
2018	162	1,573
2019	162	1,573
Thereafter	3,395	32,960
Total future minimum rentals	¥6,320	$61,359

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.

(1) Cash and Cash Equivalents; Time Deposits; Cash Deposits; 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 Payrolls

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 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, 2014 and 2013 are as follows:

	In millions of yen			
	March 31			
	2014		2013	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Non-derivatives:				
Assets—				
Long-term receivables including current portion (Less allowance for doubtful accounts)	**¥58,235**	**¥58,457**	¥55,976	¥57,159
Liabilities—				
Long-term debt including current portion	**63,247**	**63,296**	66,043	66,155
Investment deposits by policyholders	**29,531**	**30,710**	29,483	30,831
Derivatives:				
Assets—				
Equity swaps (Other current assets)	**—**	**—**	59	59
Liabilities—				
Interest rate swaps (Other long-term liabilities)	**165**	**165**	239	239

	In thousands of U.S. dollars	
	March 31, 2014	
	Carrying amount	Estimated fair value
Non-derivatives:		
Assets—		
Long-term receivables including current portion (Less allowance for doubtful accounts)	**$565,388**	**$567,544**
Liabilities—		
Long-term debt including current portion	**614,049**	**614,521**
Investment deposits by policyholders	**286,709**	**298,155**
Derivatives:		
Assets—		
Equity swaps (Other current assets)	**—**	**—**
Liabilities—		
Interest rate swaps (Other long-term liabilities)	**1,602**	**1,602**

Limitation:

Fair value estimates are made at a specific point in time based on relevant market information and information about the 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, 2014 and 2013. Transfers between levels are recognized at the end of the respective reporting periods.

In millions of yen

	March 31, 2014			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents	¥ 253	¥ 2,671	¥ —	¥ 2,924
Short-term investments and investment securities	134,108	24,600	34,980	193,688
Total assets	¥134,361	¥27,271	¥34,980	¥196,612
Liabilities:				
Derivatives (Other long-term liabilities)	¥ —	¥ 165	¥ —	¥ 165
Total liabilities	¥ —	¥ 165	¥ —	¥ 165

In millions of yen

	March 31, 2013			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents	¥ 44	¥ 2,601	¥ —	¥ 2,645
Short-term investments and investment securities	97,257	17,606	39,588	154,451
Derivatives (Other current assets)	—	59	—	59
Total assets	¥97,301	¥20,266	¥39,588	¥157,155
Liabilities:				
Derivatives (Other long-term liabilities)	¥ —	¥ 239	¥ —	¥ 239
Total liabilities	¥ —	¥ 239	¥ —	¥ 239

In thousands of U.S. dollars

	March 31, 2014			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents	$ 2,456	$ 25,932	$ —	$ 28,388
Short-term investments and investment securities	1,302,019	238,835	339,612	1,880,466
Total assets	$1,304,475	$264,767	$339,612	$1,908,854
Liabilities:				
Derivatives (Other long-term liabilities)	$ —	$ 1,602	$ —	$ 1,602
Total liabilities	$ —	$ 1,602	$ —	$ 1,602

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 are comprised principally of 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 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, 2014 and 2013, amounting to ¥34,980 million ($339,612 thousand) and ¥39,588 million, respectively, are primarily private equity investments. The valuation technique and significant unobservable inputs are as follows:

		March 31, 2014
Valuation technique	Significant unobservable inputs	Range
Discounted cash flows	Discount rate	20%–30%
	Exit timing	2014–2019
	EBITDA multiple	3.7x–8.5x

		March 31, 2013
Valuation technique	Significant unobservable inputs	Range
Discounted cash flows	Discount rate	20%–30%
	Exit timing	2013–2017
	EBITDA multiple	5.8x–9.3x

For the years ended March 31, 2014 and 2013, ¥1,401 million ($13,602 thousand) and ¥3,403 million of debt securities were transferred from Level 1 to Level 2, respectively, because the observable markets in which these instruments were traded became inactive.

Derivative Financial Investments
Derivative financial instruments are comprised of 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, 2014 and 2013.

