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**FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED MARCH 31, 2018**  
 (Based on JAPANESE GAAP) (Consolidated)

May 10, 2018

Company name: SECOM CO., LTD. (URL: <https://www.secom.co.jp/>)  
 Code number: 9735 Tokyo Stock Exchange ----- First Section  
 Representative: Yasuo Nakayama, President and Representative Director  
 For inquiries: Junzo Nakayama, Executive Director Phone (03) 5775-8100  
 Scheduled date of General Shareholders' Meeting: June 26, 2018  
 Scheduled date of dividend payout: June 27, 2018  
 Scheduled date of filing Securities Report: June 26, 2018  
 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, 2018 (April 1, 2017 – March 31, 2018)**

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

	Years ended March 31	
	2017	2018
Revenue	928,098 5.3%	970,624 4.6%
Operating profit	131,050 1.9%	135,448 3.4%
Ordinary profit	147,033 9.1%	144,318 (1.8%)
Net income attributable to owners of the parent	84,170 9.3%	86,993 3.4%
Basic net income per share (in yen)	385.64	398.58
Diluted net income per share (in yen)	-	-
Net income / Equity	9.8%	9.4%
Ordinary profit / Total assets	9.1%	8.6%
Operating profit / Revenue	14.1%	14.0%

Note 1: Comprehensive income:

Year ended March 31, 2018: JPY 105,568 million [ 4.2% ]

Year ended March 31, 2017: JPY 101,312 million [55.5% ]

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

Year ended March 31, 2018: JPY 6,398 million

Year ended March 31, 2017: JPY 3,734 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, 2017	March 31, 2018
Total assets	1,650,176	1,720,268
Net assets	1,013,253	1,081,213
Equity ratio	54.1%	55.4%
Net assets per share (in yen)	4,086.87	4,364.63

Note 1: Equity as of:

March 31, 2018: JPY 952,623 million

March 31, 2017: JPY 892,000 million

Note 2: Equity is calculated by deducting noncontrolling 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	
	2017	2018
Cash flows from operating activities	171,121	123,625
Cash flows from investing activities	(42,964)	(58,202)
Cash flows from financing activities	(55,942)	(50,950)
Cash and cash equivalents at end of the period	292,994	307,853

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

	Years ended March 31		
	2017	2018	2019 (projected)
1 <sup>st</sup> quarter dividends per share (in yen)	–	–	–
2 <sup>nd</sup> quarter dividends per share (in yen)	70.00	75.00	80.00
3 <sup>rd</sup> quarter dividends per share (in yen)	–	–	–
Year-end dividends per share (in yen)	75.00	80.00	85.00
Annual dividends per share (in yen)	145.00	155.00	165.00
Total annual dividend payout	31,647	33,830	
Dividend payout ratio (consolidated)	37.6%	38.9%	43.4%
Total dividends / Net assets (consolidated)	3.7%	3.7%	

## 3. Projections for the consolidated financial results for the fiscal year ending March 31, 2019 (April 1, 2018 – March 31, 2019) and the six-month period ending September 30, 2018 (April 1, 2018 – September 30, 2018) (In millions of yen)

	Six-month period ending September 30, 2018	Year ending March 31, 2019
Projected revenue	471,500 5.5%	1,000,000 3.0%
Projected operating profit	53,500 (13.0%)	126,500 (6.6%)
Projected ordinary profit	56,000 (15.2%)	132,500 (8.2%)
Projected net income attributable to SECOM CO., LTD	38,400 (7.1%)	83,000 (4.6%)
Projected basic net income per share (in yen)	175.94	380.28

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, 2018.

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

※ **Notes**

(1) Significant changes in subsidiaries during the period (changes in specified subsidiaries accompanied with changes in scope of consolidation): None

(2) Changes in accounting policies, accounting estimates and/or restatements:

① Changes in accounting policies associated with amendment of accounting standards: None

② Other changes in accounting policies: None

③ Changes in accounting estimates: None

④ Restatements: None

(3) Number of common shares outstanding:

① Number of common shares outstanding, including treasury stock, as of:

March 31, 2018: 233,290,441 shares

March 31, 2017: 233,288,717 shares

② Number of shares of treasury stock as of:

March 31, 2018: 15,030,573 shares

March 31, 2017: 15,028,470 shares

③ Number of average common shares outstanding over:

The year ended March 31, 2018: 218,260,418 shares

The year ended March 31, 2017: 218,261,126 shares

**[Reference] Summary of nonconsolidated results**

Nonconsolidated financial results for the fiscal year ended March 31, 2018 (April 1, 2017 – March 31, 2018)

(1) Nonconsolidated operating results

(In millions of yen, figures rounded down)

	Years ended March 31	
	2017	2018
Revenue	382,476 1.7%	387,881 1.4%
Operating profit	76,283 0.8%	78,168 2.5%
Ordinary profit	86,543 (0.1%)	91,083 5.2%
Net income	63,260 8.2%	67,692 7.0%
Basic net income per share (in yen)	289.84	310.15
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, 2017	March 31, 2018
Total assets	850,851	887,673
Net assets	713,263	748,988
Equity ratio	83.8%	84.4%
Net assets per share (in yen)	3,267.95	3,431.64

Note: Equity as of:

March 31, 2018: JPY 748,988 million

March 31, 2017: JPY 713,263 million

**Note on status of audit procedures**

This report is excluded from the scope of audit procedures.

**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 (4) Projections for the fiscal year ending March 31, 2019” on page 7 in the appendices.

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## 1. Operating Results

### (1) Analysis on Operating Results

During the fiscal year ended March 31, 2018 (“the current fiscal year”), Japanese economy has been in a moderate upward trend as shown in improvements in corporate earnings and employment environment, as well as recovery in private consumption. On the other hand, continual attentions to the effects of uncertainties in overseas economies related to various policies of the U.S., the trends of the emerging economies in Asia, including China, U.K. exiting the E.U. (BREXIT), the effects of geopolitical risks, in addition to the fluctuations in the financial and capital markets, have been required.

In this environment, we have been continuously pushing forward with efforts to establish “Social System Industry” which deliver safety and peace of mind, as well as make life more comfortable and convenient, whenever and wherever necessary for everyone. In May 2017, we formulated the SECOM Group’s Vision for 2030. Guided by this vision, we have been continuously promoting the “ALL SECOM” concept, which emphasizes cooperation among our various businesses to strengthen the bond of the group. In addition, we are working to realize 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. To create the *ANSHIN* Platform, we are advancing collaborative initiatives with partners having same philosophy who provide various technologies and knowledges. In the period under review, we have been continuously trying to satisfy the increasingly diversified and sophisticated needs of our customers for their safety and peace of mind through the seamless provision of services. In August 2017, “On-site Center”, a vehicle type monitoring center, was developed in order to support disaster affected areas or provide security in large-scale events. This mobile monitoring base enables real time gathering and provision of information, as well as on-site supervision. We provided security system combining it with wearable cameras among others in a city event and major sport events during the current fiscal year. We have also been promoting innovative security services utilizing robot technologies. In March 2018, we started providing patrol and surveillance service using “SECOM Drone”, Japan’s first service with an autonomous small flying robot that launches, flies, returns and charges batteries autonomously. Furthermore, we have been actively working toward creating innovative services, such as developments of “SECOM Robot X2”, which conducts patrols and surveillances autonomously at unattended facilities during the night-time, and “SECOM Robot X3”, a communication robot with multiple functions in addition to security, route guidance and conversation, capitalizing mobile technologies through open-innovation with a major domestic research institute.

