



ANNUAL REPORT 2014

Year ended March 31, 2014

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

Since its establishment in 1962, **SECOM CO., LTD.**, a pioneer in Japan's security services industry, has sought to develop and encourage broad acceptance of pioneering services and systems that provide security and peace of mind, in line with its belief in the importance of contributing to society through its business activities.

Beginning with Japan's first on-line security system for commercial use, SECOM has continued to grow its businesses by developing and popularizing a wide range of services and systems over the years that reflect evolving social imperatives. These include an on-line home security system and COCO-SECOM, a mobile personal security system for outdoor use.

Today, the overarching mission of SECOM—comprising the parent company and the companies of the SECOM Group—is to provide safety and security for people whenever and wherever necessary. Accordingly, we are pressing ahead with efforts to realize our vision for the future, the Social System Industry, which describes a framework of distinctive, integrated services and systems that make life more secure, convenient and comfortable. To this end, we have capitalized on our extensive business portfolio—which has expanded to include security services, fire protection services, medical services, insurance services, geographic information services, information and communication related services, and real estate and other services—to create a solid foundation for future growth, working not only to enhance individual businesses but also to integrate services and systems, thereby yielding considerable synergies to drive future growth.

Today, we continue to maximize Group synergies to expand the scope of our operations by promoting the "ALL SECOM" concept, which focuses on rallying Group strengths to create uniquely SECOM services and systems that enhance convenience and comfort and deliver security and peace of mind. Through these efforts, we seek to encourage people to turn to SECOM with the confidence that doing so will help them resolve security and other concerns.

We have also expanded outside Japan. Currently active in 21 countries and territories, where we provide uniquely SECOM security services, fire protection services, medical services and geographic information services customized to reflect local needs and sensibilities, we continue to strengthen and grow our overseas operations.

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Realizing the Social System Industry

Our Social System Industry vision describes a framework of innovative services and systems that make life more secure, convenient and comfortable. We have worked steadily to make this vision a reality by building a broad business portfolio that today encompasses seven segments. We combine the services and systems in these segments into distinctive packages, in line with our overarching mission, which is to provide security and peace of mind wherever and whenever necessary. This approach encourages people to turn to SECOM with the confidence that doing so will help them resolve security and other concerns. Looking ahead, we will continue working to provide services that respond to customers' expectations with the aim of making SECOM an ever-present and trusted part of our customers' lives.

To hasten the realization of our Social System Industry vision, in 2010 we introduced the ALL SECOM concept. Under the ALL SECOM banner, we are encouraging employees everywhere to work together as one, actively sharing information, ideas and objectives and rallying comprehensive Group capabilities to drive future growth, to develop services that make use of Big Data in line with three key themes: security services, a super-aged society and disaster preparedness/business continuity planning (BCP)/environmental preservation.

Applying Our Corporate Philosophy and Advancing the ALL SECOM Concept

Since our establishment, we have sought to contribute to the resolution of social issues through our business activities. The efforts of every SECOM employee working toward the realization of our Social System Industry vision are guided by this objective, and by our corporate philosophy, which emphasizes a refusal to be content with the status quo and a commitment to doing what is appropriate. The former means seeking constantly to provide innovative services and systems by challenging accepted norms, while the latter means judging the legitimacy of our actions by examining whether they are just, fair and beneficial, not only to SECOM but to society as a whole. This philosophy continues to be a major driving force behind our growth and evolution.

As we work to grow our businesses and earn ever-broader acceptance of our many services, the expectations of society will continue to rise, as will those of our customers. By applying our corporate philosophy and advancing the ALL SECOM concept, we will continue to accurately identify and interpret the needs of customers, thus ensuring our ability to provide services that enhance convenience and comfort and deliver security and peace of mind.

Financial Highlights

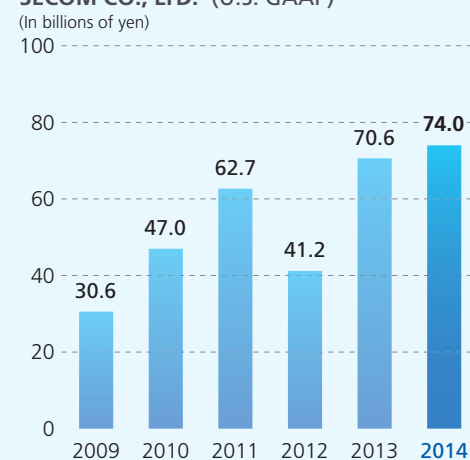
U.S. GAAP

SECOM CO., LTD. and Subsidiaries For the years ended/as of March 31, 2014	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	¥ 921,178	¥ 858,438	¥ 769,643	\$ 8,943,476
Operating income	120,089	113,557	87,933	1,165,913
Net income attributable to SECOM CO., LTD.	73,979	70,580	41,237	718,243
Total assets	1,440,705	1,340,350	1,179,824	13,987,427
Total SECOM CO., LTD. shareholders' equity	753,099	679,176	612,855	7,311,641

Per share of common stock:	In yen			In U.S. dollars
	2014	2013	2012	2014
Net income attributable to SECOM CO., LTD.	¥ 338.94	¥ 323.36	¥ 188.97	\$ 3.29
Cash dividends	105.00	90.00	90.00	1.02
SECOM CO., LTD. shareholders' equity	3,450.36	3,111.64	2,807.77	33.50

- Notes: 1. Yen amounts have been translated into U.S. dollars, solely for the convenience of the reader, at the rate of ¥103=US\$1, the rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2014.
2. Net income attributable to SECOM CO., LTD. per share of common stock is based on the average number of shares outstanding during each period, less treasury stock.
3. SECOM CO., LTD. shareholders' equity per share of common stock is based on the number of shares outstanding at the end of each period, less treasury stock.
4. Cash dividends per share of common stock shown are based on dividends approved and paid in each period. Subsequent to March 31, 2014, cash dividends of ¥115.00 per share were approved at the general shareholders' meeting held on June 25, 2014 (see Note 18 of the accompanying Notes to Consolidated Financial Statements).
5. Effective from the fiscal year ended March 31, 2014, losses attributable to certain businesses in the real estate and other services segment are reclassified and presented as "loss from discontinued operations, net of tax" in the consolidated statements of income. Figures for previous fiscal years have been restated to conform with this change.

Net income attributable to SECOM CO., LTD. (U.S. GAAP)



Note: Net income attributable to SECOM CO., LTD., in the year ended March 31, 2014, rose ¥3.4 billion, to ¥74.0 billion. Factors behind this result include an increase in operating income in the fire protection services segment, owing to robust segment net sales and operating revenue and the reduction of cost of sales; a full year of contributions from information and communication related services segment subsidiary At Tokyo Corporation, consolidated in the previous period; and an increase in operating income in the security services segment, attributable to higher segment net sales and operating revenue.

Net income attributable to SECOM CO., LTD., in the year ended March 31, 2013, climbed ¥29.3 billion, to ¥70.6 billion. This result was due primarily to the contributions of two newly acquired subsidiaries in Japan—Nittan Co., Ltd., a major domestic provider of fire protection services, and At Tokyo, a leading data center services firm, which were consolidated during the period, as well as to a decline in write-down on real estate inventories and a decrease in impairment loss on long-lived assets, which is included in loss from discontinued operations.

Net income attributable to SECOM CO., LTD. in the year ended March 31, 2012, fell ¥21.4 billion, to ¥41.2 billion. This result reflected an increase in write-down on real estate inventories in light of dwindling demand in the condominium market, which prompted a dramatic reorganization of related businesses, and the recognition of an impairment loss on long-lived assets, principally real estate, owing to flagging economic conditions, which is included in loss from discontinued operations.

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

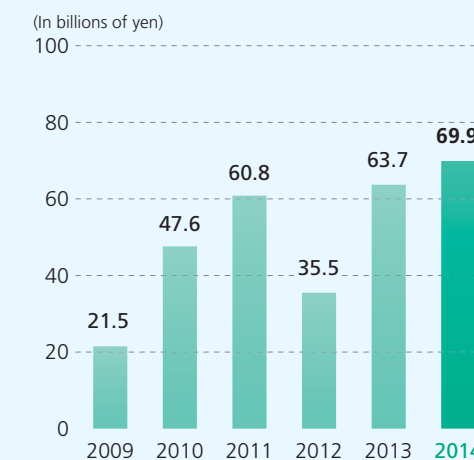
Japanese GAAP

SECOM CO., LTD. and Subsidiaries For the years ended/as of March 31, 2014	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2014	2013	2012	2014
Revenue	¥ 822,228	¥ 765,635	¥ 679,173	\$ 7,982,796
Operating profit	120,018	108,370	81,078	1,165,223
Ordinary profit	126,677	113,618	87,839	1,229,874
Net income	69,876	63,658	35,489	678,408
Total assets	1,328,226	1,249,110	1,101,884	12,895,398
Total net assets	830,369	764,139	671,517	8,061,835

Per share of common stock:	In yen			In U.S. dollars
	2014	2013	2012	2014
Net income	¥ 320.14	¥ 291.65	¥ 162.63	\$ 3.11
Cash dividends	105.00	90.00	90.00	1.02
Net assets	3,345.06	3,065.13	2,785.56	32.48

Note: Cash dividends per share of common stock shown are based on dividends approved and paid in each period. Subsequent to March 31, 2014, cash dividends of ¥115.00 per share were approved at the general shareholders' meeting held on June 25, 2014.

Net Income (Japanese GAAP)





Makoto Iida
Founder

Looking to the future, we are working to expedite the development of new services under the ALL SECOM banner to realize a broader range of services that benefit society and position us for a new stage of growth.

Consolidated Operating Results

In the fiscal year ended March 31, 2014, the Japanese economy remained on a path of gradual recovery, as the positive impact of fiscal and monetary policies continued to support a weak yen and high share prices, as a result of which corporate earnings rallied, while improvements were seen in employment and in personal income. Economic conditions were also bolstered by a last-minute demand rush in advance of an increase in Japan's consumption tax.

In this environment, we continued working toward the realization of our vision for the future—the Social System Industry—by responding to the needs of customers through the provision of high-grade services and systems in our security services segment, as well as in our other segments: fire protection services, medical services, insurance services, geographic information services, information and communication related services, and real estate and other services. We also pressed forward with efforts to apply the ALL SECOM concept, which emphasizes cooperation among our various independent businesses to strengthen the Group as a whole, with a view to hastening our advance to a new stage of growth.

Consolidated net sales and operating revenue rose 7.3%, or ¥62.7 billion, to ¥921.2 billion. This result was attributable principally to increases in net sales and operating revenue contributed by At Tokyo Corporation and certain subsidiaries providing security services, newly consolidated from the previous period, as well as to higher net sales and operating revenue in all segments except for the real estate and other services segment. Operating income grew 5.8%, or ¥6.5 billion, to ¥120.1 billion, bolstered by the increase in net sales and operating revenue and a reduction in cost of sales in the fire protection services segment, the full year contribution of At Tokyo in the information and communication related services segment, as well as the higher net sales and operating revenue in the security services segment. Net income attributable to SECOM CO., LTD., advanced 4.8%, or ¥3.4 billion, to ¥74.0 billion.

Distribution of Dividends

Recognizing the provision of a fair return to shareholders as a crucial management task, we determine our consolidated dividend payout ratio based on an overall assessment of trends in our consolidated operating performance, in line with our policy of ensuring a consistent, stable distribution of profits. At the Ordinary General Meeting of Shareholders, held on June 25, 2014, management proposed and shareholders approved the payment of annual cash dividends of ¥115.00 per share, up ¥10.00 from the previous fiscal year. A partial amendment to the Articles of Incorporation to facilitate the introduction of an interim dividend was also proposed by management and approved by shareholders.

New Management Team

Changes to the responsibilities of directors were approved at a meeting of the Board of Directors of SECOM held on May 8, 2014. As a consequence, effective June 1, 2014, Shuji Maeda became chairman and representative director and Hiroshi Ito was appointed president and representative director.

Understanding and Responding to Change

Needs for security, peace of mind, convenience and comfort are expected to become increasingly diverse and sophisticated. Another factor behind the significant growth potential for our services is broader acceptance of security systems with high-value-added features. Under these circumstances, we continue to draw on our own proprietary technological capabilities and our know-how in system operation to swiftly identify needs and to respond promptly and accurately by developing and providing services and systems that reflect evolving social imperatives, infrastructure changes and technology trends.

In the security services business, we continued to actively cultivate new subscribers in the period under review. We also endeavored to further strengthen our relations with existing subscribers, as well as to enhance customer satisfaction, through in-person visits and direct contact, enabling us to effectively interpret needs and propose the most appropriate systems from our extensive lineup.

In commercial security services, we expanded sales of mainstay on-line security systems such as SECOM AX, a remote imaging on-line security system that features advanced image recognition technologies; SECOM LX, which integrates an on-line security system and access control functions; and SECOM FX, an on-line system that incorporates facility control functions. In addition, we responded to growing needs for systems that help strengthen internal controls—a trend propelled by, among others, an incident in Japan in which food products were laced with a toxic substance—by promoting security camera and access control systems. In the area of home security systems, we sought to bolster sales of SECOM Home Security G-Custom, a residential security system that also includes a variety of features that make daily life more convenient.

In overseas markets, we continued working to encourage broad acceptance of SECOM-style security services, focusing on the rapidly growing economies of the People's Republic of China (PRC) and Southeast Asia, and establishing a presence in Myanmar. "SECOM-style security services" is a term used to describe comprehensive on-line security systems that encompass the installation of security equipment at the subscriber's premises, around-the-clock monitoring from a SECOM control center via telecommunications circuits and the prompt dispatch of highly trained emergency response personnel should an irregularity be detected.

Guided by our Social System Industry vision, we also implemented a number of strategic measures in our other businesses. In fire protection services, subsidiaries Nohmi Bosai Ltd. and Nittan Co., Ltd., two of Japan's leading fire protection services providers, continued to leverage their respective business foundations and product development capabilities to provide high-grade automatic fire alarm systems, fire extinguishing equipment and other fire protection services, as well as to secure orders for fire protection systems for large-scale building renovation projects, tunnels, hospitals and other applications.

In the medical services business, we continued to promote our extensive range of services, which centers on Home Medical Services—comprising home nursing and pharmaceutical



Shuji Maeda
Chairman and Representative Director



Hiroshi Ito
President and Representative Director

dispensing services—and includes the operation of residences for seniors, electronic medical report systems, sales of medical equipment and pharmaceuticals, personal care services and support for associated hospitals. With the aim of accommodating emerging needs in a super-aged society, we opened SECOM CAREA Azamino, a complex for seniors that combines a residence, a day service and other services, located in the Azamino district of Yokohama. Overseas, Sakra World Hospital in Bangalore, India, a joint venture with a Japanese trading company and a local firm, opened its doors to the public.

Efforts in our insurance services business continued to focus on promoting sales of our distinctive non-life insurance policies. These include the Security Discount Fire Policy, a fire insurance policy for commercial premises, and SECOM *Anshin My Home*, a comprehensive fire insurance policy for homes, both of which offer discounts for subscribers who have installed on-line security systems, recognizing the risk-mitigating nature of such systems; MEDCOM, an unrestricted cancer treatment policy that covers all treatment costs; and SECOM *Anshin My Car*, a comprehensive automobile insurance policy that includes access to on-site support services provided by our emergency response personnel.

In the area of geographic information services, we collect geographic data from sources such as commercial satellite images and aerial photography, which we integrate, process and analyze to provide geospatial information services. In the period under review, we capitalized on needs for geospatial information associated with, among others, comprehensive inspections of roads, bridges and other structures that support society and ongoing reconstruction efforts in areas in Japan devastated by the 2011 Great East Japan Earthquake. As a consequence, we saw firm demand from public sector customers in Japan, while orders from private sector customers in Japan and from overseas customers expanded.

We continue to provide a variety of uniquely SECOM information and communication related services, which center on data center services and also encompass BCP support services, information security and cloud-based services, thereby achieving solid results for the period. Accommodating needs for effective protection of information in the event of a disaster, which have risen since the Great East Japan Earthquake, we opened two new Secure Data Center facilities, in Tokyo and Osaka. We also introduced the Real-Time Disaster Information Service, which leverages our Big Data analysis capabilities to provide crucial information to subscribers, including information essential to effective evacuation procedures and BCP.

Our real estate and other services business continued to emphasize the development and sale of condominiums with distinctive security and contingency planning features.

Accelerating Growth: The ALL SECOM Concept

Looking to the future, we will continue to rally the capabilities of the SECOM Group, guided by the ALL SECOM concept, to develop innovative services with the aim of accelerating growth.

Our approach to developing new services begins with looking at how society is likely to change in the years ahead and at what sort of services will be needed. We also consider what kind of infrastructure and technological capabilities are necessary to create a viable service. This approach is what makes it possible for us to realize forward-looking services that are truly original and at the same time useful to society—services that customers immediately recognize as being exactly what they need and want, encouraging them to turn to us and to see us as an important partner for the future.

Backed by a business infrastructure anchored by our data center business, we will continue to actively leverage our expertise to develop new services that anticipate future needs in line with three key themes—security services, a super-aged society and disaster preparedness/BCP/ environmental preservation.

Ever more varied and sophisticated security needs continue to drive demand for high-grade security solutions that improve subscribers' security levels. One example of such a solution is our recently launched SECOM NVR System, a next-generation security camera system that enables subscribers to store images remotely at a data center facility.

In response to increasingly diverse needs engendered by demographic trends in Japan, we will promote the creation of comprehensive services for seniors that integrate personal care, health care, residential accommodation and lifestyle support and other services designed to support the well-being of seniors. In the area of infrastructure improvement, we are taking other steps to expand our menu of data center-backed services, including establishing the SECOM *Anshin* Information Center, which is charged with overseeing the operation of Real-Time Disaster Information Service, our next-generation disaster mitigation service.

We are one of Japan's preeminent data center operators in terms of capacity for the efficient collection and safe management of data, a position we recognize as crucial to realizing new services based on the gathering and analysis of Big Data. Going forward, we will refine our capabilities in the analysis of Big Data and capitalize on our around-the-clock operations to create services that customers seek.