	In millions of yen		In thousands of U.S. dollars
	Years ended March 31		Year ended March 31
	2014	2013	**2014**
Balance at beginning of year	**¥39,588**	¥27,368	**$384,350**
Total gains or losses (realized or unrealized):			
Included in earnings	**7,102**	4,934	**68,951**
Included in other comprehensive income	**89**	162	**864**
Purchases	**2,132**	4,283	**20,699**
Sales	**(19,977)**	(108)	**(193,951)**
Redemptions	**(367)**	(343)	**(3,563)**
Foreign currency translation adjustments	**6,413**	3,292	**62,262**
Balance at end of year	**¥34,980**	¥39,588	**$339,612**
Changes in unrealized gains or losses relating to instruments still held at end of year:			
Included in earnings	**¥ 6,388**	¥ 4,831	**$ 62,019**

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 ¥8,684 million ($84,311 thousand) were written down to their fair value of ¥8,639 million ($83,874 thousand), resulting in an other-than-temporary impairment charge of ¥45 million ($437 thousand), which was included in earnings for the year ended March 31, 2014. For the year ended March 31, 2013, non-marketable equity securities with a carrying amount of ¥10,179 million were written down to their fair value of ¥10,178 million, resulting in an other-than-temporary impairment charge of ¥1 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-perfomance 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 interest rate swap agreements mature at various dates through 2015. 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. The sum of the amount of hedge ineffectiveness and net gains or losses excluded from the assessment of hedge effectiveness is not material for the years ended March 31, 2014, 2013 and 2012 as the critical terms of most of the interest rate swap agreements match the terms of the hedged debt obligations. Approximately ¥8 million ($78 thousand) of net derivative income included in accumulated other comprehensive income, net of tax at March 31, 2014, will be reclassified into current income within 12 months from that date. At March 31, 2014 and 2013, the notional principal amount of interest rate swap agreements designated as cash flow hedges was ¥2,153 million ($20,903 thousand) and ¥3,664 million, respectively.

(4) Derivative Instruments Not Designated as Hedges
The Company enters into forward exchange contracts to reduce exposure to fluctuations in currency rates, 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 sheet as of March 31, 2014 and 2013 are as follows:

Derivatives designated as hedging instruments
Liabilities:

		In millions of yen		In thousands of U.S. dollars
		March 31		March 31
	Location	2014	2013	2014
Interest rate swaps	Other long-term liabilities	¥28	¥68	$272

Derivatives not designated as hedging instruments

		In millions of yen		In thousands of U.S. dollars
		March 31		March 31
	Location	2014	2013	2014
Assets:				
Equity swaps	Other current assets	¥ —	¥ 59	$ —
Liabilities:				
Interest rate swaps	Other long-term liabilities	¥137	¥171	$1,330

Effects of derivative instruments on the consolidated statements of income for the years ended March 31, 2014, 2013 and 2012 are as follows:

Derivatives designated as cash flow hedging instruments
Gains recognized in accumulated other comprehensive income (loss) (effective portion)

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2014	2013	2012	2014
Interest rate swaps	¥10	¥5	¥—	$97

Gains (losses) reclassified from accumulated other comprehensive income (loss) into income (effective portion)

		In millions of yen			In thousands of U.S. dollars
		Years ended March 31			Year ended March 31
	Location	2014	2013	2012	2014
Interest rate swaps	Other income	¥17	¥—	¥—	$165
	Other expenses	¥—	(¥15)	(¥ 8)	$ —

Derivatives not designated as hedging instruments

		In millions of yen			In thousands of U.S. dollars
		Years ended March 31			Year ended March 31
	Location	2014	2013	2012	2014
Equity swaps	Other income	¥—	¥59	¥—	$ —
Interest rate swaps	Other income	¥33	¥—	¥—	$320
	Other expenses	¥—	(¥13)	(¥ 9)	$ —

24. Commitments and Contingent Liabilities

The Company has commitments outstanding at March 31, 2014 for the purchase of property, plant and equipment of approximately ¥7,982 million ($77,495 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 ¥1,578 million ($15,320 thousand) at March 31, 2014. The carrying amounts of the liabilities recognized for the Company's obligations under these guarantees at March 31, 2014 and 2013 were deemed insignificant.

In the year ended March 31, 2012, Pasco Corporation, a subsidiary of the parent company, recognized and paid ¥799 million for legal settlement related to software.

Other than those items above, it is not anticipated that damages, if any, resulting from other legal actions will have a material impact on the Company's consolidated financial statements.

25. Discontinued Operations

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

The Company sold and will sell certain businesses included in the real estate and other services segment, during the year ended March 31, 2013 and the year ending March 31, 2015, respectively. The Company reported the operating results related to these operations as discontinued operations. Prior period figures have been restated.

