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**FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED MARCH 31, 2013**  
**(Based on JAPANESE GAAP) (Consolidated)**

May 9, 2013

Company name: SECOM CO., LTD. (URL: <http://www.secom.co.jp/>)  
Code number: 9735 Tokyo Stock Exchange ----- First Section  
Osaka Securities Exchange ----- First Section  
Corporate headquarters: Tokyo, Japan  
Representative: Shuji Maeda, President and Representative Director  
For inquiries: Junzo Nakayama, Director Phone (03) 5775-8100  
Scheduled date of General Shareholders' Meeting: June 25, 2013  
Scheduled date of dividend payout: June 26, 2013  
Scheduled date of filing Securities Report: June 25, 2013  
Preparation of supplementary materials: Applicable  
Holding of results information meeting: Applicable (for institutional investors and analysts)

1. Consolidated financial results for the fiscal year ended March 31, 2013 (April 1, 2012 – March 31, 2013)

(1) Consolidated operating results (In millions of yen, figures rounded down)

	Years ended March 31	
	2012	2013
Revenue	679,173 2.3%	765,635 12.7%
Operating profit	81,078 (18.2%)	108,370 33.7%
Ordinary profit	87,839 (19.9%)	113,618 29.3%
Net income	35,489 (41.7%)	63,658 79.4%
Basic net income per share (in yen)	162.63	291.65
Diluted net income per share (in yen)		
Net income / Equity	5.9%	10.0%
Ordinary profit / Total assets	8.0%	9.7%
Operating profit / Revenue	11.9%	14.2%

Note 1: Comprehensive income:

Year ended March 31, 2013: JPY 87,146 million (125.0%)

Year ended March 31, 2012: JPY 38,726 million ((32.9%))

Note 2: Net gains from investment in affiliated companies accounted for under the equity method:

Year ended March 31, 2013: JPY 4,024 million

Year ended March 31, 2012: JPY 4,597 million

Note 3: There is no diluted net income per share as there are no shares with dilutive effect.

Note 4: Percentage figures represent changes from the results of the previous year.

## (2) Consolidated financial positions (In millions of yen, figures rounded down)

	March 31, 2012	March 31, 2013
Total assets	1,101,884	1,249,110
Net assets	671,517	764,139
Equity ratio	55.2%	53.6%
Net assets per share (in yen)	2,785.56	3,065.13

Note 1: Equity as of:

March 31, 2013: JPY 669,024 million

March 31, 2012: JPY 608,008 million

Note 2: Equity is calculated by deducting minority interests in subsidiaries from net assets. Net assets per share is calculated by dividing equity by the number of common shares outstanding, excluding treasury stock, as of March 31.

## (3) Consolidated cash flows (In millions of yen, figures rounded down)

	Years ended March 31	
	2012	2013
Cash flows from operating activities	93,071	150,474
Cash flows from investing activities	(41,614)	(110,502)
Cash flows from financing activities	(33,846)	(31,564)
Cash and cash equivalents at end of the period	205,362	216,580

## 2. Dividends (In millions of yen, figures rounded down)

	Years ended March 31		
	2012	2013	2014 (projected)
1 <sup>st</sup> quarter dividends per share (in yen)	–	–	–
2 <sup>nd</sup> quarter dividends per share (in yen)	–	–	–
3 <sup>rd</sup> quarter dividends per share (in yen)	–	–	–
Year-end dividends per share (in yen)	90.00	105.00	115.00
Annual dividends per share (in yen)	90.00	105.00	115.00
Total annual dividend payout	19,644	22,918	
Dividend payout ratio (consolidated)	55.3%	36.0%	38.0%
Total dividends / Net assets (consolidated)	3.3%	3.6%	

## 3. Projections for the consolidated financial results for the fiscal year ending March 31, 2014 (April 1, 2013 – March 31, 2014) and the six-month period ending September 30, 2013 (April 1, 2013 – September 30, 2013) (In millions of yen)

	Six-month period ending September 30, 2013	Year ending March 31, 2014
Projected revenue	389,300 7.5%	809,400 5.7%
Projected operating profit	53,200 5.6%	112,800 4.1%
Projected ordinary profit	54,700 2.0%	115,900 2.0%
Projected net income	31,900 0.6%	66,100 3.8%
Projected basic net income per share (in yen)	146.15	302.84

Note 1: The projected basic net income per share is calculated based on the number of common shares outstanding, excluding treasury stock, as of March 31, 2013.

Note 2: Percentage figures represent changes from the results of the corresponding periods of the previous year.

Note

- (1) Significant changes in subsidiaries during the period (changes in specified subsidiaries accompanied with changes in scope of consolidation):      Applicable  
     Newly consolidated:                              One (At Tokyo Corporation)  
     Excluded from consolidation:                  None
- (2) Changes in accounting policies, accounting estimates and/or restatements:  
     Changes in accounting policies associated with amendment of accounting standards: None  
     Other changes in accounting policies:      None  
     Changes in accounting estimates:          None  
     Restatements:                                    None
- (3) Number of common shares outstanding:  
     Number of common shares outstanding, including treasury stock, as of:  
         March 31, 2013:                              233,288,717 shares  
         March 31, 2012:                              233,288,717 shares  
     Number of shares of treasury stock as of:  
         March 31, 2013:                              15,018,951 shares  
         March 31, 2012:                              15,017,691 shares  
     Number of average common shares outstanding over:  
         The year ended March 31, 2013:          218,270,529 shares  
         The year ended March 31, 2012:          218,217,386 shares

**[Reference] Summary of nonconsolidated results**

1. Nonconsolidated financial results for the fiscal year ended March 31, 2013 (April 1, 2012 – March 31, 2013)

(1) Nonconsolidated operating results

(In millions of yen, figures rounded down)

	Years ended March 31	
	2012	2013
Revenue	345,476 4.9%	355,393 2.9%
Operating profit	70,196 2.2%	69,952 (0.3%)
Ordinary profit	75,212 1.0%	76,336 1.5%
Net income	26,818 (40.4%)	49,128 83.2%
Basic net income per share (in yen)	122.90	255.08
Diluted net income per share (in yen)		

Note: Percentage figures represent changes from the results of the previous year.

(2) Nonconsolidated financial positions

(In millions of yen, figures rounded down)

	March 31, 2012	March 31, 2013
Total assets	699,448	749,317
Net assets	567,758	599,112
Equity ratio	81.2%	80.0%
Net assets per share (in yen)	2,601.16	2,744.83

Note: Equity as of:

March 31, 2013: JPY 599,112 million

March 31, 2012: JPY 567,758 million

**Note on status of audit procedures**

This report is excluded from the scope of audit procedures pursuant to the Financial Instruments and Exchange Act. Audit procedures for financial statements have not been completed at the time of disclosure of this report.

**Note on appropriate use of projections for the financial results; other special items:**

The forward-looking statements including the future performance described in this document are provided based on both all information available at this moment and certain assumptions considered reasonable. Actual performance may differ materially from the forward-looking statements due to various factors hereafter occurred. For matters regarding assumptions on financial projections and notes for the use of financial projections, please refer to “1. Operating Results (1) Analysis on Operating Results” on page 2 to 5 in the appendices.

**Contents for the Appendices**

- 1. Operating Results ..... 2**
  - (1) Analysis on Operating Results ..... 2
  - (2) Analysis on Financial Positions ..... 5
  - (3) Basic Policy on Distribution of Surplus and Dividend Payments for the Current and Next Fiscal Year..... 7
  - (4) Significant Events Regarding Assumption of Going Concern, etc. .... 7
- 2. Consolidated Financial Statements ..... 8**
  - (1) Consolidated Balance Sheets ..... 8
  - (2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income ..... 10
  - (3) Consolidated Statements of Changes in Net Assets ..... 12
  - (4) Consolidated Statements of Cash Flows ..... 14
  - (5) Notes Regarding the Consolidated Financial Statement ..... 15
  - (6) Segment Information, etc. .... 15
  - (7) Notes to Business Combination ..... 21
  - (8) Significant Subsequent Events ..... 23
- 3. Nonconsolidated Financial Statements ..... 24**
  - (1) Nonconsolidated Balance Sheets ..... 24
  - (2) Nonconsolidated Statements of Income ..... 26
  - (3) Nonconsolidated Statements of Changes in Net Assets ..... 27
  - (4) Significant Subsequent Events ..... 28

# 1. Operating Results

## (1) Analysis on Operating Results

During the fiscal year ended March 31, 2013 (“the current fiscal year”), the recovery of Japanese economy had seemed to be at a standstill owing to the appreciation in yen, the effect of continuing deflation, etc. However, since the end of last year, the economy has seemed to be improving as shown in the rise of stock price, robust consumer spending, etc., ascribed to the downward trend of Japanese yen and expectation of economic recovery.

