AUDITED FINANCIAL STATEMENTS

CONTENTS

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

SECOM CO., LTD. and Subsidiaries
March 31, 2013 and 2012

	In millions of yen		Translation into thousands of U.S. dollars (Note 3)
	March 31		March 31
ASSETS	**2013**	2012	**2013**
Current assets:			
Cash and Cash equivalents (Notes 5 and 22)	**¥ 222,696**	¥ 213,040	**$ 2,369,106**
Time deposits (Note 13)	**8,021**	7,731	**85,330**
Cash deposits (Note 6)	**56,090**	54,011	**596,702**
Short-term investments (Notes 7 and 22)	**12,079**	17,294	**128,500**
Notes and accounts receivable, trade	**119,914**	99,738	**1,275,681**
Due from subscribers	**34,856**	34,416	**370,809**
Inventories (Note 8)	**58,021**	67,094	**617,245**
Short-term receivables (Notes 9, 13, 20 and 21)	**21,466**	14,655	**228,362**
Allowance for doubtful accounts (Note 9)	**(2,176)**	(1,335)	**(23,149)**
Deferred insurance acquisition costs (Note 14)	**5,650**	5,132	**60,106**
Deferred income taxes (Note 17)	**15,387**	12,853	**163,691**
Other current assets (Notes 21, 22 and 23)	**13,937**	10,971	**148,266**
Total current assets	**565,941**	535,600	**6,020,649**
Investments and long-term receivables:			
Investment securities (Notes 2 (7), 7, 13 and 22)	**155,138**	140,014	**1,650,404**
Investments in affiliated companies (Note 10)	**39,137**	39,739	**416,351**
Long-term receivables (Notes 9, 13, 20 and 21)	**47,321**	41,831	**503,415**
Lease deposits	**13,656**	13,281	**145,277**
Other investments	**8,824**	8,262	**93,872**
Allowance for doubtful accounts (Note 9)	**(6,366)**	(7,449)	**(67,723)**
	257,710	235,678	**2,741,596**
Property, plant and equipment (Notes 11, 13, 19 and 20):			
Land	**114,528**	103,127	**1,218,383**
Buildings and improvements	**285,609**	193,245	**3,038,394**
Security equipment and control stations	**282,533**	273,645	**3,005,670**
Machinery, equipment and automobiles	**99,758**	87,190	**1,061,255**
Construction in progress	**3,688**	5,054	**39,234**
	786,116	662,261	**8,362,936**
Accumulated depreciation	**(400,854)**	(351,413)	**(4,264,404)**
	385,262	310,848	**4,098,532**
Other assets:			
Deferred charges (Note 2 (12))	**41,995**	43,127	**446,755**
Goodwill (Note 12)	**32,736**	14,235	**348,255**
Other intangible assets (Notes 12 and 13)	**38,418**	22,305	**408,702**
Prepaid pension and severance costs (Note 15)	**11,538**	7,846	**122,745**
Deferred income taxes (Note 17)	**6,750**	10,185	**71,809**
	131,437	97,698	**1,398,266**
Total assets	**¥1,340,350**	¥1,179,824	**$14,259,043**

See accompanying notes to consolidated financial statements.

LIABILITIES AND EQUITY	In millions of yen March 31 2013	 2012	Translation into thousands of U.S. dollars (Note 3) March 31 2013
Current liabilities:			
Bank loans (Notes 6 and 13)	¥ 39,032	¥ 40,762	$ 415,234
Current portion of long-term debt (Notes 13, 19 and 21)	17,281	22,053	183,840
Notes and accounts payable, trade	45,009	33,163	478,819
Other payables	32,845	29,121	349,415
Deposits received (Note 6)	30,090	26,877	320,106
Deferred revenue	39,677	40,271	422,096
Accrued income taxes	30,957	15,468	329,330
Accrued payrolls	27,627	26,272	293,904
Other current liabilities (Note 17)	24,998	22,274	265,936
Total current liabilities	287,516	256,261	3,058,680
Long-term debt (Notes 13, 19 and 21)	48,762	37,023	518,745
Guarantee deposits received	34,227	36,337	364,117
Accrued pension and severance costs (Note 15)	29,318	21,421	311,894
Deferred revenue	16,824	17,325	178,979
Unearned premiums and other insurance liabilities (Note 14)	90,442	83,998	962,149
Investment deposits by policyholders (Notes 14 and 21)	29,483	30,755	313,649
Deferred income taxes (Note 17)	14,135	9,115	150,372
Other liabilities (Notes 21, 22, and 23)	10,028	9,956	106,681
Total liabilities	560,735	502,191	5,965,266
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 2013 and 2012	66,378	66,378	706,149
Additional paid-in capital	73,809	74,561	785,202
Legal reserve	10,241	10,175	108,947
Retained earnings	623,599	572,730	6,634,032
Accumulated other comprehensive income (loss):			
Unrealized gains on securities (Note 7)	11,560	4,646	122,979
Unrealized gains on derivative instruments (Note 23)	8	—	85
Pension liability adjustments (Note 15)	(14,044)	(13,522)	(149,404)
Foreign currency translation adjustments	(18,710)	(28,453)	(199,043)
	(21,186)	(37,329)	(225,383)
Common stock in treasury, at cost:			
15,018,951 shares in 2013 and 15,017,691 shares in 2012	(73,665)	(73,660)	(783,670)
Total SECOM CO., LTD. shareholders' equity	679,176	612,855	7,225,277
Noncontrolling interests	100,439	64,778	1,068,500
Total equity	779,615	677,633	8,293,777
Total liabilities and equity	¥1,340,350	¥1,179,824	$14,259,043

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

SECOM CO., LTD. and Subsidiaries
Three years ended March 31, 2013

	In millions of yen			Translation into thousands of U.S. dollars (Note 3)
	Years ended March 31			Year ended March 31
	2013	2012	2011	2013
Net sales and operating revenue (Notes 14 and 22)	¥861,885	¥772,482	¥751,868	$9,168,989
Costs and expenses:				
Cost of sales (Note 8)	583,094	536,268	498,957	6,203,127
Selling, general and administrative expense (Notes 2 (17), 2 (18), 2 (19) and 4)	162,226	146,663	147,667	1,725,808
Loss on settlement of pre-existing relationship (Note 2 (2))	—	—	3,212	—
Impairment loss on long-lived assets (Note 11)	579	8,133	3	6,160
Impairment loss on goodwill (Note 12)	1,052	1,218	—	11,191
Loss on sales and disposal of fixed assets, net	2,166	1,374	1,597	23,043
	749,117	693,656	651,436	7,969,329
Operating income	112,768	78,826	100,432	1,199,660
Other income:				
Interest and dividends	904	952	928	9,617
Gain on sales of securities, net (Notes 7 and 10)	150	29	139	1,596
Gain on private equity investments (Note 22)	5,095	3,491	6,014	54,202
Other (Notes 16 and 23)	3,841	3,055	4,789	40,862
	9,990	7,527	11,870	106,277
Other expenses:				
Interest	1,537	1,597	1,683	16,351
Loss on other-than-temporary impairment of investment securities (Note 22)	48	952	84	511
Other (Notes 16, 23 and 24)	1,576	2,684	2,691	16,766
	3,161	5,233	4,458	33,628
Income before income taxes and equity in net income of affliated companies	119,597	81,120	107,844	1,272,309
Income taxes (Note 17):				
Current	45,311	33,538	38,765	482,032
Deferred	1,538	4,664	4,512	16,362
	46,849	38,202	43,277	498,394
Income before equity in net income of affiliated companies	72,748	42,918	64,567	773,915
Equity in net income of affliated companies	3,895	4,880	5,028	41,436
Net income	76,643	47,798	69,595	815,351
Less: Net income attributable to noncontrolling interests	(6,063)	(6,561)	(6,930)	(64,500)
Net income attributable to SECOM CO., LTD.	¥ 70,580	¥ 41,237	¥ 62,665	$ 750,851

	In yen			Translation into U.S. dollars (Note 3)
	Years ended March 31			Year ended March 31
	2013	2012	2011	2013
Per share data (Note 2 (21)):				
Net income attributable to SECOM CO., LTD.	¥323.36	¥188.97	¥287.41	$3.44
Cash dividends per share	¥ 90.00	¥ 90.00	¥ 85.00	$0.96

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

SECOM CO., LTD. and Subsidiaries
Three years ended March 31, 2013

	In millions of yen			Translation into thousands of U.S. dollars (Note 3)
	Years ended March 31			Year ended March 31
	2013	2012	2011	2013
Comprehensive income:				
Net income	¥76,643	¥47,798	¥69,595	$815,351
Other comprehensive income (loss), net of tax:				
Unrealized gains (losses) on securities	7,384	2,486	(3,533)	78,553
Unrealized gains on derivative instruments	15	8	17	159
Pension liability adjustments	(708)	(1,953)	(1,612)	(7,532)
Foreign currency translation adjustments	10,105	(3,696)	(6,780)	107,500
Total comprehensive income	93,439	44,643	57,687	994,031
Less: Comprehensive income attributable to noncontrolling interests	(7,113)	(5,930)	(5,853)	(75,669)
Comprehensive income attributable to SECOM CO., LTD.	¥86,326	¥38,713	¥51,834	$918,362

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

SECOM CO., LTD. and Subsidiaries
Three years ended March 31, 2013

In millions of yen

	Number of shares issued	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Common stock in treasury, at cost	Total SECOM CO., LTD. shareholders' equity	Noncontrolling interest	Total
Balance, March 31, 2010	233,288,717	¥66,378	¥81,096	¥10,053	¥510,927	(¥23,748)	(¥74,907)	¥569,799	¥ 64,665	¥634,464
Cumulative effect adjustments resulting from adoption of a new accounting standard on variable interest entities, net of tax (Note 2 (2))	—	—	—	—	(3,821)	—	—	(3,821)	—	(3,821)
Comprehensive income:										
Net income	—	—	—	—	62,665	—	—	62,665	6,930	69,595
Other comprehensive income (loss), net of tax (Note 18):										
Unrealized holding losses on securities	—	—	—	—	—	(3,472)	—	(3,472)	(61)	(3,533)
Unrealized gains on derivative instruments	—	—	—	—	—	12	—	12	5	17
Pension liability adjustments	—	—	—	—	—	(972)	—	(972)	(640)	(1,612)
Foreign currency translation adjustments	—	—	—	—	—	(6,399)	—	(6,399)	(381)	(6,780)
Total comprehensive income								51,834	5,853	57,687
Cash dividends paid to SECOM CO., LTD. shareholders	—	—	—	—	(18,533)	—	—	(18,533)	—	(18,533)
Cash dividends paid to noncontrolling interests	—	—	—	—	—	—	—	—	(1,822)	(1,822)
Transfer to legal reserve	—	—	—	51	(51)	—	—	—	—	—
Equity transactions with noncontrolling interests and other (Note 18)	—	—	(5,541)	—	—	(226)	—	(5,767)	(7,382)	(13,149)
Losses on disposal of treasury stock	—	—	(0)	—	—	—	—	(0)	—	(0)
Net changes in treasury stock	—	—	—	—	—	—	(17)	(17)	—	(17)
Balance, March 31, 2011	233,288,717	66,378	75,555	10,104	551,187	(34,805)	(74,924)	593,495	61,314	654,809
Comprehensive income:										
Net income	—	—	—	—	41,237	—	—	41,237	6,561	47,798
Other comprehensive income (loss), net of tax (Note 18):										
Unrealized holding gains on securities	—	—	—	—	—	2,515	—	2,515	(29)	2,486
Unrealized gains on derivative instruments	—	—	—	—	—	6	—	6	2	8
Pension liability adjustments	—	—	—	—	—	(1,613)	—	(1,613)	(340)	(1,953)
Foreign currency translation adjustments	—	—	—	—	—	(3,432)	—	(3,432)	(264)	(3,696)
Total comprehensive income								38,713	5,930	44,643
Cash dividends paid to SECOM CO., LTD. shareholders	—	—	—	—	(19,623)	—	—	(19,623)	—	(19,623)
Cash dividends paid to noncontrolling interests	—	—	—	—	—	—	—	—	(1,851)	(1,851)
Transfer to legal reserve	—	—	—	71	(71)	—	—	—	—	—
Equity transactions with noncontrolling interests and other (Note 18)	—	—	(642)	—	—	—	—	(642)	(615)	(1,257)
Losses on disposal of treasury stock	—	—	(352)	—	—	—	—	(352)	—	(352)
Net changes in treasury stock (Note 18)	—	—	—	—	—	—	1,264	1,264	—	1,264
Balance, March 31, 2012	233,288,717	66,378	74,561	10,175	572,730	(37,329)	(73,660)	612,855	64,778	677,633
Comprehensive income:										
Net income	—	—	—	—	**70,580**	—	—	**70,580**	**6,063**	**76,643**
Other comprehensive income (loss), net of tax (Note 18):										
Unrealized holding gains on securities	—	—	—	—	—	**6,914**	—	**6,914**	**470**	**7,384**
Unrealized gains on derivative instruments	—	—	—	—	—	**8**	—	**8**	**7**	**15**
Pension liability adjustments	—	—	—	—	—	**(522)**	—	**(522)**	**(186)**	**(708)**
Foreign currency translation adjustments	—	—	—	—	—	**9,346**	—	**9,346**	**759**	**10,105**
Total comprehensive income								**86,326**	**7,113**	**93,439**
Cash dividends paid to SECOM CO., LTD. shareholders	—	—	—	—	**(19,645)**	—	—	**(19,645)**	—	**(19,645)**
Cash dividends paid to noncontrolling interests	—	—	—	—	—	—	—	—	**(1,460)**	**(1,460)**
Transfer to legal reserve	—	—	—	**66**	**(66)**	—	—	—	—	—
Equity transactions with noncontrolling interests and other (Notes 4 and 18)	—	—	**(752)**	—	—	**397**	—	**(355)**	**30,008**	**29,653**
Losses on disposal of treasury stock	—	—	**(0)**	—	—	—	—	**(0)**	—	**(0)**
Net changes in treasury stock	—	—	—	—	—	—	**(5)**	**(5)**	—	**(5)**
Balance, March 31, 2013	**233,288,717**	**¥66,378**	**¥73,809**	**¥10,241**	**¥623,599**	**(¥21,186)**	**(¥73,665)**	**¥679,176**	**¥100,439**	**¥779,615**

