Internet Disclosure Accompanying the Notice of the Convocation of *The 53rd Ordinary General Meeting of Shareholders*

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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: 174

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 Trust Systems Co., Ltd., At Tokyo Corporation, Secom Home Life Co., Ltd., 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 10 other companies

(The reason for exclusion from scope of consolidation)
All of these 15 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:

Global Sales Training, Inc., CLP Auto Interior Corp., US Juice Partners, LLC, US Water, LLC, CLP Consumer Products, LLC, Consumer Safety Technology, LLC, Taymax Group Holdings, 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: 25

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: 7

(The reason for not applying the equity method)
These 7 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: 8
  - Toko Create Co., Ltd. and 1 other company (Acquisition)
  - Secom Vietnam Security Service JSC and 5 other companies (New establishment)
- Excluded from consolidation: 5
  - Tohoku Nohmi, Co., Ltd. (Merger)
  - Nihon Security System Co., Ltd. and 2 other companies (Liquidation)
  - Base Aerofotogrametria E Projetos S.A. (Change to equity method affiliate)

Equity Method

- New companies accounted for under the equity method: 1
  - Base Aerofotogrametria E Projetos S.A. (Change from consolidated subsidiary)
- Excluded from affiliates accounted for under the equity method: 2
  - NAA Narita Airport Secom Co., Ltd. (Liquidation)
  - Shanghai Guanlin Secom Intelligence Technology Co., Ltd. (Divestiture)

4. Closing Dates of Consolidated Subsidiaries and Equity Method Affiliates

With respect to overseas consolidated subsidiaries, 8 U.S. subsidiaries such as The Westec Security Group Inc., 10 Australia and New Zealand subsidiaries such as Secom Australia Pty. Ltd., 4 U.K. subsidiaries such as Secom Plc, 18 Chinese subsidiaries such as Secom (China) Co., Ltd., PT. Nusantara Secom Infotech, PT. Secom Indonesia, Secom Medical System (Singapore) Private Limited, Pasco Thailand Co., Ltd., Thaisecom Pitakkij Co., Ltd., Secom Vietnam Co., Ltd., Secom Vietnam Security Service JSC, Pasco Philippines Corp., FM-International Oy, Nohmi Taiwan Ltd., Nittan Taiwan Fire & Safety Co., Ltd, Pasco Do Brasil Participacoes Ltda., Aerodata International Surveys BVBA, Pasco Europe B.V., Pasco Laos Sole Co., Ltd., 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 3 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 average 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 Retirement Benefits for Directors and Audit & Supervisory Board Members

To prepare for payment for retirement benefits of Directors and Audit & Supervisory Board Members of 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) Basis for Recognizing Net Defined Benefit Asset and Net Defined Benefit Liability

To prepare for the retirement benefits of employees, the Company and its domestic consolidated subsidiaries recognize a net defined benefit asset and a net defined benefit liability for the amount calculated by deducting plan assets from retirement benefit obligations, based on the estimated amount of these items at the end of the current fiscal year.

Prior service cost 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).

Unrecognized actuarial gains and losses are included in the line item “Remeasurements of defined benefit plans, net of taxes” of accumulated other comprehensive income in the net assets section.

3) 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.

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

6. Changes in Significant Matters underlying the Preparation of Consolidated Financial Statements

(Application of the Accounting Standard for Retirement Benefits)

“Accounting Standard for Retirement Benefits” (ASBJ Statement No.26, issued on May 17, 2012, hereinafter referred to as the “Retirement Benefits Accounting Standard”) and the “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, issued on May 17, 2012, hereafter referred as the Guidance on Retirement Benefits) have been applied from this fiscal year except for the section 35 of the Retirement Benefits Accounting Standard and the section 67 of the Guidance on Retirement Benefits. Accordingly, net defined benefit asset and liability are recorded by deducting plan assets from defined benefit obligations and unrecognized actuarial gains and losses are recorded in net defined benefit asset and liability.
With regard to application of Accounting Standard for Retirement Benefits, the effect of changes is adjusted to remeasurement of defined benefit plan in the other comprehensive income at the end of this fiscal year in accordance with the transitional treatment stipulated in section 37 of the Retirement Benefits Accounting Standard.
As a result, in the current fiscal year, net defined benefit asset was YEN 17,612 million, net defined benefit liability was YEN 18,569 million and other comprehensive income declined by YEN 3,506 million. The impact of this change on per share data can be found under relevant sections.

