

**QUARTERLY FINANCIAL REPORT  
FOR THE NINE-MONTH PERIOD ENDED DECEMBER 31, 2015**

(Based on JAPANESE GAAP) ( Consolidated )

February 10, 2016

Company name: SECOM CO., LTD. (URL: <http://www.secom.co.jp/>)  
 Code number: 9735 Tokyo Stock Exchange ----- First Section  
 Representative: Hiroshi Ito, President and Representative Director  
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 Scheduled date of filing Quarterly Securities Report: February 12, 2016  
 Scheduled date of dividend payout: -  
 Preparation of quarterly supplementary materials: None  
 Holding of quarterly results information meeting: None

**1. Consolidated financial results for the nine-month period ended December 31, 2015 (April 1, 2015–December 31, 2015)**

(1) Consolidated operating results (In millions of yen, figures rounded down)

	Nine-month Period Ended December 31	
	2014	2015
Revenue	599,655 0.8%	622,722 3.8%
Operating profit	88,813 4.7%	91,854 3.4%
Ordinary profit	101,212 10.0%	97,867 (3.3%)
Net income attributable to owners of the parent	59,691 13.2%	61,822 3.6%
Basic net income per share (in yen)	273.48	283.25
Diluted net income per share (in yen)	-	-

Note 1: Comprehensive income:

Nine-month period ended December 31, 2015: JPY 61,820 million [(23.4%)]

Nine-month period ended December 31, 2014: JPY 80,661 million [12.1%]

Note 2: There is no diluted net income per share as there are no shares with dilutive effect.

Note 3: Percentage figures represent changes from the results of the corresponding period of the previous year.

(2) Consolidated financial position (In millions of yen, figures rounded down)

	March 31, 2015	December 31, 2015
Total assets	1,410,715	1,590,444
Net assets	907,341	939,280
Equity ratio	56.7%	52.1%
Net assets per share (in yen)	3,667.33	3,799.59

Note 1: Equity as of:

December 31, 2015 : JPY 829,306 million

March 31, 2015 : JPY 800,445 million

Note 2: Equity is calculated by deducting noncontrolling interests in subsidiaries from net assets. Net assets per share is calculated by dividing equity by the number of common shares outstanding, excluding treasury stock, as of each period-end.

## 2. Dividends

	Years ended March 31		
	2015	2016	2016 (projected)
1 <sup>st</sup> quarter dividends per share (in yen)	–	–	
2 <sup>nd</sup> quarter dividends per share (in yen)	60.00	65.00	
3 <sup>rd</sup> quarter dividends per share (in yen)	–	-	
Year-end dividends per share (in yen)	65.00		70.00
Annual dividends per share (in yen)	125.00		135.00

Note: Revision of projected dividends from that most recently disclosed: None

## 3. Projections for the consolidated financial results for the fiscal year ending March 31, 2016 (April 1, 2015 – March 31, 2016)

(In millions of yen)

	Year ending March 31, 2016
Projected revenue	866,000 3.0%
Projected operating profit	126,100 2.0%
Projected ordinary profit	131,100 (4.1%)
Projected net income attributable to owners of the parent	80,200 6.4%
Projected basic net income per share (in yen)	367.45

Note 1: Revision of projections for the consolidated financial results from those most recently disclosed: None

Note 2: Projected basic net income per share for the fiscal year ending March 31, 2016 is calculated based on the number of average common shares outstanding over the nine-month period ended December 31, 2015, assuming that it remains the same until March 31, 2016.

Note 3: Percentage figures represent changes from the results of the corresponding period of the previous year.

### Note

1. Significant changes in subsidiaries during the nine-month period ended December 31, 2015 (changes in specified subsidiaries accompanied with changes in scope of consolidation): None
2. Adoption of unique accounting treatment for preparation of consolidated quarterly financial statements: None
3. Changes in accounting policies, accounting estimates and/or restatements:
  - Changes in accounting policies associated with amendment of accounting standards: None
  - Other changes in accounting policies: None
  - Changes in accounting estimates: None

Restatements: None

4. Number of common shares outstanding :

Number of common shares outstanding, including treasury stock, as of:

December 31, 2015 : 233,288,717 shares

March 31, 2015 : 233,288,717 shares

Number of shares of treasury stock, as of:

December 31, 2015 : 15,026,648 shares

March 31, 2015 : 15,024,812 shares

Number of average common shares outstanding over:

The nine-month period ended December 31, 2015: 218,262,999 shares

The nine-month period ended December 31, 2014: 218,265,747 shares

**Note on status of quarterly review procedures**

This report is excluded from the scope of quarterly review procedures pursuant to the Financial Instruments and Exchange Act. Review procedures for quarterly financial statements have not been completed at the time of disclosure of this report.

