



## ANNUAL REPORT 2016

Year ended March 31, 2016

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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.

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Since its establishment in 1962, **SECOM CO., LTD.**, Japan's first security services company, has sought to develop and encourage broad acceptance of pioneering services and systems that deliver safety, peace of mind, comfort and convenience, 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 advancing 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.

The overarching mission of SECOM, which comprises the parent company and the companies of the SECOM Group, is to provide safety and peace of mind, as well as make life more convenient and comfortable, whenever and wherever necessary. Accordingly, we are pushing forward with efforts to realize our vision for the future, the Social System Industry, which describes a framework of distinctive, integrated services and systems. To this end, we are leveraging our extensive business portfolio—which has expanded to encompass 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 expansion, working not only to enhance individual businesses but also to integrate services, thereby yielding synergies that will drive growth.

Today, we are maximizing these synergies to expand the scope of our operations by promoting the "ALL SECOM" concept, which focuses on rallying Group strengths, to broaden our

selection of services and systems, to enhance safety, peace of mind, comfort and convenience, with the aim of alleviating problems and resolving concerns. Through these efforts, we strive to make SECOM an ever-present part of customers' lives.

We have also expanded our focus beyond Japan. Currently active in 21 countries and territories, where we offer distinctive security services, fire protection services, medical services and geographic information services, we continue to strengthen and grow our overseas operations.

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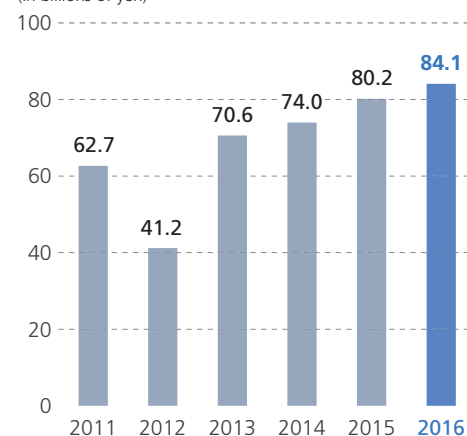
# Financial Highlights

## U.S. GAAP

SECOM CO., LTD. and Subsidiaries For the years ended/as of March 31	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2016	2015	2014	2016
Net sales and operating revenue	¥ 983,428	¥ 945,238	¥ 921,146	\$ 8,702,903
Operating income	118,905	122,007	120,078	1,052,257
Net income attributable to SECOM CO., LTD.	84,072	80,184	73,979	744,000
Total assets	1,681,332	1,525,863	1,440,705	14,879,044
Total SECOM CO., LTD. shareholders' equity	865,278	825,969	753,099	7,657,326
			In yen	In U.S. dollars
Per share of common stock:				
Net income attributable to SECOM CO., LTD.	¥ 385.19	¥ 367.37	¥ 338.94	\$ 3.41
Cash dividends	130.00	175.00	105.00	1.15
SECOM CO., LTD. shareholders' equity	3,964.40	3,784.27	3,450.36	35.08

Notes: 1. Yen amounts have been translated into U.S. dollars, solely for the convenience of the reader, at the approximate rate of ¥113=US\$1, the rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2016.  
 2. Net income attributable to SECOM CO., LTD. per share of common stock is based on the average number of shares outstanding during each period, less treasury stock.  
 3. SECOM CO., LTD. shareholders' equity per share of common stock is based on the number of shares outstanding at the end of each period, less treasury stock.  
 4. Cash dividends per share of common stock are based on dividends approved and paid in each fiscal year. At the general shareholders' meeting held on June 25, 2014, shareholders approved a proposal to pay an annual dividend of ¥115.00 per share for fiscal year 2014. Subsequently at the Board of Directors' meeting held on November 10, 2014, directors approved a proposal to pay an interim dividend of ¥60.00 per share for the first half of the year ended March 31, 2015. Because the interim dividend, the record date for which is September 30, was newly adopted in the year ended March 31, 2015, the actual amount of dividends paid to shareholders for the year ended March 31, 2015, is the aggregate of the two. The actual amount of dividends paid to shareholders for the year ended March 31, 2016, is the aggregate of a year-end dividend of ¥65.00 approved at the general shareholders' meeting on held June 25, 2015, and an interim dividend of ¥65.00 approved at the Board of Directors' meeting held on November 9, 2015. At the general shareholders' meeting held on June 24, 2016, approval was granted for a proposal to pay a year-end dividend of ¥70.00 for the year ended March 31, 2016. (For further information, please see Note 18 of the accompanying Notes to Consolidated Financial Statements.)

**Net income attributable to SECOM CO., LTD. (U.S. GAAP)**  
(In billions of yen)



Note: In the fiscal year ended March 31, 2016, net income attributable to SECOM CO., LTD., rose ¥3.9 billion, to ¥84.1 billion. Contributing factors included increases in operating income in the security systems segment—underpinned by an upsurge in revenue from on-line security systems—the medical services segment and the fire protection services segment, as well as reduced income taxes, which reflected a decline in the statutory tax rate.

In the year ended March 31, 2015, net income attributable to SECOM CO., LTD., advanced ¥6.2 billion, to ¥80.2 billion. This result was attributable to an increase in operating income in the insurance services segment, which reflected a decline in losses due to damage caused by natural disasters, as well as to an increase in operating income in the security services segment, owing mainly to higher segment net sales and operating revenue. Another contributing factor was a decrease in income taxes, a consequence of tax reform in Japan, which lowered the statutory tax rate.

In the year ended March 31, 2014, net income attributable to SECOM CO., LTD., 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.

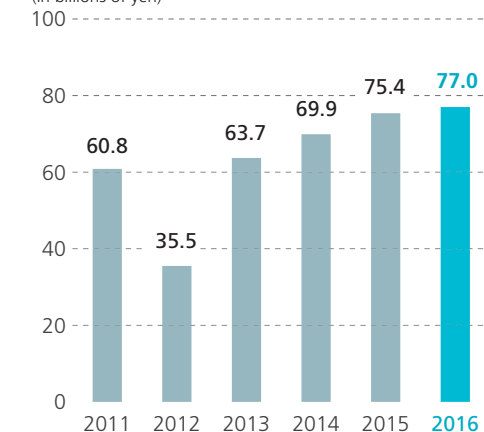
Pursuant to the applicable Japanese law, SECOM is required to publish results in line with accounting principles generally accepted in Japan (Japanese GAAP). Key financial highlights calculated using Japanese GAAP are shown below for reference.

## Japanese GAAP

SECOM CO., LTD. and Subsidiaries For the years ended/as of March 31	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2016	2015	2014	2016
Revenue	¥ 881,028	¥ 840,722	¥ 822,228	\$ 7,796,708
Operating profit	128,582	123,615	120,018	1,137,894
Ordinary profit	134,826	136,688	126,677	1,193,150
Net income attributable to owners of the parent	77,039	75,392	69,876	681,761
Total assets	1,568,052	1,410,715	1,328,226	13,876,566
Total net assets	943,144	907,341	830,369	8,346,407
			In yen	In U.S. dollars
Per share of common stock:				
Net income	¥ 352.97	¥ 345.42	¥ 320.14	\$ 3.12
Cash dividends	130.00	175.00	105.00	1.15
Net assets	3,817.82	3,667.33	3,345.06	33.79

Note: Cash dividends per share of common stock are based on dividends approved and paid in each fiscal year. At the general shareholders' meeting held on June 25, 2014, shareholders approved a proposal to pay an annual dividend of ¥115.00 per share for fiscal year 2014. Subsequently at the Board of Directors' meeting held on November 10, 2014, directors approved a proposal to pay an interim dividend of ¥60.00 per share for the first half of the year ended March 31, 2015. Because the interim dividend, the record date for which is September 30, was newly adopted in the year ended March 31, 2015, the actual amount of dividends paid to shareholders for the year ended March 31, 2015, is the aggregate of the two. The actual amount of dividends paid to shareholders for the year ended March 31, 2016, is the aggregate of a year-end dividend of ¥65.00 approved at the general shareholders' meeting held on June 25, 2015, and an interim dividend of ¥65.00 approved at the Board of Directors' meeting held on November 9, 2015. At the general shareholders' meeting held on June 24, 2016, approval was granted for a proposal to pay a year-end dividend of ¥70.00 for the year ended March 31, 2016.

**Net income attributable to owners of the parent (Japanese GAAP)**  
(In billions of yen)



### We are endeavoring to ensure sustainable growth by building on the ALL SECOM concept to alleviate problems and resolve concerns and responding to ever-changing customer needs.

#### Consolidated Operating Results

In the fiscal year ended March 31, 2016, the Japanese economy continued to recover gradually, buoyed by improvements in corporate earnings, as well as in employment levels and personal income. Nonetheless, the outlook remained uncertain, owing to concerns prompted by a slowdown in growth in key overseas economies, including the People's Republic of China (PRC) and languishing corporate and consumer confidence.

In this environment, we continued working toward the realization of our vision, the Social System Industry, in line with our goal of providing safety and peace of mind, as well as comfort and convenience, whenever and wherever necessary. We continued to respond 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 sought to address evolving social imperatives, pressing forward with efforts to apply the ALL SECOM concept to reinforce collaboration among our various independent businesses with a view to maximizing synergies, developing innovative services and systems and expanding the scope of our operations.

Consolidated net sales and operating revenue rose 4.0%, or ¥38.2 billion, to ¥983.4 billion. Principal factors behind this result included higher net sales and operating revenue in the security services segment—underpinned by an upsurge in revenue from on-line security systems and an increase in the number of consolidated subsidiaries—as well as in the fire protection services and medical services segments, the former due to higher orders and the latter to elevated sales of pharmaceuticals and rising patient numbers at hospitals.

Despite gains in the security services, medical services and fire protection services segments, operating income slipped 2.5%, or ¥3.1 billion, to ¥118.9 billion, with contributing factors including an increase in impairment losses on long-lived assets. Nonetheless, net income attributable to SECOM CO., LTD., was up 4.8%, or ¥3.9 billion, to ¥84.1 billion, owing to, among others, a decrease in income taxes resulting from a decline in the statutory tax rate, a consequence of tax reform in Japan.

#### Enhancing Returns to Shareholders

We recognize the provision of a fair return to shareholders as a crucial management task. In line with our basic policy of ensuring a consistent and stable distribution of profits, we determine our consolidated dividend payout ratio and level of internal reserves based on an overall assessment of efforts to expand our operations and of trends in our consolidated operating performance. At the Ordinary General Meeting of Shareholders, held on June 24, 2016, management proposed and shareholders approved the payment of a year-end dividend of ¥70.00 per share. Together with an interim dividend of ¥65.00, dividends for the full term amounted to ¥135.00 per share, up ¥10.00 from the previous fiscal year.

#### New Management Team

At the meeting of the Board of Directors held on May 11, 2016, Yasuo Nakayama was newly appointed president and representative director. Guided by our corporate philosophy, which emphasizes contributing to society through our business activities, the new management team will clarify the way forward and ensure strong leadership for the entire SECOM Group as we work to further enhance corporate value and at the same time ensure sustainable growth.



Makoto Iida  
Founder



Yasuo Nakayama  
President and Representative Director

#### Understanding and Responding to Change

Needs for safety, peace of mind, comfort and convenience are evolving and becoming increasingly varied and sophisticated. To respond swiftly to such needs, we are capitalizing on the three elements of our operating foundation, namely, our technologies, our people and our operational and control structure, to promote the timely development and provision of systems and services that help customers address key challenges.

In our core commercial security services business, we stepped up sales of high-value-added offerings, including SECOM AX, a remote imaging on-line security system that features advanced image recognition technologies; SECOM LX, which combines on-line security and access control functions to allow efficient personnel management, thus reducing costs; and SECOM FX, an on-line security and facility control system. For subscribers with factories or other large premises, we began providing the SECOM Drone, a small flying robot for the private sector that autonomously takes off and flies toward unauthorized individuals or vehicles, capturing sharp, clear images, which it transmits to SECOM. For even larger areas, we proceeded with efforts to commercialize systems employing pioneering technologies, including the SECOM Airship, a dirigible that provides monitoring over wide areas. We also sought to reinforce our operating foundation by acquiring all shares in Asahi Security Co., Ltd., thereby enhancing our armored car services.

In the area of home security services, we continued to respond to growing needs for systems that enhance safety, peace of mind, comfort and convenience, including SECOM Home Security G-Custom, an on-line residential security

system that includes a variety of other useful features. In addition, we acquired a 100% stake in Kumalift Co., Ltd., Japan's top manufacturer of small freight elevators in terms of market share, with which we have begun developing new offerings combining security systems and elevators.

Overseas, we sought to expand sales of SECOM-style security services, a term we use to describe comprehensive on-line security systems that encompass everything from the installation of security equipment at the subscriber's premises to the prompt dispatch of emergency response personnel. These efforts focused on the rapidly growing economies of Southeast Asia and the PRC. We also began promoting the idea of more robust security to Japanese companies for their overseas operations.

In fire protection services, subsidiaries Nohmi Bosai Ltd. and Nittan Co., Ltd., two of Japan's leading names in the area of fire protection services, continued to provide high-grade automatic fire alarm systems and fire extinguishing systems for office buildings, plants, tunnels, structures designated as cultural properties, ships and homes. In the period under review, assertive sales efforts that leverage the respective product development capabilities and other strengths of the two companies led to major orders for systems for, among others, electric power generating facilities and tunnels.

Efforts in our medical services business continued to concentrate on Home Medical Services, which comprise home nursing and pharmaceutical dispensing services, as well as on the operation of residences for seniors, the provision of electronic medical reporting systems, sales of medical equipment and pharmaceuticals, personal care services and support for associated hospitals.

In our insurance services business, sales of our distinctive non-life insurance policies expanded favorably. These include SECOM *Anshin* My Home, a comprehensive fire insurance policy for homes, and the Security Discount Fire Policy, a fire insurance policy for commercial premises, both of which extend discounts to subscribers who have installed on-line security systems, recognizing the risk-mitigating factors 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 event of an accident.

Our geographic information services business centers on the collection of geographic data from commercial satellite images, aerial photography and vehicle/ground surveying, which we integrate, process and analyze to provide geospatial information services to public sector entities—including national and local governments—and private-sector customers in Japan. We also offer these services to government agencies abroad, including those in developing countries. In the period under review, we sought to extend services that respond to increasingly diverse and sophisticated domestic and overseas needs for geospatial information associated with, among others, the construction and maintenance of critical infrastructure and the prevention and mitigation of risks and disasters.

We are also known for our broad range of information and communication related services, which focus on data center services and encompass business continuity planning (BCP) support services, information security services and cloud-based services. In advance of the implementation of Japan's My Number social security and tax number system, under which

every resident has been assigned a personal ID number, we began providing the SECOM *Anshin* My Number Service, which enables companies to collect, manage and, when necessary, use the ID numbers of their employees in a secure manner. Sales of the service were brisk, bolstered by efforts to attract new customers.

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

#### ALL SECOM: Driving Sustainable Growth

We remain committed to pushing ahead with the development of innovative services and systems that anticipate social change in line with three key themes—security, a super-aged society and disaster preparedness/BCP/environmental preservation. Guided by the ALL SECOM concept, we are also reinforcing collaboration among SECOM Group companies with the aim of further strengthening the Group's collective capabilities and ensuring sustainable growth.

In recent years, companies have come under increasing pressure to help address social imperatives. In line with our philosophy of contributing to society through our business activities, we continue to develop and extend services and systems that deliver safety, peace of mind, comfort and convenience. In response to the increasing risks facing society, for example, we are responding to increasingly sophisticated needs by developing systems designed to ensure security over large areas. These include the SECOM Airship, a dirigible that delivers a bird's-eye view. In May 2016, we contributed to the

safe staging of the G7 Ise-Shima Summit by providing security planning based on high-precision 3D maps, as well as overhead images captured by the SECOM Airship.

We also pledge to further enhance safety, peace of mind, comfort and convenience for our home security customers. To this end, we are capitalizing on the robust operating foundation we have established in the security services business to develop new services that alleviate problems and resolve concerns. Such efforts will enable us to expand our service menu, which centers on SECOM Home Security G-Custom, and also includes such offerings as SECOM Home Service, an optional suite of lifestyle support services available to SECOM Home Security subscribers, and SECOM My Doctor Plus, an emergency medical alert system for seniors.

In addition, we are developing and extending new services in the area of information security, as evidenced by such new additions to our lineup as the SECOM *Anshin* My Number Service and SECOM Premium Net, which protects against online banking scams. To help address the concerns of Japan's seniors, we also continue to expand our range of services tailored to the needs of a super-aged society. For example, we recently launched the SECOM My-home Concierge Service, a region-specific membership-based service designed to support seniors who wish to remain in their own homes. In overseas markets, we will also continue to expand our overseas operations by leveraging the high-grade systems and services we offer in Japan to provide services customized to reflect local needs and sensibilities.

In line with our corporate message—"Providing reliable peace of mind"—we will continue to rally the capabilities of the SECOM Group, guided by the ALL SECOM concept to

offer indispensable services that make SECOM an ever-present part of our customers' lives. Through such efforts, we will endeavor to accelerate the realization of our Social System Industry vision.

We also recognize that employee satisfaction is a critical factor behind our ability to further enhance the quality of our services and systems and, in turn, to bolster customer satisfaction. Accordingly, we strive to ensure an upbeat, unfettered corporate culture and to create working environments that encourage employees to have lofty ideals and derive a sense of achievement from meeting the expectations of society and our customers. Looking ahead, we will continue working to achieve sustainable growth and enhance corporate value by providing services and systems that are worthy of customer satisfaction. In these and all our endeavors, we look forward to the ongoing support of shareholders.

June 24, 2016



Makoto Iida  
Founder



Yasuo Nakayama  
President and Representative Director



Our Social System Industry vision describes a framework of innovative and integrated services and systems that deliver safety, peace of mind, comfort and convenience. We have worked steadily to make this vision a reality by building a broad business portfolio that today encompasses seven segments and by combining the various services and systems in these segments into distinctive packages.

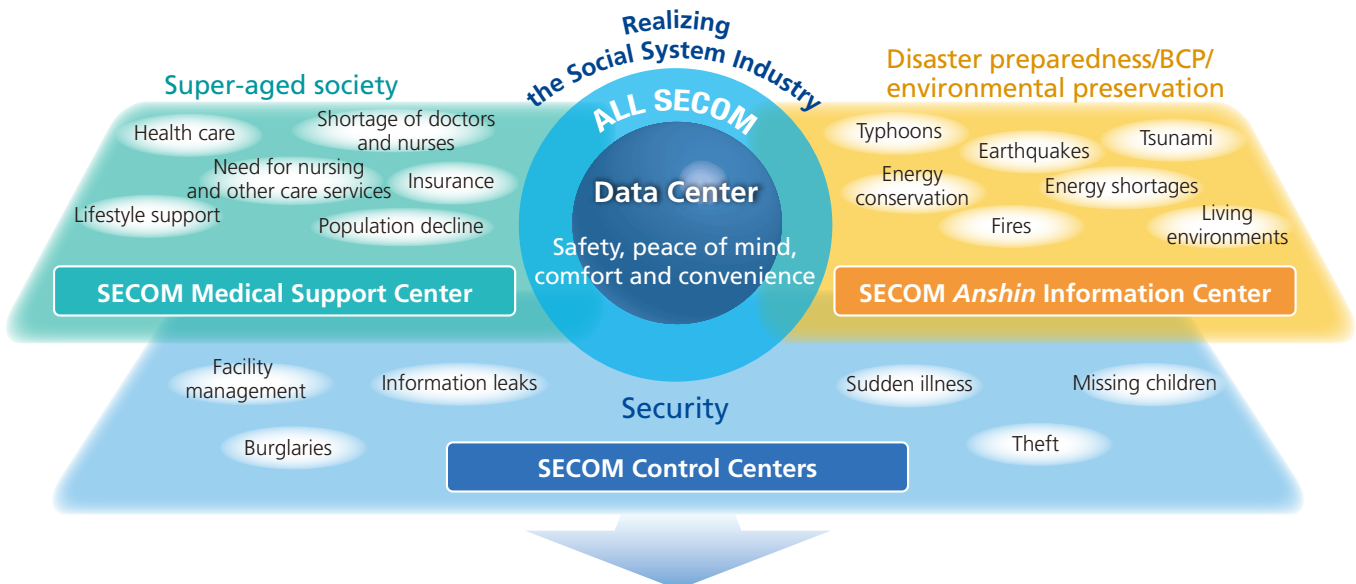
We continue to apply our corporate philosophy to hasten realization of the Social System Industry, which emphasizes a refusal to be content with the status quo, as well as a commitment to doing what is appropriate. The former means seeking constantly to extend novel services and systems by challenging 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 remains a major driving force behind our growth and evolution.

Increasingly broad acceptance of SECOM services and systems has served to heighten the expectations of our customers, and of society as a whole. Guided by our corporate philosophy, we will continue seeking to respond accurately to evolving needs, ensuring our ability to offer services and systems that deliver safety, peace of mind, comfort and convenience.

## Accelerating the Commercialization of New Services that Deliver Safety, Peace of Mind, Comfort and Convenience

Guided by the ALL SECOM concept, we are working to help resolve concerns that threaten society by developing services in line with three key themes: **security**, a **super-aged society** and **disaster preparedness/BCP/environmental preservation**

Addressing challenges in three areas under the ALL SECOM banner and operational structure



Guided by the ALL SECOM concept, we are working to make life more comfortable and convenient and to deliver safety and peace of mind by responding to social imperatives and helping to resolve everyday concerns.

## Accelerating the Commercialization of New Services that Deliver Safety, Peace of Mind, Comfort and Convenience

### Principal sources of competitiveness

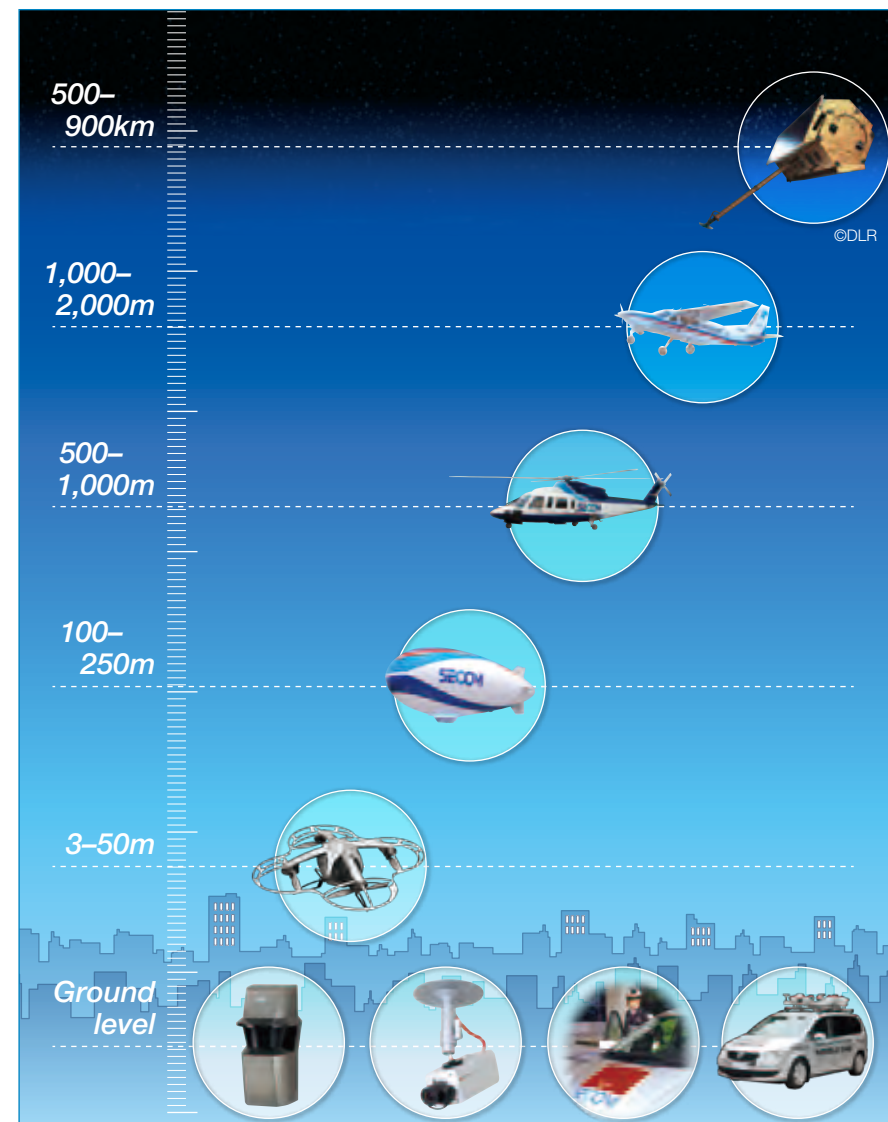
We acknowledge the three core components of our operating foundation as the principal sources of our competitiveness, namely, our technologies, our people and our operational and control structure.

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 at the same time advancing the development and provision of systems incorporating innovative technologies. Research is spearheaded by the SECOM Intelligent Systems Laboratory, which conducts research aimed at developing core technologies crucial to the realization of our Social System Industry vision. The SECOM Development Center uses these core technologies to promote the swift development of distinctive, reliable systems that respond to the requirements of customers.

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 employees with the advanced knowledge and technological skills they need, as well as to ensure that they understand our corporate philosophy and observe a code of conduct befitting security professionals. These qualities facilitate the provision of high-grade services that deliver safety, peace of mind, comfort and convenience.

The operational and control structure of our security services business in Japan centers on SECOM control centers. Our security systems use sensors and other equipment installed at subscribers' premises, which are linked to a SECOM control center via telecommunications circuits to provide around-the-clock monitoring. Should an irregularity be detected, emergency response personnel are dispatched from one of our more than 2,800 emergency depots.

Services designed to respond to needs engendered by a super-aged society are overseen by the SECOM Medical Support Center, the expert staff of which provide a variety of services, including consultations regarding health care, medical services, nursing care and personal care, among others. Under the theme of disaster preparedness/BCP/ environmental preservation, the SECOM Anshin Information Center provides a variety of critical services. In the event of



a disaster, the facility analyzes Big Data, including public evacuation information and Internet-derived information and its own proprietary information, allowing the swift provision of accurate and beneficial information to subscribers. Based on Big Data accumulated by our data center facilities, SECOM control centers, the SECOM Medical Support Center and the SECOM Anshin Information Center collaborate to spearhead the provision of services and systems to customers that respond to needs arising as a result of evolving social imperatives.

In recent years, security needs have become increasingly sophisticated, owing to the emergence of numerous risks that threaten society. With the heightened risk of acts of terrorism at major public events, there is a rising need for measures that provide security over wide areas for events held at large venues. Our focus is thus on surveillance both from the ground and the air.

### Enhancing airborne security services

In Japan, installations of fixed surveillance cameras that capture images of suspicious vehicles and individuals outdoors are on the rise. However, if these cameras are positioned too far away

from the subject, images of license plates or faces may be indistinct. One way in which we have addressed this issue is by developing the SECOM Drone, an autonomous flying surveillance robot that reinforces external security.

Capitalizing on our advanced technological expertise in image processing and sensing, as well as in security and flying robots, along with our considerable proprietary know-how, we developed the SECOM Drone, an autonomous flying surveillance robot for the private sector that is based on a uniquely SECOM concept. If Laser Sensor units installed at the subscriber's premises detect an irregularity, a signal and location details are sent via the on-line security system to a control center and the robot, which is mounted with LED lights and a security camera. The robot launches and flies toward the unauthorized vehicle or individual to capture clear close-range images of the license plate number, model name and color of the vehicle or the face and clothing of the individual, which it transmits to a SECOM control center in real time, hastening efforts to track down and capture trespassers.

The use of drones at events that attract large crowds of people has

prompted safety concerns. In particular, people are worried about drones crashing and causing injury or falling into the wrong hands. In response to such fears, we have begun offering the SECOM Drone Detection System, which automatically detects an approaching drone, tracks it using a camera and transmits captured images to a monitoring console. The service uses radar to automatically detect any drones that come within a 100-meter radius, a 3D directional microphone to pick up sound and a high-speed infrared pan-tilt zoom camera which automatically tracks the



SECOM Drone



SECOM Airship (tethered)

© Tokyo Marathon Foundation



© Tokyo Marathon Foundation

SECOM Drone Detection System  
Upper left: Radar  
Upper right: High-speed infrared pan-tilt zoom camera  
Lower right: 3D directional microphone



device. Live camera images appear on a monitoring console, making it possible to swiftly and precisely pinpoint the drone's location. This service is expected to enhance our efforts to provide effective security for essential facilities, as well as for arenas and stadiums hosting large-scale events.

We are also proceeding with preparations to commercialize the SECOM Airship, a dirigible designed for surveillance, as well as to provide support following disasters, from the assessment of damage through to evacuation guidance, over wide areas. The autonomous SECOM Airship is equipped with multiple high-definition cameras, thermal imaging cameras, directional loudspeakers, parabolic microphones and search lights, allowing for monitoring over a predetermined area. Images and sound data from the dirigible, together with information from SECOM Drone units as well as sensors and security cameras on the ground, are transmitted to a SECOM control center, ensuring effective monitoring of the target area and realizing an unprecedented level of security. The SECOM Airship can also collect and convey aerial images of, for example, people and traffic congestion, and of disaster damage, over large areas in real time. Accordingly, its use in tandem with the SECOM *Anshin* Information Center, which analyzes information in the event of a major disaster to provide a variety of critical services, will expedite the assessment of damage.

■ Providing uniquely SECOM security systems for the Tokyo Marathon 2016

In February 2016, we provided pioneering security systems for the Tokyo Marathon 2016, serving as an official partner for this annual event.

During the race, high-definition cameras mounted in a tethered SECOM Airship, soon to be commercialized for private-sector security use, captured images over a wide area around the finish line from an altitude of 70 meters, which were monitored on the ground. In addition, the SECOM Drone Detection System was installed in the same area to promptly detect and assist in the interception of any suspicious drones that might appear. To prevent impersonation and other illegal activity, a facial recognition system at the entrance scanned the faces and registered number cards of

approximately 900 race participants and checked the resulting images against photographs submitted in advance to verify their identity.