Discontinued operations for the years ended March 31, 2014, 2013 and 2012 are as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2014	2013	2012	2014
Net sales and operating revenue	¥3,241	¥3,447	¥2,840	$31,466
Loss from discontinued operations before income taxes	(310)	(778)	(9,083)	(3,010)
Gain on sales of discontinued operations	—	15	—	—
Income taxes	172	(149)	2,459	1,670
Loss from discontinued operations, net of taxes	(¥ 138)	(¥ 912)	(¥6,624)	($ 1,340)
Attributable to noncontrolling interests	¥ —	(¥ 110)	(¥ 127)	$ —
Attributable to SECOM CO., LTD	(¥ 138)	(¥ 802)	(¥6,497)	($ 1,340)

Income (loss) from discontinued operations, net of tax, by business segment for the years ended March 31, 2014, 2013 and 2012 is as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2014	2013	2012	2014
Real estate and other services	(¥138)	(¥912)	(¥6,624)	($1,340)
Loss from discontinued operations, net of taxes	(¥138)	(¥912)	(¥6,624)	($1,340)

26. Supplemental Cash Flow Information

Supplemental cash flow information is as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2014	2013	2012	**2014**
Cash paid during the year for:				
Interest	**¥ 1,459**	¥ 1,568	¥ 1,601	**$ 14,165**
Income taxes	**50,676**	31,761	38,538	**492,000**
Non-cash investing and financing activities:				
Additions to obligations under capital leases	**4,503**	2,381	2,604	**43,718**
Significant acquisitions (Note 4)—				
Assets acquired	**—**	131,747	—	**—**
Liabilities assumed	**—**	(63,833)	—	**—**
Noncontrolling interests	**—**	(21,873)	—	**—**
Considerations for equity	**—**	46,041	—	**—**
Repayment of long-term debt	**—**	27,000	—	**—**
Cash and cash equivalents on hand	**—**	(6,859)	—	**—**
Total considerations	**¥ —**	¥ 66,182	¥ —	**$ —**

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, geographic information services, information and communication related services, and real estate and other services.

The Company recognizes that the significance of information and communication related services is increasing, resulting from the acquisition of At Tokyo Corporation, a subsidiary newly consolidated from October 2012. Therefore, during the year ended March 31, 2014, the Company decided to separately disclose the information and communication related services segment, formerly included in the information and communication related and other services segment, to disclose business activities more adequately and improve the effectiveness of segment information. Since the significance of the real estate development and sales segment as a reportable segment has decreased, it was reclassified to the other services segment and its name was changed to the real estate and other services segment. In addition, during the year ended March 31, 2014, due to the increase in significance, construction and installation services, formerly included in the security services segment, was reclassified to the real estate and other services segment to disclose business activities more adequately and improve the effectiveness of segment information. Accordingly, segment information of all prior periods has been restated to conform to the presentation used for the year ended March 31, 2014.

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 represents the non-life insurance-related underwriting business in the Japanese market. The geographic information services segment represents surveying and measuring services and GIS services. The information and communication related services segment represents data center services, business continuity plan support, information security services and cloud services. The real estate and other services segment represents 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, 2014, 2013 and 2012 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
	2014	2013	2012	**2014**
Net sales and operating revenue:				
Security services—				
External customers	**¥472,449**	¥443,231	¥425,427	**$4,586,883**
Intersegment	**2,811**	2,343	1,806	**27,291**
	475,260	445,574	427,233	**4,614,174**
Fire protection services—				
External customers	**122,046**	114,130	80,678	**1,184,913**
Intersegment	**5,111**	4,308	4,093	**49,621**
	127,157	118,438	84,771	**1,234,534**
Medical services—				
External customers	**150,535**	140,957	134,550	**1,461,505**
Intersegment	**150**	165	148	**1,456**
	150,685	141,122	134,698	**1,462,961**
Insurance services—				
External customers	**37,011**	35,864	33,558	**359,330**
Intersegment	**2,936**	2,816	2,751	**28,505**
	39,947	38,680	36,309	**387,835**
Geographic information services—				
External customers	**54,697**	51,194	50,173	**531,039**
Intersegment	**72**	128	216	**699**
	54,769	51,322	50,389	**531,738**
Information and communication related services—				
External customers	**46,992**	29,541	17,735	**456,233**
Intersegment	**6,381**	5,286	4,775	**61,951**
	53,373	34,827	22,510	**518,184**
Real estate and other services—				
External customers	**37,448**	43,521	27,522	**363,573**
Intersegment	**2,249**	5,904	2,914	**21,835**
	39,697	49,425	30,436	**385,408**
Total	**940,888**	879,388	786,346	**9,134,834**
Eliminations	**(19,710)**	(20,950)	(16,703)	**(191,358)**
Total net sales and operating revenue	**¥921,178**	¥858,438	¥769,643	**$8,943,476**

