



ANNUAL REPORT 2018

Year ended March 31, 2018

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



Since its establishment, **SECOM CO., LTD.**, has sought to keep abreast of the times with the aim of creating pioneering services and systems that deliver safety and peace of mind, as well as make life more comfortable and convenient, in line with its mission of helping to achieve a society free from concerns, thereby helping to resolve key social imperatives.

Established in 1962, SECOM is recognized as Japan's first security services provider. Since then, the Company has sought to develop and advance a wide range of services and systems that respond to evolving social imperatives and benefit society. These include on-line security systems for commercial subscribers; home security systems; COCO-SECOM, a mobile security system for outdoor use; and the SECOM Drone, 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, business process outsourcing and information and communication technology (BPO and ICT) services, and real estate and other services.

To accelerate the realization of our Social System Industry vision, in May 2017 we formulated the SECOM Group's Vision for 2030. Guided by this vision, we are working to create the *ANSHIN** Platform, a service infrastructure 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 with the aim of delivering enduring peace of mind and growing together with society.

We have also expanded outside Japan. Currently active in 19 countries and territories, where we provide uniquely SECOM security services, fire protection services, medical services, geographic information services, and BPO and ICT services customized to reflect local needs and sensibilities, we continue working to grow our overseas operations.

**ANSHIN* is Japanese for "peace of mind."

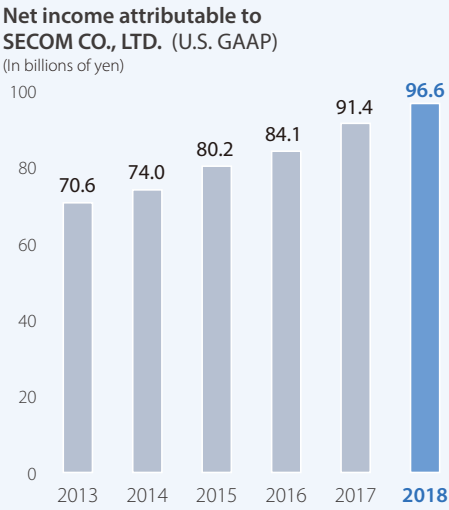
Contents

2	Financial Highlights
4	A Message to Shareholders
9	Corporate Philosophy
10	Milestones
12	SECOM at a Glance
14	The Value Creation Process
16	The SECOM Group's Vision for 2030
20	Special Feature: SECOM's Growth Strategies
24	SECOM Today
34	Corporate Social Responsibility
36	ESG Initiatives
45	Financial Review
49	Audited Financial Statements
82	Other Financial Data
87	Consolidated Financial Data (Based on Japanese GAAP) (Reference)
91	Nonconsolidated Financial Data (Based on Japanese GAAP) (Reference)
95	Corporate Information
99	SECOM's Basic Business Areas
101	Directors, Audit and Supervisory Board Members and Executive Officers

Financial Highlights

U.S. GAAP				
SECOM CO., LTD. and Subsidiaries	In millions of yen			In thousands of U.S. dollars
For the years ended/as of March 31	Years ended March 31			Year ended March 31
	2018	2017	2016	2018
Net sales and operating revenue	¥1,082,792	¥1,031,261	¥ 983,428	\$10,215,019
Operating income	142,835	130,178	118,905	1,347,500
Net income attributable to SECOM CO., LTD.	96,623	91,387	84,072	911,537
Total assets	1,838,945	1,763,278	1,681,332	17,348,538
Total SECOM CO., LTD. shareholders' equity	1,000,277	929,242	865,278	9,436,576
	In yen			In U.S. dollars
Per share of common stock:				
Net income attributable to SECOM CO., LTD.	¥ 442.70	¥ 418.71	¥ 385.19	\$ 4.18
Cash dividends	150.00	140.00	130.00	1.42
(Interim dividend)	75.00	70.00	65.00	0.71
SECOM CO., LTD. shareholders' equity	4,582.96	4,257.50	3,964.40	43.24

Notes: 1. Yen amounts have been translated into U.S. dollars, solely for the convenience of the reader, at the approximate rate of ¥106=US\$1, the rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2018.
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 26, 2018, approval was granted for a proposal to pay a year-end dividend of ¥80.00 for the year ended March 31, 2018. (For further information, please see Note 18 of the Notes to Consolidated Financial Statements.)

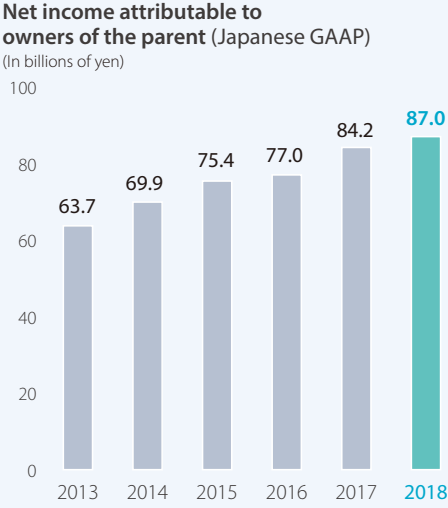


Note: In the year ended March 31, 2018, net income attributable to SECOM CO., LTD., advanced ¥5.2 billion, to ¥96.6 billion. This result was attributable to higher operating income in six segments, including security services.
In the year ended March 31, 2017, net income attributable to SECOM CO., LTD., 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.

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	In millions of yen			In thousands of U.S. dollars
For the years ended/as of March 31	Years ended March 31			Year ended March 31
	2018	2017	2016	2018
Revenue	¥ 970,624	¥ 928,098	¥ 881,028	\$ 9,156,830
Operating profit	135,448	131,050	128,582	1,277,811
Ordinary profit	144,318	147,033	134,826	1,361,491
Net income attributable to owners of the parent	86,993	84,170	77,039	820,689
Total assets	1,720,268	1,650,176	1,568,052	16,228,943
Total net assets	1,081,213	1,013,253	943,144	10,200,123
	In yen			In U.S. dollars
Per share of common stock:				
Net income	¥ 398.58	¥ 385.64	¥ 352.97	\$ 3.76
Cash dividends	155.00	145.00	135.00	1.46
(Interim dividend)	75.00	70.00	65.00	0.71
Net assets	4,364.63	4,086.87	3,817.82	41.18

Note: Cash dividends per share of common stock are based on dividends the record dates for which fall in each fiscal year. The consolidated dividend payout ratio for the fiscal year ended March 31, 2018, was 38.9%.



A Message to Shareholders

Through the *ANSHIN* Platform, a service infrastructure designed to provide peace of mind to people in their everyday lives, as well as to society as a whole, we continue working to address increasingly diverse and sophisticated social imperatives, as well as to ensure sustainable growth and enhance corporate value.



Makoto Iida
Founder



Yasuo Nakayama
President and Representative Director

Consolidated Operating Results

In the fiscal year ended March 31, 2018, the Japanese economy remained on a gentle upward trend, sustained by improved corporate earnings and employment levels, as well as by a recovery in consumer spending. However, uncertainties persisted regarding, among others, policy shifts in the United States, the economic outlook for the People's Republic of China (PRC) and emerging economies, a lack of clarity around the United Kingdom's exit from the European Union, and the impact of geopolitical risk. These factors, together with the influence of fluctuations in the financial and capital markets, continued to warrant caution.

Against this backdrop, we continued to press forward toward the realization of our Social System Industry vision, in line with our goal of providing safety and peace of mind, as well as making life more comfortable and convenient, whenever and wherever necessary. Efforts continued to concentrate on responding to the needs of customers through the provision of high-grade services and systems in our security services, fire protection services, medical services, insurance services, geographic information services, BPO and ICT services, and real estate and other services businesses.

Bolstered by a solid performance in the security services and fire protection services segments and the addition of results for new subsidiary TMJ, Inc., consolidated on October 2, 2017, consolidated net sales and operating revenue in the period under review rose 5.0%, or ¥51.5 billion, to ¥1,082.8 billion. Operating income increased 9.7%, or ¥12.7 billion, to ¥142.8 billion, bolstered by higher net sales and operating revenue in six segments, including security services. Despite a decline in gain on private equity investments, the increase in operating income pushed net income attributable to SECOM CO., LTD., up 5.7%, or ¥5.2 billion, to ¥96.6 billion.

Enhancing Returns to Shareholders

Seeing the provision of a fair return to shareholders as a crucial management task, we determine our consolidated dividend payout ratio based on an overall assessment of efforts to expand our operations and trends in our consolidated operating performance, in line with our policy of ensuring a consistent and stable distribution of profits. At the Ordinary General Meeting of Shareholders held on June 26, 2018, the payment of a year-end dividend of ¥80.00 per share was approved. As a consequence, dividends for the full term, which also include an interim dividend of ¥75.00, amounted to ¥155.00, up ¥10.00 from the previous fiscal year.

Understanding and Responding to Change

Operating in an environment characterized by dramatic change and mounting uncertainty, we recognize that ensuring sustainable growth and accelerating the realization of our Social System Industry vision will depend on encouraging a managerial mindset among all employees, that is, on fostering employees who share SECOM's Philosophy and have the ability to form judgments and act independently. To bolster the functioning of this managerial mindset, we continue to promote a fair and impartial organization that ensures a free and open corporate culture. We are also working to maximize employees' latent capabilities and inspiring them to fulfill their professional ambitions by creating a virtuous circle rooted in employee job satisfaction, understanding that motivating employees to create and provide superior offerings enables us to extend services that exceed the expectations of customers, which in turn enhances customer satisfaction and society's trust of SECOM as a company. This, in turn, drives employees' efforts to create and provide even better services.

In May 2017, we formulated the SECOM Group's Vision for 2030, a long-term plan to guide the SECOM Group through 2030, and set forth the *ANSHIN* Platform, a service infrastructure designed to provide peace of mind to people in their everyday lives, as well as to society as a whole. This infrastructure seeks to alleviate problems and resolve concerns by responding to the increasingly diverse needs of individual customers through the seamless provision of services that deliver enduring peace of mind whenever and wherever necessary. Guided by our vision of a society free from concerns, over the past year we have collaborated with partners in industry, government and academia that have the same mission to advance initiatives aimed at addressing social imperatives and creating new services and systems.

In the fiscal year ended March 31, 2018, employees in our seven businesses—security services, fire protection services, medical services, insurance services, geographic information services, BPO and ICT services, and real estate and other services—promoted a variety of ambitious efforts, working with diligence and a high sense of purpose, as well as with autonomy and a common understanding of the vision we have outlined for SECOM in 2030.

In our commercial security services business, we reported an increase in contracts for our on-line security systems, as well as for static guard, cash collection and delivery, and other services, reflecting our ability to respond effectively to customer needs. SECOM LX, which combines on-line security with access control functions to help customers manage personnel efficiently, thereby reducing costs, helps companies objectively ascertain employees' working hours and address the issue of overwork, a key social imperative in Japan. Demand remained firm for SECOM LX, as well as for SECOM AX, a remote imaging on-line security system featuring advanced image recognition technologies, and SECOM FX, which combines on-line security with facility control functions.

In the area of security services for large-scale events, we recently commenced the full-scale provision of 3-Dimensional Security. This service begins with SECOM 3D Security Planning, which uses high-precision 3D maps to support the formulation of an optimal security plan, and encompasses the latest security services—including surveillance from above using the SECOM Airship or SECOM Aerostat dirigible and on the ground using temporarily installed security cameras, wearable cameras and the SECOM Drone Detection System—combined with security guards. These various services are coordinated by a vehicle-mounted On-Site Center,

a mobile monitoring base that gathers and disseminates information, thereby supporting the safe and secure staging of large-scale events.

In April 2018, we concluded an agreement to acquire 80.1% of the outstanding shares of common stock of Toshiba Security Guard Corporation (TOSEC) from Toshiba Corporation. Going forward, we will endeavor to leverage TOSEC's wealth of experience and extensive know-how in the provision of static guard services for plants and other large-scale facilities to further grow our commercial security services business by developing and extending high-value-added services that go beyond static guards to underpin the safety and security of customers' production capabilities.

In the home security services market, in July 2017 we launched SECOM Home Security NEO, a flexible system suited to diverse modern lifestyles that can be connected to various devices. Concurrently, we released the SECOM My Doctor Watch, an emergency medical alert and health management service centered on a wearable wristband tracker, which can be used with SECOM Home Security NEO. In December 2017, we commenced sales of a second new service, SECOM *Anshin* Home Delivery Box, which facilitates the safe delivery of packages whether the recipients are at home or not, an offering developed to respond to the rising need for redelivery to recipients who were not at home to collect their packages the first time, which has become somewhat of an issue in Japan.

Overseas, we continued working to expand the provision 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 when needed. In the period under review, our efforts concentrated on the growing economies of Southeast Asia and the PRC. Achievements included the formation of a strategic partnership with a major electric appliances manufacturer in the PRC aimed at cultivating the local market for home security services. Elsewhere, subsidiary Secom plc in the United Kingdom won the CCTV System of the Year Award in the International Fire and Security Conference (IFSEC) Security and Fire Excellence Awards 2017, garnering praise for the quality of the system's products and services.

In fire protection services, SECOM Group companies Nohmi Bosai Ltd. and Nittan Co., Ltd., two of Japan's leading names in this field, continued to earn consistently high marks from customers for their superior automatic fire alarm, fire extinguishing and other fire protection systems, which they provide for a variety 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 address the needs of diverse customers, bolstering orders for fire protection systems.

Efforts in our medical services business continued to focus 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 our insurance services businesses, sales of distinctive non-life insurance policies expanded favorably. These include MEDCOM, an unrestricted cancer treatment policy that covers all treatment costs, and fire insurance policies that extend discounts to subscribers who have installed on-line security systems, recognizing this as a risk-mitigating factor.

Our geographic information services business centers on the collection of geographic data from commercial satellite images, aerial photography, and vehicle/ground and other types of surveying, which we integrate, process and analyze to provide geospatial information services to public sector entities—including national and local governments—and customers in the private sector. We also offer these services to government agencies in emerging economies. In the period under review, Group company Pasco Corporation continued working to fortify its data collection capabilities to further enhance the quality of the services we provide to address increasingly diverse and sophisticated domestic and overseas needs associated with, among others, the construction and maintenance of critical infrastructure and the prevention and mitigation of risks and disasters.

BPO and ICT services business encompasses the provision of data center, business continuity planning (BCP) support, information security, cloud-based services and BPO services. In October 2017, we acquired all shares in TMJ, which boasts extensive experience and know-how in the provision of high-grade contact center and other BPO services to a wide range of major companies. The addition of this company, now a consolidated subsidiary, will assist our efforts to fortify our capabilities in this area by, among others, enabling us to expand our safe and secure business support services.

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

Charting Sustainable Growth

Operating in a constantly changing environment, we remain committed to continuously reevaluating what SECOM must do to ensure our actions are just and beneficial, as well as to communicating our intentions to our stakeholders, as we work toward the achievement of our Vision for 2030. To this end, in May 2018 we formulated the SECOM Group Road Map 2022. Having identified technological advances and a declining labor force as priority issues, we will continue striving to address social imperatives and increase corporate value by anticipating the evolving needs of society. We believe that doing so will lead to major business opportunities, allowing us to contribute to improved social productivity.

Technological advances have brought an increase in the variety of connected devices. This is driving a variety of profound changes, including the realization of connected vehicles, moves toward unattended retail facilities and the expanded use of robots. In such an environment, safety and peace of mind are critical issues. We expect this to push up demand related to the need for security in a connected society. Owing to a declining labor force, we are seeing rising demand underpinned by the need to be able to rely on others. For companies, the need to reduce labor requirements is prompting an increase in the outsourcing of noncore functions, while for families the growing prevalence of two-income households is propelling demand related to care for children and seniors.

A Message to Shareholders

Over the next two years, which we have positioned as an investment phase, we will endeavor to reinforce our management foundation by making substantial systems investments aimed at, among others, upgrading core systems, and by promoting investments in human resources designed to strengthen our human capital. Through such forward-looking, focused investments, we will endeavor to leverage the latest technologies to derive maximum benefits, as well as to attract people who are adaptable to change, creative and keen to contribute to society. Human resources who share SECOM's Philosophy and thrive in a free and open corporate culture are priceless intangible assets and a vital source of our competitiveness. We will continue to capitalize on advanced technologies to maximize the capabilities of our employees, positioning us to drive bold service innovation and grow together with society. We will also promote forward-looking, focused investments in people and systems, thereby increasing our ability to make effective use of these intangible assets and positioning us to drive bold service innovation and cement our competitive edge.

In addition to focused investments, we will advance a personnel and organizational strategy, a business strategy that encompasses operations both in Japan and overseas, and a capital strategy. On the personnel and organizational front, we will step up efforts to hire and train human resources with outstanding expertise and experience, as well as to allocate human resources to growth businesses, to ensure a robust organization.

Our business strategy centers on hastening the implementation of measures in line with four concepts crucial to creating the *ANSHIN* Platform: "ALL SECOM," "Collaboration," "Connection" and "Enhanced value." In Japan, we will offer high-grade services that respond to growing demand related to security in a connected society and the need to rely on others. Overseas, we will expand operations in countries and territories where we have established a presence, as well as enter promising new markets. Our capital strategy includes allocating ¥200 billion for mergers and acquisitions (M&A) over the next five years, which we will use to invest in growth businesses. We will also seek to maintain return on equity (ROE) and to provide a stable and consistent return to shareholders, in line with our basic policy of ensuring a consistent and stable distribution of profits. In addition, we will work to maximize shareholder value and take steps to fortify and expand constructive and healthy dialogue with shareholders.

Through our efforts to realize the *ANSHIN* Platform, we remain committed to further strengthening our bond with society and to addressing diverse social imperatives. By thus reinforcing our relationship with society, we will continue seeking to move forward with society and achieve sustainable growth. We look forward to the ongoing support of shareholders in all of our endeavors.

June 26, 2018



Makoto Iida
Founder



Yasuo Nakayama
President and Representative Director

Corporate Philosophy

Mission

Our role and raison d'être

We see our mission as being to help achieve **a society free from concerns**. Accordingly, throughout our history we have sought to create services and systems that benefit society as a whole.

Vision

Our ideal view of SECOM in the future

In 1989, we declared our commitment to **the Social System Industry**. We continue to promote bold initiatives with the aim of realizing this vision.

Values

Our shared beliefs and guiding principles

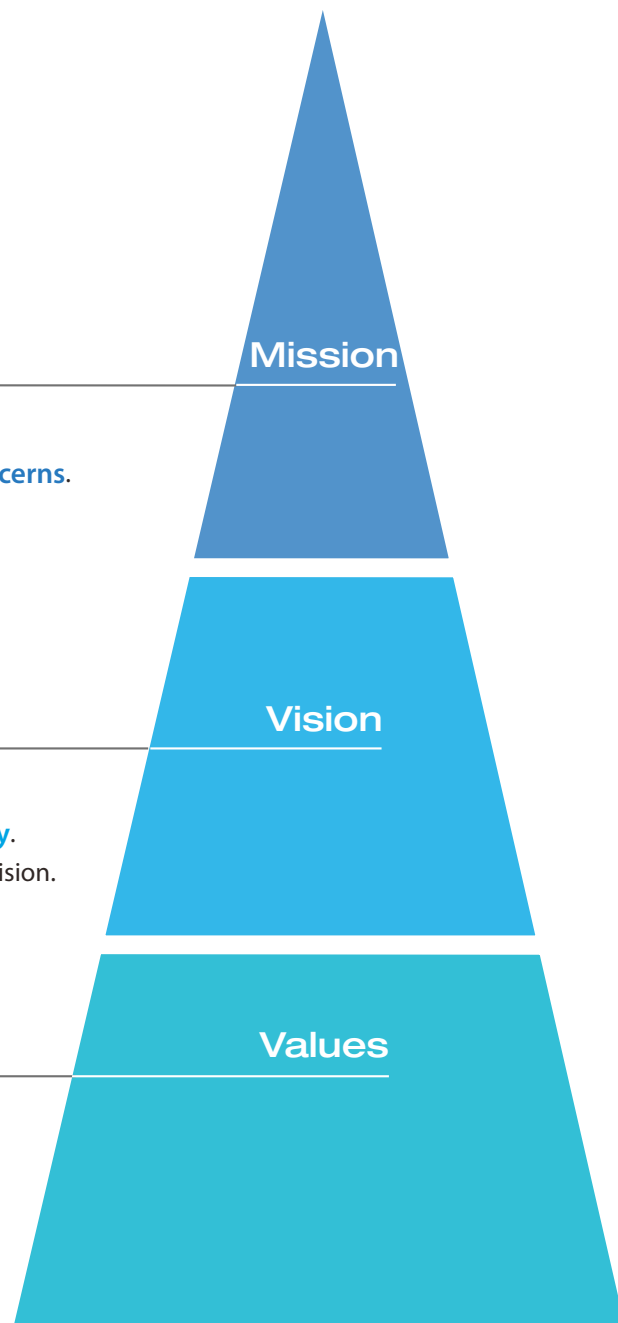
Achieving our mission depends on our values being understood and shared by all employees. Since our establishment, we have adhered to SECOM's Philosophy, which emphasizes contributing to society through our business activities. Shared ideas and principles of conduct, including this philosophy, guide everything to do and have nurtured **a uniquely SECOM identity** that remains crucial to our competitive edge.

The Social System Industry

Our Social System Industry vision describes a framework of innovative and integrated services and systems that deliver safety, peace of mind, comfort and convenience.

SECOM's Philosophy

SECOM's Philosophy has been passed down through generations of employees since our establishment and continues to be the driving force behind all we do. 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 provide innovative 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. The efforts of our employees to act in compliance with this philosophy have nurtured a uniquely SECOM identity, while our ability to provide high-grade, distinctive services has given us a sharp competitive edge and remains the major driving force behind our growth and evolution.



Milestones

Established as Japan’s first security services company, SECOM has pioneered the creation of services that deliver safety and peace of mind. Going forward, we will continue to develop and provide innovative services and systems that accelerate the realization of our Social System Industry vision, an original concept unparalleled anywhere else in the world.

Corporate Message: “Providing Reliable Peace of Mind”

Our commitment to customers, encapsulated in our corporate message, continues to underpin our efforts as a trailblazer in Japan’s security services industry. Our abiding goal is to develop and provide services and systems that deliver safety and peace of mind and make life more comfortable and convenient. Sustained by the passion that has always driven us, we will continue to leverage our proprietary network and the extensive know-how we have cultivated as security professionals, taking a uniquely SECOM approach to achieving new milestones.

- Security services

● Overseas security services

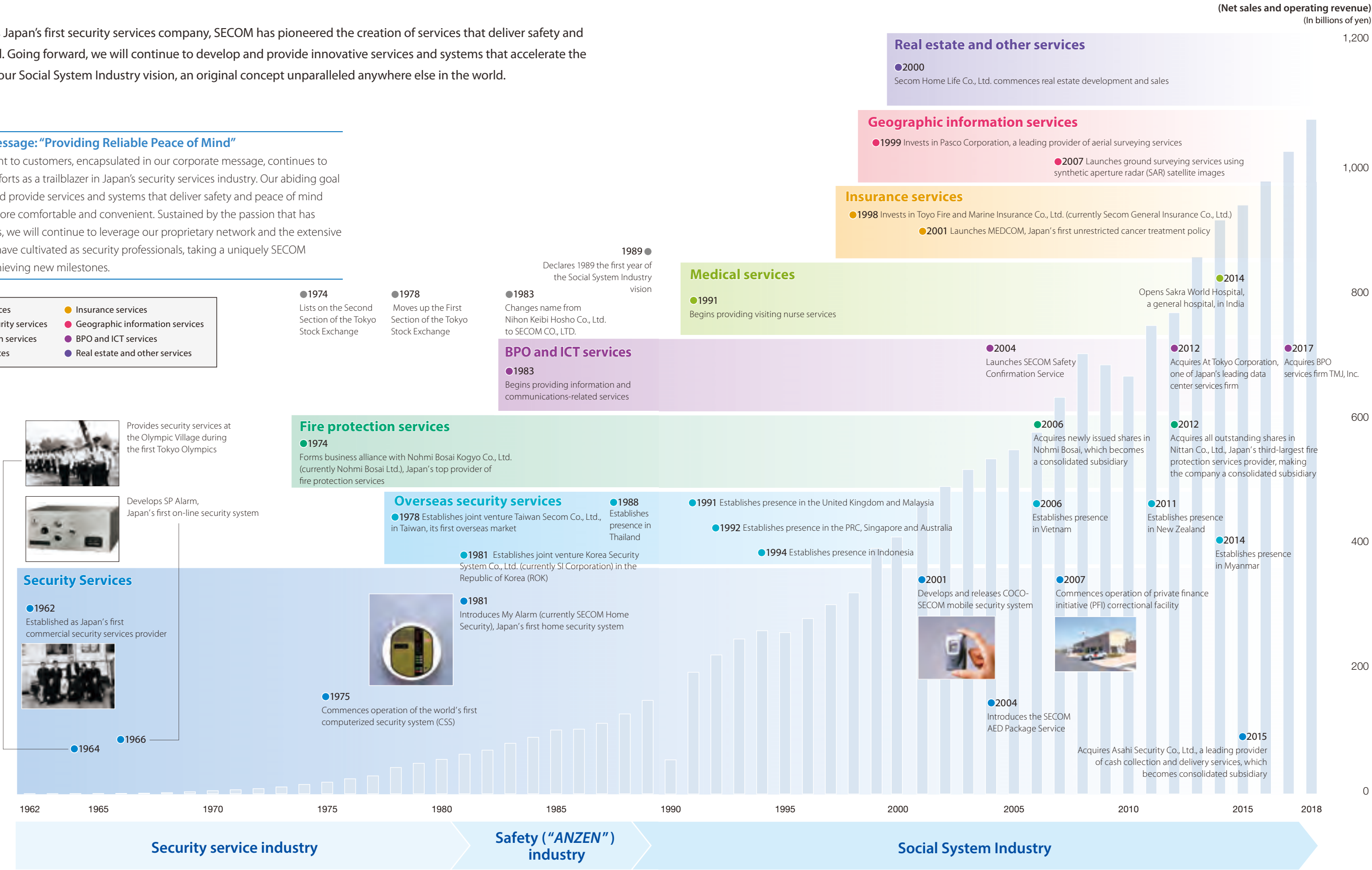
● Fire protection services

● Medical services
- Insurance services

● Geographic information services

● BPO and ICT services

● Real estate and other services



Note: As indicated in the legend, this graph shows net sales and operating revenue for each fiscal year at the time of announcement. Figures have not been readjusted. However from the fiscal year ended November 30, 1978 through the fiscal year ended March 31, 2004, the Company reported “revenue and other income.” Owing to a change in the Company’s settlement date, the fiscal year ended March 31, 1990, was a transitional four-month period. Data for periods up to and including the fiscal year ended November 30, 1977, is nonconsolidated revenue for SECOM CO., LTD., calculated using Japanese GAAP.

SECOM At a Glance

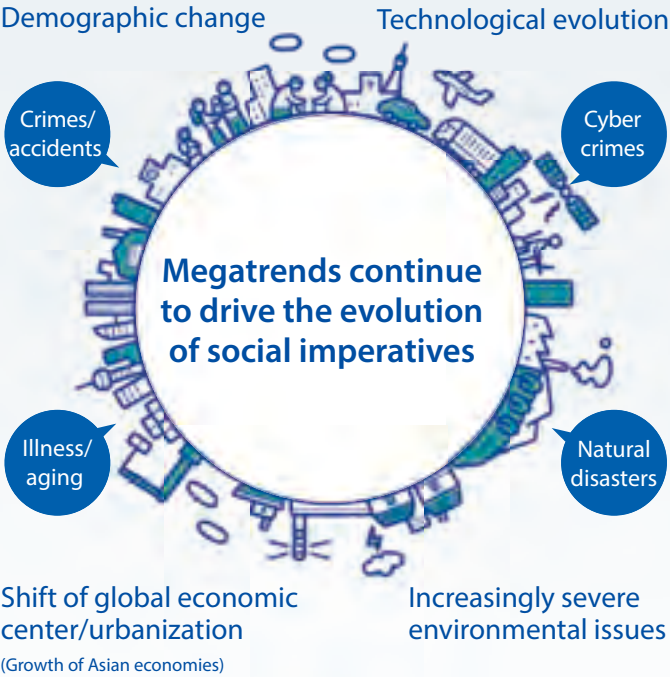
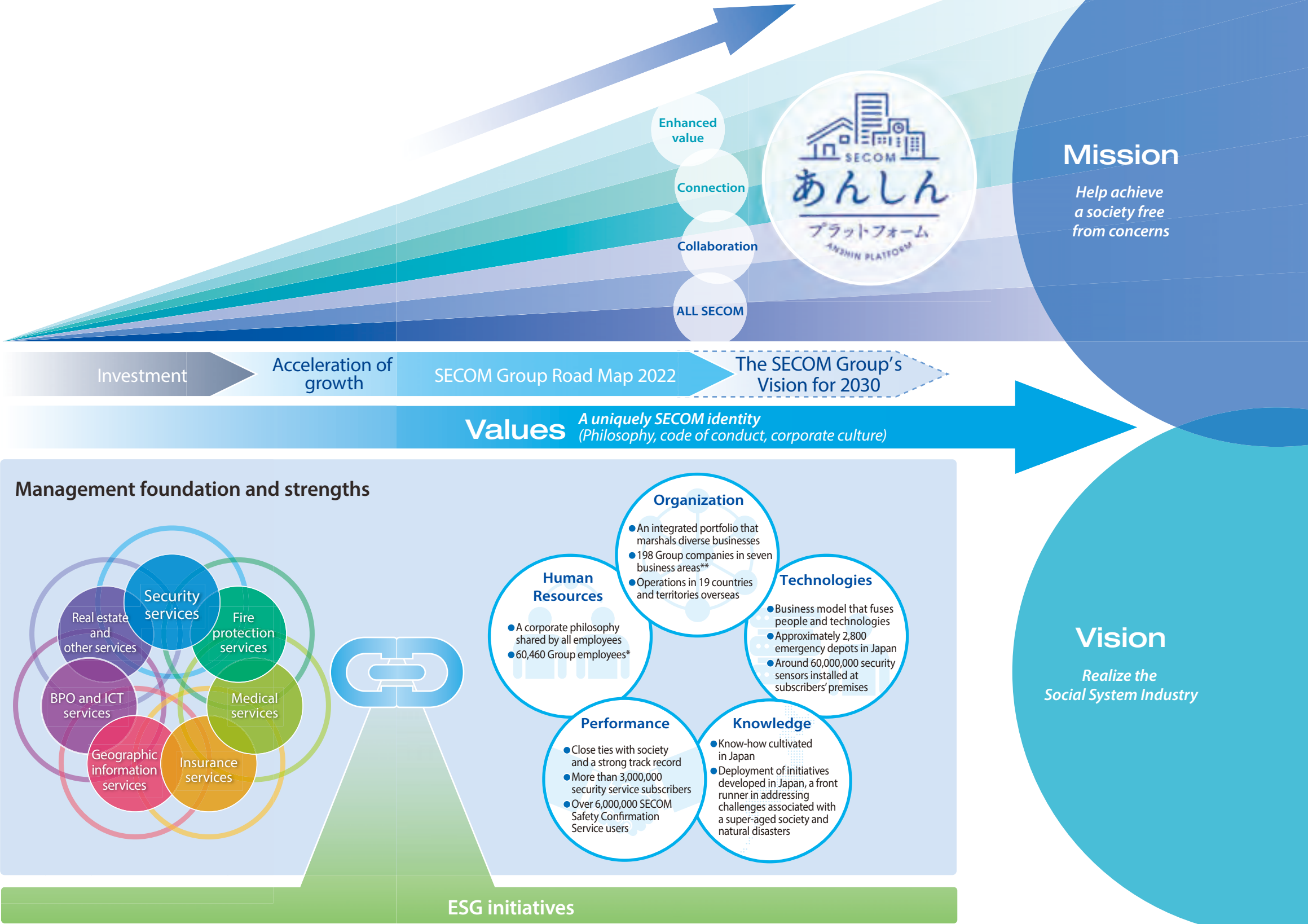
Segment	Percentage of consolidated net sales and operating revenue*	Principal operations	Competitive advantages	Principal Group companies
<div><div>Security Services</div></div>	<div><div>51.9%</div></div>	<div><ul style="list-style-type: none">On-line security systemsStatic guard servicesArmored car servicesMerchandise and other</div> <div>Principal initiatives → Pages 24–27</div>	<div><ul style="list-style-type: none">Integrated approach to providing on-line security systemsRobust technological foundation made possible by proprietary research and development configurationNationwide network of 2,800 emergency depots, facilitating swift response in the event of an emergency and appropriate operational controlRental format that minimizes initial costs for subscribers and enables SECOM to take responsibility for equipment maintenance and upkeepSolid income foundation (attributable to stable recurring revenue) and robust customer baseOverseas operations centered on the provision of on-line security systems with emergency response services</div>	<div>SECOM CO., LTD.**, Secom Joshinetsu Co., Ltd.***, Asahi Security Co., Ltd., Secom plc</div>
<div><div>Fire Protection Services</div></div>	<div><div>12.6%</div></div>	<div><ul style="list-style-type: none">Fire alarm systemsFire extinguishing systemsMaintenance services</div> <div>Principal initiatives → Page 28</div>	<div><ul style="list-style-type: none">Two Group companies with the largest and third-largest shares of the Japanese fire protection marketComprehensive lineup of services that respond to a broad range of customer needsIntegrated service configuration encompassing R&D and planning, equipment design and production, installation and maintenanceStable demand for equipment that complies with Japan's Fire Service ActAbility to extend renovation proposals that draw on a wealth of experienceExpertise in fire extinguishing systems for tunnels and other large-scale structures</div>	<div>Nohmi Bosai Ltd.**, Nittan Co., Ltd.</div>
<div><div>Medical Services</div></div>	<div><div>16.2%</div></div>	<div><ul style="list-style-type: none">Home medical servicesOperation of residences for seniorsElectronic medical report and remote image diagnosis support systemsSales of medical equipment and pharmaceuticalsSupport for affiliated medical institutions</div> <div>Principal initiatives → Page 29</div>	<div><ul style="list-style-type: none">Conviction that protecting health and life is the ultimate expression of the SECOM commitment to delivering safety and peace of mindExperience and extensive know-how in the provision of diverse medical servicesStrong collaboration with local communities aimed at realizing effective comprehensive community healthcare systems</div>	<div>Secom Medical System Co., Ltd.</div>
<div><div>Insurance Services</div></div>	<div><div>4.2%</div></div>	<div><ul style="list-style-type: none">Fire insurance policiesAutomobile insurance policiesCancer treatment policies</div> <div>Principal initiatives → Page 30</div>	<div><ul style="list-style-type: none">Belief in the need for both security services, which are preventative by nature, and non-life insurance, which looks after people in the event of misfortuneDevelopment and provision of unique policies that take into account the risk mitigating factors of on-line security systemsDevelopment and provision of an automotive insurance policy that includes access to emergency response servicesDevelopment and provision of a cancer treatment policy that features full coverage for all treatment costs</div>	<div>Secom General Insurance Co., Ltd.</div>
<div><div>Geographic Information Services</div></div>	<div><div>4.7%</div></div>	<div><ul style="list-style-type: none">Public sector servicesPrivate sector servicesOverseas operations</div> <div>Principal initiatives → Page 31</div>	<div><ul style="list-style-type: none">Service configuration overseen by the leading company in Japan's aerial surveying and geographic information system (GIS) marketsAbility to provide geographic information based on geographic data collected from satellite images, aerial photography, and vehicle/ground and shipborne surveyingTechnological capabilities and expertise in the integration, processing and analysis of geographic and related data to provide geospatial informationActive efforts to cultivate new geospatial information services</div>	<div>Pasco Corporation**</div>
<div><div>BPO and ICT Services</div></div>	<div><div>6.4%</div></div>	<div><ul style="list-style-type: none">Data center servicesLarge-scale disaster preparedness servicesInformation security servicesCloud-based servicesBPO services</div> <div>Principal initiatives → Pages 32–33</div>	<div><ul style="list-style-type: none">Operation of data centers that are among Japan's largest: Business encompassing robust data center facility construction, stable electric power supplies, dependable networks and top-grade SECOM securityOne of Japan's leading disaster management support servicesSeamless information security services encompassing the formulation of strategies, monitoring, implementation of countermeasures and restorationInformation and communications technology (ICT) services that reflect technological prowess, operational capabilities and know-how that facilitates the construction and operation of network systems that leverage extensive experience in the provision of security servicesProvision of high-grade contact center and other BPO services that deliver security and peace of mind</div>	<div>Secom Trust Systems Co., Ltd., At Tokyo Corporation, TMJ, Inc.</div>
<div><div>Real Estate and Other Services</div></div>	<div><div>4.0%</div></div>	<div><ul style="list-style-type: none">Real estate development and salesReal estate leasingConstruction and installation servicesHome services</div> <div>Principal initiatives → Page 33</div>	<div><ul style="list-style-type: none">Development and sale of condominiums that incorporate sophisticated SECOM security as standard featuresProvision of diverse lifestyle support services that deliver safety and security and make life more comfortable and convenient</div>	<div>Secom Home Life Co., Ltd.</div>

