



Notice of Convocation

The 46th Ordinary General Meeting of Shareholders

The following is an English translation of the Notice of Convocation of the 46th Ordinary General Meeting of Shareholders of SECOM CO., LTD. to be held on June 27, 2007, except for the translation of the INSTRUCTION ON ONLINE VOTING and the ACCESS MAP FOR THE PLACE OF THE MEETING in the Notice. The Company provides this translation for your reference and convenience only and without any warranty as to its accuracy or otherwise.

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(Note) This Table of Contents is for this abridged English translation only, and not the same as that in the original Japanese documents.

June 8, 2007

Notice of Convocation of The 46th Ordinary General Meeting of Shareholders

Dear Shareholders:

You are cordially invited to attend the 46th Ordinary General Meeting of Shareholders of SECOM CO., LTD. (the “Company”).

If you are unable to attend the aforesaid meeting, you are respectfully requested to review the “Reference Document Concerning the General Meeting of Shareholders” below and exercise your voting right on or before 6:00 p.m., Tuesday, June 26, 2007 (Tokyo time), by either of the methods stated below: ¹

[By mail]

Please indicate on the Voting Right Exercise Form enclosed herewith your consent or dissent to the proposals on the agenda, and return the form to the Company by mail, after affixing your seal impression thereto.

[Via the Internet]

Please access the designated website for exercising voting rights (<http://www.evote.jp/>) from your personal computers by using the “log in ID” and “temporary password” stated on the enclosed Voting Right Exercise Form. Then, please indicate your consent or dissent to the proposals on the agenda by following the instructions on the display screen.

Yours very truly,

SECOM CO., LTD.
5-1, Jingumae 1-chome, Shibuya-ku,
Tokyo, Japan

By: KANEMASA HARAGUCHI
President and Representative Director

¹ (Note): Please note that shareholders with addresses outside Japan may not themselves use these voting procedures. For these shareholders please consult their standing proxies within Japan as to the exercise of voting rights.

[English Translation]

PARTICULARS

1. **Date and Time of the Meeting:**

Wednesday, June 27, 2007 at 10:00 a.m.

2. **Place of the Meeting:**

HARAJUKU QUEST HALL, on the 3rd floor of HARAJUKU QUEST Building
13-14, Jingumae 1-chome, Shibuya-ku, Tokyo, Japan

3. **Matters to be dealt with at the Meeting:**

Matters to be Reported:

1. Report on the Business Report, the Consolidated Financial Statements for the 46th Fiscal Year (from April 1, 2006 to March 31, 2007) and the Results on the Audits of Consolidated Financial Statements by the Accounting Auditors and the Board of Corporate Auditors.
2. Report on the Non-Consolidated Financial Statements for the 46th Fiscal Year (from April 1, 2006 to March 31, 2007).

Matters to be Resolved upon :

First Item of Business:	Proposed Disposal of Surplus
Second Item of Business:	Election of Twelve (12) Directors
Third Item of Business:	Election of Four (4) Corporate Auditors
Fourth Item of Business:	Presentation of Retirement Allowance to Retiring Directors

4. **Matters related to Exercise of Voting Rights:**

(i) Non-uniform Exercise of Voting Rights

When the shares are owned by multiple owners but are registered in the name of a sole shareholder, each owner may want to exercise his/her voting rights independently from other owners. The law permits non-uniform exercise of voting rights by a registered shareholder in such a situation. In order to exercise non-uniform voting, the registered shareholder shall notify the Company to make non-uniform voting and the reason thereof 3 days before the general meeting of shareholders.

(ii) Validity of the voting in the event of exercise of voting rights by a shareholder both via return mail (Voting Right Exercise Form) and via the Internet

In the event that a shareholder exercises voting rights both via return mail (Voting Right Exercise Form) and via the Internet, the Company will consider the exercise of voting rights via the Internet to be valid.

(iii) Validity of the voting in the event of exercise of voting rights by a shareholder via the Internet more than once.

In the event that a shareholder exercises voting rights via the Internet more than once, the Company will consider the last exercise of voting rights to be valid.

(Notes)

If you plan to attend the meeting, please submit the enclosed Voting Right Exercise Form to the receptionist at the meeting.

(Notice)

If there occurs any changes in the contents of the Reference Document Concerning the General Meeting of Shareholders, the Business Report, the Consolidated Financial Statements for the 46th Fiscal Year (from April 1, 2006 to March 31, 2007), the Results on the Audits of Consolidated Financial Statements by the Accounting Auditors and the Board of Corporate Auditors, and the Non-Consolidated Financial Statements for the 46th Fiscal Year (from April 1, 2006 to March 31, 2007), the Company will announce such change on the Company's website (<http://www.secom.co.jp/>).

Attached Documents

Business Report (Fiscal Year Ended March 31, 2007)

I. Outline of the Group's Business

1. The Current Business Development and Results of Operations

During the fiscal year ended March 31, 2007, the Japanese economy continued to expand at a moderate pace as evidenced by rising employment and an increase in capital investment stemming from improved corporate earnings. However, consumer spending lacked robustness.

Meanwhile, the recent years' declining public safety levels and frequent disasters have driven society's safety and security needs more and more diverse and sophisticated.

In this situation, with a view to fully developing the "Social System Industry" vision, we, the SECOM Group (the "Group") strove to respond to society's needs for safety and security by enhancing Security Services with the introduction of new services and products, the opening new offices and the relocation of older facilities, and expanding the scope of our other segments—Medical Services, Insurance Services, Geographic Information Services, Information and Communication Related and Other Services and Fire Protection Services. The last service segment was added to the Group's business at the end of the third quarter.

Our Security Services mainly cover centralized systems (on-line security systems) for business customers and private residences, static guard services, armored car services and sales of security products. For business customers, we aimed at increasing subscribers to provide various on-line security systems, designed to suit the building size or the application, as well as sales of security products, including access-control systems and surveillance cameras. For residential customers, we reinforced our SECOM Home Security systems to give users a choice of four types of optimal systems, which are tailored to the size and structure of residences. This improved service has enabled us to respond to the requests and needs of a broader customer base than ever. As it will gradually become mandatory to install fire alarms in residences in accordance with the revised Fire Service Law, we launched a new *Home Fire Sensor*.

Furthermore, in October 2006, SECOM Co., Ltd.(the Company) acquired 25.47% of the issued shares of Toyo Tec Co., Ltd. (listed on the Second Section of the Osaka Securities Exchange), a company engaged in security services mainly in the Kansai area. This will strengthen our long-standing cooperative relationship with Toyo Tec.

Our Medical Services encompasses home medical services; remote image diagnosis support services; electronic medical report (EMR) systems; sales of medical equipment and devices; the operation of nursing homes; personal care services; and real estate leasing for medical institutions. During the period under review, we focused on enhancing our home medical services, centered on home nursing services and pharmaceutical delivery services. We also opened *Comfort Garden Azamino* in Yokohama, the first nursing home in the *SECOM Fort* series, which was developed by combining the healthcare and security related know-how of the Group.

In Insurance Services, we concentrated on sales of unique insurance products that reflect the Group's expertise, including the comprehensive automobile insurance policy *New SECOM Anshin My Car*, which includes an on-site emergency services in the event of an accident by the Group's emergency response personnel; the *Security Discount Fire Policy* for businesses; the comprehensive home fire insurance policy *SECOM Anshin My Home*; and the MEDCOM,

[English Translation]

an unrestricted medical treatment policy aimed at helping patients overcome cancer by giving access to the best treatments.

In Geographic Information Services, we engage in GIS (Geographic Information System)-based operation support services for public and the private sector as well as surveying and measuring, and construction consulting services. We focused on selling the *PasCAL* series, an integrated GIS product for regional public organizations, and the *MarketPlanner* series, a range of marketing tools for private enterprises. We also strove to expand our GIS to developing markets overseas, particularly in Asia.

Information and Communication Related and Other Services cover information and communication related services, and real estate development and sales, as well as real estate leasing. In the field of information and communication related services, we reinforced cyber security and network system operation services. The *SECOM Safety Confirmation Service* is a crisis management service that helps business customers resume operations rapidly in the aftermath of a major disaster by gathering information and confirming the safety of employees and their families. We extended the *SECOM Safety Confirmation Service* by adding a service for workers traveling overseas. In the field of real estate development and sales, efforts were made to develop and sell the high-security condominium series *Glorio*.

In December 2006, Nohmi Bosai Ltd. (listed on the First Section of the Tokyo Stock Exchange), which used to be an affiliated company accounted for under the equity method of the Group, became a consolidated subsidiary as we acquired its newly offered shares so that it is now a majority-owned subsidiary of the Company. Thus, beginning with the year ended March 31, 2007, we decided to add a new segment, Fire Protection Services segment, which included most notably automatic fire alarm equipment and fire extinguishing equipment for a variety of environments, including office buildings, plants, tunnels, cultural properties, ships and residences. In the future, we will aim to develop new markets with original new products by integrating the Group's security and fire-protection technologies.

The Group also offers security and other services in overseas markets. During the fiscal year, we put emphasis on expanding our security service business in China, establishing new companies and opening new offices.

As a result, consolidated revenue increased by 8.2% to Yen 613.9 billion during the fiscal year, reflecting the consolidation of Nohmi Bosai Ltd. Operating profit increased by 4.0% year-on-year to Yen 97.8 billion, consolidated ordinary profit was up 6.3% year-on-year to Yen 102.7 billion and net income rose 10.0% year-on-year to Yen 58.2 billion.

2. Capital Investments

Capital investments for the fiscal year totaled Yen 59.9 billion (a breakdown is given below). A major portion, Yen 38.9 billion, was in system investment (including those for alarm systems and equipment) in the Security Services segment.

Business segment	(Millions of yen)
	Current fiscal year
Security Services	38,934
Medical Services	5,813
Insurance Services	711
Geographic Information Services	2,386
Fire Protection Services	276
Information and Communication Related and Other Services	14,837
Subtotal	<u>62,959</u>
Eliminations and Corporate items	<u>(3,008)</u>
Total	<u>59,951</u>

3. Fund Raising

During the fiscal year, no funds were raised by the Group in capital markets through the issuance of corporate bonds or new shares.

4. Issues the Group has to cope with

As society and people's values change, society's needs relating to safety and security are becoming increasingly varied and sophisticated in the fields of security, medical treatment, insurance, geographic information and cyber security.

Therefore, by providing various services that bring people security and peace of mind, particularly security services, the Group is aiming to realize a "Social System Industry" that can help realize more secure, convenient, and comfortable society. To this end, we are striving to provide customer-oriented services and high-quality systems that can earn the trust of our customers.

Moreover, we are working to provide comprehensive services, maximizing the Group capabilities. We are also continually improving operations throughout the Group to enhance management efficiency.

We would like to ask all our shareholders for continued support as we continue to strengthen our Group operation.

5. Trends in Earnings and Assets

(1) Trends in Earnings and Assets of the Group

The following table gives the business performance and assets of the Group for the current and the three preceding fiscal years.

(Millions of yen except for net income per share)

Category \ Fiscal years	43rd fiscal year (4/1/2003 - 3/31/2004)	44th fiscal year (4/1/2004 - 3/31/2005)	45th fiscal year (4/1/2005 - 3/31/2006)	46th fiscal year (current fiscal year) (4/1/2006 - 3/31/2007)
Revenue	527,409	547,230	567,315	613,976
Operating profit	81,286	83,043	94,109	97,840
Ordinary profit	76,243	83,478	96,669	102,720
Net income	41,111	48,517	52,994	58,299
Net income per share (yen)	181.40	214.41	234.28	259.14
Total assets	1,092,067	1,097,548	1,149,377	1,169,182
Net assets	403,257	441,927	496,164	601,116

A breakdown by business segment reveals that Security Services, centered on centralized systems, performed favorably, with revenue rising 3.7% year-on-year to a total of Yen 408.0 billion and operating profit increasing by 1.3% to Yen 103.3 billion.

Revenues of Medical Services increased by 6.2% year-on-year to Yen 30.8 billion, following an increase in revenues earned from nursing home operations. Operating profit in the segment rose 15.9% to Yen 1.3 billion over the previous year.

Revenue of Insurance Services fell by Yen 2.5 billion or 8.9% year-on-year and amounted to Yen 26.6 billion. Income from net premiums written at Secom General Insurance Co., Ltd. rose by Yen 2.1 billion or 7.4% over the previous year. However, Secom Insurance Service Co., Ltd., an insurance agency, changed the method of revenue recognition in the current fiscal year. Previously, insurance premiums received were recorded as revenue and payments to insurance companies as costs. The new method, however, records the amount equivalent to the net commission calculated by offsetting the two items, as revenue. (If the same revenue recognition had been applied in previous fiscal year, the impact would have been a drop in revenue of Yen 4.2 billion). Also, the segment operating loss amounted Yen 3.5 billion compared with an operating loss of Yen 3.1 billion in the previous fiscal year, mainly due to increase in net claims paid affected by Typhoon No. 13 and increases in net commissions and brokerage fees paid along with increases in insurance premiums. On account of the nature of the insurance business, ordinary profit is an important indicator, and Secom General Insurance, which is the core company in the Insurance Services, recorded an ordinary profit of Yen 0.3 billion, down 62.4% over the previous term.

Revenue of Geographic Information Services rose 3.3% year-on-year to Yen 36.4 billion, due to steady orders in services related to urban planning and other services resulting from sales efforts taking advantage of our technological strengths. However, operating profit fell 72.6% year-on-year to Yen 0.4 billion due to worsening cost to sales ratio caused by price competition between service providers.

