AUDITED FINANCIAL STATEMENTS

Contents

Consolidated Financial Statements

Consolidated Balance Sheets

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

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

See accompanying notes to consolidated financial statements.

LIABILITIES AND EQUITY	In millions of yen		Translation into thousands of U.S. dollars (Note 3)
	March 31		March 31
	2016	2015	2016
Current liabilities:			
Bank loans (Notes 6 and 13)	¥ 55,659	¥ 43,924	$ 492,558
Current portion of long-term debt (Notes 13, 19 and 21)	17,926	13,368	158,637
Notes and accounts payable, trade	42,905	44,300	379,690
Other payables	39,635	34,958	350,752
Deposits received (Note 6)	104,996	20,929	929,168
Deferred revenue	39,737	39,737	351,655
Accrued income taxes	22,410	21,102	198,319
Accrued payroll	31,506	29,058	278,814
Other current liabilities (Note 17)	32,991	39,180	291,956
Total current liabilities	387,765	286,556	3,431,549
Long-term liabilities:			
Long-term debt (Notes 13, 19 and 21)	61,640	53,803	545,487
Guarantee deposits received	33,637	34,642	297,673
Accrued pension and severance costs (Note 15)	30,068	25,648	266,088
Long-term deferred revenue	16,350	16,591	144,690
Unearned premiums and other insurance liabilities (Note 14)	105,569	99,584	934,239
Investment deposits by policyholders (Notes 14 and 21)	29,802	30,272	263,735
Deferred income taxes (Note 17)	25,982	28,402	229,929
Other long-term liabilities (Notes 21, 22 and 23)	13,922	11,198	123,204
Total long-term liabilities	316,970	300,140	2,805,045
Total liabilities	704,735	586,696	6,236,594
Commitments and contingent liabilities (Note 24)			
Equity:			
SECOM CO., LTD. shareholders' equity (Note 18):			
Common stock			
Authorized—900,000,000 shares issued 233,288,717 shares in 2016 and 2015	66,378	66,378	587,416
Additional paid-in capital	73,118	73,442	647,062
Legal reserve	10,526	10,401	93,150
Retained earnings	772,061	716,487	6,832,398
Accumulated other comprehensive income (loss):			
Unrealized gains on securities (Note 7)	18,152	25,564	160,637
Unrealized gains on derivative instruments (Note 23)	—	5	—
Pension liability adjustments (Note 15)	(7,891)	(2,140)	(69,832)
Foreign currency translation adjustments	6,652	9,533	58,867
	16,913	32,962	149,672
Common stock in treasury, at cost: 15,026,824 shares in 2016 and 15,024,812 shares in 2015	(73,718)	(73,701)	(652,372)
Total SECOM CO., LTD. shareholders' equity	865,278	825,969	7,657,326
Noncontrolling interests	111,319	113,198	985,124
Total equity	976,597	939,167	8,642,450
Total liabilities and equity	¥1,681,332	¥1,525,863	$14,879,044

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

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

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

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

Consolidated Statements of Comprehensive Income

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

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

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

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

In millions of yen

	Number of shares issued	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Common stock in treasury, at cost	Total SECOM CO., LTD. shareholders' equity	Noncontrolling interests	Total
Balance, March 31, 2013	233,288,717	¥66,378	¥73,809	¥10,241	¥623,599	(¥21,186)	(¥73,665)	¥679,176	¥100,439	¥779,615
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)
Balance, March 31, 2014	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)
Balance, March 31, 2015	233,288,717	66,378	73,442	10,401	716,487	32,962	(73,701)	825,969	113,198	939,167
Comprehensive income:										
Net income	—	—	—	—	**84,072**	—	—	**84,072**	**5,239**	**89,311**
Other comprehensive income (loss), net of tax (Note 18):										
Unrealized gains on securities	—	—	—	—	—	**(7,411)**	—	**(7,411)**	**(412)**	**(7,823)**
Unrealized gains on derivative instruments	—	—	—	—	—	**(5)**	—	**(5)**	**(4)**	**(9)**
Pension liability adjustments	—	—	—	—	—	**(5,752)**	—	**(5,752)**	**(650)**	**(6,402)**
Foreign currency translation adjustments	—	—	—	—	—	**(2,881)**	—	**(2,881)**	**(353)**	**(3,234)**
Total comprehensive income								**68,023**	**3,820**	**71,843**
Cash dividends paid to SECOM CO., LTD. shareholders	—	—	—	—	**(28,373)**	—	—	**(28,373)**	—	**(28,373)**
Cash dividends paid to noncontrolling interests	—	—	—	—	—	—	—	—	**(2,943)**	**(2,943)**
Transfer to legal reserve	—	—	—	**125**	**(125)**	—	—	—	—	—
Equity transactions with noncontrolling interests and other (Note 18)	—	—	**(324)**	—	—	—	—	**(324)**	**(2,756)**	**(3,080)**
Gains on disposal of treasury stock	—	—	**0**	—	—	—	—	**0**	—	**0**
Net changes in treasury stock	—	—	—	—	—	—	**(17)**	**(17)**	—	**(17)**
Balance, March 31, 2016	**233,288,717**	**¥66,378**	**¥73,118**	**¥10,526**	**¥772,061**	**¥16,913**	**(¥73,718)**	**¥865,278**	**¥111,319**	**¥976,597**

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

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

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

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

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

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

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

1. Nature of Operations

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

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

2. Significant Accounting Policies

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

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

(1) Basis of Consolidation and Investments in Affiliated Companies

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

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

(2) Consolidation of Variable Interest Entities

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

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

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

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

Total assets and liabilities held by VIEs of which the Company is the primary beneficiary were ¥75,847 million ($671,212 thousand) and ¥84,809 million ($750,522 thousand), respectively, at March 31, 2016, and ¥70,658 million and ¥77,868 million, respectively, at March 31, 2015. The creditors of VIEs do not have recourse to the Company's general credit with the exception of debts guaranteed by the Company. Total assets and liabilities held by VIEs of which the Company holds significant variable interests but is not the primary beneficiary were ¥30,315 million ($268,274 thousand) and ¥29,631 million ($262,221 thousand), respectively, at March 31, 2016, and ¥31,328 million and ¥31,021 million, respectively, at March 31, 2015. The Company's assets in the consolidated balance sheets and the Company's maximum exposure to losses related to VIEs at March 31, 2016 and 2015 were ¥5,558 million ($49,186 thousand) and ¥5,154 million, respectively.