* Pie charts show percentage of consolidated net sales and operating revenue (excluding intersegment transactions) for the year ended March 31, 2018

** Listed on the First Section of the Tokyo Stock Exchange
*** Listed on the Second Section of the Tokyo Stock Exchange

The Value Creation Process

We remain committed to providing enduring peace of mind by keeping abreast or where possible ahead of the times. By continuing to reinforce our relationship with society and address increasingly diverse social imperatives, we work to maximize our corporate value and grow together with society.



* Employees of SECOM Group companies (excluding variable interest entities), as of March 31, 2018
** Consolidated subsidiaries and equity-method companies, as of March 31, 2018

The SECOM Group's Vision for 2030



To accelerate the realization of our Social System Industry vision, in May 2017 we announced the SECOM Group's Vision for 2030, which positions 2030 as an important milestone and further defines our direction going forward. One year later, in May 2018, we formulated the SECOM Group Road Map 2022 to clarify the challenges we must address over the next five years to achieve this vision.

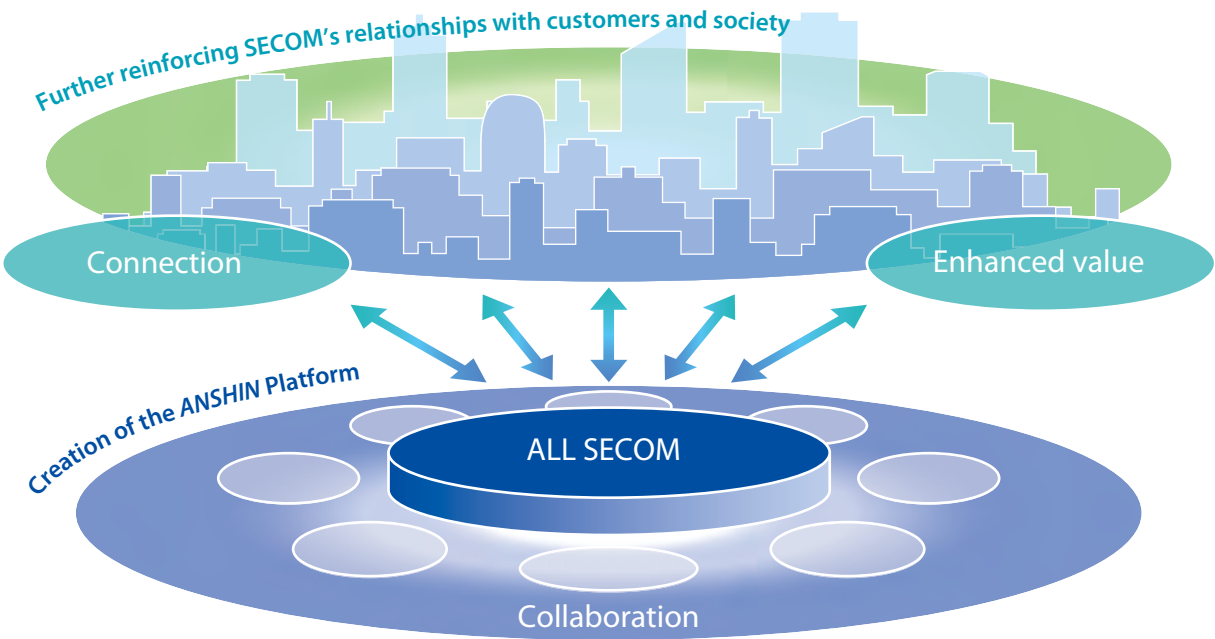
Conceptual framework of the ANSHIN Platform

As part of our vision, we are working to create the ANSHIN Platform, a service infrastructure through which we are striving to provide tailored services that deliver enduring peace of mind. Created in collaboration with partners in industry, government and academia who share our mission to help achieve a society free from concerns and have diverse technologies and expertise, this infrastructure is designed to provide peace of mind to people in their everyday lives, as well as to society as a whole. The ANSHIN Platform centers on three features, summarized as "peace of mind, whenever and wherever necessary," "peace of mind, for anyone and everyone" and "peace of mind, seamlessly."

The sort of ordinary, uneventful life we tend to think of as natural depends on safety and peace of mind. In other words, safety and peace of mind are essential to everyday life for all people. Crimes, accidents, disasters and illnesses happen when least expected. Making sure that you will be okay even in the event of misfortune is key to peace of mind. This is where the SECOM ANSHIN Flow comes in.

When an unanticipated crime or disaster occurs, the daily rhythm is interrupted. This is true for both companies and individuals. For companies, productivity can fall sharply. The greater the damage is, the longer it takes to restore operations. Society faces significant risks associated with crimes,

accidents, cyber attacks, natural disasters, illnesses and aging. In addition to recognizing the importance of routine advance preparation, we provide comprehensive services designed to address potential risks by helping companies accurately grasp conditions, minimize impact and achieve restoration. These four steps comprise the SECOM ANSHIN Flow, enabling us to provide enduring peace of mind.



Strategies for creating the ANSHIN Platform

We are currently promoting initiatives in line with four core strategies with the goal of creating the ANSHIN Platform. The "ALL SECOM" strategy focuses on rallying SECOM Group strengths to maximize synergies, while our "collaboration" strategy, through which we seek to integrate business ideas

and technologies of various partners who share our mission. Our "connection" strategy emphasizes strengthening our relationship with our customers and society by leveraging Big Data analysis, which makes use of up-to-date information, to respond to latent needs, while our "enhanced value"

strategy focuses on addressing everyday concerns by adding greater value to services that make life more comfortable and convenient.

Targeting sustainable growth: Devising the SECOM Group Road Map 2022

We have identified technological advances and a declining labor force as priority issues in achieving the SECOM Group's Vision for 2030. For businesses and society, these issues can become threats if not addressed appropriately. We believe that anticipating evolving needs arising from these two issues will lead to major business opportunities, allowing us to contribute to improved social productivity. In this environment, we will seek to secure the latest technologies, as well as to ensure that we remain the first choice of talented human resources through forward-looking, focused investments in people and systems with the goal of creating a strong foundation, believing that doing so is the most effective way to accelerate growth as we work toward achievement of the SECOM Group's Vision for 2030. Accordingly, in May 2018 we used backcasting* to devise the SECOM Group Road Map 2022 with the intention of clarifying challenges we must address over the next five years to achieve our vision. We have thus positioned the road map as a cornerstone of the SECOM Group's Vision for 2030.

* Backcasting is a planning method that starts with envisioning a desirable future and working backward from there to identify steps necessary to attain that future.

■ Addressing market needs arising from technological advances

Rapid technological advances in recent years has brought an increase in the variety of connected devices. This is driving a variety of profound changes, including the realization of connected vehicles, the expanded use of drones and robots, moves toward unattended retail facilities and a cashless society, and the increasing popularity of smart homes, that is, homes equipped with wireless smart locks and smart speakers, among others. In an environment characterized by technological advances such as these, safety and peace of mind are critical issue and are expected to push up demand related to the need for security in a connected society, which involves the fusion of physical and cyber security.

■ Responding to market needs arising from a declining labor force

The other priority issue for many companies is a declining labor force, a consequence of efforts to bolster competitiveness by reducing labor requirements and promoting unattended facilities. With companies increasing the outsourcing of noncore functions, we are seeing rising demand underpinned by companies' need to be able to rely on others. In such a scenario, the impact of unexpected incident at a firm to which noncore functions have

been commissioned can extend as far as core operations. Needs for commissioned firms that deliver safety and peace of mind are thus expanding.

A declining labor force is also leading to an increase in needs related to care for children and seniors attributable to factors such as falling birthrates, the graying of Japanese society and the increasing prevalence of families in which both parents work outside the home.

We are capitalizing on our accumulated know-how in the provision of high-grade around-the-clock security systems and our highly secure data center, cyber security and cloud-based services. In October 2017, we welcomed TMJ to the SECOM Group, reinforcing our infrastructure for providing safe and secure BPO services. Recognizing growing demand related to the need to be able to rely on others as an important business opportunity, we will continue working to extend distinctive services that contribute to a significant improvement of social productivity.

■ SECOM-Transformation

Embracing the challenge of self-transformation—which we have dubbed "SECOM-Transformation"—we will embark on initiatives designed to leverage the latest technologies to derive maximum benefits with the goal of building

The SECOM Group’s Vision for 2030

next-generation core systems and improving functions with a view to addressing rising needs. In addition, we will make investments to reduce labor requirements and enhance employee capabilities with the purpose of improving both service quality and productivity. We will also invest in artificial intelligence (AI), the Internet of Things (IoT) and robotic process automation (RPA), among others, to bolster operational quality and efficiency, as well as to drive R&D targeting innovative services and products that respond to needs

engendered by technological advances and a declining labor force.

Initiatives aimed at ensuring that we remain the first choice of talented human resources will center on actively seeking to attract people and to create positive working environments. To enhance motivation, we are planning investments designed to help employees fulfill their potential, including in the enhancement of our diverse training programs. We will also invest actively to ensure the competitiveness of our personnel, including seeking to attract high-mobility IT specialists and

individuals with global business skills; reallocating employees to high-growth businesses in which steps have been taken to improve efficiency and productivity; promoting diversity; rehiring experienced retirees; and introducing alternative working styles, including telecommuting arrangements and shorter working hours. Such investments will underpin critical capabilities that cannot be replaced with technology, notably our ability to respond to change, create value and secure human resources committed to social contribution.

Strategies Under the SECOM Group Road Map 2022

Human resources and organizational strategies

Under the SECOM Group Road Map 2022, we will advance a variety of initiatives to strengthen our human resources and organization by increasing our employees’ ability to deal with change and create value and by fortifying our organization’s resilience and capacity for innovation. We will also promote the focused investment of human resources in growth areas by increasing operational efficiency and productivity. In addition, we will strengthen hiring and training, reinforcing efforts to secure and train IT specialists and individuals with global business skills. We will also promote shared services to improve profit margins and make more effective use of human resources and build an impeccable organization by further emphasizing SECOM’s Philosophy to strengthen our risk management framework and corporate governance.

Business strategies

With the aim of creating the ANSHIN Platform, we will expedite the implementation of measures in line with the four strategic concepts of our vision for 2030 (“ALL SECOM,” “Collaboration,” “Connection” and “Enhanced value”). In Japan, we will extend high-grade services that respond to growing demand related to the need for security in a connected society. Of note, we will take proactive steps to advance three-dimensional security, enter the area of cyber security, expand into areas related to connected and other self-driving vehicles, and enhance the value of our home security services, including linkage with AI and IoT services.

In response to a declining labor force, we will address demand driven by the need to be able to rely on others by making use of drones and robots, strengthening our facility management, building management and supply chain management solutions capabilities, creating services for unattended retail facilities and a cashless society, developing health care services tailored to various lifestyles and providing new services for the personal monitoring market.

Overseas, we will focus on using investments to expand markets. We will also work to secure and train individuals with global business skills, actively hiring and expanding education and training for local staff. On the service front, in countries and territories where we have established a presence we will seek to capture demand arising from the outsourcing needs of financial institutions, expand systems integration services targeting the plant and building construction and infrastructure investment sectors, and expand collaboration with local partners to chart a full-scale entry into the markets for residential services. In countries and territories in which we do not yet have a presence, we will seek to establish operations in promising markets.

Capital strategy

Our strategy for making effective use of capital assets includes allocating ¥200 billion for M&A over the next five years, which we will use to invest in key growth business, namely, physical security, cyber security, BPO and ICT services and health care, as well as in venture companies with advanced technological capabilities. We

will also seek to ensure a stable and consistent return to shareholders and to maintain ROE above a certain level. In addition, we will promote positive engagement with investors by sharing our policies regarding sustainable growth and the enhancement of corporate value over the medium to long term and by reinforcing and expanding opportunities for constructive, quality dialogue.

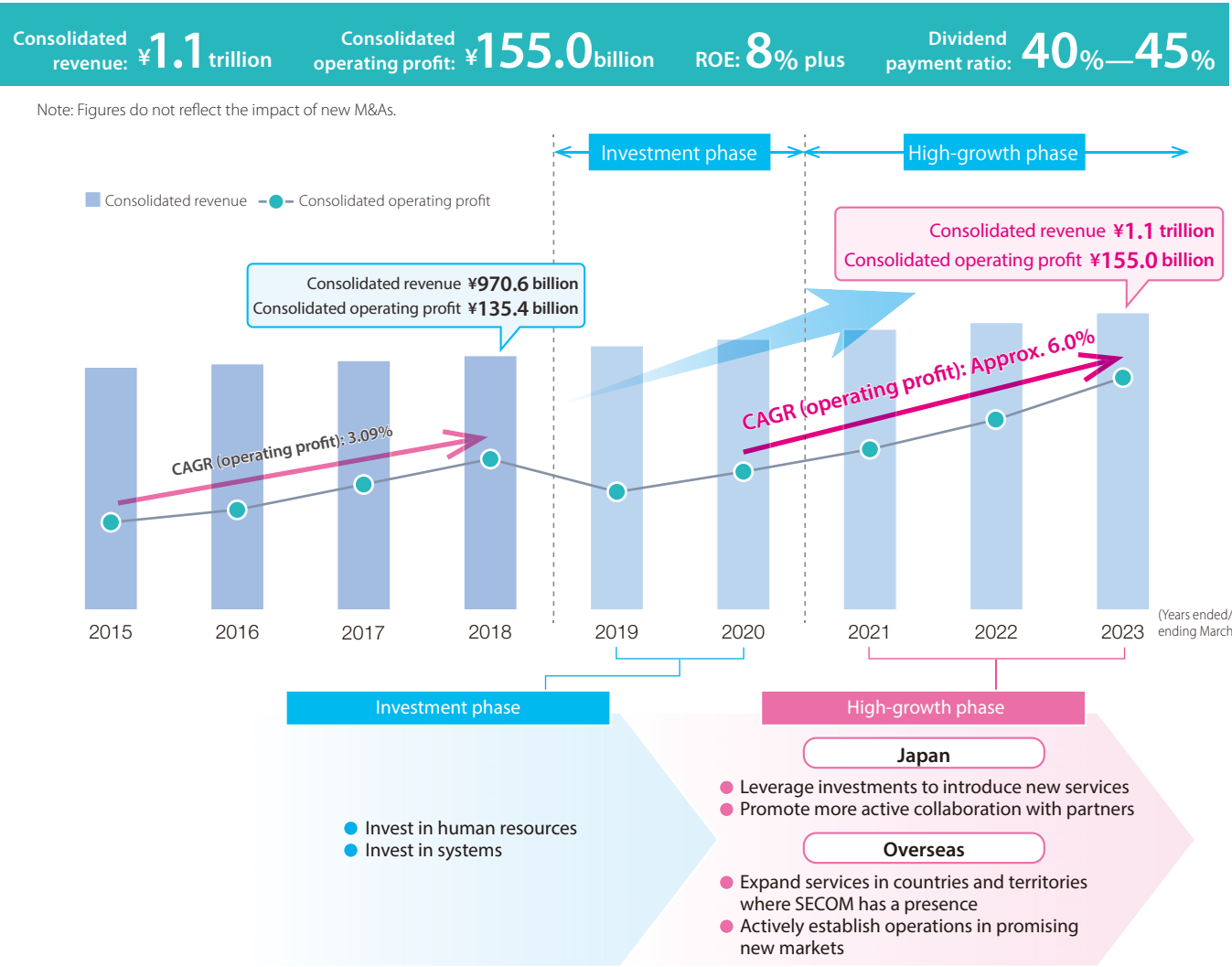
Targeting continuous, sustainable growth

We place a high emphasis on the sustainability of society and businesses. We see the expenditures targeting sustainable growth not as a cost but rather as investments that enable us to integrate changes in our operating environment into our operations over the long term. We are a company that has tirelessly pursued innovation in its services since its establishment. This comes from our

fundamental commitment to creating services that anticipate what society will need, rather than simply offering services that will sell in any market. This is why our ultimate priority will always be people and technology. We will continue to increase our ability to make effective use of these intangible assets, positioning us to drive bold service innovation and cement our competitive edge.

SECOM Group Road Map 2022

Forecasts for the fiscal year ending March 31, 2023 (Japanese GAAP) (Provided for reference only)



Special Feature: SECOM's Growth Strategies

We are currently promoting initiatives in line with four core strategies—“ALL SECOM,” “Collaboration,” “Connection” and “Enhanced value”—with the aim of creating the *ANSHIN* Platform. This special feature looks at the progress of these initiatives.

“ALL SECOM” strategic initiatives

Guided by the “ALL SECOM” strategy, which focuses on reinforcing collaboration among various Group businesses, we are further maximizing synergies to advance the development of innovative services and systems. Examples of such distinctive offerings include SECOM 3D Security Planning, development of which was facilitated by the integration of SECOM Intelligent Systems Laboratory technologies and geospatial information service technologies belonging to subsidiary Pasco; and non-life insurance policies *SECOM Anshin My Home* and *Security Discount Fire Policy*—for residential and commercial customers, respectively—which offer discounts to subscribers who have installed on-line security systems, recognizing this as mitigating the risk of theft or fire.

● Making use of AI

With SECOM on-line security systems, surveillance is conducted by equipment. Should an irregularity be detected, appropriate responses are made by skilled staff. In other words, our ability to combine the advantages of mechanical precision and human perception enables us to provide efficient services and systems and is a key competitive strength. With the goal of further enhancing the quality and efficiency of our services, we are making use of advanced AI and IoT technologies, drones and robots to optimize the use of equipment and human capabilities.

We are also taking steps to reduce the labor requirements and bolster the quality of services. In June 2017, we inaugurated a dedicated team that is charged with promoting the use of cutting-edge AI and IoT technologies and a team that provides technological support. In the area of BPO and ICT services, we offer the Real-Time Disaster Information Service, whereby subsidiary Secom Trust Systems provides highly accurate information in the event of a disaster. We

have applied AI to the process of extracting information useful to subscribers from the vast amount of disaster information available from social network services. This has reduced the sifting of information by humans to approximately one-tenth the previous level, which has substantially improved efficiency. In the geographic information services business, subsidiary Pasco has developed an AI-based automatic identification technology for satellite images and has begun providing urban change analysis map and parked vehicle estimation map services.

In the provision of security for international marathons and other major events, we use an image recognition system that employs AI technologies to analyze images from surveillance cameras to effectively assess crowding and detect unauthorized individuals who try to enter the marathon course, thereby ensuring our ability to prevent disruptions and promptly detect irregularities.

Going forward, we will continue to apply AI and IoT technologies to reduce the labor requirements and improve operations under the ALL SECOM banner. At the same time, we will work to accumulate know-how and insights in both areas and embrace the challenge of transforming SECOM in preparation for the changes ahead.



Information for the Real-Time Disaster Information Service is collected and analyzed at the SECOM *Anshin* Information Center

“Collaboration” initiatives

To create the *ANSHIN* Platform, we are actively advancing a strategy of collaboration with various partners that share our mission to expedite the creation of services and systems that address the increasingly diverse needs of customers for peace of mind.

● Reducing labor requirements, advancing automation and enhancing efficiency

Amidst expanding needs for the management of large-scale facilities, we recently partnered with a leading name in the provision of related services and have embarked on the creation of a new business model. We expect that building on our respective service bases, technologies and know-how will help reduce the labor requirements and advance the automation of large-scale facility management and administration. In Japan, we will work together to cultivate new markets, while overseas we will collaborate to introduce joint services in the fast-growing Chinese market.

On another front, we combined proprietary image processing technologies that help provide safety and peace of mind with advanced AI technologies from Japan's leading information and communications technology (ICT) firm to analyze data from surveillance cameras and sensors installed in stores to facilitate the provision of information services that support facility management, which we began offering on an experimental basis at one of Tokyo's international airports. Looking ahead, we will continue to promote the development of new services that support facility management and the movement of guests to enhance safety, peace of mind, convenience and comfort.

● Market development

In the PRC, we have formed a strategic market development alliance with a leading local electric appliance manufacturer with the



Signing ceremony for business alliance at the headquarters of a leading electric appliance manufacturer in the PRC

purpose of cultivating demand for home security services. We will continue to work with this company to leverage our accumulated expertise in the provision of security services to expand our selection of high-grade security services, as well as to promote joint product planning and development and the formulation of sales plans. With this alliance, we have gained a potent partner that will assist our market development efforts in the PRC to provide safety and peace of mind, as well as to make life more comfortable and convenient.

● Leveraging technologies

We are also advancing collaborative efforts to make use of advanced robotics technologies. In March 2018, we completed development of the SECOM Robot X3 autonomous multifunctional robot, which integrates our distinctive robotics technologies with autonomous motion technology from a leading domestic research facility. This robot not only patrols



SECOM Robot X3

facilities, but also features a face recognition function and AI-based image recognition technologies that enable it to perform duties that require communication, including providing directions and engaging in conversation.

With the aim of realizing ever-more sophisticated security services, we partnered with a leading telecommunications carrier in Japan to conduct demonstration tests for a security system that makes use of Japan's next-generation high-speed 5G telecommunications network. In the years ahead, both companies will further step up collaboration to realize increasingly innovative services that enhance our ability to help make society safer and more secure.

We are also working with a major mobile communications carrier to utilize low-power wide-area (LPWA) networks* to extend the SECOM AED On-line Management Service, a service that monitors the operational status of automated external defibrillators (AEDs). Use of LPWA networks facilitates the on-line management of AEDs in locations that do not offer easy access to an electric power source, thereby facilitating the use of AEDs whenever and wherever needed, which is seen as key to expanding the availability of these units.

* An LPWA network is a type of low-cost low-power wireless telecommunications wide-area network.



Free-standing unit used in verification testing for LPWA-linked AEDs

On another front, we continued to offer services that use the SECOM Drone, an autonomous small flying surveillance robot. Our know-how in this area is playing a role in the Project for Realization of Energy-Saving Society Using Robots and Drones, an initiative currently being promoted by Japan's New Energy and Industrial Technology Development Organization (NEDO). The area of the project we are involved is development of an unmanned traffic management function for the security services sector—facilitating the simultaneous remote control of multiple drones over wide areas—that is compliant with the 4G LTE network. Here, too, we are working with a leading telecommunications carrier and other firms. Potential applications include locating and calling attention to suspicious objects in large facilities, detecting fires of suspicious origin and nighttime security.

● Ensuring a safe IoT platform

We are currently working with a leading semiconductor manufacturer to ensure the reliability of information exchanged among

devices on the IoT. Our partner is contributing technologies for incorporating confidential information into the semiconductors mounted in devices, while we are providing digital certificate and other information security technologies, as well as know-how in the area of physical security. In response to rising demand for improved security of devices on the IoT, we will continue working to offer services that enhance comfort and convenience for users by ensuring a safe IoT platform.

● Support for the acquisition of security certificates for supply chains

In recent years, the need for security measures to prevent the theft of cargo has become a key issue in the logistics and warehousing sectors. As a result of research conducted in partnership with the Japanese arm of the world's leading inspection, verification, testing and certification organization, in February 2018 we cooperated with the firm to establish the SGS Facility Security Evaluation Criteria as a new standard for supply chain security. By acquiring this certification, logistics and

warehousing firms can verify the safety of assessed facilities. In June 2018, we launched SECOM Supply Chain Security Select, a service designed to support the efforts of companies to secure certification. As a result, we now provide comprehensive support for everything from assistance in strengthening physical security capabilities to obtaining certificates that represent an objective assessment of supply chain security.



Sticker indicating SGS Facility Security Evaluation registration (left)

“Connection” initiatives

Efforts to realize our Social System Industry vision have enabled us to build a relationship of trust with customers. Our on-line security systems continue to expand and gain popularity among customers as a familiar, ever-present component of the social infrastructure. Linking security products, including surveillance camera systems, access control systems, automatic fire extinguishing systems and external monitoring systems, to our on-line security systems further enhances our ability to provide customers with safety and peace of mind.

Technological advances, including the growing importance of the IoT, are driving the evolution of an increasingly connected society.

In line with our “connection” strategy, we are promoting a strategy of connection, further strengthening our relationship with customers and society. Among new products and services developed under the umbrella of connection is SECOM Home Security NEO, a flexible home security system that can be linked with devices on the IoT to facilitate a variety of services that deliver safety and peace of mind, as well as make life more comfortable and convenient. The first of these is SECOM My Doctor Watch. Centered on a wearable wristband-style unit, SECOM My Doctor Watch combines health management functions, including pedometer, sleep tracking and calorie expenditure counter



SECOM My Doctor Watch

features, with an emergency alert service that detects falls and summons help. The second is SECOM Anshin Home Delivery Box, a secure delivery box that sends a notification to



SECOM Home Security NEO

the recipient's phone when a package has been delivered and monitors to prevent unauthorized opening and emergency response services in the event of a break-in, making it

possible for packages to be delivered securely regardless of where the recipient may be. With the increasing popularity of online shopping, the rising need for the redelivery of packages



SECOM Anshin Home Delivery Box

to recipients unable to take delivery the first time has become an issue in Japan. Going forward, we will continue to expand our portfolio of connected services that deliver safety and peace of mind, as well as make life more comfortable and convenient.

“Enhanced value” initiatives

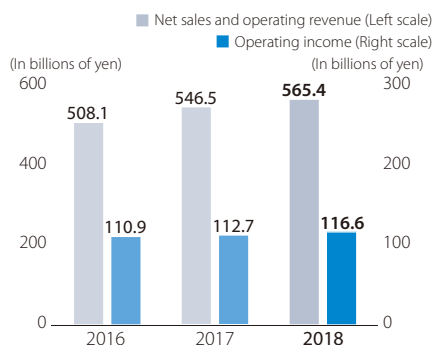
In Japan, work style reforms designed to both improve working environments and boost productivity are encouraging an increasing number of companies to consider the outsourcing of non-core operations. We have built up a solid track record and broad expertise as a provider of security outsourced by corporate customers since we launched operations. In October 2017, we acquired TMJ, which boasts extensive experience and know-how in the provision of high-grade contact center and other BPO services for leading financial institutions and other customers. Looking ahead, we will capitalize on our robust operating foundation, which reflects our experience and know-how in the provision of around-the-clock services, position as one of Japan's largest providers of data center services and capabilities in the strategic use of data, as well as to

capitalize on TMJ's extensive experience and proficiency to extend efficient BPO services. With the market for BPO services expected to expand, we will also work to realize high-value-added services that respond to evolving market needs. We will also leverage advanced AI, IoT and other technologies to further

enhance operating efficiency and improve service quality, thereby positioning ourselves to develop and provide BPO services that respond to an increasingly wide range of market needs, increase our competitiveness and contribute to increased social productivity.



A TMJ contact center



Business summary

Our security services business centers on the provision of on-line security systems, which includes the installation of sensors and other monitoring equipment and around-the-clock monitoring by a SECOM control center via telecommunications circuits. In the event an intruder, 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.

A key competitive advantage of our on-line security systems is our integrated service framework, whereby we take



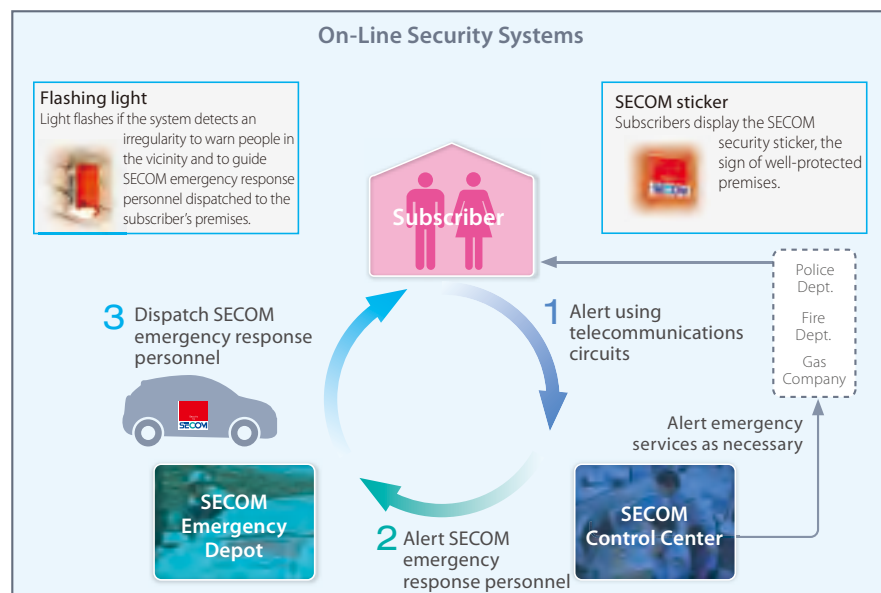
SECOM control center

responsibility for everything, including R&D, production, marketing, security planning, equipment installation, around-the-clock monitoring, emergency response services and maintenance, which ensures the exceptional quality and reliability of our services.