**Note on appropriate use of projections for the financial results; other special items**

The forward-looking statements including the future performance described in this document are provided based on both all information available at this moment and certain assumptions considered reasonable. Actual performance may differ materially from the forward-looking statements due to various factors hereafter occurred. For matters regarding assumptions on financial projections and notes for the use of financial projections, please refer to “1. Qualitative Information Regarding the Nine-month Period Ended December 31, 2015 (3) Qualitative Information Regarding Consolidated Financial Projections” on page 4 in the appendices.

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## **1. Qualitative Information Regarding the Nine-month Period Ended December 31, 2015**

### **(1) Qualitative Information Regarding Consolidated Financial Results**

During the nine-month period ended December 31, 2015, despite the upward trend in corporate earnings and employment environment, the outlook for Japanese economy has been remained uncertain mainly due to slow recovery in consumer spending and concerns over downturn in emerging economies including China while ongoing normalization of monetary policy in the US.

In this environment, we have been continuously trying to satisfy the increasingly diversified and sophisticated needs of our customers for their safety and peace of mind as well as comfort and convenient, with the aim of realizing our vision for the future, “Social System Industry,” a society where everyone can live safe and secure anytime and anywhere. To this end, we have made efforts to develop and provide high-quality products and services suited to customer needs in our security services segment, as well as in our fire protection services, medical services, insurance services, geographic information services, information and communication related services, and real estate and other services segments. We also pressed forward with efforts to apply the ALL SECOM concept, which emphasizes cooperation among our various independent businesses to strengthen the bond of the Group as a whole with a view to hastening our advance to growth. Furthermore, preparing for future Japanese society, we promote the effort to develop innovative services through ALL SECOM concept, in terms of key themes: super-aged society and disaster preparedness/business continuity planning (BCP)/environmental preservation, based on a foundation of our security services.

Consolidated revenue for the nine-month period ended December 31, 2015 increased by 3.8% to 622.7 billion yen. Consolidated operating profit increased by 3.4% to 91.8 billion yen. Consolidated ordinary profit decreased by 3.3% or 3.3 billion yen to 97.8 billion yen, mainly due to the decrease in net gains on private equity investment in the U.S. from the previous period (15/12: 0.2 billion yen, 14/12: 8.5 billion yen). Consolidated net income attributable to owners of the parent increased by 3.6% or 2.1 billion yen to 61.8 billion yen. For the nine-month period ended December 31, 2015, consolidated revenue, consolidated operating profit and consolidated net income attributable to owners of the parent have reached a record-high, respectively.

Segment information is as follows.

In the security services segment, revenue increased by 2.7% to 355.9 billion yen and operating profit went up by 3.0% to 84.0 billion yen, mainly due to brisk sales of on-line security systems for commercial and residential use and security merchandise including security camera systems.

In the fire protection services segment, revenue increased by 12.8% to 86.3 billion yen, mainly due to the active marketing efforts and the contribution of large-scale projects. Operating profit was up by 26.0% to 6.9 billion yen. Revenue tends to increase toward the end of the fiscal year, due to the fact that this segment is greatly affected by the construction industry.

In the medical services segment, revenue increased by 4.9% to 47.4 billion yen, mainly due to firm increase in sales of pharmaceutical products. Operating profit increased by 8.7% to 4.1 billion yen.

In the insurance services segment, revenue increased by 7.3% to 29.4 billion yen, mainly due to the firm increase in sales of fire insurance policy and MEDCOM, an unrestricted cancer treatment policy, provided by Secom General Insurance Co., Ltd. Operating profit decreased by 17.7% to 1.9 billion yen, mainly owing to the increase in losses incurred from damage of typhoons.