By providing services that make life more convenient and comfortable, as well as deliver security and peace of mind, we have traditionally sought to encourage people to turn to SECOM with the confidence that doing so will help them resolve security and other concerns. Looking ahead, our focus will be on making SECOM an ever-present and trusted part of our customers' lives. As always, we must earn the trust of our customers by providing indispensable services that respond to their expectations. In the words of our corporate message—"Providing reliable peace of mind"—we vow to continue working as one to realize our Social System Industry vision.

In closing, we would be remiss if we did not mention the passing of SECOM's co-founder Juichi Toda on January 30, 2014. Mr. Toda devoted many years to growing and evolving the SECOM Group. While saddened, the management team pledges to honor Mr. Toda's memory by remaining true to the SECOM vision.

In all of our endeavors, we look forward to the support and guidance of our shareholders.

June 25, 2014



Makoto Iida
Founder



Shuji Maeda
Chairman and Representative Director



Hiroshi Ito
President and Representative Director

We are making effective use of Big Data to address everyday concerns in line with three key themes: **Security services, a super-aged society and disaster preparedness/BCP/environmental preservation.** To this end, we are collecting and analyzing Big Data to create uniquely SECOM services and drive future growth.

■ **Making effective use of Big Data: Introducing the Real-Time Disaster Information Service**

The Real-Time Disaster Information Service is a next-generation disaster mitigation service that capitalizes on our proprietary capabilities in Big Data analysis to provide reliable information in the event of a disaster. This service brings together our know-how in security services, fire protection services and information and communication related services under the ALL SECOM banner. With this system, we collect massive amounts of raw data, including information from SECOM's security services operations, social networking service (SNS) information and information released by public agencies, at a Secure Data Center facility. There, data is analyzed to uncover useful information regarding, among others, safe escape routes and decision making and directions for restarting operations in the wake of a disaster, which we provide to subscribers.

Information on safe escape routes is provided as "hazard information," which is customized to reflect the subscriber's registered business address and current location classified as personal or corporate and categorized according to type of risk, for example, fire, liquefaction or flood position. BCP-specific information is uploaded to an exclusive site established for the subscriber's BCP team as disaster-related information. This information, together with information on branch or store locations provided by the subscriber in advance and disaster information that we have collected, is customized for the subscriber, making it possible to ascertain the situation on the ground and to determine the most effective allocation of personnel.

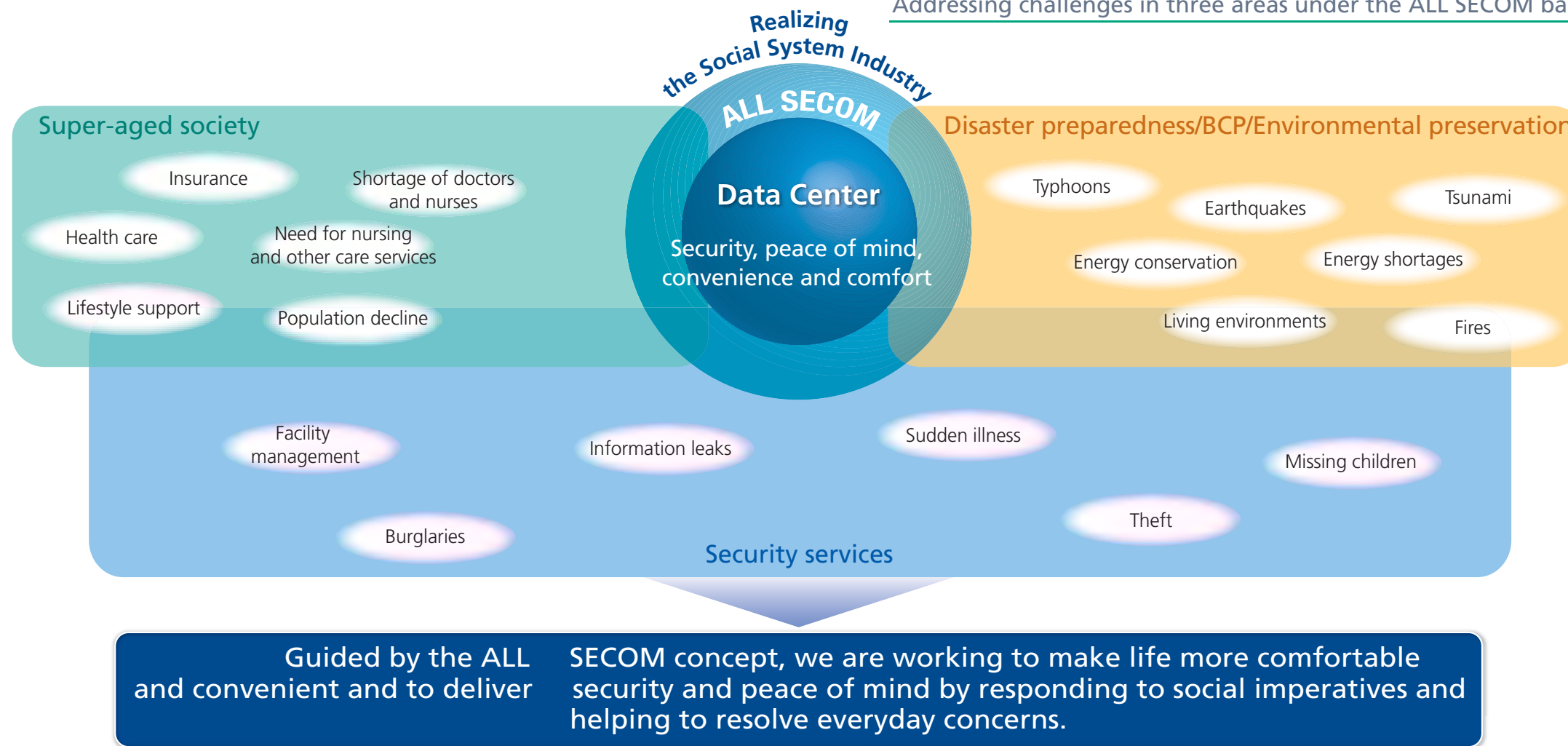
The Real-Time Disaster Information Service is administered by the SECOM *Anshin* Information Center, which is located adjacent to our Secure Data Center. This facility is designed to maintain operations in the event of a disaster of any variety, monitoring and analyzing data and providing information to subscribers around the clock. Having repositioned our data

center facilities as service centers that underpin our various services, we will continue working to make effective use of Big Data analysis to expedite the creation of services that benefit society.



Secure Data Center

Addressing challenges in three areas under the ALL SECOM banner



■ **Principal sources of competitiveness**

We acknowledge three core components of our operating foundation as the principal sources of our competitiveness: our technologies, our people and our operational structure.

On the technology front, the SECOM Intelligent Systems Laboratory conducts research aimed at developing core technologies necessary to realize our Social System Industry vision. The SECOM Development Center uses these core technologies to promote the swift and accurate development of systems that are distinctive and reliable and respond to the requirements of customers. Having recognized that technological prowess is crucial to maintaining a competitive edge in the security services market, we keep abreast of evolving social imperatives, technical trends and changing patterns of criminal behavior while advancing the development and provision of systems that incorporate the most up-to-date technologies.

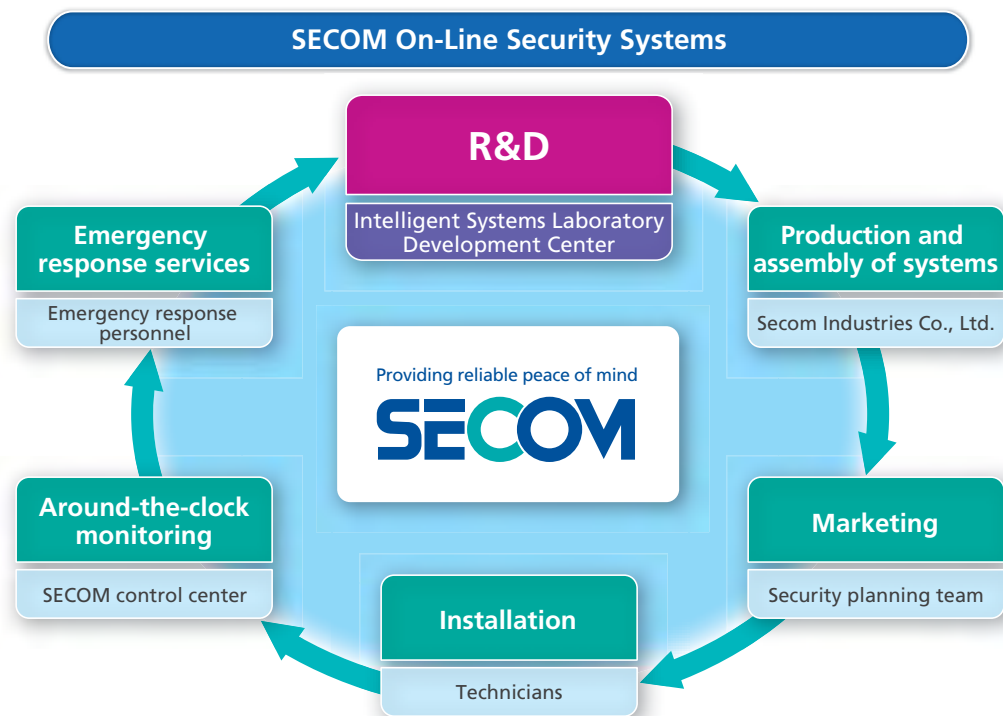
To foster the capabilities of our human resources, we provide training for employees, who include emergency response personnel, sales staff and administrative staff, at four training

centers across Japan. This enables us to equip our people with the advanced knowledge and technological skills they need, as well as to ensure they understand our corporate philosophy and observe a code of conduct befitting security professionals, enabling them to provide high-grade services.

The effectiveness of our operational structure depends on our ability to create systems that combine the precision of equipment—such as sensors, to monitor subscribers' premises around the clock for fire, intrusions and other irregularities—with the skills and prompt decision-making capabilities of people, notably our control center staff, who determine whether to dispatch emergency response personnel. In addition, we have a nationwide network of more than 2,800 emergency depots, enabling us to provide prompt emergency response services.

Our competitive advantage in the security services business derives from our commitment to providing comprehensive on-line security systems, whereby we take responsibility for all aspects, from R&D to production, marketing, security

Special Feature: ALL SECOM—Making Use of Big Data to Expedite the Creation of New Services



planning, installation, around-the-clock monitoring, emergency response services and maintenance. Our rental format is another key factor. Because we retain ownership of security equipment, which we rent out, the initial costs for subscribers are minimized. The rental format also means that we look after maintenance and upkeep, enabling us to guarantee the quality of our security services.

■ Providing effective security services

We provide high-value-added security systems that respond to the needs of a broad range of subscribers. Our commercial security lineup, which includes SECOM AX, a remote imaging on-line security system, comprises offerings suited to the security requirements of different types of facilities, including tenant buildings, factories, offices and stores. In the area of home security services, our lineup includes SECOM Home Security G-Custom, an on-line security system that delivers security and peace of mind and at the same time makes life more pleasant and convenient, and COCO-SECOM, a mobile security system that continues to attract attention as a solution to wandering by seniors suffering from dementia. We also offer access control systems that help prevent the leakage of confidential information, as well as security camera systems designed to discourage crime.

In addition to physical security, the need to protect information against misuse has emerged as a key theme in recent years. We protect subscribers' information by offering prompt expert response services, including diagnosing and analyzing problems, monitoring for viruses and detecting irregularities,

and providing swift on-site support. A new addition to our lineup is SECOM Premium Net Service, a system designed to protect against online banking scams, including those involving illegal transfers of funds, the incidence of which continues to expand rapidly.

■ Responding to the needs of a super-aged society

We continue to develop and market a variety of services designed to respond to needs engendered by a super-aged society today and in the future. SECOM My Doctor Plus, an optional service available to SECOM Home Security subscribers, is an emergency medical alert system for seniors that assists them in the event of an unexpected illness or injury. Evocative of the ALL SECOM concept, SECOM My Doctor Plus combines emergency response services and personal care and has already proven its worth numerous times. Other options available to SECOM Home Security subscribers include the Keeping in Touch call and the Keeping in Touch visiting services for seniors, which bring together medical and lifestyle support services to help ensure peace of mind both for seniors and for loved ones living far away.

Recent initiatives include SECOM CAREA Azamino, a multipurpose complex for seniors that features a rental-based assisted living facility for seniors, as well as a day service and a public space that promotes interaction between seniors and other members of the community. Building on our wealth of know-how in the provision of various home-based services, we recently opened SECOM Home Health Care Center Kamakura, a comprehensive senior care facility that offers



SECOM control center



SECOM Intelligent Systems Laboratory conducts research in a broad range of areas, including security and medical systems



SECOM Home Health Care Center Kamakura

home nursing, home-based personal care, day services and home care support services.

In response to growing needs for home health care services, we recently began developing a mobile remote image examination system. This system will be able to convey highly precise images of the patient to wherever doctors are located, facilitating diagnoses without the patient having to leave home.

Going forward, we will continue to develop and market new systems that respond to the needs of seniors by promoting the integration and alignment of services, as well as work to improve efficiency. We will also expand the focus of such services to include overseas markets.

■ Enhancing disaster preparedness/BCP/ environmental preservation

We provided a number of services that help subscribers to enhance disaster preparedness and BCP, ranging from support for advance preparations to services that assist subscribers in the event of a disaster, including immediate assessment, initial response services and assistance with recovery.

Our comprehensive BCP support services include support for the preparation of initial response manuals. The SECOM Safety Confirmation Service helps to confirm the safety of employees and assess the extent of damage to facilities in the aftermath of a disaster. The Real-Time Disaster Information Service leverages our capabilities in Big Data analysis to help ensure effective initial responses and swift recovery.

Subsidiary Pasco Corporation collects geographic data from, among others, satellite images and aerial photography, which it integrates, processes and analyzes to provide geospatial information services. In 2013, map data prepared by Pasco was instrumental in measuring river levels and in assessing damage due to landslides on the island of Izu Oshima caused by a major typhoon.

In the area of environmental preservation, SECOM FX, a security and facility control system that combines an on-line security system with effective facility control functions, helps to minimize energy consumption and reduce costs. Because sensors can be set to accommodate the subscriber's schedule, SECOM FX is suitable not only for office buildings, but also for unattended facilities, such as laundromats and common areas of condominium complexes. We also offer the SECOM Anshin Eco Document Digitization Service, which facilitates the digitization of pay slips and other key internal documents, thereby reducing consumption of paper.

■ Creating truly original new services that contribute to society: SECOM's mission

In considering any new business, we are guided by our corporate philosophy, one key aspect of which is a commitment to doing what is appropriate, that is, beneficial to society, and what our competencies best qualify us to do. Going forward, we will continue to see our mission as being to develop and provide distinctive services that contribute to society. To this end, we will step up efforts to make effective use of Big Data analysis as we move decisively to create new services that will drive growth in the future.



SECOM emergency response personnel

We are accelerating our marketing efforts with the aim of providing distinctive high-performance systems that respond to evolving social imperatives.

■ **Promoting SECOM LX and SECOM FX security systems**

We offer an extensive selection of on-line security systems that respond to the needs of a broad range of subscribers. In the area of commercial security services, we continue to see brisk sales of SECOM LX and SECOM FX, which not only provide excellent security but also assist subscribers' efforts to manage costs and reduce energy consumption. SECOM LX is a system that combines an on-line security system with access control functions. The former includes monitoring for intruders and fires and an emergency call service, while the latter centers on a card reader that automatically records people entering

and exiting, facilitating the effective management of personal information, management data and other key corporate resources. In addition to facilitating the continued use of current IC cards, SECOM LX also includes an employee attendance management feature, thereby helping improve business efficiency and reduce costs.

SECOM FX is a security and facility control system that combines monitoring for intruders and fires with effective facility control functions. Sensors set to suit the subscriber's control preferences and timetable, provide around-the-clock monitoring for intruders and fires. The facility control function can be set to automatically turn lights, air conditioners,



SECOM control center

signage illumination and security cameras on and off in accordance with the subscriber's schedule. This also makes it suitable for use at, among others, unattended facilities, where it enables customers to automatically control the raising and lowering of shutters and turning on and off of lights, without actually having to be on-site. Installed in small offices or showrooms, SECOM FX can be set to automatically turn lights and air conditioners on and off not only when employees arrive and leave but also when they step out of the office for lunch or other reasons, which helps minimize heating and lighting bills and reduce energy consumption.

■ **Demand increases for security camera systems for food processing facilities**

With security camera footage often providing the evidence needed to arrest the perpetrator of a crime, security camera systems are important for ensuring safety and peace of mind.

An incident in Japan in December 2013 involving processed food products being laced with an agricultural chemical, later proven to have been perpetrated by employees, prompted food processing facilities across the country to revamp their production management systems. Demand for the installation of security camera systems has thus increased as companies seek to strengthen internal controls. SECOM is actively reinforcing efforts to promote its security camera systems to respond to the needs of customers in different industries with the aim of helping to realize a safer, more secure society.