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

	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Common stock in treasury, at cost	Total SECOM CO., LTD. shareholders' equity	Noncontrolling interest	Total
Balance, March 31, 2012	$706,149	$793,202	$108,245	$6,092,872	($397,117)	($783,617)	$6,519,734	$ 689,128	$7,208,862
Comprehensive income:									
Net income	—	—	—	**750,851**	—	—	**750,851**	**64,500**	**815,351**
Other comprehensive income (loss), net of tax (Note 18):									
Unrealized holding gains on securities	—	—	—	—	**73,553**	—	**73,553**	**5,000**	**78,553**
Unrealized gains on derivative instruments	—	—	—	—	**85**	—	**85**	**74**	**159**
Pension liability adjustments	—	—	—	—	**(5,553)**	—	**(5,553)**	**(1,979)**	**(7,532)**
Foreign currency translation adjustments	—	—	—	—	**99,426**	—	**99,426**	**8,074**	**107,500**
Total comprehensive income							**918,362**	**75,669**	**994,031**
Cash dividends paid to SECOM CO., LTD. shareholders	—	—	—	**(208,989)**	—	—	**(208,989)**	—	**(208,989)**
Cash dividends paid to noncontrolling interests	—	—	—	—	—	—	—	**(15,532)**	**(15,532)**
Transfer to legal reserve	—	—	**702**	**(702)**	—	—	—	—	—
Equity transactions with noncontrolling interests and other (Notes 4 and 18)	—	**(8,000)**	—	—	**4,223**	—	**(3,777)**	**319,235**	**315,458**
Losses on disposal of treasury stock	—	**(0)**	—	—	—	—	**(0)**	—	**(0)**
Net changes in treasury stock	—	—	—	—	—	**(53)**	**(53)**	—	**(53)**
Balance, March 31, 2013	**$706,149**	**$785,202**	**$108,947**	**$6,634,032**	**($225,383)**	**($783,670)**	**$7,225,277**	**$1,068,500**	**$8,293,777**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

SECOM CO., LTD. and Subsidiaries
Three years ended March 31, 2013

	In millions of yen			Translation into thousands of U.S. dollars (Note 3)
	Years ended March 31			Year ended March 31
	2013	2012	2011	**2013**
Cash flows from operating activities:				
Net income	**¥ 76,643**	¥ 47,798	¥ 69,595	**$ 815,351**
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)	**60,674**	58,117	56,951	**645,468**
Accrual for pension and severance costs, less payments	**(1,471)**	(3,268)	(2,687)	**(15,649)**
Deferred income taxes	**1,538**	4,664	4,512	**16,362**
Loss on sales and disposal of fixed assets, net	**2,166**	1,374	1,597	**23,043**
Impairment loss on long-lived assets (Note 11)	**579**	8,133	3	**6,160**
Write-down on real estate inventories (Note 8)	**1,792**	20,723	1,482	**19,064**
Gain on private equity investments (Note 22)	**(5,095)**	(3,491)	(6,014)	**(54,202)**
Impairment loss on goodwill (Note 12)	**1,052**	1,218	—	**11,191**
Gain on sales of securities, net (Notes 7, 10 and 14)	**(899)**	(1,240)	(1,658)	**(9,564)**
Loss on other-than-temporary impairment of investment securities (Notes 14 and 22)	**73**	1,835	765	**777**
Equity in net income of affiliated companies	**(3,895)**	(4,880)	(5,028)	**(41,436)**
Loss on settlement of pre-existing relationship (Note 2 (2))	**—**	—	3,212	**—**
Payments for legal settlement (Note 24)	**—**	(799)	(1,770)	**—**
Changes in assets and liabilities, net of effects from acquisitions and disposals:				
(Increase) decrease in cash deposits	**(2,038)**	2,535	(7,685)	**(21,681)**
Increase in receivables and due from subscribers, net of allowances	**(5,838)**	(12,306)	(6,861)	**(62,106)**
(Increase) decrease in inventories	**20,720**	(3,940)	14,564	**220,426**
Increase in deferred charges	**(15,515)**	(15,652)	(15,097)	**(165,053)**
Increase (decrease) in notes and accounts payable	**6,831**	10,030	(182)	**72,670**
Increase (decrease) in deposits received	**2,328**	2,123	(4,236)	**24,765**
Decrease in deferred revenue	**(1,558)**	(1,332)	(5,419)	**(16,574)**
Increase (decrease) in accrued income taxes	**13,470**	(4,880)	(1,231)	**143,297**
Increase in guarantee deposits received	**65**	161	1,367	**691**
Increase in unearned premiums and other insurance liabilities	**6,445**	383	9,148	**68,564**
Other, net	**(621)**	4,906	7,297	**(6,607)**
Net cash provided by operating activities	**157,446**	112,212	112,625	**1,674,957**
Cash flows from investing activities:				
(Increase) decrease in time deposits	**3,500**	9,230	(9,665)	**37,234**
Proceeds from sales of property, plant and equipment	**2,603**	179	780	**27,691**
Payments for purchases of property, plant and equipment	**(64,321)**	(53,496)	(41,726)	**(684,266)**
Payments for purchases of intangible assets	**(5,444)**	(5,887)	(4,829)	**(57,915)**
Proceeds from sales and redemptions of investment securities (Note 7)	**37,443**	73,693	37,187	**398,330**
Payments for purchases of investment securities	**(31,345)**	(66,283)	(32,163)	**(333,457)**
(Increase) decrease in short-term investments	**4,152**	(4,357)	(1,854)	**44,170**
Acquisitions, net of cash acquired (Note 4)	**(63,701)**	(1,275)	(1,809)	**(677,670)**
Proceeds from sales of investments in affiliated companies (Note 10)	**—**	—	5,055	**—**
(Increase) decrease in short-term receivables, net	**(39)**	(1,680)	164	**(415)**
Payments for long-term receivables	**(1,057)**	(1,741)	(402)	**(11,245)**
Proceeds from long-term receivables	**1,590**	4,322	1,965	**16,915**
Other, net	**(1,976)**	2,319	421	**(21,021)**
Net cash used in investing activities	**(118,595)**	(44,976)	(46,876)	**(1,261,649)**
Cash flows from financing activities:				
Proceeds from long-term debt	**17,483**	3,875	11,277	**185,989**
Repayments of long-term debt	**(22,341)**	(11,660)	(11,597)	**(237,670)**
Decrease in bank loans, net	**(3,630)**	(6,935)	(312)	**(38,617)**
Decrease in investment deposits by policyholders	**(1,272)**	(10,888)	(20,583)	**(13,532)**
Dividends paid to SECOM CO., LTD. shareholders	**(19,645)**	(19,623)	(18,533)	**(208,989)**
Dividends paid to noncontrolling interests	**(1,460)**	(1,851)	(1,822)	**(15,532)**
Payments for acquisition of shares of consolidated subsidiaries from noncontrolling interest holders	**(252)**	(466)	(13,703)	**(2,681)**
Proceeds from sales of shares of consolidated subsidiaries to noncontrolling interest holders	**651**	—	—	**6,926**
Increase in treasury stock, net	**(5)**	(292)	(17)	**(53)**
Other, net	**86**	124	—	**914**
Net cash used in financing activities	**(30,385)**	(47,716)	(55,290)	**(323,245)**
Cumulative effect adjustments resulting from adoption of a new accounting standard on variable interest entities (Note 2 (2))	**—**	—	3,905	**—**
Effect of exchange rate changes on cash and cash equivalents	**1,190**	(422)	(566)	**12,660**
Net increase in cash and cash equivalents	**9,656**	19,098	13,798	**102,723**
Cash and cash equivalents at beginning of year	**213,040**	193,942	180,144	**2,266,383**
Cash and cash equivalents at end of year	**¥222,696**	¥213,040	¥193,942	**$2,369,106**

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SECOM CO., LTD. and Subsidiaries
Three years ended March 31, 2013

1. Nature of Operations

The parent company and its subsidiaries (collectively "the Company") are engaged in the areas of security services, fire protection services, medical services, insurance services, geographic information services, real estate development and sales, and information and communication related and other services. With these services combined, the Company is focusing on the establishment of a "Social System Industry," a network of integrated systems and services, 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; insurance services, focusing on non-life insurance services; geographic information services using geographic information system ("GIS") and surveying and measuring technology; real estate development and sales, focusing on the development and sale of condominiums equipped with security and contingency planning features; 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; lease of real estate; and other services.

2. Significant Accounting Policies

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

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

(1) Basis of Consolidation and Investments in Affiliated Companies

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

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

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

(2) Consolidation of Variable Interest Entities

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

In December 2009, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2009-17, "Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities," which amends the Accounting Standards Codification ("ASC") 810, "Consolidation." This accounting standard 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.

This accounting standard is effective for fiscal years beginning after November 15, 2009 and was adopted by the Company in the fiscal year ended March 31, 2011. Due to the adoption of this accounting standard, certain organizations managing hospitals and health care-related institutions that were not consolidated prior to March 31, 2010 were included in the scope of consolidation as of April 1, 2010. As a result, assets of ¥22,907 million and liabilities of ¥26,728 million, after elimination of intercompany balances, were included in the consolidated balance sheet at April 1, 2010. The cumulative effect adjustments resulting from the adoption of this accounting standard decreased the beginning retained earnings for the year ended March 31, 2011 by ¥3,821 million, net of tax. In addition, the Company recognized ¥3,212 million as a loss on settlement of pre-existing relationship in the medical services segment, related to the settlement of a lease contract between the Company and an entity newly included in the scope of consolidation according to the adoption of this accounting standard.

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

Total assets and liabilities held by VIEs of which the Company is the primary beneficiary were ¥68,093 million ($724,394 thousand) and ¥73,490 million ($781,809 thousand), respectively, at March 31, 2013, and ¥64,469 million and ¥71,268 million, respectively, at March 31, 2012. Total assets and liabilities held by VIEs of which the Company holds significant variable interests but is not the primary beneficiary were ¥32,983 million ($350,883 thousand) and ¥33,499 million ($356,372 thousand), respectively, at March 31, 2013, and ¥33,735 million and ¥34,908 million, respectively, at March 31, 2012. The Company's assets in the consolidated balance sheets and the Company's maximum exposure to losses related to VIEs at March 31, 2013 and 2012 were ¥4,653 million ($49,500 thousand) and ¥4,621 million, respectively.

(3) Revenue Recognition

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

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

The Company enters into arrangements with multiple elements, which may include any combination of security equipment, installation and security services. The Company allocates revenue to each element based on its relative fair value if such element meets criteria for treatment as a separate unit of accounting as prescribed in ASC 605, "Revenue Recognition." Otherwise, revenue is deferred until the undelivered elements are fulfilled as a single unit of accounting.

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

Revenue from construction contracts is principally recognized when construction is completed.

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

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

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

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

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

(4) Foreign Currency Translation

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

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

(5) Cash Equivalents

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

(6) Investments in Debt and Equity Securities

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

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

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

Realized gains or losses on the sale of investments are based on the moving-average cost method and are credited or charged to income.

(7) Private Equity Investments

The Company accounts for private equity investments in accordance with ASC 946, "Financial Services—Investment Companies," in which investments are accounted for at fair value based on the Company's assessment of each underlying investment. The investments, by their nature, have little or no price transparency. Investments are initially carried at cost as an approximation of fair value. Adjustments to carrying value are made if there is evidence of a change in fair value. Downward adjustments are also made, in the absence of third-party transactions, if it is determined that the expected realizable value of the investment has declined below the carrying value.

The carrying value of private equity investments was ¥37,493 million ($398,862 thousand) and ¥26,149 million at March 31, 2013 and 2012, 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 information 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 ¥40,187 million ($427,521 thousand), ¥37,120 million and ¥35,634 million for the years ended March 31, 2013, 2012 and 2011, respectively. Maintenance, repairs and renewals are charged to income as incurred.

The estimated useful lives of depreciable assets are as follows:

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

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

Performance of a contractual asset retirement obligation is required for the building leased by a certain subsidiary when the lease matures and the Company returns the leased building to its owner. However, the Company plans not to relocate from the building and to continue to use it until it will be demolished without restoration. As such, the execution of such obligation is not expected. The Company evaluated all the available evidence as of the fiscal year ended March 31, 2013 and performed efforts to establish the best estimate. However, the scope and the probability of execution of the obligation cannot be reasonably estimated. Therefore, an asset retirement obligation for that building lease is not recognized.

(12) Deferred Charges

Deferred charges primarily consist of costs related to installation services of security equipment used to provide on-line security systems. The installation costs are deferred and amortized using the straight-line method over the contractual period of security services after completion of the installation. Amortization expense was ¥14,492 million ($154,170 thousand), ¥14,877 million and ¥15,081 million for the years ended March 31, 2013, 2012 and 2011, respectively.

(13) Impairment or Disposal of Long-Lived Assets

In accordance with ASC 360, "Property, Plant and Equipment," the Company reviews the carrying amount of its long-lived assets held and used, other than goodwill and intangible assets with indefinite lives, and assets to be disposed of, whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Long-lived assets to be held and used are reviewed for impairment by comparing the carrying amount of the assets with their estimated future undiscounted cash flows. If it is determined that an impairment loss has occurred, the loss would be recognized during the period, and calculated as the difference between the assets' carrying amount and the fair value. Long-lived assets that are to be disposed of other than by sale are considered held and used until they are disposed of. Long-lived assets that are to be disposed of by sale are reported at the lower of their carrying amount or fair value less cost to sell. Reductions in the carrying amount are recognized in the period in which the long-lived assets are classified as held for sale.

(14) Goodwill and Other Intangible Assets

Goodwill represents the excess of costs over the fair value of assets of business acquired. Pursuant to ASC 350, "Intangibles—Goodwill and Other," goodwill and intangible assets acquired in a purchase business combination and determined to have an indefinite useful life are not amortized, but instead tested for impairment at least annually. This accounting standard also requires that intangible assets with estimable useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with ASC 360. The Company conducts its annual impairment test at the end of each fiscal year.