In the geographic information services segment, revenue increased by 2.7% to 36.5 billion yen, chiefly owing to the increase in revenue in international division. Operating loss amounted to 250 million yen, decreased from an operating loss of 270 million yen in the previous corresponding period, mainly due to the increase in cost ratio in public division. Revenue tends to concentrate toward the end of the fiscal year, due to the fact that deliveries of public-sector contracts, which is the primary market for this segment, are mainly made at the end of March.

In the information and communication related services segment, revenue decreased by 0.4% to 35.4 billion yen. Operating profit increased by 6.2% to 3.8 billion yen, chiefly owing to the decrease in selling, general and administrative expenses.

In the real estate and other services segment, revenue decreased by 3.1% to 31.4 billion yen. Operating profit went down by 10.2% to 2.8 billion yen, mainly due to the decrease in revenue in the real estate development and sales business and increase in cost ratio.

## **(2) Qualitative Information Regarding Consolidated Financial Position**

### **(i) Consolidated Balance Sheets**

Total assets as of December 31, 2015 amounted to 1,590.4 billion yen, 12.7% or 179.7 billion yen higher than that at the end of the previous fiscal year, chiefly owing to Asahi Security Co., Ltd., newly consolidated subsidiary. Total current assets, at 695.4 billion yen, were up 15.9% or 95.2 billion yen. This was largely attributable to increases in cash deposits for armored car services by 223.2% or 112.4 billion yen to 162.8 billion yen, call loans by 58.1% or 9.0 billion yen to 24.5 billion yen and work in process for real estate inventories by 31.4% or 6.6 billion yen to 27.6 billion yen, despite the decreases in cash on hand and in banks by 12.8% or 29.7 billion yen to 202.4 billion yen and notes and accounts receivable, trade by 11.0% or 12.4 billion yen to 101.5 billion yen. Total fixed assets, at 895.0 billion yen, were up 10.4% or 84.4 billion yen. This was mainly attributable to increases in tangible assets by 4.9% or 17.6 billion yen to 379.8 billion yen and intangible assets by 136.3% or 67.3 billion yen to 116.7 billion yen.

Total liabilities amounted to 651.1 billion yen, 29.4% or 147.7 billion yen higher than that at the end of the previous fiscal year. Total current liabilities amounted to 378.3 billion yen, up 52.7% or 130.6 billion yen, owing to the increases in cash deposits received for armored car services by 650.7% or 110.2 billion yen to 127.2 billion yen and bank loans by 97.8% or 43.9 billion yen to 88.9 billion yen, despite the decreases in accrued income taxes by 58.7% or 12.3 billion yen to 8.7 billion yen and accrued bonus by 61.2% or 8.9 billion yen to 5.6 billion yen. Long-term liabilities increased by 6.7% or 17.1 billion yen to 272.7 billion yen, compared to that at the end of the previous fiscal year. This was mainly attributable to the increases in lease obligations by 227.2% or 8.4 billion yen to 12.1 billion yen and investment deposits by policyholders, unearned premiums and other insurance liabilities by 4.6% or 6.8 billion yen to 157.0 billion yen.

Total net assets amounted to 939.2 billion yen, 3.5% or 31.9 billion yen higher than that at the end of the

previous fiscal year, mainly due to the increase in retained earnings by 4.8% or 33.4 billion yen.

### **(3) Qualitative Information Regarding Consolidated Financial Projections**

The financial results for the nine-month period ended December 31, 2015 were generally within our projections. Accordingly, projections for the consolidated financial results for the fiscal year ending March 31, 2016 have not been changed from those disclosed on May 11, 2015.

As disclosed in “Notification concerning the Acquisition of Asahi Security Co., Ltd. Shares” on October 30, 2015, Asahi Security Co., Ltd. became our consolidated subsidiary on December 1, 2015. Detailed effects of this acquisition on projections for the consolidated financial results are under scrutiny. Once the revision of the projections for the consolidated financial results for the fiscal year ending March, 2016 becomes necessary, it will be disclosed in a timely manner.