During the current fiscal year, we acquired TMJ, Inc., a newly consolidated subsidiary, which boasts extensive experience in the area of BPO (Note 1) services, including operation of call center services. We are aiming to further expand our business capabilities through integrating BPO related services with our existing information and communication related services that focus primarily on ICT (Note 2) related services and data center services. Accordingly, Information and Communication Related Services was changed to BPO and ICT Services (Please refer to page 19). Reportable segments are not reclassified by this change.

Note 1: BPO (Business Process Outourcing) – To outsource operations such as data input/output and processing with the aim of improving efficiency and productivity.

Note 2: ICT (Information and Communication Technology)

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 strived to catch the customers' needs precisely and propose the most suitable services from our extensive lineup so that we can make our customer relationship more solid and provide the customers with the long-term safety, peace of mind, comfort and convenience.

For our commercial security services, we have made continuous efforts to market high value added 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 labor management and cost reduction and "SECOM FX," which has a facility control function. In addition, we commenced a full-scale provision of "3-Dimensional Security" for large-scale events. "SECOM 3D Security Planning", which uses high-precision 3D maps for the formulation of an optimal security plan, combining with static guards, overhead venue surveillance by "SECOM Aerostat", temporarily installed surveillance cameras on the ground, wearable cameras and "SECOM Drone Detection System", among others, contributed to the successful staging of events with security and a piece of mind.

For our residential security services, the demand for "SECOM Home Security" which delivers safety and peace of mind as well as comfort and convenience, has been solid. In this circumstance, we have started providing "SECOM Home Security NEO", a flexible system suited to modern lifestyles that can be linked with devices on the IoT etc., facilitating expansion of services. Concurrently, we launched "SECOM My Doctor Watch", an emergency medical alert and health management service centered on a wearable wristband tracker, which is available as an optional service to "SECOM Home Security" subscribers. We also promoted another new optional product, "SECOM ANSHIN Home Delivery Box", which enables recipients to receive parcels securely whether they are at home or not.

Outside Japan, we promoted our "SECOM-style" security services, which has specialty in emergency response services, especially in economically developing areas, such as People's Republic of China and Southeast Asia. We also enhanced the proposal to Japanese companies which expand their business to overseas. Furthermore, we formed a strategic partnership with a major local electric appliance manufacturer to cultivate the home security market in China.

As a result, mainly due to brisk sales of on-line security systems for commercial and residential use, as well as the increases in revenue in Asahi Security Co., Ltd., a provider of cash collection and delivery services, and in static guard services, revenue increased by 2.2% to 545.7 billion yen and operating profit increased by 1.9% to 115.6 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, two major fire protection companies, Nohmi Bosai Ltd. and Nittan Co., Ltd., promoted various fire protection systems based on each company's business infrastructure and product development expertise.

Revenue increased by 8.2% to 136.5 billion yen, mainly attributable to the contribution of large-scale

projects, as a result of active marketing efforts, and operating profit increased by 18.6% to 15.6 billion yen, chiefly owing to the improvement in the cost ratio ascribed to the improvement of business efficiency.

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 and pharmaceutical products, personal care services, and the leasing of real estate for medical institutions.

Revenue increased by 6.2% to 70.9 billion yen, mainly due to firm increase in sales of medical equipment and pharmaceutical dispensing services, in addition to the contribution of Takshasila Hospitals Operating Pvt. Ltd., a general hospital business subsidiary in India, and operating profit increased by 15.8% to 5.4 billion yen, chiefly owing to the improvement in cost ratio.

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; MEDCOM, an unrestricted cancer treatment policy that offers compensation of actual cost of medical treatment; and 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.

Despite revenue increased by 3.1% to 43.2 billion yen, mainly due to the firm increase in sales of MEDCOM, unrestricted cancer treatment policy, and fire insurance policy provided by Secom General Insurance Co., Ltd., operating profit decreased by 36.8% to 1.3 billion yen, owing to the increase in losses incurred from typhoons.

In the geographic information services segment, we collected geographic data from aerial photography, vehicle/ground surveying systems and satellite images, and provided the geospatial data services, by integrating, processing, and analyzing the geographic data, to domestic national and local governmental agencies, private sectors, and foreign governmental agencies including emerging and developing countries. In the current fiscal year, we responded to diversified and sophisticated needs for the development and maintenance of critical infrastructure and the disaster recovery in Japan and overseas, through the geospatial information technology.

Revenue decreased by 1.4% to 50.9 billion yen, mainly owing to the decrease in revenue in international division. Operating profit increased by 63.7% to 2.0 billion yen, mainly attributable to the improvement in cost ratio ascribed to the decrease in provision for losses on construction contracts.

In the BPO and ICT services segment, our distinctive portfolio includes business continuity planning (BCP) support, information security services and a variety of cloud-based services centering on the data centers as well as BPO related services including operation of call center services. On October 2<sup>nd</sup>, 2017, we acquired TMJ, Inc., a newly consolidated subsidiary in order to expand our secure business support services, which boasts extensive experience and know-how in provision of quality outsourcing services to major companies in various industries.

Revenue increased by 39.9% to 69.7 billion yen, chiefly owing to the contribution of TMJ, Inc., a newly



consolidated subsidiary and the increase in revenue in data center. Despite the increases in cost ratio and in selling, general and administrative expenses, operating profit increased by 3.8% to 7.2 billion yen, attributable to the increase in revenue.

Real estate and other services segment comprises developing and selling condominiums equipped with advanced security and disaster prevention systems, real estate leasing, and construction and installation services.

Revenue decreased by 6.9% to 53.3 billion yen and operating profit was down by 3.4% to 5.0 billion yen, mainly due to the decrease in revenue in the real estate development and sales business.

As a result, consolidated revenue for the current fiscal year increased by 4.6% to 970.6 billion yen compared with the previous fiscal year. Consolidated operating profit increased by 3.4% to 135.4 billion yen. Consolidated ordinary profit decreased by 1.8% to 144.3 billion yen, mainly due to the decrease in net gains on private equity investment in the U.S. etc. (18/3: 2.1 billion yen. 17/3: 14.4 billion yen). Consolidated net income attributable to owners of the parent increased by 3.4% to 86.9 billion yen, chiefly owing to the increase in extraordinary profit/(losses) by 5.1 billion yen. Consolidated revenue, consolidated operating profit and consolidated net income attributable to owners of the parent reached a record-high.