In this environment, we have been continuously trying to satisfy the increasingly diversified and sophisticated needs of our customers for their safety and peace of mind, with the aim of realizing our vision of the establishment of “Social System Industry”, a society where everyone can live safe and secure anytime and anywhere. To this end, we have made efforts to develop and provide high-grade products and services suited to customer needs in our security services segment, as well as in our fire protection services, medical services, insurance services, geographic information services, real estate development and sales, and information and communication related and other services segments. In addition, aiming at our further growth, we enhanced “ALL SECOM,” the combination of all SECOM Group’s power to promote our synergies even more, with all segments standing on their own and promoting mutual cooperation.

In the security services segment, we provided customers chiefly with commercial and residential security services (on-line security systems), as well as static guard services, armored car services and merchandises. In the current fiscal year, we have been performing door-to-door sales promotion thoroughly so that we can make our customer relationship more solid and that customers can utilize our safe and secure services. For our commercial security services, we have made an effort to market our various on-line security systems, such as “SECOM AX,” which is high-quality on-line security systems supported by imaging technology, “SECOM LX,” which has an access control function for the promotion of customers’ security level and cost reduction, and “SECOM FX,” which has a facility control function. For our residential security services, we have tried enhancing the convenience of “SECOM Home Security G-Custom,” which has been launched in the previous fiscal year, for its sales promotion. In addition, we have endeavored to develop new services for the super aging society, including “SECOM My Doctor Plus,” an emergency correspondence services for the aged with the cooperation of the two major nursing business companies.

Outside Japan, we promoted our “SECOM-style” security services, which has specialty in emergency response services, in economically developing areas, including People’s Republic of China, and Southeast Asia.

As a result, revenue increased by 4.0% to 441.1 billion yen and operating profit increased by 1.8% to 102.4 billion yen.

In the fire protection services segment, we provided a broad range of fire protection systems such as high-quality fire alarm systems and fire extinguishing systems along with customers’ needs to a wide variety of facilities such as office buildings, production facilities, tunnels, cultural properties, ships and residences. In the current fiscal year, in addition to Nohmi Bosai Ltd. in charge of the fire protection business in our group, Nittan Co., Ltd., the third fire protection company in the domestic market share, became our consolidated subsidiary on April 1, 2012. We promoted various fire protection systems based on each company’s business infrastructure and product development expertise.

Owing to contribution by Nittan Co., Ltd. and the efforts of proactive business activities to satisfy market needs in the severe business environment, revenue increased by 41.5% to 114.1 billion yen and operating profit increased by 47.9% to 6.4 billion yen.

In the medical services segment, we provided various medical services such as our core home medical services, including home nursing services and pharmaceutical dispensing and home delivery services, operation of residences for seniors, sales of electronic medical report systems, sales of medical equipments, personal care services, and the leasing of real estate for medical institutions. In the current fiscal year, we enriched medical services to accommodate ourselves to changes in society, by expanding various services for seniors, including launching rental housing for seniors with supportive services. Revenue increased by 12.0% to 48.0 billion yen, primarily due to brisk sales of medical equipment. Operating profit increased by 7.6% to 4.3 billion yen, reflecting decrease in SG&A expenses which is primarily due to the absence of amortization of goodwill completed in the previous period.

In the insurance services segment, we expanded marketing efforts for our unique non-life insurance offerings, including Security Discount Fire Policy for commercial facilities that offers discounts on premiums to customers who have installed on-line security systems, recognizing such systems as a risk-mitigating factor; SECOM *Anshin My Home*, the comprehensive fire insurance policy for residences that offers a variety of compensation plans and discount policies; SECOM *Anshin My Car*, a comprehensive automobile insurance policy that offers on-site support services provided by our emergency response personnel in the event of an accident; and MEDCOM, an unrestricted cancer treatment policy that offers compensation of actual cost of medical treatment.

Strong sales increased revenue by 2.9% to 35.1 billion yen and operating profit of 40 million yen in the previous fiscal year turned into operating loss of 0.9 billion yen in the current fiscal year, primarily owing to the increase in underwriting expenses, caused by the increase in the number of natural disasters.

In the geographic information services segment, by exploiting up-to-date measuring machine and technologies, we provided geospatial data services for domestic national and local governmental agencies, private sectors, and foreign governmental agencies including emerging and developing countries. In the current fiscal year, by collecting high-precision and clear geospatial photo data such as satellite images, and utilizing our data processing technologies, we also strived to provide a variety of services suited to our customers' needs, including mapping arrangement, environmental monitoring, fire protection, and measures to deal with natural calamities.

Since sales in public, private and international division firmly increased, revenue increased by 2.0% to 51.1 billion yen. Operating profit increased by 4.5% to 3.7 billion yen, mainly due to the decrease in cost ratio of the international division, despite the increase in labor costs etc. along with expansion of business scale.

In the real estate development and sales segment, we devoted our best efforts to developing and selling condominiums equipped with advanced security and disaster prevention systems.

In the current fiscal year, revenue went up by 15.3 billion yen to 27.1 billion yen, mainly attributable to the release of large-scale condominiums during the second quarter and efforts to focus on sales and delivery of inventories on hand. Operating loss of 21.4 billion yen in the previous period, mainly due to the recognition of write-down on real estate inventories of 20.7 billion yen, including work in process

for real estate inventories, turned into operating profit of 1.7 billion yen.

The information and communication related and other services segment covers information and communication related services and real estate leasing, etc. In the information and communication related services, we have continued striving to provide comprehensive information network services, focusing on information security, development and management of business systems and major-disaster response services. In the current fiscal year, we acquired and consolidated At Tokyo Corporation as a subsidiary, which is the one of the most prestigious data center operating company in Japan in terms of scale, stability of electric power supply, security level, etc.

Revenue increased by 38.3% to 48.7 billion yen, due chiefly to contribution by At Tokyo Corporation and the increase in sales of information and communication related services, including those of Secure Data Center, and operating profit increased by 38.3% to 5.7 billion yen.

As a result, consolidated revenue for the current fiscal year increased by 12.7% to 765.6 billion yen, compared with the previous fiscal year. Consolidated operating profit went up by 33.7% to 108.3 billion yen, mainly attributable to the recognition of write-down on real estate inventories, including work in process for real estate inventories, of 20.7 billion yen in the previous period. Consolidated ordinary profit increased by 29.3% to 113.6 billion yen, and consolidated net income increased by 79.4% to 63.6 billion yen, due mainly to the recognition of impairment loss for fixed assets of 8.1 billion yen in the previous period. Moreover, consolidated revenue, operating profit and net income reached a record-high, compared with the past fiscal years.

(Projections for the fiscal year ending March 31, 2014)

Japanese economy is expected to continue its gradual recovery along with depreciation in Japanese yen and rise in stock market, though there will remain some downward risks in overseas economy, such as European credit concern and the fiscal problems of the U.S., as well as apprehension of economic downward in China. Under this situation, we will attempt to put new services and products on the market by utilizing our unique technologies in our main security segment and promote to reinforce sales activities still more to swiftly accommodate ourselves to diversified and sophisticated customer needs. In addition, we will advance synergy among all our segments, by enhancing “ALL SECOM,” the combination of all SECOM Group’s power, to actively develop and promote our services and products.