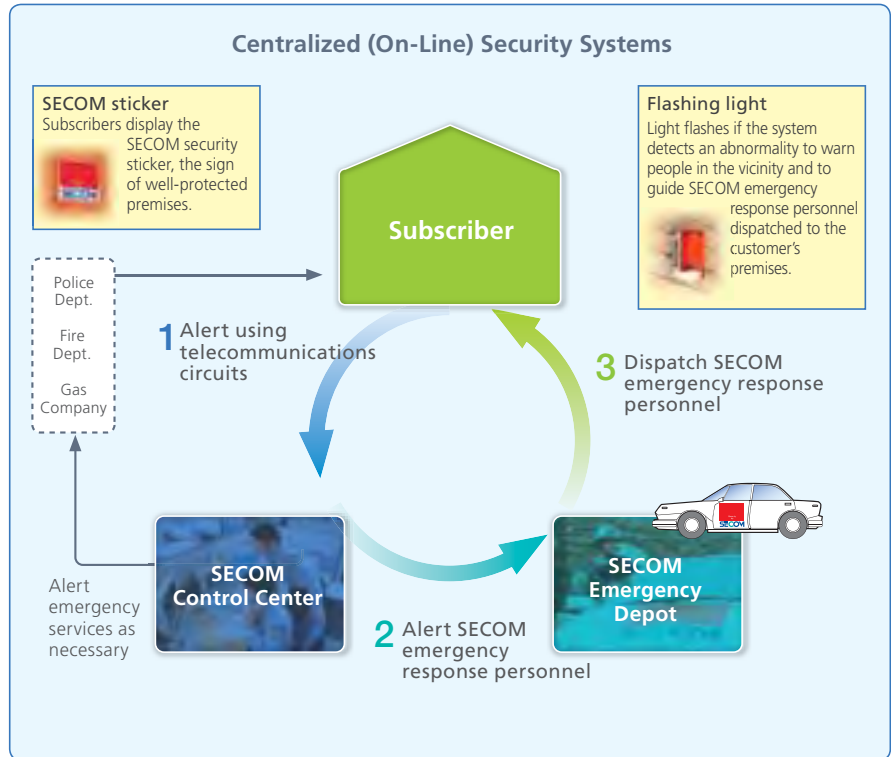
■ **Next-generation SECOM NVR System security camera and data center image storage system introduced**

The growing popularity of security camera systems has brought to light a number of issues, including recording failures due to users forgetting to switch systems on and the

Commercial Security Services



SECOM NVR System



inconvenience of having to replace components that wear out to keep recording devices operational. Options available with the SECOM NVR System include access to the SECOM Image Archive Service, which enables them to store camera images at a Secure Data Center facility, thereby eliminating the need for a recording device and for the management of images. Security is further enhanced by around-the-clock monitoring, which ensures that recording continues uninterrupted even if cameras malfunction or an attempt is made to interrupt operation by, for example, cutting wires. A wide range of cameras are offered, including full high-definition and illumination correction models.

Thanks to the added convenience it offers, the SECOM NVR System, which capitalizes on SECOM's proprietary security services network, is a particularly attractive option for business owners with multiple locations and individuals responsible for management of several premises. Looking ahead, we will

continue working to cultivate demand for security camera systems that deliver safety and peace of mind, as well as convenience and comfort.

■ Cellular phone links used by SECOM security services top one million

In April 2001, we launched COCO-SECOM, a portable outdoor mobile security system—the first such system with a cellular phone network-based infrastructure—that uses signals from global positioning system (GPS) satellites and cellular phone base stations to locate people or objects with superb precision. Since then, we have steadily evolved and expanded our portfolio of services that use cellular phone networks, which now ranges from services that monitor and report irregularities to the recently introduced SECOM My Doctor Plus, an emergency medical alert system for seniors. As a consequence, in early 2014 we became the first mobile



The robot takes off autonomously and flies toward intruders

SECOM's autonomous flying surveillance robot capitalizes on numerous proprietary technologies



virtual network operator (MVNO) in Japan, apart from the country's cellular phone carriers, to use more than one million cellular phone links.

Going forward, we will continue to position Japan's cellular phone networks as a network infrastructure that facilitates the gathering and transmission of information from various sources to portable telecommunication devices to protect people and vehicles on the move outdoors. We will also capitalize on information thus gathered to realize more sophisticated and convenient new services.

■ Advancing efforts to commercialize a small autonomous flying surveillance robot

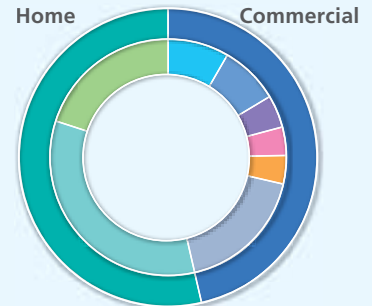
Working in tandem with an on-line security system, our new small flying surveillance robot autonomously takes off and flies toward unauthorized individuals or vehicles, choosing the optimal angles from which to shoot sharp, clear images,

which it transmits to SECOM in real time, thus hastening the implementation of appropriate response measures.

Our new small flying surveillance robot leverages our wealth of advanced image analysis and sensing technologies, as well as our robotics and tracking technologies. Under the ALL SECOM banner, we are building on our proprietary physical security, data center and information security technologies and on the geospatial information processing and analysis technologies of subsidiary Pasco, with the aim of commercializing this exciting device.

Contracts for Centralized Security Systems

(As of March 31, 2014)



Financial services	8.6%
Service industries	7.9%
Retailing/wholesaling	4.5%
Manufacturing	3.9%
Government agencies	3.9%
Other	17.8%
Residences (excluding condominiums and apartments)	33.5%
Condominiums and apartments	19.9%

Home Security Services



In addition to providing homeowners and renters with safety and peace of mind, SECOM Home Security helps make life more convenient and comfortable.

■ SECOM Home Security: Growing and evolving

We completed development and commenced sales of Japan's first-ever on-line home security system in 1981. Since then, we have sought to respond effectively to the needs of subscribers by continuously modifying SECOM Home Security with the aim of providing not only safety and peace of mind, but also convenience and comfort.

SECOM Home Security comprises security equipment, which is placed in and around the subscriber's home, providing around-the-clock monitoring for intruders, fires, gas leaks, as well as emergency alerts and medical emergency calls.

If sensors detect an irregularity, the system alerts a SECOM control center, where staff monitor and assess the situation, dispatch emergency personnel and, if necessary, notify the police and/or the fire department.

The solid support SECOM Home Security enjoys from subscribers reflects the highly valued comprehensive nature of this uniquely SECOM system, which encompasses a wide range of services evocative of the ALL SECOM concept that help make lives more convenient and comfortable. Looking ahead, we will continue to expand the scope of SECOM Home Security to accommodate a greater range of age groups and dwellings.



SECOM Home Security G-Custom's touch screen ensures easy operation



SECOM Home Security G-Custom delivers security and peace of mind and enhances convenience and comfort



SECOM My Doctor Plus emergency medical alert system for seniors

■ Bolstering sales of SECOM Home Security G-Custom

SECOM Home Security G-Custom combines home security with a variety of features designed to add convenience. These include a data storage service that enables subscribers to entrust important documents, including driver's licenses, passports and health insurance cards, which provide proof of identity, as well as prescriptions for medications; on-line access to convenient SECOM lifestyle support services and products; and a data-sharing service that enables immediate family members and relatives to exchange photographs and send messages. SECOM Home Security G-Custom also offers My Page, which gives subscribers access to information from an extensive menu of selected collaborating companies, as well as to make purchases on-line. Going forward, we will continue working to boost sales of this service, which provides safety and peace of mind and enriches everyday life.

■ SECOM My Doctor Plus: Resolving the concerns of seniors

Classified as a "super-aged society," Japan continues to see a steady increase in the number of seniors who feel unease about how to cope with unexpected illnesses or injuries. SECOM My Doctor Plus, an emergency medical alert system for seniors, was developed with the aim of alleviating such concerns.

SECOM My Doctor Plus features an exclusive portable device incorporating cellular phone, GPS locator and emergency medical alert functions. When activated, the device sends an emergency signal indicating that medical assistance is required regardless of location or time. SECOM control center staff confirm the subscriber's situation by telephone and if requested dispatch emergency response personnel. Other services offered with this system include consultation by telephone with staff at a SECOM nurse center at any time of the

Home Security Services

SECOM emergency response personnel are dispatched promptly in the event of an irregularity



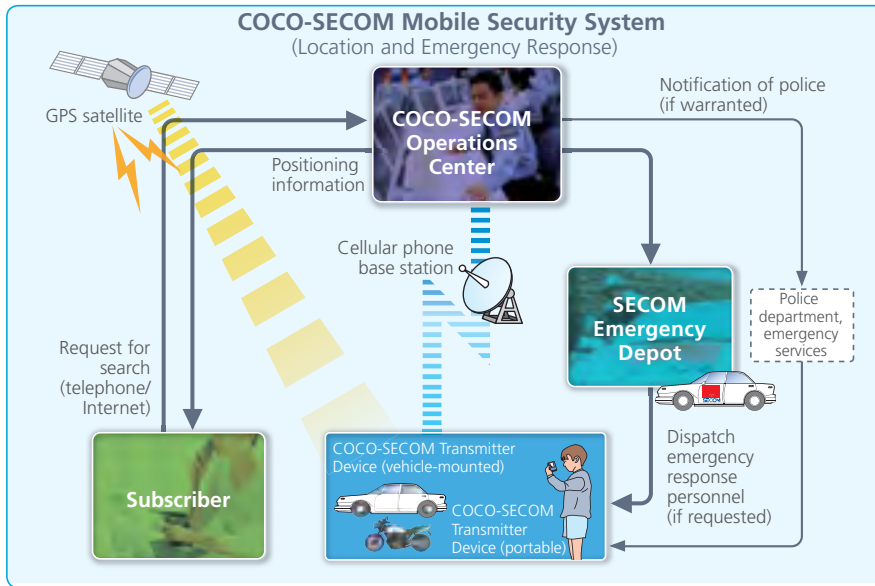
Subscribers of SECOM Home Security can seek the advice of SECOM nurses on health-related matters

day or night. If the subscriber requests that an ambulance be called, the subscriber's emergency information, which is stored at a Secure Data Center facility, is sent to the portable device, thereby ensuring such information is immediately available to ambulance attendants and hospital staff. Individuals requiring specialized personal care who have contracted care from a service provider in advance can request that we arrange the dispatch of a home-care helper. In addition to offering SECOM My Doctor Plus as an option for subscribers to SECOM Home Security, we also extend it as a standalone service for local governments and corporate customers.

■ Providing security systems for apartments

In Japan, an increasing number of newly built apartment complexes feature security systems designed for apartments. The installation of a SECOM security system ensures safety and peace of mind for residents and enables landlords to use such safety and security features to differentiate their properties. With sophisticated safety and contingency planning features essential to attracting occupants to apartments and condominiums, we will continue promoting sales of security systems not only for new buildings, but also for existing apartment buildings.

Other Security Services



COCO-SECOM



COCO-SECOM Operations Center



SECOM On-line
AED Management
Service

In addition to reinforcing marketing of the SECOM AED Package Service, we are responding to growing demand for the COCO-SECOM mobile security system for use by seniors.

■ Stepping up efforts to market the SECOM AED Package Service

An automated external defibrillator (AED) is a portable device that treats cardiac arrhythmia due to ventricular fibrillation by administering an electrical pulse to the heart to reestablish a normal rhythm.

We began marketing the SECOM AED Package Service, a full-service AED rental package, in 2004 with the aim of encouraging broad public acceptance of these devices. With this service, we replace SECOM AEDs free of charge in the event of malfunction, damage or theft, as well as replacing expendables prior to depletion or expiry, thereby ensuring that units are always in operating order. Subscribers also enjoy an effective support system that includes access to an around-the-clock support center. As the installation of SECOM AEDs increased, so did needs for enhanced management services. We responded in 2010 with the introduction of SECOM On-Line AED Management Service, an automated around-the-clock maintenance service that monitors operational status, inspects units and replaces expendables.

In addition to hospitals and fire stations, we have installed SECOM AEDs at a wide range of public- and private-sector facilities. We will continue to expand our AED services business with the aim of helping to save more lives.

■ COCO-SECOM: Attracting attention as a locating device for dementia sufferers who wander

The COCO-SECOM mobile security system uses signals from GPS satellites and cellular phone base stations to pinpoint the location of portable transmitter devices with superb precision. If a subscriber feels he or she is in danger, pressing the alert button on the transmitter will instantly notify the COCO-SECOM Operations Center, which is on call around the clock and if requested will immediately dispatch emergency response personnel.

Developed initially as a way to foil child abductions and avert the theft of cars and motorcycles, COCO-SECOM's effectiveness has attracted use for increasingly diverse applications, including protecting personal safety, preventing the theft of construction equipment and automated teller machines (ATMs) and managing taxi and bus fleets. In recent years, COCO-SECOM has attracted renewed attention as a solution to wandering by seniors suffering from dementia, which has bolstered demand for this system.

Going forward, we will continue to promote COCO-SECOM as an effective way to enhance safety and peace of mind both inside and outdoors.

Overseas Security Services



Emergency response personnel (Thaisecom Pitakkij Co., Ltd.)



Security staff of Secom (Malaysia) Sdn. Bhd.



Control center (Secom Australia Pty. Ltd.)

SECOM-style on-line security systems, which include emergency response services, continue to earn praise from customers in overseas markets, as a result of which demand continues to expand.

■ Active in 12 countries and territories

We made our overseas debut in 1978, when we established a presence in Taiwan. Today, our overseas security services business encompasses operations in 12 countries and territories. The distinguishing feature of our overseas security services is that we offer SECOM-style on-line security systems, which include emergency response services, customized to reflect local needs and sensibilities. Moreover, we take full responsibility for our operations in these markets, positioning us to deliver SECOM-brand services that are equal in quality to those we provide in Japan. The safety and peace of mind guaranteed by the SECOM name continue to earn praise from overseas customers, as a result of which demand continues to expand steadily.

■ Myanmar: Our newest overseas market

In March 2014, we established a joint venture in Myanmar's capital city of Yangon for the purpose of marketing security services. The rapid pace of economic growth in Myanmar is expected to attract investment from foreign companies, including firms based in Japan. We will seek to secure demand by proactively addressing the security needs of these companies.

■ Security services company established in Vietnam

When we first established operations in Vietnam in 2006, restrictions on participation by foreign companies in the security services business meant our focus was on consulting. Taking advantage of the easing of certain constraints on foreign investments in 2008, we recently established Secom Vietnam Security Service Joint Stock Company. In light of rising demand for security services from the increasing number of Japanese companies setting up operations in Vietnam, we continue working to promote market acceptance of on-line security systems.

■ Broadening the scope of operations in key overseas markets

Taiwan Secom Co., Ltd., the leading provider of security services in Taiwan, offers a wide array of security services, centered on on-line security systems, to customers across the territory. In recent years, the company has stepped up efforts to market home security services and AEDs, with the aim of realizing our Social System Industry vision in the Taiwanese market.



Emergency response vehicle
(S1 Corporation, ROK)



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



■ Countries and territories outside Japan in which the SECOM Group has security services operations

In the Republic of Korea (ROK), S1 Corporation provides not only on-line security systems but also an extensive selection of services that respond to the needs of customers in line with its stated commitment to provide peace of mind for customers whenever and wherever needed. S1 continues to diversify its operations and in January 2014 expanded into the building solutions business.

Secom Australia Pty. Ltd. provides security services to a diverse range of private-sector firms and subscribers in Australia, including major financial institutions and retailers, as well as to government agencies and national and local public entities, earning positive reviews across the board. Recently, Secom Australia secured major contracts to install security systems at a number of key Australian military facilities.

In New Zealand, Secom Guardall NZ Ltd. continues to increase its subscriber base by maximizing its expertise in providing security for financial institutions and major retail chains.

In the United Kingdom, Secom plc is renowned for the quality of its "SECOM-style" security services, as a result of which it has risen to the number three position in the U.K. security services market. Testament to the high marks given the quality of the company's services, Secom plc has won key contracts to provide security solutions for major financial institutions and several police facilities.

Through our network of security service bases in 19 cities, we currently provide on-line security systems to customers throughout the People's Republic of China (PRC). We will

continue to enhance our operations in this key geographic market by providing high-grade services that respond to the needs of customers in each of these cities.

Thaisecom Pitakkij Co., Ltd., in Thailand, continues to see steady growth in its operating results. Highlights in recent years include the provision of security systems for a number of national government agencies, as well as for local public entities in Bangkok and elsewhere.

In Malaysia, Secom (Malaysia) Sdn. Bhd. continues to provide customized security systems to customers across the country.

In Singapore, the diverse menu of services offered by Secom (Singapore) Pte. Ltd. goes beyond on-line security systems to include, among others, the provision of fire protection systems and the leasing of safety deposit boxes.

PT. Secom Indonesia has built a broad business portfolio, anchored by its on-line security systems, which it provides primarily to subscribers in Jakarta. Recently, the company also established an office in Surabaya, Indonesia's second-largest city. In addition, Secom Indonesia offers highly rated consulting services designed to help customers prevent insider crimes, a major threat to corporate activities.

Recognizing that the desire for safety and peace of mind is something shared by people the world over, we will continue to cultivate promising new overseas markets for SECOM-style on-line security systems.

Fire Protection Services



Test of low-expansion foam fire extinguishing system (Nohmi Bosai)



Production line inspection of fire alarm panel (Nittan)

We continue to offer high-grade systems that deliver safety and peace of mind by capitalizing on our capabilities as an integrated services provider.

■ High-grade fire protection systems

Our fire protection services business is spearheaded by subsidiaries Nohmi Bosai and Nittan, two leading players in Japan's fire protection industry, which together boast an extensive portfolio of automatic fire alarm systems and fire extinguishing systems. As integrated service providers, Nohmi Bosai and Nittan take responsibility for R&D, planning, design, production, installation and maintenance of high-grade systems that respond to market needs.

■ Expanding orders in the renovations market

Nohmi Bosai provides high-grade fire protection systems for a broad range of applications, including office buildings, plants, tunnels, structures designated as cultural properties, ships and homes. With the deterioration of older buildings stimulating demand for renovations to update automatic fire alarm systems and other equipment, Nohmi Bosai is drawing on its wealth of experience and the solid trust of customers to bolster orders in this area by expanding proposal-oriented sales efforts. The company is also building on its exceptional technological capabilities and know-how to promote the expansion of orders for fire extinguishing systems for tunnels and plants.

■ Developing and marketing sprinkler systems connected to public water supplies

In response to an increase in the occurrence of fires in residences for seniors, Nohmi Bosai has developed and marketed Splash, a sprinkler system for smaller social welfare facilities and hospitals. Designed for connection to the public water supply, the Splash system facilitates simplified piping and

reduced installation costs. Nohmi Bosai will continue striving to increase sales of this and other fire extinguishing systems with the aim of protecting both lives and assets.

■ Bolstering orders through active proposal-oriented marketing efforts

Nittan provides high-grade fire protection systems for a wide variety of facilities. The company promotes proposal-oriented marketing to customers who have already installed systems, as well as to customers who take advantage of Nittan's maintenance and inspection services. In addition to benefiting from expanded orders for fire protection systems for buildings under renovation, Nittan is reinforcing its competitiveness in the market for systems for newly built structures by promoting rigorous cost management.