## **(2) Analysis on Financial Positions**

Total assets as of March 31, 2018 amounted to 1,720.2 billion yen, 4.2% or 70.0 billion yen higher than those at the end of the previous fiscal year. Total current assets, at 806.7 billion yen, were up 5.9% or 44.9 billion yen. This was largely attributable to the increases in work in process for real estate inventories by 78.1% or 17.4 billion yen to 39.6 billion yen, cash on hand and in banks by 4.9% or 14.9 billion yen to 317.2 billion yen, notes and accounts receivable, trade by 8.5% or 10.1 billion yen to 129.9 billion yen and cash deposits for armored car services by 4.0% or 5.1 billion yen to 135.8 billion yen, despite the decrease in short-term investments by 40.9% or 12.0 billion yen to 17.3 billion yen. Total fixed assets, at 913.5 billion yen, were up 2.8% or 25.1 billion yen. This was mainly attributable to the increase in intangible assets by 16.9% or 18.8 billion yen to 131.0 billion yen and net defined benefit asset by 17.4% or 6.1 billion yen to 41.4 billion yen.

Total liabilities amounted to 639.0 billion yen, 0.3% or 2.1 billion yen higher than those at the end of the previous fiscal year. Total current liabilities amounted to 357.5 billion yen, were up 1.0% or 3.6 billion yen, owing largely to the increases in deposits received for armored car services by 5.5% or 5.9 billion yen to 113.8 billion yen, payables - other by 7.0% or 2.6 billion yen to 40.1 billion yen and accrued consumption taxes by 38.0% or 2.1 billion yen to 7.9 billion yen, despite decreases in bank loans by 7.6% or 3.4 billion yen to 41.5 billion yen and other current liabilities by 12.1% or 3.0 billion yen to 22.4 billion yen. Long-term liabilities decreased by 0.5% or 1.4 billion yen to 281.5 billion yen, compared to at the end of the previous fiscal year. This was mainly attributable to the decreases in deferred income taxes by 11.8% or 2.5 billion yen to 19.3 billion yen, straight bonds by 24.0% or 1.6 billion yen to 5.3 billion yen, long-term loans by 9.9% or 1.4 billion yen to 12.7 billion yen, other long-term liabilities by 21.6% or 0.9 billion yen to 3.4 billion yen and guarantee deposits received by 2.1% or 0.7 billion yen to 33.1 billion yen, despite increase in investment deposits by policyholders, unearned premiums and other insurance liabilities by 3.7% or 6.1 billion yen to 172.3 billion yen.

Total net assets amounted to 1,081.2 billion yen, 6.7% or 67.9 billion yen higher than those at the end of the previous fiscal year, mainly due to the increases in retained earnings by 6.8% or 54.2 billion yen, remeasurements of defined benefit plans, net of taxes by 124.6% or 5.5 billion yen and noncontrolling interests by 6.1% or 7.3 billion yen.

### (3) Analysis on Cash Flows

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

(In millions of yen)			
	Year ended March 31, 2017	Year ended March 31, 2018	Increase (decrease)
Cash flows from operating activities	171,121	123,625	(47,495)
Cash flows from investing activities	(42,964)	(58,202)	(15,237)
Cash flows from financing activities	(55,942)	(50,950)	4,991
Effect of exchange rate changes on cash and cash equivalents	(979)	370	1,350
Net increase (decrease) in cash and cash equivalents	71,234	14,843	(56,391)
Cash and cash equivalents at beginning of the period	221,760	292,994	71,234
Increase in cash and cash equivalents accompanied by new consolidation	-	15	15
Cash and cash equivalents at end of the period	292,994	307,853	14,858

#### (Cash flows from operating activities)

Net cash provided by operating activities for the current fiscal year amounted to 123.6 billion yen; 171.1 billion yen in the previous fiscal year. Major factors of cash increase were income before income taxes of 144.2 billion yen and depreciation and amortization of 56.4 billion yen. Major factors of cash decrease were income taxes paid of 56.5 billion yen and increase in inventories of 18.6 billion yen.

#### (Cash flows from investing activities)

Net cash used in investing activities was 58.2 billion yen; 42.9 billion yen in the previous fiscal year. Major factors of cash decrease were payments for purchases of investment securities of 51.0 billion yen, purchases of tangible assets, including security equipment and control stations of 50.2 billion yen and acquisitions of subsidiaries accompanied with changes in scope of consolidation of 23.2 billion yen. Major factor of cash increase was proceeds from sales and redemptions of investment securities of 69.3 billion yen.

#### (Cash flows from financing activities)

Net cash used in financing activities amounted to 50.9 billion yen; 55.9 billion yen in the previous fiscal year. Major factors of cash decrease were dividends paid of 32.7 billion yen, repayments of long-term loans of 6.4 billion yen, dividends paid for noncontrolling shareholders of 5.4 billion yen and repayments of lease obligations of 4.9 billion yen. Major factor of cash increase was proceeds from long-term loans of 4.8 billion yen.

As a result, cash and cash equivalents as of March 31, 2018 were 307.8 billion yen, 14.8 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, 2014	March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018
Equity ratio (%)	55.0	56.7	53.1	54.1	55.4
Equity ratio (market price base) (%)	97.7	124.2	116.4	105.4	100.5
Interest-bearing liabilities / Cash flows from operating activities (in year)	0.7	0.6	0.8	0.5	0.6
Interest coverage ratio	113.1	137.0	149.3	173.8	153.0

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

**(4) Projections for the fiscal year ending March 31, 2019**

In regard to the outlook in Japanese economy, despite a trend of continuous gradual recovery reflecting improvements in employment and income environment is expected, still there are downward risks ascribed to the increased uncertainty in overseas economies and the effects of fluctuations in the financial and capital markets.

Under this circumstance, we will attempt to put new services and products on the market by utilizing latest technologies such as AI and IoT in our main security services segment and reinforce our sales activities so that we swiftly respond to diversified and sophisticated customer needs with seamless services.

We will also advance synergy among all our segments under “ALL SECOM” banner, the rallying group strengths, as well as further application of open-innovation initiative and actively develop and promote our services and products.

In addition to the active business developments above, in order to accelerate our speed of growth, we will invest in systems to strengthen our fundamental technology, and invest in human resource including new hiring and enhanced staff education and training.

In projections for the consolidated financial results for the fiscal year ending March 31, 2019, it is expected to record 2.1% increase to 557.0 billion yen in the security services segment, 5.4% increase to 144.0 billion yen in the fire protection services segment, 0.7% decrease to 70.5 billion yen in the medical services segment, 4.0% increase to 45.0 billion yen in the insurance services segment, 1.8% decrease to 50.0 billion yen in the geographic information services segment, 26.9% increase to 88.5 billion yen in the BPO and ICT services segment, 15.7% decrease to 45.0 billion yen in the real estate and other services segment and consolidated revenue is expected to increase by 3.0% to 1 trillion yen.

In the next fiscal year, we will actively promote investments in systems and human resources to improve our business foundation. Accordingly, consolidated operating profit is expected to decrease by 6.6% to 126.5 billion yen, consolidated ordinary profit is expected to decrease by 8.2% to 132.5 billion yen and consolidated net income attributable to owners of the parent is expected to decrease by 4.6% to 83.0 billion yen.

(Notes for projections)

Projections for the consolidated financial results for the fiscal year ending March 31, 2019, are based on management's assumptions in light of information currently available. As actual performance may differ materially from the forward-looking statements due to various factors hereafter occurred, you should refrain making an investment decision by solely relying on these projections. Such factors include, but are not limited to, changes in economic conditions affecting our group's operations, market trends, legislative changes, occurrences of natural disasters and the results of contingency.

