



## ANNUAL REPORT 2013

Year ended March 31, 2013

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

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Since its establishment in 1962, **SECOM CO., LTD.**, a pioneer in Japan’s security services industry, has sought to develop and encourage broad acceptance of its innovative, integrated services and systems that contribute to security and peace of mind, in line with its belief in the importance of contributing to society through its business activities. Such efforts have enabled SECOM to achieve steady growth.

Beginning with Japan’s first on-line security system for commercial use, SECOM has developed a wide range of pioneering services and systems over the years. These include an on-line home security system and COCO-SECOM, a mobile personal security system for outdoor use.

Today, the overarching mission of SECOM—comprising the parent company and its subsidiaries and affiliated companies—is to provide safety and security for people whenever and wherever necessary. Accordingly, SECOM is pressing ahead with efforts to realize its vision for the future, the Social System Industry, which describes a framework of distinctive, integrated services and systems that make life more secure, convenient and comfortable. To this end, SECOM is leveraging its extensive business portfolio—which has expanded to include 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—to create a solid foundation for future growth, and working not only to enhance individual businesses but also to integrate services and systems, thereby yielding considerable synergies to drive future growth.

With the aim of maximizing Group synergies to expand the scope of its operations, SECOM continues to promote the “ALL SECOM” concept, which focuses on rallying Group strengths to create uniquely SECOM systems and services that enhance convenience and comfort and deliver security and peace of mind, thereby ensuring that SECOM remains an ever-present and trusted part of life for customers everywhere.

SECOM has expanded into 19 countries and territories outside of Japan, providing security services, fire protection services, medical services and geographic information services customized to reflect local needs and sensibilities. SECOM continues working to further strengthen and grow its overseas operations.

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**Realizing the Social System Industry**

Our Social System Industry vision describes a framework of innovative, integrated systems and services that make life more secure, convenient and comfortable. We have worked steadily to make this vision a reality by building a broad business portfolio that today encompasses seven segments. We combine the services and systems in these segments into distinctive packages, in line with our overarching mission, which is to provide security and peace of mind wherever and whenever necessary. This approach encourages people to see SECOM as an ever-present and trusted part of their lives.

To promote broad acceptance of our many services across society, in 2010 we introduced the ALL SECOM concept. Under the ALL SECOM banner, we are encouraging employees everywhere to actively share information, ideas and objectives with the aim of strengthening our comprehensive capabilities, thereby positioning us for the next stage of growth.

**Applying Our Corporate Philosophy and Advancing the ALL SECOM Concept**

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

As we work to win ever-broader acceptance of our services, society's expectations of us will continue to rise, as will those of our customers. By advancing the ALL SECOM concept, we will continue working to accurately identify and interpret the needs of customers and to provide services that enhance convenience and comfort and deliver security and peace of mind, thus ensuring our standing as a company that makes an important contribution to society.

Financial Highlights

U.S. GAAP

SECOM CO., LTD. and Subsidiaries Three years ended March 31, 2013	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	¥ 861,885	¥ 772,482	¥ 751,868	\$ 9,168,989
Operating income	112,768	78,826	100,432	1,199,660
Net income attributable to SECOM CO., LTD.	70,580	41,237	62,665	750,851
Total assets	1,340,350	1,179,824	1,171,152	14,259,043
Total SECOM CO., LTD. shareholders' equity	679,176	612,855	593,495	7,225,277

Per share of common stock:	In yen			In U.S. dollars
Net income attributable to SECOM CO., LTD.	¥ 323.36	¥ 188.97	¥ 287.41	\$ 3.44
Cash dividends	90.00	90.00	85.00	0.96
SECOM CO., LTD. shareholders' equity	3,111.64	2,807.77	2,722.08	33.10

Notes: 1. Yen amounts have been translated into U.S. dollars, solely for the convenience of the reader, at the rate of ¥94=US\$1, the rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2013.  
2. Net income attributable to SECOM CO., LTD. per share of common stock is based on the average number of shares outstanding during each period, less treasury stock.  
3. SECOM CO., LTD. shareholders' equity per share of common stock is based on the number of shares outstanding at the end of each period, less treasury stock.  
4. Cash dividends per share of common stock shown are based on dividends approved and paid in each period. Subsequent to March 31, 2013, cash dividends of ¥105.00 per share were approved at the general shareholders' meeting held on June 25, 2013 (see Note 18 of the accompanying Notes to Consolidated Financial Statements).



Note: Net income attributable to SECOM CO., LTD., in the year ended March 31, 2013, climbed ¥29.3 billion, to ¥70.6 billion. This result was due primarily to the contributions of two newly acquired subsidiaries in Japan—Nittan Co., Ltd., a major domestic provider of fire protection services, and At Tokyo Corporation, a leading data center services firm, which were consolidated during the period, as well as to declines in write-down on real estate inventories and impairment loss on long-lived assets.  
Net income attributable to SECOM CO., LTD. in the year ended March 31, 2012, fell ¥21.4 billion, to ¥41.2 billion, as the Company wrote down real estate inventories in light of dwindling demand in the condominium market, which prompted a dramatic reorganization of its related business, while flagging economic conditions resulted in the recognition of an impairment loss on long-lived assets, principally real estate.  
Net income attributable to SECOM CO., LTD. in the year ended March 31, 2011, rose ¥15.7 billion, to ¥62.7 billion. This result primarily reflected operating income in the real estate development and sales segment, compared with an operating loss in the previous period, and a gain on private equity investments, compared with a loss in the previous period.

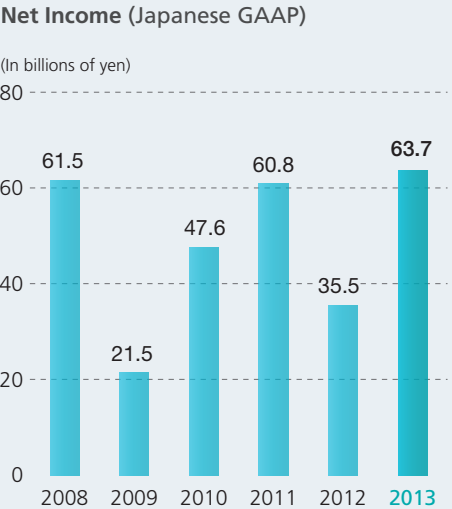
Pursuant to the applicable Japanese law, SECOM is required to publish results in line with accounting principles generally accepted in Japan (Japanese GAAP). Key financial highlights calculated using Japanese GAAP are shown below for reference.

Japanese GAAP

SECOM CO., LTD. and Subsidiaries Three years ended March 31, 2013	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2013	2012	2011	2013
Revenue	¥ 765,635	¥ 679,173	¥ 663,887	\$ 8,145,053
Operating profit	108,370	81,078	99,141	1,152,872
Ordinary profit	113,618	87,839	109,674	1,208,702
Net income	63,658	35,489	60,846	677,213
Total assets	1,249,110	1,101,884	1,094,400	13,288,404
Total net assets	764,139	671,517	654,055	8,129,138

Per share of common stock:	In yen			In U.S. dollars
Net income	¥ 291.65	¥ 162.63	¥ 279.07	\$ 3.10
Cash dividends	90.00	90.00	85.00	0.96
Net assets	3,065.13	2,785.56	2,716.35	32.61

Note: Cash dividends per share of common stock shown are based on dividends approved and paid in each period. Subsequent to March 31, 2013, cash dividends of ¥105.00 per share were approved at the general shareholders' meeting held on June 25, 2013.



A Message to Shareholders

By keeping abreast of evolving social imperatives in Japan, we will continue working to respond promptly to the increasingly diverse needs of our customers by creating distinctively SECOM services and systems that deliver security and peace of mind.



Makoto Iida  
Founder

Consolidated Operating Results

Despite a brief pause due to the persistent strength of the yen and the impact of deflation, Japan’s economic recovery rallied in the second half of the year ended March 31, 2013, as a downward yen correction and expectations of an improvement in the business environment pushed up share prices and consumer spending remained firm.

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

Consolidated net sales and operating revenue rose 11.6%, or ¥89.4 billion, to ¥861.9 billion. This result was due primarily to contributions of two newly aquired subsidiaries in Japan—Nittan Co., Ltd., a major domestic provider of fire protection services, and At Tokyo Corporation, a leading data center services firm, which were consolidated April 1, 2012, and October 31, 2012, respectively. This result also reflected higher net sales and operating revenue in the security services segment, a consequence of increases in revenue from subscriptions for our core electronic security services and in sales of merchandise. Other factors included increases in net sales and operating revenue in the real estate development and sales segment. Operating income grew 43.1%, or ¥33.9 billion, to ¥112.8 billion, as the advance in net sales and operating revenue exceeded increases in cost of sales and selling, general and administrative expenses and write-down on real estate inventories and impairment loss on long-lived assets declined. Net income attributable to SECOM CO., LTD. climbed 71.2%, or ¥29.3 billion, to ¥70.6 billion, owing mainly to the operating income gain.

Distribution of Dividends

Recognizing the provision of a fair return to shareholders as a crucial management task, we determine our consolidated dividend payout ratio based on an overall assessment of trends in our consolidated operating performance, in line with our policy of ensuring a consistent, stable distribution of profits. At the Ordinary General Meeting of Shareholders, held on June 25, 2013, management proposed and shareholders approved the payment of annual cash dividends of ¥105.00 per share for the year ended March 31, 2013, up ¥15.00 from the previous fiscal year.

Understanding and Responding to Change

Increasingly diverse and sophisticated needs for security and peace of mind are expected to continue driving growth in the security services market. Another factor influencing the market is the

broader acceptance of convenient, easy-to-use services that are in tune with customer lifestyles. We continue to focus on providing service systems that reflect evolving social imperatives, changing patterns of criminal behavior and technical innovation. Drawing on our proprietary technological capabilities and know-how in system operation, we endeavor to swiftly identify needs and to respond by developing new and modifying existing service systems, thus maximizing our ability to contribute to society by delivering security and peace of mind.

In the security services business, we continued to cultivate new subscribers and to reinforce our finely tailored services to current subscribers, thus enabling us to accurately interpret needs and propose the most appropriate systems from our extensive lineup. In the area of commercial security services, we expanded sales of SECOM AX, a remote imaging on-line security system for commercial facilities that features advanced image recognition technologies. We also enhanced high-value-added on-line security systems such as SECOM LX, which features an access control function that helps to improve business efficiency and reduce labor and other costs, and SECOM FX, a facility control system that reduces consumption of electric power, both of which coincide with subscriber needs. In home security systems, we sought to bolster sales of SECOM Home Security G-Custom, a residential on-line security system launched in fiscal 2011, by adding functions, including My Page, a customized information page that introduces services from selected collaborating companies, to further increase convenience.

Overseas, we continued working to encourage broad acceptance of SECOM-style security services, focusing on the rapidly growing economies of the People’s Republic of China (PRC) and Southeast Asia. “SECOM-style security services” is a term used to describe comprehensive security services that encompass the installation of security equipment at the subscriber’s premises, around-the-clock monitoring from a SECOM control center and the prompt dispatch of highly trained emergency response personnel should an irregularity be detected.

Guided by our Social System Industry vision, we also implemented a number of strategic measures in businesses other than security services. Our fire protection services business currently centers on subsidiary Nohmi Bosai Ltd., Japan’s leading provider of such services. In April 2012, we acquired Nittan, Japan’s third-largest fire protection services provider. During the period, the two companies leveraged their respective business foundations and product development capabilities to provide high-grade automatic fire alarm systems, fire extinguishing equipment and other fire protection systems, as well as to secure orders for, among others, fire protection systems for large-scale building renovation projects and tunnels.

In the medical services business, we pushed ahead with efforts to expand our various services, which focus on Home Medical Services—comprising home nursing and pharmaceutical dispensing services—and also include the operation of residences for seniors, a remote image diagnosis support service, sales of medical equipment, nursing care services and support for associated hospitals. We are enhancing our services for seniors to accommodate the changing needs of Japan’s super-aged society. In the period under review, we established a rental-based assisted



Shuji Maeda  
President and Representative Director

living facility for seniors, as well as opened Alive Setagaya Daita, a nursing home that incorporates the concept of community disaster preparedness.

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

In the area of geographic information services, we reported steady sales related to geospatial information services, which make use of high-precision measuring devices and technologies, to customers in the public and private sectors in Japan and in overseas markets. We also promoted solutions in such diverse areas as map preparation, environmental monitoring, disaster preparedness and national resilience, collecting and processing high-resolution data from satellites and other sources, which we then combined with other critical information.

Our real estate development and sales business continued to emphasize the development and sale of condominiums with sophisticated security and contingency planning features.

In the information and communication related and other services business, we continued to provide a variety of uniquely SECOM services, focusing on data center services as well as business continuity support services, information security services and cloud-based services. In October 2012, we acquired a majority interest in At Tokyo, one of Japan's leading data center services firms in terms of stability of power supply and security level, among others, thereby strengthening the foundation of our information and communication related services business.

Accelerating Growth

By keeping abreast of evolving social imperatives, we will continue working to respond promptly to the increasingly diverse needs of our customers by creating distinctively SECOM services and systems that deliver security and peace of mind.

Given the ever more cunning and brutal nature of crimes today, as well as the increasing speed with which they are committed, demand for high-grade security services is on the rise. We will work tirelessly to expand our services. At the same time, we will promote ongoing efforts to accumulate further operational expertise, thereby ensuring our ability to continue providing security services of the highest quality and to effectively accommodate the needs of all our customers. In line with our ultimate goal of helping to free society of crime, we will also pursue R&D aimed at realizing pioneering systems and services for the near future. One example of such a system that is close to commercialization is a small flying surveillance robot for private-sector use.

Japan's super-aged society will be another important theme guiding our domestic business development efforts in the years ahead. One result of current demographic trends is an increase in seniors living alone or with spouses who are similar in age. Another is concern about access to medical and nursing care in old age. In response to needs engendered by these trends, we are capitalizing on our solid base of experience in operating residences for seniors; extending home medical and preventative health care services; assisting associated hospitals; offering lifestyle support services and providing insurance. In addition to expanding business ties with major nursing

care services providers, in April 2013 we launched an emergency medical alert system for seniors, SECOM My Doctor Plus. Other services designed to protect the well-being of seniors include the Keeping in Touch call and Keeping in Touch visiting services, both of which are offered as options to SECOM Home Security subscribers. We will continue to place a high priority on developing services that anticipate and respond to the needs of a graying society.

The lessons of the Great East Japan Earthquake, which struck northeastern Japan on March 11, 2011, have fundamentally altered the Japanese people's attitude toward disasters, heightening awareness of the importance of disaster preparedness. With the goal of expanding the scope of our fire protection services business to encompass protection against all types of major disasters, we will advance collaboration between subsidiaries Nohmi Bosai and Nittan—the leading and third-largest fire protection services firms in Japan—to facilitate the creation of next-generation disaster protection systems.

With the sustainability of our planet an issue of grave concern at all levels of society, awareness is growing of the responsibility both companies and individuals bear in helping to preserve the environment. With this in mind, we recently introduced a home energy management system (HEMS) as an option available to subscribers of SECOM Home Security G-Custom, helping homes to better monitor power use.

Our data center capabilities, which enable us to collect and manage all types of service data, are essential to our ability to successfully market new systems and services. The acquisition of At Tokyo was a crucial step, but the new services and systems we intend to offer will necessitate securing significantly greater data center capacity. Accordingly, we plan to open two new Secure Data Center facilities boasting the highest level of data center security available in Japan, as well as robust construction. The first, in Osaka, will begin operating in July 2013, while the second, in Tokyo, is scheduled to start up in November 2013. This will transform our data center facilities into comprehensive "service centers" that not only respond to the needs of corporate customers for server housing and data backup services that guarantee security even in the event of a major disaster, but also serve as a foundation for the provision of a broad array of distinctively SECOM services.

By providing services that make life more convenient and comfortable and deliver security and peace of mind, we have traditionally sought to encourage people to turn to SECOM with the confidence that doing so would help them resolve security and other concerns. Going forward, our focus will be on making SECOM an ever-present and trusted part of our customers' lives. As always, we must earn the trust of our customers by providing indispensable services that respond to their expectations. In the words of our corporate message—"Providing reliable peace of mind"—we pledge to work as one to realize our Social System Industry vision and advance to the next stage of growth. In all of our endeavors, we look forward to the continued support of our shareholders.

June 25, 2013

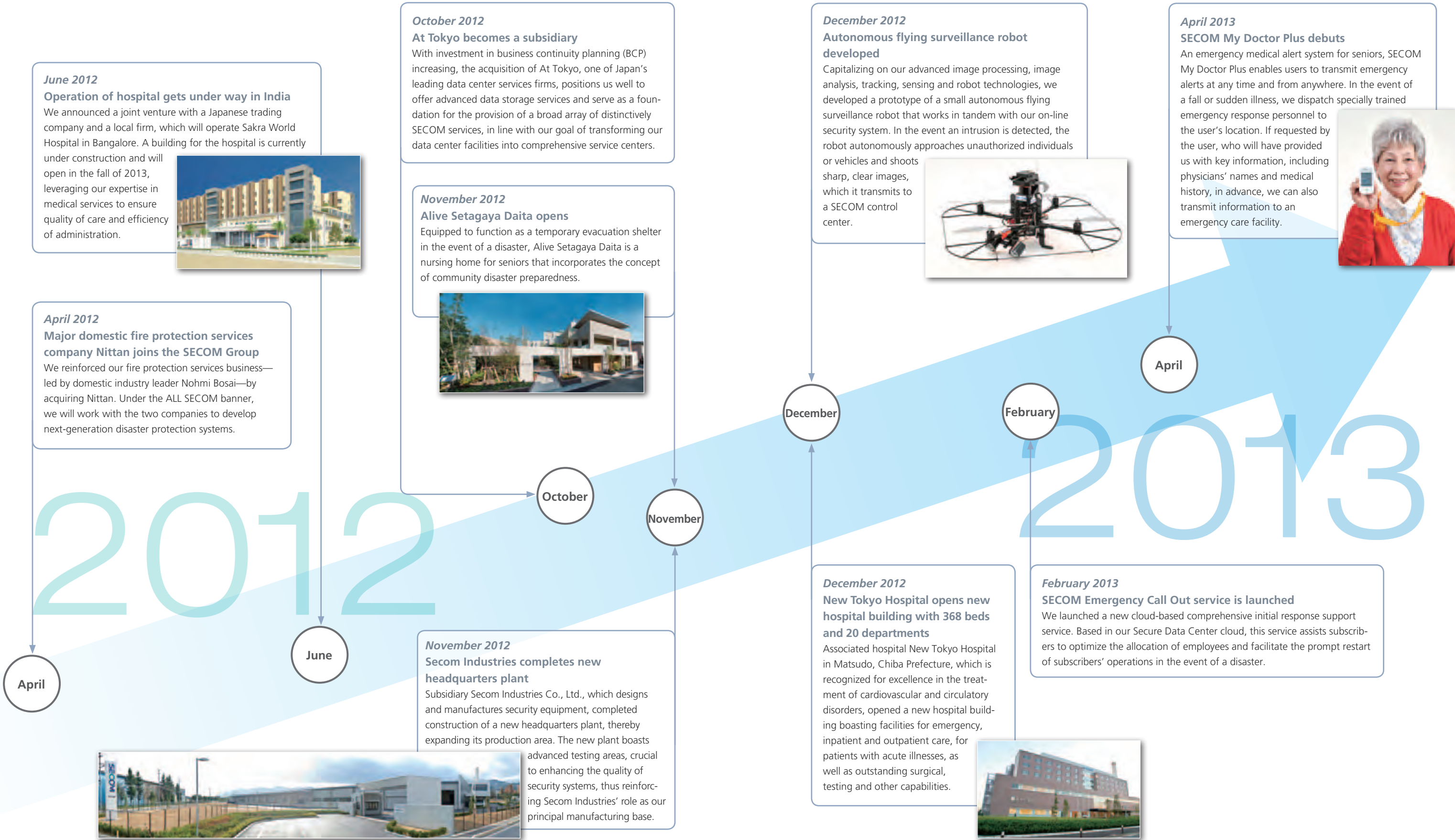


Makoto Iida  
Founder



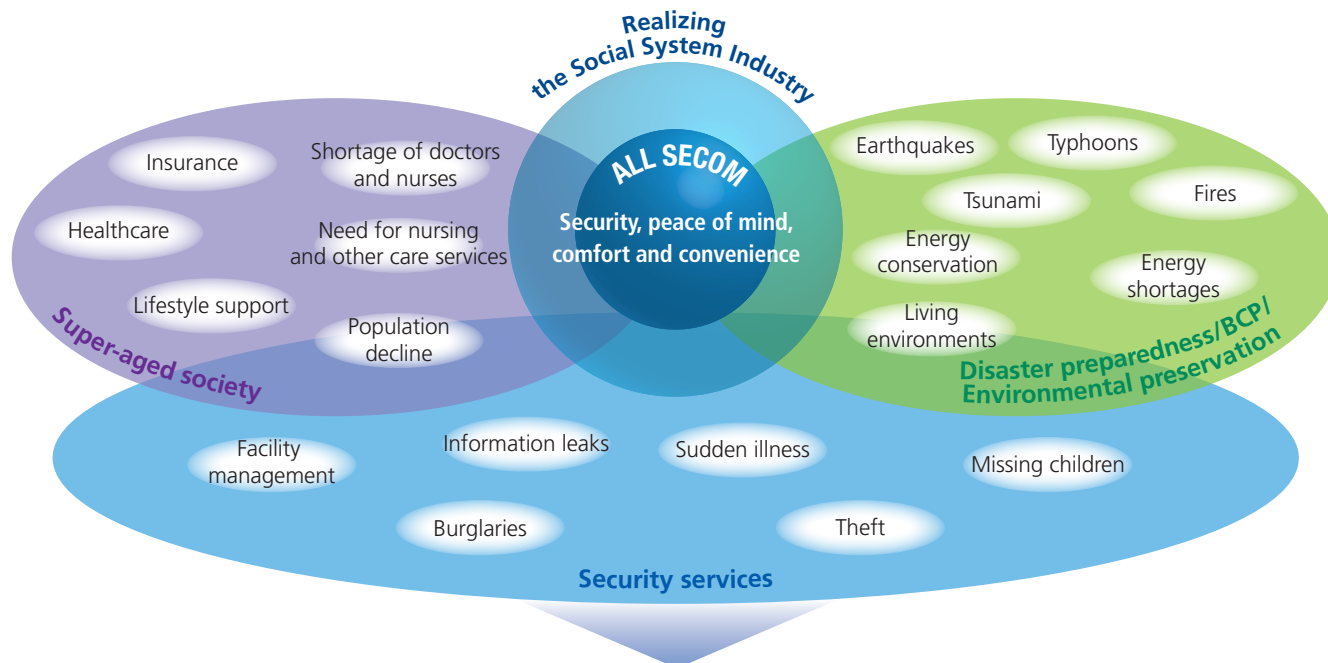
Shuji Maeda  
President and Representative Director