For the first time ever, SECOM security guards on the ground were equipped with wearable cameras, allowing staff at security headquarters to check images from patrolling guards in real time. In addition, a security camera system was installed temporarily at points along the race route, with network cameras facilitating the concentrated monitoring of key points by security headquarters. These uniquely SECOM security systems enabled us to provide safety and peace of mind to the approximately 37,000 participants in the Tokyo Marathon 2016, thereby contributing greatly to the successful staging of the event.

Looking ahead, we will continue to use our experience in providing and

managing innovative security systems and services for such events to create uniquely SECOM security systems that leverage our proprietary technological and development capabilities.

■ Broadening use of the SECOM My Number Service

The use of My Number social security and tax number system information for social security, taxation and disaster relief purposes began in January 2016, as a result of which private companies in Japan are now obliged to collect, store and manage the individual numbers of their employees. Rigorous procedures are necessary to guarantee the safe storage and handling of information designated as confidential, which includes My Number information. For many companies, this is a difficult task. In response, we introduced the SECOM My Number Service, which capitalizes on our extensive expertise in both physical and information security to provide comprehensive support for the handling of My Number information, including collection, storage, use, management and disposal. To fortify physical security, the service encompasses everything from the construction of a controlled use area to entry and exit management, image

recording and document storage. We also offer a technological solution in the form of the SECOM *Anshin* My Number Service, which enables companies to entrust their employees' My Number information to us for storage at one of our data center facilities. On the organizational and human front, we provide broad-based consulting services designed to, among others, help companies formulate safe storage policies and measures to ensure information security.

The potential for My Number information to be leaked due to inadequate computer security or viruses is a major concern for many people. We recently launched SECOM Premium Net Plus, a system whereby customers use a dedicated USB flash drive that permits access only to secure websites. There has also been an increase in the number of financial institutions being approached by customers for assistance in ensuring robust My Number information storage. We have entered into business alliances with a number of such institutions to assist in these efforts.

Going forward, we will continue to capitalize on our ability to provide innovative services that integrate physical and information security, a key competitive advantage, to help create safe environments for the handling of My Number information.

■ Expanding services for a super-aged society

With the aim of ensuring a solid understanding of the concerns of seniors and further enhancing customer satisfaction, in April 2015 we established SECOM Lifestyle Partner Kugayama, a facility that provides a variety of support services to seniors in Tokyo's Kugayama area.

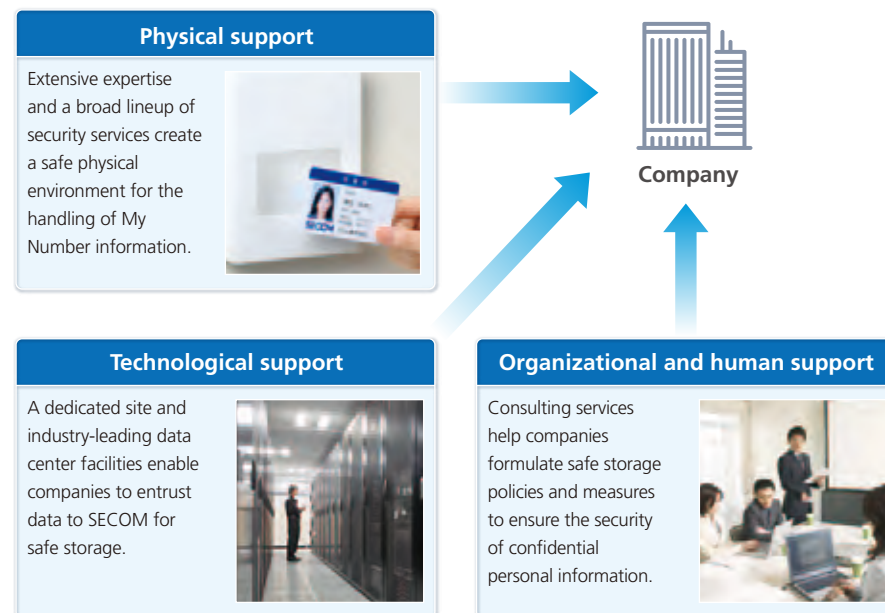
In response to views expressed by seniors, we recently introduced SECOM My-home Concierge Service, a region-specific membership-based service designed to support seniors who wish to remain in their own homes. SECOM Lifestyle Partner Kugayama provides a consultation desk that enables seniors and their families to seek advice from staff regarding issues of concern in everyday life with a view to finding a viable solution. Thus, the staff at SECOM Lifestyle Partner Kugayama not only works with us, but also with other companies and local authorities, to help arrange services that enhance safety, peace of mind, comfort and convenience.

We will continue working to build a distinctive business model based on the concept of providing services that citizens truly need, with the aim of helping prepare for the future of Japan's super-aged society.

■ Helping to address risks and resolve concerns

Guided by the ALL SECOM concept, we remain committed to expanding and evolving our businesses by rallying Group synergies to accelerate the creation of services and systems that deliver safety, peace of mind, comfort and convenience. This concept will also continue to underpin efforts to help address risks and resolve concerns by developing services that reflect a solid grasp of social imperatives. Through such efforts, implemented in line with the three key themes of security, a super-aged society and disaster preparedness/BCP/environmental protection, we will continue working to make SECOM an ever-present part of our customers' lives.

SECOM My Number Service



SECOM Lifestyle Partner Kugayama

We are expanding our lineup of innovative services and systems that respond to companies' increasingly sophisticated security needs.



SECOM emergency response personnel

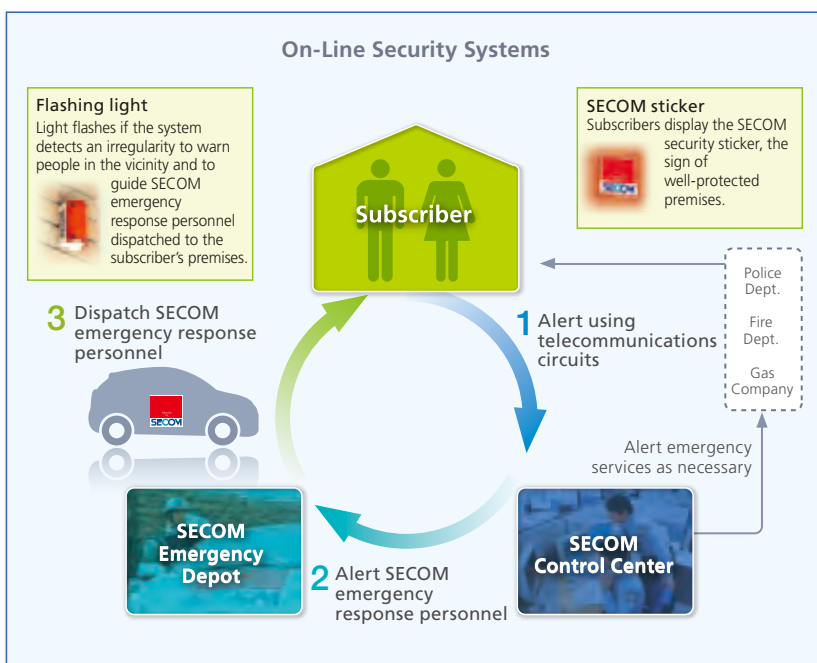
► **Competitive advantages in the security services business**

Our principal competitive advantage in the security services business derives from our integrated services framework, whereby we take responsibility for everything from R&D to the production, marketing, security planning and installation of sensors and other equipment, around-the-clock monitoring, emergency response services and maintenance. This framework, which ensures the exceptional safety and reliability of our on-line security systems, and our team of highly trained security professionals, guarantee the quality of our services.

We have also created a unique R&D configuration centered on the SECOM Intelligent Systems Laboratory and the SECOM Development Center, facilitating the prompt and accurate development of systems that respond to the requirements of customers. The effectiveness of our around-the-clock monitoring and emergency response services is attributable to our ability to combine the precision of security equipment, which monitors the subscriber's premises for intruders and fires with the analytical skills and prompt decision-making capabilities of people. Our swift, quality emergency response services are also underpinned by a nationwide network of emergency depots, the largest of any security services company in Japan.

Our rental format, which minimizes initial costs for subscribers, is another key strength. This format also means that we look after maintenance and upkeep, guaranteeing both the quality and stability of our services.

Our comprehensive approach to security services enjoys the trust of customers across a wide range of industries. Accordingly, it is a fundamental factor behind the power of the SECOM brand.



▶ **Expanding sales of on-line security systems continue to support the business activities of subscribers**

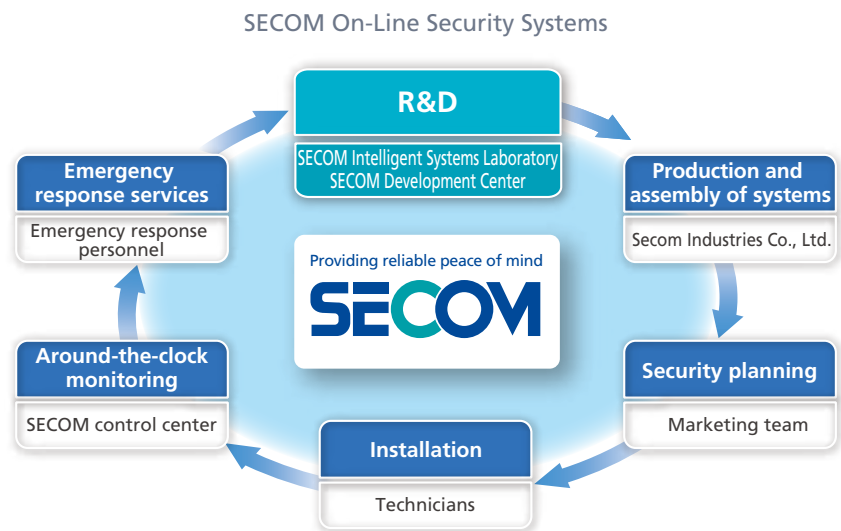
We are committed to providing on-line security systems that address needs engendered by evolving social imperatives and to leveraging our innovative technologies to create added value. SECOM AX, a remote imaging on-line security system, transmits images of the subscriber's premises to SECOM control center staff should an irregularity be detected, facilitating prompt assessment by control center staff and a swift and accurate response. Control center staff can also broadcast a warning to intruders using on-premises speakers, thereby helping to prevent crimes from occurring. We continue to apply our proprietary technologies to enhance the performance of SECOM AX. For example, we have enhanced the precision of the system's image sensors, which employ exclusive image recognition technology, enabling the system to detect the presence of an intruder even in darkness.

In recent years, we have seen an increase in the popularity of high-value-added systems that not only provide excellent security but also assist subscribers' efforts to reduce costs and lower energy consumption. SECOM LX combines security with access control functions. Because subscribers can use existing IC cards, such as employee ID cards, and because recorded entry and exit data can be used for other purposes, SECOM LX reduces the amount of work involved in managing attendance and calculating payroll, helping to improve the efficiency of personnel management.

SECOM FX is a system that integrates monitoring for intruders and fires with facility control. The system's facility control function



SECOM control center



can be set to turn lights, air conditioners, signage illumination and security cameras on and off automatically at the subscriber's discretion. In unattended facilities, the system thus facilitates the opening and closing of entrances, while in offices it can be set to control lights and air conditioners as appropriate when employees arrive in the morning, go for lunch and leave for the day, thus helping to minimize heating and lighting bills and reduce energy consumption.

Looking ahead, we will continue to capitalize on our accumulated technological prowess and know-how to develop and provide high-grade, high-value-added on-line security systems that anticipate social imperatives and subscriber needs.



High-resolution outdoor NVR camera



SECOM Image Archive Service (secure remote image storage service)

### ▶ Strengthening internal controls: SECOM NVR System and SECOM Image Archive Service

In Japan, the need for systems that help strengthen internal monitoring continues to rise, owing in part to incidents involving personal information leaks and product contamination at food processing facilities, which have fueled a steady increase in the number of companies installing security cameras. We responded to such needs by introducing the SECOM NVR System and SECOM Image Archive Service, an option available to SECOM NVR subscribers, making it suitable for installation in a broad range of facilities.

The SECOM NVR System offers enhanced security features, including the ability to detect attempts made to interrupt operation by, for example, covering the camera, changing its direction or cutting wires. The SECOM NVR lineup also includes a dustproof and waterproof high-resolution outdoor NVR camera with built-in infrared LEDs that allow it to capture clear video even in complete darkness.

The SECOM Image Archive Service lets subscribers store SECOM NVR camera images at a SECOM secure data facility. A subscription to the SECOM NVR System with the SECOM Image Archive Service option provides comprehensive support, from image recording and storage to monitoring for irregularities. As a result, subscribers do not need a recording device, eliminating concerns over such devices potentially being destroyed or stolen by intruders. We will continue working to respond to diverse demands for security camera systems that deliver safety and peace of mind.

▶ **SESAMO IDf biometric authentication system facilitates rigorous access control**

Needs for systems that reinforce management of confidential information are increasing among companies and data centers. With the launch of Japan's My Number social security and tax number system, we are also seeing greater demand for controlled access areas to ensure strict physical security for My Number information. In response, we capitalized on our advanced biometric authentication technologies and extensive know-how to launch SESAMO IDf, a finger vein authentication-based access control system that facilitates rigorous access control. In addition to being more compact than conventional biometric authentication systems, SESAMO IDf is waterproof and thus suitable for use both indoors and outdoors. SESAMO IDf also has a built-in card reader, enabling both card key and finger vein authentication for entry and exit. The system can be linked to a company's security system and the SECOM *Anshin* Attendance Management Services, which use the Internet to record clock-in and clock-out times and calculate work hours.



SESAMO IDf finger vein authentication-based access control system

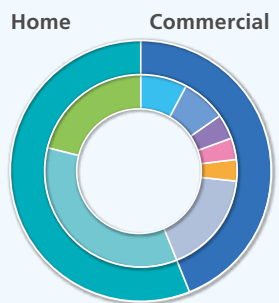
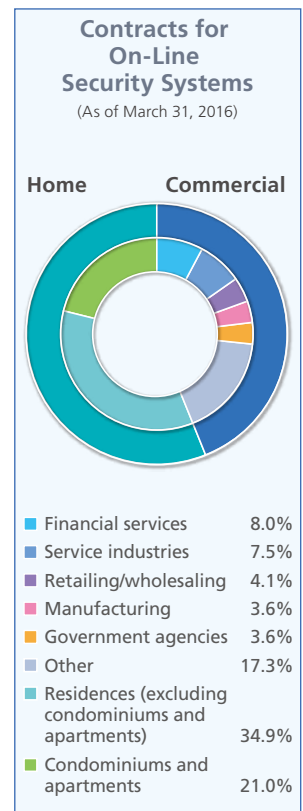
▶ **Asahi Security joins the SECOM Group, further reinforcing our operating foundation**

We have long provided armored car services, including cash collection and deposit, for automated teller machines (ATMs) operated by financial institutions. In the period under review, we acquired all shares in Asahi Security, which has built a strong business foundation as a provider of cash collection and delivery services—including the collection of proceeds from sales, delivery and deposit to banks, and the preparation and delivery of change—for companies in areas other than financial services particularly

retailers and restaurants. Asahi Security also has its own customers, network and around-the-clock cash collection and delivery centers. The purpose of this acquisition was to allow collaboration between the two companies to enable the provision of even higher levels of safety, peace of mind, comfort and convenience. We look forward to working with Asahi Security to leverage complementary strengths with the goal of further enhancing the SECOM Group's armored car services business by expanding our customer base and reinforcing service quality.



Asahi Security cash collection and delivery services



Category	Percentage
Financial services	8.0%
Service industries	7.5%
Retailing/wholesaling	4.1%
Manufacturing	3.6%
Government agencies	3.6%
Other	17.3%
Residences (excluding condominiums and apartments)	34.9%
Condominiums and apartments	21.0%

**SECOM Home Security and its increasing lineup of optional services accommodate the diverse security needs of households.**



► **Expanding service menu continues to boost market acceptance of SECOM Home Security**

SECOM Home Security is an on-line security system that provides around-the-clock monitoring for intruders, fires and gas leaks, emergency alerts and medical emergency calls. If the sensors installed detect an irregularity, the system automatically alerts a SECOM control center, where staff members assess the situation, dispatch emergency response personnel from the nearest emergency depot and, if necessary, notify the police and/or the fire department.

One of the most highly rated services currently offered under the SECOM Home Security label is SECOM Home Security G-Custom, which combines home security with a variety of features designed to enhance everyday comfort and convenience. These include a data storage system, which enables subscribers to store important documents—including driver's licenses, passports, health insurance cards and prescriptions for medications—at a SECOM data center facility; an ALL SECOM function, which allows subscribers to request other SECOM services and products; and My Page, which gives subscribers access to information from selected collaborating companies, enabling them to make online purchases; and a data-sharing service that lets family members exchange photographs and messages.

SECOM Home Security subscribers also enjoy access to a diverse menu of optional services that further enhance customer satisfaction. These include the Healthcare Hotline, a telephone-based health consultation service; SECOM Home Service, an optional suite of lifestyle support services; and SECOM

My Doctor Plus, an emergency medical alert system for seniors.

Until recently, SECOM Home Security systems were primarily used in detached houses and condominiums. However, owing to greater awareness of security, we are seeing a steady increase in installations in apartment complexes. Customer diversity is also increasing, with SECOM Home Security subscribers today ranging from young people to seniors. With the increasing prevalence of nuclear families and the advance of Japan's super-aged society pushing up demand for home security services, we will continue working to bolster acceptance of SECOM Home Security as a service that provides safety and peace of mind and makes life more convenient and comfortable.

▶ **SECOM My Doctor Plus services begin in collaboration with a leading adult day service provider**

Offered as an option to SECOM Home Security subscribers, SECOM My Doctor Plus is an emergency medical alert system for seniors, which also provides access to personal care services. The system features an exclusive portable device incorporating a cellular phone, GPS locator and emergency alert functions. Regardless of time or place, if the device is activated a signal is sent to a SECOM control center indicating that medical assistance is required. Control center staff assess the subscriber's situation by telephone and, if required, dispatch emergency response personnel who are specially trained in assisting people who have fallen. If the subscriber wishes to speak with a nurse, the system also offers consultation with staff at the SECOM Medical Support Center. Additionally, if the



SECOM Home Security G-Custom

subscriber requests an ambulance, a control center staff will notify the fire department and send his or her emergency information, which is stored at a SECOM data center facility, to the portable device, thus ensuring such information is immediately available to ambulance attendants and hospital staff. Individuals who have contracted care from a service provider in advance can request that we arrange for the dispatch of a home-care helper should they require specialized personal care.



ALL SECOM function enables subscribers to request other SECOM services and products



SECOM emergency response personnel are dispatched promptly if an irregularity is detected

## Home Security Services



SECOM emergency response personnel are trained to provide support when needed



Kumalift stair lift



SECOM My Doctor Plus emergency medical alert service

SECOM My Doctor Plus was launched in 2013 in collaboration with one of Japan's leading day services firms as an option available with SECOM Home Security and since then has earned high marks from both seniors and their families. Expanding this relationship, we recently began offering SECOM My Doctor Plus to individuals who are users of our partner company's services, as a new independent service for seniors living alone, combining access to adult day services and home-based personal care services with SECOM emergency medical alert services, which are available day and night. Users can take advantage of home-based services during the day, including day services, as well as an emergency medical alert service, which is also available at night, ensuring uninterrupted around-the-clock monitoring, making it easier for seniors to remain in their own homes. SECOM My Doctor Plus continues to attract considerable attention as an attractive choice for seniors that combines home-based personal care services and security.

▶ **Through collaboration with Kumalift, we are accelerating efforts to address issues under the themes of "super-aged society" and "security"**

New SECOM Group member Kumalift has capitalized on its accumulated technologies and know-how in the manufacture of industrial elevators to market stair lifts, wheelchair lifts and other products that meet the needs of a super-aged society. The acquisition of Kumalift has positioned us to provide stair lifts, home elevators and other such forward-looking products.

We are excited to work with Kumalift to capitalize on considerable synergies to develop new services that combine home security with, for example, stair lifts, positioning us to better address the needs of seniors in the years ahead. We will continue to promote the integration of SECOM Group companies to facilitate the development of products and services that respond to social imperatives.



## Other Security Services

In addition to broadening the scope of the COCO-SECOM mobile security system, we introduced an AED with bilingual voice guidance, in line with our belief in the importance of ensuring usability by as many people as possible.

### ▶ COCO-SECOM: Responding to evolving needs for safety and peace of mind

The COCO-SECOM mobile security system uses signals from GPS satellites and cellular phone base stations to pinpoint the location of dedicated portable transmitters carried by individuals or attached to objects. If a customer wants to know where the transmitter is, he or she can trace it via a dedicated COCO-SECOM website or contact the COCO-SECOM Operations Center and ask an operator to search for it. If the operations center receives a search request, an operator dispatches emergency response personnel and, if necessary, notifies the police and/or the fire department. The COCO-SECOM transmitter is also equipped with an alert button, which if pressed will instantly notify the COCO-SECOM Operations Center of an emergency.

Introduced originally as a way to foil child abductions and the theft of cars and motorcycles, COCO-SECOM has since attracted attention for such diverse applications as keeping track of personal belongings, managing taxi and bus fleets and preventing the theft of construction equipment, ATMs and safes. In recent years, increasing awareness of crime prevention has encouraged its use as a way to discourage crimes against women, manage employee safety and prevent wandering by seniors suffering from dementia.

### ▶ Expanding our AED lineup with the bilingual AED3100

An automated external defibrillator (AED) is a portable device that treats cardiac arrhythmia by administering an electrical pulse to the heart to reestablish a normal rhythm. We currently offer SECOM AED Package Service, a full-service AED rental package, which has contributed to the expanded installation of AEDs in a variety of public- and private-sector facilities in Japan. In response to a sharp increase in the number of non-Japanese-speakers in Japan in recent years, we recently augmented our AED Package Service lineup with a new model, AED3100, a bilingual unit that offers voice guidance in English as well as Japanese. Going forward, we will actively promote the installation of this particular unit, in line with our belief that ensuring availability and usability to as many people as possible is essential to saving lives.



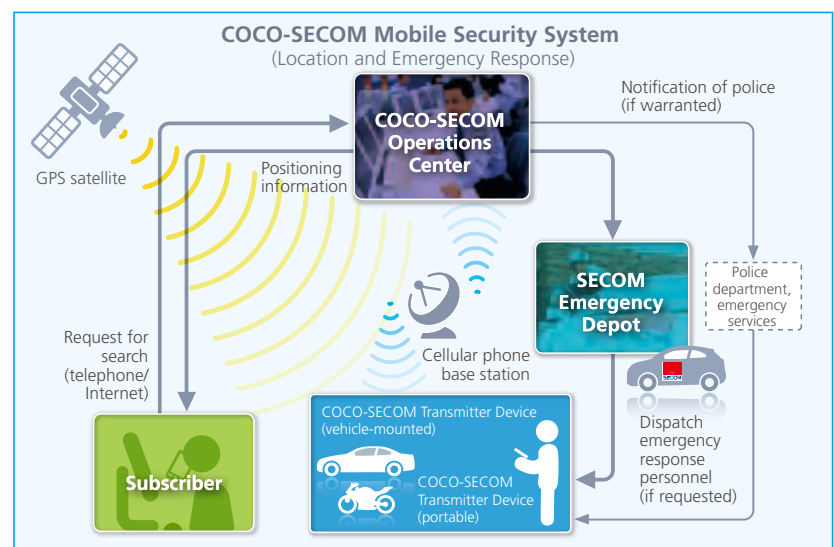
COCO-SECOM mobile security system



COCO-SECOM Operations Center



Bilingual AED



**Synonymous with high-grade services, the SECOM brand continues to earn high marks from customers overseas, resulting in growing market acceptance.**



Emergency response personnel (Thai Secom Security Co., Ltd., Thailand)



Control center (Myanmar Secom Co., Ltd.)



Emergency response personnel (Secom Vietnam Security Service Joint Stock Company)

► **High-grade SECOM-style services are offered in 12 countries and territories overseas**

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. 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. As in Japan, we take full responsibility for our operations in these markets, positioning us to deliver high-grade SECOM-brand services. This continues to earn praise from overseas customers, as a result of which the use of our services continues to expand steadily.

► **Actively promoting on-line security systems in Southeast Asia**

Steady economic growth continues to drive robust demand for security services in Southeast Asia from both Japanese and local companies. We are working to respond to such demand by actively promoting SECOM-style on-line security systems.

In Thailand, the efforts of Thai Secom Security Co., Ltd., to provide high-grade on-line security services have bolstered awareness of “SECOM-style” services, underpinning steady growth in contracts for the provision of on-line security systems to corporations and national and local government agencies. The company also continues to supply a variety of merchandise to health-care facilities.

Secom (Malaysia) Sdn. Bhd. provides customized security systems—comprising on-line security systems and static guard services—to customers across Malaysia. Underscoring the high marks accorded to the company’s proposal-based services, which are tailored to market needs, major drugstore chains and leading financial institutions have installed SECOM security systems.

In Singapore, Secom (Singapore) Pte. Ltd. boasts a diverse menu of services. These include the provision of on-line security systems and fire protection systems, as well as the leasing of safety deposit boxes.

PT. Secom Indonesia provides on-line security systems and static guard services to subscribers, focusing on the capital of Jakarta and the country’s second-largest city, Surabaya, with operations in both cities expanding steadily. Secom Indonesia also offers highly rated consulting services designed to help customers prevent insider crimes.

In Vietnam, Secom Vietnam Security Service Joint Stock Company and SECOM Trading Co., Ltd., are working to augment their operations by responding to the advanced security needs of Japanese and other companies in the country, as well as by promoting market acceptance of on-line security systems.

Myanmar Secom Co., Ltd., Myanmar’s only provider of on-line security systems, serves subscribers in the capital city of Yangon, the country’s largest market. The company continues to expand its operations in this

promising market, which is benefitting from economic growth, by providing on-line security systems to offshore (including Japanese) and local financial institutions.

### ► Scope of operations broadens in key overseas markets

Taiwan Secom Co., Ltd., a publicly listed firm and the leading provider of security services in Taiwan, offers a wide array of security services, centered on on-line security systems. In line with our goal of supporting safety and peace of mind, the company provides wireless alarm systems for residential and small-scale commercial applications and has collaborated with Taiwan's National Center for Research on Earthquake Engineering to develop and begin offering an earthquake alert system.

In the Republic of Korea (ROK), S1 Corporation, which is also publicly listed, provides on-line security systems, as well as an extensive selection of other services that make life more convenient and comfortable and provide safety and peace of mind. S1 has also reinforced the foundation of its building solutions business and is promoting the development of fire protection systems that make use of video analysis, enabling it to help enhance community safety and security.

We currently provide our distinctive on-line security systems to subscribers in the PRC through a network of security service bases in 20 cities. With demand growing in all of these locations, we are accelerating efforts to secure contracts, particularly in the area of security services for large-scale commercial complexes. Looking ahead, we will continue to expand our operations by providing high-grade security services that accurately address local needs.

For many years, Secom Australia Pty. Ltd. has provided security services to major financial institutions and government

agencies, earning positive reviews across the board. The company has also provided security systems for a number of key Australian defence facilities and government-affiliated service institutions. Secom Australia continues working to expand its operating foundation and recently secured contracts to provide security services for, among others, a major media firm, and the Australian branches of an international apparel retailer.

In New Zealand, Secom Guardall NZ Ltd. continues to provide service packages combining monitoring using on-line security systems and maintenance to major global financial institutions.

Secom plc, in the United Kingdom, is renowned as a provider of high-grade 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 for the quality of the company's services, Secom plc currently provides its on-line security system to financial institutions for use at branches and ATMs. The company also continues to secure new contracts from major British corporations.

We recognize that the desire for comfort and convenience, as well as for safety and peace of mind, is something shared by people the world over. Accordingly, we will continue to encourage acceptance of our services and systems, as well as to cultivate promising new overseas markets.



Secom plc (United Kingdom)



Emergency response personnel (SECOM Australia Pty. Ltd.)

We continue to offer high-grade fire protection systems that respond to the needs of customers in Japan and overseas.



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

► **Our principal competitive strength is our ability to provide integrated services**

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

► **Sales of systems for tunnels and other large-scale facilities continue to increase**

Nohmi Bosai provides high-grade fire protection systems for a range of applications, including office buildings, plants, tunnels, structures designated as cultural properties, ships and homes. Building on its extensive record of installations and on a reputation for reliability, the company is actively expanding proposal-oriented marketing, which has boosted sales of systems for new tunnels and buildings under renovation.



UL standard-compliant SPERA fire alarm system (Nittan)

► **Debut of PROTECVIEW LT and Splash α**

Nohmi Bosai recently launched PROTECVIEW LT, a smoke detector designed for small-scale electrical and server rooms that is up to 100 times more sensitive than conventional detectors, helping to minimize damage. Another new addition to the company's lineup is Splash α, an automatic fire extinguishing system that delivers an atomized spray of extinguishing agents. Developed for hospitals and clinics with beds, which are required by revised fire regulations to install sprinkler systems, Splash α features a cylinder containing the extinguishing agents, eliminating the need to install a water tank or pump. We are actively marketing this device to existing hospitals and clinics by emphasizing its usability and ease of installation.

► **Participating in a next-generation disaster mitigation project**

Nittan is currently taking part in a project being promoted by Japan's Ministry of Internal Affairs and Communications aimed at building geospatial information-based disaster mitigation systems. Project participants are working to develop a system that will facilitate the Big Data analysis of geospatial information in real time and use of smartphones and other such devices to communicate evacuation instructions, as well as an advanced firefighting and rescue support system.

Through such efforts, Nittan continues working to help realize a safe and secure society.