Our ability to provide integrated on-line security services derives from the three components of our operating foundation, namely, our technological prowess, human resources, and operational and control structure. To reinforce our 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 develop new security systems. Our integrated service configuration allows the swift development of systems that respond to the requirements and views of customers. 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 SECOM's Philosophy and observe a code of conduct befitting security professionals, yielding a robust service framework. Our operational and control structure centers on know-how and a wealth of experience built up since our establishment, which underpins the prompt decision making of control center staff and our nationwide network of 2,800 emergency depots, the largest in Japan.

We also principally use a rental format, whereby we retain ownership of security equipment and rent it to subscribers, an approach which minimizes initial costs for customers. This format means that we take responsibility for the maintenance and upkeep of security equipment, guaranteeing both the quality and stability of our services.



Operating highlights

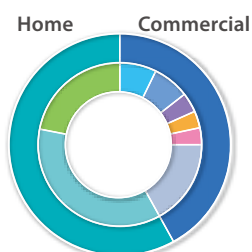
■ Commercial security services

Capitalizing on our extensive lineup of on-line security systems, we work actively to respond accurately to the diverse security needs of companies in Japan. In the period under review, sales of on-line security systems to commercial subscribers continued to expand, led by high-value-added offerings. Customer needs in the area of static guard services and armored car services also remained high.

SECOM AX is a remote imaging on-line security system that employs sophisticated image sensors installed at the subscriber's premises to detect the presence of an intruder—even in the dark—and transmit an alert, together with images and sounds, 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 verbal warning to the intruder using on-premises speakers to deter the commission of crimes.

Contracts for On-Line Security Systems

(As of March 31, 2018)



Financial services	7.4%
Service industries	7.2%
Retailing/wholesaling	3.8%
Government agencies	3.4%
Manufacturing	3.4%
Other	17.0%
Residences (excluding condominiums and apartments)	36.1%
Condominiums and apartments	21.7%

SECOM LX, an on-line security system that combines monitoring for intruders and fires with access control functions, uses existing IC cards such as employee ID cards. Because recorded entry and exit data can be used for managing employee attendance and other purposes, SECOM LX helps improve the efficiency and lower the cost of personnel management.

SECOM FX, which is designed for unattended facilities and small offices, integrates monitoring for intruders and fires 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 varied needs of subscribers.



SECOM LX

■ Security services for large-scale events

To support organizers' efforts to ensure the safety and security of large-scale events, we provide 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 prepare simulations, facilitating a firm grasp of potential risks and the formulation of an optimal security plan. With 3-Dimensional Security, images captured by temporarily installed security cameras, wearable cameras borne by security guards, and SECOM Airship and SECOM Aerostat dirigibles allow the swift and accurate assessment of event status in real time. This service also enables the event's On-Site Center mobile monitoring base to collect and integrate image data from multiple cameras, as well as to use image recognition and AI technologies to analyze suspicious circumstances and crowding, generating information that is then communicated to security guards on-site to support the safe and secure staging of large-scale events. Going forward, we will continue to develop and provide distinctive, sophisticated security services tailored to the requirements of such events.



On-Site Center

■ Home security services

In July 2017, we launched SECOM Home Security NEO, a new mainstay system in our home security services lineup that can be armed and disarmed remotely from a smartphone. The system also enables subscribers to receive alerts on their smartphone when the system is accessed by family members entering and leaving the home. Enhanced convenience continues to underscore steady growth in the popularity of this system. In addition to standard home security, including monitoring for intruders and fires and emergency alerts, and optional services such as medical emergency calls, monitoring for gas leaks and safety monitoring, SECOM Home Security NEO can be linked with devices on the IoT to facilitate use of a variety of new services. One of these is SECOM My Doctor Watch, an emergency medical alert and health management service based on a wearable wristband tracker. Offered as an option to SECOM Home Security subscribers, SECOM My Doctor Watch sends an alert if it senses no movement from the wearer regardless of whether he or she is inside or outside the home, notifying SECOM that assistance is required. The tracker also features fall detection, automatically sensing if the wearer has fallen due to a loss of consciousness or any other reason and alerting SECOM. SECOM My Doctor Watch's health management function includes a pedometer, sleep tracking and a calorie expenditure counter and enables the wearer to access advice regarding lifestyle improvements by smartphone.



SECOM Home Security NEO

A recent addition to our home security services lineup is SECOM *Anshin* Home Delivery Box, developed in response to the increasing volume of packages handled by couriers resulting from the increasing popularity of online shopping, and the rising need for redelivery to recipients unable to take delivery the first time, which have pushed up demand in Japan for secure delivery boxes. Connected to SECOM Home Security NEO, SECOM *Anshin* Home Delivery Box includes monitoring for unauthorized opening and emergency response services in the event of a break-in.

■ Other security services

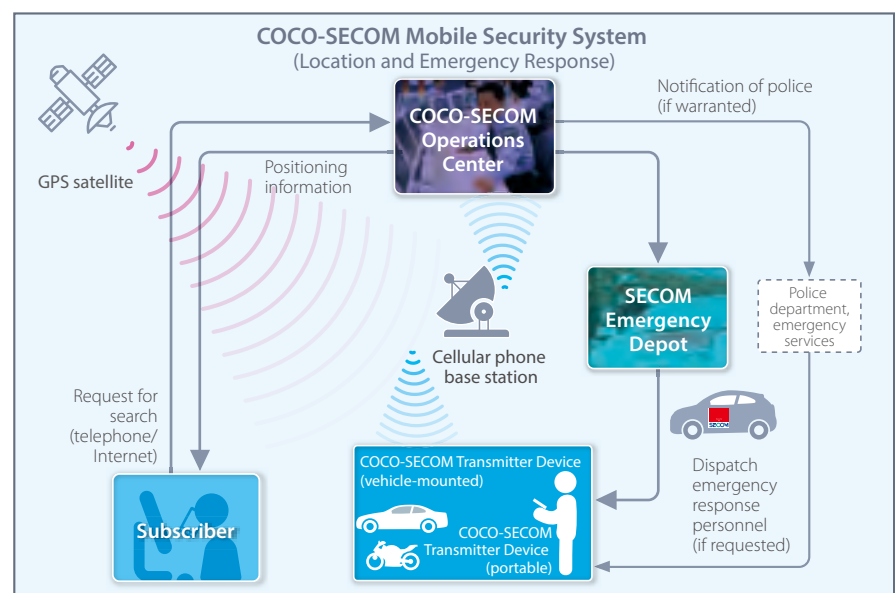
We have taken steps to expand the scope of COCO-SECOM, a mobile security system for outdoor use, in response to customer requests. COCO-SECOM uses signals from GPS satellites and cellular phone base stations to pinpoint the location of dedicated portable transmitters carried by individuals or attached to objects. If a customer wants to locate a transmitter, he or she can trace it via a dedicated website or by contacting the COCO-SECOM Operations Center. Upon receiving a search request from a customer,

operations center operators dispatch emergency response personnel and, if necessary, notify the police and/or emergency services. COCO-SECOM's ability to offer all of these services in a single system is its principal distinguishing feature.

Designed as a portable security system for individuals, COCO-SECOM was originally used to deter child abductions, as well as to track dementia patients who wander, as well as to prevent the theft of cars and motorcycles. Today, the system is also used to manage taxi and bus fleets, prevent the theft of construction equipment and ATMs, and manage employee safety.

■ Overseas security services

We made our overseas debut in 1978, when we established a presence in Taiwan. Today, our overseas business encompasses operations in 12 countries and territories. A distinguishing feature of our overseas security services is that we offer on-line security systems with SECOM-style 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.

In the PRC, we currently provide security services to subscribers through a network of bases in 25 key coastal and inland cities. With the aim of cultivating demand for home security services, we recently entered into a strategic business alliance with a leading local electric appliance manufacturer.

Our affiliated companies in Taiwan and the ROK, both of which are publicly listed companies, provide a wide array of security services to local subscribers and continue working to expand their operations. In Southeast Asia, which continues to see economic growth, the efforts of Group companies are bolstering acceptance of SECOM-style on-line security systems in Thailand, Malaysia, Singapore, Indonesia, Vietnam and Myanmar. Group companies in Australia and New Zealand provide security services to major financial institutions and other customers, earning solid support from customers.

Subsidiary Secom plc provides security services to customers across the United Kingdom. Secom plc recently won the CCTV System of the Year Award in the International

Fire and Security Conference (IFSEC) Security and Fire Excellence Awards 2017.

We recognize that the desire for safety and peace of mind, as well as for comfort and convenience, is global. Accordingly, we will continue to encourage acceptance of SECOM-style services in the countries where we have operations, as well as to cultivate promising new overseas markets.

■ Other new services

● Newly developed robots that leverage distinctive robotics technologies (Secom Robot X2 and Secom Robot X3)

We began offering SECOM Robot X, developed as an alternative to security guards and Japan's first outdoor surveillance robot, in 2005. SECOM Robot X2, an updated autonomous version of this robot with an arm that contains infrared laser sensors, thermal imaging sensors and a metal detector, can move about freely both indoors and outdoors to inspect suspicious objects, garbage cans and other items. We recently completed development of SECOM Robot X3, which boasts security, route guidance and conversational abilities, among others, can move around

safely in crowds, and are working toward commercialization.

● Launch of new SECOM Drone patrol and monitoring services

With the goal of providing more sophisticated, efficient security services for large-scale facilities, we recently began providing a new patrol and monitoring service employing the SECOM Drone to the Mine Rehabilitation Program Center, a private finance initiative (PFI) correctional facility. With this service, the drone is programmed prior to launch and flies a predetermined route, allowing confirmation by security office staff in real time. Surveillance from above using the drone's on-board camera eliminates blind spots, facilitating effective monitoring of rooftops and other high places, reducing work load. Image data can be stored, making it possible to confirm past images and leaving images as an official record/evidence, which will help improve security levels. Going forward, we will propose use of this service to a variety of large-scale facilities, including suburban shopping malls, plants and supermarkets.



IFSEC Security and Fire Excellence Awards 2017 ceremony

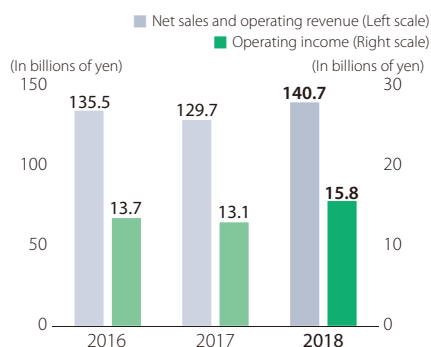


SECOM Robot X2



SECOM Drone patrol and monitoring services

Fire Protection Services



Operating highlights

Despite concerns regarding the impact of rising labor costs and trends in raw materials prices, the market for fire protection services remained firm, bolstered by a recovery in private-sector capital expenditures. Nonetheless, the evolution of society—including the deterioration of structures and infrastructure, and the evolution of cityscapes and buildings—is transforming the targets and nature of fires, bringing new challenges to the fire protection services industry. Seeking to address such issues, subsidiaries Nohmi Bosai and Nittan, two of Japan's leading fire protection services providers, sought to leverage their respective business foundations and product development capabilities to advance forward-looking sales aimed at expanding orders for advanced fire protection systems designed to protect lives and property.

In the area of automatic fire alarms, sales focused on securing profitable orders for alarms for new buildings. At the same time, with the deterioration of existing automatic fire alarm systems fueling orders in the renovations market, Nohmi Bosai and Nittan continue to draw on their solid track record and the solid trust of customers to actively

promote proposal-oriented sales efforts. In fire extinguishing equipment, large-scale orders remained steady.

■ Fire protection systems installed in expressway tunnels

In the period under review, Nohmi Bosai installed fire detectors, alarm panels and fire extinguishing and other equipment in the tunnels along a newly opened expressway in the Osaka–Kobe area. Nohmi Bosai, which has accumulated extensive experience in fire protection for tunnels, provides integrated services in this area that encompass system planning, installation and maintenance. The company continues to leverage its advanced technological capabilities and extensive know-how with the aim of expanding orders.

■ New research facility established to reinforce R&D configuration

Nohmi Bosai established a new facility dedicated to research in the area of fire detection and fire extinguishing technologies. The new research facility, dubbed Test Building “A”, boasts a spacious testing site for conducting hygrothermal and other specialized experiments, as well as a laboratory for International Organization for Standardization (ISO)-related and other testing. The new facility allows customers to view experiments assuming actual fire situations to demonstrate the effectiveness of fire protection equipment and is contributing to order growth.



Nohmi Bosai's new research facility

■ Providing fire protection systems for temples designated important cultural properties

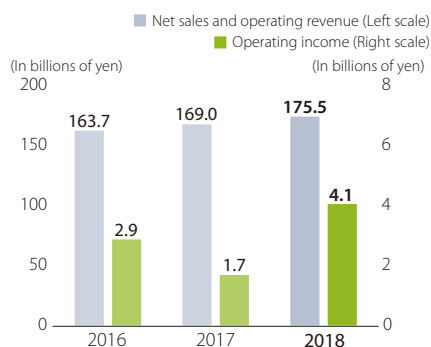
Nittan provides specialized fire protection systems for Buddhist temples designated important cultural properties and for production facilities and industrial complexes that desire fire protection that exceeds the requirements set forth in Japan's Fire Service Act. With demand for such systems increasing, Nittan will continue to leverage its wealth of experience to respond to market needs.

■ Operations in overseas markets see brisk growth

Nittan's subsidiary in the United Kingdom and production facility in Vietnam spearhead efforts to develop products that comply with Underwriters Laboratories (UL) and European Norm (EN) standards, which the company supplies to a variety of customers, including government facilities, banks, high-rise buildings and hotels, around the world. In the period under review, the company reported robust sales in the United Kingdom and in Southeast Asia. Of particular note, deliveries of SPERA and other UL standard-compliant fire detection systems were strong in Vietnam. Nittan has also established sales bases in the United Kingdom and Vietnam with the goal of further expanding sales.



Comprehensive fire protection systems installed at temple designated an important cultural property (Nittan)



Operating highlights

In Japan awareness of the importance of medical care, nursing care and healthcare services continues to grow, pushing up demand for high-grade, sophisticated and diverse services. Believing that protecting the health and lives of people is a natural extension of our commitment to providing safety and peace of mind, we have created an extensive menu of medical services centered on home nursing, pharmaceutical dispensing and other home medical services.

Our mainstay home medical services business encompasses pharmaceutical dispensing and home delivery, which involves filling prescriptions, delivering medications, providing medical and hygienic supplies, and extending advice to patients. We provide home nursing services through a nationwide network of 35 visiting nurse stations. Our highly skilled visiting nurses visit homes to provide expert services under the direction of the patient's physician. In the period under review, sales in the pharmaceutical dispensing services business were robust.

This business also includes the operation of residences for seniors, electronic medical report services, sales of medical equipment, personal care services, the operation of a hospital in India

and support for affiliated medical institutions, all of which we continue to expand.

Secom Medical System becomes first designated facility for training for nurses pertaining to specified medical acts

In the period under review, Group company Secom Medical System earned designation by the Ministry of Health, Labour and Welfare (MHLW), becoming Japan's first private-sector facility for training nurses pertaining to specified medical acts*. We continue to leverage our accumulated know-how in the area of medical services and our close ties with multiple hospitals to help nurture nurses who are leaders capable of specified medical acts and create work environments in which nurses can thrive with the aim of helping to further enhance the quality of medical care in Japan.

*"Specified medical acts" is used to describe certain types of medical assistance (e.g., intravenous drips for dehydrated individuals and adjustment of artificial respirators) or dental assistance that can be performed by nurses based on directions given by, respectively, a physician or dentist.

Alive Yoyogi Oyama-cho residence for seniors opens

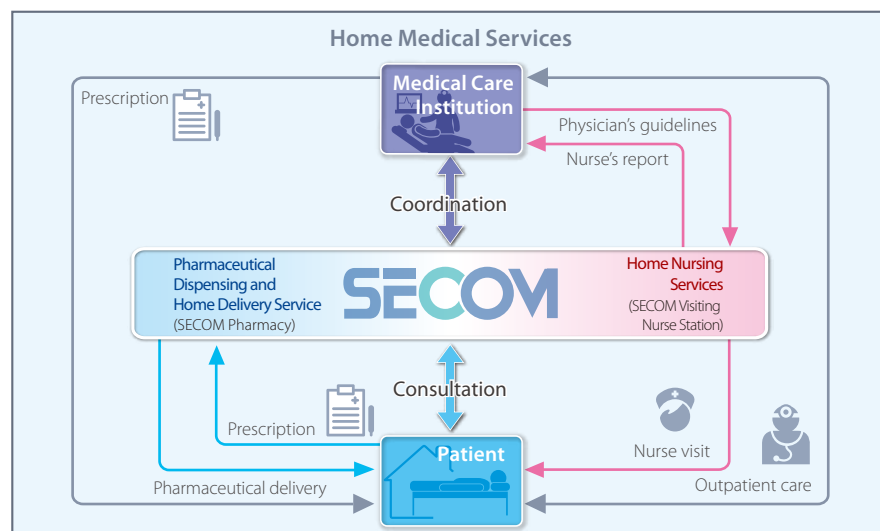
We recently opened Alive Yoyogi Oyama-cho, the 16th facility in our network of residences for seniors and nursing homes, in Tokyo's Shibuya

ward. This facility brings together our proprietary expertise in security and fire protection with our know-how in the provision of medical care and nursing care for seniors to provide a full range of nursing care services to residents.

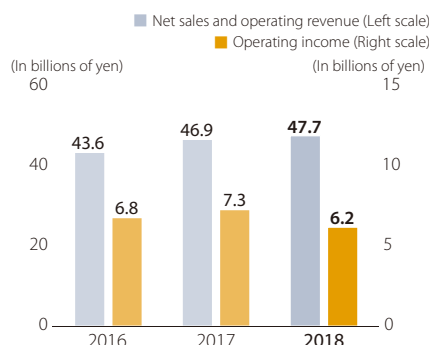
Japan is currently promoting the creation of comprehensive community-based healthcare systems. We have concluded a "Shibuya Social Action Partner" with Shibuya's municipal government. Alive Yoyogi Oyama-cho was developed in line with this framework as a vital component of such a community healthcare system that supports efforts to ensure effective healthcare for local seniors. Going forward, we will promote interaction and collaboration between residents of the facility and a local university and university hospital with the aim of contributing to the realization of a community that contributes to peace of mind for all inhabitants.



Alive Yoyogi Oyama-cho



Insurance Services



Operating highlights

In the non-life insurance market, the emergence of new risks affecting the activities of individuals and corporate entities arising from changes in the social structure is driving demand for high-value-added policies that respond to evolving customer needs. In this environment, we are promoting the development of distinctive insurance policies and to cultivate sales channels with the goal of reinforcing the foundation of this business.



Call center operated by Secom General Insurance

Subscriptions to the MEDCOM unrestricted cancer treatment policy continue to grow

MEDCOM is an unrestricted cancer treatment policy that features full coverage for all treatment costs, both those covered under Japan's National Health Insurance (NHI) scheme and those for which the patient usually bears the burden. MEDCOM coverage also extends to outpatient treatment, an increasingly key component of cancer care, providing up to ¥10 million per five-year period. The policy's extensive coverage, together with the fact that it enables subscribers to focus on treatment without worrying about the economic implications, continues to bolster subscriptions.

Distinctive features of SECOC Anshin My Home and Security Discount Fire Policy

SECOC Anshin My Home is a policy for residential customers that offers a discount on premiums for subscribers who have installed on-line security systems, recognizing that such systems reduce the risk of theft and fire. Security Discount Fire Policy is a similar policy for commercial customers who have installed on-line security systems in which premiums

are discounted to reflect the risk-mitigating benefits of such systems. We continue to see an increasing number of new subscribers for our on-line security systems choosing to also sign up for non-life insurance policies at the same time. As a consequence, subscriptions to these policies are expanding.

SECOC Anshin My Car: Backed by support from emergency response personnel

Another attractive product in our non-life insurance policy portfolio is SECOC Anshin My Car, an automotive insurance policy that includes around-the-clock access to on-site support by SECOC emergency response personnel in the event of an accident. This feature, which includes contacting the police and ambulance services and photographing the accident site, continues to earn high marks from subscribers.

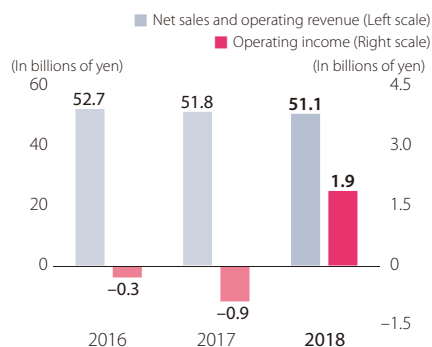


Secom General Insurance headquarters



SECOC Anshin My Car on-site support

Geographic Information Services



Operating highlights

Owing to factors such as the graying of society, a declining labor force and the increasing risk of natural disasters attributable to climate change, our operating environment continues to evolve, growing increasingly diverse and sophisticated. Subsidiary Pasco has built a portfolio encompassing ongoing and subcontracted businesses that centers on the visual representation, analysis and distribution of geospatial information. The company also employs a variety of next-generation tools, including AI and IoT, robotics and blockchain technologies, to increase the automation and sophistication of its services.

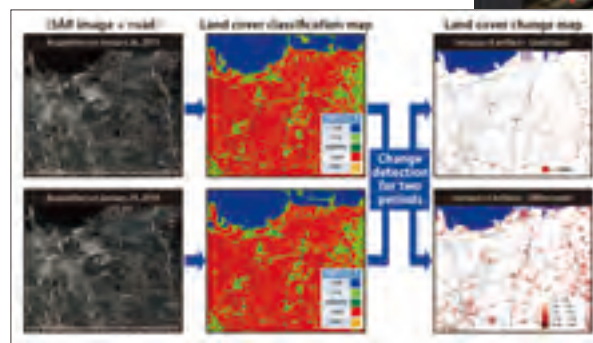
Pasco provides services to national and local governments and private sector customers in Japan, as well as to government agencies overseas. Services to national and local governments account for approximately 80% of segment net sales and operating revenue. Because deliveries to the public sector are generally clustered at the end of March, segment income follows a similar trend.

AI-based urban change analysis map and parked vehicle estimation map services are launched

Pasco's new urban change analysis map service involves the application of AI technologies to synthetic aperture radar (SAR) satellite images to automatically detect urban change and map topographical changes. Mapping of manmade objects, deforested land, forested areas/trees together with spatial estimates and a chronological representation of changes enables users to gauge the speed of urbanization and forest depletion, among others, underscoring expectations for high demand from developing countries and emerging economies.

With a new parked vehicle estimation map service, AI technologies are applied to high-resolution optical satellite images* to count the number of parked vehicles in a particular area. This service offers promise for use in measuring economic activity—by, for example, tracking the movement of vehicles for export in and out of harbor motor pools or the number of vehicles in the parking lots of large-scale retail facilities—and for adaptation to use in disaster situations to gauge the extent of damage by counting houses and other structures.

*The resolution of images captured by optical satellites varies depending on the power of the satellite. The term "high-resolution optical satellite image" is generally used for images with a resolution of several dozen centimeters.



Urban change analysis map service

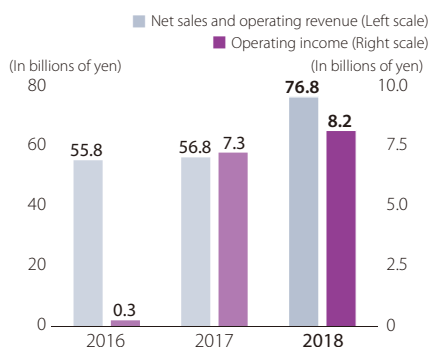
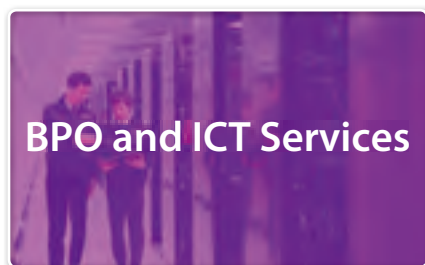
New 3D data service introduced for the i-Construction program

The i-Construction program was launched by Japan's Ministry of Land, Infrastructure, Transport and Tourism as an initiative aimed at deploying ICT in construction and civil engineering by normalizing standards and harmonizing procedures for projects, thereby helping overcome persistent labor shortages. This has led to demand for program-compliant services for the creation of 3D data for all processes, including advance surveying, planning, engineering and execution.

Capitalizing on its spaceborne, airborne, terrestrial and water area surveying capabilities, as well as its advanced data processing technologies, Pasco is able to provide consulting services that take into account the construction environment and the unique characteristics of items measured and maximize the benefits of 3D data. The scope of application for the i-Construction program has expanded to include transport and disposal of seabed/riverbed sediment, paving and bridge building. Accordingly, Pasco will take advantage of its 3D data service's measurement precision and ability to help ensure the safety of production sites to expand orders.



3D data incorporating images captured by drones



Operating highlights

The risks to life and livelihood today are increasingly complex and include large-scale disasters, terrorism and cyber crime, as a result of which people feel a rising sense of unease. In the period under review, we maximized our expertise in the deployment of ICT technologies in the area of on-line security systems to bolster sales in the area of distinctive business continuity planning support services, which focus on data center services, as well as in information security and cloud-based

services. We also took steps to expand our BPO business.

Data center business

Our data center business, which is among the largest in Japan, enables subscribers to store data at a highly secure data center facility boasting outstanding security and a stable electric power supply that is accessed via a reliable network. In the period under review, these services continued to garner praise from both Japanese and foreign-owned subscribers.

Large-scale disaster preparedness services

We provide a variety of services that assist companies in preparing BCPs to ensure their ability to implement effective immediate response measures and promptly restart operations in the aftermath of a major disaster. The SECOM Safety Confirmation Service helps subscribers ascertain the safety of employees and their families in the event of an earthquake or other disaster or the failure of key infrastructure. This system has earned solid marks and is one of Japan's leading disaster management support services.

Information security services

To ensure preparedness against dangers such as disasters, targeted cyber attacks and system failures, we provide seamless services that ensure the security of our customers' information and systems, encompassing monitoring, response services and normalization.

Cloud-based services

Underpinned by our around-the-clock monitoring capabilities, we offer SECOM *Anshin My Number Service*, which enables companies to collect and securely manage their employees' My Number (personal social security and tax number system) information. Our cloud-based services also include the SECOM *Anshin Employee Attendance Management Service*, which facilitates the efficient management of time clock data, and the *e-Kakushin Schedule service*, which allows the automatic preparation of shift schedules, and SECOM *Anshin Health Check Service*, which supports the arrangement of annual employees health checks.

BPO services

In October 2017, we acquired TMJ, which provides high-grade contact center and other BPO services for leading financial institutions and other customers. Looking ahead, we will maximize TMJ's extensive experience and know-how to develop and provide safe and secure BPO services that respond to increasingly diverse market needs.

New services

Technologies provided for the digital storage of deposit and withdrawal slips

We are providing digital signature and timestamping* technologies to regional financial institutions, which have sought to develop a system for the digital storage of deposit and withdrawal slips and other documents that must be submitted to the National Tax Agency, thereby helping such institutions to increase operating efficiency



SECOM data center facility

and reduce costs. We will continue working to provide solutions that assist a broad range of companies improve their business processes, focusing particularly on technologies for transforming documents into digital form.

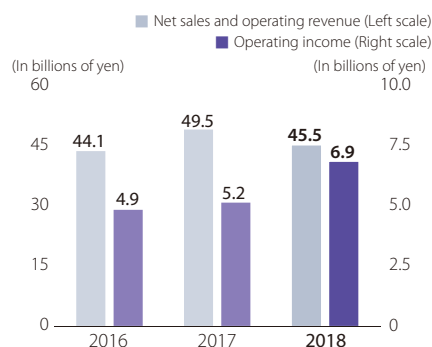
* Timestamping verifies when a digital file was created (file creation timestamp) and when it was modified (last modified timestamp).

● Participation in new securities consortium

In January 2018, a securities consortium was formed in Japan as a cross-industry body the purpose of which is to conduct basic research in emerging technologies and create a common technological foundation for the industry as a whole. As a participant in this consortium, we will oversee the construction of an identity confirmation platform that leverages biometric authentication and other advanced technologies. This will increase the convenience of authentication procedures for individuals using securities companies' web-based services. In the future, the system may also be for authentication in other areas of securities' companies' businesses.

Making use of the extensive know-how in the issue and management of private keys that we have accumulated as certification authority, we also entered into a business alliance with a virtual currency exchange and began providing a global-standard secure virtual currency wallet* service.

* A system of managing virtual currency transactions that is crucial for virtual currency exchanges



Operating highlights

■ Real estate development and sales

With prices for land suitable for condominium development soaring, we faced ongoing difficulties in purchasing land for this business. Against a backdrop of persistent labor shortages, construction costs also peaked. In this environment, we continued to promote the development and sales of high-grade Glorio series condominiums with exceptional security and disaster-preparedness features, in line with our goal of providing living spaces that deliver safety and peace of mind. We also recently developed and launched the Glorio Comfort series of highly secure compact condominiums that maximize use of residential-use land. To take advantage of expanding demand for pre-owned condominiums, we



Glorio Residence Machida Nakamachi

commenced full-scale condominium renovation services. On another note, we opened secure condominium showrooms in Tokyo and in Kanagawa, Saitama and Chiba prefectures, enabling us to provide advice and proposals customized to the different life stages and needs of customers.

■ Real estate leasing

We provide detailed, carefully tailored real estate leasing services, focusing on central Tokyo, to assist the business activities of diverse companies in various industries. In the period under review, revenue from real estate leasing declined temporarily, owing to changes in real estate held for leasing attributable to the sale of certain properties.

■ Construction and installation services

This business encompasses a wide range of services, from the installation of air conditioning, plumbing, electrical and fire protection equipment, renovation and enlargement to design, construction and maintenance.

■ Home services

SECOM Home Service is an optional suite of services available to SECOM Home Security subscribers with a diverse menu that enables us to tailor packages to customer needs. Services offered range from housework support to patrolling around subscribers homes when they are out.



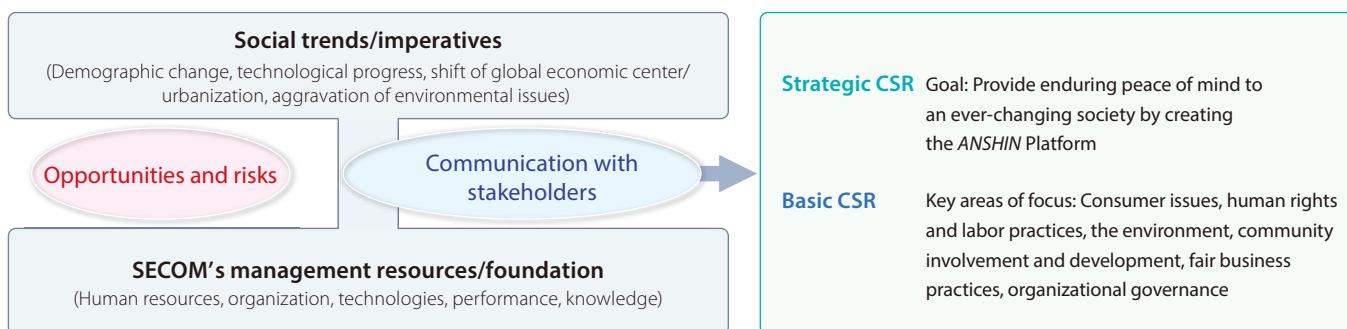
SECOM Home Service

Corporate Social Responsibility

Since our establishment, we have sought to fulfill our responsibility to society through our business activities, acknowledging the importance of sustainability for ourselves and for society. In promoting CSR initiatives, we

abstract a broad range of social imperatives, which we examine in light of our management resources and the opinions and expectations of our stakeholders. We classify CSR initiatives designed to help address social

imperatives through our businesses as “strategic” and those aimed at earning the trust of stakeholders as “basic.”