In projections for the consolidated financial results for the fiscal year ending March 31, 2014, it is expected to record 4.2% increase to 459.6 billion yen in the security services segment, 3.1% increase to 117.7 billion yen in the fire protection services segment, 15.6% increase to 55.6 billion yen in the medical services segment, 3.2% increase to 36.3 billion yen in the insurance services segment, 5.1% increase to 53.8 billion yen in the geographic information services segment, 31.8% decrease to 18.5 billion yen in the real estate development and sales segment, 39.3% increase to 67.9 billion yen in the information and communication related and other services segment and consolidated revenue is expected to increase by 5.7% to 809.4 billion yen.

Consolidated operating profit is expected to increase by 4.1% to 112.8 billion yen, consolidated ordinary profit is expected to increase by 2.0% to 115.9 billion yen and consolidated net income is expected to increase by 3.8% to 66.1 billion yen.

(Consolidated financial results)

(In billions of yen)

	Year ended March 31, 2012	Year ended March 31, 2013	Year ending March 31, 2014
Revenue	679.1	765.6	809.4
Change from the previous year	+2.3%	+12.7%	+5.7%
Operating profit	81.0	108.3	112.8
Change from the previous year	(18.2%)	+33.7%	+4.1%
Ordinary profit	87.8	113.6	115.9
Change from the previous year	(19.9%)	+29.3%	+2.0
Net income	35.4	63.6	66.1
Change from the previous year	(41.7%)	+79.4%	+3.8%
Basic net income per share (in yen)	162.63	291.65	302.84

## (2) Analysis on Financial Positions

### (i) Assets, Liabilities and Net Assets

Total assets as of March 31, 2013 amounted to 1,249.1 billion yen, 13.4% or 147.2 billion yen higher than those at the end of the previous fiscal year. Total current assets, at 542.8 billion yen, were up 7.8% or 39.3 billion yen. This was largely attributable to increases in notes and accounts receivable, trade by 24.4% or 20.8 billion yen to 106.6 billion yen, call loans by 66.1% or 18.5 billion yen to 46.5 billion yen, lease receivables and investment in leased assets by 88.8% or 12.9 billion yen to 27.5 billion yen, despite decrease in work in process for real estate inventories by 59.9% or 19.9 billion yen to 13.3 billion yen. Total fixed assets, at 706.2 billion yen, were up 18.0% or 107.8 billion yen. This was mainly attributable to increases in tangible assets by 24.3% or 70.7 billion yen to 361.5 billion yen, intangible assets by 30.0 billion yen to 55.0 billion yen, and investment securities by 6.4% or 11.3 billion yen to 189.0 billion yen, despite decrease in long-term loans receivable by 8.4% or 3.8 billion yen to 42.3 billion yen, mainly resulting from the consolidation of At Tokyo Corporation.

Total liabilities amounted to 484.9 billion yen, 12.7% or 54.6 billion yen higher than those at the end of the previous fiscal year. Total current liabilities amounted to 247.8 billion yen, up 14.9% or 32.0 billion yen, owing largely to increases in accrued income taxes by 99.4% or 14.5 billion yen to 29.2 billion yen, notes and accounts payable, trade by 42.1% or 12.9 billion yen to 43.6 billion yen, and other current liabilities, including deposits received, by 12.7% or 4.5 billion yen to 40.5 billion yen. Long-term liabilities increased by 10.5% or 22.5 billion yen to 237.0 billion yen, compared to at the end of the previous fiscal year. This was mainly attributable to increases in long-term loans by 85.3% or 9.1 billion yen to 19.8 billion yen, investment deposits by policyholders, unearned premiums and other insurance liabilities by 4.5% or 5.8 billion yen to 133.6 billion yen, deferred income taxes by 59.2% or 4.9 billion yen to 13.4 billion yen, and accrued pension and severance costs by 36.2% or 4.5 billion yen to 17.1 billion yen, despite decrease in guarantee deposits received by 5.5% or 2.1 billion yen to 36.1 billion yen.

Total net assets amounted to 764.1 billion yen, 13.8% or 92.6 billion yen higher than those at the end of the previous fiscal year, mainly due to increases in retained earnings by 7.8% or 44.0 billion yen, minority interests in subsidiaries by 49.8% or 31.6 billion yen, and foreign currency translation adjustments by 26.1% or 9.7 billion yen.

## (ii) Cash Flows

Cash and cash equivalents (“cash”) for the current fiscal year are as follows:

(In millions of yen)

	Year ended March 31, 2012	Year ended March 31, 2013	Increase (decrease)
Cash flows from operating activities	93,071	150,474	57,402
Cash flows from investing activities	(41,614)	(110,502)	(68,888)
Cash flows from financing activities	(33,846)	(31,564)	2,282
Effect of exchange rate changes on cash and cash equivalents	(422)	1,189	1,612
Net increase (decrease) in cash and cash equivalents	17,188	9,597	(7,591)
Cash and cash equivalents at beginning of the period	188,174	205,362	17,188
Increase in cash and cash equivalents accompanied by new consolidation	-	1,620	1,620
Cash and cash equivalents at end of the period	205,362	216,580	11,217

### (Cash flows from operating activities)

Net cash provided by operating activities for the current fiscal year amounted to 150.4 billion yen; 93.0 billion yen in the previous fiscal year. Major factors of cash increase were income before income taxes of 111.9 billion yen, depreciation and amortization of 41.5 billion yen, and decrease in inventories of 20.6 billion yen. Major factors of cash decrease were income taxes paid of 30.5 billion yen.

### (Cash flows from investing activities)

Net cash used in investing activities was 110.5 billion yen; 41.6 billion yen in the previous fiscal year. Major factors of cash decrease were payments for acquisitions of subsidiaries accompanied with changes in scope of consolidation of 65.5 billion yen, including payments for the acquisition of At Tokyo Corporation, payments for purchase of tangible assets, including security equipment and control stations, of 56.7 billion yen, and purchases of investment securities of 30.5 billion yen. Major factor of cash increase was proceeds from sales and redemptions of investment securities of 37.4 billion yen.

### (Cash flows from financing activities)

Net cash used in financing activities amounted to 31.5 billion yen; 33.8 billion yen in the previous fiscal year. Major factors of cash decrease were dividends paid of 19.6 billion yen, repayments of long-term loans of 9.6 billion yen, and payments for redemption of straight bonds of 6.9 billion yen. Major factor of cash increase was proceeds from long-term loans of 6.0 billion yen.

As a result, cash and cash equivalents as of March 31, 2013 were 216.5 billion yen, 11.2 billion yen higher than those at the end of the previous fiscal year.

### (Reference) Trend of indices related to cash flows

	Years ended				
	March 31, 2009	March 31, 2010	March 31, 2011	March 31, 2012	March 31, 2013
Equity ratio (%)	47.6	51.6	54.1	55.2	53.6
Equity ratio (market price base) (%)	72.6	82.4	77.0	80.2	84.7
Interest-bearing liabilities / Cash flows from operating activities (in year)	1.1	0.9	1.0	0.8	0.5
Interest coverage ratio	51.5	66.7	71.6	81.0	130.9

Note: Equity ratio = Equity / Total assets

Equity ratio (market price base) = Market capitalization / Total assets

Interest coverage ratio = Cash flows from operating activities / Interest paid

**(3) Basic Policy on Distribution of Surplus and Dividend Payments for the Current and Next Fiscal Year**

We consider the return of profits on a long-term basis to shareholders the most important task of the management. Management determines the consolidated dividend payout ratio and the level of internal reserves in overall consideration of the future expansion of our business and consolidated results of operations while keeping in line with the basic policy that ensures the continued and stable dividend payments. Our basic policy of distribution of surplus in the form of dividend payment is to propose annual year-end cash dividends to shareholders, and the decision of distribution of surplus is made by shareholders at the general meeting of the year. We intend to use internal reserves for investments required for increased new customer contracts, research and development and other strategic investments so as to ensure to strengthen our corporate structure and expand our business.

Due to steady financial performance, we have determined to propose to the Ordinary General Meeting of Shareholders that the year-end dividends (annual dividends) for the current fiscal year be 105 yen per share, 5 yen higher than those planned to be 100 yen per share, to respond to the shareholders' continuous support.

The year-end dividends (annual dividends) for the next fiscal year are planned to be 115 yen per share, 10 yen higher than those for the current fiscal year.