► **A new expiration date management system**

As part of its menu of disaster mitigation solutions, Nittan recently began offering a system that assists customers in keeping track of expiration dates for emergency supplies by sending an email notification beforehand. In Japan, a country subject to frequent natural disasters, local authorities and companies stockpile supplies to ensure that they are prepared in the event of a massive earthquake or any other disaster. Nittan's new system will thus enhance its ability to address diverse needs.

► **Results in Southeast Asia remain brisk**

Nittan provides highly reliable fire protection systems, which comply with Underwriters Laboratories Inc. (UL) and European Norm (EN) standards, to government facilities, banks, high-rise buildings, hotels, and aircraft and passenger liners around the world. In the period under review, the company developed a new UL standard-compliant fire alarm system, marketed under the SPERA name, which continues to enjoy brisk sales, particularly in Southeast Asia. Going forward, Nittan will work to further reinforce its overseas sales configuration and to promote broader acceptance of fire protection systems throughout the region.

## Medical Services

**We capitalize on our accumulated know-how in home medical and personal care services to offer high-value-added medical services.**

### ▶ The SECOM Wellness Service is introduced

In a super-aged society, preventative healthcare services, which seek to help individuals remain physically and mentally healthy over one's entire life, a theme frequently referred to as "healthy life expectancy," are expected to play a significant role in the years ahead. In the period under review, we began offering the SECOM Wellness Service, a membership-based preventative care and healthcare service, through SECOM CAREA Chitose-Karasuyama, a multipurpose residential and service complex for seniors in Setagaya-ku, Tokyo.

The SECOM Wellness Service is a unique program of services for seniors that is designed to be both enjoyable and to help forestall the need for nursing care. These services, which are outside the scope of government-run long-term care insurance, are organized into three categories—hobbies, exercise and lifelong learning—and are developed in collaboration with local businesses. Examples include a hometown railroad diorama building class, offered jointly with a major toymaker; flower arrangement classes organized together with the local merchants' association; and yoga and ballet classes taught by instructors from a local university of physical education. Plans are also in place for health-related seminars provided by SECOM Pharmacy and the local SECOM-associated hospital. Looking ahead, we will continue to explore the possibility of introducing the SECOM Wellness Service in other areas and to consider synergies with the SECOM My-home Concierge Service.

### ▶ Expanding cloud-based services

We currently provide the SECOM Ubiquitous Electronic Medical Report (EMR) system, developed to meet the needs of small and medium-sized hospitals, which has been adopted by numerous such facilities across Japan. Capitalizing on experience gained

through the provision and operation of this system, we recently developed SECOM OWEL (On-demand Web Link), a cloud-based EMR system designed to assist smaller facilities, notably general home healthcare and clinics. SECOM OWEL also incorporates an accounting system designed to improve clinic operating efficiency. Its ease of use is ensured by a video-based user manual and an on-line help function.

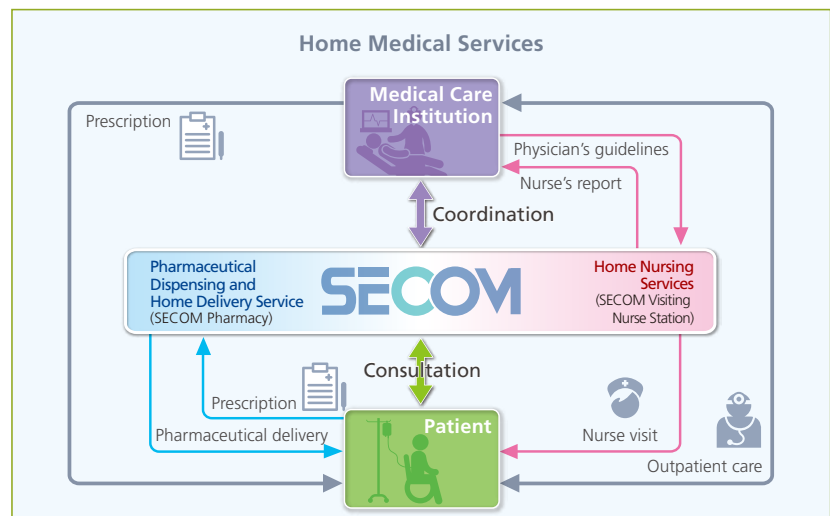
We continue to develop a wide range of cloud-based services. These include a service that provides the secure storage of EMR data at one of our data centers, sharing such data with the local community if the necessity arises. Because SECOM OWEL allows for the centralized management of patient EMRs, doctors can view EMR data even when they are out, ensuring a swift, accurate response, even in the event of an emergency. The ability to share EMR data among healthcare professionals will contribute to coordinated community-based healthcare. By combining SECOM OWEL with other cloud-based services, we will also seek to facilitate the integrated management of medical information currently held independently by institutions, with the goal of supporting patient-centered community-based healthcare and enhancing the quality of care available.



SECOM CAREA Chitose-Karasuyama



SECOM provides a wide range of high-grade home medical services



## Our distinctive fire, medical and automobile insurance policies leverage the comprehensive capabilities of the SECOM Group.



Headquarters of Secom General Insurance Co., Ltd.



Call center  
(Secom General Insurance)



SECOM Anshin My Car  
on-site support

### ► Contracts for SECOM Anshin My Home continue to increase steadily, bolstered by enhanced coverage

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 should misfortune strike, was a way to further enhance safety and peace of mind.

SECOM *Anshin My Home* is a comprehensive policy for residential customers that offers a discount on regular premiums to subscribers who have installed on-line security systems, taking into account the fact that such systems mitigate the risk of theft and fire, as well as for houses that have exclusively electrical appliances, recognizing that this also lowers the risk of fire.

Recent changes to SECOM *Anshin My Home* include introducing a discount for subscribers with homes less than 10 years old based on the home's actual age and adding an option that provides for up to 100% coverage in the event of a fire caused by an earthquake or other natural disaster. We also increased the limit of coverage provided for security upgrade costs for the purchase of fire detectors and fire extinguishers in the event of a fire or theft to a maximum of ¥500,000. Thanks to enhanced coverage, contracts for SECOM *Anshin My Home* continue to increase steadily. We will continue working to expand sales of this attractive product. We are also taking steps to increase sales of the Security Discount Fire Policy, a similar policy for commercial customers.

### ► MEDCOM, an unrestricted cancer treatment policy, enables patients to focus on treatment without concerns over economic burden

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 for which the patient usually bears the burden. MEDCOM coverage also extends to outpatient treatment, which continues to rise in importance, providing up to ¥10 million per five-year period. In addition, policyholders are entitled to a one-time lump sum payment of ¥1 million if they are diagnosed with cancer. Subscribers are thus able to focus on treatment without having to worry about the economic burden.

Policies that pay a per diem amount for medical expenses based on the number of days hospitalized are the most common type of cancer treatment insurance available. As a non-life insurance provider, we were able to develop a product that provides coverage similar in nature to unlimited personal injury protection, an extension of automobile insurance. We will continue working to develop attractive cancer insurance policies that respond to the evolving needs of patients.

### ► SECOM Anshin My Car: Backed by around-the-clock support provided by our emergency response personnel

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

In addition to conventional approaches, we also market our various non-life insurance policies through banks and over the Internet. We will continue seeking to propose and expand sales of this and other attractive non-life insurance products in a manner that reflects the perspectives of our customers.

# Geographic Information Services

**We capitalize on our distinctive geospatial information services to contribute to secure societies and actively cultivate new businesses.**

## ▶ Leveraging 3D mapping technologies to advance the use of digital relief maps

Subsidiary Pasco Corporation 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 recent years, advances in surveying, measuring and image processing technologies have spurred an increase in the use of digital relief maps. In the wake of the April 2016 Kumamoto Earthquake, measurements taken by Pasco using aircraft-mounted lasers to create a digital relief map of the affected area made it possible to quantify damage by, among others, estimating sediment outflow. This played a key role in facilitating the prompt development of an effective relief plan by making it possible to accurately determine where equipment and human resources were needed.

Pasco is also the first private-sector firm in Japan to employ airborne laser bathymetry (ALB) to survey sea, lake and river beds and is promoting the data thus derived in such areas as environmental protection and safety management. Recently, Pasco ALB data was used in the field of nautical archaeology, helping to create 3D topographical maps above and below water, ensuring an accurate grasp of an entire exploration site and contributing to preservation. In April 2016, ALB was certified as a technique for use in public surveying. Accordingly, Pasco will take steps to further strengthen its ALB business.

## ▶ Decisive efforts help foster new businesses

Pasco continues to apply geospatial information technologies to address varied needs, from contributing to increased productivity on construction sites to helping realize autonomous cars, and promotes research aimed at prototype development, verification and commercialization.

In the period under review, Japan's Ministry of Land, Infrastructure, Transport and Tourism launched the i-Construction program, an initiative aimed at creating a construction system incorporating information and communications

technologies (ICT) with the goal of increasing the productivity of skilled workers by 50%. This will involve the use of drones for 3D measuring, with the resulting data to be used in formulating plans for engineering and execution, and for construction equipment mounted with ICT, to reduce labor requirements in construction and inspection. Pasco will use its proprietary surveying and measuring technologies, as well as its advanced 3D mapping technologies, to help improve productivity in key areas of construction.

3D mapping technologies are used to create high-precision basic road data crucial to the realization of autonomous cars. Pasco uses highly accurate 3D geospatial information collected using its Mobile Mapping System (MMS) to create data on running lines and other elements essential to autonomous driving. Efforts to create such basic road data have advanced from research related to its practical application to reviewing plans for its implementation.

## ▶ Responding to diverse global needs for geospatial information

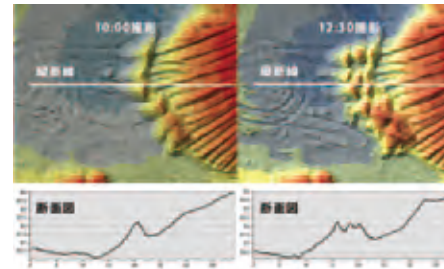
Pasco's proprietary technologies and extensive global network position it well to respond to heightened and increasingly diverse needs for geospatial information in global markets.

Pasco's geospatial information technologies are used in aerial photography and the creation of basic national land maps for the management of land assets. These technologies also assist efforts to protect marine environments and ensure safe navigation for ships, maintain roads, ascertain damage and plan relief and recovery measures following earthquakes, manage waterways and respond in the wake of landslides, and calculate building risks.

Pasco will continue to foster demand for its services in new markets around the world, taking into account local conditions and potential business risks, with the aim of contributing to safety and peace of mind and responding to social imperatives.



Aerial laser surveying facilitates seamless 3D topographical measurements above and below water



3D terrain model created using data collected by drones (i-Construction project)



High-precision basic road maps, crucial to the realization of autonomous vehicles

**Our know-how in the field of information security has positioned us well to address needs for safety and protection in an increasingly networked society.**



Rigorous procedures under the SECOM *Anshin* My Number service include operation at a dedicated secure site



SECOM Premium Net Plus unit (foreground)



My Number information is stored at a Secure Data Center facility

#### ▶ SECOM *Anshin* My Number Service is introduced

In May 2015, we began providing the SECOM *Anshin* My Number Service, a comprehensive support service that enables companies to collect, manage and, when necessary, use their employees' My Number information. A key channel for marketing this service is through banks, which match us with clients approaching them for advice regarding ways to ensure the security of My Number information. This has led to a significant number of orders since the service's launch.

#### ▶ Expanding the SECOM Premium Net lineup

In response to the proliferation of online banking scams involving illegal transfers of funds, we offer two versions of SECOM Premium Net, a system that guarantees the security of online transactions, for commercial customers and for consumers. SECOM Premium Net centers on a proprietary dedicated USB flash drive that connects the user's computer to the financial institution's online banking site, ensuring a secure communications channel. The commercial version of the system has earned high marks for its effectiveness, as a result of which orders from financial institutions continue to rise. Applications for the consumer version have been expanded to include online stock trading transactions.

We recently expanded the SECOM Premium Net lineup with the launch of SECOM Premium Net Plus, which is designed to block leaks of My Number information. Use of this service in tandem with the SECOM *Anshin* My Number Service is an effective way for companies to create an environment that doubly secures management of My Number information.

#### ▶ Digital certificates and tailored support for digitizing documents

Since launching a Root Certificate Authority (CA)—the highest level of CA—in 2004 in compliance with recognized global standards, we have steadily expanded our digital authentication services business. Digital certificates facilitate the secure exchange of encrypted information between browsers and servers and are used to authenticate documentation registered by, among others, judicial scriveners. These certificates are also used in the digitization of contracts and other official documentation. In addition to providing technologies for digitization, we offer tailored support for, among others, the reconfiguration of business processes and confirmation of legal validity.

#### ▶ Unveiling the SECOM *Anshin* Stress Check Service

In line with revisions to Japan's Industrial Health and Safety Act obliging employers to conduct stress checks, we unveiled the SECOM *Anshin* Stress Check Service. The act now requires that all workplaces with more than 50 employees conduct an annual stress check for all employees and, if requested by an employee, arranges for visits to a doctor and counseling. The SECOM *Anshin* Stress Check Service provides assistance to companies, employees and in-house medical staff, ensuring that stress checks are conducted in compliance with the Ministry of Health, Labour and Welfare's stress check system.

#### ▶ Highly rated services for coping with major disasters

A series of earthquakes, localized torrential rainfall and other natural disasters in the past few years have encouraged an increasing number of companies in Japan to formulate



BCPs. We provide a number of services that assist such efforts. The SECOM Safety Confirmation Service, which helps subscribers ascertain the safety of employees and their families in the aftermath of a disaster, has earned high marks from users, and is currently recognized as one of Japan's leading crisis management support services. In tandem with this system, we also offer the SECOM Emergency Call Out Service, which facilitates the swift deployment of personnel critical to business continuity and the prompt resumption of operations. We also offer the Real-Time Disaster Information Service,

whereby the SECOM *Anshin* Information Center collects and scrutinizes disaster-related information, enabling us to support the subscriber's decision-making process and help ensure business continuity.



SECOM *Anshin* Information Center

## Real Estate and Other Services

**We develop and sell high-grade condominiums offering exceptional security and disaster-preparedness features, ensuring safety and peace of mind for occupants.**

### ► Uniquely SECOM: Glorio-brand condominiums

In line with our goal of providing living spaces that deliver safety, peace of mind, comfort and convenience, we develop and provide high-grade uniquely SECOM condominiums under the Glorio brand. We recently commenced sales of units in Glorio Tokyo Sumiyoshi and other complexes in the Tokyo metropolitan area. Glorio Tokyo Sumiyoshi boasts a seismic grade 2 rating under Japan's three-grade system of ranking earthquake resistance. Each unit in the complex is equipped with MS-4, an on-line security system for condominiums; Tomahawk Jet  $\alpha$ , which instantaneously extinguishes cooking stove fires; and a Pythagoras Wall Safe, while common areas are protected by the SECOM IX remote imaging security system.

We also commenced sales of units in The Park House Chitose-Karasuyama Glorio, a complex in Tokyo under development in collaboration with a major real estate developer. Park House Chitose-Karasuyama Glorio features several units designed in line with the concept of universal planning, thereby

enabling us to satisfy a more diverse range of occupant needs and preferences.

### ► Strengthening the SECOM Home Service lineup

SECOM Home Service is an optional suite of lifestyle support services available to SECOM Home Security subscribers. Featuring a broad menu of services—including the Housework Support Service, which delivers safety, peace of mind, comfort and convenience by providing help with housekeeping and small jobs around the house, and the *Anshin* Support Service, whereby we assist subscribers by, for example, patrolling around their homes when they are out—SECOM Home Service lets us tailor responses to subscribers' needs. In recent years, we have also seen an increase in contracts for SECOM Home Service Pack, which allows subscribers to group services in individualized one-year packages. In light of increasing needs engendered by Japan's super-aged society, we continue to promote acceptance of SECOM Home Service.



Glorio Tokyo Sumiyoshi



SECOM Home Service  
(lifestyle support services)

► **Basic policies**

Having always acknowledged the importance of ensuring sustainability for ourselves and for society, we actively seek to promote CSR in all aspects of our operations, allowing us 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."

► **Strategic CSR: Addressing evolving social imperatives**

Our strategic CSR initiatives emphasize capitalizing on the principal sources of our competitiveness, namely, our technologies, human resources, and operational and control structure, and on our ability to make effective use of Big Data, made possible by our network of data center facilities, which underpins our business infrastructure. Guided by the ALL SECOM concept, which focuses on rallying Group strengths, we continue to allocate management resources in line with three key themes—security, a super-aged society and disaster preparedness/BCP/environmental preservation.

► **Basic CSR: Earning the trust of stakeholders**

As a company that seeks to provide safety 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 assuring that our stakeholders continue to see us as a trusted partner. To this end, we have always adhered to stringent internal standards for compliance and risk management that exceed those mandated by laws and regulations in Japan.



## ► Basic CSR initiatives

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.

### Consumer issues

To ensure the quality of our services is consistently worthy of the SECOM name, we have established a framework in our security services business that ensures exceptional safety and reliability across all processes, from R&D through to maintenance, and conduct practical training for employees that aims to enhance their know-how and skill levels. We work to further enhance service quality by paying heed to feedback received by SECOM customer service centers, as well as by speaking directly to customers.



Training for employees to enhance know-how and skill levels

### Human rights and labor practices

In line with our belief that creating working environments conducive to job satisfaction and helping employees fulfill their potential are key to driving growth for SECOM, we have established a variety of unique employee training programs designed to maximize individual talents and hone skills. We recognize respect for human rights as an essential

aspect of corporate management and provide training aimed at enhancing employees' understanding thereof.

We also place a priority on ensuring safety and a favorable work-life balance for our employees. Accordingly, we have put in place generous health management and leave programs.

### Environment

In the belief that protecting the environment is essential for 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 among all employees. We are also implementing measures aimed at addressing such key issues as global warming and resource depletion and ensuring our operations conform with pertinent laws and regulations.



Fuel-efficient SECOM service vehicle

### Community involvement and development

We recognize contributions to the community through the provision of safety and peace of mind, as well as through the creation of employment opportunities and support for local development, as an important responsibility. To this end, we promote a variety of efforts designed to contribute to communities.

These include offering programs for children, women and seniors designed to raise crime prevention awareness.



Safety class for children

### Fair operating practices

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

We also work to promote awareness of key components of CSR, including the safeguarding of human rights, ensuring industrial safety and employee well-being, and protecting the environment, across our entire value chain.

### Organizational governance

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

We will continue to bolster our corporate value by contributing to the promotion of sports.

▶ **Helping ensure the safety and security of long-distance running events**

As a corporate sponsor for the 92nd edition of the Hakone Ekiden, Japan’s premier university long-distance road relay race, in January 2016, we were responsible for, among others, providing security services and AEDs. The following month, we once again provided uniquely SECOM security services as an official partner of the Tokyo Marathon 2016.

We will also be the official provider of security for the 34th Niigata City Marathon, to be held in October 2016, and the 2nd SAITAMA INTERNATIONAL MARATHON, which is scheduled for November 2016. Going forward, we will provide support with the aim of ensuring smooth and secure races and contributing to the growth and success of these and other sporting events in Japan.

As an official provider of security for the SAITAMA INTERNATIONAL MARATHON, we helped ensure an incident-free event



SECOM helped ensure the safety and security of runners at the Tokyo Marathon 2016 © Tokyo Marathon Foundation

▶ **Official Partner of the Japan women’s and men’s national rugby teams**

We also identify strongly with the competitive spirit of rugby players to do whatever it takes, a trait that echoes our determination to keep moving forward. We are currently an Official Partner of Japan women’s and men’s sevens and fifteen-a-side national rugby teams, having signed an agreement with the Japan Rugby Football Union (JRFU), the governing body for rugby in Japan.



Japan women’s sevens national rugby team © JRFU



SECOM recently also became a sponsor of Japan men’s national rugby teams © JRFU

**SECOM becomes an Official Partner of the Tokyo 2020 Olympic and Paralympic Games**

We recently became an Official Partner (Security Services and Planning category) for the Tokyo 2020 Olympic and Paralympic Games. Our history with the Olympic Games stretches back five decades. In 1964, we provided security services for the first Tokyo Olympic Games, earning high marks and the

trust of organizers, an achievement that contributed to our subsequent growth.

We look forward to helping ensure the safety and security of the Tokyo 2020 Games and are committed to creating innovative, valuable services that will help us achieve this goal.



# Financial Review

## Operating Results

### Overview

In the year ended March 31, 2016, 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 4.0%, or ¥38.2 billion, to ¥983.4 billion. Principal factors behind this result included higher net sales and operating revenue in the security services segment—underpinned by an upsurge in revenue from on-line security systems and an increase in the number of consolidated subsidiaries—as well as in the fire protection services and medical services segments, the former due to higher orders and the latter to elevated sales of pharmaceuticals and rising patient numbers at hospitals. Despite gains in the security services, medical services and fire protection services segments, operating income slipped 2.5%, or ¥3.1 billion, to ¥118.9 billion, with contributing factors including an increase in impairment losses on long-lived assets. Nonetheless, net income attributable to SECOM CO., LTD., was up 4.8%, or ¥3.9 billion, to ¥84.1 billion, owing to, among others, a decrease in income taxes resulting from a decline in the statutory tax rate, a consequence of tax reform in Japan.

### Net Sales and Operating Revenue

Net sales and operating revenue rose 4.0%, or ¥38.2 billion, to ¥983.4 billion. The security services, fire protection services, medical services, insurance services and information and communication related services segments reported increases, while the geographic information services and real estate and other services segments posted declines. (For further details, please see Segment Information below.)

### Costs and Expenses

Total costs and expenses rose 5.0%, or ¥41.3 billion, to ¥864.5 billion. Cost of sales, at ¥674.5 billion, was up 4.7%, or ¥30.3 billion, and was equivalent to 68.6% of net sales and operating revenue, compared with 68.2% in the previous fiscal year, owing largely to an increase in the cost of sales ratio in the geographic information services segment.

Selling, general and administrative (SG&A) expenses rose 4.6%, or ¥7.7 billion, to ¥176.3 billion. SG&A expenses were equivalent to 17.9% of net sales and operating revenue, compared with 17.8% in the previous fiscal year.

Impairment loss on long-lived assets increased ¥5.2 billion, to ¥11.8 billion, as the Company recognized impairment losses on certain business assets in the information and communication related services segment and on certain real estate assets, the use of which it had reconsidered. Loss on sales and disposal of fixed assets, net, decreased ¥660 million, to ¥1.9 billion. Despite impairment loss on goodwill of ¥1.3 billion in the previous fiscal year, the Company did not report such a loss in the period under review.

### Operating Income

Operating income slipped 2.5%, or ¥3.1 billion, to ¥118.9 billion, equivalent to 12.1% of net sales and operating revenue, down from 12.9% in the previous fiscal year. The Company's segments, in order of size of contribution to operating income, were security services, fire protection services, insurance services, real estate and other services, medical services, and information and communication related services. (For further details, please see Segment Information below.)

### Other Income and Expenses

Other income declined ¥1.6 billion, to ¥7.7 billion, while other expenses rose ¥680 million, to ¥4.1 billion, resulting in net other income of ¥3.6 billion, down ¥2.3 billion from the previous fiscal year. Principal factors behind this result include a decrease of ¥2.3 billion in gain on private equity investments, to ¥1.7 billion.

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

Income from continuing operations before income taxes and equity in net income of affiliated companies, at ¥122.5 billion, was down 4.2%, or ¥5.4 billion, owing to declines in operating income and net other income.

### Income Taxes

Income taxes amounted to ¥40.3 billion, a decrease of ¥5.7 billion from the previous fiscal year, and were equivalent to 32.9% of income from continuing operations before income taxes and equity in net income of affiliated companies, compared with 36.0% in the previous fiscal year. This

result was due mainly to a decline in the statutory tax rate, a consequence of tax reform in Japan.

### Equity in Net Income of Affiliated Companies

Equity in net income of affiliated companies rose ¥1.4 billion, to ¥7.2 billion. This result primarily reflected increases in equity in the net income of certain overseas affiliates.

### Net Income Attributable to Noncontrolling Interests

Net Income attributable to noncontrolling interests amounted to ¥5.2 billion, down ¥3.0 billion from the previous fiscal year.

### Net Income Attributable to SECOM CO., LTD.

Net income attributable to SECOM CO., LTD., rose 4.8%, or ¥3.9 billion, to ¥84.1 billion, equivalent to 8.5% of net sales and operating revenue. Net income attributable to SECOM CO., LTD. per share was ¥385.19, up from ¥367.37 in the previous fiscal year. At the Ordinary General Meeting of Shareholders held on June 24, 2016, a proposal to pay a year-end cash dividend of ¥70.00 was approved. As a consequence, cash dividends for the year, which also included an interim dividend—inaugurated in the previous fiscal year—of ¥65.00, increased ¥10.00, to ¥135.00 per share. However, because both the ¥65.00 per share year-end dividend for the year ended March 31, 2015, approved at the Ordinary General Meeting of Shareholders held on June 25, 2015, and the ¥65.00 per share interim dividend for the previous fiscal year, determined by the Board of Directors and paid to shareholders of record as of September 30, 2015, were paid during the period, cash dividends paid to shareholders in the period under review—the figure that appears in the financial statements—amounted to ¥130.00 per share.

### Segment Information

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

#### Security Services

The security services segment comprises electronic security services, which center on on-line security systems; other security services; and merchandise and other. In the period under review, net sales and operating revenue in this segment advanced 3.7%, or ¥18.1 billion, to ¥508.1 billion. Excluding intersegment transactions, net sales and operating revenue in this segment amounted to ¥505.1 billion, equivalent to 51.4% of overall net sales and operating revenue, compared with 51.5% in the previous fiscal year.

In addition to on-line commercial and home security systems, electronic security services include large-scale proprietary security systems, which 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 1.4%, or ¥4.5 billion, to ¥330.8 billion, primarily reflecting an expanded lineup of value-added services that respond to diverse security needs.

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 ¥55.9 billion, up 3.9%, or ¥2.1 billion. 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 ¥33.0 billion, up 57.0%, or ¥12.0 billion, owing

principally to the inclusion of results for Asahi Security, newly consolidated on December 1, 2015.

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 edged down 0.8%, or ¥647 million, to ¥85.3 billion, owing to the absence of leases of large-scale security systems, which pushed up sales in the previous fiscal year, although this was partially offset by an increase in sales of security camera systems and the inclusion of results for Kumalift, newly consolidated on August 31, 2015.

Operating income in the security services segment rose 3.6%, or ¥3.8 billion, to ¥110.9 billion. The operating margin was 21.8%, compared with 21.9% in the previous fiscal year. This increase was attributable to higher net sales and operating revenue for on-line security systems in Japan.

#### Fire Protection Services

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

Net sales and operating revenue in this segment increased 7.3%, or ¥9.2 billion, to ¥135.5 billion, bolstered by a number of major orders. Operating income was up 9.1%, or ¥1.1 billion, to ¥13.7 billion, and the operating margin improved to 10.1%, from 9.9%, a consequence largely of the increase in net sales and operating revenue and efforts to constrain SG&A expenses.

#### 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 4.9%, or ¥7.7 billion, to ¥163.7 billion. The principal factors behind this result were an increase in sales of pharmaceuticals, among others, and a rise in patient numbers accompanying the expansion and modification of hospitals operated by the aforementioned variable interest entities. Operating income climbed 92.0%, or ¥1.4 billion, to ¥2.9 billion, while the operating margin improved to 1.8%, from 1.0%, owing mainly to the recognition of an impairment loss on goodwill of certain variable interest entities in the previous fiscal year.

#### Insurance Services

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 onsite 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.

Net sales and operating revenue in this segment advanced 5.1%, or ¥2.1 billion, to ¥43.6 billion, spurred by higher insurance premiums due to expanded sales of fire insurance policies and the MEDCOM unrestricted cancer treatment policy. Operating income was down 14.9%, or ¥1.2 billion, to ¥6.8 billion, while the operating margin declined to 15.7%, from 19.4% in the previous fiscal year, owing to an increase in losses incurred as a result of damage caused by natural disasters.

#### Geographic Information Services

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

in emerging economies and developing countries.

Segment net sales and operating revenue edged down 0.4%, or ¥201 million, to ¥52.7 billion, despite an increase in net sales and operating revenue from services for overseas customers, as that from services for the public and private sectors in Japan declined. The segment reported an operating loss of ¥268 million, compared with operating income of ¥2.4 billion in the previous fiscal year, reflecting a higher cost ratio for services for the public sector and a provision against anticipated future losses, as well as the recognition of impairment losses on software and other assets.

## Financial Position

Total assets as of March 31, 2016, amounted to ¥1,681.3 billion, ¥155.5 billion higher than at the end of the previous fiscal year. Total current assets, at ¥705.5 billion, were up ¥89.5 billion, and accounted for 42.0% of total assets. Cash and cash equivalents totaled ¥229.0 billion, a decline of ¥19.6 billion, owing to the fact that net cash used in investing and financing activities exceeded net cash provided by operating activities. (For further details, please see Cash Flows, which follows this section.) Notes and accounts receivable, trade, advanced ¥8.6 billion, to ¥136.6 billion. The consolidation of Asahi Security was the principal cause of an increase in cash deposits for armored car services of ¥77.9 billion, to ¥128.3 billion. Inventories, at ¥63.8 billion, were ¥3.2 billion higher, reflecting an increase

## Information and Communication Related Services

The information and communication related services segment focuses 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 this segment advanced 3.5%, or ¥1.9 billion, to ¥55.8 billion, bolstered by the launch of the SECOM *Anshin* My Number service, among others. Operating income fell 65.5%, or ¥586 million, to ¥308 million, and the operating margin declined to 0.6%, from 1.7% in the previous fiscal year, with the recognition of impairment losses on certain business assets among factors behind these results.

in work in process and other factors. Due from subscribers was up ¥5.8 billion, to ¥43.7 billion, owing to the consolidation of Asahi Security. Short-term investments rose ¥6.4 billion, to ¥31.4 billion, as bonds due within one year formerly included in investment securities were reclassified to this category. The current ratio was 1.8 times, compared with 2.1 times at the previous fiscal year-end.