The SDGs and the UNGC

Our basic policy of contributing to society through our business activities has many aspects in common with the United Nations' Sustainable Development Goals (SDGs)* in terms of focus on achieving sustainability for

society. Seeking to further our goal of helping to achieve sustainability for society, on May 2, 2018, we became a signatory to the United Nations Global Compact (UNGC).



SUSTAINABLE DEVELOPMENT GOALS 17 GOALS TO TRANSFORM OUR WORLD



*The SDGs were adopted at the UN Sustainable Development Summit in September 2015 as goals essential to sustainable development for the planet to be attained by 2030.

Basic CSR initiatives

Taking into account the key areas of focus in ISO 26000, the international standard for social responsibility, we have organized our basic CSR initiatives into six key categories.

1. Consumer issues

To guarantee that 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 also work to further enhance service quality by paying heed to feedback from customers. We have positioned staff across Japan who specialize in promoting customer satisfaction and who are charged with visiting customers to gain feedback. Through SECOM customer service centers we respond to various requests and inquiries received by telephone regarding services, systems and products.

2. 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 attach importance to diversity. We also recognize respect for human rights as an essential aspect of corporate management and provide training aimed at enhancing employees' understanding thereof.

Our commitment to respect for human rights is proclaimed in The Constitutions of the SECOM Group, a set of 10 provisions that serve as our basic operating principle, while the SECOM Group Code of Employee Conduct sets forth specific standards to be observed.

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. In addition, we have established a dedicated website and a sexual harassment hotline that enable employees to anonymously consult with professionals regarding problems or concerns.

Once annually, we conduct employee satisfaction surveys. Survey findings are published in-house and reflected in improvements to various systems and programs.

3. 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 of our basic environmental policy. 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.

4. Community involvement and development

We recognize contributing to the community through the provision of safety and peace of mind as an important responsibility. We promote a variety of efforts to fulfill this responsibility, including offering programs for children, women and seniors designed to raise crime prevention awareness. In the fiscal year ended March 31, 2018, such efforts included child safety classes and crime prevention awareness seminars for women, held 168 times and 15 times, respectively, at locations across Japan. Our social contribution activities include extending support to areas devastated by natural disasters.

5. Fair business 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 preventing corruption, safeguarding human rights, ensuring industrial safety and employee wellbeing, and protecting the environment, across our entire value chain.

6. Organizational governance

To increase the efficiency and transparency of management practices, thereby enabling us to consistently increase our corporate value, we are taking steps to enhance our corporate governance system. As well, we are promoting decisive management-led efforts to strengthen our compliance framework and improve disclosure.

ESG Initiatives

Environmental initiatives

Combating global warming

We have positioned the reduction of CO₂ emissions as a key performance indicator (KPI) since 2008. In the fiscal year ended March 31, 2018, initiatives implemented in relation to SECOM service vehicles and offices with the goal of preventing global warming reduced emissions of greenhouse gases by 384 metric tons. Total emissions of greenhouse gases in the period under review amounted to 76,750.0 metric tons, down 5.1% from the base year. To improve the

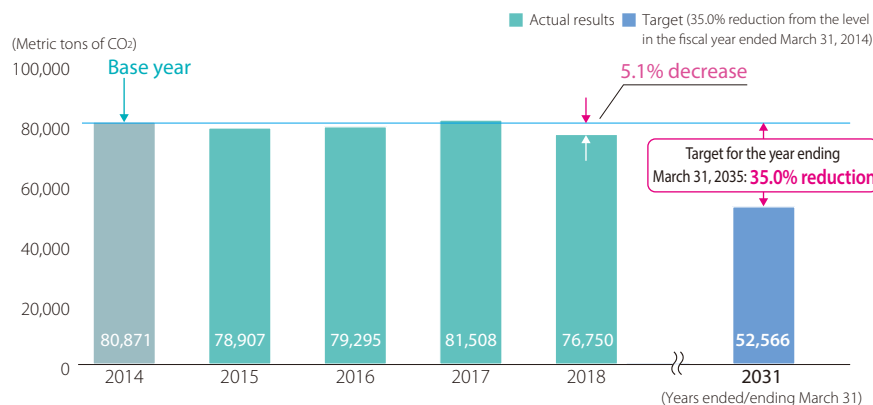
environmental performance of service vehicles, we are working to replace all four-wheeled vehicles with fuel-efficient alternatives by the year ended March 31, 2021. We are also promoting environment-friendly and safe driving through education and efforts to advance awareness.

In line with the goal of Paris Agreement, to which 196 countries and territories have become party, and the Japanese government's plan for reducing greenhouse gases,

we have set a target for reducing greenhouse gas emissions attributable to our security services business by 35.0% from the level in the year ended March 31, 2014, by the year ending March 31, 2031.

Seeking to do our part to curb increases in global average temperature, we will endeavor to achieve an 80.0% reduction of our greenhouse gas emissions by 2050.

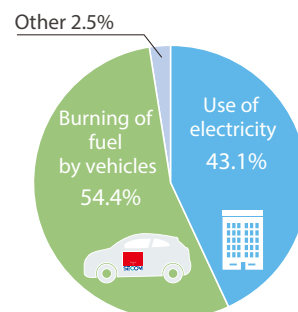
Greenhouse Emissions: Actual Results and Medium-Term Target



* Greenhouse gas emissions for each fiscal year are calculated in terms of metric tons of CO₂ equivalent.

** Scope of reporting: SECOM CO., LTD. and 27 principal subsidiaries in the security services business.

Breakdown of CO₂ Emissions in the Year Ended March 31, 2018



* Scope of reporting: SECOM CO., LTD. and 27 principal subsidiaries in the security services business.

Creating a zero resource-waste, low-carbon business model

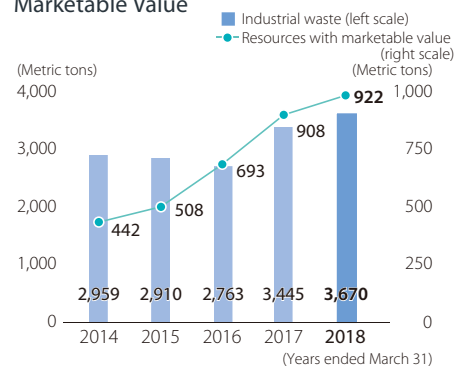
Our integrated framework for providing on-line security systems, whereby we take responsibility for the entire life cycle of equipment, from R&D and production through to installation, operation, collection and disposal, has enabled us to create a zero resource-waste, low-carbon business model, that is, a business model that seeks to enhance recycling rates and energy efficiency.

With the goal of advancing environment-friendly equipment design, that is, design that minimizes impact on the environment, including by reducing consumption of electricity, facilitating reuse, promoting long-time use and eliminating hazardous substances, we

have distributed the SECOM Green Design Guidelines to our 122 suppliers. As a result of this initiative, in the fiscal year ended March 31, 2018, we succeeded in reducing CO₂ emissions attributable to the use by customers and disposal as waste of SECOM equipment by 13,345.0 metric tons.

From the perspectives of environmental preservation and effective resource use, we repair and reuse security equipment collected from subscribers, or carefully dismantle such equipment and separate constituent materials. In the period under review, these efforts yielded 922.0 metric tons of resources with marketable value.

Industrial Waste and Resources with Marketable Value



* Scope of reporting: SECOM CO., LTD. and 27 principal subsidiaries in the security services business.

Social initiatives

Support in the aftermath of major disasters

Since launching the SECOM Disaster Support Project in December 2016, we have provided long-term on-site support for recovery and reconstruction in areas struck by geographically extensive major disasters. As well, we have sought to assist with everyday efforts to enhance disaster preparedness. In areas damaged by the April 2016 Kumamoto

Earthquake and the torrential rains in northern Kyushu in July 2017, for example, we capitalized on our distinctive technological prowess and know-how to provide extensive support for local residents. We also cooperate enthusiastically in the implementation of volunteer fire brigade activities, the cornerstone of community fire prevention efforts,

and encourage employees who want to register as volunteer firefighters.

Employee training and education

In line with our belief that the power of an organization is the sum of its parts, we devote considerable resources to fostering human resource. We have developed training and educational programs tailored to different growth stages and job classifications. In addition, we have added an e-learning component to promotion examinations, the content of

which ranges from corporate principles and the SECOM Group Code of Employee Conduct to social norms, CSR, business policies and product knowledge. We have also developed an e-learning program for all employees that addresses the protection of confidential information, prevention of insider trading and elimination of all types of harassment by not

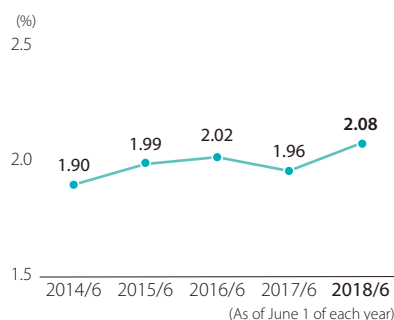
simply mandating study but also conducting exams to ascertain comprehension, thereby reinforcing awareness.

Advancing diversity and inclusion

Recognizing the importance of welcoming a broad spectrum of individuals with wide-ranging values and of leveraging the capabilities of such individuals to drive the creation of value, in 2016 we established the SECOM Diversity and Inclusion Policy.

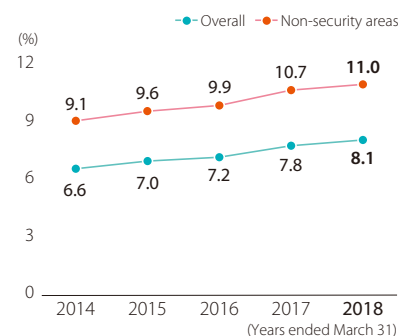
With the aim of creating an inclusive organizational framework, that is, one that ensures acceptance of and respect for diverse human resources and allows all employees to fulfill their potential, in October 2017 we announced our commitment to diversity and inclusion and appointed individuals in charge of diversity and inclusiveness.

Percentage of Labor Force Accounted for by Individuals with Disabilities



* Scope of reporting: SECOM CO., LTD., Secom Trust Systems Co., Ltd. and Secom Business Plus Co., Ltd.

Female Employees in Management Positions



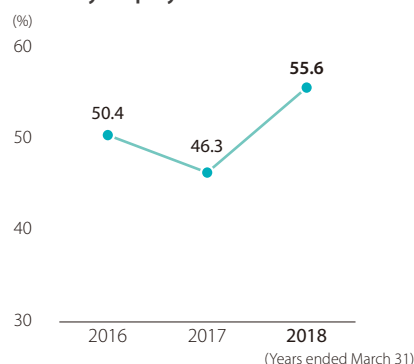
* Scope of reporting: SECOM CO., LTD.

Supporting work-life balance

We view work-life balance, including sufficient physical and mental rest and a fulfilling private life as essential to the ability to approach one's work with energy and focus. Accordingly, we have introduced systems that allow employees to take a "flex" vacation of up to 10 consecutive days annually—in theory at any time of the year—and a two-week "refresh" vacation every 10 years. In addition, we actively encourage employees to take annual paid vacation days.

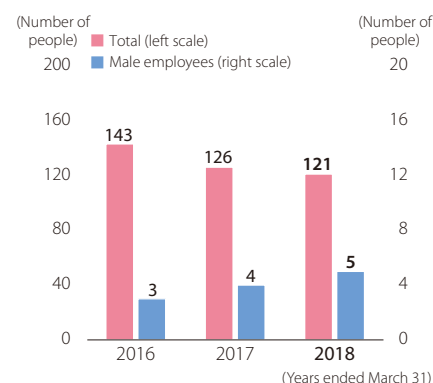
To assist employees in balancing the demand of career and home, we have created childcare and nursing care leave programs and continue to promote measures to encourage their use. We also endeavor to choose a location and work style that accommodates the circumstances of each individual employee and have created the SECOM Life Support Program, which seeks to provide long-term support for career advancement.

Percentage of Annual Paid Vacation Days Taken by Employees



*Scope: SECOM CO., LTD.

Employees Taking Childcare Leave



*Scope: SECOM CO., LTD.

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.



Corporate governance

Basic philosophy

With the aim of earning the support of our customers, shareholders, clients, employees, local communities and other stakeholders as a company with value that is worthy of trust, we strive to maximize corporate value over the medium to long term and recognize the importance of fulfilling our responsibilities as a corporate citizen and achieving sustainable growth and development.

In line with Japan's Corporate Governance Code and at the direction of top management, outside members of the Board of Directors and Audit & Supervisory Board provide independent oversight of the management team's performance in a manner that takes into account the interest of stakeholders and ensures the appropriate execution of business activities. We also work actively to disclose

information to shareholders and other stakeholders and strengthen our compliance framework.

Initiatives to strengthen corporate governance

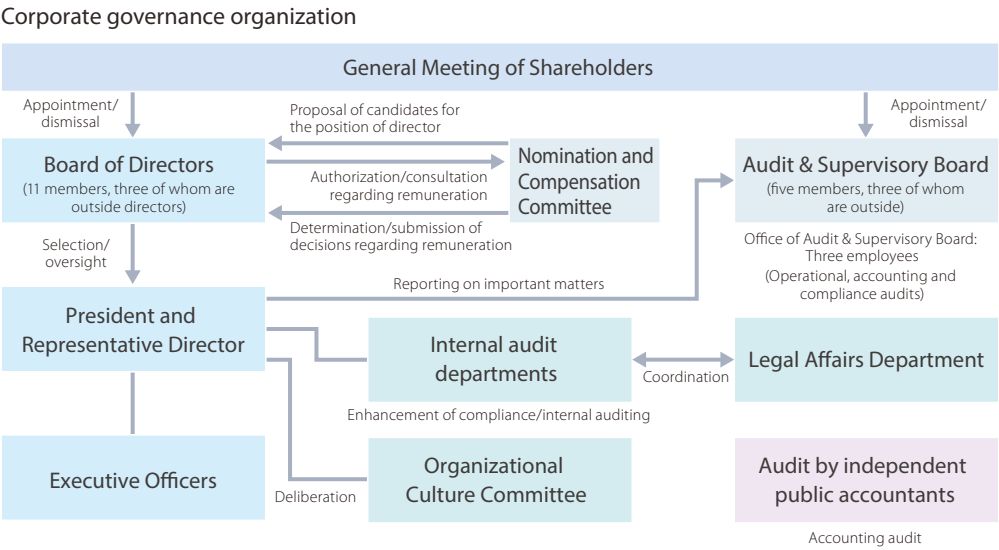
Area	1986	2000	2005	2010	2015	2018
Establishment of corporate governance system	● 1986: Creates SECOM's Philosophy		● 2006: Formulates basic rules of management for SECOM Group companies	● 2010: Establishes the SECOM Group Management Committee		
Separation of management and execution			● 2004: Institutes an executive officer system			
Number of directors designated in the Articles of Incorporation			Up to 2004: Maximum of 40 ● From 2005: Maximum of 20			
Term of service of directors			Up to 2003: 2 years ● From 2004: 1 year			
Number of directors		● 2000–2001: 28–29 ● 2002–2003: 22–23 ● From 2004: 10–13				
Number of auditors				Up to 2010: 4 ● From 2011: 5		
Number of outside directors				● 2013–2015: 2 ● From 2016: 3		
Number of outside auditors			Up to 2002: 2 ● From 2003: 3			
Remuneration for/ appointment of directors					● 2016: Establishes Nomination and Compensation Committee ● 2017: Adopts performance-linked remuneration system	

Outline of corporate governance system

We are a company with an Audit & Supervisory Board. The Board of Directors, which includes three outside members, makes decisions pertaining to business execution and other corporate matters. Executive officers, led by the President and Representative Director, are responsible for business execution. We have adopted an Audit & Supervisory Board System, whereby the Audit & Supervisory

Board, which includes three outside members, and the Board of Directors coordinate with the internal audit departments to audit and supervise directors' and executive officers' discharge of their duties. We believe that this enables us to conduct independent oversight of management and ensure appropriate business execution.

The Nomination and Compensation Committee has been established as internal committee of the Board of Directors. This committee, which is responsible for presenting candidates for the position of director to the Board of Directors and for ensuring the appropriateness of remuneration for directors, comprises five directors, three of whom are outside.



Board of Directors	Executive Officers	Audit & Supervisory Board
The Board of Directors comprises 11 directors and in principle meets monthly, with five members of the Audit & Supervisory Board also in attendance. The Board of Directors is responsible for deciding overall management policies and business execution policies, as well as for monitoring the performance of duties by directors, and strives to promote the active exchange of opinions with the aim of ensuring effective and swift decision making. Seven of the 11 members are responsible for business execution, with the remaining four members (the founder and the three outside directors) having no involvement.	We have adopted an executive officers system, whereby the Board of Directors is responsible for decision making and the executive officers are responsible for business execution. This was done with the aim of strengthening field divisions and enhancing customer service systems by clarifying responsibilities and authority and expediting business execution. We currently have 30 executive officers, seven of whom are also directors.	The Audit & Supervisory Board comprises five members, two of whom are full-time and three of whom are outside. In principle, the Audit & Supervisory Board meets monthly. Individuals well-versed in our businesses and internal affairs, as well as in finance and accounting, are appointed to serve as full-time members, while individuals who are independent of the management team, have extensive knowledge of corporate management, legal, financial and other matters and are capable of providing effective oversight and monitoring of the management team, are appointed to serve as outside members.

Nomination of candidates for appointment to the Board of Directors and the Audit & Supervisory Board

In accordance with the policy for appointment set forth by the Board of Directors, candidates for appointment to the Board of Directors and the Audit & Supervisory Board are decided through deliberation by the Board of Directors. Candidates for the Board of Directors are nominated from among candidates proposed by the Nomination and Compensation Committee, which include outside directors. Candidates for the Audit & Supervisory Board are nominated with the agreement of the Audit & Supervisory Board.

Internal audits and cooperation among boards and offices

Audits by the Audit & Supervisory Board

Audit & Supervisory Board members attend important meetings, including those of the Board of Directors, to exchange opinions on overall corporate management, as well as to collect reports on the discharge of duties from directors and other pertinent individuals and conduct audits focused on the possible occurrence of violations of laws, regulations, the Articles of Incorporation and/or shareholders' interests. The Audit & Supervisory Board also conducts audits of our overall business

activities, as well those of subsidiaries and affiliates, in accordance with annual audit plans.

Principal activities of the Audit & Supervisory Board in the fiscal year ended March 31, 2018

Participation in meetings of the Board of Directors	98.33%
Participation in meetings of the Audit & Supervisory Board	98.33%
Information sessions with directors and other executives of subsidiaries and affiliated companies	76 times
Audits conducted by Audit & Supervisory Board members at remote locations	112 locations

Regular meetings between the representative director and Audit & Supervisory Board members

Audit & Supervisory Board members hold regular (monthly) meetings with the Representative Director, during which they exchange opinions on important management-related issues, including the results of audits, to ensure common understanding.

Meetings between Audit & Supervisory Board members and accounting auditors

Audit & Supervisory Board members meet regularly (six times annually) with the accounting

auditors, as well as additional meetings as necessary, for the purpose of exchanging opinions and information. Audit & Supervisory Board members receive explanations and exchange opinions regarding annual audit plans and audit results. If necessary, Audit & Supervisory Board members also act as witnesses during audits conducted by the accounting auditors at remote locations and during audit reviews (38 times in the fiscal year ended March 31, 2018).

Collaboration with internal audit and other departments

Audit & Supervisory Board members hold regular (monthly) meetings with the Audit and Compliance Department, during which they receive reports and exchange opinions regarding the results of internal audits and, as appropriate, receive reports on inspections of SECOM Group companies from and exchange opinions and information with the Group Governance Department. If necessary, to ensure the efficiency of audits, Audit & Supervisory Board members ask the internal audit departments to conduct investigations.

Outside directors and outside Audit & Supervisory Board members

We appoint individuals who have extensive knowledge of corporate management to serve as outside directors, thereby incorporating a broad range of external perspectives not constrained by the internal affairs. We have thus structure that ensures the transparency and objectivity of management.

We appoint Audit & Supervisory Board members who have a wealth of knowledge of corporate management, legal, financial and other matters (including three outside members, who are essentially independent

of the management team). We have also established an auditing organization (including the Office of Audit & Supervisory Board Members) that operates independent of day-to-day operations and a process (including periodic meetings between the Representative Director, among others, and the Audit & Supervisory Board members). This insures that Audit & Supervisory Board members' objective and neutral opinions are reflected promptly in operations. As a consequence, we believe that we fulfill our responsibility to conduct

independent oversight of management performance in a manner that takes into account the interests of stakeholders.

We appoint outside directors and outside Audit & Supervisory Board members on the basis of requirements for outside directors set forth in Japan's Companies Act and the standards concerning independence set forth by financial instruments exchanges.

Outside directors and outside Audit & Supervisory Board members

	Name	Principal activities	Attendance at Board of Directors' meetings	Attendance at Audit & Supervisory Board meetings
Outside directors	Takaharu Hirose	Mr. Hirose offers advice and suggestions at meetings of the Board of Directors based on experience and insights gained in the foundation and management of multiple enterprises and industry organizations. He also asks questions and states opinions to clarify issues.	12/12	—
	Hirobumi Kawano	Mr. Kawano offers advice and suggestions at meetings of the Board of Directors based on experience and insights gained through the holding of important positions in government. He also asks questions and states opinions to clarify issues.	12/12	—
	Hajime Watanabe	Mr. Watanabe offers advice and suggestions at meetings of the Board of Directors based on experience and insights gained through his many years of experience in corporate management. He also asks questions and states opinions to clarify issues.	12/12	—
Outside Audit & Supervisory Board members	Hideki Kato	Mr. Kato offers advice and suggestions at meetings of the Board of Directors based on experience gained through the execution of national policies and insights gained as a result of his accomplishments at a policy think tank. He also asks questions and states opinions to clarify issues.	12/12	12/12
	Makoto Yasuda	Mr. Yasuda offers advice and suggestions at meetings of the Board of Directors based on experience and insights gained in the management of a global enterprise. He also asks questions and states opinions to clarify issues. Mr. Yasuda made efforts to understand what had transpired at the Board of Directors and Audit & Supervisory Board meetings he missed by receiving a report from, respectively, the meeting administrator and full-time Audit & Supervisory Board members.	11/12	11/12
	Masao Yokomizo	Mr. Yokomizo offers advice and suggestions at meetings of the Board of Directors based on experience and insights gained through the holding of important positions in government. He also asks questions and states opinions to clarify issues.	9/9	9/9

Note: Information on attendance at meetings of the Board of Directors and Audit & Supervisory Board is for the fiscal year ended March 31, 2018. Masao Yokomizo was appointed and assumed the position of Audit & Supervisory Board at the 56th Ordinary General Meeting of Shareholders held on June 27, 2017. Accordingly, the figures for his attendance at meetings of the Board of Directors and Audit & Supervisory Board held on or after that day.

Remuneration for directors and Audit & Supervisory Board members

Remuneration for directors consists of pecuniary remuneration and stock compensation (shares with restrictions on transfer). Outside directors are eligible for pecuniary remuneration only.

Pecuniary remuneration is determined by the Nomination and Compensation Committee, which has received authorization from the Board of Directors, within the maximum limit resolved at the Ordinary General Meeting of Shareholders. Pecuniary remuneration for directors comprises basic remuneration and bonuses, which are linked to consolidated operating results and

individual contribution. Outside directors receive basic remuneration only.

Stock compensation is determined by discussion of the Board of Directors, taking into account deliberations by the Nomination and Compensation Committee within the limit resolved at the Ordinary General Meeting of Shareholders set separately from that set for pecuniary remuneration. In addition to incentives offered with the goal of driving sustainable growth in corporate value, directors other than those who are outside receive shares with restrictions on transfer, the objective of which is

to promote the further sharing of value with shareholders.

Remuneration for Audit & Supervisory Board members, which comprises pecuniary remuneration only, is determined through discussion involving Audit & Supervisory Board members in amounts commensurate with individual duties. Remuneration for Audit & Supervisory Board members is set within the maximum limit resolved at the Ordinary General Meeting of Shareholders.

Remuneration for directors and Audit & Supervisory Board members (Fiscal year ended March 31, 2018)

Position	Total remuneration (Millions of yen)	Breakdown of total remuneration (Millions of yen)			Number of entitled officers
		Basic remuneration	Bonus	Restricted stock	
Directors (excluding outside directors)	319	261	46	11	8
Audit & Supervisory Board members (excluding outside members)	45	45	–	–	2
Outside directors and outside Audit & Supervisory Board members	53	53	–	–	7
Total	418	360	46	11	17

Evaluation of the Board of Directors' effectiveness

Evaluation process

In January 2018, the Board of Directors conducted a survey, after which it interviewed additional pertinent individuals as necessary. Responses were collated by the Board's secretariat in early March and a summary of findings subsequently discussed at a meeting of the Board of Directors.

Summary of findings

Composition of the Board of Directors and frequency of meetings

The diversity of the Board of Directors is guaranteed. The Board is an appropriate size to ensure swift decision making. In principle, the Board of Directors meets monthly, with additional meetings held as necessary to ensure swift discussion and decision making

for critical matters. The matters handled by the Board of Directors were selected appropriately. Opinions were expressed regarding further diversification of the Board's composition and simplification of its administration.

Monitoring function of the Board of Directors

In an atmosphere that encourages members to speak, both outside directors and outside Audit & Supervisory Board members actively express their views, ensuring an appropriate balance between execution and monitoring. Matters deemed particularly critical by the Board of Directors are discussed by the board prior to resolution and pending matters are reported on at the Board of Directors meeting subsequent to resolution, thereby facilitating appropriate judgment by directors and

Audit & Supervisory Board members. In addition, where necessary, consensus building between full-time directors and outside directors is carried out smoothly. This shows that the monitoring function of the Board of Directors is judged to be sufficient. Constructive opinions have also been expressed regarding the need for further discussion of key issues pertaining to global strategies, key issues in individual segments, and the identification of risks.

Future initiatives

To further enhance corporate value and realize an even more effective Board of Directors, we will continue to promote efforts to improve the board's functions based on the 2018 evaluation and on opinions expressed.

Compliance

Basic policy and system

We provide security services, the objective of which is to protect the lives and assets of our customers from legal violations or malfeasance by third parties. As such, we recognize the importance of discharging duties in good faith to earn the trust of our customers and of society as a whole. To this end, we have formulated the SECOM Group Code of Employee Conduct, which prescribes ideals covering official and private affairs and standards to be followed in the discharge of duties for all

directors and employees. We take advantage of various opportunities to promote the unqualified observance of the code.

We view compliance as encompassing not only observing laws, regulations and our Articles of Incorporation, but also operating in a manner that adheres to the spirit thereof. Accordingly, compliance forms an integral component of our day-to-day operations. This approach is notable in that it does not involve the establishment of a dedicated system

overseen by a specific department or director. Each and every employee is on the front line of promoting the SECOM Group Code of Employee Conduct, including compliance, with direction provided by individuals in charge in each department. Directors provide further control for departments under their control, while the president and representative director provides control for the Company as a whole.

Initiatives aimed at ensuring fair operating practices

The SECOM Group Code of Employee Conduct contains rules regarding, among others, the maintenance of a mindset that refuses to be tempted to commit graft, which begins with a pretense of kindness; the pride of being

incorruptible by overcoming the temptation to hinder others' discharge of their duties; and the prevention of bribery, including through the prohibition of individual transactions and the lending or borrowing of money involving

customers or affiliated companies. We work actively to enforce the observance of these rules.

Operation of whistle-blowing system

We have established a whistle-blowing system that enables individuals to seek advice regarding or report issues of non-compliance. Employees and executives becoming aware of a violation of the SECOM Group Code of Employee Conduct are obliged to submit a report to his or her superior. However, in the event that no corrective measures are taken after the submission of a report, or if

circumstances make submitting a report difficult, employees and executives can report to the Audit and Compliance Department directly via the Hot Helpline. We have also established the Group Head Office Helpline, which enables employees and executives of subsidiaries to report compliance violations directly to the Group Governance Department. The content of reports submitted via these

help lines is kept confidential and necessary investigations and appropriate measures are undertaken swiftly. This protects whistle-blowers from any adverse impacts. Help line reports received totaled 60 in the fiscal year ended March 31, 2018, 60 in the fiscal year ended March 31, 2017 and 33 in the fiscal year ended March 31, 2016.

Global compliance training

To ensure our ability to provide same level of service in overseas markets as we do in Japan, we have translated SECOM's Philosophy and the SECOM Group Code of Employee Conduct into multiple different languages and work to

advance awareness thereof. We also provide compliance training tailored to local circumstances for senior management at overseas Group companies and employees from Japan taking up overseas postings that focuses on

obeying laws and regulations, preventing bribery and ensuring effective information management.

Other initiatives

We have formulated the SECOM Group CSR Guidelines for Suppliers, which sets forth issues that we require suppliers to address. These include organizational governance

and fair operating practices, human rights and labor practices, consumer issues and the environment.

Financial Review

Operating Results

Overview

In the fiscal year ended March 31, 2018, 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, BPO and ICT services, and real estate and other services segments.

Bolstered by a solid performance in the security services and fire protection services segments and the addition of results for new subsidiary TMJ, consolidated on October 2, 2017, consolidated net sales and operating revenue in the period under review rose 5.0%, or ¥51.5 billion, to ¥1,082.8 billion. Operating income increased 9.7%, or ¥12.7 billion, to ¥142.8 billion, bolstered by higher net sales and operating revenue in six segments, including security services. Despite a decline in gain on private equity investments, the increase in operating income pushed net income attributable to SECOM CO., LTD., up 5.7%, or ¥5.2 billion, to ¥96.6 billion.

Net Sales and Operating Revenue

Consolidated net sales and operating revenue were up 5.0%, or ¥51.5 billion, to ¥1,082.8 billion. The BPO and ICT services, security services, fire protection services, medical services and insurance services segments reported increases while the geographic information services and real estate and other services segments reported decreases. (For further details, please see Segment Information below.)

Cost and Expenses

Total costs and expenses, at ¥940.0 billion, rose 4.3%, or ¥38.9 billion. Cost of sales advanced 5.7%, or ¥40.5 billion, to ¥750.4 billion, and was equivalent to 69.3% of net sales and operating revenue, up from 68.8% in the preceding fiscal year. Principal factors behind this result were the acquisition of a newly consolidated subsidiary with a comparatively high cost of sales ratio and an increase in the cost of sales ratio in the insurance services segment as a consequence of typhoons.

Selling, general and administrative (SG&A) expenses were up 3.1%, or ¥5.7 billion, to ¥190.2 billion, improving to 17.6% of net sales and operating revenue, from 17.9% in the previous period.

Impairment loss on long-lived assets amounted to ¥841 million, down from the ¥2.7 billion in the preceding fiscal year when the company recognized losses on certain assets in the geographic information services segment. The Company also recognized an impairment loss on goodwill of ¥11 million in the medical services segment, while in the previous period it recognized an impairment loss on goodwill of ¥1.2 billion in the security services segment. Additionally, the Company reported a gain on sales and disposal of fixed assets, net, of ¥1.5 billion, reflecting increased income from real estate sales, compared with a net loss of ¥2.8 billion in the preceding fiscal year.

Operating Income

Operating income rose 9.7%, or ¥12.7 billion, to ¥142.8 billion, equivalent to 13.2% of net sales and operating revenue, up from 12.6% in the previous period. Principal factors behind this result included the increase in net sales and operating revenue, together with a gain on sales and disposal of fixed assets, net, compared with a loss in the preceding fiscal year, a decline in impairment loss on long-lived assets and impairment loss on goodwill. Segments, in order of contribution to operating income, were security services, fire protection services, BPO and ICT services, real estate and other services, insurance services, medical services and geographic information services. (For further details, please see Segment Information below.)

Other Income and Expenses

Other income decreased ¥7.4 billion, to ¥10.7 billion, owing primarily to a ¥8.0 billion decline in gain on private equity investments, to ¥5.9 billion, while other expenses were down ¥315 million, to ¥2.8 billion, reflecting a decline in net exchange losses, to ¥213 million, from ¥454 million in the preceding fiscal year. The result was net other income of ¥8.0 billion, a decrease of ¥7.1 billion.

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

Despite a decline in net other income, income from continuing operations before income taxes and equity in net income of affiliated companies rose 3.8%, or ¥5.6 billion, to ¥150.8 billion, bolstered by higher operating income.