At the beginning of the fourth quarter of 46th fiscal year (on January 1, 2007) after Nohmi Bosai Ltd., its 21 subsidiaries and Shanghai Nohmi Secom Fire Protection Equipment Co., Ltd. became consolidated subsidiaries of the Group, we added Fire Protection Services as a separate segment. The segment revenue amounted to Yen 27.4 billion, and operating profit was Yen 2.0 billion.

In Information and Communication Related and Other Services, revenue increased to Yen 84.4 billion, up 5.3% over the previous term. Operating profit increased by 18.8%

[English Translation]

year-on-year to Yen 7.2 billion as a result of various factors, including a substantial increase in profit from the real estate development and sales business.

Sales by Business Segment (46th Fiscal Year)

(Millions of yen)

Business segment	Revenue			Profit (loss) from operations
	Customers	Inter-segment	Total	
Security Services	408,078	10,295	418,374	103,336
Medical Services	30,850	232	31,082	1,325
Insurance Services	26,669	2,702	29,371	(3,515)
Geographic Information Services	36,437	138	36,576	462
Fire Protection Services	27,447	944	28,392	2,066
Information and Communication-Related and Other Services	84,492	9,096	93,588	7,267
Total	613,976	23,408	637,385	110,942
Eliminations and Corporate items	-	(23,408)	(23,408)	(13,102)
Consolidated revenue	613,976	-	613,976	97,840

(2) Trends in Earnings and Assets of the Company

(i) The business performance and assets of the Company for the current and the three preceding fiscal years are as shown in the table below.

(Millions of yen except for Net Income per share)

Fiscal years Category	43rd fiscal year (4/1/2003 - 3/31/2004)	44th fiscal year (4/1/2004 - 3/31/2005)	45th fiscal year (4/1/2005 - 3/31/2006)	46th fiscal year (current fiscal year) (4/1/2006 - 3/31/2007)
Revenue	288,493	297,782	313,096	326,076
Operating profit	64,231	66,031	72,172	73,404
Ordinary profit	62,156	66,219	70,964	76,583
Net income	34,282	37,704	43,879	47,245
Net income per share (yen)	151.66	167.09	194.58	210.00
Total assets	580,547	598,711	643,990	654,791
Net assets	397,862	426,288	461,646	494,154

(ii) Revenue and Profit

In 46th fiscal year, revenue rose 4.1% year-on-year to Yen 326.0 billion, operating profit grew 1.7% to Yen 73.4 billion, ordinary profit increased 7.9% to Yen 76.5 billion, and net income increased 7.7% to Yen 47.2 billion. Net income per share rose from Yen 194.58 for the previous fiscal year to Yen 210.00.

A breakdown reveals that contract revenue accounted for 86.6% of total revenue, or Yen 282.2 billion, and product and equipment sales accounted for 13.4% of total revenue, or Yen 43.8 billion.

Revenue from centralized system contracts, which is the core of revenue and profit in the contract revenue, grew steadily, totaling Yen 231.1 billion and accounting for 70.9% of total contract revenue. Static guard services generated revenue of Yen 22.5 billion, and revenue from armored car services came to Yen 17.1 billion. The remaining contract revenue

[English Translation]

amounted to Yen 11.3 billion, of which the majority came from fees paid by subsidiaries and other companies for advisory services.

Product sales totaled Yen 29.5 billion, 9.0% of total revenue, and equipment sales to subsidiaries and other companies totaled Yen 14.2 billion, 4.4% of total revenue.

We made thorough efforts to reduce operating expenses, and these efforts helped bring about an operating profit of Yen 73.4 billion.

Non-operating income was Yen 7.9 billion, which included interest and dividends received, while non-operating expenses, made up of expenses such as interest paid and losses on the sales and disposal of fixed assets, totaled Yen 4.7 billion. Therefore, ordinary profit was Yen 76.5 billion.

In addition, the Company recorded an extraordinary profit of Yen 1.2 billion, including a gain of Yen 1.1 billion from the sale of subsidiaries' and affiliates' securities. Extraordinary losses were Yen 1.1 billion, including a loss of Yen 0.6 billion from the sale of subsidiaries' and affiliates' securities. As a result, net income came to Yen 47.2 billion.

(iii) Earnings by Business Category

Fiscal years Category		44th fiscal year (4/1/2004 -3/31/2005)			45th fiscal year (4/1/2005 -3/31/2006)			46th fiscal year (current fiscal year) (4/1/2006 -3/31/2007)		
		Amount (millions of yen)	%	Change (%)	Amount (millions of yen)	%	Change (%)	Amount (millions of yen)	%	Change (%)
Contract revenue	Centralized systems	216,655	72.8	1.8	223,527	71.4	3.2	231,176	70.9	3.4
	Static guard services	18,963	6.4	3.7	21,882	7.0	15.4	22,561	6.9	3.1
	Armored car services	15,609	5.2	(0.9)	16,423	5.3	5.2	17,182	5.3	4.6
	Other	10,690	3.6	6.6	11,043	3.5	3.3	11,326	3.5	2.6
	Subtotal	261,918	88.0	2.0	272,876	87.2	4.2	282,247	86.6	3.4
Sales	Product	24,875	8.3	13.6	29,036	9.3	16.7	29,533	9.0	1.7
	Equipment	10,988	3.7	13.2	11,183	3.5	1.8	14,295	4.4	27.8
	Subtotal	35,863	12.0	13.5	40,220	12.8	12.1	43,829	13.4	9.0
Total		297,782	100.0	3.2	313,096	100.0	5.1	326,076	100.0	4.1

[English Translation]

6. Matters Concerning Principal Subsidiaries and Other Business Combinations

(1) Matters Concerning Principal Subsidiaries

Company name	Issued capital	Percentage of shareholding (percentage of voting rights)	Principal business activity
Secom Joshinetsu Co., Ltd.	(Millions of yen) 3,530	(%) 50.87 (50.88)	Security, safety
Secom Techno Service Co., Ltd.	(Millions of yen) 2,357	(%) 67.79 (67.85)	Installation and maintenance of security systems
Secom Industries Co., Ltd.	(Millions of yen) 499	(%) 100.00 (100.00)	Manufacture of security system equipment
Secom Medical System Co., Ltd.	(Millions of yen) 200	(%) 100.00 (100.00)	Remote image diagnosis support services and home medical services
Secom General Insurance Co., Ltd.	(Millions of yen) 5,611	(%) 83.33 (83.45)	Non-life insurance
Pasco Corporation	(Millions of yen) 8,758	(%) 69.84 (73.20)	Surveying, measuring and geographic information system services
Nohmi Bosai Ltd.	(Millions of yen) 13,302	(%) 50.36 (50.92)	Comprehensive fire protection services
Secom Trust Systems Co., Ltd.	(Millions of yen) 1,468	(%) 100.00 (100.00)	Cyber security services and software development
The Westec Security Group, Inc.	(US\$) 301	(%) 100.00 (100.00)	Holding company in the U.S.
Secom Plc	(Thousand of UK pond) 39,126	(%) 100.00 (100.00)	Security business in the U.K.

(Notes)

1. The percentages of shareholding (percentages of voting rights) is truncated to two decimal places.
2. The percentage of shareholding (percentages of voting rights) for Secom Joshinetsu Co., Ltd., Secom Techno Service Co., Ltd. and Nohmi Bosai Ltd. include those owned by the Company's subsidiaries.

(2) Acquisition or Disposal of Shares, Other Investment, or Stock Acquisition Rights or the Like in Other Companies

[English Translation]

The Company acquired shares (18,500,000 common shares through an allocation of new shares to a third party) in Nohmi Bosai Ltd. on December 8, 2006, and thereby made Nohmi Bosai a subsidiary of the Group.

7. Principal Business of the Group

The principal business activities of the Group are as follows: Security Services centering on contracted security services; Medical Services, including home medical services and remote image diagnosis support services; Insurance Services consisting mainly of non-life insurance; Geographic Information Services that mainly entail the provision of geographic information systems; Fire Protection Services involving the provision of fire protection systems in various types of facilities; and Information and Communication Related and Other Services including cyber security services and network services, software development, the development and sales of real estate, real estate leasing and other miscellaneous business activities.

8. Principal Offices of the Group

(i) Headquarters of the Company:

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

(ii) Regional Headquarters:

Hokkaido (Sapporo City), Tohoku (Sendai City), West Kanto (Saitama City), East Kanto (Chiba City), Tokyo (Bunkyo-ku, Tokyo), Metropolitan Static Guard Service (Shinjuku-ku, Tokyo), Metropolitan Armored Car Service (Shibuya-ku, Tokyo), Kanagawa (Yokohama City), Shizuoka (Shizuoka City), Chubu (Nagoya City), Osaka (Osaka City), Kansai Static Guard Service (Osaka City), Kinki (Kyoto City), Hyogo (Kobe City), Chugoku (Hiroshima City), Shikoku (Takamatsu City), Kyushu (Fukuoka City).

(iii) Domestic Subsidiaries

Secom Joshinetsu Co., Ltd. (Niigata City, Niigata), Secom Techno Service Co., Ltd. (Nakano-ku, Tokyo), Secom Industries Co., Ltd. (Shiroishi City, Miyagi), Pasco Corporation (Meguro-ku, Tokyo), Secom Medical System Co., Ltd. (Shibuya-ku, Tokyo), Secom General Insurance Co., Ltd. (Chiyoda-ku, Tokyo), Secom Trust Systems Co., Ltd. (Shibuya-ku, Tokyo), Secom Home Life Co., Ltd. (Shibuya-ku, Tokyo), Arai & Co., Ltd. (Shibuya-ku, Tokyo), Nohmi Bosai Ltd. (Chiyoda-ku, Tokyo).

(iv) Overseas Subsidiaries

The Westec Security Group, Inc. (Dover, Delaware, USA), Secom Plc. (Kenley, Surrey, UK), Secom (China) Co., Ltd. (Beijing, China).

9. Matters Concerning Employees of the Group and the Company

(1) Matters Concerning Employees of the Group

Number of employees	Increase from the end of the previous fiscal year
30,944	2,720

(2) Matters Concerning Employees of the Company

Number of employees	Increase from the end of the previous fiscal year	Average age	Average years of service
12,998	198	37.6	11.8

Note: The number of employees refers to the number of full-time employees. Part-time or temporary employees are not included.

10. Primary Lenders

Lenders	Closing balance at the end of the fiscal year
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	(millions of yen) 48,914
Mitsubishi UFJ Trust and Banking Corp.	(millions of yen) 30,400
Sumitomo Mitsui Banking Corp.	(millions of yen) 25,905
Mizuho Bank, Ltd.	(millions of yen) 25,657

11. Other Important Matters Concerning the Group

In July 2004, Fujitsu Limited filed a lawsuit against Secom General Insurance Co., Ltd. in the Tokyo District Court, claiming compensation for costs related to a systems development order in the amount of Yen 2,500 million. Secom General Insurance Co., Ltd. is not only contesting this lawsuit on the grounds that it is without merit, but has also filed a countersuit claiming damages in the amount of Yen 1,000 million. Both lawsuits are currently pending.

Pasco Corporation filed a lawsuit against Sumitomo Mitsui Banking Corporation for a confirmatory judgment to the effect that it does not owe an obligation in the amount of Yen 2,010 million to Sumitomo Mitsui Banking Corporation with the Tokyo District Court on October 31, 2005. Sumitomo Mitsui Banking Corporation alleged that it made a loan to a third party and acquired from the third party its claim against Pasco Corporation for an alleged sale of equipment to Pasco Corporation as a collateral for the loan, and demanded Pasco Corporation to pay such claim to Sumitomo Mitsui Banking Corporation. However, upon carefully investigating the case with counsel, we believe that the alleged transactions are null and void, and our pleading should be admitted. Furthermore, on December 5, 2005, Sumitomo Mitsui Banking Corporation brought a cross action against Pasco Corporation in relation to a demand for payment of a transferred receivable. Subsequently, both actions were consolidated according to a court procedure. The existence of the debt in the above-mentioned sum is still being disputed in the court.

[English Translation]

II. Matters Concerning the Company's Shares and Shareholders

- 1. Total number of shares to be issued:** 900,000,000
- 2. Total number of issued shares:** 233,288,717
(including 8,318,910 shares of treasury stock held by the Company)
- 3. Number of shareholders at the end of the fiscal year:** 30,683
- 4. Number of shares in a trading unit:** 100 shares

5. Major shareholders

No shareholder holds 10% or more of the total issued shares (excluding treasury stock). The principal shareholders and information about their respective shareholdings in the Company are shown in the table below.

Shareholders	Investment in the Company	
	Number of shares held	Percentage of shareholding
	(Thousands of shares)	(%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	13,495	5.99
Japan Trustee Services Bank, Ltd. (Trust Account)	12,641	5.61
The State Street Bank and Trust Company	8,934	3.97
Mitsubishi UFJ Trust and Banking Corporation Trust Account 106	6,153	2.73
BNP PARIBAS Securities (Japan) Limited	5,580	2.48
Makoto Iida	4,320	1.92
SECOM Science and Technology Foundation	4,025	1.78
Japan Trustee Services Bank, Ltd. (Trust Account 4)	3,905	1.73
The State Street Bank and Trust Company 505103	3,598	1.59
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3,196	1.42

(Notes)

1. The percentage of shareholding is calculated on the basis of the total number of shares outstanding after excluding treasury stock (8,318,910 shares). The percentage of shareholding is truncated to two decimal places.
2. In the case of the above trust banks, banking business-related shares and trust service-related shares are registered under different names. Therefore, the number of shares held by each trust bank shown above represents the shares regarding trust services.

