Internet Disclosure Accompanying the Notice of the Convocation of *The 52nd Ordinary General Meeting of Shareholders*

Pursuant to the relevant law and ordinance, and Article 16 of the Articles of Incorporation of SECOM CO., LTD., "Notes to Consolidated Financial Statements" and "Notes to Non-Consolidated Financial Statements" are made available on the Company's web site (http://www.secom.co.jp/english/ir/). The Company provides this translation for your reference and convenience only and without any warranty as to its accuracy or otherwise.

Notes to Consolidated Financial Statements

Notes to Significant Items for Preparation of Consolidated Financial Statements

1. Scope of Consolidation

(1) Number of Consolidated Subsidiaries: 171

Names of major consolidated subsidiaries:
Secom Joshinetsu Co., Ltd., Nohmi Bosai Ltd., Nittan Co., Ltd., Secom Medical System Co., Ltd., Secom General Insurance Co., Ltd., Pasco Corporation, Secom Home Life Co., Ltd., Secom Trust Systems Co., Ltd., At Tokyo Corporation, The Westec Security Group, Inc., Secom Plc

(2) Descriptions of Non-Consolidated Subsidiaries:

FM-International Laos Co., Ltd., Nohmi Kosaku Co., Ltd., Nohmi Facilities Co., Ltd., Nohmi Baoli (Beijing) Intelligent Fire Protection Co., Ltd., Eishin Denshi Co., Ltd. and 7 other companies

(The reason for exclusion from scope of consolidation)
All of these 12 non-consolidated subsidiaries are of a small size, so that the aggregate amounts of total assets, revenue, net income/loss (an amount prorated to ownership) and retained earnings (an amount prorated to ownership) and others do not have a significant effect on the consolidated financial statements.

(3) Names of other companies owing majority of voting rights not regarded as subsidiaries:

US Collections, Inc., Global Sales Training, Inc., CLP Auto Interior Corp., US Juice Partners, LLC, Gold Canyon Mining & Construction, LLC, US Water, LLC, CLP Consumer Products, LLC, Consumer Safety Technology, LLC

(The reason for not regarded as subsidiaries)
These companies were acquired by subsidiaries of The Westec Security Group, Inc. through normal course of business with the objective of investment, not with the objective of control.

2. Equity Method

(1) Number of equity method affiliates: 26

Names of major affiliates accounted for under the equity method:
S1 Corporation, Toyo Tec Co., Ltd., Taiwan Secom Co., Ltd.

(2) Number of non-equity method affiliates: 10

(The reason for not applying the equity method)
These 10 companies are not accounted for under the equity method because their effect on net income/loss (an amount prorated to ownership) and retained earnings (an amount prorated to ownership) is insignificant and immaterial as a whole.

(3) Names of other companies owing between 20% and 50% of voting rights not regarded as affiliates:

Global T&M Holdings, LLC

(The reason for not regarded as an affiliate)
This company was acquired by a subsidiary of The Westec Security Group, Inc. through normal course of business with the objective of investment, not with the objective of control.

3. Changes in Scope of Consolidation and Companies Accounted for under the Equity Method

Consolidation
Newly consolidated subsidiaries: 21
Japan Nuclear Security System Co., Ltd (Control Approach)
Nittan Co., Ltd, At Tokyo Corporation and 17 other companies (Acquisition)
Secom Medipharma Co., Ltd. (New establishment)
Excluded from consolidation: 22
Secom Jastic Akita Co., Ltd. and 14 other companies (Merger)
Pasco Road Center Co., Ltd. and 6 other companies (Liquidation)

Equity Method
New companies accounted for under the equity method: 3
Consilium Nittan Marine Ltd. and 1 other company (Acquisition)
Takshasila Hospitals Operating Pvt. Ltd. (New establishment)
Excluded from affiliates accounted for under the equity method: 3
Secom Kochi Co., Ltd. and 1 other company (Change to consolidated subsidiary)
Gain Inc. (Divestiture)

4. Closing Dates of Consolidated Subsidiaries and Equity Method Affiliates

With respect to overseas consolidated subsidiaries, 7 U.S. subsidiaries such as The Westec Security Group Inc., 9 Australia and New Zealand subsidiaries such as Secom Australia Pty. Ltd., 6 U.K. subsidiaries such as Secom Plc, 18 Chinese subsidiaries such as Secom (China) Co., Ltd., PT. Nusantara Secom Infotech, PT. Secom Indonesia, Pasco Thailand Co., Ltd., Thaisecom Pitakkij Co., Ltd., Secom Vietnam Co., Ltd., Pasco Philippines Corp., FM-International Oy, Nohmi Taiwan Ltd., Nittan Taiwan Fire & Safety Co., Ltd, Base Aerofotogrametria E Projetos S.A., Pasco Do Brasil Participacoes Ltda., Aerodata International Surveys BVBA, Pasco International Europe B.V. and Secom Trading Co., Ltd. close their book as of December 31 each year, and the financial statements as of this date are used for preparation of the consolidated financial statements.

With respect to domestic consolidated subsidiaries, while 2 companies such as Zao Urbane Properties Co., Ltd. close their book as of December 31 each year, the financial statements prepared pursuant to the provisional closing of books conducted as of March 31 are used for preparation of the consolidated financial statements.

With respect to equity method affiliates, 11 companies such as S1 Corporation and Taiwan Secom Co., Ltd. close their book as of December 31 each year, and the financial statements as of this date are used for preparation of the consolidated financial statements. While Koatsu Co., Ltd. closes its book as of September 30 each year, the financial statements prepared pursuant to the provisional closing of books conducted as of March 31 are used for preparation of the consolidated financial statements.