## ALL SECOM: Driving Future Growth

Addressing challenges in three areas under the ALL SECOM banner



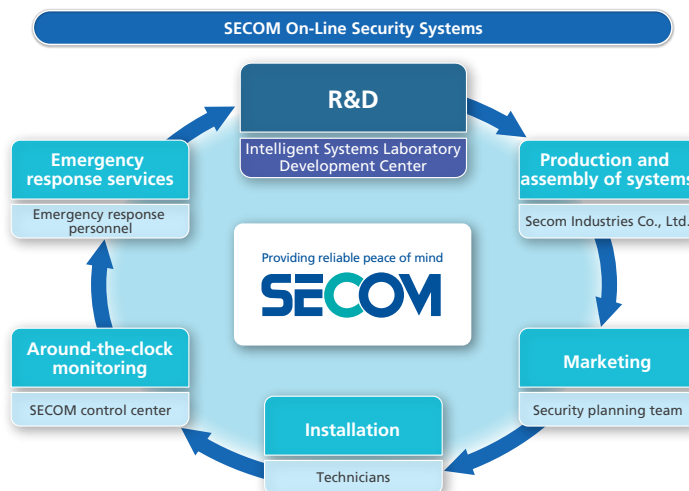
Guided by the ALL SECOM concept, we are working to make life more comfortable and convenient and to deliver security and peace of mind by responding to social imperatives and helping to resolve everyday concerns.

In response to the changing face of Japanese society, we are leveraging our expertise in providing security services and rallying Group strengths under the ALL SECOM banner to develop innovative services in line with two additional key themes: super-aged society and disaster preparedness/business continuity planning (BCP)/environmental preservation.

### ➤ Providing comprehensive on-line security systems

Our competitive advantage in the security services business derives from our commitment to providing comprehensive on-line security systems, whereby we take responsibility for all aspects, from R&D to the production and assembly, marketing, security planning, installation, around-the-clock monitoring, emergency response services and maintenance.

We have built a unique R&D organization that enables us to promptly and accurately incorporate feedback from customers into the development process. To facilitate around-the-clock monitoring and emergency response services, we design systems that combine the speed and precision of security equipment—a result of, among others, the accuracy of our sensors in detecting intrusions, fires and other irregularities—with the







SECOM control center

analytical skills and prompt decision-making capabilities of people. To provide swift, quality emergency response services, we maximize the excellent judgment and accumulated know-how of SECOM control center staff and skills of our trained emergency response personnel, as well as our nationwide network of more than 2,800 emergency depots, which is the largest of any security services company in Japan. Employee education designed to foster the capabilities of SECOM security professionals is crucial to our ability to provide high-grade services, as is the effective management of human resources.

Our rental format is another key factor behind the competitiveness of our on-line security systems. Because we retain ownership of security equipment, which we rent out, we are able to minimize initial costs for subscribers. The rental format also means that we are in charge of maintenance and upkeep, thus enabling us to guarantee the quality of our services. Accordingly, our innovative comprehensive approach enjoys the trust of customers across a wide range of industries.

“SECOM-style security services” is a phrase often used to describe on-line security systems that encompass emergency response services. We currently offer SECOM-style on-line

security systems in 11 countries and territories. Looking ahead, we will step up efforts to promote recognition and broader acceptance of our distinctive approach in markets around the world.

#### ➤ Responding to the needs of Japan's super-aged society

The United Nations classifies a super-aged society as one in which more than 21% of the population is accounted for by people over the age of 65. In 2007, Japan became the first country in the world to qualify for this classification.

We continue to maximize our accrued expertise to create services that respond to needs engendered by the aging of Japan's population and enhance convenience and comfort and deliver security and peace of mind. We are capitalizing on our solid base of experience in the operation of a variety of facilities for seniors. These include residences for seniors, which can accommodate individuals who are capable of living on their own and those who require nursing care; nursing homes for seniors who need care from the time they move in; and day service centers.

New offerings developed to respond to unmet needs in Japan's super-aged society include SECOM My Doctor Plus, an emergency medical alert system for seniors that brings together our accumulated know-how in security services and medical services and expertise secured through a business alliance with major nursing care services providers. SECOM My Doctor Plus enables users to transmit emergency alerts at any time and from anywhere, providing security and peace of mind. As options available to SECOM Home Security subscribers, we also offer the Keeping in Touch call and Keeping in Touch visiting services for seniors, made possible by combining our on-line security systems, medical services and SECOM Home Service lifestyle support services to ensure peace of mind both for seniors receiving support and for loved ones living far away.

In the years ahead, we see significant potential in customizing our service model, developed specifically for Japan's super-aged society, to reflect the needs of other countries attempting to cope with the challenges of an aging population. Guided by the ALL SECOM concept, we will continue working to respond to evolving social imperatives by developing and providing services that make life more convenient and comfortable and deliver security and peace of mind. Through such efforts, we aim to be a company that truly makes a difference in society.



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

#### ➤ Enhancing disaster preparedness/BCP/ environmental preservation

The lessons of the Great East Japan Earthquake and of recent major typhoons have clarified the importance of expanding the scope of our fire protection services business beyond systems aimed at minimizing the impact of fire on structures to encompass broad-based protection against all types of disasters. Going forward, we will rally the respective technologies and expertise of subsidiaries Nohmi Bosai and Nittan. We will also advance collaboration with the two companies with the aim of creating next-generation disaster protection systems.

In the security services business, our experiences in the wake of the Great East Japan Earthquake motivated us to augment our popular SECOM Home Security G-Custom service by adding a feature that enables subscribers to entrust important personal information to us for storage at Secure Data Center facilities. In the wake of the quake, geographic information services subsidiary Pasco Corporation analyzed image data from TerraSAR-X, a synthetic-aperture radar (SAR) satellite, to create mapping data that helped to pinpoint areas devastated by the disaster, helping to ensure a swift, accurate assessment of the situation on the ground and to assist initial response efforts, thus demonstrating the value of data from commercial satellites in disaster situations in obtaining critical information.

In addition to large-scale disasters, the globalization of supply chains and rising concerns regarding cyber attacks aimed at illegally obtaining confidential information from servers have underscored the increasing diversity of risks faced by companies today. This has amplified the importance of effective BCP for companies of all sizes.





Secure Data Center

We provide an extensive range of services that protect companies' valuable information and systems, facilitating the swift restart of operations in the event of a major disaster. One of our principal BCP support services is SECOM Safety Confirmation Service, which helps confirm the safety of employees, assess the extent of damage to facilities and assist initial response efforts should disaster strike. This service incorporates our accumulated experience and know-how in the area of security services and is the largest service of its type currently available in Japan.

A recent addition to our service portfolio is Total Support Service of Emergency Management, which draws on the diverse strengths of our security services, fire protection services, geographic information services, and information and communication related and other services, to provide all-inclusive support for BCP.

Acknowledging heightened awareness of environmental issues, we are rallying the comprehensive technological capabilities, under the ALL SECOM banner, to develop environment-friendly systems and services.

In the security services business, we offer a number of environment-friendly services. These include SECOM FX, an energy- and labor-saving security and facility control system designed for offices and shops. We also offer the SECOM Eco Data System, which calculates and displays electric power, gas and other energy consumed. By making energy use visible, the system assists the efforts of companies to reduce their energy consumption. Dry Mist, a Nohmi Bosai system that uses sprinkler technology to lower ambient temperature, helps reduce urban heat islands, one cause of global warming. Data from satellite images and aerial photography provided by Pasco is



Dry Mist system

used in reforestation and in calculating waste CO<sub>2</sub> prevented from entering the atmosphere thanks to carbon capture and storage (CCS), thus helping to advance environmental protection efforts.

➤ **Advancing the ALL SECOM concept to make life more convenient and comfortable and deliver security and peace of mind**

We see enhancing our data center capabilities as crucial to our ability to successfully market new systems and services. The acquisition of At Tokyo—one of Japan's leading data center services firms—was a crucial step, but the new services and systems we intend to offer will necessitate securing significantly greater data center capacity and increasing our data collection and management efficiency. Through such efforts, we aim to transform our data centers into comprehensive "service centers" that not only offer safe data storage but also serve as a foundation for the provision of a broad array of distinctively SECOM services.

Going forward, we will continue leveraging our expertise in security services and rallying Group strengths under the ALL SECOM banner to develop innovative services in line with two key themes—Japan's super-aged society and disaster preparedness, BCP and environmental preservation—that make life more convenient and comfortable and deliver security and peace of mind.







SECOM control center

**We are working to enhance our services by offering systems that respond to the diverse security level and control requirements of different types of facilities.**

### **Promoting broader acceptance of our value-added SECOM LX and SECOM FX security systems**

We offer an extensive selection of on-line security systems that respond to the needs of a broad range of subscribers. In the area of commercial security services, we are working to enhance our services by offering systems that respond to the diverse security level and control requirements of different types of facilities, from large-scale commercial buildings to offices and shops.

SECOM AX is a remote imaging on-line security system for commercial facilities that features advanced image recognition technologies. Should an irregularity be detected, SECOM AX

alerts SECOM control center staff by transmitting images and audio of the subscriber's premises to a SECOM control center, enabling control center staff to accurately assess the situation and respond swiftly and appropriately. Able to distinguish instantly between changes in image feed caused by intruders and those resulting from light and shadow, or from small animals, SECOM AX identifies only human intrusions as irregularities. We continue to promote R&D aimed at further enhancing the capabilities of SECOM AX by improving these and other performance features. At the same time, we continue to encourage broader acceptance of this advanced system.

Since the enforcement of Japan's Act on the Protection of Personal Information in 2005, the number of companies installing systems to prevent the unauthorized disclosure of information has increased. In response to the growing need for such systems, we offer SECOM LX, an on-line security system designed for offices and small and medium-sized shops that also includes an access control feature. In addition to around-the-clock monitoring for intruders and fires, SECOM LX helps facilitate the effective management of human resources and important data and to prevent information leaks.

SECOM FX is a security and facility control system that combines



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



The robot takes off autonomously and flies toward intruders

monitoring for intruders and fires with effective facility control functions, including automatic opening and closing of shutters and turning on and off of lights and air conditioners, thereby assisting efforts to reduce power consumption. Installed in a small office, for example, SECOM FX can be set to automatically turn lights and air conditioners on and off in accordance with employees' schedules, so not only when they arrive and leave for the day, but also when they step out of the office for lunch or other reasons, which helps to minimize heating and lighting costs.

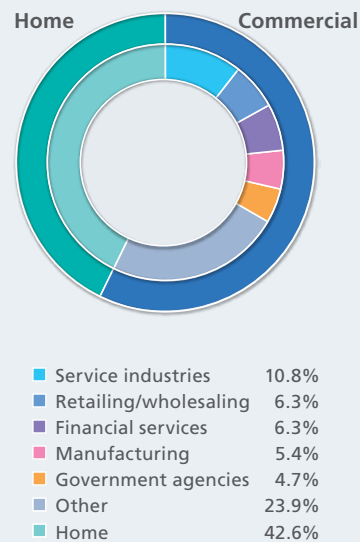
Looking ahead, we will continue working to promote broader acceptance of SECOM LX and SECOM FX as value-added systems that not only provide excellent security, but also assist customers' efforts to manage costs by reducing energy consumption.

### Small flying surveillance robot opens a new chapter in private-sector crime prevention

We continue to promote the development of service robots. The first outcome of these efforts is SECOM Robot X, an outdoor surveillance robot. Recently, we completed development of our second robot, a small autonomous flying surveillance robot that is the first such robot designed specifically to prevent crime in the private sector.

Our new small autonomous flying surveillance robot capitalizes on our advanced image processing and image analysis technologies, used in SECOM AX and other security systems; our sensing technologies, given full play in SECOM Robot X, which surveys its surroundings as it travels along, as well as in Laser Sensor, an external monitoring system that uses lasers; and our

### Contracts for Centralized Security Systems (As of March 31, 2013)



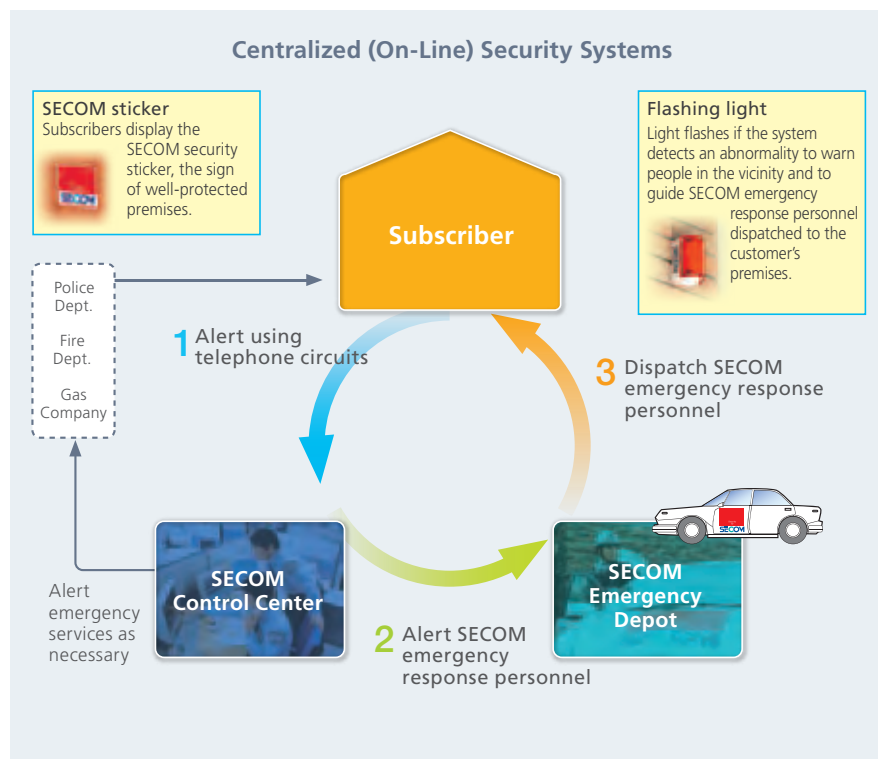
tracking technologies, which make it possible to locate people, vehicles and property on the move. In the event an intrusion is detected, the robot—which works in tandem with an on-line security system—autonomously takes off and flies toward unauthorized individuals or vehicles, choosing the optimal angles from which to shoot sharp, clear images, which it transmits to a SECOM control center in real time, thus shortening response time. Because it approaches and tracks intruders inside the monitored area, the robot can also capture images of individuals and/or vehicles in areas where surveillance cameras have not been installed.

In the years ahead, we will continue to build on our proprietary technologies—notably our physical security, data center and information security technologies and the geospatial





Secom Industries' new headquarters plant



information processing and analysis technologies of subsidiary Pasco—to prepare this exciting new robot for launch. Going forward, we will continue working to develop and market distinctive services and systems that reflect the changing needs of customers.

### Secom Industries completes construction of new headquarters plant

Manufacturing subsidiary Secom Industries is responsible for the production of security equipment devised by our R&D department, illustrating our integrated approach to security services, whereby we take responsibility for all aspects of our on-line security systems.

Secom Industries, which employs a proprietary manufacturing system that allows production of multiple items, enabling it to provide a broad range

of high-grade environment-friendly products that respond to the needs of customers, has earned certification under ISO9001 and ISO14001, the International Organization for Standardization's benchmarks for, respectively, quality management and environmental management.

Secom Industries' headquarters plant in Shiroishi, Miyagi Prefecture, suffered extensive damage in the Great East Japan Earthquake, which struck on March 11, 2011. Having temporarily divided production up among its other facilities and promptly commenced site restoration, in November 2012 the company completed construction of a new headquarters facility. In keeping with the design concept used—"an advanced production facility in harmony with nature"—the new plant was built around three central themes:

"Environment," meaning that it incorporates a wealth of environment-friendly features; "Quality," evidenced by highly efficient high-performance production capabilities; and "Safety," underscoring the strong emphasis placed on ability to withstand natural disasters.

The new plant's expanded production and testing areas and the latest equipment have positioned Secom Industries to further enhance the quality of the security systems it manufactures. As our principal manufacturing base, Secom Industries will continue to focus on providing systems that deliver ever-higher levels of quality and reliability, thereby playing a crucial role in our ongoing effort to improve customer satisfaction.

## Home Security Services



**To provide greater security, peace of mind, comfort and convenience for homeowners and renters, we continue to offer a variety of residential security services and systems, centering on SECOM Home Security G-Custom, that reflect the changing structure of households.**

### Expanding sales of the improved SECOM Home Security G-Custom

SECOM Home Security comprises sensors and other security equipment, which are installed in and around subscribers' homes to provide monitoring for intruders, fires and gas leaks and send out alerts and emergency signals around the clock. If an irregularity is detected, the system alerts a SECOM control center, where staff monitor and assess the situation, dispatch emergency response personnel and, if necessary, notify the police and/or the fire department.

