

## ANNUAL REPORT 2017

Year ended March 31, 2017

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

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Since its establishment in 1962, **SECOM CO., LTD.**, has sought to offer services that better benefit society, in line with its mission of helping to achieve a society free from concerns and its commitment to providing reliable peace of mind.

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Credited with creating the “security services” industry in Japan, SECOM has sought to keep abreast or ahead of the times, developing and advancing acceptance of a wide range of systems and services that address diverse social imperatives. These include on-line security systems for commercial subscribers, home security systems, a mobile personal security system for outdoor use and a small autonomous flying surveillance robot.

SECOM, which comprises the parent company and the companies of the SECOM Group, strives to create services and systems that deliver safety and peace of mind, as well as make life more comfortable and convenient, whenever and wherever necessary. Accordingly, we are pushing forward with efforts to realize our Social System Industry vision, which describes a framework of distinctive, integrated services and systems. Today, our business portfolio encompasses security services, fire protection services, medical services, insurance services, geographic information services, information and communication related services, and real estate and other services. We are maximizing synergies among these businesses by promoting the “ALL SECOM” concept, which focuses on rallying Group strengths to broaden our selection of services, as well as reinforcing our relationship with society by alleviating everyday problems and resolving concerns to provide seamless peace of mind. Through such efforts, we will continue working to grow together with society.

We have also expanded outside Japan. Currently active in 20 countries and territories, where we provide uniquely SECOM security services, fire protection services, medical services and geographic information services customized to reflect local needs and sensibilities, we continue to bolster recognition of the SECOM brand and grow our overseas operations.



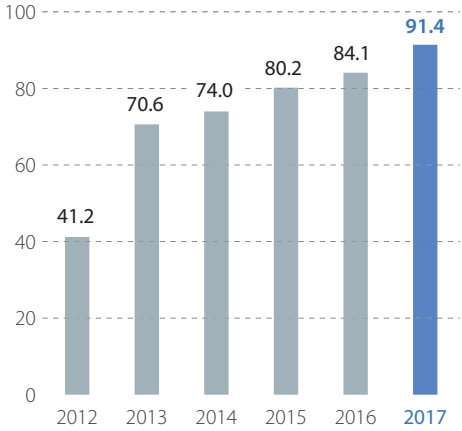
Financial Highlights

U.S. GAAP

SECOM CO., LTD. and Subsidiaries For the years ended/as of March 31	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2017	2016	2015	2017
Net sales and operating revenue	¥1,031,261	¥ 983,428	¥ 945,238	\$ 9,207,688
Operating income	130,178	118,905	122,007	1,162,304
Net income attributable to SECOM CO., LTD.	91,387	84,072	80,184	815,955
Total assets	1,763,278	1,681,332	1,525,863	15,743,554
Total SECOM CO., LTD. shareholders' equity	929,242	865,278	825,969	8,296,803
	In yen			In U.S. dollars
Per share of common stock:				
Net income attributable to SECOM CO., LTD.	¥ 418.71	¥ 385.19	¥ 367.37	\$ 3.74
Cash dividends	140.00	130.00	175.00	1.25
SECOM CO., LTD. shareholders' equity	4,257.50	3,964.40	3,784.27	38.01

Notes: 1. Yen amounts have been translated into U.S. dollars, solely for the convenience of the reader, at the approximate rate of ¥112=US\$1, the rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2017.  
2. Net income attributable to SECOM CO., LTD. per share of common stock is based on the average number of shares outstanding during each period, less treasury stock.  
3. SECOM CO., LTD. shareholders' equity per share of common stock is based on the number of shares outstanding at the end of each period, less treasury stock.  
4. Cash dividends per share of common stock are based on dividends approved and paid in each fiscal year. At the general shareholders' meeting held on June 25, 2014, shareholders approved a proposal to pay an annual dividend of ¥115.00 per share for fiscal year 2014. Subsequently at the Board of Directors' meeting held on November 10, 2014, directors approved a proposal to pay an interim dividend of ¥60.00 per share for the first half of the year ended March 31, 2015. Because the interim dividend, the record date for which is September 30, was newly adopted in the year ended March 31, 2015, the actual amount of dividends paid to shareholders for the year ended March 31, 2015, was the aggregate of the two. The actual amount of dividends paid to shareholders for the year ended March 31, 2016, was the aggregate of a year-end dividend of ¥65.00 approved at the general shareholders' meeting held on June 25, 2015, and an interim dividend of ¥65.00 approved at the Board of Directors' meeting held on November 9, 2015. The actual amount of dividends paid to shareholders for the fiscal year ended March 31, 2017, is the aggregate of a year-end dividend of ¥70.00 approved at the general shareholders' meeting held on June 24, 2016, and an interim dividend of ¥70.00 approved at the Board of Directors' meeting held on November 9, 2016. At the general shareholders' meeting held on June 27, 2017, approval was granted for a proposal to pay a year-end dividend of ¥75.00 for the year ended March 31, 2017. (For further information, please see Note 18 of the Notes to Consolidated Financial Statements.)

Net income attributable to SECOM CO., LTD. (U.S. GAAP)  
(In billions of yen)



Note: In the year ended March 31, 2017, net income attributable to SECOM CO., LTD., advanced ¥7.3 billion, to ¥91.4 billion. Factors behind this result included an increase in operating income, bolstered by higher sales of on-line security systems and a decrease in impairment loss on long-lived assets, and a gain on private equity investments.  
In the year ended March 31, 2016, net income attributable to SECOM CO., LTD., rose ¥3.9 billion, to ¥84.1 billion. Contributing factors included increases in operating income in the security services segment—underpinned by higher revenue from on-line security systems—the medical services segment and the fire protection services segment, as well as reduced income taxes, which reflected a decline in the statutory tax rate.  
In the year ended March 31, 2015, net income attributable to SECOM CO., LTD., advanced ¥6.2 billion, to ¥80.2 billion. This result was attributable to an increase in operating income in the insurance services segment, which reflected a decline in losses due to damage caused by natural disasters, as well as to an increase in operating income in the security services segment, owing mainly to higher revenue from on-line security systems. Another contributing factor was a decrease in income taxes, a consequence of tax reform in Japan, which lowered the statutory tax rate.

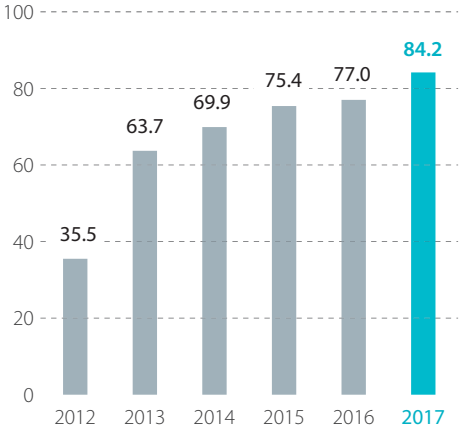
Pursuant to the applicable Japanese law, SECOM is required to publish results in line with accounting principles generally accepted in Japan (Japanese GAAP). Key financial highlights calculated using Japanese GAAP are shown below for reference.

Japanese GAAP

SECOM CO., LTD. and Subsidiaries For the years ended/as of March 31	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2017	2016	2015	2017
Revenue	¥ 928,098	¥ 881,028	¥ 840,722	\$ 8,286,589
Operating profit	131,050	128,582	123,615	1,170,089
Ordinary profit	147,033	134,826	136,688	1,312,795
Net income attributable to owners of the parent	84,170	77,039	75,392	751,518
Total assets	1,650,176	1,568,052	1,410,715	14,733,714
Total net assets	1,013,253	943,144	907,341	9,046,902
	In yen			In U.S. dollars
Per share of common stock:				
Net income	¥ 385.64	¥ 352.97	¥ 345.42	\$ 3.44
Cash dividends	140.00	130.00	175.00	1.25
Net assets	4,086.87	3,817.82	3,667.33	36.49

Note: Cash dividends per share of common stock are based on dividends approved and paid in each fiscal year. At the general shareholders' meeting held on June 25, 2014, shareholders approved a proposal to pay an annual dividend of ¥115.00 per share for fiscal year 2014. Subsequently at the Board of Directors' meeting held on November 10, 2014, directors approved a proposal to pay an interim dividend of ¥60.00 per share for the first half of the year ended March 31, 2015. Because the interim dividend, the record date for which is September 30, was newly adopted in the year ended March 31, 2015, the actual amount of dividends paid to shareholders for the year ended March 31, 2015, was the aggregate of the two. The actual amount of dividends paid to shareholders for the year ended March 31, 2016, was the aggregate of a year-end dividend of ¥65.00 approved at the general shareholders' meeting held on June 25, 2015, and an interim dividend of ¥65.00 approved at the Board of Directors' meeting held on November 9, 2015. The actual amount of dividends paid to shareholders for the fiscal year ended March 31, 2017, is the aggregate of a year-end dividend of ¥70.00 approved at the general shareholders' meeting held on June 24, 2016, and an interim dividend of ¥70.00 approved at the Board of Directors' meeting held on November 9, 2016. At the general shareholders' meeting held on June 27, 2017, approval was granted for a proposal to pay a year-end dividend of ¥75.00 for the year ended March 31, 2017.

Net income attributable to owners of the parent (Japanese GAAP)  
(In billions of yen)



We are endeavoring to ensure sustainable growth and enhance corporate value by evolving and improving, enabling us to provide enduring peace of mind to an ever-changing society.

Consolidated Operating Results

In the fiscal year ended March 31, 2017, the Japanese economy remained on a gentle upward trend, reflecting a recovery in corporate earnings and improved employment levels. Nonetheless, the outlook remained uncertain, owing to economic conditions in the People’s Republic of China (PRC) and emerging economies, the United Kingdom’s exit from the European Union and economic and financial policy shifts in the United States, while the impact of fluctuations in the financial and capital markets continued to warrant caution.

In this environment, we pushed ahead toward the realization of our Social System Industry vision, in line with our goal of providing safety and peace of mind, as well as comfort and convenience, whenever and wherever necessary. Efforts continued to focus on responding to the needs of customers through the provision of high-grade services and systems in our security services segment, as well as in our other segments: fire protection services, medical services, insurance services, geographic information services, information and communication related services, and real estate and other services. We also sought to address diverse social imperatives, pressing forward with efforts to apply the ALL SECOM concept to reinforce collaboration among our various independent businesses with a view to maximizing synergies, developing innovative services and systems, and expanding the scope of our operations.

Consolidated net sales and operating revenue advanced 4.9%, or ¥47.8 billion, to ¥1,031.3 billion. Among principal factors behind this result were the inclusion of a full year of results for subsidiary Asahi Security Co., Ltd., consolidated on December 1, 2015, and higher revenue from on-line security systems. Bolstered by increased net sales and operating revenue and a decrease in impairment loss on long-lived assets, among others, operating income rose 9.5%, or ¥11.3 billion, to ¥130.2 billion. Increases in operating income, gain on private equity investments and other factors pushed net income attributable to SECOM CO., LTD., up 8.7%, or ¥7.3 billion, to ¥91.4 billion.

Enhancing Returns to Shareholders

We recognize the provision of a fair return to shareholders as a crucial management task. In line with our basic policy of ensuring a consistent and stable distribution of profits, we determine our consolidated dividend payout ratio and level of internal reserves based on an overall assessment of efforts to expand our operations and of trends in our consolidated operating performance. At the Ordinary General Meeting of Shareholders, held on June 27, 2017, the payment of a year-end dividend of ¥75.00 per share was approved. Together with an interim dividend of ¥70.00, dividends for the full term amounted to ¥145.00 per share, up ¥10.00 from the previous fiscal year.

Understanding and Responding to Change

Needs for safety, peace of mind, comfort and convenience are becoming increasingly varied and sophisticated. We capitalize on our ability to promptly identify latent customer needs, which facilitates the development and provision of optimal services and systems.



Makoto Iida  
Founder



Yasuo Nakayama  
President and Representative Director

In our core commercial security services business, we stepped up sales of high-value-added on-line security systems, including SECOM AX, a remote imaging on-line security system that features advanced image recognition technologies; SECOM LX, which combines on-line security and access control functions to help customers manage personnel efficiently, thus reducing costs; and SECOM FX, which features security and facility control functions. Contributions from new SECOM Group members Kumalift Co., Ltd. and Asahi Security, which were acquired in the previous fiscal year, reinforced our operating foundation in this business. In addition, we expanded our security services and systems for large-scale events by, for example, commencing the full-scale provision of 3-Dimensional Security. 3-Dimensional Security for large-scale events begins with SECOM 3D Security Planning, which uses high-precision 3D maps to support the formulation of an optimal security plan, and encompasses static guards, venue surveillance from overhead using a SECOM Aerostat and from the ground using temporarily installed surveillance cameras, wearable cameras and the SECOM Drone Detection System, among others, to ensure the safety and security of large-scale events.

In the area of home security services, we continued to advance acceptance of SECOM Home Security G-Custom, an on-line residential security system that includes a variety of other useful features, against a backdrop of growing needs for systems that enhance safety, peace of mind, comfort and convenience. In addition to commencing distribution of the SECOM Home Security App, which allows subscribers to operate their SECOM Home Security systems from their smartphones, further enhancing the convenience of SECOM Home Security, in July 2017 we released SECOM Home Security NEO, a flexible system suited to modern lifestyles that can be linked with various devices. Concurrently, we launched the SECOM My Doctor Watch, an emergency medical alert and health management service centered on a wearable wristband tracker, which is available as an optional service to SECOM Home Security subscribers.

Overseas, we sought to expand sales of SECOM-style security services, a term we use to describe comprehensive on-line security systems that encompass everything from the installation of security equipment at the subscriber’s premises to the prompt dispatch of emergency response personnel. During the period under review, our efforts concentrated on expanding sales in the rapidly growing economies of Southeast Asia and the PRC. On another front, subsidiary Secom plc of the United Kingdom acquired a 100% stake in Scan Alarms Ltd., a security services company in Northern Ireland, as a result of which Secom plc is now able to provide services directly to customers across the United Kingdom.

In fire protection services, subsidiaries Nohmi Bosai Ltd. and Nittan Co., Ltd., two of Japan’s leading names in the area of fire protection services, continued to provide high-grade automatic fire alarm, fire extinguishing and other systems for a diverse range of applications, including office buildings, plants, tunnels, structures designated as cultural properties, ships and homes. In the period under review, the two companies continued to leverage their respective business foundations and product development capabilities to secure orders for fire protection systems.

Efforts in our medical services business concentrated on Home Medical Services, which comprise home nursing and pharmaceutical dispensing services, as well as on the operation of residences for seniors, the

provision of electronic medical reporting systems, sales of medical equipment and pharmaceuticals, personal care services and support for associated hospitals. In India, we consolidated hospital management company Takshasila Hospitals Operating Pvt. Ltd., which was established in fiscal year 2012 as a joint venture.

In our insurance services business, sales of our distinctive non-life insurance policies expanded favorably. These include SECOM *Anshin* My Home, a comprehensive fire insurance policy for homes, and the Security Discount Fire Policy, a fire insurance policy for commercial premises, both of which extend discounts to subscribers who have installed on-line security systems, recognizing the risk-mitigating factors of such systems; MEDCOM, an unrestricted cancer treatment policy that covers all treatment costs; and SECOM *Anshin* My Car, a comprehensive automobile insurance policy that includes access to on-site support services provided by our emergency response personnel in the event of an accident. Subscriptions to MEDCOM, in particular, rose steadily.

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

We provide a variety of information and communication related services, notably data center services, business continuity planning (BCP) support services, information security services and cloud-based services, to customers in Japan. In response to increasingly complex and malicious cyber attacks, we commenced sales of SECOM Premium Net Remote Browser, a cloud-based service that isolates companies' in-house systems from web access within individual computers. We also took steps to further expand sales of the SECOM *Anshin* My Number Service, which was released in the previous fiscal year.

Our real estate and other services business continued to emphasize the development and sale of condominiums equipped with distinctively SECOM security and disaster preparedness features. Other services include real estate leasing, construction and installation.

Another highlight of the period under review was the launch of the SECOM Disaster Support Project, a new initiative that combines long-term support for areas struck by serious earthquakes, flooding or other major disasters with efforts to help communities reinforce their disaster preparedness. The project, which involves close collaboration with local authorities, capitalizes on our technological prowess and know-how to tailor services to the post-disaster status of individual communities.

Charting Sustainable Growth: The SECOM Group's Vision for 2030

We see our mission as helping to achieve a society free from concerns. Accordingly, we continue working to realize our Social System Industry vision against a backdrop of drastic change brought about by technological progress, demographic trends, the shift of the global economic center and increased urbanization, and increasingly severe environmental issues, among other factors. Operating in an environment thus characterized by change and uncertainty, we recognize that achieving sustainable growth will depend on

encouraging all employees, who share the SECOM philosophy, to cultivate a managerial mindset, that is, the ability to form judgments and act independently.

To further the creation of a robust managerial mindset, we will continue working to maximize employee capabilities, creating a virtuous cycle rooted in employee job satisfaction, recognizing that motivating employees to create superior offerings enables us to provide exciting, powerful services that exceed customers' expectations. In so doing, we will strive to increase the number of satisfied customers, thereby enhancing society's trust in SECOM as a company. This, in turn, encourages employees and inspires them to fulfill their professional ambitions, which drives efforts to provide even better services.

To ensure an efficiently functioning managerial mindset, we continue to promote a fair and impartial corporate organization that ensures a free and open corporate culture. We are also taking steps to strengthen the framework whereby customer feedback and market needs are communicated to SECOM headquarters and incorporated into the development and modification of services and systems and the transformation of business practices. We are also reviewing employment qualifications with the aim of securing the diverse human resources that will continue to drive SECOM forward.

As part of our commitment to charting sustainable growth by encouraging a managerial mindset in all employees, in May 2017 we formulated the SECOM Group's Vision for 2030, a long-term roadmap for the SECOM Group between now and 2030. This vision, which positions 2030 as a key milestone, further defines our future direction with the goal of building pride amongst our employees, inspiring trust amongst our customers and instilling awareness of our potential amongst all of our stakeholders. Guided by this vision, we will work to realize the *ANSHIN* Platform, a service infrastructure anchored in the relationship of trust that we have cultivated with society. Created in collaboration with partners in industry, government and academia with the same philosophy, this infrastructure is designed to provide peace of mind to people in their everyday lives, as well as to society as a whole. Going forward, we will capitalize on the *ANSHIN* Platform to alleviate problems and resolve concerns, addressing diverse social imperatives through the seamless provision of services that deliver enduring peace of mind whenever and wherever necessary.

We also recognize the critical role of artificial intelligence (AI), Internet of Things (IoT) and other advanced technologies in realizing the SECOM Group's Vision for 2030. Accordingly, we have created a dedicated project team and technological task force that will explore the active use of such cutting-edge technologies.

Looking ahead, we remain committed to providing enduring peace of mind by keeping abreast or—where possible—ahead of the times. To this end, we will continue to evolve. By thus reinforcing our relationship with society, we will continue working to ensure sustainable growth and enhance corporate value. In these and all our endeavors, we look forward to the ongoing support of shareholders.

July 7, 2017



Makoto Iida  
Founder



Yasuo Nakayama  
President and Representative Director



In line with our goal of helping to achieve a society free from concerns, we continue to push ahead with efforts to realize our Social System Industry vision. This vision describes a framework of innovative and integrated services and systems that deliver safety, peace of mind, comfort and convenience.

Having built a broad business portfolio that today encompasses seven segments, we continue to apply our corporate philosophy to hasten realization of the Social System Industry. This philosophy emphasizes a refusal to be content with the status quo and a commitment to doing what is appropriate. The first element expresses our determination to extend novel services and systems by challenging accepted norms, while the second means judging the legitimacy of our actions by examining whether they are just, fair and beneficial not only to SECOM but to society as a whole.

Our efforts to act in accordance with our corporate philosophy, which guides all aspects of our conduct, have nurtured a "uniquely SECOM identity," a corporate principle that remains a major driving force behind our growth and evolution.

To accelerate the realization of our Social System Industry, we have formulated the SECOM Group's Vision for 2030, a long-term roadmap. In line with this vision, we will step up efforts between now and 2030 to respond to social imperatives, acting boldly and with a firm sense of our uniquely SECOM identity, to broaden our operations, thereby positioning us to capitalize on new potential.



# Special Feature: The SECOM Group's Vision for 2030

## ■ Purpose of our new vision for 2030

With the aim of realizing our Social System Industry vision, we have implemented steady measures to address social imperatives by creating services and systems optimized to meet the needs of our customers. This has enabled us to amass significant know-how, as well as to build a solid relationship of trust with customers. In light of demographic change, technological progress, increasingly severe environmental issues and the shift of the global economic center and increased urbanization as a result of the growth of Asian economies, social imperatives are becoming more challenging and complex. At the same time, individual needs for peace of mind are expanding and diversifying. Operating in an environment characterized by drastic

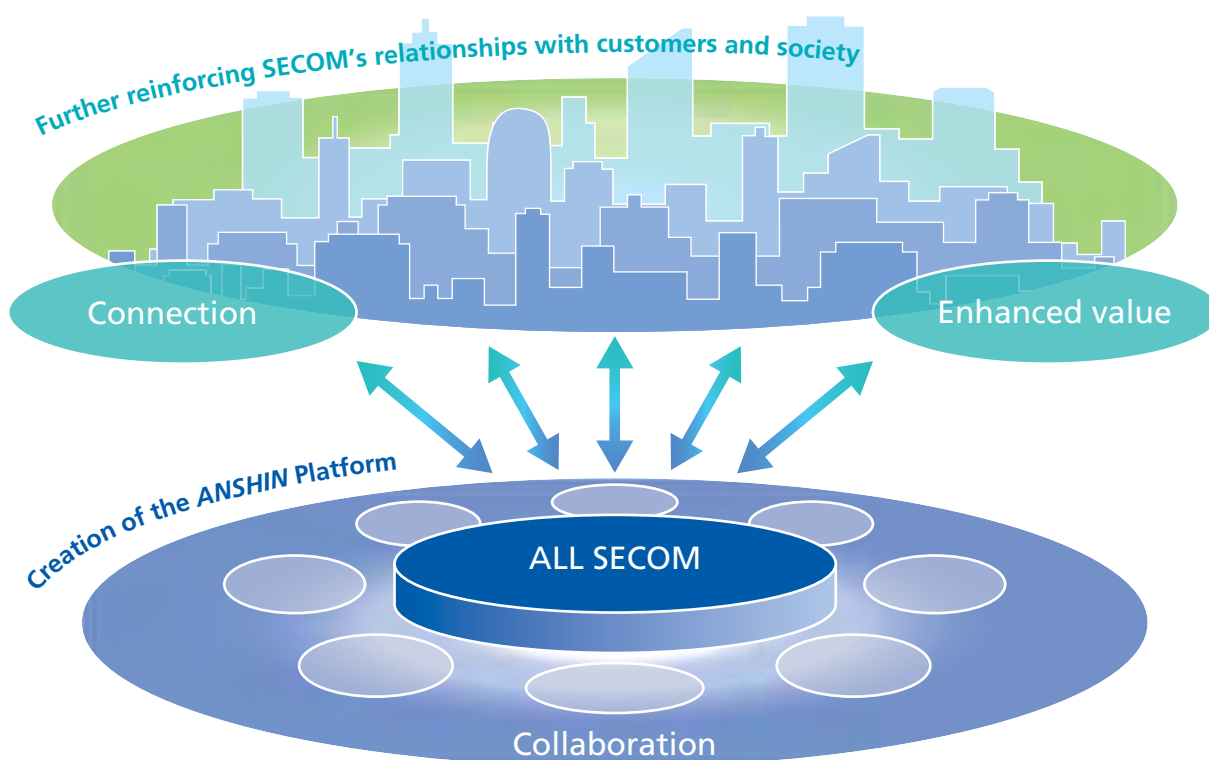
change and increasing uncertainty, we have formulated the SECOM Group's Vision for 2030, which further defines our direction going forward with the aim of building pride amongst our employees, inspiring trust amongst our customers and instilling awareness of our potential amongst all of our stakeholders.

## ■ Conceptual framework of the ANSHIN Platform

Peace of mind, as provided by SECOM, centers on three key features. The first of these is to provide services anytime, anywhere, enabling us to deliver peace of mind whenever and wherever necessary. This evokes our commitment to extending services that respond to sophisticated needs engendered by social change and the increasing threats to safety.

The second is to provide optimal services tailored to individual customer needs, ensuring that we can deliver peace of mind for anyone and everyone. This refers to our understanding of the importance of daily communication in grasping what is truly sought by our customers, ensuring our ability to provide services that are carefully tailored to their needs.

The third feature is to offer services that enable us to provide seamless peace of mind. Society today faces significant risks associated with issues such as increasing incidence of crimes, accidents, cyber attacks, natural disasters, illness and aging. Recognizing the importance of routine advance preparation, we provide comprehensive services designed to address potential risks, namely, the ability to accurately grasp



conditions, minimize impact and achieve prompt restoration.

As part of our vision for 2030, we created the *ANSHIN* Platform, a service infrastructure anchored in the relationship of trust we have cultivated with society. Created in collaboration with partners in industry, government and academia, in line with our mission of helping to achieve a society free from concerns, this infrastructure is designed to provide peace of mind to people in their everyday lives, as well as to society as a whole. By enabling us to alleviate problems and resolve concerns through the provision of carefully tailored services and systems anytime and anywhere, thus making SECOM an ever-present part of our customers' lives, the *ANSHIN* Platform will further reinforce our relationship with customers.

### ■ Creating the *ANSHIN* Platform

We are currently promoting the ALL SECOM strategy, which focuses on reinforcing collaboration among various SECOM Group businesses with a view to maximizing synergies, to develop innovative services and systems. To create the *ANSHIN* Platform, we will continue to apply this strategy. In addition, we will actively advance a strategy of collaboration with various partners, integrating business ideas and technologies developed through this strategy with proprietary SECOM technologies, know-how and other resources to accelerate the development of services and systems that address the increasingly diverse needs of customers for peace of mind. We will also promote a strategy of connection, further strengthening our relationship with our customers and society by leveraging Big Data analysis, which makes use of advanced information

technologies, to respond to latent needs. In addition, we will pursue a strategy of enhanced value, working to address everyday concerns by adding greater value to services that provide peace of mind, thereby delivering comfort and convenience.

The driving forces behind the implementation of strategies under the *ANSHIN* Platform are our key competitive advantages, namely, our human resources, organization and technologies. To reinforce our human resources, we will work to ensure that employees share our corporate philosophy and are capable of acting independently to maximize their capabilities. We will also promote diversity, as well as foster human resources capable of innovation and of functioning in a global business environment.

To strengthen our organization, we will encourage employees to share the SECOM philosophy, which emphasizes a commitment to doing what is appropriate and a refusal to be content with the status quo. We will also ensure an upbeat and unfettered corporate culture to promote self-discipline, which will position us to increase productivity and service quality, and the use of state-of-the-art information and communications technologies (ICT) to yield further innovations.

On the technological front, we will leverage business models that integrate technologies to amplify human capabilities. We will also develop technologies that facilitate the provision of seamless services and encourage peace of mind.





### ■ Expanding global initiatives

Recognizing the desire for safety, peace of mind, comfort and convenience as something that is shared by people worldwide, we will continue to leverage our know-how cultivated in Japan, a front runner in addressing critical challenges with global relevance, to offer services in overseas markets that are customized to reflect local needs and sensibilities. In Asia—which continues to benefit from economic growth—and elsewhere, we will continue to encourage acceptance of SECOM-style on-line security systems, which include emergency response services, and other services that deliver distinctively SECOM quality. We will also promote further awareness of the SECOM brand and deploy the *ANSHIN* Platform overseas, advancing the use of “*ANSHIN*” as a common global descriptor.

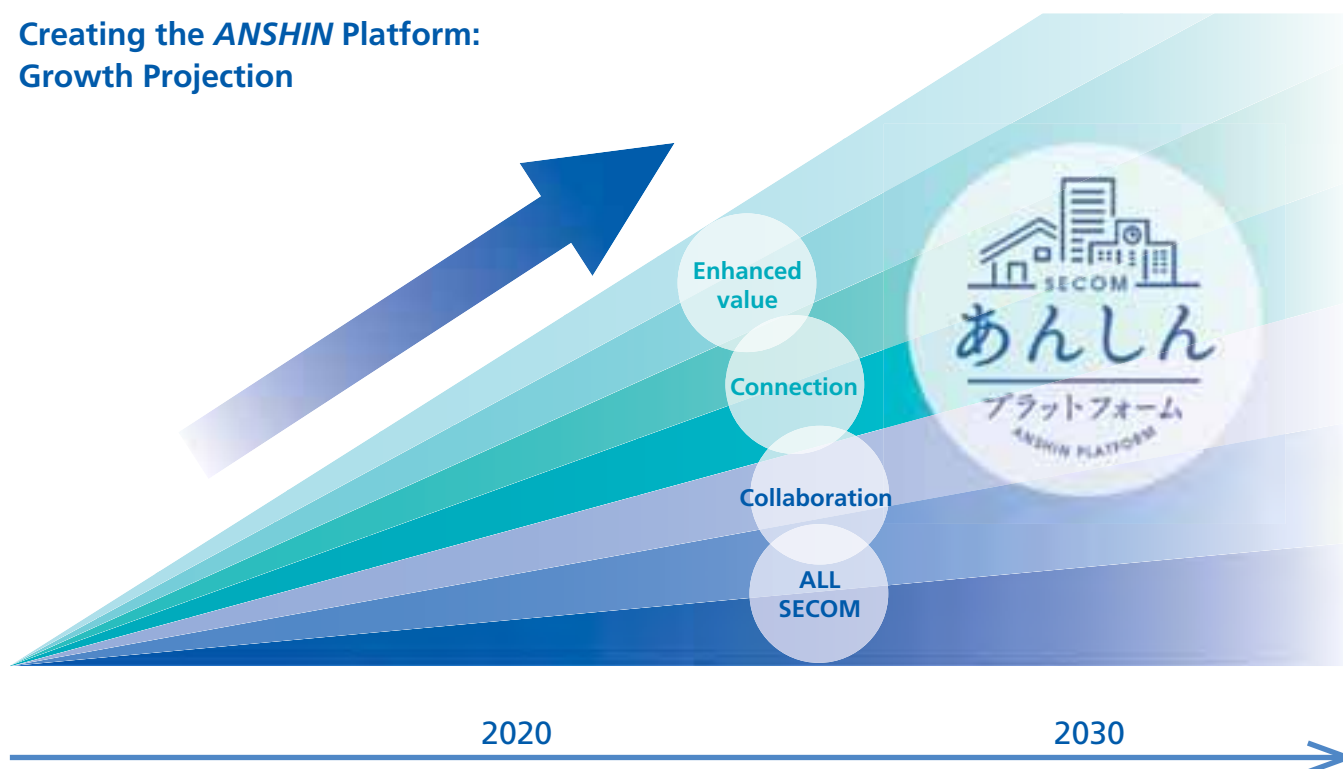
### ■ The *ANSHIN* Platform: Supporting achievement of sustainable growth

We have already kicked off one of the key strategies aimed at creating the *ANSHIN* Platform, which focuses on collaboration with partners. For example, in developing the SECOM *Anshin* Health App we worked together with a major electronics manufacturer in Japan to add pedometer, sleep tracking and calorie expenditure counter features, as well as a health check function, to SECOM My Doctor Watch, a new emergency medical alert and healthcare management service centered on a wristband tracker. We also collaborated with a leading domestic semiconductor manufacturer to develop a security framework that ensures the safety of communications among devices on the IoT. Additionally, in the PRC, we cooperated with a major

local electric appliance manufacturer to cultivate the local market for home security systems.