[English Translation]

III. Directors and Corporate Auditors

1. Names and Titles of Directors and Corporate Auditors

Position	Name	Field of responsibility and representative of other companies
Director	Makoto Iida	Supreme Advisor
Director	Juichi Toda	Supreme Advisor
Director	Toshitaka Sugimachi	Advisor
Chairman and Director	Shohei Kimura	Executive officer, Chairman of the Tokyo Security Service Association
President and Representative Director	Kanemasa Haraguchi	Executive officer
Senior Executive Director	Nobuyuki Sasaki	Executive officer
Executive Director	Katsuhisa Kuwahara	Executive officer
Executive Director	Shuji Maeda	Executive officer
Executive Director	Katsuo Akiyama	Executive officer
Executive Director	Shinobu Iida	Executive officer
Director	Fumio Obata	Executive officer, President and Representative Director of Secom Medical System Co., Ltd.
Corporate Auditor	Teruo Ogino	Full-time auditor
Corporate Auditor	Ken Tsunematsu	Chairman of SECOM Science and Technology Foundation
Corporate Auditor	Hiroshi Yasuda	President and Director of Yasuda Shoko Kyoikukai Advisor and Director of JPMorgan Asset Management (Japan) Ltd.
Corporate Auditor	Kohei Yamashita	President and Representative Director of Kokyo Tatemono Co., Ltd. Chairman and Representative Director of International Ceramic, Inc. Chairman and Representative Director of Tozai Building Maintenance Co., Ltd

(Notes)

1. Messrs. Ken Tsunematsu, Hiroshi Yasuda and Kohei Yamashita are outside corporate auditors as stipulated in Article 2 Item 16 of the Companies Act.
2. The corporate auditor, Mr. Teruo Ogino has been in charge of the Company's financial affairs for 11 years and is considerably knowledgeable concerning finance and accounting matters.
3. The corporate auditor, Mr. Ken Tsunematsu, has for many years been involved in securities issuance businesses as a lawyer both domestically and overseas. He has experienced in the analysis and evaluation of the financial statements of these issuers, and has considerable knowledge of finance and accounting matters.

[English Translation]

2. Remuneration of Directors and Corporate Auditors

	Number of officers	Combined total of remuneration (millions of yen)
Directors	11	561
Corporate Auditors	4	45
Total	15	606

(Notes)

1. Of the above, the remuneration for the 3 outside corporate auditors' total combined remuneration is Yen 24 million.
2. Included in the above total remuneration amount are the directors' bonuses of Yen 98 million awarded for the current fiscal year.
3. Total amount of Remuneration of Directors and Corporate Auditors shown above includes Yen 66 million (for Yen 64 million to Directors and Yen 1 million to Corporate Auditors (including Yen 0.3 million to outside Corporate Auditors), respectively) as accrued retirement benefits for Directors and Corporate Auditors.

3. Outside Corporate Auditors

1. Mr. Ken Tsunematsu, Corporate Auditor
 - (i) Concurrently holds position as an executive director of another company
Not applicable
 - (ii) Concurrently holds the position of an outside director or an outside corporate auditor of another company
Not applicable
 - (iii) Has affiliations with executive officers of the Company or its major customers or other specially related business partners
Not applicable
 - (iv) Primary activities carried out during the current fiscal year
Attended all 14 Board of Directors meetings held in the fiscal year, primarily offering advice and suggestions in order to ascertain the validity or appropriateness of the Board of Directors' decision from the perspective of complying with law and the articles of incorporation.
Attended all 10 Board of Corporate Auditors meetings convened during the fiscal year to deliberate critical auditing issues.
2. Mr. Hiroshi Yasuda, Corporate Auditor
 - (i) Concurrently holds position as an executive director of another company
Not applicable
 - (ii) Concurrently holds the position of an outside director or an outside corporate auditor of another company
Not applicable
 - (iii) Has affiliations with executive officers of the Company or its major customers or other specially related business partners
Not applicable

[English Translation]

(iv) Primary activities carried out during this fiscal year

Attended 10 out of the 14 Board of Directors meetings held during the fiscal year, while offering advice and suggestions based on his ample experience of company management and directorships, gained from previously held positions. He also asked questions and stated opinions in order to clarify unclear issues.

Attended 8 out of the 10 Board of Corporate Auditors meetings convened during the fiscal year to deliberate critical auditing issues.

In addition, for the meetings for which he was absent, he received from the full-time corporate auditor detailed reports on the resolutions of the meetings so as to remain fully informed.

3. Mr. Kohei Yamashita, Corporate Auditor

(i) Concurrently holds position as an executive director of another company

President and Representative Director of Kokyo Tatemono Co., Ltd., Chairman and Representative Director of International Ceramic, Inc. and Chairman and Representative Director of Tozai Building Maintenance Co., Ltd. However, there are no dealings between these companies and the companies within the Group.

(ii) Concurrently holds the position of an outside director or an outside corporate auditor of another company

Not applicable

(iii) Has affiliations with executive officers of the Company or its major customers or other specially related business partners

Not applicable

(iv) Primary activities carried out during this fiscal year

Attended 13 out of the 14 Board of Directors meetings held during the fiscal year, while offering advice and suggestions based on his ample experience of managing a global business. He also asked questions and stated opinions in order to clarify unclear issues.

Attended 9 out of the 10 Board of Corporate Auditors meetings convened during the fiscal year to deliberate critical auditing issues.

In addition, for the meetings for which he was absent, he received from the full-time corporate auditor detailed reports on the resolutions of the meetings so as to remain fully informed.

IV. Accounting Auditors

1. Name of Accounting Auditors

KPMG AZSA & Co.

2. Remuneration for Accounting Auditors

(1) Remuneration for duties relating to Article 2 Paragraph 1 of Certified Public Accountants Act	Yen 89 million
(2) Total pecuniary and other proprietary interest to be paid by the Company and subsidiaries	Yen 228 million

(Notes)

1. Based on the audit contract between the Company and the accounting auditors, the remuneration paid to auditors is not distinguished between those as the auditors under the Companies Act and those as the auditors under the Securities and Exchange Act, and furthermore cannot in fact be distinguished, and therefore the amount given in (1) is the combined total of these functions.

2. Of the major subsidiaries of the Company, Secom Industries Co., Ltd and Secom Trust Systems Co., Ltd. are audited by Misuzu Audit Corporation, The Westec Security Group Inc. by PricewaterhouseCoopers LLP and Secom Plc by KPMG LLP.

3. Non-auditing Duties

Not applicable

4. Policy for Decision for Dismissal or Non-reappointment

Whenever there occurs any material event which could be a substantial hazard to the performance of financial auditing of the Company, such as a case when it is deemed that the accounting auditors have come to fall within the purview of Article 340 Paragraph 1 of the Companies Act or the accounting auditors or the firm of accounting auditors is subjected to the disposition of suspension of business by the supervisory authorities, the Board of Corporate Auditors will examine the situation, and, when all the corporate auditors have consented thereto, the corporate auditor will take procedures for the dismissal of the subject accounting auditors or the subject firm of accounting auditors. In such case, the Corporate Auditor selected by the Board of Corporate Auditors will report the reasons for the dismissal at the general meeting of shareholders convened for the first time after such dismissal.

Otherwise, when there exists any situation where it is deemed that the accounting auditors are not fit as accounting auditors, the directors will, with the consent of the Board of Auditors, submit a proposal to the general meeting of shareholders for the dismissal or non re-appointment of accounting auditors.

[English Translation]

V. System under which the Company's Business is Ensured to be Properly Executed

The Company, at the meeting of its Board of Directors held on May 9, 2006, resolved upon the basic policy regarding the internal control system, i.e. "the system under which execution of duties by Directors is ensured to comply with laws and regulations and the Articles of Incorporation, and the system under which the Company's business is ensured to be properly executed" as provided for in Article 362, Paragraph 4, Item 6 of the Companies Act and Article 100, Paragraphs 1 and 3 of the Enforcement Order of the Companies Act. The contents of the resolution are set out below.

PARTICULAR

1. General

This resolution manifests the basic policy regarding the internal control system of the Company to be specifically established by the President and Representative Director based on Article 362, Paragraph 5 of the Companies Act.

The internal control system based on this resolution shall be established urgently by officers in charge, and shall be constantly reviewed and improved.

2. System under which execution of duties by Directors and employees is ensured to comply with laws and regulations and the Articles of Incorporation.

(i) The Company has prepared a compliance manual which officers and employees of the Company are required to follow in order to comply with laws and regulations, the Articles of Incorporation and the "Constitution of SECOM's business and operation" and manuals for the compliance with important laws. To enforce it to the full extent, Audit and Compliance Department oversees and coordinates the undertaking for compliance of the entire Company horizontally and this department acts as a core vehicle engaging in education, etc. of officers and employees. Such activities shall be reported to the Board of Directors and the Board of Corporate Auditors.

[English Translation]

Furthermore, the Organization Climate Committee chaired by the President and Representative Director has been set up and deliberates important matters related to compliance.

(ii) In connection with the enforcement of the Whistle Blower Protection Act, we will examine how effective the aforesaid compliance system is under the law and will make necessary changes to the systems.

Furthermore, officers in charge will be appointed, who shall control and oversee the conditions of execution of compliance as to each department and shall establish and manage an appropriate training system for employees.

(iii) Any important changes in the compliance manual shall be subject to approval of the Board of Directors after obtaining opinions of Corporate Auditors.

3. System under which information regarding execution of business by Directors shall be maintained and controlled.

(i) Documents and other information regarding execution of duties such as those concerned with decision making (hereinafter referred to as the “information on executing duties”) shall be properly maintained, administered (including destruction) pursuant to the Document Administration Regulation of the Company, which will be amended upon reviewing the operating conditions if necessary.

(ii) Information on executing duties shall be recorded on data base with necessary information protection measure so that a search system can be established to enable quick search as to whether or not the particular document exists or the condition of storage of the particular document.

(iii) Any business related to the preceding two paragraphs shall be undertaken by officers in charge, and in particular the status of examination and review of (i) above, and operation and management of the data base of (ii) above shall be reported to the Board of Directors and the Board of Corporate Auditors.

(iv) Establishment and important amendments of the Regulation regarding (i) above shall be subject to approval of the Board of Directors after obtaining opinions of Corporate Auditors.

[English Translation]

4. Regulation regarding control of risk of loss and other system

(i) We will review the Company's risk control regulations, and each organization corresponding to each risk shall constantly monitor the risks to the full extent and, in addition, an officer in charge of each specified risk shall be appointed. The officer in charge shall, pursuant to the risk control regulations, be responsible to: (1) forecast and classify the risk, (2) develop a system for emergency by which appropriate information shall be transmitted promptly and appropriately in case of emergency, and (3) in corporation with the organization guidance department, audit the conditions of daily control of risks.

(ii) The officer in charge shall report the President and Representative Director, the Board of Directors and the Board of Corporate Auditors on matters related to control of risk.

(iii) Any important changes of the risk control regulations shall be subject to approval of the Board of Directors after obtaining opinions of Corporate Auditors.

The Company's risks shall be classified as follows:

- Large scale calamity risk (System risk)
- Security accident risk
- Accounting treatment and clerical work risk
- Compliance risk
- Others

5. System by which efficient execution of duties of Directors shall be ensured

(i) All Directors of the Company shall carry out operation and execution of business on the basis of the "Constitution of SECOM's business and operation" so that they may share the idea essential to execution of the duties such as decision making for management by the Board of Directors, decision making for execution of duties by the Directors.

(ii) On the basis of the preceding, to implement execution of duties efficiently, the system of executive officers has been introduced so that decision making and execution of business shall be further facilitated.

[English Translation]

(iii) In executing duties, in order to unify the power of the entire Company, a system utilizing IT should be established and thereby, enabling an information to be immediately disseminated to the entire Company to the fullest extent.

(iv) With respect to particular decision making or execution of duties, a system utilizing IT should be established to carry out the decision making and execution immediately and definitely.

(v) The Company will share the medium- and long-term business vision, and for the purpose of accomplishment thereof, the Board of Directors will design an annual business plan and deliberate progress of the plan in each month.

6. System under which the Company and the Company Group consisting of the parent company and subsidiaries is ensured to properly execute its business

(i) The Company stipulated the “Constitution of SECOM’s business and operation” and exerts its efforts to properly execute business with unified force of all officers and employees of the Group. Subsidiaries accept audit and guidance conducted by the Company as their parent company, and exchanges information with the Company so that they exert efforts to recognize the issues from the viewpoint of compliance.

Furthermore, Corporate Auditors of the Company visits important subsidiaries and audit the subsidiaries with respect to the internal control system.

(ii) The Company shall establish the Group Management Board chaired by the President and Representative Director of the Company. The Board engages in administrating the Group information, gives guidance to management of subsidiaries and has their businesses properly executed. The officer in charge will man the secretarial office of the Board. The officer in charge will report to the Board of Directors and the Board of Corporate Auditors.

(iii) Upon consultations with the Board of Corporate Auditors, the Group Corporate Auditors Liaison Conference will be formed to share the information.

7. Matters related to employees to assist duties of Corporate Auditors when Corporate Auditors requests to do so

Corporate Auditors Office will be established and at least two employees will be manned to assist audit duties of the Corporate Auditors.

8. Matters related to independence of the employees in the preceding item concerned from Directors

Transfer and evaluation of assistants in the preceding item shall be subject to approval of the Board of Corporate Auditors.

The assistants who received necessary instruction on audit duties by Corporate Auditors shall not be subject to any instruction or order from Directors, executive officers or employees with respect to the subject audit duties, nor be obligated to report to them.

9. System under which Directors and employees report to Corporate Auditors and system under which any report is made to Corporate Auditors

(i) Regulation providing for matters to be reported to Corporate Auditors shall be established upon discussion with the Board of Corporate Auditors, and Directors shall make reports with respect to the following matters: (1) matters resolved by the Organization Climate Committee; (2) matters likely to be materially harming the Company; (3) important matters relating to monthly business conditions; (4) important matters relating to internal audit and risk control; (5) material violation of laws and regulations or the articles of incorporation; (6) condition of usage and content of the Hot Help Line; and (7) in addition, important matters from viewpoint of compliance.