The necessary adjustments related to the consolidation are made for any major transactions which arise between the consolidated closing dates. The closing dates of other consolidated subsidiaries and equity method affiliates are the same as the consolidated closing date.

5. Significant Accounting Policies

(1) Valuation policies and methods for significant assets

1) Securities

a. Held-to-maturity debt securities are carried at amortized cost.

b. Available-for-sale

Securities with fair value

Stock and beneficiary securities: At fair value based on the market price one month prior to the fiscal year-end

Others: At fair value based on market price at fiscal year-end

Net unrealized gains and losses of securities are primarily reported directly in net assets. The cost of securities sold is primarily calculated by the moving average method.

Securities with no fair value

At cost, principally based on the moving average method

2) Derivatives

Derivatives are stated at fair value.

3) Inventories

Inventories are principally stated at cost based on the moving average method (or at the net realizable value (NRV) calculated by writing down the book value to reflect a decrease in the NRV).

4) Real estate for sale

Stated at cost by the specific cost method (or at the NRV calculated by writing down the book value to reflect a decrease in the NRV).

(2) Depreciation and Amortization of Depreciable and Amortizable Fixed Assets

1) Tangible Assets (except for leased assets)

a. Security equipment and control stations

Security equipment and control stations are depreciated over their average estimated useful lives (5-8 years) by the declining-balance method.

b. Other tangible fixed assets

Other tangible fixed assets are depreciated by the straight-line method.

Their main useful lives are as follows:

Buildings and improvements: 22-50 years

Tools and equipment: 2-20 years

2) Intangible Assets (except for leased assets)

Intangible fixed assets are amortized by the straight-line method. The software used in the Company is amortized by the straight-line method based on the useful lives within the Company (5 years).

3) Leased Assets

a. Leased assets related to ownership-transfer finance lease transactions

Depreciated, using the same depreciation method applied to fixed assets in possession.

b. Leased assets related to non-ownership-transfer finance lease transactions

Depreciated, using the straight-line method over a useful life equal to the lease period with a residual value of zero.

In addition, non-ownership-transfer finance leases entered into on or before March 31, 2008 are treated using the method applicable to operating lease transactions.

4) Long-term Prepaid Expenses

Long-term prepaid expenses are amortized by the straight-line method. With respect to the installation costs related to security equipment at the customer premises, any portion exceeding the amount received from the customer is included in “long-term prepaid expenses” and amortized by the straight-line method over the contract period (5 years).

(3) Basis for Significant Allowances

1) Allowance for Doubtful Accounts

To prepare for losses from bad debts such as losses on trade receivables and loans, the allowance for doubtful accounts provides an estimated amount of uncollectables. It is determined based on the historical loss rate with respect to ordinary accounts, and an estimate of uncollectable amounts respectively determined by reference to specific doubtful accounts from customers who are experiencing financial difficulties.

2) Accrued Bonuses

The accrued bonuses are provided for the bonus payments to employees, at an amount incurred during the current fiscal year.

3) Reserve for Losses on Construction Contracts

To prepare for future losses on construction contracts etc., an accrual is provided based on the estimated losses on construction contracts etc. that are undelivered at the end of the current fiscal year.

4) Accrued Pension and Severance Costs

To prepare for the retirement benefits of employees, the Company and its domestic consolidated subsidiaries provide an amount of accrued pension and severance costs and prepaid pension and severance costs at the end of the current fiscal year, based on the estimated amount of projected retirement benefit obligations and plan assets as of the end of the current fiscal year.

Prior service liability is recognized as profit or loss in the year of occurrence.

Actuarial gains and losses are amortized from the following fiscal year of occurrence, using the straight-line method over certain years within the average remaining service period (mainly 10 years).

5) Accrued Retirement Benefits for Directors and Audit & Supervisory Board Members

To prepare for payment for retirement benefits of Directors and Audit & Supervisory Board Members of the Company and certain domestic consolidated subsidiaries, a necessary amount at the end of the current fiscal year is accrued based on the rules of the Directors and Audit & Supervisory Board Members' retirement benefits.

(4) Revenue and Cost Recognition Policies

1) Revenue Recognition Policies for Construction Contracts
Percentage-of-completion method is applied to construction contracts whose outcomes are deemed certain for progress until the end of the current fiscal year, and the completed-contract method is applied to other construction contracts. The percentage of costs incurred to the estimated total cost is used for estimating the percentage of completion.

2) Recognition Policies for Revenue and Costs of Finance Leases
Revenue and cost are recognized upon receipt of lease payments.

(5) Other Significant Items for Preparation of Consolidated Financial Statements

1) Accounting for Major Hedge
a. Hedge Accounting Policy
The Company principally applies deferred hedging accounting. The interest rate swaps that fulfill requirements for exceptional treatments permitted for interest rate swaps are accounted for using exceptional treatments.

b. Hedging Instruments and Hedged Items

Hedging instruments:	Hedged items:
Interest rate swap	Loans payable

c. Hedging Policy
The risks for forward interest rate fluctuations are to be hedged principally pursuant to the risk management policy of the Company.

d. Assessment of Hedge Effectiveness
Hedge effectiveness is assessed by comparing the cumulative totals of price fluctuations of the hedged items and hedging instruments from the beginning of hedging to the effective point of assessment, taking the changes of both the hedged items and hedging instruments into account. However, when an item is judged to fulfill requirements for exceptional treatments, the assessment of hedge effectiveness is omitted.

