



株式会社 セコム  
オペレーションセンター

## ANNUAL REPORT 2009

Year ended March 31, 2009

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In response to changing customer needs, SECOM is working to realize its vision for the future—the **Social System Industry**—by providing comprehensive, integrated services and systems that make life more secure, convenient and comfortable.

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The Social System Industry: Combining the products and services of the SECOM Group into distinctive packages to achieve our overarching goal of providing safety and security for people whenever and wherever necessary.

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At the general shareholders' meeting, shareholders approved a resolution to pay annual cash dividends of ¥85.00 per share. With the aim of enhancing returns, we also repurchased ¥30.0 billion worth of treasury stock during the period under review.

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We have developed a distinctive, integrated approach that allows us to offer reliable, high-grade security services to customers at appropriate prices. This has enabled us to create on-line security systems that respond to the diverse needs of subscribers.

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In the People's Republic of China (PRC), we have established a number of security services companies, focusing particularly on key cities in the country's high-growth coastal areas. In the coming years, we will work to broaden our presence to include the central and western areas of the PRC, with the aim of offering "SECOM-style" on-line security services to customers throughout the country.

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Note: Unless specified otherwise, all figures contained in this annual report are based on the financial statements, which have been calculated and are presented in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

## PROFILE

Since its establishment in 1962, SECOM CO., LTD., a pioneer in Japan's security services industry, has sought to contribute to society through its business activities. In 1966, SECOM developed Japan's first on-line security system, which it soon began providing to businesses. In 1981, SECOM developed and marketed a home security system, while two decades later it began offering security systems that protect people and property, including vehicles, on the move. These efforts have enabled SECOM to respond to society's increasing and evolving security needs, as well as to achieve steady growth.

Today, SECOM—comprising the parent company and the companies of the SECOM Group—has expanded its focus beyond its core security services to include fire protection services, medical services, insurance services, geographic information services, real estate development and sales, and information and communication related and other services.

In line with its overarching goal of providing safety and security for people whenever and wherever necessary, SECOM continues to work toward realizing its vision for the future—the Social System Industry—a framework of distinctive products and services that make life more secure, convenient and comfortable. Through these efforts, SECOM continues to target further growth.

SECOM has also expanded into overseas markets, establishing a network of subsidiaries and affiliates in 11 countries and territories, where it provides services of the same high quality as it does in Japan. In particular, SECOM is focusing on the high-growth markets of the People's Republic of China (PRC) and Southeast Asia, and is broadening its presence in both areas to respond to rising demand for security services.

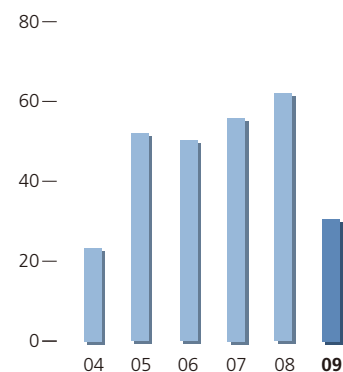
# HIGHLIGHTS

## U.S. GAAP

| SECOM CO., LTD. and Subsidiaries<br>Three years ended March 31, 2009 | In millions of yen   |           |           | In thousands<br>of U.S. dollars |
|--|----------------------|-----------|-----------|---------------------------------|
|  | Years ended March 31 |           |           | Year ended<br>March 31          |
|  | 2009                 | 2008      | 2007      | 2009                            |
| Net sales and operating revenue .....                                | ¥ 688,771            | ¥ 706,695 | ¥ 636,678 | \$ 7,028,276                    |
| Operating income .....   | 76,699               | 105,628   | 94,418    | 782,643                         |
| Net income .....   | 30,560               | 61,756    | 55,889    | 311,836                         |
| Total assets .....   | 1,143,141            | 1,265,525 | 1,241,182 | 11,664,704                      |
| Total shareholders' equity .....                                     | 528,721              | 574,554   | 551,732   | 5,395,113                       |
|  |                      |           | In yen    | In U.S. dollars                 |
| Per share of common stock:   |                      |           |           |                                 |
| Net income .....   | ¥ 137.42             | ¥ 274.51  | ¥ 248.42  | \$ 1.40                         |
| Cash dividends .....   | 85.00                | 80.00     | 60.00     | 0.87                            |
| Shareholders' equity .....   | 2,424.91             | 2,553.97  | 2,452.47  | 24.74                           |

- Notes: 1. Yen amounts have been translated into U.S. dollars, solely for the convenience of the reader, at the rate of ¥98=US\$1, the rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2009.  
 2. Net income per share of common stock is based on the average number of shares outstanding during each period.  
 3. Shareholders' equity per share of common stock is based on the number of shares outstanding at the end of each period, minus treasury stock.  
 4. Cash dividends per share of common stock shown are based on dividends approved and paid in each period. Subsequent to March 31, 2009, cash dividends of ¥85.00 per share were approved at the general shareholders' meeting held on June 25, 2009 (see Note 17 of the accompanying Notes to Consolidated Financial Statements).