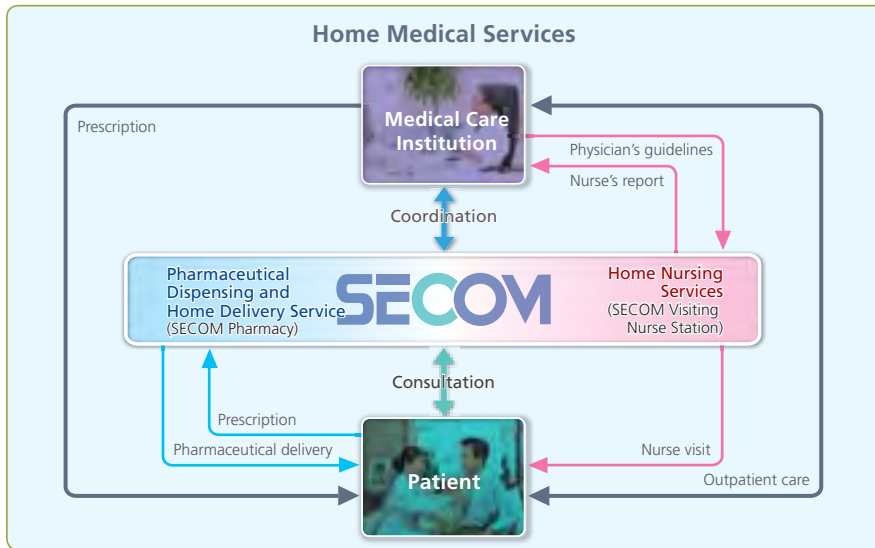
■ Marketing the VS Sprinkler

In response to the needs of customers renovating or upgrading the earthquake resistance of buildings, Nittan provides the VS Sprinkler, a negative pressure wet-pipe sprinkler featuring a vacuum pump unit that continues to create suction even if the sprinkler heads are damaged or piping leaks as the result of an earthquake, thereby minimizing water damage. This also means that the VS Sprinkler system will continue to operate effectively should a fire break out in the wake of an earthquake. Looking ahead, Nittan will focus its marketing efforts for the VS Sprinkler on hospitals, factories and other locations where needs are particularly high.

■ Expanding operations overseas

Nohmi Bosai is active outside of Japan, recently launching a new series of record addressable fire alarm control panels in the PRC, Southeast Asia, India and the Middle East for buildings of all sizes. Nittan's first foray into overseas markets came in 1972, when it began providing fire alarm systems in Europe. The company recently realigned its overseas sales framework to focus on Southeast Asia and is promoting the development of new systems. Both Nohmi Bosai and Nittan will press forward with efforts to expand sales in overseas markets.

Medical Services



Sakra World Hospital, Bangalore, India



SECOM CAREA Azamino

From the provision of home nursing, home-based personal care and other services to the operation of multipurpose residential and service complexes for seniors, we have created a portfolio of businesses that respond to the diverse health care needs of seniors.

■ SECOM visiting nurses get tablet computers

With the purpose of building a mobile communications network for our Home Medical Services business, we recently equipped each of the 300 visiting nurses working out of our network of 33 visiting nurse stations with a tablet computer. As a result, nurses can not only access patient information from wherever they are but also update patient records on the spot, thereby improving service efficiency. Our new network facilitates the safe, centralized storage and management of medical data at a Secure Data Center facility, providing a common resource that enhances collaboration among primary care physicians, care managers, local health care facilities and personal care providers.

■ SECOM CAREA Azamino: An innovative concept

SECOM CAREA Azamino is a multipurpose residential and service complex for seniors in the Azamino district of Yokohama. This innovative facility combines SECOM Seniors Club Azamino, a day service; Leaf Escort Azamino, a rental-based assisted living facility for seniors; and CAREA, a public space that facilitates interaction with the local community.

■ SECOM Home Health Care Center Kamakura opens

Marshaling our wealth of know-how in the provision of home health care and home nursing care services, we recently opened SECOM Home Health Care Center Kamakura, a comprehensive senior care facility that offers home nursing, home-based personal care, day care services and home care support services. By facilitating cooperation among visiting nurses, care workers and care managers, among others, this facility seeks to enable as many seniors as possible to continue living in their own homes and communities by helping to address both medical and personal care needs.

■ New hospital in India opens

In March 2014, operations commenced at Sakra World Hospital in Bangalore, India, a brand-new hospital established and operated as a joint venture with a Japanese trading company and a local firm. With 294 beds, this facility offers high-quality acute care with a special focus on neurological, cardiac, and gastroenterological disorders and boasts advanced equipment, in-patient facilities and operating theaters. Going forward, we will continue to actively seek opportunities to capitalize on our expertise in providing support for hospital management to expand our medical services business in overseas markets.

Insurance Services



Head office of Secom General Insurance Co., Ltd.



Support center

We continue to leverage the comprehensive capabilities of the SECOM Group to provide distinctive insurance policies.

■ Expanding sales of SECOM *Anshin My Home*

Our diversification into non-life insurance came about as a result of our conviction that augmenting security services, which are preventative by nature, with insurance, which looks after people in the event of misfortune, was a way to add to subscribers' security and peace of mind. By taking full advantage of the collective strengths of the SECOM Group we have developed an extensive lineup of highly rated fire, medical and automobile insurance policies.

SECOM *Anshin My Home* is a policy for residential customers that offers a discount on regular premiums to subscribers who have installed on-line security systems, taking into account the risk-mitigating nature of such systems. This policy also offers a discount for houses with exclusively electrical appliances and houses built with fire-resistant materials, acknowledging that such houses have a lower risk of fire. Customers can choose a basic plan from among several alternatives and are also free to select special options, enabling them to tailor policies to their own specific needs. Contract volume for SECOM *Anshin My Home* continues to increase steadily. We will continue working to expand sales of this attractive product. Our lineup also includes a similar policy for commercial customers, Security Discount Fire Policy, which offers a discount on regular premiums to companies that have installed on-line security systems.

■ Subscriptions for the MEDCOM unrestricted cancer treatment policy continue to increase

MEDCOM is an unrestricted cancer treatment policy that provides full coverage for all hospitalization and medical treatment costs, both those covered under Japan's National Health Insurance (NHI) scheme and those not, the burden of which is traditionally borne entirely by the patient. MEDCOM also extends to outpatient treatment, providing coverage for up to ¥10 million per five-year period, and a one-time lump sum payment of ¥1 million if cancer is diagnosed. Subscribers are thus able to focus on treatment without having to worry about costs. If diagnosed, subscribers additionally have access to MEDCOM Nurse Call, a telephone-based support service that gives referrals to associated hospitals across the country, helps arrange second opinions and offers consultations on available treatment options.

■ SECOM *Anshin My Car*: Backed by reliable emergency response services

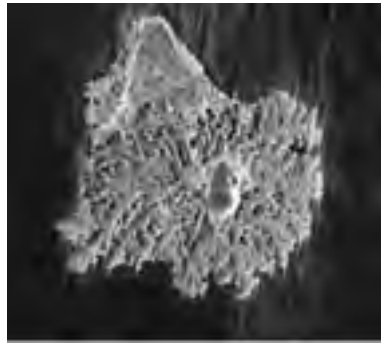
Another attractive SECOM insurance product is SECOM *Anshin My Car*. This distinctive policy includes, among others, around-the-clock access to on-site support by SECOM emergency response personnel in the event of an accident.

In addition to expanding marketing of these various policies via traditional channels, we are reinforcing on-line sales and sales through banks.

Geographic Information Services



Digital map of Sumatra (Indonesia)



Pasco is using images captured by TerraSAR-X to monitor the island of Nishinoshima



Satellite ground station (building with antenna) and geospatial information processing center (Okinawa)

Capitalizing on our geospatial information services, we are contributing to the construction of key social systems in Japan and overseas.

■ Supporting efforts to enhance national resilience and enhance operational efficiency

Subsidiary Pasco collects geographic data from satellite images, aerial photography, and vehicle/ground and shipborne surveying, which it integrates, processes and analyzes to provide geospatial information services.

In Japan, these services assist efforts to enhance national resilience. Leveraging proprietary technologies, Pasco creates high-precision three-dimensional digital terrain models (DTMs) by digitizing information for mountains, rivers and other topographic features, as well as for roads, bridges and other structures, which are used to assess latent national risks, including those related to the danger of landslides and flooding and the degradation of critical infrastructure.

Pasco also offers a cloud-based GIS service for customers in both the public and private sectors that supports improved operational efficiency, swift decision making and effective risk management. In area marketing, which includes analysis of catchment areas, the company is promoting applications for Big Data, including cellular phone positioning information.

■ Reinforcing services for customers in the ASEAN region

In the Association of Southeast Asian Nations (ASEAN) region, Pasco is responding to heightened needs for geospatial information to assist in the development and maintenance of critical infrastructure by expanding its local presence. Recently, the company has taken steps to enhance its sales capabilities in Thailand and the Philippines and has established a base in Laos.

The company also maximized technological capabilities and know-how accumulated in Japan to assist national land development and relief efforts in ASEAN member states. In June 2014, Pasco completed a 3.5-year National Spatial Data Infrastructure (NSDI) project for the island of Sumatra, in Indonesia, which is similar in size to Japan. In light of Sumatra's tropical rainforest climate, Pasco used an X-band

synthetic-aperture radar (SAR) sensor, which is not influenced by weather, to acquire aerial images, enabling it to complete the acquisition and production of geospatial information for the database in a comparatively short period of time. In late 2013, Pasco was contracted to produce topographic maps for the islands of Cebu and Leyte, in the Philippines, to assist with recovery efforts in the wake of Typhoon Haiyan, which caused significant destruction in both areas.

■ Capturing the extent of disaster damage and protecting the environment

In October 2013, Pasco promptly supplied images of damage to the island of Izu Oshima caused by Typhoon Wipha to pertinent authorities, thereby assisting with post-disaster recovery and reconstruction.

Since November 2013, Pasco has continuously acquired images of Nishinoshima, an island in Japan's Volcano Islands arc, captured by TerraSAR-X, a German commercial SAR satellite, enabling it to monitor significant ongoing changes occurring in the island's topography as a result of volcanic eruptions.

As part of its commitment to helping combat global warming, Pasco also uses SAR satellites to acquire geospatial information to support the management and protection of forest resources, which are essential to the removal of CO₂ from the atmosphere.

■ Enhancing geospatial information collection capabilities

Pasco has Earth observation satellite ground stations in Okinawa and Hokkaido. With the aim of bolstering its reception capacity, Pasco recently completed the construction of another receiving antenna in the Okinawan city of Itoman and obtained exclusive distribution rights in Japan for image data from the Canadian Space Agency's high-resolution RADARSAT-2 SAR satellite. This has increased the number of satellites from which Pasco can access image data to 17, greatly enhancing its geospatial information collection capabilities.

Information and Communication Related Services



SECOM Anshin Information Center



Secure Data Center



Cyber Dojo, cyber crime prevention training program

Repositioning our data center facilities as service centers has enabled us to reinforce our information services capabilities.

■ Maximizing our status as one of Japan's top data center services firms to expedite the creation of new services

In 2012, we acquired a majority interest in At Tokyo, thereby becoming one of Japan's top data center services firms. In 2013, we opened two new Secure Data Center facilities, in Tokyo and Osaka. We continue to leverage the capabilities of these two facilities, and of our existing data center facilities, to respond to the evolving needs of customers.

The competitive advantage of SECOM data centers derives from robust facility construction and reliability, as well as from their proven ability to operate without interruption regardless of circumstances, thus providing seamless security and peace of mind. Having repositioned our data centers as "service centers," we continue working to create new services that harness the power of Big Data.

■ Responding to increasingly sophisticated and cunning crimes

A crucial aspect of expanding our security services business has been to enhance protection of confidential customer information. The know-how we have accumulated enables us to extend total information security protection, from rigorous security measures and monitoring to prompt expert responses and swift normalization.

Recent years have seen a sharp increase in online banking scams. With criminals employing increasingly sophisticated and cunning deceptions, traditional security measures are no longer sufficient to protect users against such crimes. To help resolve this increasingly dangerous situation and improve the security of on-line transactions, we launched the SECOM Premium Net Service, which centers on a dedicated USB flash drive that scans for malicious viruses, secures safe communication channels and directs users to the correct secure on-line banking portal. Building on our extensive information security know-how, we recently introduced Cyber Dojo, a training program that offers practical instruction regarding the latest techniques employed by cyber criminals and effective countermeasures. We are also focusing efforts on fostering skilled information security specialists.

■ Reinforcing disaster response services

SECOM Safety Confirmation Service, one of Japan's leading risk management services, helps subscribers ascertain the safety of employees and their families in the event of a disaster. In tandem with this service, we also offer the SECOM Emergency Call Out Service, which is designed to facilitate the deployment of personnel in the aftermath of a disaster—based on considerations such as individual qualifications, place of residence and other factors—to ensure the prompt resumption of operations. A recent addition to our service menu is

the Real-Time Disaster Information Service, whereby we collect and analyze available information, including emergency warnings and evacuation orders, SNS information and exclusive SECOM Group information, as Big Data, and customize our findings to individual customers. This service is coordinated and administered by the SECOM *Anshin* Information Center.

■ Enhancing SECOM cloud services

Capitalizing on our rigorous data center information management procedures and high-level technological capabilities, we provide a wide range of cloud-based services backed around-the-clock by skilled support personnel. These include

a personnel management service that uses employee attendance information from access control systems, an outgrowth of our security services capabilities; SECOM *Anshin* Eco Document Digitization Service, which assists in digitizing the thousands of documents companies deal with, including records for financial institutions and hospitals, invoices, paystubs and contracts. Legally recognized as originals, these digitized documents can be stored safely and easily. Going forward, we will continue to enhance and tailor our menu of cloud-based services to better respond to the needs of customers and support their efforts to improve competitiveness and create corporate value.

Real Estate and Other Services

We develop and sell high-grade condominiums equipped with advanced disaster-preparedness features.

■ Stepping up efforts to develop high-grade condominiums that deliver safety and peace of mind

In line with our goal of providing living spaces that ensure safety, peace of mind and comfort, we develop and sell distinctive and highly secure condominiums under the Glorio brand.

We commenced sales of units in Glorio Sasazuka, Glorio Tamachi and Glorio Shinjuku Natsumezaka, three new complexes in Tokyo that feature MS-4S, an on-line security system developed for condominiums, which is installed in each individual unit, while common areas are equipped with the SECOM IX remote imaging security system. The security of condominiums in these complexes is further enhanced by a TOMAHAWK JET ALPHA fire extinguishing system for putting out cooking fires and a PYTHAGORAS wall safe, which protects valuables from theft. Some of the condominiums we build feature earthquake resistance that is 1.25 times greater than the minimum required under Japan's Building Standard Law, earning it seismic grade 2 under the law's three-grade system of grading earthquake resistance.

Looking ahead, we will continue promoting the development and sale of quality condominiums with advanced disaster-preparedness features, further enabling us to deliver safety and peace of mind.



Glorio Sasazuka

■ SECOM Home Service continues to draw customers

SECOM Home Service is an optional suite of lifestyle support services available to SECOM Home Security subscribers that encourages people to turn to SECOM for help in resolving everyday concerns. The SECOM Home Service menu includes Housework Support Service, which provides help with housekeeping and small jobs around the house; Troubleshooting Support Service, which offers assistance in resolving unforeseen problems such as lost keys; and *Anshin* Support Service, whereby we assist subscribers by, for example, patrolling around their homes when occupants are out. We also offer *Seikatsu Tasuke*, a similar service for customers who are not SECOM Home Security subscribers.

In the coming years, we will continue to expand the scope of SECOM Home Service and *Seikatsu Tasuke* to include services that further accommodate the needs of customers.



SECOM Home Service

■ Basic policies

Having always acknowledged the importance of ensuring sustainability for ourselves and for society, we actively seek to

- contribute to society through our business activities,
- identify and cultivate businesses that enable us to fulfill our responsibility to contribute to society, and
- drive ongoing innovation.

We promote a variety of CSR initiatives, which we classify as either “strategic” or “basic.” We also promote active dialogue with our many stakeholders with the aim of further expanding our efforts. Going forward, we will continue working to respond to society’s expectations.

■ Strategic CSR initiatives

Our strategic CSR initiatives emphasize capitalizing on our technologies to develop and provide services and systems that respond to evolving social imperatives. Guided by the ALL SECOM concept, which focuses on rallying Group strengths, we continue working to extend services and systems that deliver safety and peace of mind, and make life more convenient and comfortable, as well as to create uniquely SECOM high-value-added services.

■ Basic CSR initiatives

As publicly owned entities, corporations must establish systems to manage an increasingly broad array of challenges in such core areas as corporate governance, consumer issues, the environment, labor practices and human rights, and social contributions.

As a company that seeks to provide security and peace of mind, we recognize the importance of ensuring that both our corporate philosophy and our business conduct are correctly understood and positively evaluated by society, thereby ensuring that our stakeholders continue to see us as a trusted partner. To this end, we have developed stringent internal standards for compliance and risk management that exceed those mandated by Japanese law.

We have aligned our basic CSR initiatives with ISO 26000, the international standard for social responsibility. Taking into account the key areas of focus outlined in ISO 26000, we have identified and continue to emphasize efforts in the following categories.



Corporate governance

- To raise the efficiency and transparency of management practices, thereby enabling us to consistently increase our corporate value, we have taken steps to enhance our corporate governance system, including appointing independent outside directors. We are also promoting management-led efforts to strengthen our compliance framework and improve disclosure.

Human resources and labor practices

- In line with our belief that creating working environments conducive to job satisfaction and helping employees fulfill their potential are key to driving growth for SECOM, we have established a variety of unique employee training programs designed to maximize individual talents and hone skills. We also provide training aimed at enhancing employees' understanding of human rights.
- We put priority on ensuring a favorable work-life balance, which we recognize as crucial to physical and mental health, as well as to motivating employees and instilling a passion for their day-to-day responsibilities. Accordingly, we have put in place generous leave programs that exceed legal requirements.