2) Amortization of Goodwill and Negative Goodwill
Goodwill, and negative goodwill incurred on or before March 31, 2010 are amortized by the straight-line method over 5-15 years.

3) Accounting for Consumption Tax etc.
Tax-exclusive method is adopted.

Notes to Consolidated Balance Sheet

1. Cash Deposits for Armored Car Services and Short-term Bank Loans

   For financial institutions, the Company and some of the domestic consolidated subsidiaries provide cash collection from and cash filling to cash dispensers located outside of financial institution facilities. The balance of cash deposits for armored car services includes cash on hand and cash in banks representing a total of YEN 28,255 million connected with cash filling services, which is restricted in use by the Group. The short-term bank loan balance includes YEN 8,383 million financed for the cash filling services.
   Furthermore, the balance of cash deposits for armored car services includes YEN 27,833 million connected with cash collection administration services, which is also restricted in use by the Group. Also, the short-term bank loan balance includes YEN 18,214 million financed for the cash collection administration services.

2. Assets Pledged as Collateral and Collateral-related Liabilities:

(1) Assets Pledged as Collateral

	(Millions of Yen)
Cash on hand and in banks (time deposit)	1,860
Short-term loans receivables	19
Other - current assets (receivable - other)	709
Buildings and improvements	26,708
Land	24,542
Other - intangible assets (leasehold)	818
Investment securities	1,083
Long-term loans receivable	768
Other - investments and others (long-term deposit)	350
Total	56,859

(2) Collateral-related Liabilities

	(Millions of Yen)
Bank loans	5,732
Current portion of straight bonds	4,487
Straight bonds	8,847
Long-term loans	15,619
Total	34,687

In addition to the above liabilities, investment securities and long-term loans receivable are pledged as collateral for the debts of affiliates and other debts.

3. Accumulated Depreciation of Tangible Assets
   YEN 377,441 million

4. Change of purpose of holding assets
   YEN 1,414 million in land was transferred to real estate inventories due to change of purpose of holding.

5. Investment in Non-Consolidated Subsidiaries and Affiliates:
   (Fixed assets)
   Investment securities (stocks) YEN 37,819 million

6. Contingent Liabilities:
   Guarantees of liabilities of entities and individuals YEN 2,600 million

7. Presentation of Goodwill and Negative Goodwill
   Goodwill and negative goodwill are presented in netted amount. Listed below are the amounts before the offset.

	(Millions of Yen)
Goodwill	22,572
Negative goodwill	806
Net amount	21,765

Notes to Consolidated Statement of Income

1. Write-down on Real Estate Inventories Included in Cost of Revenue
   YEN 1,791 million

Notes to Consolidated Statement of Changes in Net Assets

1. Items Related to Issued Shares and Treasury Stocks

(Unit：1 share)

	Number of shares at the beginning of the fiscal year	Increase in the number of shares in the fiscal year	Decrease in the number of shares in the fiscal year	Number of shares at the end of the fiscal year
Issued shares				
Common stocks	233,288,717	-	-	233,288,717
Treasury stocks				
Common stocks	15,017,691	1,380	120	15,018,951

(Outline of reasons for change)
The increase of 1,380 in the number of common stocks is due to the purchase of shares constituting less than one unit.
The decrease of 120 in the number of common stocks is due to requests to sell such number of shares as will constitute, together with the shares constituting less than one unit of shares already held, one full unit.

2. Items Related to Dividends

(1) Amount of Dividends Paid

Resolution	Classes of Shares	Total amount of cash dividend (Millions of Yen)	Cash dividend per share(Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 26, 2012	Common stock	19,644	90	March 31, 2012	June 27, 2012

[English Translation]

(2) Of the dividends whose record date belongs to the current fiscal year, the following are those dividends whose effective date belongs to the next fiscal year.
The matters planned to be resolved on the general meeting of shareholders are as follows:

Resolution	Classes of Shares	Source of dividend	Total amount of cash dividend (Millions of Yen)	Cash dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 25, 2013	Common stock	Retained earnings	22,918	105	March 31, 2013	June 26, 2013

3. Minority interests in subsidiaries
The main reason of increase in minority interests in subsidiaries is due to acquisition of consolidated subsidiaries.

Notes to Financial Instruments

1. Items Related to Status of Financial Instruments

The Group (excluding its insurance services segment) raises necessary funds, with the aim of establishing “Social System Industry,” by means of procuring funds from markets and borrowing money from financial institutions. The Group, except for its insurance services segment, also holds financial instruments for promoting its business and investment. Derivatives are primarily used for averting market risks associated with loans, etc., and it is the Group’s policy not to perform speculative transactions.

The Group’s insurance services segment manages funds using financial instruments for the purpose of safely and carefully holding and managing insurance premiums received from policyholders for underwriting insurance policies as a source of funds for paying for future insurance claims. As the financial instruments in which the Group’s insurance services segment invests are exposed to market risks including interest rate fluctuation risks, the Group’s insurance services segment performs asset-liability management (ALM) to prevent any adverse impact of such risks from arising.