(3) Revenue Recognition

The Company generates revenue principally through the sales of merchandise and services in the areas of security services, fire protection services, medical services, insurance services, geographic information services, information and communication related services, and real estate and other services under separate contractual arrangements. The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, title and risk of loss have been transferred to the customer, the sales price is fixed or determinable, and collectibility is probable.

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

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

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

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

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

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

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

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

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

(4) Foreign Currency Translation

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

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

(5) Cash Equivalents

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

(6) Investments in Debt and Equity Securities

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

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

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

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

(7) Private Equity Investments

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

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

The carrying value of private equity investments was ¥34,851 million ($308,416 thousand) and ¥25,682 million at March 31, 2016 and 2015, respectively.

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

(8) Inventories

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

(9) Allowance for Doubtful Accounts

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

(10) Deferred Insurance Acquisition Costs

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

(11) Property, Plant and Equipment and Depreciation

Property, plant and equipment, including significant leasehold improvements, are carried at cost and depreciated at rates based on the estimated useful lives of the assets. Depreciation is computed using the straight-line method for assets other than security equipment and control stations. Security equipment and control stations are depreciated using the declining-balance method. Assets leased to others under operating leases are depreciated using the straight-line method over the estimated useful lives. Depreciation expense was ¥50,098 million ($443,345 thousand), ¥47,582 million and ¥45,523 million for the years ended March 31, 2016, 2015 and 2014, respectively. Maintenance, repairs and renewals are charged to income as incurred.

The estimated useful lives of depreciable assets are as follows:

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

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

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

(12) Deferred Charges

Deferred charges primarily consist of costs related to installation services of security equipment used to provide on-line security systems. The installation costs are deferred and amortized using the straight-line method over the contractual period of security services after completion of the installation. Amortization expense was ¥15,129 million ($133,885 thousand), ¥14,759 million and ¥14,397 million for the years ended March 31, 2016, 2015 and 2014, respectively.

(13) Impairment or Disposal of Long-Lived Assets

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

(14) Goodwill and Other Intangible Assets

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

(15) Unearned Premiums and Other Insurance Liabilities

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

(16) Income Taxes

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

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

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

(17) Research and Development

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

(18) Advertising Costs

Advertising costs are charged to income as incurred, except for the costs related to insurance policies. Advertising costs for acquiring new insurance policies are deferred and amortized as part of insurance acquisition costs. Advertising expenses included in selling, general and administrative expenses for the years ended March 31, 2016, 2015 and 2014 were ¥4,388 million ($38,832 thousand), ¥3,550 million and ¥3,823 million, respectively.

(19) Shipping and Handling Costs

Shipping and handling costs included in selling, general and administrative expenses for the years ended March 31, 2016, 2015 and 2014 were ¥1,213 million ($10,735 thousand), ¥1,223 million and ¥1,160 million, respectively.

(20) Derivative Financial Instruments

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

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

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

(21) Per Share Data

Basic Earnings per Share ("EPS") is computed based on the average number of shares of common stock outstanding for the period. The average number of shares of common stock outstanding for the years ended March 31, 2016, 2015 and 2014 was 218,263 thousand shares, 218,265 thousand shares and 218,268 thousand shares, respectively. There were no potentially dilutive shares outstanding during the years ended March 31, 2016, 2015 or 2014.

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

(22) Use of Estimates

The preparation of the consolidated financial statements requires management of the Company to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the carrying amounts of 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 April 2014, the FASB issued ASU No. 2014-08, "Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity." This accounting standard changes the criteria for reporting discontinued operations in ASC205-20. A disposal of a component of an entity or a group of components of an entity is required to be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results. This accounting standard is effective for fiscal years beginning after December 15, 2014, and was adopted by the Company in the fiscal year beginning April 1, 2015. As this accounting standard includes provisions for presentation only, the adoption did not have an impact on the Company's consolidated results of operations or financial position.

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers." This accounting standard requires an entity to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This accounting standard also requires an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Both qualitative and quantitative information is required. This accounting standard was originally planned to be effective for fiscal years beginning after December 15, 2016; however, in August 2015, the FASB issued ASU No. 2015-14, which defers the effective date of ASU No. 2014-09 for one year. Early adoption as of the original effective date is permitted. This accounting standard may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized at the date of initial application. The Company is currently evaluating the transition method, the timing of its adoption and the effect of adopting this accounting standard on its consolidated financial statements.

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

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

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

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

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

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

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

(24) Discontinued Operations

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

(25) Reclassifications

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

3. U.S. Dollar Amounts

U.S. dollar amounts have been included in these financial statements solely for the convenience of the reader. The translations of yen into U.S. dollars have been made at the rate of ¥113=US$1, the approximate rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2016. These translations should not be construed as representing that the yen amounts actually constitute, or have been or could be converted into U.S. dollars at that rate.

4. Acquisitions

Acquisition of Asahi Security Co., Ltd.

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

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

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

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

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

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

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

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

The unaudited pro forma data is not necessarily indicative of the Company's consolidated results of operations that would actually have been reported if the transaction in fact had occurred on April 1, 2014, and is not necessarily representative of the Company's consolidated results of operations for any future period.

5. Cash and Cash Equivalents

Cash and cash equivalents at March 31, 2016 and 2015 comprise the following:

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

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

6. Cash Deposits for Armored Car Services

The Company operates cash collection and deposit services for financial institutions relating to cash dispensers located outside of financial institution facilities and also operates cash collection and delivery services for entities other than financial institutions. Cash deposit for armored car services balances are segregated from cash and cash equivalents and are restricted as to use by the Company. The Company funds most of the cash for such operations through bank overdrafts and deposits. Bank loans and deposits received, which relate to these operations, were ¥26,923 million ($238,257 thousand) and ¥101,306 million ($896,513 thousand), respectively, at March 31, 2016, and ¥29,417 million and ¥16,946 million, respectively, at March 31, 2015. As part of its fee arrangement, the Company is reimbursed for the interest cost of the related overdrafts.