(15) Unearned Premiums and Other Insurance Liabilities

Unearned premiums are related to unexpired periods of insurance contracts and are earned on a pro-rata basis over the remaining contract period. Other insurance liabilities consist principally of liabilities for unpaid claims and adjustment expenses, which are estimates of payments to be made on reported claims and incurred but not reported claims, which are computed based on past experience for unpaid losses.

(16) Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and operating loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences and carryforwards are expected to be realized or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized.

The Company recognizes in the consolidated financial statements the impact of a tax position, if any, based on the technical merits of the position, when that position is more likely than not to be sustained upon examination. The benefit of the tax position is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon settlement with the appropriate tax authority.

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

(17) Research and Development

Research and development costs are charged to income as incurred. Research and development expenses included in selling, general and administrative expenses for the years ended March 31, 2013, 2012 and 2011 were ¥6,479 million ($68,926 thousand), ¥6,083 million and ¥6,755 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, 2013, 2012 and 2011 were ¥4,423 million ($47,053 thousand), ¥3,541 million and ¥4,034 million, respectively.

(19) Shipping and Handling Costs

Shipping and handling costs included in selling, general and administrative expenses for the years ended March 31, 2013, 2012 and 2011 were ¥1,296 million ($13,787 thousand), ¥927 million and ¥930 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. 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, 2013, 2012 and 2011 was 218,271 thousand shares, 218,217 thousand shares and 218,032 thousand shares, respectively. There were no potentially dilutive shares outstanding during the years ended March 31, 2013, 2012 or 2011.

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

(22) Use of Estimates

The preparation of the consolidated financial statements requires management of the Company to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the carrying amounts of inventories, deferred insurance acquisition costs, investment securities, other investments, property, plant and equipment, goodwill, other intangible assets, unearned premiums and other insurance liabilities, valuation of receivables, valuation allowances for deferred income taxes, valuation of derivative instruments, assets and obligations related to employee benefits, asset retirement obligations, income tax uncertainties, and other contingencies.

(23) Recent Pronouncements

In October 2010, the FASB issued ASU No. 2010-26, "Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts, a Consensus of the FASB Emerging Issues Task Force." This accounting standard redefines the definition of acquisition costs qualifying for deferral to be costs that are related directly to the successful acquisition of new or renewal insurance contracts. This accounting standard is effective for fiscal years beginning after December 15, 2011, and was adopted by the Company in the fiscal year ended March 31, 2013. The adoption of this accounting standard did not have a material impact on the Company's consolidated results of operations and financial position.

In April 2011, the FASB issued ASU No. 2011-02, "A Creditor's Determination of Whether a Restructuring Is a Troubled Debt Restructuring." This accounting standard provides the criteria as to whether a loan modification constitutes a troubled debt restructuring and requires additional disclosures about troubled debt restructurings. This accounting standard is effective for fiscal years beginning on or after June 15, 2011, and was adopted by the Company in the fiscal year ended March 31, 2013. The adoption of this accounting standard did not have a material impact on the Company's consolidated results of operations and financial position.

In May 2011, the FASB issued ASU No. 2011-04, "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs." This accounting standard amends current U.S. GAAP to create more commonality with IFRSs by changing the wording used to describe requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. This accounting standard is effective for fiscal years beginning after December 15, 2011, and was adopted by the Company in the fiscal year ended March 31, 2013. The adoption of this accounting standard did not have a material impact on the Company's consolidated results of operations and financial position.

In June 2011, the FASB issued ASU No. 2011-05, "Presentation of Comprehensive Income." In presenting other comprehensive income and its components in financial statements, this accounting standard eliminates the current option to present the components of other comprehensive income as part of the statement of changes in equity. This accounting standard also requires reclassifications between other comprehensive income and net income to be disclosed on the face of financial statements. Furthermore, in December 2011, the FASB issued ASU No. 2011-12, "Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05." These accounting standards are effective for fiscal years beginning after December 15, 2011, and were adopted by the Company in the fiscal year ended March 31, 2013. As these accounting standards are a provision for presentation only, the adoption did not have an impact on the Company's consolidated results of operations or financial position.

In September 2011, the FASB issued ASU No. 2011-08, "Testing Goodwill for Impairment." This accounting standard permits an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. An entity is not required to calculate the fair value of a reporting unit unless the entity determines that it is more likely than not that its fair value is less than its carrying amount. This accounting standard is effective for fiscal years beginning after December 15, 2011, and was adopted by the Company in the fiscal year ended March 31, 2013. The adoption of this accounting standard did not have a material impact on the Company's consolidated results of operations and financial position.

In July 2012, the FASB issued ASU No. 2012-02, "Testing Indefinite-Lived Intangible Assets for Impairment." This accounting standard allows an entity first to assess qualitative factors to determine whether it is more likely than not that the indefinite-lived intangible asset is impaired as a basis for determining whether it is necessary to perform the impairment test. An entity is not required to calculate the fair value of the indefinite-lived intangible assets unless the entity determines that it is more likely than not that the indefinite-lived intangible asset is impaired. This accounting standard is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012, and will be adopted by the Company in the fiscal year beginning April 1, 2013. It is not anticipated that the adoption will have a material impact on the Company's consolidated results of operations or financial position.

In February 2013, the FASB issued ASU No. 2013-02, "Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income." This accounting standard requires an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, this accounting standard requires an entity to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures required under U.S. GAAP that provide additional detail about those amounts. This accounting standard is effective for fiscal years beginning after December 15, 2012, and will be adopted by the Company in the fiscal year beginning April 1, 2013. As this accounting standard is a provision for presentation only, the adoption will not have an impact on the Company's consolidated results of operations or financial position.

In March 2013, the FASB issued ASU No. 2013-05, "Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Asserts within a Foreign Entity or of an Investment in a Foreign Entity." This accounting standard resolved diversity in practice and clarifies the applicable guidance for the release of the cumulative translation adjustment when the parent company sells a part or all of its investment in a foreign entity, ceases to have a controlling financial interest in a subsidiary or group of assets that is a business within a foreign entity, or obtains control in a business combination achieved in stages involving an equity method investment that is a foreign entity. This accounting standard is effective for fiscal years beginning after December 15, 2013 and will be adopted by the Company in the fiscal year beginning April 1, 2014. The company is currently evaluating the effect of adopting this accounting standard on its consolidated financial statements.

In June 2013, the FASB issued ASU No. 2013-08, "Amendments for the Scope, Measurement, and Disclosure Requirements." This accounting standard changes the approach to the investment company assessment in ASC 946, clarifies the characteristics of an investment company, and provides comprehensive guidance for assessing whether an entity is an investment company. This accounting standard also amends the measurement criteria for noncontrolling ownership interests in other investment companies and provides additional disclosure requirements. This accounting standard is effective for interim and annual fiscal years beginning after December 15, 2013 and will be adopted by the Company in the fiscal year beginning April 1, 2014. The company is currently evaluating the effect of adopting this accounting standard on its consolidated financial statements.

(24) Reclassifications

Certain amounts in the accompanying consolidated financial statements for the years ended March 31, 2012 and 2011 have been reclassified to conform to the presentation used for the year ended March 31, 2013.

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 ¥94=US$1, the rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2013. These translations should not be construed as representing that the yen amounts actually represent, or have been or could be converted into U.S. dollars at that rate.

4. Acquisitions

Acquisition of Nittan Co., Ltd.

On April 1, 2012, the Company acquired 100% of common shares outstanding of LIXIL NITTAN Co., Ltd. for ¥12,713 million ($135,245 thousand) in cash and changed its name to Nittan Co., Ltd. The purpose of this acquisition is (i) to enhance fire protection services, including flexible response to environmental changes, such as increased awareness of disaster prevention due to the Great East Japan Earthquake (domestic) and increasing disaster prevention in emerging countries (overseas), and (ii) research and development of next-generation systems for disaster prevention.

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

	In millions of yen	In thousands of U.S. dollars
Cash and cash equivalents	**¥ 2,937**	**$ 31,245**
Other current assets	**17,954**	**191,000**
Investments and long-term receivables	**1,650**	**17,553**
Property, plant and equipment	**6,014**	**63,979**
Intangible assets, including goodwill	**2,080**	**22,127**
Other assets	**1,018**	**10,830**
Total assets acquired	**31,653**	**336,734**
Current liabilities	**13,446**	**143,042**
Other liabilities	**5,359**	**57,011**
Total liabilities assumed	**18,805**	**200,053**
Noncontrolling interests	**135**	**1,436**
Net assets acquired	**¥12,713**	**$135,245**

The goodwill of ¥1,872 million ($19,915 thousand) represents expected excess earning power based on future business operations. It is not deductible for tax purposes and has been assigned to the Fire protection services segment.

Acquisition of At Tokyo Corporation

On October 31, 2012, the Company acquired 50.882% of common shares outstanding of At Tokyo Corporation for ¥33,328 million ($354,553 thousand) in cash. The purpose of this acquisition is to accelerate the data center business and realize a variety of business synergies by further improving data center service quality and new information security services.

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

	In millions of yen	In thousands of U.S. dollars
Cash and cash equivalents	**¥ 3,922**	**$ 41,723**
Other current assets	**6,145**	**65,372**
Investments and long-term receivables	**262**	**2,787**
Property, plant and equipment	**54,917**	**584,224**
Intangible assets, including goodwill	**33,540**	**356,809**
Other assets	**1,308**	**13,915**
Total assets acquired	**100,094**	**1,064,830**
Current liabilities	**6,770**	**72,021**
Other liabilities	**38,258**	**407,000**
Total liabilities assumed	**45,028**	**479,021**
Noncontrolling interests	**21,738**	**231,256**
Net assets acquired	**¥ 33,328**	**$ 354,553**

Intangible assets of ¥15,230 million ($162,021 thousand) subject to amortization include customer relationships of ¥12,158 million ($129,340 thousand) with a 20-year useful life and trademarks of ¥3,072 million ($32,681 thousand) with a 15-year useful life. The goodwill of ¥17,468 million ($185,830 thousand) represents expected excess earning power based on future business operations. It is not deductible for tax purposes and has been assigned to the Information and communication related and other services segment.

The Company recorded the acquisition cost of ¥212 million ($2,255 thousand) related to these acquisitions in selling, general and administrative expenses.

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

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

	In millions of yen	
	Years ended March 31	
Unaudited	**2013**	2012
Pro forma net sales and operating revenue	**¥888,282**	¥845,466
Pro forma net income attributable to SECOM CO., LTD.	**71,764**	42,830

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

The unaudited pro forma data is not necessarily indicative of the Company's consolidated results of operations that would actually have been reported if the transaction in fact had occurred on April 1, 2011, and is not necessarily representative of the Company's consolidated results of operations for any future period.

5. Cash and Cash Equivalents

Cash and cash equivalents at March 31, 2013 and 2012 are comprised of the following:

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2013	2012	**2013**
Cash	**¥152,779**	¥145,450	**$1,625,308**
Time deposits	**20,772**	36,948	**220,979**
Call loan	**46,500**	28,000	**494,681**
Investment securities	**2,645**	2,642	**28,138**
	¥222,696	¥213,040	**$2,369,106**

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

6. Cash Deposits

The Company operates cash collection and deposit services for financial institutions relating to cash dispensers located outside of financial institution facilities and also operates cash collection services for entities other than financial institutions. Cash deposit balances are segregated from cash and cash equivalents and are restricted as to use by the Company. The Company funds most of the cash for such operations through bank overdrafts and deposits. Bank loans and deposits received, which relate to these operations, were ¥26,598 million ($282,957 thousand) and ¥24,863 million ($264,500 thousand), respectively, at March 31, 2013, and ¥27,659 million and ¥21,921 million, respectively, at March 31, 2012. As part of its fee arrangement, the Company is reimbursed for the interest cost of the related overdrafts.

7. Short-Term Investments and Investment Securities

Short-term investments (current) and investment securities (noncurrent) include debt and equity securities. The related aggregate fair value, gross unrealized gains, gross unrealized losses and cost pertaining to "available-for-sale" and "held-to-maturity" investments at March 31, 2013 and 2012 are as follows:

In millions of yen

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

In millions of yen

March 31, 2012	Cost	Gross unrealized Gains	Gross unrealized Losses	Fair value
Short-term investments:				
Available-for-sale:				
Debt securities	¥17,245	¥ 52	¥ 3	¥ 17,294
	¥17,245	¥ 52	¥ 3	¥ 17,294
Investment securities:				
Available-for-sale:				
Equity securities	¥28,606	¥6,015	¥ 87	¥ 34,534
Debt securities	60,406	1,749	41	62,114
Held-to-maturity:				
Debt securities	7,461	55	4	7,512
	¥96,473	¥7,819	¥132	¥104,160

In thousands of U.S. dollars

March 31, 2013	Cost	Gross unrealized Gains	Gross unrealized Losses	Fair value
Short-term investments:				
Available-for-sale:				
Equity securities	$ 2,362	$ 3,925	$ —	$ 6,287
Debt securities	121,638	628	53	122,213
	$124,000	$ 4,553	$ 53	$ 128,500
Investment securities:				
Available-for-sale:				
Equity securities	$328,946	$144,372	$2,128	$ 471,190
Debt securities	596,011	48,532	0	644,543
Held-to-maturity:				
Debt securities	27,532	3,383	—	30,915
	$952,489	$196,287	$2,128	$1,146,648

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, 2013 are as follows:

In millions of yen

March 31, 2013	Less than 12 months: Fair value	Less than 12 months: Gross unrealized losses	12 months or longer: Fair value	12 months or longer: Gross unrealized losses
Available-for-sale:				
Equity securities	¥2,405	¥200	¥—	¥—
Debt securities	2,278	5	—	—
	¥4,683	¥205	¥—	¥—

In thousands of U.S. dollars

March 31, 2013	Less than 12 months: Fair value	Less than 12 months: Gross unrealized losses	12 months or longer: Fair value	12 months or longer: Gross unrealized losses
Available-for-sale:				
Equity securities	$25,585	$2,128	$—	$—
Debt securities	24,234	53	—	—
	$49,819	$2,181	$—	$—

Based on the Company's ability and intent to hold the investment 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, 2013.