**(4) Significant Events Regarding Assumption of Going Concern, etc.**

Not applicable

## 2. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(In millions of yen)

	March 31, 2012	March 31, 2013
<b>ASSETS:</b>		
<b>Current assets:</b>	<b>503,479</b>	<b>542,836</b>
Cash on hand and in banks	182,412	175,427
Cash deposits for armored car services	54,011	56,089
Call loans	28,000	46,500
Notes and accounts receivable, trade	85,744	106,638
Due from subscribers	24,830	24,059
Short-term investments	19,936	14,723
Lease receivables and investment in leased assets	14,605	27,569
Merchandises and products	9,597	12,321
Real estate inventories	9,082	12,944
Work in process	2,527	4,526
Costs on uncompleted construction contracts	5,671	7,563
Work in process for real estate inventories	33,276	13,348
Raw materials and supplies	5,950	6,430
Deferred income taxes	11,383	14,384
Short-term loans receivable	4,389	4,158
Other	13,489	18,453
Allowance for doubtful accounts	(1,428)	(2,302)
<b>Fixed assets:</b>	<b>598,359</b>	<b>706,241</b>
<b>Tangible assets:</b>	<b>290,747</b>	<b>361,532</b>
Buildings and improvements	97,955	155,839
Security equipment and control stations	66,900	67,200
Land	104,426	115,652
Other	21,464	22,839
<b>Intangible assets</b>	<b>25,043</b>	<b>55,079</b>
<b>Investments and others:</b>	<b>282,568</b>	<b>289,629</b>
Investment securities	177,655	189,042
Long-term loans receivable	46,197	42,338
Prepaid pension and severance costs	19,130	19,572
Deferred income taxes	14,793	11,711
Other	42,376	43,706
Allowance for doubtful accounts	(17,584)	(16,742)
<b>Deferred assets</b>	<b>45</b>	<b>32</b>
<b>Total assets</b>	<b>1,101,884</b>	<b>1,249,110</b>

**(1) Consolidated Balance Sheets (Continued)**

(In millions of yen)

	March 31, 2012	March 31, 2013
<b>LIABILITIES:</b>		
<b>Current liabilities:</b>	<b>215,780</b>	<b>247,879</b>
Notes and accounts payable, trade	30,731	43,684
Bank loans	47,985	42,350
Current portion of straight bonds	5,983	4,487
Lease obligations	354	537
Payables - other	27,627	31,406
Accrued income taxes	14,688	29,282
Accrued consumption taxes	3,833	4,377
Accrued expenses	4,169	4,571
Deferred revenue	30,834	30,880
Accrued bonuses	12,739	14,031
Provision for loss on construction contracts	834	1,714
Other	35,997	40,554
<b>Long-term liabilities:</b>	<b>214,586</b>	<b>237,091</b>
Straight bonds	9,625	8,847
Long-term loans	10,700	19,828
Lease obligations	2,884	3,438
Guarantee deposits received	38,235	36,125
Deferred income taxes	8,415	13,400
Accrued pension and severance costs	12,585	17,137
Accrued retirement benefits for directors and corporate auditors	2,509	2,443
Investment deposits by policyholders, unearned premiums and other insurance liabilities	127,812	133,627
Other	1,817	2,242
<b>Total liabilities</b>	<b>430,366</b>	<b>484,970</b>
<b>NET ASSETS:</b>		
<b>Shareholders' equity:</b>	<b>641,034</b>	<b>685,042</b>
Common stock	66,377	66,377
Capital surplus	83,054	83,054
Retained earnings	565,261	609,275
Common stock in treasury, at cost	(73,659)	(73,664)
<b>Accumulated other comprehensive income:</b>	<b>(33,026)</b>	<b>(16,018)</b>
Unrealized gains (losses) on securities	4,559	11,783
Deferred gains (losses) on hedges	(28)	(41)
Foreign currency translation adjustments	(37,556)	(27,760)
<b>Minority interests in subsidiaries</b>	<b>63,509</b>	<b>95,114</b>
<b>Total net assets</b>	<b>671,517</b>	<b>764,139</b>
<b>Total liabilities and net assets</b>	<b>1,101,884</b>	<b>1,249,110</b>

## (2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

### Consolidated Statements of Income

(In millions of yen)

	Year ended March 31, 2012	Year ended March 31, 2013
<b>Revenue</b>	<b>679,173</b>	<b>765,635</b>
Costs of revenue	458,452	504,006
Gross profit	220,720	261,629
Selling, general and administrative expenses	139,642	153,258
<b>Operating profit</b>	<b>81,078</b>	<b>108,370</b>
Non-operating income	12,970	11,171
Non-operating expenses	6,209	5,922
<b>Ordinary profit</b>	<b>87,839</b>	<b>113,618</b>
Extraordinary profit	287	984
Extraordinary losses	11,558	2,623
<b>Income before income taxes</b>	<b>76,567</b>	<b>111,980</b>
Income taxes - current	32,023	43,211
Income taxes - deferred	4,600	(252)
Total income taxes	36,623	42,958
Net income before minority interests in subsidiaries	39,943	69,021
Minority interests in subsidiaries	4,454	5,363
<b>Net income</b>	<b>35,489</b>	<b>63,658</b>

## Consolidated Statements of Comprehensive Income

(In millions of yen)

	Year ended March 31, 2012	Year ended March 31, 2013
<b>Net income before minority interests in subsidiaries</b>	<b>39,943</b>	<b>69,021</b>
<b>Other comprehensive income:</b>	<b>(1,217)</b>	<b>18,124</b>
Unrealized gains (losses) on securities	2,318	7,500
Deferred gains (losses) on hedges	8	-
Foreign currency translation adjustments	(2,262)	6,222
Share of other comprehensive income of affiliated companies accounted for under the equity method	(1,281)	4,402
<b>Comprehensive income</b>	<b>38,726</b>	<b>87,146</b>
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent company	34,473	80,666
Comprehensive income attributable to minority interests	4,253	6,480

### (3) Consolidated Statements of Changes in Net Assets

(In millions of yen)

	Year ended March 31, 2012	Year ended March 31, 2013
<b>Shareholders' equity:</b>		
Common stock:		
Balance at the beginning of the current period	66,377	66,377
Changes during the current period:		
Total changes during the current period	-	-
Balance at the end of the current period	66,377	66,377
Capital surplus:		
Balance at the beginning of the current period	83,054	83,054
Changes during the current period:		
Disposal of treasury stock	(351)	(0)
Transfer of losses on disposal of treasury stock	351	0
Total changes during the current period	-	-
Balance at the end of the current period	83,054	83,054
Retained earnings:		
Balance at the beginning of the current period	549,747	565,261
Changes during the current period:		
Cash dividends	(19,622)	(19,644)
Net income	35,489	63,658
Transfer of losses on disposal of treasury stock	(351)	(0)
Total changes during the current period	15,514	44,013
Balance at the end of the current period	565,261	609,275
Common stock in treasury, at cost:		
Balance at the beginning of the current period	(74,923)	(73,659)
Changes during the current period:		
Purchase of treasury stock	(292)	(5)
Disposal of treasury stock	1,556	0
Total changes during the current period	1,263	(5)
Balance at the end of the current period	(73,659)	(73,664)
Total shareholders' equity:		
Balance at the beginning of the current period	624,255	641,034
Changes during the current period:		
Cash dividends	(19,622)	(19,644)
Net income	35,489	63,658
Purchase of treasury stock	(292)	(5)
Disposal of treasury stock	1,204	0
Transfer of losses on disposal of treasury stock	-	-
Total changes during the current period	16,778	44,008
Balance at the end of the current period	641,034	685,042

### (3) Consolidated Statements of Changes in Net Assets (Continued)

(In millions of yen)