Our home security services lineup also includes SECOM Home Security G-Custom, which combines SECOM Home Security with a variety of features designed to further enhance convenience and peace of mind. One such feature, which draws on lessons taken from the Great East Japan Earthquake, is a data storage service that enables subscribers to entrust important personal documents, including driver's licenses, passports, insurance cards, medical prescriptions and other items that provide proof of identity, to us for storage at a Secure Data Center. Other features include on-line access to convenient SECOM lifestyle support

services and products; a messaging function that enables SECOM Home Security G-Custom subscribers to share messages; and an exclusive memo service.

A recent addition to SECOM Home Security G-Custom is My Page, a customized information page that allows subscribers to access information from a broad range of selected collaborating companies on services, as well as to make purchases on-line, underscoring SECOM Home Security G-Custom's steady expansion as a practical tool that plays a central role in the everyday life of subscribers.





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



SECOM Home Security G-Custom:  
Evolving as an easy-to-use, practical tool that  
delivers security and peace of mind



SECOM My Doctor Plus emergency  
medical alert system for seniors

### SECOM My Doctor Plus: Now available nationwide

The rapid aging of Japan's population and the rising number of seniors living alone continue to fuel unease about access to medical and nursing care. SECOM My Doctor Plus, an emergency medical alert system for seniors, was developed with the aim of alleviating such concerns by bringing security and peace of mind to subscribers and making their lives more pleasant and convenient.

SECOM My Doctor Plus features an exclusive portable device that incorporates cellular phone, global positioning system (GPS) locator and emergency medical alert functions. Regardless of location or time, the device, when activated, sends an emergency signal indicating that medical assistance is required. If requested,

SECOM dispatches specially trained emergency response personnel. SECOM My Doctor Plus combines a wealth of expertise accumulated through the provision of SECOM My Doctor—an emergency medical alert system offered to SECOM Home Security subscribers that enables them to send an emergency signal in the event of a sudden illness or other emergency simply by pushing a button—with our extensive positioning technologies, used in the COCO-SECOM mobile security system, as well as our geographic information know-how. Our highly experienced emergency response personnel are specially trained in assisting people who have fallen, and are thus able to provide the appropriate help to individuals who have fallen from a bed or wheelchair. If then deemed necessary, staff will also contact emergency services and request

an ambulance. Emergency information, including medical history, the names of physicians currently treating the individual and contact information for family members, is provided in advance by the subscriber. In an emergency situation, this information is also sent to the subscriber's portable device, thereby ensuring such information is immediately available to ambulance attendants and hospital staff.

Other services offered with SECOM My Doctor Plus include consultation by telephone with staff at a SECOM nurse center at any time of the day or night. Individuals requiring specialized nursing care who have contracted care from a nursing care provider can request SECOM to arrange the dispatch of a home-care helper.



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



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

### Protecting the well-being of seniors

In response to the evolving needs of Japan's super-aged society, we offer a variety of helpful support services to SECOM Home Security subscribers.

SECOM Remote Monitoring for Seniors combines security services with SECOM Home Service, which provides assistance with basic housework, and medical services. By providing support to seniors who live alone and/or require assistance or nursing care, SECOM Remote Monitoring for Seniors ensures peace of mind both for seniors receiving support and for their families.

With the Keeping in Touch call service for seniors, an option available to SECOM Home Security subscribers, SECOM staff call regularly to ask seniors about their health and see how they are doing. With the Keeping in Touch

visiting service, our staff or staff from one of our carefully selected collaborating companies visits regularly in person to check on seniors' health and general living situation. If requested, visiting staff also do light housework. In both cases, staff subsequently report back to the subscriber at a specified email address to ensure the family is kept informed. These two services help ensure peace of mind both for seniors receiving support and for loved ones living far away.

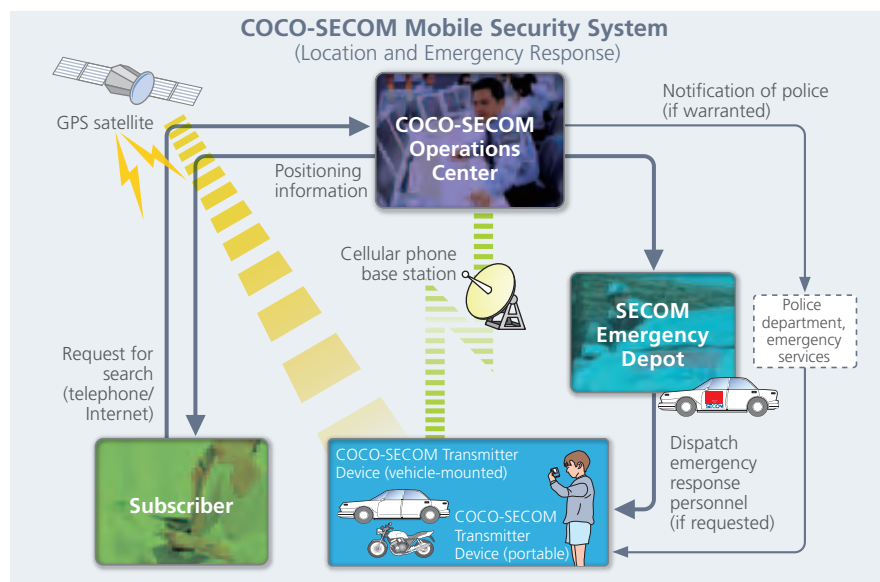
### Newly launched SECOM MS-4 series

In response to expanding market needs, we have developed and launched a variety of on-line security systems for apartment and condominium complexes. Spurred by the increasing number of large-scale and high-rise complexes, we

recently added the SECOM MS-4 series to our portfolio. Among the systems in the series is SECOM MS-4S, which includes easy-to-use intercoms featuring base units mounted with large touch screens that flash and provide audio guidance. SECOM MS-4M, which is compatible with multistructure condominium complexes and with existing wiring, is attracting orders as an optimal solution for condominium owners seeking to upgrade their security systems. Looking ahead, we aim to expand sales for installation in new buildings as well as in buildings undergoing renovation by actively marketing systems in the SECOM MS-4 series not only to real estate developers, but also to residents' associations and property management firms.



## Other Security Services



**We are committed to actively marketing the SECOM AED Package Service with the aim of helping to save more lives and responding to growing demand for the COCO-SECOM mobile security system.**

### Sales of SECOM AED Package Service remain robust

With the installation of automated external defibrillators (AEDs) on the rise, active marketing efforts continue to support robust sales of the SECOM AED Package Service, our full-service AED rental package. Principal benefits of this service include the fact that we take full responsibility for providing batteries and other expendables, as well as replacement units in the event of malfunction or theft, thereby ensuring AEDs are always in operating order. We also offer the SECOM On-Line AED Management Service, which monitors the operational status of SECOM AEDs around the clock. We are committed to actively marketing these and other AED services with the aim of helping to save more lives.

### Expanding marketing of COCO-SECOM for increasingly diverse security needs

The COCO-SECOM mobile security system uses signals from GPS satellites and cellular phone base stations to pinpoint the location of portable transmitter devices with superb precision. Simply by pushing the alert button on the transmitter, a subscriber can notify the COCO-SECOM operations center, which is on call around the clock.

Developed initially as a way to locate seniors who have wandered off, foil child abductions and avert the theft of cars and motorcycles, COCO-SECOM is now sought for an increasingly wide range of applications, including preventing the theft of construction equipment and removal of automated teller machines (ATMs) and safes, as well as for managing taxi and bus fleets.

COCO-SECOM



SECOM AED Package Service



Stay Warm Emergency Sleeping Set—  
an important part of advanced disaster preparedness

We also offer *mamorino 3* cellular phones for children, which come with COCO-SECOM as a standard service and a security feature that limits access to email and websites and a map-based tracking function that enables parents and guardians to keep an eye on their child's movements.

### Debut of Stay Warm Emergency Sleeping Set for individuals stranded away from home when disaster strikes

The Great East Japan Earthquake served as a reminder of the importance of being prepared for major disasters. Recently, we released the Stay Warm Emergency Sleeping Set, an offering designed particularly for use by individuals stranded due to transportation system failures resulting from a major disaster. Each Stay Warm Emergency Sleeping Set contains a compactly packed emergency blanket, a simple inflatable air mattress and emergency rations for approximately 10 meals. We are actively marketing the Stay Warm Emergency Sleeping Set to a broad range of customers as an important part of disaster preparedness.

## Overseas Security Services



Taiwan Secom

**In overseas markets, we offer SECOM-style on-line security systems, which include emergency response services, customized to reflect local needs and sensibilities.**

### **Demand for on-line security services rises**

Our overseas security services currently encompass operations in 11 countries and territories: Taiwan, the Republic of Korea (ROK), the PRC, Thailand, Malaysia, Singapore, Indonesia, Vietnam, the United Kingdom, Australia and New Zealand.

The distinguishing feature of our overseas security services is that we offer SECOM-style on-line security systems, which include emergency response services, customized to reflect local needs and sensibilities. Moreover, we take full responsibility for operations, positioning us to respond to steadily expanding demand with high-grade services that leverage the extensive know-how we have accumulated in Japan.

### **Celebrating 35 years in Taiwan with consistently strong results**

We made our debut in Taiwan, our first overseas market, in 1978. In the 35 years since, joint venture Taiwan Secom Co., Ltd., has grown into the leading security services firm in Taiwan, boasting a broad range of security services, focusing on on-line security systems, and a network of offices that spans the territory.

Going forward, Taiwan Secom—which celebrates its 35th anniversary in 2013—will continue working to grow its operations and to respond to evolving needs in Taiwan for security and peace of mind, as well as for greater comfort and convenience.

### **Operations in Indonesia seeing rapid expansion**

Subsidiary PT. Secom Indonesia, which primarily serves the city of Jakarta and its environs, provides an extensive range of services, including on-line security systems for commercial premises and its own proprietary security management, static guard and other services, all of which enjoy a solid reputation in this market.

Demand is increasing among companies in Indonesia for solutions to prevent insider crimes. In response, Secom Indonesia provides consulting aimed at averting improprieties and criminal acts, as well as highly sophisticated security services. This has led to the rapid expansion of the company's operations.





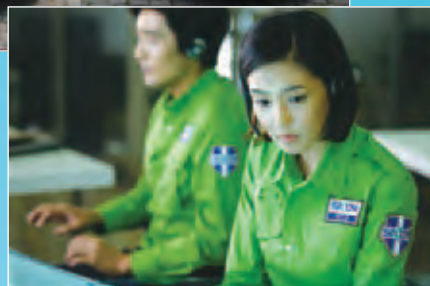
Security staff (Indonesia)



Emergency response personnel  
(Shanghai Secom Security Co., Ltd., PRC)



Specialist team of  
installation and main-  
tenance engineers  
(security services for  
financial institutions)  
(Secom plc,  
United Kingdom)



Control center (S1 Corporation, ROK)

### Secom plc provides security for the London Olympics

In the United Kingdom, subsidiary Secom plc is widely acknowledged for the quality of its security services, as a result of which it has risen to the number three position in the U.K. security services market. In 2012, Secom plc was selected to provide security for venues of the London 2012 Summer Olympic Games and the London 2012 Paralympic Games. SECOM plc has also won key contracts to provide security services for major financial institutions, testament to the high marks given the company as a provider of specialized security services with sophisticated technological capabilities.

### Service network in the PRC continues to grow

We initially began offering services in the PRC in 1992, establishing Secom (China) Co., Ltd., and becoming the first Japanese firm to have a holding company in the country. Since then, we have formed joint ventures with local firms through which we provide

proprietary on-line security systems. Today, our security services network encompasses 18 cities nationwide, with joint ventures in 10 and branch offices in eight of these cities. Looking ahead, we will continue to target growth in the PRC by capitalizing on our accumulated know-how to provide quality services that respond to heightened security needs.

### High-grade SECOM services well-established in key overseas markets

In the ROK, joint venture S1 Corporation is that country's leading security services provider. Thanks to its solid performance record and the power of the SECOM brand, S1 continues to see steady growth in its subscriber base.

In Malaysia, we are expanding our business by supplying on-line security systems, as well as customized security systems combining static guard services and on-line security systems. In Singapore, we have achieved growth not only by offering on-line security systems that leverage our innovative

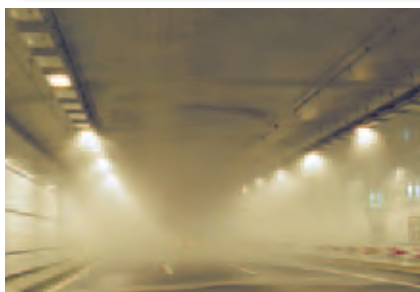
planning capabilities and fire protection systems but also by putting together a unique menu of services that includes, among others, leasing of safety deposit boxes. Demand for security services continues to rise in Vietnam, bolstered by the increasing number of Japanese companies setting up local operations.

Since winning the contract to provide static guard and security patrol services for a building owned by a leading asset management firm, SECOM Australia Pty. Ltd. has earned positive reviews from a broad range of subscribers in Australia, including major corporations and government agencies. In New Zealand, Secom Guardall NZ Ltd. continues to foster new demand by maximizing its expertise in providing security for financial institutions.

Looking ahead, we will continue to expand our operations in countries and regions where we have established a presence. We will also continue to cultivate promising new markets for SECOM-style services.

## Fire Protection Services

By building on our technological capabilities and know-how in the provision of fire protection systems, we are striving to contribute further to security and peace of mind for customers.



Water spray system installed in road tunnel (Nohmi Bosai)

### Working to capitalize on rising demand in the renovations market

Subsidiary Nohmi Bosai is a comprehensive fire protection specialist, with a broad product lineup that includes automatic fire alarm and fire extinguishing systems. An integrated services provider, Nohmi Bosai takes responsibility for R&D, planning, design, production, installation and maintenance of high-grade systems for a wide range of applications, including office buildings, plants, tunnels, structures designated as cultural properties, ships and homes.

In recent years, the deterioration of older office buildings has stimulated demand for renovations to update automatic fire alarms and other equipment. Responding to such demand, Nohmi Bosai is drawing on its achievements, and on the solid trust of its customers, to expand orders from this sector. In the period under review, the company launched Advanced P III, a conventional fire alarm system with an automatic testing function suitable for commercial facilities with multiple rooms, such as hotels and hospitals, and for condominiums, positioning itself to secure further orders.



R&D (Technology and Production Division, Nittan)

### Technological capabilities and know-how assist efforts to cultivate new markets

Nohmi Bosai has succeeded in cultivating new markets by developing innovative systems that reflect a firm understanding of its customers' needs. Since installing the first fire protection system in a road tunnel in Japan in 1958, the company has maintained a leading share in this sector. Building on its accumulated technological capabilities and know-how, in the period under review Nohmi Bosai completed development of and launched the Image Processing-based Smoke Detection System designed for applications such as large-scale warehouses and factories with high ceilings that contributes further to security and peace of mind for customers operating such facilities.

### Expanding beyond renovations to offer comprehensive services, including maintenance and inspection

Nittan, a major fire protection services provider acquired in April 2012, has an integrated services configuration encompassing everything from the development of new fire protection systems through to maintenance and inspection, allowing it to provide systems that are optimally suited to customers' requirements. In the promising market for fire protection systems

for buildings under renovation, Nittan is actively marketing follow-up services to customers who have already installed our systems. Nittan is also working to bolster income in this area by ensuring a solid grasp of customer needs and is developing and extending proposals for comprehensive services that go beyond installation to include maintenance and inspection, thereby preventing problems from occurring.

### Aqua Force: Environment-friendly fire extinguishing system

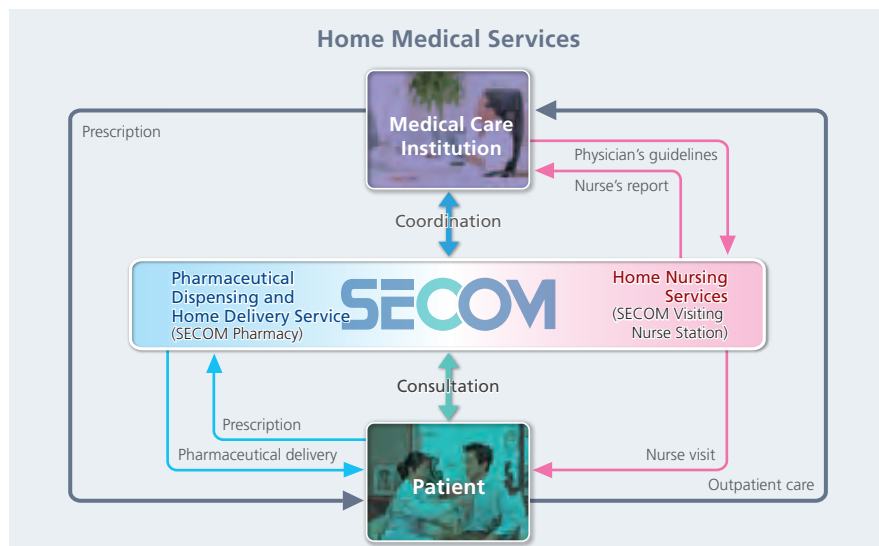
The standard choice for use in indoor parking lots, foam fire extinguishers come with a downside, which is that they spread foam over a wide area, necessitating a substantial cleanup. Aqua Force, a closed-end mist spray fire extinguishing system developed and marketed by Nittan, facilitates focused spraying of extinguishing agent on the source of the fire, optimizing efforts to get fires under control while also reducing the impact of such activities on the environment.

Committed to ensuring its businesses are environmentally sound and contribute to society, Nittan also sells fire extinguishing agents with a global warming potential of zero and an ozone depletion potential of lower than one, as well as fire alarm control panels built on principles of universal design, enhancing usability for people with visual disabilities.

Guided by the ALL SECOM concept, we will continue to work with Nohmi Bosai and Nittan, and to leverage the extensive technological prowess and expertise of both companies, with the goal of creating next-generation solutions to the disaster preparedness needs of our customers.



## Medical Services



**Believing that protecting the health and lives of people is a natural extension of our commitment to providing security and peace of mind, we offer distinctive Home Medical Services and provide support to associated hospitals.**

### Home Medical Services: A growing business

Believing that protecting the health and lives of people is a natural extension of our commitment to providing security and peace of mind, in 1991 we launched our Home Medical Services business, becoming the first private-sector firm in Japan to offer such services. Today, this business encompasses medical care, personal care and preventative care services.

Our Home Medical Services business includes home nursing services, which we extend through a nationwide network of 32 visiting nurse stations. Home nursing involves regular visits by highly skilled nurses to patients' homes to provide expert nursing services as directed by the patient's physician. We also offer pharmaceutical dispensing services, which include filling prescriptions, delivering medications to patients at home and providing instruction on dosage and administration.

### A nursing home that incorporates community involvement and disaster preparedness

Capitalizing on our know-how in the operation of such facilities, we recently opened Alive Setagaya Daita, a nursing home that incorporates the concepts of community involvement and disaster preparedness. When Alive Setagaya Daita is full, priority access is given to applicants from the community. The facility has also concluded a disaster support agreement with local authorities whereby it will take in local residents requiring nursing care who have been evacuated to shelters. Additionally, in the event of a prolonged power outage, Alive Setagaya Daita, which has vehicle-mounted generators, will do its best to provide hot meals to both Alive Setagaya Daita residents and local citizens.

### New Tokyo Hospital opens new hospital building

We currently provide support to 18 associated hospitals in Japan, enabling us to contribute to better medical care. One of these is New Tokyo Hospital, in Matsudo, Chiba Prefecture, which enjoys a solid

Artist's conception of Sakra World Hospital, scheduled to open this year in Bangalore, India



Alive Setagaya Daita, a nursing home with nursing care services



New Tokyo Hospital, a principal provider of advanced medical care in Matsudo, Chiba Prefecture

reputation for its advanced emergency, inpatient and outpatient care for patients with acute illnesses, as well as for its outstanding surgical, testing and other capabilities. The hospital is also highly regarded for its cutting-edge facilities and its ranking as one of Japan's top hospitals for the treatment of cardiovascular disease. In December 2012, New Tokyo Hospital opened a new hospital building, further reinforcing its standing as a principal provider of advanced medical care and underscoring its ongoing commitment to setting new standards of excellence in health care.