At March 31, 2013, 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, 2013 are as follows:

In millions of yen

March 31, 2013	Available-for-sale: Cost	Available-for-sale: Fair value	Held-to-maturity: Cost	Held-to-maturity: Fair value
Due within 1 year	¥11,434	¥11,488	¥ —	¥ —
Due after 1 year through 5 years	23,012	25,193	—	—
Due after 5 years through 10 years	23,533	25,129	1,510	1,596
Due after 10 years	9,480	10,265	1,078	1,310
	¥67,459	¥72,075	¥2,588	¥2,906

	In thousands of U.S. dollars			
	March 31, 2013			
	Available-for-sale		Held-to-maturity	
	Cost	Fair value	Cost	Fair value
Due within 1 year	$121,638	$122,213	$ —	$ —
Due after 1 year through 5 years	244,809	268,011	—	—
Due after 5 years through 10 years	250,352	267,329	16,064	16,979
Due after 10 years	100,850	109,202	11,468	13,936
	$717,649	$766,755	$27,532	$30,915

During the years ended March 31, 2013, 2012 and 2011, the net unrealized gains and losses on "available-for-sale" securities included as part of accumulated other comprehensive income (loss), net of tax, increased by ¥6,914 million ($73,553 thousand) and ¥2,515 million, decreased by ¥3,472 million, respectively.

Proceeds from the sale of "available-for-sale" securities for the years ended March 31, 2013, 2012 and 2011 were ¥20,479 million ($217,862 thousand), ¥72,223 million and ¥17,187 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, 2013, 2012 and 2011 are as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2013	2012	2011	2013
Gross realized gains	¥1,051	¥1,950	¥2,916	$11,181
Gross realized losses	144	662	752	1,532

The Company maintains long-term investment securities, issued by a number of non-public companies, included as investment securities in the consolidated balance sheets. The aggregate carrying amount of the investments in non-public companies, at cost net of other-than-temporary impairment, was ¥10,178 million ($108,277 thousand) and ¥9,756 million at March 31, 2013 and 2012, respectively. The corresponding fair value at that date was not computed as such estimation was not practicable.

8. Inventories

Inventories at March 31, 2013 and 2012 are comprised of the following:

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2013	2012	2013
Security-related products	¥ 7,822	¥ 7,473	$ 83,213
Fire protection-related products	16,647	11,942	177,096
Real estate	26,293	42,359	279,713
Other-related products	7,259	5,320	77,223
	¥58,021	¥67,094	$617,245

Work in process for real estate inventories at March 31, 2013 and 2012, amounting to ¥13,348 million ($142,000 thousand) and ¥33,277 million, respectively, are included in real estate.

Costs on uncompleted construction contracts at March 31, 2013 and 2012, amounting to ¥7,983 million ($84,926 thousand) and ¥5,872 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, 2013, 2012 and 2011 were ¥1,792 million ($19,064 thousand), ¥20,723 million and ¥1,482 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 receivable," "loans receivable resulting from medical services," "loans receivable resulting from insurance services," "other loans receivable" and "other." Financing receivables classified as "lease receivable" are resulting from lease transactions of security equipment and real estate for office 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, 2013 and 2012 are as follows:

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

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

	In millions of yen					
	Year ended March 31, 2012					
	Lease receivable	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.......	¥ 427	¥ 2,629	¥1,023	¥3,027	¥1,180	¥ 8,286
Provision (Reversal)..	112	(117)	(41)	(71)	80	(37)
Charge off..............	(169)	—	(311)	(50)	(125)	(655)
Other*	14	—	—	259	(242)	31
Balance at end of year	384	2,512	671	3,165	893	7,625
Individually evaluated	62	2,512	626	3,165	893	7,258
Collectively evaluated	¥ 322	¥ —	¥ 45	¥ —	¥ —	¥ 367
Financing receivables:						
Individually evaluated	¥ 67	¥13,439	¥ 887	¥3,362	¥ 920	¥18,675
Collectively evaluated	26,251	507	3,912	4,160	180	35,010
....	¥26,318	¥13,946	¥4,799	¥7,522	¥1,100	¥53,685

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

	In thousands of U.S. dollars					
	Year ended March 31, 2013					
	Lease receivable	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.......	**$ 4,085**	**$ 26,723**	**$ 7,138**	**$33,670**	**$ 9,500**	**$ 81,116**
Provision (Reversal)..	**840**	**5,128**	**319**	**170**	**(53)**	**6,404**
Charge off..............	**(606)**	**(6,840)**	**(6,170)**	**(3,436)**	**(1,288)**	**(18,340)**
Other*	**—**	**—**	**—**	**266**	**564**	**830**
Balance at end of year	**4,319**	**25,011**	**1,287**	**30,670**	**8,723**	**70,010**
Individually evaluated	**872**	**25,011**	**819**	**30,670**	**8,723**	**66,095**
Collectively evaluated	**$ 3,447**	**$ —**	**$ 468**	**$ —**	**$ —**	**$ 3,915**
Financing receivables:						
Individually evaluated	**$ 1,106**	**$136,117**	**$ 883**	**$32,309**	**$ 9,032**	**$179,447**
Collectively evaluated	**421,894**	**5,574**	**40,160**	**25,978**	**1,660**	**495,266**
	$423,000	**$141,691**	**$41,043**	**$58,287**	**$10,692**	**$674,713**

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

The Company considers the fact that receivables are past due and the financial position of the debtor to be credit quality indicators and classifies financing receivables into Overdue and Current. Financing receivables determined to have no prospects for collecting contractual interest on the basis of being past due and other factors are placed on nonaccrual status.

The aging analysis of the recorded financing receivables and financing receivables on nonaccrual status at March 31, 2013 and 2012 are as follows:

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

	In millions of yen					
	March 31, 2012					
	Lease receivable	Loans receivable resulting from medical services	Loans receivable resulting from insurance services	Other loans receivable	Other	Total
Current..........................	¥26,251	¥13,642	¥3,912	¥4,308	¥ 679	¥48,792
Overdue........................	67	304	887	3,214	421	4,893
Total: Financing receivables ..	¥26,318	¥13,946	¥4,799	¥7,522	¥1,100	¥53,685
Financing receivables on nonaccrual status...	¥ —	¥ 4,318	¥ 887	¥3,362	¥ —	¥ 8,567

	In thousands of U.S. dollars					
	March 31, 2013					
	Lease receivable	Loans receivable resulting from medical services	Loans receivable resulting from insurance services	Other loans receivable	Other	Total
Current..........................	**$421,894**	**$141,265**	**$40,160**	**$27,309**	**$ 7,128**	**$637,756**
Overdue........................	**1,106**	**426**	**883**	**30,978**	**3,564**	**36,957**
Total: Financing receivables ..	**$423,000**	**$141,691**	**$41,043**	**$58,287**	**$10,692**	**$674,713**
Financing receivables on nonaccrual status...	**$ —**	**$ 46,372**	**$ 883**	**$32,309**	**$ —**	**$ 79,564**

Impaired receivables and the related allowance for doubtful accounts at March 31, 2013 and 2012 are as follows:

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

	In millions of yen					
	March 31, 2012					
	Lease receivable	Loans receivable resulting from medical services	Loans receivable resulting from insurance services	Other loans receivable	Other	Total
Impaired receivables......	¥67	¥13,439	¥887	¥3,362	¥920	¥18,675
Related allowance for doubtful accounts.......	62	2,512	626	3,165	893	7,258

	In thousands of U.S. dollars					
	March 31, 2013					
	Lease receivable	Loans receivable resulting from medical services	Loans receivable resulting from insurance services	Other loans receivable	Other	Total
Impaired receivables......	**$1,106**	**$136,117**	**$883**	**$32,309**	**$9,032**	**$179,447**
Related allowance for doubtful accounts.......	**872**	**25,011**	**819**	**30,670**	**8,723**	**66,095**

The average amounts of impaired receivables for the year ended March 31, 2013 are as follows:

	In millions of yen					
	Lease receivable	Loans receivable resulting from medical services	Loans receivable resulting from insurance services	Other loans receivable	Other	Total
Average amounts of impaired receivables....	**¥86**	**¥13,117**	**¥485**	**¥3,200**	**¥884**	**¥17,772**

	In thousands of U.S. dollars					
	Lease receivable	Loans receivable resulting from medical services	Loans receivable resulting from insurance services	Other loans receivable	Other	Total
Average amounts of impaired receivables....	**$915**	**$139,543**	**$5,160**	**$34,043**	**$9,403**	**$189,064**

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 27.7 percent owned affiliate, which is listed on the Korea Exchange; and Toyo Tech Co., Ltd., a 27.8 percent owned affiliate, which is listed on the Second Section of the Osaka Securities Exchange.

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

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2013	2012	**2013**
Current assets................................	**¥101,060**	¥101,597	**$1,075,106**
Noncurrent assets	**108,887**	98,719	**1,158,373**
Total assets.................................	**¥209,947**	¥200,316	**$2,233,479**
Current liabilities............................	**¥ 46,082**	¥ 43,818	**$ 490,234**
Noncurrent liabilities	**34,944**	35,127	**371,745**
Equity	**128,921**	121,371	**1,371,500**
Total liabilities and equity	**¥209,947**	¥200,316	**$2,233,479**

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2013	2012	2011	**2013**
Net sales.......................	**¥162,379**	¥159,802	¥129,551	**$1,727,436**
Gross profit..................	**¥ 52,691**	¥ 53,394	¥ 46,156	**$ 560,543**
Net income attributable to affiliated companies....	**¥ 15,056**	¥ 16,683	¥ 16,933	**$ 160,170**

Dividends received from affiliated companies for the years ended March 31, 2013, 2012 and 2011 were ¥2,403 million ($25,564 thousand), ¥2,324 million and ¥2,175 million, respectively.

Three listed affiliated companies accounted for under the equity method with an aggregated carrying amount of ¥32,363 million ($344,287 thousand) and ¥27,738 million at March 31, 2013 and 2012, respectively, had a quoted market value of ¥79,750 million ($848,404 thousand) and ¥60,164 million at March 31, 2013 and 2012, respectively.

The amounts of goodwill were ¥3,051 million ($32,457 thousand) and ¥2,931 million at March 31, 2013 and 2012, respectively.

In June 2010, the parent company sold the outstanding share of Tokyo Biso Kogyo Corporation, a 36.6 percent owned affiliate, to TB Holdings Corporation for ¥5,055 million. The sale resulted in a loss of ¥513 million.

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
	2013	2012	2011	**2013**
Sales..............................	**¥1,924**	¥2,113	¥1,669	**$20,468**
Purchases.......................	**¥6,573**	¥6,125	¥5,128	**$69,926**

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2013	2012	**2013**
Notes and accounts receivable, trade	**¥ 490**	¥ 457	**$ 5,213**
Loans receivable...............................	**¥ 469**	¥ 375	**$ 4,989**
Notes and accounts payable.............	**¥2,820**	¥2,884	**$30,000**
Guarantees for bank loans................	**¥ 139**	¥ 127	**$ 1,479**

The Company's equity in undistributed income of affiliates at March 31, 2013 and 2012 included in retained earnings was ¥24,696 million ($262,723 thousand) and ¥30,112 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 real estate of the other services for the year ended March 31, 2012. 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, 2013, 2012 and 2011 are as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2013	2012	2011	**2013**
Security services	**¥ —**	¥ —	¥—	**$ —**
Fire protection services	**34**	48	—	**362**
Medical services	**—**	—	1	**—**
Insurance services	**—**	—	—	**—**
Geographic information services	**297**	18	2	**3,160**
Real estate development and sales	**—**	—	—	**—**
Information and communication related and other services	**248**	8,067	—	**2,638**
Corporate items	**—**	—	—	**—**
Total	**¥579**	¥8,133	¥ 3	**$6,160**

12. Goodwill and Other Intangible Assets

The components of acquired intangible assets, excluding goodwill, at March 31, 2013 and 2012 are as follows:

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

	In millions of yen		
	March 31, 2012		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortized intangible assets:			
Software	¥40,480	(¥24,229)	¥16,251
Other	4,091	(2,165)	1,926
	¥44,571	(¥26,394)	¥18,177
Unamortized intangible assets	¥ 4,128	¥ —	¥ 4,128

	In thousands of U.S. dollars		
	March 31, 2013		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortized intangible assets:			
Software	**$466,979**	**($285,298)**	**$181,681**
Other	**210,702**	**(28,979)**	**181,723**
	$677,681	**($314,277)**	**$363,404**
Unamortized intangible assets	**$ 45,298**	**$ —**	**$ 45,298**

Aggregate amortization expense for the years ended March 31, 2013, 2012 and 2011 was ¥5,995 million ($63,777 thousand), ¥6,120 million and ¥6,236 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
2014	¥6,750	$71,809
2015	5,506	58,574
2016	4,229	44,989
2017	3,338	35,511
2018	2,377	25,287

The changes in the carrying amount of goodwill by business segment for the years ended March 31, 2013 and 2012 are as follows:

	In millions of yen						
	Security services	Fire protection services	Medical services	Geographic information services	Real estate development and sales	Information and communication related and other services	Total
Goodwill	¥2,898	¥81	¥9,970	¥4,910	¥135	¥2,002	¥19,996
Accumulated impairment losses	(406)	—	(4,338)	(492)	(135)	(175)	(5,546)
March 31, 2011	2,492	81	5,632	4,418	—	1,827	14,450
Goodwill acquired during the year	1,021	—	—	102	—	—	1,123
Disposal	—	—	—	—	—	—	—
Impairment losses	(793)	—	(269)	(156)	—	—	(1,218)
Translation adjustment	(99)	—	—	(21)	—	—	(120)
Goodwill	3,820	81	9,970	4,991	135	2,002	20,999
Accumulated impairment losses	(1,199)	—	(4,607)	(648)	(135)	(175)	(6,764)
March 31, 2012	2,621	81	5,363	4,343	—	1,827	14,235
Goodwill acquired during the year	**—**	**1,872**	**—**	**—**	**—**	**17,468**	**19,340**
Disposal	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Impairment losses	**(468)**	**—**	**—**	**(584)**	**—**	**—**	**(1,052)**
Translation adjustment	**198**	**—**	**—**	**15**	**—**	**—**	**213**
Goodwill	**4,018**	**1,953**	**9,399**	**4,667**	**135**	**19,470**	**39,642**
Accumulated impairment losses	**(1,667)**	**—**	**(4,036)**	**(893)**	**(135)**	**(175)**	**(6,906)**
March 31, 2013	**¥2,351**	**¥1,953**	**¥5,363**	**¥3,774**	**¥ —**	**¥19,295**	**¥32,736**