(Notes for financial projections)

Projections for the consolidated financial results for the fiscal year ending March 31, 2016, are based on management’s assumptions in light of information currently available. As actual performance may differ materially from the forward-looking statements due to various factors hereafter occurred, you should refrain from making an investment decision by solely relying on these projections. Such factors include, but are not limited to, changes in economic conditions affecting our group’s operations, market trends, legislative changes, occurrences of natural disasters, recalls of products sold and the results of contingency.

## **2. Items Regarding the Summary Information (Other)**

### **(1) Significant Changes in Subsidiaries in the Nine-month Period Ended December 31, 2015**

Not applicable.

### **(2) Adoption of Unique Accounting Treatment for Preparation of Consolidated Quarterly Financial Statements**

Not applicable.

### **(3) Changes in Accounting Policies, Accounting Estimates and/or Restatements**

Not applicable.

### **(4) Additional Information**

The Company adopted the provision in the section 39 of the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013), and changed the presentation of net income, etc. as well as the presentation of minority interests to noncontrolling interests. To reflect these changes in the presentations, the quarterly consolidated financial statements for the nine-month period ended December 31 of the previous fiscal year and the consolidated financial statements for the previous fiscal year have been reclassified.

### 3. Consolidated Quarterly Financial Statements

#### (1) Consolidated Balance Sheets

(In millions of yen)

	March 31, 2015	December 31, 2015
<b>ASSETS:</b>		
<b>Current assets:</b>	<b>600,146</b>	<b>695,425</b>
Cash on hand and in banks	232,221	202,476
Cash deposits for armored car services	50,395	162,872
Call loans	15,500	24,500
Notes and accounts receivable, trade	114,071	101,573
Due from subscribers	26,316	32,313
Short-term investments	28,517	31,384
Lease receivables and investment in leased assets	39,242	38,069
Merchandise and products	14,163	14,046
Real estate inventories	3,063	890
Work in process	4,031	7,315
Costs on uncompleted construction contracts	9,460	13,038
Work in process for real estate inventories	21,058	27,665
Raw materials and supplies	7,913	8,718
Deferred income taxes	12,808	8,893
Short-term loans receivable	2,268	3,530
Other	21,111	19,904
Allowance for doubtful accounts	(1,997)	(1,768)
<b>Fixed assets:</b>	<b>810,541</b>	<b>895,001</b>
<b>Tangible assets:</b>	<b>362,161</b>	<b>379,808</b>
Buildings and improvements	148,375	150,979
Security equipment and control stations	70,478	73,424
Land	119,604	120,006
Other	23,702	35,397
<b>Intangible assets</b>	<b>49,411</b>	<b>116,737</b>
<b>Investments and others:</b>	<b>398,969</b>	<b>398,455</b>
Investment securities	284,322	276,756
Long-term loans receivable	42,904	38,269
Net defined benefit asset	35,010	36,779
Deferred income taxes	4,874	5,983
Other	49,382	55,906
Allowance for doubtful accounts	(17,525)	(15,242)
<b>Deferred assets</b>	<b>26</b>	<b>17</b>
<b>Total assets</b>	<b>1,410,715</b>	<b>1,590,444</b>



**(1) Consolidated Balance Sheets (Continued)**

(In millions of yen)