Investments and long-term receivables declined ¥21.2 billion, to ¥336.4 billion, equivalent to 20.0% of total assets. Investment securities, at ¥212.5 billion, were down ¥18.2 billion, a consequence of a downturn in the fair value of investment securities and the reclassification of bonds in current assets.

Property, plant and equipment, less accumulated depreciation, rose ¥17.5

## Real Estate and Other Services

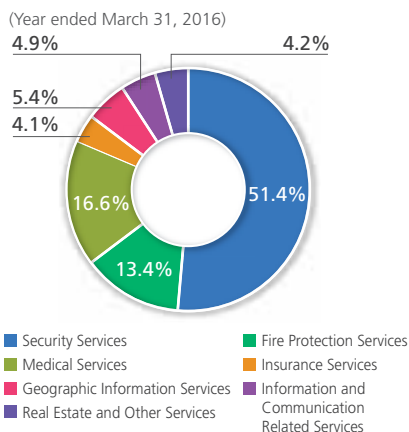
The real estate and other services segment encompasses the development and sales of condominiums equipped with sophisticated security and disaster-preparedness features, as well as real estate leasing, construction, and installation and other services.

Segment net sales and operating revenue slipped 1.9%, or ¥849 million, to ¥44.1 billion, as results in the real estate development and sales business flagged. Operating income, at ¥4.9 billion, was down 3.5%, or ¥180 million. The operating margin edged down to 11.1%, from 11.3% in the previous fiscal year.

billion, to ¥414.2 billion, and represented 24.6% of total assets. Machinery, equipment and automobiles rose ¥41.7 billion, to ¥154.8 billion owing primarily to the consolidation of Asahi Security. An increase in the number of consolidated subsidiaries and the expansion and modification of hospitals managed by variable interest entities were among factors that led to an increase in buildings and improvements up ¥15.8 billion, to ¥316.6 billion.

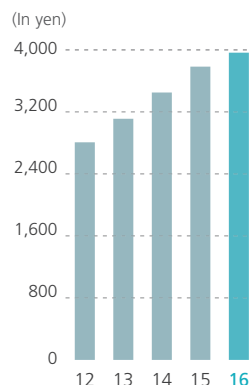
Other assets totaled ¥225.2 billion, up ¥69.7 billion, and accounted for 13.4% of total assets. This was largely attributable to increases of ¥58.6 billion in goodwill, to ¥90.3 billion, and ¥13.7 billion in other intangible assets, to ¥53.9 billion, arising from the consolidation of Asahi Security.

### Percentage of Consolidated Net Sales and Operating Revenue\*

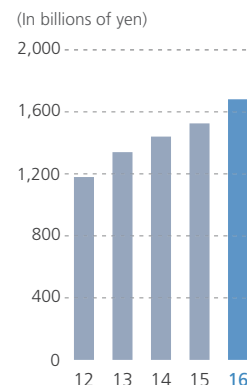


\* Pie chart shows percentage of consolidated net sales and operating revenue (excluding intersegment transactions)

### SECOM CO., LTD. Shareholders' Equity per Share



### Total Assets



## Financial Review

Total liabilities as of March 31, 2016, amounted to ¥704.7 billion, an increase of ¥118.0 billion, and represented 41.9% of total liabilities and equity. Total current liabilities, at ¥387.8 billion, were up ¥101.2 billion, accounting for 23.1% of total liabilities and equity. Deposits received climbed ¥84.1 billion, to ¥105.0 billion, owing primarily to the consolidation of Asahi Security, which resulted in an increase in deposits received for armored car services. Bank loans increased ¥11.7 billion, to ¥55.7 billion.

### 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 ¥142.9 billion. Factors behind this result included net income of ¥89.3 billion and depreciation and amortization, including amortization of deferred charges of ¥72.5 billion, a non-cash item, which were partially offset by an increase in deferred charges of ¥15.5 billion. Deferred charges consisted primarily of costs related to the installation of equipment for on-line security systems. For further details, please see Note 2 (12) of the accompanying Notes to Consolidated Financial Statements. Net cash provided by operating activities was ¥7.9 billion higher than in the previous fiscal year, despite a decrease in accrued consumption tax, which had increased in the previous period as a consequence of a consumption tax rate hike, owing to such factors as a smaller

Total long-term liabilities rose ¥16.8 billion, to ¥317.0 billion, and represented 18.9% of total liabilities and equity. Unearned premiums and other insurance liabilities rose ¥6.0 billion, to ¥105.6 billion. Long-term debt, at ¥61.6 billion, was up ¥7.8 billion, a consequence of the consolidation of Asahi Security, which led to an increase in lease liabilities.

Total SECOM CO., LTD. shareholders' equity advanced ¥39.3 billion, to ¥865.3 billion. Net income attributable to SECOM CO., LTD., less the payment

of cash dividends, resulted in a ¥55.6 billion increase in retained earnings, to ¥772.1 billion. Accumulated other comprehensive income was ¥16.9 billion, down ¥16.0 billion, as unrealized gains on securities declined ¥7.4 billion, to ¥18.2 billion, and pension liability adjustments yielded a loss of ¥7.9 billion, compared with ¥2.1 billion. As a result, the equity ratio was 51.5%, compared with 54.1% as of March 31, 2015.

increase in inventories and increases in accrued income taxes, and unearned premiums and other insurance liabilities.

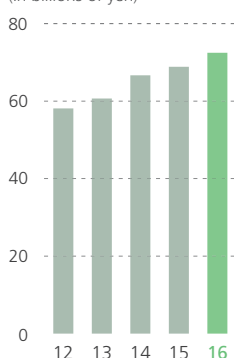
Net cash used in investing activities amounted to ¥132.7 billion. This result was due principally to acquisitions, net of cash acquired, of ¥73.5 billion, owing to the acquisition of Asahi Security, and payments for purchase of property, plant and equipment of ¥59.5 billion, reflecting outlays for security equipment and control stations—attributable to an increase in the number of security services subscribers—and for the expansion and modification of hospitals managed by variable interest entities, as well as to payments for purchases of investment securities of ¥49.4 billion, primarily in the insurance services business and through private equity investments in the United States. These were partially offset by proceeds from sales and redemptions of investment securities of ¥55.0 billion. Net cash used in investing activities was ¥63.4 billion higher than in the previous fiscal year, owing mainly to an increase in acquisitions, net of cash acquired.

Net cash used in financing activities amounted to ¥29.0 billion. This result reflected dividends paid to SECOM CO., LTD. shareholders of ¥28.4 billion and repayments of long-term debt of ¥15.2 billion, which were partially offset by proceeds from long-term debt of ¥9.4 billion and an increase in bank loans, net, of ¥8.7 billion. Net cash used in financing activities was ¥20.1 billion lower than in the previous fiscal year. Factors contributing to this result include an increase in bank loans and a decline in dividends paid to SECOM CO., LTD. shareholders, which had increased in the previous year with the payment of a newly inaugurated interim dividend, as well as a year-end dividend.

The Company's operating, investing and financing activities in the period under review yielded net cash and cash equivalents at end of year of ¥229.0 billion, down ¥19.6 billion from net cash and cash equivalents at beginning of year, which were ¥248.6 billion.

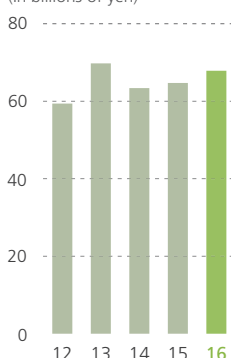
#### Depreciation and Amortization

(In billions of yen)



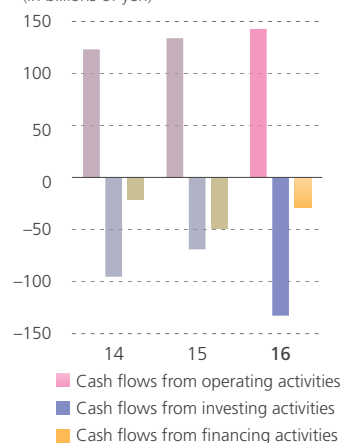
#### Purchases of Property, Plant and Equipment and Intangible Assets

(In billions of yen)



#### Cash Flows

(In billions of yen)







# Consolidated Financial Statements

## Consolidated Balance Sheets

SECOM CO., LTD. and Subsidiaries  
March 31, 2016 and 2015

	In millions of yen		Translation into thousands of U.S. dollars (Note 3)
	2016	2015	March 31
<b>ASSETS</b>			<b>2016</b>
<b>Current assets:</b>			
Cash and Cash equivalents (Notes 5 and 22) .....	¥ 228,982	¥ 248,627	\$ 2,026,389
Time deposits (Note 13).....	9,764	9,550	86,407
Cash deposits for armored car services (Note 6).....	128,267	50,395	1,135,106
Short-term investments (Notes 7 and 22).....	31,412	25,002	277,982
Notes and accounts receivable, trade.....	136,619	127,992	1,209,018
Due from subscribers.....	43,748	37,927	387,150
Inventories (Note 8).....	63,780	60,621	564,425
Short-term receivables (Notes 9, 13, 20 and 21).....	30,035	25,461	265,796
Allowance for doubtful accounts (Note 9).....	(1,782)	(1,867)	(15,770)
Deferred insurance acquisition costs (Note 14).....	6,766	5,953	59,876
Deferred income taxes (Note 17).....	12,082	12,929	106,920
Other current assets .....	15,862	13,451	140,373
Total current assets .....	705,535	616,041	6,243,672
<b>Investments and long-term receivables:</b>			
Investment securities (Notes 2 (7), 7, 13 and 22).....	212,485	230,728	1,880,398
Investments in affiliated companies (Note 10).....	56,699	56,209	501,761
Long-term receivables (Notes 9, 13, 20 and 21).....	40,851	48,954	361,513
Lease deposits.....	15,753	14,069	139,407
Other investments.....	15,234	14,822	134,814
Allowance for doubtful accounts (Note 9).....	(4,625)	(7,201)	(40,929)
	336,397	357,581	2,976,964
<b>Property, plant and equipment</b> (Notes 11, 13, 19 and 20):			
Land.....	114,970	117,952	1,017,434
Buildings and improvements.....	316,581	300,769	2,801,602
Security equipment and control stations.....	317,814	302,659	2,812,513
Machinery, equipment and automobiles.....	154,796	113,114	1,369,876
Construction in progress .....	5,696	3,827	50,407
	909,857	838,321	8,051,832
Accumulated depreciation.....	(495,705)	(441,652)	(4,386,770)
	414,152	396,669	3,665,062
<b>Other assets:</b>			
Deferred charges (Note 2 (12)) .....	43,147	43,648	381,832
Goodwill (Note 12).....	90,282	31,701	798,956
Other intangible assets (Notes 12, 13, 19 and 20).....	53,924	40,175	477,204
Prepaid pension and severance costs (Note 15).....	30,797	35,011	272,540
Deferred income taxes (Note 17).....	7,098	5,037	62,814
	225,248	155,572	1,993,346
Total assets .....	¥1,681,332	¥1,525,863	\$14,879,044

See accompanying notes to consolidated financial statements.

	In millions of yen		Translation into thousands of U.S. dollars (Note 3)
	2016	2015	March 31
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities:</b>			
Bank loans (Notes 6 and 13).....	¥ 55,659	¥ 43,924	\$ 492,558
Current portion of long-term debt (Notes 13, 19 and 21).....	17,926	13,368	158,637
Notes and accounts payable, trade.....	42,905	44,300	379,690
Other payables.....	39,635	34,958	350,752
Deposits received (Note 6).....	104,996	20,929	929,168
Deferred revenue.....	39,737	39,737	351,655
Accrued income taxes.....	22,410	21,102	198,319
Accrued payroll.....	31,506	29,058	278,814
Other current liabilities (Note 17).....	32,991	39,180	291,956
Total current liabilities.....	387,765	286,556	3,431,549
<b>Long-term liabilities:</b>			
Long-term debt (Notes 13, 19 and 21).....	61,640	53,803	545,487
Guarantee deposits received.....	33,637	34,642	297,673
Accrued pension and severance costs (Note 15).....	30,068	25,648	266,088
Long-term deferred revenue.....	16,350	16,591	144,690
Unearned premiums and other insurance liabilities (Note 14).....	105,569	99,584	934,239
Investment deposits by policyholders (Notes 14 and 21).....	29,802	30,272	263,735
Deferred income taxes (Note 17).....	25,982	28,402	229,929
Other long-term liabilities (Notes 21, 22 and 23).....	13,922	11,198	123,204
Total long-term liabilities.....	316,970	300,140	2,805,045
Total liabilities.....	704,735	586,696	6,236,594

#### 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 2016 and 2015.....	66,378	66,378	587,416
Additional paid-in capital.....	73,118	73,442	647,062
Legal reserve.....	10,526	10,401	93,150
Retained earnings.....	772,061	716,487	6,832,398
Accumulated other comprehensive income (loss):			
Unrealized gains on securities (Note 7).....	18,152	25,564	160,637
Unrealized gains on derivative instruments (Note 23).....	—	5	—
Pension liability adjustments (Note 15).....	(7,891)	(2,140)	(69,832)
Foreign currency translation adjustments.....	6,652	9,533	58,867
	16,913	32,962	149,672
Common stock in treasury, at cost:			
15,026,824 shares in 2016 and 15,024,812 shares in 2015.....	(73,718)	(73,701)	(652,372)
Total SECOM CO., LTD. shareholders' equity.....	865,278	825,969	7,657,326
Noncontrolling interests.....	111,319	113,198	985,124
Total equity.....	976,597	939,167	8,642,450
Total liabilities and equity.....	¥1,681,332	¥1,525,863	\$14,879,044

See accompanying notes to consolidated financial statements.

## Consolidated Statements of Income

SECOM CO., LTD. and Subsidiaries  
Three years ended March 31, 2016

	In millions of yen			Translation into thousands of U.S. dollars (Note 3)
	Years ended March 31			Year ended March 31
	2016	2015	2014	2016
<b>Net sales and operating revenue</b> (Notes 14, 18 and 22)	<b>¥983,428</b>	¥945,238	¥921,146	<b>\$8,702,903</b>
<b>Costs and expenses:</b>				
Cost of sales (Note 8)	674,533	644,196	628,916	5,969,318
Selling, general and administrative expenses (Notes 2 (17), 2 (18), 2 (19) and 4)	176,269	168,563	166,018	1,559,903
Impairment loss on long-lived assets (Note 11)	11,814	6,591	2,789	104,549
Impairment loss on goodwill (Note 12)	—	1,314	151	—
Loss on sales and disposal of fixed assets, net	1,907	2,567	3,194	16,876
	<b>864,523</b>	823,231	801,068	<b>7,650,646</b>
Operating income	<b>118,905</b>	122,007	120,078	<b>1,052,257</b>
<b>Other income:</b>				
Interest and dividends	1,440	1,412	1,310	12,743
Gain on sales of securities, net (Notes 7 and 18)	1,480	56	935	13,097
Gain on private equity investments (Note 22)	1,718	4,062	5,564	15,204
Other (Notes 16, 18 and 23)	3,041	3,763	3,849	26,912
	<b>7,679</b>	9,293	11,658	<b>67,956</b>
<b>Other expenses:</b>				
Interest	1,388	1,394	1,433	12,283
Loss on other-than-temporary impairment of investment securities (Notes 18 and 22)	402	154	78	3,558
Other (Note 16)	2,333	1,895	1,484	20,646
	<b>4,123</b>	3,443	2,995	<b>36,487</b>
Income from continuing operations before income taxes and equity in net income of affiliated companies	<b>122,461</b>	127,857	128,741	<b>1,083,726</b>
<b>Income taxes</b> (Note 17):				
Current	39,135	46,837	47,544	346,328
Deferred	1,177	(865)	2,151	10,416
	<b>40,312</b>	45,972	49,695	<b>356,744</b>
Income from continuing operations before equity in net income of affiliated companies	<b>82,149</b>	81,885	79,046	<b>726,982</b>
<b>Equity in net income of affiliated companies</b> (Note 18)	<b>7,162</b>	5,759	4,017	<b>63,381</b>
Income from continuing operations	<b>89,311</b>	87,644	83,063	<b>790,363</b>
<b>Income (loss) from discontinued operations, net of tax</b> (Note 25)	<b>—</b>	814	(132)	<b>—</b>
Net income	<b>89,311</b>	88,458	82,931	<b>790,363</b>
<b>Less: Net income attributable to noncontrolling interests</b>	<b>(5,239)</b>	(8,274)	(8,952)	<b>(46,363)</b>
Net income attributable to SECOM CO., LTD.	<b>¥ 84,072</b>	¥ 80,184	¥ 73,979	<b>\$ 744,000</b>

	In yen			Translation into thousands of U.S. dollars (Note 3)
	Years ended March 31			Year ended March 31
	2016	2015	2014	2016
<b>Per share data</b> (Note 2 (21)):				
Income from continuing operations attributable to SECOM CO., LTD.	¥385.19	¥363.64	¥339.55	\$3.41
Income (loss) from discontinued operations attributable to SECOM CO., LTD.	—	3.73	(0.61)	—
Net income attributable to SECOM CO., LTD.	<b>385.19</b>	367.37	338.94	<b>3.41</b>
<b>Cash dividends per share</b> (Note 18)	<b>¥130.00</b>	¥175.00	¥105.00	<b>\$1.15</b>

## Consolidated Statements of Comprehensive Income

SECOM CO., LTD. and Subsidiaries  
Three years ended March 31, 2016

	In millions of yen			Translation into thousands of U.S. dollars (Note 3)
	Years ended March 31			Year ended March 31
	2016	2015	2014	2016
<b>Comprehensive income:</b>				
Net income	¥89,311	¥ 88,458	¥ 82,931	\$790,363
Other comprehensive income (loss), net of tax:				
Unrealized gains on securities	(7,823)	13,588	1,120	(69,230)
Unrealized gains on derivative instruments	(9)	(8)	2	(80)
Pension liability adjustments	(6,402)	7,194	5,543	(56,655)
Foreign currency translation adjustments	(3,234)	12,179	18,092	(28,619)
Total comprehensive income	<b>71,843</b>	121,411	107,688	<b>635,779</b>
<b>Less: Comprehensive income attributable to noncontrolling interests</b>	<b>(3,820)</b>	(9,986)	(10,802)	<b>(33,806)</b>
Comprehensive income attributable to SECOM CO., LTD.	<b>¥68,023</b>	¥111,425	¥ 96,886	<b>\$601,973</b>

See accompanying notes to consolidated financial statements.

## Consolidated Statements of Changes in Equity

SECOM CO., LTD. and Subsidiaries  
Three years ended March 31, 2016

In millions of yen

	Number of shares issued	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Common stock in treasury, at cost	Total SECOM CO., LTD. shareholders' equity	Noncontrolling interests	Total
<b>Balance, March 31, 2013</b>	233,288,717	¥66,378	¥73,809	¥10,241	¥623,599	(¥21,186)	(¥73,665)	¥679,176	¥100,439	¥779,615
Comprehensive income:										
Net income	—	—	—	—	73,979	—	—	73,979	8,952	82,931
Other comprehensive income (loss), net of tax (Note 18):										
Unrealized gains on securities	—	—	—	—	—	1,000	—	1,000	120	1,120
Unrealized gains on derivative instruments	—	—	—	—	—	1	—	1	1	2
Pension liability adjustments	—	—	—	—	—	5,090	—	5,090	453	5,543
Foreign currency translation adjustments	—	—	—	—	—	16,816	—	16,816	1,276	18,092
Total comprehensive income	—	—	—	—	—	—	—	96,886	10,802	107,688
Cash dividends paid to SECOM CO., LTD. shareholders	—	—	—	—	(22,918)	—	—	(22,918)	—	(22,918)
Cash dividends paid to noncontrolling interests	—	—	—	—	—	—	—	—	(4,175)	(4,175)
Transfer to legal reserve	—	—	—	75	(75)	—	—	—	—	—
Equity transactions with noncontrolling interests and other (Note 18)	—	—	(28)	—	—	—	—	(28)	191	163
Gains on disposal of treasury stock	—	—	0	—	—	—	—	0	—	0
Net changes in treasury stock	—	—	—	—	—	—	(17)	(17)	—	(17)
<b>Balance, March 31, 2014</b>	233,288,717	66,378	73,781	10,316	674,585	1,721	(73,682)	753,099	107,257	860,356
Comprehensive income:										
Net income	—	—	—	—	80,184	—	—	80,184	8,274	88,458
Other comprehensive income (loss), net of tax (Note 18):										
Unrealized gains on securities	—	—	—	—	—	13,004	—	13,004	584	13,588
Unrealized gains on derivative instruments	—	—	—	—	—	(4)	—	(4)	(4)	(8)
Pension liability adjustments	—	—	—	—	—	6,814	—	6,814	380	7,194
Foreign currency translation adjustments	—	—	—	—	—	11,427	—	11,427	752	12,179
Total comprehensive income	—	—	—	—	—	—	—	111,425	9,986	121,411
Cash dividends paid to SECOM CO., LTD. shareholders	—	—	—	—	(38,197)	—	—	(38,197)	—	(38,197)
Cash dividends paid to noncontrolling interests	—	—	—	—	—	—	—	—	(3,763)	(3,763)
Transfer to legal reserve	—	—	—	85	(85)	—	—	—	—	—
Equity transactions with noncontrolling interests and other (Note 18)	—	—	(339)	—	—	—	—	(339)	(282)	(621)
Gains on disposal of treasury stock	—	—	0	—	—	—	—	0	—	0
Net changes in treasury stock	—	—	—	—	—	—	(19)	(19)	—	(19)
<b>Balance, March 31, 2015</b>	233,288,717	66,378	73,442	10,401	716,487	32,962	(73,701)	825,969	113,198	939,167
Comprehensive income:										
Net income	—	—	—	—	84,072	—	—	84,072	5,239	89,311
Other comprehensive income (loss), net of tax (Note 18):										
Unrealized gains on securities	—	—	—	—	—	(7,411)	—	(7,411)	(412)	(7,823)
Unrealized gains on derivative instruments	—	—	—	—	—	(5)	—	(5)	(4)	(9)
Pension liability adjustments	—	—	—	—	—	(5,752)	—	(5,752)	(650)	(6,402)
Foreign currency translation adjustments	—	—	—	—	—	(2,881)	—	(2,881)	(353)	(3,234)
Total comprehensive income	—	—	—	—	—	—	—	68,023	3,820	71,843
Cash dividends paid to SECOM CO., LTD. shareholders	—	—	—	—	(28,373)	—	—	(28,373)	—	(28,373)
Cash dividends paid to noncontrolling interests	—	—	—	—	—	—	—	—	(2,943)	(2,943)
Transfer to legal reserve	—	—	—	125	(125)	—	—	—	—	—
Equity transactions with noncontrolling interests and other (Note 18)	—	—	(324)	—	—	—	—	(324)	(2,756)	(3,080)
Gains on disposal of treasury stock	—	—	0	—	—	—	—	0	—	0
Net changes in treasury stock	—	—	—	—	—	—	(17)	(17)	—	(17)
<b>Balance, March 31, 2016</b>	233,288,717	¥66,378	¥73,118	¥10,526	¥772,061	¥16,913	(¥73,718)	¥865,278	¥111,319	¥976,597

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

	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Common stock in treasury, at cost	Total SECOM CO., LTD. shareholders' equity	Noncontrolling interests	Total
<b>Balance, March 31, 2015</b>	\$587,416	\$649,929	\$92,044	\$6,340,593	\$291,699	(\$652,221)	\$7,309,460	\$1,001,752	\$8,311,212
Comprehensive income:									
Net income	—	—	—	744,000	—	—	744,000	46,363	790,363
Other comprehensive income (loss), net of tax (Note 18):									
Unrealized gains on securities	—	—	—	—	(65,584)	—	(65,584)	(3,646)	(69,230)
Unrealized gains on derivative instruments	—	—	—	—	(44)	—	(44)	(36)	(80)
Pension liability adjustments	—	—	—	—	(50,903)	—	(50,903)	(5,752)	(56,655)
Foreign currency translation adjustments	—	—	—	—	(25,496)	—	(25,496)	(3,123)	(28,619)
Total comprehensive income	—	—	—	—	—	—	601,973	33,806	635,779
Cash dividends paid to SECOM CO., LTD. shareholders	—	—	—	(251,089)	—	—	(251,089)	—	(251,089)
Cash dividends paid to noncontrolling interests	—	—	—	—	—	—	—	(26,044)	(26,044)
Transfer to legal reserve	—	—	1,106	(1,106)	—	—	—	—	—
Equity transactions with noncontrolling interests and other (Notes 18)	—	(2,867)	—	—	—	—	(2,867)	(24,390)	(27,257)
Gains on disposal of treasury stock	—	0	—	—	—	—	0	—	0
Net changes in treasury stock	—	—	—	—	—	(151)	(151)	—	(151)
<b>Balance, March 31, 2016</b>	\$587,416	\$647,062	\$93,150	\$6,832,398	\$149,672	(\$652,372)	\$7,657,326	\$ 985,124	\$8,642,450

See accompanying notes to consolidated financial statements.

## Consolidated Statements of Cash Flows

SECOM CO., LTD. and Subsidiaries  
Three years ended March 31, 2016

	In millions of yen			Translation into thousands of U.S. dollars (Note 3)
	Years ended March 31			Year ended March 31
	2016	2015	2014	2016
<b>Cash flows from operating activities:</b>				
Net income .....	¥ 89,311	¥ 88,458	¥ 82,931	\$ 790,363
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).....	72,481	68,864	66,661	641,425
Accrual for pension and severance costs, less payments .....	(2,246)	(4,495)	(2,907)	(19,876)
Deferred income taxes, including discontinued operations .....	1,177	2,505	1,832	10,416
Loss on sales and disposal of fixed assets, net, including discontinued operations .....	1,815	958	3,182	16,062
Impairment loss on long-lived assets, including discontinued operations (Note 11).....	11,814	6,591	2,821	104,549
Write-down on real estate inventories (Note 8) .....	1,463	1,565	1,122	12,947
Gain on private equity investments (Note 22).....	(1,718)	(4,062)	(5,564)	(15,204)
Impairment loss on goodwill (Note 12).....	—	1,314	151	—
Gain on sales of securities, net (Notes 7 and 14) .....	(2,101)	(243)	(2,177)	(18,593)
Loss on other-than-temporary impairment of investment securities (Notes 14 and 22).....	549	172	100	4,858
Equity in net income of affiliated companies .....	(7,162)	(5,759)	(4,017)	(63,381)
Changes in assets and liabilities, net of effects from acquisitions and disposals:				
(Increase) decrease in cash deposits for armored car services.....	3,642	8,202	(2,508)	32,230
(Increase) decrease in receivables and due from subscribers, net of allowances.....	(9,741)	1,731	(10,188)	(86,204)
(Increase) decrease in inventories .....	(2,445)	(11,120)	10,367	(21,637)
Increase in deferred charges .....	(15,501)	(17,248)	(16,375)	(137,177)
Increase (decrease) in notes and accounts payable .....	646	(3,900)	3,306	5,717
Increase (decrease) in deposits received.....	2,985	(1,601)	(7,752)	26,416
Decrease in deferred revenue.....	(515)	(251)	(595)	(4,558)
Increase (decrease) in accrued income taxes .....	959	(6,862)	(3,028)	8,487
Increase (decrease) in guarantee deposits received.....	(1,070)	(147)	275	(9,469)
Increase in unearned premiums and other insurance liabilities.....	5,984	865	8,277	52,956
Increase (decrease) in accrued consumption tax .....	(7,003)	8,891	(206)	(61,973)
Other, net.....	(473)	479	(2,498)	(4,186)
Net cash provided by operating activities .....	142,851	134,907	123,210	1,264,168
<b>Cash flows from investing activities:</b>				
(Increase) decrease in time deposits.....	(517)	538	(164)	(4,575)
Proceeds from sales of property, plant and equipment .....	3,030	3,580	1,114	26,814
Payments for purchases of property, plant and equipment .....	(59,454)	(56,303)	(56,274)	(526,142)
Payments for purchases of intangible assets .....	(8,409)	(8,409)	(7,113)	(74,416)
Proceeds from sales and redemptions of investment securities (Note 7) .....	55,036	38,237	43,782	487,044
Payments for purchases of investment securities .....	(49,361)	(51,573)	(76,342)	(436,823)
(Increase) decrease in short-term investments.....	(241)	2,039	(1,611)	(2,133)
Acquisitions, net of cash acquired (Note 4).....	(73,540)	(58)	(1,249)	(650,796)
(Increase) decrease in short-term receivables, net .....	(7)	20	56	(62)
Payments for long-term receivables.....	(639)	(1,076)	(2,921)	(5,655)
Proceeds from long-term receivables.....	1,218	3,164	3,314	10,779
Other, net.....	190	553	2,114	1,682
Net cash used in investing activities .....	(132,694)	(69,288)	(95,294)	(1,174,283)
<b>Cash flows from financing activities:</b>				
Proceeds from long-term debt .....	9,357	17,470	10,595	82,805
Repayments of long-term debt.....	(15,197)	(16,029)	(18,419)	(134,487)
Increase (decrease) in bank loans, net .....	8,691	(8,636)	13,483	76,912
Increase (decrease) in investment deposits by policyholders .....	(469)	740	48	(4,150)
Dividends paid to SECOM CO., LTD. shareholders .....	(28,373)	(38,197)	(22,918)	(251,088)
Dividends paid to noncontrolling interests.....	(2,208)	(3,763)	(4,175)	(19,540)
Payments for acquisition of shares of consolidated subsidiaries from noncontrolling interest holders.....	(846)	(735)	(618)	(7,487)
Increase in treasury stock, net .....	(16)	(19)	(18)	(142)
Other, net.....	65	24	131	574
Net cash used in financing activities.....	(28,996)	(49,145)	(21,891)	(256,603)
<b>Effect of exchange rate changes on cash and cash equivalents .....</b>	<b>(806)</b>	<b>1,401</b>	<b>2,031</b>	<b>(7,132)</b>
<b>Net increase in cash and cash equivalents .....</b>	<b>(19,645)</b>	<b>17,875</b>	<b>8,056</b>	<b>(173,850)</b>
<b>Cash and cash equivalents at beginning of year .....</b>	<b>248,627</b>	<b>230,752</b>	<b>222,696</b>	<b>2,200,239</b>
<b>Cash and cash equivalents at end of year .....</b>	<b>¥228,982</b>	<b>¥248,627</b>	<b>¥230,752</b>	<b>\$2,026,389</b>

See accompanying notes to consolidated financial statements.