Income Taxes

Income taxes totaled ¥48.1 billion, an increase of ¥1.1 billion. This was equivalent to 31.9% of income from continuing operations before income taxes and equity in net income of affiliated companies, compared with 32.4% in the previous period, owing to the inclusion of overseas income tax-related income.

Equity in Net Income of Affiliated Companies

Equity in net income of affiliated companies, at ¥7.2 billion, was up ¥2.0 billion. This result was due largely to the fact that equity in net income of certain affiliated companies overseas was down in the preceding fiscal year.

Net Income Attributable to Noncontrolling Interests

Net income attributable to noncontrolling interests amounted to ¥13.2 billion, up ¥1.2 billion from the previous period. Principal factors behind this result were a decline in gain on private equity investments and an increase in operating income in the fire protection services segment.

Net Income Attributable to SECOM CO., LTD.

Net income attributable to SECOM CO., LTD., advanced 5.7%, or ¥5.2 billion, to ¥96.6 billion, equivalent to 8.9% of net sales and operating revenue, level with the previous period. Net income attributable to SECOM CO., LTD. per share was ¥442.70, up from ¥418.71.

At the Ordinary General Meeting of Shareholders held on June 26, 2018, a proposal to pay a year-end dividend of ¥80.00 was approved. As a consequence, cash dividends for the period—which also included an interim dividend of ¥75.00 approved at the Board of Directors' meeting held on November 9, 2017—amounted to ¥155.00 per share, an increase of ¥10.00. However, because both the ¥75.00 per share year-end dividend for the year ended March 31, 2017, approved at the Ordinary General Meeting of Shareholders held on June 27, 2017, and the ¥75.00 per share interim dividend for the preceding fiscal year, determined by the Board of Directors and paid to shareholders of record as of September 30, 2017, 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 ¥150.00 per share.

Financial Review

Segment Information

(For further details, please see note 26 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 3.5%, or ¥18.9 billion, to ¥565.4 billion. Excluding inter-segment transactions, net sales and operating revenue in this segment amounted to ¥562.3 billion, representing 51.9% of overall net sales and operating revenue, compared with 52.7% 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 employs a rental format, whereby it maintains ownership of security equipment and provides it to subscribers on a rental basis. This minimizes initial costs for subscribers and guarantees the quality and stability of its services. The initial contract period for security services is five years, with contracts renewed automatically each subsequent year. Depreciation for security equipment is computed using the straight-line method principally over five years.

The Company takes full responsibility for all aspects of its on-line commercial and home security systems, from R&D through to equipment manufacturing, sales, security planning, installation, monitoring, emergency response services and equipment maintenance. This integrated approach leverages the Company's half-century-plus of experience and know-how in providing electronic security services, together with its R&D team's ability to recognize and address false alarms, to ensure highly efficient operations.

In the period under review, net sales and operating revenue from electronic security services edged up 0.7%, or ¥2.4 billion, to ¥341.2 billion, despite a decline in installations of large-scale security systems, among others, thanks to expanded sales of value-added

services that respond to diverse security needs, which bolstered sales of on-line 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 ¥59.0 billion, up 4.6%, or ¥2.6 billion, bolstered by solid demand and a change in the status of an overseas Group company from equity-method affiliate to consolidated subsidiary. 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 ¥61.1 billion, up 5.6%, or ¥3.2 billion, owing principally to firm sales in the area of collection and delivery services.

The merchandise and other category encompasses sales of a wide range of security products, including security camera systems, access control systems, automated fire extinguishing systems and external monitoring systems, which can be freestanding or linked to on-line security systems. Net sales and operating revenue in this category advanced 11.6%, or ¥10.5 billion, to ¥101.0 billion, owing to robust results for large-scale sales-type leases.

Operating income in the security services segment rose 3.5%, or ¥3.9 billion, to ¥116.6 billion. The operating margin remained level with the preceding fiscal year at 20.6%. These results primarily reflected higher sales in the area of on-line security systems and the absence of an impairment loss on goodwill reported in the previous period.

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 ¥140.7 billion, up 8.5%, or ¥11.0 billion, from the previous period, bolstered by contributions from major projects, a result of robust sales efforts. Operating income climbed 20.0%, or ¥2.6 billion, to ¥15.8

billion, as greater business efficiency led to an improved cost of sales ratio. The operating margin improved to 11.2%, from 10.1% in the previous period.

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 advanced 3.8%, or ¥6.5 billion, to ¥175.5 billion. The principal factors behind this result were increases in sales and operating revenues for variable interest entities, underpinned by the expansion and modification of hospitals and the opening of new wards in recent years, which boosted user numbers; the inclusion of a full year of results for a hospital management company in India that was consolidated in the preceding fiscal year; and an expanded number of users of our pharmaceutical dispensing services. Operating income soared 136.1%, or ¥2.4 billion, to ¥4.1 billion, while the operating margin rose to 2.3%, from 1.0%, owing mainly to an improvement in the profitability of hospitals managed by variable interest entities and an absence of an impairment loss on long-lived assets reported in the preceding fiscal year.

Insurance Services

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

Despite a ¥310 million decline in net realized investment gain, net sales and

operating revenue in this segment rose 1.8%, or ¥843 million, to ¥47.7 billion, with contributing factors including favorable sales of MEDCOM and fire insurance policies. Operating income fell 14.5%, or ¥1.1 billion, to ¥6.2 billion, while the operating margin dipped to 13.1%, from 15.6% in the previous fiscal year, owing to an increase in losses incurred as a result of typhoons.

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 it integrates, processes and analyzes to provide a variety of geospatial information services to public sector entities, including national and local governments, and private sector customers in Japan. The Company also extends geospatial information services to government agencies overseas.

Segment net sales and operating revenue decreased 1.5%, or ¥758 million, to ¥51.1 billion, owing to a decline in net sales and operating revenue from services for overseas customers. The segment reported operating income of ¥1.9 billion, compared with an

operating loss of ¥944 million in the previous fiscal year. The principal factors behind this result were a ¥1.1 billion decrease in impairment loss on long-lived assets and the reversal of a provision against futures losses recorded in the previous period.

BPO and ICT Services

The BPO and ICT services segment encompasses data center services, as well as BCP support services, information security services, cloud-based services and BPO services. In October 2017, we acquired all shares in TMJ, which provides contact center and other BPO services, as a result of which the company became a consolidated subsidiary. With the aim of integrating TMJ's capabilities with our existing data center and other information and communications related services to further grow these businesses, we changed the designation of this segment—formerly “information and communication related services”—to BPO and ICT services. This change involved no reclassification of reporting segments.

Net sales and operating revenue in this segment soared 35.3%, or ¥20.0 billion, to ¥76.8 billion, bolstered chiefly by

contributions from newly acquired subsidiary TMJ and higher revenue from data center services. Operating income rose 13.1%, or ¥1.0 billion, to ¥8.2 billion, although the operating margin declined to 10.7%, from 12.8% in the previous fiscal year. This reflected the addition of TMJ's operating income and the fact that TMJ has a comparatively lower operating margin.

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 declined 8.2%, or ¥4.1 billion, to ¥45.5 billion. Principal factors behind this result included a decrease in the real estate development and sales business. Operating income climbed 32.0%, or ¥1.7 billion, to ¥6.9 billion. The operating margin climbed to 15.2%, from 10.6% in the previous fiscal year. Higher operating income reflected increased income from real estate sales.

Financial Position

Total assets as of March 31, 2018, amounted to ¥1,838.9 billion, up ¥75.7 billion from the end of the previous fiscal year. Total current assets rose ¥34.0 billion, to ¥807.9 billion, and accounted for 43.9% of total assets. The current ratio was level at 2.0 times. Cash and cash equivalents totaled ¥316.7 billion, an increase of ¥17.1 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, trade, climbed ¥9.9 billion, to ¥144.7 billion, reflecting an

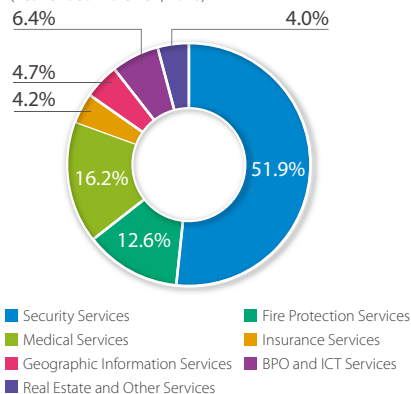
increase in net sales and operating revenue in the fire protection services segment. Notes and accounts receivable are affected by the fact that income in the fire protection services and geographic information services segments tend to be concentrated toward the end of the fiscal year. Cash deposits for armored car services advanced ¥5.2 billion, to ¥135.8 billion, with contributing factors including an increase in service contracts. Real estate for sale, at ¥44.5 billion, was up ¥16.9 billion, as a consequence of which inventories rose ¥19.4 billion, to ¥82.1 billion.

Investments and long-term receivables increased ¥8.6 billion, to ¥358.2 billion. This represented 19.5% of total assets. Property, plant and equipment, less accumulated depreciation, fell ¥1.7 billion, to ¥412.3 billion, equivalent to 22.4% of total assets, with contributing factors including sales of real estate for lease.

Other assets totaled ¥260.5 billion, up ¥34.7 billion, and accounted for 14.2% of total assets. The consolidation of TMJ, among others, boosted goodwill ¥17.6 billion, to ¥106.5 billion, and other intangible assets ¥6.3 billion, to ¥57.0 billion. Prepaid pension

Percentage of Consolidated Net Sales and Operating Revenue*

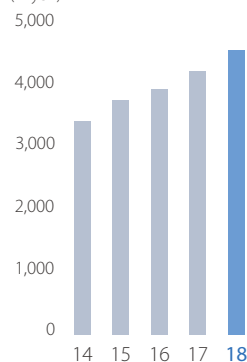
(Year ended March 31, 2018)



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

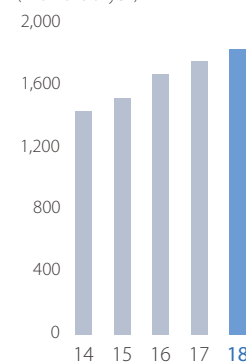
SECOM CO., LTD. Shareholders' Equity per Share

(In yen)



Total Assets

(In billions of yen)



Financial Review

and severance costs rose ¥6.1 billion, to ¥41.4 billion, bolstered by increases in the fair value of plan assets. Owing to the revision of an accounting standard governing balance sheet classification whereby deferred tax assets and liabilities must be classified as noncurrent assets and liabilities on the balance sheets, deferred income taxes climbed ¥5.0 billion, to ¥13.2 billion.

Total liabilities as of March 31, 2018, amounted to ¥707.6 billion, down ¥4.2 billion from the end of the previous fiscal year, and accounted for 38.5% of total liabilities and equity. Total current liabilities were ¥399.7 billion, an increase of ¥5.7 billion, and

accounted for 21.7% of total liabilities and equity. Deposits received rose ¥6.8 billion, to ¥118.9 billion, as an increase in service contracts pushed up cash deposits for armored car services.

Total long-term liabilities, at ¥308.0 billion, were down ¥9.9 billion, and represented 16.8% of total liabilities and equity. Long-term debt, at ¥50.3 billion, was down ¥3.9 billion, owing to repayments, as well as to the shift of certain debt to the bank loans category, among others. The revision of an accounting standard was one of several factors contributing to a ¥7.3 billion decrease in deferred income taxes, to ¥26.5 billion.

Total SECOM CO., LTD. shareholders' equity advanced ¥71.0 billion, to ¥1,000.3 billion. Retained earnings rose ¥63.8 billion, to ¥896.6 billion, with contributing factors including an increase in net income attributable to SECOM CO., LTD. and the payment of dividends. A positive pension liability adjustment of ¥1.6 billion, compared with a negative adjustment of ¥3.5 billion in the preceding fiscal year, boosted accumulated other comprehensive income ¥7.1 billion, to ¥27.2 billion. As a result, the equity ratio was 54.4%, compared with 52.7% as of March 31, 2017.

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 ¥133.3 billion. The principal components of this were net income of ¥109.9 billion; depreciation and amortization, including amortization of deferred charges, a non-cash item, of ¥79.0 billion; an increase in inventories of ¥18.6 billion; and an increase in deferred charges of ¥15.9 billion, attributable primarily to the deferral of costs related to the installation of equipment used to provide on-line security systems. (For further details, please see note 12 of the Notes to the Consolidated Financial Statements.)

Net cash provided by operating activities was ¥45.4 billion lower than in fiscal year ended March 31, 2017. Factors behind this decline included an ¥18.6 billion increase in inventories, compared with an decrease of ¥187 million in the previous period; a ¥2.4

billion decrease in accrued income taxes, compared with a ¥4.3 billion increase in the preceding fiscal year; and other, net, of ¥2.8 billion, down from ¥9.3 billion provided by this item in the previous period. The decline in cash provided in the other, net, category, primarily reflected the impact on the preceding period's result of payments received 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 was ¥61.5 billion. This result reflected payments for purchases of property, plant and equipment of ¥53.8 billion, reflecting outlays for security equipment and control stations necessitated by an increase in the number of security services subscribers; payments for purchases of investment securities of ¥51.1 billion, primarily in the insurance services segment and through private equity investments in the United States; and acquisitions, net of cash acquired, of ¥23.3 billion, owing to the acquisition of TMJ, among others. These outlays were partially offset by proceeds from sales and redemptions of investment securities of ¥69.4 billion.

Net cash used in investing activities was ¥14.3 billion higher than in the fiscal year ended March 31, 2017. Contributing factors included a ¥23.1 billion increase in acquisitions, net of cash acquired.

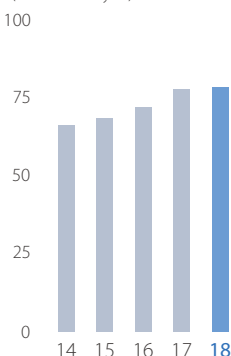
Net cash used in financing activities amounted to ¥55.0 billion. This was attributable primarily to dividends paid to SECOM CO., LTD. shareholders of ¥32.7 billion and repayments of long-term debt of ¥20.6 billion.

Net cash used in financing activities was ¥4.8 billion lower than in the preceding fiscal year. Factors behind this change included increases of ¥2.2 billion in dividends paid to SECOM CO., LTD. and ¥1.9 billion in dividends paid to noncontrolling interests and a decrease in bank loans, net, of ¥3.4 billion, compared with a decrease of ¥13.5 billion in the previous period.

The Company's operating, investing and financing activities in the period under review yielded net cash and cash equivalents at end of year of ¥316.7 billion, up ¥17.1 billion from net cash and cash equivalents at beginning of year, which were ¥299.6 billion.

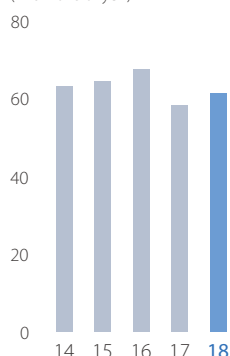
Depreciation and Amortization

(In billions of yen)



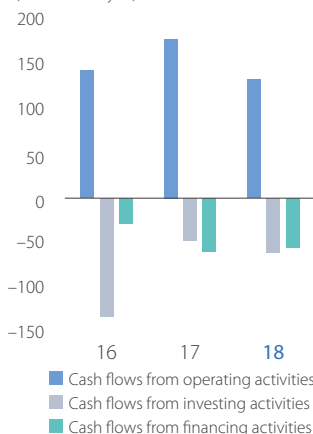
Purchases of Property, Plant and Equipment and Intangible Assets

(In billions of yen)



Cash Flows

(In billions of yen)



Consolidated Financial Statements

Consolidated Balance Sheets

SECOM CO., LTD. and Subsidiaries
March 31, 2018 and 2017

	In millions of yen		Translation into thousands of U.S. dollars (Note 3)
	2018	2017	March 31
ASSETS			2018
Current assets:			
Cash and Cash equivalents (Notes 5 and 22).....	¥ 316,729	¥ 299,600	\$ 2,988,009
Time deposits (Note 13)	9,593	9,562	90,500
Cash deposits for armored car services (Note 6).....	135,809	130,620	1,281,217
Short-term investments (Notes 7 and 22).....	17,211	29,224	162,368
Notes and accounts receivable, trade	144,657	134,794	1,364,689
Due from subscribers	49,789	46,467	469,708
Inventories (Note 8)	82,058	62,686	774,132
Short-term receivables (Notes 9, 13, 20 and 21).....	27,930	26,074	263,491
Allowance for doubtful accounts (Note 9)	(1,807)	(1,821)	(17,047)
Deferred insurance acquisition costs (Note 14).....	6,540	6,440	61,698
Deferred income taxes (Note 17).....	—	12,611	—
Other current assets.....	19,368	17,595	182,717
Total current assets.....	807,877	773,852	7,621,482
Investments and long-term receivables:			
Investment securities (Notes 2 (7), 7, 13 and 22).....	227,255	227,245	2,143,915
Investments in affiliated companies (Note 10)	64,620	57,922	609,623
Long-term receivables (Notes 9, 13, 20 and 21).....	43,281	42,407	408,311
Lease deposits	17,264	15,675	162,868
Other investments	10,086	10,510	95,151
Allowance for doubtful accounts (Note 9)	(4,298)	(4,178)	(40,547)
	358,208	349,581	3,379,321
Property, plant and equipment (Notes 11, 13, 19 and 20):			
Land	113,916	115,210	1,074,679
Buildings and improvements.....	340,822	329,631	3,215,302
Security equipment and control stations.....	329,655	317,352	3,109,953
Machinery, equipment and automobiles.....	150,528	143,789	1,420,075
Construction in progress	7,479	7,683	70,557
	942,400	913,665	8,890,566
Accumulated depreciation.....	(530,052)	(499,597)	(5,000,491)
	412,348	414,068	3,890,075
Other assets:			
Deferred charges (Note 2 (12)).....	42,325	42,606	399,292
Goodwill (Note 12).....	106,512	88,950	1,004,830
Other intangible assets (Notes 12, 13, 19 and 20)	57,027	50,726	537,991
Prepaid pension and severance costs (Note 15).....	41,409	35,282	390,651
Deferred income taxes (Note 17).....	13,239	8,213	124,896
	260,512	225,777	2,457,660
Total assets.....	¥1,838,945	¥1,763,278	\$17,348,538

See accompanying notes to consolidated financial statements.

	In millions of yen		Translation into thousands of U.S. dollars (Note 3)
	2018	March 31 2017	March 31 2018
LIABILITIES AND EQUITY			
Current liabilities:			
Bank loans (Notes 6 and 13).....	¥ 38,969	¥ 42,099	\$ 367,632
Current portion of long-term debt (Notes 13, 19 and 21)	19,632	19,615	185,208
Notes and accounts payable, trade.....	44,901	46,280	423,594
Other payables.....	41,546	38,612	391,943
Deposits received (Note 6)	118,897	112,053	1,121,670
Deferred revenue.....	38,395	38,732	362,217
Accrued income taxes.....	25,994	27,615	245,226
Accrued payroll.....	36,531	32,084	344,632
Other current liabilities (Note 17)	34,792	36,822	328,226
Total current liabilities.....	399,657	393,912	3,770,348
Long-term liabilities:			
Long-term debt (Notes 13, 19 and 21).....	50,299	54,149	474,519
Guarantee deposits received	32,109	32,529	302,915
Accrued pension and severance costs (Note 15).....	29,384	29,636	277,208
Long-term deferred revenue	15,194	15,444	143,340
Unearned premiums and other insurance liabilities (Note 14).....	114,814	110,018	1,083,151
Investment deposits by policyholders (Notes 14 and 21).....	25,208	27,691	237,811
Deferred income taxes (Note 17).....	26,530	33,815	250,283
Other long-term liabilities (Notes 21, 22 and 23).....	14,445	14,616	136,274
Total long-term liabilities.....	307,983	317,898	2,905,501
Total liabilities.....	707,640	711,810	6,675,849

Commitments and contingent liabilities (Note 24)

Equity:

SECOM CO., LTD. shareholders' equity (Note 18):

Common stock			
Authorized—900,000,000 shares, issued 233,290,441 shares in 2018			
Authorized—900,000,000 shares, issued 233,288,717 shares in 2017	66,385	66,378	626,274
Additional paid-in capital	73,133	73,102	689,934
Legal reserve.....	10,733	10,632	101,255
Retained earnings.....	896,586	832,785	8,458,358
Accumulated other comprehensive income (loss):			
Unrealized gains on securities (Note 7).....	22,797	22,529	215,066
Unrealized gains on derivative instruments (Note 23).....	—	—	—
Pension liability adjustments (Note 15)	1,578	(3,492)	14,887
Foreign currency translation adjustments.....	2,814	1,039	26,547
	27,189	20,076	256,500
Common stock in treasury, at cost:			
15,030,573 shares in 2018 and 15,028,470 shares in 2017	(73,749)	(73,731)	(695,745)
Total SECOM CO., LTD. shareholders' equity.....	1,000,277	929,242	9,436,576
Noncontrolling interests.....	131,028	122,226	1,236,113
Total equity	1,131,305	1,051,468	10,672,689
Total liabilities and equity	¥1,838,945	¥1,763,278	\$17,348,538

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

SECOM CO., LTD. and Subsidiaries
Three years ended March 31, 2018

	In millions of yen			Translation into thousands of U.S. dollars (Note 3)
	Years ended March 31			Year ended March 31
	2018	2017	2016	2018
Net sales and operating revenue (Notes 14, 18 and 22)	¥1,082,792	¥1,031,261	¥983,428	\$10,215,019
Costs and expenses:				
Cost of sales (Note 8)	750,422	709,962	674,533	7,079,453
Selling, general and administrative expenses (Notes 2 (17), 2 (18), 2 (19) and 4)	190,187	184,487	176,269	1,794,217
Impairment loss on long-lived assets (Note 11)	841	2,689	11,814	7,934
Impairment loss on goodwill (Note 12)	11	1,193	—	104
Gain and loss on sales and disposal of fixed assets, net	(1,504)	2,752	1,907	(14,189)
	939,957	901,083	864,523	8,867,519
Operating income	142,835	130,178	118,905	1,347,500
Other income:				
Interest and dividends	1,637	1,286	1,440	15,443
Gain on sales of securities, net (Notes 7 and 18)	237	391	1,480	2,236
Gain on private equity investments (Note 22)	5,884	13,887	1,718	55,509
Other (Notes 16, 18 and 23)	2,972	2,571	3,041	28,038
	10,730	18,135	7,679	101,226
Other expenses:				
Interest	1,236	1,369	1,388	11,660
Loss on other-than-temporary impairment of investment securities (Notes 18 and 22)	57	77	402	538
Other (Note 16)	1,482	1,644	2,333	13,981
	2,775	3,090	4,123	26,179
Income from continuing operations before income taxes and equity in net income of affiliated companies	150,790	145,223	122,461	1,422,547
Income taxes (Note 17):				
Current	54,225	43,449	39,135	511,557
Deferred	(6,118)	3,563	1,177	(57,717)
	48,107	47,012	40,312	453,840
Income from continuing operations before equity in net income of affiliated companies	102,683	98,211	82,149	968,707
Equity in net income of affiliated companies (Note 18)	7,179	5,178	7,162	67,726
Net income	109,862	103,389	89,311	1,036,433
Less: Net income attributable to noncontrolling interests	(13,239)	(12,002)	(5,239)	(124,896)
Net income attributable to SECOM CO., LTD.	¥ 96,623	¥ 91,387	¥ 84,072	\$ 911,537

	In yen			Translation into U.S. dollars (Note 3)
	Years ended March 31			Year ended March 31
	2018	2017	2016	2018
Per share data (Note 2 (21)):				
Net income attributable to SECOM CO., LTD.	¥442.70	¥418.71	¥385.19	\$4.18
Cash dividends per share (Note 18)	¥150.00	¥140.00	¥130.00	\$1.42

Consolidated Statements of Comprehensive Income

SECOM CO., LTD. and Subsidiaries
Three years ended March 31, 2018

	In millions of yen			Translation into thousands of U.S. dollars (Note 3)
	Years ended March 31			Year ended March 31
	2018	2017	2016	2018
Comprehensive income:				
Net income	¥109,862	¥103,389	¥89,311	\$1,036,434
Other comprehensive income (loss), net of tax:				
Unrealized gains and losses on securities	256	4,600	(7,823)	2,415
Unrealized gains on derivative instruments	—	—	(9)	—
Pension liability adjustments	5,376	4,675	(6,402)	50,717
Foreign currency translation adjustments	1,952	(5,726)	(3,234)	18,416
Total comprehensive income	117,446	106,938	71,843	1,107,982
Less: Comprehensive income attributable to noncontrolling interests	(13,710)	(12,388)	(3,820)	(129,340)
Comprehensive income attributable to SECOM CO., LTD.	¥103,736	¥ 94,550	¥68,023	\$ 978,642

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

SECOM CO., LTD. and Subsidiaries
Three years ended March 31, 2018

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
Balance, March 31, 2015	233,288,717	¥66,378	¥73,442	¥10,401	¥716,487	¥32,962	(¥73,701)	¥ 825,969	¥113,198	¥ 939,167
Comprehensive income:										
Net income	—	—	—	—	84,072	—	—	84,072	5,239	89,311
Other comprehensive income (loss), net of tax (Note 18):										
Unrealized gains on securities	—	—	—	—	—	(7,411)	—	(7,411)	(412)	(7,823)
Unrealized gains on derivative instruments	—	—	—	—	—	(5)	—	(5)	(4)	(9)
Pension liability adjustments	—	—	—	—	—	(5,752)	—	(5,752)	(650)	(6,402)
Foreign currency translation adjustments	—	—	—	—	—	(2,881)	—	(2,881)	(353)	(3,234)
Total comprehensive income	—	—	—	—	—	—	—	68,023	3,820	71,843
Cash dividends paid to SECOM CO., LTD. shareholders	—	—	—	—	(28,373)	—	—	(28,373)	—	(28,373)
Cash dividends paid to noncontrolling interests	—	—	—	—	—	—	—	—	(2,943)	(2,943)
Transfer to legal reserve	—	—	—	125	(125)	—	—	—	—	—
Equity transactions with noncontrolling interests and other (Note 18)	—	—	(324)	—	—	—	—	(324)	(2,756)	(3,080)
Gains on disposal of treasury stock	—	—	0	—	—	—	—	0	—	0
Net changes in treasury stock	—	—	—	—	—	—	(17)	(17)	—	(17)
Balance, March 31, 2016	233,288,717	66,378	73,118	10,526	772,061	16,913	(73,718)	865,278	111,319	976,597
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	—	—	—	—	—	—	—	—	—	—
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)
Balance, March 31, 2017	233,288,717	66,378	73,102	10,632	832,785	20,076	(73,731)	929,242	122,226	1,051,468
Comprehensive income:										
Net income	—	—	—	—	96,623	—	—	96,623	13,239	109,862
Other comprehensive income (loss), net of tax (Note 18):										
Unrealized gains on securities	—	—	—	—	—	268	—	268	(12)	256
Unrealized gains on derivative instruments	—	—	—	—	—	—	—	—	—	—
Pension liability adjustments	—	—	—	—	—	5,070	—	5,070	306	5,376
Foreign currency translation adjustments	—	—	—	—	—	1,775	—	1,775	177	1,952
Total comprehensive income	—	—	—	—	—	—	—	103,736	13,710	117,446
Issuance of new stocks	1,724	7	7	—	—	—	—	14	—	14
Cash dividends paid to SECOM CO., LTD. shareholders	—	—	—	—	(32,738)	—	—	(32,738)	—	(32,738)
Cash dividends paid to noncontrolling interests	—	—	—	—	—	—	—	—	(5,381)	(5,381)
Transfer to legal reserve	—	—	—	101	(101)	—	—	—	—	—
Equity transactions with noncontrolling interests and other (Note 18)	—	—	24	—	—	—	—	24	473	497
Changes in the scope of application of the equity method	—	—	—	—	17	—	—	17	—	17
Gains on disposal of treasury stock	—	—	0	—	—	—	—	0	—	0
Net changes in treasury stock	—	—	—	—	—	—	(18)	(18)	—	(18)
Balance, March 31, 2018	233,290,441	¥66,385	¥73,133	¥10,733	¥896,586	¥27,189	(¥73,749)	¥1,000,277	¥131,028	¥1,131,305

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
Balance, March 31, 2017	\$626,208	\$689,642	\$100,302	\$7,856,462	\$189,396	(\$695,575)	\$8,766,435	\$1,153,075	\$ 9,919,510
Comprehensive income:									
Net income	—	—	—	911,538	—	—	911,538	124,896	1,036,434
Other comprehensive income (loss), net of tax (Note 18):									
Unrealized gains on securities	—	—	—	—	2,528	—	2,528	(113)	2,415
Unrealized gains on derivative instruments	—	—	—	—	—	—	—	—	—
Pension liability adjustments	—	—	—	—	47,830	—	47,830	2,887	50,717
Foreign currency translation adjustments	—	—	—	—	16,746	—	16,746	1,670	18,416
Total comprehensive income	—	—	—	—	—	—	978,642	129,340	1,107,982
Issuance of new stocks	66	66	—	—	—	—	132	—	132
Cash dividends paid to SECOM CO., LTD. shareholders	—	—	—	(308,849)	—	—	(308,849)	—	(308,849)
Cash dividends paid to noncontrolling interests	—	—	—	—	—	—	—	(50,764)	(50,764)
Transfer to legal reserve	—	—	953	(953)	—	—	—	—	—
Equity transactions with noncontrolling interests and other (Notes 18)	—	226	—	—	—	—	226	4,462	4,688
Changes in the scope of application of the equity method	—	—	—	160	—	—	160	—	160
Gains on disposal of treasury stock	—	0	—	—	—	—	0	—	0
Net changes in treasury stock	—	—	—	—	—	(170)	(170)	—	(170)
Balance, March 31, 2018	\$626,274	\$689,934	\$101,255	\$8,458,358	\$256,500	(\$695,745)	\$9,436,576	\$1,236,113	\$10,672,689

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

SECOM CO., LTD. and Subsidiaries
Three years ended March 31, 2018

	In millions of yen			Translation into thousands of U.S. dollars (Note 3)
	Years ended March 31			Year ended March 31
	2018	2017	2016	2018
Cash flows from operating activities:				
Net income	¥109,862	¥103,389	¥ 89,311	\$1,036,434
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).....	78,955	78,183	72,481	744,858
Accrual for pension and severance costs, less payments	977	754	(2,246)	9,217
Deferred income taxes.....	(6,118)	3,563	1,177	(57,717)
Gain and loss on sales and disposal of fixed assets, net.....	(1,541)	2,712	1,815	(14,538)
Impairment loss on long-lived assets (Note 11).....	841	2,689	11,814	7,934
Write-down on real estate inventories (Note 8).....	865	1,164	1,463	8,160
Gain on private equity investments (Note 22).....	(5,884)	(13,887)	(1,718)	(55,509)
Impairment loss on goodwill (Note 12).....	11	1,193	—	104
Gain on sales of securities, net (Notes 7 and 14).....	(1,073)	(1,500)	(2,101)	(10,123)
Loss on other-than-temporary impairment of investment securities (Notes 14 and 22).....	199	182	549	1,877
Equity in net income of affiliated companies.....	(7,179)	(5,178)	(7,162)	(67,726)
Changes in assets and liabilities, net of effects from acquisitions and disposals:				
(Increase) decrease in cash deposits for armored car services.....	(5,189)	(2,352)	3,642	(48,953)
(Increase) decrease in receivables and due from subscribers, net of allowances.....	(8,292)	(1,268)	(9,741)	(78,226)
(Increase) decrease in inventories.....	(18,639)	187	(2,445)	(175,840)
Increase in deferred charges.....	(15,902)	(15,887)	(15,501)	(150,019)
Increase (decrease) in notes and accounts payable.....	(378)	3,435	646	(3,566)
Increase (decrease) in deposits received.....	5,962	6,627	2,985	56,245
Decrease in deferred revenue.....	(779)	(1,560)	(515)	(7,349)
Increase (decrease) in accrued income taxes.....	(2,441)	4,334	959	(23,028)
Increase (decrease) in guarantee deposits received.....	(474)	(1,023)	(1,070)	(4,472)
Increase in unearned premiums and other insurance liabilities.....	4,796	4,449	5,984	45,245
Increase (decrease) in accrued consumption tax.....	1,924	(879)	(7,003)	18,151
Other, net.....	2,754	9,296	(473)	25,983
Net cash provided by operating activities.....	133,257	178,623	142,851	1,257,142
Cash flows from investing activities:				
(Increase) decrease in time deposits.....	172	(70)	(517)	1,623
Proceeds from sales of property, plant and equipment.....	6,166	1,465	3,030	58,170
Payments for purchases of property, plant and equipment.....	(53,751)	(51,222)	(59,454)	(507,085)
Payments for purchases of intangible assets.....	(7,859)	(7,338)	(8,409)	(74,142)
Proceeds from sales and redemptions of investment securities (Note 7).....	69,365	43,290	55,036	654,387
Payments for purchases of investment securities.....	(51,098)	(32,613)	(49,361)	(482,057)
(Increase) decrease in short-term investments.....	(1,150)	(2,283)	(241)	(10,849)
Acquisitions, net of cash acquired (Note 4).....	(23,283)	(167)	(73,540)	(219,651)
(Increase) decrease in short-term receivables, net.....	(457)	(62)	(7)	(4,311)
Payments for long-term receivables.....	(840)	(760)	(639)	(7,925)
Proceeds from long-term receivables.....	1,224	1,721	1,218	11,547
Other, net.....	50	839	190	472
Net cash used in investing activities.....	(61,461)	(47,200)	(132,694)	(579,821)
Cash flows from financing activities:				
Proceeds from long-term debt.....	9,613	8,407	9,357	90,689
Repayments of long-term debt.....	(20,582)	(20,059)	(15,197)	(194,170)
Increase (decrease) in bank loans, net.....	(3,378)	(13,528)	8,691	(31,868)
Increase (decrease) in investment deposits by policyholders.....	(2,483)	(2,112)	(469)	(23,425)
Dividends paid to SECOM CO., LTD. shareholders.....	(32,738)	(30,557)	(28,373)	(308,849)
Dividends paid to noncontrolling interests.....	(5,426)	(3,556)	(2,208)	(51,189)
Payments for acquisition of shares of consolidated subsidiaries from noncontrolling interest holders.....	(120)	(489)	(846)	(1,132)
Proceeds from sales of shares of consolidated subsidiaries to noncontrolling interest holders.....	—	618	—	—
Increase in treasury stock, net.....	(17)	(13)	(16)	(160)
Other, net.....	94	1,464	65	887
Net cash used in financing activities.....	(55,037)	(59,825)	(28,996)	(519,217)
Effect of exchange rate changes on cash and cash equivalents	370	(980)	(806)	3,490
Net increase in cash and cash equivalents	17,129	70,618	(19,645)	161,594
Cash and cash equivalents at beginning of year	299,600	228,982	248,627	2,826,415
Cash and cash equivalents at end of year	¥316,729	¥299,600	¥228,982	\$2,988,009

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

SECOM CO., LTD. and Subsidiaries
Three years ended March 31, 2018

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, BPO and ICT 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; BPO and ICT services, including data center services, business continuity plan support, information security services and cloud-based services; as well as Business Process Outsourcing ("BPO") related 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 ¥74,539 million (\$703,198 thousand) and ¥84,029 million (\$792,726 thousand), respectively, at March 31, 2018, and ¥73,742 million and ¥85,325 million, respectively, at March 31, 2017. 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 ¥29,232 million (\$275,774 thousand) and ¥27,699 million (\$261,311 thousand), respectively, at March 31, 2018, and ¥29,778 million and ¥28,628 million, respectively, at March 31, 2017. The Company's assets in the consolidated balance sheets and the Company's maximum exposure to losses related to VIEs at March 31, 2018 and 2017 were ¥6,415 million (\$60,519 thousand) and ¥5,997 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, BPO and ICT 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 ¥29,815 million (\$281,274 thousand) and ¥49,738 million at March 31, 2018 and 2017, 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 ¥54,127 million (\$510,632 thousand), ¥53,677 million and ¥50,098 million for the years ended March 31, 2018, 2017 and 2016, 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, 2018 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 ¥15,529 million (\$146,500 thousand), ¥15,596 million and ¥15,129 million for the years ended March 31, 2018, 2017 and 2016, 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, 2018, 2017 and 2016 were ¥6,383 million (\$60,217 thousand), ¥6,491 million and ¥6,771 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, 2018, 2017 and 2016 were ¥5,011 million (\$47,274 thousand), ¥5,072 million and ¥4,388 million, respectively.