Notes to Consolidated Balance Sheet

1. Cash on hand and in banks, and “Other” in Investments and others
Under certain provisions on sales agreements for investment securities that apply to certain consolidated subsidiaries, restrictions are imposed on the use of part of cash on hand and in banks (YEN 860 million) and other (YEN 1,831 million) in investments and other assets.

2. 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 26,592 million connected with cash filling services, which is restricted in use by the Group. The short-term bank loan balance includes YEN 8,891 million financed for the cash filling services.
Furthermore, the balance of cash deposits for armored car services includes YEN 32,004 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 27,811 million financed for the cash collection administration services.

3. Assets Pledged as Collateral and Collateral-related Liabilities:
(1) Assets Pledged as Collateral

	(Millions of Yen)
Cash on hand and in banks (time deposit)	1,965
Short-term loans receivables	14
Other - current assets (receivable - other)	722
Buildings and improvements	26,682
Land	24,460
Other - intangible assets (leasehold)	818
Investment securities	1,525
Long-term loans receivable	753
Other - investments and others (long-term deposit)	350
Total	57,292

(2) Collateral-related Liabilities

	(Millions of Yen)
Bank loans	5,573
Current portion of straight bonds	4,576
Straight bonds	7,492
Long-term loans	14,272
Total	31,915

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

4. Accumulated Depreciation of Tangible Assets
YEN 396,686 million

5. Investment in Non-Consolidated Subsidiaries and Affiliates:
(Fixed assets)
Investment securities (stocks) YEN 46,996 million

6. Contingent Liabilities:
Guarantees of liabilities of entities and individuals YEN 2,081 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	20,424
Negative goodwill	473
Net amount	19,951

Notes to Consolidated Statement of Income

1. Write-down on Real Estate Inventories Included in Cost of Revenue
YEN 1,121 million

2. Impairment Loss
The Group recognized impairment losses on the following groups of assets for the current fiscal year (YEN 3,081 million):
The Company and its consolidated subsidiaries determine the grouping of assets in accordance with the categories used for managerial accounting purposes for operating assets and on the basis of individual assets for idle assets. Estimated future cash flows of certain operating assets fell significantly during the current fiscal year and the Group wrote down the book value of those assets and idle assets to their recoverable amount.

Use	Type	Region	Impairment loss (Millions of Yen)
Operating assets	Buildings, land, etc.	Kanto 3 Other 7	2,462
Idle assets	Buildings, land, etc.	Kanto 1 Other 1	618

The net realized value of the asset groups is measured at net selling price or value in use. Net selling price is determined based on the expected sales price or the appraisal value provided by real estate appraisers. Value in use is calculated based on discounted future cash flow by the rate of 5.0%.

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	15,018,951	3,154	93	15,022,012

(Outline of reasons for change)

The increase of 3,154 in the number of common stocks is due to the purchase of shares constituting less than one unit.

The decrease of 93 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 25, 2013	Common stock	22,918	105	March 31, 2013	June 26, 2013

(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, 2014	Common stock	Retained earnings	25,100	115	March 31, 2014	June 26, 2014

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, 2014 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	210,514	210,514	-
(2)Cash deposits for armored car services	58,597	58,597	-
(3)Call loans	20,500	20,500	-
(4)Notes and accounts receivable, trade	115,318	115,318	-
(5)Due from subscribers	25,174	25,174	-
(6)Short-term investments and investment securities			
(i) Held-to-maturity debt securities	12,728	12,806	78
(ii) Investment securities in affiliates	39,056	119,637	80,580
(iii) Available-for-sale securities	190,862	190,862	-
(7)Lease receivables and investment in leased assets	33,188	33,252	63
(8)Short-term loans receivable	2,699		
Allowance for doubtful accounts	-		
	2,699	2,699	-
(9)Long-term loans receivable	45,701		
Allowance for doubtful accounts (*1)	(15,389)		
	30,311	30,628	316
Total assets	738,951	819,991	81,039
(1)Notes and accounts payable, trade	49,409	49,409	-
(2)Bank loans	52,120	52,120	-
(3)Payables - other	31,316	31,316	-
(4)Accrued income taxes	27,744	27,744	-
(5)Straight bonds	12,436	12,445	8
(6)Long-term loans	17,256	17,296	39
(7)Guarantee deposits received	5,250	5,182	(68)
Total liabilities	195,536	195,515	(20)
Derivative transactions (*2)			
(i) Hedge accounting not applied	-	-	-
(ii) Hedge accounting applied	-	(156)	(156)
Total derivative transactions	-	(156)	(156)