(Consolidated financial results)

(In billions of yen)

	Year ended March 31, 2017	Year ended March 31, 2018	Year ending March 31, 2019 (Projection)
Revenue	928.0	970.6	1,000.0
Change from the previous year	+5.3%	+4.6%	+3.0%
Operating profit	131.0	135.4	126.5
Change from the previous year	+1.9%	+3.4%	(6.6%)
Ordinary profit	147.0	144.3	132.5
Change from the previous year	+9.1%	(1.8%)	(8.2%)
Net income attributable to owners of the parent	84.1	86.9	83.0
Change from the previous year	+9.3%	+3.4%	(4.6%)
Basic net income per share (in yen)	385.64	398.58	380.28

#### **(5) 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 that the Company makes it a rule to distribute dividends twice annually, in the form of an interim dividend, with a record date of September 30 each year, which is paid by resolution of the Board of Directors, and a year-end dividend, with a record date of March 31 each year, which is paid by resolution of the General Meeting of Shareholders. 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.

Based on the basic policy aforesaid and our solid operating results, we have determined to propose to the Ordinary General Meeting of Shareholders that the year-end dividends for the current fiscal year be 80 yen per share to respond to shareholders' continuous support. The dividends for the current fiscal year are 155 yen per share, the sum of the interim dividends of 75 yen per share and the year-end dividends of 80 yen per share, 10 yen higher than those for previous fiscal year, and consolidated dividend payout ratio is 38.9%. The dividends for the next fiscal year are planned to be 165 yen per share, the sum of the interim dividends of 80 yen per share and the year-end dividends of 85 yen per share.

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

Not applicable

## 2. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(In millions of yen)

	March 31, 2017	March 31, 2018
<b>ASSETS:</b>		
<b>Current assets:</b>	<b>761,804</b>	<b>806,746</b>
Cash on hand and in banks	302,364	317,267
Cash deposits for armored car services	130,619	135,808
Notes and accounts receivable, trade	119,801	129,984
Due from subscribers	33,090	35,272
Short-term investments	29,387	17,360
Lease receivables and investment in leased assets	43,974	45,544
Merchandise and products	11,915	12,321
Real estate inventories	5,223	4,766
Work in process	4,913	5,057
Costs on uncompleted construction contracts	8,979	10,441
Work in process for real estate inventories	22,283	39,688
Raw materials and supplies	8,385	8,849
Deferred income taxes	14,003	14,651
Short-term loans receivable	4,942	5,196
Other	23,684	26,352
Allowance for doubtful accounts	(1,766)	(1,818)
<b>Fixed assets:</b>	<b>888,367</b>	<b>913,521</b>
<b>Tangible assets:</b>	<b>376,536</b>	<b>373,689</b>
Buildings and improvements, net	150,254	148,622
Security equipment and control stations, net	69,569	70,872
Land	116,825	114,287
Other, net	39,886	39,907
<b>Intangible assets</b>	<b>112,131</b>	<b>131,028</b>
<b>Investments and others:</b>	<b>399,698</b>	<b>408,803</b>
Investment securities	280,974	280,659
Long-term loans receivable	38,403	35,284
Net defined benefit asset	35,282	41,409
Deferred income taxes	9,592	12,150
Other	51,436	52,332
Allowance for doubtful accounts	(15,990)	(13,033)
<b>Deferred assets</b>	<b>4</b>	<b>-</b>
<b>Total assets</b>	<b>1,650,176</b>	<b>1,720,268</b>

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

(In millions of yen)

	March 31, 2017	March 31, 2018
<b>LIABILITIES :</b>		
<b>Current liabilities:</b>	<b>353,933</b>	<b>357,544</b>
Notes and accounts payable, trade	44,635	43,929
Bank loans	44,969	41,558
Current portion of straight bonds	1,460	795
Lease obligations	4,752	4,932
Payables - other	37,469	40,102
Accrued income taxes	27,557	25,896
Accrued consumption taxes	5,765	7,959
Accrued expenses	5,315	7,084
Deposits received for armored car services	107,878	113,830
Deferred revenue	30,552	30,309
Accrued bonuses	15,447	16,209
Provision for losses on construction contracts	2,532	2,436
Other	25,596	22,499
<b>Long-term liabilities:</b>	<b>282,989</b>	<b>281,510</b>
Straight bonds	7,003	5,322
Long-term loans	14,123	12,721
Lease obligations	11,777	11,902
Guarantee deposits received	33,907	33,181
Deferred income taxes	21,943	19,362
Accrued retirement benefits for directors and audit and supervisory board members	1,306	1,421
Net defined benefit liability	22,428	21,849
Investment deposits by policyholders, unearned premiums and other insurance liabilities	166,155	172,345
Other	4,342	3,403
<b>Total liabilities</b>	<b>636,922</b>	<b>639,054</b>
<b>NET ASSETS :</b>		
<b>Shareholders' equity:</b>	<b>870,437</b>	<b>924,729</b>
Common stock	66,377	66,385
Capital surplus	80,297	80,328
Retained earnings	797,493	851,764
Common stock in treasury, at cost	(73,731)	(73,748)
<b>Accumulated other comprehensive income (losses):</b>	<b>21,563</b>	<b>27,894</b>
Unrealized gains on securities	25,125	23,759
Deferred losses on hedges	(30)	(24)
Foreign currency translation adjustments	(7,954)	(5,774)
Remeasurements of defined benefit plans, net of taxes	4,423	9,933
<b>Noncontrolling Interests</b>	<b>121,253</b>	<b>128,589</b>
<b>Total net assets</b>	<b>1,013,253</b>	<b>1,081,213</b>
<b>Total liabilities and net assets</b>	<b>1,650,176</b>	<b>1,720,268</b>

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

### Consolidated Statements of Income

(In millions of yen)

	Year ended March 31, 2017	Year ended March 31, 2018
<b>Revenue</b>	<b>928,098</b>	<b>970,624</b>
Costs of revenue	621,412	652,673
<b>Gross profit</b>	<b>306,686</b>	<b>317,950</b>
Selling, general and administrative expenses	175,636	182,502
<b>Operating profit</b>	<b>131,050</b>	<b>135,448</b>
Non-operating income	22,371	13,152
Non-operating expenses	6,388	4,281
<b>Ordinary profit</b>	<b>147,033</b>	<b>144,318</b>
Extraordinary profit	516	2,471
Extraordinary losses	5,697	2,545
<b>Income before income taxes</b>	<b>141,852</b>	<b>144,245</b>
Income taxes - current	43,326	54,811
Income taxes - deferred	2,369	(9,314)
Total income taxes	45,695	45,496
<b>Net income</b>	<b>96,156</b>	<b>98,748</b>
<b>Net income attributable to noncontrolling interests</b>	<b>11,986</b>	<b>11,755</b>
<b>Net income attributable to owners of the parent</b>	<b>84,170</b>	<b>86,993</b>

## Consolidated Statements of Comprehensive Income

(In millions of yen)

