

## ANNUAL REPORT 2015

Year ended March 31, 2015

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



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

Beginning with Japan’s first on-line security system for commercial use, launched in 1966, SECOM has continued to grow its businesses by developing and popularizing advanced services and systems that respond to evolving social imperatives and benefit society. These include an on-line home security system, introduced in 1981, and COCO-SECOM, a mobile personal security system for outdoor use, which debuted in 2001.

The overarching mission of SECOM, which comprises the parent company and the companies of the SECOM Group, is to provide safety and security and make life more convenient and comfortable whenever and wherever necessary. Accordingly, the Company 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. To this end, we have capitalized on our extensive business portfolio—which has expanded to include security services, fire protection services, medical services, insurance services, geographic information services, information and communication related services, and real estate and other services—to create a solid foundation for future growth, working not only to enhance individual businesses but also to integrate services and systems, thereby yielding considerable synergies that will drive future growth.

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

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

Contents	
2	SECOM’s Vision
4	Financial Highlights
6	A Message to Shareholders
10	Special Feature: ALL SECOM—Developing New Services that Anticipate Future Needs
14	SECOM Today
30	SECOM’s CSR
32	Close-up—Support for Competitive Sports
33	Financial Review
37	Audited Financial Statements
70	Other Financial Data
75	Consolidated Financial Data (Based on Japanese GAAP) [Reference]
79	Nonconsolidated Financial Data (Based on Japanese GAAP) [Reference]
83	Corporate Information
87	SECOM’s Basic Business Areas
89	Directors, Audit and Supervisory Board Members and Executive Officers







**Realizing the Social System Industry**

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

To hasten the realization of our Social System Industry vision, in 2010 we introduced the ALL SECOM concept. Since then, employees everywhere have worked together, sharing information, ideas and objectives and rallying comprehensive Group capabilities under the ALL SECOM banner to drive growth. This concept also underpins ongoing efforts to leverage our expertise to develop uniquely SECOM services and systems in line with three key themes: security, a super-aged society and disaster preparedness/business continuity planning (BCP)/environmental preservation.

**Applying our corporate philosophy and building on the ALL SECOM concept to resolve concerns and alleviate everyday problems**

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

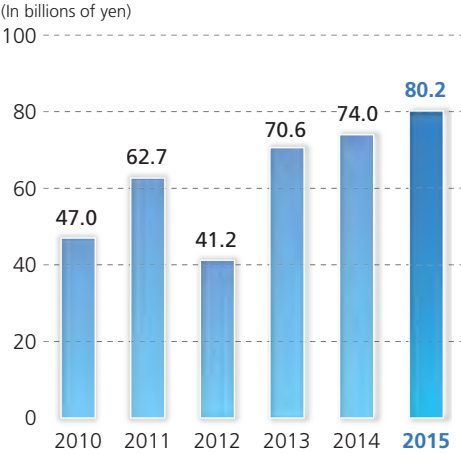
As we strive to grow our businesses and earn ever-broader acceptance of our many services, the expectations of society and our customers will continue to rise. By applying our corporate philosophy, as well as by building on the ALL SECOM concept to address social imperatives and help resolve concerns and everyday problems, we will continue to respond accurately to evolving needs, thus ensuring our ability to provide services and systems that enhance convenience and comfort and provide security and peace of mind.

Financial Highlights

U.S. GAAP				
SECOM CO., LTD. and Subsidiaries For the years ended/as of March 31	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2015	2014	2013	2015
Net sales and operating revenue	¥ 945,238	¥ 921,146	¥ 858,406	\$ 7,876,983
Operating income	122,007	120,078	113,549	1,016,725
Net income attributable to SECOM CO., LTD.	80,184	73,979	70,580	668,200
Total assets	1,525,863	1,440,705	1,340,350	12,715,525
Total SECOM CO., LTD. shareholders' equity	825,969	753,099	679,176	6,883,076
			In yen	In U.S. dollars
Per share of common stock:				
Net income attributable to SECOM CO., LTD.	¥ 367.37	¥ 338.94	¥ 323.36	\$ 3.06
Cash dividends	175.00	105.00	90.00	1.46
SECOM CO., LTD. shareholders' equity	3,784.27	3,450.36	3,111.64	31.54

Notes: 1. Yen amounts have been translated into U.S. dollars, solely for the convenience of the reader, at the approximate rate of ¥120=US\$1, the rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2015.  
2. Net income attributable to SECOM CO., LTD. per share of common stock is based on the average number of shares outstanding during each period, less treasury stock.  
3. SECOM CO., LTD. shareholders' equity per share of common stock is based on the number of shares outstanding at the end of each period, less treasury stock.  
4. Cash dividends per share of common stock are based on dividends approved and paid in each fiscal year. At the general shareholders' meeting held on June 25, 2014, shareholders approved a proposal to pay an annual dividend of ¥115.00 per share for fiscal year 2014. Subsequently at the Board of Directors' meeting held on November 10, 2014, directors approved a proposal to pay an interim dividend of ¥60.00 per share for the first half of the year ended March 31, 2015. Because the interim dividend, the record date for which is September 30, was newly adopted in the year ended March 31, 2015, the actual figure for dividends paid to shareholders for the year ended March 31, 2015, is the aggregate of the two. At the general shareholders' meeting held on June 25, 2015, approval was granted for a proposal to pay a year-end dividend of ¥65.00 for the year ended March 31, 2015. (For further information, please see Note 18 of the accompanying Notes to Consolidated Financial Statements.)  
5. Effective from the fiscal year ended March 31, 2014, losses attributable to certain businesses in the real estate and other services segment are reclassified and presented as "loss from discontinued operations, net of tax" in the consolidated statements of income. Figures for previous fiscal years have been restated to conform with this change.

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



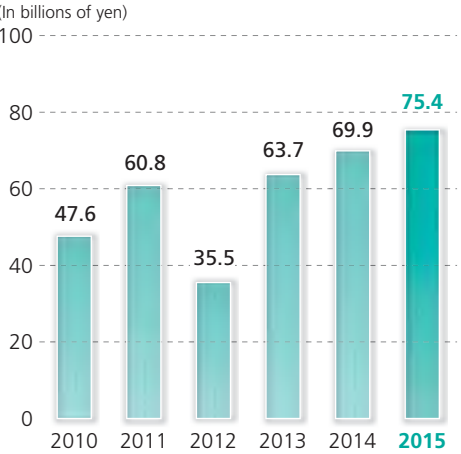
Note: In the year ended March 31, 2015, net income attributable to SECOM CO., LTD., advanced ¥6.2 billion, to ¥80.2 billion. This result was attributable to an increase in operating income in the insurance services segment, which reflected a decline in losses due to damage caused by natural disasters, as well as to an increase in operating income in the security services segment, owing mainly to higher segment net sales and operating revenue. Another contributing factor was a decrease in income taxes, a consequence of tax reform in Japan, which lowered the statutory tax rate.  
In the year ended March 31, 2014, net income attributable to SECOM CO., LTD., rose ¥3.4 billion, to ¥74.0 billion. Factors behind this result include an increase in operating income in the fire protection services segment, owing to robust segment net sales and operating revenue and the reduction of cost of sales; a full year of contributions from information and communication related services segment subsidiary At Tokyo Corporation, consolidated in the previous period; and an increase in operating income in the security services segment, attributable to higher segment net sales and operating revenue.  
In the year ended March 31, 2013, net income attributable to SECOM CO., LTD., climbed ¥29.3 billion, to ¥70.6 billion. This result was due primarily to the contributions of two newly acquired subsidiaries in Japan—Nittan Co., Ltd., a major domestic provider of fire protection services, and At Tokyo, a leading data center services firm—which were consolidated during the period, as well as to a decline in write-down on real estate inventories and a decrease in impairment loss on long-lived assets, which is included in loss from discontinued operations.

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

Japanese GAAP				
SECOM CO., LTD. and Subsidiaries For the years ended/as of March 31	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2015	2014	2013	2015
Revenue	¥ 840,722	¥ 822,228	¥ 765,635	\$ 7,006,017
Operating profit	123,615	120,018	108,370	1,030,125
Ordinary profit	136,688	126,677	113,618	1,139,067
Net income	75,392	69,876	63,658	628,267
Total assets	1,410,715	1,328,226	1,249,110	11,755,958
Total net assets	907,341	830,369	764,139	7,561,175
			In yen	In U.S. dollars
Per share of common stock:				
Net income	¥ 345.42	¥ 320.14	¥ 291.65	\$ 2.88
Cash dividends	175.00	105.00	90.00	1.46
Net assets	3,667.33	3,345.06	3,065.13	30.56

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

Net Income (Japanese GAAP)







Makoto Iida  
Founder

*Looking to the future, we are working to expedite development efforts under the ALL SECOM banner to realize a broader range of services and systems that respond to increasingly diverse and sophisticated needs and position us for further growth.*

Consolidated Operating Results

Buoyed by a weaker yen and rising share prices, the Japanese economy remained on a path of gradual recovery in the fiscal year ended March 31, 2015, despite waning consumer spending in the aftermath of Japan’s consumption tax hike. This was due mainly to improvements in corporate earnings and in employment and personal income levels.

In this environment, we continued working toward the realization of our vision for the future, the Social System Industry, in line with our goal of providing safety and security, as well as comfort and convenience, wherever and whenever necessary. To this end, we responded to the needs of customers through the provision of high-grade services and systems in our security services segment, as well as in our other segments: fire protection services, medical services, insurance services, geographic information services, information and communication related services, and real estate and other services. We also pressed forward with efforts to apply the ALL SECOM concept, maximizing synergies 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 advanced 2.6%, or ¥24.1 billion, to ¥945.2 billion. Principal contributing factors included higher net sales and operating revenue in the security services and medical services segments—the former underpinned by increased revenue from on-line security systems and higher sales of large-scale security systems and security camera systems and the latter by the expansion and rebuilding of hospitals and a robust performance by the pharmaceuticals dispensing services business—and the inclusion of a full year of operating results for a subsidiary newly consolidated in the fourth quarter of the fiscal year ended March 31, 2014. Operating income rose 1.6%, or ¥1.9 billion, to ¥122.0 billion, bolstered by improvements in the insurance services and the security services segments ascribed to, respectively, a decline in losses incurred due to damage caused by natural disasters and the increase in net sales and operating revenue. Net income attributable to SECOM CO., LTD., was up 8.4%, or ¥6.2 billion, to ¥80.2 billion, owing mainly to the increase in operating income and to lower income taxes, which primarily reflected a statutory tax rate reduction that resulted from tax reform in Japan.

Enhancing Returns to Shareholders

We recognize that providing a fair return to shareholders is a crucial management task. In line with our basic policy of ensuring a consistent and stable distribution of profits, we determine our consolidated dividend payout ratio based on an overall assessment of trends in our consolidated operating performance. We make it a basic rule to distribute profits twice annually in the form of an interim dividend, introduced in the period under review, which is paid to shareholders of record as of September 30 each year and a year-end dividend, which is paid to shareholders of record as of March 31 the following year. The interim dividend is determined by the Board of Directors, while the year-end dividend is determined by shareholder vote at the General Meeting

of Shareholders. At the Ordinary General Meeting of Shareholders, held on June 25, 2015, management proposed and shareholders approved the payment of a year-end cash dividend of ¥65.00 per share. Together with an interim dividend of ¥60.00, dividends for the full term amounted to ¥125.00 per share, up ¥10.00 from the previous fiscal year.

In the period under review we also introduced a shareholder benefit program. Our objectives here were twofold, namely, to reward shareholders for their ongoing support and to deepen their understanding of what we do by giving them the opportunity to actually use SECOM products and services.

Understanding and Responding to Change

Needs for security, peace of mind, convenience and comfort are becoming more varied and sophisticated. Accordingly, we continue working to reinforce the three key components of our operating foundation, namely our technologies, our people and our operational structure, with the goal of building an ever-broader portfolio of services and systems that position us to respond in a timely manner to increasingly diverse needs. In our core commercial security services business, the importance of reducing operating costs and enhancing internal monitoring is growing, a trend that continues to encourage the adoption of our value-added security systems and security cameras, underscoring the importance of optimizing services to meet evolving needs.

In the period under review, we expanded sales of such high-value-added offerings as SECOM AX, a remote imaging on-line security system that features advanced image recognition technologies; SECOM LX, which combines on-line security and access control functions to facilitate efficient personnel management, thus reducing costs; and SECOM FX, an on-line security and facility control system.

Recent years have seen a sharp increase in the number of companies seeking to reinforce security and internal monitoring by installing safety and production management systems for factories and systems that prevent leaks of classified information and personal data. In response to such needs, we are actively proposing systems that combine security cameras and access control. We recently introduced SECOM NVR, a next-generation security camera system that also offers optional access to SECOM Image Archive Service, enabling subscribers to store camera images remotely at one of our data center facilities.

In the area of home security services, we continued to respond to growing needs for systems that enhance comfort and convenience and provide security and peace of mind, as a result of which in June 2014 the number of households in Japan that have installed SECOM Home Security topped one million. We also sought to bolster sales of SECOM Home Security G-Custom, an on-line residential security system that includes a number of added features that enhance everyday convenience.

In our overseas security services business, we bolstered efforts to encourage broad acceptance of SECOM-style security services, focusing on the rapidly growing economies of Southeast Asia and the People’s Republic of China (PRC). These include establishing a presence in Myanmar. “SECOM-style security services” is a term we use to describe comprehensive on-line security systems that encompass the installation of security equipment at the subscriber’s premises, around-the-clock monitoring from a SECOM control center via telecommunications circuits and the prompt dispatch of highly trained emergency response personnel in the event an irregularity is detected.

In fire protection services, subsidiaries Nohmi Bosai Ltd. and Nittan Co., Ltd., two of Japan’s leading fire protection services providers, leverage their respective business foundations and



Shuji Maeda  
Chairman and Representative Director



Hiroshi Ito  
President and Representative Director



product development capabilities to provide high-grade automatic fire alarm systems and fire extinguishing equipment, among others. Both companies also took steps to fortify their overseas operations, such as introducing new products and strengthening collaboration with our security services business.

Efforts in our medical services business continued to concentrate on Home Medical Services, which comprise home nursing and pharmaceutical dispensing services, as well as on the operation of residences for seniors, electronic medical reporting systems, sales of medical equipment and pharmaceuticals, personal care services and support for associated hospitals. In addition, we promoted initiatives directed at addressing needs engendered by Japan’s super-aged society, such as opening SECOM Home Health Care Center Kamakura, a comprehensive senior care facility offering home nursing, home-based personal care, day services and home care support services, and Alive Shinagawa-Oi, an Alive Care Home series’ nursing home in Tokyo that cooperates closely with local hospitals, commercial facilities and organizations to provide support services for seniors.

In our insurance services business, we promoted 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 to subscribers who have installed on-line security systems, recognizing the risk-mitigating factors of such systems; MEDCOM, an unrestricted cancer treatment policy that covers all treatment costs; and SECOM *Anshin* My Car, a comprehensive automobile insurance policy that includes access to on-site support services provided by our emergency response personnel in the event of an accident.

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

We are also known for our broad range of information and communication related services, which focus on data center services and encompass BCP support services, information security services and cloud-based services. In the period under review, we launched SECOM Premium Net, a system designed to protect against online banking scams, a mounting problem, and the SECOM Minutes Digitization Service, which enables companies to digitize the minutes of board of directors’ meetings and entrust them to us for rigorously safe storage at one of our data center facilities.

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

ALL SECOM: The Way Forward

Guided by the ALL SECOM concept, we will press ahead with the development of innovative services that anticipate future needs in line with three key themes—security, a super-aged society and disaster preparedness/BCP/environmental preservation. One key to the success of this effort is our new SECOM Medical Support Center. The objective of this facility, which is staffed with nurses, public health counselors and dieticians and provides one-stop consultation on health

care, medical services, nursing care and personal care, is to accelerate efforts to develop new medical services. Established in line with our super-aged society theme, the SECOM Medical Support Center joins SECOM control centers (security) and the SECOM *Anshin* Information Center (disaster preparedness/BCP/environmental preservation). Going forward, we will accelerate collaboration among the three facilities under the ALL SECOM banner with the aim of enhancing comfort and convenience and ensuring security and peace of mind.

We remain committed to providing uniquely SECOM services that respond to evolving social imperatives and increasingly diverse customer needs. For example, we are broadening our selection of IC chip-embedded ID card services, which includes employee ID cards that allow meticulous access control and management of employee attendance, as well as cashless payment at, for example, company cafeterias—all of which can help reduce costs and improve operational efficiency—our offerings now include cloud-based services and information security services.

In October 2015, Japan will introduce the My Number social security and tax identity system, under which every resident of the country will be assigned a personal ID number. With the implementation of this system, companies will be required to collect and manage ID numbers of all of their employees for procedures related to social security, income tax and disaster relief. We have already introduced the SECOM *Anshin* My Number Service, which enables subscribers to entrust employee My Number data to us for storage at a Secure Data Center facility, thereby ensuring robust physical and cyber security.

Another recent highlight was the establishment of SECOM Lifestyle Partner Kugayama, a facility designed to help resolve a variety of worries for seniors, a key challenge in a super-aged society. Under the ALL SECOM banner, SECOM Lifestyle Partner Kugayama is collaborating with other SECOM Group facilities in the Kugayama area, as well as with local authorities and private-sector businesses, to enhance its menu of support services that help local seniors deal with issues of concern in their lives. Recognizing demographic trends in Japan as an opportunity for growth, we will direct our efforts toward creating new services that address the needs of Japan’s rapidly aging population.

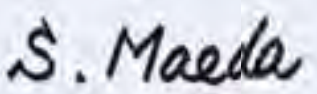
By rallying the capabilities of the SECOM Group, guided by the ALL SECOM concept, we will step up efforts to develop forward-looking services and systems that respond to evolving social imperatives. Through these efforts, we will continue to encourage people to turn to SECOM with the confidence that doing so will help them resolve security and other concerns. Looking ahead, our focus will be on making SECOM an ever-present and trusted part of our customers’ lives.

In line with our corporate message—“Providing reliable peace of mind”—we will accelerate the realization of our Social System Industry vision by providing indispensable services that fulfill the promise of the ALL SECOM concept. In all of our endeavors, we look forward to the ongoing support of shareholders.

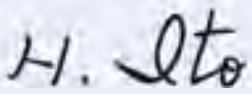
June 25, 2015



Makoto Iida  
Founder



Shuji Maeda  
Chairman and Representative Director



Hiroshi Ito  
President and Representative Director



## ALL SECOM—Developing New Services that Anticipate Future Needs

Guided by the ALL SECOM concept, we are working to drive future growth by developing services that anticipate future needs in line with three key themes: **security**, a **super-aged society** and **disaster preparedness/BCP/environmental preservation**

### Principal sources of competitiveness

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

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

of criminal behavior, while at the same time advancing the development and provision of innovative systems.

To foster the capabilities of our human resources, we provide training for employees, who include emergency response personnel, sales staff and administrative staff, at four training centers across Japan. This enables us to equip employees with the advanced knowledge and technological skills they need, as well as to ensure that they understand our corporate philosophy and observe a code of conduct befitting security professionals, qualities that facilitate the provision of high-grade services.

The operating structure of our security services business in Japan centers on our 47 control centers. Our security systems use sensors and other equipment installed at subscribers' premises, which are linked to a SECOM control center via

telecommunications circuits to provide around-the-clock monitoring. Should an irregularity be detected, control center staff dispatch emergency response personnel from one of our more than 2,800 emergency depots. The effectiveness of our security services in the event of an intrusion, fire or other irregularity reflects our ability to combine the precision of equipment with the skills and prompt decision-making capabilities of people.



Secure Data Center facility

Services designed to respond to needs engendered by a super-aged society are the responsibility of the SECOM Medical Support Center, which is staffed with nurses, public health counselors and dieticians and provides one-stop consultation regarding health care, medical services, nursing care and personal care, among others.

Under the theme of disaster preparedness/BCP/environmental preservation, the SECOM Anshin Information Center provides a variety of critical services. In the event of a disaster, the facility analyzes Big Data sets encompassing public evacuation information and Internet-derived information and its own proprietary information, among others, facilitating the swift provision of accurate and truly beneficial information to subscribers.

Our principal sources of competitiveness are underpinned by our data center facilities, which make effective use of Big Data to expedite the creation of services and systems that respond to needs arising as a result of evolving social imperatives. Guided by the ALL SECOM concept, SECOM control centers, the SECOM Medical Support Center and the SECOM Anshin Information Center collaborate to spearhead efforts to provide these new services and systems to customers, thereby helping to make life more comfortable and convenient and providing security and peace of mind.

### Promoting the creation of model communities for a super-aged society

A key challenge for super-aged societies is responding to rising needs for services that make it possible for seniors to live comfortably and in good health. For example, access to in-home health care and personal care services can help seniors stay safely and securely in their own homes rather than moving into a care facility. In response to such needs, we recently opened SECOM Home Health Care Center Kugayama, a comprehensive senior care facility, in Sugiyama, Tokyo. Under the motto of "Helping people stay happy and independent in the comfort of their own homes," the facility collaborates with the nearby Kugayama Hospital, one of our affiliated hospitals, to realize effective community-based health care,

Addressing challenges in three areas under the ALL SECOM banner



Operational structure





including support for patients recovering at home after release from hospital.

With the aim of further enhancing customer satisfaction, we have reexamined the everyday concerns of seniors, placing a priority on the perspective of individuals using our services. Drawing on our findings, in April 2015 we also established SECOM Lifestyle Partner Kugayama. The Kugayama area is home to a number of SECOM Group facilities, which include SECOM Home Health Care Center Kugayama, Kugayama Hospital, a visiting nurse station, a SECOM Pharmacy outlet and a SECOM-run nursing home.

By promoting collaboration among these facilities, as well as with other service providers, we strive to provide comprehensive services tailored to local needs. Going forward, we will build on know-how gained through the operation of SECOM Lifestyle Partner Kugayama to offer an increasingly

diverse menu of services that enhance comfort and convenience and provide security and peace of mind.

**□ Developing the SECOM Airship**

Efforts to integrate accumulated technologies in such areas as image detection, sensors and flying robots, with our extensive know-how in security services, fire protection, and information and communication, recently led to the development of the SECOM Airship, a prototype dirigible designed to prevent crime and facilitate the implementation of disaster mitigation measures over large areas. The SECOM Airship is equipped with multiple high-definition cameras, thermal imaging cameras, directional loudspeakers, parabolic microphones and search lights, facilitating highly precise monitoring over considerable distances.

Image and voice data from the SECOM Airship, together with

information from sensors and security cameras on the ground and from flying surveillance robots, is transmitted to a SECOM control center, facilitating effective monitoring of both the ground and the skies over the target area and realizing an unprecedented level of security. The dirigible's ability to transmit aerial images of, for example, people and traffic congestion and disaster damage, over large areas in real time means that its use in tandem with the SECOM *Anshin* Information Center in the event of a major disaster will hasten the collection and analysis of information and the assessment of damage, and help ensure the appropriate direction of evacuations.

The SECOM Airship will also be used to reinforce security for large-scale events held at sports stadiums and on other large sites. To encourage use for this purpose, we will continue to develop the dirigible with a view to

achieving commercialization by the end of 2016.

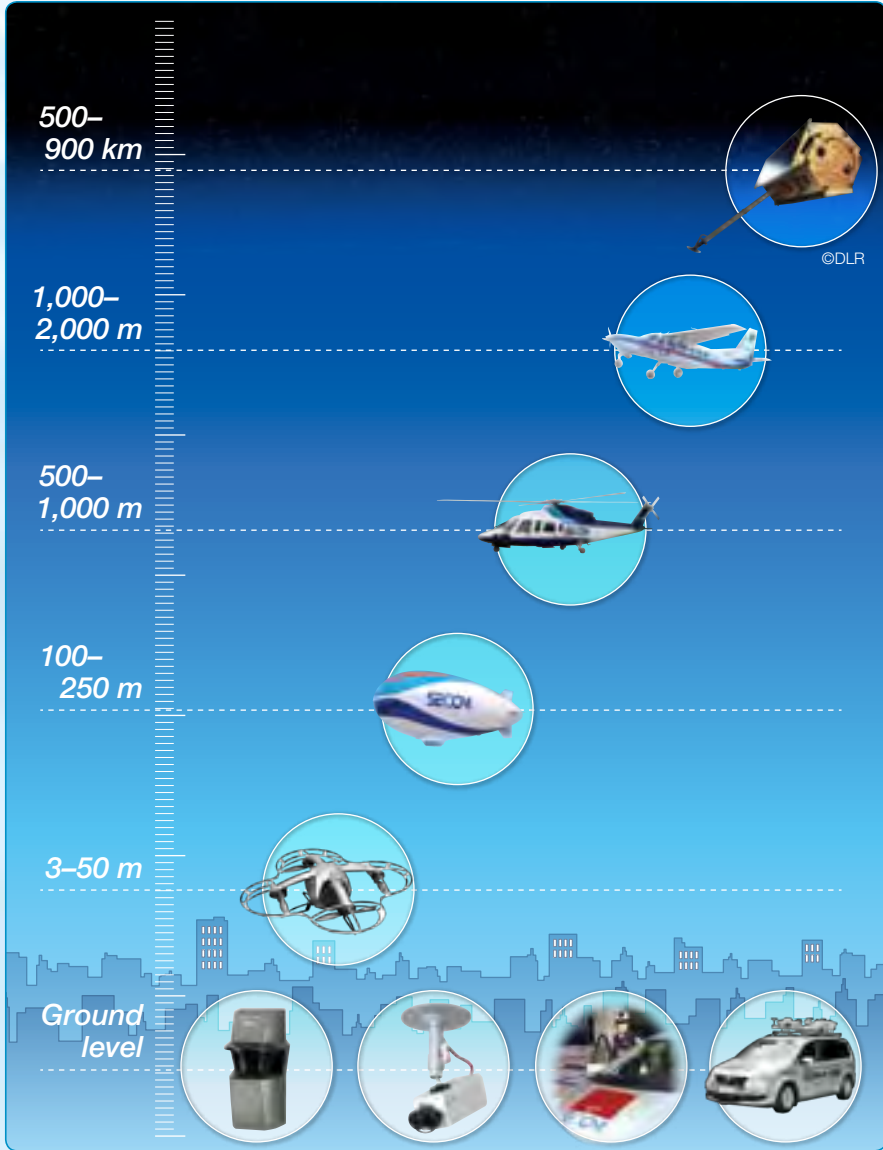
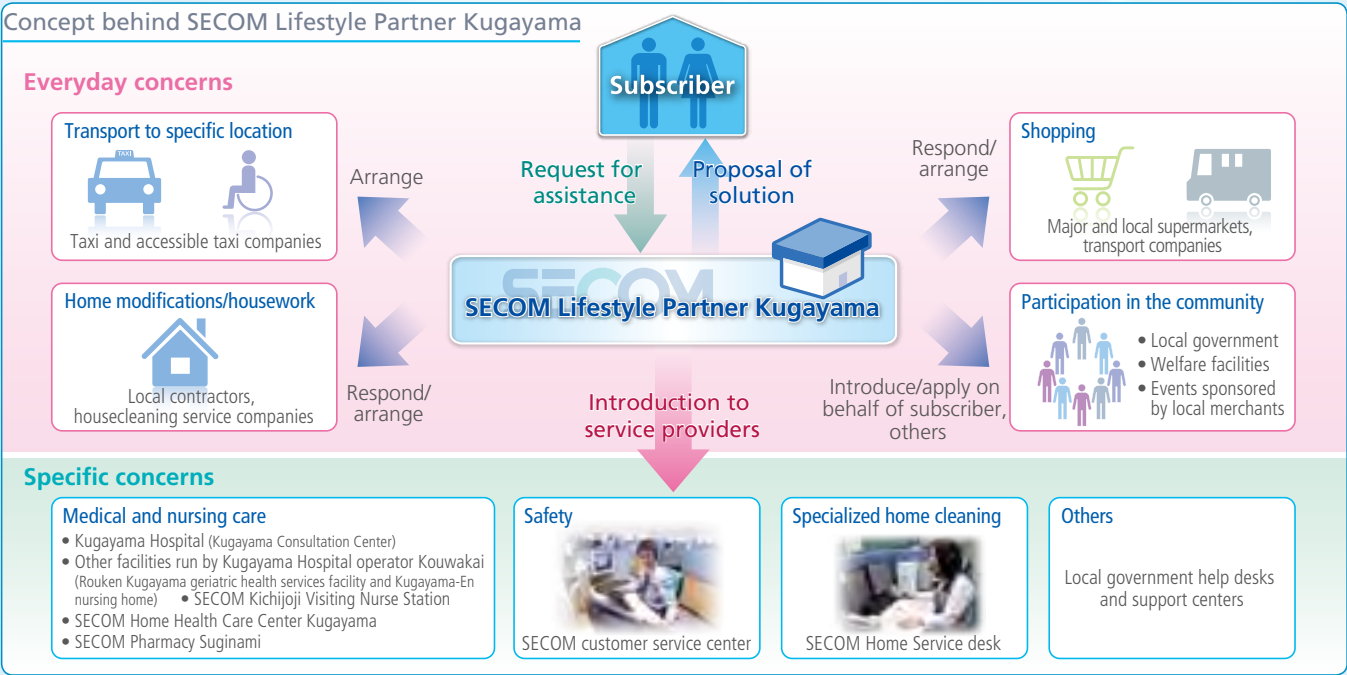
**□ Leveraging uninterrupted monitoring capabilities to develop new services under the ALL SECOM banner**

We collect geographic data from three main sources: satellite images, which are taken from 500 and 900 kilometers above the Earth's surface and thus are not influenced by the weather; aerial photographs of structures, which are taken with cameras mounted on Cessna aircraft from a height of between 1,000 and 2,000 meters; and high-precision images of terrain and structures taken with vehicle-mounted cameras (our mobile mapping system). We integrate, process and analyze this data to provide geospatial information services that support efforts to, among others, swiftly assess disaster damage, implement environmental protection measures and assess risks related to the deterioration of roads.

High-resolution cameras in the SECOM Airship take photographs over large areas from between 100 and 250 meters above the earth, while our flying surveillance robot shoots sharp, clear images of suspicious individuals and vehicles from a height of between three and 50 meters. Security cameras and sensors installed at ground level monitor people and structures. In the event an irregularity is detected by any of these systems, a SECOM control center is

automatically alerted and emergency personnel are dispatched.

With the aim of realizing our Social System Industry vision, we will continue to leverage our ability to provide uninterrupted monitoring from ground level to a height of 900 kilometers above the Earth's surface to promote the development of innovative services under the ALL SECOM banner that will drive growth in the future.



## Commercial Security Services

We are working to provide distinctive systems that help companies resolve concerns and address latent risks.