(ii) If an employee finds a fact falling within the preceding paragraph, a system by which the fact may be transmitted directly to the President and Representative Director through such means as the Hot Help Line shall be arranged and the President and Representative Director shall report to Corporate Auditors pursuant to the preceding paragraph.

[English Translation]

10. System under which audit by Corporate Auditors is ensured efficiently to be performed

(i) The Board of Corporate Auditors shall regularly hold the meetings with the President and Representative Director and Accounting Auditors, to exchange opinions so that audit shall be performed efficiently.

(ii) The Company ensures that the Board of Corporate Auditors may retain lawyers at its discretion and, if necessary, have opportunities to retain and consult professional accountants with respect to their audit duties.

Consolidated Balance Sheet

(As of March 31, 2007)

(Millions of yen)

ITEM	AMOUNT	ITEM	AMOUNT
<u>ASSETS</u>		<u>LIABILITIES</u>	
Current Assets:	524,484	Current Liabilities:	323,766
Cash on hand and in banks	181,266	Notes and accounts payable, trade	28,469
Cash deposits for armored car services	75,328	Bank loans	129,169
Call loan	15,000	Current portion of straight bonds	3,356
Notes and accounts receivable, trade	83,397	Payables - other	29,888
Due from subscribers	19,217	Accrued income taxes	24,973
Short-term investments	18,171	Accrued consumption taxes	3,366
Inventories	25,945	Accrued expenses	3,198
Real estate for sale	71,724	Deferred revenue	31,188
Deferred income taxes	11,597	Accrued bonuses	11,409
Short-term loans receivable	5,097	Accrued bonuses to directors and corporate auditors	80
Other	19,660	Other	58,665
Allowance for doubtful accounts	(1,923)		
Fixed Assets:	644,478	Long-term Liabilities:	244,299
Tangible Assets:	260,809	Straight bonds	13,941
Buildings and improvements	87,306	Long-term loans	14,363
Security equipment and control stations	63,675	Guarantee deposits received	32,164
Land	80,341	Deferred income taxes	2,717
Other	29,485	Accrued pension and severance costs	17,596
Intangible Assets:	23,294	Accrued retirement benefits for directors and corporate auditors	2,300
Software	11,891	Investment deposits by policyholders, unearned premiums and other insurance liabilities	160,142
Goodwill	5,697	Other	1,073
Other	5,704		
Investments and Others:	360,374	Total Liabilities	568,065
Investment securities	243,148	<u>NET ASSETS</u>	
Long-term loans receivable	55,223	Shareholders' Equity:	537,279
Long-term prepaid expenses	17,202	Common Stock	66,377
Prepaid pension and severance costs	15,817	Capital Surplus	83,056
Deferred income taxes	15,654	Retained Earnings	432,696
Other	28,490	Common Stock in treasury, at cost	(44,850)
Allowance for doubtful accounts	(15,161)	Valuation, Translation Adjustments and Others:	2,853
Deferred Assets:	219	Unrealized gains on securities	10,157
Business commencement expenses	219	Deferred losses on hedges	(51)
		Foreign currency translation adjustments	(7,253)
		Minority Interest in Subsidiaries:	60,983
		Total Net Assets	601,116
TOTAL ASSETS	1,169,182	TOTAL LIABILITIES AND NET ASSETS	1,169,182

[English Translation]

Consolidated Statement of Income

(Fiscal Year from April 1, 2006 to March 31, 2007)

(Millions of yen)

ITEM	AMOUNT	
Revenue		613,976
Costs of revenue	388,787	
Gross profit		225,189
Selling, general and administrative expenses	127,348	
Operating profit		97,840
Non-operating income:		
Interest income	2,465	
Dividends income	631	
Gain on sales of investment securities	4,488	
Net gains from investment in affiliated companies accounted for under the equity method	4,475	
Other	3,026	15,087
Non-operating expenses:		
Interest expenses	1,801	
Loss on sales and disposal of fixed assets	1,492	
Loss on sales and revaluation of investment securities	1,484	
Other	5,429	10,207
Ordinary profit		102,720
Extraordinary profit:		
Gain on sales of fixed assets	404	
Gain on sales of subsidiaries' and affiliates' securities	1,333	
Gain on sales of investment securities	747	
Other	116	2,601
Extraordinary loss:		
Provision for allowance for doubtful accounts	1,521	
Provision for retirement benefits for directors and corporate auditors	53	
Impairment loss on fixed assets	173	
Loss on revaluation of investment securities	517	
Compensation for damage and settlement	769	
Loss on disposal of software	103	
Other	178	3,317
Income before income taxes:		102,005
Income taxes – current		39,961
Income taxes – deferred		(660)
Minority interest in subsidiaries		4,404
Net income		58,299

Consolidated Statement of Changes in Net Assets

(Fiscal Year from April 1, 2006 to March 31, 2007)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Common stock in treasury, at cost	Total shareholders' equity
Balance as of March 31, 2006	66,377	83,054	388,077	(44,749)	492,760
Changes during the period:					
Cash dividends *			(13,499)		(13,499)
Bonuses to directors and corporate auditors *			(168)		(168)
Reversal of reserve for tax deferral on asset replacement *					-
Changes in scope of consolidation			(13)		(13)
Net income			58,299		58,299
Purchase of treasury stock				(124)	(124)
Disposal of treasury stock		1		24	25
Net changes of items other than shareholders' equity					-
Total changes during the period	-	1	44,618	(100)	44,519
Balance as of March 31, 2007	66,377	83,056	432,696	(44,850)	537,279

	Valuation, translation adjustments and others				Minority interest in subsidiaries	Total net assets
	Unrealized gains (losses) on securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Total valuation, translation adjustments and others		
Balance as of March 31, 2006	13,230	-	(9,825)	3,404	35,469	531,634
Changes during the period:						
Cash dividends *						(13,499)
Bonuses to directors and corporate auditors *						(168)
Reversal of reserve for tax deferral on asset replacement *						-
Changes in scope of consolidation						(13)
Net income						58,299
Purchase of treasury stock						(124)
Disposal of treasury stock						25
Net changes of items other than shareholders' equity	(3,072)	(51)	2,572	(551)	25,514	24,962
Total changes during the period	(3,072)	(51)	2,572	(551)	25,514	69,482
Balance as of March 31, 2007	10,157	(51)	(7,253)	2,853	60,983	601,116

The items marked with * derive from profit appropriation resolved at the General Shareholders' Meetings for the previous fiscal year.

Notes to Consolidated Financial Statements

Notes to Significant Items for Preparation of Consolidated Financial Statements

1. Scope of Consolidation

(1) Number of Consolidated Subsidiaries: 161

Names of major consolidated subsidiaries:

Secom Joshinetsu Co., Ltd., Secom Medical System Co., Ltd.,
Secom General Insurance Co., Ltd., Secom Techno Service Co., Ltd.,
Secom Industries Co., Ltd., Secom Trust Systems Co., Ltd.,
Pasco Corporation, Nohmi Bosai Ltd.,
Secom Home Life Co., Ltd., Arai & Co., Ltd., The Westec Security Group, Inc.

(2) Descriptions of Non-consolidated Subsidiaries

Names of major non-consolidated subsidiaries:

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

(The reason for exclusion from consolidation)

These companies are of a small size, so that the aggregate amounts of total assets, net sales, net income (an amount prorated to the equity ratio) and retained earnings (an amount prorated to the equity ratio) and others do not have a significant effect on the consolidated financial statements.

2. Equity Method

(1) Thirty one affiliated companies are accounted for under the equity method.

Names of major affiliated companies accounted for under the equity method:

Japan Nuclear Security System Co., Ltd., S1 Corporation, Toyo Tec Co., Ltd.,
Taiwan Secom Co., Ltd.

(2) Two affiliated companies are not accounted for under the equity method because their effect on net income/loss and retained earnings during the year under review is immaterial in aggregate.

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

Newly consolidated companies:43

Pasco Geomatics India Pvt. Ltd. and 3 other companies:
(Investments for establishment)

Nohmi Bosai Ltd. and 38 other companies : (Acquisition of stock)

Excluded from consolidation: 7

Secom Information System Co., Ltd. and another company:
(Merger by absorption)

Cable Net Niigata Co., Ltd.:
(Sale of stock)

Westec Finance Company and 3 other companies:
(Liquidation)

[English Translation]

New companies accounted for under the equity method: 6
NAA Narita Airport Secom Co., Ltd. and 2 other companies:
(Investments for establishment)
Toyo Tec Co., Ltd. and 2 other companies:
(Acquisition of stock)

Exclusion from companies accounted for under the equity method: 5
Sigma First Co., Ltd. and 2 other companies:
(Sale of stock)
Nohmi Bosai Ltd. and another company:
(Moved to consolidated subsidiary)

4. Items for Closing Date of Consolidated Subsidiaries, etc.

With respect to overseas consolidated subsidiaries, etc., The Westec Securities Group Inc. and 11 other U.S. subsidiaries, Secom Australia Pty. Ltd. and two other Australian companies, Secom Plc and three other U.K. subsidiaries, Secom (China) Co., Ltd. and 15 other Chinese subsidiaries, P.T. Nusantara Secom Infotech, P.T. Secom IndoPratama, Pasco Thailand Co., Ltd., Thaisecom Pitakkij Co., Ltd., Pasco-Certeza Computer Mapping Corporation, Pasco Geomatics India Pvt. Ltd., Secom Vietnam Joint Venture Co., and FM-International Oy FINMAP close their accounting as of December 31 each year, and the financial statements as of the date are used for preparation of the consolidated financial statements.

With respect to domestic consolidated subsidiaries, etc., while Ena Urban Properties, Co., Ltd. and 15 other companies close their accounting as of December 31 each year, the financial statements prepared pursuant to the provisional closing of accounts conducted as of March 31 are used for preparation of the consolidated financial statements. Moreover, GIS Tohoku Co., Ltd., GIS Kanto Co., Ltd., and GIS Kansai Co., Ltd close accounting as of December 31 each year, and the financial statements as of that date are used for preparation of the consolidated financial statements. Other consolidated subsidiaries, etc. close their accounting as of the same date of 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

Securities with fair value

Stock and beneficiary securities: At fair value based on the average market price during 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, net of the applicable income taxes, included directly in net assets. The cost of securities sold is primarily calculated by the moving average method. As for compound financial instruments, those compound financial instruments that can not be measured by discriminating between the fair value of embedded derivatives are evaluated at overall fair value and treated as unrealized gains and losses in profit and loss.

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

2) Derivatives
Stated at fair value.

3) Inventories
Inventories are stated principally at cost based on the moving average method. However, real estate for sale included in inventories are stated at the lower of cost or market method based on specific identification method.

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

1) Tangible Assets
Declining-balance method.

a. Security equipment and control stations
Security equipment and control stations are depreciated over their average estimated useful service lives (5-8 years).

b. Other tangible assets
Buildings (except facilities attached to buildings) that were acquired after April 1, 1998 are depreciated by the straight-line method. Their main useful service lives are as follows: Buildings and improvements: 22-50 years

2) Intangible Assets
Intangible 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 service lives within the Company (5 years).

3) 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 stated as "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 rate of loss with respect to ordinary accounts, plus an estimate of uncollectible amounts respectively determined by reference to specific doubtful accounts from customers who are suffering from financial difficulties.

2) Accrued Bonuses
The accrued bonuses are provided for the bonus payments to employees, at an amount to be paid during the fiscal year under review..

3) Accrued Bonuses to Directors and Corporate Auditors
To prepare for outlays of bonuses to directors and corporate auditors in certain domestic consolidated subsidiaries, the accrued bonuses to directors and corporate auditors is appropriated in the amount estimated to be paid during the consolidated fiscal year under review.

4) Accrued Pension and Severance Costs

[English Translation]

To prepare for the retirement benefits of employees, the Company and its domestic consolidated subsidiaries, etc. appropriate an amount of accrued pension and severance costs and prepaid pension and severance costs that is recognized to be paid at the end of the consolidated fiscal year under review, based on the amount of projected benefit obligations and the estimated amount of plan assets as of the end of the consolidated fiscal year under review. Prior service cost and actuarial gain or loss are amortized in the fiscal year in which the gain or loss are incurred.

5) Accrued Retirement Benefits for Directors and Corporate Auditors

To prepare for outlays for retirement benefits of directors and corporate auditors in the Company and one portion of domestic consolidated subsidiaries, estimated liabilities under the plan which would be payable if directors and corporate auditors left on the balance sheet date is accrued in accordance with the Company's and those subsidiaries' regulations.

(4) Revenue Recognition

Revenue from the contract business of Pasco Corporation and its subsidiaries, etc. is recognized under the percentage of completion method. Revenue from the contract business of Secom Techno Service Co., Ltd. and its subsidiaries for which the construction price per transaction exceeds Yen 500 million is recognized under the percentage of completion method.

(5) Major Lease Transactions

Finance leases other than those deemed to transfer the ownership of the leased assets to lessees, are accounted for by a method that is applicable to ordinary operating leases.

(6) Accounting for Major Hedges

1) Hedge Accounting Method

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.

2) Hedging Instruments and Hedged Items

Hedging instruments: Interest rate swaps

Hedged items: Bonds and loans payables

3) Hedging Policy

The risks for forward interest rate fluctuation are to be hedged principally pursuant to the risk management policy of the Company.

4) Assessment of Hedge Effectiveness

Hedge effectiveness is assessed by comparing the cumulative totals of price fluctuations of the hedging items and hedging instruments from the beginning of hedging to the effective point of assessment, taking the changes of both the hedging 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.

(7) Accounting for Consumption Tax

In relation to consumption tax and regional consumption tax, the Company has adopted the tax-exclusive method.