**Net Income (U.S. GAAP)**  
(In billions of yen)



Note: Net income in the year ended March 31, 2009, declined ¥31.2 billion, to ¥30.6 billion. This result was due mainly to an increase in loss on other-than-temporary impairment of investment securities, reflecting a stagnant stock market, and an operating loss in the real estate sales and development segment, owing to flagging conditions in the condominium market.

Net income in the year ended March 31, 2008, rose ¥5.9 billion, to ¥61.8 billion. This result was due to higher operating income, which reflected increases in the security services segment and a full year of contributions from the fire protection services segment, newly established for the operations of Nohmi Bosai Ltd., which became a consolidated subsidiary in December 2006.

Net income in the year ended March 31, 2007, rose ¥5.6 billion, to ¥55.9 billion. This result was due to continued growth in net sales and operating revenue, particularly in the security services segment, and a decline in selling, general and administrative expenses.

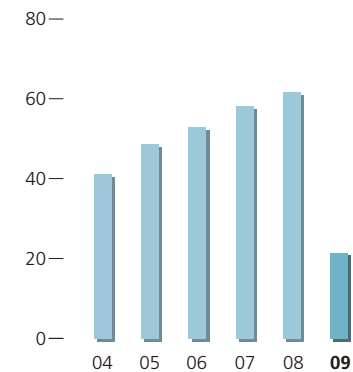
Pursuant to applicable Japanese law, SECOM is required to publish results in line with accounting principles generally accepted in Japan (Japanese GAAP). Key financial highlights calculated using Japanese GAAP are shown below for reference.

## Japanese GAAP

| SECOM CO., LTD. and Subsidiaries<br>Three years ended March 31, 2009 | In millions of yen   |           |           | In thousands<br>of U.S. dollars |
|--|----------------------|-----------|-----------|---------------------------------|
|  | Years ended March 31 |           |           | Year ended<br>March 31          |
|  | 2009                 | 2008      | 2007      | 2009                            |
| Revenue .....  | ¥ 678,400            | ¥ 682,619 | ¥ 613,976 | \$ 6,922,449                    |
| Operating profit .....   | 87,634               | 104,706   | 97,840    | 894,224                         |
| Ordinary profit .....  | 90,924               | 114,278   | 102,720   | 927,796                         |
| Net income .....   | 21,502               | 61,506    | 58,299    | 219,408                         |
| Total assets .....   | 1,090,483            | 1,202,840 | 1,169,182 | 11,127,378                      |
| Total net assets .....   | 582,608              | 630,274   | 601,116   | 5,944,980                       |
|  |                      |           | In yen    | In U.S. dollars                 |
| Per share of common stock:   |                      |           |           |                                 |
| Net income .....   | ¥ 96.69              | ¥ 273.40  | ¥ 259.14  | \$ 0.99                         |
| Cash dividends .....   | 85.00                | 80.00     | 60.00     | 0.87                            |
| Net assets .....   | 2,380.12             | 2,521.45  | 2,400.91  | 24.29                           |

Note: Cash dividends per share of common stock shown are based on dividends approved and paid in each period. Subsequent to March 31, 2009, cash dividends of ¥85.00 per share were approved at the general shareholders' meeting held on June 25, 2009.

**Net Income (Japanese GAAP)**  
(In billions of yen)



# Strengthening the Foundation of the Social System Industry

Two decades have passed since SECOM declared its Social System Industry vision in 1989. In this time, SECOM has worked to combine its products and services into distinctive packages that make life more secure, convenient and comfortable, to achieve its overarching goal of providing safety and security for people whenever and wherever necessary.

The cornerstone of the Social System Industry, SECOM's security services, are backed by a nationwide network of emergency response depots, expert emergency response personnel and outstanding response services, ongoing system improvements and effective response capabilities, which make use of diverse telecommunications circuits. This integrated approach has earned SECOM the trust of its customers.

We have also expanded our business domain beyond security services by diversifying into new areas, with the aim of offering a broader range of products and services that respond to people's need for security and peace of mind. Today, the SECOM Group's portfolio also encompasses fire protection services, medical services, insurance services, geographic information services, real

estate development and sales, and information and communication related and other services. We not only provide these products and services independently to customers, but also combine them into unique packages that deliver even greater added value.