	In thousands of U.S. dollars						
	Security services	Fire protection services	Medical services	Geographic information services	Real estate development and sales	Information and communication related and other services	Total
Goodwill	$40,638	$ 862	$106,064	$53,096	$1,436	$ 21,298	$223,394
Accumulated impairment losses	(12,755)	—	(49,011)	(6,894)	(1,436)	(1,862)	(71,958)
March 31, 2012	27,883	862	57,053	46,202	—	19,436	151,436
Goodwill acquired during the year	**—**	**19,915**	**—**	**—**	**—**	**185,830**	**205,745**
Disposal	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Impairment losses	**(4,978)**	**—**	**—**	**(6,213)**	**—**	**—**	**(11,191)**
Translation adjustment	**2,105**	**—**	**—**	**160**	**—**	**—**	**2,265**
Goodwill	**42,744**	**20,777**	**99,989**	**49,649**	**1,436**	**207,128**	**421,723**
Accumulated impairment losses	**(17,734)**	**—**	**(42,936)**	**(9,500)**	**(1,436)**	**(1,862)**	**(73,468)**
March 31, 2013	**$25,010**	**$20,777**	**$ 57,053**	**$40,149**	**$ —**	**$205,266**	**$348,255**

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 ¥39,032 million ($415,234 thousand) and ¥40,762 million at March 31, 2013 and 2012, respectively, are generally comprised of 30 to 365 day notes. The weighted average interest rate was 1.15 percent and 1.24 percent at March 31, 2013 and 2012, 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, 2013, 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 ($42,553 thousand). The line of credit expires in March 2016. Under the agreement, Nohmi Bosai Ltd. is required to pay committed fees, at an annual rate of 0.15 percent, on the unused portion of the line of credit. At March 31, 2013, the Company had overdraft agreements with 30 banks and its unused lines of credit amounted to ¥28,275 million ($300,798 thousand). The Company incurs no fee on the unused portion of the lines of credit. The overdraft agreements expire in the period from April 2013 to March 2014. The Company has the ability and intent to extend these overdraft agreements under similar terms and conditions.

Long-term debt at March 31, 2013 and 2012 comprise the following:

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2013	2012	**2013**
Loans, principally from banks due 2012–2033 with interest rates ranging from 0.59% to 10.05%:			
Secured	**¥24,332**	¥22,619	**$258,851**
Unsecured	**17,245**	9,174	**183,458**
1.14% unsecured bonds due 2013	**—**	3,060	**—**
1.13% unsecured bonds due 2014	**1,471**	1,557	**15,649**
Unsecured bonds due 2012–2019 with floating interest rates based on 6-month TIBOR plus 0.00%–0.15%	**11,865**	10,992	**126,223**
Obligations under capital leases, due 2012–2040 (Note 19)	**11,130**	11,674	**118,404**
	66,043	59,076	**702,585**
Less: Portion due within one year	**(17,281)**	(22,053)	**(183,840)**
	¥48,762	¥37,023	**$518,745**

Assets pledged as collateral for bank loans and long-term debt at March 31, 2013 and 2012 are as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2013	2012	**2013**
Time deposits	**¥ 2,210**	¥ 2,210	**$ 23,511**
Short-term and long-term receivables	**5,527**	5,472	**58,798**
Investment securities	**1,084**	695	**11,532**
Property, plant and equipment	**52,721**	55,101	**560,862**
Other intangible assets	**¥ 818**	¥ 818	**$ 8,702**

The aggregate annual maturities on long-term debt at March 31, 2013 are as follows:

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2014	¥17,281	$183,840
2015	11,522	122,575
2016	10,855	115,479
2017	6,472	68,851
2018	5,872	62,468
Thereafter	14,041	149,372
	¥66,043	$702,585

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, 2013 and 2012 was ¥50,882 million ($541,298 thousand) and ¥44,541 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, 2013, 2012 and 2011 were gains of ¥724 million ($7,702 thousand), ¥328 million and ¥838 million, respectively. Losses on other-than-temporary impairments of investment securities for the years ended March 31, 2013, 2012 and 2011 were ¥25 million ($266 thousand), ¥883 million and ¥681 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.

In July 2011, Secom General Insurance Co., Ltd., a subsidiary of the parent company, settled and transferred a portion of the tax-qualified non-contributory pension plan to the defined contribution pension plan. In accordance with ASC 715, "Compensation—Retirement Benefits," the Company accounted for these transfers as a partial settlement of benefit obligation. The amount of settlement loss was immaterial for the year ended March 31, 2012.

Net periodic pension and severance costs for the years ended March 31, 2013, 2012 and 2011 are as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2013	2012	2011	**2013**
Net periodic pension and severance costs:				
Service cost	**¥8,269**	¥5,560	¥6,313	**$87,968**
Interest cost	**1,533**	1,572	1,610	**16,309**
Expected return on plan assets	**(2,241)**	(2,130)	(2,065)	**(23,841)**
Amortization of prior service benefit	**(1,600)**	(1,649)	(1,687)	**(17,021)**
Recognized actuarial loss	**1,407**	1,222	924	**14,968**
Net periodic pension and severance costs	**¥7,368**	¥4,575	¥5,095	**$78,383**

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
	2013	2012	**2013**
Change in benefit obligation:			
Benefit obligation at beginning of year	**¥85,785**	¥82,500	**$ 912,606**
Service cost	**8,269**	5,560	**87,968**
Interest cost	**1,533**	1,572	**16,309**
Actuarial loss	**4,055**	1,487	**43,138**
Prior service liability (benefit)	**472**	(25)	**5,021**
Benefits paid	**(5,834)**	(4,957)	**(62,064)**
Acquisition	**6,871**	—	**73,096**
Settlement	**—**	(352)	**—**
Benefit obligation at end of year	**101,151**	85,785	**1,076,074**
Change in plan assets:			
Fair value of plan assets at beginning of year	**72,210**	67,831	**768,191**
Actual return on plan assets	**6,826**	1,831	**72,617**
Employer contribution	**6,171**	6,439	**65,649**
Benefits paid	**(3,801)**	(3,537)	**(40,436)**
Acquisition	**1,965**	—	**20,904**
Settlement	**—**	(354)	**—**
Fair value of plan assets at end of year	**83,371**	72,210	**886,925**
Funded status at the end of year	**(¥17,780)**	(¥13,575)	**($ 189,149)**

Amounts recognized in the consolidated balance sheet at March 31, 2013 and 2012 consist of:

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2013	2012	**2013**
Prepaid pension and severance costs	**¥11,538**	¥ 7,846	**$122,745**
Accrued pension and severance costs	**(29,318)**	(21,421)	**(311,894)**
Net amount recognized	**(¥17,780)**	(¥13,575)	**($189,149)**

Other changes in plan assets and benefit obligations recognized in other comprehensive income (loss) for the year ended March 31, 2013 are summarized as follows:

	In millions of yen	In thousands of U.S. dollars
Current year actuarial gain	**(¥ 530)**	**($ 5,638)**
Amortization of actuarial loss	**(1,407)**	**(14,968)**
Current year prior service benefit	**472**	**5,021**
Amortization of prior service benefit	**1,600**	**17,021**
	¥ 135	**$ 1,436**

Amounts recognized in accumulated other comprehensive income (loss) at March 31, 2013 and 2012 consist of:

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2013	2012	**2013**
Actuarial loss	**¥30,715**	¥32,652	**$326,755**
Prior service benefit	**(5,734)**	(7,806)	**(61,000)**
Net amount recognized	**¥24,981**	¥24,846	**$265,755**

The estimated prior service benefit and actuarial loss for the defined benefit pension plans that will be amortized from accumulated other comprehensive income (loss) into net periodic benefit cost over the next year are ¥1,598 million ($17,000 thousand) and ¥1,540 million ($16,383 thousand), respectively.

The accumulated benefit obligation for the pension plan was ¥92,862 million ($987,894 thousand) and ¥78,805 million at March 31, 2013 and 2012, 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 ¥47,619 million ($506,585 thousand), ¥42,896 million ($456,340 thousand) and ¥18,564 million ($197,489 thousand), respectively, at March 31, 2013, and ¥35,768 million, ¥32,102 million and ¥14,555 million, respectively, at March 31, 2012.

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, 2013 and 2012 are as follows:

	March 31	
	2013	2012
Discount rate	**1.4%**	1.8%
Rate of compensation increase	**2.7%**	2.6%

Weighted-average assumptions used to determine net pension and severance costs for the years ended March 31, 2013, 2012 and 2011 are as follows:

	Years ended March 31		
	2013	2012	2011
Discount rate	**1.8%**	2.1%	2.2%
Expected return on plan assets	**3.0%**	3.0%	3.0%
Rate of compensation increase	**2.6%**	2.6%	2.6%

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

The Company's investment policy is designed to ensure that sufficient plan assets are available to provide future payments of pension benefits to the eligible plan participants. The policy does not use target allocations for the individual asset categories. Plan assets are invested primarily in equity and debt securities, and pooled funds with the objective to minimize risk and achieve the expected rate of return. The investment results are periodically checked and asset allocation is adjusted as necessary.

The following table represents the fair value of the Company's pension plan assets at March 31, 2013 and 2012. The three levels of inputs used to measure fair value are more fully described in Note 22.

	In millions of yen			
	March 31, 2013			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	**¥ 899**	**¥ —**	**¥ —**	**¥ 899**
Equity securities				
Japanese companies	**12,043**	**—**	**—**	**12,043**
Debt securities				
Government bonds	**3,708**	**75**	**—**	**3,783**
Non-government bonds	**774**	**200**	**911**	**1,885**
Pooled funds	**—**	**26,831**	**20,807**	**47,638**
Call loans	**—**	**8,071**	**—**	**8,071**
Insurance contracts	**—**	**8,836**	**—**	**8,836**
Other	**—**	**(552)**	**768**	**216**
	¥17,424	**¥43,461**	**¥22,486**	**¥83,371**

* The plan's equity securities include common stock of the parent company and its domestic subsidiaries in the amount of ¥3 million at March 31, 2013.
* The plan's government bonds invest approximately 95% in Japanese bonds and 5% in foreign bonds. The non-goverment bonds invest approximately 50% in Japanese bonds and 50% in foreign bonds.
* The pension investment trust fund included in the plan's pooled funds is classified as Level 2, and invests approximately 65% in equity securities, 30% in debt securities and 5% in other investments. The unquoted beneficial certificate of security investment trust included in the plan's pooled funds is classified as Level 3.

	In millions of yen			
	March 31, 2012			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	¥ 1,720	¥ —	¥ —	¥ 1,720
Equity securities				
Japanese companies	9,420	—	—	9,420
Debt securities				
Government bonds	5,772	66	1	5,839
Non-government bonds	1,530	—	794	2,324
Pooled funds	—	23,150	16,669	39,819
Call loans	—	6,630	—	6,630
Insurance contracts	—	6,349	—	6,349
Other	—	(341)	450	109
Total	¥18,442	¥35,854	¥17,914	¥72,210

* The plan's equity securities include common stock of the parent company and its domestic subsidiaries in the amount of ¥182 million at March 31, 2012.
* The plan's government bonds invest approximately 95% in Japanese bonds and 5% in foreign bonds. The non-goverment bonds invest approximately 65% in Japanese bonds and 35% in foreign bonds.
* The pension investment trust fund included in the plan's pooled funds is classified as Level 2, and invests approximately 40% in equity securities, 55% in debt securities and 5% in other investments. The unquoted beneficial certificate of security investment trust included in the plan's pooled funds is classified as Level 3.

	In thousands of U.S. dollars			
	March 31, 2013			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 9,564	$ —	$ —	$ 9,564
Equity securities				
Japanese companies	128,117	—	—	128,117
Debt securities				
Government bonds	39,447	798	—	40,245
Non-government bonds	8,234	2,127	9,692	20,053
Pooled funds	—	285,436	221,351	506,787
Call loans	—	85,862	—	85,862
Insurance contracts	—	94,000	—	94,000
Other	—	(5,873)	8,170	2,297
	$185,362	$462,350	$239,213	$886,925

*The plan's equity securities include common stock of the parent company and its domestic subsidiaries in the amount of $31 thousand at March 31, 2013.
*The plan's government bonds invest approximately 95% in Japanese bonds and 5% in foreign bonds. The non-goverment bonds invest approximately 50% in Japanese bonds and 50% in foreign bonds.
*The pension investment trust fund included in the plan's pooled funds is classified as Level 2, and invests approximately 65% in equity securities, 30% in debt securities and 5% in other investments. The unquoted beneficial certificate of security investment trust included in the plan's pooled funds is classified as Level 3.

The following table represents the changes in Level 3 investments for the years ended March 31, 2013 and 2012.

Level 3 investments, mainly in the unquoted beneficial certificate of security investment trust in the plan's pooled funds, are at the discretion of the administrator of the fund. Their fair values are estimated based on unobservable inputs provided by the administrator of the fund.

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

	In millions of yen				
	Year ended March 31, 2012				
	Debt securities				
	Government bonds	Non-government bonds	Pooled funds	Other	Total
Balance at beginning of year	¥ 6	¥651	¥16,113	¥ —	¥16,770
Actual return on plan assets:					
Relating to assets sold during the year	—	273	298	—	571
Relating to assets held at end of year	(3)	143	179	—	319
Purchases, sales and settlements, net	(2)	(273)	79	450	254
Transfer into (from) Level 3	—	—	—	—	—
Balance at end of year	¥ 1	¥794	¥16,669	¥450	¥17,914

	In thousands of U.S. dollars				
	Year ended March 31, 2013				
	Debt securities				
	Government bonds	Non-government bonds	Pooled funds	Other	Total
Balance at beginning of year	$11	$8,447	$177,330	$4,787	$190,575
Actual return on plan assets:					
Relating to assets sold during the year	—	—	(6,617)	191	(6,426)
Relating to assets held at end of year	—	1,245	34,319	(2,979)	32,585
Purchases, sales and settlements, net	—	—	8,681	2,989	11,670
Transfer into (from) Level 3	(11)	—	7,638	3,182	10,809
Balance at end of year	$—	$9,692	$221,351	$8,170	$239,213

The Company expects to contribute ¥6,204 million ($66,000 thousand) to its domestic defined benefit plans in the year ending March 31, 2014.