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2014	2013	2012	**2014**
Operating income (loss):				
Security services	**¥104,089**	¥102,377	¥100,863	**$1,010,573**
Fire protection services	**10,467**	5,981	4,443	**101,621**
Medical services	**2,707**	5,458	7,884	**26,282**
Insurance services	**2,007**	2,712	(80)	**19,485**
Geographic information services	**3,723**	2,302	3,449	**36,146**
Information and communication related services	**6,373**	3,914	2,145	**61,874**
Real estate and other services	**4,689**	4,626	(18,292)	**45,524**
Total	**134,055**	127,370	100,412	**1,301,505**
Corporate expenses and eliminations	**(13,966)**	(13,813)	(12,479)	**(135,592)**
Operating income	**¥120,089**	¥113,557	¥ 87,933	**$1,165,913**
Other income	**11,661**	9,951	7,496	**113,213**
Other expenses	**(3,000)**	(3,148)	(5,226)	**(29,126)**
Income before income taxes and equity in net income of affiliated companies	**¥128,750**	¥120,360	¥ 90,203	**$1,250,000**

	In millions of yen			In thousands of U.S. dollars
	March 31			March 31
	2014	2013	2012	**2014**
Assets:				
Security services	**¥ 471,949**	¥ 437,800	¥ 414,254	**$ 4,582,028**
Fire protection services	**127,911**	119,781	85,786	**1,241,853**
Medical services	**171,288**	168,217	160,505	**1,662,994**
Insurance services	**190,005**	179,949	167,436	**1,844,713**
Geographic information services	**70,952**	66,040	65,968	**688,848**
Information and communication related services	**127,174**	123,327	14,961	**1,234,697**
Real estate and other services	**116,539**	123,007	134,036	**1,131,454**
Total	**1,275,818**	1,218,121	1,042,946	**12,386,587**
Corporate items	**115,125**	83,092	97,139	**1,117,714**
Investments in affiliated companies	**49,762**	39,137	39,739	**483,126**
Total assets	**¥1,440,705**	¥1,340,350	¥1,179,824	**$13,987,427**

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2014	2013	2012	**2014**
Depreciation and amortization:				
Security services	**¥45,679**	¥44,715	¥44,336	**$443,484**
Fire protection services	**1,667**	1,739	1,836	**16,185**
Medical services	**6,658**	5,953	6,167	**64,642**
Insurance services	**1,280**	895	1,058	**12,430**
Geographic information services	**2,511**	2,293	1,812	**24,377**
Information and communication related services	**7,373**	3,824	1,231	**71,583**
Real estate and other services	**1,004**	957	1,403	**9,742**
Total	**66,172**	60,376	57,843	**642,443**
Corporate items	**489**	298	274	**4,751**
Total depreciation and amortization	**¥66,661**	¥60,674	¥58,117	**$647,194**
Capital expenditure:				
Security services	**¥35,641**	¥36,003	¥33,853	**$346,029**
Fire protection services	**1,364**	1,306	670	**13,247**
Medical services	**9,899**	13,834	5,193	**96,107**
Insurance services	**30**	36	26	**293**
Geographic information services	**2,723**	1,328	2,162	**26,435**
Information and communication related services	**5,127**	10,014	2,150	**49,774**
Real estate and other services	**427**	648	10,453	**4,142**
Total	**55,211**	63,169	54,507	**536,027**
Corporate items	**806**	181	107	**7,823**
Total capital expenditures	**¥56,017**	¥63,350	¥54,614	**$543,850**

The capital expenditures in the above table represent the additions to property, plant and equipment 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
	2014	2013	2012	**2014**
Electronic security services	**¥318,116**	¥307,477	¥300,208	**$3,088,505**
Other security services:				
Static guard services	**51,681**	47,877	46,689	**501,757**
Armored car services	**20,767**	20,532	20,610	**201,621**
Merchandise and other	**81,885**	67,345	57,920	**795,000**
Total security services	**¥472,449**	¥443,231	¥425,427	**$4,586,883**

(2) Geographic Segment Information

Net sales and operating revenue attributed to countries based on the geographical location of customers and long-lived assets for the years ended and as of March 31, 2014, 2013 and 2012 were as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2014	2013	2012	**2014**
Net sales and operating revenue:				
Japan	**¥881,814**	¥825,388	¥740,888	**$8,561,301**
Other	**39,364**	33,050	28,755	**382,175**
Total	**¥921,178**	¥858,438	¥769,643	**$8,943,476**

	In millions of yen			In thousands of U.S. dollars
	March 31			March 31
	2014	2013	2012	**2014**
Long-lived assets:				
Japan	**¥519,038**	¥508,104	¥399,901	**$5,039,204**
Other	**6,650**	6,008	5,857	**64,563**
Total	**¥525,688**	¥514,112	¥405,758	**$5,103,767**

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, 2014, the date at which the financial statements were available to be issued, and determined there is no item to disclose.