### Joint venture in India to open new hospital

Improving the number and quality of health care facilities and the system for educating health care professionals are major challenges in India today. In a joint venture with a Japanese trading company and a local firm, in the autumn of 2013 we plan to open Sakra World Hospital in Bangalore, leveraging our expertise to ensure quality care and efficient administration. Going forward, we will actively seek opportunities to expand our medical services business in overseas markets.

## Insurance Services



Head office of Secom General Insurance Co., Ltd.



Support center



SECOM Anshin My Car

**We offer an extensive lineup of distinctive non-life insurance policies that take full advantage of the collective strengths of the SECOM Group.**

### **Expanding sales of SECOM Anshin My Home policy is testament to substantial merits to subscribers**

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

SECOM Anshin My Home is a policy for residential customers that offers a discount on regular premiums to subscribers who have installed on-line security systems, taking into account the risk-mitigating nature of such systems. The policy also offers a discount for houses with exclusively electrical appliances and houses built with fire-resistant materials, acknowledging a lower risk of fire. Customers can choose a basic plan from among three alternatives and

are also free to select special options, enabling them to tailor policies to their own specific needs. Contract volume for SECOM Anshin My Home, a mainstay of our non-life insurance lineup, continues to increase steadily. A similar product, Security Discount Fire Policy, for commercial customers, offers a discount on regular premiums to companies that have installed on-line security systems.

### **MEDCOM unrestricted cancer treatment indemnity insurance policy**

MEDCOM is an unrestricted cancer treatment policy that provides full coverage for all hospitalization and medical treatment costs, both those covered under Japan's National Health Insurance (NHI) scheme and those not, the burden of which is traditionally borne entirely by the patient. MEDCOM also extends to outpatient treatment, providing coverage for up to ¥10 million per five-year period, and a one-time lump sum payment of ¥1 million if cancer

is diagnosed. Subscribers additionally have access to MEDCOM Nurse Call, a telephone-based support service that gives referrals to associated hospitals across the country, helps arrange second opinions and offers consultations on available treatment options. Looking ahead, we will continue to actively market MEDCOM with the aim of making this beneficial policy available to more people.

### **Support from SECOM emergency response personnel**

SECOM Anshin My Car is a distinctive automotive insurance policy that includes around-the-clock, nationwide access to on-site support by SECOM emergency response personnel in the event of an accident. This service plays a significant role in giving vehicle owners greater peace of mind.

## Geographic Information Services



Aerial photograph of Onagawa, Miyagi Prefecture, after the Great East Japan Earthquake

**Capitalizing on our geospatial information and data center capabilities, we are supporting the operation and maintenance of enterprise systems for public- and private-sector customers.**

### **Geospatial information services support efforts to prevent/mitigate damage caused by disasters**

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

In the region devastated by the Great East Japan Earthquake, Pasco not only surveyed land boundaries, but also provided research and design services necessary for land readjustment. Pasco continues to capitalize on its geospatial information capabilities to support regional revitalization.

Companies and local authorities are stepping up efforts to prevent/mitigate potential damage from major disasters. In addition to assisting post-disaster recovery and reconstruction, Pasco is supporting such efforts by assisting with tsunami damage forecasting and the implementation of tsunami counter-measures across Japan.

### **Leveraging advanced measuring technologies to improve the safety of Japan's roads**

The deterioration of Japan's social infrastructure, much of which was built during Japan's postwar economic boom, is raising concerns as it becomes

apparent that corrective maintenance is no longer sufficient to ensure the safety of the country's roads. Pasco promotes various initiatives aimed at improving road safety and reliability.

In the wake of the Great East Japan Earthquake, Pasco compared data from pre- and post-quake satellite images to identify disaster-induced topographic changes, demonstrating the feasibility of swiftly pinpointing affected areas. Recognizing the importance of accumulating such data before disaster strikes, Pasco is currently archiving 3D data for all of Japan's major roads and has already essentially completed this process for roads maintained by the national government. This high-precision archived 3D data is used primarily by the public sector in the creation of detailed maps for the maintenance and management of roads and ongoing inspections. Pasco is also proposing the application of this data to, for example, simulate the flooding of roads due to tsunami or overflowing rivers and identify sections of tunnels or roads that have degraded.

### **Helping to manage road assets in Vietnam**

To facilitate an accurate grasp of the deterioration of its roads, as well as the formulation of plans for the expansion, maintenance and administration of



Simulation of flooding

its road infrastructure going forward, Vietnam is currently considering the introduction of guidelines for the management of road assets based on those in place in Japan. Pasco is maximizing the technological capabilities it has accumulated in Japan to assist Vietnam in managing its road assets. The company is also reinforcing its ability to support social infrastructure creation, maintenance and management in other Association of Southeast Asian Nations (ASEAN) member states.

### **Pasco creates GIS cloud service**

The importance of geospatial information in strategic planning, management and disaster preparedness is well understood today by both the public and the private sectors. Pasco has created a geographic information system (GIS) cloud service that enables subscribers to access a wide range of data. GIS cloud data is stored in our robust and highly reliable data center facilities, thus helping to facilitate the prompt restart of subscribers' operations in the event of a disaster. Going forward, Pasco will continue to capitalize on its geospatial information services and the capabilities of our data center facilities to support the operation and maintenance of enterprise systems for its public- and private-sector customers.

On another front, Pasco is promoting applications for big data, including vehicle navigation system travel history information, cellular phone positioning information and aerial, vehicle/ground and satellite image-derived geospatial information.



## Real Estate Development and Sales

**We are stepping up efforts to develop high-grade condominiums that are safe, secure and offer advanced disaster mitigation features.**

### **Providing high-grade condominiums that are safe, secure and distinctively SECOM**

In line with our goal of providing living spaces that ensure safety, peace of mind and comfort, we develop and sell distinctively SECOM condominiums under the Glorio brand, which are equipped with advanced SECOM security systems. In the period under review, we completed Glorio Kiyosumi Shirakawa, in Tokyo, which features around-the-clock access control and an on-line security system created specially for condominiums, as well as the SECOM IX remote imaging security system and surveillance cameras,

among others, thus offering high-grade homes that are also safe and secure. Glorio Kiyosumi Shirakawa boasts earthquake resistance that is 1.25 times greater than is required under Japan's Building Standard Law, which mandates building to withstand earthquakes of up to 7.0 on Japan's seismic intensity scale, earning it seismic grade 2. Other advanced features include an emergency supplies storage room and AED units. Since the Great East Japan Earthquake, demand

has risen for homes that are designed to keep residents safe in the event of a disaster. Looking ahead, we will continue responding to such demand by promoting the development of quality condominiums with advanced disaster mitigation features, further enabling us to deliver safety and peace of mind.



Glorio Kiyosumi Shirakawa

## Information and Communication Related and Other Services

**Our distinctive portfolio focuses on data center services and also includes BCP support, information security services and a variety of cloud-based services.**

### **Reinforcing our information services capabilities by transforming our data center facilities into service centers**

Since the establishment of our Secure Data Center in 2000, we have provided data security services, protected by robust facility construction, rated among the best in Japan. In October 2012, we acquired a majority interest in At Tokyo, thereby becoming one of Japan's top data center services firms.

In light of increased demand since the Great East Japan Earthquake, we will open two new Secure Data Center facilities, in Osaka and in Tokyo in July and November 2013, respectively.

The competitive advantage of our data center facilities derives from robust

facility construction and security features, as well as from a proven ability to operate without interruption regardless of circumstances, thus providing seamless security and peace of mind. We also offer subscribers a wide range of support services through these facilities.

To create a solid foundation for growth in the years ahead, we will continue working to transform our data centers into "service centers," enabling us to provide a more extensive range of advanced information-related services.

### **Cultivating demand for BCP support services**

One of our best-known initial response support services for disaster situations is SECOM Safety Confirmation Service,

one of Japan's leading risk management services, which help subscribers confirm the safety of employees in the event of a major disaster, as well as to promptly gather and share information on the extent of damage to facilities in affected areas. We continue to enhance the SECOM Safety Confirmation Service in response to subscriber feedback by adding, for example, a service whereby we contact and confirm the safety of the families of subscribers' employees by email. These efforts are helping to bolster our customer base.

In the period under review, we began offering the SECOM Emergency Call Out service, a comprehensive initial response support service designed to facilitate the optimal deployment



Monitoring room at Secure Data Center facility

of personnel in the aftermath of a disaster—based on considerations such as individual qualifications, capabilities, home address, commutation route and current location—and the prompt restart of operations. Our comprehensive BCP support services also include support for, among others, the preparation of emergency procedure manuals, as well as data storage, disaster information and emergency earthquake warning services.

### Protecting confidential information from cyber attacks

Capitalizing on our technological capabilities, adaptability and expertise, we provide services designed to protect subscribers' confidential information against cyber attacks and other dangers. In addition to prompt expert response services, including diagnosing and analyzing system and network problems, monitoring for network viruses and detecting irregularities, our lineup ranges from emergency on-site response services and everyday oversight to outsourcing.

Testament to our solid performance record in this area, we recently signed a joint agreement with Tokyo's Metropolitan Police Department to promote collaborative efforts to prevent cyber

attacks and cyber crime. With damage caused by cyber crime expected to increase in the years ahead, we will step up efforts to provide comprehensive and distinctively SECOM services encompassing the development and implementation of security, monitoring, response and normalization measures.

### Enhancing SECOM cloud services

Capitalizing on the capabilities of our data center facilities, among Japan's largest in terms of capacity, we provide a wide range of cloud-based services designed to provide security and peace of mind and enhance comfort and convenience for subscribers. One example is SECOM *Anshin* Eco Document Digitization Service, which assists in the digitization of key documents, thereby improving customers' business processes. This service, plus others—including a personnel management service that uses information from access control systems, storage services for valuable data and the Initial Response Operations Service, a major incident response service—maximize our extensive experience in information security and our solid network services foundation to help enhance the



SECOM Home Service

competitiveness and corporate value of subscribers.

### SECOM Home Service continues to draw customers

SECOM Home Service is a suite of lifestyle support services developed to provide security, peace of mind and enhance comfort and convenience for SECOM Home Security subscribers. The SECOM Home Service features an extensive menu of services designed to encourage people to turn to SECOM. These include Housework Support Service, which provides help with housekeeping and small jobs around the house; Troubleshooting Support Service, which includes assistance in resolving unforeseen problems such as lost keys; and *Anshin* Support Service, whereby SECOM staff assist subscribers in resolving concerns that arise in everyday life by, for example, patrolling around subscribers' homes when occupants are out. We also offer *Seikatsu Tasuke*, a similar service for customers who are not SECOM Home Security subscribers. With the rapid aging of Japan's population expected to further drive demand for lifestyle support, we will continue to expand the range of services we offer.

## ● Social and Environmental Initiatives Guided by the ALL SECOM Concept

We have set forth 10 fundamental business policies, which we apply to all areas of our operations. Of particular note, we actively seek to contribute to society through our business activities and recognize that we have a responsibility to identify and continuously cultivate businesses that contribute to society.

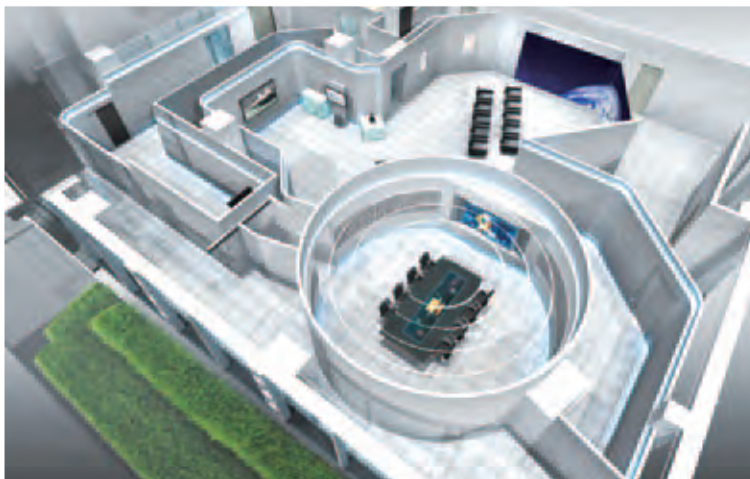
The SECOM Group Code of Employee Conduct delineates proper practices for employees, as well as outlines our philosophy and standards for compliance, which underpin all aspects of our operations, and provides specific standards of conduct that govern relationships with society, customers, suppliers and other stakeholders and which all employees are required to observe.

Acknowledging the importance of management, environmental and social initiatives in ensuring sustainability for ourselves and for society, we have sought since our establishment to contribute to the resolution of environmental and social issues through our business activities. This includes promoting efforts that are in line with ISO26000, the international standard for social responsibility. Taking into consideration the seven key areas of focus outlined in ISO26000,\* we will continue to build on the reputation for integrity and compliance that we enjoy as Japan's first provider of security services, guided by the ALL SECOM concept, to contribute to the resolution of social and environmental issues.

\*Organizational governance, human rights, labor practices, the environment, fair operating practices, consumer issues, and community involvement and development

### ALL SECOM-themed MIRAI Showroom opens

In a move designed to accelerate efforts to further cultivate existing markets, as well as to attract new customers, in July 2013 we opened the MIRAI ("future") Showroom, an ALL SECOM-themed display area, at our Tokyo headquarters. It is designed to facilitate a better understanding of what we do, as well as to offer an exciting look at the SECOM of tomorrow and reinforce awareness of SECOM as an important partner for the future. Rather than product exhibits, the MIRAI Showroom uses advanced imaging technologies to convey our comprehensive capabilities, evoked in the ALL SECOM concept, highlighting forward-looking, distinctively SECOM solutions to security concerns and other causes of apprehension.



ALL SECOM-themed MIRAI Showroom introduces our comprehensive capabilities



Conference room of the future



# Financial Review

## Operating Results

### Overview

In the year ended March 31, 2013, SECOM CO., LTD. and its subsidiaries (collectively, "the Company") sought to provide high-quality products and services that respond to the needs of customers in the core security services segment, as well as in the fire protection services, medical services, insurance services, geographic information services, real estate development and sales, and information and communication related and other services segments.

Consolidated net sales and operating revenue rose 11.6%, or ¥89.4 billion, to ¥861.9 billion. This result was due primarily to contributions of two newly acquired subsidiaries in Japan—Nittan, a major domestic provider of fire protection services, and At Tokyo, a leading data center services firm, which were consolidated April 1, 2012, and October 31, 2012, respectively. This result also reflected higher net sales and operating revenue in the Company's core electronic security services business and in sales of merchandise, and the delivery of newly completed large-scale condominium complexes, beginning in the second quarter of the period. Operating income grew 43.1%, or ¥33.9 billion, to ¥112.8 billion, as the advance in net sales and operating revenue exceeded increases in cost of sales and selling, general and administrative expenses and write-down on real estate inventories and impairment loss on long-lived assets declined. Net income attributable to SECOM CO., LTD. climbed 71.2%, or ¥29.3 billion, to ¥70.6 billion, owing mainly to the operating income gain.

### Net Sales and Operating Revenue

Consolidated net sales and operating revenue rose 11.6%, or ¥89.4 billion, to ¥861.9 billion, bolstered by increases in all segments. (For further details, please see Segment Information below.)

### Costs and Expenses

Total costs and expenses increased 8.0%, or ¥55.5 billion, to ¥749.1 billion. Cost of sales, at ¥583.1 billion, was up 8.7%, or ¥46.8 billion, and was equivalent to 67.7% of net sales and operating revenue, an improvement from 69.4% in the preceding period due primarily to the impact in the previous fiscal year of a ¥20.7 billion write-down on real estate inventories, which arose from a dramatic reorganization of the Company's real estate business in response to dwindling demand in the condominium market.

Selling, general and administrative (SG&A) expenses increased 10.6%, or ¥15.6 billion, to ¥162.2 billion. SG&A expenses were equivalent to 18.8% of net sales and operating revenue, an improvement from 19.0% in the previous fiscal year. In the preceding period, the Company recognized an impairment loss on long-lived assets, principally real estate, of ¥8.1 billion, in light of flagging economic conditions.

### Operating Income

Operating income advanced 43.1%, or ¥33.9 billion, to ¥112.8 billion, equivalent to 13.1% of net sales and operating revenue, up from 10.2% in the previous period. This result was due largely to higher net sales and operating revenue and decreases in write-down on real estate inventories and impairment loss on long-lived assets, which countered the negative impact of increases in cost of sales and SG&A expenses. The Company's segments, in order of size of contribution, are security services, fire protection services, information and communication related and other services, medical services, insurance services, geographic information services and real estate development and sales. (For further details, please see Segment Information below.)

### Other Income and Expenses

Other income increased ¥2.5 billion, to ¥10.0 billion, while other expenses fell ¥2.1 billion, to ¥3.2 billion, resulting in net other income of ¥6.8 billion, up ¥4.5 billion from the previous fiscal year. Principal factors behind this result included a ¥1.6 billion increase in gain on private equity investments, to ¥5.1 billion, and a decrease in loss on other-than-temporary impairment of investment securities.

### Income before Income Taxes and Equity in Net Income of Affiliated Companies

Income before income taxes and equity in net income of affiliated companies rose 47.4%, or ¥38.5 billion, to ¥119.6 billion, reflecting gains in operating income and net other income.

### Income Taxes

Income taxes rose ¥8.6 billion, to ¥46.8 billion, equivalent to 39.2% of income before income taxes and equity in net income of affiliated companies, compared with 47.1% in the preceding period. This result was due mainly to a decline in the statutory tax rate in Japan and a corresponding write-down of certain

components of net deferred tax assets in the previous fiscal year, a consequence of changes to Japanese tax regulations in the previous period.

### Equity in Net Income of Affiliated Companies

Equity in net income of affiliated companies slipped ¥1.0 billion, to ¥3.9 billion, owing primarily to a decline in equity in the net income of an overseas affiliated company.

### Net Income Attributable to Noncontrolling Interests

Net income attributable to noncontrolling interests amounted to ¥6.1 billion, down ¥498 million.

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

Net income attributable to SECOM CO., LTD. climbed 71.2%, or ¥29.3 billion, to ¥70.6 billion, equivalent to 8.2% of net sales and operating revenue, compared with 5.3% in the previous period. Net income attributable to SECOM CO., LTD. per share was ¥323.36, up from ¥188.97. Subsequent to the fiscal year ended March 31, 2013, a proposal to pay cash dividends of ¥105.00 per share, an increase of ¥15.00 per share from the previous period, was approved at the general shareholders' meeting held on June 25, 2013.

### Segment Information (For further information, please see Note 26 of the accompanying Notes to the Consolidated Financial Statements.)

#### Security Services

The security services segment comprises electronic security services, other security services, and merchandise and other. In the period under review, net sales and operating revenue in this segment increased 4.2%, or ¥18.4 billion, to ¥454.9 billion. Excluding intersegment transactions, net sales and operating revenue in this segment amounted to ¥452.4 billion, representing 52.5% of overall net sales and operating revenue, down from 56.3% in the previous fiscal year.

Electronic security services include on-line commercial and home security systems (centralized systems) and large-scale proprietary security systems, which center on surveillance services at the subscriber's premises. On-line commercial and home security systems, the core of the Company's electronic security services, use sensors, controllers and other equipment installed at the subscriber's premises to detect events, including intrusions, fires and equipment malfunctions. Equipment is linked to a SECOM control center via telecommunications circuits to facilitate around-the-clock remote monitoring. Should an irregularity be detected, relevant information is relayed to the control center, where staff dispatch emergency response personnel to take appropriate measures. Control center employees also notify the police or fire department, if necessary. The Company has established an integrated approach, whereby it takes full responsibility for all aspects of its on-line commercial and home security systems, from R&D through to equipment manufacturing, sales, security planning, installation, around-the-clock monitoring, emergency response services and equipment maintenance. Net sales and operating revenue from electronic security services rose 2.4%, or ¥7.2 billion, to ¥311.6 billion, a consequence mainly of the expansion of the Company's lineup of value-added services that respond to diverse security needs.