The increasing acceptance of SECOM services and systems—which underscores our steady efforts to address evolving social imperatives—has served to heighten the expectations of our customers, and of society as a whole. We will continue working to respond to such expectations by creating the *ANSHIN* Platform, enabling us to provide seamless peace of mind whenever and wherever necessary, and in so doing make SECOM an ever-present part of customers' lives. Through these efforts, we will work to reinforce our relationship with society and achieve sustainable growth.

### Creating the *ANSHIN* Platform: Growth Projection



**Leveraging advanced technologies and new ideas, we are working to provide services and systems that respond to our customers' diverse security needs.**

### ■ Competitive advantages of SECOM's security services

Our security services business centers on the provision of on-line security systems, which includes installation of sensors and other equipment and around-the-clock monitoring by a SECOM control center via telecommunications circuits. In the event an intruder, a fire or other irregularity is detected, control center staff dispatch emergency response personnel from the nearest SECOM emergency depot and, if necessary, notify the police and/or fire department. Our integrated framework for providing on-line security systems, whereby we take responsibility for everything from R&D to production, marketing, security planning, equipment installation, around-the-clock monitoring, emergency response services and

maintenance, ensures the exceptional quality and reliability of our services.

Our ability to provide such distinctive services derives from the three core components of our operating foundation, namely, our technological prowess, human resources, and operational and control structure. To reinforce technological prowess, the SECOM Intelligent Systems Laboratory conducts research in the area of core technologies, while the SECOM Development Center leverages these core technologies to realize new security systems. This unique R&D configuration allows the swift and accurate development of systems that respond to the requirements of customers. Having our own in-house R&D capability also facilitates smooth cooperation with the diverse companies of the SECOM Group to develop new systems, as well as

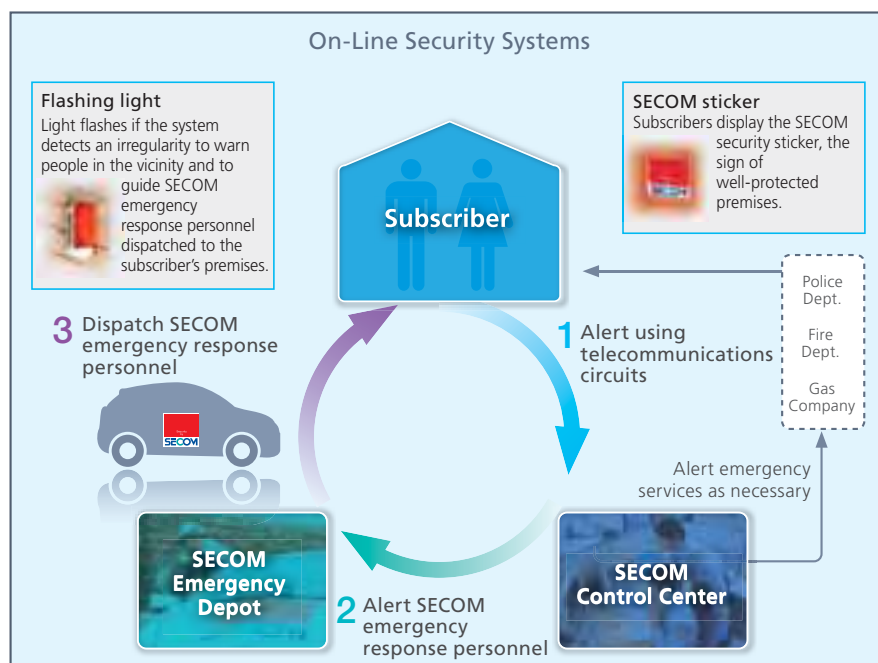
enables us to provide technical support for collaborative initiatives with partners in industry, government and academia, among others, helping to accelerate the development and commercialization of new services and systems.

To foster human resources, we provide training for emergency response personnel, sales staff, administrative staff and other employees at four training centers across Japan. This enables us to equip employees with the advanced knowledge and technical skills they need and ensures that they fully understand our corporate philosophy and observe a code of conduct befitting security professionals.

Our operational and control structure centers on the know-how and wealth of experience we have built up since our establishment. This is reflected in our swift emergency response services,



SECOM emergency response personnel





made possible by the prompt decision making of our control center staff, the quick actions of our trained emergency response personnel, and our nationwide network of approximately 2,800 emergency depots, the largest in Japan.

Our rental format, which minimizes initial costs for commercial security services subscribers, is another strength. This format means that we take responsibility for the maintenance and upkeep of security equipment, guaranteeing both the quality and stability of our services.

#### ■ Sales of on-line security systems for commercial subscribers continue to expand

We are committed to providing on-line security systems that are optimized to accommodate a wide range of site sizes and subscriber purposes and which help

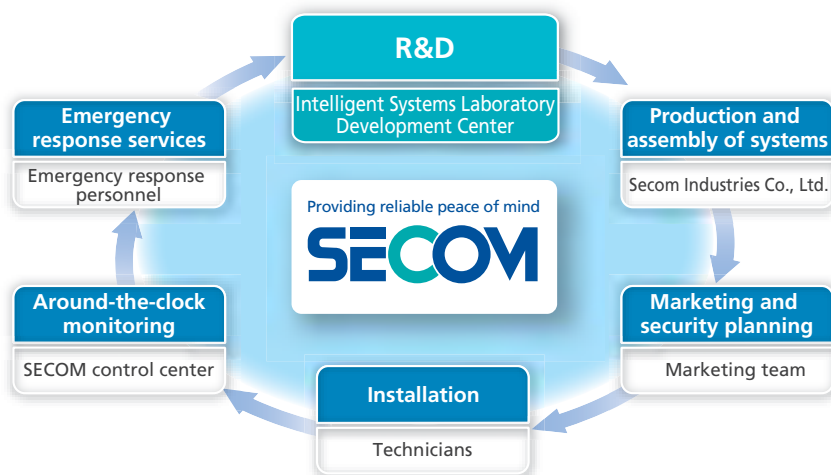
address needs engendered by evolving social imperatives. As a consequence, sales of our on-line security systems for commercial subscribers continue to expand favorably.

SECOM AX is a remote imaging on-line security system that employs sophisticated image recognition technology, enabling image sensors installed at the subscriber's premises to detect the presence of an intruder, even in darkness, and transmit an alert, together with images, to a SECOM control center. This enables control center staff to swiftly assess the situation and issue prompt and accurate instructions to emergency response personnel. Control center staff can also broadcast a warning to intruders using on-premises speakers to discourage the commission of crimes. This speedy response—facilitated by

specialized image sensors developed in-house—continues to earn solid support from subscribers, as a result of which sales continue to expand steadily.

We are also seeing firm growth in the popularity of systems that not only provide excellent security but also assist subscribers' efforts to reduce costs and lower energy consumption. SECOM LX combines monitoring for intruders and fires with access control functions. Because the system uses existing IC cards, such as employee ID cards, and because recorded entry and exit data can be used for other purposes, SECOM LX reduces the amount of work involved in managing employee attendance and calculating payroll, thereby helping to improve the efficiency of personnel management. SECOM FX, designed for unattended facilities and small offices,

Framework for Providing SECOM On-Line Security Systems



SECOM control center

integrates monitoring for intruders and fires with facility control functions that can be set to, for example, turn lights, air conditioners, signage illumination and security cameras on and off at the subscriber's discretion, thereby helping to reduce consumption of energy and electricity. Looking ahead, we will continue working to develop and provide on-line security systems that respond to the diverse needs of subscribers.

## ■ Tight security over broad areas with 3-Dimensional Security for large-scale events

Between now and 2020, Japan will play host to a wide range of major sporting events and international conferences. In light of heightened terrorism and other risks, there is a rising need for effective security plans and rigorous

security for such events. To support organizers' efforts to ensure the safety and security of large-scale events, we have commenced the full-scale provision of 3-Dimensional Security, which seeks to provide security over wide areas from both the ground and the air.

3-Dimensional Security begins with SECOM 3D Security Planning, which makes use of high-precision digital relief maps to determine the positioning of fixed security cameras, and of simulations using overhead images captured by a SECOM Airship or SECOM Aerostat dirigible. This facilitates a firm grasp of potential risks and the formulation of an optimal security plan. SECOM 3D Security Planning is a proprietary system integrating building information modeling (BIM) technologies developed by the SECOM Intelligent Systems Laboratory

and geospatial information technologies developed by SECOM Group company Pasco Corporation. This system was used to provide security for the G7 Ise-Shima Summit, held in May 2016, where its effectiveness was amply demonstrated.

With 3-Dimensional Security, images captured by security cameras on the ground, wearable cameras borne by security guards, and SECOM Airship and SECOM Aerostat dirigibles, facilitate the swift and accurate assessment of event status in real time. It also enables the event's security headquarters to collect and integrate such data from multiple cameras, as well as to use image recognition and other AI technologies to analyze suspicious circumstances and crowding, generating information that is then communicated to security guards on-site to ensure safety and security.





Looking ahead, we will continue to provide uniquely SECOM 3-Dimensional Security services to facilitate the successful staging of major events.

#### ■ Demonstration tests for new SECOM Drone patrolling and monitoring services

The SECOM Drone is an autonomous small flying robot that launches and flies toward an unauthorized vehicle or individual and captures images, which it transmits to a SECOM control center, hastening efforts to track down and capture trespassers.

In April 2017, we began conducting demonstration tests for a new patrolling and monitoring service using the SECOM Drone at the Mine Rehabilitation Program Center in the city of Mine, Yamaguchi Prefecture, a private finance initiative (PFI) correctional facility. With the new service, the drone is either programmed to launch at a specified time or launched remotely by the customer and flies a predetermined route. Images captured by the onboard

camera are transmitted to the customer's monitor room, allowing confirmation in real time. Images are captured from above, which eliminates blind spots, helping to realize more effective security for rooftops and other high places. Drones also facilitate monitoring over wide areas, thereby reducing the burden on patrolling security guards. Going forward, we will focus efforts to market SECOM Drone patrolling and monitoring services to large-scale facilities where patrols are conducted by security guards.

#### ■ Launch of the SECOM Anshin Guesthouse Owner Package

In recent years, a sharp increase in the number of foreign visitors to Japan has led to fears of a shortage of accommodations in certain areas. This

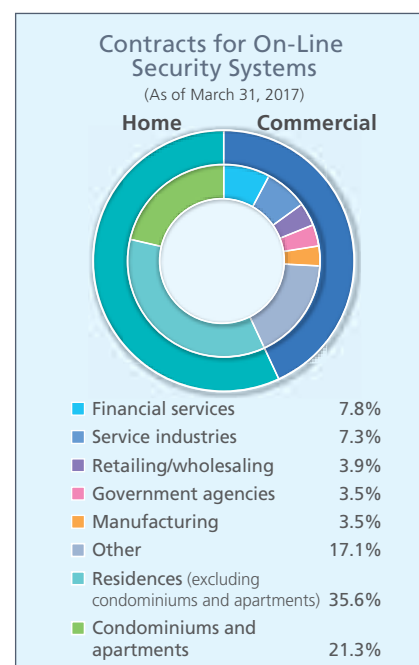
has led to the emergence of the *minpaku* guesthouse business, which offers short-term paid accommodations in private rooms, apartments and houses, and to an increase in the needs of *minpaku* operators for security systems, as well as for fire protection solutions, including the installation of automatic fire alarms. In response to such needs, we developed the SECOM *Anshin* Guesthouse Owner Package, a comprehensive set of essential support services for *minpaku* operators that includes security and fire protection systems, non-life insurance and renovation services. We will continue to leverage our unique capabilities to expand the services offered as part of this package with the aim of providing support for guesthouse owners and management companies to facilitate the smooth start of *minpaku* services.



SECOM Drone patrolling and monitoring service



Monitoring images from SECOM Drone units



## Home Security Services

**We continue promoting a variety of efforts to enhance customer satisfaction, including releasing new systems and services under the SECOM Home Security label.**

### ■ Commencement of sales of the new SECOM Home Security NEO

Since launching Japan's first-ever home security system in 1981, we have worked to develop and introduce services that respond to customers' needs and address evolving social imperatives and provide safety and peace of mind.

One of the most highly rated services currently offered under the SECOM Home Security label is SECOM Home Security G-Custom, which combines home security with a variety of features designed to enhance everyday comfort

and convenience. In July 2017, we launched SECOM Home Security NEO, which features a compact desktop controller. Customers can also use the SECOM Home Security App to arm and disarm their home security systems from their smartphones. The app also enables customers to visually display a chronological history of system access by family members coming and going on their smartphones, thereby enhancing adaptability and convenience. In addition to standard home security services, that is, monitoring for intruders and fires and

emergency alerts, and optional services such as medical emergency calls and monitoring for gas leaks, SECOM Home Security NEO can be linked with devices on the IoT, further enhancing safety, peace of mind, comfort and convenience. Concurrently, we introduced SECOM My Doctor Watch, a wristband-style emergency medical alert and health management service.



SECOM Home Security NEO



SECOM Home Security App



### ■ Launch of the SECOM My Doctor Watch wristband-style emergency medical alert and health management service

Offered as an option to SECOM Home Security subscribers, SECOM My Doctor Watch is an emergency medical alert and health management service centered on a wearable wristband tracker. An advanced option in the SECOM My Doctor series of emergency medical alert services, SECOM My Doctor Watch sends an alert if it detects no movement from the wearer, whether he or she is

inside or outside the home, notifying SECOM that assistance is required. The tracker also detects the impact of situations such as the wearer losing consciousness and falling and automatically alerts this to SECOM.

In a super-aged society like Japan, the safety concerns of seniors-only households are rising, as is awareness of the need to promote better health for seniors. SECOM My Doctor Watch also incorporates features that assist with everyday health management, including a pedometer, sleep tracking and a

calorie expenditure counter, and extends advice for lifestyle improvements by smartphone.

As a service combining advanced medical alert and health management functions, the SECOM My Doctor Watch will allow us to provide enduring peace of mind tailored to individual needs. Looking ahead, we will continue working to provide new services and products with the aim of delivering safety, peace of mind, comfort and convenience.



SECOM My Doctor Watch



SECOM My Doctor Watch emergency medical alert and health management service

### ■ Introducing the SECOM Parent Care *Anshin* Package

For several years, we have offered the SECOM Overseas Transfer Support Package, which helps address the concerns of individuals on overseas assignments by providing support for elderly parents or other family members remaining in Japan. Recognizing the need in Japan for a similar service to be provided as a component of employee welfare, in the period under review we released the SECOM Parent Care *Anshin* Package. This new package helps ensure peace of mind for families with elderly

parents living alone in different parts of the country by combining a number of services that are usually offered independently, including SECOM Home Security, remote monitoring for seniors and various lifestyle support services, into a single easy-to-use set. Companies subscribe to the SECOM Parent Care *Anshin* Package and allow subscribers' employees to choose the services that best meet their particular needs. Going forward, we will continue working to provide services that respond to a variety of key social imperatives.



SECOM Parent Care *Anshin* Package



## Other Security Services

In addition to broadening the scope of the COCO-SECOM mobile security system, we are promoting market acceptance of the SECOM AED Package Service.

### ■ COCO-SECOM: Responding to the needs of increasingly diverse customers

The COCO-SECOM mobile security system uses signals from GPS satellites and cellular phone base stations to pinpoint the location of dedicated portable transmitters carried by individuals or attached to objects. If a customer wants to know where the transmitter is, he or she can trace it via a dedicated COCO-SECOM website or contact the COCO-SECOM Operations Center and ask an operator to search for it. If the operations center receives a search request, the operator will dispatch emergency response personnel and, if necessary, notify the police and/or fire department. The transmitter is also equipped with an alert button, which, if pressed, will instantly notify the COCO-SECOM Operations Center of an emergency.

Designed as a portable security system for individuals, COCO-SECOM is deployed as a way to deter child abductions and track dementia patients who wander. It can also manage taxi and bus fleets, prevent the theft of construction equipment and ATMs, and manage employee safety.

### ■ COCO-SECOM services for children's smartphones

To date, COCO-SECOM for locating children has used portable transmitters and cellular phones. In the period under review we began providing a version of the system that can be used with *miraie f* smartphones, which are designed specially for children. This enables subscribers with children who want to switch from cellular phones to smartphones to continue using COCO-

SECOM. We expect this to help further encourage the popularity of the system.

### ■ Growing market acceptance of the SECOM AED Package Service

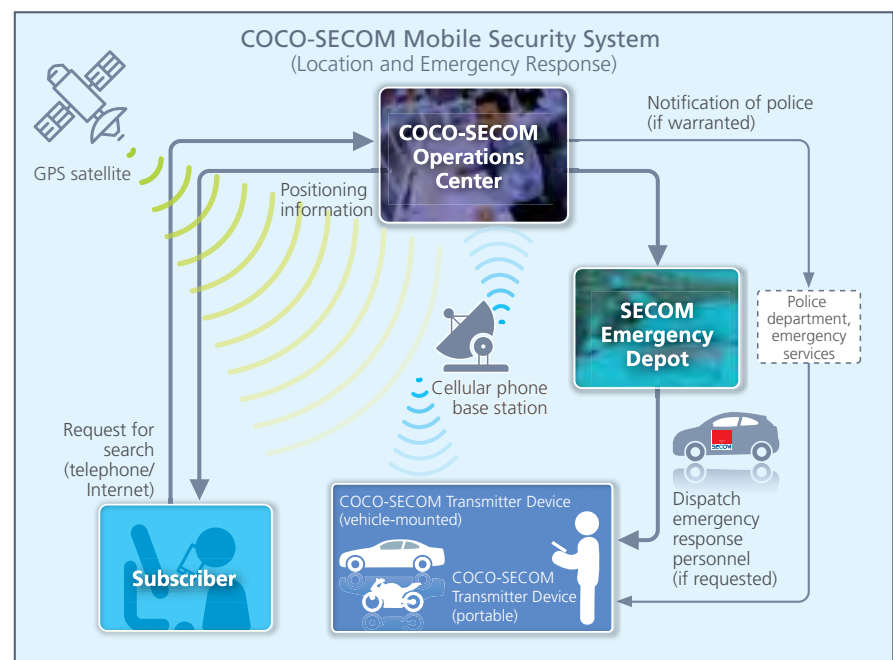
An automated external defibrillator (AED) is a portable device for treating sudden ventricular fibrillation by administering an electric shock to the heart with the aim of restoring a normal rhythm. With the SECOM AED Package Service, our full-service AED rental package, we replace batteries and other expendables when necessary and replace AED units in the event of a malfunction or theft, thereby ensuring that units are always in operating order. We also offer the SECOM AED On-line Management Service, an around-the-clock service that monitors the operational status of AEDs, and the SECOM AED Skill Up Service, a workshop that provides training in the proper use of AEDs.



COCO-SECOM mobile security system



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



## Overseas Security Services

**We continue to promote the steady expansion of our overseas operations. Recent efforts have included reinforcing our service framework in the United Kingdom and laying a foundation for the cultivation of new markets in the PRC.**

### ■ High-grade security services offered in 12 countries and territories overseas

We made our overseas debut in 1978, when we established a presence in Taiwan. Today, our overseas security services business encompasses operations in 12 countries and territories. A distinguishing feature of our overseas security services is that we offer SECOM-style on-line security systems, which include emergency response services, customized to reflect local needs and sensibilities. The services we provide overseas, which are of the same high quality as those provided in Japan, continue to earn praise from overseas customers, as a result of which market acceptance is increasing steadily.

### ■ Reinforcing our service framework in the United Kingdom

Our U.K. subsidiary Secom plc recently acquired Scan Alarms, a security services company in Northern Ireland, the operations of which encompass the sale, installation and maintenance of on-line security systems. With this acquisition, Secom plc has completed the establishment of an extensive configuration that enables it to provide services directly to customers across the United Kingdom, enhancing its ability to supply

high-grade services, as well as to further broaden the scope of its operations.

### ■ Augmenting operations in the PRC through alliance with a leading electric appliance manufacturer

We currently provide commercial security services to subscribers in the PRC through a network of bases in 25 key coastal and inland cities. With the demand for security services growing in all of these locations, the popularity of security systems is expanding, particularly for commercial subscribers and large-scale complexes.

With the aim of cultivating demand for home security services, we have entered into a strategic business alliance with a leading local electric appliance manufacturer. The agreement brings together our expertise in the provision of high-grade security services and our partner's extensive capabilities in marketing of products for high-end condominiums and detached houses. We will collaborate in such areas as product development and the formulation of sales plans. This agreement thus positions us to promote market acceptance of home security services in the PRC.

### ■ Expanding services while responding to needs in key overseas markets

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

In the Republic of Korea (ROK), S1 Corporation, which is also publicly listed, provides on-line security systems and an extensive selection of other services that respond to diverse needs, making life more convenient and comfortable and providing safety and peace of mind. S1 continues to reinforce its building solutions business through high-value-added services that effectively address market needs, including the provision of fire protection systems that make use of advanced video analysis.

In Thailand, the efforts of Thai Secom Security Co., Ltd., to provide high-grade on-line security services have



Control center (Secom plc, United Kingdom)



Emergency response personnel (S1 Corporation)



Emergency response personnel (Thai Secom Security Co., Ltd.)

bolstered awareness of “SECOM-style” services, underpinning steady growth in contracts for the provision of on-line security systems not only to corporations, but also to national government agencies, among others. The company also continues to supply a variety of merchandise to health-care facilities.

Secom (Malaysia) Sdn. Bhd. provides security systems—comprising on-line security systems and static guard services—that respond to the needs of customers across Malaysia. Underscoring the high marks accorded to the company’s proposal-based services, which are tailored to the needs of prospective customers, a major financial institution recently installed SECOM on-line security systems.

In Singapore, Secom (Singapore) Pte. Ltd. boasts a diverse menu of services. These include the provision of on-line security systems and fire protection systems, as well as the leasing of safety deposit boxes.

PT. Secom Indonesia provides on-line security systems, focusing on the cities of Jakarta and Surabaya. Secom Indonesia also offers highly rated consulting services designed to help customers prevent insider crimes.



Control center (Myanmar Secom Co., Ltd.)

In Vietnam, Secom Vietnam Security Service JSC is working to augment its operations by providing “SECOM-style” on-line security systems that respond to the advanced needs of Japanese and other companies in the country.

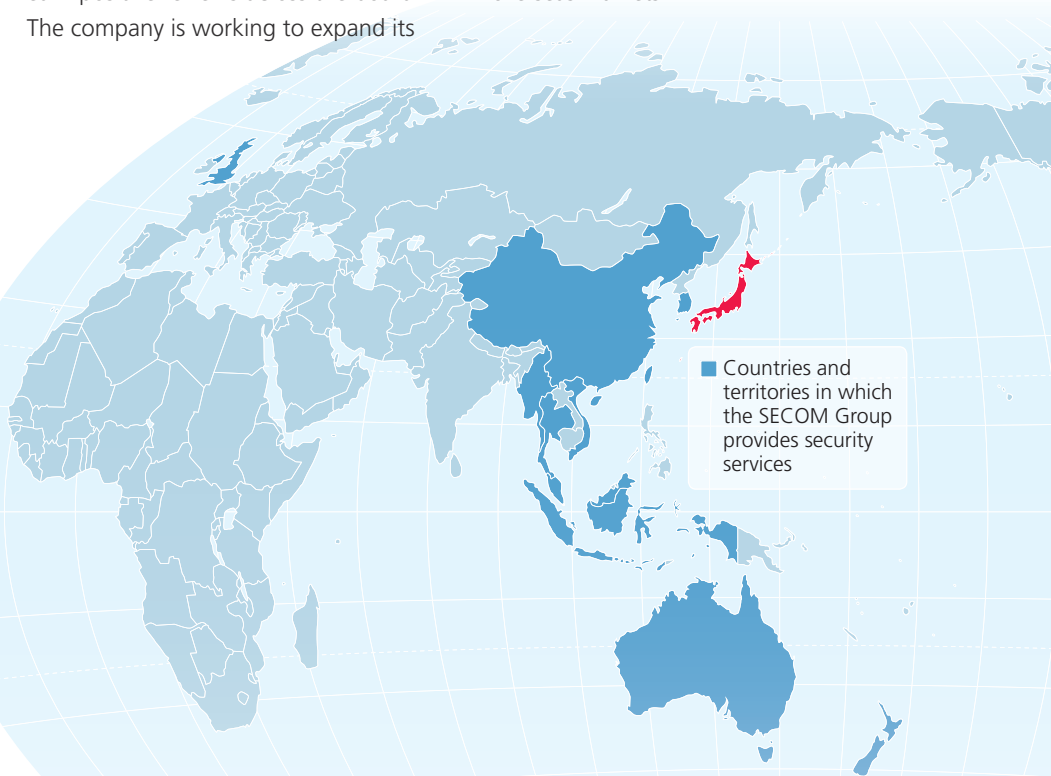
Joint venture Myanmar Secom Co., Ltd., Myanmar’s only provider of on-line security systems, serves subscribers in the city of Yangon. The company continues to expand its operations in this promising market, which is benefitting from economic growth, by providing SECOM-style on-line security systems to offshore (including Japanese) and local financial institutions.

Secom Australia Pty. Ltd.’s security services to major financial institutions and government agencies continue to earn positive reviews across the board. The company is working to expand its

provision of security services centered on on-line security systems not only to corporate subscribers, but also to Australian defense facilities and government-affiliated service facilities.

In New Zealand, Secom Guardall NZ Ltd. continues to provide monitoring using on-line security systems and maintenance services to multiple major global financial institutions and multinational companies.

We recognize that the desire for safety and peace of mind, as well as for comfort and convenience, is something shared by people the world over. Accordingly, we will continue to encourage acceptance of our services and systems in the countries and territories where we have operations, as well as to cultivate promising new overseas markets.





## Fire Protection Services

**We continue to offer high-grade, highly reliable fire protection systems that respond to the needs of customers in Japan and overseas.**

### ■ A framework for providing integrated high-grade fire protection systems

Our fire protection services business is spearheaded by subsidiaries Nohmi Bosai and Nittan, two leading players in Japan's fire protection industry. The two companies have created a framework for providing integrated services, from R&D, planning and design through to production, installation and maintenance. The two companies boast an extensive portfolio of high-grade automatic fire alarms and fire extinguishing systems that has earned them high marks both in Japan and overseas.

### ■ Focusing on the expansion of orders in the renovations market

The deterioration of older buildings is stimulating demand for the replacement of outdated automatic fire alarm systems and other equipment. Nohmi Bosai is drawing on its wealth of experience and the solid trust of customers to expand orders in this market by actively promoting proposal-oriented sales efforts. The installation of new compact

fire alarm panels with automatic testing and other functions conserves space, increases ease of use for customers and enhances safety and peace of mind.

### ■ The new PROTECVIEW SCANNER

Nohmi Bosai recently expanded its PROTECVIEW line of highly sensitive smoke detection systems by launching PROTECVIEW SCANNER, a portable smoke detection sensor. Designed for use in areas where PROTECVIEW smoke detectors have been installed, the new sensor can detect smoke particles before a fire breaks out and identify the point of origin. In a data center, for example, this makes it possible to discover irregularities without having to disconnect servers.

Looking ahead, Nohmi Bosai will respond to the need for portable sensors of a wide range of customers including operators of server rooms, clean rooms, facilities with power distribution panels, and warehouses.

### ■ New facility established in Vietnam to serve Southeast Asian markets

In light of the expansion of its operations in Southeast Asia, Nittan completed a new facility in Vietnam that combines production and sales functions and has production lines for fire alarm systems

that comply with Underwriters Laboratories Inc. (UL) standards for sale in Southeast Asian markets. This facility will enable the low-cost production of highly reliable products, contributing to further quality improvements and cost savings that will bolster brand value and profitability.

### ■ Reinforcing sales of fire protection systems for equipment in special environments

A key focus for Nittan is sales of fire detection equipment for special environments whether or not required by law. Such equipment for special environments, which includes units for use in plants, research laboratories and other facilities, facilitates the prompt detection of fires even in hostile environments in which the adherence of dust particles, water vapor and impurities occurs. Nittan manufactures built-in systems for large-scale computers, control devices, production equipment for plants and other applications that promptly detect smoke and immediately cut power supply, thereby minimizing damage. Nittan will continue to propose comprehensive solutions, while at the same time actively promoting market acceptance of fire protection systems for special environments, for which orders remain robust.



PROTECVIEW SCANNER (Nohmi Bosai)



New production facility in Vietnam (Nittan)



DRD-W fire detection system for special environments (Nittan)

## Medical Services

**Our high-grade medical services range from the provision of home medical services to the operation of residences for seniors.**

### ■ A diverse menu of home medical, personal care, healthcare and other services provided through a broad network

Believing that protecting the health and lives of people is a natural extension of our commitment to providing safety and peace of mind, we launched our medical services business with the introduction of home medical services. Today, our operations in this area have expanded to also include operation of residences for seniors, electronic medical report services, personal care services and support for associated hospitals.

Our mainstay home medical services business centers on our home nursing services, which are provided through a network of 34 visiting nurse stations. Our highly skilled nurses visit homes to provide expert services under the direction of patients' physicians. Our pharmaceutical dispensing and home delivery service involves the filling of prescriptions, the delivery of medications, medical supplies and hygienic supplies to patients at home, and advice to patients.

Our highly rated SECOMFORT series of residences for seniors, established in response to needs engendered by Japan's superaged society, brings together our expertise in security, medical service and personal care. These residences are

designed with the concept of "comfortable aging," that is, providing living environments that enable people to age with grace and serenity. We also operate the Alive Care Home series of small-scale nursing homes, which provide access to extensive healthcare services, day service centers and home personal care services.

To help hospitals increase operating efficiency and provide better-quality care, we offer Hospi-net, a remote image diagnosis support service, whereby magnetic resonance imaging (MRI), computerized tomography (CT) and other images are transmitted from hospitals to our Hospi-net Center, where they are examined by diagnostic experts who provide consultation services. We also provide the cloud-based SECOM Ubiquitous Electronic Medical Report (EMR) system, which is linked to a SECOM data center, ensuring the safety and security of medical records and facilitating the sharing of data among members of the patient's

care team, thereby contributing to effective community medical care.