### Competitive advantages in the security services businesses

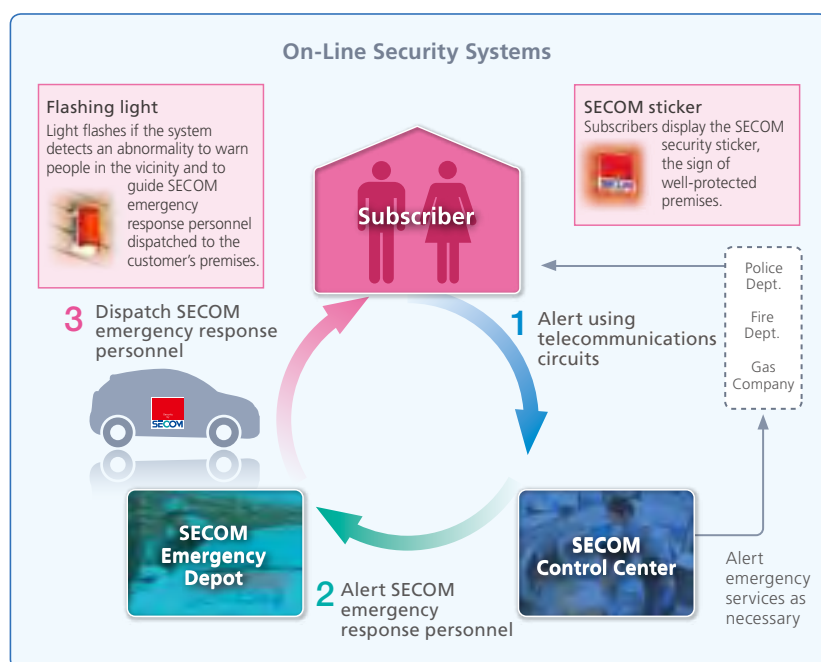
Our principal competitive advantage in the security services business derives from our commitment to providing comprehensive on-line security systems, whereby we take responsibility for everything from R&D to the production, marketing, security planning and installation of sensors and other equipment,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

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

To foster the capabilities of our human resources, we provide training for employees, including emergency response personnel, salespeople and administrative staff, at four training centers across Japan. This enables us to equip our people with the advanced knowledge and technological skills they need, as well as to instill understanding of our corporate philosophy and the importance of observing a code of conduct befitting security professionals, thereby ensuring their ability to provide high-grade services.

Our rental format is another key strength. Because we retain ownership of security

SECOM emergency response personnel





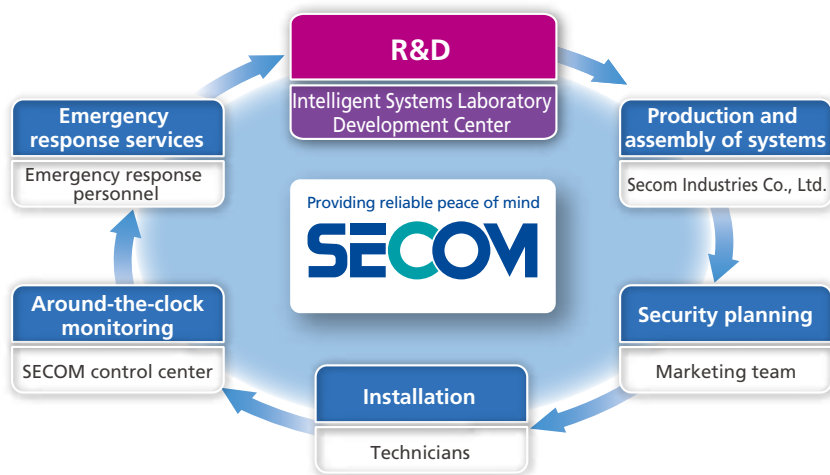
equipment, which we rent out, initial costs for subscribers are minimized. This format also means that we look after maintenance and upkeep, enabling us to guarantee the quality and stability of our services. This comprehensive approach enjoys the trust of customers across a wide range of industries and is a fundamental factor behind the power of the SECOM brand.

**□ Sales of high-value-added security systems that help subscribers reduce costs remain robust**

We offer a wide selection of on-line security systems to commercial subscribers, including SECOM AX, an on-line security system with advanced on-site image sensors. In recent years, we have seen brisk sales of SECOM LX and SECOM FX, high-value-added systems that not only provide excellent security but also assist subscribers' efforts to reduce costs. SECOM FX also helps lower energy consumption.

SECOM LX is a security system that combines an on-line security system with access control functions. The former includes monitoring for intruders and fires and an emergency call service, while the latter centers on a card reader that automatically records people entering and exiting, facilitating the effective management of personal information and other important corporate information. Because subscribers can use SECOM LX simply by adding security card features to current IC cards, SECOM LX makes it possible to use recorded access for other related applications, thereby reducing the amount of work involved in, among others, managing employee attendance and calculating payroll, helping to improve the efficiency of such procedures and reduce costs.

SECOM On-Line Security Systems



SECOM control center



High-resolution outdoor NVR camera



SECOM Image Archive Service, a security image storage service, enhances safety and convenience

SECOM FX is a security and facility control system that combines monitoring for intruders and fires with facility control. The system's monitoring function can be set to suit the subscribers control preferences and timetable, providing around-the-clock monitoring for intruders and fires, while the facility control function can be set to turn lights, air conditioners, signage illumination and security cameras on and off at the subscriber's discretion. Used in the common areas of office buildings and condominiums, among others, and at laundromats and other unattended facilities, the system thus facilitates the automatic raising and lowering of shutters and turning on and off of lights and air conditioning without the need for anyone on-site, which helps to minimize heating and lighting bills and reduce energy consumption.

### ☐ Greater need for internal monitoring to strengthen security and discourage crime

The need for systems that help strengthen internal monitoring continues to rise, owing in part to incidences of personal information leaks and food products being laced with toxic substances, which have fueled demand for more stringent monitoring. In response to such needs, we introduced the SECOM NVR, a next-generation security camera system that features options such as access to the SECOM Image Archive Service, which enables subscribers to store security camera images at a SECOM data center facility, making it suitable for installation in a broad range of facilities, thereby eliminating the need for the subscriber to have a recording device or to manage images. Security levels are further enhanced by around-the-clock monitoring,



which ensures protection even if cameras malfunction or wires are cut.

We recently expanded the lineup of equipment available with SECOM NVR by introducing a high-resolution outdoor NVR camera. Dustproof and waterproof, the new camera has built-in infrared LEDs that allow it to capture clear video even in complete darkness. The camera is thus suited to a wide variety of applications, from parking lots and apartment complexes to factory sites, and can also be mounted on solar panels and other important outdoor structures.

Looking ahead, we will continue to provide distinctive surveillance camera systems that respond to diverse monitoring and security needs.

#### □ Sales of stereoscopic image-based Walkthrough Face Recognition System commence

We have built up a wealth of technologies and expertise through the development of such offerings as SESAMO ID, a fingerprint-based access control system; SECOM AX, an image recognition-based on-line security system; and SECURIFACE, a residential intercom system with a face detection function. The Walkthrough Face Recognition System, a recent addition to our portfolio, is a biometric authentication system that incorporates proprietary image processing and stereoscopic image construction technologies employed in these and other systems. The Walkthrough Face Recognition System makes it possible to authenticate people as they walk past, so there is no need to stop each individual. The system also stores camera images as a record of traffic through the checkpoint, enabling it to match suspicious individuals or

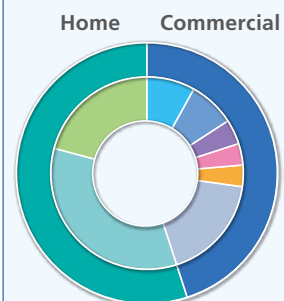


Walkthrough Face Recognition System (biometric authentication system)

movements to past events. Combined with an access control system, the Walkthrough Face Recognition System facilitates not only authentication, but also the recording and management of people who enter and leave the subscriber's premises, when and where. Going forward, we will capitalize further on our imaging technologies and know-how to provide services and systems that deliver ever-higher levels of security.

#### Contracts for On-Line Security Systems

(As of March 31, 2015)



Financial services	8.2%
Service industries	7.7%
Retailing/wholesaling	4.2%
Manufacturing	3.7%
Government agencies	3.7%
Other	17.5%
Residences (excluding condominiums and apartments)	34.4%
Condominiums and apartments	20.6%

**Our extensive range of services, which centers on SECOM Home Security, respond to the security needs of homeowners and renters.**



### **□ SECOM Home Security continues to gain market acceptance**

SECOM Home Security provides around-the-clock monitoring for intruders, fires and gas leaks, emergency alerts and medical emergency calls. If sensors detect an irregularity, the system automatically alerts a SECOM control center, where staff monitor and assess the situation, dispatch emergency personnel and, if necessary, notify the police and/or the fire department.

Since the release of SECOM Home Security in 1981, we have sought to respond effectively to the needs of subscribers by continuously modifying the system with the aim of enhancing comfort and convenience and providing security and peace of mind. Underscoring the success of these efforts, in June 2014 the number of households in Japan that have installed SECOM Home Security topped one million, evidence of SECOM Home Security's solid reputation.

One of the most highly rated services currently offered under the SECOM Home Security label is SECOM Home Security G-Custom, which combines home security with a variety of features designed to enhance everyday convenience. These include a data storage system, which enables subscribers to store important documents—including driver's licenses, passports, health insurance cards and prescriptions for medications—at a SECOM data center facility; on-line access to convenient SECOM lifestyle support services and



products; and a data-sharing service that enables immediate family members and relatives to exchange photographs and send messages. SECOM Home Security G-Custom also offers My Page, which gives subscribers access to information from an extensive menu of selected collaborating companies and allows them to make online purchases.

In Japan, rapid urbanization, the increasing prevalence of nuclear families and the advance of the country's super-aged society are pushing up demand for home security services. At present, SECOM Home Security systems are primarily used in detached houses, two-generation detached houses, detached houses with commercial space and condominiums, but we are seeing a steady rise in installation in apartment complexes. Accordingly, we will continue to bolster acceptance of this system by developing services that accommodate an ever-more diverse range of residential environments and family configurations.

#### □ January 5 is declared Home Security Day

To celebrate our heritage as the company that popularized the concept of "home security" in Japan, we recently applied to and received approval from the Japan Anniversary Association to declare January 5—the day of SECOM Home Security's launch in 1981—Home Security Day. This move also reflects our desire to create an occasion for people to reexamine the security of their homes.



SECOM Home Security G-Custom

By encouraging ever-broader acceptance of SECOM Home Security, we will continue to enhance comfort and convenience and ensure security and peace of mind. We will also further promote the development of groundbreaking new services and systems.

#### □ Subscribers to SECOM My Doctor Plus expand to include local governments and corporate customers

Another option available to SECOM Home Security subscribers is SECOM My Doctor Plus, an emergency medical alert system for seniors that also provides access to personal care services.

SECOM My Doctor Plus features an exclusive portable device incorporating cellular phone, GPS locator and emergency alert functions. Regardless of time or place, the device, when activated, sends a signal to a SECOM control center indicating that



My Page services include online shopping



SECOM My Doctor Plus emergency medical alert system for seniors

## Home Security Services



SECOM Home Security subscribers can consult with SECOM Medical Support Center nurses on health-related issues



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

medical assistance is required. Control center staff confirm the subscriber's situation by telephone and if required dispatch emergency response personnel. Other services available include consultation by telephone with staff at the SECOM Medical Support Center. If the subscriber requests an ambulance, control center staff contacts the fire department and sends the subscriber's emergency information, which is stored at a SECOM data center facility, to the portable device, to ensure such information is immediately available to ambulance attendants and hospital staff.

Recent years have seen an increase in demand for SECOM My Doctor Plus as a standalone service from local governments and corporate customers. A city in Nagano Prefecture has introduced the system as part of an initiative aimed at protecting local seniors living alone. Important information on chronic health issues and medications, as well as contact information for their primary care physicians, for each of the seniors covered by the system, is entrusted to us for

secure storage and provided when necessary to ambulance attendants and hospital staff, facilitating swifter treatment.

We also provide SECOM My Doctor Plus as a standalone support service to corporate customers seeking to open residences with care services for seniors in unoccupied units in multi-unit rental dwellings. In such instances, SECOM My Doctor Plus allows facility coordinators to confirm the well-being of residents using the portable device.



## Other Security Services

**In addition to capitalizing on rising demand for the COCO-SECOM mobile security system from local governments, we introduced the SECOM AED Skill Up Service to increase the number of individuals able to use AEDs.**

### □ Local governments expand use of COCO-SECOM to locate dementia sufferers who wander

The COCO-SECOM mobile security system uses signals from GPS satellites and cellular phone base stations to pinpoint the location of dedicated portable transmitters carried by individuals or attached to objects. Introduced originally as a way to foil child abductions and avert the theft of cars and motorcycles, COCO-SECOM's effectiveness has attracted interest for more diverse applications. These include preventing the loss of personal belongings and the theft of construction equipment and automated teller machines (ATMs), among others, as well as managing taxi and bus fleets.

In recent years, COCO-SECOM has gained attention as an effective way to locate individuals suffering from dementia if they wander or disappear, bolstering demand for the system in this area. Local governments have offered incentives to the families of such individuals to use COCO-SECOM by subsidizing the rental of transmitters. With dementia becoming a pressing issue in Japan's super-aged society, we will continue to market COCO-SECOM to local governments, public agencies and nursing homes as an effective strategy for locating sufferers who get lost.

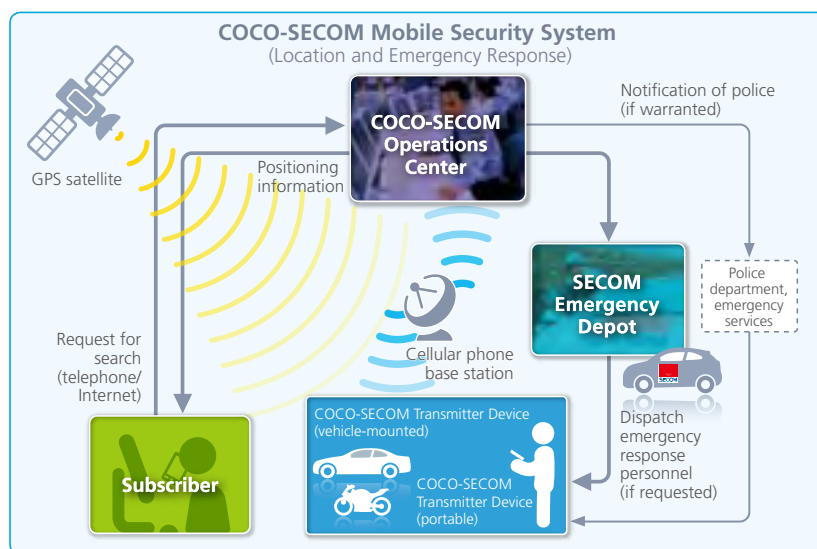
### □ SECOM AED Skill Up Service is introduced

An automated external defibrillator (AED) is a portable device that treats cardiac arrhythmia by administering an electrical pulse to the heart to reestablish a normal rhythm. Installation of AEDs is widespread and includes both public-sector facilities such as train stations, airports and parks and private-sector facilities such as schools and major shopping

centers. Our lineup of AED-related services includes the SECOM AED Package Service, a full-service AED rental package, and the SECOM On-Line AED Management Service, an around-the-clock service that monitors operational status and the replacement of expendables. Recently, we introduced the SECOM AED Skill Up Service, a workshop on the operation of AEDs, recognizing that despite the extensive installation of AEDs, many people do not know how to use them properly. The workshop centers on web-based and in-person training, support by SECOM experts regarding the proper use of AEDs and the improvement of skills. We will accelerate efforts to promote this service, in line with our belief that the ability to use an AED is an essential skill for people everywhere.

COCO-SECOM mobile security system

SECOM AED Skill Up Service, a workshop to train people in the proper use of AEDs



## Overseas Security Services



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

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

### □ High-grade services in 12 countries and territories overseas

We made our overseas debut in 1978, when we established a presence in Taiwan. Today, our overseas security services business encompasses operations in 12 countries and territories. The distinguishing feature of our overseas security services is that we offer SECOM-style on-line security systems, which include emergency response services, customized to reflect local needs and sensibilities. As in Japan, we take full responsibility for our operations in these markets, positioning us to deliver high-grade SECOM-brand services. This continues to earn praise from overseas customers, as a result of which the use of our services continues to expand steadily.



Emergency response personnel (Myanmar Secom Co., Ltd.)

### □ Economic growth underpins expansion of operations in Southeast Asia

We are working tirelessly to respond to rising demand for security services in Southeast Asia, where steady economic growth is driving increased demand for security services from both Japanese and local companies.

Economic growth in Thailand continues to support a steady increase in subscribers for Thaisecom Pitakkij Co., Ltd. Highlights in recent years include the provision of on-line security systems for a number of corporations

and national government agencies and of merchandise to health-care facilities.

Secom (Malaysia) Sdn. Bhd. provides customized security systems—comprising on-line security systems and static guard services—to customers across Malaysia. Underscoring the high marks accorded the company's proposal-based services, which are tailored to market needs, a major drugstore chain is currently in the process of installing SECOM security systems at its stores nationwide.

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

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

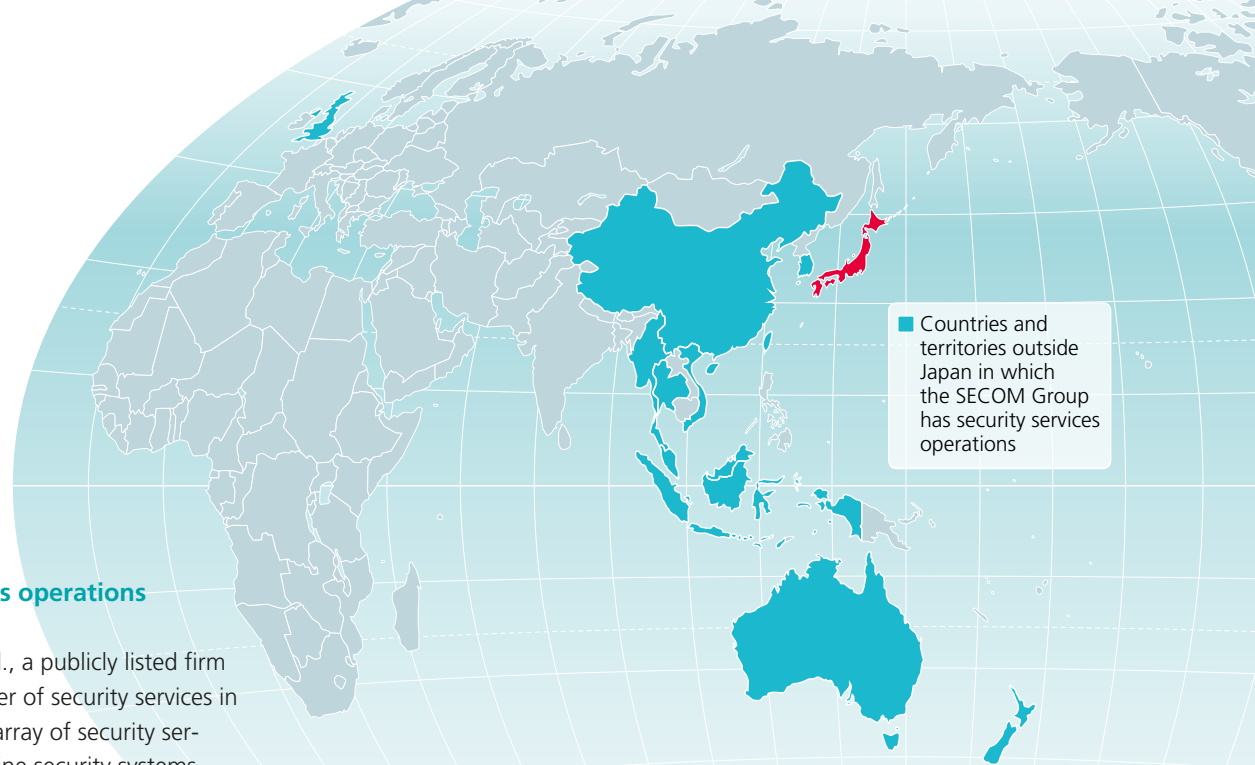
In Vietnam, Secom Vietnam Security Service Joint Stock Company is working to augment its operations by responding to the security needs of Japanese companies operating in the country and to promote market acceptance of on-line security systems.

Joint venture Myanmar Secom Co., Ltd., has begun providing Myanmar's first-ever on-line security systems to subscribers in the country's largest city, Yangon. With Myanmar continuing to attract investment from offshore companies, including those based in Japan, we will actively market SECOM on-line security systems in this promising market.



Control center (Secom (Malaysia) Sdn. Bhd.)





## □ Scope of overseas operations broadens

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

In the Republic of Korea (ROK), S1 Corporation, which is also publicly listed, provides not only on-line security systems, but also an extensive selection of other services that make life more convenient and comfortable and provide security and peace of mind. In January 2014, S1 entered the market for building solutions, a move aimed at further reinforcing its business foundation. In addition, the company has established a social contribution agreement with the Seoul metropolitan government whereby it will support efforts to improve the safety of welfare facilities, enabling it to help enhance community security and peace of mind through its social contribution activities as well as through its business activities.

We currently provide our distinctive on-line security systems to subscribers in the People's Republic of China (PRC) through a network of security service bases in 19 cities. With demand for security services growing in all of these locations, we will continue to expand our operations by providing high-grade services that meet the needs of customers.

Secom Australia Pty. Ltd. has for many years provided security services to major financial institutions and government agencies, earning positive reviews across the board. The company has also installed security systems at a number of key Australian military facilities. Secom Australia continues working to expand its customer base and recently secured contracts to provide security services for a major media firm, as well as for the Australian branches of an international apparel retailer.

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

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

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



Emergency response personnel  
(Taiwan Secom Co., Ltd.)



Control center  
(S1 Corporation, ROK)

## Fire Protection Services

**An integrated services provider, we offer high-grade systems that respond to the needs of customers in Japan and overseas.**

Water spray system installed in road tunnel  
(Nohmi Bosai)

### □ High-grade fire protection systems

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

### □ Introducing a new manual fire alarm box

Nohmi Bosai provides high-grade fire protection systems for a range of applications, including office buildings, plants, tunnels, structures designated as cultural properties, ships and homes. A recent addition to the company's lineup is a manual fire alarm box with an integrated ring-type pilot lamp—the purpose of which is to illuminate the box's location—that is designed to be mounted flush with the wall. With conventional alarm boxes, parts of which protrude from the wall, damage from frequent impact is a problem, as is the fact that such units are felt to mar aesthetic appearance. The flat design of Nohmi's new manual fire alarm box resolves both of these issues, earning positive reviews from customers and winning a 2014 Good Design award in Japan.

In response to growing demand from customers seeking to update automatic fire alarm systems, Nohmi Bosai also commenced sales of Advanced PIII map-type system, which combines a conventional fire alarm system with an automatic testing function. Every device connected to this system has its own address, so when a fire is detected the affected room and the address of the device that has been activated are displayed on the panel. The new unit also indicates the status of device addresses on an address map, making it possible to pinpoint the exact location of the fire even more easily.

### □ Integrating automatic fire protection equipment and security services in Thailand

In Southeast Asia, brisk economic growth is driving needs for fire protection infrastructure. In cooperation with Thaisecom Pitakkij, Nohmi Bosai is focusing its efforts on expanding sales of packages comprising nitrogen gas fire extinguishing systems and security services. Other highlights of late include the establishment of a representative office in Singapore and the realignment of Nohmi Bosai's regional bases.

### □ A fire protection solutions business that addresses broad needs

Nittan is promoting proposal-oriented sales to customers who have already installed fire protection systems, as well as to customers who make use of its maintenance and inspections services, to further optimize systems currently in use. The company is also benefiting from rising orders for fire protection solutions for buildings under renovation. Nittan will continue to grow its businesses through meticulous cost management at all stages, from system development through to production, as well as by fortifying its marketing strategies and to reinforce its competitiveness by providing solutions that encompass training and advice regarding emergency supplies.

### □ Expanding overseas operations

Nittan continues to see firm sales of fire detection systems for use on ships in Sweden. The company is also boosting orders by launching attractive new products and broadening its sales channels by collaborating with SECOM Group security services companies in Indonesia, Thailand and Vietnam to market automatic fire alarm and fire extinguishing systems to security services subscribers. In the United Kingdom, collaboration with Secom plc continues to support solid sales of fire detection systems and other offerings.



Advanced PIII map-type fire alarm system  
(Nohmi Bosai)



Business negotiations at a showroom  
(Nittan)



## Medical Services

**We offer distinctive nursing homes and a variety of services that respond to the needs of a super-aged society.**

### □ New-concept nursing home Alive Shinagawa-Oi opens

In line with the comprehensive community-based health-care framework put forth by Japan's Ministry of Health and Welfare, we opened Alive Shinagawa-Oi, the 10th facility in our Alive series of nursing homes. In addition to working closely with local general hospitals, Alive Shinagawa-Oi provides an environment in which seniors have ongoing access to health care, from day-to-day health management to house calls by doctors and emergency medical treatment. In addition to cooperating with a local department store to establish its own stop on the store's shuttle bus route, the facility works with community organizations to ensure residents maintain links with the local community, thereby helping to provide security and peace of mind. Looking ahead, we will continue to capitalize on our experience in the provision of health care and personal care services to seniors and promote the establishment of nursing homes that enhance residents' quality of life.

### □ SECOM Health Care Club KENKO introduces flexible corporate memberships

SECOM Health Care Club KENKO is a membership-based club established in 2005 through an alliance with Yotsuya Medical Cube in Tokyo. Companies that purchase the club's recently introduced flexible corporate memberships gain access to a variety of health management services for their employees. These include detailed physical examinations for senior executives at Yotsuya Medical Cube and around-the-clock health and medical consultation by telephone for employees. Going forward, we will continue working to provide a wide range of high-value-added, high-grade medical services.

### □ SECOM SMASH is introduced

A recent addition to our medical services lineup is SECOM SMASH, a hospital management support service that encompasses business analysis and consulting. ("SMASH" is an acronym for "strategic management assisted system for healthcare.") This service employs proprietary SECOM analysis methods to analyze trends in revenues and expenditures, patient numbers and length of hospitalization for inpatients on a departmental basis, with findings stored at a SECOM data center facility to ensure rigorous protection and provided to customers using a private cloud. Management experts also offer consulting to assist hospitals in formulating management strategies. SECOM SMASH thus enables hospitals to enhance their operating efficiency and improve the quality of care they provide, which in turn helps reduce the burden of expenses on Japan's public health care system.

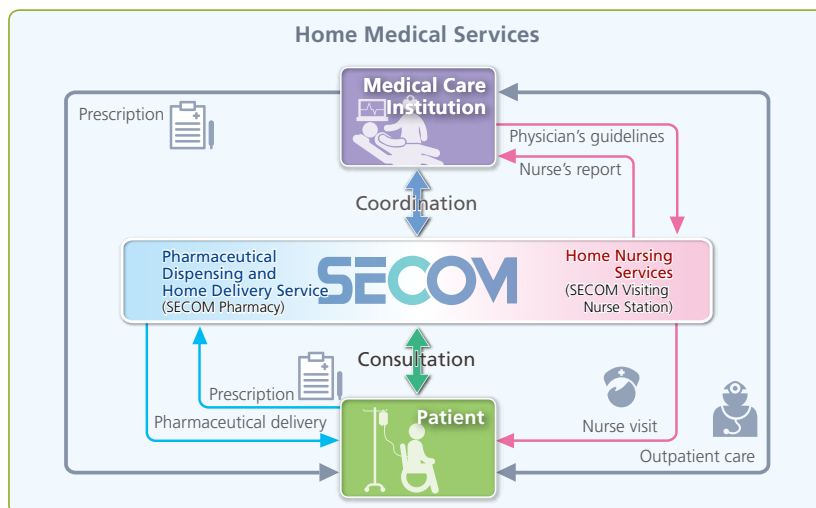
SECOM Health Care Club KENKO physical examination



Alive Shinagawa-Oi



SECOM SMASH hospital management support service



## Insurance Services



Head office of Secom General Insurance Co., Ltd.

**We continue to leverage the comprehensive capabilities of the SECOM Group to provide distinctive fire, medical and automobile insurance policies.**

### □ **Contracts for SECOM Anshin My Home remain robust**

Our diversification into non-life insurance came about as a result of our conviction that augmenting security services, which are preventative by nature, with insurance, which looks after people should misfortune strike, was a way to further enhance security and peace of mind.

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

### □ **MEDCOM, an unrestricted cancer treatment policy that covers all treatment-related costs**

MEDCOM is an unrestricted cancer treatment policy that provides full coverage for all hospitalization and medical treatment costs, both those covered under Japan's National Health Insurance (NHI) scheme and those for which the patient usually bears the burden, which include costs for advanced medical treatments. In addition to a one-time lump sum payment of ¥1 million if cancer is diagnosed, MEDCOM also extends to outpatient treatment, providing coverage for up to ¥10 million per five-year period. Subscribers are thus able to focus on treatment without having to worry about costs. Given the high cost of many new cancer treatments, the fact that MEDCOM significantly lightens the economic burden on patients is attracting attention to this innovative policy.

### □ **SECOM Anshin My Car: Backed by our reliable emergency response personnel**

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

In addition to stepping up efforts to market our policies via banks and the Internet, we have equipped sales personnel with tablet computers, enabling them to propose solutions to customers, with the aim of assisting sales efforts.



Call center (Secom General Insurance)



SECOM *Anshin My Car* on-site support



## Geographic Information Services

**By capitalizing on our geospatial information capabilities, which include collecting, integrating and analyzing geographic data from satellite images and ground surveying, among others, we contribute to safe and secure societies.**



SPOT 6 and SPOT 7  
Earth observation satellites  
© Airbus Defence and Space GEO S.A.

### □ Helping private and public sector entities enhance operational efficiency

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

In Japan, services for customers in the private sector include area marketing, which involves analysis of catchment areas, logistics and corporate disaster planning. Pasco's highly specialized geospatial information services for public-sector entities include services for local governments provided via the Local Government Wide-Area Network (LGWAN), which protects confidential information and guarantees security, and cloud-based services. In addition to reinforcing its business foundation, Pasco will promote stable growth through the extension of services that facilitate the accurate assessment and comprehensive, integrated management of assets held by local governments—thereby contributing to regional revitalization and financial soundness—and through support for facility management aimed at optimizing costs and enhancing convenience.

### □ Sales of DR-Info disaster risk information service commence

Pasco recently began offering DR-Info, a cloud-based disaster risk information service that capitalizes on its geospatial information technologies and know-how. DR-Info uses proprietary information gathered by Pasco that can be plotted on a map, from which the customer can extract the required information at any time to perform various simulations. For example, Pasco combines information on rail line and road conditions with forecasts for rainfall and wind speed, among others, provided by the Japan Meteorological Agency

to make predictions regarding road closures, railway operation interruptions and other damage up to six hours in advance, which it then emails to customers.

In recent years, Japan has seen a significant rise in damage due to natural events, including road closures due to flooding and landslides caused by localized torrential rainfall, raising companies' awareness of the importance of implementing effective countermeasures. In addition to brisk orders from manufacturers, trading companies and other private sector firms, DR-Info is attracting attention from public sector entities.