Other security services include static guard services and armored car services. Static guard services, which are provided by highly trained professional security guards for situations requiring human judgment and flexible responsiveness, generated net sales and operating revenue of ¥47.9 billion, up 2.5%, or ¥1.2 billion, owing principally to the addition of the net sales and operating revenue of a subsidiary newly consolidated in the fourth quarter. Armored car services, which involve the safe transport of cash, securities and other valuables using specially fitted armored cars and security professionals, reported net sales and operating revenue of ¥20.5 billion, down 0.4%, or ¥77 million.

The merchandise and other category encompasses sales of a wide range of security products, including access control systems, CCTV surveillance systems,

automated fire extinguishing systems and external monitoring systems, which can be freestanding or linked to on-line security systems. Net sales and operating revenue in this category increased 15.0%, or ¥9.4 billion, to ¥72.4 billion, reflecting ongoing efforts to expand sales of security systems for rental apartments and an increase in sales of CCTV surveillance systems.

Operating income in the security services segment rose 1.4%, or ¥1.4 billion, to ¥102.9 billion, owing to higher segment net sales and operating revenue. The operating margin edged down to 22.6%, from 23.2% in the preceding period, as the percentage increase in net sales and operating revenue for merchandise and static guard services exceeded that for on-line security systems, which have a comparatively higher operating margin.

#### Fire Protection Services

This segment focuses on tailored automatic fire alarm systems, fire extinguishing systems and other fire protection systems for a wide range of applications, including office buildings, plants, tunnels, cultural properties, ships and residences. On April 1, 2012, the Company enhanced this segment, which centers on the operations of fire protection services subsidiary Nohmi Bosai, by acquiring Nittan, a major domestic fire protection services provider. During the period, the two companies leveraged their respective business foundations and product development capabilities to secure orders for an extensive range of high-grade fire protection systems.

Net sales and operating revenue from the fire protection services segment advanced 39.7%, or ¥33.7 billion, to ¥118.4 billion, reflecting contributions from Nittan and active efforts to market systems that respond to market needs. Operating income was ¥6.0 billion, an increase of 34.6%, or ¥1.5 billion, from the previous fiscal year.

#### Medical Services

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

Segment net sales and operating revenue rose 4.8%, or ¥6.4 billion, to ¥141.1 billion. The principal factors behind this result were the inclusion of a full year of net sales and operating revenue from a hospital, the operation of which was taken

over by one of the aforementioned variable interest entities in October 2011. Operating income declined 30.8%, or ¥2.4 billion, to ¥5.5 billion. This was due principally to start-up costs related to the opening of new hospitals by variable interest entities.

#### Insurance Services

The Company continues to market a broad range of distinctive non-life insurance policies, including Security Discount Fire Policy, a commercial fire insurance policy, and SECOM *Anshin* My Home, a comprehensive fire insurance policy for homes—both of which offer discounts on premiums to customers who have installed on-line security systems, recognizing this as a risk-mitigating factor. Other offerings include SECOM *Anshin* My Car, a comprehensive automobile insurance policy that offers on-site support services—provided by emergency response personnel—should the subscriber be involved in an accident, and MEDCOM, an unrestricted cancer treatment policy that covers the entire cost of medical treatment for cancer.

Net sales and operating revenue in this segment increased 6.5%, or ¥2.4 billion, to ¥38.7 billion, primarily reflecting firm sales of fire insurance policies and the MEDCOM unrestricted cancer treatment policy, which strengthened revenue from net premiums written, and to a decrease in loss on other-than-temporary impairment of investment securities. The segment reported operating income of ¥2.7 billion, compared with an operating loss of ¥80 million in the preceding period, bolstered by a decline in loss on other than temporary impairment of investment securities, which pushed up net sales and operating revenue, and by a decline in selling, general and administrative expenses.

#### Geographic Information Services

The geographic information services segment includes the use of highly advanced measuring equipment and surveying technologies to provide a variety of GIS services to public service entities, including national and local governments, as well as to private-sector customers in Japan. The Company also provides geospatial information services to government agencies in foreign countries, including emerging economies and developing countries. In the period under review, the Company procured high-resolution satellite data and, leveraging its processing technologies, provided geographic information services that responded to a wide variety of customer needs in areas ranging from map production to environmental monitoring and fire and disaster preparedness.

Segment net sales and operating revenue edged up 1.9%, or ¥933 million, to ¥51.3 billion, owing to firm sales to public- and private-sector customers in Japan, as well as to customers in overseas

markets. Operating income fell 33.3%, or ¥1.1 billion, to ¥2.3 billion. The segment's operating margin declined to 4.5%, from 6.8% in the previous fiscal year, reflecting increases in impairment loss on goodwill and impairment loss on long-lived assets, both due to the deterioration of results at overseas subsidiaries, a consequence mainly of the Eurozone crisis.

### Real Estate Development and Sales

The real estate development and sales segment comprises the development and sales of condominiums equipped with advanced security and contingency planning systems. Amidst sluggish conditions in the condominium market, the Company continued to promote the careful selection of properties for development and sales. Bolstered by the delivery of newly completed large-scale condominium complexes, beginning in the second quarter, net sales and operating revenue in this segment soared 150.3%, or ¥18.4 billion, to ¥30.7 billion. The segment reported operating income of ¥1.6 billion, compared with operating loss of ¥21.6

billion in the previous period. This improvement was due primarily to a ¥20.7 billion write-down on real estate inventories in the preceding period, which arose from a dramatic reorganization of the Company's real estate business in response to dwindling demand in the condominium market.

### Information and Communication Related and Other Services

This segment consists mainly of information and communication related services and real estate leasing. In the information and communication related services, the Company continued to provide a variety of uniquely SECOM services, focusing on data center services as well as business continuity support services, information security services and cloud-based services. Highlights included the acquisition on October 31, 2012, of At Tokyo, one of Japan's leading providers of data center services in terms of stability of power supply and security level, thereby strengthening the foundation of our information and communication related services business.

Segment net sales and operating revenue rose 40.0%, or ¥13.6 billion, to ¥47.5 billion, shored up by the acquisition of At Tokyo and by an increase in subscriptions for Secure Data Center services, which bolstered results in the information and communication related services business. The segment reported operating income of ¥5.8 billion, compared with an operating loss of ¥4.0 billion in the previous fiscal year. This improvement was attributable largely to an ¥8.1 billion impairment loss on long-lived assets, principally real estate—the result of a reassessment of the potential profitability of certain businesses in light of flagging economic conditions—in the preceding period and to the inclusion of At Tokyo in consolidated results, which boosted operating income in the information and communication related services business in the period under review.

## Financial Position

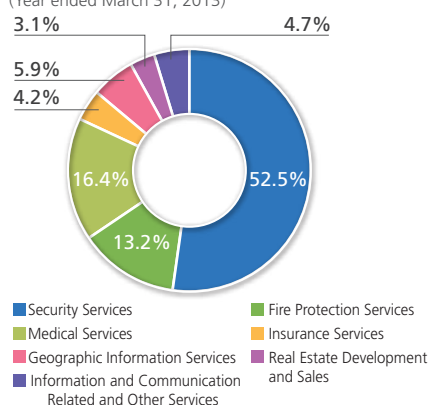
Total assets as of March 31, 2013, amounted to ¥1,340.4 billion, ¥160.5 billion higher than at the end of the previous fiscal year. Total current assets, at ¥565.9 billion, advanced ¥30.3 billion, and accounted for 42.2% of total assets. Cash and cash equivalents totaled ¥222.7 billion, an increase of ¥9.7 billion, owing to the fact that net cash provided by operating activities exceeded net cash used in investing and financing activities. (For further details, please see Cash Flows, which follows this section.) Notes and accounts receivable, trade, rose ¥20.2 billion, to ¥119.9 billion, pushed up primarily by the acquisition of Nittan. Inventories,

at ¥58.0 billion, were down ¥9.1 billion, reflecting a decline in real estate for sale, a consequence of the delivery of newly completed condominiums, which was partially offset by an increase in inventories related to fire protection services resulting from the acquisition of Nittan. Short-term receivables amounted to ¥21.5 billion, up ¥6.8 billion, largely as a result of an increase in lease receivables related to security equipment belonging to another newly acquired consolidated subsidiary. With both current assets and current liabilities up, the current ratio was 2.0 times, compared with 2.1 times a year earlier.

Investments and long-term receivables rose ¥22.0 billion, to ¥257.7 billion, or 19.2% of total assets. Investment securities increased ¥15.1 billion, to ¥155.1 billion, mainly because of higher unrealized holding gains on securities—underscored by a buoyant stock market—and an increase in the fair value of private equity investments.

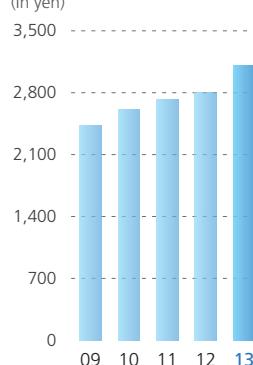
Property, plant and equipment, less accumulated depreciation, advanced ¥74.4 billion, to ¥385.3 billion, equivalent to 28.7% of total assets. Buildings and improvements, including depreciation, rose ¥92.4 billion, to ¥285.6 billion, while land increased ¥11.4 billion, to ¥114.5 billion, a result of the acquisition of At Tokyo.

**Percentage of Consolidated Net Sales and Operating Revenue\***  
(Year ended March 31, 2013)

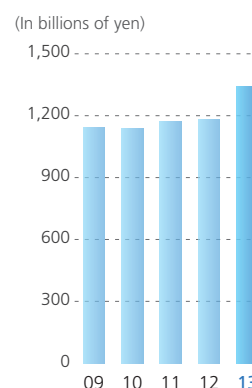


\* Pie chart shows percentage of consolidated net sales and operating revenue (excluding intersegment transactions)

**SECOM CO., LTD.**  
**Shareholders' Equity per Share**  
(In yen)



**Total Assets**





Other assets were up ¥33.7 billion, to ¥131.4 billion, and accounted for 9.8% of total assets. Goodwill rose ¥18.5 billion, to ¥32.7 billion and other intangible assets increased ¥16.1 billion, to ¥38.4 billion, both owing principally to the acquisition of At Tokyo, which yielded goodwill of ¥17.5 billion and identifiable intangible assets of ¥15.2 billion.

Total liabilities increased ¥58.5 billion, to ¥560.7 billion, equivalent to 41.8% of total liabilities and equity. Total current liabilities rose ¥31.3 billion, to ¥287.5 billion, and accounted for 21.5% of total liabilities and equity. Notes and accounts payable, trade, at ¥45.0 billion, were up ¥11.8 billion, owing primarily to the acquisition of Nittan. Accrued income taxes climbed ¥15.5 billion, to ¥31.0 billion, owing to a debt-for-equity swap undertaken at the end of the previous fiscal year

as part of a refinancing package aimed at restructuring the Company's real estate development and sales subsidiary, which resulted in a decline in accrued income taxes in the preceding period.

Long-term debt, at ¥48.8 billion, was up ¥11.7 billion. Accrued pension and severance costs totaled ¥29.3 billion, an increase of ¥7.9 billion, reflecting an increase in the scope of consolidation. Higher sales of fire insurance policies led to an increase in the reserve for unearned premiums, pushing unearned premiums and other insurance liabilities up ¥6.4 billion, to ¥90.4 billion.

Interest-bearing debt, comprising bank loans, long-term debt and the current portion of long-term debt, advanced ¥5.2 billion, to ¥105.1 billion. This result was due largely to the acquisition of new subsidiaries, including Nittan and At Tokyo

and was despite efforts to reduce interest-bearing debt through the effective use of available funds.

Total SECOM CO., LTD. shareholders' equity rose ¥66.3 billion, to ¥679.2 billion, and was equivalent to 50.7% of total liabilities and equity. This was attributable to a ¥50.9 billion increase in retained earnings, to ¥623.6 billion, owing mainly to net income attributable to SECOM CO., LTD. and to the payment of cash dividends. Accumulated other comprehensive loss, at ¥21.2 billion, was down ¥16.1 billion. The loss resulting from foreign currency translation adjustments declined ¥9.7 billion, to ¥18.7 billion, a consequence of the yen correction that began in late 2012. As a result, the equity ratio decreased to 50.7%, from 51.9% at the end of the previous fiscal year.

## Cash Flows

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

In the period under review, net cash provided by operating activities amounted to ¥157.4 billion. Significant factors contributing to this result included net income of ¥76.6 billion and non-cash items, notably depreciation and amortization—including amortization of deferred charges—of ¥60.7 billion and a decrease in inventories of ¥20.7 billion. Net cash provided by operating activities was ¥45.2 billion higher than in the previous period, reflecting higher net income and an increase in accrued income taxes, compared with a decrease in the preceding period.

Net cash used in investing activities came to ¥118.6 billion. Principal items behind this result were acquisitions, net of cash acquired, of ¥63.7 billion, that is, payments for the acquisition of new subsidiaries, including Nittan and At Tokyo, and payments for purchases of property, plant and equipment of ¥64.3 billion—namely, the purchase of security equipment and control stations, dictated by a greater number of security services subscribers, and of buildings and improvements, as well as equipment, for new hospitals managed by variable interest entities. Owing to a review of investment assets in the insurance services segment, and to gains attributable to private equity investments in the United States, net proceeds from the sales and redemption of short-term investments and investment securities rose ¥10.3 billion. Net cash used in investing activities was up ¥73.6 billion from the previous fiscal year,

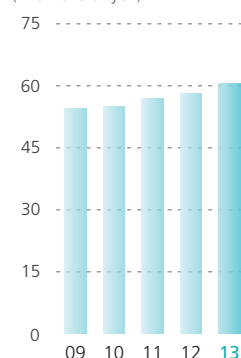
attributable to the greater application of cash to acquisitions, net of cash acquired, and to purchases of property, plant and equipment.

Net cash used in financing activities amounted to ¥30.4 billion. This included dividends paid to SECOM CO., LTD. shareholders of ¥19.6 billion, net repayments of long-term debt of ¥4.9 billion and a decrease in bank loans, net, of ¥3.6 billion. Net cash used in financing activities was down ¥17.3 billion from the previous period, owing to decreases in investment deposits by policyholders, bank loans, net and net repayments of long-term debt.

The Company's operating, investing and financing activities in the period under review resulted in net cash and cash equivalents at end of year of ¥222.7 billion, up ¥9.7 billion from net cash and cash equivalents at beginning of year, which were ¥213.0 billion.

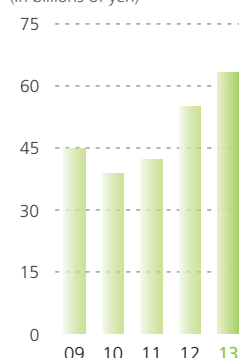
### Depreciation and Amortization

(In billions of yen)



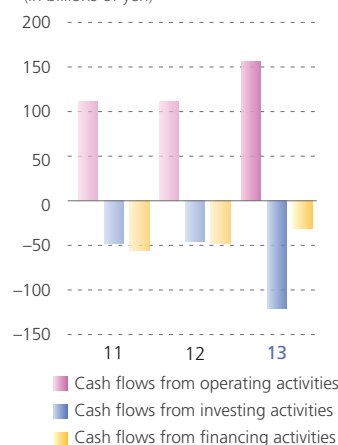
### Capital Expenditures

(In billions of yen)



### Cash Flows

(In billions of yen)





# CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED BALANCE SHEETS

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

	In millions of yen		Translation into thousands of U.S. dollars (Note 3)
	2013	2012	March 31
<b>ASSETS</b>			<b>2013</b>
<b>Current assets:</b>			
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
<b>Investments and long-term receivables:</b>			
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
<b>Property, plant and equipment</b> (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
<b>Other assets:</b>			
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.



	In millions of yen		Translation into thousands of U.S. dollars (Note 3)
	2013	2012	2013
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities:</b>			
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
<b>Commitments and contingent liabilities (Note 24)</b>			
<b>Equity:</b>			
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 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
<b>Net sales and operating revenue</b> (Notes 14 and 22).....	<b>¥861,885</b>	<b>¥772,482</b>	<b>¥751,868</b>	<b>\$9,168,989</b>
<b>Costs and expenses:</b>				
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
	<b>749,117</b>	<b>693,656</b>	<b>651,436</b>	<b>7,969,329</b>
Operating income.....	<b>112,768</b>	<b>78,826</b>	<b>100,432</b>	<b>1,199,660</b>
<b>Other income:</b>				
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
	<b>9,990</b>	<b>7,527</b>	<b>11,870</b>	<b>106,277</b>
<b>Other expenses:</b>				
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
	<b>3,161</b>	<b>5,233</b>	<b>4,458</b>	<b>33,628</b>
Income before income taxes and equity in net income of affiliated companies.....	<b>119,597</b>	<b>81,120</b>	<b>107,844</b>	<b>1,272,309</b>
<b>Income taxes</b> (Note 17):				
Current.....	45,311	33,538	38,765	482,032
Deferred.....	1,538	4,664	4,512	16,362
	<b>46,849</b>	<b>38,202</b>	<b>43,277</b>	<b>498,394</b>
Income before equity in net income of affiliated companies.....	<b>72,748</b>	<b>42,918</b>	<b>64,567</b>	<b>773,915</b>
<b>Equity in net income of affiliated companies</b> .....	<b>3,895</b>	<b>4,880</b>	<b>5,028</b>	<b>41,436</b>
Net income.....	<b>76,643</b>	<b>47,798</b>	<b>69,595</b>	<b>815,351</b>
<b>Less: Net income attributable to noncontrolling interests</b> .....	<b>(6,063)</b>	<b>(6,561)</b>	<b>(6,930)</b>	<b>(64,500)</b>
Net income attributable to SECOM CO., LTD. ....	<b>¥ 70,580</b>	<b>¥ 41,237</b>	<b>¥ 62,665</b>	<b>\$ 750,851</b>

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

### 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
<b>Comprehensive income:</b>				
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.....	<b>93,439</b>	<b>44,643</b>	<b>57,687</b>	<b>994,031</b>
<b>Less: Comprehensive income attributable to noncontrolling interests</b> .....	<b>(7,113)</b>	<b>(5,930)</b>	<b>(5,853)</b>	<b>(75,669)</b>
Comprehensive income attributable to SECOM CO., LTD. ....	<b>¥86,326</b>	<b>¥38,713</b>	<b>¥51,834</b>	<b>\$918,362</b>

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 com- prehensive income (loss)	Common stock in treasury, at cost	Total SECOM CO., LTD. shareholders' equity	Noncontrolling interest	Total
<b>Balance, March 31, 2010</b>	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)
<b>Balance, March 31, 2011</b>	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
<b>Balance, March 31, 2012</b>	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)
<b>Balance, March 31, 2013</b>	233,288,717	¥66,378	¥73,809	¥10,241	¥623,599	(¥21,186)	(¥73,665)	¥679,176	¥100,439	¥779,615

Translation into thousands of U.S. dollars (Note 3)										
	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Accumulated other com- prehensive income (loss)	Common stock in treasury, at cost	Total SECOM CO., LTD. shareholders' equity	Noncontrolling interest	Total	
<b>Balance, March 31, 2012</b>	\$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)	
<b>Balance, March 31, 2013</b>	\$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 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
<b>Cash flows from operating activities:</b>				
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
<b>Cash flows from investing activities:</b>				
(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)
<b>Cash flows from financing activities:</b>				
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)
<b>Cumulative effect adjustments resulting from adoption of a new accounting standard on variable interest entities (Note 2 (2))</b>	—	—	3,905	—
<b>Effect of exchange rate changes on cash and cash equivalents</b>	1,190	(422)	(566)	12,660
<b>Net increase in cash and cash equivalents</b>	9,656	19,098	13,798	102,723
<b>Cash and cash equivalents at beginning of year</b>	213,040	193,942	180,144	2,266,383
<b>Cash and cash equivalents at end of year</b>	¥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 Assets within a Foreign Entity or of an Investment in a Foreign Entity." This accounting standard resolved diversity in practice and clarifies the applicable guidance for the release of the cumulative translation adjustment when the parent company sells a part or all of its investment in a foreign entity, ceases to have a controlling financial interest in a subsidiary or group of assets that is a business within a foreign entity, or obtains control in a business combination achieved in stages involving an equity method investment that is a foreign entity. This accounting standard is effective for fiscal years beginning after December 15, 2013 and will be adopted by the Company in the fiscal year beginning April 1, 2014. The 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.