(19) Shipping and Handling Costs

Shipping and handling costs included in selling, general and administrative expenses for the years ended March 31, 2018, 2017 and 2016 were ¥1,380 million (\$13,019 thousand), ¥1,220 million and ¥1,213 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, 2018, 2017 and 2016 was 218,260 thousand shares, 218,261 thousand shares and 218,263 thousand shares, respectively. There were no potentially dilutive shares outstanding during the years ended March 31, 2018, 2017 or 2016.

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. Therefore, 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. 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 and the effect of adopting this accounting standard on its consolidated financial statements.

In November 2015, the FASB issued ASU No. 2015-17, "Balance Sheet Classification of Deferred Taxes." This accounting standard requires deferred tax assets and liabilities be classified as noncurrent on the balance sheet. This accounting standard is effective for fiscal years beginning after December 15, 2016, and was adopted by the Company in the fiscal year beginning April 1, 2017. Prior periods were not retrospectively adjusted.

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.

In March 2017, the FASB issued ASU No. 2017-07, "Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost." This accounting standard requires an entity to disaggregate the service cost component from the other components of net benefit cost, and present the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost are required to be presented in the income statement separately from the service cost component, such as in other income (expenses). This accounting standard allows only the service cost component to be eligible for capitalization. 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.

(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.

(25) Reclassifications

Certain amounts in the accompanying consolidated financial statements for the years ended March 31, 2017 and 2016 have been reclassified to conform to the presentation used for the year ended March 31, 2018.

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 ¥106=US\$1, the approximate rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2018. 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 TMJ, Inc.

On October 2, 2017, the Company acquired 100% of common shares outstanding of TMJ, Inc. for ¥26,550 million (\$250,472 thousand) in cash. The purpose of this acquisition is to increase corporate value through generating various synergies including further improvements in quality of existing business and development and provision of new BPO (Business Process Outsourcing) services by taking full advantage of the collective strengths of SECOM and TMJ.

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

	In millions of yen	In thousands of U.S. dollars
Cash and cash equivalents.....	¥ 2,654	\$ 25,038
Cash deposits for armored car services.....	3,803	35,877
Other current assets.....	290	2,736
Investments and long-term receivables.....	1,642	15,490
Property, plant and equipment.....	1,262	11,906
Intangible assets, including goodwill.....	24,919	235,085
Total assets acquired.....	34,570	326,132
Current liabilities.....	5,075	47,877
Long-term liabilities.....	2,945	27,783
Total liabilities assumed.....	8,020	75,660
Net assets acquired.....	¥26,550	\$250,472

Intangible assets of ¥7,448 million (\$70,264 thousand) subject to amortization include customer relationships of ¥6,796 million (\$64,113 thousand) with a 15-year useful life. The goodwill of ¥17,471 million (\$164,821 thousand) represents expected excess earnings power based on the future business operations. It is not deductible for tax purposes and has been assigned to the BPO and ICT services segment.

The Company recorded the acquisition costs of ¥274 million (\$2,585 thousand) related to this acquisition in selling, general and administrative expenses for the year ended March 31, 2018.

The following unaudited pro forma information shows the Company's consolidated results of operations for the years ended March 31, 2018 and 2017 as if the newly consolidated subsidiaries acquired in the year ended March 31, 2018, were consolidated on April 1, 2016.

	In millions of yen		In thousands of U.S. dollars
	Years ended March 31	Years ended March 31	Year ended March 31
Unaudited	2018	2017	2018
Pro forma net sales and operating revenue.....	¥1,099,655	¥1,066,938	\$10,374,104
Pro forma net income attributable to SECOM Co., Ltd.....	97,714	92,070	921,830
	In yen		In U.S. dollars
	Years ended March 31	Years ended March 31	Year ended March 31
Unaudited	2018	2017	2018
Pro forma net income attributable to SECOM Co., Ltd. per share.....	¥447.69	¥421.83	\$4.22

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, 2016, 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, 2018 and 2017 comprise the following:

	In millions of yen		In thousands of U.S. dollars
	March 31	March 31	March 31
Unaudited	2018	2017	2018
Cash	¥304,415	¥281,433	\$2,871,839
Time deposits.....	12,165	18,004	114,764
Call loan	—	—	—
Investment securities.....	149	163	1,406
	¥316,729	¥299,600	\$2,988,009

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 ¥21,940 million (\$206,981 thousand) and ¥113,830 million (\$1,073,868 thousand), respectively, at March 31, 2018, and ¥22,704 million and ¥107,878 million, respectively, at March 31, 2017. 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, 2018 and 2017 are as follows:

	In millions of yen			
	March 31, 2018			
	Cost	Gross unrealized Gains	Gross unrealized Losses	Fair value
Short-term investments:				
Available-for-sale:				
Debt securities	¥ 16,319	¥ 902	¥ 10	¥ 17,211
Held-to-maturity:				
Debt securities	—	—	—	—
	¥ 16,319	¥ 902	¥ 10	¥ 17,211

Investment securities:				
Available-for-sale:				
Equity securities	¥ 35,071	¥31,714	¥ 175	¥ 66,610
Debt securities	105,423	2,799	913	107,309
Held-to-maturity:				
Debt securities	13,006	1,546	—	14,552
	¥153,500	¥36,059	¥1,088	¥188,471

	In millions of yen			
	March 31, 2017			
	Cost	Gross unrealized Gains	Gross unrealized 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 thousands of U.S. dollars			
	March 31, 2018			
	Cost	Gross unrealized Gains	Gross unrealized Losses	Fair value
Short-term investments:				
Available-for-sale:				
Debt securities	\$ 153,953	\$ 8,509	\$ 94	\$ 162,368
Held-to-maturity:				
Debt securities	—	—	—	—
	\$ 153,953	\$ 8,509	\$ 94	\$ 162,368

Investment securities:				
Available-for-sale:				
Equity securities	\$ 330,858	\$299,189	\$ 1,651	\$ 628,396
Debt securities	994,557	26,405	8,613	1,012,349
Held-to-maturity:				
Debt securities	122,698	14,585	—	137,283
	\$1,448,113	\$340,179	\$10,264	\$1,778,028

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, 2018 are as follows:

In millions of yen				
March 31, 2018				
Less than 12 months		12 months or longer		
Fair value	Gross unrealized losses	Fair value	Gross unrealized losses	
Available-for-sale:				
Equity securities	¥ 1,482	¥ 157	¥—	¥—
Debt securities	45,507	923	—	—
	¥46,989	¥1,080	¥—	¥—
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, 2018.

At March 31, 2018, 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, 2018 are as follows:

In millions of yen				
March 31, 2018				
Available-for-sale		Held-to-maturity		
Cost	Fair value	Cost	Fair value	
Due within 1 year	¥ 16,319	¥ 17,211	¥ —	¥ —
Due after 1 year through 5 years	80,476	81,122	1,510	1,558
Due after 5 years through 10 years	7,335	7,480	—	—
Due after 10 years	17,612	18,707	11,496	12,994
	¥121,742	¥124,520	¥13,006	¥14,552

In thousands of U.S. dollars				
March 31, 2018				
Available-for-sale		Held-to-maturity		
Cost	Fair value	Cost	Fair value	
Due within 1 year	\$ 153,953	\$ 162,368	\$ —	\$ —
Due after 1 year through 5 years	759,208	765,302	14,245	14,698
Due after 5 years through 10 years	69,198	70,566	—	—
Due after 10 years	166,151	176,481	108,453	122,585
	\$1,148,510	\$1,174,717	\$122,698	\$137,283

During the years ended March 31, 2018, 2017 and 2016, 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 ¥268 million (\$2,528 thousand), increased by ¥4,376 million and decreased by ¥7,411 million, respectively.

Proceeds from the sale of "available-for-sale" securities for the years ended March 31, 2018, 2017 and 2016 were ¥26,488 million (\$249,887 thousand), ¥15,574 million and ¥21,397 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, 2018, 2017 and 2016 are as follows:

In millions of yen		In thousands of U.S. dollars	
Years ended March 31		Year ended March 31	
2018	2017	2016	2018
Gross realized gains	¥1,689	¥1,623	¥1,921
Gross realized losses	268	72	110
			\$15,934
			2,528

The Company maintains long-term investment securities, issued by a number of non-public companies, included as investment securities in the consolidated balance sheets. The aggregate carrying amount of the investments in non-public companies, at cost net of other-than-temporary impairment, was ¥10,515 million (\$99,198 thousand) and ¥9,414 million at March 31, 2018 and 2017, 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, 2018 and 2017 comprise the following:

In millions of yen		In thousands of U.S. dollars	
March 31		March 31	
2018	2017	2018	2017
Security-related products	¥ 7,433	¥ 6,961	\$ 70,123
Fire protection-related products	20,476	18,135	193,170
Real estate	44,455	27,507	419,387
Other-related products	9,694	10,083	91,452
	¥82,058	¥62,686	\$774,132

Work in process for real estate inventories at March 31, 2018 and 2017, amounting to ¥39,689 million (\$374,425 thousand) and ¥22,284 million, respectively, are included in real estate.

Costs on uncompleted construction contracts at March 31, 2018 and 2017, amounting to ¥10,974 million (\$103,528 thousand) and ¥9,053 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, 2018, 2017 and 2016 were ¥865 million (\$8,160 thousand), ¥1,164 million and ¥1,463 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, 2018 and 2017 are as follows:

In millions of yen					
Year ended March 31, 2018					
	Lease receivables	Loans receivable resulting from medical services	Other loans receivable	Other	Total
Allowance for doubtful accounts:					
Balance at beginning of year.....	¥ 356	¥2,390	¥ 698	¥ 850	¥ 4,294
Provision (Reversal).....	(133)	(17)	(143)	366	73
Charge off.....	52	—	—	(0)	52
Other*	—	—	(16)	0	(16)
Balance at end of year	275	2,373	539	1,216	4,403
Individually evaluated.....	119	2,373	539	1,216	4,247
Collectively evaluated.....	¥ 156	¥ —	¥ 0	¥ —	¥ 156
Financing receivables:					
Individually evaluated.....	¥ 197	¥5,666	¥ 948	¥1,404	¥ 8,215
Collectively evaluated.....	54,203	548	921	143	55,815
	¥54,400	¥6,214	¥1,869	¥1,547	¥64,030

* "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, 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
	¥52,439	¥6,402	¥1,735	¥1,247	¥61,823

* "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, 2018					
	Lease receivables	Loans receivable resulting from medical services	Other loans receivable	Other	Total
Allowance for doubtful accounts:					
Balance at beginning of year.....	\$ 3,358	\$22,547	\$ 6,585	\$ 8,019	\$ 40,509
Provision (Reversal).....	(1,255)	(160)	(1,349)	3,453	689
Charge off.....	491	—	—	(0)	491
Other*	—	—	(151)	0	(151)
Balance at end of year	2,594	22,387	5,085	11,472	41,538
Individually evaluated.....	1,122	22,387	5,085	11,472	40,066
Collectively evaluated.....	\$ 1,472	\$ —	\$ 0	\$ —	\$ 1,472
Financing receivables:					
Individually evaluated.....	\$ 1,858	\$53,453	\$ 8,943	\$13,245	\$ 77,499
Collectively evaluated.....	511,350	5,170	8,689	1,349	526,558
	\$513,208	\$58,623	\$17,632	\$14,594	\$604,057

* "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, 2018 and 2017 are as follows:

In millions of yen					
March 31, 2018					
	Lease receivables	Loans receivable resulting from medical services	Other loans receivable	Other	Total
Current	¥54,203	¥6,177	¥ 953	¥ 843	¥62,176
Overdue.....	197	37	916	704	1,854
Total:					
Financing receivables	¥54,400	¥6,214	¥1,869	¥1,547	¥64,030
Financing receivables on nonaccrual status	¥ —	¥ 4	¥ 948	¥ —	¥ 952

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 thousands of U.S. dollars					
March 31, 2018					
	Lease receivables	Loans receivable resulting from medical services	Other loans receivable	Other	Total
Current	\$511,350	\$58,274	\$ 8,990	\$ 7,952	\$586,566
Overdue.....	1,858	349	8,642	6,642	17,491
Total:					
Financing receivables	\$513,208	\$58,623	\$17,632	\$14,594	\$604,057
Financing receivables on nonaccrual status	\$ —	\$ 38	\$ 8,943	\$ —	\$ 8,981

Impaired receivables and the related allowance for doubtful accounts at March 31, 2018 and 2017 are as follows:

In millions of yen					
March 31, 2018					
	Lease receivables	Loans receivable resulting from medical services	Other loans receivable	Other	Total
Impaired receivables	¥197	¥5,666	¥948	¥1,404	¥8,215
Related allowance for doubtful accounts.....	119	2,373	539	1,216	4,247

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 thousands of U.S. dollars					
March 31, 2018					
	Lease receivables	Loans receivable resulting from medical services	Other loans receivable	Other	Total
Impaired receivables	\$1,858	\$53,453	\$8,943	\$13,245	\$77,499
Related allowance for doubtful accounts.....	1,122	24,387	5,085	11,472	40,066

The average amounts of impaired receivables for the year ended March 31, 2018 are as follows:

In millions of yen					
	Lease receivables	Loans receivable resulting from medical services	Other loans receivable	Other	Total
Average amounts of impaired receivables.....	¥175	¥5,760	¥876	¥1,251	¥8,062

In thousands of U.S. dollars					
	Lease receivables	Loans receivable resulting from medical services	Other loans receivable	Other	Total
Average amounts of impaired receivables.....	\$1,651	\$54,340	\$8,264	\$11,802	\$76,057

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 27.1 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	
	2018	2017	2018
Current assets	¥127,793	¥104,780	\$1,205,594
Noncurrent assets	196,908	183,063	1,857,623
Total assets.....	¥324,701	¥287,843	\$3,063,217
Current liabilities	¥ 79,246	¥ 68,683	\$ 747,604
Long-term liabilities	42,160	39,477	397,736
Equity	203,295	179,683	1,917,877
Total liabilities and equity.....	¥324,701	¥287,843	\$3,063,217

	In millions of yen		In thousands of U.S. dollars
	Years ended March 31	Year ended March 31	
	2018	2017	2016
Net sales	¥283,066	¥255,263	\$2,670,434
Gross profit	¥ 83,626	¥ 78,246	\$ 788,925
Net income attributable to affiliated companies.....	¥ 25,266	¥ 17,320	\$ 238,358

Dividends received from affiliated companies for the years ended March 31, 2018, 2017 and 2016 were ¥4,199 million (\$39,613 thousand), ¥3,036 million and ¥3,614 million, respectively.

Three listed affiliated companies accounted for under the equity method with an aggregated carrying amount of ¥51,410 million (\$485,000 thousand) and ¥48,971 million at March 31, 2018 and 2017, respectively, had a quoted market value of ¥141,738 million (\$1,337,151 thousand) and ¥133,190 million at March 31, 2018 and 2017, respectively.

The amounts of goodwill included in the carrying amount of investments in affiliated companies were ¥4,836 million (\$45,623 thousand) and ¥4,600 million at March 31, 2018 and 2017, 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	
	2018	2017	2016
Sales	¥1,371	¥1,455	\$12,934
Purchases.....	¥6,293	¥4,749	\$59,368

	In millions of yen		In thousands of U.S. dollars
	March 31	March 31	
	2018	2017	2018
Notes and accounts receivable, trade.....	¥ 475	¥ 526	\$ 4,481
Loans receivable.....	¥ 492	¥ 693	\$ 4,642
Notes and accounts payable.....	¥2,406	¥2,668	\$22,698
Guarantees for bank loans	¥ —	¥ 50	\$ —

The Company's equity in undistributed income of affiliates at March 31, 2018 and 2017 included in retained earnings was ¥37,763 million (\$356,255 thousand) and ¥34,888 million, respectively.

11. Long-Lived Assets

The Company has assessed the potential impairment of its long-lived assets. As a result of a significant decrease in revenue forecasts, the Company principally recognized impairment losses on certain business assets of the BPO and ICT services segment for the year ended March 31, 2018, on certain business assets of the geographic information services segment for the year ended March 31, 2017, and on certain business assets of the BPO and ICT services segment and certain real estate included as corporate items for the year ended March 31, 2016. 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, 2018, 2017 and 2016 are as follows:

	In millions of yen		In thousands of U.S. dollars
	Years ended March 31	Year ended March 31	
	2018	2017	2016
Security services.....	¥ 47	¥ 42	\$ 443
Fire protection services.....	15	62	142
Medical services	—	556	—
Insurance services.....	—	—	—
Geographic information services.....	364	1,473	3,434
BPO and ICT services.....	415	485	3,915
Real estate and other services.....	—	71	—
Corporate items.....	—	—	—
Total	¥841	¥2,689	\$7,934

12. Goodwill and Other Intangible Assets

The components of acquired intangible assets, excluding goodwill, at March 31, 2018 and 2017 are as follows:

	In millions of yen		
	March 31, 2018		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortized intangible assets:			
Software	¥53,535	(¥33,380)	¥20,155
Other	40,228	(9,307)	30,921
	¥93,763	(¥42,687)	¥51,076

Unamortized intangible assets	¥ 5,951	¥ —	¥ 5,951
-------------------------------------	---------	-----	---------

	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
-------------------------------------	---------	-----	---------

	In thousands of U.S. dollars		
	March 31, 2018		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortized intangible assets:			
Software	\$505,047	(\$314,906)	\$190,141
Other	379,509	(87,802)	291,707
	\$884,556	(\$402,708)	\$481,848

Unamortized intangible assets	\$ 56,143	\$ —	\$ 56,143
-------------------------------------	-----------	------	-----------

Aggregate amortization expense for the years ended March 31, 2018, 2017 and 2016 was ¥9,299 million (\$87,726 thousand), ¥8,910 million and ¥7,254 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
2019	¥9,777	\$92,236
2020	8,340	78,679
2021	6,622	62,472
2022	4,813	45,406
2023	3,367	31,764

The changes in the carrying amount of goodwill by business segment for the years ended March 31, 2018 and 2017 are as follows:

	In millions of yen						
	Security services	Fire protection services	Medical services	Geographic information services	BPO and ICT services	Real estate and other services	Total
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
Goodwill acquired during the year	38	57	—	—	17,471	—	17,566
Disposal	—	—	—	—	—	—	—
Impairment losses	—	—	(11)	—	—	—	(11)
Translation adjustment	9	—	—	(2)	—	—	7
Goodwill	62,788	1,999	9,399	4,575	35,114	1,962	115,837
Accumulated impairment losses	(2,879)	—	(5,361)	(775)	(175)	(135)	(9,325)
March 31, 2018	¥59,909	¥1,999	¥4,038	¥3,800	¥34,939	¥1,827	¥106,512

	In thousands of U.S. dollars						
	Security services	Fire protection services	Medical services	Geographic information services	BPO and ICT services	Real estate and other services	Total
Goodwill	\$591,896	\$18,321	\$88,670	\$43,179	\$166,443	\$18,510	\$ 927,019
Accumulated impairment losses	(27,160)	—	(50,472)	(7,311)	(1,651)	(1,274)	(87,868)
March 31, 2017	564,736	18,321	38,198	35,868	164,792	17,236	839,151
Goodwill acquired during the year	358	538	—	—	164,821	—	165,717
Disposal	—	—	—	—	—	—	—
Impairment losses	—	—	(104)	—	—	—	(104)
Translation adjustment	85	—	—	(19)	—	—	66
Goodwill	592,339	18,859	88,670	43,160	331,264	18,510	1,092,802
Accumulated impairment losses	(27,160)	—	(50,576)	(7,311)	(1,651)	(1,274)	(87,972)
March 31, 2018	\$565,179	\$18,859	\$38,094	\$35,849	\$329,613	\$17,236	\$1,004,830

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 ¥38,965 million (\$367,594 thousand) and ¥42,099 million at March 31, 2018 and 2017, respectively, are generally comprised of 30 to 365 day notes. The weighted average interest rate was 0.76 percent and 0.87 percent at March 31, 2018 and 2017, 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, 2018, 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 (\$37,736 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, 2018, the Company had overdraft agreements with 35 banks and its unused lines of credit amounted to ¥66,547 million (\$627,802 thousand). The Company incurs no fee on the unused portion of these overdraft agreements. The overdraft agreements expire in the period from April 2018 to March 2019. The Company has the ability and intent to extend these overdraft agreements under similar terms and conditions.

Long-term debt at March 31, 2018 and 2017 comprises the following:

	In millions of yen		In thousands of U.S. dollars	
	March 31		March 31	
	2018	2017	2018	2017
Loans, principally from banks due 2017–2033 with interest rates ranging from 0.08% to 14.00%:				
Secured.....	¥14,545	¥16,799	\$137,217	
Unsecured.....	25,106	24,435	236,849	
0.43% unsecured bonds due 2018.....	—	100	—	
0.38% unsecured bonds due 2021.....	490	486	4,623	
0.26% unsecured bonds due 2021.....	70	—	660	
0.25% unsecured bonds due 2021.....	70	—	660	
0.31% unsecured bonds due 2023.....	40	—	377	
0.40% unsecured bonds due 2024.....	26	—	245	
0.29% unsecured bonds due 2022.....	40	—	377	
Unsecured bonds due 2017–2027 with floating interest rates based on 6-month Japanese yen TIBOR.....	5,299	7,752	49,992	
Obligations under capital leases, due 2017–2043 (Note 19).....	24,246	24,192	228,736	
	69,932	73,764	659,736	
Less: Portion due within one year.....	(19,632)	(19,615)	(185,208)	
	¥50,300	¥54,149	\$474,528	

Assets pledged as collateral for bank loans and long-term debt at March 31, 2018 and 2017 are as follows:

	In millions of yen		In thousands of U.S. dollars	
	March 31		March 31	
	2018	2017	2018	2017
Time deposits.....	¥ 1,437	¥ 1,654	\$ 13,557	
Short-term and long-term receivables.....	6,130	6,209	57,830	
Investment securities.....	1,332	1,321	12,566	
Property, plant and equipment.....	43,510	49,575	410,472	
Other intangible assets.....	¥ 818	¥ 818	\$ 7,717	

The aggregate annual maturities on long-term debt at March 31, 2018 are as follows:

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2019.....	¥19,632	\$185,208
2020.....	16,123	152,104
2021.....	12,330	116,321
2022.....	6,899	65,085
2023.....	5,071	47,840
Thereafter.....	9,877	93,178
	¥69,932	\$659,736

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, 2018 and 2017 was ¥75,968 million (\$716,679 thousand) and ¥73,757 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, 2018, 2017 and 2016 were gains of ¥694 million (\$6,547 thousand), ¥1,004 million and ¥473 million, respectively. Losses on other-than-temporary impairments of investment securities for the years ended March 31, 2018, 2017 and 2016 were ¥142 million (\$1,340 thousand), ¥105 million and ¥147 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, 2018, 2017 and 2016 are as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2018	2017	2016	2018
Net periodic pension and severance costs:				
Service cost	¥7,996	¥7,889	¥7,739	\$75,437
Interest cost	404	349	718	3,811
Expected return on plan assets	(3,109)	(2,919)	(2,756)	(29,330)
Amortization of prior service benefit	(306)	(966)	(1,504)	(2,887)
Recognized actuarial loss	287	754	714	2,708
Net periodic pension and severance costs	¥5,272	¥5,107	¥4,911	\$49,736

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
	2018	2017	2018
Change in benefit obligation:			
Benefit obligation at beginning of year	¥111,632	¥111,032	\$1,053,132
Service cost	7,996	7,889	75,435
Interest cost	404	349	3,811
Actuarial (gain) loss	(1,281)	(2,189)	(12,085)
Benefits paid	(6,018)	(5,449)	(56,774)
Acquisition	591	—	5,575
Benefit obligation at end of year	113,324	111,632	1,069,094
Change in plan assets:			
Fair value of plan assets at beginning of year	117,278	111,761	1,106,396
Actual return on plan assets	9,425	6,797	88,915
Employer contribution	2,396	2,343	22,603
Benefits paid	(4,139)	(3,623)	(39,047)
Acquisition	389	—	3,670
Fair value of plan assets at end of year	125,349	117,278	1,182,537
Funded status at the end of year	¥ 12,025	¥ 5,646	\$ 113,443

Amounts recognized in the consolidated balance sheets at March 31, 2018 and 2017 consist of:

	In millions of yen		In thousands of U.S. dollars
	March 31	March 31	
	2018	2017	2018
Prepaid pension and severance costs	¥41,409	¥35,282	\$390,651
Accrued pension and severance costs	(29,384)	(29,636)	(277,208)
Net amount recognized	¥12,025	¥ 5,646	\$113,443

Other changes in plan assets and benefit obligations recognized in other comprehensive income (loss) for the year ended March 31, 2018 are summarized as follows:

	In millions of yen	In thousands of U.S. dollars
	March 31	March 31
	2018	2018
Current year actuarial gain	(¥7,597)	(\$71,670)
Amortization of actuarial loss	(287)	(2,708)
Amortization of prior service benefit	306	2,887
	(¥7,578)	(\$71,491)

Amounts recognized in accumulated other comprehensive income (loss) at March 31, 2018 and 2017 consist of:

	In millions of yen	In thousands of U.S. dollars
	March 31	March 31
	2018	2017
Actuarial loss	¥751	¥8,635
Prior service benefit	227	(79)
Net amount recognized	¥978	¥8,556

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 ¥2 million (\$19 thousand) and ¥197 million (\$1,858 thousand), respectively.

The accumulated benefit obligation for the pension plan was ¥113,039 million (\$1,066,406 thousand) and ¥111,278 million at March 31, 2018 and 2017, 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 ¥49,470 million (\$466,698 thousand), ¥49,186 million (\$464,019 thousand) and ¥29,006 million (\$273,642 thousand), respectively, at March 31, 2018, and ¥47,779 million, ¥47,425 million and ¥25,367 million, respectively, at March 31, 2017.

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, 2018 and 2017 are as follows:

	March 31	
	2018	2017
Discount rate	0.4%	0.4%
Rate of compensation increase	2.6%	2.7%

Weighted-average assumptions used to determine net pension and severance costs for the years ended March 31, 2018, 2017 and 2016 are as follows:

	Years ended March 31		
	2018	2017	2016
Discount rate.....	0.4%	0.3%	0.8%
Expected return on plan assets.....	3.0%	3.0%	3.0%
Rate of compensation increase.....	2.7%	2.6%	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, 2018 and 2017. The three levels of inputs used to measure fair value are more fully described in Note 22.

	In millions of yen			
	March 31, 2018			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents.....	¥ 8,142	¥ —	¥ —	¥ 8,142
Equity securities				
Japanese companies.....	23,703	434	—	24,137
Foreign companies.....	3,837	—	—	3,837
Debt securities				
Government bonds.....	2,515	494	—	3,009
Non-government bonds.....	—	2,032	—	2,032
Pooled funds.....	595	39,134	24,433	64,162
Call loans.....	—	5,314	—	5,314
Insurance contracts.....	—	13,127	—	13,127
Other.....	—	355	1,234	1,589
	¥38,792	¥60,890	¥25,667	¥125,349

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

	In millions of yen			
	March 31, 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 thousands of U.S. dollars			
	March 31, 2018			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents.....	\$ 76,811	\$ —	\$ —	\$ 76,811
Equity securities				
Japanese companies.....	223,613	4,095	—	227,708
Foreign companies.....	36,198	—	—	36,198
Debt securities				
Government bonds.....	23,727	4,660	—	28,387
Non-government bonds.....	—	19,170	—	19,170
Pooled funds.....	5,613	369,188	230,500	605,301
Call loans.....	—	50,132	—	50,132
Insurance contracts.....	—	123,839	—	123,839
Other.....	—	3,349	11,642	14,991
	\$365,962	\$574,433	\$242,142	\$1,182,537

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

The following table represents the changes in Level 3 investments for the years ended March 31, 2018 and 2017.

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, 2018			
	Pooled funds	Other	Total
Balance at beginning of year	¥26,273	¥ 778	¥27,051
Actual return on plan assets:			
Relating to assets sold during the year	(1,047)	68	(979)
Relating to assets held at end of year	615	(78)	537
Purchases, sales and settlements, net	(1,408)	466	(942)
Transfer to Level 3, net	—	—	—
Balance at end of year	¥24,433	¥1,234	¥25,667

In millions of yen			
Year ended March 31, 2017			
	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 thousands of U.S. dollars			
Year ended March 31, 2018			
	Pooled funds	Other	Total
Balance at beginning of year	\$247,858	\$ 7,340	\$255,198
Actual return on plan assets:			
Relating to assets sold during the year	(9,877)	642	(9,235)
Relating to assets held at end of year	5,802	(736)	5,066
Purchases, sales and settlements, net	(13,283)	4,396	(8,887)
Transfer to Level 3, net	—	—	—
Balance at end of year	\$230,500	\$11,642	\$242,142

The Company expects to contribute ¥2,235 million (\$21,085 thousand) to its domestic defined benefit plans in the year ending March 31, 2019.