*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 losses from loan, as the estimated losses from loan 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)	3,252
Unlisted stock of affiliates (*1)	7,939
Investments in limited partnerships for investment etc. (*1)	5,349
Deposit from business activities (*2)	31,292

*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	44,325	(403)	43,922	60,195
Medical facilities	49,532	(637)	48,894	45,173
Other	7,703	(356)	7,347	7,389
Total	101,561	(1,397)	100,164	112,759

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

(Note 2) 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, 2014 is as follows:

(Millions of Yen)

	Rental income	Rental expenses	Difference	Other (gains/losses on sale etc.)
Office buildings	3,645	1,544	2,101	12
Medical facilities	5,810	2,616	3,193	6
Other	466	172	294	(66)
Total	9,922	4,334	5,588	(46)

(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	8,680
Eliminations of unrealized gain	7,859
Investment deposits by policyholders, unearned premiums and other insurance liabilities and provision for outstanding claims	7,577
Adjustment of book value of fixed assets of subsidiaries at fair value at the date of consolidation (land and buildings)	7,110
Net defined benefit liability	6,539
Allowance for doubtful accounts	6,397
Impairment loss	5,943
Accrued bonuses	5,127
Write-down on fixed assets	4,392
Write-down on real estate inventories	2,781
Other	9,278
Gross deferred tax assets	71,686
Valuation allowance	(29,704)
Total deferred tax assets	41,982

Deferred tax liabilities:	
Adjustment of book value of fixed assets of subsidiaries at fair value at the date of consolidation (land and buildings)	(6,889)
Net defined benefit asset	(6,288)
Adjustment of book value of fixed assets of subsidiaries at fair value at the date of consolidation (intangible assets)	(5,160)
Unrealized gains on securities	(5,137)
Adjustment of book value of fixed assets of subsidiaries at fair value at the date of consolidation (other fixed assets)	(2,284)
Other	(615)
Total deferred tax liabilities	(26,376)
Net deferred tax assets	15,606

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.

3. Adjustment to the Amount of Deferred Tax Assets and Deferred Tax Liabilities due to a Change in the Corporate Income Tax Rate

The Act on Partial Revision of the Income Tax Act, etc. (Act No. 10 of 2014) was promulgated on March 31, 2014 and as a result, the special restoration surtax will be abolished from fiscal years starting on or after April 1, 2014. As a result, the statutory effective tax rate used to calculate deferred tax assets and deferred tax liabilities has been changed from 37.8% in the previous fiscal year to 35.4% in the current fiscal year for the temporary differences that are expected to reverse in the fiscal year starting on April 1, 2014.
The impact of this change on the consolidated financial statements is insignificant.

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 % 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. Defined Benefit Plans

(1) Reconciliation of beginning and ending balances of retirement benefit obligations (excluding those pertaining to plans to which the simplified method is applied)

(Millions of Yen)

Beginning balance of retirement benefit obligations	83,341
Service cost	4,422
Interest cost	1,248
Actuarial gains and losses incurred	43
Retirement benefits paid	(4,591)
Ending balance of retirement benefit obligations	84,463

[English Translation]

(2) Reconciliation of beginning and ending balances of plan assets (excluding those pertaining to plans to which the simplified method is applied)

(Millions of Yen)

Beginning balance of plan assets	78,756
Expected rate of return	2,303
Actuarial gains and losses incurred	3,496
Contributions from the employer	5,494
Retirement benefits paid	(3,348)
Ending balance of plan assets	86,702