### □ Enhancing access to geospatial information from satellite images

Pasco recently signed a contract with a leading multinational aerospace and defence company to acquire general distribution rights for Geo-Intelligence products in the Japanese market and image data distribution rights for the SPOT 6 and SPOT 7 Earth observation satellites. As a consequence, Pasco now distributes data from a total of 25 commercial satellites. Pasco will continue to strengthen its ability to collect geospatial information by expanding and enhancing its access to satellite data.

### □ Advanced technologies help Pasco cultivate new businesses

Pasco is promoting research and development using highly accurate 3D geospatial information collected using its vehicle-mounted Mobile Mapping System (MMS) to create high-precision basic road information for use in advanced driver assistance systems (ADASs). By contributing to the creation of accurate yet compact basic road information for ADASs that helps improve technologies for brake control, lane guidance, eco-driving support and other features, Pasco is broadening the scope of its MMS-based services business.



DR-Info disaster risk information service  
(This service uses Google Maps. Google Maps is a registered trademark of Google Inc.)



High-precision basic road information collected using Pasco's MMS is being considered for use in ADASs.

## Information and Communication Related Services



SECOM Anshin Information Center

**Our extensive portfolio encompasses disaster response, information security and cloud-based services, underpinned by our data center facilities, enabling us to respond to diverse needs for safety and protection.**

### □ **SECOM Safety Confirmation Service, Japan's leading risk management service, and an extensive range of related services**

A spate of earthquakes, devastating localized torrential rainfall and other natural disasters in the past few years has encouraged an increasing number of companies in Japan to reassess their business continuity plans (BCPs). Our core offering in this area, SECOM Safety Confirmation Service, which helps subscribers ascertain the safety of employees and their families in the event of a disaster, is one of Japan's leading risk management services. In tandem with this system, we also offer such highly rated services as SECOM Emergency Call Out Service, which is designed to facilitate the swift deployment of personnel crucial to business continuity and the prompt resumption of operations in the aftermath of a disaster, and the Real-Time Disaster Information Service, whereby we collect and analyze available information, including emergency warnings and evacuation orders, information from Twitter and other social networking sites, and exclusive SECOM Group information, which we customize to meet the specific needs of each customer.



Secure Data Center facility

### □ **SECOM Premium Net enhanced and equipped with protection for online trading transactions**

With an unprecedented number of online banking scams, including those involving illegal transfers of funds, being reported in recent years, addressing such fraudulent activity has emerged as an urgent social imperative. SECOM Premium Net is a system designed for financial institutions to protect corporate customers against such scams. We have also introduced a version of this system for consumers. SECOM Premium Net centers on a proprietary dedicated USB flash drive that permits connection only to the



SECOM Premium Net provides protection against online banking scams

institution's secure online banking site to protect against phishing attacks, and encrypts communication to ensure safe online banking. Even if an individual customer's computer has been infected with a malicious virus, the USB is write-protected, preventing it from propagating the virus and guaranteeing the security of online transactions. Orders for the commercial version of SECOM Premium Net continue to rise steadily, while the scope of application for the consumer version has been expanded to include protection for online trading transactions, which has earned high marks. Looking ahead, we will continue to expand our range of products designed to ensure security and peace of mind in an increasingly Internet-driven society.

### □ **SECOM Minutes Digitization Service: Japan's first service for digitizing the minutes of board of directors' meetings**

One of many services that leverages the capabilities of our Secure Data Center facilities is SECOM Anshin Eco Document Digitization Service, which assists companies in digitizing and storing the thousands of documents they deal with, including pay stubs and invoices, helping customers enhance information security and operational efficiency and reinforce competitiveness. A recent addition to our lineup is the SECOM Minutes Digitization Service, which enables companies to digitize the minutes of board of directors' meetings, greatly simplifying procedures by making it possible for directors and auditors to access the minutes at a dedicated website, thereby eliminating the need to pass around the original minutes. The system, which complies with Japan's Companies Act, also facilitates the storage of digitized minutes for 10 years and the online registration of changes in directors.



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

In advance of the launch of Japan's new My Number social security and tax identity system in October 2015, which will require companies to collect and manage employee ID numbers, we recently introduced the SECOM *Anshin* My Number Service, a service that secures the collection and storage of numbers and ensures they can be used safely. Employee ID numbers entrusted to us are stored at a

Secure Data Center facility, which provides robust around-the-clock physical and cyber security. To use an employee ID number, companies provide the ID and a dedicated password, specifies the computer on which the number will be used with a digital certificate. The service facilitates access management by keeping a record of access. We also suggest the installation of security cameras and access control systems to fortify physical security at the customer's premises.

## Real Estate and Other Services

**We develop and sell high-grade condominiums offering exceptional security and earthquake resistance. Other services include a support package for individuals who have been transferred overseas.**

### □ **Uniquely SECOM condominiums that deliver safety and peace of mind**

In line with our goal of providing living spaces that deliver reliable security and peace of mind, we develop and provide high-grade uniquely SECOM condominiums under the Glorio brand. We recently commenced sales of units in Glorio Toshimaen, Glorio Koenji, Glorio Eifuku-cho Izumi and other complexes in the Tokyo metropolitan area. In addition to MS-4, an on-line security system for condominiums, in each individual unit, SECOM IX remote imaging security system in common areas and a seismic grade 2 rating under Japan's three-grade system of ranking earthquake resistance, these condominiums feature Glorio Support 24, an around-the-clock telephone-based support service.

Guided by the ALL SECOM concept, we will continue to promote the development and sale of quality condominiums with advanced contingency planning features.

### □ **New support package for individuals transferred overseas**

The number of Japanese citizens currently living abroad, estimated at approximately

1.29 million, continues to rise steadily. Japanese companies require transferred employees to move relatively quickly to their new posting, before which they must ensure that the successor is fully briefed on his or her new responsibilities and that various company procedures are completed, as well as prepare to move. To help address the concerns of such individuals, we recently began offering the SECOM Overseas Transfer Support Package. Services offered as part of this package, a quintessential ALL SECOM offering, include security for and arranging to rent out the individual's home temporarily and sell his or her vehicle, taking care of insurance formalities and monitoring the safety of family members remaining in Japan. We also added a general home maintenance service for individuals who are away for an extended period to SECOM Home Service, an optional suite of lifestyle support services available to SECOM Home Security subscribers. We market these services through companies with large numbers of employees on overseas assignment and through travel agents.



Glorio Toshimaen



SECOM Overseas Transfer Support Package housekeeping service

## SECOM's CSR

### □ Basic policies

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

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

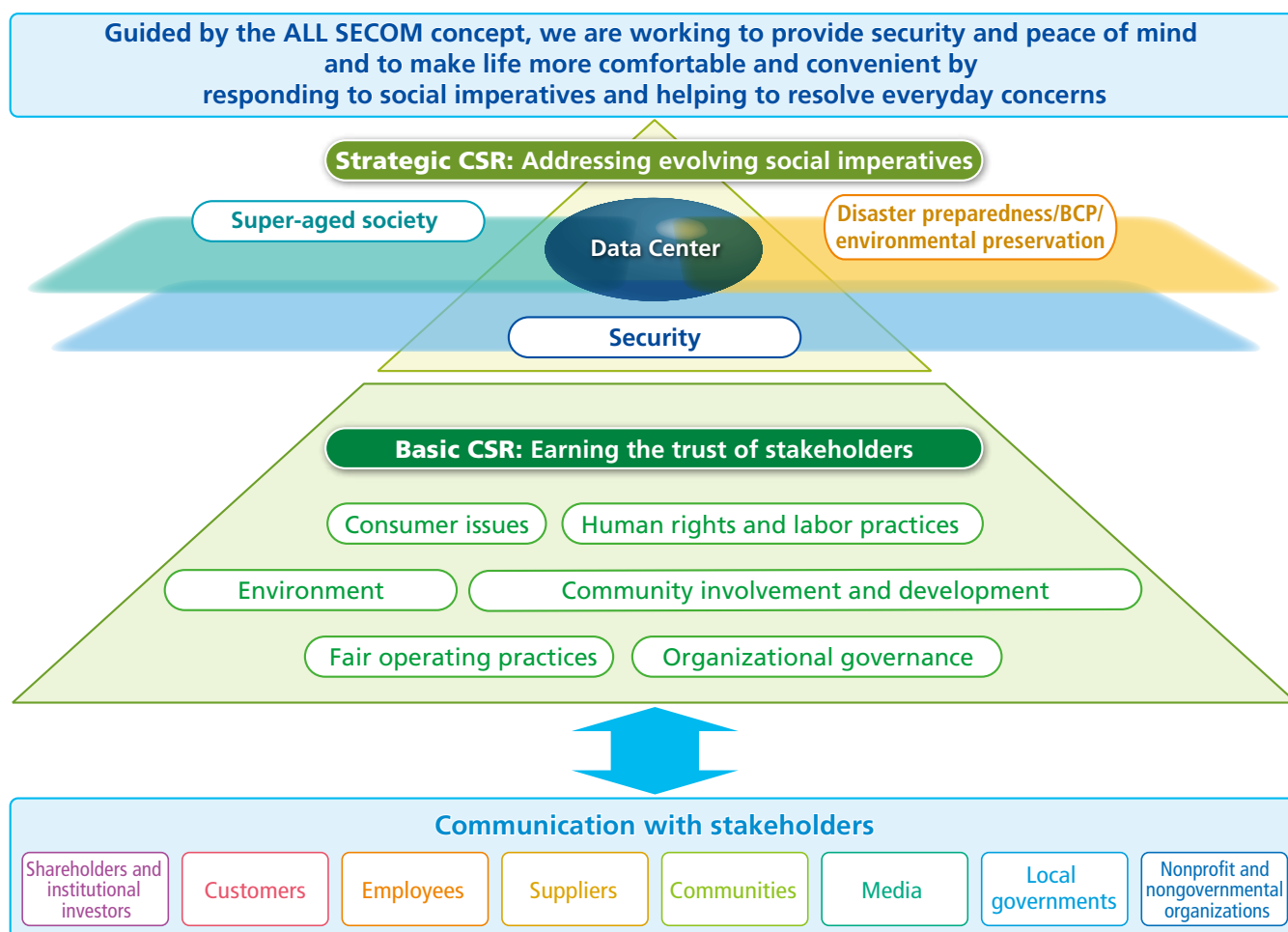
We promote a variety of CSR initiatives, which we classify as either “strategic” or “basic.” We also promote active dialogue with our many stakeholders with the aim of further expanding our efforts. Going forward, we will continue working to respond to society's expectations.

### □ Strategic CSR: Addressing evolving social imperatives

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

### □ Basic CSR: Earning the trust of stakeholders

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





## Basic CSR initiatives

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

### Consumer issues

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



SECOM customer service center

### Human rights and labor practices

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

provide training aimed at enhancing employees' understanding thereof.

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

### Environment

In the belief that protecting the environment is essential to our ability to provide security and support comfortable lifestyles, we continue to promote awareness of our environmental philosophy—which is to incorporate consideration for the environment into all areas of our operations—and our basic environmental policy among all employees. We are also implementing measures aimed at addressing such key issues as global warming and resource depletion and ensure our operations conform with pertinent laws and regulations.



Fuel-efficient SECOM service vehicle

### Community involvement and development

We recognize contributing to the community through the provision of



Crime prevention awareness program featuring skits and other activities

security and peace of mind, as well as through the creation of employment opportunities and support for local development, as an important responsibility. Accordingly, we promote a variety of efforts designed to contribute to communities. These include offering programs for children, women and seniors designed to raise crime prevention awareness.

### Fair operating practices

Efforts to strengthen our cooperation with suppliers, as well as to promote mutual understanding and compliance with laws and regulations, have enabled us to create a solid framework for providing high-grade services and systems. We also work to promote awareness of key components of CSR, including the safeguarding of human rights, ensuring industrial safety and employee well-being, and protecting the environment, across our entire value chain.

### Organizational governance

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

## Support for Competitive Sports

**By providing support for competitive sports in Japan,  
we will continue to bolster our corporate value.**

### □ Helping to ensure the safety and security of long-distance running events

SECOM is a company that has pushed tirelessly forward since its founding to realize its mission. The image of the long-distance runner pushing himself or herself to the limit to reach the finish line is thus one that resonates with us. This affinity has encouraged us to become a corporate sponsor of and provide wide-ranging support for long-distance running events across Japan.

As a corporate sponsor of the 91st edition of the Hakone Ekiden, Japan's premier university ekiden (long-distance road relay), in January 2015, we were responsible for, among others, ensuring runner security, creating a safe environment for the thousands of spectators lining the course and providing AEDs,

all of which helped ensure a smooth and safe race.

The Boston Marathon bombing of April 2013 prompted a significant tightening of security at international marathons around the world. As an official partner of the Tokyo Marathon 2015, one of six races in the annual Abbot World Marathon Majors series and Japan's largest marathon, which was held in February 2015, we contributed to the safety of the event by providing static guard services at start area gates to check baggage and direct spectators and by installing roadside network security cameras over the entire course.

We were recently named the official provider of security for the first Saitama Marathon, which is scheduled for November 2015, where we will be in charge of ensuring the safety of runners

and spectators. Going forward, we will expand our support for such events with the aim of contributing to the growth and success of these and other long-distance running events in Japan.

### □ Official sponsorship of the Japan women's national rugby teams

We also identify strongly with the stubborn determination of rugby players to play on no matter what, a trait that echoes our determination to always move forward. Since 2014, we have been an official sponsor of the Japan women's national seven-a-side and fifteen-a-side rugby teams, having signed an agreement with Japan Rugby Football Union, the governing body for rugby in Japan.



SECOM helped ensure the safety  
of runners and spectators  
©Tokyo Marathon Foundation

As a corporate sponsor, SECOM also  
contributed to the safety of the 2015  
Hakone Ekiden (relay race)  
©Gekkan Rikujyo Kyogi  
(Monthly Track & Field )



SECOM is an official sponsor of the Sakura Sevens and  
Sakura Fifteen  
©Japan Rugby Football Union





## Operating Results

### Overview

In the year ended March 31, 2015, SECOM CO., LTD. and its subsidiaries (collectively, "the Company") sought to provide high-quality products and services that respond to the needs of customers in its core security services segment, as well as in its fire protection services, medical services, insurance services, geographic information services, information and communication related services, and real estate and other services segments.

Consolidated net sales and operating revenue advanced 2.6%, or ¥24.1 billion, to ¥945.2 billion. Principal contributing factors included higher net sales and operating revenue in the security services and medical services segments—the former underpinned by increased revenue from on-line security systems and higher sales of large-scale security systems and security camera systems and the latter by the expansion and rebuilding of hospitals and a robust performance by the pharmaceuticals dispensing services business—and the inclusion of a full year of operating results for a subsidiary newly consolidated in the fourth quarter of the fiscal year ended March 31, 2014. Operating income rose 1.6%, or ¥1.9 billion, to ¥122.0 billion, bolstered by gains in the insurance services and the security services segments ascribed to, respectively, a decline in losses incurred due to damage caused by natural disasters and the increase in net sales and operating revenue. Net income attributable to SECOM CO., LTD., was up 8.4%, or ¥6.2 billion, to ¥80.2 billion, owing mainly to the increase in operating income and to lower income taxes, which primarily reflected a statutory tax rate reduction that resulted from tax reform in Japan.

### Net Sales and Operating Revenue

Consolidated net sales and operating revenue increased 2.6%, or ¥24.1 billion, to ¥945.2 billion, bolstered by increases in the security services, medical services, real estate and other services, insurance services and information and communication related services segments, although the geographic information services and fire protection services segments reported declines. (For further details, please see Segment Information below.)

### Costs and Expenses

Total costs and expenses were up 2.8%, or ¥22.2 billion, to ¥823.2 billion. Cost of sales, at ¥644.2 billion, was up 2.4%, or ¥15.3 billion, and was equivalent to 68.2% of net sales and operating revenue, an improvement from 68.3% in the previous fiscal year.

Selling, general and administrative (SG&A) expenses rose 1.5%, or ¥2.5 billion, to ¥168.6 billion. SG&A expenses were equivalent to 17.8% of net sales and operating revenue, an improvement from 18.0% in the previous fiscal year.

Due to the recognition of impairment losses on certain business-related assets in the information and communication related services segment, impairment loss on long-lived assets rose to ¥6.6 billion, an increase of ¥3.8 billion, while an impairment loss on goodwill in the medical services business pushed impairment loss on goodwill up ¥1.2 billion, to ¥1.3 billion. In contrast, loss on sales and disposal of fixed assets, net, declined ¥627 million, to ¥2.6 billion.

### Operating Income

Operating income rose 1.6%, or ¥1.9 billion, to ¥122.0 billion, equivalent to 12.9% of net sales and operating revenue, compared with 13.0% in the previous fiscal year. The Company's segments, in order of size of contribution to operating income, were security services, fire protection services, insurance services, real estate and other services, geographic information services, medical services, and information and communication related services. (For further details, please see Segment Information below.)

### Other Income and Expenses

Other income declined ¥2.4 billion, to ¥9.3 billion, while other expenses increased ¥448 million, to ¥3.4 billion, resulting in net other income of ¥5.9 billion, down ¥2.8 billion from the previous fiscal year. Principal factors behind this result included decreases of ¥1.5 billion in gain on private equity investments, to ¥4.1 billion, and ¥879 million in loss on gain on sales of securities, net, to ¥56 million.

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

Income before income taxes and equity in net income of affiliated companies decreased 0.7%, or ¥884 million, to ¥127.9 billion, reflecting the gain in operating income and the decline in net other income.

### Income Taxes

Income taxes were down ¥3.7 billion, to ¥46.0 billion, equivalent to 36.0% of income before income taxes and equity in net income of affiliated companies, compared with 38.6% in the previous fiscal year. This result was due mainly to a decline in the statutory tax rate as a consequence of tax reform in Japan.

### Equity in Net Income of Affiliated Companies

Equity in net income of affiliated companies increased ¥1.7 billion from the previous fiscal year, to ¥5.8 billion, owing primarily to increases in equity in the net income of certain overseas affiliates.

### Income from Discontinued Operations

Discontinued operations include any component of an entity with its own identifiable operations and cash flows that has been disposed of or is to be sold and in which the Company has no significant continuous involvement. As a result of the divestiture of a business in the real estate and other services segment, the Company reported income from discontinued operations, net of tax, of ¥814 million, compared with a loss from such operations of ¥132 million in the previous fiscal year.

### Net Income Attributable to Noncontrolling Interests

Net income attributable to noncontrolling interests amounted to ¥8.3 billion, down ¥678 million from the previous fiscal year.

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

Net income attributable to SECOM CO., LTD., advanced 8.4%, or ¥6.2 billion, to ¥80.2 billion, equivalent to 8.5% of net sales and operating revenue, up from 8.0% in the previous fiscal year. Net income attributable to SECOM CO., LTD. per share was ¥367.37, up from ¥338.94. At the general shareholders meeting held on June 25, 2015, a proposal to pay a year-end cash dividend of ¥65.0 per share was approved. Dividends for the year ended March 31, 2015—¥125.00 per share, an increase of ¥10.00 from the previous fiscal year—comprise the year-end dividend and a newly inaugurated interim dividend of ¥60.00, determined by the Board of Directors. However, because both the ¥115.0 per share annual dividend for the year ended March 31, 2014, approved at the general shareholders' meeting held on June 25, 2014, and the ¥60.00 fiscal 2014 interim dividend for the year ended March 31, 2015, determined by the Board of Directors and paid to shareholders of record as of September 30, 2014, were paid during the period, dividends paid to shareholders in the period under review amounted to ¥175.0 per share.

## Financial Review

### Segment Information

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

#### Security Services

The security services segment comprises electronic security services, which center on on-line security systems; other security services; and merchandise and other. In the period under review, net sales and operating revenue in this segment increased 3.1%, or ¥14.8 billion, to ¥490.0 billion. Excluding intersegment transactions, net sales and operating revenue in this segment amounted to ¥487.1 billion, representing 51.5% of overall net sales and operating revenue, up from 51.3% in the previous fiscal year.

In addition to on-line commercial and home security systems, electronic security services include large-scale proprietary security systems, which center on surveillance services for the subscriber's premises. On-line commercial and home security systems use sensors, controllers and other equipment installed at the subscriber's premises to detect events, including intrusions, fires and equipment malfunctions. Equipment is linked to a SECOM control center via telecommunications circuits to facilitate around-the-clock remote monitoring. Should an irregularity be detected, relevant information is relayed to the control center, where staff dispatch emergency response personnel to take appropriate measures. Control center staff also notify the police or fire department, if necessary. The Company has established an integrated approach, whereby it takes full responsibility for all aspects of its on-line commercial and home security systems, from R&D through to equipment manufacturing, sales, security planning, installation, monitoring, emergency response services and equipment maintenance. Net sales and operating revenue from electronic security services rose 2.6%, or ¥8.2 billion, to ¥326.3 billion, owing to an increase in net sales and operating revenue in this segment in Japan, reflecting an expanded lineup of value-added services that respond to diverse security needs, as well as to the positive impact of yen depreciation and higher sales of large-scale security systems on the net sales and operating revenue of overseas subsidiaries.

Other security services include static guard services and armored car services. Static guard services, which are provided by highly trained professional security guards for situations requiring human judgment and flexible responsiveness, generated net sales and operating revenue of ¥53.8 billion, up 4.1%, or ¥2.1 billion, as legal and regulatory changes reinforced needs

for effective security. Armored car services, which involve the transport of cash, securities and other valuables using specially fitted armored cars and security professionals, reported net sales and operating revenue of ¥21.0 billion, up 1.2%, or ¥243 million.

The merchandise and other category encompasses sales of a wide range of security products, including security camera systems, access control systems, automated fire extinguishing systems and external monitoring systems, which can be freestanding or linked to on-line security systems. Net sales and operating revenue in this category increased 5.0%, or ¥4.1 billion, to ¥86.0 billion, bolstered by increases in leases of large-scale security systems and sales of security camera systems.

Operating income in the security services segment increased 2.9%, or ¥3.0 billion, to ¥107.1 billion. The operating margin was level at 21.9%. This result was attributable to the increase in net sales and operating revenue for on-line security systems in Japan and the positive impact of yen depreciation and higher sales of large-scale security systems on the operating income of overseas subsidiaries.

#### Fire Protection Services

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

Net sales and operating revenue in this segment edged down 0.7%, or ¥841 million, to ¥126.3 billion. In contrast, operating income advanced 19.5%, or ¥2.0 billion, to ¥12.5 billion, and the operating margin improved to 9.9%, from 8.2%, a consequence largely of efforts to boost operating efficiency, which reduced both cost of sales and SG&A expenses, and to a decrease in loss-making orders thanks to an improved order environment.

#### Medical Services

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

entities of which the Company is the primary beneficiary, which manage hospitals and health care-related institutions.

Segment net sales and operating revenue rose 3.6%, or ¥5.4 billion, to ¥156.0 billion. The principal factors behind this result were an increase in contributions from operations of the aforementioned variable interest entities arising from the expansion and modification of hospitals, and a robust performance in the pharmaceuticals dispensing services business. Operating income fell 43.8%, or ¥1.2 billion, to ¥1.5 billion, while the operating margin slipped to 1.0%, from 1.8%, owing mainly to the aforementioned expansion and refurbishment of hospitals and to the recognition of impairment losses on goodwill of certain variable interest entities.

#### Insurance Services

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

Net sales and operating revenue in this segment increased 3.9%, or ¥1.5 billion, to ¥41.5 billion, despite a decline in net realized investment gains, spurred by an increase in insurance premiums due to expanded sales of fire insurance policies and the MEDCOM unrestricted cancer treatment policy. Operating income climbed 300.7%, or ¥6.0 billion, to ¥8.0 billion, and the operating margin improved to 19.4%, from 5.0% in the previous fiscal year, thanks to a decline in losses incurred as a result of damage caused by natural disasters.

#### Geographic Information Services

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



overseas, including in emerging economies and developing countries.

Segment net sales and operating revenue declined 3.3%, or ¥1.8 billion, to ¥52.9 billion, reflecting declines in net sales and operating revenue from services for the public sector in Japan and for overseas customers. Operating income fell 34.4%, or ¥1.3 billion, to ¥2.4 billion, as the cost ratio increased. The operating margin was 4.6%, compared with 6.8% in the previous fiscal year.

### Information and Communication Related Services

Information and communication related services focus on data center services,

as well as uniquely SECOM BCP support services, information security services and cloud-based services.

Net sales and operating revenue in this segment rose 1.1%, or ¥566 million, to ¥53.9 billion. In contrast, operating income dropped 86.0%, or ¥5.5 billion, to ¥894 million, pushing the operating margin down to 1.7%, from 11.9% in the previous fiscal year, owing to the recognition of impairment losses on certain business-related assets and an increase in operating costs for data center facilities.

### Real Estate and Other Services

The real estate and other services segment encompasses the development and sales of

condominiums equipped with sophisticated security and disaster-preparedness features, as well as real estate leasing, construction and installation and other services.

Segment net sales and operating revenue increased 13.2%, or ¥5.3 billion, to ¥44.9 billion, despite falling sales of condominiums, thanks to the inclusion of a full year of results for a construction and installation subsidiary consolidated in the fourth quarter of the preceding period. Owing to an increase in operating income in the construction and installation business, segment operating income advanced 8.6%, or ¥402 million, to ¥5.1 billion, although the operating margin edged down to 11.3%, from 11.8% in the previous fiscal year.

## Financial Position

Total assets as of March 31, 2015, amounted to ¥1,525.9 billion, ¥85.2 billion higher than at the end of the previous fiscal year. Total current assets, at ¥616.0 billion, were up ¥38.0 billion, and accounted for 40.4% of total assets. Cash and cash equivalents totaled ¥248.6 billion, an increase of ¥17.9 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, decreased ¥8 million, to ¥128.0 billion. Inventories, at ¥60.6 billion, were up ¥8.8 billion, reflecting an increase in work in process in the real estate business and other factors. Short-term investments rose ¥15.0 billion, to ¥25.0 billion, as bonds due within one year formerly included in investment securities were reclassified to this category. The current ratio was 2.1 times

as of March 31, 2015, compared with 2.0 times at the previous fiscal year-end.

Investments and long-term receivables rose ¥32.9 billion, to ¥357.6 billion, equivalent to 23.4% of total assets. Investment securities increased ¥26.1 billion to ¥230.7 billion, a consequence primarily of the purchase of bonds in the insurance services and other businesses, an upturn in the fair value of investment securities held and an increase in the fair value of private equity investments. Investments in affiliated companies, at ¥56.2 billion, were up ¥6.4 billion, underpinned by expanded earnings at overseas affiliated companies and the depreciation of the yen.

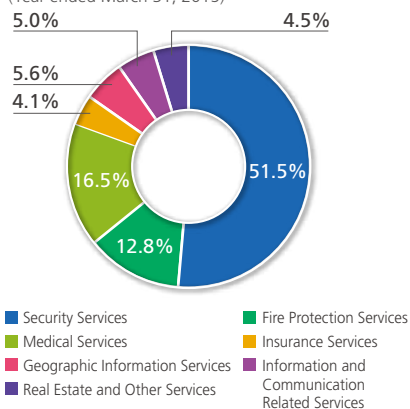
Property, plant and equipment, less accumulated depreciation, rose ¥2.3 billion, to ¥396.7 billion, or 26.0% of total assets. The purchase of real estate adjacent to a hospital operated as part of the medical services segment and of a site for a fire

protection services segment production facility pushed land up ¥4.8 billion, to ¥118.0 billion. Security equipment and control stations advanced ¥10.5 billion, to ¥302.7 billion, owing to an increase in contract volume in the security services business. The completion of work to expand and modify certain hospitals managed by variable interest entities led to a decline in construction in progress and a commensurate increase in buildings and improvements as well as an increase in machinery, equipment and automobiles.

Other assets totaled ¥155.6 billion, up ¥12.0 billion, and represented 10.2% of total assets. Prepaid pension and severance costs rose ¥13.0 billion, to ¥35.0 billion, reflecting increases in the fair value of plan assets.

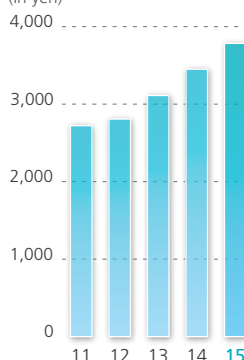
Total liabilities as of March 31, 2015, amounted to ¥586.7 billion, an increase of ¥6.3 billion, and accounted for 38.5%

**Percentage of Consolidated Net Sales and Operating Revenue\***  
(Year ended March 31, 2015)

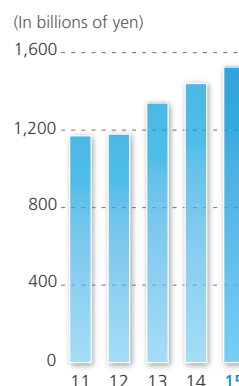


\* Pie chart shows percentage of consolidated net sales and operating revenue (excluding intersegment transactions)

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



**Total Assets**



## Financial Review

of total liabilities and equity. Total current liabilities, at ¥286.6 billion, were down ¥8.6 billion, and represented 18.8% of total liabilities and equity. Bank loans declined ¥8.6 billion, to ¥43.9 billion, and deposits received decreased ¥1.5 billion, to ¥20.9 billion, largely because of a temporary shift in the balance of bank loans and deposits received for cash collection and deposit services. Notes and accounts payable, trade, declined ¥5.7 billion, to ¥44.3 billion, owing to the settlement of accounts related to the purchase of assets for lease and construction orders in the security services business, which rose at the previous fiscal year-end.

Total long-term liabilities increased ¥14.9 billion, to ¥300.1 billion, and represented 19.7% of total liabilities and equity. Deferred income taxes, at ¥28.4 billion, were up ¥9.3 billion, a consequence mainly of increases in the fair value of pension plan assets and investment securities. Long-term debt rose ¥6.0 billion, to ¥53.8 billion, with contributing factors including the purchase of assets for lease in the security services business.

Total SECOM CO., LTD. shareholders' equity advanced ¥72.9 billion, to ¥826.0 billion. Net income attributable to SECOM CO., LTD., less the payment of cash dividends, resulted in a ¥41.9 billion increase

in retained earnings, to ¥716.5 billion. Accumulated other comprehensive income was ¥33.0 billion, up ¥31.2 billion from the previous fiscal year, as unrealized gains on securities rose ¥13.0 billion, to ¥25.6 billion, and foreign currency translation adjustments yielded income of ¥9.5 billion, compared with a loss of ¥1.9 billion in the previous fiscal year. As a result, the equity ratio was 54.1%, compared with 52.3% as of March 31, 2014.

## 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 ¥134.9 billion. Significant factors contributing to this result included net income of ¥88.5 billion and non-cash items, notably depreciation and amortization, including amortization of deferred charges, of ¥68.9 billion, which were partially offset by an increase in deferred charges of ¥17.2 billion, and an increase in inventories of ¥11.1 billion. Deferred charges consisted primarily of costs related to the installation of equipment as part of on-line security systems. (For further details, please see Note 2 (12) of the accompanying Notes to Consolidated Financial Statements.) Net cash provided by operating activities was ¥11.7 billion higher than in the previous

fiscal year. Contributing factors included decreases in receivables and due from subscribers, net of allowances, owing to the collection of amount due, and in cash deposits for cash collection and deposit services, and an increase in accrued consumption tax arising from a consumption tax rate hike in the period under review.