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
2019	¥ 5,551	¥ 52,368
2020	5,371	50,670
2021	5,535	52,217
2022	5,659	53,387
2023	5,824	54,943
2024–2028	29,942	282,472

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, 2018, 2017 and 2016 were ¥1,851 million (\$17,462 thousand), ¥2,192 million and ¥1,796 million, respectively.

16. Exchange Gains and Losses

Other expenses for the years ended March 31, 2018, 2017 and 2016 includes net exchange losses of ¥213 million (\$2,009 thousand), ¥454 million and ¥557 million, respectively.

17. Income Taxes

Total income taxes for the years ended March 31, 2018, 2017 and 2016 are allocated as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2018	2017	2016	2018
Consolidated income taxes from continuing operations	¥48,107	¥47,012	¥40,312	\$453,840
Shareholders' equity—accumulated other comprehensive income (loss):				
Unrealized gains on securities	155	1,244	(3,447)	1,462
Unrealized gains on derivative instruments	—	—	(5)	—
Pension liability adjustments	2,332	1,876	(2,926)	22,000
Foreign currency translation adjustments	662	(358)	(783)	6,245
	¥51,256	¥49,774	¥33,151	\$483,547

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, 2015, and the fourth quarters ended March 31, 2016, the statutory income tax rate in Japan, which was approximately 32.9 percent for the year ended March 31, 2016, decreased to approximately 30.7 percent for the years ended March 31, 2017 and 2018.

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
	2018	2017	2016	2018
Income taxes computed at statutory tax rate	¥46,293	¥44,584	¥40,290	\$436,726
Increase (decrease) resulting from:				
Provision of valuation allowance	2,116	714	1,104	19,962
Per capita tax	882	867	845	8,321
Reversal of valuation allowance	(835)	(1,048)	(3,697)	(7,877)
Net effect of changes in corporate tax rates	660	512	464	6,227
Other, net	(1,009)	1,383	1,306	(9,519)
Consolidated income taxes from continuing operations	¥48,107	¥47,012	¥40,312	\$453,840

The significant components of deferred tax assets and liabilities at March 31, 2018 and 2017 are as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31	March 31	
	2018	2017	2018
Deferred tax assets:			
Loss carryforwards.....	¥ 9,138	¥ 9,393	\$ 86,208
Accrued pension and severance costs.....	8,637	8,851	81,481
Property, plant and equipment.....	7,448	8,300	70,264
Deferred revenue.....	7,176	7,328	67,698
Adjustment of book value at the date of acquisition			
Land and buildings.....	6,153	5,995	58,047
Other assets.....	399	402	3,764
Accrued bonus.....	5,813	5,623	54,840
Vacation accrual.....	4,289	3,585	40,462
Investment securities.....	2,139	—	20,179
Intangible assets.....	1,798	1,772	16,962
Allowance for doubtful accounts.....	1,774	1,831	16,736
Write-down on real estate inventories.....	631	837	5,953
Other.....	12,003	10,975	113,236
Gross deferred tax assets.....	67,398	64,892	635,830
Less: Valuation allowance.....	(27,509)	(25,647)	(259,519)
Total deferred tax assets.....	39,889	39,245	376,311
Deferred tax liabilities:			
Adjustment of book value at the date of acquisition			
Intangible assets.....	(9,690)	(7,858)	(91,415)
Land and buildings.....	(4,117)	(4,211)	(38,840)
Other assets.....	(951)	(868)	(8,972)
Prepaid pension and severance costs.....	(12,646)	(10,820)	(119,302)
Unrealized gains on securities.....	(9,570)	(9,419)	(90,283)
Investments in affiliated companies.....	(6,458)	(5,303)	(60,925)
Deferred installation costs.....	(5,204)	(5,276)	(49,094)
Other.....	(4,544)	(10,000)	(42,867)
Gross deferred tax liabilities.....	(53,180)	(53,755)	(501,698)
Net deferred tax assets (liabilities).....	(¥13,291)	(¥14,510)	(\$125,387)

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, 2018, 2017 and 2016 was an increase of ¥1,862 million (\$17,566 thousand), and an increase of ¥599 million and a decrease of ¥1,514 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, 2018 and 2017.

Net deferred tax assets (liabilities) at March 31, 2018 and 2017 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	
	2018	2017	2018
Deferred income taxes (Current assets).....	¥ —	¥12,611	\$ —
Deferred income taxes (Other assets).....	13,239	8,213	124,896
Other current liabilities (Current liabilities).....	—	(1,519)	—
Deferred income taxes (Long-term liabilities).....	(26,530)	(33,815)	(250,283)
Net deferred tax assets (liabilities).....	(¥13,291)	(¥14,510)	(\$125,387)

The Company has not recognized deferred tax liabilities for a portion of undistributed earnings of foreign subsidiaries of ¥32,875 million (\$310,142 thousand) totaling ¥608 million (\$5,736 thousand) at March 31, 2018 as they are not expected to be remitted in the foreseeable future.

At March 31, 2018, the operating loss carryforwards of domestic subsidiaries amounted to ¥18,942 million (\$178,698 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
2019.....	¥ 5,256	\$ 49,585
2020.....	327	3,085
2021.....	197	1,858
2022.....	2,302	21,717
2023.....	1,300	12,264
2024.....	2,304	21,736
2025.....	3,477	32,802
2026.....	2,266	21,377
2027.....	1,513	14,274
	¥18,942	\$178,698

The operating loss carryforwards of overseas subsidiaries at March 31, 2018 amounted to ¥10,273 million (\$96,915 thousand), a part of which will begin to expire in the year ending March 31, 2019.

The total amount of unrecognized tax benefits for the years ended March 31, 2018, 2017 and 2016 was insignificant. Also, there were no significant movements in the gross amounts of unrecognized tax benefits and the amounts of interest and penalties recognized due to the unrecognized tax benefits during the years ended March 31, 2018, 2017 and 2016.

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, 2018, 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 2017, 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, 2018, 2017 and 2016 are as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2018	2017	2016	2018
Net income attributable to SECOM CO., LTD.	¥96,623	¥91,387	¥84,072	\$911,537
Net transfers from (to) noncontrolling interests.....	24	(16)	(324)	226
Change from net income attributable to SECOM CO., LTD. and transfers from (to) noncontrolling interests	¥96,647	¥91,371	¥83,748	\$911,763

(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 ¥583,102 million (\$5,500,962 thousand) at March 31, 2018.

Subsequent to March 31, 2018, the parent company's Board of Directors declared a year-end cash dividend of ¥80 (\$0.75) per share, totaling ¥17,461 million (\$164,726 thousand), to shareholders of record on March 31, 2018. The dividend declared was approved at the general shareholders' meeting held on June 26, 2018. 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, 2018, 2017 and 2016 are as follows:

	In millions of yen		
	Pre-tax amount	Tax (expense) or benefit	Net-of-tax amount
For the year ended March 31, 2018:			
Unrealized gains on securities—			
Unrealized gains or losses arising during the period	¥ 1,319	(¥ 413)	¥ 906
Less: Reclassification adjustment for gains or losses realized in net income.....	(908)	258	(650)
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	7,695	(2,315)	5,380
Less: Reclassification adjustment for gains or losses realized in net income.....	13	(17)	(4)
Foreign currency translation adjustments.....	2,614	(662)	1,952
Other comprehensive income (loss)	¥10,733	(¥3,149)	¥7,584
For the year ended March 31, 2017:			
Unrealized gains on securities—			
Unrealized gains or losses arising during the period	¥7,048	(¥1,586)	¥5,462
Less: Reclassification adjustment for gains or losses realized in net income.....	(1,204)	342	(862)
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	6,656	(1,869)	4,787
Less: Reclassification adjustment for gains or losses realized in net income.....	(105)	(7)	(112)
Foreign currency translation adjustments.....	(6,084)	358	(5,726)
Other comprehensive income (loss)	¥6,311	(¥2,762)	¥3,549

	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)

	In thousands of U.S. dollars		
	Pre-tax amount	Tax (expense) or benefit	Net-of-tax amount
For the year ended March 31, 2018:			
Unrealized gains on securities—			
Unrealized gains or losses arising during the period.....	\$ 12,443	(\$ 3,896)	\$ 8,547
Less: Reclassification adjustment for gains or losses realized in net income.....	(8,566)	2,434	(6,132)
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.....	72,595	(21,840)	50,755
Less: Reclassification adjustment for gains or losses realized in net income	122	(160)	(38)
Foreign currency translation adjustments.....	24,660	(6,245)	18,415
Other comprehensive income (loss)	\$101,254	(\$29,707)	\$71,547

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, 2018, 2017 and 2016 are as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2018	2017	2016	2018
Unrealized gains on securities—				
Net sales and operating revenue	(¥694)	(¥1,007)	(¥981)	(\$6,547)
Gain on sales of securities, net.....	(269)	(268)	(929)	(2,538)
Loss on other-than-temporary impairment of investment securities	55	71	396	519
Unrealized gains on derivative instruments—				
Other income	—	—	(14)	—
Pension liability adjustments—				
Net periodic pension and severance costs (Note 15).....	(19)	(212)	(790)	(179)
Equity in net income of affiliated companies.....	¥ 32	¥ 107	¥ 73	\$ 301

19. Lessee

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

On April 23, 1996, the Company entered into a long-term lease agreement for a building and land in Mitaka, Tokyo. The lease term is 30 years beginning May 1, 1996. On July 15, 2010, the Company also entered into a long-term lease agreement for the adjoining land and buildings. The lease term is also 30 years beginning July 15, 2010. For financial reporting purposes, the portion of these lease arrangements relating to the building has been classified as a capital lease; accordingly, an asset of approximately ¥7,209 million (\$68,009 thousand) has been recorded in the buildings and improvements account. The portion of the lease relating to the land has been classified as an operating lease. The future minimum lease payment for the site at March 31, 2018 was ¥4,254 million (\$40,132 thousand).

A summary of leased assets under capital leases at March 31, 2018 and 2017 is as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2018	2017	2018
Buildings and improvements.....	¥ 8,452	¥ 8,452	\$ 79,736
Machinery, equipment and automobiles	32,664	31,930	308,151
Other intangible assets.....	298	125	2,811
Accumulated depreciation and amortization.....	(21,723)	(20,816)	(204,934)
	¥19,691	¥19,691	\$185,764

Depreciation and amortization expenses for assets under capital leases for the years ended March 31, 2018, 2017 and 2016 were ¥6,313 million (\$59,557 thousand), ¥6,785 million and ¥3,495 million, respectively.

The following is a schedule by year of future minimum lease payments under capital leases and the present value of the net minimum lease payments at March 31, 2018:

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2019	¥ 6,967	\$ 65,726
2020	5,489	51,783
2021	3,968	37,434
2022	2,692	25,396
2023	1,694	15,981
Thereafter	10,963	103,425
Total minimum lease payments	31,773	299,745
Less: Amount representing interest	(7,527)	(71,009)
Present value of net minimum lease payments (Note 13)	24,246	228,736
Less: Current portion	(6,386)	(60,245)
Long-term capital lease obligations	¥17,860	\$168,491

Rental expenses under operating leases for the years ended March 31, 2018, 2017 and 2016 were ¥25,513 million (\$240,689 thousand), ¥25,359 million and ¥24,619 million, respectively. A significant portion of such rentals relates to cancelable short-term leases for office space and employee residential facilities, many of which are renewed upon expiration.

On December 8, 2000, the Company entered into a lease agreement for a building and land in Shibuya, Tokyo. The lease term is 20 years beginning December 8, 2000. For financial reporting purposes, the lease has been classified as an operating lease. Based on the agreement, the annual lease payment for the site is approximately ¥1,312 million (\$12,377 thousand) over a 20-year period.

The future minimum lease payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year at March 31, 2018 are as follows:

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2019	¥10,979	\$103,575
2020	9,180	86,604
2021	8,334	78,623
2022	7,342	69,264
2023	7,053	66,538
Thereafter	24,623	232,292
Total future minimum lease payments	¥67,511	\$636,896

20. Lessor

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

A summary of lease receivables under sales-type and direct-financing leases at March 31, 2018 and 2017 is as follows:

	In millions of yen	In thousands of U.S. dollars
	March 31	March 31
	2018	2017
Total minimum lease payments to be received	¥63,766	¥62,137
Estimated executory cost	(5,839)	(4,787)
Unearned income	(3,527)	(4,911)
Lease receivables, net	54,400	52,439
Less: Current portion	(17,899)	(16,769)
Long-term lease receivables, net	¥36,501	¥35,670
	\$344,349	

The following is a schedule by year of future minimum lease payments to be received under sales-type leases and direct-financing leases at March 31, 2018:

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2019	¥20,251	\$191,047
2020	16,317	153,934
2021	11,666	110,057
2022	8,456	79,774
2023	4,879	46,028
Thereafter	2,197	20,726
Total future minimum lease payments to be received	¥63,766	\$601,566

A summary of investment in property under operating leases and property held for lease at March 31, 2018 and 2017 is as follows:

	In millions of yen	In thousands of U.S. dollars
	March 31	March 31
	2018	2017
Land	¥31,499	¥33,754
Buildings and improvements	30,578	32,160
Other intangible assets	662	662
Accumulated depreciation and amortization	(12,725)	(12,572)
	¥50,014	¥54,004
	\$471,830	

The future minimum rentals under noncancelable operating leases at March 31, 2018 are as follows:

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2019	¥1,942	\$18,321
2020	162	1,528
2021	162	1,528
2022	162	1,528
2023	162	1,528
Thereafter	2,748	25,925
Total future minimum rentals	¥5,338	\$50,358

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, 2018 and 2017 are as follows:

In millions of yen				
March 31				
	2018		2017	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Non-derivatives:				
Assets—				
Long-term receivables including current portion (Less allowance for doubtful accounts).....	¥58,996	¥59,356	¥56,638	¥57,440
Liabilities—				
Long-term debt including current portion.....	69,931	69,937	73,764	73,794
Investment deposits by policyholders.....	25,208	26,212	27,691	29,023
Derivatives:				
Assets—				
Forward exchange contract (Other current assets).....	—	—	2	2
Liabilities—				
Interest rate swaps (Other long-term liabilities).....	33	33	59	59

In thousands of U.S. dollars			
March 31, 2018			
	Carrying amount	Estimated fair value	
Non-derivatives:			
Assets—			
Long-term receivables including current portion (Less allowance for doubtful accounts)		\$556,566	\$559,962
Liabilities—			
Long-term debt including current portion.....	659,726	659,783	
Investment deposits by policyholders.....	237,811	247,283	
Derivatives:			
Assets—			
Forward exchange contract (Other current assets).....	—	—	
Liabilities—			
Interest rate swaps (Other long-term liabilities).....	311	311	

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, 2018 and 2017. Transfers between levels are recognized at the end of the respective reporting periods.

In millions of yen							
March 31, 2018							
	Level 1		Level 2		Level 3		Total
Assets:							
Cash equivalents.....	¥	149	¥	—	¥	—	¥ 149
Short-term investments and investment securities.....		149,365		41,433		29,815	220,613
Derivatives (Other current assets).....		—		—		—	—
Total assets.....	¥	149,514	¥	41,433	¥	29,815	¥220,762
Liabilities:							
Derivatives (Other long-term liabilities).....	¥	—	¥	33	¥	—	¥ 33
Total liabilities.....	¥	—	¥	33	¥	—	¥ 33

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

In thousands of U.S. dollars					
March 31, 2018					
	Level 1	Level 2	Level 3	Total	
Assets:					
Cash equivalents.....	\$ 1,406	\$ —	\$ —	\$	1,406
Short-term investments and investment securities.....	1,409,103	390,877	281,274		2,081,254
Derivatives (Other current assets).....	—	—	—		—
Total assets.....	\$1,410,509	\$390,877	\$281,274	\$	2,082,660
Liabilities:					
Derivatives (Other long-term liabilities).....	\$ —	\$ 311	\$ —	\$	311
Total liabilities.....	\$ —	\$ 311	\$ —	\$	311

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, 2018 and 2017, amounting to ¥29,815 million (\$281,274 thousand) and ¥49,738 million, respectively, are primarily private equity investments. The valuation technique and significant unobservable inputs are as follows:

March 31, 2018		
Valuation technique	Significant unobservable inputs	Range
Discounted cash flows	Discount rate	20%–30%
	Exit timing	2018–2022
	EBITDA multiple	3.2x–8x
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

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, 2018 and 2017.

	In millions of yen		In thousands of U.S. dollars
	Years ended March 31		Year ended March 31
	2018	2017	2018
Balance at beginning of year	¥49,738	¥34,852	\$469,226
Total gains or losses (realized and unrealized):			
Included in earnings.....	5,964	14,016	56,265
Included in other comprehensive income.....	—	—	—
Purchases.....	5,270	1,132	49,717
Sales.....	(29,479)	(99)	(278,104)
Redemptions.....	—	—	—
Cancellation of contract.....	—	—	—
Foreign currency translation adjustments.....	(1,678)	(163)	(15,830)
Balance at end of year	¥29,815	¥49,738	\$281,274
Changes in unrealized gains or losses relating to instruments still held at end of year:			
Included in earnings.....	¥ 399	¥15,051	\$ 3,764

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

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Non-marketable equity securities with a carrying amount of ¥10,517 million (\$99,217 thousand) were written down to their fair value of ¥10,515 million (\$99,198 thousand), resulting in an other-than-temporary impairment charge of ¥2 million (\$19 thousand), which was included in earnings for the year ended March 31, 2018. For the year ended March 31, 2017, non-marketable equity securities with a carrying amount of ¥9,424 million were written down to their fair value of ¥9,414 million, resulting in an other-than-temporary impairment charge of ¥10 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 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.

(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, 2018 and 2017 are as follows:

Derivatives not designated as hedging instruments

		In millions of yen		In thousands of U.S. dollars
		March 31	March 31	March 31
Location		2018	2017	2018
Assets:				
Forward exchange contract	Other current assets	¥ 0	¥ 2	\$ 0
Liabilities:				
Interest rate swaps	Other long-term liabilities	33	59	311

Effects of derivative instruments on the consolidated statements of income for the years ended March 31, 2018, 2017 and 2016 are as follows:

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	Years ended March 31	Years ended March 31	Year ended March 31
Location		2018	2017	2016	2018
Interest rate swaps	Other income	¥—	¥—	¥14	\$—

Derivatives not designated as hedging instruments

		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
Location		2018	2017	2016	2018
Forward exchange contract	Other income	¥—	¥ 2	¥—	\$ —
Interest rate swaps	Other income	27	38	16	255

24. Commitments and Contingent Liabilities

The Company has commitments outstanding at March 31, 2018 for the purchase of property, plant and equipment of approximately ¥2,061 million (\$19,443 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 ¥1,853 million (\$17,481 thousand) at March 31, 2018. The carrying amounts of the liabilities recognized as the Company's obligations under these guarantees at March 31, 2018 and 2017 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. Supplemental Cash Flow Information

Supplemental cash flow information is as follows:

		In millions of yen			In thousands of U.S. dollars
		Years ended March 31	Years ended March 31	Years ended March 31	Year ended March 31
		2018	2017	2016	2018
Cash paid during the year for:					
Interest		¥ 1,278	¥ 1,379	¥ 1,408	\$ 12,057
Income taxes		55,970	40,165	38,832	528,019
Non-cash investing and financing activities:					
Additions to obligations under capital leases		6,355	6,035	2,543	59,953
Increase in land, buildings and improvements by offsetting long-term receivables		—	—	—	—
Significant acquisitions (Note 4)—					
Assets acquired		34,570	—	188,136	326,132
Liabilities assumed		(8,020)	—	(107,136)	(75,660)
Considerations for equity		26,550	—	81,000	250,472
Cash and cash equivalents on hand		(2,654)	—	(11,565)	(25,038)
Total considerations		¥23,896	¥ —	¥ 69,435	\$225,434

26. Segment Information

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

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

The Company changed the designation of information and communication related services, which focused primarily on ICT related services and data center services, to BPO and ICT services with the acquisition of TMJ, Inc., a subsidiary newly consolidated from October 2017. The Company acquired all shares in TMJ, Inc. which provides various BPO related services including operation of call center services with the aim of expanding its business capabilities through integrating BPO related services with existing information and communication related services. Reportable segments are not reclassified by this change.

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 BPO and ICT services segment includes various BPO related services, 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, 2018, 2017 and 2016 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	
	2018	2017	2016	2018
Net sales and operating revenue:				
Security services—				
External customers.....	¥ 562,272	¥ 543,524	¥ 505,058	\$ 5,304,453
Intersegment.....	3,144	2,968	3,028	29,660
	565,416	546,492	508,086	5,334,113
Fire protection services—				
External customers.....	136,559	126,232	131,743	1,288,292
Intersegment.....	4,170	3,459	3,764	39,340
	140,729	129,691	135,507	1,327,632
Medical services—				
External customers.....	175,318	168,819	163,538	1,653,943
Intersegment.....	185	182	178	1,745
	175,503	169,001	163,716	1,655,688
Insurance services—				
External customers.....	44,683	43,780	40,654	421,538
Intersegment.....	3,034	3,094	2,945	28,623
	47,717	46,874	43,599	450,161
Geographic information services—				
External customers.....	50,906	51,609	52,553	480,245
Intersegment.....	176	231	183	1,660
	51,082	51,840	52,736	481,905
BPO and ICT services—				
External customers.....	69,569	49,681	48,294	656,311
Intersegment.....	7,275	7,126	7,550	68,632
	76,844	56,807	55,844	724,943
Real estate and other services—				
External customers.....	43,485	47,616	41,588	410,236
Intersegment.....	2,004	1,923	2,479	18,906
	45,489	49,539	44,067	429,142
Total.....	1,102,780	1,050,244	1,003,555	10,403,584
Eliminations.....	(19,988)	(18,983)	(20,127)	(188,566)
Total net sales and operating revenue.....	¥1,082,792	¥1,031,261	¥ 983,428	\$10,215,018

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2018	2017	2016	2018
Operating income (loss):				
Security services	¥116,639	¥112,734	¥110,919	\$1,100,368
Fire protection services	15,760	13,129	13,654	148,679
Medical services	4,090	1,732	2,921	38,585
Insurance services	6,233	7,289	6,842	58,802
Geographic information services	1,923	(944)	(268)	18,142
BPO and ICT services	8,241	7,288	308	77,745
Real estate and other services	6,920	5,241	4,900	65,283
Total	159,806	146,469	139,276	1,507,604
Corporate expenses and eliminations	(16,971)	(16,291)	(20,371)	(160,104)
Operating income	¥142,835	¥130,178	¥118,905	\$1,347,500
Other income	10,730	18,135	7,679	101,226
Other expenses	(2,775)	(3,090)	(4,123)	(26,179)
Income before income taxes and equity in net income of affiliated companies	¥150,790	¥145,223	¥122,461	\$1,422,547
	In millions of yen			In thousands of U.S. dollars
	March 31			March 31
	2018	2017		2018
Assets:				
Security services	¥ 727,449	¥ 707,640		\$ 6,862,726
Fire protection services	159,114	148,642		1,501,075
Medical services	180,594	185,799		1,703,717
Insurance services	233,618	230,455		2,203,943
Geographic information services	69,306	69,042		653,830
BPO and ICT services	149,553	115,537		1,410,877
Real estate and other services	145,289	130,365		1,370,651
Total	1,664,923	1,587,480		15,706,819
Corporate items	109,402	117,876		1,032,096
Investments in affiliated companies	64,620	57,922		609,623
Total assets	¥1,838,945	¥1,763,278		\$17,348,538

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2018	2017	2016	2018
Depreciation and amortization:				
Security services	¥54,091	¥54,770	¥ 50,007	\$510,292
Fire protection services	2,128	1,837	1,663	20,075
Medical services	8,675	8,433	8,293	81,840
Insurance services	1,808	1,521	1,319	17,057
Geographic information services	2,540	3,011	2,998	23,962
BPO and ICT services	7,813	6,824	6,592	73,708
Real estate and other services	1,066	868	951	10,057
Total	78,121	77,264	71,823	736,991
Corporate items	834	919	658	7,868
Total depreciation and amortization	¥78,955	¥78,183	¥ 72,481	\$744,859
Capital expenditure:				
Security services	¥44,404	¥39,956	¥130,686	\$418,906
Fire protection services	3,910	4,678	5,026	36,887
Medical services	5,276	9,646	14,908	49,774
Insurance services	1,900	2,087	2,307	17,925
Geographic information services	1,701	1,904	2,124	16,047
BPO and ICT services	31,987	7,686	7,708	301,764
Real estate and other services	1,690	233	229	15,943
Total	90,868	66,190	162,988	857,246
Corporate items	349	856	409	3,292
Total capital expenditures	¥91,217	¥67,046	¥163,397	\$860,538

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
	2018	2017	2016	2018
Electronic security services	¥341,157	¥338,744	¥330,843	\$3,218,462
Other security services:				
Static guard services	59,030	56,417	55,907	556,887
Armored car services	61,089	57,873	32,990	576,311
Merchandise and other	100,996	90,490	85,318	952,793
Total security services	¥562,272	¥543,524	¥505,058	\$5,304,453

(2) Geographic Segment Information

Net sales and operating revenue attributed to countries based on the geographical location of customers for the years ended 2018, 2017 and 2016 and long-lived assets as of March 31, 2018 and 2017 were as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2018	2017	2016	2018
Net sales and operating revenue:				
Japan	¥1,034,228	¥ 985,366	¥936,392	\$ 9,756,868
Other	48,564	45,895	47,036	458,151
Total	¥1,082,792	¥1,031,261	¥983,428	\$10,215,019

	In millions of yen			In thousands of U.S. dollars
	March 31			March 31
	2018	2017		2018
Long-lived assets:				
Japan	¥629,069	¥606,302		\$5,934,613
Other	11,239	10,558		106,028
Total	¥640,308	¥616,860		\$6,040,641

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

27. Subsequent Events

The Company entered into a share transfer agreement in July 2018 to sell certain investment securities held by a consolidated subsidiary, Westec Security Group Inc. This transaction will generate a gain on sales of securities, which will be included in gains on private equity investments in the consolidated financial statements for the year ending March 31, 2019. The amount of the gain is under calculation.

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, 2018 and 2017, 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, 2018, 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, 2018 and 2017 and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2018, 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, 2018 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.

A handwritten signature in black ink that reads 'KPMG AZSA LLC'.

Tokyo, Japan
July 30, 2018

Summary of Selected Financial Data

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

	In millions of yen					
	2018	2017	2016	2015	2014	2013
Composition of consolidated net sales and operating revenue by segment						
Net sales and operating revenue.....	¥1,082,792	¥1,031,261	¥983,428	¥945,238	¥921,146	¥858,406
Security services:.....	562,272	543,524	505,058	487,063	472,449	443,231
As a percentage of net sales and operating revenue.....	51.9%	52.7%	51.4%	51.5%	51.3%	51.6%
Electronic security services.....	341,157	338,744	330,843	326,300	318,116	307,477
As a percentage of net sales and operating revenue.....	31.5	32.8	33.6	34.5	34.5	35.8
Other security services—						
Static guard services.....	59,030	56,417	55,907	53,788	51,681	47,877
As a percentage of net sales and operating revenue.....	5.5	5.5	5.7	5.7	5.6	5.6
Armored car services.....	61,089	57,873	32,990	21,010	20,767	20,532
As a percentage of net sales and operating revenue.....	5.6	5.6	3.4	2.2	2.3	2.4
Subtotal.....	120,119	114,290	88,897	74,798	72,448	68,409
Merchandise and other.....	100,996	90,490	85,318	85,965	81,885	67,345
As a percentage of net sales and operating revenue.....	9.3	8.8	8.7	9.1	8.9	7.8
Fire protection services.....	136,559	126,232	131,743	121,189	122,046	114,130
As a percentage of net sales and operating revenue.....	12.6	12.2	13.4	12.8	13.3	13.3
Medical services.....	175,318	168,819	163,538	155,884	150,535	140,957
As a percentage of net sales and operating revenue.....	16.2	16.4	16.6	16.5	16.3	16.4
Insurance services.....	44,683	43,780	40,654	38,259	37,011	35,864
As a percentage of net sales and operating revenue.....	4.2	4.3	4.1	4.1	4.0	4.2
Geographic information services.....	50,906	51,609	52,553	52,760	54,697	51,194
As a percentage of net sales and operating revenue.....	4.7	5.0	5.4	5.6	5.9	6.0
BPO and ICT services.....	69,569	49,681	48,294	47,412	46,992	29,541
As a percentage of net sales and operating revenue.....	6.4	4.8	4.9	5.0	5.1	3.4
Real estate and other services.....	43,485	47,616	41,588	42,671	37,416	43,489
As a percentage of net sales and operating revenue.....	4.0	4.6	4.2	4.5	4.1	5.1
Net income attributable to SECOM CO., LTD., cash dividends and SECOM CO., LTD. shareholders' equity						
Net income attributable to SECOM CO., LTD.....	¥ 96,623	¥ 91,387	¥ 84,072	¥ 80,184	¥ 73,979	¥ 70,580
Cash dividends paid ⁽²⁾	32,738	30,557	28,373	38,197	22,918	19,645
SECOM CO., LTD. shareholders' equity.....	1,000,277	929,242	865,278	825,969	753,099	679,176
Consolidated financial ratios						
Percentage of working capital accounted for by:						
Debt—						
Bank loans.....	3.5	4.0	5.6	4.7	6.0	5.0
Current portion of long-term debt.....	1.7	1.9	1.8	1.4	1.8	2.2
Straight bonds.....	0.5	0.7	0.8	0.9	0.9	1.1
Other long-term debt.....	4.1	4.5	5.3	4.9	4.6	5.1
Total debt.....	9.8	11.1	13.5	11.9	13.3	13.4
SECOM CO., LTD. shareholders' equity.....	90.2	88.9	86.5	88.1	86.7	86.6
Total capitalization.....	100.0	100.0	100.0	100.0	100.0	100.0
Return on total assets (percentage) ^(a)	5.3	5.2	5.0	5.3	5.1	5.3
Return on equity (percentage) ^(b)	9.7	9.8	9.7	9.7	9.8	10.4
Percentage of net sales and operating revenue absorbed by ^(c) :						
Depreciation and amortization.....	7.3	7.6	7.4	7.3	7.2	7.0
Rental expense under operating leases.....	2.3	2.5	2.5	2.4	2.4	2.1
Ratio of accumulated depreciation to depreciable assets (percentage).....						
.....	64.6	63.2	62.8	61.6	60.8	60.0
Net property turnover (times) ^(c)	2.63	2.49	2.38	2.38	2.34	2.24
Before-tax interest coverage (times) ^{(c) (d)}	123.0	107.1	89.2	93.8	90.4	78.8

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

	2018	2017	2016	2015	2014	2013
Number of shares outstanding						
Issued	233,290,441	233,288,717	233,288,717	233,288,717	233,288,717	233,288,717
Owned by the Company	15,030,573	15,028,470	15,026,824	15,024,812	15,022,012	15,018,951
Balance	218,259,868	218,260,247	218,261,893	218,263,905	218,266,705	218,269,766
Per share information						
Net income attributable to SECOM CO., LTD. per share (in yen) ⁽¹⁾	¥ 442.70	¥ 418.71	¥ 385.19	¥ 367.37	¥ 338.94	¥ 323.36
Cash dividends paid per share (in yen) ⁽²⁾	150.00	140.00	130.00	175.00	105.00	90.00
SECOM CO., LTD. shareholders' equity per share (in yen) ⁽³⁾	4,582.96	4,257.50	3,964.40	3,784.27	3,450.36	3,111.64
Cash flow per share (in yen) ^{(1)(e)}	649.44	631.91	582.27	557.88	529.35	496.34
Price/Book value ratio	1.73	1.87	2.11	2.12	1.72	1.56
Price/Earnings ratio	17.89	19.03	21.72	21.84	17.54	15.00
Price/Cash flow ratio	12.20	12.61	14.37	14.38	11.23	9.77
Stock price at year-end (in yen)	7,920	7,969	8,366	8,025	5,946	4,850

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, 2018, cash dividends of ¥17,461 million (¥80 per share) were approved at the general shareholders' meeting on June 26, 2018 (see Note 18 of the accompanying notes to consolidated financial statements).
(3) Per share amounts are based on the number of shares outstanding at the end of each period, less treasury stock.