### ■ Alive Musashino Gotenyama

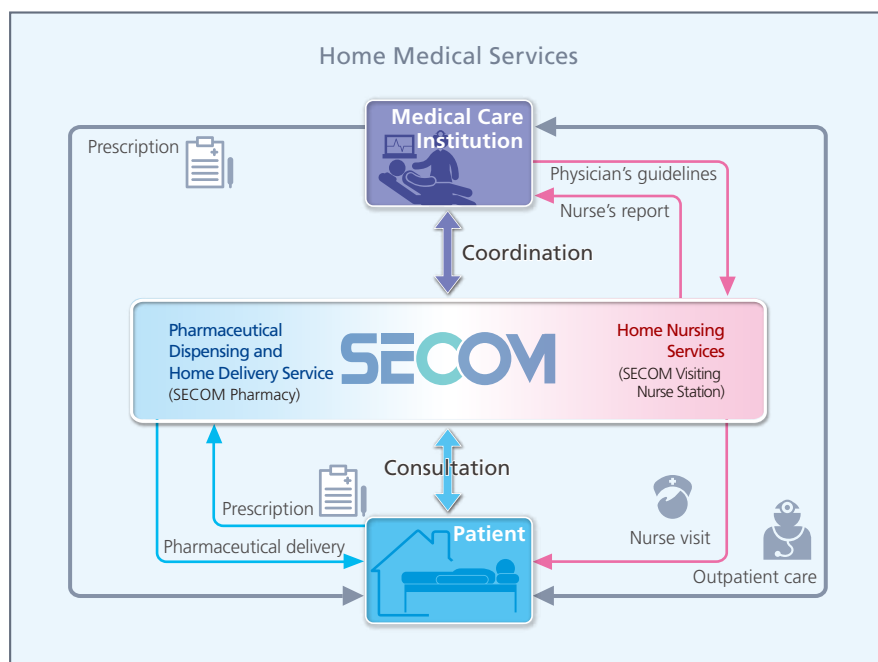
In Japan, a new comprehensive community-based healthcare framework has been put forward with the aim of ensuring that seniors remain connected with the local community. We recently opened Alive Musashino Gotenyama, an Alive series facility developed in line with this framework. The facility incorporates numerous features that contribute to the local community, including an area dedicated to interaction with neighbors.



Alive Musashino Gotenyama



Home nursing services



## Insurance Services

**We continue to leverage the comprehensive capabilities of the SECOM Group to develop and sell distinctive insurance policies.**

### ■ MEDCOM unrestricted cancer treatment policy: Comprehensive coverage to address diverse needs, underpinning growth in subscriptions

MEDCOM is an unrestricted cancer treatment policy that provides full coverage for all hospitalization and medical treatment costs, both those covered under Japan's National Health Insurance (NHI) scheme and those for which the patient usually bears the burden. Policies that pay a per diem amount for medical expenses based on the number of days hospitalized are the most common type of cancer treatment insurance available. As a non-life insurance provider, we developed a product that provides coverage similar in nature to unlimited personal injury protection, an extension of automobile insurance, enabling subscribers to focus on treatment without having to worry about the economic implications. MEDCOM coverage also extends to outpatient treatment, an increasingly key component of cancer care, providing up to ¥10 million per five-year period. These and other features are reflected in the popularity

of MEDCOM, to which subscriptions continue to increase.

### ■ Extensive coverage attracts support for SECOM Anshin My Home

Our diversification into non-life insurance arose from our conviction that augmenting security services, which are preventative by nature, with insurance, which looks after people in the event of a fire or theft, was a way to further enhance safety and peace of mind. One of our highly rated non-life insurance policies is SECOM Anshin My Home, a policy for residential customers that offers a discount on premiums to subscribers who have installed on-line security systems, taking into account the fact that such systems mitigate the risk of theft and fire. This policy also offers discounts on premiums for houses that have exclusively electrical appliances and for houses less than 10 years old, recognizing both as factors that lower the risk of fire. Another reason for the policy's popularity is the fact that it provides a variety of services, such as

organizing the replacement of windows and keys in the event of loss or destruction, as well as coverage for security upgrades, including the purchase of fire extinguishers, further enhancing peace of mind. With the growing popularity of on-line security systems, subscriptions to SECOM Anshin My Home are also rising. We will continue striving to further expand sales. We are also seeing expanded sales of the Security Discount Fire Policy, a similar policy for commercial customers that offers a discount on premiums to companies that have installed on-line security systems.

### ■ SECOM Anshin My Car is backed by support from emergency response personnel

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

In addition to conventional approaches, we continue working to boost sales of our various non-life insurance policies by marketing them through banks and over the Internet.



A call center operated by Secom General Insurance Co., Ltd.



Headquarters of Secom General Insurance



SECOM Anshin My Car on-site support



## Geographic Information Services

**In line with its vision, “Measuring the world to create the future,” Pasco is working to offer distinctive geospatial information services in promising new business domains.**

### ■ Supporting self-driving systems using the MMS

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

Pasco uses the vehicle-mounted Mobile Mapping System (MMS) for the collection of high-precision 3D spatial information data to create highly accurate basic maps for roads managed by local authorities. 3D mapping technologies are also attracting attention for use in the creation of high-precision 3D road maps (dynamic maps) crucial to the realization of a self-driving system. We are working to achieve commercialization of technologies for this purpose through a new joint venture.

### ■ Responding to the increasing number of projects using the i-Construction program

In April 2016, Japan’s Ministry of Land, Infrastructure, Transport and Tourism launched the i-Construction program, an initiative aimed at creating a

construction system incorporating ICT, among others. This will involve promoting the use of drones for measuring, with the resulting 3D data used to formulate plans for engineering and execution, as well as the use of ICT equipment to reduce labor requirements for execution and testing. With use of the i-Construction program expected to expand not only for civil engineering, but also for waterway management and the removal of sediment from riverbeds, Pasco is stepping up efforts to expand orders for its 3D mapping technologies to help improve on-site productivity for such projects.

### ■ Providing integrated services that help advance the forestry industry

In Japan, declining populations and the rapid aging of society in rural mountainous areas have resulted in an increasing number of cases in which confusion over property ownership and boundaries in forested areas has hindered efforts by forestry companies to improve productivity. Pasco is providing integrated services encompassing the use of measuring

technologies to clarify such matters, cloud-based information sharing and forestry management consulting to companies in the forestry industry, thereby helping to advance the industry.

### ■ Services designed to enhance productivity in the logistics sector

Japan’s logistics industry is currently facing a number of key challenges, including a critical labor shortage and the rising age of drivers. By incorporating information on road networks, positioning of trucks on roadways, and the experience of dispatchers and drivers into a proprietary system, Pasco helps logistics firms enhance productivity by increasing transport efficiency.

Pasco will continue to foster demand for its services by properly identifying and responding to increasingly diverse and sophisticated needs. The company will also take decisive steps to offer distinctive geospatial information services in promising new business domains.



The vehicle-mounted MMS and 3D coordinate data



3D terrain models created using data collected by drones (i-Construction project)



Aerial image used to analyze distribution of harvested timber and tree heights in forested areas

## Information and Communication Related Services

**Placing a high priority on security, we are working to address the needs for safety and peace of mind in an increasingly networked society.**

### ■ Introducing the SECOM

#### Premium Net Remote Browser

Recent years have brought an increase in the incidence of targeted cyber attacks at companies and government offices involving the insertion of viruses into servers and computers to steal confidential information. To protect information from such threats, we began providing the SECOM Premium Net Remote Browser. This service facilitates web access using a browser isolated in a virtual environment within a SECOM data center facility. Viruses and cyber attacks are thus contained, preventing them from infiltrating customers' computers. We also confirm the safety of files downloaded from the Internet before passing them on to customers to keep suspicious files out.

### ■ Providing diverse services that increase operating efficiency

SECOM Cloud is a system allowing subscribers to store data at a highly secure

SECOM data center facility that is accessed via a network. The SECOM *Anshin* My Number Service is a comprehensive support service that enables companies to collect, manage and, when necessary, use and destroy their employees' My Number (personal social security and tax number system) information. The SECOM *Anshin* Employee Attendance Management Service is an internet-based system that facilitates the efficient management of employee time clock, attendance and other labor-related data. The *e-Kakushin* Schedule service, which can be linked to the SECOM *Anshin* Employee Attendance Management Service, capitalizes on expertise gained through the provision of around-the-clock security services to reduce the time required to prepare shift schedules. The SECOM Electronic Acceptance Service transforms notices of employment into electronic format, facilitating the simultaneous distribution of multiple documents and enabling employees to

indicate acceptance from their computer or smartphone. We continue to see growth in the number of companies introducing these services, which promise to help boost operating efficiency.

### ■ An expanding menu of services for coping with disasters

The frequency of earthquakes and other natural disasters in Japan is encouraging companies to reassess their BCPs. We provide a number of services that assist in these efforts. The SECOM Safety Confirmation Service helps subscribers ascertain the safety of employees and their families in the aftermath of a disaster and assess the situation on the ground. This system has earned solid marks from users and is one of Japan's leading disaster management support systems. We have further enhanced the convenience of this system by facilitating its use via the messaging feature of communications apps. We also offer the Real-Time Disaster Information Service, whereby the SECOM *Anshin* Information Center collects and scrutinizes disaster-related information, enabling it to support subscribers' decision making regarding business continuity. We will continue working to broaden and diversify our menu of services for coping with



A SECOM data center facility



SECOM Safety Confirmation Service

disasters, thereby enhancing our ability to respond effectively to the evolving safety and security needs of customers.

#### ■ Providing security for the IoT

In recent years, we have seen an increase in security breaches involving attackers taking over connected devices and using them as a springboard to access a company's servers and other

equipment. We have begun working with a leading semiconductor manufacturer to ensure the reliability of information exchanged among devices on the IoT. Our partner will provide technologies for incorporating confidential information into the semiconductors mounted in devices, while we will contribute technologies that ensure the security of information through the

issuance of digital certificates, physical security, stringent operational standards and expertise in key management, among others.

In response to rising demand for improving the security of "things," we will continue to offer services that improve the safety and security of IoT devices to enhance comfort and convenience for users.

## Real Estate and Other Services

### In this business, we provide high-grade condominiums and lifestyle support services.

#### ■ Sales begin for the Glorio Comfort line of compact secure condominiums

In line with our goal of providing living spaces that deliver safety and peace of mind, we develop and sell condominiums under the Glorio brand. We also provide extensive after-sales services to residents. In response to rising demand

for compact condominiums, we recently launched the Glorio Comfort series. We also stepped up efforts to expand sales. Of note, we opened a secure condominium showroom that enables people to experience the safety, security, comfort and convenience, of our Glorio-branded condominiums.

#### ■ Expanding lifestyle support services to meet the growing needs of seniors

We currently offer the SECOM My-home Concierge Service, a region-specific membership-based service designed to support seniors who wish to remain in their own homes. This service is made

possible through collaboration with other companies, as well as with local authorities, which allows us to help seniors and their families resolve everyday issues of concern.

Our lifestyle support services also include SECOM Home Service, an optional suite of services available to SECOM Home Security subscribers with a diverse menu that enables us to tailor packages to customer needs. These include the Housework Support Service, which provides help with housecleaning, and the *Anshin* Support Service, whereby we assist subscribers by, for example, patrolling around their homes when they are out.



Glorio Comfort Bunkyo Hon-Komagome (Tokyo)



Glorio Den-en-chofu (Tokyo)



SECOM Home Service



## SECOM's CSR

### ■ Basic policies

Having always acknowledged the importance of ensuring sustainability for ourselves and for society, we actively seek to promote CSR in all aspects of our operations, allowing us to

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

We promote a variety of CSR initiatives, which we classify as either “strategic” or “basic.”

### ■ Communication with stakeholders

With the aim of ensuring accountability to stakeholders, we have created a corporate website and publish a variety of reports, including our annual CSR report. We are also working to expand our publication of environment, social and government (ESG)-related information, including through participation in various external assessment programs. Opinions and comments received from stakeholders are reported at pertinent meetings and fed back to the appropriate departments to facilitate the sharing and effective use of information.

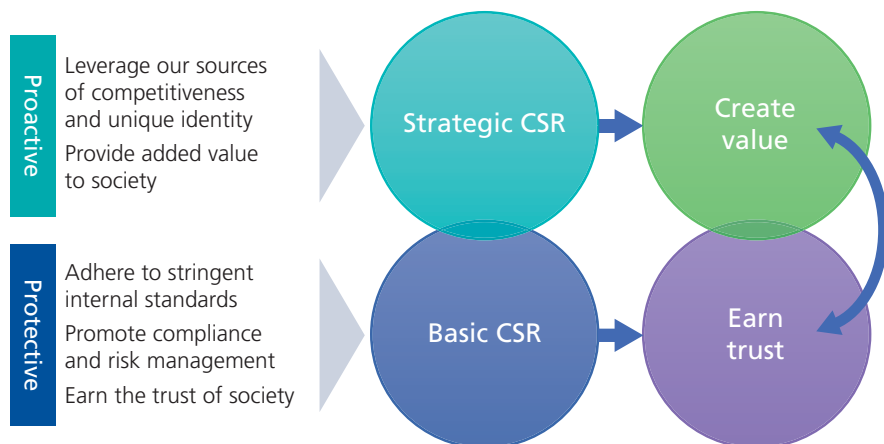
### ■ Strategic CSR: Addressing evolving social imperatives

Our strategic CSR initiatives emphasize capitalizing on the principal sources of our competitiveness, namely, our technological prowess, human resources, and operational and control structure, and on our ability to make effective use of Big Data, made possible by our network of data center facilities, which underpins our business infrastructure. Guided by the ALL SECOM concept, which focuses on rallying Group strengths, we continue to create diverse services and systems.

We continue working to realize the *ANSHIN* Platform, a service infrastructure designed to provide enduring peace of mind to an ever-changing society, with the goal of further reinforcing our relationships with society and helping to address a broad range of social imperatives. Through these and other efforts, we will strive to grow together with society and achieve sustainable growth in corporate value.

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

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



## Basic CSR initiatives

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

### Consumer issues

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



Training for employees to enhance know-how and skill levels

### Human rights and labor practices

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

aspect of corporate management and provide training aimed at enhancing employees' understanding thereof.

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

### Environment

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



SECOM Group environmental conference

### Community involvement and development

We recognize contributions to the community through the provision of safety and peace of mind, as well as through the creation of employment opportunities and support for local development, as an important responsibility. To this end, we promote a variety of efforts

designed to contribute to communities. These include offering programs for children, women and seniors designed to raise crime prevention awareness.



SECOM AED installed at temporary housing for people displaced by the 2016 Kumamoto Earthquake

### Fair operating practices

Efforts to strengthen our cooperation with suppliers, as well as to promote mutual understanding and compliance with laws and regulations, have enabled us to create a solid framework for providing high-grade services and systems.

We also work to promote awareness of key components of CSR, including the safeguarding of human rights, ensuring industrial safety and employee well-being, and protecting the environment, across our entire value chain.

### Organizational governance

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

### CSR Topics

#### ■ Promoting open innovation

We are committed to promoting open innovation, which aims to create new services that address the increasingly diverse needs of society by leveraging our management resources, as well as by promoting strategic collaboration with other organizations. In line with this commitment, we hold the SECOM Open Lab, a workshop for companies and experts in pertinent fields with promising ideas and technologies.



SECOM Open Lab

#### ■ Bolstering employee satisfaction

Having highly motivated employees who are actively committed to realizing their individual goals is a critical factor behind our ability to provide high-grade services that exceed the expectations of customers and earn the trust of society. We implement various measures to bolster employee satisfaction, recognizing this as the source of motivation and a proactive outlook.

#### ■ Advancing the careers of female employees

We strive to assist employees in balancing the demands of career and family and to create workplaces that provide a positive and supportive environment. In addition, we have established the Committee to Advance the Careers of Female Employees, a dedicated section that is charged with promoting measures across the Company to further advance the careers of female employees.



Committee to Advance the Careers of Female Employees

#### ■ Preventing extreme overwork

Extreme overwork is a significant social issue in Japan. By positioning an expert in our personnel department, as well as in other pertinent departments, we strive to prevent excessive overtime. We have also introduced a framework for the ongoing management and improvement of data pertaining to employee working hours, including start and finish times.

#### ■ Establishing medium- to long-term targets for reducing greenhouse gas emissions

In accordance with the Paris Agreement, adopted at the COP21 climate summit, and Japan's Plan for Global Warming Countermeasures, we have augmented our existing target for reducing greenhouse gas emissions attributable to our security services business with a specific target for the year ending March 31, 2031. We will also endeavor to achieve a significant reduction in greenhouse gas emissions by 2050.

##### • Short-term (existing) target

Reduce CO<sub>2</sub> emissions by 1.5% annually until the year ending March 31, 2021

##### • Medium-term target

Achieve a 35% reduction in greenhouse gas emissions from the year ended March 31, 2014, by the year ending March 31, 2031.

##### • Long-term objective

Achieve an 80% reduction in greenhouse gas emissions by 2050.

### SECOM: An Official Partner of the Olympic and Paralympic Games Tokyo 2020

As an official partner (Security Services and Planning category), we will contribute to the safe and secure staging of the Olympic and Paralympic Games Tokyo 2020.

Our history with the Olympics stretches back five decades. Still in our infancy, in 1964 we provided security services for the Olympic Village at the first Tokyo Olympics,

earning high marks and the trust of society, an achievement that contributed to our subsequent evolution and growth.

We look forward to helping ensure the safety and security of the Olympic and Paralympic Games Tokyo 2020 and will continue working to create innovative services that will help us achieve this goal.





# Financial Review

## Operating Results

### Overview

In the fiscal year ended March 31, 2017, SECOM CO., LTD. and its subsidiaries (collectively, “the Company”) sought to provide high-quality products and services that respond to the needs of customers in its core security services segment, as well as in its fire protection services, medical services, insurance services, geographic information services, information and communication related services, and real estate and other services segments.

Consolidated net sales and operating revenue rose 4.9%, or ¥47.8 billion, to ¥1,031.3 billion. Principal factors behind this result were the inclusion of a full year of results for subsidiary Asahi Security, consolidated on December 1, 2015, and higher revenue from on-line security systems. Bolstered by increased net sales and operating revenue and a decrease in impairment loss on long-lived assets, among others, operating income advanced 9.5%, or ¥11.3 billion, to ¥130.2 billion. Increases in operating income and gain on private equity investments and other factors pushed net income attributable to SECOM CO., LTD., up 8.7%, or ¥7.3 billion, to ¥91.4 billion.

### Net Sales and Operating Revenue

Net sales and operating revenue was up 4.9%, or ¥47.8 billion, to ¥1,031.3 billion. The security services, real estate and other services, medical services, insurance services, and information and communication related services segments reported increases, while the fire protection services and geographic information services segments posted declines. (For further details, please see Segment Information below.)

### Costs and Expenses

Total costs and expenses rose 4.2%, or ¥36.6 billion, to ¥901.1 billion. Cost of sales, at ¥710.0 billion, was up 5.3%, or ¥35.4 billion, and was equivalent to 68.8% of net sales and operating revenue, compared with 68.6% in the previous fiscal year, owing mainly to the inclusion of a full year of results for subsidiary Asahi Security, for which the costs of sales ratio is comparatively high.

Selling, general and administrative (SG&A) expenses, at ¥184.5 billion, were up 4.7%, or ¥8.2 billion. SG&A expenses were equivalent to 17.9% of net sales and operating revenue, level with the previous fiscal year.

Impairment loss on long-lived assets amounted to ¥2.7 billion, as the Company recognized losses on certain business assets in the geographic information services segment. This represented a decline of ¥9.1 billion from ¥11.8 billion in the previous fiscal year, which reflected, among others, losses on certain business assets in the information and communication related services segment and on certain real estate assets, the use of which it had reconsidered. The Company also recognized an impairment loss on goodwill of ¥1.2 billion, owing to, among others, a decrease in projected cash flows of a previously acquired security services subsidiary. Additionally, loss on sales and disposal of fixed assets, net, rose ¥845 million, to ¥2.8 billion.

### Operating Income

Operating income advanced 9.5%, or ¥11.3 billion, to ¥130.2 billion, equivalent to 12.6% of net sales and operating revenue, up from 12.1% in the previous fiscal year. This was due to increased net sales and operating revenue and a decrease in impairment loss on long-lived assets, among others. The Company's segments, in order of size of contribution to operating income, were security services, fire protection services, insurance services, information and communication related services, real estate and other services, and medical services. (For further details, please see Segment Information below.)

### Other Income and Expenses

Other income rose ¥10.5 billion, to ¥18.1 billion, while other expenses declined ¥1.0 billion, to ¥3.1 billion, resulting in net other income of ¥15.0 billion, up ¥11.5 billion from the previous fiscal year. Principal factors behind this result include a ¥12.2 billion increase in gain on private equity investments, to ¥13.9 billion.

### Income from Continuing Operations before Income Taxes and Equity in Net Income of Affiliated Companies

Income from continuing operations before income taxes and equity in net income of affiliated companies advanced 18.6%, or ¥22.8 billion, to ¥145.2 billion, bolstered by increases in operating income and net other income.

### Income Taxes

Income taxes amounted to ¥47.0 billion, an increase of ¥6.7 billion, and were equivalent to 32.4% of income from continuing operations before income taxes and equity in net income of affiliated companies, compared with 32.9% in the previous fiscal year.

### Equity in Net Income of Affiliated Companies

Equity in net income of affiliated companies, at ¥5.2 billion, was down ¥2.0 billion. This result primarily reflected decreases in equity in net income of certain affiliated companies overseas.

### Net Income Attributable to Noncontrolling Interests

Net income attributable to noncontrolling interests amounted to ¥12.0 billion, up ¥6.8 billion from the previous fiscal year, reflecting increases in gain on private equity investments and operating income in the information and communication related services segment.

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

Net income attributable to SECOM CO., LTD. advanced 8.7%, or ¥7.3 billion, to ¥91.4 billion, equivalent to 8.9% of net sales and operating revenue, compared with 8.5% in the previous fiscal year. Net income attributable to SECOM CO., LTD. per share was ¥418.71, up from ¥385.19.

At the Ordinary General Meeting of Shareholders held on June 27, 2017, a proposal to pay a year-end dividend of ¥75.00 was approved. As a consequence, cash dividends for the period—which also included an interim dividend of ¥70.00 approved at the Board of Directors' meeting held on November 9, 2016—rose ¥10.00, to ¥145.00 per share. However, because both the ¥70.00 per share year-end dividend for the year ended March 31, 2016, approved at the Ordinary General Meeting of Shareholders held on June 24, 2016, and the ¥70.00 per share interim dividend for the previous fiscal year, determined by the Board of Directors and paid to shareholders of record as of September 30, 2016, were paid during the period, cash dividends paid to shareholders in the period under review—the figure that appears in the financial statements—amounted to ¥140.00 per share.

### Segment Information

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

#### Security Services

The security services segment comprises electronic security services, which center on on-line security systems; other security services; and merchandise and other. In the period under review, net sales and operating revenue in this segment advanced 7.6%, or ¥38.4 billion, to ¥546.5 billion. Excluding intersegment transactions, net sales and operating revenue in this segment amounted to ¥543.5 billion, representing 52.7% of overall net sales and operating revenue, up from 51.4% in the previous fiscal year.

In addition to on-line commercial and home security systems, electronic security services include large-scale proprietary security systems, which center on surveillance services for the subscriber's premises. On-line commercial and home security systems use sensors, controllers and other equipment installed at the subscriber's premises to detect events, including intrusions, fires and equipment malfunctions. Equipment is linked to a SECOM control center via telecommunications circuits to facilitate around-the-clock remote monitoring. Should an irregularity be detected, relevant information is relayed to the control center, where staff dispatch emergency response personnel to take appropriate measures. Control center staff also notify the police, fire department or other authorities, if necessary. The Company has established an integrated approach, whereby it takes full responsibility for all aspects of its on-line commercial and home security systems, from R&D through to equipment manufacturing, marketing, security planning, installation, monitoring, emergency response services and equipment maintenance. Net sales and operating revenue from electronic security services rose 2.4%, or ¥7.9 billion, to ¥338.7 billion, primarily reflecting expanded sales of value-added services that respond to diverse security needs, which bolstered sales of on-line security systems, and an increase in revenue from installation attributable to higher sales of large-scale security systems.

Other security services include static guard services and armored car services. Static guard services, which are provided by highly trained professional security guards for situations requiring human judgment and flexible responsiveness, generated net sales and operating revenue of ¥56.4 billion, up 0.9%, or ¥510 million. Armored car services, which involve the transport of cash, securities and other valuables using specially fitted armored cars and security professionals, reported net sales and operating revenue of ¥57.9 billion, up 75.4%, or ¥24.9 billion, owing principally to the inclusion of a full year of results for Asahi Security, consolidated on December 1, 2015.

The merchandise and other category encompasses sales of a wide range of security products, including security camera systems, access control systems, automated fire extinguishing systems and external monitoring systems, which can be free-standing or linked to on-line security systems. Net sales and operating revenue in this category advanced 6.1%, or ¥5.2 billion, to ¥90.5 billion, owing to the robust sales of access control systems and the inclusion of a full year of results for Kumalift, consolidated on August 31, 2015.

Operating income in the security services segment rose 1.6%, or ¥1.8 billion, to ¥112.7 billion. The operating margin was 20.6%, compared with 21.8% in the previous fiscal year. Higher operating income primarily reflected the inclusion of a full year of results for Asahi Security and higher net sales and operating revenue for on-line security systems and merchandise. The decline in the operating margin was due to an impairment loss on goodwill—attributable to a decrease in projected cash flows of a previously acquired security services subsidiary—and an increase in advertising and promotional costs.

#### Fire Protection Services

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

Net sales and operating revenue in this segment amounted to ¥129.7 billion, down 4.3%, or ¥5.8 billion, from the previous period, which benefited from a number of major orders. Operating income declined 3.8%, or ¥525 million, to ¥13.1 billion, while the operating margin remained level at 10.1%.

#### Medical Services

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

Segment net sales and operating revenue rose 3.2%, or ¥5.3 billion, to ¥169.0 billion. The principal factors behind this result were the consolidation of a hospital management company in India, and

increases in sales and operating revenues of the aforementioned variable interest entities and from pharmaceutical dispensing services. Operating income fell 40.7%, or ¥1.2 billion, to ¥1.7 billion, while the operating margin declined to 1.0%, from 1.8% owing mainly to the expansion and modification of hospitals managed by variable interest entities and an increase in impairment loss on long-lived assets.

#### Insurance Services

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

Net sales and operating revenue in this segment advanced 7.5%, or ¥3.3 billion, to ¥46.9 billion, spurred by favorable sales of the MEDCOM unrestricted cancer treatment policy and the fact that a decline in net premiums written—a consequence of the termination of sales of fire insurance policies with terms of 10 years or longer in October 2015—was exceeded by a decrease in provision for policy reserves. Operating income rose 6.5%, or ¥447 million, to ¥7.3 billion, while the operating margin edged down to 15.6%, from 15.7% in the previous fiscal year. The principal factor behind the increase in operating income was higher net realized investment gains.

#### Geographic Information Services

The geographic information services segment includes the collection of geographic data from satellite images, aerial photography, and vehicle/ground and other types of surveying, which are integrated, processed and analyzed to facilitate the provision of geospatial information services to public sector entities, including national and local governments, and private sector customers in Japan. The Company also extends geospatial information services to government agencies overseas.

Segment net sales and operating revenue decreased 1.7%, or ¥896 million, to ¥51.8 billion, owing to a decline in net sales and operating revenue from services for overseas customers. The segment reported an operating loss of ¥944 million, compared with an operating loss of ¥268 million in the previous fiscal year. The principal factor behind this result was an increase in impairment loss on long-lived assets arising from, among others, a

greater risk of decline in the profitability of satellite operation software and the replacement of satellite signal receiving equipment.

### Information and Communication Related Services

Information and communication related services focus on data center services, as well as BCP support services, information security services and cloud-based services.

Net sales and operating revenue in this segment advanced 1.7%, or ¥1.0 billion, to ¥56.8 billion, bolstered by, among others, a full year of contributions from sales of the SECOM *Anshin* My Number service, launched in the previous fiscal year. Operating income climbed to ¥7.3 billion,

from ¥308 million, while the operating margin rose to 12.8%, from 0.6% in the previous fiscal year. A decline in impairment loss on long-lived assets to ¥485 million, from ¥5.6 billion in the previous fiscal year, together with decreases in charges for electricity and rental expenses in the data center business—the former attributable to falling crude oil prices and latter to the purchase of certain previously rented facilities—were among factors contributing to the operating income result.

### Real Estate and Other Services

The real estate and other services segment encompasses the development and sales of, among others, condominiums equipped with sophisticated security and disaster-

preparedness features, as well as real estate leasing, construction, and installation and other services.

Segment net sales and operating revenue rose 12.4%, or ¥5.5 billion, to ¥49.5 billion. Principal factors behind this result included an increase in the real estate development and sales business. Operating income, at ¥5.2 billion, was up 7.0%, or ¥341 million. The operating margin slipped to 10.6%, from 11.1% in the previous fiscal year. Higher operating income reflected an improvement in the profitability of construction and installation projects and an increase in net sales and operating revenue in the real estate development and sales business.

## Financial Position

Total assets as of March 31, 2017, amounted to ¥1,763.3 billion, ¥81.9 billion higher than at the end of the previous fiscal year. Total current assets, at ¥773.9 billion, were up ¥68.3 billion, and accounted for 43.9% of total assets. The current ratio rose to 2.0 times, from 1.8 times in the previous fiscal year. Cash and cash equivalents totaled ¥299.6 billion, an increase of ¥70.6 billion, reflecting the fact that net cash provided by operating activities exceeded net cash used in investing and financing activities. (For further details, please see Cash Flows, which follows this section.) Notes and accounts receivable declined ¥1.8 billion, to ¥134.8 billion. Notes and accounts receivable are affected by the fact that income in the fire protection services and geographic information services segments tend to be concentrated toward the end of the fiscal year. Cash deposits for armored car services rose ¥2.4 billion, to ¥130.6 billion,

with contributing factors including an increase in service contracts at Asahi Security. Despite a ¥1.0 billion increase in real estate for sale, to ¥27.5 billion, inventories declined ¥1.1 billion, to ¥62.7 billion, owing to a ¥1.9 billion decline in security merchandise, to ¥7.0 billion, among others.

Investments and long-term receivables rose ¥13.2 billion, to ¥349.6 billion, equivalent to 19.8% of total assets. Investment securities advanced ¥14.8 billion, to ¥227.2 billion, a consequence of higher unrealized gains on securities and other factors.