We continue to push forward with the expansion of our businesses. In such efforts, we adhere to our original corporate philosophy, which emphasizes not being content with the status quo and striving to do what is appropriate. The former means seeking constantly to provide more innovative and appropriate solutions; the latter means judging the legitimacy of our actions based on whether they are just and fair and benefit society.

By realizing our Social System Industry vision, we will continue striving to address the evolving needs of society. Having repositioned ourselves firmly on a growth trajectory, we will continue building on our capabilities to encourage an ever-increasing number of customers to turn to SECOM, and to inspire confidence that doing so will help resolve their problems and enhance security and peace of mind.





Makoto Iida  
Founder

## Consolidated Operating Results

In the fiscal year ended March 31, 2009, a harsh economic environment persisted in Japan as the impact of the financial crisis precipitated by the U.S. subprime loan debacle spread, triggering sharp declines in the economies of countries around the world and leading to deteriorating corporate profits and a decline in private-sector capital investment, as well as by worsening unemployment and falling personal income, which hampered consumer spending.

In this environment, we continued to respond to customers' needs with the aim of realizing our Social System Industry vision. To this end, we stepped up efforts to provide high-grade products and services suited to customer needs in our core security services business, as well as in our other businesses, namely, fire protection services, medical services, insurance services, geographic information services, real estate development and sales, and information and communication related and other services.

While net sales and operating revenue increased steadily in the security services, fire protection services, medical services and geographic information services businesses, declines were reported in the insurance services business, due to an increase in loss on other-than-temporary impairment of investment securities reflecting a stagnant stock market; the real estate development and sales business, owing to flagging conditions in the condominium market; and the information and communication related and other services business, a consequence of efforts to scale back lower-margin services. Consolidated net sales and operating revenue slipped 2.5%, or ¥17.9 billion, to ¥688.8 billion. The decline in net sales and operating revenue, together with the write-down on real estate inventories in the real estate development and sales business, pushed operating income down 27.4%, or ¥28.9 billion, to ¥76.7 billion. Net income fell 50.5%, or ¥31.2 billion, to ¥30.6 billion, owing mainly to an increase in loss on other-than-temporary impairment of investment securities.

Having judged the negative turn in our performance to be a transitory phenomenon, we prioritized solid returns to shareholders when determining dividends. At the general shareholders' meeting on June 25, 2009, shareholders approved a resolution to pay annual cash dividends of ¥85.00 per share, the same amount as in the previous fiscal year. With the aim of enhancing returns, we also repurchased ¥30.0 billion worth of treasury stock during the period under review.

## Understanding and Responding to Changes in the Operating Environment

In the security services business, the increasing frequency of malicious and cunning crimes and changing social imperatives have led to increasingly diverse and sophisticated safety and security needs. As a consequence, demand for security services is expanding. At the same time, difficult economic conditions have raised customers' cost consciousness, prompting an increasing need for products and services that deliver better quality and cost performance than ever before.

In the market for commercial security services, we took steps to reinforce sales activities with the aim of increasing our market share. While we have always promoted ambitious marketing initiatives, there are still a number of industries and customer groups for which our efforts have been insufficient and thus there are potential customer groups which remain untapped. As always, our basic approach is for SECOM sales personnel to visit each potential customer in person, thus ensuring our ability to accurately grasp needs and respond with appropriate product and service proposals, thereby leading to new contracts. For existing customers, we continue to offer distinctive, comprehensive packages of products and services—including building facility inspection and maintenance—tailored to customers' needs. Owing to evolving social conditions and flagging business conditions, shops and building tenants today move location with increasing frequency. In response to this trend, we continue to capitalize on our nationwide network of offices to enable customers changing premises to transfer their security services contracts to their new locations, as well as to encourage new tenants to sign contracts.

In the home security market, despite worsening conditions in the housing market and shrinking sales of built-for-sale single-family dwellings, residential customers continue to seek higher levels of security, prompted by the rising incidence of vicious and cunning crimes targeting homes and the increasing prevalence of home security systems. Here, too, we continue to focus on increasing the number of contracts for SECOM Home Security systems by strengthening our sales efforts. A recent partial revision of Japan's Fire Services Act has made it mandatory for new homes to install fire alarm systems. By 2011, local authorities will enact corresponding ordinances obliging existing homes to do the same. Taking advantage of this change, we are taking decisive steps to market Home Fire Sensor, which can be connected to SECOM Home Security systems, to existing residential customers. We have also marketed fire insurance to SECOM Home Security subscribers, capitalizing on the fact that such customers are eligible for discounts on fire insurance premiums because security systems reduce the risk of fire. To accommodate customers' demand for even greater security, we have also reinforced the marketing of a variety of security products that can be connected to SECOM home security systems, including high-impact, break-age-resistant window glass and our External Image Monitoring System. We are also expanding and enhancing the popular SECOM Home Service, a suite of lifestyle support services through which we assist SECOM Home Security subscribers in resolving everyday problems.