6. Valuation of Assets and Liabilities of Consolidated Subsidiaries

Assets and liabilities of consolidated subsidiaries, etc. are fully carried at fair value.

7. Amortization of Goodwill and Negative Goodwill

Goodwill and negative goodwill are amortized by the straight line method over a 5-10 year period.

8. Changes in Items Related to Important Accounting Policies

(1) Accounting standards related to accrued bonuses for directors and corporate auditors

"Accounting standards for directors' bonus" (Accounting Standards Board of Japan Statement No.4, November 29, 2005) are being applied from the consolidated fiscal year under review.

Under these standards, operating profit, ordinary profit, and net income before taxes decrease by Yen 215 million, respectively.

(2) Accounting Standards Regarding Presentation of Net Assets in a Balance Sheet

From the consolidated fiscal year under review, "Accounting Standards for Presentation of Net Assets in the Balance Sheet" (Accounting Standards Board of Japan Statement No. 5, December 9, 2005) and "Guidance on Accounting Standards of Net Assets in the Balance Sheet" (Accounting Standards Board of Japan Guidance No. 8, December 9, 2005) are being applied.

Hitherto, the amount corresponding to conventional total of shareholders' equity has been Yen 540,184 million. The net assets of the consolidated balance sheet in the consolidated fiscal year under review was prepared under "Company Accounting Rules"(Ministry of Justice Ordinance No. 13, February 7, 2006).

(3) Accounting Standards Related to Business Combination

From the consolidated fiscal year under review, "Accounting Standards Related to Business Combinations" (Business Accounting Council October 31, 2003), "Accounting Standard for Business Divestitures and the related Implementation Guidance" (Accounting Standards Board of Japan Statement No. 7, December 27, 2005 Accounting Standards for Business Committee), and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (Accounting Standards Board of Japan Guidance No. 10 final revised December 22, 2006 Accounting Standards for Business) are being applied.

9. Changes of Presentation Methods

(Consolidated Balance Sheets)

1) Cash Deposits for Armored Car Services

Until the previous consolidated fiscal year, "Cash deposits for armored car services" were included in Cash on hand and in banks. However, they are being presented separately from the consolidated fiscal year under review from the view point of further clarification.

Cash deposits for armored car services, which were included in Cash on hand and in banks, of the previous consolidated fiscal year, amounted to Yen 65,187 million.

2) Goodwill

From the consolidated fiscal year under review, the "Consolidated adjustment account" is presented as "Goodwill."

Notes to Consolidated Balance Sheet

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

For financial institutions, the Company and some of the domestic consolidated subsidiaries operate cash collection and deposit services for financial institutions relating to cash dispensers located outside of financial institution facilities and also operates cash collection services.

The balance of Cash deposits for armored car services includes cash on hand and cash in banks representing a total of Yen 50,541 million related to cash collection and deposit services operations, which is restricted as to use by the Company group. The balance of short-term bank loans includes an amount of Yen 10,466 million financed for cash collection and deposit services operations.

Furthermore, the balance of Cash deposits for armored car services includes Yen 24,786 million connected with cash collection services operations, which is also restricted as to use by the Company group. In addition, the short-term bank loans balance includes the amount of Yen 17,201 million financed for cash collection services operations.

2. Asset-related Accumulated Depreciation

Accumulated depreciation of property, plant and equipment amounted to Yen 273,430 million.

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)	220
Real estate for sale	61,531
Buildings and improvements	30,016
Land	21,882
Other tangible assets	2
Intangible assets (leasehold)	1,593
Long-term loans receivable	164
Investment securities	1,375
Others (long-term deposits)	200
<hr/> Total	<hr/> 116,985

(2) Liabilities Pledged as Collateral

	(Millions of yen)
Bank loans	80,868
Straight Bonds	15,797
Long-term loans payable	13,460
<hr/> Total	<hr/> 110,126

Liabilities Pledged as Collateral

Investment securities, investment securities in subsidiaries and affiliated companies, long-term loans, and loans to subsidiaries and affiliated companies are pledged as collaterals for the debts of subsidiaries and affiliated companies and other debts.

4. Shares of Non-consolidated Subsidiaries and Affiliated Companies:

(Fixed assets)

Investment in securities (shares) amounted to Yen 38,037 million.

5. Contingent Liabilities:

[English Translation]

(1) The Company has contingent liabilities of Yen 10,741 million as guarantors of the loans payable and amounts payable held for lease, etc. of the affiliated companies, etc.

(2) Lawsuits:

In July 2004, Fujitsu Limited filed a lawsuit against Secom General Insurance Co., Ltd. in the Tokyo District Court, claiming compensation for costs related to a systems development order in the amount of Yen 2,500 million. Secom General Insurance Co., Ltd. is not only contesting this lawsuit on the grounds that it is without merit, but has also filed a countersuit claiming damages in the amount of Yen 1,000 million. Both lawsuits are currently pending.

Pasco Corporation filed a lawsuit against Sumitomo Mitsui Banking Corporation for a confirmatory judgment to the effect that it does not owe an obligation in the amount of Yen 2,010 million to Sumitomo Mitsui Banking Corporation with the Tokyo District Court on October 31, 2005. Sumitomo Mitsui Banking Corporation alleged that it made a loan to a third party and acquired from the third party its claim against Pasco Corporation for an alleged sale of equipment to Pasco Corporation as a collateral for the loan, and demanded Pasco Corporation to pay such claim to Sumitomo Mitsui Banking Corporation. However, upon carefully investigating the case with counsel, we believe that the alleged transactions are null and void, and our pleading should be admitted. Furthermore, on December 5, 2005, Sumitomo Mitsui Banking Corporation brought a cross action against Pasco Corporation in relation to a demand for payment of a transferred receivable. Subsequently, both actions were consolidated according to a court procedure. The existence of the debt in the above-mentioned sum is still being disputed in the court.

6. Presentation of Goodwill and Negative Goodwill

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

Goodwill	7,183 million yen
Negative goodwill	1,485
Net amount	5,697

Note to Consolidated Statements of Changes in Net Assets

1. The Classes and Total Number of Issued Shares and Treasury Stocks

(Unit : 1 share)

	Number of shares at the end of previous consolidated fiscal year	Increase in number of shares in the consolidated fiscal year under review	Decrease in number of shares in the consolidated fiscal year under review	Number of shares at the end of consolidated fiscal year under review
Issued shares				
Common stock	233,288,717	—	—	233,288,717
Treasury stock				
Common stock	8,301,997	21,391	4,478	8,318,910

(Outline of reasons for change)

The increase of 21,391 in the number of common stocks is due to the purchase of shares constituting less than one unit.

[English Translation]

The decrease of 4,478 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 Dividend Paid

Resolution	Classes of Shares	Total amount of cash dividend (Millions of yen)	Cash dividend per share (yen)	Record date	Effective date
General Meeting of Shareholders on June 27, 2006	Common stock	13,499	60	March 31, 2006	June 28, 2006

(2) Of the dividends whose record date belongs to the consolidated fiscal year under review, the following are those dividends of which the entry into effect date belongs to the next consolidated fiscal year.

Resolution	Classes of Shares	Source of dividend	Total amount of cash dividend (millions of yen)	Cash divided per share (yen)	Record date	Effective date
General Meeting of Shareholders on June 27, 2007	Common stock	Retained earnings	17,997	80	March 31, 2007	June 28, 2007

Note to Deferred Tax Accounting

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

Deferred tax assets:	(Millions of yen)
Eliminations of unrealized gain	9,376
Accrued pension and severance costs	7,076
Operating loss carried forwards	6,979
Write-down on fixed assets	5,380
Adjustment of book value of land and buildings of subsidiaries, etc. at fair value at the date of consolidation	5,144
Accrued bonuses	4,617
Allowance for doubtful accounts	4,400
Underwriting funds and funds for outstanding claims	3,600
Impairment loss	2,989
Losses on devaluation of investment securities	2,934
Adjustment of book value of other fixed assets of subsidiaries, etc. at fair value at the date of consolidation	2,580
Other	7,247
Gross deferred tax assets	62,326
Valuation allowance	(14,491)
Total deferred tax assets	47,834
Deferred tax liabilities:	(Millions of yen)
Adjustment of book value of land and buildings of subsidiaries, etc. at fair value at the date of consolidation	(7,550)
Unrealized gains on securities	(7,182)
Prepaid pension and severance costs	(5,918)
Adjustment book value of other fixed assets of subsidiaries, etc. at fair value at the date of consolidation	(2,522)
Other	(126)
Total deferred tax liabilities	(23,300)
Net deferred tax assets	(Millions of yen) 24,533

2. Summary of the Reconciliation between the Effective Tax Rate Reflected in the Consolidated Financial Statements and the Statutory Tax Rate

Statutory tax rate	40.5 (%)
(Reconciliation)	
Net gains from investment in affiliated companies accounted for under the equity method	(1.9)
Utilization of tax loss carryforwards	(1.6)
Permanent nondeductible expenses such as entertainment expenses	0.8
Per capita rate of corporate inhabitant tax	0.7
Amortization of goodwill	0.5
Increase in valuation allowance	0.5
Unrecognized tax benefits from subsidiaries, etc. in deficiency	0.4
Research and development tax credits	(0.4)
Devaluation losses on the investments and loans of subsidiaries and affiliated companies	(0.4)
Adjustment of gains or losses on sales of shares of subsidiaries and affiliated companies	(0.3)
Tax rate difference with consolidated subsidiaries	(0.2)
Other	(0.1)
Effective tax rate after the adoption of deferred tax accounting	38.5

Notes to Fixed Assets Used under Leases

1. Finance lease transactions other than those deemed to transfer the ownership of the leased assets to the lessees

(1) Lessee

- 1) The amount equivalent to acquisition cost, the amount equivalent to accumulated depreciation, and the amount equivalent to the year-end balance of leased properties
(Millions of yen)

Amount equivalent to acquisition cost	
Buildings and improvements	5,184
Tangible assets (other)	11,458
Intangible assets (software)	143
Total	16,787
Amount equivalent to accumulated depreciation	
Buildings and improvements	1,912
Tangible assets (other)	6,459
Intangible assets (software)	90
Total	8,462
Amount equivalent to the year-end balance	
Buildings and improvements	3,272
Tangible assets (other)	4,999
Intangible assets (software)	52
Total	8,324

[English Translation]

2) The Amount Equivalent to the Year-end Balance of Future Minimum Lease Payments	(Millions of yen)
Within 1 year	2,510
Over 1 year	7,014
Total	9,524

3) Lease Payment Expenses, the Amount Equivalent to Depreciation Expenses, and the Amount Equivalent to Interest Expenses	(Millions of yen)
Lease payment expenses	3,081
Amount equivalent to depreciation expenses	2,738
Amount equivalent to interest expenses	386

4) Calculating Method of the Amount Equivalent to Depreciation Expenses and the Amount Equivalent to Interest Expenses

Calculating method of the amount equivalent to depreciation expenses

Depreciation expenses is calculated using the straight-line method which assumes that the period of the lease is the useful service life of the asset and sets the residual value to zero.

Calculating method of the amount equivalent to interest expenses

The amount equivalent to interest expenses is calculated as the difference between total lease payments and the amount equivalent to acquisition cost of leased properties, and the interest method is used as the allocation method for each fiscal period.

(2) Lessor

1) The Acquisition Cost, Accumulated Depreciation, and Year-end Balance for Leased Properties Included in Fixed Assets

	(Millions of yen)
Acquisition cost	
Buildings and improvements	10,803
Tangible assets (other)	21,283
Total	32,086
Accumulated depreciation	
Buildings and improvements	882
Tangible assets (other)	10,523
Total	11,405
Year-end balance	
Buildings and improvements	9,920
Tangible assets (other)	10,760
Total	20,680

2) The Amount Equivalent to the Year-end Balance of Future Minimum Lease Payments to Be Received

	(Millions of yen)
Within 1 year	5,405
<u>Over 1 year</u>	<u>23,113</u>
Total	28,518

3) Received Lease Payments, Depreciation Expenses, and the Amount Equivalent to Received Interest

	(Millions of yen)
Received lease payments	7,059
Depreciation expenses	3,537
Amount equivalent to received interest	2,062

4) Calculating Method of the Amount Equivalent to Interest

The amount equivalent to interest is calculated as total lease payments plus total estimated residual value minus the purchase price of the leased properties, and the interest method is used as the allocation method for each fiscal period.

2. Operating Leases

1) Lessee	(Millions of yen)
Future minimum lease payments	
Within 1 year	2,272
<u>Over 1 year</u>	<u>31,554</u>
Total	33,827

2) Lessor	(Millions of yen)
Future minimum lease payments to be received	
Within 1 year	3,402
<u>Over 1 year</u>	<u>27,344</u>
Total	30,747

Notes to Retirement Benefits

1. Outline of the Retirement Benefit Plans Adopted by the Company:

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

The Company and those of 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 (interim measures are also provided). 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

[English Translation]

plan and the amount of contributions to the defined contribution pension plan, including the past reserve, changed to 70 percent and 30 percent, 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, 2007):

	(Millions of yen)
(1) Projected benefit obligation	(70,151)
(2) Plan assets *1	68,372
(3) Unfunded projected benefit obligation (1)+(2)	(1,779)
(4) Unappropriated difference at the time of change in accounting standard	-
(5) Unrecognized actuarial gain or loss	-
(6) Unrecognized prior service cost	-
(7) Net retirement benefit obligation recognized in the consolidated balance sheet ((3)+(4)+(5)+(6))	(1,779)
(8) Prepaid pension and severance costs	15,817
(9) Accrued pension and severance costs ((7)-(8))	(17,596)

(Note) *1. Plan assets include the asset of Yen 235 million of the retirement benefit trust.