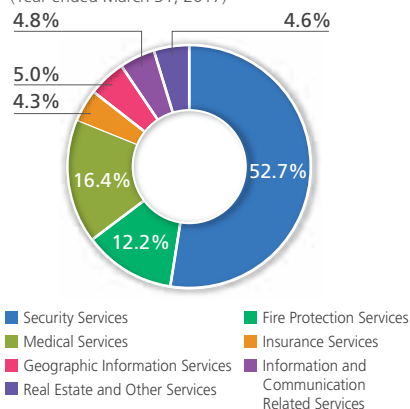
Property, plant and equipment, less accumulated depreciation, decreased ¥84 million, to ¥414.1 billion, representing 23.5% of total assets. Buildings and improvements increased ¥13.1 billion, to ¥329.6 billion, owing to the expansion and modification of hospitals managed by variable interest entities and the acquisition

of information and communications assets, including the purchase of certain previously rented data center facilities. In contrast, machinery, equipment and automobiles declined ¥11.0 billion, to ¥143.8 billion. These factors led to an increase in property, plant and equipment before the deduction of accumulated depreciation of ¥3.8 billion, to ¥913.7 billion. Accumulated depreciation rose ¥3.9 billion, to ¥499.6 billion.

Other assets totaled ¥225.8 billion, up ¥529 million, and accounted for 12.8% of total assets. Impairment losses, among others, resulted in a ¥1.3 billion decline in goodwill, to ¥89.0 billion. Amortization and other factors pushed other intangible assets down ¥3.2 billion, to ¥50.7 billion. In contrast, prepaid pension and severance costs rose ¥4.5 billion, to ¥35.3 billion, reflecting increases in the fair value of plan assets.

Percentage of Consolidated Net Sales and Operating Revenue\*

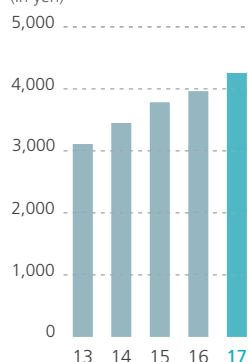
(Year ended March 31, 2017)



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

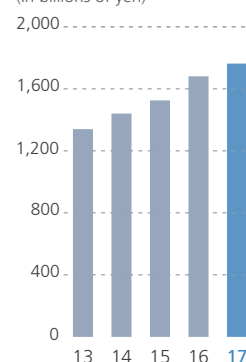
SECOM CO., LTD.  
Shareholders' Equity per Share

(In yen)



Total Assets

(In billions of yen)





## Financial Review

Total current liabilities amounted to ¥393.9 billion, an increase of ¥6.1 billion, and accounted for 22.3% of total liabilities and equity. Deposits received rose ¥7.1 billion, to ¥112.1 billion, as an increase in service contracts at Asahi Security pushed up cash deposits for armored car services. Bank loans declined ¥13.6 billion, to ¥42.1 billion, while notes and accounts payable rose ¥3.4 billion, to ¥46.3 billion, and accrued income taxes advanced ¥5.2 billion, to ¥27.6 billion.

Total long-term liabilities, at ¥317.9 billion, were up ¥928 million, representing 18.0% of total liabilities and equity. Unearned premiums and other insurance liabilities advanced ¥4.4 billion, to ¥110.0 billion. Long-term debt, at ¥54.1 billion, was down ¥7.5 billion, owing to the shift of certain debt to the bank loans category, among others. An increase in unrealized gains on private equity investments in the United States was one of several factors contributing to a ¥7.8 billion increase in deferred income taxes, to ¥33.8 billion.

Total SECOM CO., LTD. shareholders' equity advanced ¥64.0 billion, to ¥929.2 billion. Retained earnings rose ¥60.7 billion, to ¥832.8 billion, with contributing factors including an increase in net income attributable to SECOM CO., LTD. and the payment of dividends. Unrealized gains on securities rose ¥4.4 billion, to ¥22.5 billion, underpinning a ¥3.2 billion increase in accumulated other comprehensive income, to ¥20.1 billion. As a result, the equity ratio was 52.7%, compared with 51.5% as of March 31, 2016.

## Cash Flows

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

In the period under review, net cash provided by operating activities amounted to ¥178.6 billion. The principal components of this were net income of ¥103.4 billion and depreciation and amortization, including amortization of deferred charges, of ¥78.2 billion, a non-cash item.

Net cash provided by operating activities was ¥35.8 billion higher than in the previous fiscal year. Factors behind this increase included an increase in receivables and due from subscribers, net of allowances of ¥1.3 billion, down from ¥9.7 billion in the previous fiscal year; a decrease in accrued consumption tax of ¥879 million, compared with a decrease of ¥7.0 billion in the preceding period due to a consumption tax rate hike; and other, net, which provided ¥9.3 billion, compared with the previous period, when this item used ¥473 million. Cash provided in the other, net, category primarily reflected the

receipt of payments from the Company's principal partner in a joint condominium development and sales project, which served as lead manager.

Net cash used in investing activities amounted to ¥47.2 billion. This result was due primarily to payments for purchases of property, plant and equipment of ¥51.2 billion, reflecting outlays for security equipment and control stations—attributable to an increase in the number of security services subscribers—and the purchase of certain previously rented data center facilities, and other business assets in the information and communication related services segment; payments for purchases of investment securities of ¥32.6 billion, primarily in the insurance services segment and through private equity investments in the United States; and payments for purchases of intangible assets of ¥7.3 billion. These outlays were partially offset by proceeds from sales and redemptions of investment securities of ¥43.3 billion.

Net cash used in investing activities was ¥85.5 billion lower than in the preceding period. Factors contributing to this result included a decline in outlays for

acquisitions, net of cash acquired, to ¥167 million, from ¥73.5 billion in the previous period, a figure that reflected factors such as the acquisition of Asahi Security.

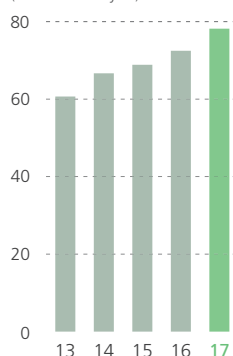
Net cash used in financing activities amounted to ¥59.8 billion. This result reflected dividends paid to SECOM CO., LTD. shareholders of ¥30.6 billion, repayments of long-term debt of ¥20.1 billion and a decrease in bank loans, net, of ¥13.5 billion, which were partially offset by proceeds from long-term debt of ¥8.4 billion.

Net cash used in financing activities was ¥30.8 billion higher than in the preceding period. Factors contributing to this result include the ¥13.5 billion decrease in bank loans, compared with an increase of ¥8.7 billion in the previous fiscal year, owing to the repayment of loans undertaken in the previous period to boost working capital.

The Company's operating, investing and financing activities in the period under review yielded net cash and cash equivalents at end of year of ¥299.6 billion, up ¥70.6 billion from net cash and cash equivalents at beginning of year, which were ¥229.0 billion.

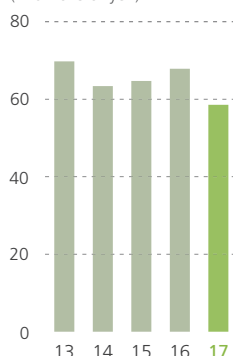
### Depreciation and Amortization

(In billions of yen)



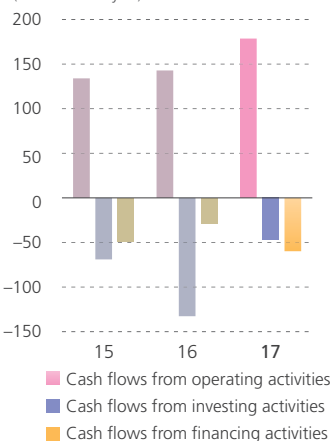
### Purchases of Property, Plant and Equipment and Intangible Assets

(In billions of yen)



### Cash Flows

(In billions of yen)





# Consolidated Financial Statements

## Consolidated Balance Sheets

SECOM CO., LTD. and Subsidiaries  
March 31, 2017 and 2016

	In millions of yen		Translation into thousands of U.S. dollars (Note 3)
	2017	2016	March 31 2017
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and Cash equivalents (Notes 5 and 22) .....	¥ 299,600	¥ 228,982	\$ 2,675,000
Time deposits (Note 13).....	9,562	9,764	85,375
Cash deposits for armored car services (Note 6).....	130,620	128,267	1,166,250
Short-term investments (Notes 7 and 22).....	29,224	31,412	260,929
Notes and accounts receivable, trade.....	134,794	136,619	1,203,518
Due from subscribers.....	46,467	43,748	414,884
Inventories (Note 8) .....	62,686	63,780	559,696
Short-term receivables (Notes 9, 13, 20 and 21) .....	26,074	30,035	232,804
Allowance for doubtful accounts (Note 9) .....	(1,821)	(1,782)	(16,259)
Deferred insurance acquisition costs (Note 14).....	6,440	6,766	57,500
Deferred income taxes (Note 17) .....	12,611	12,082	112,598
Other current assets .....	17,595	15,862	157,098
Total current assets .....	773,852	705,535	6,909,393
<b>Investments and long-term receivables:</b>			
Investment securities (Notes 2 (7), 7, 13 and 22).....	227,245	212,485	2,028,973
Investments in affiliated companies (Note 10).....	57,922	56,699	517,161
Long-term receivables (Notes 9, 13, 20 and 21).....	42,407	40,851	378,634
Lease deposits .....	15,675	15,753	139,956
Other investments .....	10,510	15,234	93,839
Allowance for doubtful accounts (Note 9) .....	(4,178)	(4,625)	(37,304)
	349,581	336,397	3,121,259
<b>Property, plant and equipment (Notes 11, 13, 19 and 20):</b>			
Land.....	115,210	114,970	1,028,661
Buildings and improvements.....	329,631	316,581	2,943,134
Security equipment and control stations .....	317,352	317,814	2,833,500
Machinery, equipment and automobiles.....	143,789	154,796	1,283,830
Construction in progress .....	7,683	5,696	68,598
	913,665	909,857	8,157,723
Accumulated depreciation.....	(499,597)	(495,705)	(4,460,687)
	414,068	414,152	3,697,036
<b>Other assets:</b>			
Deferred charges (Note 2 (12)) .....	42,606	43,147	380,411
Goodwill (Note 12).....	88,950	90,282	794,196
Other intangible assets (Notes 12, 13, 19 and 20) .....	50,726	53,924	452,911
Prepaid pension and severance costs (Note 15).....	35,282	30,797	315,018
Deferred income taxes (Note 17) .....	8,213	7,098	73,330
	225,777	225,248	2,015,866
Total assets .....	¥1,763,278	¥1,681,332	\$15,743,554

See accompanying notes to consolidated financial statements.



	In millions of yen		Translation into thousands of U.S. dollars (Note 3)
	2017	2016	March 31
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities:</b>			
Bank loans (Notes 6 and 13).....	¥ 42,099	¥ 55,659	\$ 375,884
Current portion of long-term debt (Notes 13, 19 and 21).....	19,615	17,926	175,134
Notes and accounts payable, trade.....	46,280	42,905	413,214
Other payables.....	38,612	39,635	344,750
Deposits received (Note 6).....	112,053	104,996	1,000,473
Deferred revenue.....	38,732	39,737	345,821
Accrued income taxes.....	27,615	22,410	246,563
Accrued payroll.....	32,084	31,506	286,464
Other current liabilities (Note 17).....	36,822	32,991	328,768
Total current liabilities.....	393,912	387,765	3,517,071
<b>Long-term liabilities:</b>			
Long-term debt (Notes 13, 19 and 21).....	54,149	61,640	483,473
Guarantee deposits received.....	32,529	33,637	290,438
Accrued pension and severance costs (Note 15).....	29,636	30,068	264,607
Long-term deferred revenue.....	15,444	16,350	137,893
Unearned premiums and other insurance liabilities (Note 14).....	110,018	105,569	982,304
Investment deposits by policyholders (Notes 14 and 21).....	27,691	29,802	247,241
Deferred income taxes (Note 17).....	33,815	25,982	301,920
Other long-term liabilities (Notes 21, 22 and 23).....	14,616	13,922	130,500
Total long-term liabilities.....	317,898	316,970	2,838,376
Total liabilities.....	711,810	704,735	6,355,447
<b>Commitments and contingent liabilities (Note 24)</b>			
<b>Equity:</b>			
SECOM CO., LTD. shareholders' equity (Note 18):			
Common stock			
Authorized—900,000,000 shares, issued 233,288,717 shares in 2017 and 2016.....	66,378	66,378	592,661
Additional paid-in capital.....	73,102	73,118	652,696
Legal reserve.....	10,632	10,526	94,929
Retained earnings.....	832,785	772,061	7,435,580
Accumulated other comprehensive income (loss):			
Unrealized gains on securities (Note 7).....	22,529	18,152	201,152
Unrealized gains on derivative instruments (Note 23).....	—	—	—
Pension liability adjustments (Note 15).....	(3,492)	(7,891)	(31,179)
Foreign currency translation adjustments.....	1,039	6,652	9,277
	20,076	16,913	179,250
Common stock in treasury, at cost:			
15,028,470 shares in 2017 and 15,026,824 shares in 2016.....	(73,731)	(73,718)	(658,313)
Total SECOM CO., LTD. shareholders' equity.....	929,242	865,278	8,296,803
Noncontrolling interests.....	122,226	111,319	1,091,304
Total equity.....	1,051,468	976,597	9,388,107
Total liabilities and equity.....	¥1,763,278	¥1,681,332	\$15,743,554

See accompanying notes to consolidated financial statements.

## Consolidated Statements of Income

SECOM CO., LTD. and Subsidiaries  
Three years ended March 31, 2017

	In millions of yen			Translation into thousands of U.S. dollars (Note 3)
	Years ended March 31			Year ended March 31
	2017	2016	2015	2017
<b>Net sales and operating revenue</b> (Notes 14, 18 and 22)	<b>¥1,031,261</b>	¥983,428	¥945,238	<b>\$9,207,688</b>
<b>Costs and expenses:</b>				
Cost of sales (Note 8).....	709,962	674,533	644,196	6,338,946
Selling, general and administrative expenses (Notes 2 (17), 2 (18), 2 (19) and 4).....	184,487	176,269	168,563	1,647,205
Impairment loss on long-lived assets (Note 11).....	2,689	11,814	6,591	24,009
Impairment loss on goodwill (Note 12).....	1,193	—	1,314	10,652
Loss on sales and disposal of fixed assets, net.....	2,752	1,907	2,567	24,572
	<b>901,083</b>	864,523	823,231	<b>8,045,384</b>
Operating income.....	<b>130,178</b>	118,905	122,007	<b>1,162,304</b>
<b>Other income:</b>				
Interest and dividends.....	1,286	1,440	1,412	11,483
Gain on sales of securities, net (Notes 7 and 18).....	391	1,480	56	3,491
Gain on private equity investments (Note 22).....	13,887	1,718	4,062	123,991
Other (Notes 16, 18 and 23).....	2,571	3,041	3,763	22,955
	<b>18,135</b>	7,679	9,293	<b>161,920</b>
<b>Other expenses:</b>				
Interest.....	1,369	1,388	1,394	12,223
Loss on other-than-temporary impairment of investment securities (Notes 18 and 22).....	77	402	154	688
Other (Note 16).....	1,644	2,333	1,895	14,679
	<b>3,090</b>	4,123	3,443	<b>27,590</b>
Income from continuing operations before income taxes and equity in net income of affiliated companies.....	<b>145,223</b>	122,461	127,857	<b>1,296,634</b>
<b>Income taxes</b> (Note 17):				
Current.....	43,449	39,135	46,837	387,937
Deferred.....	3,563	1,177	(865)	31,813
	<b>47,012</b>	40,312	45,972	<b>419,750</b>
Income from continuing operations before equity in net income of affiliated companies.....	<b>98,211</b>	82,149	81,885	<b>876,884</b>
<b>Equity in net income of affiliated companies</b> (Note 18).....	<b>5,178</b>	7,162	5,759	<b>46,232</b>
Income from continuing operations.....	<b>103,389</b>	89,311	87,644	<b>923,116</b>
<b>Income (loss) from discontinued operations, net of tax</b> (Note 25).....	<b>—</b>	—	814	<b>—</b>
Net income.....	<b>103,389</b>	89,311	88,458	<b>923,116</b>
<b>Less: Net income attributable to noncontrolling interests</b> .....	<b>(12,002)</b>	(5,239)	(8,274)	<b>(107,161)</b>
Net income attributable to SECOM CO., LTD. ....	<b>¥ 91,387</b>	¥ 84,072	¥ 80,184	<b>\$ 815,955</b>
	In yen			Translation into U.S. dollars (Note 3)
	Years ended March 31			Year ended March 31
	2017	2016	2015	2017
<b>Per share data</b> (Note 2 (21)):				
Income from continuing operations attributable to SECOM CO., LTD. ....	<b>¥418.71</b>	¥385.19	¥363.64	<b>\$3.74</b>
Income (loss) from discontinued operations attributable to SECOM CO., LTD. ....	<b>—</b>	—	3.73	<b>—</b>
Net income attributable to SECOM CO., LTD. ....	<b>418.71</b>	385.19	367.37	<b>3.74</b>
<b>Cash dividends per share</b> (Note 18).....	<b>¥140.00</b>	¥130.00	¥175.00	<b>\$1.25</b>

## Consolidated Statements of Comprehensive Income

SECOM CO., LTD. and Subsidiaries  
Three years ended March 31, 2017

	In millions of yen			Translation into thousands of U.S. dollars (Note 3)
	Years ended March 31			Year ended March 31
	2017	2016	2015	2017
<b>Comprehensive income:</b>				
Net income.....	<b>¥103,389</b>	¥89,311	¥ 88,458	<b>\$923,116</b>
Other comprehensive income (loss), net of tax:				
Unrealized gains on securities.....	4,600	(7,823)	13,588	41,072
Unrealized gains on derivative instruments.....	—	(9)	(8)	—
Pension liability adjustments.....	4,675	(6,402)	7,194	41,741
Foreign currency translation adjustments.....	(5,726)	(3,234)	12,179	(51,125)
Total comprehensive income.....	<b>106,938</b>	71,843	121,411	<b>954,804</b>
<b>Less: Comprehensive income attributable to noncontrolling interests</b> .....	<b>(12,388)</b>	(3,820)	(9,986)	<b>(110,608)</b>
Comprehensive income attributable to SECOM CO., LTD. ....	<b>¥ 94,550</b>	¥68,023	¥111,425	<b>\$844,196</b>

See accompanying notes to consolidated financial statements.

## Consolidated Statements of Changes in Equity

SECOM CO., LTD. and Subsidiaries  
Three years ended March 31, 2017

In millions of yen

	Number of shares issued	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Accumulated other com- prehensive income (loss)	Common stock in treasury, at cost	Total SECOM CO., LTD. shareholders' equity	Noncontrolling interests	Total
<b>Balance, March 31, 2014</b>	233,288,717	¥66,378	¥73,781	¥10,316	¥674,585	¥ 1,721	(¥73,682)	¥753,099	¥107,257	¥ 860,356
Comprehensive income:										
Net income	—	—	—	—	80,184	—	—	80,184	8,274	88,458
Other comprehensive income (loss), net of tax (Note 18):										
Unrealized gains on securities	—	—	—	—	—	13,004	—	13,004	584	13,588
Unrealized gains on derivative instruments	—	—	—	—	—	(4)	—	(4)	(4)	(8)
Pension liability adjustments	—	—	—	—	—	6,814	—	6,814	380	7,194
Foreign currency translation adjustments	—	—	—	—	—	11,427	—	11,427	752	12,179
Total comprehensive income	—	—	—	—	—	—	—	111,425	9,986	121,411
Cash dividends paid to SECOM CO., LTD. shareholders	—	—	—	—	(38,197)	—	—	(38,197)	—	(38,197)
Cash dividends paid to noncontrolling interests	—	—	—	—	—	—	—	—	(3,763)	(3,763)
Transfer to legal reserve	—	—	—	85	(85)	—	—	—	—	—
Equity transactions with noncontrolling interests and other (Note 18)	—	—	(339)	—	—	—	—	(339)	(282)	(621)
Gains on disposal of treasury stock	—	—	0	—	—	—	—	0	—	0
Net changes in treasury stock	—	—	—	—	—	—	(19)	(19)	—	(19)
<b>Balance, March 31, 2015</b>	233,288,717	66,378	73,442	10,401	716,487	32,962	(73,701)	825,969	113,198	939,167
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)
<b>Balance, March 31, 2016</b>	233,288,717	66,378	73,118	10,526	772,061	16,913	(73,718)	865,278	111,319	976,597
Comprehensive income:										
Net income	—	—	—	—	91,387	—	—	91,387	12,002	103,389
Other comprehensive income (loss), net of tax (Note 18):										
Unrealized gains on securities	—	—	—	—	—	4,376	—	4,376	224	4,600
Unrealized gains on derivative instruments	—	—	—	—	—	—	—	—	—	0
Pension liability adjustments	—	—	—	—	—	4,400	—	4,400	275	4,675
Foreign currency translation adjustments	—	—	—	—	—	(5,613)	—	(5,613)	(113)	(5,726)
Total comprehensive income	—	—	—	—	—	—	—	94,550	12,388	106,938
Cash dividends paid to SECOM CO., LTD. shareholders	—	—	—	—	(30,557)	—	—	(30,557)	—	(30,557)
Cash dividends paid to noncontrolling interests	—	—	—	—	—	—	—	—	(2,941)	(2,941)
Transfer to legal reserve	—	—	—	106	(106)	—	—	—	—	—
Equity transactions with noncontrolling interests and other (Note 18)	—	—	(16)	—	—	—	—	(16)	1,460	1,444
Gains on disposal of treasury stock	—	—	0	—	—	—	—	0	—	0
Net changes in treasury stock	—	—	—	—	—	—	(13)	(13)	—	(13)
<b>Balance, March 31, 2017</b>	233,288,717	¥66,378	¥73,102	¥10,632	¥832,785	¥20,076	(¥73,731)	¥929,242	¥122,226	¥1,051,468

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

	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Accumulated other com- prehensive income (loss)	Common stock in treasury, at cost	Total SECOM CO., LTD. shareholders' equity	Noncontrolling interests	Total
<b>Balance, March 31, 2016</b>	\$592,661	\$652,839	\$93,982	\$6,893,402	\$151,009	(\$658,196)	\$7,725,697	\$ 993,920	\$8,719,617
Comprehensive income:									
Net income	—	—	—	815,955	—	—	815,955	107,161	923,116
Other comprehensive income (loss), net of tax (Note 18):									
Unrealized gains on securities	—	—	—	—	39,071	—	39,071	2,001	41,072
Unrealized gains on derivative instruments	—	—	—	—	—	—	—	—	—
Pension liability adjustments	—	—	—	—	39,286	—	39,286	2,455	41,741
Foreign currency translation adjustments	—	—	—	—	(50,116)	—	(50,116)	(1,009)	(51,125)
Total comprehensive income	—	—	—	—	—	—	844,196	110,608	954,804
Cash dividends paid to SECOM CO., LTD. shareholders	—	—	—	(272,830)	—	—	(272,830)	—	(272,830)
Cash dividends paid to noncontrolling interests	—	—	—	—	—	—	—	(26,259)	(26,259)
Transfer to legal reserve	—	—	947	(947)	—	—	—	—	—
Equity transactions with noncontrolling interests and other (Notes 18)	—	(143)	—	—	—	—	(143)	13,035	12,892
Gains on disposal of treasury stock	—	0	—	—	—	—	0	—	0
Net changes in treasury stock	—	—	—	—	—	(117)	(117)	—	(117)
<b>Balance, March 31, 2017</b>	\$592,661	\$652,696	\$94,929	\$7,435,580	\$179,250	(\$658,313)	\$8,296,803	\$1,091,304	\$9,388,107

See accompanying notes to consolidated financial statements.

## Consolidated Statements of Cash Flows

SECOM CO., LTD. and Subsidiaries  
Three years ended March 31, 2017

	In millions of yen			Translation into thousands of U.S. dollars (Note 3)
	Years ended March 31			Year ended March 31
	2017	2016	2015	2017
<b>Cash flows from operating activities:</b>				
Net income	¥103,389	¥ 89,311	¥ 88,458	\$ 923,116
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)	78,183	72,481	68,864	698,063
Accrual for pension and severance costs, less payments	754	(2,246)	(4,495)	6,732
Deferred income taxes, including discontinued operations	3,563	1,177	2,505	31,813
Loss on sales and disposal of fixed assets, net, including discontinued operations	2,712	1,815	958	24,214
Impairment loss on long-lived assets, including discontinued operations (Note 11)	2,689	11,814	6,591	24,009
Write-down on real estate inventories (Note 8)	1,164	1,463	1,565	10,393
Gain on private equity investments (Note 22)	(13,887)	(1,718)	(4,062)	(123,991)
Impairment loss on goodwill (Note 12)	1,193	—	1,314	10,652
Gain on sales of securities, net (Notes 7 and 14)	(1,500)	(2,101)	(243)	(13,393)
Loss on other-than-temporary impairment of investment securities (Notes 14 and 22)	182	549	172	1,625
Equity in net income of affiliated companies	(5,178)	(7,162)	(5,759)	(46,232)
Changes in assets and liabilities, net of effects from acquisitions and disposals:				
(Increase) decrease in cash deposits for armored car services	(2,352)	3,642	8,202	(21,000)
(Increase) decrease in receivables and due from subscribers, net of allowances	(1,268)	(9,741)	1,731	(11,321)
(Increase) decrease in inventories	187	(2,445)	(11,120)	1,670
Increase in deferred charges	(15,887)	(15,501)	(17,248)	(141,848)
Increase (decrease) in notes and accounts payable	3,435	646	(3,900)	30,670
Increase (decrease) in deposits received	6,627	2,985	(1,601)	59,170
Decrease in deferred revenue	(1,560)	(515)	(251)	(13,929)
Increase (decrease) in accrued income taxes	4,334	959	(6,862)	38,696
Increase (decrease) in guarantee deposits received	(1,023)	(1,070)	(147)	(9,134)
Increase in unearned premiums and other insurance liabilities	4,449	5,984	865	39,723
Increase (decrease) in accrued consumption tax	(879)	(7,003)	8,891	(7,848)
Other, net	9,296	(473)	479	82,998
Net cash provided by operating activities	178,623	142,851	134,907	1,594,848
<b>Cash flows from investing activities:</b>				
(Increase) decrease in time deposits	(70)	(517)	538	(625)
Proceeds from sales of property, plant and equipment	1,465	3,030	3,580	13,080
Payments for purchases of property, plant and equipment	(51,222)	(59,454)	(56,303)	(457,339)
Payments for purchases of intangible assets	(7,338)	(8,409)	(8,409)	(65,518)
Proceeds from sales and redemptions of investment securities (Note 7)	43,290	55,036	38,237	386,518
Payments for purchases of investment securities	(32,613)	(49,361)	(51,573)	(291,188)
(Increase) decrease in short-term investments	(2,283)	(241)	2,039	(20,384)
Acquisitions, net of cash acquired (Note 4)	(167)	(73,540)	(58)	(1,491)
(Increase) decrease in short-term receivables, net	(62)	(7)	20	(554)
Payments for long-term receivables	(760)	(639)	(1,076)	(6,786)
Proceeds from long-term receivables	1,721	1,218	3,164	15,366
Other, net	839	190	553	7,492
Net cash used in investing activities	(47,200)	(132,694)	(69,288)	(421,429)
<b>Cash flows from financing activities:</b>				
Proceeds from long-term debt	8,407	9,357	17,470	75,063
Repayments of long-term debt	(20,059)	(15,197)	(16,029)	(179,098)
Increase (decrease) in bank loans, net	(13,528)	8,691	(8,636)	(120,786)
Increase (decrease) in investment deposits by policyholders	(2,112)	(469)	740	(18,857)
Dividends paid to SECOM CO., LTD. shareholders	(30,557)	(28,373)	(38,197)	(272,830)
Dividends paid to noncontrolling interests	(3,556)	(2,208)	(3,763)	(31,750)
Payments for acquisition of shares of consolidated subsidiaries from noncontrolling interest holders	(489)	(846)	(735)	(4,366)
Proceeds from sales of shares of consolidated subsidiaries to noncontrolling interest holders	618	—	—	5,518
Increase in treasury stock, net	(13)	(16)	(19)	(116)
Other, net	1,464	65	24	13,070
Net cash used in financing activities	(59,825)	(28,996)	(49,145)	(534,152)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(980)</b>	<b>(806)</b>	<b>1,401</b>	<b>(8,749)</b>
<b>Net increase in cash and cash equivalents</b>	<b>70,618</b>	<b>(19,645)</b>	<b>17,875</b>	<b>630,518</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>228,982</b>	<b>248,627</b>	<b>230,752</b>	<b>2,044,482</b>
<b>Cash and cash equivalents at end of year</b>	<b>¥299,600</b>	<b>¥228,982</b>	<b>¥248,627</b>	<b>\$2,675,000</b>

See accompanying notes to consolidated financial statements.



## Notes to Consolidated Financial Statements

SECOM CO., LTD. and Subsidiaries  
Three years ended March 31, 2017

### 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 ¥73,742 million (\$658,411 thousand) and ¥85,325 million (\$761,830 thousand), respectively, at March 31, 2017, and ¥75,847 million and ¥84,809 million, respectively, at March 31, 2016. 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 ¥29,778 million (\$265,875 thousand) and ¥28,628 million (\$255,607 thousand), respectively, at March 31, 2017, and ¥30,315 million and ¥29,631 million, respectively, at March 31, 2016. The Company's assets in the consolidated balance sheets and the Company's maximum exposure to losses related to VIEs at March 31, 2017 and 2016 were ¥5,997 million (\$53,545 thousand) and ¥5,558 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/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 ¥49,738 million (\$444,089 thousand) and ¥34,852 million at March 31, 2017 and 2016, 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 ¥53,677 million (\$479,259 thousand), ¥50,098 million and ¥47,582 million for the years ended March 31, 2017, 2016 and 2015, 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, 2017 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 ¥15,596 million (\$139,250 thousand), ¥15,129 million and ¥14,759 million for the years ended March 31, 2017, 2016 and 2015, 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 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, 2017, 2016 and 2015 were ¥6,491 million (\$57,955 thousand), ¥6,771 million and ¥7,354 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, 2017, 2016 and 2015 were ¥5,072 million (\$45,286 thousand), ¥4,388 million and ¥3,550 million, respectively.

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

Shipping and handling costs included in selling, general and administrative expenses for the years ended March 31, 2017, 2016 and 2015 were ¥1,220 million (\$10,893 thousand), ¥1,213 million and ¥1,223 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 the 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, 2017, 2016 and 2015 was 218,261 thousand shares, 218,263 thousand shares and 218,265 thousand shares, respectively. There were no potentially dilutive shares outstanding during the years ended March 31, 2017, 2016 or 2015.