	Year ended March 31, 2017	Year ended March 31, 2018
<b>Net income</b>	<b>96,156</b>	<b>98,748</b>
<b>Other comprehensive income (losses):</b>	<b>5,155</b>	<b>6,819</b>
Unrealized gains (losses) on securities	5,324	(1,649)
Deferred gains (losses) on hedges	-	0
Foreign currency translation adjustments	(3,539)	(1,003)
Remeasurements of defined benefit plans, net of taxes	4,698	5,595
Share of other comprehensive income (losses) of affiliated companies accounted for under the equity method	(1,327)	3,876
<b>Comprehensive income</b>	<b>101,312</b>	<b>105,568</b>
Comprehensive income attributable to:		
Comprehensive income attributable to owners of the parent company	88,789	93,323
Comprehensive income attributable to noncontrolling interests	12,522	12,244



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

Year ended March 31, 2017

(In millions of yen)							
	Shareholders' equity					Noncontrolling interests	Total net assets
	Common Stock	Capital surplus	Retained earnings	Common stock in treasury, at cost	Total shareholders' equity		
Balance at the beginning of the current period	66,377	80,326	743,353	(73,717)	816,340		
Accumulated effect of changes in accounting policies			526		526		
Balance at the beginning of the current period after changes in accounting policies	66,377	80,326	743,879	(73,717)	816,866		
Changes during the current period:							
Issuance of new stocks							
Cash dividends			(30,556)		(30,556)		
Net income attributable to owners of the parent			84,170		84,170		
Purchase of treasury stock				(13)	(13)		
Disposal of treasury stock		0		0	0		
Changes in shares of parent arising from transactions with non-controlling interest		(29)			(29)		
Changes in the scope of application of the equity method							
Net changes of items other than shareholders' equity							
Total changes during the current period	-	(29)	53,613	(13)	53,570		
Balance at the end of the current period	66,377	80,297	797,493	(73,731)	870,437		

  

(In millions of yen)							
	Accumulated other comprehensive income (losses)					Noncontrolling interests	Total net assets
	Unrealized gains (losses) on securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans, net of taxes	Total accumulated other comprehensive income		
Balance at the beginning of the current period	19,964	(40)	(2,196)	(783)	16,944	109,859	943,144
Accumulated effect of changes in accounting policies						111	637
Balance at the beginning of the current period after changes in accounting policies	19,964	(40)	(2,196)	(783)	16,944	109,971	943,782
Changes during the current period:							
Issuance of new stocks							-
Cash dividends							(30,556)
Net income attributable to owners of the parent							84,170
Purchase of treasury stock							(13)
Disposal of treasury stock							0
Changes in shares of parent arising from transactions with non-controlling interest							(29)
Changes in the scope of application of the equity method							-
Net changes of items other than shareholders' equity	5,161	9	(5,758)	5,206	4,618	11,281	15,900
Total changes during the current period	5,161	9	(5,758)	5,206	4,618	11,281	69,471
Balance at the end of the current period	25,125	(30)	(7,954)	4,423	21,563	121,253	1,013,253

Year ended March 31, 2018

(In millions of yen)							
	Shareholders' equity					Noncontrolling interests	Total net assets
	Common Stock	Capital surplus	Retained earnings	Common stock in treasury, at cost	Total shareholders' equity		
Balance at the beginning of the current period	66,377	80,297	797,493	(73,731)	870,437		
Accumulated effect of changes in accounting policies					-		
Balance at the beginning of the current period after changes in accounting policies	66,377	80,297	797,493	(73,731)	870,437		
Changes during the current period:							
Issuance of new stocks	7	7			14		
Cash dividends			(32,739)		(32,739)		
Net income attributable to owners of the parent			86,993		86,993		
Purchase of treasury stock				(17)	(17)		
Disposal of treasury stock		0		0	0		
Changes in shares of parent arising from transactions with non-controlling interest		23			23		
Changes in the scope of application of the equity method			17		17		
Net changes of items other than shareholders' equity	7	30	54,271	(17)	54,292		
Total changes during the current period	7	30	54,271	(17)	54,292		
Balance at the end of the current period	66,385	80,328	851,764	(73,748)	924,729		

  

(In millions of yen)							
	Accumulated other comprehensive income (losses)					Noncontrolling interests	Total net assets
	Unrealized gains (losses) on securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans, net of taxes	Total accumulated other comprehensive income		
Balance at the beginning of the current period	25,125	(30)	(7,954)	4,423	21,563	121,253	1,013,253
Accumulated effect of changes in accounting policies							-
Balance at the beginning of the current period after changes in accounting policies	25,125	(30)	(7,954)	4,423	21,563	121,253	1,013,253
Changes during the current period:							
Issuance of new stocks							14
Cash dividends							(32,739)
Net income attributable to owners of the parent							86,993
Purchase of treasury stock							(17)
Disposal of treasury stock							0
Changes in shares of parent arising from transactions with non-controlling interest							23
Changes in the scope of application of the equity method							17
Net changes of items other than shareholders' equity	(1,365)	5	2,180	5,510	6,330	7,336	13,667
Total changes during the current period	(1,365)	5	2,180	5,510	6,330	7,336	67,959
Balance at the end of the current period	23,759	(24)	(5,774)	9,933	27,894	128,589	1,081,213

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

(In millions of yen)