	March 31, 2015	December 31, 2015
<b>LIABILITIES:</b>		
<b>Current liabilities:</b>	<b>247,755</b>	<b>378,365</b>
Notes and accounts payable, trade	43,160	38,760
Bank loans	44,965	88,948
Current portion of straight bonds	1,414	1,390
Lease obligations	503	4,740
Payables - other	33,849	35,939
Accrued income taxes	21,063	8,702
Accrued consumption taxes	12,878	6,857
Accrued expenses	4,653	5,150
Cash deposits received for armored car services	16,945	127,204
Deferred revenue	31,348	33,027
Accrued bonuses	14,652	5,686
Provision for loss on construction contracts	1,612	1,351
Other	20,707	20,607
<b>Long-term liabilities:</b>	<b>255,618</b>	<b>272,799</b>
Straight bonds	8,413	7,590
Long-term loans	20,602	19,883
Lease obligations	3,712	12,144
Guarantee deposits received	36,000	35,382
Deferred income taxes	13,554	15,470
Accrued retirement benefits for directors and audit and supervisory board members	1,415	1,322
Net defined benefit liability	18,504	20,107
Investment deposits by policyholders, unearned premiums and other insurance liabilities	150,119	157,005
Other	3,295	3,891
<b>Total liabilities</b>	<b>503,374</b>	<b>651,164</b>
<b>NET ASSETS:</b>		
<b>Shareholders' equity:</b>	<b>767,630</b>	<b>801,141</b>
Common stock	66,377	66,377
Capital surplus	80,265	80,343
Retained earnings	694,688	728,136
Common stock in treasury, at cost	(73,701)	(73,716)
<b>Accumulated other comprehensive income:</b>	<b>32,815</b>	<b>28,164</b>
Unrealized gains on securities	26,981	26,349
Deferred losses on hedges	(34)	(34)
Foreign currency translation adjustments	1,477	(2,989)
Remeasurements of defined benefit plans, net of taxes	4,390	4,838
<b>Noncontrolling Interests</b>	<b>106,895</b>	<b>109,973</b>
<b>Total net assets</b>	<b>907,341</b>	<b>939,280</b>
<b>Total liabilities and net assets</b>	<b>1,410,715</b>	<b>1,590,444</b>

## (2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

### Consolidated Statements of Income

(In millions of yen)

	Nine-month period ended December 31, 2014	Nine-month period ended December 31, 2015
<b>Revenue</b>	<b>599,655</b>	<b>622,722</b>
Costs of revenue	393,824	410,966
<b>Gross profit</b>	<b>205,831</b>	<b>211,755</b>
Selling, general and administrative expenses	117,017	119,900
<b>Operating profit</b>	<b>88,813</b>	<b>91,854</b>
Non-operating income	15,093	9,066
Non-operating expenses	2,694	3,053
<b>Ordinary profit</b>	<b>101,212</b>	<b>97,867</b>
Extraordinary profit	1,890	978
Extraordinary losses	2,385	976
<b>Income before income taxes</b>	<b>100,717</b>	<b>97,869</b>
Income taxes - current	28,036	25,387
Income taxes - deferred	6,706	5,695
Total income taxes	34,743	31,083
<b>Net income</b>	<b>65,974</b>	<b>66,786</b>
<b>Net income attributable to noncontrolling interests</b>	<b>6,282</b>	<b>4,964</b>
<b>Net income attributable to owners of the parent</b>	<b>59,691</b>	<b>61,822</b>

## Consolidated Statements of Comprehensive Income

(In millions of yen)

	Nine-month period ended December 31, 2014	Nine-month period ended December 31, 2015
<b>Net income</b>	<b>65,974</b>	<b>66,786</b>
<b>Other comprehensive income (losses):</b>	<b>14,687</b>	<b>(4,966)</b>
Unrealized gains (losses) on securities	9,917	(347)
Foreign currency translation adjustments	2,569	(1,576)
Remeasurements of defined benefit plans, net of taxes	672	242
Share of other comprehensive income (losses) of affiliated companies accounted for under the equity method	1,528	(3,284)
<b>Comprehensive income</b>	<b>80,661</b>	<b>61,820</b>
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent company	73,737	57,171
Comprehensive income attributable to noncontrolling interests	6,923	4,648

### (3) Notes Regarding the Consolidated Quarterly Financial Statement

#### [Notes Regarding the Assumption of Going Concern]

Not applicable.

#### [Notes Regarding Significant Changes in Shareholders' Equity]

Not applicable.

### (4) Segment Information, etc.

#### [Segment Information]

#### I. Nine-month Period Ended December 31, 2014

##### 1. Information About Amounts of Revenue and Profit or Loss by Reportable Segments

(In millions of yen)

	Reportable segments				
	Security services	Fire protection services	Medical services	Insurance services	Geographic information services
Revenue:					
Customers	346,721	76,605	45,200	27,460	35,603
Intersegment	9,923	3,634	109	2,478	108
Subtotal	356,645	80,240	45,310	29,938	35,711
Segment profit (loss)	81,549	5,481	3,826	2,371	(279)