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 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 was adopted by the Company in the fiscal year beginning April 1, 2016. The adoption did not have a material impact on the Company's consolidated results of operations or financial position.

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 was adopted by the Company in the fiscal year beginning April 1, 2016. The adoption did not have a material impact on the Company's consolidated results of operations or financial position.

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 was adopted by the Company in the fiscal year beginning April 1, 2016. The adoption did not have a material impact on the Company's consolidated results of operations or financial position.

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 was adopted by the Company in the fiscal year beginning April 1, 2016. The adoption did not have a material impact on the Company's consolidated results of operations or financial position.

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, 2017. 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.

In June 2016, the FASB issued ASU No. 2016-13, "Measurement of Credit Losses on Financial Instruments." This accounting standard replaces the current incurred loss methodology that delays recognition of the full amount of credit losses until the loss was probable of occurring with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. This accounting standard is effective for fiscal years beginning after December 15, 2020, including interim periods within that reporting period, and will be adopted by the Company in the fiscal year beginning April 1, 2021.

In October 2016, the FASB issued ASU No. 2016-16, "Intra-Entity Transfers of Assets Other Than Inventory." This accounting standard eliminates the exception for an intra-entity transfer of an asset other than inventory which prohibits the recognition of current and deferred income tax until the asset has been sold to an outside party and requires an entity to recognize the income tax consequences when the transfer occurs. 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.

In January 2017, the FASB issued ASU No. 2017-04, "Simplifying the Test for Goodwill Impairment." This accounting standard eliminates Step 2 from the goodwill impairment test. Instead, the amendments require an entity to perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. This accounting standard is effective for fiscal years beginning after December 15, 2020, including interim periods within that reporting period, and will be adopted by the Company in the fiscal year beginning April 1, 2021.

#### **(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 year ended March 31, 2015 was reclassified in the accompanying consolidated financial statements.

#### **(25) Reclassifications**

Certain amounts in the accompanying consolidated financial statements for the years ended March 31, 2016 and 2015 have been reclassified to conform to the presentation used for the year ended March 31, 2017.

### **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 ¥112=US\$1, the approximate rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2017. 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 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 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
Cash and cash equivalents .....	¥ 11,565
Cash deposits for armored car services .....	81,514
Other current assets .....	5,247
Investments and long-term receivables .....	2,270
Property, plant and equipment .....	15,562
Intangible assets, including goodwill .....	71,978
Total assets acquired .....	188,136
Current liabilities .....	92,764
Long-term liabilities .....	14,372
Total liabilities assumed .....	107,136
Net assets acquired .....	¥ 81,000

Intangible assets of ¥13,922 million subject to amortization include customer relationships of ¥13,214 million with a 15-year useful life. The goodwill of ¥58,056 million 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 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	
	Years ended March 31	
Unaudited	2016	2015
Pro forma net sales and operating revenue .....	¥1,017,642	¥990,295
Pro forma net income attributable to SECOM Co., Ltd. ....	85,524	81,635

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

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, 2017 and 2016 comprise the following:

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2017	2016	2017
Cash .....	¥281,433	¥213,752	\$2,512,795
Time deposits .....	18,004	12,194	160,750
Call loan .....	—	—	—
Investment securities .....	163	3,036	1,455
	¥299,600	¥228,982	\$2,675,000

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 ¥22,704 million (\$202,714 thousand) and ¥107,878 million (\$963,196 thousand), respectively, at March 31, 2017, and ¥26,923 million and ¥101,306 million, respectively, at March 31, 2016. 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, 2017 and 2016 are as follows:

	In millions of yen			
	March 31, 2017			
	Cost	Gross unrealized Gains	Losses	Fair value
Short-term investments:				
Available-for-sale:				
Debt securities .....	¥ 28,051	¥ 1,174	¥ 1	¥ 29,224
Held-to-maturity:				
Debt securities .....	—	—	—	—
	¥ 28,051	¥ 1,174	¥ 1	¥ 29,224
Investment securities:				
Available-for-sale:				
Equity securities .....	¥ 33,892	¥27,885	¥ 57	¥ 61,720
Debt securities .....	88,199	5,347	231	93,315
Held-to-maturity:				
Debt securities .....	13,058	1,404	—	14,462
	¥135,149	¥34,636	¥288	¥169,497

In millions of yen				
March 31, 2016				
	Cost	Gross unrealized		Fair value
		Gains	Losses	
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 thousands of U.S. dollars				
March 31, 2017				
	Cost	Gross unrealized		Fair value
		Gains	Losses	
Short-term investments:				
Available-for-sale:				
Debt securities .....	\$ 250,455	\$ 10,483	\$ 9	\$ 260,929
Held-to-maturity:				
Debt securities .....	—	—	—	—
	\$ 250,455	\$ 10,483	\$ 9	\$ 260,929

Investment securities:				
Available-for-sale:				
Equity securities .....	\$ 302,607	\$248,973	\$ 508	\$ 551,072
Debt securities .....	787,491	47,742	2,062	833,171
Held-to-maturity:				
Debt securities .....	116,587	12,538	—	129,125
	\$1,206,685	\$309,253	\$2,570	\$1,513,368

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, 2017 are as follows:

In millions of yen				
March 31, 2017				
	Less than 12 months		12 months or longer	
	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
Available-for-sale:				
Equity securities .....	¥ 836	¥ 42	¥—	¥—
Debt securities .....	15,596	232	—	—
	¥16,432	¥274	¥—	¥—
Held-to-maturity:				
Debt securities .....	¥ —	¥ —	¥—	¥—

In thousands of U.S. dollars				
March 31, 2017				
	Less than 12 months		12 months or longer	
	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
Available-for-sale:				
Equity securities .....	\$ 7,464	\$ 375	\$—	\$—
Debt securities .....	139,250	2,071	—	—
	\$146,714	\$2,446	\$—	\$—
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, 2017.

At March 31, 2017, 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, 2017 are as follows:

In millions of yen				
March 31, 2017				
	Available-for-sale		Held-to-maturity	
	Cost	Fair value	Cost	Fair value
Due within 1 year .....	¥ 28,051	¥ 29,224	¥ —	¥ —
Due after 1 year through 5 years .....	59,622	63,174	1,510	1,577
Due after 5 years through 10 years ....	10,878	11,396	—	—
Due after 10 years ...	17,699	18,745	11,548	12,885
	¥116,250	¥122,539	¥13,058	¥14,462

In thousands of U.S. dollars				
March 31, 2017				
	Available-for-sale		Held-to-maturity	
	Cost	Fair value	Cost	Fair value
Due within 1 year .....	\$ 250,455	\$ 260,929	\$ —	\$ —
Due after 1 year through 5 years .....	532,339	564,054	13,482	14,080
Due after 5 years through 10 years ....	97,125	101,750	—	—
Due after 10 years ...	158,027	167,367	103,105	115,045
	\$1,037,946	\$1,094,100	\$116,587	\$129,125

During the years ended March 31, 2017, 2016 and 2015, the net unrealized gains and losses on “available-for-sale” securities included as part of accumulated other comprehensive income (loss), net of tax, increased by ¥4,377 million (\$39,080 thousand), decreased by ¥7,412 million and increased by ¥13,004 million, respectively.

Proceeds from the sale of “available-for-sale” securities for the years ended March 31, 2017, 2016 and 2015 were ¥15,574 million (\$139,054 thousand), ¥21,397 million and ¥13,800 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, 2017, 2016 and 2015 are as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2017	2016	2015	2017
Gross realized gains .....	<b>¥1,623</b>	¥1,921	¥269	<b>\$14,491</b>
Gross realized losses .....	<b>72</b>	110	1	<b>643</b>

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 ¥9,414 million (\$84,054 thousand) and ¥9,251 million at March 31, 2017 and 2016, 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, 2017 and 2016 comprise the following:

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2017	2016	2017
Security-related products.....	<b>¥ 6,961</b>	¥ 8,888	<b>\$ 62,152</b>
Fire protection-related products .....	<b>18,135</b>	18,178	<b>161,920</b>
Real estate.....	<b>27,507</b>	26,552	<b>245,598</b>
Other-related products.....	<b>10,083</b>	10,162	<b>90,026</b>
	<b>¥62,686</b>	¥63,780	<b>\$559,696</b>

Work in process for real estate inventories at March 31, 2017 and 2016, amounting to ¥22,284 million (\$198,964 thousand) and ¥23,025 million, respectively, are included in real estate.

Costs on uncompleted construction contracts at March 31, 2017 and 2016, amounting to ¥9,053 million (\$80,830 thousand) and ¥9,083 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, 2017, 2016 and 2015 were ¥1,164 million (\$10,393 thousand), ¥1,463 million and ¥1,565 million, respectively.

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

The Company has financing receivables and classifies them into four categories: “lease receivables,” “loans receivable resulting from medical services,” “other loans receivable” and “other.” Financing receivables classified as “lease receivables” are resulting from lease transactions of security merchandise and security systems.

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, 2017 and 2016 are as follows:

	In millions of yen				
	Year ended March 31, 2017				
	Lease receivables	Loans receivable resulting from medical services	Other loans receivable	Other	Total
Allowance for doubtful accounts:					
Balance at beginning of year.....	¥ 368	¥1,995	¥ 705	¥1,688	¥ 4,756
Provision (Reversal) ...	(71)	395	64	(124)	264
Charge off.....	59	—	(7)	(714)	(662)
Other* .....	—	—	(64)	0	(64)
Balance at end of year .....	356	2,390	698	850	4,294
Individually evaluated .....	133	2,390	698	850	4,071
Collectively evaluated .....	¥ 223	¥ —	¥ 0	¥ —	¥ 223

Financing receivables:					
Individually evaluated .....	¥ 152	¥5,856	¥ 803	¥1,098	¥ 7,909
Collectively evaluated .....	52,287	546	932	149	53,914
	<b>¥52,439</b>	<b>¥6,402</b>	<b>¥1,735</b>	<b>¥1,247</b>	<b>¥61,823</b>

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

	In millions of yen				
	Year ended March 31, 2016				
	Lease receivables	Loans receivable resulting from medical services	Other loans receivable	Other	Total
Allowance for doubtful accounts:					
Balance at beginning of year.....	¥ 423	¥2,204	¥3,102	¥1,618	¥ 7,347
Provision (Reversal) ...	9	(0)	(33)	25	1
Charge off.....	(64)	—	(2,133)	—	(2,197)
Other* .....	—	(209)	(231)	45	(395)
Balance at end of year .....	368	1,995	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	1,381	152	50,709
	<b>¥48,263</b>	<b>¥7,107</b>	<b>¥2,228</b>	<b>¥4,050</b>	<b>¥61,648</b>

\* “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, 2017					
	Lease receivables	Loans receivable resulting from medical services	Other loans receivable	Other	Total
Allowance for doubtful accounts:					
Balance at beginning of year.....	\$ 3,286	\$17,812	\$ 6,295	\$15,071	\$ 42,464
Provision (Reversal) ...	(634)	3,527	571	(1,107)	2,357
Charge off.....	527	—	(63)	(6,375)	(5,911)
Other* .....	—	—	(571)	0	(571)
Balance at end of year .....	3,179	21,339	6,232	7,589	38,339
Individually evaluated .....	1,188	21,339	6,232	7,589	36,348
Collectively evaluated .....	\$ 1,991	\$ —	\$ 0	\$ —	\$ 1,991
Financing receivables:					
Individually evaluated .....	\$ 1,357	\$52,286	\$ 7,170	\$ 9,803	\$ 70,616
Collectively evaluated .....	466,848	4,875	8,321	1,331	481,375
	\$468,205	\$57,161	\$15,491	\$11,134	\$551,991

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

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

The aging analysis of the recorded financing receivables and financing receivables on nonaccrual status at March 31, 2017 and 2016 are as follows:

In millions of yen					
March 31, 2017					
	Lease receivables	Loans receivable resulting from medical services	Other loans receivable	Other	Total
Current.....	¥52,287	¥6,362	¥ 989	¥ 880	¥60,518
Overdue.....	152	40	746	367	1,305
Total:					
Financing receivables ....	¥52,439	¥6,402	¥1,735	¥1,247	¥61,823
Financing receivables on nonaccrual status.....	¥ —	¥ 7	¥ 803	¥ —	¥ 810

In millions of yen					
March 31, 2016					
	Lease receivables	Loans receivable resulting from medical services	Other loans receivable	Other	Total
Current.....	¥48,167	¥7,068	¥1,433	¥1,154	¥57,822
Overdue.....	96	39	795	2,896	3,826
Total:					
Financing receivables ....	¥48,263	¥7,107	¥2,228	¥4,050	¥61,648
Financing receivables on nonaccrual status.....	¥ —	¥ 7	¥ 847	¥ —	¥ 854

In thousands of U.S. dollars					
March 31, 2017					
	Lease receivables	Loans receivable resulting from medical services	Other loans receivable	Other	Total
Current.....	\$466,848	\$56,804	\$ 8,830	\$ 7,857	\$540,339
Overdue.....	1,357	357	6,661	3,277	11,652
Total:					
Financing receivables ....	\$468,205	\$57,161	\$15,491	\$11,134	\$551,991
Financing receivables on nonaccrual status.....	\$ —	\$ 63	\$ 7,169	\$ —	\$ 7,232

Impaired receivables and the related allowance for doubtful accounts at March 31, 2017 and 2016 are as follows:

In millions of yen					
March 31, 2017					
	Lease receivables	Loans receivable resulting from medical services	Other loans receivable	Other	Total
Impaired receivables.....	¥152	¥5,856	¥803	¥1,098	¥7,909
Related allowance for doubtful accounts.....	133	2,390	698	850	4,071

In millions of yen					
March 31, 2016					
	Lease receivables	Loans receivable resulting from medical 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 thousands of U.S. dollars					
March 31, 2017					
	Lease receivables	Loans receivable resulting from medical services	Other loans receivable	Other	Total
Impaired receivables.....	\$1,357	\$52,286	\$7,170	\$9,803	\$70,616
Related allowance for doubtful accounts.....	1,188	21,339	6,232	7,589	36,348

The average amounts of impaired receivables for the year ended March 31, 2017 are as follows:

In millions of yen					
March 31, 2017					
	Lease receivables	Loans receivable resulting from medical services	Other loans receivable	Other	Total
Average amounts of impaired receivables.....	¥124	¥5,977	¥825	¥2,498	¥9,424

In thousands of U.S. dollars					
March 31, 2017					
	Lease receivables	Loans receivable resulting from medical services	Other loans receivable	Other	Total
Average amounts of impaired receivables.....	\$1,107	\$53,366	\$7,366	\$22,303	\$84,142

## 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 28.7 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
	2017	2016	2017
Current assets.....	¥104,780	¥ 94,932	\$ 935,536
Noncurrent assets .....	183,063	194,312	1,634,491
Total assets.....	¥287,843	¥289,244	\$2,570,027
Current liabilities.....	¥ 68,683	¥ 74,724	\$ 613,241
Long-term liabilities.....	39,477	35,674	352,473
Equity .....	179,683	178,846	1,604,313
Total liabilities and equity .....	¥287,843	¥289,244	\$2,570,027

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2017	2016	2015	2017
Net sales.....	¥255,263	¥289,131	¥262,726	\$2,279,134
Gross profit.....	¥ 78,246	¥ 89,152	¥ 82,753	\$ 698,625
Net income attributable to affiliated companies.....	¥ 17,320	¥ 25,012	¥ 17,825	\$ 154,643

Dividends received from affiliated companies for the years ended March 31, 2017, 2016 and 2015 were ¥3,036 million (\$27,107 thousand), ¥3,614 million and ¥3,160 million, respectively.

Three listed affiliated companies accounted for under the equity method with an aggregated carrying amount of ¥48,971 million (\$437,241 thousand) and ¥49,290 million at March 31, 2017 and 2016, respectively, had a quoted market value of ¥133,190 million (\$1,189,196 thousand) and ¥130,157 million at March 31, 2017 and 2016, respectively.

The amounts of goodwill included in the carrying amount of investments in affiliated companies were ¥4,600 million (\$41,071 thousand) and ¥4,763 million at March 31, 2017 and 2016, 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
	2017	2016	2015	2017
Sales.....	¥1,455	¥1,398	¥1,774	\$12,991
Purchases.....	¥4,749	¥5,527	¥4,417	\$42,402

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2017	2016	2017
Notes and accounts receivable, trade .....	¥ 526	¥ 559	\$ 4,696
Loans receivable.....	¥ 693	¥ 737	\$ 6,188
Notes and accounts payable.....	¥2,668	¥2,245	\$23,821
Guarantees for bank loans .....	¥ 50	¥ 100	\$ 446

The Company's equity in undistributed income of affiliates at March 31, 2017 and 2016 included in retained earnings was ¥34,888 million (\$311,500 thousand) and ¥32,634 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 idle assets of the geographic information services segment for the year ended March 31, 2017, 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, and on certain business assets of the information and communication related services segment for the year ended March 31, 2015. 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, 2017, 2016 and 2015 are as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2017	2016	2015	2017
Security services.....	¥ 42	¥ —	¥ 111	\$ 375
Fire protection services.....	62	—	—	554
Medical services.....	556	329	—	4,964
Insurance services .....	—	—	—	—
Geographic information services.....	1,473	1,152	154	13,152
Information and communication related services.....	485	5,637	4,796	4,330
Real estate and other services.....	71	—	132	634
Corporate items.....	—	4,696	1,398	—
Total.....	¥2,689	¥11,814	¥6,591	\$24,009

## 12. Goodwill and Other Intangible Assets

The components of acquired intangible assets, excluding goodwill, at March 31, 2017 and 2016 are as follows:

	In millions of yen		
	March 31, 2017		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortized intangible assets:			
Software .....	¥50,386	(¥29,699)	¥20,687
Other .....	33,115	(7,299)	25,816
	¥83,501	(¥36,998)	¥46,503

Unamortized intangible assets.....	¥ 4,223	¥ —	¥ 4,223
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	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
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	In thousands of U.S. dollars		
	March 31, 2017		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortized intangible assets:			
Software .....	\$449,875	(\$265,170)	\$184,705
Other .....	295,670	(65,170)	230,500
	\$745,545	(\$330,340)	\$415,205

Unamortized intangible assets.....	\$ 37,706	\$ —	\$ 37,706
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Aggregate amortization expense for the years ended March 31, 2017, 2016 and 2015 was ¥8,910 million (\$79,554 thousand), ¥7,254 million and ¥6,522 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
2018.....	¥8,767	\$78,277
2019.....	7,678	68,554
2020.....	6,490	57,946
2021.....	4,793	42,795
2022.....	3,056	27,286

The changes in the carrying amount of goodwill by business segment for the years ended March 31, 2017 and 2016 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 .....	¥ 4,296	¥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
Goodwill acquired during the year ...	110	—	—	—	—	—	110
Disposal .....	—	—	—	—	—	—	—
Impairment losses.....	(1,156)	—	—	(37)	—	—	(1,193)
Translation adjustment .....	(246)	—	—	(3)	—	—	(249)
Goodwill .....	62,741	1,942	9,399	4,577	17,643	1,962	98,264
Accumulated impairment losses.....	(2,879)	—	(5,350)	(775)	(175)	(135)	(9,314)
March 31, 2017....	¥59,862	¥1,942	¥4,049	¥3,802	¥17,468	¥1,827	¥88,950

	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 .....	\$561,402	\$17,339	\$83,920	\$40,893	\$157,527	\$17,518	\$878,599
Accumulated impairment losses.....	(15,384)	—	(47,768)	(6,589)	(1,563)	(1,205)	(72,509)
March 31, 2016....	546,018	17,339	36,152	34,304	155,964	16,313	806,090
Goodwill acquired during the year ...	982	—	—	—	—	—	982
Disposal .....	—	—	—	—	—	—	—
Impairment losses.....	(10,321)	—	—	(331)	—	—	(10,652)
Translation adjustment .....	(2,197)	—	—	(27)	—	—	(2,224)
Goodwill .....	560,187	17,339	83,920	40,866	157,527	17,518	877,357
Accumulated impairment losses.....	(25,705)	—	(47,768)	(6,920)	(1,563)	(1,205)	(83,161)
March 31, 2017....	\$534,482	\$17,339	\$36,152	\$33,946	\$155,964	\$16,313	\$794,196

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 ¥42,099 million (\$375,884 thousand) and ¥55,659 million at March 31, 2017 and 2016, respectively, are generally comprised of 30 to 365 day notes. The weighted average interest rate was 0.87 percent and 0.84 percent at March 31, 2017 and 2016, 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, 2017, 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 (\$35,714 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, 2017, the Company had overdraft agreements with 35 banks and its unused lines of credit amounted to ¥54,914 million (\$490,304 thousand). The Company incurs no fee on the unused portion of these overdraft agreements. The overdraft agreements expire in the period from April 2017 to March 2018. The Company has the ability and intent to extend these overdraft agreements under similar terms and conditions.

Long-term debt at March 31, 2017 and 2016 comprises the following:

	In millions of yen	In thousands of U.S. dollars
	March 31	March 31
	2017	2016
Loans, principally from banks due 2016–2033 with interest rates ranging from 0.01% to 14.00%:		
Secured.....	¥16,799	¥21,123
Unsecured.....	24,435	22,728
0.81% unsecured bonds due 2016.....	—	100
0.52% unsecured bonds due 2016.....	—	40
0.43% unsecured bonds due 2018.....	100	100
0.38% unsecured bonds due 2021.....	486	500
Unsecured bonds due 2016–2027 with floating interest rates based on 6-month Japanese yen TIBOR.....	7,752	10,094
Obligations under capital leases, due 2016–2043 (Note 19).....	24,192	24,881
	73,764	79,566
Less: Portion due within one year.....	(19,615)	(17,926)
	¥54,149	¥61,640

Assets pledged as collateral for bank loans and long-term debt at March 31, 2017 and 2016 are as follows:

	In millions of yen	In thousands of U.S. dollars
	March 31	March 31
	2017	2016
Time deposits.....	¥ 1,654	¥ 1,592
Short-term and long-term receivables ...	6,209	5,943
Investment securities.....	1,321	1,289
Property, plant and equipment.....	49,575	53,854
Other intangible assets.....	¥ 818	¥ 818

The aggregate annual maturities on long-term debt at March 31, 2017 are as follows:

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2018.....	¥19,615	\$175,134
2019.....	16,845	150,402
2020.....	12,105	108,080
2021.....	9,160	81,786
2022.....	3,935	35,134
Thereafter.....	12,104	108,071
	¥73,764	\$658,607

### 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, 2017 and 2016 was ¥73,757 million (\$658,545 thousand) and ¥67,193 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, 2017, 2016 and 2015 were gains of ¥1,004 million (\$8,964 thousand), ¥473 million and ¥194 million, respectively. Losses on other-than-temporary impairments of investment securities for the years ended March 31, 2017, 2016 and 2015 were ¥105 million (\$938 thousand), ¥147 million and ¥18 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, 2017, 2016 and 2015 are as follows:

	In millions of yen		In thousands of U.S. dollars	
	Years ended March 31		Year ended March 31	
	2017	2016	2015	2017
Net periodic pension and severance costs:				
Service cost .....	<b>¥7,889</b>	¥7,739	¥5,357	<b>\$70,438</b>
Interest cost .....	<b>349</b>	718	936	<b>3,116</b>
Expected return on plan assets .....	<b>(2,919)</b>	(2,756)	(2,533)	<b>(26,063)</b>
Amortization of prior service benefit .....	<b>(966)</b>	(1,504)	(1,584)	<b>(8,625)</b>
Recognized actuarial loss .....	<b>754</b>	714	989	<b>6,732</b>
Net periodic pension and severance costs .....	<b>¥5,107</b>	¥4,911	¥3,165	<b>\$45,598</b>

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

	In millions of yen		In thousands of U.S. dollars	
	Years ended March 31		Year ended March 31	
	2017	2016	2017	
Change in benefit obligation:				
Benefit obligation at beginning of year .....	<b>¥111,032</b>	¥101,161	<b>\$ 991,357</b>	
Service cost .....	<b>7,889</b>	7,739	<b>70,438</b>	
Interest cost .....	<b>349</b>	718	<b>3,116</b>	
Actuarial (gain) loss .....	<b>(2,189)</b>	5,176	<b>(19,545)</b>	
Benefits paid .....	<b>(5,449)</b>	(5,511)	<b>(48,652)</b>	
Acquisition .....	—	1,749	—	
Benefit obligation at end of year .....	<b>111,632</b>	111,032	<b>996,714</b>	
Change in plan assets:				
Fair value of plan assets at beginning of year .....	<b>111,761</b>	110,524	<b>997,866</b>	
Actual return on plan assets .....	<b>6,797</b>	(440)	<b>60,688</b>	
Employer contribution .....	<b>2,343</b>	5,553	<b>20,920</b>	
Benefits paid .....	<b>(3,623)</b>	(3,876)	<b>(32,349)</b>	
Fair value of plan assets at end of year .....	<b>117,278</b>	111,761	<b>1,047,125</b>	
Funded status at the end of year .....	<b>¥ 5,646</b>	¥ 729	<b>\$ 50,411</b>	

Amounts recognized in the consolidated balance sheets at March 31, 2017 and 2016 consist of:

	In millions of yen		In thousands of U.S. dollars	
	March 31		March 31	
	2017	2016	2017	
Prepaid pension and severance costs .....	<b>¥35,282</b>	¥30,797	<b>\$315,018</b>	
Accrued pension and severance costs .....	<b>(29,636)</b>	(30,068)	<b>(264,607)</b>	
Net amount recognized .....	<b>¥ 5,646</b>	¥ 729	<b>\$ 50,411</b>	

Other changes in plan assets and benefit obligations recognized in other comprehensive income (loss) for the year ended March 31, 2017 are summarized as follows:

	In millions of yen		In thousands of U.S. dollars	
	March 31		March 31	
	2017	2016	2017	
Current year actuarial gain .....	<b>(¥6,067)</b>		<b>(\$54,170)</b>	
Amortization of actuarial loss .....	<b>(754)</b>		<b>(6,732)</b>	
Amortization of prior service benefit .....	<b>966</b>		<b>8,625</b>	
	<b>(¥5,855)</b>		<b>(\$52,277)</b>	

Amounts recognized in accumulated other comprehensive income (loss) at March 31, 2017 and 2016 consist of:

	In millions of yen		In thousands of U.S. dollars	
	March 31		March 31	
	2017	2016	2017	
Actuarial loss .....	<b>¥8,635</b>	¥15,456	<b>\$77,098</b>	
Prior service benefit .....	<b>(79)</b>	(1,045)	<b>(705)</b>	
Net amount recognized .....	<b>¥8,556</b>	¥14,411	<b>\$76,393</b>	

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 ¥303 million (\$2,705 thousand) and ¥272 million (\$2,429 thousand), respectively.

The accumulated benefit obligation for the pension plan was ¥111,278 million (\$993,554 thousand) and ¥110,544 million at March 31, 2017 and 2016, respectively.

The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for the pension plans with accumulated benefit obligation in excess of plan assets were ¥47,779 million (\$426,598 thousand), ¥47,425 million (\$423,438 thousand) and ¥25,367 million (\$226,491 thousand), respectively, at March 31, 2017, and ¥46,761 million, ¥46,450 million and ¥23,971 million, respectively, at March 31, 2016.

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, 2017 and 2016 are as follows:

	March 31	
	2017	2016
Discount rate .....	<b>0.4%</b>	0.3%
Rate of compensation increase .....	<b>2.7%</b>	2.6%

Weighted-average assumptions used to determine net pension and severance costs for the years ended March 31, 2017, 2016 and 2015 are as follows:

	Years ended March 31		
	2017	2016	2015
Discount rate .....	0.3%	0.8%	1.1%
Expected return on plan assets .....	3.0%	3.0%	3.0%
Rate of compensation increase .....	2.6%	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, 2017 and 2016. The three levels of inputs used to measure fair value are more fully described in Note 22.

	In millions of yen			
	March 31, 2017			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents .....	¥ 6,482	¥ —	¥ —	¥ 6,482
Equity securities				
Japanese companies .....	25,495	424	—	25,919
Foreign companies .....	3,626	—	—	3,626
Debt securities				
Government bonds .....	2,128	571	—	2,699
Non-government bonds .....	—	2,055	—	2,055
Pooled funds .....	731	32,977	26,273	59,981
Call loans .....	—	3,256	—	3,256
Insurance contracts .....	—	12,251	—	12,251
Other .....	—	231	778	1,009
	¥38,462	¥51,765	¥27,051	¥117,278

\*The plan's government bonds include approximately 5% Japanese bonds and 95% foreign bonds. The non-government bonds are all 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, 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-government bonds are all 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 thousands of U.S. dollars			
	March 31, 2017			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents .....	\$ 57,875	\$ —	\$ —	\$ 57,875
Equity securities				
Japanese companies .....	227,634	3,786	—	231,420
Foreign companies .....	32,375	—	—	32,375
Debt securities				
Government bonds .....	19,000	5,098	—	24,098
Non-government bonds .....	—	18,348	—	18,348
Pooled funds .....	6,527	294,437	234,581	535,545
Call loans .....	—	29,071	—	29,071
Insurance contracts .....	—	109,384	—	109,384
Other .....	—	2,063	6,946	9,009
	\$343,411	\$462,187	\$241,527	\$1,047,125

\*The plan's government bonds include approximately 5% Japanese bonds and 95% foreign bonds. The non-government bonds are all 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, 2017 and 2016.

Level 3 investments, mainly in unquoted certificates of beneficial interests in securities investment trust included 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, 2017				
Debt securities	Non-government bonds	Pooled funds	Other	Total
Balance at beginning of year.....	¥—	¥26,749	¥465	¥27,214
Actual return on plan assets:				
Relating to assets sold during the year .....	—	595	54	649
Relating to assets held at end of year .....	—	(1,849)	(25)	(1,874)
Purchases, sales and settlements, net .....	—	473	284	757
Transfer to Level 3, net.....	—	305	—	305
Balance at end of year .....	¥—	¥26,273	¥778	¥27,051

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 thousands of U.S. dollars				
Year ended March 31, 2017				
Debt securities	Non-government bonds	Pooled funds	Other	Total
Balance at beginning of year.....	\$—	\$238,831	\$4,151	\$242,982
Actual return on plan assets:				
Relating to assets sold during the year .....	—	5,313	482	5,795
Relating to assets held at end of year .....	—	(16,509)	(223)	(16,732)
Purchases, sales and settlements, net .....	—	4,223	2,536	6,759
Transfer to Level 3, net.....	—	2,723	—	2,723
Balance at end of year .....	\$—	\$234,581	\$6,946	\$241,527

The Company expects to contribute ¥2,200 million (\$19,643 thousand) to its domestic defined benefit plans in the year ending March 31, 2018.