7. Short-Term Investments and Investment Securities

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

	In millions of yen			
	March 31, 2016			
		Gross unrealized		
	Cost	Gains	Losses	Fair value
Short-term investments:				
Available-for-sale:				
Debt securities	¥ 27,336	¥ 1,071	¥ 3	¥ 28,404
Held-to-maturity:				
Debt securities	3,006	2	—	3,008
	¥ 30,342	¥ 1,073	¥ 3	¥ 31,412
Investment securities:				
Available-for-sale:				
Equity securities	¥ 31,333	¥20,878	¥461	¥ 51,750
Debt securities	101,098	7,020	153	107,965
Held-to-maturity:				
Debt securities	8,667	1,607	—	10,274
	¥141,098	¥29,505	¥614	¥169,989

	In millions of yen			
	March 31, 2015			
		Gross unrealized		
	Cost	Gains	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 thousands of U.S. dollars			
	March 31, 2016			
		Gross unrealized		
	Cost	Gains	Losses	Fair value
Short-term investments:				
Available-for-sale:				
Debt securities	$ 241,912	$ 9,478	$ 27	$ 251,363
Held-to-maturity:				
Debt securities	26,602	17	—	26,619
	$ 268,514	$ 9,495	$ 27	$ 277,982
Investment securities:				
Available-for-sale:				
Equity securities	$ 277,283	$184,762	$4,079	$ 457,966
Debt securities	894,673	62,123	1,353	955,443
Held-to-maturity:				
Debt securities	76,700	14,220	—	90,920
	$1,248,656	$261,105	$5,432	$1,504,329

Gross unrealized losses on, and fair value of, "available-for-sale" and "held-to-maturity" securities, aggregated by investment category and the length of time that individual securities have been in a continuous unrealized loss position at March 31, 2016 are as follows:

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

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

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

At March 31, 2016, debt securities principally consisted of short-term investments in monetary trusts, Japanese government bonds, corporate bonds, U.S. treasury securities and U.S. Government Agency Bonds.

The cost and fair value of "available-for-sale" and "held-to-maturity" debt securities by contractual maturity at March 31, 2016 are as follows:

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

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

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

Proceeds from the sale of "available-for-sale" securities for the years ended March 31, 2016, 2015 and 2014 were ¥21,397 million ($189,354 thousand), ¥13,800 million and ¥14,475 million, respectively. On those sales, the gross realized gains and gross realized losses, using a moving-average cost basis, for the years ended March 31, 2016, 2015 and 2014 are as follows:

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

The Company maintains long-term investment securities, issued by a number of non-public companies, included as investment securities in the consolidated balance sheets. The aggregate carrying amount of the investments in non-public companies, at cost net of other-than-temporary impairment, was ¥9,251 million ($81,867 thousand) and ¥9,083 million at March 31, 2016 and 2015, respectively. The corresponding fair value at that date was not computed as such estimation was not practicable and no significant events or changes that might have affected the fair value of the investments were observed.

8. Inventories

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

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

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

Costs on uncompleted construction contracts at March 31, 2016 and 2015, amounting to ¥9,083 million ($80,381 thousand) and ¥9,793 million, respectively, are included in fire protection-related products.

The amount of write-down on real estate inventories included in cost of sales for the years ended March 31, 2016, 2015 and 2014 were ¥1,463 million ($12,947 thousand), ¥1,565 million and ¥1,122 million, respectively.

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

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

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

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

In millions of yen

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

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

In millions of yen

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

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

In thousands of U.S. dollars

	Year ended March 31, 2016					
	Lease receivables	Loans receivable resulting from medical services	Loans receivable resulting from insurance services	Other loans receivable	Other	Total
Allowance for doubtful accounts:						
Balance at beginning of year	$ 3,743	$19,505	$ 0	$27,451	$14,319	$ 65,018
Provision (Reversal)	80	(0)	(0)	(292)	221	9
Charge off	(566)	—	—	(18,876)	—	(19,442)
Other*	—	(1,850)	—	(2,044)	398	(3,496)
Balance at end of year	3,257	17,655	0	6,239	14,938	42,089
Individually evaluated	708	17,655	—	6,239	14,938	39,540
Collectively evaluated	$ 2,549	$ —	$ 0	$ —	$ —	$ 2,549
Financing receivables:						
Individually evaluated	$ 850	$53,965	$ —	$ 7,495	$34,496	$ 96,806
Collectively evaluated	426,257	8,929	920	11,301	1,345	448,752
	$427,107	$62,894	$920	$18,796	$35,841	$545,558

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

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

The aging analysis of the recorded financing receivables and financing receivables on nonaccrual status at March 31, 2016 and 2015 are as follows:

In millions of yen

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

In millions of yen

March 31, 2015	Lease receivables	Loans receivable resulting from medical services	Loans receivable resulting from insurance services	Other loans receivable	Other	Total
Current	¥48,698	¥10,966	¥159	¥1,807	¥2,417	¥64,047
Overdue	88	40	—	3,192	2,703	6,023
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 thousands of U.S. dollars

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

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

In millions of yen

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

In millions of yen

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

In thousands of U.S. dollars

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

The average amounts of impaired receivables for the year ended March 31, 2016 are as follows:

In millions of yen

	Lease receivables	Loans receivable resulting from medical services	Loans receivable resulting from insurance services	Other loans receivable	Other	Total
Average amounts of impaired receivables	¥92	¥8,053	¥—	¥2,059	¥4,433	¥14,637

In thousands of U.S. dollars

	Lease receivables	Loans receivable resulting from medical services	Loans receivable resulting from insurance services	Other loans receivable	Other	Total
Average amounts of impaired receivables	$814	$71,265	$—	$18,221	$39,230	$129,530

10. Investments in Affiliated Companies

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

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

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2016	2015	2016
Current assets	¥ 94,933	¥105,832	$ 840,115
Noncurrent assets	194,312	205,514	1,719,575
Total assets	¥289,244	¥311,346	$2,559,681
Current liabilities	¥ 74,725	¥ 92,416	$ 661,283
Long-term liabilities	35,674	38,831	315,699
Equity	178,846	180,099	1,582,708
Total liabilities and equity	¥289,244	¥311,346	$2,559,681

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

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

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

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

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

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

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

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

11. Long-Lived Assets

The Company has assessed the potential impairment of its long-lived assets. As a result of a significant decrease in revenue forecasts, the Company principally recognized impairment losses on certain business assets of the information and communication related services segment and certain real estate included as corporate items for the year ended March 31, 2016, on certain business assets of the information and communication related services segment for the year ended March 31, 2015, and on certain real estate of the medical services segment for the year ended March 31, 2014. The fair value was determined based on the estimated present value of future cash flows or appraisal value.

Impairment losses on long-lived assets by business segment for the years ended March 31, 2016, 2015 and 2014 are as follows:

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

12. Goodwill and Other Intangible Assets

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

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

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

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

Aggregate amortization expense for the years ended March 31, 2016, 2015 and 2014 was ¥7,254 million ($64,195 thousand), ¥6,522 million and ¥6,741 million, respectively. Amortized intangible assets are amortized using the straight-line method over their estimated useful lives. The weighted average amortization period for internal use software is approximately five years.