Common Stock Data

SECOM CO., LTD.
As of March 31

SHAREHOLDER INFORMATION	2018	2017	2016	2015	2014	2013
Number of shareholders	26,809	25,200	24,975	24,852	27,054	27,628
Common shares held by:						
Financial institutions	35.94%	35.05%	32.50%	29.89%	31.28%	30.86%
Securities firms	1.63	3.89	3.52	3.43	4.88	5.58
Other domestic corporations	2.53	2.51	2.92	3.16	2.56	3.63
Foreign investors	44.85	43.42	44.46	44.95	42.32	41.33
Individuals and others	8.61	8.69	10.16	12.13	12.52	12.16
Treasury stock	6.44	6.44	6.44	6.44	6.44	6.44
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

PRICE INFORMATION (TOKYO STOCK EXCHANGE)		Price per share (in yen)		Nikkei Stock Average (in yen)	
		High	Low	High	Low
2016	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
	April–June	8,686	7,814	20,230.41	18,335.63
	July–September	8,687	7,921	20,397.58	19,274.82
	October–December	9,118	8,170	22,939.18	20,400.78
2018	January–March	8,833	7,435	24,124.15	20,617.86

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
July 26, 2018	2	233,292	66,392,692	—	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]

Contents

Condensed Consolidated Balance Sheets (Based on Japanese GAAP).....	88
Condensed Consolidated Statements of Income (Based on Japanese GAAP).....	90
Consolidated Statements of Comprehensive Income (Based on Japanese GAAP).....	90

Condensed Consolidated Balance Sheets (Based on Japanese GAAP)

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

	In millions of yen					
ASSETS	2018	2017	2016	2015	2014	2013
Current assets:						
Cash on hand and in banks.....	¥ 317,267	¥ 302,364	¥ 228,458	¥ 232,221	¥ 210,514	¥ 175,427
Cash deposits for armored car services.....	135,808	130,619	128,267	50,395	58,597	56,089
Call loans.....	—	—	—	15,500	20,500	46,500
Notes and accounts receivable, trade.....	129,984	119,801	122,048	114,071	115,318	106,638
Due from subscribers.....	35,272	33,090	31,812	26,316	25,174	24,059
Short-term investments.....	17,360	29,387	34,448	28,517	12,955	14,723
Lease receivables and investments in leased assets.....	45,544	43,974	39,542	39,242	33,188	27,569
Merchandise and products.....	12,321	11,915	13,099	14,163	14,186	12,321
Real estate inventories.....	4,766	5,223	3,527	3,063	33	12,944
Work in process.....	5,057	4,913	5,557	4,031	4,602	4,526
Costs on uncompleted construction contracts.....	10,441	8,979	9,070	9,460	8,983	7,563
Work in process for real estate inventories.....	39,688	22,283	23,024	21,058	15,396	13,348
Raw materials and supplies.....	8,849	8,385	8,579	7,913	7,573	6,430
Deferred income taxes.....	14,651	14,003	12,728	12,808	13,254	14,384
Short-term loans receivable.....	5,196	4,942	4,086	2,268	2,699	4,158
Other.....	26,352	23,684	27,375	21,111	17,623	18,453
Allowance for doubtful accounts.....	(1,818)	(1,766)	(1,883)	(1,997)	(2,026)	(2,302)
Total current assets.....	806,746	761,804	689,744	600,146	558,574	542,836
Fixed assets:						
Tangible assets:						
Buildings and improvements, net.....	148,622	150,254	148,828	148,375	153,278	155,839
Security equipment and control stations, net.....	70,872	69,569	71,447	70,478	68,759	67,200
Land.....	114,287	116,825	116,613	119,604	113,946	115,652
Other, net.....	39,907	39,886	39,415	23,702	24,849	22,839
Total tangible assets.....	373,689	376,536	376,305	362,161	360,833	361,532
Intangible assets.....	131,028	112,131	119,505	49,411	53,596	55,079
Investments and others:						
Investment securities.....	280,659	280,974	264,400	284,322	246,233	189,042
Long-term loans receivable.....	35,284	38,403	39,401	42,904	45,701	42,338
Prepaid pension and severance costs.....	—	—	—	—	—	19,572
Net defined benefit asset.....	41,409	35,282	30,796	35,010	17,612	—
Deferred income taxes.....	12,150	9,592	8,602	4,874	13,521	11,711
Other.....	52,332	51,436	54,978	49,382	48,486	43,706
Allowance for doubtful accounts.....	(13,033)	(15,990)	(15,698)	(17,525)	(16,352)	(16,742)
Total investments and others.....	408,803	399,698	382,482	398,969	355,203	289,629
Total fixed assets.....	913,521	888,367	878,293	810,541	769,633	706,241
Deferred assets	—	4	14	26	17	32
Total assets.....	¥1,720,268	¥1,650,176	¥1,568,052	¥1,410,715	¥1,328,226	¥1,249,110

In millions of yen

LIABILITIES	2018	2017	2016	2015	2014	2013
Current liabilities:						
Notes and accounts payable, trade.....	¥ 43,929	¥ 44,635	¥ 41,794	¥ 43,160	¥ 49,409	¥ 43,684
Bank loans	41,558	44,969	55,283	44,965	52,120	42,350
Current portion of straight bonds.....	795	1,460	2,582	1,414	4,640	4,487
Lease obligations.....	4,932	4,752	4,724	503	579	537
Payables—other.....	40,102	37,469	38,376	33,849	31,316	31,406
Accrued income taxes.....	25,896	27,557	22,341	21,063	27,744	29,282
Accrued consumption taxes.....	7,959	5,765	6,611	12,878	4,151	4,377
Accrued expenses.....	7,084	5,315	5,562	4,653	4,625	4,571
Deposits received for armored car services.....	113,830	107,878	101,306	16,945	17,765	24,862
Deferred revenue.....	30,309	30,552	31,389	31,348	31,027	30,880
Accrued bonuses.....	16,209	15,447	15,524	14,652	14,437	14,031
Provision for loss on construction contracts.....	2,436	2,532	1,397	1,612	1,981	1,714
Other.....	22,499	25,596	20,738	20,707	16,883	15,691
Total current liabilities.....	357,544	353,933	347,633	247,755	256,684	247,879
Long-term liabilities:						
Straight bonds.....	5,322	7,003	8,251	8,413	7,796	8,847
Long-term loans.....	12,721	14,123	20,033	20,602	17,256	19,828
Lease obligations.....	11,902	11,777	11,954	3,712	4,183	3,438
Guarantee deposits received.....	33,181	33,907	35,002	36,000	36,542	36,125
Deferred income taxes.....	19,362	21,943	14,026	13,554	11,169	13,400
Accrued pension and severance costs.....	—	—	—	—	—	17,137
Accrued retirement benefits for directors and audit and supervisory board members.....	1,421	1,306	1,387	1,415	1,635	2,443
Net defined benefit liability.....	21,849	22,428	22,816	18,504	18,569	—
Investment deposits by policyholders, unearned premiums and other insurance liabilities.....	172,345	166,155	159,636	150,119	141,099	133,627
Other.....	3,403	4,342	4,166	3,295	2,918	2,242
Total long-term liabilities.....	281,510	282,989	277,274	255,618	241,171	237,091
Total liabilities.....	639,054	636,922	624,907	503,374	497,856	484,970
NET ASSETS						
Shareholders' equity:						
Common stock.....	¥ 66,385	¥ 66,377	¥ 66,377	¥ 66,377	¥ 66,377	¥ 66,377
Capital surplus.....	80,328	80,297	80,326	80,265	83,054	83,054
Retained earnings.....	851,764	797,493	743,353	694,688	656,286	609,275
Common stock in treasury, at cost.....	(73,748)	(73,731)	(73,717)	(73,701)	(73,682)	(73,664)
Total shareholders' equity.....	924,729	870,437	816,340	767,630	732,036	685,042
Accumulated other comprehensive income:						
Unrealized gains on securities.....	23,759	25,125	19,964	26,981	12,504	11,783
Deferred losses on hedges.....	(24)	(30)	(40)	(34)	(33)	(41)
Foreign currency translation adjustments.....	(5,774)	(7,954)	(2,196)	1,477	(10,885)	(27,760)
Remeasurements of defined benefit plans, net of taxes.....	9,933	4,423	(783)	4,390	(3,506)	—
Total accumulated other comprehensive income.....	27,894	21,563	16,944	32,815	(1,921)	(16,018)
Noncontrolling interests.....	128,589	121,253	109,859	106,895	100,253	95,114
Total net assets.....	1,081,213	1,013,253	943,144	907,341	830,369	764,139
Total liabilities and net assets.....	¥1,720,268	¥1,650,176	¥1,568,052	¥1,410,715	¥1,328,226	¥1,249,110

Condensed Consolidated Statements of Income (Based on Japanese GAAP)

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

	In millions of yen					
	2018	2017	2016	2015	2014	2013
Revenue	¥970,624	¥928,098	¥881,028	¥840,722	¥822,228	¥765,635
Percentage change from prior year	4.6%	5.3%	4.8%	2.2%	7.4%	12.7%
Costs of revenue	652,673	621,412	586,539	557,884	542,949	504,006
As a percentage of revenue.....	67.2	67.0	66.6	66.4	66.0	65.8
Gross profit	317,950	306,686	294,488	282,837	279,278	261,629
As a percentage of revenue.....	32.8	33.0	33.4	33.6	34.0	34.2
Selling, general and administrative expenses	182,502	175,636	165,906	159,222	159,259	153,258
As a percentage of revenue.....	18.8	18.9	18.8	18.9	19.4	20.0
Operating profit.....	135,448	131,050	128,582	123,615	120,018	108,370
As a percentage of revenue.....	14.0	14.1	14.6	14.7	14.6	14.2
Non-operating income.....	13,152	22,371	11,380	18,366	13,100	11,171
Non-operating expenses.....	4,281	6,388	5,136	5,293	6,441	5,922
Ordinary profit.....	144,318	147,033	134,826	136,688	126,677	113,618
As a percentage of revenue.....	14.9	15.8	15.3	16.3	15.4	14.8
Extraordinary profit.....	2,471	516	1,584	1,962	2,025	984
Extraordinary losses.....	2,545	5,697	15,003	11,384	3,876	2,623
Income before income taxes.....	144,245	141,852	121,408	127,265	124,826	111,980
As a percentage of revenue.....	14.9	15.3	13.8	15.1	15.2	14.6
Income taxes—current.....	54,811	43,326	39,150	43,156	48,485	43,211
Income taxes—deferred.....	(9,314)	2,369	(526)	(37)	(2,110)	(252)
Net income.....	98,748	96,156	82,784	84,146	78,451	69,021
Net income attributable to noncontrolling interests	11,755	11,986	5,745	8,754	8,574	5,363
Net income attributable to owners of the parent	86,993	84,170	77,039	75,392	69,876	63,658
As a percentage of revenue.....	9.0	9.1	8.7	9.0	8.5	8.3
Percentage change from prior year	3.4	9.3	2.2	7.9	9.8	79.4

Consolidated Statements of Comprehensive Income (Based on Japanese GAAP)

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

	In millions of yen					
	2018	2017	2016	2015	2014	2013
Net income.....	¥ 98,748	¥ 96,156	¥ 82,784	¥ 84,146	¥78,451	¥69,021
Other comprehensive income (loss):						
Unrealized gains (losses) on securities	(1,649)	5,324	(7,103)	15,058	543	7,500
Deferred gains on hedges.....	0	—	—	—	—	—
Foreign currency translation adjustments	(1,003)	(3,539)	(1,616)	9,527	11,787	6,222
Remeasurements of defined benefit plans.....	5,595	4,698	(6,163)	8,581	—	—
Share of other comprehensive gains (losses) of affiliated companies accounted for under the equity method.....	3,876	(1,327)	(2,743)	3,676	6,649	4,402
Total other comprehensive income (loss)	6,819	5,155	(17,626)	36,843	18,980	18,124
Comprehensive income.....	105,568	101,312	65,157	120,990	97,431	87,146
Comprehensive income attributable to:						
Owners of the parent company.....	93,323	88,789	61,168	110,128	87,480	80,666
Noncontrolling interests	12,244	12,522	3,989	10,861	9,950	6,480

NONCONSOLIDATED FINANCIAL DATA

(BASED ON JAPANESE GAAP) [REFERENCE]

Contents

Condensed Nonconsolidated Balance Sheets (Based on Japanese GAAP).....	92
Condensed Nonconsolidated Statements of Income (Based on Japanese GAAP).....	94

Condensed Nonconsolidated Balance Sheets (Based on Japanese GAAP)

SECOM CO., LTD.
As of March 31

	In millions of yen					
ASSETS	2018	2017	2016	2015	2014	2013
Current assets:						
Cash on hand and in banks.....	¥ 85,009	¥ 87,387	¥ 45,433	¥ 93,569	¥ 80,908	¥ 54,136
Cash deposits for armored car services.....	38,347	37,869	40,877	48,396	56,818	53,551
Notes receivable.....	523	621	592	640	683	700
Due from subscribers.....	17,286	16,480	16,229	16,066	14,991	14,856
Accounts receivable, trade.....	10,995	10,650	10,996	11,202	9,960	9,691
Receivables—other.....	4,387	3,088	4,454	3,054	2,699	2,528
Short-term investments.....	—	—	3,444	437	437	1,048
Merchandise.....	5,628	5,312	6,453	6,694	5,489	5,585
Supplies.....	1,767	1,722	1,676	1,379	1,303	1,012
Prepaid expenses.....	2,556	2,323	2,172	2,210	2,109	2,332
Deferred income taxes.....	3,627	3,710	3,736	4,415	4,382	5,268
Short-term loans receivable.....	28,017	27,539	22,255	20,423	20,653	19,237
Other.....	1,712	1,804	1,698	1,772	2,031	4,819
Allowance for doubtful accounts.....	(105)	(117)	(152)	(216)	(221)	(248)
Total current assets.....	199,756	198,394	159,867	210,048	202,248	174,521
Fixed assets:						
Tangible assets:						
Buildings and improvements, net.....	16,160	16,282	16,572	16,458	17,466	17,059
Automobiles, net.....	611	709	795	824	865	521
Security equipment and control stations, net.....	67,746	65,997	67,624	67,715	66,683	65,329
Machinery and equipment, net.....	162	179	170	192	232	288
Tools, furniture and fixtures, net.....	2,861	3,173	3,424	3,326	2,922	2,979
Land.....	22,077	21,978	22,015	28,303	29,520	29,802
Construction in progress.....	4,812	2,195	1,564	1,714	1,848	1,719
Other, net.....	72	69	18	12	105	235
Total tangible assets.....	114,504	110,585	112,187	118,548	119,644	117,936
Intangible assets:						
Goodwill.....	—	—	—	—	2,607	2,978
Software.....	5,903	6,125	5,794	4,644	3,910	4,269
Other.....	741	400	574	730	1,768	2,061
Total intangible assets.....	6,644	6,526	6,369	5,375	8,286	9,308
Investments and others:						
Investment securities.....	24,583	23,083	20,588	29,725	23,789	21,583
Investment securities in subsidiaries and affiliated companies.....	350,551	323,993	325,104	239,120	239,008	236,309
Investments in subsidiaries and affiliated companies.....	2,098	2,098	1,938	1,938	1,827	1,827
Long-term loans receivable.....	138,277	134,796	146,716	150,955	143,741	155,813
Lease deposits.....	7,650	7,559	7,642	7,526	7,553	7,747
Long-term prepaid expenses.....	20,622	20,847	21,244	22,126	20,780	21,594
Prepaid pension and severance costs.....	20,763	21,643	23,177	21,530	16,962	16,263
Insurance funds.....	4,046	4,294	4,294	4,294	3,988	3,991
Other.....	2,613	2,560	2,545	2,534	2,777	2,728
Allowance for doubtful accounts.....	(4,440)	(5,532)	(5,551)	(17,946)	(17,698)	(20,307)
Total investments and others.....	566,767	535,344	547,700	461,806	442,730	447,551
Total fixed assets.....	687,917	652,456	666,256	585,730	570,662	574,796
Total assets.....	¥887,673	¥850,851	¥826,124	¥795,778	¥772,910	¥749,317

In millions of yen

LIABILITIES	2018	2017	2016	2015	2014	2013
Current liabilities:						
Accounts payable	¥ 4,108	¥ 3,604	¥ 3,641	¥ 3,172	¥ 3,429	¥ 3,044
Bank loans	21,940	22,703	36,923	29,416	36,703	26,598
Lease obligations	229	215	198	185	176	121
Payables—other	16,708	14,476	15,698	15,675	14,546	15,042
Payables—construction	3,897	4,018	3,980	4,480	4,218	4,333
Accrued income taxes	13,162	14,345	9,479	10,826	12,366	19,510
Accrued consumption taxes	3,817	2,883	2,718	7,088	1,478	2,538
Accrued expenses	691	697	737	800	802	726
Deposits received for armored car services	16,446	15,187	13,975	15,124	16,175	22,554
Deferred revenue	20,300	20,629	20,923	21,269	21,301	21,671
Accrued bonuses	6,300	6,278	6,246	6,296	6,246	6,089
Other	2,623	4,014	4,177	4,311	3,530	1,942
Total current liabilities	110,226	109,053	118,699	118,647	120,976	124,174
Long-term liabilities:						
Lease obligations	2,358	2,477	2,601	2,661	2,747	2,449
Guarantee deposits received	16,640	16,804	17,038	17,286	17,622	17,859
Deferred income taxes	7,203	6,642	6,213	3,400	307	788
Accrued pension and severance costs	2,164	2,506	2,835	3,241	3,555	4,051
Accrued retirement benefits for directors and audit and supervisory board members	—	—	—	—	—	857
Other	91	103	378	408	459	25
Total long-term liabilities	28,458	28,533	29,068	26,998	24,692	26,031
Total liabilities	138,685	137,587	147,768	145,646	145,668	150,205
NET ASSETS						
Shareholders' equity:						
Common stock	¥ 66,385	¥ 66,377	¥ 66,377	¥ 66,377	¥ 66,377	¥ 66,377
Capital surplus:						
Additional paid-in capital	83,061	83,054	83,054	83,054	83,054	83,054
Other capital surplus	0	0	0	0	0	—
Total capital surplus	83,062	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	653,840	618,887	586,082	556,013	536,978	508,398
Total retained earnings	665,881	630,927	598,122	568,053	549,018	520,439
Common stock in treasury, at cost	(73,748)	(73,731)	(73,717)	(73,701)	(73,682)	(73,664)
Total shareholders' equity	741,579	706,629	673,836	643,784	624,768	596,206
Valuation, translation adjustments and others:						
Unrealized gains (losses) on securities	7,408	6,634	4,518	6,347	2,473	2,905
Total valuation, translation adjustments and others	7,408	6,634	4,518	6,347	2,473	2,905
Total net assets	748,988	713,263	678,355	650,132	627,242	599,112
Total liabilities and net assets	¥887,673	¥850,851	¥826,124	¥795,778	¥772,910	¥749,317

Condensed Nonconsolidated Statements of Income (Based on Japanese GAAP)

SECOM CO., LTD.
Years ended March 31

	In millions of yen					
	2018	2017	2016	2015	2014	2013
Revenue	¥387,881	¥382,476	¥376,044	¥370,663	¥364,280	¥355,393
<i>Percentage change from prior year</i>	<i>1.4%</i>	1.7%	1.5%	1.8%	2.5%	2.9%
Service charges.....	327,470	322,338	317,764	314,068	309,499	305,300
<i>Percentage change from prior year</i>	<i>1.6</i>	1.4	1.2	1.5	1.4	1.9
Sales of merchandise.....	60,411	60,137	58,280	56,594	54,781	50,092
<i>Percentage change from prior year</i>	<i>0.5</i>	3.2	3.0	3.3	9.4	9.0
Costs	229,332	227,204	223,189	221,441	215,849	210,790
<i>As a percentage of revenue.....</i>	<i>59.1</i>	59.4	59.4	59.7	59.3	59.3
Costs of service	186,639	184,225	181,597	180,850	177,339	174,331
<i>As a percentage of service charges</i>	<i>57.0</i>	57.2	57.1	57.6	57.3	57.1
Costs of sales	42,693	42,978	41,591	40,590	38,509	36,458
<i>As a percentage of merchandise sales</i>	<i>70.7</i>	71.5	71.4	71.7	70.3	72.8
Gross profit	158,549	155,271	152,855	149,221	148,431	144,603
<i>As a percentage of revenue.....</i>	<i>40.9</i>	40.6	40.6	40.3	40.7	40.7
Gross profit on service.....	140,831	138,112	136,166	133,217	132,159	130,969
<i>As a percentage of service charges</i>	<i>43.0</i>	42.8	42.9	42.4	42.7	42.9
Gross profit on sales	17,718	17,159	16,688	16,003	16,272	13,634
<i>As a percentage of merchandise sales</i>	<i>29.3</i>	28.5	28.6	28.3	29.7	27.2
Selling, general and administrative expenses	80,380	78,988	77,191	76,046	75,521	74,651
<i>As a percentage of revenue.....</i>	<i>20.7</i>	20.7	20.5	20.5	20.7	21.0
Operating profit.....	78,168	76,283	75,664	73,174	72,909	69,952
<i>As a percentage of revenue.....</i>	<i>20.2</i>	19.9	20.1	19.8	20.0	19.7
Non-operating income.....	14,978	13,389	13,639	11,714	10,269	10,173
Non-operating expenses.....	2,064	3,130	2,691	3,316	4,295	3,789
Ordinary profit.....	91,083	86,543	86,612	81,572	78,884	76,336
<i>As a percentage of revenue.....</i>	<i>23.5</i>	22.6	23.0	22.0	21.7	21.5
Extraordinary profit.....	1,896	651	3,064	1,670	491	1,219
Extraordinary losses	324	100	6,733	2,805	1,604	1,052
Income before income taxes	92,655	87,094	82,943	80,437	77,771	76,502
<i>As a percentage of revenue.....</i>	<i>23.9</i>	22.8	22.1	21.7	21.3	21.5
Income taxes	24,962	23,833	24,500	22,945	26,273	27,374
<i>Effective tax rate.....</i>	<i>26.9</i>	27.4	29.5	28.5	33.8	35.8
Net income.....	67,692	63,260	58,442	57,492	51,497	49,128
<i>As a percentage of revenue.....</i>	<i>17.5</i>	16.5	15.5	15.5	14.1	13.8
<i>Percentage change from prior year</i>	<i>7.0</i>	8.2	1.7	11.6	4.8	83.2

Corporate Information

(As of June 30, 2018)

Headquarters:	5-1, Jingumae 1-chome, Shibuya-ku, Tokyo 150-0001, Japan
Independent auditors:	KPMG AZSA LLC
Administrator of the register of shareholders:	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, 2018)
Domestic				
<Security services>				
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	(100.0)	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	(100.0)	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, 2018)
<Fire protection services>				
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	(82.0)	Installation of fire protection equipment	
System Service Co., Ltd.	80	(100.0)	Installation and maintenance of fire protection equipment	
Nittan Co., Ltd.	2,303	100.0	Installation, sales 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	
<Medical services>				
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	

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, 2018)
<Insurance services>				
Secom Insurance Service Co., Ltd.	¥ 100	(100.0)%	Non-life insurance agency	
Secom General Insurance Co., Ltd.	16,809	97.1	Non-life insurance	
<Geographic information services>				
Pasco Corp.	8,758	69.8	Geographic information services	
GIS Hokkaido Co., Ltd.	190	(100.0)	Geographic information services	
GIS Kanto Co., Ltd.	40	(52.6)	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	
<BPO and ICT services>				
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	
TMJ, Inc.	100	100.0	BPO services	
BIOS, Inc.	39	(90.0)	Bilingual IT services	
<Real estate and other services>				
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	100.0	Comprehensive lifestyle support services	
Secom Engineering Co., Ltd.	100	100.0	Design, construction and maintenance of facilities	
Toko Create Co., Ltd.	50	96.6	Electrical engineering	

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	Percentage of equity/ voting rights	Lines of business	(As of June 30, 2018)
Overseas				
<Security services>				
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.	Rmb80,000 thousand	(85.0)	Security services	
Beijing Jingdun Secom Electronic Security Co., Ltd.	US\$2,500 thousand	(80.0)	Security services	
Qingdao Secom Security Co., Ltd.	US\$1,000 thousand	(80.0)	Security services	
Guangdong Jinpeng Secom Security Co., Ltd.	US\$4,500 thousand	(90.0)	Security services	
Fujian Secom Security Co., Ltd.	Rmb15,000 thousand	(95.0)	Security services	
Sichuan Secom Security Co., Ltd.	Rmb10,000 thousand	(100.0)	Security services	
Shaanxi Secom Security Co., Ltd.	Rmb10,000 thousand	(100.0)	Security services	
Zhejiang Secom Security Co., Ltd.	Rmb15,000 thousand	(97.0)	Security services	
Liaoning Secom Security Co., Ltd.	Rmb10,000 thousand	(60.0)	Security services	
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	
PT. Secom Bhayangkara	IRPA3,200 million	(40.0)	Security services	
PT. Secom Realty Indonesia	IRPA97,972 million	(99.9)	Real estate leasing	
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	VND95,177 million	(80.0)	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	
<Other services>				
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	
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	
Value Communication Services (Shanghai), Inc.	Rmb35,749 thousand	(100.0)	BPO services	
Jie Sheng Communication Services (Shanghai), Inc.	Rmb5,000 thousand	(100.0)	BPO services	
TMJP BPO Services, Inc.	PHP35,900 thousand	(99.9)	BPO services	
The Westec Security Group, Inc.	US\$0.3 thousand	100.0	Holding company	
ClearLight Partners, LLC	—	(99.7)	Investment	
ClearLight Partners II, LLC	—	(99.0)	Investment	
ClearLight Partners III, LLC	—	(98.0)	Investment	

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

SECOM's Basic Business Areas

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

Security Services

On-Line Security Systems for Commercial Use and Security Services for Large-Scale Events

- **SECOM AX**
SECOM AX is an on-line security system with advanced on-site image sensors that incorporate microphones to enable SECOM control center staff to check the subscriber's premises by listening and viewing.
- **SECOM IX**
SECOM IX is a remote imaging security system for commercial facilities offering around-the-clock services.
- **SECOM DX**
SECOM DX is an on-line security system developed to meet the needs of shops, offices, warehouses, factories and other commercial and industrial establishments.
- **SECOM TX**
SECOM TX is an on-line security system for commercial buildings with more than one tenant.
- **HANKS SYSTEM**
HANKS SYSTEM is an on-line security system for financial institutions, including automated banking facilities.
- **SECOM CX**
SECOM CX offers a comprehensive building management system that monitors and manages large building complexes.
- **SECOM LX**
SECOM LX is an on-line security system that includes an access control function.
- **SECOM FX**
SECOM FX is a system that combines monitoring for intruders and fire with facility control functions.
- **SECOM 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.
- **SECOM 3D SECURITY PLANNING**
SECOM 3D Security Planning makes use of high-precision digital relief maps to conduct multifaceted, multidimensional risk assessments, thereby facilitating sophisticated security planning.
- **SECOM AIRSHIP/SECOM AEROSTAT**
These dirigibles are used for overhead surveillance at large-scale events to ensure the prompt detection of problems and in disaster situations to provide support for efforts to swiftly gauge the extent of damage to evacuation guidance, among others.

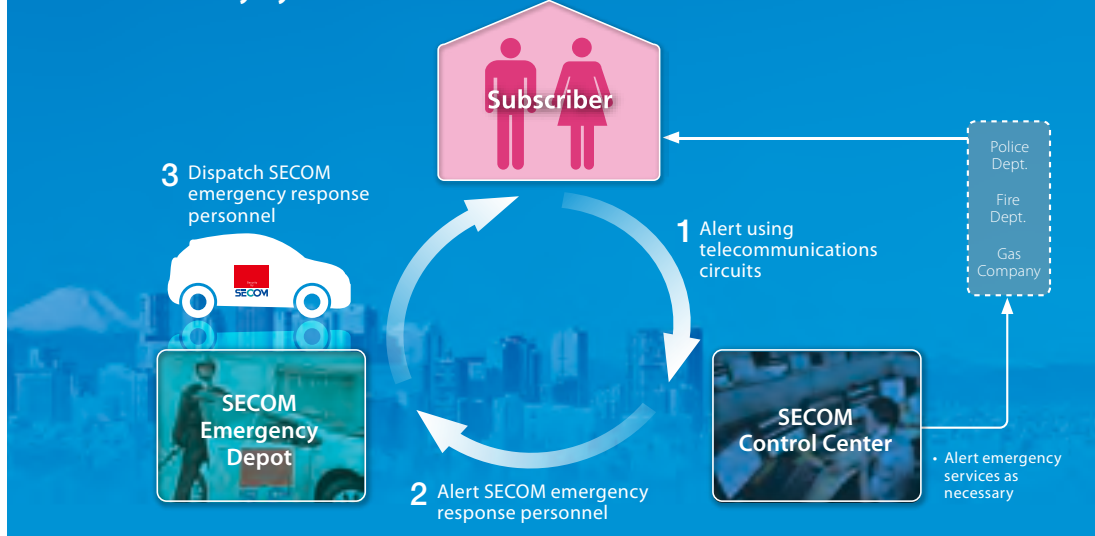
Fire Protection Services

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

Medical Services

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

On-Line Security Systems



On-Line Security Systems for Residential Use

- **SECOM HOME SECURITY**
SECOM Home Security is a comprehensive home security system combining around-the-clock intrusion- and fire-prevention services, emergency call services, gas leak monitoring and medical emergency call services. The new SECOM 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 devices on the IoT, facilitating access to a variety of new services.
- **SECURITY SYSTEMS FOR CONDOMINIUMS AND APARTMENTS**
SECOM provides comprehensive building management functions for condominiums and total safety with a centralized security system for each unit in the building. SECOM's menu includes services for small-scale apartments.
- **SECOM MY DOCTOR WATCH**
SECOM My Doctor Watch is a wearable wristband-style emergency medical alert and health management service. This service is offered as an option to SECOM Home Security subscribers.
- **SECOM MY DOCTOR PLUS**
SECOM My Doctor Plus is an emergency medical alert system for seniors featuring an exclusive portable device that incorporates a GPS locator and a cellular phone.

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

Large-Scale Proprietary Security Systems

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

COCO-SECOM

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

Insurance Services

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

Geographic Information Services

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

Static Guard Services

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

Armored Car Services

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

SECOM AED Package Service

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

Merchandise

- **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 SECOM data center facility for storage.
- **SECURILOCK SERIES**
The SECURILOCK series uses identification numbers, integrated circuit (IC) pass cards and other methods to control access to restricted areas.
- **SESAMO SERIES**
The SESAMO series comprises access-control systems for use in corporate offices, factories, parking facilities and any other security-sensitive areas. These systems employ such technologies as contactless IC pass cards, magnetic cards, personal identification numbers, 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 SECOM Home Camera System, enhancing security for people at home.
- **LASER SENSOR**
Laser Sensor is an external monitoring sensor that uses a laser beam to facilitate effective detection of intrusions over a broad area. The sensor is flexible and can be programmed to accommodate various monitoring areas.

BPO and ICT Services

- **DATA CENTERS**
Robust facility construction, stable electric power supplies, dependable networks and top-grade SECOM security enable SECOM to provide safe storage for information assets, as well as a variety of other services.
- **LARGE-SCALE DISASTER RESPONSE SERVICES**
SECOM provides solutions encompassing everything from services that optimize companies' preparedness for disasters to services that assist companies when disaster strikes and during post-disaster reconstruction. These include SECOM Safety Confirmation Service, which helps companies confirm the safety of employees in the event of a disaster, as well as to gather and share crucial information on conditions on the ground.
- **INFORMATION SECURITY SERVICES**
SECOM provides a variety of services designed to protect subscribers' information against cyber attacks and other dangers, including diagnosing and analyzing network problems, monitoring for system and network viruses and emergency on-site response services in the event an irregularity is detected.
- **CLOUD-BASED SERVICES**
SECOM extends cloud-based services that help increase customers competitiveness, productivity and ability to create value by digitizing their business processes.
- **BPO SERVICES**
SECOM offers contact center, back office support and a broad range of other BPO services.

Real Estate and Other Services

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

Directors, Audit and Supervisory Board Members and Executive Officers

Directors



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

Koji Kato

Hideki Kato*

Makoto Yasuda*

Masao Yokomizo*

*Outside

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

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

Michiyoshi Morita
Executive Officer

Makoto Inaba
Executive Officer

(As of July 31, 2018)



SECOM CO., LTD.

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

Tokyo 150-0001, Japan

www.secom.co.jp



Printed in Japan