## Notes to Consolidated Financial Statements

SECOM CO., LTD. and Subsidiaries  
Three years ended March 31, 2016

### 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 and the operations of variable interest entities of which the Company is the primary beneficiary through managing hospitals and health care-related institutions; non-life insurance services; geographic information services using geographic information systems (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.

#### (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 ¥75,847 million (\$671,212 thousand) and ¥84,809 million (\$750,522 thousand), respectively, at March 31, 2016, and ¥70,658 million and ¥77,868 million, respectively, at March 31, 2015. 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 ¥30,315 million (\$268,274 thousand) and ¥29,631 million (\$262,221 thousand), respectively, at March 31, 2016, and ¥31,328 million and ¥31,021 million, respectively, at March 31, 2015. The Company's assets in the consolidated balance sheets and the Company's maximum exposure to losses related to VIEs at March 31, 2016 and 2015 were ¥5,558 million (\$49,186 thousand) and ¥5,154 million, respectively.

#### (3) Revenue Recognition

The Company generates revenue principally through the sales of merchandise and services in the areas of security services, fire protection services, medical services, insurance services, geographic information services, information and communication related services, and real estate and other 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 term service contracts including security services is recognized over the contractual period or, in the case of specific services, when such services are rendered. Subscribers are generally requested to prepay a portion of service charges, especially for security services, which are credited to deferred revenue and recognized in income ratably over the covered service period. Revenue from the installation of security equipment used to provide on-line centralized security services is deferred and recognized over the contractual period of security services after completion of the installation. The related installation costs are also deferred and amortized over the contractual period (Note 2 (12)).

The Company enters into arrangements with multiple elements, which may include any combination of security equipment, installation and security services. The Company allocates revenue to each element based on its relative fair value if such element meets criteria for treatment as a separate unit of accounting as prescribed in ASC 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 foreign currency income and expenses for the year.

#### **(5) Cash Equivalents**

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

#### **(6) Investments in Debt and Equity Securities**

The Company classifies investments in debt and equity securities as "available-for-sale" or "held-to-maturity." The Company has no securities classified as "trading." "Held-to-maturity" securities are those securities in which the Company has the ability and intent to hold the security until maturity. All securities not included in "trading" or "held-to-maturity" are classified as "available-for-sale" securities. Marketable 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 the carrying amount to fair value. The impairment is charged to income and a new cost basis for the securities is established. To determine whether an impairment is other-than-temporary, the Company considers the length of time and extent to which the market value of the security has been less than its original cost, the financial condition, other specific factors affecting the market value, deterioration of the credit condition of the issuers, and whether or not the Company is able to retain the investment for a period of time sufficient to allow for the anticipated recovery in market value.

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

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 ¥34,851 million (\$308,416 thousand) and ¥25,682 million at March 31, 2016 and 2015, 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 ¥50,098 million (\$443,345 thousand), ¥47,582 million and ¥45,523 million for the years ended March 31, 2016, 2015 and 2014, respectively. Maintenance, repairs and renewals are charged to income as incurred.

The estimated useful lives of depreciable assets are as follows:

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

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

Performance of a contractual asset retirement obligation is required for the building leased by a certain subsidiary when the lease matures and the Company returns the leased building to its owner. However, the Company plans not to relocate from the building and to continue to use it until it will be demolished without restoration. As such, the execution of such obligation is not expected. The Company evaluated all the available evidence as of March 31, 2016 and performed efforts to establish the best estimate. However, the scope and the amount of execution of the obligation cannot be reasonably estimated. Therefore, an asset retirement obligation for that building lease is not recognized.

**(12) Deferred Charges**

Deferred charges primarily consist of costs related to installation services of security equipment used to provide on-line security systems. The installation costs are deferred and amortized using the straight-line method over the contractual period of security services after completion of the installation. Amortization expense was ¥15,129 million (\$133,885 thousand), ¥14,759 million and ¥14,397 million for the years ended March 31, 2016, 2015 and 2014, 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 has greater than 50 percent likelihood of being realized upon settlement with the appropriate tax authority.

The Company recognizes interest and penalties accrued related to unrecognized tax benefits in income taxes in the consolidated statements of income.

**(17) Research and Development**

Research and development costs are charged to income as incurred. Research and development expenses included in selling, general and administrative expenses for the years ended March 31, 2016, 2015 and 2014 were ¥6,771 million (\$59,920 thousand), ¥7,354 million and ¥6,950 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, 2016, 2015 and 2014 were ¥4,388 million (\$38,832 thousand), ¥3,550 million and ¥3,823 million, respectively.

#### **(19) Shipping and Handling Costs**

Shipping and handling costs included in selling, general and administrative expenses for the years ended March 31, 2016, 2015 and 2014 were ¥1,213 million (\$10,735 thousand), ¥1,223 million and ¥1,160 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, 2016, 2015 and 2014 was 218,263 thousand shares, 218,265 thousand shares and 218,268 thousand shares, respectively. There were no potentially dilutive shares outstanding during the years ended March 31, 2016, 2015 or 2014.

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 inven-

tories, 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 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 ASC205-20. 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 was adopted by the Company in the fiscal year beginning April 1, 2015. As this accounting standard includes provisions for presentation only, the adoption did 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 was originally planned to be effective for fiscal years beginning after December 15, 2016; however, in August 2015, the FASB issued ASU No. 2015-14, which defers the effective date of ASU No. 2014-09 for one year. Early adoption as of the original effective date is permitted. This accounting standard may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized at the date of initial application. The Company is currently evaluating the transition method, the timing of its adoption and the effect of adopting this accounting standard on its consolidated financial statements.

In February 2015, the FASB issued ASU No. 2015-02 "Amendments to the Consolidation Analysis." This accounting standard modifies the evaluation of whether reporting entities should consolidate limited partnerships and similar legal entities, and addresses whether fees paid to a decision maker or service provider are variable interests in a VIE, and whether variable interests in a VIE held by related parties of the reporting entity require the reporting entity to consolidate the VIE. A reporting entity may choose a modified retrospective approach or a full retrospective approach to applying the amendments. This accounting standard is effective for fiscal years beginning after December 15, 2015, including interim periods within that reporting period and will be adopted by the Company in the fiscal year beginning April 1, 2016. The Company is currently evaluating the effect of adopting this accounting standard on its consolidated financial statements.

In April 2015, the FASB issued ASU No. 2015-03, "Simplifying the Presentation of Debt Issuance Costs." This accounting standard requires that debt issuance costs related to a recognized debt liability be presented in the balance sheets as a direct deduction

from the carrying amount of that debt liability, consistent with debt discounts. This accounting standard is effective for fiscal years beginning after December 15, 2015, including interim periods within that reporting period and will be adopted by the Company in the fiscal year beginning April 1, 2016. The Company is currently evaluating the effect of adopting this accounting standard on its consolidated financial statements.

In May 2015, the FASB issued ASU No. 2015-09 "Disclosures about Short-Duration Contracts." This accounting standard requires an entity to disclose liability for unpaid claims, claim adjustment expenses, significant changes in methodologies and assumptions used to calculate the liability for unpaid claims and claim adjustment expenses, including reasons for the change and the effects on the financial statements. This accounting standard is effective for fiscal years beginning after December 15, 2015, including interim periods within that reporting period and will be adopted by the Company in the fiscal year beginning April 1, 2016. The Company is currently evaluating the effect of adopting this accounting standard on its consolidated financial statements.

In September 2015, the FASB issued ASU No. 2015-16 "Business Combinations: Simplifying the Accounting for Measurement-Period Adjustments." This accounting standard requires an acquirer in a business combination to recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. This accounting standard is effective for fiscal years beginning after December 15, 2015, including interim periods within that reporting period and will be adopted by the Company in the fiscal year beginning April 1, 2016. The Company is currently evaluating the effect of adopting this accounting standard on its consolidated financial statements.

In November 2015, the FASB issued ASU No. 2015-17 "Balance Sheet Classification of Deferred Taxes." This accounting standard requires deferred tax assets and liabilities be classified as noncurrent on the balance sheet. This accounting standard is effective for fiscal years beginning after December 15, 2016, and will be adopted by the Company in the fiscal year beginning April 1, 2016. The Company is currently evaluating the effect of adopting this accounting standard on its consolidated financial statements.

In January 2016, the FASB issued ASU No. 2016-01 "Recognition and Measurement of Financial Assets and Financial Liabilities." This accounting standard significantly changes the income statement impact of equity investments, and the recognition of changes in fair value of financial liabilities when the fair value is elected. This accounting standard is effective for fiscal years beginning after December 15, 2017, including interim periods within that reporting period and will be adopted by the Company in the fiscal year beginning April 1, 2018. The Company is currently evaluating the effect of adopting this accounting standard on its consolidated financial statements.

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

#### (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, 2015 and 2014 were reclassified in the accompanying consolidated financial statements.

#### (25) Reclassifications

Certain amounts in the accompanying consolidated financial statements for the years ended March 31, 2015 and 2014 have been reclassified to conform to the presentation used for the year ended March 31, 2016.

### 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 ¥113=US\$1, the approximate rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2016. These translations should not be construed as representing that the yen amounts actually constitute, or have been or could be converted into U.S. dollars at that rate.

### 4. Acquisitions

#### Acquisition of Asahi Security Co., Ltd.

On December 1, 2015, the Company acquired 100% of common shares outstanding of Asahi Security Co., Ltd. for ¥81,000 million (\$716,814 thousand) in cash. Asahi Security Co., Ltd. has built diversified client networks, service infrastructure and operational know-how through provision of cash collection and delivery services for its clients, mainly retailers and restaurants etc. and operation of 24-hour centers for those services. The purpose of this acquisition is to provide higher quality services for a wider range of clients and enhance corporate value through collaboration utilizing the business infrastructure of the SECOM Group.

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

	In millions of yen	In thousands of U.S. dollars
Cash and cash equivalents .....	¥ 11,565	\$ 102,345
Cash deposits for armored car services .....	81,514	721,363
Other current assets .....	5,247	46,434
Investments and long-term receivables .....	2,270	20,088
Property, plant and equipment .....	15,562	137,717
Intangible assets, including goodwill .....	71,978	636,973
<b>Total assets acquired .....</b>	<b>188,136</b>	<b>1,664,920</b>
Current liabilities .....	92,764	820,920
Long-term liabilities .....	14,372	127,186
<b>Total liabilities assumed .....</b>	<b>107,136</b>	<b>948,106</b>
<b>Net assets acquired .....</b>	<b>¥ 81,000</b>	<b>\$ 716,814</b>

Intangible assets of ¥13,922 million (\$123,204 thousand) subject to amortization include customer relationships of ¥13,214 million (\$116,938 thousand) with a 15-year useful life. The goodwill of ¥58,056 million (\$513,770 thousand) represents expected excess earnings power based on the future business operations. It is not deductible for tax purposes and has been assigned to the security services segment.

The Company recorded acquisition costs of ¥296 million (\$2,619 thousand) related to this acquisition in selling, general and administrative expenses for the year ended March 31, 2016.

The following unaudited pro forma information shows the Company's consolidated results of operations for the years ended March 31, 2016 and 2015 as if the newly consolidated subsidiaries acquired in the year ended March 31, 2016, were consolidated on April 1, 2014.

	In millions of yen		In thousands of U.S. dollars	
	Years ended March 31	2015	Year ended March 31	2016
Unaudited	2016	2015	2016	2016
Pro forma net sales and operating revenue.....	¥1,017,642	¥990,295	\$9,005,681	
Pro forma net income attributable to SECOM Co., Ltd. ....	85,524	81,635	756,850	

	In yen		In U.S. dollars	
	Years ended March 31	2015	Year ended March 31	2016
Unaudited	2016	2015	2016	2016
Pro forma net income attributable to SECOM Co., Ltd. per share ...	¥391.84	¥374.02	\$3.47	

The unaudited pro forma data is not necessarily indicative of the Company's consolidated results of operations that would actually have been reported if the transaction in fact had occurred on April 1, 2014, 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, 2016 and 2015 comprise the following:

	In millions of yen		In thousands of U.S. dollars	
	March 31	2015	March 31	2016
Unaudited	2016	2015	2016	2016
Cash .....	¥213,752	¥178,594	\$1,891,611	
Time deposits .....	12,194	51,018	107,911	
Call loan .....	—	15,500	—	
Investment securities.....	3,036	3,515	26,867	
	¥228,982	¥248,627	\$2,026,389	

Investment securities include negotiable certificates of deposit and money management funds. These agreements mature within three months and their carrying values approximate fair value. The Company has not experienced any losses through default of the financial institutions and does not anticipate default of any outstanding agreements.

## 6. Cash Deposits for Armored Car Services

The Company operates cash collection and deposit services for financial institutions relating to cash dispensers located outside of financial institution facilities and also operates cash collection and delivery services for entities other than financial institutions. Cash deposit for armored car services balances are segregated from cash and cash equivalents and are restricted as to use by the Company. The Company funds most of the cash for such operations through bank overdrafts and deposits. Bank loans and deposits received, which relate to these operations, were ¥26,923 million (\$238,257 thousand) and ¥101,306 million (\$896,513 thousand), respectively, at March 31, 2016, and ¥29,417 million and ¥16,946 million,

respectively, at March 31, 2015. As part of its fee arrangement, the Company is reimbursed for the interest cost of the related overdrafts.

## 7. Short-Term Investments and Investment Securities

Short-term investments (current) and investment securities (noncurrent) include debt and equity securities. The related aggregate fair value, gross unrealized gains, gross unrealized losses and costs pertaining to "available-for-sale" and "held-to-maturity" investments at March 31, 2016 and 2015 are as follows:

	In millions of yen			
	Cost	Gross unrealized Gains	Gross unrealized Losses	Fair value
Unaudited	March 31, 2016			
Short-term investments:				
Available-for-sale:				
Debt securities .....	¥ 27,336	¥ 1,071	¥ 3	¥ 28,404
Held-to-maturity:				
Debt securities .....	3,006	2	—	3,008
	¥ 30,342	¥ 1,073	¥ 3	¥ 31,412

	In millions of yen			
	Cost	Gross unrealized Gains	Gross unrealized Losses	Fair value
Unaudited	March 31, 2015			
Investment securities:				
Available-for-sale:				
Equity securities .....	¥ 31,333	¥20,878	¥461	¥ 51,750
Debt securities .....	101,098	7,020	153	107,965
Held-to-maturity:				
Debt securities .....	8,667	1,607	—	10,274
	¥141,098	¥29,505	¥614	¥169,989

	In millions of yen			
	Cost	Gross unrealized Gains	Gross unrealized Losses	Fair value
Unaudited	March 31, 2015			
Short-term investments:				
Available-for-sale:				
Debt securities .....	¥ 24,433	¥ 570	¥ 1	¥ 25,002
	¥ 24,433	¥ 570	¥ 1	¥ 25,002

	In millions of yen			
	Cost	Gross unrealized Gains	Gross unrealized Losses	Fair value
Unaudited	March 31, 2015			
Investment securities:				
Available-for-sale:				
Equity securities .....	¥ 33,870	¥29,154	¥ 59	¥ 62,965
Debt securities .....	111,050	9,725	69	120,706
Held-to-maturity:				
Debt securities .....	12,292	1,165	—	13,457
	¥157,212	¥40,044	¥128	¥197,128

	In thousands of U.S. dollars			
	Cost	Gross unrealized Gains	Gross unrealized Losses	Fair value
Unaudited	March 31, 2016			
Short-term investments:				
Available-for-sale:				
Debt securities .....	\$ 241,912	\$ 9,478	\$ 27	\$ 251,363
Held-to-maturity:				
Debt securities .....	26,602	17	—	26,619
	\$ 268,514	\$ 9,495	\$ 27	\$ 277,982

	In thousands of U.S. dollars			
	Cost	Gross unrealized Gains	Gross unrealized Losses	Fair value
Unaudited	March 31, 2016			
Investment securities:				
Available-for-sale:				
Equity securities .....	\$ 277,283	\$184,762	\$4,079	\$ 457,966
Debt securities .....	894,673	62,123	1,353	955,443
Held-to-maturity:				
Debt securities .....	76,700	14,220	—	90,920
	\$1,248,656	\$261,105	\$5,432	\$1,504,329

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, 2016 are as follows:

In millions of yen				
March 31, 2016				
Available-for-sale		Held-to-maturity		
	Less than 12 months		12 months or longer	
	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
Available-for-sale:				
Equity securities.....	¥ 4,690	¥443	¥—	¥—
Debt securities.....	18,738	156	—	—
	¥23,428	¥599	¥—	¥—
Held-to-maturity:				
Debt securities.....	¥ —	¥ —	¥—	¥—

In thousands of U.S. dollars				
March 31, 2016				
Available-for-sale		Held-to-maturity		
	Less than 12 months		12 months or longer	
	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
Available-for-sale:				
Equity securities.....	\$ 41,504	\$3,920	\$—	\$—
Debt securities.....	165,823	1,381	—	—
	\$207,327	\$5,301	\$—	\$—
Held-to-maturity:				
Debt securities.....	\$ —	\$ —	\$—	\$—

Based on the Company's ability and intent to hold the investments for a reasonable period of time sufficient for a recovery of fair value, the credit condition of the issuers and other relevant factors, the Company does not consider these investments to be other-than-temporarily impaired at March 31, 2016.

At March 31, 2016, 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, 2016 are as follows:

In millions of yen				
March 31, 2016				
Available-for-sale		Held-to-maturity		
	Less than 12 months		12 months or longer	
	Cost	Fair value	Cost	Fair value
Due within 1 year .....	¥ 27,336	¥ 28,406	¥ 3,006	¥ 3,009
Due after 1 year through 5 years .....	64,862	69,542	1,510	1,592
Due after 5 years through 10 years .....	20,036	21,300	—	—
Due after 10 years ...	16,200	17,121	7,157	8,681
	¥128,434	¥136,369	¥11,673	¥13,282

In thousands of U.S. dollars				
March 31, 2016				
Available-for-sale		Held-to-maturity		
	Less than 12 months		12 months or longer	
	Cost	Fair value	Cost	Fair value
Due within 1 year .....	\$ 241,912	\$ 251,381	\$ 26,602	\$ 26,628
Due after 1 year through 5 years .....	574,000	615,416	13,363	14,088
Due after 5 years through 10 years .....	177,310	188,496	—	—
Due after 10 years ...	143,363	151,513	63,337	76,823
	\$1,136,585	\$1,206,806	\$103,302	\$117,539

During the years ended March 31, 2016, 2015 and 2014, the net unrealized gains and losses on "available-for-sale" securities included as part of accumulated other comprehensive income (loss), net of tax, decreased by ¥7,412 million (\$65,593 thousand), and increased by ¥13,004 million and ¥1,000 million, respectively.

Proceeds from the sale of "available-for-sale" securities for the years ended March 31, 2016, 2015 and 2014 were ¥21,397 million (\$189,354 thousand), ¥13,800 million and ¥14,475 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, 2016, 2015 and 2014 are as follows:

In millions of yen			In thousands of U.S. dollars	
	Years ended March 31	Years ended March 31	Year ended March 31	
	2016	2015	2014	
Gross realized gains .....	¥1,921	¥269	¥1,694	\$17,000
Gross realized losses .....	110	1	212	973

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 ¥9,251 million (\$81,867 thousand) and ¥9,083 million at March 31, 2016 and 2015, respectively. The corresponding fair value at that date was not computed as such estimation was not practicable and no significant events or changes that might have affected the fair value of the investments were observed.

## 8. Inventories

Inventories at March 31, 2016 and 2015 comprise the following:

In millions of yen		In thousands of U.S. dollars	
	March 31	March 31	
	2016	2015	
Security-related products.....	¥ 8,888	¥ 8,489	\$ 78,655
Fire protection-related products .....	18,178	19,769	160,867
Real estate .....	26,552	24,122	234,973
Other-related products.....	10,162	8,241	89,930
	¥63,780	¥60,621	\$564,425

Work in process for real estate inventories at March 31, 2016 and 2015, amounting to ¥23,025 million (\$203,761 thousand) and ¥21,059 million, respectively, are included in real estate.

Costs on uncompleted construction contracts at March 31, 2016 and 2015, amounting to ¥9,083 million (\$80,381 thousand) and ¥9,793 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, 2016, 2015 and 2014 were ¥1,463 million (\$12,947 thousand), ¥1,565 million and ¥1,122 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" result 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, 2016 and 2015 are as follows:

In millions of yen						
Year ended March 31, 2016						
	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..... ¥ 423 ¥2,204 ¥ 0 ¥3,102 ¥1,618 ¥ 7,347						
Provision (Reversal) ..	9	(0)	(0)	(33)	25	1
Charge off.....	(64)	—	—	(2,133)	—	(2,197)
Other* .....	—	(209)	—	(231)	45	(395)
Balance at end of year.....	368	1,995	0	705	1,688	4,756
Individually evaluated .....	80	1,995	—	705	1,688	4,468
Collectively evaluated .....	¥ 288	¥ —	¥ 0	¥ —	¥ —	¥ 288
Financing receivables:						
Individually evaluated .....	¥ 96	¥6,098	¥ —	¥ 847	¥3,898	¥10,939
Collectively evaluated .....	48,167	1,009	104	1,277	152	50,709
	¥48,263	¥7,107	¥104	¥2,124	¥4,050	¥61,648

\* "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, 2015						
	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..... ¥ 417 ¥ 1,721 ¥ 75 ¥3,074 ¥ 841 ¥ 6,128						
Provision (Reversal) ..	110	483	(10)	11	731	1,325
Charge off.....	(104)	—	(65)	—	(28)	(197)
Other* .....	—	—	—	17	74	91
Balance at end of year.....	423	2,204	0	3,102	1,618	7,347
Individually evaluated .....	71	2,204	—	3,102	1,618	6,995
Collectively evaluated .....	¥ 352	¥ —	¥ 0	¥ —	¥ —	¥ 352
Financing receivables:						
Individually evaluated .....	¥ 88	¥10,008	¥ —	¥3,271	¥4,968	¥18,335
Collectively evaluated .....	48,698	998	159	1,728	152	51,735
	¥48,786	¥11,006	¥159	¥4,999	¥5,120	¥70,070

\* "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, 2016						
	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..... \$ 3,743 \$19,505 \$ 0 \$27,451 \$14,319 \$ 65,018						
Provision (Reversal) ..	80	(0)	(0)	(292)	221	9
Charge off.....	(566)	—	—	(18,876)	—	(19,442)
Other* .....	—	(1,850)	—	(2,044)	398	(3,496)
Balance at end of year.....	3,257	17,655	0	6,239	14,938	42,089
Individually evaluated .....	708	17,655	—	6,239	14,938	39,540
Collectively evaluated .....	\$ 2,549	\$ —	\$ 0	\$ —	\$ —	\$ 2,549
Financing receivables:						
Individually evaluated .....	\$ 850	\$53,965	\$ —	\$ 7,495	\$34,496	\$ 96,806
Collectively evaluated .....	426,257	8,929	920	11,301	1,345	448,752
	\$427,107	\$62,894	\$920	\$18,796	\$35,841	\$545,558

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

The Company considers receivables that 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, 2016 and 2015 are as follows:

In millions of yen						
March 31, 2016						
	Lease receivables	Loans receivable resulting from medical services	Loans receivable resulting from insurance services	Other loans receivable	Other	Total
Current.....	¥48,167	¥7,068	¥104	¥1,329	¥1,154	¥57,822
Overdue.....	96	39	—	795	2,896	3,826
<b>Total:</b>						
Financing receivables ..	¥48,263	¥7,107	¥104	¥2,124	¥4,050	¥61,648
Financing receivables on nonaccrual status...	¥ —	¥ 7	¥ —	¥ 847	¥ —	¥ 854

In millions of yen						
March 31, 2015						
	Lease receivables	Loans receivable resulting from medical services	Loans receivable resulting from insurance services	Other loans receivable	Other	Total
Current.....	¥48,698	¥10,966	¥159	¥1,807	¥2,417	¥64,047
Overdue.....	88	40	—	3,192	2,703	6,023
<b>Total:</b>						
Financing receivables ..	¥48,786	¥11,006	¥159	¥4,999	¥5,120	¥70,070
Financing receivables on nonaccrual status...	¥ —	¥ 3,719	¥ —	¥3,271	¥ —	¥ 6,990

In thousands of U.S. dollars						
March 31, 2016						
	Lease receivables	Loans receivable resulting from medical services	Loans receivable resulting from insurance services	Other loans receivable	Other	Total
Current.....	\$426,257	\$62,549	\$920	\$11,761	\$10,212	\$511,699
Overdue.....	850	345	—	7,035	25,629	33,859
<b>Total:</b>						
Financing receivables ..	\$427,107	\$62,894	\$920	\$18,796	\$35,841	\$545,558
Financing receivables on nonaccrual status...	\$ —	\$ 62	\$ —	\$ 7,496	\$ —	\$ 7,558

Impaired receivables and the related allowance for doubtful accounts at March 31, 2016 and 2015 are as follows:

In millions of yen						
March 31, 2016						
	Lease receivables	Loans receivable resulting from medical services	Loans receivable resulting from insurance services	Other loans receivable	Other	Total
Impaired receivables.....	¥96	¥6,098	¥—	¥847	¥3,898	¥10,939
Related allowance for doubtful accounts.....	80	1,995	—	705	1,688	4,468

In millions of yen						
March 31, 2015						
	Lease receivables	Loans receivable resulting from medical services	Loans receivable resulting from insurance services	Other loans receivable	Other	Total
Impaired receivables.....	¥88	¥10,008	¥—	¥3,271	¥4,968	¥18,335
Related allowance for doubtful accounts.....	71	2,204	—	3,102	1,618	6,995

In thousands of U.S. dollars						
March 31, 2016						
	Lease receivables	Loans receivable resulting from medical services	Loans receivable resulting from insurance services	Other loans receivable	Other	Total
Impaired receivables.....	\$850	\$53,965	\$—	\$7,495	\$34,496	\$96,806
Related allowance for doubtful accounts.....	708	17,655	—	6,239	14,938	39,540

The average amounts of impaired receivables for the year ended March 31, 2016 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....	¥92	¥8,053	¥—	¥2,059	¥4,433	¥14,637

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....	\$814	\$71,265	\$—	\$18,221	\$39,230	\$129,530

## 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 27.4 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	2015	March 31
Current assets.....	¥ 94,933	¥105,832	\$ 840,115
Noncurrent assets.....	194,312	205,514	1,719,575
<b>Total assets.....</b>	<b>¥289,244</b>	<b>¥311,346</b>	<b>\$2,559,681</b>
Current liabilities.....	¥ 74,725	¥ 92,416	\$ 661,283
Long-term liabilities.....	35,674	38,831	315,699
Equity.....	178,846	180,099	1,582,708
<b>Total liabilities and equity.....</b>	<b>¥289,244</b>	<b>¥311,346</b>	<b>\$2,559,681</b>

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2016	2015	2014	2016
Net sales .....	<b>¥289,131</b>	¥262,726	¥198,890	<b>\$2,558,681</b>
Gross profit .....	<b>¥ 89,152</b>	¥ 82,753	¥ 65,492	<b>\$ 788,956</b>
Net income attributable to affiliated companies....	<b>¥ 25,012</b>	¥ 17,825	¥ 14,305	<b>\$ 221,345</b>

Dividends received from affiliated companies for the years ended March 31, 2016, 2015 and 2014 were ¥3,614 million (\$31,982 thousand), ¥3,160 million and ¥2,652 million, respectively.

Three listed affiliated companies accounted for under the equity method with an aggregated carrying amount of ¥49,290 million (\$436,195 thousand) and ¥47,409 million at March 31, 2016 and 2015, respectively, had a quoted market value of ¥130,157 million (\$1,151,832 thousand) and ¥133,559 million at March 31, 2016 and 2015, respectively.

The amounts of goodwill included in the carrying amount of investments in affiliated companies were ¥4,763 million (\$42,150 thousand) and ¥4,768 million at March 31, 2016 and 2015, respectively.

A summary of transactions and balances with the affiliated companies accounted for under the equity method is presented below:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2016	2015	2014	2016
Sales .....	<b>¥1,398</b>	¥1,774	¥1,549	<b>\$12,372</b>
Purchases.....	<b>¥5,527</b>	¥4,417	¥5,982	<b>\$48,912</b>

	In millions of yen		In thousands of U.S. dollars
	March 31	March 31	March 31
	2016	2015	2016
Notes and accounts receivable, trade .....	<b>¥ 559</b>	¥ 544	<b>\$ 4,947</b>
Loans receivable.....	<b>¥ 737</b>	¥ 557	<b>\$ 6,522</b>
Notes and accounts payable.....	<b>¥2,245</b>	¥2,224	<b>\$19,867</b>
Guarantees for bank loans.....	<b>¥ 100</b>	¥1,039	<b>\$ 885</b>

The Company's equity in undistributed income of affiliates at March 31, 2016 and 2015 included in retained earnings was ¥32,634 million (\$288,796 thousand) and ¥27,872 million, respectively.