The estimated aggregate amortization expense for intangible assets for the next five years is as follows:

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2017	¥8,708	$77,062
2018	7,609	67,336
2019	6,616	58,549
2020	5,410	47,876
2021	3,669	32,469

The changes in the carrying amount of goodwill by business segment for the years ended March 31, 2016 and 2015 are as follows:

	In millions of yen						
	Security services	Fire protection services	Medical services	Geographic information services	Information and communication related services	Real estate and other services	Total
Goodwill	¥ 4,192	¥1,953	¥9,399	¥4,530	¥17,643	¥1,962	¥39,679
Accumulated impairment losses	(1,723)	—	(4,036)	(738)	(175)	(135)	(6,807)
March 31, 2014	2,469	1,953	5,363	3,792	17,468	1,827	32,872
Goodwill acquired during the year	—	—	—	37	—	—	37
Disposal	—	(11)	—	—	—	—	(11)
Impairment losses	—	—	(1,314)	—	—	—	(1,314)
Translation adjustment	104	—	—	13	—	—	117
Goodwill	4,296	1,942	9,399	4,580	17,643	1,962	39,822
Accumulated impairment losses	(1,723)	—	(5,350)	(738)	(175)	(135)	(8,121)
March 31, 2015	2,573	1,942	4,049	3,842	17,468	1,827	31,701
Goodwill acquired during the year	**58,646**	**—**	**—**	**—**	**—**	**—**	**58,646**
Disposal	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Impairment losses	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Translation adjustment	**(65)**	**—**	**—**	**—**	**—**	**—**	**(65)**
Goodwill	**62,877**	**1,942**	**9,399**	**4,580**	**17,643**	**1,962**	**98,403**
Accumulated impairment losses	**(1,723)**	**—**	**(5,350)**	**(738)**	**(175)**	**(135)**	**(8,121)**
March 31, 2016	**¥61,154**	**¥1,942**	**¥4,049**	**¥3,842**	**¥17,468**	**¥1,827**	**¥90,282**

	In thousands of U.S. dollars						
	Security services	Fire protection services	Medical services	Geographic information services	Information and communication related services	Real estate and other services	Total
Goodwill	$ 38,018	$17,186	$83,177	$40,531	$156,133	$17,363	$352,408
Accumulated impairment losses	(15,248)	—	(47,345)	(6,531)	(1,549)	(1,195)	(71,868)
March 31, 2015	22,770	17,186	35,832	34,000	154,584	16,168	280,540
Goodwill acquired during the year	**518,991**	**—**	**—**	**—**	**—**	**—**	**518,991**
Disposal	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Impairment losses	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Translation adjustment	**(575)**	**—**	**—**	**—**	**—**	**—**	**(575)**
Goodwill	**556,434**	**17,186**	**83,177**	**40,531**	**156,133**	**17,363**	**870,824**
Accumulated impairment losses	**(15,248)**	**—**	**(47,345)**	**(6,531)**	**(1,549)**	**(1,195)**	**(71,868)**
March 31, 2016	**$541,186**	**$17,186**	**$35,832**	**$34,000**	**$154,584**	**$16,168**	**$798,956**

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

13. Bank Loans and Long-Term Debt

Bank loans of ¥55,659 million ($492,558 thousand) and ¥43,924 million at March 31, 2016 and 2015, respectively, are generally comprised of 30 to 365 day notes. The weighted average interest rate was 0.84 percent and 1.09 percent at March 31, 2016 and 2015, respectively. Substantially all of these loans are borrowed from banks. The Company has entered into basic agreements with these banks which state that, with respect to all present or future loans with such banks, collateral (including sums on deposit with such banks) or guarantors shall be provided immediately upon request. Further, any collateral furnished pursuant to such agreements or otherwise will be applicable to all indebtedness to such banks. The Company has not been requested to submit such additional security.

At March 31, 2016, Nohmi Bosai Ltd., a subsidiary of the parent company, had an unused committed line of credit from a short-term arrangement of ¥4,000 million ($35,398 thousand). The line of credit expires in March 2021. Under the agreement, Nohmi Bosai Ltd. is required to pay commitment fees, at an annual rate of 0.15 percent, on the unused portion of the line of credit. At March 31, 2016, the Company had overdraft agreements with 33 banks and its unused lines of credit amounted to ¥92,798 million ($821,227 thousand). The Company incurs no fee on the unused portion of these overdraft agreements. The overdraft agreements expire in the period from April 2016 to March 2017. The Company has the ability and intent to extend these overdraft agreements under similar terms and conditions.

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

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

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

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

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

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

14. Insurance-Related Operations

Secom General Insurance Co., Ltd. ("Secom Insurance"), a subsidiary of the parent company, maintains accounting records as noted in Note 2 in accordance with Japanese GAAP, which vary in certain respects from U.S. GAAP. Those differences are principally, (a) that insurance acquisition costs are charged to expense when incurred under Japanese GAAP whereas under U.S. GAAP, those costs are deferred and amortized generally over the premium-paying period of the insurance policies, (b) that liabilities related to incurred but not reported claims are computed based on related regulations in Japan whereas under U.S. GAAP, those liabilities are computed based on past experience for unreported losses, and (c) that unearned premiums are calculated based on the documents authorized by the Supervisory Authorities in Japan whereas under U.S. GAAP, unearned premiums are reflected based on the lapse and surrender over the contract period.

In addition, under certain property and casualty insurance contracts with a refund clause and long-term insurance policies that provide refunds at maturity, such as personal accident and fire, the policyholder receives a refund if premiums have been fully paid unless a substantial settlement (as defined in the policy) has occurred. The Company has provided for such refundable amounts by classifying a portion of the net premiums written, together with interest thereon, as investment deposits by policyholders. Contract and policy terms are principally five years.

For purposes of preparing the consolidated financial statements, appropriate adjustments have been made to reflect such items in accordance with U.S. GAAP.

The net equity of Secom Insurance at March 31, 2016 and 2015 was ¥67,193 million ($594,628 thousand) and ¥67,633 million, respectively.

Net sales and operating revenue of Secom Insurance include net realized investment gains and losses, including gains and losses on sales of securities, losses on other-than-temporary impairment of investment securities and impairment losses on long-lived assets. Net realized investment gains and losses, including losses on other-than-temporary impairments, for the years ended March 31, 2016, 2015 and 2014 were gains of ¥473 million ($4,186 thousand), ¥194 million and ¥1,221 million, respectively. Losses on other-than-temporary impairments of investment securities for the years ended March 31, 2016, 2015 and 2014 were ¥147 million ($1,301 thousand), ¥18 million and ¥22 million, respectively.