	Reportable segments		Real estate and other services (Note 1)	Total	Adjustment (Note 2)	Amount on consolidated statements of income (Note 3)
	Information and communication related services	Subtotal				
Revenue:						
Customers	35,615	567,206	32,449	599,655	-	599,655
Intersegment	3,667	19,922	1,682	21,605	(21,605)	-
Subtotal	39,282	587,129	34,132	621,261	(21,605)	599,655
Segment profit (loss)	3,622	96,571	3,182	99,753	(10,939)	88,813

Note 1: Real estate and other services is an operating segment not designated as a reportable segment, and comprises real estate development and sales, real estate leasing, construction and installation services, hotel businesses, etc.

Note 2: Adjustment of segment profit/loss includes intersegment eliminations of 454 million yen and corporate expenses not allocated to each reportable segment of 10,485 million yen. Major components of corporate expenses are expenses regarding planning, personnel and administrative departments of the Company's headquarter, etc.

Note 3: Segment profit/loss is adjusted to operating profit in the consolidated statements of income.

## 2. Information About Impairment Loss on Fixed Assets and Goodwill by Reportable Segments

(Significant Changes in Goodwill)

Goodwill decreased due to the application of the Accounting Standard for Business Combinations (ASBJ Statement No.21, September 13, 2013), Accounting Standard for Consolidated Financial Statements (ASBJ Statement No.22, September 13, 2013), and Accounting Standard for Business Divestitures (ASBJ Statement No.7, September 13, 2013) from the three-month period ended June 30, 2014.

The amount of goodwill decreased by 3,675 million yen in the security services segment, 10 million yen in the fire protection services segment, 219 million yen in the insurance services segment, 1 million yen in the geographic information services segment, and 192 million yen in the information and communication related services segment for the nine-month period ended December 31, 2014.

## II. Nine-month Period Ended December 31, 2015

### 1. Information About Amounts of Revenue and Profit or Loss by Reportable Segments

(In millions of yen)

	Reportable segments				
	Security services	Fire protection services	Medical services	Insurance services	Geographic information services
Revenue:					
Customers	355,999	86,389	47,401	29,464	36,556
Intersegment	9,121	3,034	133	2,239	71
Subtotal	365,121	89,423	47,535	31,703	36,627
Segment profit (loss)	84,018	6,904	4,160	1,952	(256)

	Reportable segments		Real estate and other services (Note 1)	Total	Adjustment (Note 2)	Amount on consolidated statements of income (Note 3)
	Information and communication related services	Subtotal				
Revenue:						
Customers	35,455	591,266	31,455	622,722	-	622,722
Intersegment	5,450	20,050	1,481	21,531	(21,531)	-
Subtotal	40,906	611,317	32,936	644,254	(21,531)	622,722
Segment profit (loss)	3,847	100,626	2,856	103,483	(11,628)	91,854

Note 1: Real estate and other services is an operating segment not designated as a reportable segment, and comprises real estate development and sales, real estate leasing, construction and installation services, etc.

Note 2: Adjustment of segment profit/loss includes intersegment eliminations of (139) million yen and corporate expenses not allocated to each reportable segment of 11,767 million yen. Major components of corporate expenses are expenses regarding planning, personnel and administrative departments of the Company's headquarter, etc.

Note 3: Segment profit/loss is adjusted to operating profit in the consolidated statements of income.

## **2. Information About Assets by Reportable Segments**

There were significant changes in the amount of assets by reportable segment in the nine-month period ended December 31, 2015, compared to the amount at the end of the previous fiscal year. The summary information is as follows:

In the security services segment, the amount of segment assets increased by 227,399 million yen, mainly arising from the acquisition of Asahi Security Co., Ltd. in the nine-month period ended December 31, 2015.

## **3. Information About Impairment Loss on Fixed Assets and Goodwill by Reportable Segments**

(Significant Changes in Goodwill)

In the security services segment, goodwill increased due to the acquisition of Asahi Security Co., Ltd. in the nine-month period ended December 31, 2015. The amount of goodwill increased by 66,463 million yen in the nine-month period ended December 31, 2015, which was a provisional amount as the purchase price allocation has not been completed.

## **(5) Significant Subsequent Events**

Not applicable.