## 11. Long-Lived Assets

The Company has assessed the potential impairment of its long-lived assets. As a result of a significant decrease in revenue forecasts, the Company principally recognized impairment losses on certain business assets of the information and communication related services segment and certain real estate included as corporate items for the year ended March 31, 2016, on certain business assets of the information and communication related services segment for the year ended March 31, 2015, and 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, 2016, 2015 and 2014 are as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2016	2015	2014	2016
Security services .....	<b>¥ —</b>	¥ 111	¥ 296	<b>\$ —</b>
Fire protection services .....	<b>—</b>	—	21	<b>—</b>
Medical services .....	<b>329</b>	—	1,871	<b>2,912</b>
Insurance services .....	<b>—</b>	—	—	<b>—</b>
Geographic information services .....	<b>1,152</b>	154	164	<b>10,195</b>
Information and communication related services .....	<b>5,637</b>	4,796	40	<b>49,885</b>
Real estate and other services.....	<b>—</b>	132	—	<b>—</b>
Corporate items.....	<b>4,696</b>	1,398	397	<b>41,558</b>
Total.....	<b>¥11,814</b>	¥6,591	¥2,789	<b>\$104,549</b>

## 12. Goodwill and Other Intangible Assets

The components of acquired intangible assets, excluding goodwill, at March 31, 2016 and 2015 are as follows:

	In millions of yen		
	March 31, 2016		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortized intangible assets:			
Software .....	<b>¥47,816</b>	<b>(¥26,321)</b>	<b>¥21,495</b>
Other .....	<b>34,030</b>	<b>(5,723)</b>	<b>28,307</b>
	<b>¥81,846</b>	<b>(¥32,044)</b>	<b>¥49,802</b>
Unamortized intangible assets.....	<b>¥ 4,122</b>	<b>¥ —</b>	<b>¥ 4,122</b>

	In millions of yen		
	March 31, 2015		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortized intangible assets:			
Software .....	¥46,045	(¥25,539)	¥20,506
Other .....	20,610	(5,007)	15,603
	¥66,655	(¥30,546)	¥36,109
Unamortized intangible assets.....	¥ 4,066	¥ —	¥ 4,066



	In thousands of U.S. dollars		
	March 31, 2016		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortized intangible assets:			
Software .....	\$423,150	(\$232,929)	\$190,221
Other .....	301,150	(50,646)	250,504
	<b>\$724,300</b>	<b>(\$283,575)</b>	<b>\$440,725</b>
Unamortized intangible assets.....	<b>\$ 36,479</b>	<b>\$ —</b>	<b>\$ 36,479</b>

Aggregate amortization expense for the years ended March 31, 2016, 2015 and 2014 was ¥7,254 million (\$64,195 thousand), ¥6,522 million and ¥6,741 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
2017.....	¥8,708	\$77,062
2018.....	7,609	67,336
2019.....	6,616	58,549
2020.....	5,410	47,876
2021.....	3,669	32,469

The changes in the carrying amount of goodwill by business segment for the years ended March 31, 2016 and 2015 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.....	¥ 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
Goodwill acquired during the year ...	—	—	—	37	—	—	37
Disposal .....	—	(11)	—	—	—	—	(11)
Impairment losses.....	—	—	(1,314)	—	—	—	(1,314)
Translation adjustment .....	104	—	—	13	—	—	117
Goodwill.....	4,296	1,942	9,399	4,580	17,643	1,962	39,822
Accumulated impairment losses.....	(1,723)	—	(5,350)	(738)	(175)	(135)	(8,121)
March 31, 2015....	2,573	1,942	4,049	3,842	17,468	1,827	31,701
Goodwill acquired during the year ...	<b>58,646</b>	—	—	—	—	—	<b>58,646</b>
Disposal .....	—	—	—	—	—	—	—
Impairment losses.....	—	—	—	—	—	—	—
Translation adjustment .....	(65)	—	—	—	—	—	(65)
Goodwill.....	<b>62,877</b>	<b>1,942</b>	<b>9,399</b>	<b>4,580</b>	<b>17,643</b>	<b>1,962</b>	<b>98,403</b>
Accumulated impairment losses.....	(1,723)	—	(5,350)	(738)	(175)	(135)	(8,121)
March 31, 2016 ...	<b>¥61,154</b>	<b>¥1,942</b>	<b>¥4,049</b>	<b>¥3,842</b>	<b>¥17,468</b>	<b>¥1,827</b>	<b>¥90,282</b>

	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.....	\$ 38,018	\$17,186	\$83,177	\$40,531	\$156,133	\$17,363	\$352,408
Accumulated impairment losses.....	(15,248)	—	(47,345)	(6,531)	(1,549)	(1,195)	(71,868)
March 31, 2015....	22,770	17,186	35,832	34,000	154,584	16,168	280,540
Goodwill acquired during the year ...	<b>518,991</b>	—	—	—	—	—	<b>518,991</b>
Disposal .....	—	—	—	—	—	—	—
Impairment losses.....	—	—	—	—	—	—	—
Translation adjustment .....	(575)	—	—	—	—	—	(575)
Goodwill.....	<b>556,434</b>	<b>17,186</b>	<b>83,177</b>	<b>40,531</b>	<b>156,133</b>	<b>17,363</b>	<b>870,824</b>
Accumulated impairment losses.....	(15,248)	—	(47,345)	(6,531)	(1,549)	(1,195)	(71,868)
March 31, 2016 ...	<b>\$541,186</b>	<b>\$17,186</b>	<b>\$35,832</b>	<b>\$34,000</b>	<b>\$154,584</b>	<b>\$16,168</b>	<b>\$798,956</b>

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 ¥55,659 million (\$492,558 thousand) and ¥43,924 million at March 31, 2016 and 2015, respectively, are generally comprised of 30 to 365 day notes. The weighted average interest rate was 0.84 percent and 1.09 percent at March 31, 2016 and 2015, 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, 2016, 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 (\$35,398 thousand). The line of credit expires in March 2021. Under the agreement, Nohmi Bosai Ltd. is required to pay commitment fees, at an annual rate of 0.15 percent, on the unused portion of the line of credit. At March 31, 2016, the Company had overdraft agreements with 33 banks and its unused lines of credit amounted to ¥92,798 million (\$821,227 thousand). The Company incurs no fee on the unused portion of these overdraft agreements. The overdraft agreements expire in the period from April 2016 to March 2017. The Company has the ability and intent to extend these overdraft agreements under similar terms and conditions.

Long-term debt at March 31, 2016 and 2015 comprises the following:

	In millions of yen		In thousands of U.S. dollars
	March 31	2015	March 31
	2016	2015	2016
Loans, principally from banks due 2015–2033 with interest rates ranging from 0.21% to 14.00%:			
Secured.....	¥21,123	¥24,212	\$186,929
Unsecured.....	22,728	20,431	201,133
0.5% unsecured bonds due 2015 .....	—	100	—
0.81% unsecured bonds due 2016 .....	100	100	885
0.52% unsecured bonds due 2016 .....	40	104	354
0.43% unsecured bonds due 2018 .....	100	100	885
0.38% unsecured bonds due 2021 .....	500	—	4,425
Unsecured bonds due 2015–2025 with floating interest rates based on 6-month Japanese yen TIBOR.....	10,094	9,424	89,327
Obligations under capital leases, due 2015–2043 (Note 19).....	24,881	12,700	220,186
	79,566	67,171	704,124
Less: Portion due within one year.....	(17,926)	(13,368)	(158,637)
	¥61,640	¥53,803	\$545,487

Assets pledged as collateral for bank loans and long-term debt at March 31, 2016 and 2015 are as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31	2015	March 31
	2016	2015	2016
Time deposits .....	¥ 1,592	¥ 2,081	\$ 14,088
Short-term and long-term receivables ...	5,943	5,636	52,594
Investment securities.....	1,289	1,133	11,407
Property, plant and equipment.....	53,854	51,734	476,584
Other intangible assets.....	¥ 818	¥ 818	\$ 7,239

The aggregate annual maturities on long-term debt at March 31, 2016 are as follows:

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2017.....	¥17,926	\$158,637
2018.....	16,986	150,319
2019.....	14,191	125,584
2020.....	10,122	89,575
2021.....	6,695	59,248
Thereafter.....	13,646	120,761
	¥79,566	\$704,124

#### 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, 2016 and 2015 was ¥67,193 million (\$594,628 thousand) and ¥67,633 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, 2016, 2015 and 2014 were gains of ¥473 million (\$4,186 thousand), ¥194 million and ¥1,221 million, respectively. Losses on other-than-temporary impairments of investment securities for the years ended March 31, 2016, 2015 and 2014 were ¥147 million (\$1,301 thousand), ¥18 million and ¥22 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, 2016, 2015 and 2014 are as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2016	2015	2014	2016
Net periodic pension and severance costs:				
Service cost.....	¥7,739	¥5,357	¥6,181	\$68,487
Interest cost.....	718	936	1,297	6,354
Expected return on plan assets.....	(2,756)	(2,533)	(2,299)	(24,389)
Amortization of prior service benefit.....	(1,504)	(1,584)	(1,601)	(13,310)
Recognized actuarial loss.....	714	989	1,581	6,319
Net periodic pension and severance costs.....	¥4,911	¥3,165	¥5,159	\$43,461

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
	2016	2015	2016
Change in benefit obligation:			
Benefit obligation			
at beginning of year.....	¥101,161	¥ 98,386	\$895,230
Service cost.....	7,739	5,357	68,487
Interest cost.....	718	936	6,354
Actuarial (gain) loss.....	5,176	1,073	45,805
Benefits paid.....	(5,511)	(4,591)	(48,770)
Acquisition.....	1,749	—	15,478
Benefit obligation at end of year.....	111,032	101,161	982,584
Change in plan assets:			
Fair value of plan assets			
at beginning of year.....	110,524	92,161	978,088
Actual return on plan assets.....	(440)	15,342	(3,894)
Employer contribution.....	5,553	6,214	49,142
Benefits paid.....	(3,876)	(3,193)	(34,301)
Fair value of plan assets at end of year.....	111,761	110,524	989,035
Funded status at the end of year.....	¥ 729	¥ 9,363	\$ 6,451

Amounts recognized in the consolidated balance sheets at March 31, 2016 and 2015 consist of:

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2016	2015	2016
Prepaid pension and severance costs.....	¥30,797	¥35,011	\$272,540
Accrued pension and severance costs.....	(30,068)	(25,648)	(266,088)
Net amount recognized.....	¥ 729	¥ 9,363	\$ 6,452

Other changes in plan assets and benefit obligations recognized in other comprehensive income (loss) for the year ended March 31, 2016 are summarized as follows:

	In millions of yen	In thousands of U.S. dollars
Current year actuarial gain.....	¥8,371	\$74,080
Amortization of actuarial loss.....	(714)	(6,319)
Amortization of prior service benefit.....	1,504	13,310
	¥9,161	\$81,071

Amounts recognized in accumulated other comprehensive income (loss) at March 31, 2016 and 2015 consist of:

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2016	2015	2016
Actuarial loss.....	¥15,456	¥7,799	\$136,779
Prior service benefit.....	(1,045)	(2,549)	(9,248)
Net amount recognized.....	¥14,411	¥5,250	\$127,531

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 ¥963 million (\$8,522 thousand) and ¥764 million (\$6,761 thousand), respectively.

The accumulated benefit obligation for the pension plan was ¥110,544 million (\$978,265 thousand) and ¥100,995 million at March 31, 2016 and 2015, 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 ¥46,761 million (\$413,814 thousand), ¥46,450 million (\$411,062 thousand) and ¥23,971 million (\$212,133 thousand), respectively, at March 31, 2016, and ¥42,389 million, ¥42,158 million and ¥28,838 million, respectively, at March 31, 2015.

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, 2016 and 2015 are as follows:

	March 31	
	2016	2015
Discount rate.....	0.3%	0.8%
Rate of compensation increase.....	0.7%	1.6%

Weighted-average assumptions used to determine net pension and severance costs for the years ended March 31, 2016, 2015 and 2014 are as follows:

	Years ended March 31		
	2016	2015	2014
Discount rate.....	0.8%	1.1%	1.4%
Expected return on plan assets.....	3.0%	3.0%	3.0%
Rate of compensation increase.....	1.6%	2.7%	2.7%

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

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

The following table represents the fair value of the Company's pension plan assets at March 31, 2016 and 2015. The three levels of inputs used to measure fair value are more fully described in Note 22.

	In millions of yen			
	March 31, 2016			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents .....	¥ 1,359	¥ —	¥ —	¥ 1,359
Equity securities				
Japanese companies .....	22,479	424	—	22,903
Foreign companies .....	2,544	—	—	2,544
Debt securities				
Government bonds .....	2,325	983	—	3,308
Non-government bonds .....	—	2,120	—	2,120
Pooled funds.....	1,555	28,696	26,749	57,000
Call loans.....	—	10,330	—	10,330
Insurance contracts.....	—	11,351	—	11,351
Other.....	—	381	465	846
	¥30,262	¥54,285	¥27,214	¥111,761

\*The plan's government bonds include approximately 5% Japanese bonds and 95% foreign bonds. The non-government bonds include 100% foreign bonds.

\*The pension investment trust fund included in the plan's pooled funds is classified as Level 2, and invests approximately 60% in equity securities, 30% in debt securities and 10% in other investments. The unquoted beneficial certificate of security investment trust included in the plan's pooled funds is classified as Level 3.

	In millions of yen			
	March 31, 2015			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents .....	¥ 1,990	¥ —	¥ —	¥ 1,990
Equity securities				
Japanese companies .....	19,501	—	—	19,501
Debt securities				
Government bonds .....	4,742	681	—	5,423
Non-government bonds .....	—	—	613	613
Pooled funds.....	141	34,331	26,276	60,748
Call loans.....	—	10,830	—	10,830
Insurance contracts.....	—	10,856	—	10,856
Other.....	—	240	323	563
	¥26,374	¥56,938	¥27,212	¥110,524

\*The plan's government bonds include approximately 5% Japanese bonds and 95% foreign bonds. The non-government bonds include 100% foreign bonds.

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

	In thousands of U.S. dollars			
	March 31, 2016			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents .....	\$ 12,027	\$ —	\$ —	\$ 12,027
Equity securities				
Japanese companies .....	198,929	3,752	—	202,681
Foreign companies .....	22,513	—	—	22,513
Debt securities				
Government bonds .....	20,575	8,699	—	29,274
Non-government bonds .....	—	18,761	—	18,761
Pooled funds.....	13,761	253,947	236,717	504,425
Call loans.....	—	91,416	—	91,416
Insurance contracts.....	—	100,451	—	100,451
Other.....	—	3,372	4,115	7,487
	\$267,805	\$480,398	\$240,832	\$989,035

\*The plan's government bonds include approximately 5% Japanese bonds and 95% foreign bonds. The non-government bonds include 100% foreign bonds.

\*The pension investment trust fund included in the plan's pooled funds is classified as Level 2, and invests approximately 60% in equity securities, 30% in debt securities and 10% in other investments. The unquoted beneficial certificate of security investment trust included in the plan's pooled funds is classified as Level 3.

The following table represents the changes in Level 3 investments for the years ended March 31, 2016 and 2015.

Level 3 investments, mainly in unquoted beneficial certificates 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, 2016			
	Debt securities Non-government bonds	Pooled funds	Other	Total
Balance at beginning of year.....	¥613	¥26,276	¥323	¥27,212
Actual return on plan assets:				
Relating to assets sold during the year .....	(508)	262	42	(204)
Relating to assets held at end of year .....	534	(1,038)	101	(403)
Purchases, sales and settlements, net .....	(639)	1,207	(1)	567
Transfer to Level 3, net.....	—	42	—	42
Balance at end of year .....	¥ —	¥26,749	¥465	¥27,214

	In millions of yen			
	Year ended March 31, 2015			
	Debt securities			
	Non-government bonds	Pooled funds	Other	Total
Balance at beginning of year.....	¥729	¥18,885	¥760	¥20,374
Actual return on plan assets:				
Relating to assets sold during the year .....	—	71	38	109
Relating to assets held at end of year .....	(116)	3,188	12	3,084
Purchases, sales and settlements, net.....	—	4,023	(487)	3,536
Transfer to Level 3, net.....	—	109	—	109
Balance at end of year .....	¥613	¥26,276	¥323	¥27,212

	In thousands of U.S. dollars			
	Year ended March 31, 2016			
	Debt securities			
	Non-government bonds	Pooled funds	Other	Total
Balance at beginning of year.....	\$5,425	\$232,531	\$2,858	\$240,814
Actual return on plan assets:				
Relating to assets sold during the year .....	(4,496)	2,319	372	(1,805)
Relating to assets held at end of year .....	4,726	(9,186)	894	(3,566)
Purchases, sales and settlements, net.....	(5,655)	10,681	(9)	5,017
Transfer to Level 3, net.....	—	372	—	372
Balance at end of year .....	\$ —	\$236,717	\$4,115	\$240,832

The Company expects to contribute ¥2,157 million (\$19,088 thousand) to its domestic defined benefit plans in the year ending March 31, 2017.

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

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2017.....	¥ 4,729	\$ 41,850
2018.....	5,309	46,982
2019.....	5,725	50,664
2020.....	5,414	47,912
2021.....	5,627	49,796
2022–2026.....	29,673	262,593

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, 2016, 2015 and 2014 were ¥1,796 million (\$15,894 thousand), ¥1,772 million and ¥1,679 million, respectively.

## 16. Exchange Gains and Losses

Other expenses for the year ended March 31, 2016 include net exchange losses of ¥557 million (\$4,929 thousand). Other income for the years ended March 31, 2015 and 2014 includes net exchange gains of ¥574 million and ¥408 million, respectively.

## 17. Income Taxes

Total income taxes for the years ended March 31, 2016, 2015 and 2014 are allocated as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2016	2015	2014	2016
Consolidated income taxes from continuing operations .....	¥40,312	¥45,972	¥49,695	\$356,744
Consolidated income taxes from discontinued operations .....	—	651	(169)	—
Shareholders' equity—accumulated other comprehensive income (loss):				
Unrealized gains on securities.....	(3,447)	6,240	440	(30,504)
Unrealized gains on derivative instruments.....	(5)	(5)	(0)	(44)
Pension liability adjustments.....	(2,926)	3,771	3,183	(25,894)
Foreign currency translation adjustments .....	(783)	1,020	121	(6,929)
	¥33,151	¥57,649	¥53,270	\$293,373

The parent company and its domestic subsidiaries are subject to a number of income taxes. As a result of revisions to domestic laws during the third quarter ended December 31, 2011, and the fourth quarters ended March 31, 2014 and 2015, the statutory income tax rate in Japan, which was approximately 37.8 percent for the year ended March 31, 2014, decreased to approximately 35.4 percent and 32.9 percent for the years ended March 31, 2015 and 2016, respectively.

Due to the enactment by the National Diet of Japan on March 29, 2016 of the "Act for Partial Amendment of the Income Tax Act, etc." and "Partial Amendment of the Local Taxation Act, etc.," the statutory tax rate used to calculate the deferred tax assets and liabilities at March 31, 2016 changed mainly from 32.1 percent to 30.7 percent for those items scheduled for reversal during the period from April 1, 2016 to March 31, 2018, and to 30.5 percent for those items scheduled for reversal on or after April 1, 2018. Use of operating loss carryforwards for tax purposes will be limited to 60 percent of the current year's taxable income before deducting operating loss carryforwards for tax purposes after the years beginning on or after April 1, 2016, and 55 percent after the years beginning on or after April 1, 2017. The years beginning on or after April 1, 2018, use of operating loss carryforwards for the tax purposes will continue to be limited to 50 percent. As a result, income taxes for the year ended March 31, 2016 increased by ¥464 million (\$4,106 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
	2016	2015	2014	2016
Income taxes computed at statutory tax rate	¥40,290	¥45,261	¥48,665	\$356,549
Increase (decrease) resulting from:				
Reversal of valuation allowance	(3,697)	(927)	(1,234)	(32,717)
Provision of valuation allowance	1,104	1,152	832	9,770
Per capita tax	845	863	857	7,478
Net effect of changes in corporate tax rates	464	(648)	1,119	4,106
Other, net	1,306	271	(544)	11,558
Consolidated income taxes from continuing operations	¥40,312	¥45,972	¥49,695	\$356,744

The significant components of deferred tax assets and liabilities at March 31, 2016 and 2015 are as follows:

	In millions of yen		In thousands of U.S. dollars
	2016	2015	2016
Deferred tax assets:			
Property, plant and equipment	¥ 9,027	¥ 6,230	\$ 79,885
Accrued pension and severance costs	8,817	8,180	78,027
Loss carryforwards	8,274	8,715	73,221
Deferred revenue	7,622	8,152	67,451
Adjustment of book value at the date of acquisition—			
Land and buildings	6,195	6,871	54,823
Other assets	242	263	2,142
Accrued bonus	5,617	5,709	49,708
Vacation accrual	3,231	3,186	28,593
Allowance for doubtful accounts	1,612	2,889	14,265
Intangible assets	1,563	1,674	13,832
Write-down on real estate inventories	1,000	1,714	8,850
Investment securities	—	1,268	—
Other	10,058	9,749	89,009
Gross deferred tax assets	63,258	64,600	559,806
Less: Valuation allowance	(25,048)	(26,562)	(221,664)
Total deferred tax assets	38,210	38,038	338,142
Deferred tax liabilities:			
Adjustment of book value at the date of acquisition—			
Intangible assets	(7,907)	(4,421)	(69,973)
Land and buildings	(4,175)	(4,616)	(36,947)
Other assets	(894)	(1,157)	(7,912)
Prepaid pension and severance costs	(9,413)	(11,128)	(83,301)
Unrealized gains on securities	(8,058)	(11,588)	(71,310)
Investments in affiliated companies	(5,856)	(6,608)	(51,823)
Deferred installation costs	(5,409)	(5,710)	(47,867)
Other	(4,958)	(4,352)	(43,877)
Gross deferred tax liabilities	(46,670)	(49,580)	(413,010)
Net deferred tax assets (liabilities)	(¥ 8,460)	(¥11,542)	(\$ 74,868)

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, 2016, 2015 and 2014 was a decrease of ¥1,514 million (\$13,398 thousand), ¥3,410 million and ¥255 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, 2016 and 2015.

Net deferred tax assets (liabilities) at March 31, 2016 and 2015 are reflected in the accompanying consolidated balance sheets under the following captions:

	In millions of yen		In thousands of U.S. dollars
	2016	2015	2016
Deferred income taxes (Current assets)	¥12,082	¥12,929	\$106,920
Deferred income taxes (Other assets)	7,098	5,037	62,814
Other current liabilities (Current liabilities)	(1,658)	(1,106)	(14,673)
Deferred income taxes (Long-term liabilities)	(25,982)	(28,402)	(229,929)
Net deferred tax assets (liabilities)	(¥ 8,460)	(¥11,542)	(\$ 74,868)

The Company has not recognized deferred tax liabilities of ¥450 million (\$3,982 thousand) for a portion of undistributed earnings of foreign subsidiaries totaling ¥23,605 million (\$208,894 thousand) at March 31, 2016 as they are not expected to be remitted in the foreseeable future.

At March 31, 2016, the operating loss carryforwards of domestic subsidiaries amounted to ¥17,531 million (\$155,142 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
2017	¥ —	\$ —
2018	1,171	10,363
2019	5,883	52,062
2020	808	7,150
2021	224	1,982
2022	2,321	20,540
2023	1,293	11,442
2024	2,288	20,248
2025	3,543	31,355
	¥17,531	\$155,142

The operating loss carryforwards of overseas subsidiaries at March 31, 2016 amounted to ¥9,136 million (\$80,850 thousand), a part of which will begin to expire in the year ending March 31, 2017.

The total amount of unrecognized tax benefits for the years ended March 31, 2016, 2015 and 2014 was insignificant. Also, there were no significant movements in the gross amounts of unrealized tax benefits and the amounts of interest and penalties recognized due to the unrecognized tax benefits during the years ended March 31, 2016, 2015 and 2014.

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, 2016, 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 2015, 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, 2016, 2015 and 2014 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
	2016	2015	2014	2016
Net income attributable to SECOM CO., LTD. ....	<b>¥84,072</b>	¥80,184	¥73,979	<b>\$744,000</b>
Net transfers from (to) noncontrolling interests.....	<b>(324)</b>	(339)	(28)	<b>(2,867)</b>
Change from net income attributable to SECOM CO., LTD. and transfers from (to) noncontrolling interests .....	<b>¥83,748</b>	¥79,845	¥73,951	<b>\$741,133</b>

### (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 ¥515,375 million (\$4,560,841 thousand) at March 31, 2016.

Subsequent to March 31, 2016, the parent company's Board of Directors declared a year-end cash dividend of ¥70 (\$0.62) per share, totaling ¥15,278 million (\$135,204 thousand), to shareholders of record on March 31, 2016. The dividend declared was approved at the general shareholders' meeting held on June 24, 2016. Dividends are recorded in the year they are declared.

The Company has made it a basic policy to distribute dividends twice a year, the interim dividend whose record date is September 30 each year and commenced from the year ended March 31, 2015, and the year-end dividend whose record date is March 31 each year. The interim dividend is determined by the Board of Directors and the year-end dividend is determined by the General Meeting of Shareholders.

Cash dividends per share are computed based on dividends paid for the year. Cash dividends per share for the year ended March 31, 2015 include the year-end dividend of ¥115 whose record date is March 31, 2014 and the interim dividend of ¥60 whose record date is September 30, 2015.

### (3) Common Stock in Treasury

The Company may repurchase its common stock from the market pursuant to the Japanese Companies Act. There are certain restrictions on payment of dividends in connection with the treasury stock repurchased.

### (4) Other Comprehensive Income (Loss)

Components of other comprehensive income (loss) for the years ended March 31, 2016, 2015 and 2014 are as follows:

	In millions of yen		
	Pre-tax amount	Tax (expense) or benefit	Net-of-tax amount
<b>For the year ended March 31, 2016:</b>			
Unrealized gains on securities—			
Unrealized gains or losses arising during the period .....	<b>(¥ 9,756)</b>	<b>¥2,991</b>	<b>(¥ 6,765)</b>
Less: Reclassification adjustment for gains or losses realized in net income.....	<b>(1,514)</b>	<b>456</b>	<b>(1,058)</b>
Unrealized gains on derivative instruments—			
Unrealized gains or losses arising during the year.....	—	—	—
Less: Reclassification adjustment for gains or losses realized in net income.....	<b>(14)</b>	<b>5</b>	<b>(9)</b>
Pension liability adjustments—			
Unrealized gains or losses arising during the period .....	<b>(8,611)</b>	<b>2,551</b>	<b>(6,060)</b>
Less: Reclassification adjustment for gains or losses realized in net income.....	<b>(717)</b>	<b>375</b>	<b>(342)</b>
Foreign currency translation adjustments.....	<b>(4,017)</b>	<b>783</b>	<b>(3,234)</b>
Other comprehensive income (loss) .....	<b>(¥24,629)</b>	<b>¥7,161</b>	<b>(¥17,468)</b>

	In millions of yen		
	Pre-tax amount	Tax (expense) or benefit	Net-of-tax amount
<b>For the year ended March 31, 2015:</b>			
Unrealized gains on securities—			
Unrealized gains or losses arising during the period .....	¥20,020	(¥ 6,295)	¥13,725
Less: Reclassification adjustment for gains or losses realized in net income.....	(192)	55	(137)
Unrealized gains on derivative instruments—			
Unrealized gains or losses arising during the year.....	12	(3)	9
Less: Reclassification adjustment for gains or losses realized in net income.....	(25)	8	(17)
Pension liability adjustments—			
Unrealized gains or losses arising during the period .....	11,461	(3,620)	7,841
Less: Reclassification adjustment for gains or losses realized in net income .....	(496)	(151)	(647)
Foreign currency translation adjustments.....	13,199	(1,020)	12,179
Other comprehensive income (loss) .....	¥43,979	(¥11,026)	¥32,953
<b>For the year ended March 31, 2014:</b>			
Unrealized gains on securities—			
Unrealized 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 thousands of U.S. dollars		
	Pre-tax amount	Tax (expense) or benefit	Net-of-tax amount
<b>For the year ended March 31, 2016:</b>			
Unrealized gains on securities—			
Unrealized gains or losses arising during the period .....	(\$ 86,336)	\$26,469	(\$ 59,867)
Less: Reclassification adjustment for gains or losses realized in net income.....	(13,398)	4,035	(9,363)
Unrealized gains on derivative instruments—			
Unrealized gains or losses arising during the year.....	—	—	—
Less: Reclassification adjustment for gains or losses realized in net income.....	(124)	44	(80)
Pension liability adjustments—			
Unrealized gains or losses arising during the period .....	(76,203)	22,575	(53,628)
Less: Reclassification adjustment for gains or losses realized in net income .....	(6,346)	3,319	(3,027)
Foreign currency translation adjustments.....	(35,548)	6,929	(28,619)
Other comprehensive income (loss) .....	(\$217,955)	\$63,371	(\$154,584)

Reclassification adjustments for gains or losses realized in net income (pre-tax amount) included in the consolidated statements of income for the years ended March 31, 2016, 2015 and 2014 are as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31	2015	2014	Year ended March 31
	2016			2016
Unrealized gains on securities—				
Net sales and operating revenue.....	(¥981)	(¥306)	(¥1,221)	(\$8,681)
Gain on sales of securities, net.....	(929)	(33)	(483)	(8,221)
Loss on other-than-temporary impairment of investment securities.....	396	147	35	3,504
Unrealized gains on derivative instruments—				
Other income.....	(14)	(25)	(17)	(124)
Pension liability adjustments—				
Net periodic pension and severance costs (Note 15).....	(790)	(595)	(20)	(6,991)
Equity in net income of affiliated companies.....	¥ 73	¥ 99	¥ 275	\$ 645

#### 19. Lessee

The Company leases certain office space, employee residential facilities, equipment for armored car services and transportation equipment. Some leased buildings, and equipment for armored car services and transportation equipment are held under capital leases. Other leases are classified as operating leases.



On April 23, 1996, the Company entered into a long-term lease agreement for a building and land in Mitaka, Tokyo. The lease term is 30 years beginning May 1, 1996. On July 15, 2010, the Company also entered into a long-term lease agreement for the adjoining land and buildings. The lease term is also 30 years beginning July 15, 2010. For financial reporting purposes, the portion of these lease arrangements relating to the building has been classified as a capital lease; accordingly, an asset of approximately ¥7,209 million (\$63,796 thousand) has been recorded in the buildings and improvements account. The portion of the lease relating to the land has been classified as an operating lease. The future minimum lease payment for the site at March 31, 2016 was ¥5,054 million (\$44,726 thousand).