Environment

- In the belief that protecting the environment is essential to our ability to provide security and support comfortable lifestyles, we continue to promote awareness of our environmental philosophy—which is to incorporate consideration for the environment into all areas of our operations—and

our basic environmental policy across the SECOM Group, implement measures aimed at addressing such key issues as global warming and resource depletion and ensure our operations conform with pertinent laws and regulations.

- We are taking decisive steps to reduce our absolute emissions of CO₂, recognizing this as an issue of particular concern to stakeholders, while continuing to grow our businesses.

Service quality

- Providing the quality of services for which the SECOM name is known, we conduct practical training for employees that aims to increase know-how and skill levels, thereby contributing directly to improvements in service quality and reliability.
- We work to further enhance the quality of our services by paying heed to feedback received by SECOM customer service centers, as well as by speaking directly to customers.

Harmony with society

- We recognize contributing to the community, through the creation of employment opportunities and supporting local development, as an important responsibility.

Social contribution activities

- With the aim of further enhancing our ability to provide security and peace of mind, we offer educational programs for children, women and seniors designed to raise crime prevention awareness.

In Memoriam Juichi Toda, co-founder

Juichi Toda, co-founder of SECOM, passed away on January 30, 2014. Mr. Toda and founder Makoto Iida attended the same university. Several years after graduation, the two were looking at setting up a company together when a mutual friend told them about something called “security services” that were offered in Europe. This sparked their interest and encouraged them to establish Nihon Keibi Hoshō (currently SECOM) in July 1962. Mr. Toda was 30 years old at the time, while Mr. Iida was 29. For 50-plus years, the two worked together to grow and evolve the SECOM Group as Japan's foremost provider of security services.



Juichi Toda

Operating Results

Overview

In the year ended March 31, 2014, SECOM CO., LTD. and its subsidiaries (collectively, "the Company") sought to provide high-quality products and services that respond to the needs of customers in its core security services segment, as well as in its fire protection services, medical services, insurance services, geographic information services, information and communication related services, and real estate and other services segments.

Consolidated net sales and operating revenue rose 7.3%, or ¥62.7 billion, to ¥921.2 billion. This result was attributable principally to increases in net sales and operating revenue contributions from At Tokyo and certain subsidiaries providing security services, all of which were newly consolidated in the previous period, as well as to higher net sales and operating revenue in all segments except for real estate and other services. Operating income grew 5.8%, or ¥6.5 billion, to ¥120.1 billion, bolstered by an increase in net sales and operating revenue and a decline in cost of sales in the fire protection services segment, a full year of contributions from At Tokyo to results in the information and communication related services segment, and higher net sales and operating revenue in the security services segment. Net income attributable to SECOM CO., LTD., advanced 4.8%, or ¥3.4 billion, to ¥74.0 billion.

Effective from the period under review, losses attributable to certain businesses in the real estate and other services segment are reclassified and presented as "loss from discontinued operations, net of tax" in the consolidated statements of income. Certain segment results for previous fiscal years have been restated to conform with this change.

Net Sales and Operating Revenue

Consolidated net sales and operating revenue rose 7.3%, or ¥62.7 billion, to ¥921.2 billion, bolstered by increases in the security services, information and communication related services, medical services, fire protection services, geographic information services and insurance services segments. Net sales and operating revenue in the real estate and other services segment declined. (For further details, please see Segment Information below.)

Costs and Expenses

Total costs and expenses increased 7.5%, or ¥56.2 billion, to ¥801.1 billion. Cost of sales, at ¥628.9 billion, was up 8.4%, or ¥48.8 billion, and was equivalent to 68.3% of net sales and operating revenue, up from 67.6% in the previous fiscal year, an increase due primarily to outlays for the expansion and modification of hospitals, which pushed up cost of sales as a percentage of net sales and operating revenue in the medical services segment.

Selling, general and administrative (SG&A) expenses rose 3.1%, or ¥4.9 billion, to ¥166.0 billion. SG&A expenses were equivalent to 18.0% of net sales and operating revenue, an improvement from 18.8% in the previous fiscal year. The Company also recognized an impairment loss on certain long-lived assets in the medical services segment of ¥2.8 billion, ¥2.4 billion higher than in the preceding period, as well as a loss on sales and disposal of fixed assets, net, of ¥3.2 billion, an increase of ¥1.0 billion. In contrast, impairment loss on goodwill decreased ¥901 million, to ¥151 million.

Operating Income

Operating income grew 5.8%, or ¥6.5 billion, to ¥120.1 billion, although operating income as a percentage of net sales and operating revenue edged down to 13.0%, from 13.2% in the previous fiscal year. The Company's segments, in order of contribution to operating income, were security services, fire protection services, information and communication related services, real estate and other services, geographic information services, medical services and insurance services. (For further details, please see Segment Information below.)

Other Income and Expenses

Other income increased ¥1.7 billion, to ¥11.7 billion, while other expenses declined ¥148 million, to ¥3.0 billion, resulting in net other income of ¥8.7 billion, up ¥1.9 billion from the preceding period. Principal factors behind this result included increases in gain on sales of securities, net, which rose ¥785 million, to ¥935 million, and a gain on private equity investments, which advanced ¥469 million, to ¥5.6 billion.

Income Before Income Taxes and Equity in Net Income of Affiliated Companies

Income before income taxes and equity in net income of affiliated companies rose 7.0%, or ¥8.4 billion, to ¥128.8 billion, reflecting gains in operating income and net other income.

Income Taxes

Income taxes were up ¥3.0 billion, to ¥49.7 billion, equivalent to 38.6% of income before income taxes and equity in net income of affiliated companies, compared with 38.8% in the previous fiscal year. This result was due mainly to a decline in the statutory tax rate as a result of changes to Japan's tax regulations and a corresponding write-down of certain components of net deferred tax assets, which were offset by a reassessment of the recoverability of these assets and a reversal of valuation allowance.

Equity in Net Income of Affiliated Companies

Equity in net income of affiliated companies increased ¥122 million from the previous fiscal year, to ¥4.0 billion.

Loss from Discontinued Operations

Discontinued operations include any component of an entity with its own identifiable operations and cash flows that has been disposed of or is to be sold and in which the Company has no significant continuous involvement. The Company discontinued certain businesses in the real estate and other services segment in the previous fiscal year and has plans to sell these businesses in the fiscal year ending March 31, 2015. In the period under review the Company posted a loss from discontinued operations, net of tax, of ¥138 million, an improvement from ¥912 million in the preceding period.

Net Income Attributable to Noncontrolling Interests

Net income attributable to noncontrolling interests amounted to ¥9.0 billion, up ¥2.9 billion from the previous fiscal year. This result reflected an increase in net income in the fire protection services business and the inclusion of a full year of contributions from subsidiaries newly consolidated in the preceding period.

Segment Information

(For further information, please see Note 27 of the accompanying Notes to the Consolidated Financial Statements.)

Net Income Attributable to SECOM CO., LTD.

Net income attributable to SECOM CO., LTD. rose 4.8%, or ¥3.4 billion, to ¥74.0 billion, equivalent to 8.0% of net sales and operating revenue, compared with 8.2% in the preceding period. Net income attributable to SECOM CO., LTD. per share was ¥338.94, up from ¥323.36. Subsequent to the fiscal year ended March 31, 2014, a proposal to pay cash dividends of ¥115.00 per share, an increase of ¥10.00 per share from the previous fiscal year, was approved at the general shareholders' meeting held on June 25, 2014.

Security Services

The security services segment comprises electronic security services, which center on on-line security systems; other security services; and merchandise and other. In the period under review, net sales and operating revenue in this segment increased 6.7%, or ¥29.7 billion, to ¥475.3 billion. Excluding intersegment transactions, net sales and operating revenue in this segment amounted to ¥472.4 billion, representing 51.3% of overall net sales and operating revenue, down slightly from 51.6% in the previous period.

In addition to on-line commercial and home security systems (centralized systems), electronic security services include large-scale proprietary security systems, which center on surveillance services for the subscriber's premises. On-line commercial and home security systems use sensors, controllers and other equipment installed at the subscriber's premises to detect events, including intrusions, fires and equipment malfunctions. Equipment is linked to a SECOM control center via telecommunications circuits to facilitate around-the-clock remote monitoring. Should an irregularity be detected, relevant information is relayed to the control center, where staff dispatch emergency response personnel to take appropriate measures. Control center staff also notify the police or fire department, if necessary. The Company has established an integrated approach, whereby it takes full responsibility for all aspects of its on-line commercial and home security systems, from R&D through to equipment manufacturing, sales, security planning, installation, monitoring, emergency response services and equipment maintenance. Net sales and operating revenue from electronic security services rose 3.5%, or ¥10.6 billion, to ¥318.1 billion, owing to the expansion of the Company's lineup of value-added services that respond to diverse security needs and firm sales of on-line home security systems, as well as to the positive impact of yen depreciation and an increase in contract volume on the net sales and operating revenue of overseas subsidiaries.

Other security services include static guard services and armored car services. Static guard services, which are provided by highly trained professional security guards for situations requiring human judgment and flexible responsiveness, generated net sales and operating revenue of ¥51.7 billion, up 7.9%, or ¥3.8 billion, owing principally to the inclusion of a full year of net sales and operating revenue in the static guard services business of a subsidiary

acquired at the beginning of the fourth quarter of the previous fiscal year. Armored car services, which involve the transport of cash, securities and other valuables using specially fitted armored cars and security professionals, reported net sales and operating revenue of ¥20.8 billion, up 1.1%, or ¥235 million.

The merchandise and other category encompasses sales of a wide range of security products, including security camera systems, access control systems, automated fire extinguishing systems and external monitoring systems, which can be freestanding or linked to on-line security systems. Net sales and operating revenue in this category increased 21.6%, or ¥14.5 billion, to ¥81.9 billion, bolstered by the inclusion of a full year of results in this category of the aforementioned subsidiary acquired at the beginning of the fourth quarter of the previous fiscal year, and by an increase in sales of security camera systems.

Operating income in the security services segment edged up 1.7%, or ¥1.7 billion, to ¥104.1 billion, owing to higher segment net sales and operating revenue. The operating margin slipped to 21.9%, from 23.0% in the preceding period. This decrease was attributable to the fact that the business portfolio of the subsidiary acquired at the beginning of the fourth quarter of the previous fiscal year centers on static guard services and merchandise and other, margins for which are lower than those for electronic security services, as well as to an increase in costs and expenses accompanying forward-looking investments to revamp on-line security systems with the aim of securing future growth.

In light of the increasing significance of construction and installation services, these services—formerly included in the security services segment—have been reclassified and are included in the real estate and other services segment to facilitate more adequate disclosure and improve the effectiveness of segment information. Certain segment results for previous fiscal years have been restated to conform with this change.

Fire Protection Services

This segment focuses on high-grade, tailored automatic fire alarm systems, fire extinguishing systems and other fire protection systems for a wide range of applications, including office buildings, plants, tunnels, cultural properties, ships and residences. During the period under

Financial Review

review, Nohmi Bosai and Nittan, two of Japan's leading domestic fire protection services providers, leveraged their respective business foundations and product development capabilities to secure orders for fire protection systems.

Net sales and operating revenue in this segment advanced 7.4%, or ¥8.7 billion in the period under review, to ¥127.2 billion, owing to active efforts to market systems that respond to needs, particularly in the renovations market. Operating income was ¥10.5 billion, an increase of 75.0%, or ¥4.5 billion, thanks mainly to cost reductions. The operating margin improved to 8.2%, from 5.0%.

Medical Services

The medical services segment encompasses home medical services, which center on home nursing and pharmaceutical dispensing services, as well as the operation of residences for seniors, electronic medical report systems, sales of medical equipment, personal care services, and support for the management of hospitals and health care-related institutions. The segment also includes the operations of variable interest entities of which the Company is the primary beneficiary, which manage hospitals and health care-related institutions.

Segment net sales and operating revenue rose 6.8%, or ¥9.6 billion, to ¥150.7 billion. The principal factor behind this result was an increase in contributions from operations of the aforementioned variable interest entities attributable to the expansion and modification of hospitals, and to robust sales of pharmaceuticals, among others. Operating income fell 50.4%, or ¥2.8 billion, to ¥2.7 billion, while the operating margin slipped to 1.8%, from 3.9%, primarily reflecting the recognition of impairment losses on certain real estate and the aforementioned expansion and refurbishment of hospitals.

Insurance Services

In addition to security services, which are preventative by nature, the Company offers non-life insurance, which looks after customers in the event of misfortune. The insurance services segment offers an extensive lineup that includes the Security Discount Fire Policy, a commercial fire insurance policy, and SECOM *Anshin My Home*, a comprehensive fire insurance policy for homes—both of which offer discounts on premiums to customers who have installed on-line security systems, recognizing this as a risk-mitigating factor—and SECOM *Anshin My Car*, a comprehensive

automobile insurance policy that offers on-site support services provided by SECOM emergency response personnel should the policyholders be involved in an accident. Other offerings include MEDCOM, an unrestricted cancer treatment policy that covers the entire cost of medical treatment for cancer.

In the period under review, net sales and operating revenue in this segment increased 3.3%, or ¥1.3 billion, to ¥39.9 billion, primarily reflecting an increase in insurance premiums attributable to firm sales of fire insurance policies and the MEDCOM unrestricted cancer insurance policy and net realized investment gains. The segment reported operating income of ¥2.0 billion, a decline of 26.0%, or ¥705 million, and an operating margin of 5.0%, down from 7.0% in the previous fiscal year, owing mainly to a higher loss ratio resulting from claims related to snow damage, among others, which pushed up costs and expenses related to insurance contracts.

Geographic Information Services

The geographic information services segment includes the collection of geographic data from satellite images, aerial photography and vehicle-based ground surveying, which it integrates, processes and analyzes to provide a variety of geospatial information services to national and local governments and private sector customers in Japan. The Company also extends geospatial information services to government agencies overseas, including in emerging economies and developing countries.

Segment net sales and operating revenue rose 6.7%, or ¥3.4 billion, to ¥54.8 billion, spurred by firm sales to public-sector entities in Japan. Operating income rose 61.7%, or ¥1.4 billion, to ¥3.7 billion, while the operating margin improved to 6.8%, from 4.5%, reflecting improved margins in overseas markets and the absence of an impairment loss on goodwill reported in the preceding period, a consequence largely of the Eurozone crisis.

Information and Communication Related Services

Information and communication related services focus on data center services, as well as uniquely SECOM BCP support services, information security services and cloud-based services.

Net sales and operating revenue in the period under review climbed 53.3%, or ¥18.5 billion, to ¥53.4 billion, bolstered mainly by a full year of contributions from

At Tokyo, one of Japan's leading data center services firms in terms of power supply stability and security level, which became a consolidated subsidiary on October 31, 2012. The inclusion of a full year of operating income from At Tokyo boosted segment operating income 62.8%, or ¥2.5 billion, to ¥6.4 billion. The operating margin improved to 11.9%, from 11.2% in the previous fiscal year.

In light of the increasing significance of information and communication related services, these services, formerly included in the information and communication related and other services segment, are now presented separately as the information and communication related services segment to facilitate more adequate disclosure of the Company's business activities and improve the effectiveness of segment information. Certain segment results for previous fiscal years have been restated to conform with this change.

Real Estate and Other Services

The real estate and other services segment encompasses the development and sales of condominiums equipped with sophisticated security and disaster-preparedness features, as well as real estate leasing, construction and installation and other services.

Segment net sales and operating revenue declined 19.7%, or ¥9.7 billion, to ¥39.7 billion, primarily as a consequence of falling sales of condominiums, which pushed down sales in the real estate development and sales business. Owing mainly to a decrease in write-downs on real estate inventories, operating income edged up 1.4%, or ¥63 million, to ¥4.7 billion, and the operating margin improved to 11.8%, from 9.4% in the previous fiscal year.

Previously, real estate development and sales were presented as a reportable segment. However, owing to a decrease in their significance, effective from the fiscal year ended March 31, 2014, these businesses were reclassified under the other services segment, which was renamed the real estate and other services segment. Certain segment results for previous fiscal years have been restated to conform with this change.

Financial Position

Total assets as of March 31, 2014, amounted to ¥1,440.7 billion, ¥100.4 billion higher than at the end of the previous period. Total current assets, at ¥578.1 billion, advanced ¥12.1 billion, and accounted for 40.1% of total assets. Cash and cash equivalents totaled ¥230.8 billion, an increase of ¥8.1 billion, owing to the fact that net cash provided by operating activities exceeded net cash used in investing and financing activities. (For further details, please see Cash Flows, which follows this section.) Notes and accounts receivable, trade, rose ¥8.1 billion, to ¥128.0 billion, a consequence primarily of higher net sales and operating revenue in the fire protection services and geographic information services segments—both of which tend to see increases in net sales and operating revenue toward the end of the fiscal year—and an increase in security system installations. Inventories, at ¥51.9 billion, were down ¥6.2 billion, primarily reflecting a decline in real estate inventories, a consequence of the delivery of condominiums. With both current assets and current liabilities up, the current ratio was 2.0 times as of March 31, 2014, on level with the previous fiscal year-end.

Investments and long-term receivables rose ¥67.0 billion, to ¥324.7 billion, or 22.5% of total assets. Investment securities increased ¥49.5 billion, to ¥204.6 billion, owing principally to a review of investment assets in the insurance services segment, which resulted in the purchase of bonds, among others.

Investments in affiliated companies increased ¥10.6 billion, to ¥49.8 billion, pushed up mainly by firm earnings at overseas affiliated companies and by the depreciation of the yen.

Property, plant and equipment, less accumulated depreciation, advanced ¥9.1 billion, to ¥394.4 billion, equivalent to 27.4% of total assets. With the opening of new Secure Data Center facilities, buildings and improvements rose ¥11.7 billion, to ¥297.3 billion. Construction in progress amounted to ¥7.8 billion, up ¥4.2 billion, a result largely of the expansion and modification of hospitals managed by variable interest entities.