2. Items Related to Fair Values of Financial Instruments etc.

The amounts recognized on the consolidated balance sheet, fair values and corresponding differences as of March 31, 2013 are listed below. Items whose fair value has been deemed extremely difficult to identify are not included in the table below. (See Note 2)

(Millions of Yen)

	Amount recognized on the consolidated balance sheet	Fair value	Difference
(1)Cash on hand and in banks	175,427	175,427	-
(2)Cash deposits for armored car services	56,089	56,089	-
(3)Call loans	46,500	46,500	-
(4)Notes and accounts receivable, trade	106,638	106,638	-
(5)Due from subscribers	24,059	24,059	-
(6)Short-term investments and investment Securities			
(i) Held-to-maturity debt securities	3,066	2,906	(160)
(ii) Investment securities in affiliates	30,912	79,750	48,837
(iii) Available-for-sale securities	152,740	152,740	-
(7)Lease receivables and investment in leased assets	27,569	27,784	215
(8)Short-term loans receivable	4,158		
Allowance for doubtful accounts (*1)	(76)		
	4,081	4,081	-
(9)Long-term loans receivable	42,338		
Allowance for doubtful accounts (*1)	(15,775)		
	26,562	26,973	411
Total assets	653,648	702,951	49,303
(1)Notes and accounts payable, trade	43,684	43,684	-
(2)Bank loans	42,350	42,350	-
(3)Payables - other	31,406	31,406	-
(4)Accrued income taxes	29,282	29,282	-
(5)Straight bonds	13,335	13,354	19
(6)Long-term loans	19,828	19,921	93
(7)Guarantee deposits received	5,223	5,137	(85)
Total liabilities	185,111	185,138	26
Derivative transactions (*2)			
(i) Hedge accounting not applied	59	59	-
(ii) Hedge accounting applied	-	(228)	(228)
Total derivative transactions	59	(169)	(228)

*1 Allowance for doubtful accounts for loans receivable is deducted.

*2 Net claims and obligations arising from derivative transactions are shown as net values. Items for which the total is a net obligation are shown in parentheses.

(Note 1) Calculation method of fair value of financial instruments and matters concerning securities and derivative transactions

Assets:

(1) Cash on hand and in banks, (2) Cash deposits for armored car services, (3) Call loans, (4) Notes and accounts receivable, trade, (5) Due from subscribers and (8) Short-term loans receivable

These items are stated at their book value, as these items are mainly settled in a short period of time and their fair value approximates their book value.

(6) Short-term investments and investment securities

The fair value of stocks is based on the price quoted on the exchange whereas the fair value of straight bonds etc. is based on the price quoted on the exchange or the price presented by the corresponding financial institution.

(7) Lease receivables and investment in leased assets
These items are stated at present value calculated by discounting the sum of the principal and interest at the interest rate assumed when a new similar lease transaction is performed.

(9) Long-term loans receivable
These items are stated at present value calculated by discounting the sum of the principal and interest at the interest rate assumed when a new similar loan transaction is performed with respect to each category based on type, internal rating and period of the loans receivable. The fair value of doubtful accounts is approximately the same as the value on the balance sheet as of the fiscal year-end less the current estimated loan loss, as the estimated loan loss is calculated based on the discounted present value of estimated cash flow or the expected recoverable amount with collateral and guarantee etc.; therefore, the said value is stated as fair value. Certain consolidated subsidiaries calculate the present value of future cash flow by discounting the future cash flow at an interest rate equal to an appropriate index such as the yield of government bonds plus the credit spread according to the residual period.

Liabilities:

(1) Notes and accounts payable, trade, (2) Bank loans, (3) Payables - other and (4) Accrued income taxes
These items are stated at their book value, as these items are mainly settled in a short period of time and their fair value approximates their book value.

(5) Straight bonds
These items are stated at present value calculated by discounting the sum of the principal and interest at the interest rate assumed when new similar straight bonds are issued, according to the residual period of the straight bonds.

(6) Long-term loans
These items are stated at present value calculated by discounting the sum of the principal and interest at the interest rate assumed when a new similar debt is taken on.

(7) Guarantee deposits received
Guarantee deposits received are stated at present value calculated by discounting the future cash flow at risk-free interest rate.

Derivative transactions:

Derivatives are stated at the price presented by the financial institution with which the Group has concluded an agreement.
For hybrid instruments which do not separate the fair value of the embedded derivatives, the fair value of the hybrid instruments is calculated as a whole, and included in “(i) held-to-maturity debt securities” in “(6) Short-term investments and investment securities.”

(Note 2) Financial instruments whose fair value is deemed extremely difficult to identify

(Millions of Yen)

Item	Amount recognized on the consolidated balance sheet
Unlisted stock (*1)	4,821
Unlisted stock of affiliates (*1)	6,907
Investments in limited partnerships for investment etc. (*1)	5,318
Deposit from business activities (*2)	30,901

*1 Not included in “(6) Short-term investments and investment securities” due to lack of market price and extreme difficulty in identifying fair value.

*2 Not included in “(7) Guarantee deposits received” because reasonable estimation of cash flow is deemed extremely difficult due to lack of market price and difficulty in calculating the effective depositing period.

Notes to Rental Property and Other Real Estate

The Company and some of its consolidated subsidiaries own rental office buildings and medical facilities such as hospitals, in addition to rental housing etc. mainly in Tokyo and other major cities across the country.

The amount recognized on the consolidated balance sheet, the amount of increase/decrease during the current fiscal year and the fair value of such rental properties are as follows:

(Millions of Yen)

	Amount recognized on the consolidated balance sheet			Fair value at the end of the fiscal year
	Balance at the beginning of the fiscal year	Increase/decrease during the fiscal year	Balance at the end of the fiscal year	
Office buildings	45,127	(801)	44,325	58,539
Medical facilities	45,607	3,924	49,532	44,960
Other	9,305	(1,602)	7,703	7,587
Total	100,041	1,520	101,561	111,087

(Note 1) The amount recognized on the consolidated balance sheet equals the acquisition cost less accumulated depreciation and accumulated impairment loss.