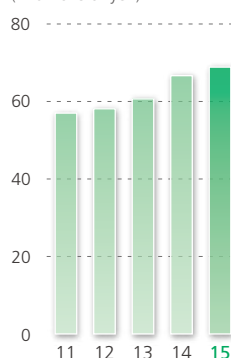
Net cash used in investing activities amounted to ¥69.3 billion. This result reflected payments for purchases of property, plant and equipment of ¥56.3 billion—reflecting outlays for security equipment and control stations attributable to an increase in the number of security services subscribers and for the expansion and modification of hospitals managed by variable interest entities—and payments for purchases of investment securities of ¥51.6 billion, including outlays for purchases of investment securities in the insurance services business and for private equity investments in the United States, which was partially offset by proceeds from sales and redemption of investment securities

of ¥38.2 billion. Net cash used in investing activities was down ¥26.0 billion from the previous fiscal year, owing mainly to a decrease in payments for purchases of investment securities.

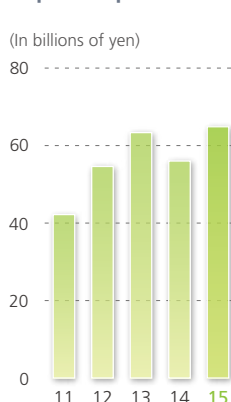
Net cash used in financing activities amounted to ¥49.1 billion. In addition to dividends paid to SECOM CO., LTD. shareholders of ¥38.2 billion, this included a decrease in bank loans, net, of ¥8.6 billion. Net cash used in financing activities was ¥27.3 billion higher than in the previous fiscal year. Principal factors behind this result were a decrease in bank loans for cash collection and deposit services and the payment of an interim dividend—inaugurated in the period under review—and a year-end dividend.

The Company's operating, investing and financing activities in the period under review yielded net cash and cash equivalents at end of year of ¥248.6 billion, up ¥17.9 billion from net cash and cash equivalents at beginning of year, which were ¥230.8 billion.

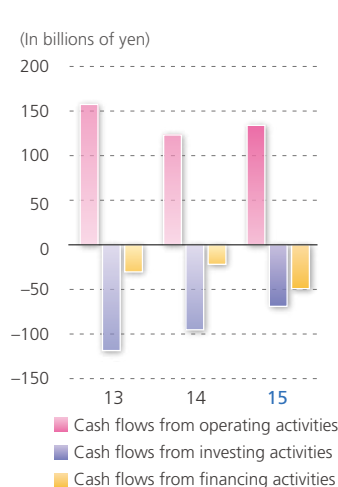
**Depreciation and Amortization**  
(In billions of yen)



**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, 2015 and 2014

	In millions of yen		Translation into thousands of U.S. dollars (Note 3)
	2015	2014	March 31
<b>ASSETS</b>			<b>2015</b>
<b>Current assets:</b>			
Cash and Cash equivalents (Notes 5 and 22) .....	¥ 248,627	¥ 230,752	\$2,071,892
Time deposits (Note 13).....	9,550	9,524	79,583
Cash deposits (Note 6) .....	50,395	58,597	419,958
Short-term investments (Notes 7 and 22).....	25,002	10,032	208,350
Notes and accounts receivable, trade.....	127,992	128,000	1,066,600
Due from subscribers.....	37,927	38,618	316,058
Inventories (Note 8) .....	60,621	51,865	505,175
Short-term receivables (Notes 9, 13, 20 and 21) .....	25,461	21,333	212,175
Allowance for doubtful accounts (Note 9) .....	(1,867)	(1,885)	(15,558)
Deferred insurance acquisition costs (Note 14).....	5,953	5,015	49,608
Deferred income taxes (Note 17) .....	12,929	14,021	107,742
Other current assets .....	13,451	12,207	112,092
<b>Total current assets .....</b>	<b>616,041</b>	<b>578,079</b>	<b>5,133,675</b>
<b>Investments and long-term receivables:</b>			
Investment securities (Notes 2 (7), 7, 13 and 22).....	230,728	204,604	1,922,733
Investments in affiliated companies (Note 10).....	56,209	49,762	468,408
Long-term receivables (Notes 9, 13, 20 and 21).....	48,954	49,718	407,950
Lease deposits .....	14,069	13,831	117,242
Other investments .....	14,822	12,775	123,517
Allowance for doubtful accounts (Note 9) .....	(7,201)	(5,987)	(60,008)
	<b>357,581</b>	<b>324,703</b>	<b>2,979,842</b>
<b>Property, plant and equipment</b> (Notes 11, 13, 19 and 20):			
Land.....	117,952	113,159	982,933
Buildings and improvements.....	300,769	297,349	2,506,408
Security equipment and control stations .....	302,659	292,114	2,522,158
Machinery, equipment and automobiles.....	113,114	107,820	942,617
Construction in progress .....	3,827	7,840	31,892
	<b>838,321</b>	<b>818,282</b>	<b>6,986,008</b>
Accumulated depreciation.....	(441,652)	(423,895)	(3,680,433)
	<b>396,669</b>	<b>394,387</b>	<b>3,305,575</b>
<b>Other assets:</b>			
Deferred charges (Note 2 (12)) .....	43,648	42,539	363,733
Goodwill (Note 12).....	31,701	32,872	264,175
Other intangible assets (Notes 12, 13, 19 and 20) .....	40,175	39,010	334,792
Prepaid pension and severance costs (Note 15).....	35,011	22,054	291,758
Deferred income taxes (Note 17) .....	5,037	7,061	41,975
	<b>155,572</b>	<b>143,536</b>	<b>1,296,433</b>
<b>Total assets .....</b>	<b>¥1,525,863</b>	<b>¥1,440,705</b>	<b>\$12,715,525</b>

See accompanying notes to consolidated financial statements.

	In millions of yen		Translation into thousands of U.S. dollars (Note 3)
	2015	2014	2015
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities:</b>			
Bank loans (Notes 6 and 13).....	¥ 43,924	¥ 52,542	\$ 366,033
Current portion of long-term debt (Notes 13, 19 and 21).....	13,368	15,398	111,400
Notes and accounts payable, trade.....	44,300	49,961	369,167
Other payables.....	34,958	32,228	291,317
Deposits received (Note 6).....	20,929	22,416	174,408
Deferred revenue.....	39,737	39,487	331,142
Accrued income taxes.....	21,102	28,106	175,850
Accrued payroll.....	29,058	28,964	242,150
Other current liabilities (Note 17).....	39,180	26,016	326,499
Total current liabilities.....	286,556	295,118	2,387,966
<b>Long-term liabilities:</b>			
Long-term debt (Notes 13, 19 and 21).....	53,803	47,850	448,358
Guarantee deposits received.....	34,642	34,657	288,683
Accrued pension and severance costs (Note 15).....	25,648	28,279	213,733
Deferred revenue.....	16,591	16,835	138,258
Unearned premiums and other insurance liabilities (Note 14).....	99,584	98,719	829,867
Investment deposits by policyholders (Notes 14 and 21).....	30,272	29,531	252,267
Deferred income taxes (Note 17).....	28,402	19,139	236,683
Other long-term liabilities (Notes 21, 22 and 23).....	11,198	10,221	93,317
Total long-term liabilities.....	300,140	285,231	2,501,166
Total liabilities.....	586,696	580,349	4,889,132
<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 2015 and 2014.....	66,378	66,378	553,150
Additional paid-in capital.....	73,442	73,781	612,017
Legal reserve.....	10,401	10,316	86,675
Retained earnings.....	716,487	674,585	5,970,725
Accumulated other comprehensive income (loss):			
Unrealized gains on securities (Note 7).....	25,564	12,560	213,033
Unrealized gains on derivative instruments (Note 23).....	5	9	42
Pension liability adjustments (Note 15).....	(2,140)	(8,954)	(17,833)
Foreign currency translation adjustments.....	9,533	(1,894)	79,442
	32,962	1,721	274,684
Common stock in treasury, at cost:			
15,024,812 shares in 2015 and 15,022,012 shares in 2014.....	(73,701)	(73,682)	(614,175)
Total SECOM CO., LTD. shareholders' equity.....	825,969	753,099	6,883,076
Noncontrolling interests.....	113,198	107,257	943,317
Total equity.....	939,167	860,356	7,826,393
Total liabilities and equity.....	¥1,525,863	¥1,440,705	\$12,715,525

See accompanying notes to consolidated financial statements.

## Consolidated Statements of Income

SECOM CO., LTD. and Subsidiaries  
Three years ended March 31, 2015

	In millions of yen			Translation into thousands of U.S. dollars (Note 3)
	Years ended March 31			Year ended March 31
	2015	2014	2013	2015
<b>Net sales and operating revenue</b> (Notes 14, 18 and 22)	<b>¥945,238</b>	¥921,146	¥858,406	<b>\$7,876,983</b>
<b>Costs and expenses:</b>				
Cost of sales (Note 8).....	644,196	628,916	580,154	5,368,299
Selling, general and administrative expenses (Notes 2 (17), 2 (18), 2 (19) and 4).....	168,563	166,018	161,085	1,404,692
Impairment loss on long-lived assets (Note 11).....	6,591	2,789	381	54,925
Impairment loss on goodwill (Note 12).....	1,314	151	1,052	10,950
Loss on sales and disposal of fixed assets, net.....	2,567	3,194	2,185	21,392
	<b>823,231</b>	801,068	744,857	<b>6,860,258</b>
Operating income.....	<b>122,007</b>	120,078	113,549	<b>1,016,725</b>
<b>Other income:</b>				
Interest and dividends.....	1,412	1,310	903	11,767
Gain on sales of securities, net (Notes 7 and 18).....	56	935	150	467
Gain on private equity investments (Note 22).....	4,062	5,564	5,095	33,850
Other (Notes 16, 18 and 23).....	3,763	3,849	3,800	31,358
	<b>9,293</b>	11,658	9,948	<b>77,442</b>
<b>Other expenses:</b>				
Interest.....	1,394	1,433	1,533	11,617
Loss on other-than-temporary impairment of investment securities (Notes 18 and 22).....	154	78	48	1,283
Other (Note 23).....	1,895	1,484	1,563	15,792
	<b>3,443</b>	2,995	3,144	<b>28,692</b>
Income before income taxes and equity in net income of affiliated companies.....	<b>127,857</b>	128,741	120,353	<b>1,065,475</b>
<b>Income taxes</b> (Note 17):				
Current.....	46,837	47,544	45,140	390,308
Deferred.....	(865)	2,151	1,557	(7,208)
	<b>45,972</b>	49,695	46,697	<b>383,100</b>
Income from continuing operations before equity in net income of affiliated companies.....	<b>81,885</b>	79,046	73,656	<b>682,375</b>
<b>Equity in net income of affiliated companies</b> (Note 18).....	<b>5,759</b>	4,017	3,895	<b>47,992</b>
Income from continuing operations.....	<b>87,644</b>	83,063	77,551	<b>730,367</b>
<b>Income (loss) from discontinued operations, net of tax</b> (Note 25).....	<b>814</b>	(132)	(908)	<b>6,783</b>
Net income.....	<b>88,458</b>	82,931	76,643	<b>737,150</b>
<b>Less: Net income attributable to noncontrolling interests</b> .....	<b>(8,274)</b>	(8,952)	(6,063)	<b>(68,950)</b>
Net income attributable to SECOM CO., LTD. ....	<b>¥ 80,184</b>	¥ 73,979	¥ 70,580	<b>\$ 668,200</b>
	In yen			Translation into U.S. dollars (Note 3)
	Years ended March 31			Year ended March 31
	2015	2014	2013	2015
<b>Per share data</b> (Note 2 (21)):				
Income from continuing operations attributable to SECOM CO., LTD. ....	<b>¥363.64</b>	¥339.55	¥327.02	<b>\$3.03</b>
Income (loss) from discontinued operations attributable to SECOM CO., LTD. ....	<b>3.73</b>	(0.61)	(3.66)	<b>0.03</b>
Net income attributable to SECOM CO., LTD. ....	<b>367.37</b>	338.94	323.36	<b>3.06</b>
<b>Cash dividends per share</b> (Note 18).....	<b>¥175.00</b>	¥105.00	¥ 90.00	<b>\$1.46</b>

## Consolidated Statements of Comprehensive Income

SECOM CO., LTD. and Subsidiaries  
Three years ended March 31, 2015

	In millions of yen			Translation into thousands of U.S. dollars (Note 3)
	Years ended March 31			Year ended March 31
	2015	2014	2013	2015
<b>Comprehensive income:</b>				
Net income.....	<b>¥ 88,458</b>	¥ 82,931	¥76,643	<b>\$ 737,150</b>
Other comprehensive income (loss), net of tax:				
Unrealized gains on securities.....	13,588	1,120	7,384	113,234
Unrealized gains on derivative instruments.....	(8)	2	15	(66)
Pension liability adjustments.....	7,194	5,543	(708)	59,950
Foreign currency translation adjustments.....	12,179	18,092	10,105	101,492
Total comprehensive income.....	<b>121,411</b>	107,688	93,439	<b>1,011,760</b>
<b>Less: Comprehensive income attributable to noncontrolling interests</b> .....	<b>(9,986)</b>	(10,802)	(7,113)	<b>(83,218)</b>
Comprehensive income attributable to SECOM CO., LTD. ....	<b>¥111,425</b>	¥ 96,886	¥86,326	<b>\$ 928,542</b>

See accompanying notes to consolidated financial statements.



## Consolidated Statements of Changes in Equity

SECOM CO., LTD. and Subsidiaries  
Three years ended March 31, 2015

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 interests	Total
<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 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
Comprehensive income:										
Net income	—	—	—	—	73,979	—	—	73,979	8,952	82,931
Other comprehensive income (loss), net of tax (Note 18):										
Unrealized gains on securities	—	—	—	—	—	1,000	—	1,000	120	1,120
Unrealized gains on derivative instruments	—	—	—	—	—	1	—	1	1	2
Pension liability adjustments	—	—	—	—	—	5,090	—	5,090	453	5,543
Foreign currency translation adjustments	—	—	—	—	—	16,816	—	16,816	1,276	18,092
Total comprehensive income	—	—	—	—	—	—	—	96,886	10,802	107,688
Cash dividends paid to SECOM CO., LTD. shareholders	—	—	—	—	(22,918)	—	—	(22,918)	—	(22,918)
Cash dividends paid to noncontrolling interests	—	—	—	—	—	—	—	—	(4,175)	(4,175)
Transfer to legal reserve	—	—	—	75	(75)	—	—	—	—	—
Equity transactions with noncontrolling interests and other (Note 18)	—	—	(28)	—	—	—	—	(28)	191	163
Gains on disposal of treasury stock	—	—	0	—	—	—	—	0	—	0
Net changes in treasury stock	—	—	—	—	—	—	(17)	(17)	—	(17)
<b>Balance, March 31, 2014</b>	233,288,717	66,378	73,781	10,316	674,585	1,721	(73,682)	753,099	107,257	860,356
Comprehensive income:										
Net income	—	—	—	—	80,184	—	—	80,184	8,274	88,458
Other comprehensive income (loss), net of tax (Note 18):										
Unrealized gains on securities	—	—	—	—	—	13,004	—	13,004	584	13,588
Unrealized gains on derivative instruments	—	—	—	—	—	(4)	—	(4)	(4)	(8)
Pension liability adjustments	—	—	—	—	—	6,814	—	6,814	380	7,194
Foreign currency translation adjustments	—	—	—	—	—	11,427	—	11,427	752	12,179
Total comprehensive income	—	—	—	—	—	—	—	111,425	9,986	121,411
Cash dividends paid to SECOM CO., LTD. shareholders	—	—	—	—	(38,197)	—	—	(38,197)	—	(38,197)
Cash dividends paid to noncontrolling interests	—	—	—	—	—	—	—	—	(3,763)	(3,763)
Transfer to legal reserve	—	—	—	85	(85)	—	—	—	—	—
Equity transactions with noncontrolling interests and other (Note 18)	—	—	(339)	—	—	—	—	(339)	(282)	(621)
Gains on disposal of treasury stock	—	—	0	—	—	—	—	0	—	0
Net changes in treasury stock	—	—	—	—	—	—	(19)	(19)	—	(19)
<b>Balance, March 31, 2015</b>	233,288,717	¥66,378	¥73,442	¥10,401	¥716,487	¥32,962	(¥73,701)	¥825,969	¥113,198	¥939,167

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 interests	Total
<b>Balance, March 31, 2014</b>	\$553,150	\$614,842	\$85,967	\$5,621,542	\$ 14,342	\$(614,017)	\$6,275,826	\$893,808	\$7,169,634
Comprehensive income:									
Net income	—	—	—	668,200	—	—	668,200	68,950	737,150
Other comprehensive income (loss), net of tax (Note 18):									
Unrealized gains on securities	—	—	—	—	108,367	—	108,367	4,867	113,234
Unrealized gains on derivative instruments	—	—	—	—	(33)	—	(33)	(33)	(66)
Pension liability adjustments	—	—	—	—	56,783	—	56,783	3,167	59,950
Foreign currency translation adjustments	—	—	—	—	95,225	—	95,225	6,267	101,492
Total comprehensive income	—	—	—	—	—	—	928,542	83,218	1,011,760
Cash dividends paid to SECOM CO., LTD. shareholders	—	—	—	(318,309)	—	—	(318,309)	—	(318,309)
Cash dividends paid to noncontrolling interests	—	—	—	—	—	—	—	(31,358)	(31,358)
Transfer to legal reserve	—	—	708	(708)	—	—	—	—	—
Equity transactions with noncontrolling interests and other (Notes 18)	—	(2,825)	—	—	—	—	(2,825)	(2,351)	(5,176)
Gains on disposal of treasury stock	—	0	—	—	—	—	0	—	0
Net changes in treasury stock	—	—	—	—	—	(158)	(158)	—	(158)
<b>Balance, March 31, 2015</b>	\$553,150	\$612,017	\$86,675	\$5,970,725	\$274,684	\$(614,175)	\$6,883,076	\$943,317	\$7,826,393

See accompanying notes to consolidated financial statements.

## Consolidated Statements of Cash Flows

SECOM CO., LTD. and Subsidiaries  
Three years ended March 31, 2015

	In millions of yen			Translation into thousands of U.S. dollars (Note 3)
	Years ended March 31			Year ended March 31
	2015	2014	2013	2015
<b>Cash flows from operating activities:</b>				
Net income .....	¥ 88,458	¥ 82,931	¥ 76,643	\$ 737,150
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) .....	68,864	66,661	60,674	573,867
Accrual for pension and severance costs, less payments .....	(4,495)	(2,907)	(1,471)	(37,458)
Deferred income taxes, including discontinued operations .....	2,505	1,832	1,538	20,875
Loss on sales and disposal of fixed assets, net, including discontinued operations .....	958	3,182	2,166	7,983
Impairment loss on long-lived assets, including discontinued operations (Note 11) .....	6,591	2,821	579	54,925
Write-down on real estate inventories (Note 8) .....	1,565	1,122	1,792	13,042
Gain on private equity investments (Note 22) .....	(4,062)	(5,564)	(5,095)	(33,850)
Impairment loss on goodwill (Note 12) .....	1,314	151	1,052	10,950
Gain on sales of securities, net (Notes 7 and 14) .....	(243)	(2,177)	(899)	(2,025)
Loss on other-than-temporary impairment of investment securities (Notes 14 and 22) .....	172	100	73	1,433
Equity in net income of affiliated companies .....	(5,759)	(4,017)	(3,895)	(47,992)
Changes in assets and liabilities, net of effects from acquisitions and disposals:				
(Increase) decrease in cash deposits .....	8,202	(2,508)	(2,038)	68,350
(Increase) decrease in receivables and due from subscribers, net of allowances .....	1,731	(10,188)	(5,838)	14,425
(Increase) decrease in inventories .....	(11,120)	10,367	20,720	(92,667)
Increase in deferred charges .....	(17,248)	(16,375)	(15,515)	(143,733)
Increase (decrease) in notes and accounts payable .....	(3,900)	3,306	6,831	(32,500)
Increase (decrease) in deposits received .....	(1,601)	(7,752)	2,328	(13,342)
Decrease in deferred revenue .....	(251)	(595)	(1,558)	(2,092)
Increase (decrease) in accrued income taxes .....	(6,862)	(3,028)	13,470	(57,183)
Increase (decrease) in guarantee deposits received .....	(147)	275	65	(1,225)
Increase in unearned premiums and other insurance liabilities .....	865	8,277	6,445	7,208
Increase (decrease) in accrued consumption tax .....	8,891	(206)	515	74,092
Other, net .....	479	(2,498)	(1,136)	3,992
Net cash provided by operating activities .....	134,907	123,210	157,446	1,124,225
<b>Cash flows from investing activities:</b>				
(Increase) decrease in time deposits .....	538	(164)	3,500	4,483
Proceeds from sales of property, plant and equipment .....	3,580	1,114	2,603	29,833
Payments for purchases of property, plant and equipment .....	(56,303)	(56,274)	(64,321)	(469,192)
Payments for purchases of intangible assets .....	(8,409)	(7,113)	(5,444)	(70,075)
Proceeds from sales and redemptions of investment securities (Note 7) .....	38,237	43,782	37,443	318,642
Payments for purchases of investment securities .....	(51,573)	(76,342)	(31,345)	(429,775)
(Increase) decrease in short-term investments .....	2,039	(1,611)	4,152	16,992
Acquisitions, net of cash acquired (Note 4) .....	(58)	(1,249)	(63,701)	(483)
(Increase) decrease in short-term receivables, net .....	20	56	(39)	167
Payments for long-term receivables .....	(1,076)	(2,921)	(1,057)	(8,967)
Proceeds from long-term receivables .....	3,164	3,314	1,590	26,367
Other, net .....	553	2,114	(1,976)	4,608
Net cash used in investing activities .....	(69,288)	(95,294)	(118,595)	(577,400)
<b>Cash flows from financing activities:</b>				
Proceeds from long-term debt .....	17,470	10,595	17,483	145,583
Repayments of long-term debt .....	(16,029)	(18,419)	(22,341)	(133,575)
Increase (decrease) in bank loans, net .....	(8,636)	13,483	(3,630)	(71,967)
Increase (decrease) in investment deposits by policyholders .....	740	48	(1,272)	6,167
Dividends paid to SECOM CO., LTD. shareholders .....	(38,197)	(22,918)	(19,645)	(318,308)
Dividends paid to noncontrolling interests .....	(3,763)	(4,175)	(1,460)	(31,358)
Payments for acquisition of shares of consolidated subsidiaries from noncontrolling interest holders .....	(735)	(618)	(252)	(6,125)
Proceeds from sales of shares of consolidated subsidiaries to noncontrolling interest holders...	—	—	651	—
Increase in treasury stock, net .....	(19)	(18)	(5)	(158)
Other, net .....	24	131	86	199
Net cash used in financing activities .....	(49,145)	(21,891)	(30,385)	(409,542)
Effect of exchange rate changes on cash and cash equivalents .....	1,401	2,031	1,190	11,676
Net increase in cash and cash equivalents .....	17,875	8,056	9,656	148,959
Cash and cash equivalents at beginning of year .....	230,752	222,696	213,040	1,922,933
Cash and cash equivalents at end of year .....	¥248,627	¥230,752	¥222,696	\$2,071,892

See accompanying notes to consolidated financial statements.

# Notes to Consolidated Financial Statements

SECOM CO., LTD. and Subsidiaries  
Three years ended March 31, 2015

## 1. Nature of Operations

The parent company and its subsidiaries (collectively "the Company") are engaged in the businesses of security services, fire protection services, medical services, insurance services, geographic information services, information and communication related services, and real estate and other services. With these services combined, the Company is focusing on the establishment of a Social System Industry, a network of integrated services and systems, targeted at the needs of people and business.

The Company's principal business activities are security services, including on-line security systems for commercial and residential premises, static guard services, armored car services for cash collection and deposit and sales of security merchandise. The Company has also been diversifying its services covering: fire protection services, including automatic fire alarm systems and fire extinguishing systems; medical services, including home and other medical services; non-life insurance services; geographic information services using geographic information system (GIS) and surveying and measuring technology; information and communication related services, which center on data center services and also include business continuity plan support, information security services and cloud-based services; real estate and other services, including the development and sale of condominiums equipped with security and contingency planning features, lease of real estate, construction and installation services and other services.

## 2. Significant Accounting Policies

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

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

### (1) Basis of Consolidation and Investments in Affiliated Companies

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

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

### (2) Consolidation of Variable Interest Entities

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

The Accounting Standards Codification ("ASC") 810, "Consolidation," issued by the Financial Accounting Standards Board ("FASB") requires the reporting entity to consolidate a variable interest entity ("VIE") as its primary beneficiary when it is deemed to have a controlling financial interest in a VIE, meeting both of the following characteristics:

- The power to direct activities of a VIE that most significantly impact the VIE's economic performance.
- The obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE.

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

Total assets and liabilities held by VIEs of which the Company is the primary beneficiary were ¥70,658 million (\$588,817 thousand) and ¥77,868 million (\$648,900 thousand), respectively, at March 31, 2015, and ¥68,024 million and ¥73,248 million, respectively, at March 31, 2014. The creditors of VIEs do not have recourse to the Company's general credit with the exception of debts guaranteed by the Company. Total assets and liabilities held by VIEs of which the Company holds significant variable interests but is not the primary beneficiary were ¥31,328 million (\$261,067 thousand) and ¥31,021 million (\$258,508 thousand), respectively, at March 31, 2015, and ¥31,991 million and ¥32,039 million, respectively, at March 31, 2014. The Company's assets in the consolidated balance sheets and the Company's maximum exposure to losses related to VIEs at March 31, 2015 and 2014 were ¥5,154 million (\$42,950 thousand) and ¥4,840 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 the carrying amount to fair value. The impairment is charged to income and a new cost basis for the securities is established. To determine whether an impairment is other-than-temporary, the Company considers the length of time and extent to which the market value of the security has been less than its original cost, the financial condition, other specific factors affecting the market value, deterioration of the credit condition of the issuers, and whether or not the Company is able to retain the investment for a period of time sufficient to allow for the anticipated recovery in market value.

Other investments in non-public companies, except for private equity investments, are recorded at cost as fair value is not readily determinable. The Company periodically evaluates the values of

other investments in non-public companies for possible impairment by taking into consideration the financial and operating conditions of the issuer, the general market conditions in the issuer's industry and the period of the decline in the estimated fair value and other relevant factors. If the impairment is determined to be other-than-temporary, other investments in non-public companies are written down to their impaired value through a charge to income.

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

#### **(7) Private Equity Investments**

The Company accounts for private equity investments in accordance with ASC 946, "Financial Services—Investment Companies," in which investments are accounted for at fair value based on the Company's assessment of each underlying investment. The investments, by their nature, have little or no price transparency.

Investments are initially carried at cost as an approximation of fair value. Adjustments to carrying value are made if there is evidence of a change in fair value. Downward adjustments are also made, in the absence of third-party transactions, if it is determined that the expected realizable value of the investment has declined below the carrying value.

The carrying value of private equity investments was ¥25,682 million (\$214,017 thousand) and ¥33,083 million at March 31, 2015 and 2014, respectively.

Private equity investments are included in investment securities in the consolidated balance sheets.

#### **(8) Inventories**

Inventories, consisting of security-related products, fire protection-related products, real estate and other related products, are stated at the lower of cost or market. Cost is determined, in the case of real estate, based on the specific identification method and, in the case of other inventories, primarily using the moving-average method.

#### **(9) Allowance for Doubtful Accounts**

The Company recognizes an allowance for doubtful accounts to ensure trade, short-term and long-term receivables, and other receivables are not overstated due to uncollectibility. Allowance for doubtful accounts is maintained for all customers based on a variety of factors, including the length of time receivables are past due, macroeconomic conditions, significant one-time events and historical experience. An additional reserve for individual accounts is recorded when the Company becomes aware of a customer's inability to meet its financial obligations, such as in the case of bankruptcy filings or deterioration in the customer's operating results or financial position. If circumstances related to customers change, estimates of the recoverability of receivables would be further adjusted.

#### **(10) Deferred Insurance Acquisition Costs**

Costs that vary with and are primarily related to acquiring new insurance policies are deferred and amortized principally over the premium-paying period of the related insurance policies applying a percentage relationship of cost incurred to premiums from contracts issued to applicable unearned premiums throughout the period of the contract.

#### **(11) Property, Plant and Equipment and Depreciation**

Property, plant and equipment, including significant leasehold improvements, are carried at cost and depreciated at rates based on

the estimated useful lives of the assets. Depreciation is computed using the straight-line method for assets other than security equipment and control stations. Security equipment and control stations are depreciated using the declining-balance method. Assets leased to others under operating leases are depreciated using the straight-line method over the estimated useful lives. Depreciation expense was ¥47,582 million (\$396,517 thousand), ¥45,523 million and ¥40,187 million for the years ended March 31, 2015, 2014 and 2013, 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, 2015 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 ¥14,759 million (\$122,992 thousand), ¥14,397 million and ¥14,492 million for the years ended March 31, 2015, 2014 and 2013, respectively.

#### **(13) Impairment or Disposal of Long-Lived Assets**

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

#### **(14) Goodwill and Other Intangible Assets**

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

#### **(15) Unearned Premiums and Other Insurance Liabilities**

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

#### **(16) Income Taxes**

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

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

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

#### **(17) Research and Development**

Research and development costs are charged to income as incurred. Research and development expenses included in selling, general and administrative expenses for the years ended March 31, 2015, 2014 and 2013 were ¥7,354 million (\$61,283 thousand), ¥6,950 million and ¥6,479 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, 2015, 2014 and 2013 were ¥3,550 million (\$29,583 thousand), ¥3,823 million and ¥4,230 million, respectively.

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

Shipping and handling costs included in selling, general and administrative expenses for the years ended March 31, 2015, 2014 and 2013 were ¥1,223 million (\$10,192 thousand), ¥1,160 million and ¥1,296 million, respectively.

### **(20) Derivative Financial Instruments**

The Company accounts for derivative financial instruments in accordance with ASC 815, "Derivatives and Hedging."

The Company recognizes all derivative financial instruments in the consolidated financial statements at fair value regardless of the purpose or intent for holding them. Changes in the fair value of derivative financial instruments are either recognized periodically in income or in equity as a component of accumulated other comprehensive income (loss) depending on whether the derivative financial instruments qualify for hedge accounting, and if so, whether they qualify as a fair value hedge or a cash flow hedge. Changes in the fair values of derivative financial instruments accounted for as a fair value hedge are recorded in income along with the portion of the change in the fair value of the hedged item that relates to the hedged risk. Changes in the fair value of derivative financial instruments accounted for as a cash flow hedge, to the extent it is effective as a hedge, are recorded in accumulated other comprehensive income (loss), net of tax. Changes in the fair value of derivative financial instruments not qualifying as a hedge are reported in income.