Other assets were up ¥12.1 billion, to ¥143.5 billion, and accounted for 10.0% of total assets. Prepaid pension and severance costs rose ¥10.5 billion, to ¥22.1 billion, bolstered primarily by robust returns on pension assets.

Total liabilities as of March 31, 2014, increased ¥19.6 billion, to ¥580.3 billion, and accounted for 40.3% of total liabilities and equity. Total current liabilities rose ¥7.6 billion, to ¥295.1 billion, and represented 20.5% of total liabilities and equity. Bank loans were up ¥13.5 billion, to ¥52.5 billion. Deposits received declined ¥7.7 billion, to ¥22.4 billion, largely because of a temporary shift in the balance of bank loans and deposits received for cash collection and deposit services. Notes and accounts payable, trade, at ¥50.0 billion, were up ¥5.0 billion, owing primarily to an increase in orders placed

for the construction of security systems for lease near the fiscal year-end.

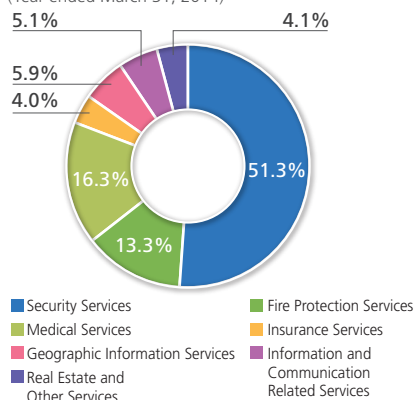
Total long-term liabilities increased ¥12.0 billion, to ¥285.2 billion, and represented 19.8% of total liabilities and equity. Higher sales of fire insurance policies led to an increase in the reserve for unearned premiums, pushing unearned premiums and other insurance liabilities up ¥8.3 billion, to ¥98.7 billion.

Interest-bearing debt, comprising bank loans, long-term debt and the current portion of long-term debt, advanced ¥10.7 billion, to ¥115.8 billion. This result was due largely to a temporary increase in bank loans for cash collection and deposit services.

Total SECOM CO., LTD. shareholders' equity rose ¥73.9 billion, to ¥753.1 billion, and was equivalent to 52.3% of total liabilities and equity. This was attributable to a ¥51.0 billion increase in retained earnings, to ¥674.6 billion, owing mainly to net income attributable to SECOM CO., LTD. and to the payment of cash dividends. Accumulated other comprehensive income was ¥1.7 billion, compared with an accumulated other comprehensive loss of ¥21.2 billion in the previous fiscal year, owing primarily to a decrease in the loss resulting from foreign currency translation adjustments which shrank to ¥1.9 billion, from ¥18.7 billion in the preceding period, due to yen depreciation. As a result, the equity ratio rose to 52.3%, from 50.7% at the end of the previous period.

Percentage of Consolidated Net Sales and Operating Revenue*

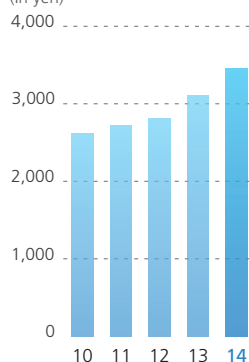
(Year ended March 31, 2014)



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

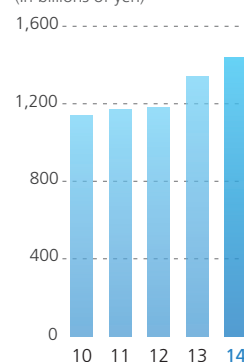
SECOM CO., LTD. Shareholders' Equity per Share

(In yen)



Total Assets

(In billions of yen)



Financial Review

Cash Flows

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

In the period under review, net cash provided by operating activities amounted to ¥123.2 billion. Significant factors contributing to this result included net income of ¥82.9 billion and non-cash items, notably depreciation and amortization, including amortization of deferred charges, of ¥66.7 billion, which were partially offset by an increase in deferred charges of ¥16.4 billion, an increase in receivables and due from subscribers, net of allowances, of ¥10.2 billion. These charges consisted primarily of costs related to the installation of security equipment as part of on-line security systems. (For further details, please see Note 2 (12) of the accompanying Notes to Consolidated Financial Statements.) Net cash provided by operating activities was ¥34.2 billion lower than in the preceding period. Principal factors behind this result included an increase in income tax payments,

owing to the fact that lower interim payments resulted in an increase in accrued income taxes at the previous fiscal year-end; a significant decline in real estate inventories as a result of the sale of major condominium complexes to customers in the preceding period; and a decrease in deposits received for cash collection and deposit services.

Net cash used in investing activities amounted to ¥95.3 billion. This result reflected payments for purchases of investment securities of ¥76.3 billion, a consequence of a review of investment assets in the insurance services segment; payments for purchases of property, plant and equipment of ¥56.3 billion, attributable to increases in the purchase of security equipment and control stations due to a greater number of security services subscribers and in the purchase of property, plant and equipment for the expansion and modification of hospitals managed by variable interest entities. These outlays were partially offset by proceeds from sales and redemptions of investment securities of ¥43.8 billion. Despite the increase in payments for purchases of investment securities, net cash used in investing activities

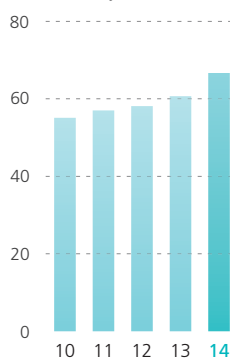
was down ¥23.3 billion from the previous period, owing mainly to the use of cash for acquisitions, net of cash acquired, and to payments for purchases of property, plant and equipment related to the opening of new hospitals managed by variable interest entities, which pushed up net cash used in investing activities in the preceding period.

Net cash used in financing activities amounted to ¥21.9 billion. This included dividends paid to SECOM CO., LTD. shareholders of ¥22.9 billion. Net cash used in financing activities was down ¥8.5 billion from the previous period, owing largely to a temporary increase in bank loans for cash collection and deposit services, which were partially offset by an increase in dividends paid to SECOM CO., LTD. shareholders, and to higher net repayments of long-term debt.

The Company's operating, investing and financing activities in the period under review resulted in net cash and cash equivalents at end of year of ¥230.8 billion, up ¥8.1 billion from net cash and cash equivalents at beginning of year, which were ¥222.7 billion.

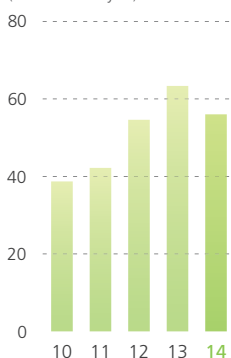
Depreciation and Amortization

(In billions of yen)



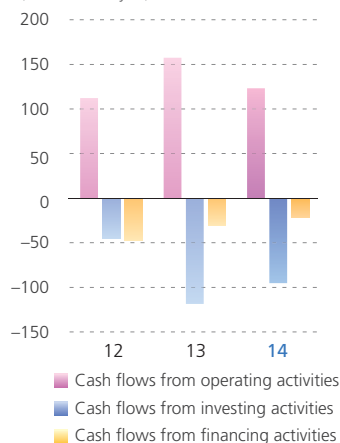
Capital Expenditures

(In billions of yen)



Cash Flows

(In billions of yen)



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)
	2014	2013	March 31
ASSETS			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		Translation into thousands of U.S. dollars (Note 3)
	2014	2013	March 31
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 affiliated 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 affiliated 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 thousands of 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	—	—	—	—	41,237	(1,128)	—	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	—	—	—	—	70,580	6,346	—	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	—	—	—	—	73,979	17,907	—	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	—	—	—	718,243	171,388	—	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.

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.

Unaudited	In millions of yen	
	Years ended March 31	
	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

Unaudited	In yen	
	Years ended March 31	
	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			
	Cost	Gross unrealized 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			
	Cost	Gross unrealized 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			
	Cost	Gross unrealized 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			
	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

	In thousands of U.S. dollars			
	March 31, 2014			
	Available-for-sale		Held-to-maturity	
	Cost	Fair value	Cost	Fair value
Available-for-sale:				
Equity securities.....	¥ 4,330	¥338	¥—	¥—
Debt securities.....	16,573	72	—	—
	¥20,903	¥410	¥—	¥—
Held-to-maturity:				
Debt securities.....	¥ 1,466	¥ 10	¥—	¥—

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	Years ended March 31	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	2013	March 31	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
	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
	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	2013	March 31
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
	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	2013	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	2013	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
	Year ended March 31		Year ended March 31
	2014	2013	2014
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-government bonds include approximately 10% Japanese bonds and 90% foreign bonds.

*The pension investment trust fund included in the plan's pooled funds is classified as Level 2, and invests approximately 50% in equity securities 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-government 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-government bonds include approximately 10% Japanese bonds and 90% foreign bonds.

*The pension investment trust fund included in the plan's pooled funds is classified as Level 2, and invests approximately 50% in equity securities 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		Pooled funds	Other	Total
Government bonds	Non-government bonds				
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					
Year ended March 31, 2013					
	Debt securities		Pooled funds	Other	Total
	Government bonds	Non-government bonds			
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					
Year ended March 31, 2014					
	Debt securities		Pooled funds	Other	Total
	Government bonds	Non-government bonds			
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
	2014	2013	2012	Year ended March 31
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
	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
	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
	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	2013	2012	Year ended March 31
	2014			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

	In millions of yen		
	Pre-tax amount	Tax (expense) or benefit	Net-of-tax amount
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)

	In thousands of U.S. dollars		
	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	\$ 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
	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	
	2014	2013	
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	
	2014	2013	
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			
	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	March 31, 2013
	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:

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

Valuation technique	Significant unobservable inputs	March 31, 2013
		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-performance by counterparties to derivative financial instruments, but it is not expected that any counterparties will fail to meet their obligations, because most of the counterparties are internationally recognized financial institutions and contracts are diversified amongst a number of major financial institutions.

(2) Risk Management

The Company has exposure to the market risk of changes in interest rates which relates primarily to its debt obligations. The Company principally enters into interest rate swap agreements to manage fluctuations in cash flows resulting from changes in interest rates. Interest rate swaps are used to change floating rates on debt obligations to fixed rates by entering into receive-floating, pay-fixed interest rate swaps under which the Company receives floating interest rate proceeds and makes fixed interest rate payments, thereby effectively creating fixed-rate debt.

(3) Cash Flow Hedges

The Company designates interest rate swap agreements as cash flow hedges for variability of cash flows originating from floating rate borrowings. The 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:

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

Derivatives not designated as hedging instruments

Location	In millions of yen		In thousands of U.S. dollars	
	March 31		March 31	
	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)

Location	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)

Location	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	Other income	¥17	¥—	¥—	\$165
	Other expenses	¥—	(¥15)	(¥ 8)	\$ —

Derivatives not designated as hedging instruments

Location	In millions of yen			In thousands of U.S. dollars	
	Years ended March 31			Year ended March 31	
	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
	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
	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
	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
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
	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
	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
	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
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



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.

Tokyo, Japan
July 30, 2014

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.

CONSOLIDATED FINANCIAL DATA

(BASED ON JAPANESE GAAP) [REFERENCE]

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Condensed Consolidated Balance Sheets (Based on Japanese Gaap)

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

	In millions of yen					
ASSETS	2014	2013	2012	2011	2010	2009
Current assets:						
Cash on hand and in banks.....	¥ 210,514	¥ 175,427	¥ 182,412	¥ 172,958	¥ 146,929	¥ 127,476
Cash deposits for armored car services	58,597	56,089	54,011	56,546	48,861	56,667
Call loans	20,500	46,500	28,000	29,500	36,500	36,500
Notes and accounts receivable, trade.....	115,318	106,638	85,744	73,956	73,844	77,398
Due from subscribers.....	25,174	24,059	24,830	22,754	20,824	20,139
Short-term investments	12,955	14,723	19,936	7,313	15,989	16,786
Lease receivables and investment in leased assets.....	33,188	27,569	14,605	15,433	14,742	14,993
Merchandises and products.....	14,186	12,321	9,597	8,823	10,987	10,730
Real estate inventories.....	33	12,944	9,082	11,481	18,493	6,177
Work in process	4,602	4,526	2,527	2,249	1,427	2,174
Costs on uncompleted construction contracts	8,983	7,563	5,671	4,233	5,312	9,534
Work in process for real estate inventories.....	15,396	13,348	33,276	48,296	55,916	60,950
Raw materials and supplies.....	7,573	6,430	5,950	5,750	5,932	5,840
Deferred income taxes.....	13,254	14,384	11,383	12,216	11,684	11,135
Short-term loans receivable	2,699	4,158	4,389	3,908	3,088	4,125
Other	17,623	18,453	13,489	12,566	15,275	15,578
Allowance for doubtful accounts.....	(2,026)	(2,302)	(1,428)	(1,704)	(2,207)	(2,762)
Total current assets.....	558,574	542,836	503,479	486,284	483,600	473,445
Fixed assets:						
Tangible assets:						
Buildings and improvements, net.....	153,278	155,839	97,955	102,855	97,692	85,415
Security equipment and control stations, net	68,759	67,200	66,900	63,490	63,034	65,631
Land	113,946	115,652	104,426	97,730	93,424	89,297
Other, net.....	24,849	22,839	21,464	18,638	18,869	22,923
Total tangible assets.....	360,833	361,532	290,747	282,715	273,020	263,267
Intangible assets.....	53,596	55,079	25,043	25,553	21,885	21,331
Investments and others:						
Investment securities.....	246,233	189,042	177,655	188,001	187,777	201,923
Long-term loans receivable	45,701	42,338	46,197	47,576	50,488	59,880
Prepaid pension and severance costs.....	—	19,572	19,130	18,730	18,618	18,876
Net defined benefit asset.....	17,612	—	—	—	—	—
Deferred income taxes	13,521	11,711	14,793	20,110	19,848	24,413
Other.....	48,486	43,706	42,376	43,422	44,630	46,129
Allowance for doubtful accounts	(16,352)	(16,742)	(17,584)	(18,111)	(18,403)	(19,122)
Total investments and others	355,203	289,629	282,568	299,729	302,959	332,099
Total fixed assets.....	769,633	706,241	598,359	607,998	597,864	616,698
Deferred assets	17	32	45	117	213	338
Total assets	¥1,328,226	¥1,249,110	¥1,101,884	¥1,094,400	¥1,081,679	¥1,090,483

In millions of yen

LIABILITIES	2014	2013	2012	2011	2010	2009
Current liabilities:						
Notes and accounts payable, trade	¥ 49,409	¥ 43,684	¥ 30,731	¥ 25,959	¥ 24,774	¥ 28,374
Bank loans	52,120	42,350	47,985	47,426	48,094	85,383
Current portion of straight bonds	4,640	4,487	5,983	2,914	1,761	5,036
Lease obligations	579	537	354	354	247	202
Payables—other	31,316	31,406	27,627	22,857	23,359	23,195
Accrued income taxes	27,744	29,282	14,688	19,353	20,907	18,983
Accrued consumption taxes	4,151	4,377	3,833	2,850	3,302	2,932
Accrued expenses	4,625	4,571	4,169	3,792	3,633	3,534
Deferred revenue	31,027	30,880	30,834	30,582	33,554	31,298
Accrued bonuses	14,437	14,031	12,739	11,925	12,139	12,741
Reserve for litigation losses	—	—	—	—	1,770	2,415
Reserve for losses on construction contracts	1,981	1,714	834	530	145	—
Other	34,649	40,554	35,997	33,527	36,660	42,558
Total current liabilities	256,684	247,879	215,780	202,074	210,353	256,655
Long-term liabilities:						
Straight bonds	7,796	8,847	9,625	14,091	17,006	12,673
Long-term loans	17,256	19,828	10,700	21,586	16,085	15,338
Lease obligations	4,183	3,438	2,884	3,080	501	571
Guarantee deposits received	36,542	36,125	38,235	38,091	36,777	34,210
Deferred income taxes	11,169	13,400	8,415	8,909	8,399	3,740
Accrued pension and severance costs	—	17,137	12,585	13,097	13,264	13,807
Accrued retirement benefits for directors and audit and supervisory board members	1,635	2,443	2,509	2,433	2,398	2,244
Net defined benefit liability	18,569	—	—	—	—	—
Investment deposits by policyholders, unearned premiums and other insurance liabilities	141,099	133,627	127,812	135,498	150,180	167,011
Other	2,918	2,242	1,817	1,481	1,557	1,621
Total long-term liabilities	241,171	237,091	214,586	238,270	246,171	251,218
Total liabilities	497,856	484,970	430,366	440,344	456,525	507,874
NET ASSETS						
Shareholders' equity:						
Common stock	¥ 66,377	¥ 66,377	¥ 66,377	¥ 66,377	¥ 66,377	¥ 66,377
Capital surplus	83,054	83,054	83,054	83,054	83,054	83,054
Retained earnings	656,286	609,275	565,261	549,747	507,434	478,355
Common stock in treasury, at cost	(73,682)	(73,664)	(73,659)	(74,923)	(74,907)	(74,896)
Total shareholders' equity	732,036	685,042	641,034	624,255	581,959	552,891
Accumulated other comprehensive income:						
Unrealized gains (losses) on securities	12,504	11,783	4,559	2,192	4,521	(3,901)
Deferred losses on hedges	(33)	(41)	(28)	(35)	(17)	(27)
Foreign currency translation adjustments	(10,885)	(27,760)	(37,556)	(34,166)	(27,871)	(30,008)
Remeasurements of defined benefit plans, net of taxes	(3,506)	—	—	—	—	—
Total accumulated other comprehensive income	(1,921)	(16,018)	(33,026)	(32,010)	(23,367)	(33,937)
Minority interests in subsidiaries	100,253	95,114	63,509	61,810	66,562	63,654
Total net assets	830,369	764,139	671,517	654,055	625,153	582,608
Total liabilities and net assets	¥1,328,226	¥1,249,110	¥1,101,884	¥1,094,400	¥1,081,679	¥1,090,483

Condensed Consolidated Statements of Income (Based on Japanese Gaap)