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

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2014	¥ 5,114	$ 54,404
2015	4,350	46,277
2016	5,013	53,330
2017	4,798	51,043
2018	5,431	57,777
2019–2023	28,658	304,872

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, 2013, 2012 and 2011 were ¥1,645 million ($17,500 thousand), ¥1,613 million and ¥1,596 million, respectively.

16. Exchange Gains and Losses

Other income for the year ended March 31, 2013 includes net exchange gains of ¥276 million ($2,936 thousand). Other expenses for the years ended March 31, 2012 and 2011 include net exchange losses of ¥145 million and ¥635 million, respectively.

17. Income Taxes

Total income taxes for the years ended March 31, 2013, 2012 and 2011 are allocated as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2013	2012	2011	**2013**
Consolidated income taxes	**¥46,849**	¥38,202	¥43,277	**$498,394**
Shareholders' equity—accumulated other comprehensive income (loss):				
Unrealized holding gains (losses) on securities	**3,379**	1,236	(1,946)	**35,947**
Unrealized gains on derivative instruments	**5**	—	—	**53**
Pension liability adjustments	**(255)**	(763)	(654)	**(2,713)**
Foreign currency translation adjustments	**—**	—	—	**—**
Equity transactions with noncontrolling interests and other	**—**	—	(154)	**—**
	¥49,978	¥38,675	¥40,523	**$531,681**

The parent company and its domestic subsidiaries were subject to a corporate tax of 28.05 percent for the year ended March 31, 2013 and 30 percent for the years ended March 31, 2012 and 2011, an inhabitants tax of approximately 20.3 percent, and a deductible enterprise tax of approximately 7.4 percent, which, in the aggregate, results in a statutory tax rate in Japan of approximately 37.8 percent for the year ended March 31, 2013 and 40.5 percent for the years ended March 31, 2012 and 2011.

Due to the promulgation on December 2, 2011 of the Act for Partial Amendment of the Income Tax Act, etc. for the Purpose of Creating a Taxation System Responding to Changes in Economic and Social Structures and the Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction Following the Great East Japan Earthquake, the statutory tax rate used to calculate the deferred tax assets and liabilities for the year ended March 31, 2012 changed mainly from 40.5 percent to 37.8 percent for those items scheduled for collection or payment during the period from April 1, 2012 to March 31, 2015, and to 35.4 percent for those items scheduled for collection or payment on or after April 1, 2015. As a result, income taxes for the year ended March 31, 2012 increased by ¥2,464 million.

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

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2013	2012	2011	**2013**
Income taxes computed at statutory tax rate	**¥45,208**	¥32,853	¥43,677	**$480,936**
Increase (decrease) resulting from:				
Provision of valuation allowance	**909**	7,905	97	**9,670**
Per capita tax	**850**	806	831	**9,043**
Reversal of valuation allowance	**(518)**	(6,000)	(736)	**(5,511)**
Net effect of changes in corporate tax rates	**—**	2,464	—	**—**
Other, net	**400**	174	(592)	**4,256**
Consolidated income taxes	**¥46,849**	¥38,202	¥43,277	**$498,394**

The significant components of deferred tax assets and liabilities at March 31, 2013 and 2012 are as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2013	2012	**2013**
Deferred tax assets:			
Loss carryforwards	**¥11,821**	¥11,137	**$125,755**
Accrued pension and severance costs	**10,108**	7,357	**107,532**
Deferred revenue	**9,438**	10,015	**100,404**
Adjustment of book value at the date of acquisition—			
Land and buildings	**8,510**	7,033	**90,532**
Other assets	**315**	285	**3,351**
Property, plant and equipment	**7,820**	7,454	**83,191**
Accrued bonus	**6,266**	5,770	**66,660**
Write-down on real estate inventories	**4,536**	5,371	**48,255**
Vacation accrual	**3,493**	3,545	**37,160**
Allowance for doubtful accounts	**2,676**	2,825	**28,468**
Intangible assets	**1,499**	1,594	**15,947**
Investment securities	**464**	1,941	**4,936**
Other	**9,979**	7,241	**106,160**
Gross deferred tax assets	**76,925**	71,568	**818,351**
Less: Valuation allowance	**(30,227)**	(29,928)	**(321,564)**
Total deferred tax assets	**46,698**	41,640	**496,787**
Deferred tax liabilities:			
Adjustment of book value at the date of acquisition—			
Land and buildings	**(5,632)**	(5,143)	**(59,915)**
Intangible assets	**(5,448)**	(54)	**(57,957)**
Other assets	**(2,075)**	(1,303)	**(22,074)**
Deferred installation costs	**(7,086)**	(7,920)	**(75,383)**
Unrealized holding gains on securities	**(5,777)**	(2,236)	**(61,457)**
Investments in affiliated companies	**(5,105)**	(5,057)	**(54,309)**
Prepaid pension and severance costs	**(4,010)**	(2,710)	**(42,660)**
Other	**(4,558)**	(4,468)	**(48,489)**
Gross deferred tax liabilities	**(39,691)**	(28,891)	**(422,244)**
Net deferred tax assets	**¥ 7,007**	¥12,749	**$ 74,543**

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, 2013, 2012 and 2011 was an increase of ¥299 million ($3,181 thousand), a decrease of ¥3,771 million and an increase of ¥1,604 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, 2013 and 2012.

Net deferred tax assets at March 31, 2013 and 2012 are reflected in the accompanying consolidated balance sheets under the following captions:

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2013	2012	**2013**
Deferred income taxes (Current assets)	**¥15,387**	¥12,853	**$163,691**
Deferred income taxes (Other assets)	**6,750**	10,185	**71,809**
Other current liabilities	**(995)**	(1,174)	**(10,585)**
Deferred income taxes (Liabilities)	**(14,135)**	(9,115)	**(150,372)**
Net deferred tax assets	**¥ 7,007**	¥12,749	**$ 74,543**

The Company has not recognized deferred tax liabilities of ¥551 million ($5,862 thousand) for a portion of undistributed earnings of foreign subsidiaries totaling ¥16,968 million ($180,511 thousand) at March 31, 2013 as they are not expected to be remitted in the foreseeable future.

At March 31, 2013, the operating loss carryforwards of domestic subsidiaries amounted to ¥28,280 million ($300,851 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
2014	¥ 2,885	$ 30,691
2015	2,926	31,128
2016	—	—
2017	—	—
2018	8,429	89,670
2019	6,963	74,074
2020	2,220	23,617
2021	1,426	15,170
2022	3,431	36,501
	¥28,280	$300,851

The operating loss carryforwards of overseas subsidiaries at March 31, 2013 amounted to ¥4,575 million ($48,670 thousand), a part of which will begin to expire in the year ending March 31, 2014.

The total amount of unrecognized tax benefits for the years ended March 31, 2013, 2012 and 2011 were insignificant. Also, there were no significant movements in the gross amounts of unrealized tax benefits and the amounts of interest and penalties recognized due to the unrecognized tax benefits during the years ended March 31, 2013, 2012 and 2011.

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 the future periods. Based on the information available as of March 31, 2013, 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 2012, with few 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, 2013, 2012 and 2011 are as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2013	2012	2011	**2013**
Net income attributable to SECOM CO., LTD.	**¥70,580**	¥41,237	¥62,665	**$750,851**
Transfers from (to) noncontrolling interests:				
Decrease in additional paid-in capital related to the acquisition of Secom Techno Service Co., Ltd.'s ownership interests	**—**	(476)	(5,692)	**—**
Other, net	**(752)**	(166)	151	**(8,000)**
Net transfers from (to) noncontrolling interests	**(752)**	(642)	(5,541)	**(8,000)**
Change from net income attributable to SECOM CO., LTD. and transfers from (to) noncontrolling interests	**¥69,828**	¥40,595	¥57,124	**$742,851**

(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 ¥437,743 million ($4,656,840 thousand) at March 31, 2013.

Subsequent to March 31, 2013, the parent company's Board of Directors declared an annual cash dividend of ¥105 ($1.12) per share, totaling ¥22,918 million ($243,809 thousand), to shareholders of record on March 31, 2013. The dividend declared was approved at the general shareholders' meeting held on June 25, 2013. Dividends are recorded in the year they are declared.

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

(3) Common Stock in Treasury

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

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

(4) Other Comprehensive Income (Loss)

Components of other comprehensive income (loss) attributable to SECOM CO., LTD. for the years ended March 31, 2013, 2012 and 2011 are as follows:

In millions of yen

	Pre-tax amount	Tax (expense) or benefit	Net-of-tax amount
For the year ended March 31, 2013:			
Unrealized holding gains on securities—			
Unrealized holding gains or losses arising during the period	**¥10,990**	**(¥3,603)**	**¥ 7,387**
Less: Reclassification adjustment for gains or losses included in net income	**(697)**	**224**	**(473)**
Unrealized gains on derivative instruments—			
Unrealized gains or losses arising during the year	**5**	**(2)**	**3**
Less: Reclassification adjustment for gains or losses included in net income	**8**	**(3)**	**5**
Pension liability adjustments—			
Unrealized gains or losses arising during the period	**(799)**	**235**	**(564)**
Less: Reclassification adjustment for gains or losses realized in net income	**22**	**20**	**42**
Foreign currency translation adjustments	**9,346**	**—**	**9,346**
Other comprehensive income (loss)	**¥18,875**	**(¥3,129)**	**¥15,746**

In millions of yen

	Pre-tax amount	Tax (expense) or benefit	Net-of-tax amount
For the year ended March 31, 2012:			
Unrealized holding gains on securities—			
Unrealized holding gains or losses arising during the period	¥3,230	(¥1,009)	¥2,221
Less: Reclassification adjustment for gains or losses included in net income	521	(227)	294
Unrealized gains on derivative instruments—			
Unrealized gains or losses arising during the year	—	—	—
Less: Reclassification adjustment for gains or losses included in net income	6	—	6
Pension liability adjustments—			
Unrealized gains or losses arising during the period	(1,867)	489	(1,378)
Less: Reclassification adjustment for gains or losses realized in net income	(509)	274	(235)
Foreign currency translation adjustments	(3,432)	—	(3,432)
Other comprehensive income (loss)	(¥2,051)	(¥ 473)	(¥2,524)
For the year ended March 31, 2011:			
Unrealized holding losses on securities—			
Unrealized holding gains or losses arising during the period	(¥ 4,760)	¥1,719	(¥ 3,041)
Less: Reclassification adjustment for gains or losses included in net income	(658)	227	(431)
Unrealized gains on derivative instruments—			
Unrealized gains or losses arising during the year	3	—	3
Less: Reclassification adjustment for gains or losses included in net income	9	—	9
Pension liability adjustments—			
Unrealized gains or losses arising during the period	(1,052)	424	(628)
Less: Reclassification adjustment for gains or losses realized in net income	(574)	230	(344)
Foreign currency translation adjustments	(6,399)	—	(6,399)
Other comprehensive income (loss)	(¥13,431)	¥2,600	(¥10,831)

	In thousands of U.S. dollars		
	Pre-tax amount	Tax (expense) or benefit	Net-of-tax amount
For the year ended March 31, 2013:			
Unrealized holding gains on securities—			
Unrealized holding gains or losses arising during the period	**$116,915**	**($38,330)**	**$78,585**
Less: Reclassification adjustment for gains or losses included in net income	**(7,415)**	**2,383**	**(5,032)**
Unrealized gains on derivative instruments—			
Unrealized gains or losses arising during the year	**53**	**(21)**	**32**
Less: Reclassification adjustment for gains or losses included in net income	**85**	**(32)**	**53**
Pension liability adjustments—			
Unrealized gains or losses arising during the period	**(8,500)**	**2,500**	**(6,000)**
Less: Reclassification adjustment for gains or losses realized in net income	**234**	**213**	**447**
Foreign currency translation adjustments	**99,426**	**—**	**99,426**
Other comprehensive income (loss)	**$200,798**	**($33,287)**	**$167,511**

19. Lessee

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

On April 23, 1996, the Company entered into a long-term lease agreement for a building and land in Mitaka, Tokyo. The lease term is 30 years beginning May 1, 1996. On July 15, 2010, the Company also entered into a long-term lease agreement for the building and adjoining land. 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 ($76,691 thousand) has been recorded in the building and improvements account. The portion of the lease relating to the land has been classified as an operating lease. The future minimum lease payments for the site at March 31, 2013 were ¥6,252 million ($66,511 thousand).

A summary of leased assets under capital leases at March 31, 2013 and 2012 is as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2013	2012	**2013**
Buildings and improvements	**¥ 8,209**	¥ 8,235	**$ 87,330**
Machinery, equipment and automobiles	**10,198**	10,349	**108,489**
Other intangible assets	**163**	127	**1,734**
Accumulated depreciation	**(8,598)**	(8,215)	**(91,468)**
	¥ 9,972	¥10,496	**$106,085**

Depreciation expenses for assets under capital leases for the years ended March 31, 2013, 2012 and 2011 were ¥2,688 million ($28,596 thousand), ¥2,630 million and ¥3,368 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, 2013:

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2014	¥ 2,639	$ 28,074
2015	2,071	22,032
2016	1,382	14,702
2017	1,011	10,755
2018	800	8,511
Thereafter	8,232	87,575
Total minimum lease payments	16,135	171,649
Less: Amount representing interest	(5,005)	(53,245)
Present value of net minimum lease payments (Note 13)	11,130	118,404
Less: Current portion	(2,238)	(23,808)
Long-term capital lease obligations	¥ 8,892	$ 94,596

Rental expenses under operating leases for the years ended March 31, 2013, 2012 and 2011 were ¥18,264 million ($194,298 thousand), ¥16,419 million and ¥16,504 million, respectively. A significant portion of such rentals relates to cancelable short-term leases for office space and employee residential facilities, many of which are renewed upon expiration.