15. Pension and Severance Costs

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

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

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

Net periodic pension and severance costs for the years ended March 31, 2016, 2015 and 2014 are as follows:

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

The changes in benefit obligation, plan assets and funded status are as follows:

	In millions of yen		In thousands of U.S. dollars
	Years ended March 31		Year ended March 31
	2016	2015	**2016**
Change in benefit obligation:			
Benefit obligation at beginning of year	**¥101,161**	¥ 98,386	**$895,230**
Service cost	**7,739**	5,357	**68,487**
Interest cost	**718**	936	**6,354**
Actuarial (gain) loss	**5,176**	1,073	**45,805**
Benefits paid	**(5,511)**	(4,591)	**(48,770)**
Acquisition	**1,749**	—	**15,478**
Benefit obligation at end of year	**111,032**	101,161	**982,584**
Change in plan assets:			
Fair value of plan assets at beginning of year	**110,524**	92,161	**978,088**
Actual return on plan assets	**(440)**	15,342	**(3,894)**
Employer contribution	**5,553**	6,214	**49,142**
Benefits paid	**(3,876)**	(3,193)	**(34,301)**
Fair value of plan assets at end of year	**111,761**	110,524	**989,035**
Funded status at the end of year	**¥ 729**	¥ 9,363	**$ 6,451**

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

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

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

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

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

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

The estimated prior service benefit and actuarial loss for the defined benefit pension plans that will be amortized from accumulated other comprehensive income (loss) into net periodic benefit cost over the next year are ¥963 million ($8,522 thousand) and ¥764 million ($6,761 thousand), respectively.

The accumulated benefit obligation for the pension plan was ¥110,544 million ($978,265 thousand) and ¥100,995 million at March 31, 2016 and 2015, respectively.

The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for the pension plans with accumulated benefit obligation in excess of plan assets were ¥46,761 million ($413,814 thousand), ¥46,450 million ($411,062 thousand) and ¥23,971 million ($212,133 thousand), respectively, at March 31, 2016, and ¥42,389 million, ¥42,158 million and ¥28,838 million, respectively, at March 31, 2015.

The Company uses March 31 as the measurement date for the domestic pension plan.

Weighted-average assumptions used to determine the benefit obligation at March 31, 2016 and 2015 are as follows:

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

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

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

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

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

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

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

*The plan's government bonds include approximately 5% Japanese bonds and 95% foreign bonds. The non-goverment bonds include 100% foreign bonds.
*The pension investment trust fund included in the plan's pooled funds is classified as Level 2, and invests approximately 60% in equity securities, 30% in debt securities and 10% in other investments. The unquoted beneficial certificate of security investment trust included in the plan's pooled funds is classified as Level 3.

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

*The plan's government bonds include approximately 5% Japanese bonds and 95% foreign bonds. The non-goverment bonds include 100% foreign bonds.
*The pension investment trust fund included in the plan's pooled funds is classified as Level 2, and invests approximately 50% in equity securities, 40% in debt securities and 10% in other investments. The unquoted beneficial certificate of security investment trust included in the plan's pooled funds is classified as Level 3.

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

*The plan's government bonds include approximately 5% Japanese bonds and 95% foreign bonds. The non-goverment bonds include 100% foreign bonds.
*The pension investment trust fund included in the plan's pooled funds is classified as Level 2, and invests approximately 60% in equity securities, 30% in debt securities and 10% in other investments. The unquoted beneficial certificate of security investment trust included in the plan's pooled funds is classified as Level 3.

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

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

	In millions of yen			
	Year ended March 31, 2016			
	Debt securities			
	Non-government bonds	Pooled funds	Other	Total
Balance at beginning of year	¥613	¥26,276	¥323	¥27,212
Actual return on plan assets:				
Relating to assets sold during the year	(508)	262	42	(204)
Relating to assets held at end of year	534	(1,038)	101	(403)
Purchases, sales and settlements, net	(639)	1,207	(1)	567
Transfer to Level 3, net	—	42	—	42
Balance at end of year	¥ —	¥26,749	¥465	¥27,214

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

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

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

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

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

The parent company and certain subsidiaries have defined contribution pension plans. The contributions to the defined contribution pension plans for the years ended March 31, 2016, 2015 and 2014 were ¥1,796 million ($15,894 thousand), ¥1,772 million and ¥1,679 million, respectively.

16. Exchange Gains and Losses

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

17. Income Taxes

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

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

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

Due to the enactment by the National Diet of Japan on March 29, 2016 of the "Act for Partial Amendment of the Income Tax Act, etc." and "Partial Amendment of the Local Taxation Act, etc.," the statutory tax rate used to calculate the deferred tax assets and liabilities at March 31, 2016 changed mainly from 32.1 percent to 30.7 percent for those items scheduled for reversal during the period from April 1, 2016 to March 31, 2018, and to 30.5 percent for those items scheduled for reversal on or after April 1, 2018. Use of operating loss carryforwards for tax purposes will be limited to 60 percent of the current year's taxable income before deducting operating loss carryforwards for tax purposes after the years beginning on or after April 1, 2016, and 55 percent after the years beginning on or after April 1, 2017. The years beginning on or after April 1, 2018, use of operating loss carryforwards for the tax purposes will continue to be limited to 50 percent. As a result, income taxes for the year ended March 31, 2016 increased by ¥464 million ($4,106 thousand).

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

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2016	2015	2014	2016
Income taxes computed at statutory tax rate	¥40,290	¥45,261	¥48,665	$356,549
Increase (decrease) resulting from:				
Reversal of valuation allowance	(3,697)	(927)	(1,234)	(32,717)
Provision of valuation allowance	1,104	1,152	832	9,770
Per capita tax	845	863	857	7,478
Net effect of changes in corporate tax rates	464	(648)	1,119	4,106
Other, net	1,306	271	(544)	11,558
Consolidated income taxes from continuing operations	¥40,312	¥45,972	¥49,695	$356,744

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

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2016	2015	2016
Deferred tax assets:			
Property, plant and equipment	¥ 9,027	¥ 6,230	$ 79,885
Accrued pension and severance costs	8,817	8,180	78,027
Loss carryforwards	8,274	8,715	73,221
Deferred revenue	7,622	8,152	67,451
Adjustment of book value at the date of acquisition—			
Land and buildings	6,195	6,871	54,823
Other assets	242	263	2,142
Accrued bonus	5,617	5,709	49,708
Vacation accrual	3,231	3,186	28,593
Allowance for doubtful accounts	1,612	2,889	14,265
Intangible assets	1,563	1,674	13,832
Write-down on real estate inventories	1,000	1,714	8,850
Investment securities	—	1,268	—
Other	10,058	9,749	89,009
Gross deferred tax assets	63,258	64,600	559,806
Less: Valuation allowance	(25,048)	(26,562)	(221,664)
Total deferred tax assets	38,210	38,038	338,142
Deferred tax liabilities:			
Adjustment of book value at the date of acquisition—			
Intangible assets	(7,907)	(4,421)	(69,973)
Land and buildings	(4,175)	(4,616)	(36,947)
Other assets	(894)	(1,157)	(7,912)
Prepaid pension and severance costs	(9,413)	(11,128)	(83,301)
Unrealized gains on securities	(8,058)	(11,588)	(71,310)
Investments in affiliated companies	(5,856)	(6,608)	(51,823)
Deferred installation costs	(5,409)	(5,710)	(47,867)
Other	(4,958)	(4,352)	(43,877)
Gross deferred tax liabilities	(46,670)	(49,580)	(413,010)
Net deferred tax assets (liabilities)	(¥ 8,460)	(¥11,542)	($ 74,868)