The Company meets the documentation requirements necessary for effective hedges which include their risk management objective and strategy for undertaking various hedge transactions. In addition, formal assessment is made at inception of the hedge and periodically on an on-going basis, as to whether the derivatives used in hedging activities are highly effective in offsetting changes in fair values or cash flows of hedged items. Hedge accounting is discontinued for ineffective hedges, if any. Changes in fair value of discontinued hedges are recognized in income.

### **(21) Per Share Data**

Basic Earnings per Share ("EPS") is computed based on the average number of shares of common stock outstanding for the period. The average number of shares of common stock outstanding for the years ended March 31, 2015, 2014 and 2013 was 218,265 thousand shares, 218,268 thousand shares and 218,271 thousand shares, respectively. There were no potentially dilutive shares outstanding during the years ended March 31, 2015, 2014 or 2013.

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 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 resolves 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 was adopted by the Company in the fiscal year beginning April 1, 2014. The adoption did not have a material impact on the Company's consolidated results of operations or financial position.

In June 2013, the FASB issued ASU No. 2013-08, "Amendments for the Scope, Measurement, and Disclosure Requirements." This accounting standard changes the approach to the investment company assessment in ASC 946, clarifies the characteristics of an investment company, and provides comprehensive guidance for assessing whether an entity is an investment company. This accounting standard also amends the measurement criteria for noncontrolling ownership interests in other investment companies and provides additional disclosure requirements. This accounting standard is effective for interim and annual periods in fiscal years beginning after December 15, 2013 and was adopted by the Company in the fiscal year beginning April 1, 2014. The adoption did not have a material impact on the Company's consolidated results of operations or financial position.

In April 2014, the FASB issued ASU No. 2014-08, "Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity." This accounting standard changes the criteria for reporting discontinued operations in ASC 205-20. A disposal of a component of an entity or a group of components of an entity is required to be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results. This accounting standard is effective for fiscal years beginning after December 15, 2014, and will be adopted by the Company in the fiscal year beginning April 1, 2015. As this accounting standard is a provision for presentation only, the adoption will not have an impact on the Company's consolidated results of operations or financial position.

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers." This accounting standard requires an entity to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This accounting standard also requires an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Both qualitative and quantitative information is required. This accounting standard is effective for fiscal years beginning after December 15, 2016, including interim periods within that reporting period. In April 2015, the FASB proposed an ASU that would defer for one year the revenue recognition standard's effective date. The Company is currently



evaluating the effect of adopting this accounting standard on its consolidated financial statements.

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

In April 2015, the FASB issued ASU No. 2015-03, "Simplifying the Presentation of Debt Issuance Costs." This accounting standard requires that debt issuance costs related to a recognized debt liability be presented in the balance sheets as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. This accounting standard is effective for fiscal years beginning after December 15, 2015, including interim periods within those reporting periods and will be adopted by the Company in the fiscal year beginning April 1, 2016. The Company is currently evaluating the effect of adopting this accounting standard on its consolidated financial statements.

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

#### (24) Discontinued Operations

ASC 205-20, "Discontinued Operations," requires the operating results of any component of an entity with its own identifiable operations and cash flows which is disposed of or is classified as held for sale, and with which the Company will not have significant continuing involvement to be reported in discontinued operations. The results of operations related to certain businesses classified as discontinued operations in the years ended March 31, 2015, 2014 and 2013 were reclassified in the accompanying consolidated financial statements.

#### (25) Reclassifications

Certain amounts in the accompanying consolidated financial statements for the years ended March 31, 2014 and 2013 have been reclassified to conform to the presentation used for the year ended March 31, 2015.

### 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 ¥120=US\$1,

the approximate rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2015. These translations should not be construed as representing that the yen amounts actually constitute, or have been or could be converted into U.S. dollars at that rate.

### 4. Acquisitions

#### Acquisition of Nittan Co., Ltd.

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

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

	In millions of yen
Cash and cash equivalents .....	¥ 2,937
Other current assets .....	17,954
Investments and long-term receivables .....	1,650
Property, plant and equipment .....	6,014
Intangible assets, including goodwill .....	2,080
Other assets .....	1,018
<b>Total assets acquired .....</b>	<b>31,653</b>
Current liabilities .....	13,446
Long-term liabilities .....	5,359
<b>Total liabilities assumed .....</b>	<b>18,805</b>
Noncontrolling interests .....	135
<b>Net assets acquired .....</b>	<b>¥12,713</b>

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

#### Acquisition of At Tokyo Corporation

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

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

	In millions of yen
Cash and cash equivalents .....	¥ 3,922
Other current assets .....	6,145
Investments and long-term receivables .....	262
Property, plant and equipment .....	54,917
Intangible assets, including goodwill .....	33,540
Other assets .....	1,308
<b>Total assets acquired .....</b>	<b>100,094</b>
Current liabilities .....	6,770
Long-term liabilities .....	38,258
<b>Total liabilities assumed .....</b>	<b>45,028</b>
Noncontrolling interests .....	21,738
<b>Net assets acquired .....</b>	<b>¥ 33,328</b>

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

The Company recorded the acquisition cost of ¥212 million related to these acquisitions in selling, general and administrative expenses for the year ended March 31, 2013.

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

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

	In millions of yen
Unaudited	Year ended March 31
	2013
Pro forma net sales and operating revenue.....	¥884,803
Pro forma net income attributable to SECOM CO., LTD. ....	71,764

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

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

## 5. Cash and Cash Equivalents

Cash and cash equivalents at March 31, 2015 and 2014 comprise the following:

	In millions of yen	In thousands of U.S. dollars
	March 31	March 31
	2015	2015
Cash .....	¥178,594	¥170,032
Time deposits .....	51,018	37,296
Call loan .....	15,500	20,500
Investment securities.....	3,515	2,924
	¥248,627	¥230,752
		\$2,071,892

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 ¥29,417 million (\$245,142 thousand) and ¥16,946 million (\$141,217 thousand), respectively, at March 31, 2015, and ¥36,704 million and ¥17,765 million, respectively, at March 31, 2014. As part of its fee arrangement, the Company is reimbursed for the interest cost of the related overdrafts.

## 7. Short-Term Investments and Investment Securities

Short-term investments (current) and investment securities (noncurrent) include debt and equity securities. The related aggregate fair value, gross unrealized gains, gross unrealized losses and costs pertaining to "available-for-sale" and "held-to-maturity" investments at March 31, 2015 and 2014 are as follows:

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

Investment securities:				
Available-for-sale:				
Equity securities .....	¥ 33,870	¥29,154	¥ 59	¥ 62,965
Debt securities .....	111,050	9,725	69	120,706
Held-to-maturity:				
Debt securities .....	12,292	1,165	—	13,457
	¥157,212	¥40,044	¥128	¥197,128

	In millions of yen			
	March 31, 2014			
	Cost	Gross unrealized Gains	Gross unrealized Losses	Fair value
Short-term investments:				
Available-for-sale:				
Debt securities .....	¥ 10,011	¥ 21	¥ 0	¥ 10,032
	¥ 10,011	¥ 21	¥ 0	¥ 10,032

Investment securities:				
Available-for-sale:				
Equity securities .....	¥ 31,829	¥15,141	¥338	¥ 46,632
Debt securities .....	99,182	4,831	72	103,941
Held-to-maturity:				
Debt securities .....	12,309	507	10	12,806
	¥143,320	¥20,479	¥420	¥163,379

	In thousands of U.S. dollars			
	March 31, 2015			
	Cost	Gross unrealized Gains	Gross unrealized Losses	Fair value
Short-term investments:				
Available-for-sale:				
Debt securities .....	\$ 203,608	\$ 4,750	\$ 8	\$ 208,350
	\$ 203,608	\$ 4,750	\$ 8	\$ 208,350

Investment securities:				
Available-for-sale:				
Equity securities .....	\$ 282,250	\$242,950	\$ 492	\$ 524,708
Debt securities .....	925,417	81,041	575	1,005,883
Held-to-maturity:				
Debt securities .....	102,433	9,709	—	112,142
	\$1,310,100	\$333,700	\$1,067	\$1,642,733

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, 2015 are as follows:

In millions of yen				
March 31, 2015				
Less than 12 months		12 months or longer		
Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	
Available-for-sale:				
Equity securities.....	¥ 1,392	¥ 55	¥—	¥—
Debt securities.....	30,531	69	¥—	¥—
	¥31,923	¥124	¥—	¥—
Held-to-maturity:				
Debt securities.....	¥ —	¥ —	¥—	¥—

In thousands of U.S. dollars				
March 31, 2015				
Less than 12 months		12 months or longer		
Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	
Available-for-sale:				
Equity securities.....	\$ 11,600	\$ 458	\$—	\$—
Debt securities.....	254,425	575	\$—	\$—
	\$266,025	\$1,033	\$—	\$—
Held-to-maturity:				
Debt securities.....	\$ —	\$ —	\$—	\$—

Based on the Company's ability and intent to hold the investments for a reasonable period of time sufficient for a recovery of fair value, the credit condition of the issuers and other relevant factors, the Company does not consider these investments to be other-than-temporarily impaired at March 31, 2015.

At March 31, 2015, 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, 2015 are as follows:

In millions of yen				
March 31, 2015				
Available-for-sale		Held-to-maturity		
Cost	Fair value	Cost	Fair value	
Due within 1 year .....	¥ 24,433	¥ 25,002	¥ —	¥ —
Due after 1 year through 5 years .....	77,719	84,469	3,014	3,017
Due after 5 years through 10 years ....	23,297	25,194	1,510	1,595
Due after 10 years ...	10,034	11,043	7,768	8,845
	¥135,483	¥145,708	¥12,292	¥13,457

In thousands of U.S. dollars				
March 31, 2015				
Available-for-sale		Held-to-maturity		
Cost	Fair value	Cost	Fair value	
Due within 1 year .....	\$ 203,608	\$ 208,350	\$ —	\$ —
Due after 1 year through 5 years .....	647,658	703,908	25,117	25,142
Due after 5 years through 10 years ....	194,142	209,950	12,583	13,292
Due after 10 years ...	83,617	92,025	64,733	73,708
	\$1,129,025	\$1,214,233	\$102,433	\$112,142

During the years ended March 31, 2015, 2014 and 2013, 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 ¥13,004 million (\$108,367 thousand), ¥1,000 million and ¥6,914 million, respectively.

Proceeds from the sale of “available-for-sale” securities for the years ended March 31, 2015, 2014 and 2013 were ¥13,800 million (\$115,000 thousand), ¥14,475 million and ¥20,479 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, 2015, 2014 and 2013 are as follows:

In millions of yen			In thousands of U.S. dollars
Years ended March 31			Year ended March 31
2015	2014	2013	2015
Gross realized gains .....	¥269	¥1,694	¥1,051
Gross realized losses .....	1	212	144
			\$2,242
			8

The Company maintains long-term investment securities, issued by a number of non-public companies, included as investment securities in the consolidated balance sheets. The aggregate carrying amount of the investments in non-public companies, at cost net of other-than-temporary impairment, was ¥9,083 million (\$75,692 thousand) and ¥8,639 million at March 31, 2015 and 2014, respectively. The corresponding fair value at that date was not computed as such estimation was not practicable and no significant events or changes that might have affected the fair value of investments were observed.

## 8. Inventories

Inventories at March 31, 2015 and 2014 comprise the following:

In millions of yen			In thousands of U.S. dollars
March 31			March 31
2015	2014		2015
Security-related products.....	¥ 8,489	¥ 9,718	\$ 70,742
Fire protection-related products .....	19,769	16,763	164,742
Real estate .....	24,122	15,429	201,017
Other-related products.....	8,241	9,955	68,674
	¥60,621	¥51,865	\$505,175



Work in process for real estate inventories at March 31, 2015 and 2014, amounting to ¥21,059 million (\$175,492 thousand) and ¥15,396 million, respectively, are included in real estate.

Costs on uncompleted construction contracts at March 31, 2015 and 2014, amounting to ¥9,793 million (\$81,608 thousand) and ¥8,414 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, 2015, 2014 and 2013 were ¥1,565 million (\$13,042 thousand), ¥1,122 million and ¥1,792 million, respectively.

### 9. Credit Quality of Financing Receivables and Allowance for Doubtful Accounts

The Company has financing receivables and classifies them into five categories: "lease receivables," "loans receivable resulting from medical services," "loans receivable resulting from insurance services," "other loans receivable" and "other." Financing receivables classified as "lease receivables" result from lease transactions of security equipment and real estate for offices and medical institutions.

The Company continuously monitors overdue financing receivables which, the Company considers, have a risk of uncollectability. For financing receivables with specific customer collection issues, the Company individually evaluates their collectability in order to determine the amount of allowance for doubtful accounts. For other financing receivables, the Company categorizes these receivables into groups by their nature and characteristics. The Company collectively evaluates the collectability of each group, using its historical experience of write-offs and determines the amount of allowance for doubtful accounts.

Financing receivables and allowance for doubtful accounts at March 31, 2015 and 2014 are as follows:

In millions of yen						
Year ended March 31, 2015						
	Lease receivables	Loans receivable resulting from medical services	Loans receivable resulting from insurance services	Other loans receivable	Other	Total
Allowance for doubtful accounts:						
Balance at beginning of year.....	¥ 417	¥ 1,721	¥ 75	¥3,074	¥ 841	¥ 6,128
Provision (Reversal) ..	110	483	(10)	11	731	1,325
Charge off.....	(104)	—	(65)	—	(28)	(197)
Other* .....	—	—	—	17	74	91
Balance at end of year.....	423	2,204	0	3,102	1,618	7,347
Individually evaluated .....	71	2,204	—	3,102	1,618	6,995
Collectively evaluated .....	¥ 352	¥ —	¥ 0	¥ —	¥ —	¥ 352
Financing receivables:						
Individually evaluated .....	¥ 88	¥10,008	¥ —	¥3,271	¥4,968	¥18,335
Collectively evaluated .....	48,698	998	159	1,728	152	51,735
	¥48,786	¥11,006	¥159	¥4,999	¥5,120	¥70,070

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

In millions of yen						
Year ended March 31, 2014						
	Lease receivables	Loans receivable resulting from medical services	Loans receivable resulting from insurance services	Other loans receivable	Other	Total
Allowance for doubtful accounts:						
Balance at beginning of year.....	¥ 406	¥ 2,351	¥ 121	¥2,883	¥ 820	¥ 6,581
Provision (Reversal) ..	76	0	(46)	196	33	259
Charge off.....	(65)	(630)	—	(22)	(20)	(737)
Other* .....	—	—	—	17	8	25
Balance at end of year.....	417	1,721	75	3,074	841	6,128
Individually evaluated .....	84	1,721	72	3,074	841	5,792
Collectively evaluated .....	¥ 333	¥ —	¥ 3	¥ —	¥ —	¥ 336
Financing receivables:						
Individually evaluated .....	¥ 102	¥12,964	¥ 74	¥3,283	¥ 869	¥17,292
Collectively evaluated .....	42,422	510	2,223	2,450	157	47,762
	¥42,524	¥13,474	¥2,297	¥5,733	¥1,026	¥65,054

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

In thousands of U.S. dollars						
Year ended March 31, 2015						
	Lease receivables	Loans receivable resulting from medical services	Loans receivable resulting from insurance services	Other loans receivable	Other	Total
Allowance for doubtful accounts:						
Balance at beginning of year.....	\$ 3,475	\$14,342	\$ 625	\$25,617	\$ 7,008	\$ 51,067
Provision (Reversal) ..	917	4,025	(83)	92	6,091	11,042
Charge off.....	(867)	—	(542)	—	(233)	(1,642)
Other* .....	—	—	—	141	617	758
Balance at end of year.....	3,525	18,367	0	25,850	13,483	61,225
Individually evaluated .....	592	18,367	—	25,850	13,483	58,292
Collectively evaluated .....	\$ 2,933	\$ —	\$ 0	\$ —	\$ —	\$ 2,933
Financing receivables:						
Individually evaluated .....	\$ 733	\$83,400	\$ —	\$27,258	\$41,401	\$152,792
Collectively evaluated .....	405,817	8,317	1,325	14,400	1,266	431,125
	\$406,550	\$91,717	\$1,325	\$41,658	\$42,667	\$583,917

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

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

The aging analysis of the recorded financing receivables and financing receivables on nonaccrual status at March 31, 2015 and 2014 are as follows:

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

In millions of yen						
March 31, 2014						
	Lease receivables	Loans receivable resulting from medical services	Loans receivable resulting from insurance services	Other loans receivable	Other	Total
Current.....	¥42,422	¥13,434	¥2,223	¥2,551	¥ 626	¥61,256
Overdue.....	102	40	74	3,182	400	3,798
Total:						
Financing receivables ..	¥42,524	¥13,474	¥2,297	¥5,733	¥1,026	¥65,054
Financing receivables on nonaccrual status...	¥ —	¥ 3,719	¥ 74	¥3,282	¥ —	¥ 7,075

In thousands of U.S. dollars						
March 31, 2015						
	Lease receivables	Loans receivable resulting from medical services	Loans receivable resulting from insurance services	Other loans receivable	Other	Total
Current.....	\$405,817	\$91,383	\$1,325	\$15,058	\$20,142	\$533,725
Overdue.....	733	334	—	26,600	22,525	50,192
Total:						
Financing receivables ..	\$406,550	\$91,717	\$1,325	\$41,658	\$42,667	\$583,917
Financing receivables on nonaccrual status...	\$ —	\$30,992	\$ —	\$27,258	\$ —	\$ 58,250

Impaired receivables and the related allowance for doubtful accounts at March 31, 2015 and 2014 are as follows:

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

In millions of yen						
March 31, 2014						
	Lease receivables	Loans receivable resulting from medical services	Loans receivable resulting from insurance services	Other loans receivable	Other	Total
Impaired receivables.....	¥102	¥12,964	¥74	¥3,283	¥869	¥17,292
Related allowance for doubtful accounts.....	84	1,721	72	3,074	841	5,792

In thousands of U.S. dollars						
March 31, 2015						
	Lease receivables	Loans receivable resulting from medical services	Loans receivable resulting from insurance services	Other loans receivable	Other	Total
Impaired receivables.....	\$733	\$83,400	\$—	\$27,258	\$41,401	\$152,792
Related allowance for doubtful accounts.....	592	18,367	—	25,850	13,483	58,292

The average amounts of impaired receivables for the year ended March 31, 2015 are as follows:

In millions of yen						
	Lease receivables	Loans receivable resulting from medical services	Loans receivable resulting from insurance services	Other loans receivable	Other	Total
Average amounts of impaired receivables....	¥95	¥11,486	¥37	¥3,277	¥2,919	¥17,814

In thousands of U.S. dollars						
	Lease receivables	Loans receivable resulting from medical services	Loans receivable resulting from insurance services	Other loans receivable	Other	Total
Average amounts of impaired receivables....	\$792	\$95,717	\$308	\$27,308	\$24,325	\$148,450

## 10. Investments in Affiliated Companies

The Company has investments in affiliated companies that are accounted for under the equity method. Investments principally consist of Taiwan Secom Co., Ltd., a 28.8 percent owned affiliate, which is listed on the Taiwan Stock Exchange; S1 Corporation, a 28.8 percent owned affiliate, which is listed on the Korea Exchange; and Toyo Tech Co., Ltd., a 27.4 percent owned affiliate, which is listed on the Second Section of the Tokyo Securities Exchange.

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

	In millions of yen		In thousands of U.S. dollars
	March 31	March 31	March 31
	2015	2014	2015
Current assets.....	¥105,832	¥114,922	\$ 881,933
Noncurrent assets .....	205,514	140,185	1,712,617
Total assets.....	¥311,346	¥255,107	\$2,594,550
Current liabilities.....	¥ 92,416	¥ 59,268	\$ 770,133
Long-term liabilities.....	38,831	37,565	323,592
Equity .....	180,099	158,274	1,500,825
Total liabilities and equity .....	¥311,346	¥255,107	\$2,594,550

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2015	2014	2013	2015
Net sales.....	<b>¥262,726</b>	¥198,890	¥162,379	<b>\$2,189,383</b>
Gross profit.....	<b>¥ 82,753</b>	¥ 65,492	¥ 52,691	<b>\$ 689,608</b>
Net income attributable to affiliated companies....	<b>¥ 17,825</b>	¥ 14,305	¥ 15,056	<b>\$ 148,542</b>

Dividends received from affiliated companies for the years ended March 31, 2015, 2014 and 2013 were ¥3,160 million (\$26,333 thousand), ¥2,652 million and ¥2,403 million, respectively.

Three listed affiliated companies accounted for under the equity method with an aggregated carrying amount of ¥47,409 million (\$395,075 thousand) and ¥41,903 million at March 31, 2015 and 2014, respectively, had a quoted market value of ¥133,559 million (\$1,112,992 thousand) and ¥119,638 million at March 31, 2015 and 2014, respectively.

The amounts of goodwill included in the carrying amount of investments in affiliated companies were ¥4,768 million (\$39,733 thousand) and ¥4,589 million at March 31, 2015 and 2014, respectively.

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

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2015	2014	2013	2015
Sales.....	<b>¥1,774</b>	¥1,549	¥1,924	<b>\$14,783</b>
Purchases.....	<b>¥4,417</b>	¥5,982	¥6,573	<b>\$36,808</b>

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2015	2014	2015
Notes and accounts receivable, trade .....	<b>¥ 544</b>	¥ 426	<b>\$ 4,533</b>
Loans receivable.....	<b>¥ 557</b>	¥ 563	<b>\$ 4,642</b>
Notes and accounts payable.....	<b>¥2,224</b>	¥2,494	<b>\$18,533</b>
Guarantees for bank loans.....	<b>¥1,039</b>	¥ 665	<b>\$ 8,658</b>

The Company's equity in undistributed income of affiliates at March 31, 2015 and 2014 included in retained earnings was ¥27,872 million (\$232,267 thousand) and ¥25,668 million, respectively.

## 11. Long-Lived Assets

The Company has assessed the potential impairment of its long-lived assets. As a result of a significant decrease in revenue forecasts, the Company principally recognized impairment losses on certain business assets of the information and communication related services segment for the year ended March 31, 2015, and on certain real estate of the medical services segment for the year ended March 31, 2014, respectively. 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, 2015, 2014 and 2013 are as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2015	2014	2013	2015
Security services.....	<b>¥ 111</b>	¥ 296	¥ —	<b>\$ 925</b>
Fire protection services.....	—	21	34	—
Medical services.....	—	1,871	—	—
Insurance services .....	—	—	—	—
Geographic information services.....	<b>154</b>	164	297	<b>1,283</b>
Information and communication related services.....	<b>4,796</b>	40	50	<b>39,967</b>
Real estate and other services.....	<b>132</b>	—	—	<b>1,100</b>
Corporate items.....	<b>1,398</b>	397	—	<b>11,650</b>
Total.....	<b>¥6,591</b>	¥2,789	¥381	<b>\$54,925</b>

## 12. Goodwill and Other Intangible Assets

The components of acquired intangible assets, excluding goodwill, at March 31, 2015 and 2014 are as follows:

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

Unamortized intangible assets..... **¥ 4,066**    **¥ —**    **¥ 4,066**

	In millions of yen		
	March 31, 2014		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortized intangible assets:			
Software .....	¥43,907	(¥25,795)	¥18,112
Other .....	21,415	(4,515)	16,900
	¥65,322	(¥30,310)	¥35,012

Unamortized intangible assets..... **¥ 3,998**    **¥ —**    **¥ 3,998**



In thousands of U.S. dollars			
March 31, 2015			
	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortized intangible assets:			
Software .....	\$383,708	(\$212,825)	\$170,883
Other .....	171,750	(41,725)	130,025
	<b>\$555,458</b>	<b>(\$254,550)</b>	<b>\$300,908</b>
Unamortized intangible assets.....	<b>\$ 33,884</b>	<b>\$ —</b>	<b>\$ 33,884</b>

Aggregate amortization expense for the years ended March 31, 2015, 2014 and 2013 was ¥6,522 million (\$54,350 thousand), ¥6,741 million and ¥5,995 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
2016.....	¥7,349	\$61,242
2017.....	6,218	51,817
2018.....	5,264	43,867
2019.....	4,204	35,033
2020.....	2,972	24,767

The changes in the carrying amount of goodwill by business segment for the years ended March 31, 2015 and 2014 are as follows:

In millions of yen							
	Security services	Fire protection services	Medical services	Geographic information services	Information and communication related services	Real estate and other services	Total
Goodwill.....	¥4,018	¥1,953	¥9,399	¥4,667	¥17,643	¥1,962	¥39,642
Accumulated impairment losses.....	(1,667)	—	(4,036)	(893)	(175)	(135)	(6,906)
March 31, 2013....	2,351	1,953	5,363	3,774	17,468	1,827	32,736
Impairment losses.....	(151)	—	—	—	—	—	(151)
Translation adjustment .....	269	—	—	18	—	—	287
Goodwill.....	4,192	1,953	9,399	4,530	17,643	1,962	39,679
Accumulated impairment losses.....	(1,723)	—	(4,036)	(738)	(175)	(135)	(6,807)
March 31, 2014....	2,469	1,953	5,363	3,792	17,468	1,827	32,872
Goodwill acquired during the year ...	—	—	—	37	—	—	37
Disposal .....	—	(11)	—	—	—	—	(11)
Impairment losses.....	—	—	(1,314)	—	—	—	(1,314)
Translation adjustment .....	104	—	—	13	—	—	117
Goodwill.....	4,296	1,942	9,399	4,580	17,643	1,962	39,822
Accumulated impairment losses.....	(1,723)	—	(5,350)	(738)	(175)	(135)	(8,121)
March 31, 2015 ...	<b>¥2,573</b>	<b>¥1,942</b>	<b>¥4,049</b>	<b>¥3,842</b>	<b>¥17,468</b>	<b>¥1,827</b>	<b>¥31,701</b>

In thousands of U.S. dollars							
	Security services	Fire protection services	Medical services	Geographic information services	Information and communication related services	Real estate and other services	Total
Goodwill.....	\$34,933	\$16,275	\$78,325	\$37,750	\$147,025	\$16,350	\$330,658
Accumulated impairment losses.....	(14,358)	—	(33,633)	(6,150)	(1,458)	(1,125)	(56,724)
March 31, 2014....	20,575	16,275	44,692	31,600	145,567	15,225	273,934
Goodwill acquired during the year ...	—	—	—	308	—	—	308
Disposal .....	—	(92)	—	—	—	—	(92)
Impairment losses.....	—	—	(10,950)	—	—	—	(10,950)
Translation adjustment .....	867	—	—	108	—	—	975
Goodwill.....	35,800	16,183	78,325	38,166	147,025	16,350	331,849
Accumulated impairment losses.....	(14,358)	—	(44,583)	(6,150)	(1,458)	(1,125)	(67,674)
March 31, 2015....	<b>\$21,442</b>	<b>\$16,183</b>	<b>\$33,742</b>	<b>\$32,016</b>	<b>\$145,567</b>	<b>\$15,225</b>	<b>\$264,175</b>

Impairment losses on goodwill recognized in the above table are mainly due to decreases in the estimated fair value of reporting units in each segment mainly caused by decreases in projected cash flows. The fair value is determined based on the estimated present value of future cash flows.

### 13. Bank Loans and Long-Term Debt

Bank loans of ¥43,924 million (\$366,033 thousand) and ¥52,542 million at March 31, 2015 and 2014, respectively, are generally comprised of 30 to 365 day notes. The weighted average interest rate was 1.09 percent and 1.17 percent at March 31, 2015 and 2014, 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, 2015, 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 (\$33,333 thousand). The line of credit expires in March 2016. Under the agreement, Nohmi Bosai Ltd. is required to pay commitment fees, at an annual rate of 0.15 percent, on the unused portion of the line of credit. At March 31, 2015, the Company had overdraft agreements with 33 banks and its unused lines of credit amounted to ¥31,835 million (\$265,292 thousand). The Company incurs no fee on the unused portion of these overdraft agreements. The overdraft agreements expire in the period from April 2015 to March 2016. The Company has the ability and intent to extend these overdraft agreements under similar terms and conditions.

Long-term debt at March 31, 2015 and 2014 comprises the following:

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2015	2014	2015
Loans, principally from banks due 2014–2033 with interest rates ranging from 0.21% to 7.07%:			
Secured.....	¥24,212	¥20,834	\$201,767
Unsecured.....	20,431	16,949	170,258
1.13% unsecured bonds due 2014.....	—	1,384	—
0.5% unsecured bonds due 2015.....	100	100	833
0.81% unsecured bonds due 2016.....	100	100	833
0.52% unsecured bonds due 2016.....	104	168	867
0.43% unsecured bonds due 2018.....	100	—	833
Unsecured bonds due 2014–2025 with floating interest rates based on 6-month Japanese yen TIBOR.....	9,424	10,685	78,534
Obligations under capital leases, due 2014–2043 (Note 19).....	12,700	13,028	105,833
	67,171	63,248	559,758
Less: Portion due within one year.....	(13,368)	(15,398)	(111,400)
	¥53,803	¥47,850	\$448,358

Assets pledged as collateral for bank loans and long-term debt at March 31, 2015 and 2014 are as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2015	2014	2015
Time deposits .....	¥ 2,081	¥ 2,315	\$ 17,342
Short-term and long-term receivables ...	5,636	5,591	46,966
Investment securities.....	1,133	1,525	9,442
Property, plant and equipment .....	51,734	52,574	431,117
Other intangible assets.....	¥ 818	¥ 818	\$ 6,817

The aggregate annual maturities on long-term debt at March 31, 2015 are as follows:

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2016.....	¥13,368	\$111,400
2017.....	11,372	94,766
2018.....	11,295	94,125
2019.....	9,467	78,892
2020.....	10,769	89,742
Thereafter.....	10,900	90,833
	¥67,171	\$559,758

#### 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, 2015 and 2014 was ¥67,633 million (\$563,608 thousand) and ¥52,761 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, 2015, 2014 and 2013 were gains of ¥194 million (\$1,617 thousand), ¥1,221 million and ¥724 million, respectively. Losses on other-than-temporary impairments of investment securities for the years ended March 31, 2015, 2014 and 2013 were ¥18 million (\$150 thousand), ¥22 million and ¥25 million, respectively.

#### 15. Pension and Severance Costs

Employees of the parent company and its domestic subsidiaries whose services are terminated are, under most circumstances, eligible for lump-sum benefits and/or eligible for pension benefits.

The parent company and certain domestic subsidiaries have adopted a cash balance pension plan and a defined contribution pension plan. Benefits under the cash balance pension plan are calculated as a certain percentage of employees’ annual income over their period of service, plus interest calculated as the 3-year average yield for 10-year government bonds. The defined contribution pension plan was established in April 2003, by transferring a portion equivalent to 20 percent of the cash balance pension plan, including portions funded in prior periods. A specified percentage of employees’ annual income is contributed to the defined contribution pension plan.

In April 2005, the parent company and certain domestic subsidiaries transferred an additional portion of the cash balance pension plan to the defined contribution pension plan. Accordingly, the ratio of the accumulated amount in the cash balance pension plan and the amount of contributions to the defined contribution pension plan changed to 70 percent and 30 percent, including portions funded in prior periods.