Independent Auditors' Report

KPMG

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, 2014 and 2013, 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, 2014, 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, 2014 and 2013, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2014, in accordance with U.S. generally accepted accounting principles.

Convenience translations

The accompanying consolidated financial statements as of and for the year ended March 31, 2014 have been translated into United States dollars solely for the convenience of the reader. We have audited the translation and, in our opinion, the consolidated financial statements expressed in Japanese yen have been translated into United States dollars on the basis set forth in Note 3 to the consolidated financial statements.

KPMG AZSA LLC

Tokyo, Japan
July 30, 2014

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Summary of Selected Financial Data

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

In millions of yen

	2014	2013	2012	2011	2010	2009
Composition of consolidated net sales and operating revenue by segment						
Net sales and operating revenue	**¥921,178**	¥858,438	¥769,643	¥748,873	¥667,336	¥678,953
Security services:	**472,449**	443,231	425,427	417,350	415,794	426,843
As a percentage of net sales and operating revenue	***51.3%***	*51.6%*	*55.3%*	*55.7%*	*62.3%*	*62.9%*
Electronic security services	**318,116**	307,477	300,208	299,783	300,063	304,118
As a percentage of net sales and operating revenue	***34.5***	*35.8*	*39.0*	*40.0*	*45.0*	*44.8*
Other Security services—						
Static guard services	**51,681**	47,877	46,689	46,372	46,213	47,999
As a percentage of net sales and operating revenue	***5.6***	*5.6*	*6.1*	*6.2*	*6.9*	*7.1*
Armored car services	**20,767**	20,532	20,610	20,129	19,823	20,310
As a percentage of net sales and operating revenue	***2.3***	*2.4*	*2.7*	*2.7*	*3.0*	*3.0*
Subtotal	**72,448**	68,409	67,299	66,501	66,036	68,309
Merchandise and other	**81,885**	67,345	57,920	51,066	49,695	54,416
As a percentage of net sales and operating revenue	***8.9***	*7.8*	*7.5*	*6.8*	*7.4*	*8.0*
Fire protection services	**122,046**	114,130	80,678	75,176	80,132	84,175
As a percentage of net sales and operating revenue	***13.3***	*13.3*	*10.5*	*10.1*	*12.0*	*12.4*
Medical services	**150,535**	140,957	134,550	125,020	56,309	52,220
As a percentage of net sales and operating revenue	***16.3***	*16.4*	*17.4*	*16.7*	*8.4*	*7.7*
Insurance services	**37,011**	35,864	33,558	33,133	29,142	21,530
As a percentage of net sales and operating revenue	***4.0***	*4.2*	*4.4*	*4.4*	*4.4*	*3.2*
Geographic information services	**54,697**	51,194	50,173	43,539	41,918	40,207
As a percentage of net sales and operating revenue	***5.9***	*6.0*	*6.5*	*5.8*	*6.3*	*5.9*
Information and communication related services	**46,992**	29,541	17,735	16,662	16,211	15,568
As a percentage of net sales and operating revenue	***5.1***	*3.4*	*2.3*	*2.2*	*2.4*	*2.3*
Real estate and other services	**37,448**	43,521	27,522	37,993	27,830	38,410
As a percentage of net sales and operating revenue	***4.1***	*5.1*	*3.6*	*5.1*	*4.2*	*5.6*
Net income attributable to SECOM CO., LTD., cash dividends and SECOM CO., LTD. shareholders' equity						
Net income attributable to SECOM CO.,LTD	**¥ 73,979**	¥ 70,580	¥ 41,237	¥ 62,665	¥ 46,989	¥ 30,560
Cash dividends paid[2]	**22,918**	19,645	19,623	18,533	18,533	19,122
SECOM CO., LTD. shareholders' equity	**753,099**	679,176	612,855	593,495	569,799	528,721
Consolidated financial ratios						
Percentage of working capital accounted for by:						
Debt—						
Bank loans	**6.0**	5.0	5.7	6.8	6.5	11.9
Current portion of long-term debt	**1.8**	2.2	3.1	1.7	1.6	2.4
Straight bonds	**0.9**	1.1	1.4	2.0	2.6	1.9
Other long-term debt	**4.6**	5.1	3.8	5.5	3.6	3.6
Total debt	**13.3**	13.4	14.0	16.0	14.3	19.8
SECOM CO., LTD. shareholders' equity	**86.7**	86.6	86.0	84.0	85.7	80.2
Total capitalization	**100.0**	100.0	100.0	100.0	100.0	100.0
Return on total assets (percentage)[a]	**5.1**	5.3	3.5	5.4	4.1	2.7
Return on equity (percentage)[b]	**9.8**	10.4	6.7	10.6	8.2	5.8
Percentage of net sales and operating revenue absorbed by[c]:						
Depreciation and amortization	**7.2**	7.0	7.5	7.6	8.2	7.9
Rental expense under operating leases	**2.4**	2.1	2.1	2.2	2.1	2.2
Ratio of accumulated depreciation to depreciable assets (percentage)	**60.8**	60.0	63.4	62.5	64.9	64.4
Net property turnover (times)[c]	**2.34**	2.24	2.49	2.49	2.55	2.66
Before-tax interest coverage (times)[c,d]	**90.4**	78.8	51.8	65.1	53.5	32.4