The valuation allowance principally relates to deferred tax assets of subsidiaries with operating loss carryforwards, for tax purposes, that are not expected to be realized. The net change in the total valuation allowance for the years ended March 31, 2016, 2015 and 2014 was a decrease of ¥1,514 million ($13,398 thousand), ¥3,410 million and ¥255 million, respectively.

In assessing the realizability of deferred tax assets, the Company's management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. The Company's management considered the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, the Company's management believes it is more likely than not that the Company will realize the benefits of these deductible differences, net of the existing valuation allowance at March 31, 2016 and 2015.

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

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2016	2015	2016
Deferred income taxes (Current assets)	¥12,082	¥12,929	$106,920
Deferred income taxes (Other assets)	7,098	5,037	62,814
Other current liabilities (Current liabilities)	(1,658)	(1,106)	(14,673)
Deferred income taxes (Long-term liabilities)	(25,982)	(28,402)	(229,929)
Net deferred tax assets (liabilities)	(¥ 8,460)	(¥11,542)	($ 74,868)

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

At March 31, 2016, the operating loss carryforwards of domestic subsidiaries amounted to ¥17,531 million ($155,142 thousand) and are available for offsetting against future taxable earnings of such subsidiaries for up to nine years, as follows:

Expires in the years ending March 31	In millions of yen	In thousands of U.S. dollars
2017	¥ —	$ —
2018	1,171	10,363
2019	5,883	52,062
2020	808	7,150
2021	224	1,982
2022	2,321	20,540
2023	1,293	11,442
2024	2,288	20,248
2025	3,543	31,355
	¥17,531	$155,142

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

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

Although the Company believes its estimates of unrecognized tax benefits are reasonable, uncertainties regarding the final determination of income tax audit settlements and any related litigation could affect the total amount of unrecognized tax benefits in future periods. Based on the information available as of March 31, 2016, the Company does not expect significant changes to the unrecognized tax benefits within the next twelve months.

The Company files tax returns in Japan and various foreign jurisdictions. In Japan, the Company is no longer subject to regular income tax examinations by the tax authorities for years before 2009. In other foreign tax jurisdictions, major subsidiaries are no longer subject to income tax examinations by tax authorities for years before 2015, with some exceptions.

18. Shareholders' Equity

(1) Additional Paid-In Capital

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

The net income attributable to SECOM CO., LTD. and transfers from (to) noncontrolling interests for the years ended March 31, 2016, 2015 and 2014 are as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2016	2015	2014	**2016**
Net income attributable to SECOM CO., LTD.	**¥84,072**	¥80,184	¥73,979	**$744,000**
Net transfers from (to) noncontrolling interests	**(324)**	(339)	(28)	**(2,867)**
Change from net income attributable to SECOM CO., LTD. and transfers from (to) noncontrolling interests	**¥83,748**	¥79,845	¥73,951	**$741,133**

(2) Retained Earnings

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

The amount available for dividends under the Japanese Companies Act is based on the amount recorded in the parent company's nonconsolidated statutory financial statements in accordance with Japanese GAAP. Such amount was ¥515,375 million ($4,560,841 thousand) at March 31, 2016.

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

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

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

(3) Common Stock in Treasury

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

(4) Other Comprehensive Income (Loss)

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

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

	Pre-tax amount	Tax (expense) or benefit	Net-of-tax amount
	In millions of yen		
For the year ended March 31, 2015:			
Unrealized gains on securities—			
Unrealized gains or losses arising during the period	¥20,020	(¥ 6,295)	¥13,725
Less: Reclassification adjustment for gains or losses realized in net income	(192)	55	(137)
Unrealized gains on derivative instruments—			
Unrealized gains or losses arising during the year	12	(3)	9
Less: Reclassification adjustment for gains or losses realized in net income	(25)	8	(17)
Pension liability adjustments—			
Unrealized gains or losses arising during the period	11,461	(3,620)	7,841
Less: Reclassification adjustment for gains or losses realized in net income	(496)	(151)	(647)
Foreign currency translation adjustments	13,199	(1,020)	12,179
Other comprehensive income (loss)	¥43,979	(¥11,026)	¥32,953
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

	Pre-tax amount	Tax (expense) or benefit	Net-of-tax amount
	In thousands of U.S. dollars		
For the year ended March 31, 2016:			
Unrealized gains on securities—			
Unrealized gains or losses arising during the period	**($ 86,336)**	**$26,469**	**($ 59,867)**
Less: Reclassification adjustment for gains or losses realized in net income	**(13,398)**	**4,035**	**(9,363)**
Unrealized gains on derivative instruments—			
Unrealized gains or losses arising during the year	**—**	**—**	**—**
Less: Reclassification adjustment for gains or losses realized in net income	**(124)**	**44**	**(80)**
Pension liability adjustments—			
Unrealized gains or losses arising during the period	**(76,203)**	**22,575**	**(53,628)**
Less: Reclassification adjustment for gains or losses realized in net income	**(6,346)**	**3,319**	**(3,027)**
Foreign currency translation adjustments	**(35,548)**	**6,929**	**(28,619)**
Other comprehensive income (loss)	**($217,955)**	**$63,371**	**($154,584)**

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

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

19. Lessee

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

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

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

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2016	2015	**2016**
Buildings and improvements	**¥ 8,452**	¥ 8,348	**$ 74,796**
Machinery, equipment and automobiles	**41,795**	10,234	**369,867**
Other intangible assets	**310**	46	**2,743**
Accumulated depreciation and amortization	**(30,040)**	(9,185)	**(265,841)**
	¥20,517	¥ 9,443	**$181,565**

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

The following is a schedule by year of future minimum lease payments under capital leases and the present value of the net minimum lease payments at March 31, 2016:

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

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

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

The future minimum lease payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year at March 31, 2016 are as follows:

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

20. Lessor

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

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

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2016	2015	**2016**
Total minimum lease payments to be received	**¥56,952**	¥58,045	**$504,000**
Estimated executory cost	**(4,982)**	(5,035)	**(44,088)**
Unearned income	**(3,707)**	(4,224)	**(32,806)**
Lease receivables, net	**48,263**	48,786	**427,106**
Less: Current portion	**(15,344)**	(14,823)	**(135,787)**
Long-term lease receivables, net	**¥32,919**	¥33,963	**$291,319**

The following is a schedule by year of future minimum lease payments to be received under sales-type leases and direct-financing leases at March 31, 2016:

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

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

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2016	2015	**2016**
Land	**¥34,715**	¥34,892	**$307,212**
Buildings and improvements	**32,293**	32,150	**285,779**
Other intangible assets	**662**	662	**5,858**
Accumulated depreciation	**(11,751)**	(10,882)	**(103,991)**
	¥55,919	¥56,822	**$494,858**

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

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

21. Fair Value of Financial Instruments

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

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

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

(2) Short-Term Investments; Investment Securities

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

(3) Long-Term Receivables Including Current Portion

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

(4) Long-Term Debt Including Current Portion

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

(5) Investment Deposits by Policyholders

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

(6) Derivatives

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

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

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

	In thousands of U.S. dollars	
	March 31, 2016	
	Carrying amount	Estimated fair value
Non-derivatives:		
Assets—		
Long-term receivables including current portion (Less allowance for doubtful accounts)	**$478,230**	**$483,150**
Liabilities—		
Long-term debt including current portion	**704,124**	**704,531**
Investment deposits by policyholders	**263,735**	**277,894**
Derivatives:		
Liabilities—		
Interest rate swaps (Other long-term liabilities)	**858**	**858**

Limitation:

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

22. Fair Value Measurements

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

Level 1— Inputs are quoted prices in active markets for identical assets or liabilities.

Level 2— Inputs are quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable, and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3— Inputs are derived from valuation techniques in which one or more significant inputs or value drivers are unobservable, which reflect the reporting entity's own assumptions about the assumptions that market participants would use in establishing a price.

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

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

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

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

Cash Equivalents

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

Short-Term Investments and Investment Securities

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

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

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

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

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

		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

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

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

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

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

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

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis
Non-marketable equity securities with a carrying amount of ¥9,257 million ($81,920 thousand) were written down to their fair value of ¥9,251 million ($81,867 thousand), resulting in an other-than-temporary impairment charge of ¥6 million ($53 thousand), which was included in earnings for the year ended March 31, 2016. For the year ended March 31, 2015, non-marketable equity securities with a carrying amount of ¥9,104 million were written down to their fair value of ¥9,083 million, resulting in an other-than-temporary impairment charge of ¥21 million, which was included in earnings. All impaired non-marketable equity securities were classified as Level 3 assets as the Company uses unobservable inputs such as future cash flows to value these investments.

Long-lived assets (Note 11) and goodwill (Note 12) are also measured at fair value on a nonrecurring basis. All impaired long-lived assets and goodwill were classified as Level 3 assets as the Company uses unobservable inputs to value these assets. These Level 3 assets are not significant.

23. Derivative Financial Instruments

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

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

(3) Cash Flow Hedges
The Company designates interest rate swap agreements as cash flow hedges for variability of cash flows originating from floating rate borrowings. The interest rate swap agreements matured at various dates through 2015. The effective portion of changes in fair values of derivative instruments designated as cash flow hedges of these debt obligations are reported in other comprehensive income (loss). These amounts are reclassified into current income in the same period that hedged items affect current income. The ineffective portion of changes in fair values are reported in income immediately. The sum of the amount of hedge ineffectiveness and net gains or losses excluded from the assessment of hedge effectiveness is not material for the years ended March 31, 2015 and 2014 as the critical terms of most of the interest rate swap agreements match the terms of the hedged debt obligations. At March 31, 2015, the notional principal amounts of interest rate swap agreements designated as cash flow hedges was ¥726 million. At March 31, 2016, the Company did not enter into any interest rate swap agreements designated as cash flow hedges.

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

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

Derivatives designated as hedging instruments

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

Derivatives not designated as hedging instruments

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

Effects of derivative instruments on the consolidated statements of income for the years ended March 31, 2016, 2015 and 2014 are as follows:

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

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2016	2015	2014	**2016**
Interest rate swaps	**¥—**	¥6	¥10	**$—**

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

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

Derivatives not designated as hedging instruments

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

24. Commitments and Contingent Liabilities

The Company has commitments outstanding at March 31, 2016 for the purchase of property, plant and equipment of approximately ¥8,325 million ($73,673 thousand).

The Company provides guarantees to third parties mainly with respect to bank loans extended to its affiliated companies and other entities. Such guarantees are provided to enhance the credit standing of the affiliated companies and other entities. For each guarantee provided, the Company would have to perform under the guarantee if the affiliated companies and other entities default on a payment within the guaranteed period of one to five years. The maximum amount of undiscounted payments the Company would have to make in the event of default amounts to ¥2,033 million ($17,991 thousand) at March 31, 2016. The carrying amounts of the liabilities recognized as the Company's obligations under these guarantees at March 31, 2016 and 2015 were deemed insignificant.

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

25. Discontinued Operations

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

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

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

	In millions of yen	
	Years ended March 31	
	2015	2014
Net sales and operating revenue	¥ 598	¥3,272
Income (loss) from discontinued operations before income taxes	(149)	(301)
Gain on sales of discontinued operations	1,614	—
Income taxes	(651)	169
Attributable to SECOM CO., LTD.	¥ 814	(¥ 132)

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

	In millions of yen	
	Years ended March 31	
	2015	2014
Real estate and other services	¥814	(¥132)
Income (loss) from discontinued operations, net of taxes	¥814	(¥132)

26. Supplemental Cash Flow Information

Supplemental cash flow information is as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2016	2015	2014	2016
Cash paid during the year for:				
Interest	¥ 1,408	¥ 1,403	¥ 1,459	$ 12,460
Income taxes	38,832	50,673	50,676	343,646
Non-cash investing and financing activities:				
Additions to obligations under capital leases	2,543	2,318	4,503	22,504
Increase in land, buildings and improvements by offsetting long-term receivables	—	3,179	—	—
Significant acquisitions (Note 4)—				
Assets acquired	188,136	—	—	1,664,920
Liabilities assumed	(107,136)	—	—	(948,106)
Considerations for equity	81,000	—	—	716,814
Cash and cash equivalents on hand	(11,565)	—	—	(102,345)
Total considerations	¥ 69,435	¥ —	¥ —	$ 614,469