Net periodic pension and severance costs for the years ended March 31, 2015, 2014 and 2013 are as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2015	2014	2013	2015
Net periodic pension and severance costs:				
Service cost.....	¥5,357	¥6,181	¥8,269	\$44,642
Interest cost.....	936	1,297	1,533	7,800
Expected return on plan assets.....	(2,533)	(2,299)	(2,241)	(21,109)
Amortization of prior service benefit.....	(1,584)	(1,601)	(1,600)	(13,200)
Recognized actuarial loss.....	989	1,581	1,407	8,242
Net periodic pension and severance costs.....	¥3,165	¥5,159	¥7,368	\$26,375

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
	2015	2014	2015
Change in benefit obligation:			
Benefit obligation at beginning of year.....	¥ 98,386	¥101,151	\$819,883
Service cost.....	5,357	6,181	44,642
Interest cost.....	936	1,297	7,800
Actuarial (gain) loss.....	1,073	(4,933)	8,942
Benefits paid.....	(4,591)	(5,582)	(38,259)
Acquisition.....	—	272	—
Benefit obligation at end of year.....	101,161	98,386	843,008
Change in plan assets:			
Fair value of plan assets at beginning of year.....	92,161	83,371	768,008
Actual return on plan assets.....	15,342	5,976	127,850
Employer contribution.....	6,214	6,325	51,783
Benefits paid.....	(3,193)	(3,787)	(26,608)
Acquisition.....	—	276	—
Fair value of plan assets at end of year.....	110,524	92,161	921,033
Funded status at the end of year.....	¥ 9,363	(¥ 6,225)	\$ 78,025

Amounts recognized in the consolidated balance sheets at March 31, 2015 and 2014 consist of:

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2015	2014	2015
Prepaid pension and severance costs.....	¥35,011	¥22,054	\$291,758
Accrued pension and severance costs.....	(25,648)	(28,279)	(213,733)
Net amount recognized.....	¥ 9,363	(¥ 6,225)	\$ 78,025

Other changes in plan assets and benefit obligations recognized in other comprehensive income (loss) for the year ended March 31, 2015 are summarized as follows:

	In millions of yen	In thousands of U.S. dollars
Current year actuarial gain.....	(¥11,736)	(\$97,800)
Amortization of actuarial loss.....	(989)	(8,242)
Amortization of prior service benefit.....	1,584	13,200
	(¥11,141)	(\$92,842)

Amounts recognized in accumulated other comprehensive income (loss) at March 31, 2015 and 2014 consist of:

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2015	2014	2015
Actuarial loss.....	¥7,799	¥20,524	\$64,992
Prior service benefit.....	(2,549)	(4,133)	(21,242)
Net amount recognized.....	¥5,250	¥16,391	\$43,750

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 ¥1,505 million (\$12,542 thousand) and ¥788 million (\$6,567 thousand), respectively.

The accumulated benefit obligation for the pension plan was ¥100,995 million (\$841,625 thousand) and ¥90,316 million at March 31, 2015 and 2014, respectively.

The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for the pension plans with accumulated benefit obligation in excess of plan assets were ¥42,389 million (\$353,242 thousand), ¥42,158 million (\$351,317 thousand) and ¥28,838 million (\$240,317 thousand), respectively, at March 31, 2015, and ¥42,682 million, ¥38,220 million and ¥14,987 million, respectively, at March 31, 2014.

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, 2015 and 2014 are as follows:

	March 31	
	2015	2014
Discount rate.....	0.8%	1.1%
Rate of compensation increase.....	1.6%	2.7%

Weighted-average assumptions used to determine net pension and severance costs for the years ended March 31, 2015, 2014 and 2013 are as follows:

	Years ended March 31		
	2015	2014	2013
Discount rate.....	1.1%	1.4%	1.8%
Expected return on plan assets.....	3.0%	3.0%	3.0%
Rate of compensation increase.....	2.7%	2.7%	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, 2015 and 2014. The three levels of inputs used to measure fair value are more fully described in Note 22.

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

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

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

	In millions of yen			
	March 31, 2014			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents .....	¥ 1,750	¥ —	¥ —	¥ 1,750
Equity securities				
Japanese companies .....	13,900	—	—	13,900
Debt securities				
Government bonds .....	5,221	154	—	5,375
Non-government bonds .....	242	2,099	729	3,070
Pooled funds .....	28	31,201	18,885	50,114
Call loans .....	—	7,225	—	7,225
Insurance contracts .....	—	9,855	—	9,855
Other .....	—	112	760	872
	¥21,141	¥50,646	¥20,374	¥92,161

\*The plan's equity securities include common stock of the parent company and its domestic subsidiaries in the amount of ¥11 million at March 31, 2014.

\*The plan's government bonds include approximately 20% Japanese bonds and 80% foreign bonds. The non-government bonds include approximately 10% Japanese bonds and 90% foreign bonds.

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

	In thousands of U.S. dollars			
	March 31, 2015			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents .....	\$ 16,583	\$ —	\$ —	\$ 16,583
Equity securities				
Japanese companies .....	162,508	—	—	162,508
Debt securities				
Government bonds .....	39,517	5,675	—	45,192
Non-government bonds .....	—	—	5,108	5,108
Pooled funds .....	1,175	286,091	218,967	506,233
Call loans .....	—	90,250	—	90,250
Insurance contracts .....	—	90,467	—	90,467
Other .....	—	2,000	2,692	4,692
	\$219,783	\$474,483	\$226,767	\$921,033

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

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

The following table represents the changes in Level 3 investments for the years ended March 31, 2015 and 2014.

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

	In millions of yen			
	Year ended March 31, 2014			
	Debt securities	Non-government bonds	Pooled funds	Other
				Total
Balance at beginning of year.....	¥911	¥20,807	¥768	¥22,486
Actual return on plan assets:				
Relating to assets sold during the year .....	—	606	34	640
Relating to assets held at end of year .....	(182)	1,344	(8)	1,154
Purchases, sales and settlements, net.....	—	(3,559)	(34)	(3,593)
Transfer from Level 3, net.....	—	(313)	—	(313)
Balance at end of year .....	¥729	¥18,885	¥760	¥20,374

	In thousands of U.S. dollars			
	Year ended March 31, 2015			
	Debt securities	Non-government bonds	Pooled funds	Other
				Total
Balance at beginning of year.....	\$6,075	\$157,375	\$6,333	\$169,783
Actual return on plan assets:				
Relating to assets sold during the year .....	—	592	317	909
Relating to assets held at end of year .....	(967)	26,567	100	25,700
Purchases, sales and settlements, net.....	—	33,525	(4,058)	29,467
Transfer to Level 3, net.....	—	908	—	908
Balance at end of year .....	\$5,108	\$218,967	\$2,692	\$226,767

The Company expects to contribute ¥5,399 million (\$44,992 thousand) to its domestic defined benefit plans in the year ending March 31, 2016.

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

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2016.....	¥ 4,819	\$ 40,158
2017.....	4,645	38,708
2018.....	5,177	43,142
2019.....	5,545	46,208
2020.....	5,245	43,708
2021–2025.....	28,046	233,717

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, 2015, 2014 and 2013 were ¥1,772 million (\$14,767 thousand), ¥1,679 million and ¥1,645 million, respectively.

## 16. Exchange Gains and Losses

Other income for the years ended March 31, 2015, 2014 and 2013 includes net exchange gains of ¥574 million (\$4,783 thousand), ¥408 million and ¥276 million, respectively.

## 17. Income Taxes

Total income taxes for the years ended March 31, 2015, 2014 and 2013 are allocated as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2015	2014	2013	2015
Consolidated income taxes from continuing operations .....	¥45,972	¥49,695	¥46,697	\$383,100
Consolidated income taxes from discontinued operations .....	651	(169)	152	5,425
Shareholders' equity—accumulated other comprehensive income (loss):				
Unrealized gains on securities.....	6,240	440	3,511	51,999
Unrealized gains on derivative instruments.....	(5)	(0)	10	(42)
Pension liability adjustments.....	3,771	3,183	(184)	31,425
Foreign currency translation adjustments .....	1,020	121	—	8,500
	¥57,649	¥53,270	¥50,186	\$480,407

The parent company and its domestic subsidiaries were subject to a corporate tax of 25.5 percent for the year ended March 31, 2015 and 28.05 percent for the years ended March 31, 2014 and 2013, an inhabitant's 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 35.4 percent for the year ended March 31, 2015 and 37.8 percent for the years ended March 31, 2014 and 2013.

Due to the promulgation on March 31, 2014 of the "Act for Partial Amendment of the Income Tax Act, etc.," the statutory tax rate used to calculate the deferred tax assets and liabilities at March 31, 2014 changed mainly from 37.8 percent to 35.4 percent for those items scheduled for reversal during the period from April 1, 2014 to March 31, 2015. As a result, income taxes for the year ended March 31, 2014 increased by ¥1,119 million.

Due to the promulgation on March 31, 2015 of the "Act for Partial Amendment of the Income Tax Act, etc." and "Partial Amendment of the Local Tax Act, etc.," the statutory tax rate used to calculate the deferred tax assets and liabilities at March 31, 2015 changed mainly from 35.4 percent to 32.9 percent for those items scheduled for reversal during the period from April 1, 2015 to March 31, 2016, and to 32.1 percent for those items scheduled for reversal on or after April 1, 2016. As a result, income taxes for the year ended March 31, 2015 decreased by ¥648 million (\$5,400 thousand).

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

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2015	2014	2013	2015
Income taxes computed at statutory tax rate .....	<b>¥45,261</b>	¥48,665	¥45,494	<b>\$377,175</b>
Increase (decrease) resulting from:				
Provision of valuation allowance .....	<b>1,152</b>	832	477	<b>9,600</b>
Reversal of valuation allowance .....	<b>(927)</b>	(1,234)	(518)	<b>(7,725)</b>
Per capita tax .....	<b>863</b>	857	850	<b>7,192</b>
Net effect of changes in corporate tax rates .....	<b>(648)</b>	1,119	—	<b>(5,400)</b>
Other, net .....	<b>271</b>	(544)	394	<b>2,258</b>
Consolidated income taxes from continuing operations .....	<b>¥45,972</b>	¥49,695	¥46,697	<b>\$383,100</b>

The significant components of deferred tax assets and liabilities at March 31, 2015 and 2014 are as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2015	2014	2015
Deferred tax assets:			
Loss carryforwards .....	<b>¥ 8,715</b>	¥11,277	<b>\$ 72,625</b>
Accrued pension and severance costs .....	<b>8,180</b>	9,753	<b>68,167</b>
Deferred revenue .....	<b>8,152</b>	8,958	<b>67,933</b>
Adjustment of book value at the date of acquisition—			
Land and buildings .....	<b>6,871</b>	7,869	<b>57,258</b>
Other assets .....	<b>263</b>	265	<b>2,192</b>
Property, plant and equipment .....	<b>6,230</b>	8,913	<b>51,916</b>
Accrued bonus .....	<b>5,709</b>	6,014	<b>47,575</b>
Vacation accrual .....	<b>3,186</b>	3,495	<b>26,550</b>
Allowance for doubtful accounts .....	<b>2,889</b>	2,635	<b>24,075</b>
Write-down on real estate inventories .....	<b>1,714</b>	2,781	<b>14,283</b>
Intangible assets .....	<b>1,674</b>	1,641	<b>13,950</b>
Investment securities .....	<b>1,268</b>	49	<b>10,567</b>
Other .....	<b>9,749</b>	9,328	<b>81,243</b>
Gross deferred tax assets .....	<b>64,600</b>	72,978	<b>538,334</b>
Less: Valuation allowance .....	<b>(26,562)</b>	(29,972)	<b>(221,350)</b>
Total deferred tax assets .....	<b>38,038</b>	43,006	<b>316,984</b>
Deferred tax liabilities:			
Unrealized gains on securities .....	<b>(11,588)</b>	(6,133)	<b>(96,567)</b>
Prepaid pension and severance costs .....	<b>(11,128)</b>	(7,862)	<b>(92,733)</b>
Adjustment of book value at the date of acquisition—			
Land and buildings .....	<b>(4,616)</b>	(5,201)	<b>(38,467)</b>
Intangible assets .....	<b>(4,421)</b>	(5,160)	<b>(36,842)</b>
Other assets .....	<b>(1,157)</b>	(1,332)	<b>(9,642)</b>
Investments in affiliated companies ..	<b>(6,608)</b>	(5,506)	<b>(55,067)</b>
Deferred installation costs .....	<b>(5,710)</b>	(6,464)	<b>(47,583)</b>
Other .....	<b>(4,352)</b>	(3,749)	<b>(36,266)</b>
Gross deferred tax liabilities .....	<b>(49,580)</b>	(41,407)	<b>(413,167)</b>
Net deferred tax assets .....	<b>(¥11,542)</b>	¥ 1,599	<b>(\$ 96,183)</b>

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, 2015, 2014 and 2013 was a decrease of ¥3,410 million (\$28,417 thousand) and ¥255 million and an increase of ¥299 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, 2015 and 2014.

Net deferred tax assets at March 31, 2015 and 2014 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
	2015	2014	2015
Deferred income taxes (Current assets) .....	<b>¥12,929</b>	¥14,021	<b>\$107,742</b>
Deferred income taxes (Other assets) .....	<b>5,037</b>	7,061	<b>41,975</b>
Other current liabilities (Current liabilities) .....	<b>(1,106)</b>	(344)	<b>(9,217)</b>
Deferred income taxes (Long-term liabilities) .....	<b>(28,402)</b>	(19,139)	<b>(236,683)</b>
Net deferred tax assets .....	<b>(¥11,542)</b>	¥ 1,599	<b>(\$ 96,183)</b>

The Company has not recognized deferred tax liabilities of ¥674 million (\$5,617 thousand) for a portion of undistributed earnings of foreign subsidiaries totaling ¥23,288 million (\$194,067 thousand) at March 31, 2015 as they are not expected to be remitted in the foreseeable future.

At March 31, 2015, the operating loss carryforwards of domestic subsidiaries amounted to ¥21,216 million (\$176,800 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
2016 .....	¥ —	\$ —
2017 .....	—	—
2018 .....	2,829	23,575
2019 .....	6,588	54,900
2020 .....	1,730	14,417
2021 .....	1,220	10,167
2022 .....	3,337	27,808
2023 .....	2,048	17,067
2024 .....	3,464	28,866
	<b>¥21,216</b>	<b>\$176,800</b>

The operating loss carryforwards of overseas subsidiaries at March 31, 2015 amounted to ¥6,638 million (\$55,317 thousand), a part of which will begin to expire in the year ending March 31, 2016.



The total amount of unrecognized tax benefits for the years ended March 31, 2015, 2014 and 2013 was 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, 2015, 2014 and 2013.

Although the Company believes its estimates of unrecognized tax benefits are reasonable, uncertainties regarding the final determination of income tax audit settlements and any related litigation could affect the total amount of unrecognized tax benefits in future periods. Based on the information available as of March 31, 2015, 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 2014, with some exceptions.

## 18. Shareholders' Equity

### (1) Additional Paid-In Capital

The change in additional paid-in capital includes the effect of changes in the Company's ownership interest in its consolidated subsidiaries.

The net income attributable to SECOM CO., LTD. and transfers from (to) noncontrolling interests for the years ended March 31, 2015, 2014 and 2013 are as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2015	2014	2013	2015
Net income attributable to SECOM CO., LTD. ....	<b>¥80,184</b>	¥73,979	¥70,580	<b>\$668,200</b>
Net transfers from (to) noncontrolling interests.....	<b>(339)</b>	(28)	(752)	<b>(2,825)</b>
Change from net income attributable to SECOM CO., LTD. and transfers from (to) noncontrolling interests .....	<b>¥79,845</b>	¥73,951	¥69,828	<b>\$665,375</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 ¥485,321 million (\$4,044,342 thousand) at March 31, 2015.

Subsequent to March 31, 2015, the parent company's Board of Directors declared a year-end cash dividend of ¥65 (\$0.54) per share, totaling ¥14,187 million (\$118,225 thousand), to shareholders of record on March 31, 2015. The dividend declared was approved at the general shareholders' meeting held on June 25, 2015. Dividends are recorded in the year they are declared.

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

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

### (3) Common Stock in Treasury

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

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

Components of other comprehensive income (loss) for the years ended March 31, 2015, 2014 and 2013 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, 2015:</b>			
Unrealized gains on securities—			
Unrealized gains or losses arising during the period .....	<b>¥20,020</b>	<b>(¥ 6,295)</b>	<b>¥13,725</b>
Less: Reclassification adjustment for gains or losses realized in net income.....	<b>(192)</b>	<b>55</b>	<b>(137)</b>
Unrealized gains on derivative instruments—			
Unrealized gains or losses arising during the year.....	<b>12</b>	<b>(3)</b>	<b>9</b>
Less: Reclassification adjustment for gains or losses realized in net income.....	<b>(25)</b>	<b>8</b>	<b>(17)</b>
Pension liability adjustments—			
Unrealized gains or losses arising during the period .....	<b>11,461</b>	<b>(3,620)</b>	<b>7,841</b>
Less: Reclassification adjustment for gains or losses realized in net income.....	<b>(496)</b>	<b>(151)</b>	<b>(647)</b>
Foreign currency translation adjustments .....	<b>13,199</b>	<b>(1,020)</b>	<b>12,179</b>
Other comprehensive income (loss) .....	<b>¥43,979</b>	<b>(¥11,026)</b>	<b>¥32,953</b>

	In millions of yen		
	Pre-tax amount	Tax (expense) or benefit	Net-of-tax amount
For the year ended March 31, 2014:			
Unrealized gains on securities—			
Unrealized gains or losses arising during the period .....	¥ 3,229	(¥ 974)	¥ 2,255
Less: Reclassification adjustment for gains or losses realized in net income.....	(1,669)	534	(1,135)
Unrealized gains on derivative instruments—			
Unrealized gains or losses arising during the year.....	19	(6)	13
Less: Reclassification adjustment for gains or losses realized in net income.....	(17)	6	(11)
Pension liability adjustments—			
Unrealized gains or losses arising during the period .....	8,471	(3,153)	5,318
Less: Reclassification adjustment for gains or losses realized in net income .....	255	(30)	225
Foreign currency translation adjustments .....	18,213	(121)	18,092
Other comprehensive income (loss) .....	¥28,501	(¥3,744)	¥24,757
For the year ended March 31, 2013:			
Unrealized gains on securities—			
Unrealized gains or losses arising during the period .....	¥11,607	(¥3,740)	¥ 7,867
Less: Reclassification adjustment for gains or losses realized in net income.....	(713)	229	(484)
Unrealized gains on derivative instruments—			
Unrealized gains or losses arising during the year.....	10	(4)	6
Less: Reclassification adjustment for gains or losses realized in net income.....	15	(6)	9
Pension liability adjustments—			
Unrealized gains or losses arising during the period .....	(897)	117	(780)
Less: Reclassification adjustment for gains or losses realized in net income .....	5	67	72
Foreign currency translation adjustments .....	10,105	—	10,105
Other comprehensive income (loss) .....	¥20,132	(¥3,337)	¥16,795

	In thousands of U.S. dollars		
	Pre-tax amount	Tax (expense) or benefit	Net-of-tax amount
For the year ended March 31, 2015:			
Unrealized gains on securities—			
Unrealized gains or losses arising during the period .....	\$166,833	(\$52,457)	\$114,376
Less: Reclassification adjustment for gains or losses realized in net income.....	(1,600)	458	(1,142)
Unrealized gains on derivative instruments—			
Unrealized gains or losses arising during the year.....	100	(25)	75
Less: Reclassification adjustment for gains or losses realized in net income.....	(208)	67	(141)
Pension liability adjustments—			
Unrealized gains or losses arising during the period .....	95,509	(30,167)	65,342
Less: Reclassification adjustment for gains or losses realized in net income .....	(4,134)	(1,258)	(5,392)
Foreign currency translation adjustments .....	109,992	(8,500)	101,492
Other comprehensive income (loss) .....	\$366,492	(\$91,882)	\$274,610

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

	In millions of yen		In thousands of U.S. dollars
	Years ended March 31	Year ended March 31	
	2015	2014	2015
Unrealized gains on securities—			
Net sales and operating revenue .....	(¥306)	(¥1,221)	(\$2,550)
Gain on sales of securities, net .....	(33)	(483)	(275)
Loss on other-than-temporary impairment of investment securities.....	147	35	1,225
Unrealized gains on derivative instruments—			
Other income.....	(25)	(17)	(208)
Pension liability adjustments—			
Net periodic pension and severance costs (Note 15).....	(595)	(20)	(4,958)
Equity in net income of affiliated companies .....	¥ 99	¥ 275	\$ 824

#### 19. Lessee

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

On April 23, 1996, the Company entered into a long-term lease agreement for a building and land in Mitaka, Tokyo. The lease term is 30 years beginning May 1, 1996. On July 15, 2010, the Company also entered into a long-term lease agreement for the adjoining land and buildings. The lease term is also 30 years beginning July 15, 2010. For financial reporting purposes, the portion of these lease arrangements relating to the building has been classified as a capital lease; accordingly, an asset of approximately ¥7,209 million (\$60,075 thousand) has been recorded in the buildings and improvements account. The portion of the lease relating to the land has been classified as an operating lease. The future minimum lease payment for the site at March 31, 2015 was ¥5,453 million (\$45,442 thousand).

A summary of leased assets under capital leases at March 31, 2015 and 2014 is as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2015	2014	2015
Buildings and improvements .....	¥ 8,348	¥ 8,908	\$69,567
Machinery, equipment and automobiles .....	10,234	11,107	85,283
Other intangible assets .....	46	95	383
Accumulated depreciation .....	(9,185)	(9,776)	(76,542)
	¥ 9,443	¥10,334	\$78,691

Depreciation and amortization expenses for assets under capital leases for the years ended March 31, 2015, 2014 and 2013 were ¥2,746 million (\$22,883 thousand), ¥2,668 million and ¥2,688 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, 2015:

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2016.....	¥ 2,535	\$ 21,125
2017.....	2,020	16,833
2018.....	1,601	13,342
2019.....	1,324	11,033
2020.....	1,100	9,167
Thereafter.....	11,793	98,275
Total minimum lease payments .....	20,373	169,775
Less: Amount representing interest .....	(7,673)	(63,942)
Present value of net minimum lease payments (Note 13).....	12,700	105,833
Less: Current portion .....	(2,033)	(16,942)
Long-term capital lease obligations .....	¥10,667	\$ 88,891

Rental expenses under operating leases for the years ended March 31, 2015, 2014 and 2013 were ¥22,898 million (\$190,817 thousand), ¥21,774 million and ¥18,264 million, respectively. A significant portion of such rentals relates to cancelable short-term leases for office space and employee residential facilities, many of which are renewed upon expiration.

On December 8, 2000, the Company entered into a lease agreement for a building and land in Shibuya, Tokyo. The lease term is 20 years beginning December 8, 2000. For financial reporting purposes, the lease has been classified as an operating lease. Based on the agreement, the annual lease payment for the site is approximately ¥1,299 million (\$10,825 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, 2015 are as follows:

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2016.....	¥ 9,725	\$ 81,042
2017.....	8,906	74,217
2018.....	8,565	71,375
2019.....	8,422	70,183
2020.....	8,398	69,983
Thereafter.....	29,794	248,283
Total future minimum lease payments .....	¥73,810	\$615,083

## 20. Lessor

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

A summary of lease receivables under sales-type and direct-financing leases at March 31, 2015 and 2014 is as follows:

	In millions of yen	In thousands of U.S. dollars
	March 31	March 31
	2015	2014
Total minimum lease payments to be received .....	¥58,045	¥51,037
Estimated executory cost.....	(5,035)	(3,869)
Unearned income .....	(4,224)	(4,644)
Lease receivables, net.....	48,786	42,524
Less: Current portion .....	(14,823)	(12,769)
Long-term lease receivables, net....	¥33,963	¥29,755
		\$283,025

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, 2015:

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2016.....	¥17,043	\$142,025
2017.....	14,289	119,075
2018.....	11,864	98,867
2019.....	8,768	73,067
2020.....	4,760	39,667
Thereafter.....	1,321	11,007
Total future minimum lease payments to be received .....	¥58,045	\$483,708

A summary of investment in property under operating leases and property held for lease at March 31, 2015 and 2014 is as follows:

	In millions of yen	In thousands of U.S. dollars
	March 31	March 31
	2015	2014
Land .....	¥34,892	¥32,944
Buildings and improvements .....	32,150	31,659
Other intangible assets.....	662	662
Accumulated depreciation .....	(10,882)	(10,441)
	¥56,822	¥54,824
		\$473,517

The future minimum rentals under noncancelable operating leases at March 31, 2015 are as follows:

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2016.....	¥1,945	\$16,208
2017.....	162	1,350
2018.....	162	1,350
2019.....	162	1,350
2020.....	162	1,350
Thereafter.....	3,234	26,950
Total future minimum rentals .....	¥5,827	\$48,558

## 21. Fair Value of Financial Instruments

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

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

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

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

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

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

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

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

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

**(5) Investment Deposits by Policyholders**

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

**(6) Derivatives**

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

The carrying amounts and estimated fair values of financial instruments, excluding, debt and equity securities, which are disclosed in Notes 2 (7) and 7, at March 31, 2015 and 2014 are as follows:

In millions of yen				
March 31				
2015				
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Non-derivatives:				
Assets—				
Long-term receivables including current portion (Less allowance for doubtful accounts)....	¥58,743	¥59,061	¥58,235	¥58,457
Liabilities—				
Long-term debt including current portion.....	67,171	67,191	63,248	63,297
Investment deposits by policyholders .....	30,272	31,709	29,531	30,710
Derivatives:				
Liabilities—				
Interest rate swaps (Other long-term liabilities).....	118	118	165	165

In thousands of U.S. dollars			
		March 31, 2015	
	Carrying amount	Estimated fair value	
Non-derivatives:			
Assets—			
Long-term receivables including current portion (Less allowance for doubtful accounts) .....		\$489,525	\$492,175
Liabilities—			
Long-term debt including current portion.....		559,758	559,925
Investment deposits by policyholders .....		252,267	262,242
Derivatives:			
Liabilities—			
Interest rate swaps (Other long-term liabilities) .....		983	983

Limitation:

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



## 22. Fair Value Measurements

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

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

The following table represents the Company's assets and liabilities that are measured at fair value on a recurring basis at March 31, 2015 and 2014. Transfers between levels are recognized at the end of the respective reporting periods.

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

In millions of yen				
March 31, 2014				
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Cash equivalents.....	¥ 253	¥ 2,671	¥ —	¥ 2,924
Short-term investments and investment securities.....	134,108	24,600	34,980	193,688
<b>Total assets .....</b>	<b>¥134,361</b>	<b>¥27,271</b>	<b>¥34,980</b>	<b>¥196,612</b>
<b>Liabilities:</b>				
Derivatives (Other long-term liabilities).....	¥ —	¥ 165	¥ —	¥ 165
<b>Total liabilities .....</b>	<b>¥ —</b>	<b>¥ 165</b>	<b>¥ —</b>	<b>¥ 165</b>

In thousands of U.S. dollars

March 31, 2015				
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Cash equivalents.....	\$ 7,034	\$ 22,258	\$ —	\$ 29,292
Short-term investments and investment securities.....	1,426,350	298,775	227,833	1,952,958
<b>Total assets .....</b>	<b>\$1,433,384</b>	<b>\$321,033</b>	<b>\$227,833</b>	<b>\$1,982,250</b>
<b>Liabilities:</b>				
Derivatives (Other long-term liabilities).....	\$ —	\$ 983	\$ —	\$ 983
<b>Total liabilities .....</b>	<b>\$ —</b>	<b>\$ 983</b>	<b>\$ —</b>	<b>\$ 983</b>

### Cash Equivalents

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

### Short-Term Investments and Investment Securities

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

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

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

The Company's Level 3 investment securities that are measured at fair value on a recurring basis at March 31, 2015 and 2014, amounting to ¥27,340 million (\$227,833 thousand) and ¥34,980 million, respectively, are primarily private equity investments. The valuation technique and significant unobservable inputs are as follows:

March 31, 2015		
Valuation technique	Significant unobservable inputs	Range
Discounted cash flows	Discount rate	20%–30%
	Exit timing	2016–2019
	EBITDA multiple	4.5x–10.7x
March 31, 2014		
Valuation technique	Significant unobservable inputs	Range
Discounted cash flows	Discount rate	20%–30%
	Exit timing	2014–2019
	EBITDA multiple	3.7x–8.5x

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

### Derivative Financial Investments

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

The following table represents the changes in Level 3 assets measured on a recurring basis for the years ended March 31, 2015 and 2014.

	In millions of yen		In thousands of U.S. dollars
	Years ended March 31		Year ended March 31
	2015	2014	2015
Balance at beginning of year.....	¥34,980	¥39,588	\$291,500
Total gains or losses (realized and unrealized):			
Included in earnings.....	4,920	7,102	41,000
Included in other comprehensive income.....	(38)	89	(317)
Purchases.....	3,619	2,132	30,158
Sales.....	(19,099)	(19,977)	(159,158)
Redemptions.....	(327)	(367)	(2,725)
Foreign currency translation adjustments.....	3,285	6,413	27,375
Balance at end of year.....	¥27,340	¥34,980	\$227,833
Changes in unrealized gains or losses relating to instruments still held at end of year:			
Included in earnings.....	¥ 1,065	¥ 6,388	\$ 8,875

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

### Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Non-marketable equity securities with a carrying amount of ¥9,104 million (\$75,867 thousand) were written down to their fair value of ¥9,083 million (\$75,692 thousand), resulting in an other-than-temporary impairment charge of ¥21 million (\$175 thousand), which was included in earnings for the year ended March 31, 2015. For the year ended March 31, 2014, non-marketable equity securities with a carrying amount of ¥8,684 million were written down to their fair value of ¥8,639 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. These Level 3 assets are not significant.

## 23. Derivative Financial Instruments

### (1) Risk Management Policy

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

### (2) Risk Management

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

### (3) Cash Flow Hedges

The Company designates interest rate swap agreements as cash flow hedges for variability of cash flows originating from floating rate borrowings. The interest rate swap agreements mature at various dates through 2015. The effective portion of changes in fair values of derivative instruments designated as cash flow hedges of these debt obligations are reported in other comprehensive income (loss). These amounts are reclassified into current income in the same period that hedged items affect current income. The ineffective portion of changes in fair values are reported in income immediately. The sum of the amount of hedge ineffectiveness and net gains or losses excluded from the assessment of hedge effectiveness is not material for the years ended March 31, 2015, 2014 and 2013 as the critical terms of most of the interest rate swap agreements match the terms of the hedged debt obligations. Approximately ¥5 million (\$42 thousand) of net derivative income included in accumulated other comprehensive income, net of tax at March 31, 2015, will be reclassified into current income within 12 months from that date. At March 31, 2015 and 2014, the notional principal amounts of interest rate swap agreements designated as cash flow hedges were ¥726 million (\$6,050 thousand) and ¥2,153 million, respectively.