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

	2014	2013	2012	2011	2010	2009
Number of shares outstanding						
Issued	**233,288,717**	233,288,717	233,288,717	233,288,717	233,288,717	233,288,717
Owned by the Company	**15,022,012**	15,018,951	15,017,691	15,258,553	15,254,334	15,251,520
Balance	**218,266,705**	218,269,766	218,271,026	218,030,164	218,034,383	218,037,197
Per share information						
Net income attributable to SECOM CO., LTD. per share (in yen)(1)	**¥ 338.94**	¥ 323.36	¥ 188.97	¥ 287.41	¥ 215.51	¥ 137.42
Cash dividends paid per share (in yen)(2)	**105.00**	90.00	90.00	85.00	85.00	85.00
SECOM CO., LTD. shareholders' equity per share (in yen)(3)	**3,450.36**	3,111.64	2,807.77	2,722.08	2,613.34	2,424.91
Cash flow per share (in yen)(1) (e)	**529.35**	496.34	365.28	458.62	383.36	299.72
Price/Book value ratio	**1.72**	1.56	1.44	1.42	1.57	1.50
Price/Earnings ratio	**17.54**	15.00	21.43	13.45	18.98	26.41
Price/Cash flow ratio	**11.23**	9.77	11.09	8.43	10.67	12.11
Stock price at year-end (in yen)	**5,946**	4,850	4,050	3,865	4,090	3,630

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, 2014, cash dividends of ¥25,100 million (¥115 per share) were approved at the general shareholders' meeting on June 25, 2014 (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	2014	2013	2012	2011	2010	2009
Number of shareholders	**27,054**	27,628	29,118	30,338	31,488	30,859
Common shares held by:						
Japanese government and local public entities	**—%**	—%	—%	0.08%	0.08%	0.00%
Financial institutions	**31.28**	30.86	29.88	30.76	31.34	35.67
Securities firms	**4.88**	5.58	6.08	4.75	4.28	2.55
Other domestic corporations	**2.56**	3.63	3.68	3.71	3.73	3.76
Foreign investors	**42.32**	41.33	41.25	41.27	40.77	38.17
Individuals and others	**12.52**	12.16	12.67	12.89	13.26	13.31
Treasury stock	**6.44**	6.44	6.44	6.54	6.54	6.54
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
2012	April–June	¥4,040	¥3,325	¥10,109.87	¥ 8,295.63
	July–September	4,125	3,580	9,232.21	8,365.90
	October–December	4,360	3,860	10,395.18	8,534.12
2013	January–March	5,120	4,295	12,635.69	10,486.99
	April–June	5,770	4,620	15,627.26	12,003.43
	July–September	6,310	5,320	14,808.50	13,338.46
	October–December	6,430	5,700	16,291.31	13,853.32
2014	January–March	6,300	5,370	16,121.45	14,008.47

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

Notes: 1. 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.
2. As of March 31, 2014, the number of shares outstanding was 233,289 thousand and share capital was ¥66,377,829 thousand.
*One share was split into two.