3. Components of Pension and Severance Costs (April 1, 2006–March 31, 2007)

	(Millions of yen)
(1) Service cost *1	3,763
(2) Interest cost	1,146
(3) Expected return on plan assets	(1,714)
(4) Amortization of actuarial gain	(2,876)
(5) Pension and severance costs ((1)+(2)+(3)+(4))	318
(6) Other *2	1,392
Total	1,711

(Notes) *1. Pension and severance costs for consolidated subsidiaries, etc. 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 1.9% at beginning of fiscal year Principally 2.0% at end of fiscal year
(3) Expected rates of return on plan assets	Principally 3.0% for plan assets 0.0% for retirement benefit trust
(4) Amortization period of prior service cost	Prior service cost is amortized in the year in which the gain or loss is incurred.
(5) Amortization period of actuarial gain or loss	Actuarial gain or loss is amortized in the year in which the gain or loss is incurred.

Note Concerning Per-Share Information

Net assets per share:	Yen 2,400.91
Net income per share:	Yen 259.14

Notes to the Business Combination

1. Outline of the Business Combination

(1) Name and Business Area of the Acquired Company

Nohmi Bosai Ltd. (Nohmi) and its 21 consolidated subsidiaries

(Comprehensive fire protection services)

(2) Major Reasons for Acquisition

SECOM has always been in an alliance with Nohmi, an affiliated company accounted for under the equity method, as its largest shareholder, but we have recently acquired new shares that were issued by Nohmi through an allocation of new shares to a third party, thereby making Nohmi our consolidated subsidiary. By acquiring these newly offered shares, SECOM intends to reinforce its alliance with Nohmi by integrating SECOM's expertise in security systems with Nohmi's fire protection technologies. This will promote the development of highly competitive and original new products that will enable the Group to cultivate new markets, and concentrate management resources to take advantage of the respective strengths of the two companies. For example, we will consign production of security systems and products and carry out joint product development. The strengthened alliance will broaden the capabilities of the Group and contribute to higher profitability and increased shareholder value.

(3) Date of the Business Combination

December 8, 2006

(4) Legal Form of the Business Combination

An allocation of new shares to a third party

(5) Name of the Company after the Combination

Nohmi and its 21 consolidated subsidiaries

(6) Percentage of Voting Rights Acquired

30.8%

The percentage of voting rights acquired is calculated by dividing the number of voting rights assumed through an allocation of new shares to a third party by the total number of shareholders' voting rights after the new shares had been issued.

2. Period in which the results of the acquired company have been included in the consolidated financial statements

From January 1, 2007 to March 31, 2007

3. The Acquisition Cost of the Shares of the Acquired Company

(1) The acquisition cost of the shares of the acquired company: Yen 14,060 million
The full amount was paid in cash.

4. Total Value of Goodwill or Negative Goodwill Arising from the Combination

(1) Total Value of Negative Goodwill: Yen 1,137 million
(2) Cause of the Negative Goodwill

[English Translation]

The fair value of the net assets of the acquired company at the time of the business combination was greater than the cost of acquisition so this difference is recognized as negative goodwill.

- (3) Amortization Method and Amortization Period
Straight-line method, over ten years

5. Major Components of the Assets Acquired and Liabilities Assumed on the Date of the Business Combination

(1) Assets

Current assets	Yen 58,957 million
<u>Fixed assets</u>	<u>Yen 19,950 million</u>
Total assets	Yen 78,908 million

(2) Liabilities

Current liabilities	Yen 26,131 million
<u>Long-term liabilities</u>	<u>Yen 7,757 million</u>
Total liabilities	Yen 33,888 million

Certified Copy of the Accounting Auditors' Report (Consolidated)

[English Translation of the Auditors' Report Originally Issued in the Japanese Language]

Independent Auditors' Report

Date May 23, 2007

The Board of Directors
SECOM Co., Ltd.

KPMG AZSA & Co.

Kentaro Onishi (Seal)
Designated and Engagement Partner
Certified Public Accountant

Toshiya Mori (Seal)
Designated and Engagement Partner
Certified Public Accountant

We have audited the consolidated statutory report, comprising the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the related notes of SECOM Co., Ltd. as of March 31, 2007 and for the year from April 1, 2006 to March 31, 2007 in accordance with Article 444(4) of the Companies Act. The consolidated statutory report is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated statutory report based on our audit as independent auditors.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those auditing standards require us to obtain reasonable assurance about whether the consolidated statutory report is free of material misstatement. An audit is performed on a test basis, and includes assessing the accounting principles used, the method of their application and estimates made by management, as well as evaluating the overall presentation of the consolidated statutory report. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated statutory report referred to above presents fairly, in all material respects, the financial position and the results of operations of SECOM Co., Ltd. and its consolidated subsidiaries for the period, for which the consolidated statutory report was prepared, in conformity with accounting principles generally accepted in Japan.

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Certified Copy of the Board of Corporate Auditors' Report

[English Translation of the Auditors' Report Originally Issued in the Japanese Language]

Audit Report

May 24, 2007

Mr. Kanemasa Haraguchi
President and Representative Director
SECOM Co., Ltd.

Board of Corporate Auditors of
SECOM Co., Ltd.

Teruo Ogino (Seal)
Corporate Auditor (full-time)

Ken Tsunematsu (Seal)
Corporate Auditor

Hiroshi Yasuda (Seal)
Corporate Auditor

Kohei Yamashita (Seal)
Corporate Auditor

The Board of Corporate Auditors has received the audit reports of the performance of duties of the directors during the 46th business term from April 1, 2006 through March 31, 2007 from each of the corporate auditors. After deliberating such reports, we have prepared this Audit Report and report as follows.

1. Method and Details of Audit Performed by corporate auditors and the Board of Corporate Auditors

The Board of Corporate Auditors established the audit policy and audit plan for the current fiscal year, received reports on the status and results of audits from each corporate auditor, received reports on the status of execution of duties from directors and accounting auditors, and requested explanations when necessary.

Each of the auditors, in accordance with the audit policy of the current fiscal year and audit plan, etc. set up by the Board of Corporate Auditors, worked to communicate with directors, the internal auditing division and other employees, made efforts to gather information and establish the audit environment, in addition to attending the meetings of the Board of Directors and other important meetings, receiving reports from the directors and other managers on their duties, requesting explanations when necessary, inspecting documents concerning matters such as important decisions, and investigating the conditions of the business and financial conditions at the head office and the principal offices. Furthermore, to ensure the execution of the duties of directors complied with laws and regulations and the Articles of Incorporation and to ensure appropriate joint-stock company operations, corporate auditors also monitored and investigated the details of the resolution of the Board of Directors on the establishment of a system stipulated in Paragraph 1 and Paragraph 3 of Article 100 of the Ordinances for Enforcement of the Companies Act and the status of the system (internal control

[English Translation]

system) established based on such resolution. We worked to communicate and exchange information with the directors and corporate auditors of subsidiaries and received reports on operations from subsidiaries when necessary. The above methods were used to examine the business report and accompanying schedule for the fiscal year under review.

Furthermore, in addition to monitoring and examining whether the accounting auditors maintained an independent position and performed auditing appropriately, we received reports from the accounting auditors on the execution of their duties and requested explanations when necessary. In addition, we received notice from the accounting auditors that “The systems for ensuring the proper execution of duties” (set forth in each Item of Article 159 of the Ordinance for Corporate Accounting) is organized in accordance with the “Standers for Quality Control of Audit” (Business Accounting Council, October 28, 2005) and other relevant standards, and sought explanations whenever necessity arose. Based on the above methods, we examined the financial statements (balance sheets, statements of income, statements of changes in shareholder's equity, note to financial statements), accompanying schedules, and the consolidated financial statements (consolidated balance sheets, consolidated statements of income, consolidated statements of changes in shareholder's equity, note to consolidated financial statements) for the fiscal year under review.

2. Result of audit

(1) Result of audit of business report, etc.

- i) The Business Report and accompanying schedules fairly represent the condition of the company in accordance with laws and regulations and the Articles of Incorporation of the Company.
- ii) We have determined that there were no serious occurrences of unjust activity or violations of any laws or regulations or the Articles of Incorporation of the Company by any of the directors in carrying out their duties.
- iii) We believe the contents of the resolution of the Board of Directors regarding the internal control system are appropriate. We found no matters to note regarding the execution of duties of directors regarding the internal control system.

(2) Result of audit of financial statements and accompanying schedules

In our opinion, the audit procedures and audit results of the accounting auditor KPMG AZSA & Co. are appropriate.

(3) Result of audit of consolidated financial statements

In our opinion, the audit procedures and audit results of the accounting auditor KPMG AZSA & Co. are appropriate.

Non-Consolidated Balance Sheet

(As of March 31, 2007)

(Millions of yen)

ITEM	AMOUNT	ITEM	AMOUNT
<u>ASSETS</u>		<u>LIABILITIES</u>	
Current Assets:	191,111	Current Liabilities:	135,548
Cash on hand and in banks	71,818	Accounts payable	2,573
Cash deposits for armored car services	67,799	Bank loans	27,667
Notes receivable	667	Payables – other	12,596
Due from subscribers	10,972	Accrued income taxes	15,775
Accounts receivable, trade	6,952	Accrued consumption taxes	2,029
Receivables – other	2,218	Accrued expenses	639
Short-term investments	452	Deposits received	41,603
Merchandise	5,991	Deferred revenue	22,735
Supplies	1,024	Payables – construction	3,825
Prepaid expenses	2,014	Accrued bonuses	5,207
Deferred income taxes	4,750	Other	895
Short-term loans receivable	14,516		
Other	2,473		
Allowance for doubtful accounts	(541)		
Fixed Assets:	463,680	Long-term Liabilities:	25,088
Tangible Assets:	123,220	Guarantee deposits received	18,449
Buildings and improvements	22,124	Accrued pension and severance costs	5,370
Automobiles	136	Accrued retirement benefits for directors and corporate auditors	1,268
Security equipment and control stations	60,284		
Machinery and equipment	1,364		
Tools, furniture and fixtures	4,216		
Land	32,092		
Construction in progress	2,980		
Other	22		
Intangible Assets:	8,258		
Telephone rights	0		
Telephone and telegraph utility rights	83		
Software	4,755		
Other	3,419		
Investments and Others:	332,200		
Investment securities	43,165		
Investment securities and investments in subsidiaries and affiliates	167,914		
Long-term loans receivable	71,262		
Lease deposits	8,973		
Long-term prepaid expense	24,855		
Prepaid pension and severance costs	12,213		
Deferred income taxes	5,139		
Fund for insurance	4,893		
Other	983		
Allowance for doubtful accounts	(7,200)		
		Total Liabilities	160,637
		<u>NET ASSETS</u>	
		Shareholders' Equity:	489,590
		Common Stock	66,377
		Capital Surplus:	83,056
		Additional paid-in capital	83,054
		Other capital surplus	1
		Retained Earnings:	385,006
		Legal reserve	9,028
		Other retained earnings	375,978
		Reserve for systems development	800
		General reserve	2,212
		Accumulated earnings carried forward	372,966
		Common Stock in treasury, at cost	(44,850)
		Valuation, Translation Adjustments and Others:	4,564
		Net Unrealized Gains on Securities	4,564
		Total Net Assets	494,154
TOTAL ASSETS	654,791	TOTAL LIABILITIES AND NET ASSETS	654,791

[English Translation]

Non-Consolidated Statement of Income

(Fiscal Year from April 1, 2006 to March 31, 2007)

(Millions of yen)

ITEM	AMOUNT	
Revenue		326,076
Costs of revenue	183,341	
Gross profit		142,734
Selling, general and administrative expenses	69,330	
Operating profit		73,404
Non-operating income:		
Interest income	1,370	
Dividends income	5,659	
Other	912	7,942
Non-operating expenses:		
Interest expenses	388	
Loss on disposal of inventories	949	
Loss on sales and disposal of fixed assets	1,016	
Loss from write-off of prepaid installation cost	765	
Provision for allowance for doubtful accounts	286	
Other	1,356	4,763
Ordinary profit		76,583
Extraordinary profit:		
Gain on sales of subsidiaries' and affiliates' securities	1,151	
Other	95	1,246
Extraordinary loss:		
Loss on sales of subsidiaries' and affiliates' securities	606	
Loss on revaluation of investment securities	430	
Other	105	1,141
Income before income taxes		76,688
Income taxes – current		27,887
Income taxes – deferred		1,555
Net income		47,245

Non-Consolidated Statement of Changes in Net Assets

(Fiscal Year from April 1, 2006 to March 31, 2007)

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus			Retained earnings
		Additional paid-in capital	Other capital surplus	Total capital surplus	Legal reserve
Balance as of March 31, 2006	66,377	83,054	-	83,054	9,028
Changes during the period:					
Cash dividends *					
Bonuses to directors *					
Reversal of reserve for tax deferral on asset replacement *					
Net income					
Purchase of treasury stock					
Disposal of treasury stock			1	1	
Net changes of items other than shareholders' equity					
Total changes during the period	-	-	1	1	-
Balance as of March 31, 2007	66,377	83,054	1	83,056	9,028

	Shareholders' equity				
	Retained earnings				Total retained earnings
	Other retained earnings			Accumulated earnings carried forward	
	Reserve for systems development	Reserve for tax deferral on asset replacement	General reserve		
Balance as of March 31, 2006	800	24	2,212	339,293	351,358
Changes during the period:					
Cash dividends *				(13,499)	(13,499)
Bonuses to directors *				(98)	(98)
Reversal of reserve for tax deferral on asset replacement *		(24)		24	-
Net income				47,245	47,245
Purchase of treasury stock					
Disposal of treasury stock					
Net changes of items other than shareholders' equity					
Total changes during the period	-	(24)	-	33,672	33,648
Balance as of March 31, 2007	800	-	2,212	372,966	385,006

	Shareholders' equity		Valuation, translation adjustments and others		Total net assets
	Common stock in treasury, at cost	Total shareholders' equity	Unrealized gains (losses) on securities	Total valuation, translation adjustments and others	
Balance as of March 31, 2006	(44,749)	456,041	5,604	5,604	461,646
Changes during the period:					
Cash dividends *		(13,499)			(13,499)
Bonuses to directors *		(98)			(98)
Reversal of reserve for tax deferral on asset replacement *		-			-
Net income		47,245			47,245
Purchase of treasury stock	(124)	(124)			(124)
Disposal of treasury stock	24	25			25
Net changes of items other than shareholders' equity			(1,040)	(1,040)	(1,040)
Total changes during the period	(100)	33,549	(1,040)	(1,040)	32,508
Balance as of March 31, 2007	(44,850)	489,590	4,564	4,564	494,154

The items marked with * derive from profit appropriation resolved at the General Shareholders' Meeting in June 2006.