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

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

Fair values of derivative instruments reflected in the consolidated balance sheets as of March 31, 2015 and 2014 are as follows:

#### Derivatives designated as hedging instruments

		In millions of yen		In thousands of U.S. dollars
		March 31		March 31
Location		2015	2014	2015
Liabilities:				
Interest rate swaps	Other current liabilities	¥ 5	¥ —	\$42
	Other long-term liabilities	¥ —	¥28	\$ —

#### Derivatives not designated as hedging instruments

		In millions of yen		In thousands of U.S. dollars
		March 31		March 31
Location		2015	2014	2015
Liabilities:				
Interest rate swaps	Other long-term liabilities	¥113	¥137	\$941

Effects of derivative instruments on the consolidated statements of income for the years ended March 31, 2015, 2014 and 2013 are as follows:

#### Derivatives designated as cash flow hedging instruments

Gains recognized in accumulated other comprehensive income (loss) (effective portion)

		In millions of yen			In thousands of U.S. dollars
		Years ended March 31			Year ended March 31
		2015	2014	2013	2015
Interest rate swaps		¥6	¥10	¥5	\$50

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

		In millions of yen			In thousands of U.S. dollars
		Years ended March 31			Year ended March 31
Location		2015	2014	2013	2015
Interest rate swaps	Other income	¥25	¥17	¥ —	\$208
	Other expenses	¥ —	¥ —	(¥15)	\$ —

#### 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		2015	2014	2013	2015
Equity swaps	Other income	¥ —	¥ —	¥59	\$ —
Interest rate swaps	Other income	¥23	¥33	¥ —	\$192
	Other expenses	¥ —	¥ —	(¥13)	\$ —

## 24. Commitments and Contingent Liabilities

The Company has commitments outstanding at March 31, 2015 for the purchase of property, plant and equipment of approximately ¥3,759 million (\$31,325 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 ¥4,582 million (\$38,183 thousand) at March 31, 2015. The carrying amounts of the liabilities recognized as the Company's obligations under these guarantees at March 31, 2015 and 2014 were deemed insignificant. It is not anticipated that damages, if any, resulting from legal actions will have a material impact on the Company's consolidated financial statements.

## 25. Discontinued Operations

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

The Company sold certain businesses included in the real estate and other services segment, during the years ended March 31, 2015 and 2013, respectively. The Company reported the operating results related to these operations as discontinued operations. Prior period figures have been restated.

Discontinued operations for the years ended March 31, 2015, 2014 and 2013 are as follows:

		In millions of yen			In thousands of U.S. dollars
		Years ended March 31			Year ended March 31
		2015	2014	2013	2015
Net sales and operating revenue.....	¥ 598	¥3,272	¥3,479		\$ 4,983
Income (loss) from discontinued operations before income taxes.....	(149)	(301)	(771)		(1,242)
Gain on sales of discontinued operations....	1,614	—	15		13,450
Income taxes.....	(651)	169	(152)		(5,425)
Income (loss) from discontinued operations, net of taxes.....	¥ 814	(¥ 132)	(¥ 908)		\$ 6,783
Attributable to noncontrolling interests ....	¥ —	¥ —	(¥ 110)		\$ —
Attributable to SECOC CO., LTD .....	¥ 814	(¥ 132)	(¥ 798)		\$ 6,783

Income (loss) from discontinued operations, net of tax, by business segment for the years ended March 31, 2015, 2014 and 2013 is as follows:

		In millions of yen			In thousands of U.S. dollars
		Years ended March 31			Year ended March 31
		2015	2014	2013	2015
Real estate and other services.....	¥814	(¥132)	(¥908)		\$6,783
Income (loss) from discontinued operations, net of taxes.....	¥814	(¥132)	(¥908)		\$6,783

## 26. 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
	2015	2014	2013	2015
Cash paid during the year for:				
Interest.....	¥ 1,403	¥ 1,459	¥ 1,568	\$ 11,692
Income taxes.....	50,673	50,676	31,761	422,275
Non-cash investing and financing activities:				
Additions to obligations under capital leases.....	2,318	4,503	2,381	19,317
Increase in land, buildings and improvements by offsetting long-term receivables.....	3,179	—	—	26,492
Significant acquisitions (Note 4)—				
Assets acquired.....	—	—	131,747	—
Liabilities assumed.....	—	—	(63,833)	—
Noncontrolling interests.....	—	—	(21,873)	—
Considerations for equity.....	—	—	46,041	—
Repayment of long-term debt.....	—	—	27,000	—
Cash and cash equivalents on hand ...	—	—	(6,859)	—
Total considerations.....	¥ —	¥ —	¥ 66,182	\$ —

## 27. Segment Information

The Company discloses financial and descriptive information about the Company's reportable operating segments. The operating segments reported below are the segments of the Company for which separate financial information is available and for which operating profit/loss amounts are evaluated regularly by management in deciding how to allocate resources and assess performance.

The Company has seven reportable business segments: security services, fire protection services, medical services, insurance services, geographic information services, information and communication related services, and real estate and other services.

The Company recognizes that the significance of information and communication related services is increasing, resulting from the acquisition of At Tokyo Corporation, a subsidiary newly consolidated from October 2012. Therefore, during the year ended March 31, 2014, the Company decided to separately disclose the information and communication related services segment, formerly included in the information and communication related and other services

segment, to disclose business activities more adequately and improve the effectiveness of segment information. Since the significance of the real estate development and sales segment as a reportable segment has decreased, it was reclassified to the other services segment and its name was changed to the real estate and other services segment. In addition, during the year ended March 31, 2014, due to the increase in significance, construction and installation services, formerly included in the security services segment, was reclassified to the real estate and other services segment to disclose business activities more adequately and improve the effectiveness of segment information. Accordingly, segment information of all prior periods has been restated to conform to the presentation used for the year ended March 31, 2014.

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

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

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

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



Information by business and geographic segments for the years ended and as of March 31, 2015, 2014 and 2013 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
	2015	2014	2013	2015
Net sales and operating revenue:				
Security services—				
External customers .....	¥487,063	¥472,449	¥443,231	\$4,058,858
Intersegment .....	2,963	2,811	2,343	24,692
	490,026	475,260	445,574	4,083,550
Fire protection services—				
External customers .....	121,189	122,046	114,130	1,009,908
Intersegment .....	5,127	5,111	4,308	42,725
	126,316	127,157	118,438	1,052,633
Medical services—				
External customers .....	155,884	150,535	140,957	1,299,033
Intersegment .....	153	150	165	1,275
	156,037	150,685	141,122	1,300,308
Insurance services—				
External customers .....	38,259	37,011	35,864	318,825
Intersegment .....	3,226	2,936	2,816	26,883
	41,485	39,947	38,680	345,708
Geographic information services—				
External customers .....	52,760	54,697	51,194	439,667
Intersegment .....	177	72	128	1,475
	52,937	54,769	51,322	441,142
Information and communication related services—				
External customers .....	47,412	46,992	29,541	395,100
Intersegment .....	6,527	6,381	5,286	54,392
	53,939	53,373	34,827	449,492
Real estate and other services—				
External customers .....	42,671	37,416	43,489	355,592
Intersegment .....	2,245	2,249	5,904	18,708
	44,916	39,665	49,393	374,300
Total .....	965,656	940,856	879,356	8,047,133
Eliminations .....	(20,418)	(19,710)	(20,950)	(170,150)
Total net sales and operating revenue .....	¥945,238	¥921,146	¥858,406	\$7,876,983

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2015	2014	2013	2015
Operating income:				
Security services .....	¥107,073	¥104,089	¥102,377	\$ 892,275
Fire protection services .....	12,510	10,467	5,981	104,250
Medical services .....	1,521	2,707	5,458	12,675
Insurance services .....	8,042	2,007	2,712	67,017
Geographic information services .....	2,442	3,723	2,302	20,350
Information and communication related services .....	894	6,373	3,914	7,450
Real estate and other services .....	5,080	4,678	4,618	42,333
Total .....	137,562	134,044	127,362	1,146,350
Corporate expenses and eliminations .....	(15,555)	(13,966)	(13,813)	(129,625)
Operating income .....	¥122,007	¥120,078	¥113,549	\$1,016,725
Other income .....	9,293	11,658	9,948	77,442
Other expenses .....	(3,443)	(2,995)	(3,144)	(28,692)
Income before income taxes and equity in net income of affiliated companies .....	¥127,857	¥128,741	¥120,353	\$1,065,475
Assets:				
Security services .....	¥ 477,138	¥ 471,949		\$ 3,976,150
Fire protection services .....	135,381	127,911		1,128,175
Medical services .....	178,721	171,288		1,489,342
Insurance services .....	215,278	190,005		1,793,983
Geographic information services .....	69,544	70,952		579,533
Information and communication related services .....	120,038	127,174		1,000,317
Real estate and other services .....	128,503	116,539		1,070,859
Total .....	1,324,603	1,275,818		11,038,359
Corporate items .....	145,051	115,125		1,208,758
Investments in affiliated companies .....	56,209	49,762		468,408
Total assets .....	¥1,525,863	¥1,440,705		\$12,715,525

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2015	2014	2013	2015
Depreciation and amortization:				
Security services .....	<b>¥47,425</b>	¥45,679	¥44,715	<b>\$395,208</b>
Fire protection services .....	<b>1,694</b>	1,667	1,739	<b>14,117</b>
Medical services .....	<b>7,209</b>	6,658	5,953	<b>60,075</b>
Insurance services .....	<b>1,140</b>	1,280	895	<b>9,500</b>
Geographic information services .....	<b>3,022</b>	2,511	2,293	<b>25,183</b>
Information and communication related services .....	<b>6,746</b>	7,373	3,824	<b>56,217</b>
Real estate and other services .....	<b>992</b>	1,004	957	<b>8,267</b>
Total .....	<b>68,228</b>	66,172	60,376	<b>568,567</b>
Corporate items .....	<b>636</b>	489	298	<b>5,300</b>
Total depreciation and amortization .....	<b>¥68,864</b>	¥66,661	¥60,674	<b>\$573,867</b>
Capital expenditure:				
Security services .....	<b>¥35,632</b>	¥35,641	¥36,003	<b>\$296,933</b>
Fire protection services .....	<b>3,449</b>	1,364	1,306	<b>28,742</b>
Medical services .....	<b>20,895</b>	9,899	13,834	<b>174,125</b>
Insurance services .....	<b>3</b>	30	36	<b>25</b>
Geographic information services .....	<b>1,377</b>	2,723	1,328	<b>11,475</b>
Information and communication related services .....	<b>2,924</b>	5,127	10,014	<b>24,367</b>
Real estate and other services .....	<b>204</b>	427	648	<b>1,700</b>
Total .....	<b>64,484</b>	55,211	63,169	<b>537,367</b>
Corporate items .....	<b>375</b>	806	181	<b>3,125</b>
Total capital expenditures .....	<b>¥64,859</b>	¥56,017	¥63,350	<b>\$540,492</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
	2015	2014	2013	2015
Electronic security services .....	<b>¥326,300</b>	¥318,116	¥307,477	<b>\$2,719,167</b>
Other security services:				
Static guard services .....	<b>53,788</b>	51,681	47,877	<b>448,233</b>
Armored car services .....	<b>21,010</b>	20,767	20,532	<b>175,083</b>
Merchandise and other .....	<b>85,965</b>	81,885	67,345	<b>716,375</b>
Total security services .....	<b>¥487,063</b>	¥472,449	¥443,231	<b>\$4,058,858</b>

## (2) Geographic Segment Information

Net sales and operating revenue attributed to countries based on the geographical location of customers for the years ended 2015, 2014 and 2013 and long-lived assets as of March 31, 2015 and 2014 were as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2015	2014	2013	2015
Net sales and operating revenue:				
Japan .....	<b>¥901,079</b>	¥881,782	¥825,356	<b>\$7,508,991</b>
Other .....	<b>44,159</b>	39,364	33,050	<b>367,992</b>
Total .....	<b>¥945,238</b>	¥921,146	¥858,406	<b>\$7,876,983</b>
Long-lived assets:				
Japan .....	<b>¥523,504</b>	¥519,038		<b>\$4,362,533</b>
Other .....	<b>7,559</b>	6,650		<b>62,992</b>
Total .....	<b>¥531,063</b>	¥525,688		<b>\$4,425,525</b>

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

## 28. Subsequent Events

The Company has evaluated subsequent events through July 30, 2015, 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, 2015 and 2014, 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, 2015 and 2014, 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.

## Convenience Translations

The accompanying consolidated financial statements as of and for the year ended March 31, 2015 have been translated into United States dollars solely for the convenience of the reader. We have audited the translation and, in our opinion, the consolidated financial statements expressed in Japanese yen have been translated into United States dollars on the basis set forth in Note 3 to the consolidated financial statements.

Tokyo, Japan  
July 30, 2015





# Summary of Selected Financial Data

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

	In millions of yen					
	2015	2014	2013	2012	2011	2010
<b>Composition of consolidated net sales and operating revenue by segment</b>						
Net sales and operating revenue .....	<b>¥945,238</b>	¥921,146	¥858,406	¥769,609	¥748,847	¥667,302
Security services: .....	<b>487,063</b>	472,449	443,231	425,427	417,350	415,794
As a percentage of net sales and operating revenue .....	<b>51.5%</b>	51.3%	51.6%	55.3%	55.7%	62.3%
Electronic security services .....	<b>326,300</b>	318,116	307,477	300,208	299,783	300,063
As a percentage of net sales and operating revenue .....	<b>34.5</b>	34.5	35.8	39.0	40.0	45.0
Other Security services—						
Static guard services .....	<b>53,788</b>	51,681	47,877	46,689	46,372	46,213
As a percentage of net sales and operating revenue .....	<b>5.7</b>	5.6	5.6	6.1	6.2	6.9
Armored car services .....	<b>21,010</b>	20,767	20,532	20,610	20,129	19,823
As a percentage of net sales and operating revenue .....	<b>2.2</b>	2.3	2.4	2.7	2.7	3.0
Subtotal .....	<b>74,798</b>	72,448	68,409	67,299	66,501	66,036
Merchandise and other .....	<b>85,965</b>	81,885	67,345	57,920	51,066	49,695
As a percentage of net sales and operating revenue .....	<b>9.1</b>	8.9	7.8	7.5	6.8	7.4
Fire protection services .....	<b>121,189</b>	122,046	114,130	80,678	75,176	80,132
As a percentage of net sales and operating revenue .....	<b>12.8</b>	13.3	13.3	10.5	10.1	12.0
Medical services .....	<b>155,884</b>	150,535	140,957	134,550	125,020	56,309
As a percentage of net sales and operating revenue .....	<b>16.5</b>	16.3	16.4	17.4	16.7	8.4
Insurance services .....	<b>38,259</b>	37,011	35,864	33,558	33,133	29,142
As a percentage of net sales and operating revenue .....	<b>4.1</b>	4.0	4.2	4.4	4.4	4.4
Geographic information services .....	<b>52,760</b>	54,697	51,194	50,173	43,539	41,918
As a percentage of net sales and operating revenue .....	<b>5.6</b>	5.9	6.0	6.5	5.8	6.3
Information and communication related services .....	<b>47,412</b>	46,992	29,541	17,735	16,662	16,211
As a percentage of net sales and operating revenue .....	<b>5.0</b>	5.1	3.4	2.3	2.2	2.4
Real estate and other services .....	<b>42,671</b>	37,416	43,489	27,488	37,967	27,796
As a percentage of net sales and operating revenue .....	<b>4.5</b>	4.1	5.1	3.6	5.1	4.2
<b>Net income attributable to SECOM CO., LTD., cash dividends and SECOM CO., LTD. shareholders' equity</b>						
Net income attributable to SECOM CO., LTD. ....	<b>¥ 80,184</b>	¥ 73,979	¥ 70,580	¥ 41,237	¥ 62,665	¥ 46,989
Cash dividends paid <sup>(2)</sup> .....	<b>38,197</b>	22,918	19,645	19,623	18,533	18,533
SECOM CO., LTD. shareholders' equity .....	<b>825,969</b>	753,099	679,176	612,855	593,495	569,799
<b>Consolidated financial ratios</b>						
Percentage of working capital accounted for by:						
Debt—						
Bank loans .....	<b>4.7</b>	6.0	5.0	5.7	6.8	6.5
Current portion of long-term debt .....	<b>1.4</b>	1.8	2.2	3.1	1.7	1.6
Straight bonds .....	<b>0.9</b>	0.9	1.1	1.4	2.0	2.6
Other long-term debt .....	<b>4.9</b>	4.6	5.1	3.8	5.5	3.6
Total debt .....	<b>11.9</b>	13.3	13.4	14.0	16.0	14.3
SECOM CO., LTD. shareholders' equity .....	<b>88.1</b>	86.7	86.6	86.0	84.0	85.7
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>	5.1	5.3	3.5	5.4	4.1
Return on equity (percentage) <sup>(b)</sup> .....	<b>9.7</b>	9.8	10.4	6.7	10.6	8.2
Percentage of net sales and operating revenue absorbed by <sup>(c)</sup> :						
Depreciation and amortization .....	<b>7.3</b>	7.2	7.0	7.5	7.6	8.2
Rental expense under operating leases .....	<b>2.4</b>	2.4	2.1	2.1	2.2	2.1
Ratio of accumulated depreciation to depreciable assets (percentage) .....	<b>61.6</b>	60.8	60.0	63.4	62.5	64.9
Net property turnover (times) <sup>(c)</sup> .....	<b>2.38</b>	2.34	2.24	2.49	2.49	2.55
Before-tax interest coverage (times) <sup>(c) (d)</sup> .....	<b>93.8</b>	90.4	78.8	51.8	65.1	53.5

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

	2015	2014	2013	2012	2011	2010
<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>15,024,812</b>	15,022,012	15,018,951	15,017,691	15,258,553	15,254,334
Balance .....	<b>218,263,905</b>	218,266,705	218,269,766	218,271,026	218,030,164	218,034,383
<b>Per share information</b>						
Net income attributable to SECOM CO., LTD. per share (in yen) <sup>(1)</sup> .....	<b>¥ 367.37</b>	¥ 338.94	¥ 323.36	¥ 188.97	¥ 287.41	¥ 215.51
Cash dividends paid per share (in yen) <sup>(2)</sup> .....	<b>175.00</b>	105.00	90.00	90.00	85.00	85.00
SECOM CO., LTD. shareholders' equity per share (in yen) <sup>(3)</sup> .....	<b>3,784.27</b>	3,450.36	3,111.64	2,807.77	2,722.08	2,613.34
Cash flow per share (in yen) <sup>(1)(e)</sup> .....	<b>557.88</b>	529.35	496.34	365.28	458.62	383.36
Price/Book value ratio .....	<b>2.12</b>	1.72	1.56	1.44	1.42	1.57
Price/Earnings ratio .....	<b>21.84</b>	17.54	15.00	21.43	13.45	18.98
Price/Cash flow ratio .....	<b>14.38</b>	11.23	9.77	11.09	8.43	10.67
Stock price at year-end (in yen) .....	<b>8,025</b>	5,946	4,850	4,050	3,865	4,090

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, 2015, cash dividends of ¥14,187 million (¥65 per share) were approved at the general shareholders' meeting on June 25, 2015 (see Note 18 of the accompanying notes to consolidated financial statements).

(3) Per share amounts are based on the number of shares outstanding at the end of each period, less treasury stock.

## Common Stock Data

SECOM CO., LTD.  
As of March 31

<b>SHAREHOLDER INFORMATION</b>	<b>2015</b>	2014	2013	2012	2011	2010
Number of shareholders.....	<b>24,852</b>	27,054	27,628	29,118	30,338	31,488
Common shares held by:						
Japanese government and local public entities.....	<b>—%</b>	—%	—%	—%	0.08%	0.08%
Financial institutions.....	<b>29.89</b>	31.28	30.86	29.88	30.76	31.34
Securities firms.....	<b>3.43</b>	4.88	5.58	6.08	4.75	4.28
Other domestic corporations.....	<b>3.16</b>	2.56	3.63	3.68	3.71	3.73
Foreign investors.....	<b>44.95</b>	42.32	41.33	41.25	41.27	40.77
Individuals and others.....	<b>12.13</b>	12.52	12.16	12.67	12.89	13.26
Treasury stock.....	<b>6.44</b>	6.44	6.44	6.44	6.54	6.54
Total.....	<b>100.00%</b>	100.00%	100.00%	100.00%	100.00%	100.00%

### PRICE INFORMATION (TOKYO STOCK EXCHANGE)

		Price per share (in yen)		Nikkei Stock Average (in yen)	
		High	Low	High	Low
2013	April–June.....	¥5,770	¥4,620	¥15,627.26	¥12,003.43
	July–September.....	6,310	5,320	14,808.50	13,338.46
	October–December.....	6,430	5,700	16,291.31	13,853.32
2014	January–March.....	6,300	5,370	16,121.45	14,008.47
	April–June.....	6,502	5,554	15,376.24	13,910.16
	July–September.....	6,640	6,130	16,374.14	14,778.37
	October–December.....	7,247	5,764	17,935.64	14,532.51
2015	January–March.....	8,318	6,530	19,754.36	16,795.96

## 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, 2015, 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]

## Contents

---

Condensed Consolidated Balance Sheets (Based on Japanese GAAP).....	76
Condensed Consolidated Statements of Income (Based on Japanese GAAP).....	78
Consolidated Statements of Comprehensive Income (Based on Japanese GAAP).....	78

## Condensed Consolidated Balance Sheets (Based on Japanese GAAP)

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

	In millions of yen					
ASSETS	2015	2014	2013	2012	2011	2010
<b>Current assets:</b>						
Cash on hand and in banks.....	¥ 232,221	¥ 210,514	¥ 175,427	¥ 182,412	¥ 172,958	¥ 146,929
Cash deposits for armored car services .....	50,395	58,597	56,089	54,011	56,546	48,861
Call loans .....	15,500	20,500	46,500	28,000	29,500	36,500
Notes and accounts receivable, trade.....	114,071	115,318	106,638	85,744	73,956	73,844
Due from subscribers.....	26,316	25,174	24,059	24,830	22,754	20,824
Short-term investments .....	28,517	12,955	14,723	19,936	7,313	15,989
Lease receivables and investments in leased assets.....	39,242	33,188	27,569	14,605	15,433	14,742
Merchandise and products .....	14,163	14,186	12,321	9,597	8,823	10,987
Real estate inventories.....	3,063	33	12,944	9,082	11,481	18,493
Work in process .....	4,031	4,602	4,526	2,527	2,249	1,427
Costs on uncompleted construction contracts .....	9,460	8,983	7,563	5,671	4,233	5,312
Work in process for real estate inventories.....	21,058	15,396	13,348	33,276	48,296	55,916
Raw materials and supplies.....	7,913	7,573	6,430	5,950	5,750	5,932
Deferred income taxes.....	12,808	13,254	14,384	11,383	12,216	11,684
Short-term loans receivable .....	2,268	2,699	4,158	4,389	3,908	3,088
Other .....	21,111	17,623	18,453	13,489	12,566	15,275
Allowance for doubtful accounts.....	(1,997)	(2,026)	(2,302)	(1,428)	(1,704)	(2,207)
Total current assets.....	600,146	558,574	542,836	503,479	486,284	483,600
<b>Fixed assets:</b>						
Tangible assets:						
Buildings and improvements, net.....	148,375	153,278	155,839	97,955	102,855	97,692
Security equipment and control stations, net .....	70,478	68,759	67,200	66,900	63,490	63,034
Land .....	119,604	113,946	115,652	104,426	97,730	93,424
Other, net.....	23,702	24,849	22,839	21,464	18,638	18,869
Total tangible assets.....	362,161	360,833	361,532	290,747	282,715	273,020
Intangible assets.....	49,411	53,596	55,079	25,043	25,553	21,885
Investments and others:						
Investment securities.....	284,322	246,233	189,042	177,655	188,001	187,777
Long-term loans receivable .....	42,904	45,701	42,338	46,197	47,576	50,488
Prepaid pension and severance costs.....	—	—	19,572	19,130	18,730	18,618
Net defined benefit asset.....	35,010	17,612	—	—	—	—
Deferred income taxes .....	4,874	13,521	11,711	14,793	20,110	19,848
Other.....	49,382	48,486	43,706	42,376	43,422	44,630
Allowance for doubtful accounts .....	(17,525)	(16,352)	(16,742)	(17,584)	(18,111)	(18,403)
Total investments and others .....	398,969	355,203	289,629	282,568	299,729	302,959
Total fixed assets.....	810,541	769,633	706,241	598,359	607,998	597,864
Deferred assets .....	26	17	32	45	117	213
Total assets .....	¥1,410,715	¥1,328,226	¥1,249,110	¥1,101,884	¥1,094,400	¥1,081,679

In millions of yen

**LIABILITIES**

	2015	2014	2013	2012	2011	2010
<b>Current liabilities:</b>						
Notes and accounts payable, trade .....	¥ 43,160	¥ 49,409	¥ 43,684	¥ 30,731	¥ 25,959	¥ 24,774
Bank loans .....	44,965	52,120	42,350	47,985	47,426	48,094
Current portion of straight bonds .....	1,414	4,640	4,487	5,983	2,914	1,761
Lease obligations .....	503	579	537	354	354	247
Payables—other .....	33,849	31,316	31,406	27,627	22,857	23,359
Accrued income taxes .....	21,063	27,744	29,282	14,688	19,353	20,907
Accrued consumption taxes .....	12,878	4,151	4,377	3,833	2,850	3,302
Accrued expenses .....	4,653	4,625	4,571	4,169	3,792	3,633
Deferred revenue .....	31,348	31,027	30,880	30,834	30,582	33,554
Accrued bonuses .....	14,652	14,437	14,031	12,739	11,925	12,139
Reserve for litigation losses .....	—	—	—	—	—	1,770
Reserve for losses on construction contracts .....	1,612	1,981	1,714	834	530	145
Other .....	37,653	34,649	40,554	35,997	33,527	36,660
Total current liabilities .....	247,755	256,684	247,879	215,780	202,074	210,353

**Long-term liabilities:**

Straight bonds .....	8,413	7,796	8,847	9,625	14,091	17,006
Long-term loans .....	20,602	17,256	19,828	10,700	21,586	16,085
Lease obligations .....	3,712	4,183	3,438	2,884	3,080	501
Guarantee deposits received .....	36,000	36,542	36,125	38,235	38,091	36,777
Deferred income taxes .....	13,554	11,169	13,400	8,415	8,909	8,399
Accrued pension and severance costs .....	—	—	17,137	12,585	13,097	13,264
Accrued retirement benefits for directors and audit and supervisory board members .....	1,415	1,635	2,443	2,509	2,433	2,398
Net defined benefit liability .....	18,504	18,569	—	—	—	—
Investment deposits by policyholders, unearned premiums and other insurance liabilities .....	150,119	141,099	133,627	127,812	135,498	150,180
Other .....	3,295	2,918	2,242	1,817	1,481	1,557
Total long-term liabilities .....	255,618	241,171	237,091	214,586	238,270	246,171
Total liabilities .....	503,374	497,856	484,970	430,366	440,344	456,525

**NET ASSETS****Shareholders' equity:**

Common stock .....	¥ 66,377	¥ 66,377	¥ 66,377	¥ 66,377	¥ 66,377	¥ 66,377
Capital surplus .....	80,265	83,054	83,054	83,054	83,054	83,054
Retained earnings .....	694,688	656,286	609,275	565,261	549,747	507,434
Common stock in treasury, at cost .....	(73,701)	(73,682)	(73,664)	(73,659)	(74,923)	(74,907)
Total shareholders' equity .....	767,630	732,036	685,042	641,034	624,255	581,959

**Accumulated other comprehensive income:**

Unrealized gains on securities .....	26,981	12,504	11,783	4,559	2,192	4,521
Deferred losses on hedges .....	(34)	(33)	(41)	(28)	(35)	(17)
Foreign currency translation adjustments .....	1,477	(10,885)	(27,760)	(37,556)	(34,166)	(27,871)
Remeasurements of defined benefit plans .....	4,390	(3,506)	—	—	—	—
Total accumulated other comprehensive income .....	32,815	(1,921)	(16,018)	(33,026)	(32,010)	(23,367)

**Minority interests in subsidiaries**

Minority interests in subsidiaries .....	106,895	100,253	95,114	63,509	61,810	66,562
Total net assets .....	907,341	830,369	764,139	671,517	654,055	625,153
Total liabilities and net assets .....	¥1,410,715	¥1,328,226	¥1,249,110	¥1,101,884	¥1,094,400	¥1,081,679

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

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

	In millions of yen					
	2015	2014	2013	2012	2011	2010
Revenue .....	<b>¥840,722</b>	¥822,228	¥765,635	¥679,173	¥663,887	¥654,678
Percentage change from prior year .....	<b>2.2%</b>	7.4%	12.7%	2.3%	1.4%	(3.5%)
Costs of revenue .....	<b>557,884</b>	542,949	504,006	458,452	423,983	415,390
As a percentage of revenue .....	<b>66.4</b>	66.0	65.8	67.5	63.9	63.4
Gross profit .....	<b>282,837</b>	279,278	261,629	220,720	239,904	239,288
As a percentage of revenue .....	<b>33.6</b>	34.0	34.2	32.5	36.1	36.6
Selling, general and administrative expenses .....	<b>159,222</b>	159,259	153,258	139,642	140,762	140,749
As a percentage of revenue .....	<b>18.9</b>	19.4	20.0	20.6	21.2	21.5
Operating profit .....	<b>123,615</b>	120,018	108,370	81,078	99,141	98,539
As a percentage of revenue .....	<b>14.7</b>	14.6	14.2	11.9	14.9	15.1
Non-operating income .....	<b>18,366</b>	13,100	11,171	12,970	17,428	9,158
Non-operating expenses .....	<b>5,293</b>	6,441	5,922	6,209	6,895	9,371
Ordinary profit .....	<b>136,688</b>	126,677	113,618	87,839	109,674	98,327
As a percentage of revenue .....	<b>16.3</b>	15.4	14.8	12.9	16.5	15.0
Extraordinary profit .....	<b>1,962</b>	2,025	984	287	1,717	3,370
Extraordinary losses .....	<b>11,384</b>	3,876	2,623	11,558	5,749	5,463
Income before income taxes .....	<b>127,265</b>	124,826	111,980	76,567	105,642	96,233
As a percentage of revenue .....	<b>15.1</b>	15.2	14.6	11.3	15.9	14.7
Income taxes—current .....	<b>43,156</b>	48,485	43,211	32,023	37,303	38,172
Income taxes—deferred .....	<b>(37)</b>	(2,110)	(252)	4,600	1,383	4,944
Net income before minority interests in subsidiaries .....	<b>84,146</b>	78,451	69,021	39,943	66,955	—
Minority interests in subsidiaries .....	<b>8,754</b>	8,574	5,363	4,454	6,109	5,505
Net income .....	<b>75,392</b>	69,876	63,658	35,489	60,846	47,611
As a percentage of revenue .....	<b>9.0</b>	8.5	8.3	5.2	9.2	7.3
Percentage change from prior year .....	<b>7.9</b>	9.8	79.4	(41.7)	27.8	121.4