(3) Reconciliation of beginning and ending balances of net defined benefit liability pertaining to plans to which the simplified method is applied

(Millions of Yen)

Beginning balance of net defined benefit liability	3,234
Retirement benefit expenses	610
Retirement benefits paid	(292)
Contributions to the plan	(181)
Other	(175)
Ending balance of net defined benefit liability	3,196

(4) Reconciliation of ending balances of retirement benefit obligations and plan assets with net defined benefit liability and net defined benefit asset recognized in the consolidated balance sheet

(Millions of Yen)

Retirement benefit obligations of funded plans	73,760
Plan assets	(88,556)
	(14,796)
Retirement benefit obligations of non-funded plans	15,753
Net amount of assets and liabilities recognized in the consolidated balance sheet	956

(Millions of Yen)

Net defined benefit liability	18,569
Net defined benefit asset	(17,612)
Net amount of assets and liabilities recognized in the consolidated balance sheet	956

(Note) Including plans to which the simplified method is applied.

(5) Retirement benefit expenses and their breakdown

(Millions of Yen)

Service cost	4,422
Interest cost	1,248
Expected rate of return	(2,303)
Amortization of actuarial gains and losses	2,041
Retirement benefit expenses calculated using the simplified method	610
Retirement benefit expenses pertaining to defined benefit plans	6,019

(6) Remeasurements of defined benefit plans

The breakdown of the amount recognized in remeasurements of defined benefit plans (before the tax effect) is as follows:

(Millions of Yen)

Unrecognized actuarial gains and losses	4,759
Total	4,759

(7) Matters concerning actuarial assumptions
Major actuarial assumptions applied at the end of the current fiscal year

Discount rate	Mainly 1.4%
Long-term expected rate of return	Mainly 3.0%

3. Defined contribution plans
The amount of contribution required for the Company and its consolidated subsidiaries is YEN 1,679 million in total.

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 Per-Share Information

Net assets per share:	YEN 3,345.06
Net income per share:	YEN 320.14

As noted in “Changes in Significant Matters underlying the Preparation of Consolidated Financial Statements,” the Group applies the transition provisions of paragraph 37 of the Retirement Benefits Standard in applying the Retirement Benefits Standard and Guidance.
As a result, net assets per share for the current fiscal year decreased by YEN 16.07.

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 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 (10 years).

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) Accounting for retirement benefits
The accounting for unrecognized actuarial gains and losses and unrecognized past service costs pertaining to retirement benefits is different from the accounting for those items in the consolidated financial statements.

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

(3) 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 24,813 million connected with cash filling services, which is restricted in use by the Company. The short-term bank loan balance includes YEN 8,891 million financed for the cash filling services.
The balance of cash deposits for armored car services includes YEN 32,004 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 27,811 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	14
Investment securities	1,087
Investment securities in subsidiaries and affiliates	45
Long-term loans receivable	753
Total	1,901

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 258,003 million

4. Contingent Liabilities

(1) Guarantees

Liabilities of the below entities and employees are guaranteed.

	(Millions of Yen)
Secom Home Life Co., Ltd.	2,366
Alive Medicare Co., Ltd.	1,348
Secom Fort West Co., Ltd.	608
Takshasila Hospitals Operating Pvt. Ltd.	472
Prime Stage Co., Ltd.	193
Others	81
Employees	214
Purchaser of merchandises by leasing transactions etc.	486
Total	5,771

(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 150,485 million, including YEN 145,070 million of investment deposits by policyholders, unearned premiums and other insurance liabilities, and the total assets are YEN 178,506 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	25,178
Long-term receivables	145,555
Short-term payables	6,021
Long-term payables	1,244

Notes to Non-Consolidated Statement of Income

1. Transactions with Subsidiaries and Affiliates

Operating transactions	(Millions of Yen)
Revenue	17,055
Amount of purchased costs and sub-contract costs	33,488
Non-operating transactions	9,333

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	15,018,951	3,154	93	15,022,012

(Outline of reasons for change)

The increase of 3,154 in the number of common stocks is due to the purchase of shares constituting less than one unit.