## CONSOLIDATED FINANCIAL STATEMENTS

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	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	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	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		12 months or longer	
	Fair value	Gross unrealized losses	Fair value	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		12 months or longer	
	Fair value	Gross unrealized losses	Fair value	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		Held-to-maturity	
	Cost	Fair value	Cost	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

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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	
	<b>\$717,649</b>	<b>\$766,755</b>	<b>\$27,532</b>	<b>\$30,915</b>	

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	Years ended March 31	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	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
	<b>¥58,021</b>	<b>¥67,094</b>	<b>\$617,245</b>

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
	<b>¥39,762</b>	<b>¥13,319</b>	<b>¥3,858</b>	<b>¥5,479</b>	<b>¥1,005</b>	<b>¥63,423</b>

\* "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	\$ —	\$ 79,546

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

## CONSOLIDATED FINANCIAL STATEMENTS

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.....	<b>\$1,106</b>	<b>\$136,117</b>	<b>\$883</b>	<b>\$32,309</b>	<b>\$9,032</b>	<b>\$179,447</b>
Related allowance for doubtful accounts.....	<b>872</b>	<b>25,011</b>	<b>819</b>	<b>30,670</b>	<b>8,723</b>	<b>66,095</b>

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....	<b>¥86</b>	<b>¥13,117</b>	<b>¥485</b>	<b>¥3,200</b>	<b>¥884</b>	<b>¥17,772</b>

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....	<b>\$915</b>	<b>\$139,543</b>	<b>\$5,160</b>	<b>\$34,043</b>	<b>\$9,403</b>	<b>\$189,064</b>

### 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.....	<b>¥101,060</b>	¥101,597	<b>\$1,075,106</b>
Noncurrent assets .....	<b>108,887</b>	98,719	<b>1,158,373</b>
Total assets.....	<b>¥209,947</b>	¥200,316	<b>\$2,233,479</b>
Current liabilities.....	<b>¥ 46,082</b>	¥ 43,818	<b>\$ 490,234</b>
Noncurrent liabilities .....	<b>34,944</b>	35,127	<b>371,745</b>
Equity .....	<b>128,921</b>	121,371	<b>1,371,500</b>
Total liabilities and equity .....	<b>¥209,947</b>	¥200,316	<b>\$2,233,479</b>

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

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
Sales.....	<b>¥1,924</b>	¥2,113	¥1,669
Purchases.....	<b>¥6,573</b>	¥6,125	¥5,128
	<b>\$20,468</b>		<b>\$69,926</b>

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

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						Total
	Security services	Fire protection services	Medical services	Geographic information services	Real estate development and sales	Information and communication related and other services	
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



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	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	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	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.....	<b>¥8,269</b>	¥5,560	¥6,313	<b>\$87,968</b>
Interest cost.....	<b>1,533</b>	1,572	1,610	<b>16,309</b>
Expected return on plan assets.....	<b>(2,241)</b>	(2,130)	(2,065)	<b>(23,841)</b>
Amortization of prior service benefit.....	<b>(1,600)</b>	(1,649)	(1,687)	<b>(17,021)</b>
Recognized actuarial loss.....	<b>1,407</b>	1,222	924	<b>14,968</b>
Net periodic pension and severance costs.....	<b>¥7,368</b>	¥4,575	¥5,095	<b>\$78,383</b>

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

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.....	<b>¥11,538</b>	¥ 7,846	<b>\$122,745</b>
Accrued pension and severance costs.....	<b>(29,318)</b>	(21,421)	<b>(311,894)</b>
Net amount recognized.....	<b>(¥17,780)</b>	(¥13,575)	<b>( \$189,149)</b>

## CONSOLIDATED FINANCIAL STATEMENTS

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
	<b>¥ 135</b>	<b>\$ 1,436</b>

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
Actuarial loss.....	<b>¥30,715</b>	¥32,652
Prior service benefit.....	<b>(5,734)</b>	(7,806)
Net amount recognized.....	<b>¥24,981</b>	¥24,846

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	March 31
	2013	2012
Discount rate.....	<b>1.4%</b>	1.8%
Rate of compensation increase.....	<b>2.7%</b>	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	Years ended March 31	Years ended March 31
	2013	2012	2011
Discount rate.....	<b>1.8%</b>	2.1%	2.2%
Expected return on plan assets.....	<b>3.0%</b>	3.0%	3.0%
Rate of compensation increase.....	<b>2.6%</b>	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.....	<b>¥ 899</b>	¥ —	¥ —	<b>¥ 899</b>
Equity securities				
Japanese companies.....	<b>12,043</b>	—	—	<b>12,043</b>
Debt securities				
Government bonds.....	<b>3,708</b>	<b>75</b>	—	<b>3,783</b>
Non-government bonds.....	<b>774</b>	<b>200</b>	<b>911</b>	<b>1,885</b>
Pooled funds.....	—	<b>26,831</b>	<b>20,807</b>	<b>47,638</b>
Call loans.....	—	<b>8,071</b>	—	<b>8,071</b>
Insurance contracts.....	—	<b>8,836</b>	—	<b>8,836</b>
Other.....	—	<b>(552)</b>	<b>768</b>	<b>216</b>
	<b>¥17,424</b>	<b>¥43,461</b>	<b>¥22,486</b>	<b>¥83,371</b>

\*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-government 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.....	<b>¥ 1,720</b>	¥ —	¥ —	<b>¥ 1,720</b>
Equity securities				
Japanese companies.....	<b>9,420</b>	—	—	<b>9,420</b>
Debt securities				
Government bonds.....	<b>5,772</b>	<b>66</b>	<b>1</b>	<b>5,839</b>
Non-government bonds.....	<b>1,530</b>	—	<b>794</b>	<b>2,324</b>
Pooled funds.....	—	<b>23,150</b>	<b>16,669</b>	<b>39,819</b>
Call loans.....	—	<b>6,630</b>	—	<b>6,630</b>
Insurance contracts.....	—	<b>6,349</b>	—	<b>6,349</b>
Other.....	—	<b>(341)</b>	<b>450</b>	<b>109</b>
Total.....	<b>¥18,442</b>	<b>¥35,854</b>	<b>¥17,914</b>	<b>¥72,210</b>

\*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-government 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-government 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 thousands of	
	In millions of yen	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
Deferred income taxes		
(Current assets).....	<b>¥15,387</b>	¥12,853
Deferred income taxes		
(Other assets).....	<b>6,750</b>	10,185
Other current liabilities.....	<b>(995)</b>	(1,174)
Deferred income taxes		
(Liabilities).....	<b>(14,135)</b>	(9,115)
Net deferred tax assets .....	<b>¥ 7,007</b>	¥12,749
		<b>\$ 74,543</b>

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
	<b>¥28,280</b>	<b>\$300,851</b>

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 unrecognized 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
Net income attributable to SECOM CO., LTD. ....	<b>¥70,580</b>	¥41,237
Transfers from (to) noncontrolling interests:		
Decrease in additional paid-in capital related to the acquisition of Secom Techno Service Co., Ltd.'s ownership interests .....	<b>—</b>	(476)
Other, net.....	<b>(752)</b>	(166)
Net transfers from (to) noncontrolling interests.....	<b>(752)</b>	(642)
Change from net income attributable to SECOM CO., LTD. and transfers from (to) noncontrolling interests .....	<b>¥69,828</b>	¥40,595
		<b>\$742,851</b>

### (2) Retained Earnings

The Japanese Companies Act provides that an amount equal to 10 percent of surplus distributed by the parent company and its Japanese subsidiaries be appropriated as a legal reserve until the aggregate amount of additional paid-in capital and legal reserve equals 25 percent of the common stock account.

The amount available for dividends under the Japanese Companies Act is based on the amount recorded in the parent company's nonconsolidated statutory financial statements in accordance with Japanese GAAP. Such amount was ¥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
<b>For the year ended March 31, 2013:</b>			
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
<b>For the year ended March 31, 2012:</b>			
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)
<b>For the year ended March 31, 2011:</b>			
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
<b>For the year ended March 31, 2013:</b>			
Unrealized holding gains on securities—			
Unrealized holding gains or losses arising during the period .....	<b>\$116,915</b>	<b>(\$38,330)</b>	<b>\$78,585</b>
Less: Reclassification adjustment for gains or losses included in net income .....	<b>(7,415)</b>	<b>2,383</b>	<b>(5,032)</b>
Unrealized gains on derivative instruments—			
Unrealized gains or losses arising during the year .....	<b>53</b>	<b>(21)</b>	<b>32</b>
Less: Reclassification adjustment for gains or losses included in net income .....	<b>85</b>	<b>(32)</b>	<b>53</b>
Pension liability adjustments—			
Unrealized gains or losses arising during the period .....	<b>(8,500)</b>	<b>2,500</b>	<b>(6,000)</b>
Less: Reclassification adjustment for gains or losses realized in net income .....	<b>234</b>	<b>213</b>	<b>447</b>
Foreign currency translation adjustments .....	<b>99,426</b>	<b>—</b>	<b>99,426</b>
Other comprehensive income (loss) .....	<b>\$200,798</b>	<b>(\$33,287)</b>	<b>\$167,511</b>

## 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	March 31
	<b>2013</b>	<b>2012</b>	<b>2013</b>
Buildings and improvements .....	<b>¥ 8,209</b>	¥ 8,235	<b>\$ 87,330</b>
Machinery, equipment and automobiles .....	<b>10,198</b>	10,349	<b>108,489</b>
Other intangible assets .....	<b>163</b>	127	<b>1,734</b>
Accumulated depreciation .....	<b>(8,598)</b>	(8,215)	<b>(91,468)</b>
	<b>¥ 9,972</b>	¥10,496	<b>\$106,085</b>

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.

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

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	March 31	March 31
	2013	2012	2013	2012
Land .....	<b>¥35,458</b>	¥36,950	<b>\$377,213</b>	
Buildings and improvements .....	<b>28,541</b>	29,426	<b>303,628</b>	
Other intangible assets.....	<b>662</b>	662	<b>7,043</b>	
Accumulated depreciation .....	<b>(9,687)</b>	(9,190)	<b>(103,054)</b>	
	<b>¥54,974</b>	¥57,848	<b>\$584,830</b>	

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		March 31	
	2013	2012	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)....	<b>¥55,976</b>	<b>¥57,159</b>	¥43,837	¥45,196
Liabilities—				
Long-term debt including current portion.....	<b>66,043</b>	<b>66,155</b>	59,076	59,205
Investment deposits by policyholders .....	<b>29,483</b>	<b>30,831</b>	30,755	31,171
Derivatives:				
Assets—				
Equity swaps (Other current assets) .....	<b>59</b>	<b>59</b>	—	—
Liabilities—				
Interest rate swaps (Other liabilities) .....	<b>239</b>	<b>239</b>	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-performance by counterparties to derivative financial instruments, but it is not expected that any counterparties will fail to meet their obligations, because most of the counterparties are internationally recognized financial institutions and contracts are diversified amongst a number of major financial institutions.

### (2) Risk Management

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

### (3) Cash Flow 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



## CONSOLIDATED FINANCIAL STATEMENTS

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

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 .....	<b>¥311,604</b>	¥304,408	¥302,529	<b>\$3,314,936</b>
Other security services:				
Static guard services .....	<b>47,877</b>	46,689	46,372	<b>509,330</b>
Armored car services .....	<b>20,532</b>	20,609	20,129	<b>218,426</b>
Merchandise and other .....	<b>72,374</b>	62,961	55,676	<b>769,936</b>
Total security services .....	<b>¥452,387</b>	¥434,667	¥424,706	<b>\$4,812,628</b>

### (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 .....	<b>¥828,835</b>	¥743,727	¥726,381	<b>\$8,817,393</b>
Other .....	<b>33,050</b>	28,755	25,487	<b>351,596</b>
Total .....	<b>¥861,885</b>	¥772,482	¥751,868	<b>\$9,168,989</b>
Long-lived assets:				
Japan .....	<b>¥508,104</b>	¥399,901	¥395,884	<b>\$5,405,362</b>
Other .....	<b>6,008</b>	5,857	5,161	<b>63,915</b>
Total .....	<b>¥514,112</b>	¥405,758	¥401,045	<b>\$5,469,277</b>

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



# SUMMARY OF SELECTED FINANCIAL DATA

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

In millions of yen

	2013	2012	2011	2010	2009	2008
<b>Composition of consolidated net sales and operating revenue by segment</b>						
Net sales and operating revenue .....	<b>¥861,885</b>	¥772,482	¥751,868	¥670,644	¥684,016	¥701,836
Security services: .....	<b>452,387</b>	434,667	424,706	424,385	436,918	435,306
As a percentage of net sales and operating revenue .....	<b>52.5%</b>	56.3%	56.5%	63.3%	63.9%	62.0%
Electronic security services .....	<b>311,604</b>	304,408	302,529	303,459	308,279	301,521
As a percentage of net sales and operating revenue .....	<b>36.1</b>	39.4	40.2	45.2	45.1	43.0
Other security services—						
Static guard services .....	<b>47,877</b>	46,689	46,372	46,213	47,999	46,648
As a percentage of net sales and operating revenue .....	<b>5.6</b>	6.0	6.2	6.9	7.0	6.6
Armored car services .....	<b>20,532</b>	20,609	20,129	19,823	20,310	19,547
As a percentage of net sales and operating revenue .....	<b>2.4</b>	2.7	2.7	3.0	3.0	2.8
Subtotal .....	<b>68,409</b>	67,298	66,501	66,036	68,309	66,195
Merchandise and other .....	<b>72,374</b>	62,961	55,676	54,890	60,330	67,590
As a percentage of net sales and operating revenue .....	<b>8.4</b>	8.2	7.4	8.2	8.8	9.6
Fire protection services .....	<b>114,130</b>	80,678	75,176	80,132	84,175	82,572
As a percentage of net sales and operating revenue .....	<b>13.2</b>	10.4	10.0	11.9	12.3	11.8
Medical services .....	<b>140,957</b>	134,550	125,020	56,309	52,220	50,741
As a percentage of net sales and operating revenue .....	<b>16.4</b>	17.4	16.6	8.4	7.6	7.2
Insurance services .....	<b>35,864</b>	33,558	33,133	29,142	21,530	33,229
As a percentage of net sales and operating revenue .....	<b>4.2</b>	4.4	4.4	4.3	3.2	4.7
Geographic information services .....	<b>51,194</b>	50,173	43,539	41,918	40,207	39,376
As a percentage of net sales and operating revenue .....	<b>5.9</b>	6.5	5.8	6.3	5.9	5.6
Real estate development and sales .....	<b>27,121</b>	11,724	24,817	13,268	22,072	29,928
As a percentage of net sales and operating revenue .....	<b>3.1</b>	1.5	3.3	2.0	3.2	4.3
Information and communication related and other services .....	<b>40,232</b>	27,132	25,477	25,490	26,894	30,684
As a percentage of net sales and operating revenue .....	<b>4.7</b>	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. ....	<b>¥ 70,580</b>	¥ 41,237	¥ 62,665	¥ 46,989	¥ 30,560	¥ 61,756
Cash dividends (paid) <sup>(2)</sup> .....	<b>19,645</b>	19,623	18,533	18,533	19,122	17,998
SECOM CO., LTD. shareholders' equity .....	<b>679,176</b>	612,855	593,495	569,799	528,721	574,554

## Consolidated financial ratios

Percentage of working capital accounted for by:

Debt						
Bank loans .....	<b>5.0</b>	5.7	6.8	6.5	11.9	17.5
Current portion of long-term debt .....	<b>2.2</b>	3.1	1.7	1.6	2.4	1.2
Straight bonds .....	<b>1.1</b>	1.4	2.0	2.6	1.9	1.8
Other long-term debt .....	<b>5.1</b>	3.8	5.5	3.6	3.6	4.0
Total debt .....	<b>13.4</b>	14.0	16.0	14.3	19.8	24.5
SECOM CO., LTD. shareholders' equity .....	<b>86.6</b>	86.0	84.0	85.7	80.2	75.5
Total capitalization .....	<b>100.0</b>	100.0	100.0	100.0	100.0	100.0
Return on total assets (percentage) <sup>(a)</sup> .....	<b>5.3</b>	3.5	5.4	4.1	2.7	4.9
Return on equity (percentage) <sup>(b)</sup> .....	<b>10.4</b>	6.7	10.6	8.2	5.8	10.7
Percentage of net sales and operating revenue absorbed by <sup>(c)</sup> :						
Depreciation and amortization .....	<b>6.9</b>	7.5	7.6	8.2	7.9	8.2
Rental expense under operating leases .....	<b>2.1</b>	2.1	2.2	2.1	2.2	2.3
Ratio of accumulated depreciation to depreciable assets (percentage) .....	<b>60.0</b>	63.4	62.5	64.9	64.4	63.8
Net property turnover (times) <sup>(c)</sup> .....	<b>2.24</b>	2.49	2.49	2.55	2.66	2.81
Before-tax interest coverage (times) <sup>(c)(d)</sup> .....	<b>78.8</b>	51.8	65.1	53.5	32.4	53.7

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



## SUMMARY OF SELECTED FINANCIAL DATA

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

# CONSOLIDATED FINANCIAL DATA

(BASED ON JAPANESE GAAP) [REFERENCE]

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**CONSOLIDATED FINANCIAL DATA**  
(BASED ON JAPANESE GAAP) [REFERENCE]

**CONDENSED CONSOLIDATED BALANCE SHEETS (BASED ON JAPANESE GAAP)**

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

	In millions of yen					
<b>ASSETS</b>	<b>2013</b>	2012	2011	2010	2009	2008
<b>Current assets:</b>						
Cash on hand and in banks.....	¥ 175,427	¥ 182,412	¥ 172,958	¥ 146,929	¥ 127,476	¥ 200,403
Cash deposits for armored car services .....	56,089	54,011	56,546	48,861	56,667	63,696
Call loans .....	46,500	28,000	29,500	36,500	36,500	19,000
Notes and accounts receivable, trade.....	106,638	85,744	73,956	73,844	77,398	85,595
Due from subscribers.....	24,059	24,830	22,754	20,824	20,139	21,125
Short-term investments .....	14,723	19,936	7,313	15,989	16,786	9,306
Lease receivables and investment in leased assets.....	27,569	14,605	15,433	14,742	14,993	—
Inventories .....	—	—	—	—	—	27,080
Merchandises and products.....	12,321	9,597	8,823	10,987	10,730	—
Real estate inventories.....	12,944	9,082	11,481	18,493	6,177	90,230
Work in process .....	4,526	2,527	2,249	1,427	2,174	—
Costs on uncompleted construction contracts .....	7,563	5,671	4,233	5,312	9,534	—
Work in process for real estate inventories.....	13,348	33,276	48,296	55,916	60,950	—
Raw materials and supplies.....	6,430	5,950	5,750	5,932	5,840	—
Deferred income taxes.....	14,384	11,383	12,216	11,684	11,135	11,840
Short-term loans receivable .....	4,158	4,389	3,908	3,088	4,125	7,246
Other .....	18,453	13,489	12,566	15,275	15,578	13,827
Allowance for doubtful accounts.....	(2,302)	(1,428)	(1,704)	(2,207)	(2,762)	(1,813)
Total current assets .....	542,836	503,479	486,284	483,600	473,445	547,538
<b>Fixed assets:</b>						
Tangible assets:						
Buildings and improvements .....	155,839	97,955	102,855	97,692	85,415	84,545
Security equipment and control stations .....	67,200	66,900	63,490	63,034	65,631	65,450
Land .....	115,652	104,426	97,730	93,424	89,297	81,716
Other.....	22,839	21,464	18,638	18,869	22,923	33,636
Intangible assets.....	55,079	25,043	25,553	21,885	21,331	22,332
Investments and others:						
Investment securities.....	189,042	177,655	188,001	187,777	201,923	241,957
Long-term loans receivable .....	42,338	46,197	47,576	50,488	59,880	54,599
Prepaid pension and severance costs.....	19,572	19,130	18,730	18,618	18,876	17,834
Deferred income taxes .....	11,711	14,793	20,110	19,848	24,413	22,740
Other.....	43,706	42,376	43,422	44,630	46,129	47,579
Allowance for doubtful accounts .....	(16,742)	(17,584)	(18,111)	(18,403)	(19,122)	(17,455)
Total fixed assets.....	706,241	598,359	607,998	597,864	616,698	654,936
Deferred assets .....	32	45	117	213	338	365
Total assets .....	¥1,249,110	¥1,101,884	¥1,094,400	¥1,081,679	¥1,090,483	¥1,202,840