27. Segment Information

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

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

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

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

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

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

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

(1) Business Segment Information

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2016	2015	2014	**2016**
Net sales and operating revenue:				
Security services—				
External customers	**¥ 505,058**	¥487,063	¥472,449	**$4,469,540**
Intersegment	**3,028**	2,963	2,811	**26,796**
	508,086	490,026	475,260	**4,496,336**
Fire protection services—				
External customers	**131,743**	121,189	122,046	**1,165,867**
Intersegment	**3,764**	5,127	5,111	**33,310**
	135,507	126,316	127,157	**1,199,177**
Medical services—				
External customers	**163,538**	155,884	150,535	**1,447,239**
Intersegment	**178**	153	150	**1,575**
	163,716	156,037	150,685	**1,448,814**
Insurance services—				
External customers	**40,654**	38,259	37,011	**359,770**
Intersegment	**2,945**	3,226	2,936	**26,062**
	43,599	41,485	39,947	**385,832**
Geographic information services—				
External customers	**52,553**	52,760	54,697	**465,071**
Intersegment	**183**	177	72	**1,619**
	52,736	52,937	54,769	**466,690**
Information and communication related services—				
External customers	**48,294**	47,412	46,992	**427,381**
Intersegment	**7,550**	6,527	6,381	**66,814**
	55,844	53,939	53,373	**494,195**
Real estate and other services—				
External customers	**41,588**	42,671	37,416	**368,035**
Intersegment	**2,479**	2,245	2,249	**21,938**
	44,067	44,916	39,665	**389,973**
Total	**1,003,555**	965,656	940,856	**8,881,017**
Eliminations	**(20,127)**	(20,418)	(19,710)	**(178,114)**
Total net sales and operating revenue	**¥ 983,428**	¥945,238	¥921,146	**$8,702,903**

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2016	2015	2014	**2016**
Operating income (loss):				
Security services	**¥110,919**	¥107,073	¥104,089	**$ 981,584**
Fire protection services	**13,654**	12,510	10,467	**120,832**
Medical services	**2,921**	1,521	2,707	**25,850**
Insurance services	**6,842**	8,042	2,007	**60,549**
Geographic information services	**(268)**	2,442	3,723	**(2,372)**
Information and communication related services	**308**	894	6,373	**2,726**
Real estate and other services	**4,900**	5,080	4,678	**43,363**
Total	**139,276**	137,562	134,044	**1,232,532**
Corporate expenses and eliminations	**(20,371)**	(15,555)	(13,966)	**(180,275)**
Operating income	**¥118,905**	¥122,007	¥120,078	**$1,052,257**
Other income	**7,679**	9,293	11,658	**67,956**
Other expenses	**(4,123)**	(3,443)	(2,995)	**(36,487)**
Income before income taxes and equity in net income of affiliated companies	**¥122,461**	¥127,857	¥128,741	**$1,083,726**

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2016	2015	**2016**
Assets:			
Security services	**¥ 659,526**	¥ 477,138	**$ 5,836,513**
Fire protection services	**141,981**	135,381	**1,256,469**
Medical services	**186,068**	178,721	**1,646,619**
Insurance services	**219,635**	215,278	**1,943,673**
Geographic information services	**66,501**	69,544	**588,504**
Information and communication related services	**115,108**	120,038	**1,018,655**
Real estate and other services	**134,936**	128,503	**1,194,124**
Total	**1,523,755**	1,324,603	**13,484,557**
Corporate items	**100,878**	145,051	**892,726**
Investments in affiliated companies	**56,699**	56,209	**501,761**
Total assets	**¥1,681,332**	¥1,525,863	**$14,879,044**

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2016	2015	2014	2016
Depreciation and amortization:				
Security services	¥ 50,007	¥47,425	¥45,679	$ 442,540
Fire protection services	1,663	1,694	1,667	14,717
Medical services	8,293	7,209	6,658	73,389
Insurance services	1,319	1,140	1,280	11,673
Geographic information services	2,998	3,022	2,511	26,531
Information and communication related services	6,592	6,746	7,373	58,336
Real estate and other services	951	992	1,004	8,416
Total	71,823	68,228	66,172	635,602
Corporate items	658	636	489	5,823
Total depreciation and amortization	¥ 72,481	¥68,864	¥66,661	$ 641,425
Capital expenditure:				
Security services	¥130,686	¥37,183	¥36,833	$1,156,513
Fire protection services	5,026	3,608	1,635	44,478
Medical services	14,908	20,372	10,843	131,929
Insurance services	2,307	1,897	1,554	20,416
Geographic information services	2,124	3,318	4,743	18,797
Information and communication related services	7,708	4,160	5,769	68,212
Real estate and other services	229	258	461	2,027
Total	162,988	70,796	61,838	1,442,372
Corporate items	409	1,098	1,397	3,619
Total capital expenditures	¥163,397	¥71,894	¥63,235	$1,445,991

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

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

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

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2016	2015	2014	2016
Electronic security services	¥330,843	¥326,300	¥318,116	$2,927,814
Other security services:				
Static guard services	55,907	53,788	51,681	494,752
Armored car services	32,990	21,010	20,767	291,947
Merchandise and other	85,318	85,965	81,885	755,027
Total security services	¥505,058	¥487,063	¥472,449	$4,469,540

(2) Geographic Segment Information

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

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2016	2015	2014	2016
Net sales and operating revenue:				
Japan	¥936,392	¥901,079	¥881,782	$8,286,655
Other	47,036	44,159	39,364	416,248
Total	¥983,428	¥945,238	¥921,146	$8,702,903

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2016	2015	2016
Long-lived assets:			
Japan	¥611,331	¥523,504	$5,410,009
Other	12,280	7,559	108,673
Total	¥623,611	¥531,063	$5,518,682

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

28. Subsequent Events

The Company has evaluated subsequent events through July 29, 2016, the date at which the financial statements were available to be issued, and determined there is no item to disclose.

Independent Auditors' Report

KPMG

The Board of Directors and Shareholders
SECOM CO., LTD.:

We have audited the accompanying consolidated financial statements of SECOM CO., LTD. and its subsidiaries, which comprise the consolidated balance sheets as of March 31, 2016 and 2015, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for each of the years in the three-year period ended March 31, 2016, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of SECOM CO., LTD. and its subsidiaries as of March 31, 2016 and 2015, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2016, in accordance with U.S. generally accepted accounting principles.

Convenience Translations

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

KPMG AZSA LLC

Tokyo, Japan
July 29, 2016