On December 8, 2000, the Company entered into a lease agreement for a building and land in Shibuya, Tokyo. The lease term is 20 years beginning December 8, 2000. For financial reporting purposes, the lease has been classified as an operating lease. Based on the agreement, annual lease payments for the site are approximately ¥1,299 million ($13,819 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, 2013 are as follows:

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2014	¥ 7,794	$ 82,915
2015	7,886	83,894
2016	7,847	83,479
2017	7,825	83,245
2018	7,824	83,234
Thereafter	39,085	415,797
Total future minimum lease payments	¥78,261	$832,564

20. Lessor

The Company's leasing operations consist principally of leasing of security merchandise, security systems and real estate for office and medical institutions. Most of the security merchandise, security systems and certain real estate for medical institutions 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, 2013 and 2012 is as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2013	2012	2013
Total minimum lease payments to be received	¥52,780	¥34,950	$561,489
Estimated executory cost	(4,671)	(2,982)	(49,691)
Estimated unguaranteed residual value	1,262	1,261	13,426
Unearned income	(9,609)	(6,911)	(102,224)
Lease receivables, net	39,762	26,318	423,000
Less: Current portion	(12,034)	(7,882)	(128,021)
Long-term lease receivables, net	¥27,728	¥18,436	$294,979

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, 2013:

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2014	¥15,007	$159,648
2015	11,615	123,564
2016	8,720	92,766
2017	5,734	61,000
2018	3,291	35,011
Thereafter	8,413	89,500
Total future minimum lease payments to be received	¥52,780	$561,489

A summary of investment in property under operating leases and property held for lease at March 31, 2013 and 2012 is as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2013	2012	2013
Land	¥35,458	¥36,950	$377,213
Buildings and improvements	28,541	29,426	303,628
Other intangible assets	662	662	7,043
Accumulated depreciation	(9,687)	(9,190)	(103,054)
	¥54,974	¥57,848	$584,830

The future minimum rentals under noncancelable operating leases at March 31, 2013 are as follows:

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2014	¥2,138	$22,745
2015	425	4,521
2016	297	3,160
2017	297	3,160
2018	297	3,160
Thereafter	5,448	57,956
Total future minimum rentals	¥8,902	$94,702

21. Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of financial instruments in cases for which it is practicable.

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

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

(2) Short-Term Investments; Investment Securities

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

(3) Long-Term Receivables Including Current Portion

The 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

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

(5) Investment Deposits by Policyholders

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

(6) Derivatives

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

The carrying amounts and estimated fair values of financial instruments, excluding debt and equity securities, which are disclosed in Notes 2 (7) and 7 at March 31, 2013 and 2012 are as follows:

	In millions of yen			
	March 31			
	2013		2012	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Non-derivatives:				
Assets—				
Long-term receivables including current portion (Less allowance for doubtful accounts)	¥55,976	¥57,159	¥43,837	¥45,196
Liabilities—				
Long-term debt including current portion	66,043	66,155	59,076	59,205
Investment deposits by policyholders	29,483	30,831	30,755	31,171
Derivatives:				
Assets—				
Equity swaps (Other current assets)	59	59	—	—
Liabilities—				
Interest rate swaps (Other liabilities)	239	239	160	160

	In thousands of U.S. dollars	
	March 31, 2013	
	Carrying amount	Estimated fair value
Non-derivatives:		
Assets—		
Long-term receivables including current portion (Less allowance for doubtful accounts)	$595,489	$608,074
Liabilities—		
Long-term debt including current portion	702,585	703,777
Investment deposits by policyholders	313,649	327,989
Derivatives:		
Assets—		
Equity swaps (Other current assets)	628	628
Liabilities—		
Interest rate swaps (Other liabilities)	2,543	2,543

Limitation:

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

22. Fair Value Measurements

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

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

The following table represents the Company's assets and liabilities that are measured at fair value on a recurring basis at March 31, 2013 and 2012. Transfers between levels are recognized at the end of their respective reporting periods.

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

	In millions of yen			
	March 31, 2012			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents	¥ 33	¥ 2,609	¥ —	¥ 2,642
Short-term investments and investment securities	96,716	16,007	27,368	140,091
Total assets	¥96,749	¥18,616	¥27,368	¥142,733
Liabilities:				
Derivatives (Other liabilities)	¥ —	¥ 160	¥ —	¥ 160
Total liabilities	¥ —	¥ 160	¥ —	¥ 160

	In thousands of U.S. dollars			
	March 31, 2013			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents	$ 468	$ 27,670	$ —	$ 28,138
Short-term investments and investment securities	1,034,648	187,298	421,149	1,643,095
Derivatives (Other current assets)	—	628	—	628
Total assets	$1,035,116	$215,596	$421,149	$1,671,861
Liabilities:				
Derivatives (Other liabilities)	$ —	$ 2,543	$ —	$ 2,543
Total liabilities	$ —	$ 2,543	$ —	$ 2,543

Cash Equivalents

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

Short-Term Investments and Investment Securities

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

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

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

For the year ended March 31, 2013, ¥3,403 million ($36,202 thousand) 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 are comprised of forward exchange contracts, interest rate swaps and others. These derivative instruments are valued using observable market data and classified as Level 2 liabilities.

The following table represents the changes in Level 3 assets measured on a recurring basis for the years ended March 31, 2013 and 2012.

	In millions of yen		In thousands of U.S. dollars
	Years ended March 31		Year ended March 31
	2013	2012	**2013**
Balance at beginning of year	**¥27,368**	¥27,431	**$291,149**
Total gains or losses (realized or unrealized):			
Included in earnings	**4,934**	3,998	**52,489**
Included in other comprehensive income	**162**	19	**1,723**
Purchases	**4,283**	4,055	**45,564**
Sales	**(108)**	(6,662)	**(1,149)**
Redemptions	**(343)**	(235)	**(3,649)**
Foreign currency translation adjustments	**3,292**	(1,238)	**35,022**
Balance at end of year	**¥39,588**	¥27,368	**$421,149**
Changes in unrealized gains or losses relating to instruments still held at end of year:			
Included in earnings	**¥ 4,831**	¥ 1,736	**$ 51,394**

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

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Non-marketable equity securities with a carrying amount of ¥10,179 million ($108,288 thousand) were written down to their fair value of ¥10,178 million ($108,277 thousand), resulting in an other-than-temporary impairment charge of ¥1 million ($11 thousand), which was included in earnings for the year ended March 31, 2013. For the year ended March 31, 2012, non-marketable equity securities with a carrying amount of ¥9,801 million were written down to their fair value of ¥9,756 million, resulting in an other-than-temporary impairment charge of ¥45 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.

23. Derivative Financial Instruments

(1) Risk Management Policy

The Company utilizes derivative financial instruments in the normal course of business to reduce exposure to fluctuations in interest rates. The Company assesses interest rate risk by continually monitoring changes in the exposure and by evaluating hedging opportunities. The Company does not hold or issue derivative financial instruments for trading purposes. The Company is also exposed to credit-related losses in the event of non-perfomance by counterparties to derivative financial instruments, but it is not expected that any counterparties will fail to meet their obligations, because most of the counterparties are internationally recognized financial institutions and contracts are diversified amongst a number of major financial institutions.

(2) Risk Management

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

(3) Cash Flow Hedge

The Company designates interest rate swap agreements as cash flow hedges for variability of cash flows originating from floating rate borrowings. The interest rate swap agreements mature at various dates through 2015. The effective portion of changes in fair values of derivative instruments designated as cash flow hedges of these debt obligations are reported in other comprehensive income (loss). These amounts are reclassified into current income in the same period that hedged items affect current income. The ineffective portion of changes in fair values are reported in income immediately. The sum of the amount of hedge ineffectiveness and net gains or losses excluded from the assessment of hedge effectiveness is not material for the years ended March 31, 2013, 2012 and 2011 as the critical terms of most of the interest rate swap agreements match the terms of the hedged debt obligations. Approximately ¥4 million ($43 thousand) of net derivative income included in accumulated other comprehensive income, net of tax at March 31, 2013, will be reclassified into current income within 12 months from that date. At March 31, 2013 and 2012, the notional principal amount of interest rate swap agreements designated as cash flow hedges was ¥3,664 million ($38,979 thousand) and nil, respectively.

(4) Derivative Instruments Not Designated as Hedges

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

Fair values of derivative instruments reflected in the consolidated balance sheet as of March 31, 2013 and 2012 are as follows:

Derivatives designated as hedging instruments
Liabilities:

		In millions of yen		In thousands of U.S. dollars
		March 31		March 31
	Location	**2013**	2012	**2013**
Interest rate swaps	Other liabilities	**¥68**	¥—	**$724**

Derivatives not designated as hedging instruments

		In millions of yen		In thousands of U.S. dollars
		March 31		March 31
	Location	**2013**	2012	**2013**
Assets:				
Equity swaps	Other current assets	**¥ 59**	¥ —	**$ 628**
Liabilities:				
Interest rate swaps	Other liabilities	**¥171**	¥160	**$1,819**

Effects of derivative instruments on the consolidated statements of income for the years ended March 31, 2013, 2012 and 2011 are as follows:

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

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2013	2012	2011	**2013**
Interest rate swaps	**¥5**	¥—	¥4	**$53**

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

		In millions of yen			In thousands of U.S. dollars
		Years ended March 31			Year ended March 31
	Location	**2013**	2012	2011	**2013**
Interest rate swaps	Other expenses	**(¥9)**	(¥8)	(¥12)	**($96)**

Derivatives not designated as hedging instruments

		In millions of yen			In thousands of U.S. dollars
		Years ended March 31			Year ended March 31
	Location	**2013**	2012	2011	**2013**
Equity swaps	Other income	**¥59**	¥—	¥ —	**$628**
Forward exchange contracts	Other expenses	**¥—**	¥—	(¥286)	**$ —**
Interest rate swaps	Other expenses	**(¥13)**	(¥ 9)	(¥ 31)	**($138)**

24. Commitments and Contingent Liabilities

The Company has commitments outstanding at March 31, 2013 for the purchase of property, plant and equipment of approximately ¥5,661 million ($60,223 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 ¥2,014 million ($21,426 thousand) at March 31, 2013. The carrying amounts of the liabilities recognized for the Company's obligations under these guarantees at March 31, 2013 and 2012 were deemed insignificant.

Pasco Corporation, a subsidiary of the parent company, filed a lawsuit against Sumitomo Mitsui Banking Corporation asking for a confirmatory judgment to the effect that it does not owe an obligation in the amount of ¥2,010 million to Sumitomo Mitsui Banking Corporation with the Tokyo District Court on October 31, 2005. Sumitomo Mitsui Banking Corporation alleged that it made a loan to a third party and acquired from the third party its claim against Pasco Corporation for an alleged sale of equipment to Pasco Corporation, as collateral for the loan, and demanded Pasco Corporation to pay such claim to Sumitomo Mitsui Banking Corporation. On December 5, 2005, Sumitomo Mitsui Banking Corporation brought a cross action against Pasco Corporation in relation to a demand for payment of a transferred receivable. Subsequently, both actions were consolidated according to a court procedure. The oral argument was concluded on October 31, 2008, and on March 27, 2009 Tokyo District Court rendered the following judgement:

1. Pasco Corporation must pay money to Sumitomo Mitsui Banking Corporation in an amount of ¥2,010 million as well as interest at the rate of 6 percent per annum on ¥600 million, from November 1, 2005, and on ¥1,410 million, from December 1, 2005, up to the full payment of the respective amounts;
2. Pasco Corporation incurs the cost of lawsuits including the cost caused by supplementary participation; and
3. The judgement can be provisionally executed.

Pasco Corporation appealed the case to the Tokyo High Court on April 6, 2009.

Following the decision, Pasco Corporation provided a reserve for litigation loss of ¥2,415 million for the year ended March 31, 2009.

On May 10, 2010, Pasco Corporation and Sumitomo Mitsui Banking Corporation reached a settlement under which Pasco Corporation will pay to Sumitomo Mitsui Banking Corporation an amount of ¥1,750 million, after several oral proceedings and settlement negotiations at the Tokyo High Court.

Pursuant to the settlement, Pasco Corporation accounted for ¥781 million as a reversal of reserve for litigation loss in the year ended March 31, 2010, and provided for ¥1,770 million, a sum of the above settlement amount and related litigation expenses, in the consolidated balance sheet as of March 31, 2010. These amounts were paid in the year ended March 31, 2011.

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

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

25. Supplemental Cash Flow Information

Supplemental cash flow information is as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2013	2012	2011	**2013**
Cash paid during the year for:				
Interest	**¥ 1,568**	¥ 1,601	¥ 1,689	**$ 16,881**
Income taxes	**31,761**	38,538	39,719	**337,883**
Non-cash investing and financing activities:				
Additions to obligations under capital leases	**2,381**	2,604	4,240	**25,330**
Significant acquisitions (Note 4)—				
Assets acquired	**131,747**	—	—	**1,401,564**
Liabilities assumed	**(63,833)**	—	—	**(679,074)**
Noncontrolling interests	**(21,873)**	—	—	**(232,692)**
Considerations for equity	**46,041**	—	—	**489,798**
Repayment of long-term debt	**27,000**	—	—	**287,234**
Cash and cash equivalents on hand	**(6,859)**	—	—	**(72,968)**
Total considerations	**¥ 66,182**	¥ —	¥ —	**$ 704,064**

26. 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, real estate development and sales, and information and communication related 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 represents the non-life insurance-related underwriting business in the Japanese market. The geographic information services segment represents surveying and measuring services and GIS services. The real estate development and sales segment represents development and sales of condominiums that reinforce security. The information and communication related and other services segment represents data center services, business continuity plan support, information security services, cloud services, leasing of real estate and hotel management business.