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

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

	In millions of yen					
	2015	2014	2013	2012	2011	2010
Net income before minority interests in subsidiaries .....	<b>¥ 84,146</b>	¥78,451	¥69,021	¥39,943	¥66,955	¥—
Other comprehensive income (loss):						
Unrealized gains (losses) on securities .....	<b>15,058</b>	543	7,500	2,318	(2,970)	—
Deferred gains on hedges .....	<b>—</b>	—	—	8	16	—
Foreign currency translation adjustments .....	<b>9,527</b>	11,787	6,222	(2,262)	(5,191)	—
Remeasurements of defined benefit plans .....	<b>8,581</b>	—	—	—	—	—
Share of other comprehensive gains (losses) of affiliated companies accounted for under the equity method .....	<b>3,676</b>	6,649	4,402	(1,281)	(1,069)	—
Total other comprehensive income (loss) .....	<b>36,843</b>	18,980	18,124	(1,217)	(9,214)	—
Comprehensive income .....	<b>120,990</b>	97,431	87,146	38,726	57,740	—
Comprehensive income attributable to:						
Owners of the parent company .....	<b>110,128</b>	87,480	80,666	34,473	52,203	—
Minority interests .....	<b>10,861</b>	9,950	6,480	4,253	5,537	—



# NONCONSOLIDATED FINANCIAL DATA

(BASED ON JAPANESE GAAP) [REFERENCE]

## Contents

---

Condensed Nonconsolidated Balance Sheets (Based on Japanese GAAP).....	80
Condensed Nonconsolidated Statements of Income (Based on Japanese GAAP).....	82

## Condensed Nonconsolidated Balance Sheets (Based on Japanese GAAP)

SECOM CO., LTD.  
As of March 31

In millions of yen

ASSETS	2015	2014	2013	2012	2011	2010
<b>Current assets:</b>						
Cash on hand and in banks .....	¥ 93,569	¥ 80,908	¥ 54,136	¥ 82,631	¥ 74,680	¥ 44,607
Cash deposits for armored car services .....	48,396	56,818	53,551	52,386	54,641	46,957
Notes receivable .....	640	683	700	720	221	248
Due from subscribers .....	16,066	14,991	14,856	14,324	11,563	11,434
Accounts receivable, trade .....	11,202	9,960	9,691	10,039	6,074	6,484
Receivables—other .....	3,054	2,699	2,528	2,159	2,385	2,556
Short-term investments .....	437	437	1,048	456	456	2,429
Merchandise .....	6,694	5,489	5,585	5,152	4,279	6,574
Supplies .....	1,379	1,303	1,012	1,470	1,167	1,082
Prepaid expenses .....	2,210	2,109	2,332	2,253	2,051	2,016
Deferred income taxes .....	4,415	4,382	5,268	4,269	4,938	4,720
Short-term loans receivable .....	20,423	20,653	19,237	15,574	4,356	3,943
Other .....	1,772	2,031	4,819	1,632	1,818	2,026
Allowance for doubtful accounts .....	(216)	(221)	(248)	(268)	(206)	(450)
Total current assets .....	210,048	202,248	174,521	192,804	168,428	134,634
<b>Fixed assets:</b>						
Tangible assets:						
Buildings and improvements, net .....	16,458	17,466	17,059	16,409	22,310	22,360
Automobiles, net .....	824	865	521	231	243	368
Security equipment and control stations, net .....	67,715	66,683	65,329	65,341	61,461	60,860
Machinery and equipment, net .....	192	232	288	361	565	828
Tools, furniture and fixtures, net .....	3,326	2,922	2,979	3,301	3,151	3,519
Land .....	28,303	29,520	29,802	28,555	28,390	28,352
Construction in progress .....	1,714	1,848	1,719	1,710	1,743	1,203
Other, net .....	12	105	235	374	513	654
Total tangible assets .....	118,548	119,644	117,936	116,286	118,379	118,147
Intangible assets:						
Goodwill .....	—	2,607	2,978	3,350	—	—
Software .....	4,644	3,910	4,269	5,487	6,751	7,580
Other .....	730	1,768	2,061	1,586	815	975
Total intangible assets .....	5,375	8,286	9,308	10,424	7,566	8,555
Investments and others:						
Investment securities .....	29,725	23,789	21,583	23,906	20,969	21,769
Investment securities in subsidiaries and affiliated companies .....	239,120	239,008	236,309	190,305	203,036	193,899
Investments in subsidiaries and affiliated companies .....	1,938	1,827	1,827	1,883	1,874	1,874
Long-term loans receivable .....	150,955	143,741	155,813	128,074	118,276	133,871
Lease deposits .....	7,526	7,553	7,747	8,147	8,047	8,583
Long-term prepaid expenses .....	22,126	20,780	21,594	24,013	25,872	25,816
Prepaid pension and severance costs .....	21,530	16,962	16,263	15,903	14,321	14,364
Deferred income taxes .....	—	—	—	130	13,865	14,099
Insurance funds .....	4,294	3,988	3,991	4,181	4,181	4,334
Other .....	2,534	2,777	2,728	2,713	2,831	800
Allowance for doubtful accounts .....	(17,946)	(17,698)	(20,307)	(19,326)	(12,995)	(12,544)
Total investments and others .....	461,806	442,730	447,551	379,933	400,281	406,869
Total fixed assets .....	585,730	570,662	574,796	506,643	526,227	533,572
Total assets .....	¥795,778	¥772,910	¥749,317	¥699,448	¥694,656	¥668,207

In millions of yen

**LIABILITIES**

	2015	2014	2013	2012	2011	2010
<b>Current liabilities:</b>						
Accounts payable.....	¥ 3,172	¥ 3,429	¥ 3,044	¥ 2,400	¥ 1,672	¥ 2,009
Bank loans .....	29,416	36,703	26,598	27,659	29,386	24,492
Lease obligations.....	185	176	121	80	71	51
Payables—other .....	15,675	14,546	15,042	13,756	10,824	10,811
Payables—construction .....	4,480	4,218	4,333	4,343	3,719	3,425
Accrued income taxes .....	10,826	12,366	19,510	3,938	12,450	14,637
Accrued consumption taxes.....	7,088	1,478	2,538	2,062	1,422	1,491
Accrued expenses.....	800	802	726	716	722	555
Deposits received .....	16,784	17,870	24,131	22,066	20,362	23,625
Deferred revenue .....	21,269	21,301	21,671	22,340	22,229	22,558
Accrued bonuses.....	6,296	6,246	6,089	6,116	5,468	5,493
Other .....	2,651	1,834	365	640	2,107	2,133
Total current liabilities .....	118,647	120,976	124,174	106,121	110,439	111,287
<b>Long-term liabilities:</b>						
Lease obligations.....	2,661	2,747	2,449	2,217	2,253	182
Guarantee deposits received.....	17,286	17,622	17,859	18,099	18,262	17,965
Deferred income taxes.....	3,400	307	788	—	—	—
Accrued pension and severance costs.....	3,241	3,555	4,051	3,945	4,040	4,394
Accrued retirement benefits for directors and audit and supervisory board members .....	—	—	857	1,294	1,232	1,174
Other .....	408	459	25	10	11	272
Total long-term liabilities .....	26,998	24,692	26,031	25,568	25,799	23,989
Total liabilities .....	145,646	145,668	150,205	131,689	136,238	135,276

**NET ASSETS****Shareholders' equity:**

Common stock.....	¥ 66,377	¥ 66,377	¥ 66,377	¥ 66,377	¥ 66,377	¥ 66,377
Capital surplus:						
Additional paid-in capital.....	83,054	83,054	83,054	83,054	83,054	83,054
Other capital surplus.....	0	0	—	—	—	—
Total capital surplus .....	83,054	83,054	83,054	83,054	83,054	83,054
Retained earnings:						
Legal reserve.....	9,028	9,028	9,028	9,028	9,028	9,028
Other retained earnings:						
Reserve for system developments.....	800	800	800	800	800	800
General reserve .....	2,212	2,212	2,212	2,212	2,212	2,212
Accumulated earnings carried forward.....	556,013	536,978	508,398	478,914	472,070	445,579
Total retained earnings .....	568,053	549,018	520,439	490,954	484,110	457,620
Common stock in treasury, at cost.....	(73,701)	(73,682)	(73,664)	(73,659)	(74,923)	(74,907)
Total shareholders' equity .....	643,784	624,768	596,206	566,727	558,619	532,145

**Valuation, translation adjustments and others:**

Unrealized gains (losses) on securities .....	6,347	2,473	2,905	1,031	(201)	786
Total valuation, translation adjustments and others.....	6,347	2,473	2,905	1,031	(201)	786
Total net assets .....	650,132	627,242	599,112	567,758	558,417	532,931
Total liabilities and net assets .....	¥795,778	¥772,910	¥749,317	¥699,448	¥694,656	¥668,207

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

SECOM CO., LTD.

Years ended March 31

	In millions of yen					
	2015	2014	2013	2012	2011	2010
Revenue .....	<b>¥370,663</b>	¥364,280	¥355,393	¥345,476	¥329,297	¥328,773
<i>Percentage change from prior year .....</i>	<b>1.8%</b>	2.5%	2.9%	4.9%	0.2%	(2.4%)
Service charges.....	<b>314,068</b>	309,499	305,300	299,523	290,252	291,325
<i>Percentage change from prior year .....</i>	<b>1.5</b>	1.4	1.9	3.2	(0.4)	(1.0)
Sales of merchandise.....	<b>56,594</b>	54,781	50,092	45,952	39,045	37,447
<i>Percentage change from prior year .....</i>	<b>3.3</b>	9.4	9.0	17.7	4.3	(11.9)
Costs .....	<b>221,441</b>	215,849	210,790	203,386	191,284	188,701
<i>As a percentage of revenue .....</i>	<b>59.7</b>	59.3	59.3	58.9	58.1	57.4
Costs of service .....	<b>180,850</b>	177,339	174,331	169,928	160,203	160,349
<i>As a percentage of service charges .....</i>	<b>57.6</b>	57.3	57.1	56.7	55.2	55.0
Costs of sales .....	<b>40,590</b>	38,509	36,458	33,458	31,081	28,352
<i>As a percentage of merchandise sales.....</i>	<b>71.7</b>	70.3	72.8	72.8	79.6	75.7
Gross profit.....	<b>149,221</b>	148,431	144,603	142,089	138,013	140,072
<i>As a percentage of revenue .....</i>	<b>40.3</b>	40.7	40.7	41.1	41.9	42.6
Gross profit on service.....	<b>133,217</b>	132,159	130,969	129,595	130,048	130,976
<i>As a percentage of service charges .....</i>	<b>42.4</b>	42.7	42.9	43.3	44.8	45.0
Gross profit on sales.....	<b>16,003</b>	16,272	13,634	12,494	7,964	9,095
<i>As a percentage of merchandise sales.....</i>	<b>28.3</b>	29.7	27.2	27.2	20.4	24.3
Selling, general and administrative expenses .....	<b>76,046</b>	75,521	74,651	71,893	69,324	68,544
<i>As a percentage of revenue .....</i>	<b>20.5</b>	20.7	21.0	20.8	21.0	20.8
Operating profit.....	<b>73,174</b>	72,909	69,952	70,196	68,688	71,527
<i>As a percentage of revenue .....</i>	<b>19.8</b>	20.0	19.7	20.3	20.9	21.8
Non-operating income .....	<b>11,714</b>	10,269	10,173	8,048	8,863	9,225
Non-operating expenses .....	<b>3,316</b>	4,295	3,789	3,032	3,050	3,290
Ordinary profit .....	<b>81,572</b>	78,884	76,336	75,212	74,501	77,462
<i>As a percentage of revenue .....</i>	<b>22.0</b>	21.7	21.5	21.8	22.6	23.6
Extraordinary profit .....	<b>1,670</b>	491	1,219	23,001	106	561
Extraordinary losses.....	<b>2,805</b>	1,604	1,052	40,695	2,637	4,639
Income before income taxes .....	<b>80,437</b>	77,771	76,502	57,518	71,970	73,384
<i>As a percentage of revenue .....</i>	<b>21.7</b>	21.3	21.5	16.6	21.9	22.3
Income taxes.....	<b>22,945</b>	26,273	27,374	30,699	26,946	27,578
<i>Effective tax rate.....</i>	<b>28.5</b>	33.8	35.8	53.4	37.4	37.6
Net income.....	<b>57,492</b>	51,497	49,128	26,818	45,023	45,806
<i>As a percentage of revenue .....</i>	<b>15.5</b>	14.1	13.8	7.8	13.7	13.9
<i>Percentage change from prior year .....</i>	<b>11.6</b>	4.8	83.2	(40.4)	(1.7)	41.3



# Corporate Information

(As of June 30, 2015)

<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, 2015)
<b>Domestic</b>				
<b>&lt;Security services&gt;</b>				
Secom Joshinetsu Co., Ltd.	¥3,530	(50.9)%	Security services	
Secom Hokuriku Co., Ltd.	201	59.1	Security services	
Secom Yamanashi Co., Ltd.	15	70.0	Security services	
Secom Mie Co., Ltd.	50	51.0	Security services	
Secom Sanin Co., Ltd.	290	64.3	Security services	
Secom Kochi Co., Ltd.	50	40.0	Security services	
Secom Miyazaki Co., Ltd.	30	68.3	Security services	
Secom Ryukyu Co., Ltd.	76	50.0	Security services	
Secom Jastic Co., Ltd.	210	100.0	Security services	
Secom Jastic Joshinetsu Co., Ltd.	40	(100.0)	Security services	
Secom Jastic Hokuriku Co., Ltd.	10	(100.0)	Security services	
Secom Jastic Yamanashi Co., Ltd.	10	(100.0)	Security services	
Secom Jastic Sanin Co., Ltd.	10	(100.0)	Security services	
Secom Jastic Kochi Co., Ltd.	10	(100.0)	Security services	
Secom Jastic Miyazaki Co., Ltd.	10	(100.0)	Security services	
Secom Static Hokkaido Co., Ltd.	50	100.0	Security services	
Secom Static Tohoku Co., Ltd.	50	100.0	Security services	
Secom Static Nishi-Nihon Co., Ltd.	50	100.0	Security services	
Secom Static Kansai Co., Ltd.	50	100.0	Security services	
Secom Static Ryukyu Co., Ltd.	10	(100.0)	Security services	
Secom Sado Co., Ltd.	24	(54.5)	Security services	
JK. Siress Co., Ltd.	10	(100.0)	Security services	
Japan Safety Guard Co., Ltd.	100	60.0	Security services	
Japan Nuclear Security System Co., Ltd.	200	50.0	Security services	
Meian Co., Ltd.	60	51.0	Security services	
Secom Tech Sanin Co., Ltd.	23	(100.0)	Installation of security equipment	
Secom Techno Joshinetsu Co., Ltd.	30	(100.0)	Installation of security equipment	
Secom Win Co., Ltd.	15	66.7	Installation of security equipment and facilities	
Secom Industries Co., Ltd.	499	100.0	Manufacturing of security equipment	
Otec Electronics Co., Ltd.	200	82.0	Manufacturing and sales of security systems	
Secom Alpha Co., Ltd.	271	100.0	Sales of security and water-treatment equipment	
Secom Mine Security Co., Ltd.	30	100.0	Security services	
Social Rehabilitation Support Kitsuregawa Co., Ltd.	10	51.7	Operation of PFI correctional facilities	
Secom Kitsuregawa Security Co., Ltd.	50	100.0	Security services	
Home Life Kanri Co., Ltd.	40	(100.0)	Condominium management	

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, 2015)
<b>&lt;Fire protection services&gt;</b>				
Nohmi Bosai Ltd.	¥13,302	(50.4)%	Manufacturing and sales of fire protection equipment and facilities	
Ichibou Co., Ltd.	28	(73.2)	Installation of fire protection equipment	
Kyushu Nohmi Co., Ltd.	30	(100.0)	Installation and maintenance of fire protection equipment	
Chiyoda Service Co., Ltd.	20	(70.0)	Building management	
Nohmi Engineering Corp.	40	(100.0)	Installation of fire protection equipment	
Nohmi System Co., Ltd.	20	(100.0)	Maintenance of fire protection equipment	
Iwate Nohmi Co., Ltd.	30	(100.0)	Installation of fire protection equipment	
Tohoku Nohmi Co., Ltd.	32	(100.0)	Installation of fire protection equipment	
Aomori Nohmi Co., Ltd.	20	(100.0)	Installation of fire protection equipment	
Nissin Bohsai Co., Ltd.	50	(100.0)	Installation of fire protection equipment	
Chiba Nohmi Co., Ltd.	10	(100.0)	Installation of fire protection equipment	
Shikoku Nohmi Co., Ltd.	20	(100.0)	Installation of fire protection equipment	
Nohmi Techno Engineering Co., Ltd.	40	(100.0)	Installation of environmental monitoring systems	
Akita Nohmi Co., Ltd.	20	(100.0)	Installation of fire protection equipment	
Fukushima Nohmi Co., Ltd.	20	(100.0)	Installation of fire protection equipment	
Niigata Nohmi Co., Ltd.	20	(100.0)	Installation of fire protection equipment	
Hokkaido Nohmi Co., Ltd.	20	(100.0)	Installation of fire protection equipment	
Yashima Bosai Setsubi Co., Ltd.	20	(81.8)	Installation of fire protection equipment	
Nittan Co., Ltd.	2,303	100.0	Installation, sale and maintenance of fire protection equipment	
Nittan Electronic Co., Ltd.	60	(100.0)	Manufacturing of fire protection equipment	
Nittan Denko Co., Ltd.	10	(100.0)	Installation and maintenance of fire protection equipment	
Nittan Hokkaido Service Center Co., Ltd.	10	(100.0)	Installation and maintenance of fire protection equipment	
Nittan Tohoku Service Center Co., Ltd.	10	(100.0)	Installation and maintenance of fire protection equipment	
Nittan Nagoya Service Center Co., Ltd.	10	(100.0)	Installation and maintenance of fire protection equipment	
Nittan Service Center Osaka Co., Ltd.	10	(100.0)	Installation and maintenance of fire protection equipment	
Nittan Hiroshima Service Center Co., Ltd.	10	(100.0)	Installation and maintenance of fire protection equipment	
Nittan Shikoku Service Center Co., Ltd.	10	(100.0)	Installation and maintenance of fire protection equipment	
Nittan Fukuoka Service Center Co., Ltd.	10	(100.0)	Installation and maintenance of fire protection equipment	
Sogo Denki Trading Co., Ltd.	10	(100.0)	Installation and maintenance of fire protection equipment	
Shell beach Co., Ltd.	10	(100.0)	Installation and maintenance of fire protection equipment	
<b>&lt;Medical services&gt;</b>				
Secom Medical System Co., Ltd.	6,650	100.0	Home health/nursing care and other medical-related services	
Mac Corp.	95	(100.0)	Sales of medical equipment	
Yoshikikaku Co., Ltd.	20	(100.0)	Operation of restaurants and shops at medical facilities	
Kensei Co., Ltd.	100	(100.0)	Management of pharmacies	
Secomfort Tama Co., Ltd.	210	(100.0)	Management of nursing homes	
Alive Medicare Co., Ltd.	50	(100.0)	Management of nursing homes	
Secomfort Co., Ltd.	100	(100.0)	Management of nursing homes	
Secomfort West Co., Ltd.	100	(100.0)	Management of nursing homes	
US Chemical Co., Ltd.	3	(100.0)	Management of pharmacies	
Secom Medipharma Co., Ltd.	10	(100.0)	Wholesaling of pharmaceuticals	

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

(Continued)

## MAJOR CONSOLIDATED SUBSIDIARIES

	Issued capital (In millions of yen)	Percentage of equity/ voting rights	Lines of business	(As of June 30, 2015)
<b>&lt;Insurance services&gt;</b>				
Secom Insurance Service Co., Ltd.	¥ 225	(100.0)%	Non-life insurance agency	
Secom General Insurance Co., Ltd.	16,809	97.1	Non-life insurance	
<b>&lt;Geographic information services&gt;</b>				
Pasco Corp.	8,758	69.8	Geographic information services	
Pasco Space Mapping Technology Co., Ltd.	25	(100.0)	Geographic information services	
GIS Hokkaido Co., Ltd.	190	(100.0)	Geographic information services	
GIS Tohoku Co., Ltd.	50	(84.6)	Geographic information services	
GIS Kanto Co., Ltd.	40	(52.6)	Geographic information services	
GIS Kansai Co., Ltd.	99	(100.0)	Geographic information services	
Mid Map Tokyo Corp.	15	(60.0)	Geographic information services	
RIIC Corp.	20	(100.0)	Geographic information services	
Higashi-Nihon Sogo Keikaku Co., Ltd.	200	(100.0)	Geographic information services	
Satellite Vision Corp.	2	(100.0)	Geographic information services	
Satellite Image Marketing Corp.	60	(100.0)	Geographic information services	
<b>&lt;Information and communication related services&gt;</b>				
Secom Trust Systems Co., Ltd.	1,469	100.0	Information, communication, information security services and software development	
At Tokyo Corp.	13,379	50.9	Data center business	
<b>&lt;Real estate and other services&gt;</b>				
Secom Home Life Co., Ltd.	3,700	99.9	Development of residential buildings	
Arai & Co., Ltd.	3,000	86.7	Real estate leasing	
Arai Corporation, Inc.	10	(100.0)	Management of real estate	
Secom Credit Co., Ltd.	400	100.0	Credit services	
Secom Corp.	100	100.0	Printing services	
Secom Auto Service Co., Ltd.	45	100.0	Car maintenance	
Wonder Dream Co., Ltd.	490	100.0	Employee welfare for SECOM Group	
Secom Staff Service Co., Ltd.	50	(100.0)	Employment agency	
Secom Business Plus Co., Ltd.	20	100.0	General office services	
Secom Home Service Co., Ltd.	32	100.0	Lifestyle support services	
Kurashi-TEL Co., Ltd.	100	60.0	Comprehensive lifestyle support services	
Secom Engineering Co., Ltd.	100	100.0	Design, construction and maintenance of facilities	
Yanoshin Air Conditioning Co., Ltd.	80	100.0	Sales of air-conditioning equipment	
Toko Create Co., Ltd.	50	96.6	Electrical engineering	

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

(Continued)

## MAJOR CONSOLIDATED SUBSIDIARIES

	Issued capital	Percentage of equity/ voting rights	Lines of business	(As of June 30, 2015)
<b>Overseas</b>				
<b>&lt;Security services&gt;</b>				
Secom plc	£44,126 thousand	100.0%	Security services	
Secom (China) Co., Ltd.	¥5,550 million	100.0	Holding company	
Dalian Secom Security Co., Ltd.	US\$2,000 thousand	(95.0)	Security services	
Shanghai Secom Security Co., Ltd.	Rmb50,000 thousand	(85.0)	Security services	
Beijing Jingdun Secom Electronic Security Co., Ltd.	US\$2,500 thousand	(80.0)	Security services	
Qingdao Secom Security Co., Ltd.	US\$1,000 thousand	(80.0)	Security services	
Guangdong Jinpeng Secom Security Co., Ltd.	US\$4,500 thousand	(90.0)	Security services	
Fujian Secom Security Co., Ltd.	Rmb15,000 thousand	(95.0)	Security services	
Sichuan Secom Security Co., Ltd.	Rmb10,000 thousand	(100.0)	Security services	
Shaanxi Secom Security Co., Ltd.	Rmb10,000 thousand	(100.0)	Security services	
Zhejiang Secom Security Co., Ltd.	Rmb15,000 thousand	(97.0)	Security services	
Liaoning Secom Security Co., Ltd.	Rmb10,000 thousand	(60.0)	Security services	
Tianjin Secom Property Management Co., Ltd.	Rmb2,000 thousand	(80.0)	Comprehensive building management services	
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 Guardall NZ Ltd.	NZD1,604 thousand	(80.0)	Security services	
Secom Vietnam Co., Ltd.	US\$600 thousand	80.0	Security service-related consulting	
Secom Trading Co., Ltd.	¥120 million	100.0	Sales of security equipment	
Secom Vietnam Security Service Joint Stock Company	¥181 million	(49.0)	Security services	
<b>&lt;Other services&gt;</b>				
Shanghai Nohmi Secom Fire Protection Equipment Co., Ltd.	US\$14,300 thousand	(100.0)	Manufacturing and sales of fire protection equipment and facilities	
Nohmi Taiwan Ltd.	NT\$15,000 thousand	(82.3)	Manufacturing and sales of fire protection equipment and facilities	
Nittan Europe Ltd.	£1,194 thousand	(100.0)	Sales of fire protection equipment	
Nittan Fire Protection System (Zhongshan) Co., Ltd.	US\$1,400 thousand	(70.0)	Sales of fire protection equipment	
Secom Medical System (Singapore) Pte. Ltd.	S\$12,703 thousand	(100.0)	Holding company	
Pasco Philippines Corp.	PHP20,400 thousand	(100.0)	Geographic information services	
Pasco China Corp.	Rmb22,320 thousand	(99.0)	Geographic information services	
Suzhou Super Dimension Earth Science Research and Development Co., Ltd.	Rmb1,000 thousand	(92.0)	Geographic information services	
Shanghai Pasco China Corp.	Rmb800 thousand	(100.0)	Geographic information services	
Pasco (Thailand) Co., Ltd.	THB129,000 thousand	(100.0)	Geographic information services	
PT. Nusantara Secom InfoTech	US\$3,304 thousand	(100.0)	Geographic information services and software development	
Pasco Lao Sole Co., Ltd.	LAK3,878 million	(100.0)	Geographic information services	
FM-International Oy	EUR10,994 thousand	(100.0)	Geographic information services	
Aerodata International Surveys BVBA	EUR87 thousand	(100.0)	Geographic information services	
Pasco Europe B.V.	EUR4,000 thousand	(100.0)	Geographic information services	
Pasco North America Inc.	US\$5,621 thousand	(100.0)	Geographic information services	
Keystone Aerial Surveys Inc.	US\$0.6 thousand	(100.0)	Geographic information services	
Airmag Surveys Inc.	US\$15 thousand	(100.0)	Geographic information services	
The Westec Security Group, Inc.	US\$0.3 thousand	100.0	Holding company	
ClearLight Partners, LLC	—	(99.7)	Investment	
ClearLight Partners II, LLC	—	(99.0)	Investment	
ClearLight Partners III, LLC	—	(98.0)	Investment	

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



SECOM’s Basic Business Areas

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

Security Services

On-Line Security Systems

Commercial Use:

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

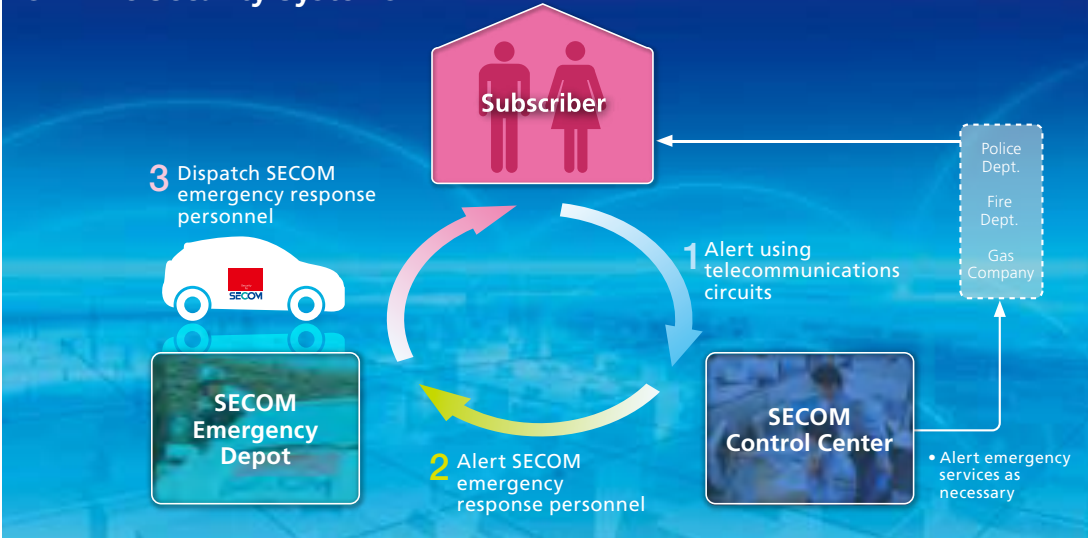
Residential Use:

- **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

Fire Protection Services

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

On-Line Security Systems



available from Group-selected collaborating companies. Optional services available to SECOM Home Security subscribers include the Keeping in Touch call and the Keeping in Touch visiting services for seniors, both of which involve SECOM staff checking in regularly with seniors living far away from their loved ones.

- **SECURITY SYSTEMS FOR CONDOMINIUMS AND APARTMENTS**  
SECOM provides comprehensive building management functions for each unit in the building. SECOM's menu includes services for small-scale apartments.
- **SECOM MY DOCTOR PLUS**  
SECOM My Doctor Plus is an emergency medical alert system for seniors featuring an exclusive portable device that incorporates a GPS locator and a cellular phone. Whether indoors or out, the device, when activated, sends an emergency signal to SECOM. If requested, SECOM dispatches emergency response personnel. If deemed necessary, SECOM staff also contacts emergency services and sends preregistered emergency information to the subscriber's device, thereby ensuring it is immediately available to ambulance attendants and hospital staff. Other services include telephone health consultation. SECOM will

also act as go-between with nursing care providers for individuals who have independently contracted care services.

Large-Scale Proprietary Security Systems

- **TOTAX ZETA**  
TOTAX ZETA integrates networking capabilities and a security system into a comprehensive local control system for industrial complexes and buildings.
- **COCO-SECOM**  
COCO-SECOM is an innovative system that uses signals from global positioning system (GPS) satellites and cellular telephone base stations to locate moving objects, such as people, vehicles and property. As an option, customers can also request to have emergency response personnel dispatched to the location of the object or an emergency alert relayed to a predetermined telephone number.

Static Guard Services

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

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.

Armored Car Services

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

SECOM AED Package Service

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

Merchandise

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

Information and Communication Related Services

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

Real Estate and Other Services

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

# Directors, Audit and Supervisory Board Members and Executive Officers

## Directors



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Founder



**Shuji Maeda**  
Chairman and  
Representative Director



**Hiroshi Ito**  
President and  
Representative Director



**Yasuo Nakayama**  
Executive Director



**Kazuaki Anzai**  
Executive Director



**Junzo Nakayama**  
Executive Director



**Kenichi Furukawa**  
Executive Director



**Yasuyuki Yoshida**  
Director



**Tatsuro Fuse**  
Director



**Takaharu Hirose**  
Outside Director



**Takashi Sawada**  
Outside Director

## Audit and Supervisory Board Members

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

\*Outside

## Executive Officers

Shuji Maeda  
Chairman and  
Representative Director

Hiroshi Ito  
President and  
Representative Director

Yasuo Nakayama  
Executive Director

Kazuaki Anzai  
Executive Director

Junzo Nakayama  
Executive Director

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(As of July 31, 2015)



**SECOM CO., LTD.**

5-1, Jingumae 1-chome, Shibuya-ku,

Tokyo 150-0001, Japan

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



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