The decrease of 93 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	6,299
Loss on impairment of investment securities in subsidiaries and affiliates	5,711
Impairment loss	4,506
Accrued bonuses	2,211
Write-down on fixed assets	1,654
Accrued pension and severance costs	1,258
Other	4,514
Gross deferred tax assets	26,154
Valuation allowance	(14,719)
Total deferred tax assets	11,435

Deferred tax liabilities:	
Prepaid pension and severance costs	(6,004)
Other	(1,355)
Total deferred tax liabilities	(7,360)
Net deferred tax assets	4,075

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	(3.2)
Decrease in valuation allowance	(1.7)
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
Downward adjustment to ending deferred tax assets due to change in the tax rate	0.4
Other	0.1
Effective tax rate after the application of deferred tax accounting	33.8 (%)

3. Adjustment to the Amount of Deferred Tax Assets and Deferred Tax Liabilities due to a Change in the Corporate Income Tax Rate

The Act on Partial Revision of the Income Tax Act, etc. (Act No. 10 of 2014) was promulgated on March 31, 2014 and as a result, the special restoration surtax will be abolished from fiscal years starting on or after April 1, 2014. As a result, the statutory effective tax rate used to calculate deferred tax assets and deferred tax liabilities has been changed from 37.8% in the previous fiscal year to 35.4% in the current fiscal year for the temporary differences that are expected to reverse in the fiscal year starting on April 1, 2014.
The impact of this change on the financial statements is insignificant.

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	Voting Rights Held by the Company (%)	Relationship with the Related Party
Subsidiary	Secom Home Life Co., Ltd.	99.9	Loan of funds Concurrent appointment of officers
Subsidiary	Secom Credit Co., Ltd.	100.0	Loan of funds Concurrent appointment of officers
Subsidiary	Secom Medical System Co., Ltd.	100.0	Loan of funds Concurrent appointment of officers
Subsidiary	Pasco Corporation	72.8	Loan of funds
Subsidiary	Arai & Co., Ltd.	92.5	Loan of funds Concurrent appointment of officers
Subsidiary	At Tokyo Corporation	50.8	Loan of funds Concurrent appointment of officers
Subsidiary	The Windsor Hotels International Co., Ltd.	100.0	Loan of funds Concurrent appointment of officers

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) Loans (Note 3)	18,420 (29,092) 106 (3,800)	Long-term loans receivable (Note 4)	14,937
Secom Credit Co., Ltd.	Execution of loans Receipt of interests (Note 2)	1,700 325	Short-term loans receivable	500
			Long-term loans receivable	22,200
Secom Medical System Co., Ltd.	Execution of loans (Collection of loans) Receipt of interests (Note 2)	7,676 (7,429) 569	Short-term loans receivable	3,765
			Long-term loans receivable	37,117
Pasco Corporation	Execution of loans (Collection of loans) Receipt of interests (Note 2)	11,000 (10,500) 84	Short-term loans receivable	15,000
Arai & Co., Ltd.	Execution of loans (Collection of loans) Receipt of interests (Note 2)	1,000 (700) 297	Short-term loans receivable	366
			Long-term loans receivable	19,233
At Tokyo Corporation	Receipt of interests (Note 2)	230	Long-term loans receivable	36,200
The Windsor Hotels International Co., Ltd.	Execution of loans (Collection of loans) Receipt of interests (Note 2)	700 (19) 76	Short-term loans receivable (Note 5)	19
			Long-term loans receivable (Note 5)	7,953

(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 Company carried out a debt-equity swap for the long-term loans receivable from Secom Home Life Co., Ltd. in the amount of YEN 3,800 million and the related allowance for doubtful accounts was reversed for the same amount.
4. The amount of YEN 6,705 million has been recorded as allowance for doubtful accounts for the long-term loans receivable from Secom Home Life Co., Ltd.
5. The amount of YEN 7,956 million has been recorded as allowance for doubtful accounts for the loans receivable from The Windsor Hotels International Co., Ltd. In the current fiscal year, the Company recognized a provision of allowance for doubtful accounts of YEN 1,198 million.

Notes to Per-Share Information

Net assets per share:	YEN 2,873.74
Net income per share:	YEN 235.94

[English Translation]