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

	In millions of yen					
	2014	2013	2012	2011	2010	2009
Revenue	¥822,228	¥765,635	¥679,173	¥663,887	¥654,678	¥678,400
Percentage change from prior year	7.4%	12.7%	2.3%	1.4%	(3.5%)	(0.6%)
Costs of revenue	542,949	504,006	458,452	423,983	415,390	444,771
As a percentage of revenue	66.0	65.8	67.5	63.9	63.4	65.6
Gross profit	279,278	261,629	220,720	239,904	239,288	233,628
As a percentage of revenue	34.0	34.2	32.5	36.1	36.6	34.4
Selling, general and administrative expenses	159,259	153,258	139,642	140,762	140,749	145,994
As a percentage of revenue	19.4	20.0	20.6	21.2	21.5	21.5
Operating profit	120,018	108,370	81,078	99,141	98,539	87,634
As a percentage of revenue	14.6	14.2	11.9	14.9	15.1	12.9
Non-operating income	13,100	11,171	12,970	17,428	9,158	12,957
Non-operating expenses	6,441	5,922	6,209	6,895	9,371	9,666
Ordinary profit	126,677	113,618	87,839	109,674	98,327	90,924
As a percentage of revenue	15.4	14.8	12.9	16.5	15.0	13.4
Extraordinary profit	2,025	984	287	1,717	3,370	482
Extraordinary losses	3,876	2,623	11,558	5,749	5,463	27,875
Income before income taxes	124,826	111,980	76,567	105,642	96,233	63,531
As a percentage of revenue	15.2	14.6	11.3	15.9	14.7	9.4
Income taxes—current	48,485	43,211	32,023	37,303	38,172	41,768
Income taxes—deferred	(2,110)	(252)	4,600	1,383	4,944	(3,244)
Net income before minority interests in subsidiaries	78,451	69,021	39,943	66,955	—	—
Minority interests in subsidiaries	8,574	5,363	4,454	6,109	5,505	3,504
Net income	69,876	63,658	35,489	60,846	47,611	21,502
As a percentage of revenue	8.5	8.3	5.2	9.2	7.3	3.2
Percentage change from prior year	9.8	79.4	(41.7)	27.8	121.4	(65.0)

Consolidated Statements of Comprehensive Income (Based on Japanese Gaap)

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

	In millions of yen					
	2014	2013	2012	2011	2010	2009
Net income before minority interests in subsidiaries	¥78,451	¥69,021	¥39,943	¥66,955	¥—	¥—
Other comprehensive income (loss):						
Unrealized gains (losses) on securities	543	7,500	2,318	(2,970)	—	—
Deferred gains on hedges	—	—	8	16	—	—
Foreign currency translation adjustments	11,787	6,222	(2,262)	(5,191)	—	—
Share of other comprehensive gains (losses) of affiliated companies accounted for under the equity method	6,649	4,402	(1,281)	(1,069)	—	—
Total other comprehensive income (loss)	18,980	18,124	(1,217)	(9,214)	—	—
Comprehensive income	97,431	87,146	38,726	57,740	—	—
Comprehensive income attributable to:						
Owners of the parent company	87,480	80,666	34,473	52,203	—	—
Minority interests	9,950	6,480	4,253	5,537	—	—

NONCONSOLIDATED FINANCIAL DATA

(BASED ON JAPANESE GAAP) [REFERENCE]

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Condensed Nonconsolidated Balance Sheets (Based on Japanese Gaap)

SECOM CO., LTD.
As of March 31

	In millions of yen					
ASSETS	2014	2013	2012	2011	2010	2009
Current assets:						
Cash on hand and in banks.....	¥ 80,908	¥ 54,136	¥ 82,631	¥ 74,680	¥ 44,607	¥ 31,149
Cash deposits for armored car services	56,818	53,551	52,386	54,641	46,957	54,258
Notes receivable	683	700	720	221	248	389
Due from subscribers.....	14,991	14,856	14,324	11,563	11,434	11,630
Accounts receivable, trade.....	9,960	9,691	10,039	6,074	6,484	6,732
Receivables—other.....	2,699	2,528	2,159	2,385	2,556	2,415
Short-term investments	437	1,048	456	456	2,429	455
Merchandise	5,489	5,585	5,152	4,279	6,574	5,652
Supplies	1,303	1,012	1,470	1,167	1,082	1,101
Prepaid expenses.....	2,109	2,332	2,253	2,051	2,016	2,034
Deferred income taxes.....	4,382	5,268	4,269	4,938	4,720	4,446
Short-term loans receivable	157	152	369	277	171	173
Short-term loans receivable to subsidiaries and affiliated companies	20,488	19,076	15,197	4,040	3,669	11,471
Other	2,039	4,827	1,639	1,857	2,129	3,457
Allowance for doubtful accounts.....	(221)	(248)	(268)	(206)	(450)	(567)
Total current assets.....	202,248	174,521	192,804	168,428	134,634	134,801
Fixed assets:						
Tangible assets:						
Buildings and improvements, net	17,466	17,059	16,409	22,310	22,360	23,055
Automobiles, net	865	521	231	243	368	386
Security equipment and control stations, net	66,683	65,329	65,341	61,461	60,860	63,064
Machinery and equipment, net.....	232	288	361	565	828	1,071
Tools, furniture and fixtures, net	2,922	2,979	3,301	3,151	3,519	3,717
Land.....	29,520	29,802	28,555	28,390	28,352	28,306
Construction in progress.....	1,848	1,719	1,710	1,743	1,203	1,588
Other, net.....	105	235	374	513	654	634
Total tangible assets.....	119,644	117,936	116,286	118,379	118,147	121,825
Intangible assets:						
Goodwill.....	2,607	2,978	3,350	—	—	—
Software.....	3,910	4,269	5,487	6,751	7,580	6,578
Other.....	1,768	2,061	1,586	815	975	542
Total intangible assets.....	8,286	9,308	10,424	7,566	8,555	7,121
Investments and others:						
Investment securities.....	23,789	21,583	23,906	20,969	21,769	21,267
Investment securities in subsidiaries and affiliated companies.....	239,008	236,309	190,305	203,036	193,899	192,775
Investments in subsidiaries and affiliated companies.....	1,827	1,827	1,883	1,874	1,874	1,874
Long-term loans receivable	4,043	4,243	4,298	4,687	5,088	8,468
Long-term loans receivable to employees.....	50	55	59	53	55	40
Long-term loans receivable to subsidiaries and affiliated companies	139,648	151,514	123,716	113,536	128,727	134,636
Lease deposits	7,553	7,747	8,147	8,047	8,583	8,702
Long-term prepaid expenses.....	20,780	21,594	24,013	25,872	25,816	26,412
Prepaid pension and severance costs.....	16,962	16,263	15,903	14,321	14,364	14,561
Deferred income taxes.....	—	—	130	13,865	14,099	14,763
Insurance funds.....	3,988	3,991	4,181	4,181	4,334	4,896
Other.....	2,777	2,728	2,713	2,831	800	1,065
Allowance for doubtful accounts	(17,698)	(20,307)	(19,326)	(12,995)	(12,544)	(13,354)
Total investments and others	442,730	447,551	379,933	400,281	406,869	416,110
Total fixed assets.....	570,662	574,796	506,643	526,227	533,572	545,056
Total assets.....	¥772,910	¥749,317	¥699,448	¥694,656	¥668,207	¥679,858

In millions of yen

LIABILITIES	2014	2013	2012	2011	2010	2009
Current liabilities:						
Accounts payable	¥ 3,429	¥ 3,044	¥ 2,400	¥ 1,672	¥ 2,009	¥ 2,319
Bank loans	36,703	26,598	27,659	29,386	24,492	60,893
Lease obligations	176	121	80	71	51	43
Payables—other	14,546	15,042	13,756	10,824	10,811	10,981
Payables—construction	4,218	4,333	4,343	3,719	3,425	3,742
Accrued income taxes	12,366	19,510	3,938	12,450	14,637	11,849
Accrued consumption taxes	1,478	2,538	2,062	1,422	1,491	1,622
Accrued expenses	802	726	716	722	555	597
Deposits received	17,870	24,131	22,066	20,362	23,625	28,451
Deferred revenue	21,301	21,671	22,340	22,229	22,558	22,735
Accrued bonuses	6,246	6,089	6,116	5,468	5,493	5,537
Other	1,834	365	640	2,107	2,133	1,928
Total current liabilities	120,976	124,174	106,121	110,439	111,287	150,704
Long-term liabilities:						
Lease obligations	2,747	2,449	2,217	2,253	182	192
Guarantee deposits received	17,622	17,859	18,099	18,262	17,965	18,146
Deferred income taxes	307	788	—	—	—	—
Accrued pension and severance costs	3,555	4,051	3,945	4,040	4,394	4,766
Accrued retirement benefits for directors and audit and supervisory board members	—	857	1,294	1,232	1,174	1,104
Other	459	25	10	11	272	12
Total long-term liabilities	24,692	26,031	25,568	25,799	23,989	24,221
Total liabilities	145,668	150,205	131,689	136,238	135,276	174,926

NET ASSETS**Shareholders' equity:**

Common stock	¥ 66,377	¥ 66,377	¥ 66,377	¥ 66,377	¥ 66,377	¥ 66,377
Capital surplus:						
Additional paid-in capital	83,054	83,054	83,054	83,054	83,054	83,054
Other capital surplus	0	—	—	—	—	—
Total capital surplus	83,054	83,054	83,054	83,054	83,054	83,054
Retained earnings:						
Legal reserve	9,028	9,028	9,028	9,028	9,028	9,028
Other retained earnings:						
Reserve for system developments	800	800	800	800	800	800
General reserve	2,212	2,212	2,212	2,212	2,212	2,212
Accumulated earnings carried forward	536,978	508,398	478,914	472,070	445,579	418,306
Total retained earnings	549,018	520,439	490,954	484,110	457,620	430,347
Common stock in treasury, at cost	(73,682)	(73,664)	(73,659)	(74,923)	(74,907)	(74,896)
Total shareholders' equity	624,768	596,206	566,727	558,619	532,145	504,883

Valuation, translation adjustments and others:

Unrealized gains (losses) on securities	2,473	2,905	1,031	(201)	786	48
Total valuation, translation adjustments and others	2,473	2,905	1,031	(201)	786	48
Total net assets	627,242	599,112	567,758	558,417	532,931	504,932
Total liabilities and net assets	¥772,910	¥749,317	¥699,448	¥694,656	¥668,207	¥679,858

Condensed Nonconsolidated Statements of Income (Based on Japanese Gaap)

SECOM CO., LTD.

Years ended March 31

	In millions of yen					
	2014	2013	2012	2011	2010	2009
Revenue	¥364,280	¥355,393	¥345,476	¥329,297	¥328,773	¥336,893
<i>Percentage change from prior year</i>	2.5%	2.9%	4.9%	0.2%	(2.4%)	(0.2%)
Service charges.....	309,499	305,300	299,523	290,252	291,325	294,386
<i>Percentage change from prior year</i>	1.4	1.9	3.2	(0.4)	(1.0)	1.0
Sales of merchandise.....	54,781	50,092	45,952	39,045	37,447	42,506
<i>Percentage change from prior year</i>	9.4	9.0	17.7	4.3	(11.9)	(8.1)
Costs	215,849	210,790	203,386	191,284	188,701	193,842
<i>As a percentage of revenue</i>	59.3	59.3	58.9	58.1	57.4	57.5
Costs of service	177,339	174,331	169,928	160,203	160,349	161,548
<i>As a percentage of service charges</i>	57.3	57.1	56.7	55.2	55.0	54.9
Costs of sales	38,509	36,458	33,458	31,081	28,352	32,294
<i>As a percentage of merchandise sales</i>	70.3	72.8	72.8	79.6	75.7	76.0
Gross profit.....	148,431	144,603	142,089	138,013	140,072	143,050
<i>As a percentage of revenue</i>	40.7	40.7	41.1	41.9	42.6	42.5
Gross profit on service.....	132,159	130,969	129,595	130,048	130,976	132,838
<i>As a percentage of service charges</i>	42.7	42.9	43.3	44.8	45.0	45.1
Gross profit on sales.....	16,272	13,634	12,494	7,964	9,095	10,212
<i>As a percentage of merchandise sales</i>	29.7	27.2	27.2	20.4	24.3	24.0
Selling, general and administrative expenses	75,521	74,651	71,893	69,324	68,544	70,434
<i>As a percentage of revenue</i>	20.7	21.0	20.8	21.0	20.8	20.9
Operating profit.....	72,909	69,952	70,196	68,688	71,527	72,616
<i>As a percentage of revenue</i>	20.0	19.7	20.3	20.9	21.8	21.6
Non-operating income	10,269	10,173	8,048	8,863	9,225	9,721
Non-operating expenses	4,295	3,789	3,032	3,050	3,290	3,990
Ordinary profit	78,884	76,336	75,212	74,501	77,462	78,346
<i>As a percentage of revenue</i>	21.7	21.5	21.8	22.6	23.6	23.3
Extraordinary profit	491	1,219	23,001	106	561	67
Extraordinary losses.....	1,604	1,052	40,695	2,637	4,639	27,068
Income before income taxes	77,771	76,502	57,518	71,970	73,384	51,345
<i>As a percentage of revenue</i>	21.3	21.5	16.6	21.9	22.3	15.2
Income taxes.....	26,273	27,374	30,699	26,946	27,578	18,931
<i>Effective tax rate</i>	33.8	35.8	53.4	37.4	37.6	36.9
Net income	51,497	49,128	26,818	45,023	45,806	32,414
<i>As a percentage of revenue</i>	14.1	13.8	7.8	13.7	13.9	9.6
<i>Percentage change from prior year</i>	4.8	83.2	(40.4)	(1.7)	41.3	(35.2)

(As of June 30, 2014)

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

MAJOR CONSOLIDATED SUBSIDIARIES

	Issued capital (In millions of yen)	Percentage of equity/ voting rights	Lines of business	(As of June 30, 2014)
Domestic				
<Security services>				
Secom Joshinetsu Co., Ltd.	¥3,530	(50.9)%	Security services	
Secom Hokuriku Co., Ltd.	201	59.1	Security services	
Secom Yamanashi Co., Ltd.	15	70.0	Security services	
Secom Mie Co., Ltd.	50	51.0	Security services	
Secom Sanin Co., Ltd.	290	64.3	Security services	
Secom Kochi Co., Ltd.	50	40.0	Security services	
Secom Miyazaki Co., Ltd.	30	68.3	Security services	
Secom Ryukyu Co., Ltd.	76	50.0	Security services	
Secom Jastic Co., Ltd.	210	100.0	Security services	
Secom Jastic Joshinetsu Co., Ltd.	40	(100.0)	Security services	
Secom Jastic Hokuriku Co., Ltd.	10	(100.0)	Security services	
Secom Jastic Yamanashi Co., Ltd.	10	(100.0)	Security services	
Secom Jastic Sanin Co., Ltd.	10	(100.0)	Security services	
Secom Jastic Kochi Co., Ltd.	10	(100.0)	Security services	
Secom Jastic Miyazaki Co., Ltd.	10	(100.0)	Security services	
Secom Static Hokkaido Co., Ltd.	50	100.0	Security services	
Secom Static Tohoku Co., Ltd.	50	100.0	Security services	
Secom Static Nishi-Nihon Co., Ltd.	50	100.0	Security services	
Secom Static Kansai Co., Ltd.	50	100.0	Security services	
Secom Static Ryukyu Co., Ltd.	10	(100.0)	Security services	
Secom Sado Co., Ltd.	24	(54.5)	Security services	
JK. Siress Co., Ltd.	10	(100.0)	Security services	
Japan Safety Guard Co., Ltd.	100	60.0	Security services	
Japan Nuclear Security System Co., Ltd.	200	50.0	Security services	
Meian Co., Ltd.	60	51.0	Security services	
Secom Tech Sanin Co., Ltd.	23	(100.0)	Installation of security equipment	
Secom Techno Joshinetsu Co., Ltd.	30	(100.0)	Installation of security equipment	
Secom Win Co., Ltd.	15	66.7	Installation of security equipment and facilities	
Secom Industries Co., Ltd.	499	100.0	Manufacturing of security equipment	
Otec Electronics Co., Ltd.	200	82.0	Manufacturing and sales of security systems	
Secom Alpha Co., Ltd.	271	100.0	Sales of security and water-treatment equipment	
Secom Mine Security Co., Ltd.	30	100.0	Security services	
Social Rehabilitation Support Kitsuregawa Co., Ltd.	10	51.7	Operation of PFI correctional facilities	
Secom Kitsuregawa Security Co., Ltd.	50	100.0	Security services	
Home Life Kanri Co., Ltd.	40	(100.0)	Condominium management	

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

(Continued)