	Year ended March 31, 2017	Year ended March 31, 2018
<b>Cash flows from operating activities:</b>		
Income before income taxes	141,852	144,245
Depreciation and amortization	55,658	56,459
Amortization of goodwill	4,399	4,864
Net (gains) losses from investment in affiliated companies accounted for under the equity method	(3,734)	(6,398)
Increase (decrease) in allowance for doubtful accounts	916	(53)
Increase/decrease in net defined benefit liability and asset	1,854	1,141
Interest and dividend income	(3,899)	(4,329)
Interest expenses	974	775
Exchange (gains) losses	453	213
Net (gains) losses on sales and disposal of fixed assets	2,206	258
Impairment losses on fixed assets	2,747	841
Net (gains) losses on sales of investment securities	(1,410)	(1,285)
Net (gains) losses on revaluation of investment securities	37	2
Net (gains) losses on sales of investment securities in subsidiaries and affiliates	(20)	69
Write-down on real estate inventories	1,163	865
Net (gains) losses on private equity investment	(14,470)	(2,185)
(Increase) decrease in notes and accounts receivable, trade, and due from subscribers	167	(7,703)
(Increase) decrease in lease receivables and investment in leased assets	(4,432)	(1,569)
(Increase) decrease in inventories	343	(18,691)
Increase (decrease) in accounts payable	2,931	294
Increase (decrease) in accrued consumption taxes	(844)	1,909
Increase (decrease) in deferred revenue	(487)	(433)
Increase (decrease) in investment deposits by policyholders, unearned premiums and other insurance liabilities	6,519	6,189
Increase/decrease in cash deposits/deposits received for armored car services	4,219	762
Other	7,740	(2,805)
<b>Subtotal</b>	<b>204,887</b>	<b>173,436</b>
Interest and dividend received	7,249	7,573
Interest paid	(984)	(808)
Income taxes paid	(40,031)	(56,576)
<b>Net cash provided by (used in) operating activities</b>	<b>171,121</b>	<b>123,625</b>
<b>Cash flows from investing activities:</b>		
(Increase) decrease in time deposits, net	(70)	172
(Increase) decrease in short-term investments, net	(2,282)	(1,149)
Payments for purchases of tangible assets	(46,041)	(50,277)
Proceeds from sales of tangible assets	1,464	6,166
Payments for purchases of intangible assets	(7,044)	(7,499)
Payments for purchases of investment securities	(31,710)	(51,021)
Proceeds from sales and redemptions of investment securities	43,290	69,365
Payments for acquisitions of affiliates	(902)	(77)
(Increase) decrease in short-term loans receivable, net	(126)	(333)
Payments for long-term loans receivable	(4,015)	(4,753)
Proceeds from long-term loans receivable	4,348	4,572
Acquisitions of subsidiaries accompanied with changes in scope of consolidation	(167)	(23,298)
Other	292	(68)
<b>Net cash provided by (used in) investing activities</b>	<b>(42,964)</b>	<b>(58,202)</b>
<b>Cash flows from financing activities:</b>		
Increase (decrease) in bank loans, net	(12,718)	(3,453)
Proceeds from long-term loans	3,100	4,813
Repayments of long-term loans	(6,515)	(6,493)
Repayments of lease obligations	(4,900)	(4,989)
Proceeds from issuance of straight bonds	207	-
Payments for redemption of straight bonds	(2,582)	(2,621)
Proceeds from stock issuance to noncontrolling shareholders	1,463	95
Dividends paid	(30,556)	(32,739)
Dividends paid for noncontrolling shareholders	(3,555)	(5,425)
(Increase) decrease in treasury stocks, net	(13)	(17)
Payments for acquisitions of subsidiaries not accompanied with changes in scope of consolidation	(488)	(119)
Proceeds from sales of shares of subsidiaries not accompanied with changes in scope of consolidation	617	-
<b>Net cash provided by (used in) financing activities</b>	<b>(55,942)</b>	<b>(50,950)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(979)</b>	<b>370</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>71,234</b>	<b>14,843</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>221,760</b>	<b>292,994</b>
<b>Increase in cash and cash equivalents accompanied by new consolidation</b>	<b>-</b>	<b>15</b>
<b>Cash and cash equivalents at end of the period</b>	<b>292,994</b>	<b>307,853</b>

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

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

Not applicable

## **(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”, “BPO and ICT services”, and real estate and other services (“real estate development and sales”, “real estate leasing”, and “construction and installation services”, etc.).

Accordingly, the Company considers these six segments – “security services”, “fire protection services”, “medical services”, “insurance services”, “geographic information services” and “BPO and ICT services” – 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. “BPO and ICT services” segment provides information security services, BCP support services, data center services and BPO related services.

#### 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, 2017

(In millions of yen)

	Reportable segments				
	Security services	Fire protection services	Medical services	Insurance services	Geographic information services
Revenue:					
Customers	534,295	126,231	66,839	41,965	51,609
Intersegment	11,714	3,458	182	3,093	230
Subtotal	546,010	129,690	67,021	45,059	51,839
Segment profit	113,507	13,180	4,687	2,144	1,259
Segment assets	892,979	147,143	148,298	219,482	65,012
Other items					
Depreciation and amortization	38,147	1,718	3,359	1,603	3,005
Amortization of goodwill	3,157	152	131	0	18
Impairment losses on fixed assets	552	62	81	-	1,495
Increase in tangible and intangible assets	40,553	4,677	4,172	2,221	1,903

	Reportable segments		Real estate and other services (Note 1)	Total	Adjustment (Note 2)	Amount on consolidated statements of income (Note 3)
	BPO and ICT services	Subtotal				
Revenue:						
Customers	49,834	870,775	57,323	928,098	-	928,098
Intersegment	7,018	25,699	1,922	27,621	(27,621)	-
Subtotal	56,852	896,474	59,245	955,720	(27,621)	928,098
Segment profit	6,987	141,766	5,245	147,012	(15,961)	131,050
Segment assets	107,836	1,580,752	153,533	1,734,285	(84,109)	1,650,176
Other items						
Depreciation and amortization	6,831	54,665	814	55,480	177	55,658
Amortization of goodwill	939	4,399	-	4,399	-	4,399
Impairment losses on fixed assets	485	2,676	70	2,747	-	2,747
Increase in tangible and intangible assets	7,685	61,214	232	61,447	124	61,571

Note 1: Real estate and other services is an operating segment not designated as a reportable segment, and comprises real estate development and sales, real estate leasing, construction and installation

services, etc.

Note 2: Adjustment of segment profit includes intersegment eliminations of (389) million yen and corporate expenses not allocated to each reportable segment of 16,351 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 (254,238) million yen and corporate assets not belonging to each reportable segment of 170,129 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 (740) million yen and depreciation of corporate assets not belonging to each reportable segment of 918 million yen.

Adjustment of increase in tangible and intangible assets includes intersegment elimination of (732) million yen and capital investments of software, etc. not belonging to each reportable segment of 856 million yen.

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

Note 4: Increase in tangible and intangible assets includes increase accompanied by new consolidation.

**Year ended March 31, 2018**

(In millions of yen)

	Reportable segments				
	Security services	Fire protection services	Medical services	Insurance services	Geographic information services
Revenue:					
Customers	545,789	136,558	70,987	43,249	50,905
Intersegment	12,586	4,170	184	3,034	175
Subtotal	558,376	140,728	71,172	46,284	51,081
Segment profit	115,646	15,632	5,429	1,354	2,060
Segment assets	923,716	157,480	143,517	222,773	65,051
Other items					
Depreciation and amortization	37,595	2,019	3,508	1,900	2,534
Amortization of goodwill	3,063	147	131	0	13
Impairment losses on fixed assets	47	14	-	-	364
Increase in tangible and intangible assets	45,007	3,909	1,443	1,987	1,700

	Reportable segments		Real estate and other services (Note 1)	Total	Adjustment (Note 2)	Amount on consolidated statements of income (Note 3)
	BPO and ICT services	Subtotal				
Revenue:						
Customers	69,741	917,233	53,391	970,624	-	970,624
Intersegment	7,133	27,285	2,003	29,289	(29,289)	-
Subtotal	76,875	944,518	55,395	999,914	(29,289)	970,624
Segment profit	7,252	147,377	5,065	152,443	(16,995)	135,448
Segment assets	140,603	1,653,142	166,558	1,819,700	(99,432)	1,720,268
Other items						
Depreciation and amortization	7,800	55,359	998	56,358	100	56,459
Amortization of goodwill	1,508	4,864	-	4,864	-	4,864
Impairment losses on fixed assets	415	841	-	841	-	841
Increase in tangible and intangible assets	31,987	86,036	1,689	87,726	(342)	87,384

Note 1: Real estate and other services is an operating segment not designated as a reportable segment, and comprises real estate development and sales, real estate leasing, construction and installation services, etc.

Note 2: Adjustment of segment profit includes intersegment eliminations of (8) million yen and corporate expenses not allocated to each reportable segment of 17,003 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 (262,818) million yen and corporate assets not belonging to each reportable segment of 163,385 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 (733) million yen and depreciation of corporate assets not belonging to each reportable segment of 833 million yen.