	Year ended March 31, 2012	Year ended March 31, 2013
<b>Accumulated other comprehensive income:</b>		
Unrealized gains (losses) on securities:		
Balance at the beginning of the current period	2,192	4,559
Changes during the current period:		
Net changes of items other than shareholders' equity	2,366	7,224
Total changes during the current period	2,366	7,224
Balance at the end of the current period	4,559	11,783
Deferred gains (losses) on hedges:		
Balance at the beginning of the current period	(35)	(28)
Changes during the current period:		
Net changes of items other than shareholders' equity	7	(12)
Total changes during the current period	7	(12)
Balance at the end of the current period	(28)	(41)
Foreign currency translation adjustments:		
Balance at the beginning of the current period	(34,166)	(37,556)
Changes during the current period:		
Net changes of items other than shareholders' equity	(3,390)	9,796
Total changes during the current period	(3,390)	9,796
Balance at the end of the current period	(37,556)	(27,760)
Total accumulated other comprehensive income:		
Balance at the beginning of the current period	(32,010)	(33,026)
Changes during the current period:		
Net changes of items other than shareholders' equity	(1,015)	17,008
Total changes during the current period	(1,015)	17,008
Balance at the end of the current period	(33,026)	(16,018)
<b>Minority interest in subsidiaries:</b>		
Balance at the beginning of the current period	61,810	63,509
Changes during the current period:		
Net changes of items other than shareholders' equity	1,699	31,605
Total changes during the current period	1,699	31,605
Balance at the end of the current period	63,509	95,114
<b>Total net assets:</b>		
Balance at the beginning of the current period	654,055	671,517
Changes during the current period:		
Cash dividends	(19,622)	(19,644)
Net income	35,489	63,658
Purchase of treasury stock	(292)	(5)
Disposal of treasury stock	1,204	0
Transfer of losses on disposal of treasury stock	-	-
Net changes of items other than shareholders' equity	683	48,613
Total changes during the current period	17,461	92,622
Balance at the end of the current period	671,517	764,139

#### (4) Consolidated Statements of Cash Flows

(In millions of yen)

	Year ended March 31, 2012	Year ended March 31, 2013
<b>Cash flows from operating activities:</b>		
Income before income taxes	76,567	111,980
Depreciation and amortization	38,992	41,580
Amortization of goodwill	1,640	1,886
Net (gains) losses from investment in affiliated companies accounted for under the equity method	(4,597)	(4,024)
Increase (decrease) in allowance for doubtful accounts	(384)	469
Increase/decrease in accrued/prepaid pension and severance costs	(898)	(364)
Interest and dividend income	(3,433)	(3,228)
Interest expenses	1,145	1,118
Exchange (gains) losses	237	(453)
Net (gains) losses on sales and disposal of tangible assets	1,266	2,192
Impairment losses on fixed assets	8,133	932
Net (gains) losses on sales of investment securities	(666)	(620)
Net (gains) losses on revaluation of investment securities	922	7
Net (gains) losses on sales of investment securities in subsidiaries and affiliates	-	392
Write-down on real estate inventories	20,723	1,791
Net (gains) losses on private equity investment	(2,739)	(2,396)
(Increase) decrease in notes and accounts receivable, trade, and due from subscribers	(13,902)	(5,804)
(Increase) decrease in lease receivables and investment in leased assets	291	(3,578)
(Increase) decrease in inventories	(3,884)	20,618
Increase (decrease) in accounts payable	9,520	7,938
Increase (decrease) in deferred revenue	469	(415)
Increase (decrease) in investment deposits by policyholders, unearned premiums and other insurance liabilities	(7,685)	5,815
Other	3,632	(204)
<b>Subtotal</b>	<b>125,350</b>	<b>175,634</b>
Interest and dividend received	6,494	6,552
Interest paid	(1,149)	(1,149)
Income taxes paid	(36,823)	(30,564)
Payments for settlement	(799)	-
<b>Net cash provided by (used in) operating activities</b>	<b>93,071</b>	<b>150,474</b>
<b>Cash flows from investing activities:</b>		
(Increase) decrease in time deposits, net	9,232	3,489
(Increase) decrease in short-term investments, net	(4,357)	4,151
Payments for purchases of tangible assets	(49,769)	(56,764)
Proceeds from sales of tangible assets	163	2,601
Payments for purchases of intangible assets	(5,514)	(4,738)
Payments for purchases of investment securities	(66,283)	(30,574)
Proceeds from sales and redemptions of investment securities	73,693	37,442
Payments for acquisitions of subsidiaries	(465)	(251)
Proceeds from sales of investment securities in subsidiaries and affiliates	-	650
Payments for acquisitions of affiliates	-	(770)
(Increase) decrease in short-term loans receivable, net	(1,676)	(72)
Payments for long-term loans receivable	(3,380)	(1,408)
Proceeds from long-term loans receivable	5,425	3,079
Acquisitions of subsidiaries accompanied with changes in scope of consolidation	(1,275)	(65,533)
Other	2,593	(1,804)
<b>Net cash provided by (used in) investing activities</b>	<b>(41,614)</b>	<b>(110,502)</b>
<b>Cash flows from financing activities:</b>		
Increase (decrease) in bank loans, net	(7,334)	(3,977)
Proceeds from long-term loans	146	6,052
Repayments of long-term loans	(3,231)	(9,640)
Repayments of lease obligations	(366)	(591)
Proceeds from issuance of straight bonds	1,495	4,541
Payments for redemption of straight bonds	(2,914)	(6,923)
Proceeds from stock issuance to minority shareholders	123	85
Dividends paid	(19,622)	(19,644)
Dividends paid for minority shareholders	(1,851)	(1,460)
(Increase) decrease in treasury stocks, net	(292)	(5)
<b>Net cash provided by (used in) financing activities</b>	<b>(33,846)</b>	<b>(31,564)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(422)</b>	<b>1,189</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>17,188</b>	<b>9,597</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>188,174</b>	<b>205,362</b>
<b>Increase in cash and cash equivalents accompanied by new consolidation</b>	<b>-</b>	<b>1,620</b>
<b>Cash and cash equivalents at end of the period</b>	<b>205,362</b>	<b>216,580</b>

## **(5) Notes Regarding the Consolidated Financial Statement**

### **[Notes Regarding the Assumption of Going Concern]**

Not applicable

### **[Change in the Presentation Related to Consolidated Statements of Cash Flows]**

In the previous fiscal year, “Increase/decrease in cash deposits/deposits received for armored car services” was independently presented in the cash flows from operating activities. Since the amount of the item in the consolidated financial statements of cash flows is not material, the item is included in “Other” from the current fiscal year. In order to reflect the change in the presentation, the consolidated statements of cash flows for the previous year was reclassified. As a result, “Increase/decrease in cash deposits/deposits received for armored car services” of 3,796 million yen in the consolidated statements of cash flows in the previous fiscal year was reclassified in “Other.”

## **(6) Segment Information, etc.**

### **[Segment Information]**

#### **1. Summary of Reportable Segments**

The reportable segments of SECOM CO., LTD. and its subsidiaries (collectively “the Company”) are segments, based on the Company’s components, for which separate financial information is available and operating results are regularly reviewed by the Board of Directors for the decision of resource allocation and performance evaluation.

The Company plans and decides group strategies, allocates resources and evaluates performance for those segments, which are “security services”, “fire protection services”, “medical services”, “insurance services”, “geographic information services”, “real estate development and sales”, and information and communication related and other services (“information and communication related services”, “real estate leasing” and “hotel businesses”, etc.).

Accordingly, the Company considers these six segments – “security services”, “fire protection services”, “medical services”, “insurance services”, “geographic information services” and “real estate development and sales” – as reportable segments. Principal services and products of each reportable segment are as follows.

“Security services” segment offers comprehensive security services which provide customers with security and peace of mind, including core centralized security systems (on-line security systems) for commercial and residential premises. “Fire protection services” segment provides a variety of fire protection systems such as fire alarm systems and fire extinguishing systems to office buildings, plants, tunnels, cultural properties, ships and residences. “Medical services” segment provides a variety of medical services such as core home medical services including home nursing services and pharmaceutical services, operation of residence for seniors, electronic medical reports, real estate leasing for medical institutions, and sales of medical equipment. “Insurance services” segment develops and markets unique insurance policies that take installation of security systems as a risk-mitigating factor, and insurance policies to overcome cancer by having the best cancer treatments, etc. “Geographic information services” segment provides geospatial information services for national, local and overseas governmental agencies. “Real estate development and sales” segment develops and markets condominiums focusing on security and disaster preventions.