MAJOR CONSOLIDATED SUBSIDIARIES

	Issued capital (In millions of yen)	Percentage of equity/ voting rights	Lines of business	(As of June 30, 2014)
<Fire protection services>				
Nohmi Bosai Ltd.	¥13,302	(50.4)%	Manufacturing and sales of fire protection equipment and facilities	
Ichibou Co., Ltd.	28	(73.2)	Installation of fire protection equipment	
Kyushu Nohmi Co., Ltd.	30	(100.0)	Installation and maintenance of fire protection equipment	
Chiyoda Service Co., Ltd.	20	(70.0)	Building management	
Nohmi Engineering Corp.	40	(100.0)	Installation of fire protection equipment	
Nohmi System Co., Ltd.	20	(100.0)	Maintenance of fire protection equipment	
Iwate Nohmi Co., Ltd.	30	(100.0)	Installation of fire protection equipment	
Tohoku Nohmi Co., Ltd.	32	(100.0)	Installation of fire protection equipment	
Aomori Nohmi Co., Ltd.	20	(100.0)	Installation of fire protection equipment	
Osaka Nohmi Co., Ltd.	20	(100.0)	Installation of fire protection equipment	
Nissin Bohsai Co., Ltd.	50	(100.0)	Installation of fire protection equipment	
Chiba Nohmi Co., Ltd.	10	(100.0)	Installation of fire protection equipment	
Shikoku Nohmi Co., Ltd.	20	(100.0)	Installation of fire protection equipment	
Nohmi Techno Engineering Co., Ltd.	40	(100.0)	Installation of environmental monitoring systems	
Akita Nohmi Co., Ltd.	20	(100.0)	Installation of fire protection equipment	
Fukushima Nohmi Co., Ltd.	20	(100.0)	Installation of fire protection equipment	
Niigata Nohmi Co., Ltd.	20	(100.0)	Installation of fire protection equipment	
Hokkaido Nohmi Co., Ltd.	20	(100.0)	Installation of fire protection equipment	
Yashima Bosai Setsubi Co., Ltd.	20	(81.8)	Installation of fire protection equipment	
Nittan Co., Ltd.	2,303	100.0	Installation, sale and maintenance of fire protection equipment	
Nittan Electronic Co., Ltd.	60	(100.0)	Manufacturing of fire protection equipment	
Nittan Denko Co., Ltd.	10	(100.0)	Installation and maintenance of fire protection equipment	
Nittan Hokkaido Service Center Co., Ltd.	10	(100.0)	Installation and maintenance of fire protection equipment	
Nittan Tohoku Service Center Co., Ltd.	10	(100.0)	Installation and maintenance of fire protection equipment	
Nittan Nagoya Service Center Co., Ltd.	10	(100.0)	Installation and maintenance of fire protection equipment	
Nittan Service Center Osaka Co., Ltd.	10	(100.0)	Installation and maintenance of fire protection equipment	
Nittan Hiroshima Service Center Co., Ltd.	10	(100.0)	Installation and maintenance of fire protection equipment	
Nittan Shikoku Service Center Co., Ltd.	10	(100.0)	Installation and maintenance of fire protection equipment	
Nittan Fukuoka Service Center Co., Ltd.	10	(100.0)	Installation and maintenance of fire protection equipment	
Sogo Denki Trading Co., Ltd.	10	(100.0)	Installation and maintenance of fire protection equipment	
Shell beach Co., Ltd.	10	(100.0)	Installation and maintenance of fire protection equipment	
<Medical services>				
Secom Medical System Co., Ltd.	6,650	100.0	Home health/nursing care and other medical-related services	
Mac Corp.	95	(100.0)	Sales of medical equipment	
Yoshikikaku Co., Ltd.	20	(100.0)	Operation of restaurants and shops at medical facilities	
Kensei Co., Ltd.	100	(100.0)	Management of pharmacies	
Secomfort Tama Co., Ltd.	210	(100.0)	Management of nursing homes	
Alive Medicare Co., Ltd.	50	(100.0)	Management of nursing homes	
Secom Medical Resource Co., Ltd.	10	(100.0)	Medical staffing solutions	
Secomfort Co., Ltd.	100	(100.0)	Management of nursing homes	
Secomfort West Co., Ltd.	100	(100.0)	Management of nursing homes	
US Chemical Co., Ltd.	3	(100.0)	Management of pharmacies	
Secom Medipharma Co., Ltd.	10	(100.0)	Wholesaling of pharmaceuticals	

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

(Continued)

MAJOR CONSOLIDATED SUBSIDIARIES

	Issued capital (In millions of yen)	Percentage of equity/ voting rights	Lines of business	(As of June 30, 2014)
<Insurance services>				
Secom Insurance Service Co., Ltd.	¥ 225	(100.0)%	Non-life insurance agency	
Secom General Insurance Co., Ltd.	16,809	97.1	Non-life insurance	
<Geographic information services>				
Pasco Corp.	8,758	69.8	Geographic information services	
Pasco Space Mapping Technology Co., Ltd.	25	(100.0)	Geographic information services	
GIS Hokkaido Co., Ltd.	190	(100.0)	Geographic information services	
GIS Tohoku Co., Ltd.	50	(84.6)	Geographic information services	
GIS Kanto Co., Ltd.	40	(52.6)	Geographic information services	
GIS Kansai Co., Ltd.	99	(100.0)	Geographic information services	
Mid Map Tokyo Corp.	15	(60.0)	Geographic information services	
RIIC Corp.	20	(100.0)	Geographic information services	
Higashi-Nihon Sogo Keikaku Co., Ltd.	200	(100.0)	Geographic information services	
Satellite Vision Corp.	20	(100.0)	Geographic information services	
<Information and communication related services>				
Secom Trust Systems Co., Ltd.	1,469	100.0	Information, communication, information security services and software development	
At Tokyo Corp.	13,378	50.9	Data center business	
<Real estate and other services>				
Secom Home Life Co., Ltd.	3,700	99.9	Development of residential buildings	
Arai & Co., Ltd.	3,000	86.7	Real estate leasing	
Arai Corporation, Inc.	10	(100.0)	Management of real estate	
Secom Credit Co., Ltd.	400	100.0	Credit services	
Secom Corp.	100	100.0	Printing services	
Secom Auto Service Co., Ltd.	45	100.0	Car maintenance	
Wonder Dream Co., Ltd.	490	100.0	Employee welfare for SECOM Group	
Secom Staff Service Co., Ltd.	50	(100.0)	Employment agency	
Secom Business Plus Co., Ltd.	20	100.0	General office services	
Secom Home Service Co., Ltd.	32	100.0	Lifestyle support services	
Kurashi-TEL Co., Ltd.	100	60.0	Comprehensive lifestyle support services	
Secom Engineering Co., Ltd.	100	100.0	Design, construction and maintenance of facilities	
Yanoshin Air Conditioning Co., Ltd.	80	100.0	Sales of air-conditioning equipment	
Toko Create Co., Ltd.	50	96.6	Electrical engineering	

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

(Continued)

MAJOR CONSOLIDATED SUBSIDIARIES

	Issued capital	Percentage of equity/ voting rights	Lines of business	(As of June 30, 2014)
Overseas				
<Security services>				
Secom plc	£44,126 thousand	100.0%	Security services	
Secom (China) Co., Ltd.	¥5,550 million	100.0	Holding company	
Dalian Secom Security Co., Ltd.	US\$2,000 thousand	(95.0)	Security services	
Shanghai Secom Security Co., Ltd.	US\$3,500 thousand	(85.0)	Security services	
Beijing Jingdun Secom Electronic Security Co., Ltd.	US\$2,500 thousand	(80.0)	Security services	
Qingdao Secom Security Co., Ltd.	US\$1,000 thousand	(80.0)	Security services	
Guangdong Jipeng Secom Security Co., Ltd.	US\$4,500 thousand	(90.0)	Security services	
Fujian Secom Security Co., Ltd.	Rmb15,000 thousand	(95.0)	Security services	
Sichuan Secom Security Co., Ltd.	Rmb10,000 thousand	(100.0)	Security services	
Shaanxi Secom Security Co., Ltd.	Rmb10,000 thousand	(100.0)	Security services	
Zhejiang Secom Security Co., Ltd.	Rmb15,000 thousand	(97.0)	Security services	
Liaoning Secom Security Co., Ltd.	Rmb10,000 thousand	(60.0)	Security services	
Tianjin Secom Property Management Co., Ltd.	Rmb2,000 thousand	(80.0)	Comprehensive building management services	
PT. Secom Indonesia	US\$4,111 thousand	49.0	Security services	
Thaisecom Pitakkij Co., Ltd.	THB378,857 thousand	70.0	Security services	
Secom Australia Pty. Ltd.	AUD17,297 thousand	100.0	Security services	
Secom Technical Services Unit Trust	AUD5,951 thousand	(70.0)	Security services	
Secom Australia (ACT) Unit Trust	AUD700 thousand	(100.0)	Security services	
Secom Guardall NZ Ltd.	NZD1,604 thousand	(80.0)	Security services	
Secom Vietnam Co., Ltd.	US\$600 thousand	80.0	Security service-related consulting	
Secom Trading Co., Ltd.	¥120 million	100.0	Sales of security equipment	
Secom Vietnam Security Service Joint Stock Company	¥181 million	(49.0)	Security services	
<Other services>				
Shanghai Nohmi Secom Fire Protection Equipment Co., Ltd.	US\$14,300 thousand	(100.0)	Manufacturing and sales of fire protection equipment and facilities	
Nohmi Taiwan Ltd.	NT\$15,000 thousand	(82.3)	Manufacturing and sales of fire protection equipment and facilities	
Nittan Europe Ltd.	£1,194 thousand	(100.0)	Sales of fire protection equipment	
Nittan Fire Protection System (Zhongshan) Co.,Ltd.	US\$1,400 thousand	(70.0)	Sales of fire protection equipment	
Taiwan Nittan Fire & Safety Co.,Ltd.	NT\$7,600 thousand	(60.5)	Sales of fire protection equipment	
Nittan Fire Prevention Technology (Beijing) Corp.	US\$800 thousand	(100.0)	Sales of fire protection equipment	
Secom Medical System (Singapore) Pte. Ltd.	S\$12,703 thousand	(100.0)	Holding company	
Pasco Philippines Corp.	PHP20,400 thousand	(100.0)	Geographic information services	
Pasco China Corp.	Rmb22,320 thousand	(99.0)	Geographic information services	
Suzhou Super Dimension Earth Science Research and Development Co., Ltd.	Rmb1,000 thousand	(92.0)	Geographic information services	
Shanghai Pasco China Corp.	Rmb800 thousand	(100.0)	Geographic information services	
Pasco (Thailand) Co., Ltd.	THB129,000 thousand	(100.0)	Geographic information services	
PT. Nusantara Secom InfoTech	US\$3,304 thousand	(100.0)	Geographic information services and software development	
Pasco Lao Sole Co., Ltd.	LAK3,878 million	(100.0)	Geographic information services	
FM-International Oy	EUR10,994 thousand	(100.0)	Geographic information services	
Aerodata International Surveys BVBA	EUR87 thousand	(100.0)	Geographic information services	
Pasco Europe B.V.	EUR4,000 thousand	(100.0)	Geographic information services	
Pasco North America Inc.	US\$5,621 thousand	(100.0)	Geographic information services	
Keystone Aerial Surveys Inc.	US\$0.6 thousand	(70.0)	Geographic information services	
Airmag Surveys Inc.	US\$15 thousand	(100.0)	Geographic information services	
The Westec Security Group, Inc.	US\$0.3 thousand	100.0	Holding company	
ClearLight Partners, LLC	—	(99.7)	Investment	
ClearLight Partners II, LLC	—	(99.0)	Investment	
ClearLight Partners III, LLC	—	(98.0)	Investment	

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

SECOM's Basic Business Areas

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

Security Services

Centralized Security Systems

Commercial Use:

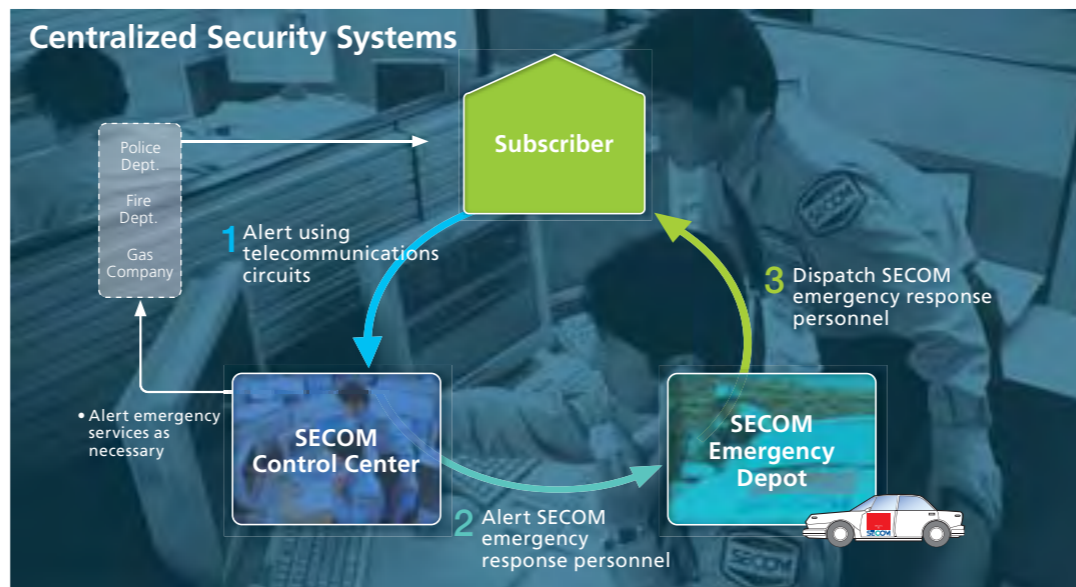
- **SECOM AX**
SECOM AX is an on-line security system with advanced on-site image sensors that incorporate microphones to enable the SECOM control center staff to check the subscriber's premises by listening and viewing.
- **SECOM IX**
SECOM IX is a remote imaging security system for commercial facilities offering around-the-clock services.
- **INTELLIGENT EMERGENCY ALERT SYSTEM**
The Intelligent Emergency Alert System automatically recognizes robberies or other suspicious situations and alerts a SECOM control center without the need for anyone to push an emergency alarm button, applying advanced image recognition and voice processing technologies to aid in the early detection of irregularities.
- **SECOM DX**
SECOM DX is an on-line security system developed to meet the needs of shops, offices, warehouses, factories and other commercial and industrial establishments.
- **SECOM TX**
SECOM TX is an on-line security system for commercial buildings with more than one tenant.
- **HANKS SYSTEM**
HANKS SYSTEM is an on-line security system for financial institutions, including automated banking facilities.
- **SECOM CX**
SECOM CX offers a comprehensive building management system that monitors and manages large building complexes.
- **SECOM LX**
SECOM LX is an on-line security system that includes an access control function.
- **SECOM FX**
SECOM FX is a system that combines monitoring for intruders and fire with facility control functions.

Residential Use:

- **SECOM HOME SECURITY**
SECOM Home Security is a comprehensive home security system combining around-the-clock intrusion- and fire-prevention services, emergency call services, gas leak monitoring and medical emergency call services. SECOM Home Security G-Custom combines these features with other useful services, including a

Fire Protection Services

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



storage service for important personal data and information on other services available from Group-selected collaborating companies. Optional services available to SECOM Home Security Subscribers include the Keeping in Touch call and the Keeping in Touch visiting services for seniors, both of which involve SECOM staff checking in regularly with seniors living far away from their loved ones.

- **SECURITY SYSTEMS FOR CONDOMINIUMS AND APARTMENTS**
SECOM provides comprehensive building management functions for condominiums and total safety with a centralized security system for each unit in the building. SECOM's menu includes services for small-scale apartments.
- **SECOM MY DOCTOR PLUS**
SECOM My Doctor Plus is an emergency medical alert system for seniors featuring an exclusive portable device that incorporates a GPS locator and a cellular phone. Whether indoors or out, the device, when activated, sends an emergency signal to SECOM. If requested, SECOM dispatches emergency response personnel. If deemed necessary, SECOM staff also contacts emergency services and sends preregistered emergency information to the subscriber's

Medical Services

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

device, thereby ensuring it is immediately available to ambulance attendants and hospital staff. Other services include telephone health consultation. SECOM will also act as go-between with nursing care providers for individuals who have independently contracted care services.

Large-Scale Proprietary Security Systems

- **TOTAX ZETA**
TOTAX ZETA integrates networking capabilities and a security system into a comprehensive local control system for industrial complexes and buildings.

COCO-SECOM

COCO-SECOM is an innovative system that uses signals from Global Positioning System (GPS) satellites and cellular telephone base stations to locate moving objects, such as people, vehicles and property. As an option, customers can also request to have emergency response personnel dispatched to the location of the object or an emergency alert relayed to a predetermined telephone number.

Insurance Services

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

Geographic Information Services

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

Static Guard Services

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

Armored Car Services

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

SECOM AED Package Service

The SECOM AED Package Service is a full-service package encompassing leasing and maintenance of emergency lifesaving kits featuring automated external defibrillators (AEDs) to non-medical professionals.

Merchandise

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

Information and Communication Related Services

- **DATA CENTERS**
Robust facility construction, stable electric power supplies, dependable networks and top-grade SECOM security enable SECOM to provide safe storage for information assets, as well as a variety of other services.
- **LARGE-SCALE DISASTER RESPONSE SERVICES**
SECOM provides solutions encompassing everything from services that optimize companies' preparedness for disasters to services that assist companies when disaster strikes and during post-disaster reconstruction. These include SECOM Safety Confirmation Service, which helps companies confirm the safety of employees in the event of a disaster, as well as to gather and share crucial information on conditions on the ground.
- **INFORMATION SECURITY SERVICES**
SECOM provides a variety of services designed to protect subscribers' information against cyber attacks and other dangers, including diagnosing and analyzing network problems, monitoring for system and network viruses and emergency on-site response services in the event an irregularity is detected.
- **CLOUD-BASED SERVICES**
Capitalizing on its data center, information security, computer network and other service capabilities, SECOM provides a wide range of cloud-based services, including SECOM Anshin Eco Document Digitization Service, which helps improve customers' business processes.

Real Estate and Other Services

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

Directors, Audit and Supervisory Board Members and Executive Officers

Directors



Makoto Iida
Founder



Shuji Maeda
Chairman and
Representative Director



Hiroshi Ito
President and
Representative Director



Yasuo Nakayama
Executive Director



Kazuaki Anzai
Executive Director



Junzo Nakayama
Executive Director



Kenichi Furukawa
Executive Director



Yasuyuki Yoshida
Director



Tatsuro Fuse
Director



Takaharu Hirose
Outside Director



Takashi Sawada
Outside Director

Audit and Supervisory Board Members

Seiji Sakamoto
Katsuhisa Kuwahara
Ken Tsunematsu*
Hideki Kato*
Kenichi Sekiya*

*Outside

Executive Officers

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Chairman and
Representative Director

Hiroshi Ito
President and
Representative Director

Yasuo Nakayama
Executive Director

Kazuaki Anzai
Executive Director

Junzo Nakayama
Executive Director

Kenichi Furukawa
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Toshiyuki Mukai
Managing Executive
Officer

Masahiro Takeda
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Officer

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Ryohei Komatsu
Executive Officer

Keitaro Arai
Executive Officer

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Executive Officer

Hiroshi Ishikawa
Executive Officer

Yoichi Sugimoto
Executive Officer

Tatsuya Izumida
Executive Officer

Shokichi Ishimura
Executive Officer

Toshiaki Mizuno
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(As of July 31, 2014)



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