Adjustment of increase in tangible and intangible assets includes intersegment elimination of (691) million yen and capital investments of software, etc. not belonging to each reportable segment of 349 million yen.

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

Note 4: Increase in tangible and intangible assets includes increase accompanied by new consolidation.

#### 4. Information about Changes in Reportable Segments

In the current fiscal year, we acquired all shares in TMJ, Inc., a newly consolidated subsidiary, which provides various BPO related services including operation of call center services. We are aiming to further expand our business capabilities through integrating BPO related services with our existing information and communication related services that focus primarily on ICT related services and data center services. Accordingly, Information and Communication Related Services was changed to BPO and ICT Services. Reportable segments are not reclassified by this change.

### [Related Information]

#### Year Ended March 31, 2017

##### 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
882,204	45,894	928,098

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

###### (2) Tangible Assets

(In millions of yen)		
Japan	Others	Total
365,570	10,966	376,536

##### 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, 2018

### 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
922,060	48,563	970,624

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

#### (2) Tangible Assets

(In millions of yen)

Japan	Others	Total
362,918	10,771	373,689

### 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, 2017

(In millions of yen)

	Reportable segments				
	Security services	Fire protection services	Medical services	Insurance services	Geographic information services
Amortization of goodwill:					
Amortized amount	3,157	152	131	0	18
Unamortized balance	54,726	725	295	0	65
Negative goodwill:					
Amortized amount	-	92	-	-	-
Unamortized balance	-	-	-	-	-

(In millions of yen)

	Reportable segments		Real estate and other services	Total	Adjustment	Amount on consolidated financial statements
	BPO and ICT services	Subtotal				
Amortization of goodwill:						
Amortized amount	939	4,399	-	4,399	-	4,399
Unamortized balance	9,947	65,759	-	65,759	-	65,759
Negative goodwill:						
Amortized amount	-	92	-	92	-	92
Unamortized balance	-	-	-	-	-	-



## Year Ended March 31, 2018

(In millions of yen)

	Reportable segments				
	Security services	Fire protection services	Medical services	Insurance services	Geographic information services
Amortization of goodwill:					
Amortized amount	3,063	147	131	0	13
Unamortized balance	51,708	635	163	0	50
Negative goodwill:					
Amortized amount	-	-	-	-	-
Unamortized balance	-	-	-	-	-

(In millions of yen)

	Reportable segments		Real estate and other services	Total	Adjustment	Amount on consolidated financial statements
	BPO and ICT services	Subtotal				
Amortization of goodwill:						
Amortized amount	1,508	4,864	-	4,864	-	4,864
Unamortized balance	25,504	78,061	-	78,061	-	78,061
Negative goodwill:						
Amortized amount	-	-	-	-	-	-
Unamortized balance	-	-	-	-	-	-

## (7) Notes to Business Combination

### Business Combination by Share Acquisition

#### Acquisition of TMJ, Inc.

#### 1. Outline of Business Combination

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

###### (a) Name

TMJ, Inc.

###### (b) Business Description

Operation/temporary employee placement, design and analysis of contact centers, outsourcing services of contact center-related businesses and outsourcing services of back office.

##### (ii) Purpose of Acquisition

TMJ was established as an in-house call center for the Benesse Group. Today, the company provides high-quality outsourcing services including operation of call centers to leading companies in a wide range of industries. SECOM is aiming 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.

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

October 2, 2017

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

Share acquisition

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

TMJ, Inc.

(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

October 1, 2017 – March 31, 2018

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

Consideration for Acquisition

<u>Cash on hand and in banks</u>	<u>26,550 million yen</u>
Acquisition Cost	26,550 million yen

4. Details and amount of acquisition related costs

Advisory fees etc. 273 million yen

5. Amount and Cause of Goodwill, Amortization Method and Period

(i) Amount of Goodwill

17,065 million yen

(ii) Cause of Goodwill

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

(iii) Amortization Method and Period

Amortization by the straight-line method over 15 years

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

Current assets	6,953 million yen
<u>Fixed assets</u>	<u>9,583 million yen</u>
Total assets	16,536 million yen
Current liabilities	4,458 million yen
<u>Long-term liabilities</u>	<u>2,593 million yen</u>
Total liabilities	7,051 million yen

7. Amount and Amortization Period Allocated to Intangible Assets

	[Amount]	[Amortization Period]
Customer Relationships	6,796 million yen	15 years

**(8) Significant Subsequent Events**

Not applicable

### 3. Nonconsolidated Financial Statements

#### (1) Nonconsolidated Balance Sheets

(In millions of yen)

	March 31, 2017	March 31, 2018
<b>ASSETS:</b>		
Current assets:		
Cash on hand and in banks	87,387	85,009
Cash deposits for armored car services	37,869	38,347
Notes receivable	621	523
Due from subscribers	16,480	17,286
Accounts receivable, trade	10,650	10,995
Receivables - other	3,088	4,387
Merchandise	5,312	5,628
Supplies	1,722	1,767
Prepaid expenses	2,323	2,556
Deferred income taxes	3,710	3,627
Short-term loans receivable	27,539	28,017
Other	1,804	1,712
Allowance for doubtful accounts	(117)	(105)
Total current assets	198,394	199,756
Fixed assets:		
Tangible assets:		
Buildings and improvements	16,282	16,160
Automobiles	709	611
Security equipment and control stations	65,997	67,746
Machinery and equipment	179	162
Tools, furniture and fixtures	3,173	2,861
Land	21,978	22,077
Construction in progress	2,195	4,812
Other	69	72
Total tangible assets	110,585	114,504
Intangible assets:		
Software	6,125	5,903
Other	400	741
Total intangible assets	6,526	6,644
Investments and others:		
Investment securities	23,083	24,583
Investment securities in subsidiaries and affiliates	323,993	350,551
Investments in subsidiaries and affiliates	2,098	2,098
Long-term loans receivable	134,796	138,277
Lease deposits	7,559	7,650
Long-term prepaid expenses	20,847	20,622
Prepaid pension and severance costs	21,643	20,763
Insurance funds	4,294	4,046
Other	2,560	2,613
Allowance for doubtful accounts	(5,532)	(4,440)
Total investments and others	535,344	566,767
Total fixed assets	652,456	687,917
<b>Total Assets</b>	<b>850,851</b>	<b>887,673</b>

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

(In millions of yen)

	March 31, 2017	March 31, 2018
<b>LIABILITIES:</b>		
Current liabilities:		
Accounts payable	3,604	4,108
Bank loans	22,703	21,940
Lease obligations	215	229
Payables – other	14,476	16,708
Payables – construction	4,018	3,897
Accrued income taxes	14,345	13,162
Accrued consumption taxes	2,883	3,817
Accrued expenses	697	691
Deposits received for armored car services	15,187	16,446
Deferred revenue	20,629	20,300
Accrued bonuses	6,278	6,300
Other	4,014	2,623
Total current liabilities	109,053	110,226
Long-term liabilities:		
Lease obligations	2,477	2,358
Guarantee deposits received	16,804	16,640
Deferred income taxes	6,642	7,203
Accrued pension and severance costs	2,506	2,164
Other	103	91
Total long-term liabilities	28,533	28,458
Total liabilities	137,587	138,685
<b>NET ASSETS:</b>		
Shareholders' equity:		
Common stock	66,377	66,385
Capital surplus:		
Additional paid-in capital	83,054	83,061
Other capital surplus	0	0
Total capital surplus	83,054	83,062
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	618,887	653,840
Total retained earnings	630,927	665,881
Common stock in treasury, at cost	(73,731)	(73,748)
Total shareholders' equity	706,629	741,579
Valuation, translation adjustments and others:		
Unrealized gains on securities	6,634	7,408
Total valuation, translation adjustments and others	6,634	7,408
Total net assets	713,263	748,988
Total liabilities and net assets	850,851	887,673