[English Translation]

Notes to Non-Consolidated Financial Statements

Notes to Significant Accounting Policies

1. Valuation Policies and Methods for Securities

(1) Investment Securities in Subsidiaries and Affiliated Companies

Valued at cost, based mainly on the moving average method.

(2) Available-For-Sale Securities

Securities with fair value

Stock and beneficiary securities: At fair value based on the average market price during 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, net of the applicable income taxes, included directly in net assets. The cost of securities sold is primarily calculated by the moving average method.

Securities with no fair value

At cost, based on the moving average method

2. Valuation Policies and Methods for Inventories

Merchandise and supplies are stated at cost determined by the moving average method.

3. Depreciation of Fixed Assets

(1) Tangible Assets: Declining-balance method

a. Security Equipment and Control Stations

Depreciating over the average estimated service lives (5-8 years)

b. Other Tangible Assets

Buildings (excluding auxiliary facilities attached to buildings) acquired on and after April 1, 1998 are depreciated by the straight-line method.

Main useful service life is as follows: Buildings and improvements: 22–50 years

(2) Intangible Assets: Straight-line method

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

(3) Long-term Prepaid Expenses: Straight-line method

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 stated as “long-term prepaid expenses” and amortized by the straight-line method over the contract period (5 years).

4. Basis for 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 uncollectibles.

It is determined based on historical rate of loss with respect to ordinary accounts, and an estimate of uncollectible amounts respectively determined by reference to

[English Translation]

specific doubtful accounts from customers who are suffering from financial difficulties.

(2) Accrued Bonuses

Accrued bonuses are provided for the bonus payments to employees, at an amount to be paid during the fiscal year under review.

(3) Accrued Pension and Severance Costs

To prepare for the retirement benefits of employees, the Company appropriates an amount of accrued pension and severance costs and prepaid pension and severance costs that is recognized to be paid at the end of the term under review, based on the amount of projected benefit obligation and the estimated amount of plan assets as of the end of the term under review. Prior service costs and actuarial gains and losses are amortized in the fiscal year in which the gain or loss is incurred.

(4) Accrued Retirement Benefits for Directors and Corporate Auditors

To prepare for the retirement benefits of directors and corporate auditors in the Company, estimated liabilities under the plan which would be payable if directors and corporate auditors left on the balance sheet date is accrued in accordance with the Company's regulations.

5. Other Major Items Concerning Preparation of Non-Consolidated Financial Statements

(1) Accounting for Lease Contracts

Finance lease contracts other than those deemed to transfer the ownership of the leased assets to lessees are accounted for by a method that is applicable to ordinary operating leases.

(2) Consumption Tax

In relation to consumption tax and regional consumption tax, the Company adopts the tax-exclusive method.

6. Changes in Accounting Policy

(1) Accounting Standard for Director Bonuses

From the fiscal year under review, "Accounting standard for directors' bonus" (the Accounting Standards Board of Japan Statement No. 4, November 29, 2005) are being applied. Under these standards, operating profit, ordinary profit, and net income before taxes respectively decrease by Yen 98 million.

(2) Accounting Standard for Presenting Net Assets in the Balance Sheets

From the fiscal year under review, "Accounting Standards for Presentation of Net Assets in the Balance Sheet" (Accounting Standards Board of Japan, Statement No.5, December 9, 2005) and "Guidance on Accounting Standards for Presentation of Net Assets in the Balance Sheet" (Accounting Standards for Board of Japan, Guidance No.8, December 9, 2005) are being applied. Hitherto, the amount corresponding to conventional total of shareholders' equity has been Yen 494,154 million.

The net assets in the balance sheets in the fiscal year was prepared under “Company Accounting Rules”(Ministry of Justice Ordinance No.13, February 7, 2006).

7. Change of Presentation Method
(Balance Sheets)

Until the previous fiscal year, Cash deposits for armored car services were included in Cash on hand and in banks. However, they are being presented separately from the fiscal year under review.

Meanwhile, Cash deposits for armored car services, which were included in Cash on hand and in banks in the previous fiscal year, amounted to Yen 59,410 million.

Notes to Non-Consolidated Balance Sheet

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

The Company operates cash collection and deposit services for financial institutions relating to cash dispensers located outside of financial institution facilities and also operates cash collection services.

The balance of Cash deposits for armored car services includes a balance of cash on hand and cash in banks of Yen 43,012 million related to cash collection and deposit services operations, which is restricted as to use by the Company. The balance of short-term bank loans includes an amount of Yen 10,466 million financed for cash collection and deposit services operations.

Furthermore, the balance of Cash deposits for armored car services includes Yen 24,786 million connected with cash collection services operations, which is also restricted as to use by the Company. In addition, the short-term bank loans balance includes the amount of Yen 17,201 million financed for cash collection services operations.

2. Assets Pledged as Collateral and Collateral-related Liabilities

Assets pledged as collateral

	(Millions of yen)
Investment securities	1
Investment securities in subsidiaries and affiliated companies	40
Long-term loans receivable	164
<u>Total</u>	<u>206</u>

Collateral-related liabilities

—

Investment securities, investment securities in subsidiaries and affiliated companies, and long-term loans are pledged as collateral for the debts of subsidiaries and affiliated companies and other debts.

3. Asset-related Accumulated Depreciation

Accumulated depreciation on tangible assets Yen 195,769 million

4. Contingent Liabilities

(1) Guarantees

Liabilities for the below companies and employees are guaranteed.

	(Millions of yen)
Keijinkai (Medical institution)	1,403
Alive Medicare Co., Ltd.	1,389
Seikeikai (Medical institution)	911
Employees	241
Other 7 companies	910
Total	4,856

(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 fiscal year under review are Yen 170,459 million, including Yen 164,674million of investment deposits by policyholders, unearned premiums and other insurance liability and the total assets are Yen 186,198 million.

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

5. Financial Receivables/Payables from/to Subsidiaries and Affiliated Companies (excluding those separately presented)

	(Millions of yen)
Short-term receivables	17,290
Long-term receivables	57,407
Short-term payables	10,452
Long-term payables	674

Notes to Non-Consolidated Statement of Income

Transactions with Subsidiaries and Affiliated Companies	
Volume of operating transactions	(Millions of yen)
Revenue	16,577
Amount of purchased costs and sub-contract costs	58,065
Non-operating Transactions	6,112

Notes to Non-Consolidated Statement of Changes in Net Assets

Items Related to the Classes and Number of Treasury Stock

Classes of shares	Number of shares at the end of previous fiscal year	Increase in number of shares in fiscal year under review	Decrease in number of shares in fiscal year under review	Number of shares at the end of fiscal year under review
Common stock	8,301,997	21,391	4,478	8,318,910

(Outline of reasons for change)

The increase of 21,391 in the number of common stocks is due to the purchase of shares constituting less than one unit..

The decrease of 4,478 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. Significant Components of Deferred Tax Assets and Deferred Tax Liabilities

Deferred Tax Assets	(Millions of yen)
Devaluation of Other Investment Securities of Subsidiaries and Affiliated Companies	2,753
Impairment loss	2,495
Accrued Pension and Severance Costs	2,270
Accrued Bonuses	2,109
Loss on revaluation of fixed assets	1,887
Allowance for Doubtful Accounts	1,390
Accrued Business Tax	1,286
<u>Other</u>	<u>3,749</u>
Total Deferred Tax Assets	17,943
Deferred Tax Liabilities-	(Millions of yen)
Unrealized gains on securities	(3,106)
<u>Prepaid Pension and Severance Costs</u>	<u>(4,946)</u>
Total Deferred Tax Liabilities	(8,053)
Net Deferred Tax Assets	(Millions of yen) 9,889

2. Summary of the Reconciliation between the Effective Tax Rate Reflected in the Financial Statements and the Statutory Tax Rate is Summarized as Follows:

Statutory tax rate	40.5%
(adjustment)	
Dividends income and other items never treated as gains	(1.5)
Foreign tax credit	(0.5)
Per capita rate of corporate inhabitant tax	0.5
Research and development tax credits	(0.5)
<u>Others</u>	<u>(0.1)</u>
Effective tax rate after the adoption of deferred tax accounting	38.4

Notes to Fixed Assets Used under Lease

1. Finance lease transactions other than those deemed to transfer the ownership of the leased assets to lessee

Other than the fixed assets listed in the balance sheet, non-ownership-transfer finance lease contracts are used in the case of certain buildings and improvements, automobiles, and office equipment and fixtures.

- 1) The amount equivalent to acquisition cost, the amount equivalent to accumulated depreciation, and the amount equivalent year-end balance

(Millions of yen)

Amount equivalent to acquisition cost	
Buildings and improvements	5,184
Automobiles	3,147
<u>Tools, furniture and fixtures</u>	<u>3,018</u>
Total	11,351

Amount equivalent to accumulated depreciation	
Buildings and improvements	1,912
Automobiles	1,672
<u>Tools, furniture and fixtures</u>	<u>2,158</u>
Total	5,743

Amount equivalent to the year-end balance	
Buildings and improvements	3,272
Automobiles	1,475
<u>Tools, furniture and fixtures</u>	<u>860</u>
Total	5,608

- 2) The amount equivalent to the year-end balance of future minimum lease payments

(Millions of yen)

Within 1 year	1,438
<u>Over 1 year</u>	<u>5,108</u>
Total	6,546

- 3) Lease Payment Expenses, the Amount Equivalent to Depreciation Expenses, and the Amount Equivalent to Interest Expenses

(Millions of yen)

Lease payment expenses	1,892
Amount equivalent to depreciation expenses	1,651
Amount equivalent to interest expenses	286

- 4) Calculating Method of the Amount of Depreciation Expenses and the Amount of Interest Expenses

Calculating method of the amount equivalent to depreciation expenses

Depreciation expenses is calculated using the straight-line method which assumes that the period of the lease is the useful service life of the asset and sets the residual value to zero.

Calculating method of the amount equivalent to interest expenses

The amount equivalent to interest expenses is calculated as the difference between total lease payments and the amount equivalent to the acquisition cost of leased

properties, and the interest method is used as the allocation method for each fiscal period.

2. Operating Lease Transactions

(1) Lessee

Future minimum lease payments	
	(Millions of yen)
Within 1 year	2,171
<u>Over 1 year</u>	<u>31,456</u>
Total	33,628

(2) Lessor

Future minimum lease payment to be received	
	(Millions of yen)
Within 1 year	1,325
<u>Over 1 year</u>	<u>22,787</u>
Total	24,112

Notes to Transactions with Related Parties

Type	Name	Address	Capital (Millions of yen)	Business content	Voting Rights Held by Company (Indirect) (%)	Relationship	
						Additional posts of directors and corporate auditors	Business relationship
Subsidiary	Secom Techno Service Co., Ltd.	Nakano-ku, Tokyo	2,357	Installation of security systems	67.8 (0.0)	-	Construction subcontractor
Subsidiary	Nohmi Bosai Ltd.	Chiyoda-ku Tokyo	13,302	Comprehensive fire protection service	50.9 (0.0)	1 person	-
Subsidiary	Secom Medical System Co., Ltd.	Shibuya-ku, Tokyo	200	Home medical services,, etc.	100.0	3 persons	Loan of funds

	Transactions	Amount of Transactions (Millions of yen)	Account	Year-end Balance (Millions of yen)
Secom Techno Service Co., Ltd.	Installation costs (Note 2)	40,172	Accounts payable	3,700
			Payable-construction	1,227
Nohmi Bosai Ltd.	Underwriting of share allotment (Note 3)	14,060		-
Secom Medical System Co., Ltd.	Execution of loans (Collection of Loan)	15,519 (11,169)	Short-term loan receivable	7,933
			Long-term loan receivable	21,218

(Notes)

1. Consumption taxes are not included in the transaction amounts listed above. However, consumption taxes are included in the year-end balances.
2. The installation costs are determined by price negotiations, taking market prices into consideration.
3. The allocation of new shares to third parties undertaken by Nohmi Bosai Ltd. was underwritten at Yen 760 per share.

Notes to Per Share Information

Net assets per share:	Yen 2,196.54
Net income per share:	Yen 210.00

[English Translation]

Certified Copy of the Accounting Auditors' Report

[English Translation of the Auditors' Report Originally Issued in the Japanese Language]

Independent Auditors' Report

Date May 23, 2007

The Board of Directors
SECOM Co., Ltd.

KPMG AZSA & Co.