A summary of leased assets under capital leases at March 31, 2016 and 2015 is as follows:

	In millions of yen		In thousands of U.S. dollars
	2016	2015	2016
Buildings and improvements .....	¥ 8,452	¥ 8,348	\$ 74,796
Machinery, equipment and automobiles .....	41,795	10,234	369,867
Other intangible assets .....	310	46	2,743
Accumulated depreciation and amortization .....	(30,040)	(9,185)	(265,841)
	¥20,517	¥ 9,443	\$181,565

Depreciation and amortization expenses for assets under capital leases for the years ended March 31, 2016, 2015 and 2014 were ¥3,495 million (\$30,929 thousand), ¥2,746 million and ¥2,668 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, 2016:

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2017.....	¥ 6,848	\$ 60,602
2018.....	5,458	48,301
2019.....	4,201	37,177
2020.....	2,964	26,230
2021.....	1,627	14,398
Thereafter.....	12,424	109,947
Total minimum lease payments .....	33,522	296,655
Less: Amount representing interest .....	(8,642)	(76,478)
Present value of net minimum lease payments (Note 13).....	24,880	220,177
Less: Current portion .....	(6,241)	(55,230)
Long-term capital lease obligations .....	¥18,639	\$164,947

Rental expenses under operating leases for the years ended March 31, 2016, 2015 and 2014 were ¥24,619 million (\$217,867 thousand), ¥22,898 million and ¥21,774 million, respectively. A significant portion of such rentals relates to cancelable short-term leases for office space and employee residential facilities, many of which are renewed upon expiration.

On December 8, 2000, the Company entered into a lease agreement for a building and land in Shibuya, Tokyo. The lease term is 20 years beginning December 8, 2000. For financial reporting purposes, the lease has been classified as an operating lease. Based on the agreement, the annual lease payment for the site is approximately ¥1,303 million (\$11,531 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, 2016 are as follows:

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2017.....	¥10,787	\$ 95,460
2018.....	9,716	85,982
2019.....	9,545	84,469
2020.....	9,582	84,796
2021.....	9,137	80,858
Thereafter.....	35,597	315,019
Total future minimum lease payments.....	¥84,364	\$746,584

## 20. Lessor

The Company's leasing operations consist principally of leasing of security merchandise, security systems and real estate for offices and medical institutions. Most of the security merchandise and security systems on lease are classified as sales-type leases or direct-financing leases. Other leases are classified as operating leases.

A summary of lease receivables under sales-type and direct-financing leases at March 31, 2016 and 2015 is as follows:

	In millions of yen	In thousands of U.S. dollars
	2016	2015
Total minimum lease payments to be received .....	¥56,952	¥58,045
Estimated executory cost.....	(4,982)	(5,035)
Unearned income .....	(3,707)	(4,224)
Lease receivables, net.....	48,263	48,786
Less: Current portion .....	(15,344)	(14,823)
Long-term lease receivables, net....	¥32,919	¥33,963
		\$291,319

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, 2016:

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2017.....	¥17,454	\$154,460
2018.....	15,076	133,416
2019.....	12,005	106,239
2020.....	8,002	70,814
2021.....	3,328	29,451
Thereafter.....	1,087	9,620
Total future minimum lease payments to be received .....	¥56,952	\$504,000

A summary of investment in property under operating leases and property held for lease at March 31, 2016 and 2015 is as follows:

	In millions of yen	In thousands of U.S. dollars
	2016	2015
Land .....	¥34,715	¥34,892
Buildings and improvements .....	32,293	32,150
Other intangible assets.....	662	662
Accumulated depreciation .....	(11,751)	(10,882)
	¥55,919	¥56,822
		\$494,858

The future minimum rentals under noncancelable operating leases at March 31, 2016 are as follows:

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2017.....	¥2,130	\$18,850
2018.....	166	1,469
2019.....	162	1,434
2020.....	162	1,434
2021.....	162	1,434
Thereafter.....	3,072	27,184
Total future minimum rentals .....	¥5,854	\$51,805

## 21. Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of financial instruments in cases for which it is practicable. The three levels of inputs used to measure fair value are more fully described in Note 22.

**(1) Cash and Cash Equivalents; Time Deposits; Cash Deposits for armored car services; Notes and Accounts Receivable, Trade; Due from Subscribers; Short-Term Receivables; Bank Loans; Notes and Accounts Payable, Trade; Other Payables; Deposits Received; Accrued Income Taxes; and Accrued Payroll**

The carrying amounts approximate fair value because of the short-term maturities of such instruments.

### (2) Short-Term Investments; Investment Securities

The fair values of short-term investments and investment securities are principally based on quoted market prices.

### (3) Long-Term Receivables Including Current Portion

Long-term receivables, including the current portion, are classified as Level 2 and fair value is estimated based on the present value of future cash flows through estimated maturity, discounted using estimated market discount rates.

### (4) Long-Term Debt Including Current Portion

Long-term debt, including the current portion, is classified as Level 2 and fair value is estimated based on the present value of future cash flows of each instrument discounted using the Company's current incremental borrowing rates for similar liabilities.

### (5) Investment Deposits by Policyholders

The fair values of investment deposits by policyholders are classified as Level 3 and estimated based on the present value of future cash flows, discounted using the interest rates currently being offered for similar contracts.

### (6) Derivatives

The fair values of derivatives are estimated using current market pricing models by obtaining quotes from financial institutions.

The carrying amounts and estimated fair values of financial instruments, excluding, debt and equity securities, which are disclosed in Notes 2 (7) and 7, at March 31, 2016 and 2015 are as follows:

	In millions of yen			
	2016		2015	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Non-derivatives:				
Assets—				
Long-term receivables including current portion (Less allowance for doubtful accounts)....	¥54,040	¥54,596	¥58,743	¥59,061
Liabilities—				
Long-term debt including current portion.....	79,566	79,612	67,171	67,191
Investment deposits by policyholders .....	29,802	31,402	30,272	31,709
Derivatives:				
Liabilities—				
Interest rate swaps (Other long-term liabilities).....	97	97	118	118

	In thousands of U.S. dollars	
	Carrying amount	Estimated fair value
Non-derivatives:		
Assets—		
Long-term receivables including current portion (Less allowance for doubtful accounts) .....	\$478,230	\$483,150
Liabilities—		
Long-term debt including current portion.....	704,124	704,531
Investment deposits by policyholders .....	263,735	277,894
Derivatives:		
Liabilities—		
Interest rate swaps (Other long-term liabilities).....	858	858

### Limitation:

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

## 22. Fair Value Measurements

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

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

The following table represents the Company's assets and liabilities that are measured at fair value on a recurring basis at March 31, 2016 and 2015. Transfers between levels are recognized at the end of the respective reporting periods.

	In millions of yen			
	March 31, 2016			
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Cash equivalents.....	¥ 355	¥ 2,681	¥ —	¥ 3,036
Short-term investments and investment securities.....	157,309	30,405	35,259	222,973
<b>Total assets .....</b>	<b>¥157,664</b>	<b>¥33,086</b>	<b>¥35,259</b>	<b>¥226,009</b>
<b>Liabilities:</b>				
Derivatives (Other long-term liabilities).....	¥ —	¥ 97	¥ —	¥ 97
<b>Total liabilities .....</b>	<b>¥ —</b>	<b>¥ 97</b>	<b>¥ —</b>	<b>¥ 97</b>

	In millions of yen			
	March 31, 2015			
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Cash equivalents.....	¥ 844	¥ 2,671	¥ —	¥ 3,515
Short-term investments and investment securities.....	171,162	35,853	27,340	234,355
<b>Total assets .....</b>	<b>¥172,006</b>	<b>¥38,524</b>	<b>¥27,340</b>	<b>¥237,870</b>
<b>Liabilities:</b>				
Derivatives (Other long-term liabilities).....	¥ —	¥ 118	¥ —	¥ 118
<b>Total liabilities .....</b>	<b>¥ —</b>	<b>¥ 118</b>	<b>¥ —</b>	<b>¥ 118</b>

	In thousands of U.S. dollars			
	March 31, 2016			
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Cash equivalents.....	\$ 3,141	\$ 23,726	\$ —	\$ 26,867
Short-term investments and investment securities.....	1,392,113	269,071	312,027	1,973,211
<b>Total assets .....</b>	<b>\$1,395,254</b>	<b>\$292,797</b>	<b>\$312,027</b>	<b>\$2,000,078</b>
<b>Liabilities:</b>				
Derivatives (Other long-term liabilities).....	\$ —	\$ 858	\$ —	\$ 858
<b>Total liabilities .....</b>	<b>\$ —</b>	<b>\$ 858</b>	<b>\$ —</b>	<b>\$ 858</b>

### Cash Equivalents

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

### Short-Term Investments and Investment Securities

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

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

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

The Company's Level 3 investment securities that are measured at fair value on a recurring basis at March 31, 2016 and 2015, amounting to ¥35,259 million (\$312,027 thousand) and ¥27,340 million, respectively, are primarily private equity investments. The valuation technique and significant unobservable inputs are as follows:

Valuation technique	Significant unobservable inputs	March 31, 2016
		Range
Discounted cash flows	Discount rate	20%–30%
	Exit timing	2017–2020
	EBITDA multiple	5.0x–96.8x

Valuation technique	Significant unobservable inputs	March 31, 2015
		Range
Discounted cash flows	Discount rate	20%–30%
	Exit timing	2016–2019
	EBITDA multiple	4.5x–10.7x

For the year ended March 31, 2014, ¥1,401 million of debt securities were transferred from Level 1 to Level 2 because the observable markets in which these instruments were traded became inactive.

### Derivative Financial Investments

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

The following table represents the changes in Level 3 assets measured on a recurring basis for the years ended March 31, 2016 and 2015.

	In millions of yen		In thousands of U.S. dollars
	Years ended March 31		Year ended March 31
	2016	2015	2016
Balance at beginning of year.....	¥27,340	¥34,980	\$241,947
Total gains or losses (realized and unrealized):			
Included in earnings.....	2,272	4,920	20,107
Included in other comprehensive income.....	(161)	(38)	(1,425)
Purchases.....	6,950	3,619	61,504
Sales.....	—	(19,099)	—
Redemptions.....	(115)	(327)	(1,018)
Cancellation of contract.....	(1,010)	—	(8,938)
Foreign currency translation adjustments.....	(17)	3,285	(150)
Balance at end of year.....	¥35,259	¥27,340	\$312,027
Changes in unrealized gains or losses relating to instruments still held at end of year:			
Included in earnings.....	¥ 1,288	¥ 1,065	\$ 11,398

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 ¥9,257 million (\$81,920 thousand) were written down to their fair value of ¥9,251 million (\$81,867 thousand), resulting in an other-than-temporary impairment charge of ¥6 million (\$53 thousand), which was included in earnings for the year ended March 31, 2016. For the year ended March 31, 2015, non-marketable equity securities with a carrying amount of ¥9,104 million were written down to their fair value of ¥9,083 million, resulting in an other-than-temporary impairment charge of ¥21 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 matured 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, 2015 and 2014 as the critical terms of most of the interest rate swap agreements match the terms of the hedged debt obligations. At March 31, 2015, the notional principal amounts of interest rate swap agreements designated as cash flow hedges was ¥726 million. At March 31, 2016, the Company did not enter into any interest rate swap agreements designated as cash flow hedges.

### (4) Derivative Instruments Not Designated as Hedges

The Company enters into interest rate swap agreements to reduce exposure to fluctuations in interest rates relating primarily to debt obligations and other agreements. Changes in fair value of these derivative financial instruments, which are not designated as hedges, are reported in current income.

Fair values of derivative instruments reflected in the consolidated balance sheets as of March 31, 2016 and 2015 are as follows:

#### Derivatives designated as hedging instruments

Location	In millions of yen		In thousands of U.S. dollars
	2016	2015	March 31
Liabilities:			
Interest rate swaps			
Other current liabilities	¥—	¥5	\$—

#### Derivatives not designated as hedging instruments

Location	In millions of yen		In thousands of U.S. dollars
	2016	2015	March 31
Liabilities:			
Interest rate swaps			
Other long-term liabilities	¥97	¥113	\$858

Effects of derivative instruments on the consolidated statements of income for the years ended March 31, 2016, 2015 and 2014 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
	2016	2015	2014	Year ended March 31
Interest rate swaps	¥—	¥6	¥10	\$—

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

Location	In millions of yen			In thousands of U.S. dollars
	2016	2015	2014	Year ended March 31
Interest rate swaps				
Other income	¥14	¥25	¥17	\$124

#### Derivatives not designated as hedging instruments

Location	In millions of yen			In thousands of U.S. dollars
	2016	2015	2014	Year ended March 31
Interest rate swaps				
Other income	¥16	¥23	¥33	\$142

## 24. Commitments and Contingent Liabilities

The Company has commitments outstanding at March 31, 2016 for the purchase of property, plant and equipment of approximately ¥8,325 million (\$73,673 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 ¥2,033 million (\$17,991 thousand) at March 31, 2016. The carrying amounts of the liabilities recognized as the Company's obligations under these guarantees at March 31, 2016 and 2015 were deemed insignificant.

It is not anticipated that damages, if any, resulting from legal actions will have a material impact on the Company's consolidated financial statements.

## 25. Discontinued Operations

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

The Company sold certain businesses included in the real estate and other services segment, during the year ended March 31, 2015. 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, 2015 and 2014 are as follows:

	In millions of yen	
	2015	2014
Net sales and operating revenue	¥ 598	¥3,272
Income (loss) from discontinued operations before income taxes	(149)	(301)
Gain on sales of discontinued operations	1,614	—
Income taxes	(651)	169
Attributable to SECOM CO., LTD.	¥ 814	(¥ 132)

Income (loss) from discontinued operations, net of tax, by business segment for the years ended March 31, 2015 and 2014 is as follows:

	In millions of yen	
	2015	2014
Real estate and other services	¥814	(¥132)
Income (loss) from discontinued operations, net of taxes	¥814	(¥132)

## 26. Supplemental Cash Flow Information

Supplemental cash flow information is as follows:

	In millions of yen			In thousands of U.S. dollars
	2016	2015	2014	2016
Cash paid during the year for:				
Interest.....	¥ 1,408	¥ 1,403	¥ 1,459	\$ 12,460
Income taxes.....	38,832	50,673	50,676	343,646
Non-cash investing and financing activities:				
Additions to obligations under capital leases.....	2,543	2,318	4,503	22,504
Increase in land, buildings and improvements by offsetting long-term receivables.....	—	3,179	—	—
Significant acquisitions (Note 4)—				
Assets acquired.....	188,136	—	—	1,664,920
Liabilities assumed.....	(107,136)	—	—	(948,106)
Considerations for equity.....	81,000	—	—	716,814
Cash and cash equivalents on hand ...	(11,565)	—	—	(102,345)
Total considerations.....	¥ 69,435	¥ —	¥ —	\$ 614,469

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

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

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

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

Information by business and geographic segments for the years ended and as of March 31, 2016, 2015 and 2014 is as follows:

(1) Business Segment Information

	In millions of yen			In thousands of U.S. dollars
	2016	2015	2014	2016
Net sales and operating revenue:				
Security services—				
External customers .....	¥ 505,058	¥487,063	¥472,449	\$4,469,540
Intersegment.....	3,028	2,963	2,811	26,796
	<b>508,086</b>	490,026	475,260	<b>4,496,336</b>
Fire protection services—				
External customers .....	131,743	121,189	122,046	1,165,867
Intersegment.....	3,764	5,127	5,111	33,310
	<b>135,507</b>	126,316	127,157	<b>1,199,177</b>
Medical services—				
External customers .....	163,538	155,884	150,535	1,447,239
Intersegment.....	178	153	150	1,575
	<b>163,716</b>	156,037	150,685	<b>1,448,814</b>
Insurance services—				
External customers .....	40,654	38,259	37,011	359,770
Intersegment.....	2,945	3,226	2,936	26,062
	<b>43,599</b>	41,485	39,947	<b>385,832</b>
Geographic information services—				
External customers .....	52,553	52,760	54,697	465,071
Intersegment.....	183	177	72	1,619
	<b>52,736</b>	52,937	54,769	<b>466,690</b>
Information and communication related services—				
External customers .....	48,294	47,412	46,992	427,381
Intersegment.....	7,550	6,527	6,381	66,814
	<b>55,844</b>	53,939	53,373	<b>494,195</b>
Real estate and other services—				
External customers .....	41,588	42,671	37,416	368,035
Intersegment.....	2,479	2,245	2,249	21,938
	<b>44,067</b>	44,916	39,665	<b>389,973</b>
Total.....	<b>1,003,555</b>	965,656	940,856	<b>8,881,017</b>
Eliminations .....	<b>(20,127)</b>	(20,418)	(19,710)	<b>(178,114)</b>
Total net sales and operating revenue .....	<b>¥ 983,428</b>	¥945,238	¥921,146	<b>\$8,702,903</b>

	In millions of yen			In thousands of U.S. dollars
	2016	2015	2014	2016
Operating income (loss):				
Security services .....	¥110,919	¥107,073	¥104,089	\$ 981,584
Fire protection services .....	13,654	12,510	10,467	120,832
Medical services .....	2,921	1,521	2,707	25,850
Insurance services.....	6,842	8,042	2,007	60,549
Geographic information services .....	(268)	2,442	3,723	(2,372)
Information and communication related services.....	308	894	6,373	2,726
Real estate and other services.....	4,900	5,080	4,678	43,363
Total.....	<b>139,276</b>	137,562	134,044	<b>1,232,532</b>
Corporate expenses and eliminations.....	(20,371)	(15,555)	(13,966)	(180,275)
Operating income.....	<b>¥118,905</b>	¥122,007	¥120,078	<b>\$1,052,257</b>
Other income.....	7,679	9,293	11,658	67,956
Other expenses .....	(4,123)	(3,443)	(2,995)	(36,487)
Income before income taxes and equity in net income of affiliated companies .....	<b>¥122,461</b>	¥127,857	¥128,741	<b>\$1,083,726</b>
Assets:				
Security services .....	¥ 659,526	¥ 477,138		\$ 5,836,513
Fire protection services .....	141,981	135,381		1,256,469
Medical services .....	186,068	178,721		1,646,619
Insurance services.....	219,635	215,278		1,943,673
Geographic information services .....	66,501	69,544		588,504
Information and communication related services .....	115,108	120,038		1,018,655
Real estate and other services.....	134,936	128,503		1,194,124
Total.....	<b>1,523,755</b>	1,324,603		<b>13,484,557</b>
Corporate items.....	100,878	145,051		892,726
Investments in affiliated companies .....	56,699	56,209		501,761
Total assets.....	<b>¥1,681,332</b>	¥1,525,863		<b>\$14,879,044</b>

	In millions of yen			In thousands of U.S. dollars
	2016	2015	2014	2016
Depreciation and amortization:				
Security services .....	¥ 50,007	¥47,425	¥45,679	\$ 442,540
Fire protection services .....	1,663	1,694	1,667	14,717
Medical services .....	8,293	7,209	6,658	73,389
Insurance services .....	1,319	1,140	1,280	11,673
Geographic information services .....	2,998	3,022	2,511	26,531
Information and communication related services .....	6,592	6,746	7,373	58,336
Real estate and other services .....	951	992	1,004	8,416
Total .....	71,823	68,228	66,172	635,602
Corporate items .....	658	636	489	5,823
Total depreciation and amortization .....	¥ 72,481	¥68,864	¥66,661	\$ 641,425
Capital expenditure:				
Security services .....	¥130,686	¥37,183	¥36,833	\$1,156,513
Fire protection services .....	5,026	3,608	1,635	44,478
Medical services .....	14,908	20,372	10,843	131,929
Insurance services .....	2,307	1,897	1,554	20,416
Geographic information services .....	2,124	3,318	4,743	18,797
Information and communication related services .....	7,708	4,160	5,769	68,212
Real estate and other services .....	229	258	461	2,027
Total .....	162,988	70,796	61,838	1,442,372
Corporate items .....	409	1,098	1,397	3,619
Total capital expenditures .....	¥163,397	¥71,894	¥63,235	\$1,445,991

The capital expenditures in the above table represent the additions to property, plant and equipment and intangible assets of each segment.

The Company has no single customer that accounts for more than 10 percent of total revenues.

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

	In millions of yen			In thousands of U.S. dollars
	2016	2015	2014	2016
Electronic security services .....	¥330,843	¥326,300	¥318,116	\$2,927,814
Other security services:				
Static guard services .....	55,907	53,788	51,681	494,752
Armored car services .....	32,990	21,010	20,767	291,947
Merchandise and other .....	85,318	85,965	81,885	755,027
Total security services .....	¥505,058	¥487,063	¥472,449	\$4,469,540

## (2) Geographic Segment Information

Net sales and operating revenue attributed to countries based on the geographical location of customers for the years ended 2016, 2015 and 2014 and long-lived assets as of March 31, 2016 and 2015 were as follows:

	In millions of yen			In thousands of U.S. dollars
	2016	2015	2014	2016
Net sales and operating revenue:				
Japan .....	¥936,392	¥901,079	¥881,782	\$8,286,655
Other .....	47,036	44,159	39,364	416,248
Total .....	¥983,428	¥945,238	¥921,146	\$8,702,903
Long-lived assets:				
Japan .....	¥611,331	¥523,504		\$5,410,009
Other .....	12,280	7,559		108,673
Total .....	¥623,611	¥531,063		\$5,518,682

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 29, 2016, 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, 2016 and 2015, 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, 2016, 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, 2016 and 2015, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2016, in accordance with U.S. generally accepted accounting principles.

## Convenience Translations

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2016 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

Tokyo, Japan  
July 29, 2016



# Summary of Selected Financial Data

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

	In millions of yen					
	2016	2015	2014	2013	2012	2011
<b>Composition of consolidated net sales and operating revenue by segment</b>						
Net sales and operating revenue .....	<b>¥983,428</b>	¥945,238	¥921,146	¥858,406	¥769,609	¥748,847
Security services: .....	<b>505,058</b>	487,063	472,449	443,231	425,427	417,350
As a percentage of net sales and operating revenue .....	<b>51.4%</b>	51.5%	51.3%	51.6%	55.3%	55.7%
Electronic security services .....	<b>330,843</b>	326,300	318,116	307,477	300,208	299,783
As a percentage of net sales and operating revenue .....	<b>33.6</b>	34.5	34.5	35.8	39.0	40.0
Other Security services—						
Static guard services .....	<b>55,907</b>	53,788	51,681	47,877	46,689	46,372
As a percentage of net sales and operating revenue .....	<b>5.7</b>	5.7	5.6	5.6	6.1	6.2
Armored car services .....	<b>32,990</b>	21,010	20,767	20,532	20,610	20,129
As a percentage of net sales and operating revenue .....	<b>3.4</b>	2.2	2.3	2.4	2.7	2.7
Subtotal .....	<b>88,897</b>	74,798	72,448	68,409	67,299	66,501
Merchandise and other .....	<b>85,318</b>	85,965	81,885	67,345	57,920	51,066
As a percentage of net sales and operating revenue .....	<b>8.7</b>	9.1	8.9	7.8	7.5	6.8
Fire protection services .....	<b>131,743</b>	121,189	122,046	114,130	80,678	75,176
As a percentage of net sales and operating revenue .....	<b>13.4</b>	12.8	13.3	13.3	10.5	10.1
Medical services .....	<b>163,538</b>	155,884	150,535	140,957	134,550	125,020
As a percentage of net sales and operating revenue .....	<b>16.6</b>	16.5	16.3	16.4	17.4	16.7
Insurance services .....	<b>40,654</b>	38,259	37,011	35,864	33,558	33,133
As a percentage of net sales and operating revenue .....	<b>4.1</b>	4.1	4.0	4.2	4.4	4.4
Geographic information services .....	<b>52,553</b>	52,760	54,697	51,194	50,173	43,539
As a percentage of net sales and operating revenue .....	<b>5.4</b>	5.6	5.9	6.0	6.5	5.8
Information and communication related services .....	<b>48,294</b>	47,412	46,992	29,541	17,735	16,662
As a percentage of net sales and operating revenue .....	<b>4.9</b>	5.0	5.1	3.4	2.3	2.2
Real estate and other services .....	<b>41,588</b>	42,671	37,416	43,489	27,488	37,967
As a percentage of net sales and operating revenue .....	<b>4.2</b>	4.5	4.1	5.1	3.6	5.1
<b>Net income attributable to SECOM CO., LTD., cash dividends and SECOM CO., LTD. shareholders' equity</b>						
Net income attributable to SECOM CO., LTD. ....	<b>¥ 84,072</b>	¥ 80,184	¥ 73,979	¥ 70,580	¥ 41,237	¥ 62,665
Cash dividends paid <sup>(2)</sup> .....	<b>28,373</b>	38,197	22,918	19,645	19,623	18,533
SECOM CO., LTD. shareholders' equity .....	<b>865,278</b>	825,969	753,099	679,176	612,855	593,495
<b>Consolidated financial ratios</b>						
Percentage of working capital accounted for by:						
Debt—						
Bank loans .....	<b>5.6</b>	4.7	6.0	5.0	5.7	6.8
Current portion of long-term debt .....	<b>1.8</b>	1.4	1.8	2.2	3.1	1.7
Straight bonds .....	<b>0.8</b>	0.9	0.9	1.1	1.4	2.0
Other long-term debt .....	<b>5.3</b>	4.9	4.6	5.1	3.8	5.5
Total debt .....	<b>13.5</b>	11.9	13.3	13.4	14.0	16.0
SECOM CO., LTD. shareholders' equity .....	<b>86.5</b>	88.1	86.7	86.6	86.0	84.0
Total capitalization .....	<b>100.0</b>	100.0	100.0	100.0	100.0	100.0
Return on total assets (percentage) <sup>(a)</sup> .....	<b>5.0</b>	5.3	5.1	5.3	3.5	5.4
Return on equity (percentage) <sup>(b)</sup> .....	<b>9.7</b>	9.7	9.8	10.4	6.7	10.6
Percentage of net sales and operating revenue absorbed by <sup>(c)</sup> :						
Depreciation and amortization .....	<b>7.4</b>	7.3	7.2	7.0	7.5	7.6
Rental expense under operating leases .....	<b>2.5</b>	2.4	2.4	2.1	2.1	2.2
Ratio of accumulated depreciation to depreciable assets (percentage) .....						
.....	<b>62.8</b>	61.6	60.8	60.0	63.4	62.5
Net property turnover (times) <sup>(c)</sup> .....	<b>2.38</b>	2.38	2.34	2.24	2.49	2.49
Before-tax interest coverage (times) <sup>(c)(d)</sup> .....	<b>89.2</b>	93.8	90.4	78.8	51.8	65.1

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

	2016	2015	2014	2013	2012	2011
<b>Number of shares outstanding</b>						
Issued .....	<b>233,288,717</b>	233,288,717	233,288,717	233,288,717	233,288,717	233,288,717
Owned by the Company .....	<b>15,026,824</b>	15,024,812	15,022,012	15,018,951	15,017,691	15,258,553
Balance .....	<b>218,261,893</b>	218,263,905	218,266,705	218,269,766	218,271,026	218,030,164
<b>Per share information</b>						
Net income attributable to SECOM CO., LTD. per share (in yen) <sup>(1)</sup> .....	<b>¥ 385.19</b>	¥ 367.37	¥ 338.94	¥ 323.36	¥ 188.97	¥ 287.41
Cash dividends paid per share (in yen) <sup>(2)</sup> .....	<b>130.00</b>	175.00	105.00	90.00	90.00	85.00
SECOM CO., LTD. shareholders' equity per share (in yen) <sup>(3)</sup> .....	<b>3,964.40</b>	3,784.27	3,450.36	3,111.64	2,807.77	2,722.08
Cash flow per share (in yen) <sup>(1)(e)</sup> .....	<b>565.70</b>	557.88	529.35	496.34	365.28	458.62
Price/Book value ratio .....	<b>2.11</b>	2.12	1.72	1.56	1.44	1.42
Price/Earnings ratio .....	<b>21.72</b>	21.84	17.54	15.00	21.43	13.45
Price/Cash flow ratio .....	<b>14.79</b>	14.38	11.23	9.77	11.09	8.43
Stock price at year-end (in yen) .....	<b>8,366</b>	8,025	5,946	4,850	4,050	3,865

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, 2016, cash dividends of ¥15,278 million (¥70 per share) were approved at the general shareholders' meeting on June 24, 2016 (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

<b>SHAREHOLDER INFORMATION</b>	<b>2016</b>	2015	2014	2013	2012	2011
Number of shareholders.....	<b>24,975</b>	24,852	27,054	27,628	29,118	30,338
Common shares held by:						
Japanese government and local public entities.....	<b>—%</b>	—%	—%	—%	—%	0.08%
Financial institutions.....	<b>32.50</b>	29.89	31.28	30.86	29.88	30.76
Securities firms.....	<b>3.52</b>	3.43	4.88	5.58	6.08	4.75
Other domestic corporations.....	<b>2.92</b>	3.16	2.56	3.63	3.68	3.71
Foreign investors.....	<b>44.46</b>	44.95	42.32	41.33	41.25	41.27
Individuals and others.....	<b>10.16</b>	12.13	12.52	12.16	12.67	12.89
Treasury stock.....	<b>6.44</b>	6.44	6.44	6.44	6.44	6.54
Total.....	<b>100.00%</b>	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
2014	April–June.....	¥6,502	¥5,554	¥15,376.24	¥13,910.16
	July–September.....	6,640	6,130	16,374.14	14,778.37
	October–December.....	7,247	5,764	17,935.64	14,532.51
2015	January–March.....	8,318	6,530	19,754.36	16,795.96
	April–June.....	9,041	7,857	20,868.03	19,034.84
	July–September.....	8,510	7,038	20,841.97	16,930.84
	October–December.....	8,630	7,064	20,012.40	17,722.42
2016	January–March.....	8,781	7,307	18,450.98	14,952.61