## (2) Nonconsolidated Statements of Income

(In millions of yen)

	Year ended March 31, 2017	Year ended March 31, 2018
Revenue	382,476	387,881
Costs	227,204	229,332
Gross Profit	155,271	158,549
Selling, general and administrative expenses	78,988	80,380
Operating profit	76,283	78,168
Non-operating income:		
Interest income	1,632	1,521
Dividends income	11,290	12,927
Other	466	530
Total non-operating income	13,389	14,978
Non-operating expenses:		
Interest expenses	208	189
Loss on sales and disposal of fixed assets	1,853	951
Write-off of long-term prepaid expenses	509	489
Other	559	433
Total non-operating expenses	3,130	2,064
Ordinary profit	86,543	91,083
Extraordinary profit:		
Reversal of allowance for doubtful accounts	-	1,000
Overseas tax related gain	-	725
Gain on sales of investment securities	106	168
Gain on sales of investment securities in subsidiaries and affiliates	452	-
Gain on sales of tangible assets	47	-
Other	45	2
Total extraordinary profit	651	1,896
Extraordinary losses:		
Loss on revaluation of investment securities in subsidiaries and affiliates	-	316
Loss on sales of tangible assets	-	5
Loss on valuation of investments in capital of subsidiaries and affiliates	93	-
Other	7	3
Total extraordinary losses	100	324
Income before income taxes	87,094	92,655
Income taxes - current	23,843	24,694
Income taxes - deferred	(9)	268
Total income taxes	23,833	24,962
Net income	63,260	67,692

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

Year Ended March 31, 2017

(In millions of yen)

	Shareholders' equity			
	Common Stock	Capital surplus		
		Additional paid-in capital	Other capital surplus	Total capital surplus
Balance at the beginning of the current period	66,377	83,054	0	83,054
Accumulated effect of changes in accounting policies				
Balance at the beginning of the current period after changes in accounting policies	66,377	83,054	0	83,054
Changes during the current period:				
Issuance of new stocks				
Cash dividends				
Net income				
Purchase of treasury stock				
Disposal of treasury stock			0	0
Net changes of items other than shareholders' equity				
Total changes during the current period	-	-	0	0
Balance at the end of the current period	66,377	83,054	0	83,054

(In millions of yen)

	Shareholders' equity				
	Retained earnings				Total retained earnings
	Legal reserve	Other retained earnings			
Reserve for system developments		General reserve	Accumulated earnings carried forward		
Balance at the beginning of the current period	9,028	800	2,212	586,082	598,122
Accumulated effect of changes in accounting policies				101	101
Balance at the beginning of the current period after changes in accounting policies	9,028	800	2,212	586,183	598,223
Changes during the current period:					
Issuance of new stocks					
Cash dividends				(30,556)	(30,556)
Net income				63,260	63,260
Purchase of treasury stock					
Disposal of treasury stock					
Net changes of items other than shareholders' equity					
Total changes during the current period	-	-	-	32,704	32,704
Balance at the end of the current period	9,028	800	2,212	618,887	630,927

(In millions of yen)

	Shareholders' equity		Valuation, translation adjustments and others		Total net assets
	Common Stock in treasury, at cost	Total shareholders' equity	Unrealized gains (losses) on securities	Total valuation, translation adjustments and others	
Balance at the beginning of the current period	(73,717)	673,836	4,518	4,518	678,355
Accumulated effect of changes in accounting policies		101			101
Balance at the beginning of the current period after changes in accounting policies	(73,717)	673,938	4,518	4,518	678,457
Changes during the current period:					
Issuance of new stocks		-			-
Cash dividends		(30,556)			(30,556)
Net income		63,260			63,260
Purchase of treasury stock	(13)	(13)			(13)
Disposal of treasury stock	0	0			0
Net changes of items other than shareholders' equity			2,115	2,115	2,115
Total changes during the current period	(13)	32,690	2,115	2,115	34,806
Balance at the end of the current period	(73,731)	706,629	6,634	6,634	713,263

## Year Ended March 31, 2018

(In millions of yen)

	Shareholders' equity			
	Common Stock	Capital surplus		
		Additional paid-in capital	Other capital surplus	Total capital surplus
Balance at the beginning of the current period	66,377	83,054	0	83,054
Accumulated effect of changes in accounting policies				
Balance at the beginning of the current period after changes in accounting policies	66,377	83,054	0	83,054
Changes during the current period:				
Issuance of new stocks	7	7		7
Cash dividends				
Net income				
Purchase of treasury stock				
Disposal of treasury stock			0	0
Net changes of items other than shareholders' equity				
Total changes during the current period	7	7	0	7
Balance at the end of the current period	66,385	83,061	0	83,062

(In millions of yen)

	Shareholders' equity				
	Retained earnings				Total retained earnings
	Legal reserve	Other retained earnings			
Reserve for system developments		General reserve	Accumulated earnings carried forward		
Balance at the beginning of the current period	9,028	800	2,212	618,887	630,927
Accumulated effect of changes in accounting policies					
Balance at the beginning of the current period after changes in accounting policies	9,028	800	2,212	618,887	630,927
Changes during the current period:					
Issuance of new stocks					
Cash dividends				(32,739)	(32,739)
Net income				67,692	67,692
Purchase of treasury stock					
Disposal of treasury stock					
Net changes of items other than shareholders' equity					
Total changes during the current period	-	-	-	34,953	34,953
Balance at the end of the current period	9,028	800	2,212	653,840	665,881

(In millions of yen)

	Shareholders' equity		Valuation, translation adjustments and others		Total net assets
	Common Stock in treasury, at cost	Total shareholders' equity	Unrealized gains (losses) on securities	Total valuation, translation adjustments and others	
Balance at the beginning of the current period	(73,731)	706,629	6,634	6,634	713,263
Accumulated effect of changes in accounting policies		-			-
Balance at the beginning of the current period after changes in accounting policies	(73,731)	706,629	6,634	6,634	713,263
Changes during the current period:					
Issuance of new stocks		14			14
Cash dividends		(32,739)			(32,739)
Net income		67,692			67,692
Purchase of treasury stock	(17)	(17)			(17)
Disposal of treasury stock	0	0			0
Net changes of items other than shareholders' equity			774	774	774
Total changes during the current period	(17)	34,950	774	774	35,724
Balance at the end of the current period	(73,748)	741,579	7,408	7,408	748,988

### (4) Significant Subsequent Events

Not applicable