(Note 2) The increase of medical facilities during the current fiscal year is mainly due to the purchase of New Tokyo Hospital by Secom Medical System Co., Ltd., a subsidiary of the Company, amounting to YEN 4,046 million.

(Note 3) The fair value at the end of the current fiscal year is, in the case of major properties, the amount based on real-estate appraisal by an external real-estate appraiser, and in the case of other properties, the amount calculated in-house based on the Real Estate Appraisal Standard. However, if no significant fluctuations have occurred in a certain valuation or an index that is deemed to properly reflect the market price since the acquisition of the property from a third party or the most recent external valuation, the fair value is based on such valuation or the amount adjusted by using the index.

Profit or loss on rental properties and other real estate for the fiscal year ended March 31, 2013 is as follows:

(Millions of Yen)

	Rental income	Rental expenses	Difference	Other (gains/losses on sale etc.)
Office buildings	3,396	1,417	1,979	20
Medical facilities	5,425	2,366	3,058	4
Other	572	210	361	57
Total	9,394	3,994	5,399	82

(Note) The rental expenses include depreciation, repair costs, insurance premium, taxes and public imposts, etc.

Notes to Deferred Tax Accounting

1. The Significant Components of Deferred Tax Assets and Deferred Tax Liabilities:

Deferred tax assets:	(Millions of Yen)
Operating loss carry-forwards	9,262
Eliminations of unrealized gain	7,984
Adjustment of book value of fixed assets of subsidiaries at fair value at the date of consolidation (land and buildings)	7,749
Investment deposits by policyholders, unearned premiums and other insurance liabilities and provision for outstanding claims	7,512
Allowance for doubtful accounts	6,437
Accrued pension and severance costs	5,895
Accrued bonuses	5,312
Impairment loss	5,234
Write-down on real estate inventories	4,536
Write-down on fixed assets	3,726
Other	8,751
Gross deferred tax assets	72,403
Valuation allowance	(31,056)
Total deferred tax assets	41,346

Deferred tax liabilities:	
Adjustment of book value of fixed assets of subsidiaries at fair value at the date of consolidation (land and buildings)	(7,320)
Prepaid pension and severance costs	(6,861)
Adjustment of book value of fixed assets of subsidiaries at fair value at the date of consolidation (intangible assets)	(5,447)
Unrealized gains on securities	(4,474)
Adjustment of book value of fixed assets of subsidiaries at fair value at the date of consolidation (other fixed assets)	(2,977)
Other	(1,569)
Total deferred tax liabilities	(28,651)
Net deferred tax assets	12,695

2. Summary of the Reconciliation between the Statutory Tax Rate and the Effective Tax Rate after the Application of Deferred Tax Accounting:

   In the current fiscal year, difference between the statutory tax rate and the effective tax rate after the application of deferred tax accounting accounted for less than 5% to the statutory tax rate. Accordingly the note is omitted.

Notes to Retirement Benefits

1. Outline of the Retirement Benefit Plan Adopted:

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

   The Company and its domestic consolidated subsidiaries with the same retirement benefit plan have adopted a severance indemnity plan and a defined contribution pension plan. The method of calculating the severance indemnity under the severance indemnity plan is to pay out to the employees an amount equal to a certain percentage of their annual income over their period of service, plus interest which is calculated as the 3-year average yield of applicants for 10-year government bonds. The defined contribution pension plan was established in April 2003, a portion equivalent to 20 percent of the severance indemnity plan so far accumulated was transferred to the new plan, and a specified percentage of annual income is contributed thereto. The Company transferred an additional portion of the severance indemnity plan funds to the defined contribution pension plan in April 2005, and accordingly, the ratio of the accumulated amount in the severance indemnity plan and the amount of contributions to the defined contribution pension plan, including the past reserve, changed to 70 % and 30 %, respectively.

   The majority of the consolidated overseas subsidiaries have adopted a variety of pension plans that essentially cover all employees. Most of these plans are defined contribution pension plans.

2. Items Concerning the Retirement Benefit Obligation (As of March 31, 2013):

(Millions of Yen)

(1) Projected benefit obligation	(88,021)
(2) Plan assets	80,203
(3) Unfunded projected benefit obligation ((1)+(2))	(7,818)
(4) Unappropriated difference at the time of change in accounting standard	-
(5) Unrecognized actuarial gains or losses	10,253
(6) Unrecognized prior service liability	-
(7) Net retirement benefit obligation recognized in the consolidated balance sheet ((3)+(4)+(5)+(6))	2,435
(8) Prepaid pension and severance costs	19,572
(9) Accrued pension and severance costs ((7)-(8))	(17,137)

3. Components of Pension and Severance Costs (from April 1, 2012 to March 31, 2013)

(Millions of Yen)

(1) Service cost *1	5,009
(2) Interest cost	1,506
(3) Expected return on plan assets	(2,113)
(4) Amortization of actuarial gains or losses	2,112
(5) Amortization of prior service benefit	473
(6) Pension and severance costs ((1)+(2)+(3)+(4)+(5))	6,989
(7) Loss due to transfer to defined contribution plan	-
(8) Other *2	1,645
Total	8,634

(Notes) *1. Pension and severance costs for consolidated subsidiaries adopting the simplified method are included in (1) "Service cost."

*2. "Other" represents the amount payable as premiums to the defined contribution pension plan.

4. Assumptions Used in Accounting for Retirement Benefits

(1) Attribution of projected benefit obligation	Straight-line method over the estimated years of services of the eligible employees
(2) Discount rates	Principally 1.8% at beginning of fiscal year Principally 1.4% at end of fiscal year
(3) Expected rates of return on plan assets	Principally 3.0% for plan assets
(4) Amortization period of prior service liability	Prior service liability is amortized in the year incurred.
(5) Amortization period of actuarial gains or losses	Amortizing actuarial gains and losses from the following fiscal year of occurrence, using the straight-line method over certain years within the average remaining service period (mainly 10 years).