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
2018.....	¥ 4,983	\$ 44,491
2019.....	5,503	49,134
2020.....	5,213	46,545
2021.....	5,463	48,777
2022.....	5,551	49,563
2023–2027 .....	29,118	259,982

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, 2017, 2016 and 2015 were ¥2,192 million (\$19,571 thousand), ¥1,796 million and ¥1,772 million, respectively.

## 16. Exchange Gains and Losses

Other expenses for the years ended March 31, 2017 and 2016 include net exchange losses of ¥454 million (\$4,054 thousand) and ¥557 million, respectively. Other income for the year ended March 31, 2015 include net exchange gains of ¥574 million.

## 17. Income Taxes

Total income taxes for the years ended March 31, 2017, 2016 and 2015 are allocated as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2017	2016	2015	2017
Consolidated income taxes from continuing operations .....	¥47,012	¥40,312	¥45,972	\$419,750
Consolidated income taxes from discontinued operations .....	—	—	651	—
Shareholders' equity—accumulated other comprehensive income (loss):				
Unrealized gains on securities.....	1,244	(3,447)	6,240	11,107
Unrealized gains on derivative instruments.....	—	(5)	(5)	—
Pension liability adjustments.....	1,876	(2,926)	3,771	16,751
Foreign currency translation adjustments .....	(358)	(783)	1,020	(3,196)
	¥49,774	¥33,151	¥57,649	\$444,412

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, and the fourth quarters ended March 31, 2014 and 2015, the statutory income tax rate in Japan, which was approximately 35.4 percent for the year ended March 31, 2015, decreased to approximately 32.9 percent and 30.7 percent for the years ended March 31, 2016 and 2017, respectively.

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
	2017	2016	2015	2017
Income taxes computed at statutory tax rate .....	<b>¥44,584</b>	¥40,290	¥45,261	<b>\$398,071</b>
Increase (decrease) resulting from:				
Reversal of valuation allowance .....	<b>(1,048)</b>	(3,697)	(927)	<b>(9,357)</b>
Per capita tax .....	<b>867</b>	845	863	<b>7,741</b>
Provision of valuation allowance .....	<b>714</b>	1,104	1,152	<b>6,375</b>
Net effect of changes in corporate tax rates .....	<b>512</b>	464	(648)	<b>4,572</b>
Other, net .....	<b>1,383</b>	1,306	271	<b>12,348</b>
Consolidated income taxes from continuing operations .....	<b>¥47,012</b>	¥40,312	¥45,972	<b>\$419,750</b>

The significant components of deferred tax assets and liabilities at March 31, 2017 and 2016 are as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2017	2016	2017
Deferred tax assets:			
Loss carryforwards .....	<b>¥ 9,393</b>	¥ 8,274	<b>\$ 83,866</b>
Accrued pension and severance costs .....	<b>8,851</b>	8,817	<b>79,027</b>
Property, plant and equipment .....	<b>8,300</b>	9,027	<b>74,107</b>
Deferred revenue .....	<b>7,328</b>	7,622	<b>65,429</b>
Adjustment of book value at the date of acquisition—			
Land and buildings .....	<b>5,995</b>	6,195	<b>53,527</b>
Other assets .....	<b>402</b>	242	<b>3,589</b>
Accrued bonus .....	<b>5,623</b>	5,617	<b>50,205</b>
Vacation accrual .....	<b>3,585</b>	3,231	<b>32,009</b>
Allowance for doubtful accounts .....	<b>1,831</b>	1,612	<b>16,348</b>
Intangible assets .....	<b>1,772</b>	1,563	<b>15,821</b>
Write-down on real estate inventories .....	<b>837</b>	1,000	<b>7,473</b>
Other .....	<b>10,975</b>	10,058	<b>97,991</b>
Gross deferred tax assets .....	<b>64,892</b>	63,258	<b>579,392</b>
Less: Valuation allowance .....	<b>(25,647)</b>	(25,048)	<b>(228,991)</b>
Total deferred tax assets .....	<b>39,245</b>	38,210	<b>350,401</b>
Deferred tax liabilities:			
Adjustment of book value at the date of acquisition—			
Intangible assets .....	<b>(7,858)</b>	(7,907)	<b>(70,161)</b>
Land and buildings .....	<b>(4,211)</b>	(4,175)	<b>(37,598)</b>
Other assets .....	<b>(868)</b>	(894)	<b>(7,750)</b>
Prepaid pension and severance costs .....	<b>(10,820)</b>	(9,413)	<b>(96,607)</b>
Unrealized gains on securities .....	<b>(9,419)</b>	(8,058)	<b>(84,098)</b>
Investments in affiliated companies .....	<b>(5,303)</b>	(5,856)	<b>(47,348)</b>
Deferred installation costs .....	<b>(5,276)</b>	(5,409)	<b>(47,107)</b>
Other .....	<b>(10,000)</b>	(4,958)	<b>(89,287)</b>
Gross deferred tax liabilities .....	<b>(53,755)</b>	(46,670)	<b>(479,956)</b>
Net deferred tax assets (liabilities) .....	<b>(¥ 14,510)</b>	(¥ 8,460)	<b>(\$129,555)</b>

The valuation allowance principally relates to deferred tax assets of subsidiaries with operating loss carryforwards, for tax purposes, that are not expected to be realized. The net change in the total valuation allowance for the years ended March 31, 2017, 2016 and 2015 was an increase of ¥599 million (\$5,348 thousand), and a decrease of ¥1,514 million and ¥3,410 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, 2017 and 2016.

Net deferred tax assets (liabilities) at March 31, 2017 and 2016 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
	2017	2016	2017
Deferred income taxes (Current assets) .....	<b>¥12,611</b>	¥12,082	<b>\$112,598</b>
Deferred income taxes (Other assets) .....	<b>8,213</b>	7,098	<b>73,330</b>
Other current liabilities (Current liabilities) .....	<b>(1,519)</b>	(1,658)	<b>(13,563)</b>
Deferred income taxes (Long-term liabilities) .....	<b>(33,815)</b>	(25,982)	<b>(301,920)</b>
Net deferred tax assets (liabilities) .....	<b>(¥14,510)</b>	(¥ 8,460)	<b>(\$129,555)</b>

The Company has not recognized deferred tax liabilities for a portion of undistributed earnings of foreign subsidiaries of ¥30,161 million (\$269,295 thousand) totaling ¥555 million (\$4,955 thousand) at March 31, 2017 as they are not expected to be remitted in the foreseeable future.

At March 31, 2017, the operating loss carryforwards of domestic subsidiaries amounted to ¥19,810 million (\$176,875 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
2018 .....	¥ 961	\$ 8,580
2019 .....	5,791	51,705
2020 .....	589	5,259
2021 .....	221	1,973
2022 .....	2,306	20,589
2023 .....	1,293	11,545
2024 .....	2,288	20,429
2025 .....	3,620	32,321
2026 .....	2,741	24,474
	<b>¥19,810</b>	<b>\$176,875</b>

The operating loss carryforwards of overseas subsidiaries at March 31, 2017 amounted to ¥9,580 million (\$85,536 thousand), a part of which will begin to expire in the year ending March 31, 2018.



The total amount of unrecognized tax benefits for the years ended March 31, 2017, 2016 and 2015 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, 2017, 2016 and 2015.

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, 2017, 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 2012. In other foreign tax jurisdictions, major subsidiaries are no longer subject to income tax examinations by tax authorities for years before 2016, 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, 2017, 2016 and 2015 are as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2017	2016	2015	2017
Net income attributable to SECOM CO., LTD. ....	<b>¥91,387</b>	¥84,072	¥80,184	<b>\$815,955</b>
Net transfers from (to) noncontrolling interests.....	<b>(16)</b>	(324)	(339)	<b>(143)</b>
Change from net income attributable to SECOM CO., LTD. and transfers from (to) noncontrolling interests .....	<b>¥91,371</b>	¥83,748	¥79,845	<b>\$815,812</b>

### (2) Retained Earnings

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

The amount available for dividends under the Japanese Companies Act is based on the amount recorded in the parent company's nonconsolidated statutory financial statements in accordance with Japanese GAAP. Such amount was ¥548,166 million (\$4,894,339 thousand) at March 31, 2017.

Subsequent to March 31, 2017, the parent company's Board of Directors declared a year-end cash dividend of ¥75 (\$0.67) per share, totaling ¥16,370 million (\$146,161 thousand), to shareholders of record on March 31, 2017. The dividend declared was approved at the general shareholders' meeting held on June 27, 2017. 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.

### (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, 2017, 2016 and 2015 are as follows:

	In millions of yen		
	Pre-tax amount	Tax (expense) or benefit	Net-of-tax amount
<b>For the year ended March 31, 2017:</b>			
Unrealized gains on securities—			
Unrealized gains or losses arising during the period .....	<b>¥7,048</b>	<b>(¥1,586)</b>	<b>¥5,462</b>
Less: Reclassification adjustment for gains or losses realized in net income.....	<b>(1,204)</b>	<b>342</b>	<b>(862)</b>
Unrealized gains on derivative instruments—			
Unrealized gains or losses arising during the year.....	—	—	—
Less: Reclassification adjustment for gains or losses realized in net income.....	—	—	—
Pension liability adjustments—			
Unrealized gains or losses arising during the period .....	<b>6,656</b>	<b>(1,869)</b>	<b>4,787</b>
Less: Reclassification adjustment for gains or losses realized in net income.....	<b>(105)</b>	<b>(7)</b>	<b>(112)</b>
Foreign currency translation adjustments .....	<b>(6,084)</b>	<b>358</b>	<b>(5,726)</b>
Other comprehensive income (loss) .....	<b>¥6,311</b>	<b>(¥2,762)</b>	<b>¥3,549</b>

	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)
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

	In thousands of U.S. dollars		
	Pre-tax amount	Tax (expense) or benefit	Net-of-tax amount
For the year ended March 31, 2017:			
Unrealized gains on securities—			
Unrealized gains or losses arising during the period .....	\$62,929	(\$14,161)	\$48,768
Less: Reclassification adjustment for gains or losses realized in net income.....	(10,750)	3,054	(7,696)
Unrealized gains on derivative instruments—			
Unrealized gains or losses arising during the year.....	—	—	—
Less: Reclassification adjustment for gains or losses realized in net income.....	—	—	—
Pension liability adjustments—			
Unrealized gains or losses arising during the period .....	59,429	(16,688)	42,741
Less: Reclassification adjustment for gains or losses realized in net income .....	(937)	(63)	(1,000)
Foreign currency translation adjustments.....	(54,321)	3,196	(51,125)
Other comprehensive income (loss) .....	\$56,350	(\$24,662)	\$31,688

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, 2017, 2016 and 2015 are as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31	Years ended March 31	Years ended March 31	Year ended March 31
	2017	2016	2015	2017
Unrealized gains on securities—				
Net sales and operating revenue .....	(¥1,007)	(¥981)	(¥306)	(\$8,991)
Gain on sales of securities, net.....	(268)	(929)	(33)	(2,393)
Loss on other-than-temporary impairment of investment securities.....	71	396	147	634
Unrealized gains on derivative instruments—				
Other income.....	—	(14)	(25)	—
Pension liability adjustments—				
Net periodic pension and severance costs (Note 15) .....	(212)	(790)	(595)	(1,893)
Equity in net income of affiliated companies.....	¥ 107	¥ 73	¥ 99	\$ 956



A summary of investment in property under operating leases and property held for lease at March 31, 2017 and 2016 is as follows:

	In millions of yen		In thousands of U.S. dollars	
	March 31		March 31	
	2017	2016	2017	2016
Land .....	¥33,754	¥34,715	\$301,375	
Buildings and improvements .....	32,160	32,293	287,143	
Other intangible assets .....	662	662	5,911	
Accumulated depreciation and amortization .....	(12,572)	(11,751)	(112,250)	
	¥54,004	¥55,919	\$482,179	

The future minimum rentals under noncancelable operating leases at March 31, 2017 are as follows:

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2018 .....	¥2,033	\$18,152
2019 .....	162	1,446
2020 .....	162	1,446
2021 .....	162	1,446
2022 .....	162	1,446
Thereafter .....	2,909	25,975
Total future minimum rentals .....	¥5,590	\$49,911

## 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, 2017 and 2016 are as follows:

	In millions of yen			
	March 31			
	2017		2016	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Non-derivatives:				
Assets—				
Long-term receivables including current portion (Less allowance for doubtful accounts)....	¥56,638	¥57,440	¥54,040	¥54,596
Liabilities—				
Long-term debt including current portion .....	73,764	73,794	79,566	79,612
Investment deposits by policyholders .....	27,691	29,023	29,802	31,402
Derivatives:				
Assets—				
Forward exchange contract (Other current assets) .....	2	2	—	—
Liabilities—				
Interest rate swaps (Other long-term liabilities) .....	59	59	97	97

	In thousands of U.S. dollars	
	March 31, 2017	
	Carrying amount	Estimated fair value
Non-derivatives:		
Assets—		
Long-term receivables including current portion (Less allowance for doubtful accounts) .....	\$505,696	\$512,857
Liabilities—		
Long-term debt including current portion .....	658,607	658,875
Investment deposits by policyholders .....	247,241	259,134
Derivatives:		
Assets—		
Forward exchange contract (Other current assets) .....	18	18
Liabilities—		
Interest rate swaps (Other long-term liabilities) .....	527	527

## 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, 2017 and 2016. Transfers between levels are recognized at the end of the respective reporting periods.

In millions of yen				
March 31, 2017				
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Cash equivalents.....	¥ 163	¥ —	¥ —	¥ 163
Short-term investments and investment securities.....	152,088	31,746	49,738	233,572
Derivatives (Other current assets).....	—	2	—	2
<b>Total assets .....</b>	<b>¥152,251</b>	<b>¥31,748</b>	<b>¥49,738</b>	<b>¥233,737</b>
<b>Liabilities:</b>				
Derivatives (Other long-term liabilities).....	¥ —	¥ 59	¥ —	¥ 59
<b>Total liabilities .....</b>	<b>¥ —</b>	<b>¥ 59</b>	<b>¥ —</b>	<b>¥ 59</b>

In millions of yen				
March 31, 2016				
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Cash equivalents.....	¥ 355	¥ 2,681	¥ —	¥ 3,036
Short-term investments and investment securities.....	157,309	30,405	34,852	222,566
<b>Total assets .....</b>	<b>¥157,664</b>	<b>¥33,086</b>	<b>¥34,852</b>	<b>¥225,602</b>
<b>Liabilities:</b>				
Derivatives (Other long-term liabilities).....	¥ —	¥ 97	¥ —	¥ 97
<b>Total liabilities .....</b>	<b>¥ —</b>	<b>¥ 97</b>	<b>¥ —</b>	<b>¥ 97</b>

In thousands of U.S. dollars				
March 31, 2017				
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Cash equivalents.....	\$ 1,455	\$ —	\$ —	\$ 1,455
Short-term investments and investment securities.....	1,357,928	283,446	444,089	2,085,463
Derivatives (Other current assets).....	—	18	—	18
<b>Total assets .....</b>	<b>\$1,359,383</b>	<b>\$283,464</b>	<b>\$444,089</b>	<b>\$2,086,936</b>
<b>Liabilities:</b>				
Derivatives (Other long-term liabilities).....	\$ —	\$ 527	\$ —	\$ 527
<b>Total liabilities .....</b>	<b>\$ —</b>	<b>\$ 527</b>	<b>\$ —</b>	<b>\$ 527</b>

### Cash Equivalents

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

### Short-Term Investments and Investment Securities

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

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

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

The Company's Level 3 investment securities that are measured at fair value on a recurring basis at March 31, 2017 and 2016, amounting to ¥49,738 million (\$444,089 thousand) and ¥34,852 million, respectively, are primarily private equity investments. The valuation technique and significant unobservable inputs are as follows:

March 31, 2017		
Valuation technique	Significant unobservable inputs	Range
Discounted cash flows	Discount rate	20%–30%
	Exit timing	2017–2020
	EBITDA multiple	1.1x–42.2x
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

### 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, 2017 and 2016.

	In millions of yen		In thousands of U.S. dollars
	Years ended March 31		Year ended March 31
	2017	2016	2017
Balance at beginning of year.....	<b>¥34,852</b>	¥26,784	<b>\$311,179</b>
Total gains or losses (realized and unrealized):			
Included in earnings.....	<b>14,016</b>	2,237	<b>125,142</b>
Included in other comprehensive income.....	—	(92)	—
Purchases.....	<b>1,132</b>	6,950	<b>10,107</b>
Sales.....	<b>(99)</b>	—	<b>(884)</b>
Redemptions.....	—	—	—
Cancellation of contract.....	—	(1,010)	—
Foreign currency translation adjustments.....	<b>(163)</b>	(17)	<b>(1,455)</b>
Balance at end of year .....	<b>¥49,738</b>	¥34,852	<b>\$444,089</b>
Changes in unrealized gains or losses relating to instruments still held at end of year:			
Included in earnings.....	<b>¥15,051</b>	¥ 1,288	<b>\$134,384</b>

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 ¥9,424 million (\$84,143 thousand) were written down to their fair value of ¥9,414 million (\$84,054 thousand), resulting in an other-than-temporary impairment charge of ¥10 million (\$89 thousand), which was included in earnings for the year ended March 31, 2017. For the year ended March 31, 2016, non-marketable equity securities with a carrying amount of ¥9,257 million were written down to their fair value of ¥9,251 million, resulting in an other-than-temporary impairment charge of ¥6 million, which was included in earnings. All impaired non-marketable equity securities were classified as Level 3 assets as the Company uses unobservable inputs such as future cash flows to value these investments.

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

## 23. Derivative Financial Instruments

### (1) Risk Management Policy

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

### (2) Risk Management

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

### (3) Cash Flow Hedges

The Company designates interest rate swap agreements as cash flow hedges for variability of cash flows originating from floating rate borrowings. The interest rate swap agreements 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 year ended March 31, 2015 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, 2017 and 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, 2017 and 2016 are as follows:

Derivatives not designated as hedging instruments

		In millions of yen		In thousands of U.S. dollars
		March 31		March 31
Location		2017	2016	2017
Assets:				
Forward exchange contract	Other current assets	¥ 2	¥ —	\$ 18
Liabilities:				
Interest rate swaps	Other long-term liabilities	59	97	527

Effects of derivative instruments on the consolidated statements of income for the years ended March 31, 2017, 2016 and 2015 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
		2017	2016	2015	2017
Interest rate swaps		¥ —	¥ —	¥ 6	\$ —

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

		In millions of yen			In thousands of U.S. dollars
		Years ended March 31			Year ended March 31
Location		2017	2016	2015	2017
Interest rate swaps	Other income	¥ —	¥ 14	¥ 25	\$ —

Derivatives not designated as hedging instruments

		In millions of yen			In thousands of U.S. dollars
		Years ended March 31			Year ended March 31
Location		2017	2016	2015	2017
Forward exchange contract	Other income	¥ 2	¥ —	¥ —	\$ 18
Interest rate swaps	Other income	38	16	23	339

## 24. Commitments and Contingent Liabilities

The Company has commitments outstanding at March 31, 2017 for the purchase of property, plant and equipment of approximately ¥2,311 million (\$20,634 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 ¥2,344 million (\$20,929 thousand) at March 31, 2017. The carrying amounts of the liabilities recognized as the Company's obligations under these guarantees at March 31, 2017 and 2016 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 year ended March 31, 2015 are as follows:

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

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

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

## 26. Supplemental Cash Flow Information

Supplemental cash flow information is as follows:

	In millions of yen			In thousands of U.S. dollars
	2017	2016	2015	2017
Cash paid during the year for:				
Interest.....	¥ 1,379	¥ 1,408	¥ 1,403	\$ 12,313
Income taxes.....	40,165	38,832	50,673	358,616
Non-cash investing and financing activities:				
Additions to obligations under capital leases.....	6,035	2,543	2,318	53,884
Increase in land, buildings and improvements by offsetting long-term receivables .....	—	—	3,179	—
Significant acquisitions (Note 4)—				
Assets acquired.....	—	188,136	—	—
Liabilities assumed .....	—	(107,136)	—	—
Considerations for equity.....	—	81,000	—	—
Cash and cash equivalents on hand ...	—	(11,565)	—	—
Total considerations .....	¥ —	¥ 69,435	¥ —	\$ —

## 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, 2017, 2016 and 2015 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
	2017	2016	2015	2017
Net sales and operating revenue:				
Security services—				
External customers .....	¥ 543,524	¥ 505,058	¥487,063	\$4,852,893
Intersegment .....	2,968	3,028	2,963	26,500
	546,492	508,086	490,026	4,879,393
Fire protection services—				
External customers .....	126,232	131,743	121,189	1,127,071
Intersegment .....	3,459	3,764	5,127	30,884
	129,691	135,507	126,316	1,157,955
Medical services—				
External customers .....	168,819	163,538	155,884	1,507,313
Intersegment .....	182	178	153	1,625
	169,001	163,716	156,037	1,508,938
Insurance services—				
External customers .....	43,780	40,654	38,259	390,893
Intersegment .....	3,094	2,945	3,226	27,625
	46,874	43,599	41,485	418,518
Geographic information services—				
External customers .....	51,609	52,553	52,760	460,795
Intersegment .....	231	183	177	2,063
	51,840	52,736	52,937	462,858
Information and communication related services—				
External customers .....	49,681	48,294	47,412	443,580
Intersegment .....	7,126	7,550	6,527	63,625
	56,807	55,844	53,939	507,205
Real estate and other services—				
External customers .....	47,616	41,588	42,671	425,143
Intersegment .....	1,923	2,479	2,245	17,169
	49,539	44,067	44,916	442,312
Total .....	1,050,244	1,003,555	965,656	9,377,179
Eliminations .....	(18,983)	(20,127)	(20,418)	(169,491)
Total net sales and operating revenue .....	¥1,031,261	¥ 983,428	¥945,238	\$9,207,688

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2017	2016	2015	2017
Operating income (loss):				
Security services .....	¥112,734	¥110,919	¥107,073	\$1,006,555
Fire protection services .....	13,129	13,654	12,510	117,223
Medical services .....	1,732	2,921	1,521	15,464
Insurance services .....	7,289	6,842	8,042	65,080
Geographic information services .....	(944)	(268)	2,442	(8,429)
Information and communication related services .....	7,288	308	894	65,071
Real estate and other services .....	5,241	4,900	5,080	46,795
Total .....	146,469	139,276	137,562	1,307,759
Corporate expenses and eliminations .....	(16,291)	(20,371)	(15,555)	(145,455)
Operating income .....	¥130,178	¥118,905	¥122,007	\$1,162,304
Other income .....	18,135	7,679	9,293	161,920
Other expenses .....	(3,090)	(4,123)	(3,443)	(27,590)
Income before income taxes and equity in net income of affiliated companies .....	¥145,223	¥122,461	¥127,857	\$1,296,634
	In millions of yen			In thousands of U.S. dollars
	March 31			March 31
	2017	2016		2017
Assets:				
Security services .....	¥ 707,640	¥ 659,526		\$ 6,318,214
Fire protection services .....	148,642	141,981		1,327,161
Medical services .....	185,799	186,068		1,658,920
Insurance services .....	230,455	219,635		2,057,634
Geographic information services .....	69,042	66,501		616,446
Information and communication related services .....	115,537	115,108		1,031,580
Real estate and other services .....	130,365	134,936		1,163,973
Total .....	1,587,480	1,523,755		14,173,928
Corporate items .....	117,876	100,878		1,052,465
Investments in affiliated companies .....	57,922	56,699		517,161
Total assets .....	¥1,763,278	¥1,681,332		\$15,743,554

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2017	2016	2015	2017
Depreciation and amortization:				
Security services .....	<b>¥54,770</b>	¥ 50,007	¥47,425	<b>\$489,018</b>
Fire protection services .....	<b>1,837</b>	1,663	1,694	<b>16,402</b>
Medical services .....	<b>8,433</b>	8,293	7,209	<b>75,295</b>
Insurance services .....	<b>1,521</b>	1,319	1,140	<b>13,580</b>
Geographic information services .....	<b>3,011</b>	2,998	3,022	<b>26,884</b>
Information and communication related services .....	<b>6,824</b>	6,592	6,746	<b>60,929</b>
Real estate and other services .....	<b>868</b>	951	992	<b>7,750</b>
Total .....	<b>77,264</b>	71,823	68,228	<b>689,858</b>
Corporate items .....	<b>919</b>	658	636	<b>8,205</b>
Total depreciation and amortization .....	<b>¥78,183</b>	¥ 72,481	¥68,864	<b>\$698,063</b>
Capital expenditure:				
Security services .....	<b>¥39,956</b>	¥130,686	¥37,183	<b>\$356,750</b>
Fire protection services .....	<b>4,678</b>	5,026	3,608	<b>41,768</b>
Medical services .....	<b>9,646</b>	14,908	20,372	<b>86,125</b>
Insurance services .....	<b>2,087</b>	2,307	1,897	<b>18,634</b>
Geographic information services .....	<b>1,904</b>	2,124	3,318	<b>17,000</b>
Information and communication related services .....	<b>7,686</b>	7,708	4,160	<b>68,625</b>
Real estate and other services .....	<b>233</b>	229	258	<b>2,080</b>
Total .....	<b>66,190</b>	162,988	70,796	<b>590,982</b>
Corporate items .....	<b>856</b>	409	1,098	<b>7,643</b>
Total capital expenditures .....	<b>¥67,046</b>	¥163,397	¥71,894	<b>\$598,625</b>

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
	2017	2016	2015	2017
Electronic security services .....	<b>¥338,744</b>	¥330,843	¥326,300	<b>\$3,024,500</b>
Other security services:				
Static guard services .....	<b>56,417</b>	55,907	53,788	<b>503,723</b>
Armored car services .....	<b>57,873</b>	32,990	21,010	<b>516,723</b>
Merchandise and other .....	<b>90,490</b>	85,318	85,965	<b>807,947</b>
Total security services .....	<b>¥543,524</b>	¥505,058	¥487,063	<b>\$4,852,893</b>

## (2) Geographic Segment Information

Net sales and operating revenue attributed to countries based on the geographical location of customers for the years ended 2017, 2016 and 2015 and long-lived assets as of March 31, 2017 and 2016 were as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2017	2016	2015	2017
Net sales and operating revenue:				
Japan .....	<b>¥ 985,366</b>	¥936,392	¥901,079	<b>\$8,797,911</b>
Other .....	<b>45,895</b>	47,036	44,159	<b>409,777</b>
Total .....	<b>¥1,031,261</b>	¥983,428	¥945,238	<b>\$9,207,688</b>
Long-lived assets:				
Japan .....	<b>¥606,302</b>	¥611,331		<b>\$5,413,411</b>
Other .....	<b>10,558</b>	12,280		<b>94,268</b>
Total .....	<b>¥616,860</b>	¥623,611		<b>\$5,507,679</b>

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

## 28. Subsequent Events

The Company has evaluated subsequent events through July 28, 2017, the date at which the financial statements were available to be issued, and determined there is no item to disclose.