## 2. Calculation Method Used for Determining Revenue, Profit or loss, Assets and Other Items of Reportable Segments

Profits of reportable segments are based on operating profit. Intersegment revenue and transfers are determined based on actual market pricing.

## 3. Information about Amounts of Revenue, Profits or Loss, Assets and Other Items of Reportable Segments

### Year ended March 31, 2012

(In millions of yen)

	Reportable segments				
	Security services	Fire protection services	Medical services	Insurance services	Geographic information services
Revenue:					
Customers	424,223	80,677	42,942	34,173	50,173
Intersegment	10,387	4,092	147	2,750	215
Subtotal	434,610	84,770	43,090	36,923	50,388
Segment profit (loss)	100,684	4,367	4,013	47	3,591
Segment assets	578,633	83,860	126,324	160,790	61,381
Other items					
Depreciation and amortization	29,351	1,862	2,480	1,726	1,750
Amortization of goodwill	940	29	410	69	83
Impairment losses on fixed assets	-	47	-	-	18
Increase in tangible and intangible assets	36,886	1,042	1,665	633	3,857

(In millions of yen)

	Reportable segments		Information and communication related and others (Note 1)	Total	Adjustment (Note 2)	Amount on consolidated financial statements (Note 3)
	Real estate development and sales	Subtotal				
Revenue:						
Customers	11,724	643,914	35,258	679,173	-	679,173
Intersegment	525	18,119	6,599	24,718	(24,718)	-
Subtotal	12,250	662,034	41,857	703,892	(24,718)	679,173
Segment profit (loss)	(21,461)	91,243	4,163	95,406	(14,328)	81,078
Segment assets	45,210	1,056,199	130,564	1,186,764	(84,880)	1,101,884
Other items						
Depreciation and amortization	41	37,212	2,393	39,605	(613)	38,992
Amortization of goodwill	-	1,533	106	1,640	-	1,640
Impairment losses on fixed assets	-	66	8,067	8,133	-	8,133
Increase in tangible and intangible assets	18	44,104	12,949	57,053	(650)	56,402

Note 1: Information and communication related and others is an operating segment not included in reportable segments, and comprises information and communication related services, real estate leasing and hotel businesses, etc.

Note 2: Adjustment of segment profit/loss includes intersegment eliminations of 1,704 million yen and corporate expenses not allocated to each reportable segment of 12,623 million yen. Major components of corporate expenses are expenses regarding planning, personnel and administrative departments of the Company's headquarters, etc.

Adjustment of segment assets includes intersegment elimination of (224,210) million yen and corporate assets not belonging to each reportable segment of 139,330 million yen. Major components of corporate assets are cash on hand and in banks, loans, short-term investments and investment securities of the Company.

Adjustment of depreciation includes intersegment elimination of (886) million yen and depreciation of corporate assets not belonging to each reportable segment of 273 million yen.

Adjustment of increase in tangible and intangible assets includes intersegment elimination of (867) million yen and capital investments of software, etc. not belonging to each reportable segment of 216 million yen.

Note 3: Segment profit/loss is adjusted to operating profit in the consolidated statements of income.

### Year ended March 31, 2013

(In millions of yen)

	Reportable segments				
	Security services	Fire protection services	Medical services	Insurance services	Geographic information services
Revenue:					
Customers	441,178	114,129	48,082	35,173	51,194
Intersegment	11,658	4,308	165	2,816	127
Subtotal	452,837	118,437	48,248	37,989	51,321
Segment profit (loss)	102,487	6,460	4,316	(978)	3,753
Segment assets	638,330	116,840	130,394	171,780	61,696
Other items					
Depreciation and amortization	29,491	1,645	2,623	1,566	2,245
Amortization of goodwill	1,017	196	131	69	74
Impairment losses on fixed assets	-	34	-	-	650
Increase in tangible and intangible assets	38,514	1,404	6,569	910	2,758

(In millions of yen)

	Reportable segments		Information and communication related and others (Note 1)	Total	Adjustment (Note 2)	Amount on consolidated financial statements (Note 3)
	Real estate development and sales	Subtotal				
Revenue:						
Customers	27,121	716,880	48,754	765,635	-	765,635
Intersegment	3,535	22,611	6,870	29,482	(29,482)	-
Subtotal	30,657	739,492	55,625	795,117	(29,482)	765,635
Segment profit (loss)	1,746	117,787	5,756	123,543	(15,173)	108,370
Segment assets	32,527	1,151,569	234,396	1,385,965	(136,855)	1,249,110
Other items						
Depreciation and amortization	29	37,601	4,640	42,241	(661)	41,580
Amortization of goodwill	-	1,489	397	1,886	-	1,886
Impairment losses on fixed assets	-	684	248	932	-	932
Increase in tangible and intangible assets	17	50,174	11,159	61,334	(803)	60,531

Note 1: Information and communication related and others is an operating segment not included in reportable segments, and comprises information and communication related services, real estate leasing and hotel businesses, etc.

Note 2: Adjustment of segment profit/loss includes intersegment eliminations of 959 million yen and corporate expenses not allocated to each reportable segment of 14,213 million yen. Major components of corporate expenses are expenses regarding planning, personnel and administrative departments of the Company's headquarters, etc.

Adjustment of segment assets includes intersegment elimination of (258,891) million yen and corporate assets not belonging to each reportable segment of 122,035 million yen. Major components of corporate assets are cash on hand and in banks, loans, short-term investments and investment securities of the Company.

Adjustment of depreciation includes intersegment elimination of (959) million yen and depreciation of corporate assets not belonging to each reportable segment of 297 million yen.

Adjustment of increase in tangible and intangible assets includes intersegment elimination of (1,094) million yen and capital investments of software, etc. not belonging to each reportable segment of 291 million yen.

Note 3: Segment profit/loss is adjusted to operating profit in the consolidated statements of income.

## [Related Information]

### Year Ended March 31, 2012

#### 1. Information by Products and Services

Information is omitted as similar information is disclosed in Segment Information.

## 2. Information by Regions

### (1) Revenue

(In millions of yen)

Japan	Others	Total
650,418	28,754	679,173

Note: Revenues were divided into countries or areas based on customer locations.

### (2) Tangible Assets

(In millions of yen)

Japan	Others	Total
285,586	5,161	290,747

## 3. Information of Major Customers

Information is omitted as there is no single customer with over 10% of total revenue in the consolidated statements of income.

## Year Ended March 31, 2013

### 1. Information by Products and Services

Information is omitted as similar information is disclosed in Segment Information.

### 2. Information by Regions

#### (1) Revenue

(In millions of yen)

Japan	Others	Total
732,585	33,050	765,635

Note: Revenues were divided into countries or areas based on customer locations.

#### (2) Tangible Assets

(In millions of yen)

Japan	Others	Total
356,264	5,268	361,532

### 3. Information of Major Customers

Information is omitted as there is no single customer with over 10% of total revenue in the consolidated statements of income.

**[Information Regarding Amortized Amounts and Unamortized Balance of Goodwill by Reportable Segment]**

**Year Ended March 31, 2012**

(In millions of yen)

	Reportable segments				
	Security services	Fire protection services	Medical services	Insurance services	Geographic information services
Amortization of goodwill:					
Amortized amount	940	29	410	69	83
Unamortized balance	6,583	96	950	335	509
Negative goodwill:					
Amortized amount	224	127	-	-	-
Unamortized balance	565	590	-	-	-

(In millions of yen)

	Reportable segments		Information and communication related and others	Total	Adjustment	Amount on consolidated financial statements
	Real estate development and sales	Subtotal				
Amortization of goodwill:						
Amortized amount	-	1,533	106	1,640	-	1,640
Unamortized balance	-	8,476	-	8,476	-	8,476
Negative goodwill:						
Amortized amount	-	351	26	377	-	377
Unamortized balance	-	1,156	-	1,156	-	1,156

**Year Ended March 31, 2013**

(In millions of yen)

	Reportable segments				
	Security services	Fire protection services	Medical services	Insurance services	Geographic information services
Amortization of goodwill:					
Amortized amount	1,017	196	131	69	74
Unamortized balance	6,091	1,388	819	265	92
Negative goodwill:					
Amortized amount	224	125	-	-	-
Unamortized balance	341	464	-	-	-

(In millions of yen)

	Reportable segments		Information and communication related and others	Total	Adjustment	Amount on consolidated financial statements
	Real estate development and sales	Subtotal				
Amortization of goodwill:						
Amortized amount	-	1,489	397	1,886	-	1,886
Unamortized balance	-	8,658	13,913	22,572	-	22,572
Negative goodwill:						
Amortized amount	-	349	-	349	-	349
Unamortized balance	-	806	-	806	-	806

## (7-1) Notes to Business Combination

Business Combination by Share Acquisition

Acquisition of Nittan Co., Ltd.