Notes to Asset Retirement Obligation

1. Asset retirement obligations recognized in consolidated balance sheet
Footnote information of asset retirement obligations recognized in the consolidated balance sheet is omitted as they are immaterial.

2. Asset retirement obligations not recognized in consolidated balance sheet
A certain building of a consolidated subsidiary must be restored to its original state under the building lease agreement upon returning the building at the expiry of the lease. However, the Company does not plan to relocate from the building in its business strategies and it is assumed to be used until the building is demolished through the renewal of the agreement. In cases where the building is demolished, it is not expected to execute the contractual obligation to restore the building to its original state. For this reason, though the Company tried to establish best estimates, considering evidence available as at the closing date, asset retirement obligations have not been recognized with respect to such obligations, since it is impracticable to forecast the probability regarding the scope and the amount of asset retirement obligations.

Notes to Business Combination

Business Combination by share acquisition

1. Acquisition of Nittan Co., Ltd.

(1) Outline of Business Combination

1) 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

2) 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

3) Date of Business Combination

April 1, 2012

4) Legal Form of Business Combination

Share acquisition

5) Name of Company after Business Combination

Nittan Co., Ltd.

6) Percentage of Voting Rights Acquired

100%

7) Principal Reason for Determining Acquiring Company

Since the Company acquired 100% of the voting rights by the share purchase in cash only, the Company is determined as the acquiring company.

(2) Period Included in Consolidated Financial Statements

From April 1, 2012 to March 31, 2013

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

Consideration for Acquisition	Cash on hand	YEN	12,700	million
Costs Directly Associated with Acquisition	Advisory fees etc.	YEN	13	million
Acquisition Cost		YEN	12,713	million

(4) Amount and Cause of Goodwill, Amortization Method and Period

1) Amount of Goodwill

YEN 1,464 million

2) Cause of Goodwill

The goodwill is attributable to the excess future profitability.

3) Amortization Method and Period

Amortization by the straight-line method over 10 years

(5) Amount of Assets and Liabilities Acquired on the Day of Business Combination

Current assets	YEN	20,827	million
Fixed assets	YEN	8,600	million
Total assets	YEN	29,427	million
Current liabilities	YEN	13,232	million
Long-term liabilities	YEN	4,811	million
Total liabilities	YEN	18,043	million

2. Acquisition of At Tokyo Corporation

(1)Outline of Business Combination

1) Name and Business Description of the Acquired Company
   (a) Name: At Tokyo Corporation
   (b) Business Description: Data center business

2) 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.

3) Date of Business Combination
   October 31, 2012

4) Legal Form of Business Combination
   Share acquisition

5) Name of Company after Business Combination
   At Tokyo Corporation

6) Percentage of Voting Rights Acquired
   50.882%

7) Principal Reason for Determining Acquiring Company
   Since the Company acquired 50.882% of the voting rights by the share purchase in cash only, the Company is determined as the acquiring company.

(2) Period Included in Consolidated Financial Statements
   From November 1, 2012 to March 31, 2013

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

Consideration for Acquisition	Cash on hand	YEN	33,327	million
Costs Directly Associated with Acquisition	Advisory fees etc.	YEN	212	million
Acquisition Cost		YEN	33,539	million

(4) Amount and Cause of Goodwill, Amortization Method and Period

1) Amount of Goodwill
   YEN 14,310 million

2) Cause of Goodwill
   The goodwill is attributable to the excess future profitability.

3) Amortization Method and Period
   Amortization by the straight-line method over 15 years

(5) Amount of Assets and Liabilities Acquired on the Day of Business Combination

Current assets	YEN 9,769 million
Fixed assets	YEN 72,559 million
Total assets	YEN 82,328 million
Current liabilities	YEN 6,769 million
Long-term liabilities	YEN 37,766 million
Total liabilities	YEN 44,535 million

(6) Amount Allocated to Intangible Assets and Amortization Period Thereof

	Amount	Amortization Period
Customer Relationships	YEN 12,158 million	20 years
Trademark	YEN 3,072 million	15 years

Notes to Per-Share Information

Net assets per share:	YEN 3,065.13
Net income per share:	YEN 291.65

[English Translation]

Notes to Non-Consolidated Financial Statements

Notes to Significant Accounting Policies

1. Valuation Policies and Methods for Assets

(1) Valuation Policies and Methods for Securities

1) Held-to-maturity debt securities
Amortized cost method

2) Investment Securities in Subsidiaries and Affiliates
At cost, based on the moving average method

3) Available-for-sale Securities
Securities with fair value
Stock and beneficiary securities: At fair value based on the average market price in one month prior to the fiscal year-end.
Others: At fair value based on market price at fiscal year-end

Net unrealized gains and losses of securities are reported directly in net assets. The cost of securities sold is calculated by the moving average method.

Securities with no fair value
At cost, based on the moving average method or amortized cost method.

(2) Valuation Policies and Methods for Derivatives
Derivatives are stated at fair value.

(3) Valuation Policies and Methods for Inventories
Merchandise and supplies are stated at cost determined by the moving average method (or at the net realizable value (NRV) calculated by writing down the book value to reflect a decrease in the NRV).

2. Depreciation and Amortization of Depreciable and Amortizable Fixed Assets

(1) Tangible Assets: (except for leased assets)

1) Security equipment and control stations
Security equipment and control stations are depreciated over their average estimated useful lives (5-8 years) by the declining-balance method.