		In millions of yen					
LIABILITIES		2013	2012	2011	2010	2009	2008
<b>Current liabilities:</b>							
Notes and accounts payable, trade .....	¥ 43,684	¥ 30,731	¥ 25,959	¥ 24,774	¥ 28,374	¥ 30,459	
Bank loans .....	42,350	47,985	47,426	48,094	85,383	136,034	
Current portion of straight bonds .....	4,487	5,983	2,914	1,761	5,036	1,936	
Lease obligations .....	537	354	354	247	202	—	
Payables—other .....	31,406	27,627	22,857	23,359	23,195	28,988	
Accrued income taxes .....	29,282	14,688	19,353	20,907	18,983	24,610	
Accrued consumption taxes .....	4,377	3,833	2,850	3,302	2,932	3,456	
Accrued expenses .....	4,571	4,169	3,792	3,633	3,534	3,641	
Deferred revenue .....	30,880	30,834	30,582	33,554	31,298	32,061	
Accrued bonuses .....	14,031	12,739	11,925	12,139	12,741	12,210	
Reserve for litigation losses .....	—	—	—	1,770	2,415	—	
Reserve for losses on construction contracts .....	1,714	834	530	145	—	—	
Other .....	40,554	35,997	33,527	36,660	42,558	46,337	
Total current liabilities .....	247,879	215,780	202,074	210,353	256,655	319,737	
<b>Long-term liabilities:</b>							
Straight bonds .....	8,847	9,625	14,091	17,006	12,673	13,524	
Long-term loans .....	19,828	10,700	21,586	16,085	15,338	20,024	
Lease obligations .....	3,438	2,884	3,080	501	571	—	
Guarantee deposits received .....	36,125	38,235	38,091	36,777	34,210	32,532	
Deferred income taxes .....	13,400	8,415	8,909	8,399	3,740	5,042	
Accrued pension and severance costs .....	17,137	12,585	13,097	13,264	13,807	16,096	
Accrued retirement benefits for directors and corporate auditors .....	2,443	2,509	2,433	2,398	2,244	2,220	
Investment deposits by policyholders, unearned premiums and other insurance liabilities .....	133,627	127,812	135,498	150,180	167,011	162,329	
Other .....	2,242	1,817	1,481	1,557	1,621	1,057	
Total long-term liabilities .....	237,091	214,586	238,270	246,171	251,218	252,828	
Total liabilities .....	484,970	430,366	440,344	456,525	507,874	572,565	
<b>NET ASSETS</b>							
<b>Shareholders' equity:</b>							
Common stock .....	¥ 66,377	¥ 66,377	¥ 66,377	¥ 66,377	¥ 66,377	¥ 66,377	
Capital surplus .....	83,054	83,054	83,054	83,054	83,054	83,056	
Retained earnings .....	609,275	565,261	549,747	507,434	478,355	475,987	
Common stock in treasury, at cost .....	(73,664)	(73,659)	(74,923)	(74,907)	(74,896)	(44,877)	
Total shareholders' equity .....	685,042	641,034	624,255	581,959	552,891	580,543	
<b>Accumulated other comprehensive income:</b>							
Unrealized gains (losses) on securities .....	11,783	4,559	2,192	4,521	(3,901)	(3,306)	
Deferred losses on hedges .....	(41)	(28)	(35)	(17)	(27)	(90)	
Foreign currency translation adjustments .....	(27,760)	(37,556)	(34,166)	(27,871)	(30,008)	(9,907)	
Total accumulated other comprehensive income .....	(16,018)	(33,026)	(32,010)	(23,367)	(33,937)	(13,304)	
Minority interests in subsidiaries .....	95,114	63,509	61,810	66,562	63,654	63,035	
Total net assets .....	764,139	671,517	654,055	625,153	582,608	630,274	
Total liabilities and net assets .....	¥1,249,110	¥1,101,884	¥1,094,400	¥1,081,679	¥1,090,483	¥1,202,840	

**CONSOLIDATED FINANCIAL DATA**  
(BASED ON JAPANESE GAAP) [REFERENCE]

**CONDENSED CONSOLIDATED STATEMENTS OF INCOME (BASED ON JAPANESE GAAP)**

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

	In millions of yen					
	2013	2012	2011	2010	2009	2008
Revenue .....	<b>¥765,635</b>	¥679,173	¥663,887	¥654,678	¥678,400	¥682,619
Percentage change from prior year .....	<b>12.7%</b>	2.3%	1.4%	(3.5%)	(0.6%)	11.2%
Costs of revenue .....	<b>504,006</b>	458,452	423,983	415,390	444,771	433,030
As a percentage of revenue .....	<b>65.8</b>	67.5	63.9	63.4	65.6	63.4
Gross profit .....	<b>261,629</b>	220,720	239,904	239,288	233,628	249,589
As a percentage of revenue .....	<b>34.2</b>	32.5	36.1	36.6	34.4	36.6
Selling, general and administrative expenses .....	<b>153,258</b>	139,642	140,762	140,749	145,994	144,883
As a percentage of revenue .....	<b>20.0</b>	20.6	21.2	21.5	21.5	21.3
Operating profit .....	<b>108,370</b>	81,078	99,141	98,539	87,634	104,706
As a percentage of revenue .....	<b>14.2</b>	11.9	14.9	15.1	12.9	15.3
Non-operating income .....	<b>11,171</b>	12,970	17,428	9,158	12,957	20,125
Non-operating expenses .....	<b>5,922</b>	6,209	6,895	9,371	9,666	10,552
Ordinary profit .....	<b>113,618</b>	87,839	109,674	98,327	90,924	114,278
As a percentage of revenue .....	<b>14.8</b>	12.9	16.5	15.0	13.4	16.7
Extraordinary profit .....	<b>984</b>	287	1,717	3,370	482	2,748
Extraordinary losses .....	<b>2,623</b>	11,558	5,749	5,463	27,875	4,984
Income before income taxes .....	<b>111,980</b>	76,567	105,642	96,233	63,531	112,043
As a percentage of revenue .....	<b>14.6</b>	11.3	15.9	14.7	9.4	16.4
Income taxes—current .....	<b>43,211</b>	32,023	37,303	38,172	41,768	42,602
Income taxes—deferred .....	<b>(252)</b>	4,600	1,383	4,944	(3,244)	2,656
Net income before minority interests in subsidiaries .....	<b>69,021</b>	39,943	66,955	—	—	—
Minority interests in subsidiaries .....	<b>5,363</b>	4,454	6,109	5,505	3,504	5,278
Net income .....	<b>63,658</b>	35,489	60,846	47,611	21,502	61,506
As a percentage of revenue .....	<b>8.3</b>	5.2	9.2	7.3	3.2	9.0
Percentage change from prior year .....	<b>79.4</b>	(41.7)	27.8	121.4	(65.0)	5.5

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (BASED ON JAPANESE GAAP)**

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

	In millions of yen					
	2013	2012	2011	2010	2009	2008
Net income before minority interests in subsidiaries .....	<b>¥69,021</b>	¥39,943	¥66,955	¥—	¥—	¥—
Other comprehensive income (loss):						
Unrealized gains (losses) on securities .....	<b>7,500</b>	2,318	(2,970)	—	—	—
Deferred gains on hedges .....	<b>—</b>	8	16	—	—	—
Foreign currency translation adjustments .....	<b>6,222</b>	(2,262)	(5,191)	—	—	—
Share of other comprehensive gains (losses) of affiliated companies accounted for under the equity method .....	<b>4,402</b>	(1,281)	(1,069)	—	—	—
Total other comprehensive income (loss) .....	<b>18,124</b>	(1,217)	(9,214)	—	—	—
Comprehensive income .....	<b>87,146</b>	38,726	57,740	—	—	—
Comprehensive income attributable to:						
Owners of the parent company .....	<b>80,666</b>	34,473	52,203	—	—	—
Minority interests .....	<b>6,480</b>	4,253	5,537	—	—	—

# NONCONSOLIDATED FINANCIAL DATA

(BASED ON JAPANESE GAAP) [REFERENCE]

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**NONCONSOLIDATED FINANCIAL DATA**  
(BASED ON JAPANESE GAAP) [REFERENCE]

**CONDENSED NONCONSOLIDATED BALANCE SHEETS (BASED ON JAPANESE GAAP)**

SECOM CO., LTD.  
As of March 31

	In millions of yen					
<b>ASSETS</b>	<b>2013</b>	2012	2011	2010	2009	2008
<b>Current assets:</b>						
Cash on hand and in banks.....	¥ 54,136	¥ 82,631	¥ 74,680	¥ 44,607	¥ 31,149	¥ 77,130
Cash deposits for armored car services .....	53,551	52,386	54,641	46,957	54,258	60,821
Notes receivable .....	700	720	221	248	389	534
Due from subscribers.....	14,856	14,324	11,563	11,434	11,630	11,661
Accounts receivable, trade.....	9,691	10,039	6,074	6,484	6,732	6,760
Receivables—other.....	2,528	2,159	2,385	2,556	2,415	2,921
Short-term investments .....	1,048	456	456	2,429	455	454
Merchandise .....	5,585	5,152	4,279	6,574	5,652	6,298
Supplies .....	1,012	1,470	1,167	1,082	1,101	952
Prepaid expenses.....	2,332	2,253	2,051	2,016	2,034	1,913
Deferred income taxes.....	5,268	4,269	4,938	4,720	4,446	4,714
Short-term loans receivable .....	152	369	277	171	173	236
Short-term loans receivable to subsidiaries and affiliated companies .....	19,076	15,197	4,040	3,669	11,471	17,782
Other .....	4,827	1,639	1,857	2,129	3,457	2,720
Allowance for doubtful accounts.....	(248)	(268)	(206)	(450)	(567)	(568)
Total current assets .....	174,521	192,804	168,428	134,634	134,801	194,333
<b>Fixed assets:</b>						
Tangible assets:						
Buildings and improvements .....	17,059	16,409	22,310	22,360	23,055	21,969
Automobiles .....	521	231	243	368	386	122
Security equipment and control stations .....	65,329	65,341	61,461	60,860	63,064	62,419
Machinery and equipment .....	288	361	565	828	1,071	1,267
Tools, furniture and fixtures .....	2,979	3,301	3,151	3,519	3,717	3,239
Land .....	29,802	28,555	28,390	28,352	28,306	25,913
Construction in progress.....	1,719	1,710	1,743	1,203	1,588	1,961
Other.....	235	374	513	654	634	14
Intangible assets:						
Goodwill.....	2,978	3,350	—	—	—	—
Software.....	4,269	5,487	6,751	7,580	6,578	7,184
Other.....	2,061	1,586	815	975	542	516
Investments and others:						
Investment securities.....	21,583	23,906	20,969	21,769	21,267	28,668
Investment securities in subsidiaries and affiliated companies.....	236,309	190,305	203,036	193,899	192,775	194,110
Investments in subsidiaries and affiliated companies.....	1,827	1,883	1,874	1,874	1,874	1,874
Long-term loans receivable .....	4,243	4,298	4,687	5,088	8,468	8,453
Long-term loans receivable to employees.....	55	59	53	55	40	31
Long-term loans receivable to subsidiaries and affiliated companies .....	151,514	123,716	113,536	128,727	134,636	66,354
Lease deposits .....	7,747	8,147	8,047	8,583	8,702	8,859
Long-term prepaid expenses.....	21,594	24,013	25,872	25,816	26,412	26,165
Prepaid pension and severance costs.....	16,263	15,903	14,321	14,364	14,561	13,769
Deferred income taxes .....	—	130	13,865	14,099	14,763	6,760
Insurance funds .....	3,991	4,181	4,181	4,334	4,896	4,893
Other.....	2,728	2,713	2,831	800	1,065	975
Allowance for doubtful accounts.....	(20,307)	(19,326)	(12,995)	(12,544)	(13,354)	(6,812)
Total fixed assets.....	574,796	506,643	526,227	533,572	545,056	478,710
Total assets .....	¥749,317	¥699,448	¥694,656	¥668,207	¥679,858	¥673,043

	In millions of yen					
LIABILITIES	2013	2012	2011	2010	2009	2008
<b>Current liabilities:</b>						
Accounts payable .....	¥ 3,044	¥ 2,400	¥ 1,672	¥ 2,009	¥ 2,319	¥ 2,757
Bank loans .....	26,598	27,659	29,386	24,492	60,893	30,401
Lease obligations .....	121	80	71	51	43	—
Payables—other .....	15,042	13,756	10,824	10,811	10,981	10,838
Payables—construction .....	4,333	4,343	3,719	3,425	3,742	3,607
Accrued income taxes .....	19,510	3,938	12,450	14,637	11,849	15,834
Accrued consumption taxes .....	2,538	2,062	1,422	1,491	1,622	1,566
Accrued expenses .....	726	716	722	555	597	640
Deposits received .....	24,131	22,066	20,362	23,625	28,451	31,299
Deferred revenue .....	21,671	22,340	22,229	22,558	22,735	22,903
Accrued bonuses .....	6,089	6,116	5,468	5,493	5,537	5,372
Other .....	365	640	2,107	2,133	1,928	1,958
Total current liabilities .....	124,174	106,121	110,439	111,287	150,704	127,180
<b>Long-term liabilities:</b>						
Lease obligations .....	2,449	2,217	2,253	182	192	—
Guarantee deposits received .....	17,859	18,099	18,262	17,965	18,146	18,174
Deferred income taxes .....	788	—	—	—	—	—
Accrued pension and severance costs .....	4,051	3,945	4,040	4,394	4,766	5,087
Accrued retirement benefits for directors and corporate auditors .....	857	1,294	1,232	1,174	1,104	1,070
Other .....	25	10	11	272	12	—
Total long-term liabilities .....	26,031	25,568	25,799	23,989	24,221	24,333
Total liabilities .....	150,205	131,689	136,238	135,276	174,926	151,513
<b>NET ASSETS</b>						
<b>Shareholders' equity:</b>						
Common stock .....	¥ 66,377	¥ 66,377	¥ 66,377	¥ 66,377	¥ 66,377	¥ 66,377
Capital surplus:						
Additional paid-in capital .....	83,054	83,054	83,054	83,054	83,054	83,054
Other capital surplus .....	—	—	—	—	—	1
Total capital surplus .....	83,054	83,054	83,054	83,054	83,054	83,056
Retained earnings:						
Legal reserve .....	9,028	9,028	9,028	9,028	9,028	9,028
Other retained earnings:						
Reserve for system developments .....	800	800	800	800	800	800
General reserve .....	2,212	2,212	2,212	2,212	2,212	2,212
Accumulated earnings carried forward .....	508,398	478,914	472,070	445,579	418,306	405,015
Total retained earnings .....	520,439	490,954	484,110	457,620	430,347	417,055
Common stock in treasury, at cost .....	(73,664)	(73,659)	(74,923)	(74,907)	(74,896)	(44,877)
Total shareholders' equity .....	596,206	566,727	558,619	532,145	504,883	521,612
<b>Valuation, translation adjustments and others:</b>						
Unrealized gains (losses) on securities .....	2,905	1,031	(201)	786	48	(82)
Total valuation, translation adjustments and others .....	2,905	1,031	(201)	786	48	(82)
Total net assets .....	599,112	567,758	558,417	532,931	504,932	521,529
Total liabilities and net assets .....	¥749,317	¥699,448	¥694,656	¥668,207	¥679,858	¥673,043

**NONCONSOLIDATED FINANCIAL DATA**  
(BASED ON JAPANESE GAAP) [REFERENCE]

**CONDENSED NONCONSOLIDATED STATEMENTS OF INCOME (BASED ON JAPANESE GAAP)**

SECOM CO., LTD.

Years ended March 31

	In millions of yen					
	2013	2012	2011	2010	2009	2008
Revenue .....	<b>¥355,393</b>	¥345,476	¥329,297	¥328,773	¥336,893	¥337,611
<i>Percentage change from prior year .....</i>	<b>2.9%</b>	4.9%	0.2%	(2.4%)	(0.2%)	3.5%
Service charges.....	<b>305,300</b>	299,523	290,252	291,325	294,386	291,350
<i>Percentage change from prior year .....</i>	<b>1.9</b>	3.2	(0.4)	(1.0)	1.0	3.2
Sales of merchandise.....	<b>50,092</b>	45,952	39,045	37,447	42,506	46,261
<i>Percentage change from prior year .....</i>	<b>9.0</b>	17.7	4.3	(11.9)	(8.1)	5.5
Costs .....	<b>210,790</b>	203,386	191,284	188,701	193,842	192,417
<i>As a percentage of revenue .....</i>	<b>59.3</b>	58.9	58.1	57.4	57.5	57.0
Costs of service .....	<b>174,331</b>	169,928	160,203	160,349	161,548	158,031
<i>As a percentage of service charges .....</i>	<b>57.1</b>	56.7	55.2	55.0	54.9	54.2
Costs of sales .....	<b>36,458</b>	33,458	31,081	28,352	32,294	34,386
<i>As a percentage of merchandise sales.....</i>	<b>72.8</b>	72.8	79.6	75.7	76.0	74.3
Gross profit.....	<b>144,603</b>	142,089	138,013	140,072	143,050	145,193
<i>As a percentage of revenue .....</i>	<b>40.7</b>	41.1	41.9	42.6	42.5	43.0
Gross profit on service.....	<b>130,969</b>	129,595	130,048	130,976	132,838	133,318
<i>As a percentage of service charges .....</i>	<b>42.9</b>	43.3	44.8	45.0	45.1	45.8
Gross profit on sales.....	<b>13,634</b>	12,494	7,964	9,095	10,212	11,874
<i>As a percentage of merchandise sales.....</i>	<b>27.2</b>	27.2	20.4	24.3	24.0	25.7
Selling, general and administrative expenses .....	<b>74,651</b>	71,893	69,324	68,544	70,434	71,038
<i>As a percentage of revenue .....</i>	<b>21.0</b>	20.8	21.0	20.8	20.9	21.0
Operating profit.....	<b>69,952</b>	70,196	68,688	71,527	72,616	74,155
<i>As a percentage of revenue .....</i>	<b>19.7</b>	20.3	20.9	21.8	21.6	22.0
Non-operating income .....	<b>10,173</b>	8,048	8,863	9,225	9,721	9,607
Non-operating expenses .....	<b>3,789</b>	3,032	3,050	3,290	3,990	4,575
Ordinary profit .....	<b>76,336</b>	75,212	74,501	77,462	78,346	79,187
<i>As a percentage of revenue .....</i>	<b>21.5</b>	21.8	22.6	23.6	23.3	23.5
Extraordinary profit .....	<b>1,219</b>	23,001	106	561	67	2,221
Extraordinary losses.....	<b>1,052</b>	40,695	2,637	4,639	27,068	566
Income before income taxes .....	<b>76,502</b>	57,518	71,970	73,384	51,345	80,842
<i>As a percentage of revenue .....</i>	<b>21.5</b>	16.6	21.9	22.3	15.2	23.9
Income taxes.....	<b>27,374</b>	30,699	26,946	27,578	18,931	30,795
<i>Effective tax rate.....</i>	<b>35.8</b>	53.4	37.4	37.6	36.9	38.1
Net income.....	<b>49,128</b>	26,818	45,023	45,806	32,414	50,046
<i>As a percentage of revenue .....</i>	<b>13.8</b>	7.8	13.7	13.9	9.6	14.8
<i>Percentage change from prior year .....</i>	<b>83.2</b>	(40.4)	(1.7)	41.3	(35.2)	5.9