# Independent Auditors' Report



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

We have audited the accompanying consolidated financial statements of SECOM CO., LTD. and its subsidiaries, which comprise the consolidated balance sheets as of March 31, 2017 and 2016, 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, 2017, 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, 2017 and 2016, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2017, 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, 2017 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 28, 2017





# Summary of Selected Financial Data

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

	In millions of yen					
	2017	2016	2015	2014	2013	2012
<b>Composition of consolidated net sales and operating revenue by segment</b>						
Net sales and operating revenue .....	<b>¥1,031,261</b>	¥983,428	¥945,238	¥921,146	¥858,406	¥769,609
Security services: .....	<b>543,524</b>	505,058	487,063	472,449	443,231	425,427
As a percentage of net sales and operating revenue .....	<b>52.7%</b>	51.4%	51.5%	51.3%	51.6%	55.3%
Electronic security services .....	<b>338,744</b>	330,843	326,300	318,116	307,477	300,208
As a percentage of net sales and operating revenue .....	<b>32.8</b>	33.6	34.5	34.5	35.8	39.0
Other security services—						
Static guard services .....	<b>56,417</b>	55,907	53,788	51,681	47,877	46,689
As a percentage of net sales and operating revenue .....	<b>5.5</b>	5.7	5.7	5.6	5.6	6.1
Armored car services .....	<b>57,873</b>	32,990	21,010	20,767	20,532	20,610
As a percentage of net sales and operating revenue .....	<b>5.6</b>	3.4	2.2	2.3	2.4	2.7
Subtotal .....	<b>114,290</b>	88,897	74,798	72,448	68,409	67,299
Merchandise and other .....	<b>90,490</b>	85,318	85,965	81,885	67,345	57,920
As a percentage of net sales and operating revenue .....	<b>8.8</b>	8.7	9.1	8.9	7.8	7.5
Fire protection services .....	<b>126,232</b>	131,743	121,189	122,046	114,130	80,678
As a percentage of net sales and operating revenue .....	<b>12.2</b>	13.4	12.8	13.3	13.3	10.5
Medical services .....	<b>168,819</b>	163,538	155,884	150,535	140,957	134,550
As a percentage of net sales and operating revenue .....	<b>16.4</b>	16.6	16.5	16.3	16.4	17.4
Insurance services .....	<b>43,780</b>	40,654	38,259	37,011	35,864	33,558
As a percentage of net sales and operating revenue .....	<b>4.3</b>	4.1	4.1	4.0	4.2	4.4
Geographic information services .....	<b>51,609</b>	52,553	52,760	54,697	51,194	50,173
As a percentage of net sales and operating revenue .....	<b>5.0</b>	5.4	5.6	5.9	6.0	6.5
Information and communication related services .....	<b>49,681</b>	48,294	47,412	46,992	29,541	17,735
As a percentage of net sales and operating revenue .....	<b>4.8</b>	4.9	5.0	5.1	3.4	2.3
Real estate and other services .....	<b>47,616</b>	41,588	42,671	37,416	43,489	27,488
As a percentage of net sales and operating revenue .....	<b>4.6</b>	4.2	4.5	4.1	5.1	3.6
<b>Net income attributable to SECOM CO., LTD., cash dividends and SECOM CO., LTD. shareholders' equity</b>						
Net income attributable to SECOM CO., LTD. ....	<b>¥ 91,387</b>	¥ 84,072	¥ 80,184	¥ 73,979	¥ 70,580	¥ 41,237
Cash dividends paid <sup>(2)</sup> .....	<b>30,557</b>	28,373	38,197	22,918	19,645	19,623
SECOM CO., LTD. shareholders' equity .....	<b>929,242</b>	865,278	825,969	753,099	679,176	612,855
<b>Consolidated financial ratios</b>						
Percentage of working capital accounted for by:						
Debt—						
Bank loans .....	<b>4.0</b>	5.6	4.7	6.0	5.0	5.7
Current portion of long-term debt .....	<b>1.9</b>	1.8	1.4	1.8	2.2	3.1
Straight bonds .....	<b>0.7</b>	0.8	0.9	0.9	1.1	1.4
Other long-term debt .....	<b>4.5</b>	5.3	4.9	4.6	5.1	3.8
Total debt .....	<b>11.1</b>	13.5	11.9	13.3	13.4	14.0
SECOM CO., LTD. shareholders' equity .....	<b>88.9</b>	86.5	88.1	86.7	86.6	86.0
Total capitalization .....	<b>100.0</b>	100.0	100.0	100.0	100.0	100.0
Return on total assets (percentage) <sup>(a)</sup> .....	<b>5.2</b>	5.0	5.3	5.1	5.3	3.5
Return on equity (percentage) <sup>(b)</sup> .....	<b>9.8</b>	9.7	9.7	9.8	10.4	6.7
Percentage of net sales and operating revenue absorbed by <sup>(c)</sup> :						
Depreciation and amortization .....	<b>7.6</b>	7.4	7.3	7.2	7.0	7.5
Rental expense under operating leases .....	<b>2.5</b>	2.5	2.4	2.4	2.1	2.1
Ratio of accumulated depreciation to depreciable assets (percentage) .....						
assets (percentage) .....	<b>63.2</b>	62.8	61.6	60.8	60.0	63.4
Net property turnover (times) <sup>(c)</sup> .....	<b>2.49</b>	2.38	2.38	2.34	2.24	2.49
Before-tax interest coverage (times) <sup>(c) (d)</sup> .....	<b>107.1</b>	89.2	93.8	90.4	78.8	51.8

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

	2017	2016	2015	2014	2013	2012
<b>Number of shares outstanding</b>						
Issued .....	<b>233,288,717</b>	233,288,717	233,288,717	233,288,717	233,288,717	233,288,717
Owned by the Company .....	<b>15,028,470</b>	15,026,824	15,024,812	15,022,012	15,018,951	15,017,691
Balance .....	<b>218,260,247</b>	218,261,893	218,263,905	218,266,705	218,269,766	218,271,026
<b>Per share information</b>						
Net income attributable to SECOM CO., LTD. per share (in yen) <sup>(1)</sup> .....	<b>¥ 418.71</b>	¥ 385.19	¥ 367.37	¥ 338.94	¥ 323.36	¥ 188.97
Cash dividends paid per share (in yen) <sup>(2)</sup> .....	<b>140.00</b>	130.00	175.00	105.00	90.00	90.00
SECOM CO., LTD. shareholders' equity per share (in yen) <sup>(3)</sup> .....	<b>4,257.50</b>	3,964.40	3,784.27	3,450.36	3,111.64	2,807.77
Cash flow per share (in yen) <sup>(1)(e)</sup> .....	<b>631.91</b>	582.27	557.88	529.35	496.34	365.28
Price/Book value ratio .....	<b>1.87</b>	2.11	2.12	1.72	1.56	1.44
Price/Earnings ratio .....	<b>19.03</b>	21.72	21.84	17.54	15.00	21.43
Price/Cash flow ratio .....	<b>12.61</b>	14.37	14.38	11.23	9.77	11.09
Stock price at year-end (in yen) .....	<b>7,969</b>	8,366	8,025	5,946	4,850	4,050

Notes: (a) Net income attributable to SECOM CO., LTD. / Total assets  
(b) Net income attributable to SECOM CO., LTD. / SECOM CO., LTD. shareholders' equity  
(c) Including discontinued operations  
(d) (Income before income taxes and equity in net income of affiliated companies + Interest expense) / Interest expense  
(e) (Net income attributable to SECOM CO., LTD. + Depreciation and amortization – Dividends approved) / Average number of shares outstanding during each period

(1) Per share amounts are based on the average number of shares outstanding during each period.  
(2) Subsequent to March 31, 2017, cash dividends of ¥16,370 million (¥75 per share) were approved at the general shareholders' meeting on June 27, 2017 (see Note 18 of the accompanying notes to consolidated financial statements).  
(3) Per share amounts are based on the number of shares outstanding at the end of each period, less treasury stock.

## Common Stock Data

SECOM CO., LTD.  
As of March 31

<b>SHAREHOLDER INFORMATION</b>	<b>2017</b>	2016	2015	2014	2013	2012
Number of shareholders.....	<b>25,200</b>	24,975	24,852	27,054	27,628	29,118
Common shares held by:						
Financial institutions.....	<b>35.05%</b>	32.50%	29.89%	31.28%	30.86%	29.88%
Securities firms.....	<b>3.89</b>	3.52	3.43	4.88	5.58	6.08
Other domestic corporations.....	<b>2.51</b>	2.92	3.16	2.56	3.63	3.68
Foreign investors.....	<b>43.42</b>	44.46	44.95	42.32	41.33	41.25
Individuals and others.....	<b>8.69</b>	10.16	12.13	12.52	12.16	12.67
Treasury stock.....	<b>6.44</b>	6.44	6.44	6.44	6.44	6.44
Total.....	<b>100.00%</b>	100.00%	100.00%	100.00%	100.00%	100.00%

### PRICE INFORMATION (TOKYO STOCK EXCHANGE)

		Price per share (in yen)		Nikkei Stock Average (in yen)	
		High	Low	High	Low
2015	April–June.....	¥9,041	¥7,857	¥20,868.03	¥19,034.84
	July–September.....	8,510	7,038	20,841.97	16,930.84
	October–December.....	8,630	7,064	20,012.40	17,722.42
2016	January–March.....	8,781	7,307	18,450.98	14,952.61
	April–June.....	8,830	7,167	17,572.49	14,952.02
	July–September.....	8,050	7,392	17,081.98	15,106.98
	October–December.....	8,630	7,293	19,494.53	16,251.54
2017	January–March.....	8,812	7,969	19,633.75	18,787.99

## COMMON STOCK ISSUES

Date	Additional shares issued (In thousands)	Shares outstanding after issue (In thousands)	Share capital after issue (In thousands of yen)	Allotment ratio to shareholders	Remarks
June 15, 1974	1,968	9,200	¥ 460,000	—	Issue at market price (¥900)
Dec. 21, 1974	2,760	11,960	598,000	3 for 10	Stock split
May 21, 1975	1,196	13,156	657,800	1 for 10	Stock split
May 21, 1975	1,244	14,400	720,000	—	Issue at market price (¥1,134)
Dec. 1, 1975	4,320	18,720	936,000	3 for 10	Stock split
May 31, 1976	1,880	20,600	1,030,000	—	Issue at market price (¥2,570)
June 1, 1976	2,060	22,660	1,133,000	1 for 10	Stock split
Dec. 1, 1976	6,798	29,458	1,472,900	3 for 10	Stock split
Nov. 30, 1977	2,042	31,500	1,575,000	—	Issue at market price (¥1,700)
Dec. 1, 1977	6,300	37,800	1,890,000	2 for 10	Stock split
Dec. 1, 1978	7,560	45,360	2,268,000	2 for 10	Stock split
June 1, 1981	3,000	48,360	2,418,000	—	Issue at market price (¥2,230)
Dec. 1, 1981	4,836	53,196	2,659,800	1 for 10	Stock split
Jan. 20, 1983	5,320	58,516	3,000,000	1 for 10	Stock split
Nov. 30, 1983	194	58,710	3,280,942	—	Conversion of convertible bonds
Nov. 30, 1984	1,418	60,128	5,329,282	—	Conversion of convertible bonds
Nov. 30, 1985	186	60,314	5,602,945	—	Conversion of convertible bonds
Jan. 20, 1986	6,031	66,345	5,602,945	1 for 10	Stock split
Nov. 30, 1986	2,878	69,223	11,269,932	—	Conversion of convertible bonds
Nov. 30, 1987	1,609	70,832	15,021,200	—	Conversion of convertible bonds
Jan. 20, 1988	3,541	74,373	15,021,200	0.5 for 10	Stock split
Nov. 30, 1988	439	74,812	16,063,099	—	Conversion of convertible bonds
Nov. 30, 1989	1,808	76,620	21,573,139	—	Conversion of convertible bonds
Jan. 19, 1990	22,986	99,606	21,573,139	3 for 10	Stock split
Mar. 31, 1990	1,446	101,052	25,070,104	—	Conversion of convertible bonds
Mar. 31, 1991	2,949	104,001	32,244,732	—	Conversion of convertible bonds
Mar. 31, 1992	2,035	106,036	37,338,751	—	Conversion of convertible bonds
Mar. 31, 1993	267	106,303	37,991,568	—	Conversion of convertible bonds
Mar. 31, 1994	6,986	113,289	56,756,263	—	Conversion of convertible bonds
Mar. 31, 1995	477	113,766	58,214,178	—	Conversion of convertible bonds
Mar. 31, 1996	613	114,379	59,865,105	—	Conversion of convertible bonds
Mar. 31, 1997	1,825	116,204	65,253,137	—	Conversion of convertible bonds
Mar. 31, 1998	29	116,233	65,327,060	—	Conversion of convertible bonds
Mar. 31, 1999	159	116,392	65,709,927	—	Conversion of convertible bonds
Nov. 19, 1999	116,410	232,802	65,709,927	10 for 10*	Stock split
Mar. 31, 2000	273	233,075	66,096,852	—	Conversion of convertible bonds
Mar. 31, 2001	25	233,100	66,126,854	—	Conversion of convertible bonds
Mar. 31, 2002	175	233,275	66,360,338	—	Conversion of convertible bonds
Mar. 31, 2003	6	233,281	66,368,827	—	Conversion of convertible bonds
Mar. 31, 2005	8	233,289	66,377,829	—	Conversion of convertible bonds
July 27, 2017	1	233,290	66,385,263	—	Issue of new shares as restricted stock compensation

Note: The above is a record of SECOM's common stock issues since the common stock was listed on the Tokyo Stock Exchange in June 1974.

\*One share was split into two.



# CONSOLIDATED FINANCIAL DATA

(BASED ON JAPANESE GAAP) [REFERENCE]

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

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

	In millions of yen					
ASSETS	2017	2016	2015	2014	2013	2012
<b>Current assets:</b>						
Cash on hand and in banks.....	¥ 302,364	¥ 228,458	¥ 232,221	¥ 210,514	¥ 175,427	¥ 182,412
Cash deposits for armored car services .....	130,619	128,267	50,395	58,597	56,089	54,011
Call loans .....	—	—	15,500	20,500	46,500	28,000
Notes and accounts receivable, trade.....	119,801	122,048	114,071	115,318	106,638	85,744
Due from subscribers.....	33,090	31,812	26,316	25,174	24,059	24,830
Short-term investments .....	29,387	34,448	28,517	12,955	14,723	19,936
Lease receivables and investments in leased assets.....	43,974	39,542	39,242	33,188	27,569	14,605
Merchandise and products .....	11,915	13,099	14,163	14,186	12,321	9,597
Real estate inventories.....	5,223	3,527	3,063	33	12,944	9,082
Work in process .....	4,913	5,557	4,031	4,602	4,526	2,527
Costs on uncompleted construction contracts .....	8,979	9,070	9,460	8,983	7,563	5,671
Work in process for real estate inventories.....	22,283	23,024	21,058	15,396	13,348	33,276
Raw materials and supplies.....	8,385	8,579	7,913	7,573	6,430	5,950
Deferred income taxes.....	14,003	12,728	12,808	13,254	14,384	11,383
Short-term loans receivable .....	4,942	4,086	2,268	2,699	4,158	4,389
Other .....	23,684	27,375	21,111	17,623	18,453	13,489
Allowance for doubtful accounts.....	(1,766)	(1,883)	(1,997)	(2,026)	(2,302)	(1,428)
Total current assets.....	761,804	689,744	600,146	558,574	542,836	503,479
<b>Fixed assets:</b>						
Tangible assets:						
Buildings and improvements, net.....	150,254	148,828	148,375	153,278	155,839	97,955
Security equipment and control stations, net .....	69,569	71,447	70,478	68,759	67,200	66,900
Land .....	116,825	116,613	119,604	113,946	115,652	104,426
Other, net.....	39,886	39,415	23,702	24,849	22,839	21,464
Total tangible assets.....	376,536	376,305	362,161	360,833	361,532	290,747
Intangible assets.....	112,131	119,505	49,411	53,596	55,079	25,043
Investments and others:						
Investment securities.....	280,974	264,400	284,322	246,233	189,042	177,655
Long-term loans receivable .....	38,403	39,401	42,904	45,701	42,338	46,197
Prepaid pension and severance costs.....	—	—	—	—	19,572	19,130
Net defined benefit asset.....	35,282	30,796	35,010	17,612	—	—
Deferred income taxes .....	9,592	8,602	4,874	13,521	11,711	14,793
Other.....	51,436	54,978	49,382	48,486	43,706	42,376
Allowance for doubtful accounts .....	(15,990)	(15,698)	(17,525)	(16,352)	(16,742)	(17,584)
Total investments and others .....	399,698	382,482	398,969	355,203	289,629	282,568
Total fixed assets.....	888,367	878,293	810,541	769,633	706,241	598,359
<b>Deferred assets</b> .....	4	14	26	17	32	45
Total assets .....	¥1,650,176	¥1,568,052	¥1,410,715	¥1,328,226	¥1,249,110	¥1,101,884

In millions of yen

**LIABILITIES**

	2017	2016	2015	2014	2013	2012
<b>Current liabilities:</b>						
Notes and accounts payable, trade .....	¥ 44,635	¥ 41,794	¥ 43,160	¥ 49,409	¥ 43,684	¥ 30,731
Bank loans .....	44,969	55,283	44,965	52,120	42,350	47,985
Current portion of straight bonds .....	1,460	2,582	1,414	4,640	4,487	5,983
Lease obligations .....	4,752	4,724	503	579	537	354
Payables—other .....	37,469	38,376	33,849	31,316	31,406	27,627
Accrued income taxes .....	27,557	22,341	21,063	27,744	29,282	14,688
Accrued consumption taxes .....	5,765	6,611	12,878	4,151	4,377	3,833
Accrued expenses .....	5,315	5,562	4,653	4,625	4,571	4,169
Deposits received for armored car services .....	107,878	101,306	16,945	17,765	24,862	21,920
Deferred revenue .....	30,552	31,389	31,348	31,027	30,880	30,834
Accrued bonuses .....	15,447	15,524	14,652	14,437	14,031	12,739
Provision for loss on construction contracts .....	2,532	1,397	1,612	1,981	1,714	834
Other .....	25,596	20,738	20,707	16,883	15,691	14,076
Total current liabilities .....	353,933	347,633	247,755	256,684	247,879	215,780

**Long-term liabilities:**

Straight bonds .....	7,003	8,251	8,413	7,796	8,847	9,625
Long-term loans .....	14,123	20,033	20,602	17,256	19,828	10,700
Lease obligations .....	11,777	11,954	3,712	4,183	3,438	2,884
Guarantee deposits received .....	33,907	35,002	36,000	36,542	36,125	38,235
Deferred income taxes .....	21,943	14,026	13,554	11,169	13,400	8,415
Accrued pension and severance costs .....	—	—	—	—	17,137	12,585
Accrued retirement benefits for directors and audit and supervisory board members .....	1,306	1,387	1,415	1,635	2,443	2,509
Net defined benefit liability .....	22,428	22,816	18,504	18,569	—	—
Investment deposits by policyholders, unearned premiums and other insurance liabilities .....	166,155	159,636	150,119	141,099	133,627	127,812
Other .....	4,342	4,166	3,295	2,918	2,242	1,817
Total long-term liabilities .....	282,989	277,274	255,618	241,171	237,091	214,586
Total liabilities .....	636,922	624,907	503,374	497,856	484,970	430,366

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

Common stock .....	¥ 66,377	¥ 66,377	¥ 66,377	¥ 66,377	¥ 66,377	¥ 66,377
Capital surplus .....	80,297	80,326	80,265	83,054	83,054	83,054
Retained earnings .....	797,493	743,353	694,688	656,286	609,275	565,261
Common stock in treasury, at cost .....	(73,731)	(73,717)	(73,701)	(73,682)	(73,664)	(73,659)
Total shareholders' equity .....	870,437	816,340	767,630	732,036	685,042	641,034

**Accumulated other comprehensive income:**

Unrealized gains on securities .....	25,125	19,964	26,981	12,504	11,783	4,559
Deferred losses on hedges .....	(30)	(40)	(34)	(33)	(41)	(28)
Foreign currency translation adjustments .....	(7,954)	(2,196)	1,477	(10,885)	(27,760)	(37,556)
Remeasurements of defined benefit plans, net of taxes .....	4,423	(783)	4,390	(3,506)	—	—
Total accumulated other comprehensive income .....	21,563	16,944	32,815	(1,921)	(16,018)	(33,026)

**Noncontrolling interests**

Noncontrolling interests .....	121,253	109,859	106,895	100,253	95,114	63,509
Total net assets .....	1,013,253	943,144	907,341	830,369	764,139	671,517
Total liabilities and net assets .....	¥1,650,176	¥1,568,052	¥1,410,715	¥1,328,226	¥1,249,110	¥1,101,884

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

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

	In millions of yen					
	2017	2016	2015	2014	2013	2012
Revenue .....	<b>¥928,098</b>	¥881,028	¥840,722	¥822,228	¥765,635	¥679,173
Percentage change from prior year .....	<b>5.3%</b>	4.8%	2.2%	7.4%	12.7%	2.3%
Costs of revenue .....	<b>621,412</b>	586,539	557,884	542,949	504,006	458,452
As a percentage of revenue .....	<b>67.0</b>	66.6	66.4	66.0	65.8	67.5
Gross profit .....	<b>306,686</b>	294,488	282,837	279,278	261,629	220,720
As a percentage of revenue .....	<b>33.0</b>	33.4	33.6	34.0	34.2	32.5
Selling, general and administrative expenses .....	<b>175,636</b>	165,906	159,222	159,259	153,258	139,642
As a percentage of revenue .....	<b>18.9</b>	18.8	18.9	19.4	20.0	20.6
Operating profit .....	<b>131,050</b>	128,582	123,615	120,018	108,370	81,078
As a percentage of revenue .....	<b>14.1</b>	14.6	14.7	14.6	14.2	11.9
Non-operating income .....	<b>22,371</b>	11,380	18,366	13,100	11,171	12,970
Non-operating expenses .....	<b>6,388</b>	5,136	5,293	6,441	5,922	6,209
Ordinary profit .....	<b>147,033</b>	134,826	136,688	126,677	113,618	87,839
As a percentage of revenue .....	<b>15.8</b>	15.3	16.3	15.4	14.8	12.9
Extraordinary profit .....	<b>516</b>	1,584	1,962	2,025	984	287
Extraordinary losses .....	<b>5,697</b>	15,003	11,384	3,876	2,623	11,558
Income before income taxes .....	<b>141,852</b>	121,408	127,265	124,826	111,980	76,567
As a percentage of revenue .....	<b>15.3</b>	13.8	15.1	15.2	14.6	11.3
Income taxes—current .....	<b>43,326</b>	39,150	43,156	48,485	43,211	32,023
Income taxes—deferred .....	<b>2,369</b>	(526)	(37)	(2,110)	(252)	4,600
Net income .....	<b>96,156</b>	82,784	84,146	78,451	69,021	39,943
Net income attributable to noncontrolling interests .....	<b>11,986</b>	5,745	8,754	8,574	5,363	4,454
Net income attributable to owners of the parent .....	<b>84,170</b>	77,039	75,392	69,876	63,658	35,489
As a percentage of revenue .....	<b>9.1</b>	8.7	9.0	8.5	8.3	5.2
Percentage change from prior year .....	<b>9.3</b>	2.2	7.9	9.8	79.4	(41.7)

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

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

	In millions of yen					
	2017	2016	2015	2014	2013	2012
Net income .....	<b>¥ 96,156</b>	¥ 82,784	¥ 84,146	¥78,451	¥69,021	¥39,943
Other comprehensive income (loss):						
Unrealized gains (losses) on securities .....	<b>5,324</b>	(7,103)	15,058	543	7,500	2,318
Deferred gains on hedges .....	<b>—</b>	—	—	—	—	8
Foreign currency translation adjustments .....	<b>(3,539)</b>	(1,616)	9,527	11,787	6,222	(2,262)
Remeasurements of defined benefit plans .....	<b>4,698</b>	(6,163)	8,581	—	—	—
Share of other comprehensive gains (losses) of affiliated companies accounted for under the equity method .....	<b>(1,327)</b>	(2,743)	3,676	6,649	4,402	(1,281)
Total other comprehensive income (loss) .....	<b>5,155</b>	(17,626)	36,843	18,980	18,124	(1,217)
Comprehensive income .....	<b>101,312</b>	65,157	120,990	97,431	87,146	38,726
Comprehensive income attributable to:						
Owners of the parent company .....	<b>88,789</b>	61,168	110,128	87,480	80,666	34,473
Noncontrolling interests .....	<b>12,522</b>	3,989	10,861	9,950	6,480	4,253

# NONCONSOLIDATED FINANCIAL DATA

(BASED ON JAPANESE GAAP) [REFERENCE]

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

SECOM CO., LTD.  
As of March 31

	In millions of yen					
ASSETS	2017	2016	2015	2014	2013	2012
<b>Current assets:</b>						
Cash on hand and in banks .....	¥ 87,387	¥ 45,433	¥ 93,569	¥ 80,908	¥ 54,136	¥ 82,631
Cash deposits for armored car services .....	37,869	40,877	48,396	56,818	53,551	52,386
Notes receivable .....	621	592	640	683	700	720
Due from subscribers .....	16,480	16,229	16,066	14,991	14,856	14,324
Accounts receivable, trade .....	10,650	10,996	11,202	9,960	9,691	10,039
Receivables—other .....	3,088	4,454	3,054	2,699	2,528	2,159
Short-term investments .....	—	3,444	437	437	1,048	456
Merchandise .....	5,312	6,453	6,694	5,489	5,585	5,152
Supplies .....	1,722	1,676	1,379	1,303	1,012	1,470
Prepaid expenses .....	2,323	2,172	2,210	2,109	2,332	2,253
Deferred income taxes .....	3,710	3,736	4,415	4,382	5,268	4,269
Short-term loans receivable .....	27,539	22,255	20,423	20,653	19,237	15,574
Other .....	1,804	1,698	1,772	2,031	4,819	1,632
Allowance for doubtful accounts .....	(117)	(152)	(216)	(221)	(248)	(268)
Total current assets .....	198,394	159,867	210,048	202,248	174,521	192,804
<b>Fixed assets:</b>						
Tangible assets:						
Buildings and improvements, net .....	16,282	16,572	16,458	17,466	17,059	16,409
Automobiles, net .....	709	795	824	865	521	231
Security equipment and control stations, net .....	65,997	67,624	67,715	66,683	65,329	65,341
Machinery and equipment, net .....	179	170	192	232	288	361
Tools, furniture and fixtures, net .....	3,173	3,424	3,326	2,922	2,979	3,301
Land .....	21,978	22,015	28,303	29,520	29,802	28,555
Construction in progress .....	2,195	1,564	1,714	1,848	1,719	1,710
Other, net .....	69	18	12	105	235	374
Total tangible assets .....	110,585	112,187	118,548	119,644	117,936	116,286
Intangible assets:						
Goodwill .....	—	—	—	2,607	2,978	3,350
Software .....	6,125	5,794	4,644	3,910	4,269	5,487
Other .....	400	574	730	1,768	2,061	1,586
Total intangible assets .....	6,526	6,369	5,375	8,286	9,308	10,424
Investments and others:						
Investment securities .....	23,083	20,588	29,725	23,789	21,583	23,906
Investment securities in subsidiaries and affiliated companies .....	323,993	325,104	239,120	239,008	236,309	190,305
Investments in subsidiaries and affiliated companies .....	2,098	1,938	1,938	1,827	1,827	1,883
Long-term loans receivable .....	134,796	146,716	150,955	143,741	155,813	128,074
Lease deposits .....	7,559	7,642	7,526	7,553	7,747	8,147
Long-term prepaid expenses .....	20,847	21,244	22,126	20,780	21,594	24,013
Prepaid pension and severance costs .....	21,643	23,177	21,530	16,962	16,263	15,903
Deferred income taxes .....	—	—	—	—	—	130
Insurance funds .....	4,294	4,294	4,294	3,988	3,991	4,181
Other .....	2,560	2,545	2,534	2,777	2,728	2,713
Allowance for doubtful accounts .....	(5,532)	(5,551)	(17,946)	(17,698)	(20,307)	(19,326)
Total investments and others .....	535,344	547,700	461,806	442,730	447,551	379,933
Total fixed assets .....	652,456	666,256	585,730	570,662	574,796	506,643
Total assets .....	¥850,851	¥826,124	¥795,778	¥772,910	¥749,317	¥699,448

In millions of yen

**LIABILITIES**

	2017	2016	2015	2014	2013	2012
<b>Current liabilities:</b>						
Accounts payable.....	¥ 3,604	¥ 3,641	¥ 3,172	¥ 3,429	¥ 3,044	¥ 2,400
Bank loans .....	22,703	36,923	29,416	36,703	26,598	27,659
Lease obligations.....	215	198	185	176	121	80
Payables—other .....	14,476	15,698	15,675	14,546	15,042	13,756
Payables—construction .....	4,018	3,980	4,480	4,218	4,333	4,343
Accrued income taxes .....	14,345	9,479	10,826	12,366	19,510	3,938
Accrued consumption taxes.....	2,883	2,718	7,088	1,478	2,538	2,062
Accrued expenses.....	697	737	800	802	726	716
Deposits received for armored car services.....	15,187	13,975	15,124	16,175	22,554	20,453
Deferred revenue .....	20,629	20,923	21,269	21,301	21,671	22,340
Accrued bonuses.....	6,278	6,246	6,296	6,246	6,089	6,116
Other .....	4,014	4,177	4,311	3,530	1,942	2,253
Total current liabilities .....	109,053	118,699	118,647	120,976	124,174	106,121
<b>Long-term liabilities:</b>						
Lease obligations.....	2,477	2,601	2,661	2,747	2,449	2,217
Guarantee deposits received.....	16,804	17,038	17,286	17,622	17,859	18,099
Deferred income taxes.....	6,642	6,213	3,400	307	788	—
Accrued pension and severance costs.....	2,506	2,835	3,241	3,555	4,051	3,945
Accrued retirement benefits for directors and audit and supervisory board members .....	—	—	—	—	857	1,294
Other .....	103	378	408	459	25	10
Total long-term liabilities .....	28,533	29,068	26,998	24,692	26,031	25,568
Total liabilities .....	137,587	147,768	145,646	145,668	150,205	131,689

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

Common stock.....	¥ 66,377	¥ 66,377	¥ 66,377	¥ 66,377	¥ 66,377	¥ 66,377
Capital surplus:						
Additional paid-in capital.....	83,054	83,054	83,054	83,054	83,054	83,054
Other capital surplus.....	0	0	0	0	—	—
Total capital surplus .....	83,054	83,054	83,054	83,054	83,054	83,054
Retained earnings:						
Legal reserve.....	9,028	9,028	9,028	9,028	9,028	9,028
Other retained earnings:						
Reserve for system developments.....	800	800	800	800	800	800
General reserve .....	2,212	2,212	2,212	2,212	2,212	2,212
Accumulated earnings carried forward .....	618,887	586,082	556,013	536,978	508,398	478,914
Total retained earnings .....	630,927	598,122	568,053	549,018	520,439	490,954
Common stock in treasury, at cost.....	(73,731)	(73,717)	(73,701)	(73,682)	(73,664)	(73,659)
Total shareholders' equity .....	706,629	673,836	643,784	624,768	596,206	566,727

**Valuation, translation adjustments and others:**

Unrealized gains (losses) on securities.....	6,634	4,518	6,347	2,473	2,905	1,031
Total valuation, translation adjustments and others.....	6,634	4,518	6,347	2,473	2,905	1,031
Total net assets .....	713,263	678,355	650,132	627,242	599,112	567,758
Total liabilities and net assets .....	¥850,851	¥826,124	¥795,778	¥772,910	¥749,317	¥699,448

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

SECOM CO., LTD.