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 March 31, 2013, 2012 and 2011 is as follows:

(1) Business Segment Information

	In millions of yen			In thousands of U.S. dollars
		Years ended March 31		Year ended March 31
	2013	2012	2011	2013
Net sales and operating revenue:				
Security services—				
Customers	¥452,387	¥434,667	¥424,706	$4,812,628
Intersegment	2,484	1,791	2,095	26,426
	454,871	436,458	426,801	4,839,054
Fire protection services—				
Customers	114,130	80,678	75,176	1,214,149
Intersegment	4,308	4,093	4,887	45,830
	118,438	84,771	80,063	1,259,979
Medical services—				
Customers	140,957	134,550	125,020	1,499,543
Intersegment	165	148	151	1,755
	141,122	134,698	125,171	1,501,298
Insurance services—				
Customers	35,864	33,558	33,133	381,532
Intersegment	2,816	2,750	2,635	29,957
	38,680	36,308	35,768	411,489
Geographic information services—				
Customers	51,194	50,173	43,539	544,617
Intersegment	128	216	167	1,362
	51,322	50,389	43,706	545,979
Real estate development and sales—				
Customers	27,121	11,724	24,817	288,521
Intersegment	3,536	526	95	37,617
	30,657	12,250	24,912	326,138
Information and communication related and other services—				
Customers	40,232	27,132	25,477	428,000
Intersegment	7,270	6,800	6,541	77,340
	47,502	33,932	32,018	505,340
Total	882,592	788,806	768,439	9,389,277
Eliminations	(20,707)	(16,324)	(16,571)	(220,288)
Total net sales and operating revenue	¥861,885	¥772,482	¥751,868	$9,168,989

	In millions of yen			In thousands of U.S. dollars
		Years ended March 31		Year ended March 31
	2013	2012	2011	2013
Operating income (loss):				
Security services	¥102,855	¥101,416	¥ 99,855	$1,094,202
Fire protection services	5,981	4,443	3,158	63,628
Medical services	5,458	7,884	1,771	58,064
Insurance services	2,712	(80)	(180)	28,851
Geographic information services	2,302	3,449	3,393	24,489
Real estate development and sales	1,585	(21,598)	525	16,862
Information and communication related and other services	5,754	(4,037)	3,239	61,213
Total	126,647	91,477	111,761	1,347,309
Corporate expenses and eliminations	(13,879)	(12,651)	(11,329)	(147,649)
Operating income	¥112,768	¥ 78,826	¥100,432	$1,199,660
Other income	9,990	7,527	11,870	106,277
Other expenses	(3,161)	(5,233)	(4,458)	(33,628)
Income before income taxes and equity in net income of affiliated companies	¥119,597	¥ 81,120	¥107,844	$1,272,309

	In millions of yen			In thousands of U.S. dollars
		March 31		March 31
	2013	2012	2011	2013
Assets:				
Security services	¥ 441,020	¥ 417,202	¥ 399,361	$ 4,691,703
Fire protection services	119,781	85,786	80,346	1,274,266
Medical services	168,217	160,505	154,818	1,789,543
Insurance services	179,949	167,436	177,571	1,914,351
Geographic information services	66,040	65,968	58,697	702,553
Real estate development and sales	31,276	44,924	62,284	332,723
Information and communication related and other services	211,839	101,124	95,154	2,253,606
Total	1,218,122	1,042,945	1,028,231	12,958,745
Corporate items	83,091	97,140	103,943	883,947
Investments in affiliated companies	39,137	39,739	38,978	416,351
Total assets	¥1,340,350	¥1,179,824	¥1,171,152	$14,259,043

	In millions of yen			In thousands of U.S. dollars
		Years ended March 31		Year ended March 31
	2013	2012	2011	2013
Depreciation and amortization:				
Security services	¥44,723	¥43,806	¥44,604	$475,777
Fire protection services	1,739	1,836	1,490	18,500
Medical services	5,936	6,167	5,137	63,149
Insurance services	895	1,601	1,200	9,521
Geographic information services	2,293	1,812	1,666	24,394
Real estate development and sales	30	42	48	319
Information and communication related and other services	4,760	2,580	2,587	50,638
Total	60,376	57,844	56,732	642,298
Corporate items	298	273	219	3,170
Total depreciation and amortization	¥60,674	¥58,117	¥56,951	$645,468
Capital expenditures:				
Security services	¥36,034	¥33,853	¥27,643	$383,340
Fire protection services	1,306	670	3,602	13,894
Medical services	13,834	5,573	5,563	147,170
Insurance services	36	26	14	383
Geographic information services	1,328	2,162	2,166	14,128
Real estate development and sales	17	17	19	181
Information and communication related and other services	10,614	12,586	3,157	112,915
Total	63,169	54,887	42,164	672,011
Corporate items	181	107	34	1,925
Total capital expenditures	¥63,350	¥54,994	¥42,198	$673,936

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

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

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

	In millions of yen			In thousands of U.S. dollars
		Years ended March 31		Year ended March 31
	2013	2012	2011	2013
Electronic security services	¥311,604	¥304,408	¥302,529	$3,314,936
Other security services:				
Static guard services	47,877	46,689	46,372	509,330
Armored car services	20,532	20,609	20,129	218,426
Merchandise and other	72,374	62,961	55,676	769,936
Total security services	¥452,387	¥434,667	¥424,706	$4,812,628

(2) Geographic Segment Information

Net sales and operating revenue attributed to countries based on the geographical location of customers and long-lived assets for the years ended March 31, 2013, 2012 and 2011 were as follows:

	In millions of yen			In thousands of U.S. dollars
		Years ended March 31		Year ended March 31
	2013	2012	2011	2013
Net sales and operating revenue:				
Japan	¥828,835	¥743,727	¥726,381	$8,817,393
Other	33,050	28,755	25,487	351,596
Total	¥861,885	¥772,482	¥751,868	$9,168,989

	In millions of yen			In thousands of U.S. dollars
		March 31		March 31
	2013	2012	2011	2013
Long-lived assets:				
Japan	¥508,104	¥399,901	¥395,884	$5,405,362
Other	6,008	5,857	5,161	63,915
Total	¥514,112	¥405,758	¥401,045	$5,469,277

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

27. Subsequent Events

The Company has evaluated subsequent events through July 30, 2013, 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, 2013 and 2012, 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, 2013, 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, 2013 and 2012, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2013, in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 2 to the consolidated financial statements, in the year ended March 31, 2011, SECOM CO., LTD. and its subsidiaries adopted Accounting Standards Update No. 2009-17, Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities. Our opinion is not modified with respect to this matter.

Convenience translations

The accompanying consolidated financial statements as of and for the year ended March 31, 2013 have been translated into United States dollars solely for the convenience of the reader. We have audited the translation and, in our opinion, the consolidated financial statements expressed in Japanese yen have been translated into United States dollars on the basis set forth in Note 3 to the consolidated financial statements.

KPMG AZSA LLC

Tokyo, Japan
July 30, 2013

OTHER FINANCIAL DATA

CONTENTS

SUMMARY OF SELECTED FINANCIAL DATA

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

In millions of yen

	2013	2012	2011	2010	2009	2008
Composition of consolidated net sales and operating revenue by segment						
Net sales and operating revenue	**¥861,885**	¥772,482	¥751,868	¥670,644	¥684,016	¥701,836
Security services:	**452,387**	434,667	424,706	424,385	436,918	435,306
As a percentage of net sales and operating revenue	***52.5%***	*56.3%*	*56.5%*	*63.3%*	*63.9%*	*62.0%*
Electronic security services	**311,604**	304,408	302,529	303,459	308,279	301,521
As a percentage of net sales and operating revenue	***36.1***	*39.4*	*40.2*	*45.2*	*45.1*	*43.0*
Other security services—						
Static guard services	**47,877**	46,689	46,372	46,213	47,999	46,648
As a percentage of net sales and operating revenue	***5.6***	*6.0*	*6.2*	*6.9*	*7.0*	*6.6*
Armored car services	**20,532**	20,609	20,129	19,823	20,310	19,547
As a percentage of net sales and operating revenue	***2.4***	*2.7*	*2.7*	*3.0*	*3.0*	*2.8*
Subtotal	**68,409**	67,298	66,501	66,036	68,309	66,195
Merchandise and other	**72,374**	62,961	55,676	54,890	60,330	67,590
As a percentage of net sales and operating revenue	***8.4***	*8.2*	*7.4*	*8.2*	*8.8*	*9.6*
Fire protection services	**114,130**	80,678	75,176	80,132	84,175	82,572
As a percentage of net sales and operating revenue	***13.2***	*10.4*	*10.0*	*11.9*	*12.3*	*11.8*
Medical services	**140,957**	134,550	125,020	56,309	52,220	50,741
As a percentage of net sales and operating revenue	***16.4***	*17.4*	*16.6*	*8.4*	*7.6*	*7.2*
Insurance services	**35,864**	33,558	33,133	29,142	21,530	33,229
As a percentage of net sales and operating revenue	***4.2***	*4.4*	*4.4*	*4.3*	*3.2*	*4.7*
Geographic information services	**51,194**	50,173	43,539	41,918	40,207	39,376
As a percentage of net sales and operating revenue	***5.9***	*6.5*	*5.8*	*6.3*	*5.9*	*5.6*
Real estate development and sales	**27,121**	11,724	24,817	13,268	22,072	29,928
As a percentage of net sales and operating revenue	***3.1***	*1.5*	*3.3*	*2.0*	*3.2*	*4.3*
Information and communication related and other services	**40,232**	27,132	25,477	25,490	26,894	30,684
As a percentage of net sales and operating revenue	***4.7***	*3.5*	*3.4*	*3.8*	*3.9*	*4.4*
Net income attributable to SECOM CO., LTD., cash dividends and SECOM CO., LTD. shareholders' equity						
Net income attributable to SECOM CO., LTD.	**¥ 70,580**	¥ 41,237	¥ 62,665	¥ 46,989	¥ 30,560	¥ 61,756
Cash dividends (paid)[2]	**19,645**	19,623	18,533	18,533	19,122	17,998
SECOM CO., LTD. shareholders' equity	**679,176**	612,855	593,495	569,799	528,721	574,554
Consolidated financial ratios						
Percentage of working capital accounted for by:						
Debt						
Bank loans	**5.0**	5.7	6.8	6.5	11.9	17.5
Current portion of long-term debt	**2.2**	3.1	1.7	1.6	2.4	1.2
Straight bonds	**1.1**	1.4	2.0	2.6	1.9	1.8
Other long-term debt	**5.1**	3.8	5.5	3.6	3.6	4.0
Total debt	**13.4**	14.0	16.0	14.3	19.8	24.5
SECOM CO., LTD. shareholders' equity	**86.6**	86.0	84.0	85.7	80.2	75.5
Total capitalization	**100.0**	100.0	100.0	100.0	100.0	100.0
Return on total assets (percentage)[a]	**5.3**	3.5	5.4	4.1	2.7	4.9
Return on equity (percentage)[b]	**10.4**	6.7	10.6	8.2	5.8	10.7
Percentage of net sales and operating revenue absorbed by[c]:						
Depreciation and amortization	**6.9**	7.5	7.6	8.2	7.9	8.2
Rental expense under operating leases	**2.1**	2.1	2.2	2.1	2.2	2.3
Ratio of accumulated depreciation to depreciable assets (percentage)	**60.0**	63.4	62.5	64.9	64.4	63.8
Net property turnover (times)[c]	**2.24**	2.49	2.49	2.55	2.66	2.81
Before-tax interest coverage (times)[c][d]	**78.8**	51.8	65.1	53.5	32.4	53.7

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

	2013	2012	2011	2010	2009	2008
Number of shares outstanding						
Issued	**233,288,717**	233,288,717	233,288,717	233,288,717	233,288,717	233,288,717
Owned by the Company	**15,018,951**	15,017,691	15,258,553	15,254,334	15,251,520	8,323,599
Balance	**218,269,766**	218,271,026	218,030,164	218,034,383	218,037,197	224,965,118
Per share information						
Net income attributable to SECOM CO., LTD. per share (in yen)[(1)]	**¥ 323.36**	¥ 188.97	¥ 287.41	¥ 215.51	¥ 137.42	¥ 274.51
Cash dividends paid per share (in yen)[(2)]	**90.00**	90.00	85.00	85.00	85.00	80.00
SECOM CO., LTD. shareholders' equity per share (in yen)[(3)]	**3,111.64**	2,807.77	2,722.08	2,613.34	2,424.91	2,553.97
Cash flow per share (in yen)[(1) (e)]	**491.52**	365.28	458.62	383.36	299.72	448.19
Price/Book value ratio	**1.56**	1.44	1.42	1.57	1.50	1.90
Price/Earnings ratio	**15.00**	21.43	13.45	18.98	26.41	17.63
Price/Cash flow ratio	**9.87**	11.09	8.43	10.67	12.11	10.80
Stock price at year-end (in yen)	**4,850**	4,050	3,865	4,090	3,630	4,840

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, 2013, cash dividends of ¥22,918 million (¥105 per share) were approved at the general shareholders' meeting on June 25, 2013 (see Note 18 of the accompanying notes to consolidated financial statements).
(3) Per share amounts are based on the number of shares outstanding at the end of each period, less treasury stock.

COMMON STOCK DATA

SECOM CO., LTD.
As of March 31

SHAREHOLDER INFORMATION	2013	2012	2011	2010	2009	2008
Number of shareholders	**27,628**	29,118	30,338	31,488	30,859	28,512
Common shares held by:						
Japanese government and local public entities	**—%**	—%	0.08%	0.08%	0.00%	—%
Financial institutions	**30.86**	29.88	30.76	31.34	35.67	33.84
Securities firms	**5.58**	6.08	4.75	4.28	2.55	3.86
Other domestic corporations	**3.63**	3.68	3.71	3.73	3.76	3.81
Foreign investors	**41.33**	41.25	41.27	40.77	38.17	41.71
Individuals and others	**12.16**	12.67	12.89	13.26	13.31	13.21
Treasury stock	**6.44**	6.44	6.54	6.54	6.54	3.57
Total	**100.00%**	100.00%	100.00%	100.00%	100.00%	100.00%

PRICE INFORMATION (TOKYO STOCK EXCHANGE)		Price per share (in yen)		Nikkei Stock Average (in yen)	
		High	Low	High	Low
2011	April–June	¥4,145	¥3,660	¥10,004.20	¥ 9,351.40
	July–September	3,975	3,435	10,137.73	8,374.13
	October–December	3,830	3,390	9,050.47	8,160.01
2012	January–March	4,190	3,390	10,255.15	8,378.36
	April–June	4,040	3,325	10,109.87	8,295.63
	July–September	4,125	3,580	9,232.21	8,365.90
	October–December	4,360	3,860	10,395.18	8,534.12
2013	January–March	5,120	4,295	12,635.69	10,486.99

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, 2013, the number of shares outstanding was 233,289 thousand and share capital was ¥66,377,829 thousand.
*One share was split into two.