# CORPORATE INFORMATION

(As of June 30, 2013)

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

## MAJOR CONSOLIDATED SUBSIDIARIES

	Issued capital (In millions of yen)	Percentage of equity/ voting rights	Lines of business	(As of June 30, 2013)
<b>Domestic</b>				
<b>&lt;Security services&gt;</b>				
Secom Joshinetsu Co., Ltd.	¥3,530	(50.9)%	Security services	
Secom Hokuriku Co., Ltd.	201	59.1	Security services	
Secom Yamanashi Co., Ltd.	15	70.0	Security services	
Secom Mie Co., Ltd.	50	51.0	Security services	
Secom Sanin Co., Ltd.	286	67.0	Security services	
Secom Kochi Co., Ltd.	50	40.0	Security services	
Secom Miyazaki Co., Ltd.	30	68.3	Security services	
Secom Ryukyu Co., Ltd.	76	50.0	Security services	
Secom Jastic Co., Ltd.	210	100.0	Security services	
Secom Jastic Joshinetsu Co., Ltd.	40	(100.0)	Security services	
Secom Jastic Hokuriku Co., Ltd.	10	(100.0)	Security services	
Secom Jastic Yamanashi Co., Ltd.	10	(100.0)	Security services	
Secom Jastic Sanin Co., Ltd.	10	(100.0)	Security services	
Secom Jastic Kochi Co., Ltd.	10	(100.0)	Security services	
Secom Jastic Miyazaki Co., Ltd.	10	(100.0)	Security services	
Secom Static Hokkaido Co., Ltd.	50	100.0	Security services	
Secom Static Tohoku Co., Ltd.	50	100.0	Security services	
Secom Static Nishi-Nihon Co., Ltd.	50	100.0	Security services	
Secom Static Kansai Co., Ltd.	50	100.0	Security services	
Secom Static Ryukyu Co., Ltd.	10	(100.0)	Security services	
Secom Sado Co., Ltd.	24	(54.5)	Security services	
JK. Siress Co., Ltd.	10	(100.0)	Security services	
Japan Safety Guard Co., Ltd.	100	60.0	Security services	
Japan Nuclear Security System Co., Ltd.	200	50.0	Security services	
Meian Co., Ltd.	60	51.0	Security services	
Secom Tech Sanin Co., Ltd.	23	(100.0)	Installation of security equipment	
Secom Techno Joshinetsu Co., Ltd.	30	(100.0)	Installation of security equipment	
Secom Win Co., Ltd.	15	66.7	Installation of security equipment and facilities	
TES Co., Ltd.	20	(100.0)	Maintenance of equipment	
Secom Engineering Co., Ltd.	100	100.0	Design, construction and maintenance of facilities	
Secom Industries Co., Ltd.	499	100.0	Manufacturing of security equipment	
Otec Electronics Co., Ltd.	200	82.0	Manufacturing and sales of security systems	
Secom Alpha Co., Ltd.	271	100.0	Sales of security and water-treatment equipment	
Yanoshin Air Conditioning Co., Ltd.	80	100.0	Sales of air-conditioning equipment	
Secom Mine Security Co., Ltd.	30	100.0	Security services	
Social Rehabilitation Support Kitsuregawa Co., Ltd.	10	51.7	Operation of PFI correctional facilities	
Secom Kitsuregawa Security Co., Ltd.	50	100.0	Security services	
Home Life Kanri Co., Ltd.	40	(100.0)	Condominium management	

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

(Continued)



## MAJOR CONSOLIDATED SUBSIDIARIES

	Issued capital (In millions of yen)	Percentage of equity/ voting rights	Lines of business	(As of June 30, 2013)
<b>&lt;Fire protection services&gt;</b>				
Nohmi Bosai Ltd.	¥13,302	(50.4)%	Manufacturing and sales of fire protection equipment and facilities	
Ichibou Co., Ltd.	28	(73.2)	Installation of fire protection equipment	
Kyushu Nohmi Co., Ltd.	30	(100.0)	Installation and maintenance of fire protection equipment	
Chiyoda Service Co., Ltd.	20	(70.0)	Building management	
Nohmi Engineering Corp.	40	(100.0)	Installation of fire protection equipment	
Nohmi System Co., Ltd.	20	(100.0)	Maintenance of fire protection equipment	
Iwate Nohmi Co., Ltd.	30	(100.0)	Installation of fire protection equipment	
Tohoku Nohmi Co., Ltd.	32	(100.0)	Installation of fire protection equipment	
Aomori Nohmi Co., Ltd.	20	(100.0)	Installation of fire protection equipment	
Osaka Nohmi Co., Ltd.	20	(100.0)	Installation of fire protection equipment	
Nissin Bohsai Co., Ltd.	50	(100.0)	Installation of fire protection equipment	
Chiba Nohmi Co., Ltd.	10	(100.0)	Installation of fire protection equipment	
Shikoku Nohmi Co., Ltd.	20	(100.0)	Installation of fire protection equipment	
Nohmi Techno Engineering Co., Ltd.	40	(100.0)	Installation of environmental monitoring systems	
Akita Nohmi Co., Ltd.	20	(100.0)	Installation of fire protection equipment	
Fukushima Nohmi Co., Ltd.	20	(100.0)	Installation of fire protection equipment	
Nohmi Plant Niigata Co., Ltd.	20	(100.0)	Installation of fire protection equipment	
Hokkaido Nohmi Co., Ltd.	20	(100.0)	Installation of fire protection equipment	
Yashima Bosai Setsubi Co., Ltd.	20	(81.8)	Installation of fire protection equipment	
Nittan Co., Ltd.	2,303	100.0	Installation, sale and maintenance of fire protection equipment	
Nittan Electronic Co., Ltd.	60	(100.0)	Manufacturing of fire protection equipment	
Nittan Denko Co., Ltd.	10	(100.0)	Installation and maintenance of fire protection equipment	
Nittan Hokkaido Service Center Co., Ltd.	10	(100.0)	Installation and maintenance of fire protection equipment	
Nittan Tohoku Service Center Co., Ltd.	10	(100.0)	Installation and maintenance of fire protection equipment	
Nittan Nagoya Service Center Co., Ltd.	10	(100.0)	Installation and maintenance of fire protection equipment	
Nittan Service Center Osaka Co., Ltd.	10	(100.0)	Installation and maintenance of fire protection equipment	
Nittan Hiroshima Service Center Co., Ltd.	10	(100.0)	Installation and maintenance of fire protection equipment	
Nittan Shikoku Service Center Co., Ltd.	10	(100.0)	Installation and maintenance of fire protection equipment	
Nittan Fukuoka Service Center Co., Ltd.	10	(100.0)	Installation and maintenance of fire protection equipment	
Sogo Denki Trading Co., Ltd.	10	(100.0)	Installation and maintenance of fire protection equipment	
Shell beach Co., Ltd.	10	(100.0)	Installation and maintenance of fire protection equipment	
<b>&lt;Medical services&gt;</b>				
Secom Medical System Co., Ltd.	6,545	100.0	Home health/nursing care and other medical-related services	
Mac Corp.	95	(100.0)	Sales of medical equipment	
Yoshikikaku Co., Ltd.	20	(100.0)	Operation of restaurants and shops at medical facilities	
Kensei Co., Ltd.	100	(100.0)	Management of pharmacies	
Ryomay Royal Life Co., Ltd.	210	86.5	Management of nursing homes	
Alive Medicare Co., Ltd.	50	(100.0)	Management of nursing homes	
Secom Medical Resource Co., Ltd.	10	(100.0)	Medical staffing solutions	
Secomfort Co., Ltd.	100	(100.0)	Management of nursing homes	
Secomfort West Co., Ltd.	100	(100.0)	Management of nursing homes	
US Chemical Co., Ltd.	3	(100.0)	Management of pharmacies	
Secom Medipharma Co., Ltd.	10	(100.0)	Wholesaling of pharmaceuticals	

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2. Subsidiaries are categorized into segments above according to their major lines of business.

(Continued)

## MAJOR CONSOLIDATED SUBSIDIARIES

	Issued capital (In millions of yen)	Percentage of equity/ voting rights	Lines of business	(As of June 30, 2013)
<b>&lt;Insurance services&gt;</b>				
Secom Insurance Service Co., Ltd.	¥ 225	(100.0)%	Non-life insurance agency	
Secom General Insurance Co., Ltd.	16,809	97.1	Non-life insurance	
<b>&lt;Geographic information services&gt;</b>				
Pasco Corp.	8,758	69.8	Geographic information services	
Pasco Space Mapping Technology Co., Ltd.	25	(100.0)	Geographic information services	
GIS Hokkaido Co., Ltd.	190	(100.0)	Geographic information services	
GIS Tohoku Co., Ltd.	50	(84.6)	Geographic information services	
GIS Kanto Co., Ltd.	40	(52.6)	Geographic information services	
GIS Kansai Co., Ltd.	99	(100.0)	Geographic information services	
Mid Map Tokyo Corp.	15	(60.0)	Geographic information services	
RIIC Corp.	20	(51.0)	Geographic information services	
Higashi-Nihon Sogo Keikaku Co., Ltd.	200	(100.0)	Geographic information services	
Satellite Vision Corp.	20	(100.0)	Geographic information services	
<b>&lt;Real estate development and sales&gt;</b>				
Secom Home Life Co., Ltd.	3,700	99.9	Development of residential buildings	
<b>&lt;Information and communication related and other services&gt;</b>				
Secom Trust Systems Co., Ltd.	1,469	100.0	Information, communication, information security services and software development	
At Tokyo Corp.	13,378	50.9	Data center business	
Arai & Co., Ltd.	3,000	86.7	Real estate leasing	
Arai Corporation, Inc.	10	(100.0)	Management of real estate	
Secom Credit Co., Ltd.	400	100.0	Credit services	
Secom Corp.	100	100.0	Printing services	
Secom Auto Service Co., Ltd.	45	100.0	Car maintenance	
Wonder Dream Co., Ltd.	490	100.0	Employee welfare for SECOM Group	
Secom Staff Service Co., Ltd.	50	(100.0)	Employment agency	
The Windsor Hotels International Co., Ltd.	165	100.0	Hotel management	
Secom Business Plus Co., Ltd.	20	100.0	General office services	
Secom Home Service Co., Ltd.	32	100.0	Lifestyle support services	
Kurashi-TEL Co., Ltd.	100	60.0	Comprehensive lifestyle support services	

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2. Subsidiaries are categorized into segments above according to their major lines of business.

(Continued)

## MAJOR CONSOLIDATED SUBSIDIARIES

	Issued capital	Percentage of equity/ voting rights	Lines of business	(As of June 30, 2013)
<b>Overseas</b>				
<b>&lt;Security services&gt;</b>				
Secom plc	£44,126 thousand	100.0%	Security services	
Secom (China) Co., Ltd.	¥5,550 million	100.0	Holding company	
Dalian Secom Security Co., Ltd.	US\$2,000 thousand	(95.0)	Security services	
Shanghai Secom Security Co., Ltd.	US\$3,500 thousand	(85.0)	Security services	
Beijing Jingdun Secom Electronic Security Co., Ltd.	US\$2,500 thousand	(80.0)	Security services	
Qingdao Secom Security Co., Ltd.	US\$1,000 thousand	(80.0)	Security services	
Guangdong Jinpeng Secom Security Co., Ltd.	US\$4,500 thousand	(90.0)	Security services	
Fujian Secom Security Co., Ltd.	Rmb15,000 thousand	(95.0)	Security services	
Sichuan Secom Security Co., Ltd.	Rmb10,000 thousand	(91.0)	Security services	
Shaanxi Secom Security Co., Ltd.	Rmb10,000 thousand	(91.0)	Security services	
Zhejiang Secom Security Co., Ltd.	Rmb15,000 thousand	(97.0)	Security services	
Liaoning Secom Security Co., Ltd.	Rmb10,000 thousand	(60.0)	Security services	
Tianjin Secom Property Management Co., Ltd.	Rmb2,000 thousand	(80.0)	Comprehensive building management services	
PT. Secom Indonesia	US\$4,111 thousand	49.0	Security services	
Thaisecom Pitakkij Co., Ltd.	THB378,857 thousand	70.0	Security services	
Secom Australia Pty. Ltd.	AUD17,297 thousand	100.0	Security services	
Secom Technical Services Unit Trust	AUD5,951 thousand	(70.0)	Security services	
Secom Australia (ACT) Unit Trust	AUD700 thousand	(100.0)	Security services	
Secom Guardall NZ Ltd.	NZD1,604 thousand	(80.0)	Security services	
Secom Vietnam Co., Ltd.	US\$600 thousand	80.0	Security service-related consulting	
<b>&lt;Other services&gt;</b>				
Shanghai Nohmi Secom Fire Protection Equipment Co., Ltd.	US\$14,300 thousand	(100.0)	Manufacturing and sales of fire protection equipment and facilities	
Nohmi Taiwan Ltd.	NT\$15,000 thousand	(58.0)	Manufacturing and sales of fire protection equipment and facilities	
Nittan Europe Ltd.	£1,194 thousand	(100.0)	Sales of fire protection equipment	
Nittan Fire Protection System (Zhongshan) Co., Ltd.	US\$1,400 thousand	(70.0)	Sales of fire protection equipment	
Taiwan Nittan Fire & Safety Co., Ltd.	NT\$7,600 thousand	(60.5)	Sales of fire protection equipment	
Nittan Fire Prevention Technology (Beijing) Corp.	US\$550 thousand	(100.0)	Sales of fire protection equipment	
Pasco Philippines Corp.	PHP20,400 thousand	(100.0)	Geographic information services	
Pasco China Corp.	Rmb22,320 thousand	(99.0)	Geographic information services	
Suzhou Super Dimension Earth Science Research and Development Co., Ltd.	Rmb1,000 thousand	(92.0)	Geographic information services	
Shanghai Pasco China Corp.	Rmb800 thousand	(100.0)	Geographic information services	
Pasco (Thailand) Co., Ltd.	THB129,000 thousand	(100.0)	Geographic information services	
PT. Nusantara Secom InfoTech	US\$3,304 thousand	(100.0)	Geographic information services and software development	
FM-International Oy	EUR10,994 thousand	(100.0)	Geographic information services	
Aerodata International Surveys BVBA	EUR87 thousand	(80.7)	Geographic information services	
Pasco Europe B.V.	EUR4,000 thousand	(100.0)	Geographic information services	
Pasco North America Inc.	US\$3,421 thousand	(100.0)	Geographic information services	
Keystone Aerial Surveys Inc.	US\$0.6 thousand	(70.0)	Geographic information services	
Airmag Surveys Inc.	US\$15 thousand	(100.0)	Geographic information services	
Base Aerofotogrametria E Projetos S.A.	BRL5,000 thousand	(51.0)	Geographic information services	
The Westec Security Group, Inc.	US\$0.3 thousand	100.0	Holding company	
ClearLight Partners, LLC	—	(99.7)	Investment	
ClearLight Partners II, LLC	—	(99.0)	Investment	

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

SECOM's BASIC BUSINESS AREAS

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

Security Services

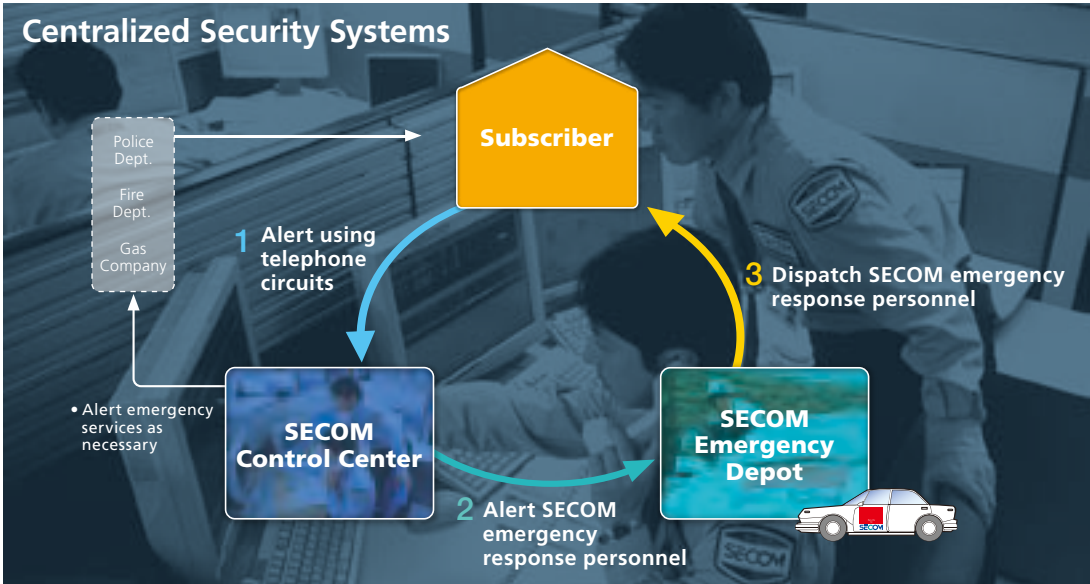
Centralized Security Systems

Commercial Use:

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

Residential Use:

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



- storage service for important personal data and information on other services available from Group-selected collaborating companies.
- **SECURITY SYSTEMS FOR CONDOMINIUMS AND APARTMENTS**  
SECOM provides comprehensive building management functions for condominiums and total safety with a centralized security system for each unit in the building. SECOM's menu includes services for small-scale apartments.
  - **SECOM REMOTE MONITORING FOR SENIORS**  
SECOM Remote Monitoring for Seniors bundles basic services, including fire protection, emergency alert, medical emergency alert, everyday monitoring and consulting on health-related matters, with a safety confirmation service whereby SECOM staff check regularly by calling or visiting.
  - **SECOM MY DOCTOR PLUS**  
SECOM My Doctor Plus is an emergency medical alert system for seniors featuring an exclusive portable device that incorporates a GPS locator and a cellular phone. Whether indoors or out, the device, when activated, sends an emergency signal to SECOM. If requested, SECOM dispatches emergency response personnel. If deemed necessary, SECOM staff also contacts emergency

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

Large-Scale Proprietary Security Systems

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

COCO-SECOM

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

Fire Protection Services

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

Medical Services

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

Insurance Services

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

Geographic Information Services

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

Static Guard Services

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

Armored Car Services

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

SECOM AED Package Service

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

Merchandise

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

Real Estate Development and Sales

- **REAL ESTATE DEVELOPMENT AND SALES**  
SECOM offers Glorio condominiums.

Information and Communication Related and Other Services

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



# Directors, Audit and Supervisory Board Members and Executive Officers

## Directors



**Makoto Iida**  
Founder



**Juichi Toda**  
Co-Founder



**Shuji Maeda**  
President and  
Representative Director



**Koichi Sato**  
Executive Vice President



**Yasuo Nakayama**  
Executive Director



**Hiroshi Ito**  
Executive Director



**Kazuaki Anzai**  
Executive Director



**Yasuyuki Yoshida**  
Director



**Junzo Nakayama**  
Director



**Tatsuro Fuse**  
Director



**Kenichi Furukawa**  
Director



**Takaharu Hirose**  
Outside Director



**Takashi Sawada**  
Outside Director

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Katsuhisa Kuwahara

Ken Tsunematsu\*

Hideki Kato\*

Kenichi Sekiya\*

## Executive Officers

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President and  
Representative Director

**Koichi Sato**  
Executive Vice President

**Yasuo Nakayama**  
Executive Director

**Hiroshi Ito**  
Executive Director

**Kazuaki Anzai**  
Executive Director

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**Yoichi Sugimoto**  
Executive Officer

**Tatsuya Izumida**  
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\*Outside

(As of July 31, 2013)



**SECOM CO., LTD.**

5-1, Jingumae 1-chome, Shibuya-ku,  
Tokyo 150-0001, Japan

<http://www.secom.co.jp/>



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