Years ended March 31

	In millions of yen					
	2017	2016	2015	2014	2013	2012
Revenue .....	<b>¥382,476</b>	¥376,044	¥370,663	¥364,280	¥355,393	¥345,476
<i>Percentage change from prior year .....</i>	<b>1.7%</b>	1.5%	1.8%	2.5%	2.9%	4.9%
Service charges.....	<b>322,338</b>	317,764	314,068	309,499	305,300	299,523
<i>Percentage change from prior year .....</i>	<b>1.4</b>	1.2	1.5	1.4	1.9	3.2
Sales of merchandise.....	<b>60,137</b>	58,280	56,594	54,781	50,092	45,952
<i>Percentage change from prior year .....</i>	<b>3.2</b>	3.0	3.3	9.4	9.0	17.7
Costs .....	<b>227,204</b>	223,189	221,441	215,849	210,790	203,386
<i>As a percentage of revenue .....</i>	<b>59.4</b>	59.4	59.7	59.3	59.3	58.9
Costs of service .....	<b>184,225</b>	181,597	180,850	177,339	174,331	169,928
<i>As a percentage of service charges .....</i>	<b>57.2</b>	57.1	57.6	57.3	57.1	56.7
Costs of sales .....	<b>42,978</b>	41,591	40,590	38,509	36,458	33,458
<i>As a percentage of merchandise sales.....</i>	<b>71.5</b>	71.4	71.7	70.3	72.8	72.8
Gross profit.....	<b>155,271</b>	152,855	149,221	148,431	144,603	142,089
<i>As a percentage of revenue .....</i>	<b>40.6</b>	40.6	40.3	40.7	40.7	41.1
Gross profit on service.....	<b>138,112</b>	136,166	133,217	132,159	130,969	129,595
<i>As a percentage of service charges .....</i>	<b>42.8</b>	42.9	42.4	42.7	42.9	43.3
Gross profit on sales.....	<b>17,159</b>	16,688	16,003	16,272	13,634	12,494
<i>As a percentage of merchandise sales.....</i>	<b>28.5</b>	28.6	28.3	29.7	27.2	27.2
Selling, general and administrative expenses .....	<b>78,988</b>	77,191	76,046	75,521	74,651	71,893
<i>As a percentage of revenue .....</i>	<b>20.7</b>	20.5	20.5	20.7	21.0	20.8
Operating profit.....	<b>76,283</b>	75,664	73,174	72,909	69,952	70,196
<i>As a percentage of revenue .....</i>	<b>19.9</b>	20.1	19.8	20.0	19.7	20.3
Non-operating income .....	<b>13,389</b>	13,639	11,714	10,269	10,173	8,048
Non-operating expenses .....	<b>3,130</b>	2,691	3,316	4,295	3,789	3,032
Ordinary profit .....	<b>86,543</b>	86,612	81,572	78,884	76,336	75,212
<i>As a percentage of revenue .....</i>	<b>22.6</b>	23.0	22.0	21.7	21.5	21.8
Extraordinary profit .....	<b>651</b>	3,064	1,670	491	1,219	23,001
Extraordinary losses.....	<b>100</b>	6,733	2,805	1,604	1,052	40,695
Income before income taxes .....	<b>87,094</b>	82,943	80,437	77,771	76,502	57,518
<i>As a percentage of revenue .....</i>	<b>22.8</b>	22.1	21.7	21.3	21.5	16.6
Income taxes.....	<b>23,833</b>	24,500	22,945	26,273	27,374	30,699
<i>Effective tax rate.....</i>	<b>27.4</b>	29.5	28.5	33.8	35.8	53.4
Net income .....	<b>63,260</b>	58,442	57,492	51,497	49,128	26,818
<i>As a percentage of revenue .....</i>	<b>16.5</b>	15.5	15.5	14.1	13.8	7.8
<i>Percentage change from prior year .....</i>	<b>8.2</b>	1.7	11.6	4.8	83.2	(40.4)

# Corporate Information

(As of June 30, 2017)

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

## MAJOR CONSOLIDATED SUBSIDIARIES

	Issued capital (In millions of yen)	Percentage of equity/ voting rights	Lines of business	(As of June 30, 2017)
<b>Domestic</b>				
<b>&lt;Security services&gt;</b>				
Secom Joshinetsu Co., Ltd.	¥3,530	(50.9)%	Security services	
Secom Hokuriku Co., Ltd.	201	59.1	Security services	
Secom Yamanashi Co., Ltd.	15	70.0	Security services	
Secom Mie Co., Ltd.	50	51.0	Security services	
Secom Sanin Co., Ltd.	290	64.3	Security services	
Secom Kochi Co., Ltd.	50	40.0	Security services	
Secom Miyazaki Co., Ltd.	30	68.3	Security services	
Secom Ryukyu Co., Ltd.	76	50.0	Security services	
Secom Jastic Co., Ltd.	100	100.0	Security services	
Secom Jastic Joshinetsu Co., Ltd.	40	(100.0)	Security services	
Secom Jastic Hokuriku Co., Ltd.	10	(100.0)	Security services	
Secom Jastic Yamanashi Co., Ltd.	10	(100.0)	Security services	
Secom Jastic Sanin Co., Ltd.	10	(100.0)	Security services	
Secom Jastic Kochi Co., Ltd.	10	(100.0)	Security services	
Secom Jastic Miyazaki Co., Ltd.	10	(100.0)	Security services	
Secom Static Hokkaido Co., Ltd.	50	100.0	Security services	
Secom Static Tohoku Co., Ltd.	50	100.0	Security services	
Secom Static Nishi-Nihon Co., Ltd.	50	100.0	Security services	
Secom Static Kansai Co., Ltd.	50	100.0	Security services	
Secom Static Ryukyu Co., Ltd.	10	(100.0)	Security services	
Secom Sado Co., Ltd.	24	(61.7)	Security services	
JK. Siress Co., Ltd.	10	(100.0)	Security services	
Japan Safety Guard Co., Ltd.	100	60.0	Security services	
Japan Nuclear Security System Co., Ltd.	200	50.0	Security services	
Meian Co., Ltd.	60	51.0	Security services	
Secom Tech Sanin Co., Ltd.	23	(100.0)	Installation of security equipment	
Secom Techno Joshinetsu Co., Ltd.	30	(100.0)	Installation of security equipment	
Secom Win Co., Ltd.	15	66.7	Installation of security equipment and facilities	
Secom Industries Co., Ltd.	499	100.0	Manufacturing of security equipment	
Otec Electronics Co., Ltd.	200	82.0	Manufacturing and sales of security systems	
Secom Alpha Co., Ltd.	271	100.0	Sales of security and water-treatment equipment	
Secom Mine Security Co., Ltd.	30	100.0	Security services	
Social Rehabilitation Support Kitsuregawa Co., Ltd.	10	51.7	Operation of PFI correctional facilities	
Secom Kitsuregawa Security Co., Ltd.	50	100.0	Security services	
Home Life Kanri Co., Ltd.	40	(100.0)	Condominium management	
Kumalift Co., Ltd.	100	100.0	Manufacture, sales and maintenance of freight elevators	
Okinawa Kumalift Co., Ltd.	10	(70.0)	Sales of freight elevators	
Asahi Security Co., Ltd.	100	100.0	Security services	

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

(Continued)

## MAJOR CONSOLIDATED SUBSIDIARIES

	Issued capital (In millions of yen)	Percentage of equity/ voting rights	Lines of business	(As of June 30, 2017)
<b>&lt;Fire protection services&gt;</b>				
Nohmi Bosai Ltd.	¥13,302	(50.4)%	Manufacturing and sales of fire protection equipment and facilities	
Ichibou Co., Ltd.	28	(73.2)	Installation of fire protection equipment	
Kyushu Nohmi Co., Ltd.	30	(100.0)	Installation and maintenance of fire protection equipment	
Chiyoda Service Co., Ltd.	20	(70.0)	Building management	
Nohmi Engineering Corp.	80	(100.0)	Installation of fire protection equipment	
Nohmi System Co., Ltd.	20	(100.0)	Maintenance of fire protection equipment	
Iwate Nohmi Co., Ltd.	30	(100.0)	Installation of fire protection equipment	
Tohoku Nohmi Co., Ltd.	32	(100.0)	Installation of fire protection equipment	
Aomori Nohmi Co., Ltd.	20	(100.0)	Installation of fire protection equipment	
Nissin Bohsai Co., Ltd.	50	(100.0)	Installation of fire protection equipment	
Chiba Nohmi Co., Ltd.	10	(100.0)	Installation of fire protection equipment	
Shikoku Nohmi Co., Ltd.	20	(100.0)	Installation of fire protection equipment	
Nohmi Techno Engineering Co., Ltd.	40	(100.0)	Installation of environmental monitoring systems	
Akita Nohmi Co., Ltd.	20	(100.0)	Installation of fire protection equipment	
Fukushima Nohmi Co., Ltd.	20	(100.0)	Installation of fire protection equipment	
Niigata Nohmi Co., Ltd.	20	(100.0)	Installation of fire protection equipment	
Hokkaido Nohmi Co., Ltd.	20	(100.0)	Installation of fire protection equipment	
Yashima Bosai Setsubi Co., Ltd.	20	(81.8)	Installation of fire protection equipment	
Nittan Co., Ltd.	2,303	100.0	Installation, sale and maintenance of fire protection equipment	
Nittan Electronic Co., Ltd.	60	(100.0)	Manufacturing of fire protection equipment	
Nittan Denko Co., Ltd.	10	(100.0)	Installation and maintenance of fire protection equipment	
Nittan Hokkaido Service Center Co., Ltd.	10	(100.0)	Installation and maintenance of fire protection equipment	
Nittan Tohoku Service Center Co., Ltd.	10	(100.0)	Installation and maintenance of fire protection equipment	
Nittan Nagoya Service Center Co., Ltd.	10	(100.0)	Installation and maintenance of fire protection equipment	
Nittan Service Center Osaka Co., Ltd.	10	(100.0)	Installation and maintenance of fire protection equipment	
Nittan Hiroshima Service Center Co., Ltd.	10	(100.0)	Installation and maintenance of fire protection equipment	
Nittan Shikoku Service Center Co., Ltd.	10	(100.0)	Installation and maintenance of fire protection equipment	
Nittan Fukuoka Service Center Co., Ltd.	10	(100.0)	Installation and maintenance of fire protection equipment	
Sogo Denki Trading Co., Ltd.	10	(100.0)	Installation and maintenance of fire protection equipment	
Shell beach Co., Ltd.	10	(100.0)	Installation and maintenance of fire protection equipment	
Consilium Nittan Marine Ltd.	42	(50.0)	Sales of fire protection equipment	
<b>&lt;Medical services&gt;</b>				
Secom Medical System Co., Ltd.	100	100.0	Home health/nursing care and other medical-related services	
Mac Corp.	95	(100.0)	Sales of medical equipment	
Yoshikikaku Co., Ltd.	20	(100.0)	Operation of restaurants and shops at medical facilities	
Kensei Co., Ltd.	100	(100.0)	Management of pharmacies	
Secomfort Tama Co., Ltd.	100	(100.0)	Management of nursing homes	
Alive Medicare Co., Ltd.	50	(100.0)	Management of nursing homes	
Secomfort Co., Ltd.	100	(100.0)	Management of nursing homes	
Secomfort West Co., Ltd.	100	(100.0)	Management of nursing homes	
US Chemical Co., Ltd.	3	(100.0)	Management of pharmacies	
Secom Medipharma Co., Ltd.	10	(100.0)	Wholesaling of pharmaceuticals	

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

(Continued)



## MAJOR CONSOLIDATED SUBSIDIARIES

	Issued capital (In millions of yen)	Percentage of equity/ voting rights	Lines of business	(As of June 30, 2017)
<b>&lt;Insurance services&gt;</b>				
Secom Insurance Service Co., Ltd.	¥ 100	(100.0)%	Non-life insurance agency	
Secom General Insurance Co., Ltd.	16,809	97.1	Non-life insurance	
<b>&lt;Geographic information services&gt;</b>				
Pasco Corp.	8,758	69.8	Geographic information services	
Pasco Space Mapping Technology Co., Ltd.	25	(100.0)	Geographic information services	
GIS Hokkaido Co., Ltd.	190	(100.0)	Geographic information services	
GIS Tohoku Co., Ltd.	50	(84.6)	Geographic information services	
GIS Kanto Co., Ltd.	40	(52.6)	Geographic information services	
GIS Kansai Co., Ltd.	99	(100.0)	Geographic information services	
Mid Map Tokyo Corp.	15	(60.0)	Geographic information services	
RIIC Corp.	20	(100.0)	Geographic information services	
Higashi-Nihon Sogo Keikaku Co., Ltd.	200	(100.0)	Geographic information services	
Satellite Image Marketing Corp.	60	(100.0)	Geographic information services	
<b>&lt;Information and communication related services&gt;</b>				
Secom Trust Systems Co., Ltd.	1,469	100.0	Information, communication, information security services and software development	
At Tokyo Corp.	13,379	50.9	Data center business	
<b>&lt;Real estate and other services&gt;</b>				
Secom Home Life Co., Ltd.	3,700	99.9	Development of residential buildings	
Arai & Co., Ltd.	3,000	86.7	Real estate leasing	
Arai Corporation, Inc.	10	(100.0)	Management of real estate	
Secom Credit Co., Ltd.	400	100.0	Credit services	
Secom Corp.	100	100.0	Printing services	
Secom Auto Service Co., Ltd.	45	100.0	Car maintenance	
Wonder Dream Co., Ltd.	100	100.0	Employee welfare for SECOM Group	
Secom Staff Service Co., Ltd.	50	(100.0)	Employment agency	
Secom Business Plus Co., Ltd.	20	100.0	General office services	
Secom Home Service Co., Ltd.	32	100.0	Lifestyle support services	
Kurashi-TEL Co., Ltd.	100	60.0	Comprehensive lifestyle support services	
Secom Engineering Co., Ltd.	100	100.0	Design, construction and maintenance of facilities	
Yanoshin Air Conditioning Co., Ltd.	80	100.0	Sales of air-conditioning equipment	
Toko Create Co., Ltd.	50	96.6	Electrical engineering	

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

(Continued)

## MAJOR CONSOLIDATED SUBSIDIARIES

	Issued capital	Percentage of equity/ voting rights	Lines of business	(As of June 30, 2017)
<b>Overseas</b>				
<b>&lt;Security services&gt;</b>				
Secom plc	£44,126 thousand	100.0%	Security services	
Scan Alarms Ltd.	£20 thousand	(100.0)	Holding company	
Scan Alarms & Security Systems (UK) Ltd.	£50 thousand	(100.0)	Security services	
Secom (China) Co., Ltd.	¥5,550 million	100.0	Holding company	
Dalian Secom Security Co., Ltd.	US\$2,000 thousand	(95.0)	Security services	
Shanghai Secom Security Co., Ltd.	Rmb50,000 thousand	(85.0)	Security services	
Beijing Jingdun Secom Electronic Security Co., Ltd.	US\$2,500 thousand	(80.0)	Security services	
Qingdao Secom Security Co., Ltd.	US\$1,000 thousand	(80.0)	Security services	
Guangdong Jimpeng Secom Security Co., Ltd.	US\$4,500 thousand	(90.0)	Security services	
Fujian Secom Security Co., Ltd.	Rmb15,000 thousand	(95.0)	Security services	
Sichuan Secom Security Co., Ltd.	Rmb10,000 thousand	(100.0)	Security services	
Shaanxi Secom Security Co., Ltd.	Rmb10,000 thousand	(100.0)	Security services	
Zhejiang Secom Security Co., Ltd.	Rmb15,000 thousand	(97.0)	Security services	
Liaoning Secom Security Co., Ltd.	Rmb10,000 thousand	(60.0)	Security services	
Tianjin Secom Property Management Co., Ltd.	Rmb2,000 thousand	(80.0)	Comprehensive building management services	
Secom jindun (Tianjin) Security Co., Ltd.	Rmb5,000 thousand	(69.4)	Security services	
Jiangsu Secom Security Co., Ltd.	Rmb15,000 thousand	(100.0)	Security services	
PT. Secom Indonesia	US\$4,111 thousand	49.0	Security services	
Thai Secom Security Co., Ltd.	THB378,934 thousand	49.0	Security services	
Secom Australia Pty. Ltd.	AUD17,297 thousand	100.0	Security services	
Secom Technical Services Unit Trust	AUD5,951 thousand	(70.0)	Security services	
Secom Guardall NZ Ltd.	NZD1,604 thousand	(100.0)	Security services	
Secom Trading Co., Ltd.	¥120 million	100.0	Sales of security equipment	
Secom Vietnam Security Service JSC	¥181 million	(49.0)	Security services	
Secom (Singapore) Pte. Ltd.	S\$5,000 thousand	46.6	Security services	
D'Garde Security Pte. Ltd.	S\$100 thousand	(100.0)	Security services	
<b>&lt;Other services&gt;</b>				
Shanghai Nohmi Secom Fire Protection Equipment Co., Ltd.	US\$14,300 thousand	(100.0)	Manufacturing and sales of fire protection equipment and facilities	
Nohmi Taiwan Ltd.	NT\$15,000 thousand	(96.3)	Manufacturing and sales of fire protection equipment and facilities	
Nittan Europe Ltd.	£1,194 thousand	(100.0)	Sales of fire protection equipment	
Nittan Fire Protection System (Zhongshan) Co., Ltd.	US\$1,400 thousand	(100.0)	Sales of fire protection equipment	
Nittan Asean Co., Ltd. – Vietnam Headquarters	US\$3,236 thousand	(100.0)	Manufacturing of fire protection equipment	
Secom Medical System (Singapore) Pte. Ltd.	S\$51,330 thousand	(100.0)	Holding company	
Takshasila Hospitals Operating Pvt. Ltd.	INR3,659 million	(49.7)	Hospital management	
Takshasila Healthcare and Research Service Pvt. Ltd.	INR15 million	(99.3)	Management of hospital real estate	
Pasco Philippines Corp.	PHP50,400 thousand	(100.0)	Geographic information services	
Pasco China Corp.	Rmb22,320 thousand	(99.0)	Geographic information services	
Suzhou Super Dimension Earth Science Research and Development Co., Ltd.	Rmb1,000 thousand	(92.0)	Geographic information services	
Pasco (Thailand) Co., Ltd.	THB129,000 thousand	(100.0)	Geographic information services	
PT. Nusantara Secom InfoTech	US\$3,304 thousand	(100.0)	Geographic information services and software development	
Pasco Lao Sole Co., Ltd.	LAK3,878 million	(100.0)	Geographic information services	
FM-International Oy	EUR10,994 thousand	(100.0)	Geographic information services	
Aerodata International Surveys BVBA	EUR87 thousand	(100.0)	Geographic information services	
Pasco Europe B.V.	EUR4,000 thousand	(100.0)	Geographic information services	
Pasco North America Inc.	US\$5,621 thousand	(100.0)	Geographic information services	
Keystone Aerial Surveys Inc.	US\$0.6 thousand	(100.0)	Geographic information services	
Pasco Geo-Spatial Vietnam Co., Ltd.	VND8,908 million	(100.0)	Geographic information services	
The Westec Security Group, Inc.	US\$0.3 thousand	100.0	Holding company	
ClearLight Partners, LLC	—	(99.7)	Investment	
ClearLight Partners II, LLC	—	(99.0)	Investment	
ClearLight Partners III, LLC	—	(98.0)	Investment	

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

SECOM’s Basic Business Areas

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

Security Services

On-Line Security Systems

Commercial Use:

● SECOTM AX

SECOTM AX is an on-line security system with advanced on-site image sensors that incorporate microphones to enable the SECOTM control center staff to check the subscriber's premises by listening and viewing.

● SECOTM IX

SECOTM IX is a remote imaging security system for commercial facilities offering around-the-clock services.

● SECOTM DX

SECOTM DX is an on-line security system developed to meet the needs of shops, offices, warehouses, factories and other commercial and industrial establishments.

● SECOTM TX

SECOTM TX is an on-line security system for commercial buildings with more than one tenant.

● HANKS SYSTEM

HANKS SYSTEM is an on-line security system for financial institutions, including automated banking facilities.

● SECOTM CX

SECOTM CX offers a comprehensive building management system that monitors and manages large building complexes.

● SECOTM LX

SECOTM LX is an on-line security system that includes an access control function.

● SECOTM FX

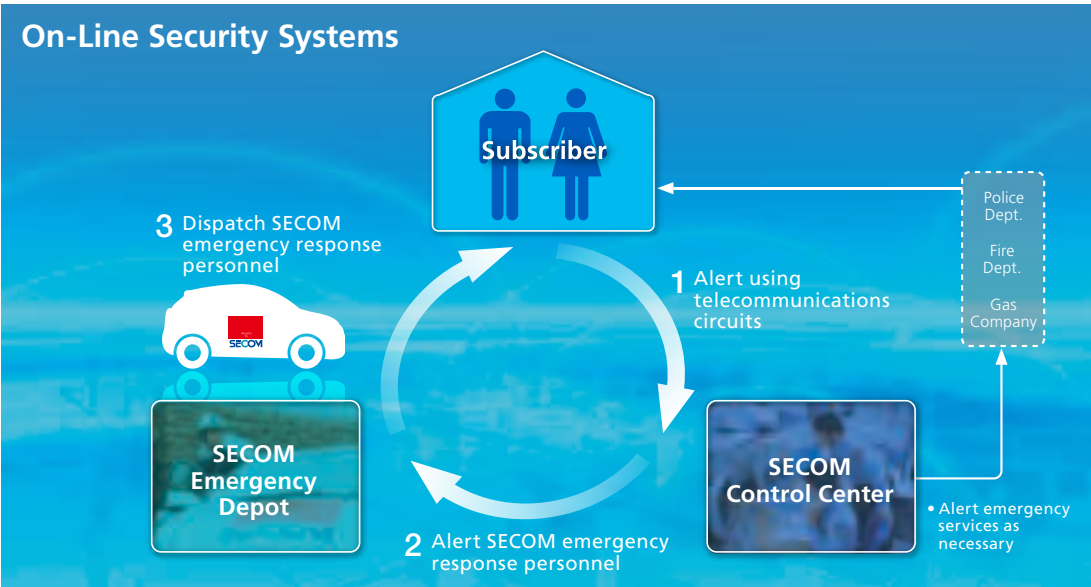
SECOTM FX is a system that combines monitoring for intruders and fire with facility control functions.

● SECOTM DRONE

Working in tandem with an on-line security system, this small autonomous flying surveillance robot flies toward unauthorized individuals or vehicles, choosing the optimal angles from which to capture images, which are then sent to a control center.

● SECOTM 3D SECURITY PLANNING

SECOTM 3D Security Planning makes use of high-precision digital relief maps to conduct multifaceted, multidimensional risk assessments, thereby facilitating sophisticated security planning.



Residential Use:

● SECOTM HOME SECURITY

SECOTM Home Security is a comprehensive home security system combining around-the-clock intrusion- and fire-prevention services, emergency call services, gas leak monitoring and medical emergency call services. The new SECOTM Home Security NEO is an advanced version that features a desktop controller and can be operated from a smartphone. This service can also be linked with device on the IoT, facilitating access to a variety of new services.

● SECURITY SYSTEMS FOR CONDOMINIUMS AND APARTMENTS

SECOTM provides comprehensive building management functions for condominiums and total safety with a centralized security system for each unit in the building. SECOTM's menu includes services for small-scale apartments.

● SECOTM MY DOCTOR WATCH

SECOTM My Doctor Watch is a wearable wristband-style emergency medical alert and health management services. This service is offered as an option to SECOTM Home Security subscribers.

● SECOTM MY DOCTOR PLUS

SECOTM My Doctor Plus is an emergency medical alert system for seniors featuring an exclusive portable device that incorporates a GPS locator and a

cellular phone. Whether indoors or out, the device, when activated, sends an emergency signal to SECOTM. If requested, SECOTM dispatches emergency response personnel. If deemed necessary, SECOTM staff also contacts emergency services and sends preregistered emergency information to the subscriber's device, thereby ensuring it is immediately available to ambulance attendants and hospital staff. Other services include telephone health consultation. SECOTM will also act as go-between with nursing care providers for individuals who have independently contracted care services.

Large-Scale Proprietary Security Systems

● TOTAX ZETA

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

COCO-SECOTM

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

Fire Protection Services

● FIRE ALARM SYSTEMS

This business encompasses the assembly, installation and sale of a broad range of equipment and systems, including automatic fire alarm systems, environmental monitoring systems, and fire and smoke control systems, suited to buildings of varying sizes and uses, from homes to large-scale commercial and industrial facilities.

● FIRE EXTINGUISHING SYSTEMS

SECOTM offers an extensive lineup, including fire sprinklers and other water fire extinguishing systems, foam fire extinguishing systems, dry chemical fire extinguishing systems and inert gas fire extinguishing systems, for applications ranging from office buildings to chemical plants and tunnels.

● MAINTENANCE SERVICES

This business centers on inspection, maintenance and repair services, as well as around-the-clock on-line monitoring and other services provided through a customer services center.

● OTHERS

This category comprises the installation and maintenance of parking lot control systems and the assembly and sale of printed circuit boards for manufacturers in other industries, including medical and electronics equipment.

Medical Services

● HOME MEDICAL SERVICES

SECOTM's medical services for patients at home include pharmaceutical services, encompassing the preparation and delivery of prescription pharmaceuticals, and home nursing services provided through visiting nurse stations. SECOTM also provides consulting and support services for physicians opening home medical care clinics.

● HOME-BASED PERSONAL CARE SERVICES

SECOTM provides patients recovering at home with caregivers to assist with personal hygiene, bathing, exercise and other daily activities, as well as provide light housekeeping.

● SECOTM UBIQUITOUS ELECTRONIC MEDICAL REPORT (EMR)

SECOTM Ubiquitous EMR is a medical report system for home medical care aimed at clinics and small and medium-sized hospitals. The system enables the sharing of data among members of the home-care team, including the primary physician, visiting nurse and pharmacy.

● Hospi-net

Hospi-net, a remote image diagnosis support service, transmits magnetic resonance imaging (MRI), computerized tomography (CT) and other images to SECOTM's Hospi-net center, where diagnostic experts examine them and provide consultation to the primary physician.

● MY SPOON

My Spoon is a robot that enables people with impaired upper body mobility to eat with minimal assistance. This is the first robot of its kind in Japan.

● RESIDENCES FOR SENIORS AND NURSING HOMES

SECOTM manages the Sacrava Seijo, Comfort Royal Life Tama, Comfort Garden Azamino and Comfort Hills Rokko residences for seniors and the Alive Care Home series of nursing homes.

● SECOTM HEALTH CARE CLUB KENKO

SECOTM Health Care Club KENKO is a membership-based club that provides access to a variety of health management services, including testing with a PET/CT scanner. The club is offered through an alliance with Yotsuya Medical Cube, a cutting-edge clinic in Tokyo.

Insurance Services

● SECURITY DISCOUNT FIRE POLICY

Security Discount Fire Policy is a commercial fire insurance policy that features reduced premiums for subscribers to commercial security systems.

● SECOTM ANSHIN MY HOME

SECOTM Anshin My Home is a comprehensive fire insurance policy that features reduced premiums for subscribers to home security systems.

● MEDCOM

MEDCOM is an unrestricted treatment policy that covers the cost of cancer treatment not covered by Japan's national health insurance scheme, as well as the patient's portion of the cost of medical care covered by the national health insurance scheme. MEDCOM also provides hospital referrals and treatment-related consulting services.

● SECOTM ANSHIN MY CAR

SECOTM Anshin My Car is a comprehensive automobile insurance policy that includes on-site emergency services in the event of an accident, as well as discounts for drivers without a traffic violation history or on cars equipped with antitheft devices.

Geographic Information Services

● PasCAL SERIES

Designed for local governments, the PasCAL series of comprehensive GIS services facilitates the effective use of GIS in a variety of situations.

● MarketPlanner SERIES

The MarketPlanner series uses a variety of data sorting and presentation methods to support the efforts of growing companies to establish area marketing strategies.

● SAFE ROUTE MAPPING SERVICE

This service helps companies ensure their employees are able to reach home safely and assists crisis management efforts in the event of a major earthquake. A version of this service is also available to individuals.

Static Guard Services

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

Armored Car Services

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

SECOTM AED Package Service

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

Merchandise

● SECURITY CAMERA SYSTEM

This multifunctional, cost-effective security camera system provides stable monitoring even in places where insufficient light makes clear images difficult and allows the combined use of digital and analog cameras. It is also capable of detecting attempts to disable or destroy the camera. The system offers an optional service whereby camera images are transmitted via a network to a SECOTM data center facility for storage.

● SECURILOCK SERIES

The SECURILOCK series uses identification numbers, integrated circuit (IC) pass cards and other methods to control access to restricted areas.

● SESAMO SERIES

The SESAMO series comprises access-control systems for use in corporate offices, factories, parking facilities and any other security-sensitive areas. These systems employ such technologies as contactless IC pass cards, magnetic cards, personal identification numbers, and finger vein authentication.

● TOMAHAWK SERIES

The TOMAHAWK series is an extensive lineup of innovative extinguishing systems, including TOMAHAWK MACH II residential-use fire extinguisher and TOMAHAWK III high-speed automated fire extinguishing system with gas suppression.

● PYTHAGORAS SERIES

PYTHAGORAS is a series of security vaults with superior protection, heat resistance and performance.

● SECURIFACE

SECURIFACE is a residential intercom system that combines a face detection function with SECOTM Home Camera System, enhancing security for people at home.

● LASER SENSOR

Laser Sensor is an external monitoring sensor that uses a laser beam to facilitate effective detection of intrusions over a broad area. The sensor is flexible and can be programmed to accommodate various monitoring areas.

Information and Communication Related Services

● DATA CENTERS

Robust facility construction, stable electric power supplies, dependable networks and top-grade SECOTM security enable SECOTM to provide safe storage for information assets, as well as a variety of other services.

● LARGE-SCALE DISASTER RESPONSE SERVICES

SECOTM provides solutions encompassing everything from services that optimize companies' preparedness for disasters to services that assist companies when disaster strikes and during post-disaster reconstruction. These include SECOTM Safety Confirmation Service, which helps companies confirm the safety of employees in the event of a disaster, as well as to gather and share crucial information on conditions on the ground.

● INFORMATION SECURITY SERVICES

SECOTM provides a variety of services designed to protect subscribers' information against cyber attacks and other dangers, including diagnosing and analyzing network problems, monitoring for system and network viruses and emergency on-site response services in the event an irregularity is detected.

● CLOUD-BASED SERVICES

Capitalizing on its data center, information security, computer network and other service capabilities, SECOTM provides a wide range of cloud-based services, including SECOTM Anshin Eco Document Digitization Service, which helps improve customers' business processes.

Real Estate and Other Services

● REAL ESTATE DEVELOPMENT AND SALES

SECOTM offers Glorio condominiums.

● SECOTM HOME SERVICE/SEIKATSU TASUKE

SECOTM Home Service is a suite of convenient lifestyle support services for SECOTM Home Security subscribers ranging from patrolling subscribers' homes when occupants are away to assistance with housekeeping. *Seikatsu Tasuke* is a comprehensive suite of lifestyle and household support services.

# Directors, Audit and Supervisory Board Members and Executive Officers

## Directors



**Makoto Iida**  
Founder



**Yasuo Nakayama**  
President and  
Representative Director



**Yasuyuki Yoshida**  
Senior Executive Director



**Junzo Nakayama**  
Executive Director



**Ichiro Ozeki**  
Executive Director



**Tatsuro Fuse**  
Executive Director



**Tatsuya Izumida**  
Director



**Tatsushi Kurihara**  
Director



**Takaharu Hirose**  
Outside Director



**Hirobumi Kawano**  
Outside Director



**Hajime Watanabe**  
Outside Director

## Audit and Supervisory Board Members

Takayuki Ito

Ryohei Komatsu

Hideki Kato\*

Makoto Yasuda\*

Masao Yokomizo\*

\*Outside

## Executive Team

### Directors

**Yasuo Nakayama**  
President and  
Representative Director

**Yasuyuki Yoshida**  
Senior Executive Director

**Junzo Nakayama**  
Executive Director

**Ichiro Ozeki**  
Executive Director

**Tatsuro Fuse**  
Executive Director

**Tatsuya Izumida**  
Director

**Tatsushi Kurihara**  
Director

### Executive Officers

**Kenichi Furukawa**  
Managing Executive Officer

**Masahiro Takeda**  
Managing Executive Officer

**Teruhisa Yoshimura**  
Managing Executive Officer

**Hideo Morishita**  
Managing Executive Officer

**Toshiaki Mizuno**  
Managing Executive Officer

**Shokichi Ishimura**  
Managing Executive Officer

**Keitaro Arai**  
Managing Executive Officer

**Yoichi Sugimoto**  
Executive Officer

**Sumiyuki Fukumitsu**  
Executive Officer

**Kensuke Shindo**  
Executive Officer

**Yasufumi Kuwahara**  
Executive Officer

**Noriyuki Fukuoka**  
Executive Officer

**Takeshi Akagi**  
Executive Officer

**Sadahiro Sato**  
Executive Officer

**Osamu Ueda**  
Executive Officer

**Yoshinori Yamanaka**  
Executive Officer

**Seiya Nagao**  
Executive Officer

**Noriyuki Uematsu**  
Executive Officer

**Osamu Nagai**  
Executive Officer

**Atsushi Komatsu**  
Executive Officer

**Kazuhiro Mitomo**  
Executive Officer

**Takehiko Senda**  
Executive Officer

**Takashi Nakada**  
Executive Officer

(As of July 31, 2017)



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