Kentaro Onishi (Seal)
Designated and Engagement Partner
Certified Public Accountant

Toshiya Mori (Seal)
Designated and Engagement Partner
Certified Public Accountant

We have audited the statutory report, comprising the balance sheet, the statement of income, the statement of changes in net assets and the related notes, and its supporting schedules of SECOM Co., Ltd. as of March 31, 2007 and for the 46th business year from April 1, 2006 to March 31, 2007 in accordance with Article 436(2)① of the Companies Act. The statutory report and supporting schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on the statutory report and supporting schedules based on our audit as independent auditors.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those auditing standards require us to obtain reasonable assurance about whether the statutory report and supporting schedules are free of material misstatement. An audit is performed on a test basis, and includes assessing the accounting principles used, the method of their application and estimates made by management, as well as evaluating the overall presentation of the statutory report and supporting schedules. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the statutory report and supporting schedules referred to above present fairly, in all material respects, the financial position and the results of operations of SECOM Co., Ltd. for the period, for which the statutory report and supporting schedules were prepared, in conformity with accounting principles generally accepted in Japan.

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Reference Document Concerning the General Meeting of Shareholders

First Item of Business: Proposed Disposal of Surplus

Matters related to the year-end dividend:

The Company considers the return of profit to shareholders as one of the important issues, and the Company has determined a dividend payout ratio and level of internal reserves after making an overall judgment on the expansion of the Company's business and movements for future sales and profits of the Company while considering the Company's basic policy that ensures the payment of continual and steady dividends. The Company will utilize internal reserves for investments required for increased new contractors, research and development and an investment and the like for strategic businesses so that the Company will exert its efforts to strengthen the corporate structure and to expand its business.

Furthermore, in order to return profits to shareholders to reflect the financial conditions of the Company more accurately, the Company changed the basis of the dividend from the non-consolidated basis to the consolidated basis from the fiscal year under review.

It is proposed that based on the aforesaid basic policy cash dividends for the fiscal year under review be increased by Yen 20 per share from Yen 60 per share for the previous fiscal year to Yen 80 per share to reward shareholders' continued support.

- (1) Kind of asset distributed:
Cash.
- (2) Matter related to distribution of cash and total amount:
Yen 80 per share of common stock of the Company.
The total amount: Yen 17,997,584,560.
- (3) Effective date for distribution of surplus:
June 28, 2007.

Second Item of Business: Election of Twelve (12) Directors

The term of office of all of the eleven (11) Directors will expire at the close of this meeting. Therefore, it is proposed to elect twelve (12) Directors, including four (4) new Directors.

The candidates are as follows:

	Name (Date of Birth)	Profile (Title, Responsibility, and Representatives for Other Companies)	The number of Shares Held
1	Makoto Iida (April 1, 1933)	Jul 1962 President and Representative Director (Founder) Feb 1976 Chairman and Representative Director Jun 1997 Supreme Advisor and Director (currently)	4,320,500
2	Juichi Toda (March 7, 1932)	Jul 1962 Senior Executive Director (Co-founder) Feb 1976 Executive Vice Chairman and Representative Director Jun 1997 Supreme Advisor and Director (currently)	3,152,216
3	Shohei Kimura (May 2, 1943) *	Apr 1967 Joined SECOM Co., Ltd. Feb 1985 Director Feb 1988 Executive Director Jun 1995 Senior Executive Director Apr 2002 President and Representative Director	36,500

	Name (Date of Birth)	Profile (Title, Responsibility, and Representatives for Other Companies)	The number of Shares Held
		Jun 2004 President and Representative Director and Executive Officer Apr 2005 Chairman and Director (currently) (Representatives for other companies, etc.) Chairman, Tokyo Security Service Association	
4	Kanemasa Haraguchi (August 7, 1950) *	Apr 1974 Joined SECOM Co., Ltd. Jun 1990 Director Jun 1995 Executive Director Jun 1997 Senior Executive Director Jun 2002 Director and Executive Vice President Jun 2004 Director and Executive Vice President and Executive Officer Apr 2005 President and Representative Director (currently)	9,144
5	Katsuhisa Kuwahara (May 9, 1948) *	Apr 1971 Joined SECOM Co., Ltd. Jun 1990 Director Jun 1995 Executive Director Jun 2004 Director and Managing Executive Officer Apr 2005 Executive Director (currently)	3,300
6	Shuji Maeda (September 27, 1952) *	Jan 1981 Joined SECOM Co., Ltd. Jun 1997 Director Jun 2000 Executive Director Jun 2004 Director and Managing Executive Officer Apr 2005 Executive Director (currently)	4,500
7	Shinobu Iida (May 27, 1945) *	Jun 1995 Executive Director, Foundation for Ambulance Service Development Nov 1996 Advisor, Office of Chairman, SECOM Co., Ltd. Jun 1997 Director (up to Jun 2004) Jun 2004 Executive Officer (currently) Jun 2005 Executive Director (currently)	6,500
8	Fumio Obata (July 6, 1946) *	Apr 1996 General Manager, Business Development Department, The Mitsubishi Bank, Ltd. (Presently The Bank of Tokyo-Mitsubishi UFJ, Ltd.) Nov 1998 Senior Executive Director, The Long-Term Credit Bank of Japan (under state control then; presently The Shinsei Bank, Ltd.) Mar 2000 Associate Manager, Strategic Planning Division, SECOM Co., Ltd. Jun 2000 General Manager, Medical Services Department Jun 2000 Director (currently) Mar 2002 President and Representative Director, Secom Medical System Co., Ltd. (currently) Jun 2004 Executive Officer (currently)	2,000
9	Seiichiro Kobayashi (October 30, 1947) *	Apr 1970 Joined SECOM Co., Ltd. Feb 1988 Director Jun 1997 Executive Director (up to Jun 2004) Jun 2004 Managing Executive Officer (currently) Jun 2004 President and Representative Director, Secom Home Life Co., Ltd. (currently)	8,028
10	Yasuo Nakayama (November 1, 1952)	Jul 1998 Branch Manager, Oita Branch, The Bank of Japan Jul 2001 Advisor to the Governor, Secretariat of the Policy Board, The Bank of Japan Jul 2003 Branch Manager, Nagoya Branch, The Bank of Japan Jul 2005 Director-General, Secretariat of the Policy Board,	0

	Name (Date of Birth)	Profile (Title, Responsibility, and Representatives for Other Companies)	The number of Shares Held
		Apr 2007 The Bank of Japan Personnel and Corporate Affairs Department, The Bank of Japan May 2007 Advisor, SECOM Co., Ltd.	
11	Koichi Sato (February 5, 1953) *	Apr 1976 Joined SECOM Co., Ltd. Apr 1994 General Manager, Planning Department Sep 1998 Region General Manager, Shizuoka Regional Headquarters Mar 2001 General Manager, COCO-SECOM Department Apr 2004 General Manager, Operations Department (currently) Jun 2004 Executive Officer Jun 2005 Managing Executive Officer (currently)	788
12	Takayuki Ito (January 2, 1954) *	Jun 2000 Branch Manager, Hibiya Branch, The Sanwa Bank, Ltd. (Presently The Bank of Tokyo-Mitsubishi UFJ, Ltd.) Jul 2002 Branch Manager, Muromachi Branch, and General Manager, Corporate Sales Department, UFJ Bank, Ltd. (Presently The Bank of Tokyo-Mitsubishi UFJ, Ltd.) May 2004 Director, The Daiei, Inc. Jun 2005 Advisor, SECOM Co., Ltd. Jun 2006 Executive Officer (Assistant to President, in charge of control of the Group) (currently)	0

- (Notes) 1. There is no particular interest between the Company and each of the said candidates.
2. Asterisk marks (*) indicate incumbent Executive Officer of the Company.

Third Item of Business: Election of Four (4) Corporate Auditors

The term of office of all of the four (4) Corporate Auditors will expire at the close of this meeting. Therefore, it is proposed to elect four (4) Corporate Auditors.

Furthermore, the Board of Corporate Auditors has consented to submission of this item of business.

The candidates are as follows:

	Name (Date of Birth)	Profile (Title, Responsibility, and Representatives for Other Companies)	The number of Shares Held
1	Teruo Ogino (September 25, 1938)	May 1989 General Manager, Inspection Department, The Mitsubishi Bank, Ltd. (presently The Bank of Tokyo-Mitsubishi UFJ, Ltd.) Feb 1990 Advisor, SECOM Co., Ltd. Feb 1990 Director Jun 1996 Executive Director Jun 2003 Full-time Corporate Auditor (currently)	7,900
2	Ken Tsunematsu (March 30, 1932)	Apr 1968 Registered as Attorney-at-Law (Daini Tokyo Bar Association) Apr 1968 Joined Blakemore & Mitsui Mar 1979 Auditor, SECOM Science and Technology Foundation Jan 1988 Founded Tsunematsu Yanase & Sekine Jan 2000 Founded Nagashima Ohno & Tsunematsu, by the merger with Nagashima & Ohno Jun 2002 Corporate Auditor, SECOM Co., Ltd. (currently) Jan 2003 Advisor, Nagashima Ohno & Tsunematsu	0

	Name (Date of Birth)	Profile (Title, Responsibility, and Representatives for Other Companies)	The number of Shares Held
		(currently) Mar 2004 Chairman, SECOM Science and Technology Foundation (currently)	
3	Hiroshi Yasuda (March 8, 1933)	Jan 1979 Director, Jardine Matheson & Company (Japan) Ltd. Feb 1986 President and Representative Director, Jardine Matheson K.K. Apr 1989 Chairman and Representative Director, Jardine Matheson K.K. Jun 1993 Advisor, YASUDA Real Estate Co., Ltd. (currently) Jan 1999 Representative, Japan Jardine Fleming Group Jan 1999 Chairman and Director, J.P. Morgan Fleming Asset Management (Japan) Ltd. (presently JPMorgan Asset Management (Japan) Ltd.) Jan 2002 Advisor and Director, J.P. Morgan Fleming Asset Management (Japan) Ltd. (presently JPMorgan Asset Management (Japan) Ltd.) (currently) Jun 2003 Corporate Auditor, SECOM Co., Ltd. (currently) Sep 2004 Chairman and Representative Director, Mandarin Oriental Tokyo Co., Ltd. Oct 2005 Senior Advisor and Director, Mandarin Oriental Tokyo Co., Ltd. (currently) (Representatives for other companies, etc.) President and Director, Yasuda Shoko Kyoikukai	800
4	Kohei Yamashita (January 26, 1938)	Apr 1988 President and Representative Director, Kokyō Tatemono Co., Ltd. (currently) Nov 1990 Chairman and Representative Director, International Ceramic, Inc. (currently) Jun 1993 Chairman and Representative Director, Imperial Enterprises Inc. Jul 1995 Chairman and Representative Director, Dalian Building Maintenance Co., Ltd. (currently) Jan 1997 Chairman and Representative Director, Tozai Building Maintenance Co., Ltd. (currently) Jun 1998 Director, General Lasertronics Corporation (currently) Jun 2003 Corporate Auditor, SECOM Co., Ltd. (currently)	800

(Notes)

1. There is no particular interest between the Company and each of the said candidates.
2. Messrs. Ken Tsunematsu, Hiroshi Yasuda and Kohei Yamashita are candidates for outside Corporate Auditors.
3. Reasons for appointment of the candidates for outside Corporate Auditors.
 - (1) Since Mr. Ken Tsunematsu can serve the Company with his experiences and knowledge as a lawyer in the light of strengthening the audit system of the Company, we ask you to elect him as outside Corporate Auditor.
 - (2) Since Mr. Hiroshi Yasuda can serve the Company with his long-term experiences and knowledge as a management person and director of many companies, organizations, and the like in the light of strengthening the audit system of the Company, we ask you to elect him as outside Corporate Auditor.
 - (3) Since Mr. Kohei Yamashita can serve the Company with his long-term experiences and knowledge as a management person of global companies in the light of strengthening the audit system of the Company, we ask you to elect him as outside Corporate Auditor.
4. Reasons why it is determined that the candidates for outside Corporate Auditors will duly discharge their duties.

Although Mr. Ken Tsunematsu has not been directly engaged in corporate management, since he is acquainted with corporate legal practices and has extended knowledge about management, it is determined that he will duly discharge his duties as outside Corporate Auditor.

5. The number of years of the term of Mr. Ken Tsunematsu, as an outside Corporate Auditor, will have been five years at the close of this general meeting of shareholders. The number of years of the term each of Mr. Hiroshi Yasuda and Mr. Kohei Yamashita will have been four years at the close of this general meeting of shareholders.

Fourth Item of Business: Presentation of Retirement Allowance to Retiring Directors

It is proposed that retirement allowance be paid to each of Messrs. Toshitaka Sugimachi, Nobuyuki Sasaki and Katsuo Akiyama who will resign as Directors upon the expiration of the term at the close of this general meeting of shareholders, in reasonable amounts determined in accordance with the specified standards of the Company to reward their meritorious service to the Company. It is also proposed that the determination of the amounts, the date of payment thereof, the methods and other matters in relation thereto be entrusted to the Board of Directors.

Furthermore, since Mr. Katsuo Akiyama is scheduled to assume the office of executive officer of the Company following the close of the general meeting of shareholders, the retirement allowance payable for the period during which he served as Director shall be paid when he resigns as executive officer, together with a retirement allowance payable for the period during which he serves as executive officer.

The profiles of the retiring Directors are as follows:

Name	Profile	
Toshitaka Sugimachi	Feb 1979	Director
	Feb 1986	Executive Director
	Jun 1994	Senior Executive Director
	Jun 1995	President and Representative Director
	Apr 2002	Chairman and Director
	Apr 2005	Advisor and Director (currently)
Nobuyuki Sasaki	Jun 1991	Executive Director
	Jun 1997	Senior Executive Director
	Jun 2004	Director and Senior Managing Executive Officer
	Apr 2005	Senior Executive Director (currently)
Katsuo Akiyama	Jun 1995	Director
	Jun 2002	Executive Director
	Jun 2004	Director and Managing Executive Officer
	Apr 2005	Executive Director (currently)

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