## 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, 2016, 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	2016	2015	2014	2013	2012	2011
<b>Current assets:</b>						
Cash on hand and in banks.....	¥ 228,458	¥ 232,221	¥ 210,514	¥ 175,427	¥ 182,412	¥ 172,958
Cash deposits for armored car services .....	128,267	50,395	58,597	56,089	54,011	56,546
Call loans .....	—	15,500	20,500	46,500	28,000	29,500
Notes and accounts receivable, trade.....	122,048	114,071	115,318	106,638	85,744	73,956
Due from subscribers.....	31,812	26,316	25,174	24,059	24,830	22,754
Short-term investments .....	34,448	28,517	12,955	14,723	19,936	7,313
Lease receivables and investments in leased assets.....	39,542	39,242	33,188	27,569	14,605	15,433
Merchandise and products .....	13,099	14,163	14,186	12,321	9,597	8,823
Real estate inventories.....	3,527	3,063	33	12,944	9,082	11,481
Work in process .....	5,557	4,031	4,602	4,526	2,527	2,249
Costs on uncompleted construction contracts .....	9,070	9,460	8,983	7,563	5,671	4,233
Work in process for real estate inventories.....	23,024	21,058	15,396	13,348	33,276	48,296
Raw materials and supplies.....	8,579	7,913	7,573	6,430	5,950	5,750
Deferred income taxes.....	12,728	12,808	13,254	14,384	11,383	12,216
Short-term loans receivable .....	4,086	2,268	2,699	4,158	4,389	3,908
Other .....	27,375	21,111	17,623	18,453	13,489	12,566
Allowance for doubtful accounts.....	(1,883)	(1,997)	(2,026)	(2,302)	(1,428)	(1,704)
Total current assets.....	689,744	600,146	558,574	542,836	503,479	486,284
<b>Fixed assets:</b>						
Tangible assets:						
Buildings and improvements, net.....	148,828	148,375	153,278	155,839	97,955	102,855
Security equipment and control stations, net .....	71,447	70,478	68,759	67,200	66,900	63,490
Land.....	116,613	119,604	113,946	115,652	104,426	97,730
Other, net.....	39,415	23,702	24,849	22,839	21,464	18,638
Total tangible assets.....	376,305	362,161	360,833	361,532	290,747	282,715
Intangible assets.....	119,505	49,411	53,596	55,079	25,043	25,553
Investments and others:						
Investment securities.....	264,400	284,322	246,233	189,042	177,655	188,001
Long-term loans receivable .....	39,401	42,904	45,701	42,338	46,197	47,576
Prepaid pension and severance costs.....	—	—	—	19,572	19,130	18,730
Net defined benefit asset.....	30,796	35,010	17,612	—	—	—
Deferred income taxes .....	8,602	4,874	13,521	11,711	14,793	20,110
Other.....	54,978	49,382	48,486	43,706	42,376	43,422
Allowance for doubtful accounts .....	(15,698)	(17,525)	(16,352)	(16,742)	(17,584)	(18,111)
Total investments and others .....	382,482	398,969	355,203	289,629	282,568	299,729
Total fixed assets.....	878,293	810,541	769,633	706,241	598,359	607,998
Deferred assets .....	14	26	17	32	45	117
Total assets.....	¥1,568,052	¥1,410,715	¥1,328,226	¥1,249,110	¥1,101,884	¥1,094,400



	In millions of yen					
<b>LIABILITIES</b>	<b>2016</b>	2015	2014	2013	2012	2011
<b>Current liabilities:</b>						
Notes and accounts payable, trade .....	¥ 41,794	¥ 43,160	¥ 49,409	¥ 43,684	¥ 30,731	¥ 25,959
Bank loans .....	55,283	44,965	52,120	42,350	47,985	47,426
Current portion of straight bonds .....	2,582	1,414	4,640	4,487	5,983	2,914
Lease obligations .....	4,724	503	579	537	354	354
Payables—other .....	38,376	33,849	31,316	31,406	27,627	22,857
Accrued income taxes .....	22,341	21,063	27,744	29,282	14,688	19,353
Accrued consumption taxes .....	6,611	12,878	4,151	4,377	3,833	2,850
Accrued expenses .....	5,562	4,653	4,625	4,571	4,169	3,792
Deposits received for armored car services .....	101,306	16,945	17,765	24,862	21,920	20,658
Deferred revenue .....	31,389	31,348	31,027	30,880	30,834	30,582
Accrued bonuses .....	15,524	14,652	14,437	14,031	12,739	11,925
Provision for loss on construction contracts .....	1,397	1,612	1,981	1,714	834	530
Other .....	20,738	20,707	16,883	15,691	14,076	12,868
Total current liabilities .....	347,633	247,755	256,684	247,879	215,780	202,074
<b>Long-term liabilities:</b>						
Straight bonds .....	8,251	8,413	7,796	8,847	9,625	14,091
Long-term loans .....	20,033	20,602	17,256	19,828	10,700	21,586
Lease obligations .....	11,954	3,712	4,183	3,438	2,884	3,080
Guarantee deposits received .....	35,002	36,000	36,542	36,125	38,235	38,091
Deferred income taxes .....	14,026	13,554	11,169	13,400	8,415	8,909
Accrued pension and severance costs .....	—	—	—	17,137	12,585	13,097
Accrued retirement benefits for directors and audit and supervisory board members .....	1,387	1,415	1,635	2,443	2,509	2,433
Net defined benefit liability .....	22,816	18,504	18,569	—	—	—
Investment deposits by policyholders, unearned premiums and other insurance liabilities .....	159,636	150,119	141,099	133,627	127,812	135,498
Other .....	4,166	3,295	2,918	2,242	1,817	1,481
Total long-term liabilities .....	277,274	255,618	241,171	237,091	214,586	238,270
Total liabilities .....	624,907	503,374	497,856	484,970	430,366	440,344
<b>NET ASSETS</b>						
<b>Shareholders' equity:</b>						
Common stock .....	¥ 66,377	¥ 66,377	¥ 66,377	¥ 66,377	¥ 66,377	¥ 66,377
Capital surplus .....	80,326	80,265	83,054	83,054	83,054	83,054
Retained earnings .....	743,353	694,688	656,286	609,275	565,261	549,747
Common stock in treasury, at cost .....	(73,717)	(73,701)	(73,682)	(73,664)	(73,659)	(74,923)
Total shareholders' equity .....	816,340	767,630	732,036	685,042	641,034	624,255
<b>Accumulated other comprehensive income:</b>						
Unrealized gains on securities .....	19,964	26,981	12,504	11,783	4,559	2,192
Deferred losses on hedges .....	(40)	(34)	(33)	(41)	(28)	(35)
Foreign currency translation adjustments .....	(2,196)	1,477	(10,885)	(27,760)	(37,556)	(34,166)
Remeasurements of defined benefit plans, net of taxes .....	(783)	4,390	(3,506)	—	—	—
Total accumulated other comprehensive income .....	16,944	32,815	(1,921)	(16,018)	(33,026)	(32,010)
<b>Noncontrolling interests</b> .....	<b>109,859</b>	106,895	100,253	95,114	63,509	61,810
Total net assets .....	943,144	907,341	830,369	764,139	671,517	654,055
Total liabilities and net assets .....	¥1,568,052	¥1,410,715	¥1,328,226	¥1,249,110	¥1,101,884	¥1,094,400

## Condensed Consolidated Statements of Income (Based on Japanese GAAP)

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

	In millions of yen					
	2016	2015	2014	2013	2012	2011
Revenue .....	<b>¥881,028</b>	¥840,722	¥822,228	¥765,635	¥679,173	¥663,887
Percentage change from prior year .....	<b>4.8%</b>	2.2%	7.4%	12.7%	2.3%	1.4%
Costs of revenue .....	<b>586,539</b>	557,884	542,949	504,006	458,452	423,983
As a percentage of revenue .....	<b>66.6</b>	66.4	66.0	65.8	67.5	63.9
Gross profit .....	<b>294,488</b>	282,837	279,278	261,629	220,720	239,904
As a percentage of revenue .....	<b>33.4</b>	33.6	34.0	34.2	32.5	36.1
Selling, general and administrative expenses .....	<b>165,906</b>	159,222	159,259	153,258	139,642	140,762
As a percentage of revenue .....	<b>18.8</b>	18.9	19.4	20.0	20.6	21.2
Operating profit .....	<b>128,582</b>	123,615	120,018	108,370	81,078	99,141
As a percentage of revenue .....	<b>14.6</b>	14.7	14.6	14.2	11.9	14.9
Non-operating income .....	<b>11,380</b>	18,366	13,100	11,171	12,970	17,428
Non-operating expenses .....	<b>5,136</b>	5,293	6,441	5,922	6,209	6,895
Ordinary profit .....	<b>134,826</b>	136,688	126,677	113,618	87,839	109,674
As a percentage of revenue .....	<b>15.3</b>	16.3	15.4	14.8	12.9	16.5
Extraordinary profit .....	<b>1,584</b>	1,962	2,025	984	287	1,717
Extraordinary losses .....	<b>15,003</b>	11,384	3,876	2,623	11,558	5,749
Income before income taxes .....	<b>121,408</b>	127,265	124,826	111,980	76,567	105,642
As a percentage of revenue .....	<b>13.8</b>	15.1	15.2	14.6	11.3	15.9
Income taxes—current .....	<b>39,150</b>	43,156	48,485	43,211	32,023	37,303
Income taxes—deferred .....	<b>(526)</b>	(37)	(2,110)	(252)	4,600	1,383
Net income .....	<b>82,784</b>	84,146	78,451	69,021	39,943	66,955
Net income attributable to noncontrolling interests .....	<b>5,745</b>	8,754	8,574	5,363	4,454	6,109
Net income attributable to owners of the parent .....	<b>77,039</b>	75,392	69,876	63,658	35,489	60,846
As a percentage of revenue .....	<b>8.7</b>	9.0	8.5	8.3	5.2	9.2
Percentage change from prior year .....	<b>2.2</b>	7.9	9.8	79.4	(41.7)	27.8

## Consolidated Statements of Comprehensive Income (Based on Japanese GAAP)

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

	In millions of yen					
	2016	2015	2014	2013	2012	2011
Net income .....	<b>¥ 82,784</b>	¥ 84,146	¥78,451	¥69,021	¥39,943	¥66,955
Other comprehensive income (loss):						
Unrealized gains (losses) on securities .....	<b>(7,103)</b>	15,058	543	7,500	2,318	(2,970)
Deferred gains on hedges .....	<b>—</b>	—	—	—	8	16
Foreign currency translation adjustments .....	<b>(1,616)</b>	9,527	11,787	6,222	(2,262)	(5,191)
Remeasurements of defined benefit plans .....	<b>(6,163)</b>	8,581	—	—	—	—
Share of other comprehensive gains (losses) of affiliated companies accounted for under the equity method .....	<b>(2,743)</b>	3,676	6,649	4,402	(1,281)	(1,069)
Total other comprehensive income (loss) .....	<b>(17,626)</b>	36,843	18,980	18,124	(1,217)	(9,214)
Comprehensive income .....	<b>65,157</b>	120,990	97,431	87,146	38,726	57,740
Comprehensive income attributable to:						
Owners of the parent company .....	<b>61,168</b>	110,128	87,480	80,666	34,473	52,203
Noncontrolling interests .....	<b>3,989</b>	10,861	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	2016	2015	2014	2013	2012	2011
<b>Current assets:</b>						
Cash on hand and in banks.....	¥ 45,433	¥ 93,569	¥ 80,908	¥ 54,136	¥ 82,631	¥ 74,680
Cash deposits for armored car services .....	40,877	48,396	56,818	53,551	52,386	54,641
Notes receivable .....	592	640	683	700	720	221
Due from subscribers.....	16,229	16,066	14,991	14,856	14,324	11,563
Accounts receivable, trade.....	10,996	11,202	9,960	9,691	10,039	6,074
Receivables—other.....	4,454	3,054	2,699	2,528	2,159	2,385
Short-term investments .....	3,444	437	437	1,048	456	456
Merchandise .....	6,453	6,694	5,489	5,585	5,152	4,279
Supplies .....	1,676	1,379	1,303	1,012	1,470	1,167
Prepaid expenses.....	2,172	2,210	2,109	2,332	2,253	2,051
Deferred income taxes.....	3,736	4,415	4,382	5,268	4,269	4,938
Short-term loans receivable .....	22,255	20,423	20,653	19,237	15,574	4,356
Other .....	1,698	1,772	2,031	4,819	1,632	1,818
Allowance for doubtful accounts.....	(152)	(216)	(221)	(248)	(268)	(206)
<b>Total current assets.....</b>	<b>159,867</b>	<b>210,048</b>	<b>202,248</b>	<b>174,521</b>	<b>192,804</b>	<b>168,428</b>
<b>Fixed assets:</b>						
Tangible assets:						
Buildings and improvements, net.....	16,572	16,458	17,466	17,059	16,409	22,310
Automobiles, net.....	795	824	865	521	231	243
Security equipment and control stations, net .....	67,624	67,715	66,683	65,329	65,341	61,461
Machinery and equipment, net.....	170	192	232	288	361	565
Tools, furniture and fixtures, net .....	3,424	3,326	2,922	2,979	3,301	3,151
Land .....	22,015	28,303	29,520	29,802	28,555	28,390
Construction in progress.....	1,564	1,714	1,848	1,719	1,710	1,743
Other, net.....	18	12	105	235	374	513
<b>Total tangible assets.....</b>	<b>112,187</b>	<b>118,548</b>	<b>119,644</b>	<b>117,936</b>	<b>116,286</b>	<b>118,379</b>
Intangible assets:						
Goodwill.....	—	—	2,607	2,978	3,350	—
Software.....	5,794	4,644	3,910	4,269	5,487	6,751
Other.....	574	730	1,768	2,061	1,586	815
<b>Total intangible assets.....</b>	<b>6,369</b>	<b>5,375</b>	<b>8,286</b>	<b>9,308</b>	<b>10,424</b>	<b>7,566</b>
Investments and others:						
Investment securities.....	20,588	29,725	23,789	21,583	23,906	20,969
Investment securities in subsidiaries and affiliated companies.....	325,104	239,120	239,008	236,309	190,305	203,036
Investments in subsidiaries and affiliated companies.....	1,938	1,938	1,827	1,827	1,883	1,874
Long-term loans receivable .....	146,716	150,955	143,741	155,813	128,074	118,276
Lease deposits .....	7,642	7,526	7,553	7,747	8,147	8,047
Long-term prepaid expenses.....	21,244	22,126	20,780	21,594	24,013	25,872
Prepaid pension and severance costs.....	23,177	21,530	16,962	16,263	15,903	14,321
Deferred income taxes.....	—	—	—	—	130	13,865
Insurance funds .....	4,294	4,294	3,988	3,991	4,181	4,181
Other.....	2,545	2,534	2,777	2,728	2,713	2,831
Allowance for doubtful accounts .....	(5,551)	(17,946)	(17,698)	(20,307)	(19,326)	(12,995)
<b>Total investments and others .....</b>	<b>547,700</b>	<b>461,806</b>	<b>442,730</b>	<b>447,551</b>	<b>379,933</b>	<b>400,281</b>
<b>Total fixed assets.....</b>	<b>666,256</b>	<b>585,730</b>	<b>570,662</b>	<b>574,796</b>	<b>506,643</b>	<b>526,227</b>
<b>Total assets.....</b>	<b>¥826,124</b>	<b>¥795,778</b>	<b>¥772,910</b>	<b>¥749,317</b>	<b>¥699,448</b>	<b>¥694,656</b>

	In millions of yen					
LIABILITIES	2016	2015	2014	2013	2012	2011
<b>Current liabilities:</b>						
Accounts payable.....	¥ 3,641	¥ 3,172	¥ 3,429	¥ 3,044	¥ 2,400	¥ 1,672
Bank loans.....	36,923	29,416	36,703	26,598	27,659	29,386
Lease obligations.....	198	185	176	121	80	71
Payables—other.....	15,698	15,675	14,546	15,042	13,756	10,824
Payables—construction.....	3,980	4,480	4,218	4,333	4,343	3,719
Accrued income taxes.....	9,479	10,826	12,366	19,510	3,938	12,450
Accrued consumption taxes.....	2,718	7,088	1,478	2,538	2,062	1,422
Accrued expenses.....	737	800	802	726	716	722
Deposits received for armored car services.....	13,975	15,124	16,175	22,554	20,453	18,892
Deferred revenue.....	20,923	21,269	21,301	21,671	22,340	22,229
Accrued bonuses.....	6,246	6,296	6,246	6,089	6,116	5,468
Other.....	4,177	4,311	3,530	1,942	2,253	3,577
Total current liabilities.....	118,699	118,647	120,976	124,174	106,121	110,439
<b>Long-term liabilities:</b>						
Lease obligations.....	2,601	2,661	2,747	2,449	2,217	2,253
Guarantee deposits received.....	17,038	17,286	17,622	17,859	18,099	18,262
Deferred income taxes.....	6,213	3,400	307	788	—	—
Accrued pension and severance costs.....	2,835	3,241	3,555	4,051	3,945	4,040
Accrued retirement benefits for directors and audit and supervisory board members.....	—	—	—	857	1,294	1,232
Other.....	378	408	459	25	10	11
Total long-term liabilities.....	29,068	26,998	24,692	26,031	25,568	25,799
Total liabilities.....	147,768	145,646	145,668	150,205	131,689	136,238
<b>NET ASSETS</b>						
<b>Shareholders' equity:</b>						
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	0	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.....	586,082	556,013	536,978	508,398	478,914	472,070
Total retained earnings.....	598,122	568,053	549,018	520,439	490,954	484,110
Common stock in treasury, at cost.....	(73,717)	(73,701)	(73,682)	(73,664)	(73,659)	(74,923)
Total shareholders' equity.....	673,836	643,784	624,768	596,206	566,727	558,619
<b>Valuation, translation adjustments and others:</b>						
Unrealized gains (losses) on securities.....	4,518	6,347	2,473	2,905	1,031	(201)
Total valuation, translation adjustments and others.....	4,518	6,347	2,473	2,905	1,031	(201)
Total net assets.....	678,355	650,132	627,242	599,112	567,758	558,417
Total liabilities and net assets.....	¥826,124	¥795,778	¥772,910	¥749,317	¥699,448	¥694,656

## Condensed Nonconsolidated Statements of Income (Based on Japanese GAAP)

SECOM CO., LTD.

Years ended March 31

	In millions of yen					
	2016	2015	2014	2013	2012	2011
Revenue .....	<b>¥376,044</b>	¥370,663	¥364,280	¥355,393	¥345,476	¥329,297
<i>Percentage change from prior year</i> .....	<b>1.5%</b>	1.8%	2.5%	2.9%	4.9%	0.2%
Service charges.....	<b>317,764</b>	314,068	309,499	305,300	299,523	290,252
<i>Percentage change from prior year</i> .....	<b>1.2</b>	1.5	1.4	1.9	3.2	(0.4)
Sales of merchandise.....	<b>58,280</b>	56,594	54,781	50,092	45,952	39,045
<i>Percentage change from prior year</i> .....	<b>3.0</b>	3.3	9.4	9.0	17.7	4.3
Costs .....	<b>223,189</b>	221,441	215,849	210,790	203,386	191,284
<i>As a percentage of revenue</i> .....	<b>59.4</b>	59.7	59.3	59.3	58.9	58.1
Costs of service .....	<b>181,597</b>	180,850	177,339	174,331	169,928	160,203
<i>As a percentage of service charges</i> .....	<b>57.1</b>	57.6	57.3	57.1	56.7	55.2
Costs of sales .....	<b>41,591</b>	40,590	38,509	36,458	33,458	31,081
<i>As a percentage of merchandise sales</i> .....	<b>71.4</b>	71.7	70.3	72.8	72.8	79.6
Gross profit.....	<b>152,855</b>	149,221	148,431	144,603	142,089	138,013
<i>As a percentage of revenue</i> .....	<b>40.6</b>	40.3	40.7	40.7	41.1	41.9
Gross profit on service.....	<b>136,166</b>	133,217	132,159	130,969	129,595	130,048
<i>As a percentage of service charges</i> .....	<b>42.9</b>	42.4	42.7	42.9	43.3	44.8
Gross profit on sales.....	<b>16,688</b>	16,003	16,272	13,634	12,494	7,964
<i>As a percentage of merchandise sales</i> .....	<b>28.6</b>	28.3	29.7	27.2	27.2	20.4
Selling, general and administrative expenses .....	<b>77,191</b>	76,046	75,521	74,651	71,893	69,324
<i>As a percentage of revenue</i> .....	<b>20.5</b>	20.5	20.7	21.0	20.8	21.0
Operating profit.....	<b>75,664</b>	73,174	72,909	69,952	70,196	68,688
<i>As a percentage of revenue</i> .....	<b>20.1</b>	19.8	20.0	19.7	20.3	20.9
Non-operating income .....	<b>13,639</b>	11,714	10,269	10,173	8,048	8,863
Non-operating expenses .....	<b>2,691</b>	3,316	4,295	3,789	3,032	3,050
Ordinary profit .....	<b>86,612</b>	81,572	78,884	76,336	75,212	74,501
<i>As a percentage of revenue</i> .....	<b>23.0</b>	22.0	21.7	21.5	21.8	22.6
Extraordinary profit .....	<b>3,064</b>	1,670	491	1,219	23,001	106
Extraordinary losses.....	<b>6,733</b>	2,805	1,604	1,052	40,695	2,637
Income before income taxes .....	<b>82,943</b>	80,437	77,771	76,502	57,518	71,970
<i>As a percentage of revenue</i> .....	<b>22.1</b>	21.7	21.3	21.5	16.6	21.9
Income taxes.....	<b>24,500</b>	22,945	26,273	27,374	30,699	26,946
<i>Effective tax rate</i> .....	<b>29.5</b>	28.5	33.8	35.8	53.4	37.4
Net income .....	<b>58,442</b>	57,492	51,497	49,128	26,818	45,023
<i>As a percentage of revenue</i> .....	<b>15.5</b>	15.5	14.1	13.8	7.8	13.7
<i>Percentage change from prior year</i> .....	<b>1.7</b>	11.6	4.8	83.2	(40.4)	(1.7)

# Corporate Information

(As of June 30, 2016)

<b>Headquarters:</b>	5-1, Jingumae 1-chome, Shibuya-ku, Tokyo 150-0001, Japan
<b>Independent auditors:</b>	KPMG AZSA LLC
<b>Administrator of the register of shareholders:</b>	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, 2016)
<b>Domestic</b>				
<b>&lt;Security services&gt;</b>				
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	
Kumalift Co., Ltd.	100	100.0	Manufacture, sales and maintenance of freight elevators	
Kumagai Industries Co., Ltd.	25	(55.1)	Sales of freight elevators	
Okinawa Kumalift Co., Ltd.	10	(70.0)	Sales of freight elevators	
Asahi Security Co., Ltd.	516	100.0	Security services	

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

(Continued)

## MAJOR CONSOLIDATED SUBSIDIARIES

	Issued capital (In millions of yen)	Percentage of equity/ voting rights	Lines of business	(As of June 30, 2016)
<b>&lt;Fire protection services&gt;</b>				
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	
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	
<b>&lt;Medical services&gt;</b>				
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	
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	

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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, 2016)
<b>&lt;Insurance services&gt;</b>				
Secom Insurance Service Co., Ltd.	¥ 225	(100.0)%	Non-life insurance agency	
Secom General Insurance Co., Ltd.	16,809	97.1	Non-life insurance	
<b>&lt;Geographic information services&gt;</b>				
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.	2	(100.0)	Geographic information services	
Satellite Image Marketing Corp.	60	(100.0)	Geographic information services	
<b>&lt;Information and communication related services&gt;</b>				
Secom Trust Systems Co., Ltd.	1,469	100.0	Information, communication, information security services and software development	
At Tokyo Corp.	13,379	50.9	Data center business	
<b>&lt;Real estate and other services&gt;</b>				
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	

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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, 2016)
<b>Overseas</b>				
<b>&lt;Security services&gt;</b>				
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.	Rmb50,000 thousand	(85.0)	Security services	
Beijing Jingdun Secom Electronic Security Co., Ltd.	US\$2,500 thousand	(80.0)	Security services	
Qingdao Secom Security Co., Ltd.	US\$1,000 thousand	(80.0)	Security services	
Guangdong Jinpeng 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	
Secom jindun (Tianjin) Security Co., Ltd.	Rmb5,000 thousand	(69.4)	Security services	
Jiangsu Secom Security Co., Ltd.	Rmb15,000 thousand	(100.0)	Security services	
PT. Secom Indonesia	US\$4,111 thousand	49.0	Security services	
Thai Secom Security Co., Ltd.	THB378,934 thousand	49.0	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 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	
Secom (Singapore) Pte. Ltd.	S\$5,000 thousand	46.6	Security services	
D'Garde Security Pte. Ltd.	S\$100 thousand	(100.0)	Security services	
Secom Data Protection Pte. Ltd.	S\$300 thousand	(100.0)	Data storage services	
<b>&lt;Other services&gt;</b>				
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	
Secom Medical System (Singapore) Pte. Ltd.	S\$35,991 thousand	(100.0)	Holding company	
Takshasila Hospitals Operating Pvt. Ltd.	INR3,280 million	(47.0)	Hospital management	
Takshasila Healthcare and Research Service Pvt. Ltd.	INR0.2 million	(49.0)	Management of hospital real estate	
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	(100.0)	Geographic information services	
Pasco Geo-Spatial Vietnam Co., Ltd.	VND8,908 million	(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

#### On-Line Security Systems

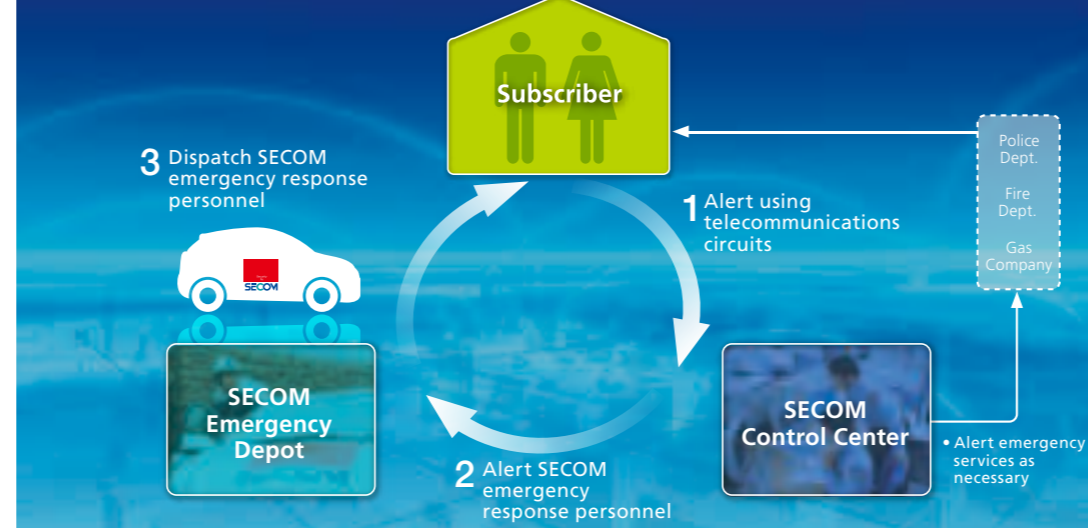
##### Commercial Use:

- **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.
- **SECOM DRONE**  
Working in tandem with an on-line security system, this small autonomous flying surveillance robot flies toward unauthorized individuals or vehicles, choosing the optimal angles from which to capture images, which are then sent to a control center.

### Fire Protection Services

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

## On-Line Security Systems



#### 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 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 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 anti-theft 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

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

### 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



**Yasuo Nakayama**  
President and Representative Director



**Junzo Nakayama**  
Executive Director



**Yasuyuki Yoshida**  
Executive Director



**Tatsuya Izumida**  
Director



**Ichiro Ozeki**  
Director



**Tatsushi Kurihara**  
Director



**Takaharu Hirose**  
Outside Director



**Hirobumi Kawano**  
Outside Director



**Hajime Watanabe**  
Outside Director

## Audit and Supervisory Board Members

Takayuki Ito  
Ryohei Komatsu  
Hideki Kato\*  
Kenichi Sekiya\*  
Makoto Yasuda\*                      \*Outside

## Executive Officers

<b>Yasuo Nakayama</b> President and Representative Director	<b>Yoichi Sugimoto</b> Executive Officer
<b>Junzo Nakayama</b> Executive Director	<b>Sumiyuki Fukumitsu</b> Executive Officer
<b>Yasuyuki Yoshida</b> Executive Director	<b>Kensuke Shindo</b> Executive Officer
<b>Kenichi Furukawa</b> Managing Executive Officer	<b>Yasufumi Kuwahara</b> Executive Officer
<b>Tatsuro Fuse</b> Managing Executive Officer	<b>Noriyuki Fukuoka</b> Executive Officer
<b>Masahiro Takeda</b> Managing Executive Officer	<b>Takeshi Akagi</b> Executive Officer
<b>Teruhisa Yoshimura</b> Managing Executive Officer	<b>Sadahiro Sato</b> Executive Officer
<b>Hideo Morishita</b> Managing Executive Officer	<b>Osamu Ueda</b> Executive Officer
<b>Tsuneo Komatsuzaki</b> Managing Executive Officer	<b>Yoshinori Yamanaka</b> Executive Officer
<b>Toshiaki Mizuno</b> Managing Executive Officer	<b>Seiya Nagao</b> Executive Officer
<b>Shokichi Ishimura</b> Managing Executive Officer	<b>Noriyuki Uematsu</b> Executive Officer
<b>Tatsuya Izumida</b> Director	<b>Osamu Nagai</b> Executive Officer
<b>Ichiro Ozeki</b> Director	<b>Atsushi Komatsu</b> Executive Officer
<b>Tatsushi Kurihara</b> Director	

(As of July 31, 2016)



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