2) Other tangible fixed assets
Other tangible fixed assets are depreciated by the straight-line method.
Their main useful lives are as follows:
Buildings and improvements: 22-50 years

(2) Intangible Assets
Intangible fixed assets are amortized by the straight-line method.
The software used in the Company is amortized by the straight-line method based on the useful lives within the Company (5 years).

(3) Leased Assets

1) Leased assets related to ownership-transfer finance lease transactions
Depreciated, using the same depreciation method applied to fixed assets in possession.

2) Leased assets related to non-ownership-transfer finance lease transactions

Depreciated, using the straight-line method over a useful life equal to the lease period with a residual value of zero.
In addition, non-ownership-transfer finance leases entered into on or before March 31, 2008 are treated using the method applicable to operating lease transactions.

(4) Long-term Prepaid Expenses:
Long-term prepaid expenses are amortized by the straight-line method. With respect to the installation costs related to security equipment at the customer premises, any portion exceeding the amount received from the customer is included in “long-term prepaid expenses” and amortized by the straight-line method over the contract period (5 years).

3. Basis for Significant Allowances

(1) Allowance for Doubtful Accounts
To prepare for losses from bad debts such as losses on trade receivables and loans, the allowance for doubtful accounts provides an estimated amount of uncollectables. It is determined based on historical loss rate with respect to ordinary accounts, and an estimate of uncollectable amounts, respectively determined by reference to specific doubtful accounts from customers who are experiencing financial difficulties.

(2) Accrued Bonuses
Accrued bonuses are provided for the bonus payments to employees, at an amount incurred during the current fiscal year.

(3) Accrued Pension and Severance Costs
To prepare for the retirement benefits of employees, the Company provides an amount of accrued pension and severance costs and prepaid pension and severance costs at the end of the current fiscal year, based on the estimated amount of projected benefit obligation and plan assets as of the end of the current fiscal year.
Prior service liability is recognized as profit or loss in the year of occurrence.
Actuarial gains and losses are amortized from the following fiscal year of occurrence, using the straight-line method over certain years within the average remaining service period (mainly 10 years).

(4) Accrued Retirement Benefits for Directors and Audit & Supervisory Board Members
To prepare for payment for retirement benefits of Directors and Audit & Supervisory Board Members of the Company, a necessary amount at the end of the current fiscal year is accrued based on the rules of the Directors and Audit & Supervisory Board Members’ retirement benefits.

4. Revenue and Cost Recognition Policies

Revenue Recognition Policies for Construction Contracts
Percentage-of-completion method is applied to construction contracts whose outcomes are deemed certain for progress until the end of the current fiscal year, and the completed-contract method is applied to other construction contracts. The percentage of costs incurred to the estimated total cost is used for estimating the percentage of completion.

5. Other Significant Accounting Policies

(1) Amortization of Goodwill
Goodwill is amortized by the straight-line method over 10 years.

(2) Accounting for Consumption Tax etc.
Tax-exclusive method is adopted.

Notes to the Non-Consolidated Balance Sheet

1. Cash Deposits for Armored Car Services and Short-term Bank Loans

For financial institutions, the Company provides cash filling to and cash collection from cash dispensers located outside of financial institution facilities.
The balance of cash deposits for armored car services includes cash on hand and cash in banks of representing a total of YEN 25,718 million connected with cash filling services, which is restricted in use by the Company. The short-term bank loan balance includes YEN 8,383 million financed for the cash filling services.
The balance of cash deposits for armored car services includes YEN 27,833 million connected with cash collection administration services, which is also restricted in use by the Company. Also, the short-term bank loan balance includes YEN 18,214 million financed for the cash collection administration services.

2. Assets Pledged as Collateral and Collateral-related Liabilities

Assets Pledged as Collateral

	(Millions of Yen)
Short-term loans receivable	19
Investment securities	655
Investment securities in subsidiaries and affiliates	45
Long-term loans receivable	768
Total	1,488

Collateral-related Liabilities
Short-term loans receivables, investment securities, investment securities in subsidiaries and affiliates, and long-term loans receivable are pledged as collateral for the debts of subsidiaries and affiliates and other debts.

3. Accumulated Depreciation of Assets
Accumulated depreciation of tangible assets: YEN 250,966 million

4. Contingent Liabilities

(1) Guarantees

Liabilities of the below entities and employees are guaranteed.

	(Millions of Yen)
Alive Medicare Co., Ltd.	1,557
Secom Fort West Co., Ltd.	654
Secom Home Life Co., Ltd.	439
Prime Stage Co., Ltd.	139
The Windsor Hotels International Co., Ltd	101
Others	21
Employees	215
Purchaser of merchandises by leasing transactions etc.	720
Total	3,849

(2) Net Assets Maintaining Agreement

The Company entered into a net assets maintaining agreement with Secom General Insurance Co., Ltd., under which the Company is obligated to provide funds to Secom General Insurance Co., Ltd. if and when the net assets of Secom General Insurance Co., Ltd. become lower than the specified amount or its current assets necessary for the payment of its liabilities are insufficient. The total liabilities of Secom General Insurance Co., Ltd. at the end of the current fiscal year are YEN 142,661 million, including YEN 137,608 million of investment deposits by policyholders, unearned premiums and other insurance liabilities, and the total assets are YEN 169,713 million.

However, this agreement is not construed as the Company's guarantee with respect to payment obligations of Secom General Insurance Co., Ltd. Secom General Insurance Co., Ltd. maintained net assets above the required level, and its current assets were not insufficient at the end of the current fiscal year.