### 1. Outline of Business Combination

#### (i) Name and Business Description of the Acquired Company

##### (a) Name

LIXIL NITTAN Co., Ltd.

##### (b) Business Description

Installation, sales, maintenance and check-up of various fire extinguishers

#### (ii) Purpose of Acquisition

(a) To enhance the fire protection services, including flexible response to environmental changes, such as change of awareness for disaster prevention due to the Great East Japan Earthquake (domestic) and increasing demand for disaster prevention in emerging countries (overseas).

(b) Research and development of next-generation systems for disaster prevention

#### (iii) Date of Business Combination

April 1, 2012

#### (iv) Legal Form of Business Combination

Share acquisition

#### (v) Name of Company after Business Combination

Nittan Co., Ltd.

#### (vi) Percentage of Voting Rights Acquired

100%

#### (vii) Principal Reason for Determining Acquiring Company

Since the Company delivered the consideration of the acquired shares which consisted of cash only, the Company is determined as the acquiring company.

### 2. Period Included in Consolidated Financial Statements

April 1, 2012 – March 31, 2013

### 3. Acquisition Cost of Company Subject to Business Combination and Breakdown Thereof

Consideration for Acquisition

Cash on hand 12,700 million yen

Costs Directly Associated with Acquisition

Advisory fees etc. 13 million yen

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Acquisition Cost 12,713 million yen

### 4. Amount and Cause of Goodwill, Amortization Method and Period

#### (1) Amount of Goodwill

1,464 million yen

#### (2) Cause of Goodwill

Estimated future excess earning power being expected based on the future business operation.

#### (3) Amortization Method and Period

Amortization by the straight-line method over 10 years

## 5. Amount of Assets Acquired and Liabilities Assumed on the Day of Business Combination

Current assets	20,827 million yen
<u>Fixed assets</u>	<u>8,600 million yen</u>
Total assets	29,427 million yen
Current liabilities	13,232 million yen
<u>Long-term liabilities</u>	<u>4,811 million yen</u>
Total liabilities	18,043 million yen

### (7-2) Notes to Business Combination

Business Combination by Share Acquisition

Acquisition of At Tokyo Corporation

#### 1. Outline of Business Combination

##### (i) Name and Business Description of the Acquired Company

###### (a) Name

At Tokyo Corporation

###### (b) Business Description

Data center business

##### (ii) Purpose of Acquisition

To accelerate its data center business and realize a variety of business synergies by further improving data center service quality and developing new information security services.

##### (iii) Date of Business Combination

October 31, 2012

##### (iv) Legal Form of Business Combination

Share acquisition

##### (v) Name of Company after Business Combination

At Tokyo Corporation

##### (vi) Percentage of Voting Rights Acquired

50.882%

##### (vii) Principal Reason for Determining Acquiring Company

Since the Company delivered the consideration of the acquired shares which consisted of cash only, the Company is determined as the acquiring company.

#### 2. Period Included in Consolidated Financial Statements

November 1, 2012 – March 31, 2013

#### 3. Acquisition Cost of Company Subject to Business Combination and Breakdown Thereof

##### Consideration for Acquisition

Cash on hand 33,327 million yen

##### Costs Directly Associated with Acquisition

Advisory fees etc. 212 million yen

Acquisition Cost 33,539 million yen

#### 4. Amount and Cause of Goodwill, Amortization Method and Period

(1) Amount of Goodwill

14,310 million yen

(2) Cause of Goodwill

Estimated future excess earning power being expected based on the future business operation.

(3) Amortization Method and Period

Amortization by the straight-line method over 15 years

#### 5. Amount of Assets Acquired and Liabilities Assumed on the Day of Business Combination

Current assets	9,769 million yen
Fixed assets	72,559 million yen
<hr/>	
Total assets	82,328 million yen
Current liabilities	6,769 million yen
Long-term liabilities	37,766 million yen
<hr/>	
Total liabilities	44,535 million yen

#### 6. Amount and Amortization Period Allocated to Intangible Assets, and Breakdown Thereof

	[Amount]	[Amortization Period]
Customer Relationships	12,158 million yen	20 years
Trademark	3,072 million yen	15 years

#### **(8) Significant Subsequent Events**

Not applicable

### 3. Nonconsolidated Financial Statements

#### (1) Nonconsolidated Balance Sheets

(In millions of yen)

	March 31, 2012	March 31, 2013
<b>ASSETS:</b>		
Current assets:		
Cash on hand and in banks	82,631	54,136
Cash deposits for armored car services	52,386	53,551
Notes receivable	720	700
Due from subscribers	14,324	14,856
Accounts receivable, trade	10,039	9,691
Receivables - other	2,159	2,528
Short-term investments	456	1,048
Merchandise	5,152	5,585
Supplies	1,470	1,012
Prepaid expenses	2,253	2,332
Deferred income taxes	4,269	5,268
Short-term loans receivable	369	152
Short-term loans receivable to subsidiaries and affiliates	15,197	19,076
Other	1,639	4,827
Allowance for doubtful accounts	(268)	(248)
Total current assets	192,804	174,521
Fixed assets:		
Tangible assets:		
Buildings and improvements	47,123	48,474
Accumulated depreciation of buildings and improvements	(30,714)	(31,414)
Buildings and improvements, net	16,409	17,059
Automobiles	492	857
Accumulated depreciation of automobiles	(260)	(335)
Automobiles, net	231	521
Security equipment and control stations	252,110	258,716
Accumulated depreciation of security equipment and control stations	(186,768)	(193,387)
Security equipment and control stations, net	65,341	65,329
Machinery and equipment	7,744	7,608
Accumulated depreciation of machinery and equipment	(7,382)	(7,319)
Machinery and equipment, net	361	288
Tools, furniture and fixtures	20,558	20,866
Accumulated depreciation of tools, furniture and fixtures	(17,257)	(17,887)
Tools, furniture and fixtures, net	3,301	2,979
Land	28,555	29,802
Construction in progress	1,710	1,719
Other	856	857
Accumulated depreciation of other	(482)	(621)
Other, net	374	235
Total tangible assets	116,286	117,936
Intangible assets:		
Goodwill	3,350	2,978
Software	5,487	4,269
Other	1,586	2,061
Total intangible assets	10,424	9,308
Investments and others:		
Investment securities	23,906	21,583
Investment securities in subsidiaries and affiliates	190,305	236,309
Investments in subsidiaries and affiliates	1,883	1,827
Long-term loans receivable	4,298	4,243
Long-term loans receivable to employees	59	55
Long-term loans receivable to subsidiaries and affiliates	123,716	151,514
Lease deposits	8,147	7,747
Long-term prepaid expenses	24,013	21,594
Prepaid pension and severance costs	15,903	16,263
Deferred income taxes	130	-
Insurance funds	4,181	3,991
Other	2,713	2,728
Allowance for doubtful accounts	(19,326)	(20,307)
Total investments and others	379,933	447,551
Total fixed assets	506,643	574,796
Total Assets	699,448	749,317

**(1) Nonconsolidated Balance Sheets (Continued)**

(In millions of yen)

	March 31, 2012	March 31, 2013
<b>LIABILITIES:</b>		
Current liabilities:		
Accounts payable	2,400	3,044
Bank loans	27,659	26,598
Lease obligations	80	121
Payables – other	13,756	15,042
Payables – construction	4,343	4,333
Accrued income taxes	3,938	19,510
Accrued consumption taxes	2,062	2,538
Accrued expenses	716	726
Deposits received	22,066	24,131
Deferred revenue	22,340	21,671
Accrued bonuses	6,116	6,089
Other	640	365
Total current liabilities	106,121	124,174
Long-term liabilities:		
Lease obligations	2,217	2,449
Guarantee deposits received	18,099	17,859
Deferred income taxes	-	788
Accrued pension and severance costs	3,945	4,051
Accrued retirement benefits for directors and corporate auditors	1,294	857
Other	10	25
Total long-term liabilities	25,568	26,031
Total liabilities	131,689	150,205
<b>NET ASSETS:</b>		
Shareholders' equity:		
Common stock	66,377	66,377
Capital surplus:		
Additional paid-in capital	83,054	83,054
Total capital surplus	83,054	83,054
Retained earnings:		
Legal reserve	9,028	9,028
Other retained earnings:		
Reserve for system developments	800	800
General reserve	2,212	2,212
Accumulated earnings carried forward	478,914	508,398
Total retained earnings	490,954	520,439
Common stock in treasury, at cost	(73,659)	(73,664)
Total shareholders' equity	566,727	596,206
Valuation, translation adjustments and others:		
Unrealized gains (losses) on securities	1,031	2,905
Total valuation, translation adjustments and others	1,031	2,905
Total net assets	567,758	599,112
Total liabilities and net assets	699,448	749,317

## (2) Nonconsolidated Statements of Income

(In millions of yen)

	Year ended March 31, 2012	Year ended March 31, 2013
Revenue:		
Service charges	299,523	305,300
Sales of merchandise	45,952	50,092
Total revenue	345,476	355,393
Costs:		
Cost of service	169,928	174,331
Cost of sales	33,458	36,458
Total costs	203,386	210,790
Gross Profit	142,089	144,603
Selling, general and administrative expenses:		
Advertisement	2,290	2,979
Salaries	29,326	29,930
Bonuses	4,636	4,827
Provision for accrued bonuses	2,319	2,330
Pension and severance costs	1,842	2,054
Provision for retirement benefits for directors and corporate auditors	62	290
Welfare expenses	5,074	5,238
Depreciation and amortization	1,808	1,767
Rent expenses	5,252	5,236
Travel expenses	1,185	1,257
Communication expenses	1,391	1,396
Office supply expenses	924	965
Taxes and public imposts	1,313	1,489
Business consignment expenses	5,462	5,669
Research and development expenses	3,606	3,573
Amortization of goodwill	278	371
Other	5,116	5,272
Total selling, general and administrative expenses	71,893	74,651
Operating profit	70,196	69,952
Non-operating income:		
Interest income	1,668	1,812
Dividends income	5,927	7,599
Other	452	761
Total non-operating income	8,048	10,173
Non-operating expenses:		
Interest expenses	325	325
Loss on sales and disposal of fixed assets	1,043	1,957
Write-off of long-term prepaid expenses	774	688
Other	889	818
Total non-operating expenses	3,032	3,789
Ordinary profit	75,212	76,336
Extraordinary profit:		
Reversal of retirement benefits for directors and corporate auditors	-	728
Gain on sales of investment securities in subsidiaries and affiliates	-	367
Gain on sales of investment securities	11	114
Gain on extinguishment of tie-in shares	22,985	-
Other	4	9
Total extraordinary profit	23,001	1,219
Extraordinary losses:		
Provision for allowance for doubtful accounts	6,391	945
Impairment loss for fixed assets	7,909	22
Loss on revaluation of investment securities	757	0
Debt-equity-swap loss	24,999	-
Loss related to disasters	465	-
Other	171	85
Total extraordinary losses	40,695	1,052
Income before income taxes	57,518	76,502
Income taxes - current	17,270	28,481
Income taxes - deferred	13,429	(1,107)
Total income taxes	30,699	27,374
Net income	26,818	49,128

### (3) Nonconsolidated Statements of Changes in Net Assets

(In millions of yen)

	Year ended March 31, 2012	Year ended March 31, 2013
<b>Shareholders' equity:</b>		
Common stock:		
Balance at the beginning of the current period	66,377	66,377
Changes during the current period:		
Total changes during the current period	-	-
Balance at the end of the current period	66,377	66,377
Capital surplus:		
Additional paid-in capital:		
Balance at the beginning of the current period	83,054	83,054
Changes during the current period:		
Total changes during the current period	-	-
Balance at the end of the current period	83,054	83,054
Other capital surplus:		
Balance at the beginning of the current period	-	-
Changes during the current period:		
Disposal of treasury stock	(351)	(0)
Transfer of losses on disposal of treasury stock	351	0
Total changes during the current period	-	-
Balance at the end of the current period	-	-
Total capital surplus:		
Balance at the beginning of the current period	83,054	83,054
Changes during the current period:		
Disposal of treasury stock	(351)	(0)
Transfer of losses on disposal of treasury stock	351	0
Total changes during the current period	-	-
Balance at the end of the current period	83,054	83,054
Retained earnings:		
Legal reserve:		
Balance at the beginning of the current period	9,028	9,028
Changes during the current period:		
Total changes during the current period	-	-
Balance at the end of the current period	9,028	9,028
Other retained earnings:		
Reserve for system developments:		
Balance at the beginning of the current period	800	800
Changes during the current period:		
Total changes during the current period	-	-
Balance at the end of the current period	800	800
General reserve:		
Balance at the beginning of the current period	2,212	2,212
Changes during the current period:		
Total changes during the current period	-	-
Balance at the end of the current period	2,212	2,212
Accumulated earnings carried forward:		
Balance at the beginning of the current period	472,070	478,914
Changes during the current period:		
Cash dividends	(19,622)	(19,644)
Net income	26,818	49,128
Transfer of losses on disposal of treasury stock	(351)	(0)
Total changes during the current period	6,844	29,484
Balance at the end of the current period	478,914	508,398
Total retained earnings:		
Balance at the beginning of the current period	484,110	490,954
Changes during the current period:		
Cash dividends	(19,622)	(19,644)
Net income	26,818	49,128
Transfer of losses on disposal of treasury stock	(351)	(0)
Total changes during the current period	6,844	29,484
Balance at the end of the current period	490,954	520,439

### (3) Nonconsolidated Statements of Changes in Net Assets (Continued)

(In millions of yen)

	Year ended March 31, 2012	Year ended March 31, 2013
Common stock in treasury, at cost:		
Balance at the beginning of the current period	(74,923)	(73,659)
Changes during the current period:		
Purchase of treasury stock	(292)	(5)
Disposal of treasury stock	1,556	0
Total changes during the current period	1,263	(5)
Balance at the end of the current period	(73,659)	(73,664)
Total shareholders' equity:		
Balance at the beginning of the current period	558,619	566,727
Changes during the current period:		
Cash dividends	(19,622)	(19,644)
Net income	26,818	49,128
Purchase of treasury stock	(292)	(5)
Disposal of treasury stock	1,204	0
Transfer of losses on disposal of treasury stock	-	-
Total changes during the current period	8,108	29,478
Balance at the end of the current period	566,727	596,206
<b>Valuation, translation adjustments and others:</b>		
Unrealized gains (losses) on securities:		
Balance at the beginning of the current period	(201)	1,031
Changes during the current period:		
Net changes of items other than shareholders' equity	1,232	1,874
Total changes during the current period	1,232	1,874
Balance at the end of the current period	1,031	2,905
Total valuation, translation adjustments and others:		
Balance at the beginning of the current period	(201)	1,031
Changes during the current period:		
Net changes of items other than shareholders' equity	1,232	1,874
Total changes during the current period	1,232	1,874
Balance at the end of the current period	1,031	2,905
<b>Total net assets:</b>		
Balance at the beginning of the current period	558,417	567,758
Changes during the current period:		
Cash dividends	(19,622)	(19,644)
Net income	26,818	49,128
Purchase of treasury stock	(292)	(5)
Disposal of treasury stock	1,204	0
Net changes of items other than shareholders' equity	1,232	1,874
Total changes during the current period	9,341	31,353
Balance at the end of the current period	567,758	599,112

### (4) Significant Subsequent Events

Not applicable