5. Financial Receivables/Payables to Subsidiaries and Affiliates (excluding those separately presented)

	(Millions of Yen)
Short-term receivables	23,968
Long-term receivables	157,405
Short-term payables	6,051
Long-term payables	1,244

Notes to Non-Consolidated Statement of Income

1. Transactions with Subsidiaries and Affiliates

Operating transactions	(Millions of Yen)
Revenue	15,667
Amount of purchased costs and sub-contract costs	32,178
Non-operating transactions	9,010

Notes to Non-Consolidated Statements of Changes in Net Assets

Items Related to Classes and Total Number of Treasury Stocks

(Unit: 1 share)

Classes of shares	Number of shares at the beginning of the fiscal year	Increase in number of shares in the fiscal year	Decrease in number of shares in the fiscal year	Number of shares at the end of the fiscal year
Common stock	15,017,691	1,380	120	15,018,951

(Outline of reasons for change)

The increase of 1,380 in the number of common stocks is due to the purchase of shares constituting less than one unit.

The decrease of 120 in the number of common stocks is due to requests to sell such number of shares as will constitute, together with the shares constituting less than one unit of shares already held, one full unit.

Notes to Deferred Tax Accounting

1. The Significant Components of Deferred Tax Assets and Deferred Tax Liabilities:

Deferred tax assets:	(Millions of Yen)
Allowance for doubtful accounts	7,101
Loss on impairment of investment securities in subsidiaries and affiliates	5,711
Impairment loss	4,545
Accrued bonuses	2,301
Write-down on fixed assets	1,744
Accrued pension and severance costs	1,451
Other	4,998
Gross deferred tax assets	27,855
Valuation allowance	(16,012)
Total deferred tax assets	11,843
Deferred tax liabilities:	
Prepaid pension and severance costs	(5,757)
Other	(1,605)
Total deferred tax liabilities	(7,363)
Net deferred tax assets	4,480

2. Summary of the Reconciliation between the Statutory Tax Rate and the Effective Tax Rate after the Application of Deferred Tax Accounting:

Statutory tax rate	37.8 (%)
(Reconciliation)	
Permanently non-taxable income such as dividends income	(3.1)
Per capita levy of corporate inhabitant tax	0.5
Research and development tax credits	(0.5)
Permanently non-taxable expenses such as entertainment expenses	0.4
Other	0.7
Effective tax rate after the application of deferred tax accounting	35.8 (%)

Notes to Fixed Assets under Leases

Besides the ones booked as fixed assets on the balance sheet of the Company, some of buildings and improvements, automobiles and tools, furniture and fixtures are used based on the finance lease contracts other than those deemed to transfer the ownership of the leased assets to the lessees.

Notes to Transactions with Related Parties

Type	Name of Company	Address	Capital (Millions of Yen)	Business Content	Voting Rights Held by the Company (%)	Relationship	
						Concurrent Posts of Directors and Audit & Supervisory Board Members	Business Relationship
Subsidiary	Secom Home Life Co., Ltd.	Shibuya-ku, Tokyo	3,700	Real estate development and sales	99.9	1	Loan and investment of funds
Subsidiary	Secom Credit Co., Ltd.	Shibuya-ku, Tokyo	400	Leasing service etc.	100.0	1	Loan and investment of funds
Subsidiary	Secom Medical System Co., Ltd.	Shibuya-ku, Tokyo	6,545	Medical service	100.0	1	Loan and investment of funds
Subsidiary	Pasco Corporation	Meguro-ku, Tokyo	8,758	Geographic information service	72.8	-	Loan and investment of funds
Subsidiary	Arai & Co., Ltd.	Shibuya-ku, Tokyo	3,000	Real estate leasing	92.5	2	Loan and investment of funds
Subsidiary	At Tokyo Corporation	Koto-ku, Tokyo	13,378	Data center business	50.8	2	Loan and investment of funds

Name of Company	Transactions	Amount of Transactions (Millions of Yen)	Account	Year-end Balance (Millions of Yen)
Secom Home Life Co., Ltd.	Execution of loans (Collection of loans) Receipt of interests (Note 2)	25,030 (40,468) 217	Long-term loans receivable (Note 3)	29,409
Secom Credit Co., Ltd.	Execution of loans (Collection of loans) Receipt of interests (Note 2)	1,700 (200) 299	Short-term loans receivable	500
			Long-term loans receivable	20,500
Secom Medical System Co., Ltd.	Execution of loans (Collection of loans) Receipt of interests (Note 2)	8,138 (5,763) 562	Short-term loans receivable	3,532
			Long-term loans receivable	37,103
Pasco Corporation	Execution of loans (Collection of loans) Receipt of interests (Note 2)	8,500 (4,000) 101	Short-term loans receivable	14,500
Arai & Co., Ltd.	Execution of loans (Collection of loans) Receipt of interests (Note 2)	2,000 (751) 285	Short-term loans receivable	366
			Long-term loans receivable	18,933
At Tokyo Corporation	Execution of loans (Collection of loans) Receipt of interests (Note 2)	36,244 (44) 107	Long-term loans receivable	36,200

(Notes)

1. Consumption taxes are not included in the amounts listed above.
2. The interest rates for the loans above are determined, referring to market interest rates etc.
3. The amount of YEN 10,505 million has been recorded as allowance for doubtful accounts for the long-term loans receivable to Secom Home Life Co., Ltd.

Notes to Per-Share Information

Net assets per share: YEN 2,744.83

Net income per share: YEN 225.08