We are gradually increasing our presence in overseas security services markets, particularly in other parts of Asia. In the PRC, which continues to see considerable economic growth, we offer SECOM security services in key coastal cities and surrounding urban areas. With the aim of gaining increased market acceptance, we are also expanding into inland areas. In Southeast Asia, where demand for security services is increasing in tandem with economic growth, we are working to further bolster our operations by establishing new bases and expanding our business foundation.



Shohei Kimura  
Chairman



Kanemasa Haraguchi  
President and Representative Director

To realize our Social System Industry vision, we are also stepping up efforts to expand businesses other than security services. In the area of fire protection services, we continue to see brisk sales of fire protection systems in the renovations market. In recent years, demand has grown in the renovations market as building owners, anxious to minimize costs, increasingly choose to renovate rather than rebuild. Subsidiary Nohmi Bosai Ltd., a leading name in the fire protection market, continues to draw on its outstanding reputation and accumulated expertise to advise building owners on the most appropriate choices for their needs.

In medical services, we are enhancing our various home medical services, which include home nursing and pharmaceutical dispensing and home delivery services, as well as distinctive and highly innovative residences for seniors. In June 2009, we opened Comfort Hills Rokko, a new residence that capitalizes on our accumulated expertise and the first such facility in Japan to be linked directly to a general hospital.

In insurance services, we expanded marketing efforts for our unique non-life insurance offerings. These include fire insurance policies for businesses and homes that offer discounts on premiums to customers that have installed on-line security systems, recognizing such systems as a risk-mitigating factor; a comprehensive automobile insurance policy that encompasses support services provided by our emergency response personnel; and MEDCOM, an unrestricted cancer treatment policy. With the number of contracts for fire insurance and MEDCOM continuing to increase, we will take further steps to reinforce sales.

In geographic information services, we have built on our accumulated geographic information system (GIS) surveying capabilities to generate geospatial data, which we supply to public- and private-sector customers. We have also obtained exclusive rights in Japan and nonexclusive rights worldwide to sell image data generated by a certain commercial satellite, and have launched this as a new business in Japan and overseas.

Our real estate development and sales business involves the development and sale of condominiums equipped with advanced security and disaster prevention systems. In response to flagging demand for condominiums in the period under review, we sought to bolster sales and reduce inventories by restricting our selection of properties for development and sale and revising sales prices.

Our information and communication related and other services business focuses on comprehensive information and network services, encompassing information security and disaster response support services. We recently added “new strains of influenza” to the list of applicable situations for the SECOM Safety Confirmation Service, which is designed to help companies confirm the safety of their employees in the aftermath of a major disaster.

### **Realizing the Social System Industry Vision**

Having positioned the security services business as our core focus and expanded our portfolio to include fire protection services, medical services, insurance services, geographic information services, real estate development and sales, and information and



communication related and other services, we are developing and providing products and services that deliver greater added value by promoting close collaboration among these businesses. Our quest to realize our Social System Industry vision involves the creation of a comprehensive framework of distinctive products and services that benefit society. To this end, we will continue striving to reinforce our grasp of changing social imperatives and the needs of customers for security and peace of mind, with the aim of offering products and services that deliver increased value. Through these efforts, we will contribute to the creation of a society in which all people feel safe and at ease.

Overseas, we will leverage expertise accumulated in Japan to provide security services of the same high quality as we do in the domestic market customized to meet different national and regional market needs.

In line with our ultimate objective as a corporate entity, which is to contribute to society through our business activities, we are guided by our original corporate philosophy, which emphasizes challenging accepted norms to create innovative and better-suited solutions, and striving to do what is appropriate, that is, judging the legitimacy of our actions based on whether they are just and fair and benefit society. Our continued growth to date is attributable to our determination, guided by this philosophy, to proceed forward boldly, not fearing change but rather capitalizing on it to cultivate innovative new businesses. Our corporate message—"Providing reliable peace of mind"—encapsulates our mission to develop and offer products and services that promote a level of safety worthy of the trust of our customers, thereby enabling us to realize our Social System Industry vision. The management and employees of SECOM thus pledge to work as one to continue achieving growth.

In these and all of our endeavors, we look forward to the continuous support of our shareholders.

June 25, 2009



**Makoto Iida**  
Founder

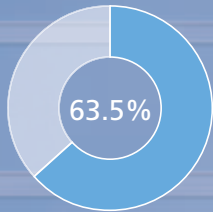


**Shohei Kimura**  
Chairman



**Kanemasa Haraguchi**  
President and Representative Director

Percentage of consolidated net sales and operating revenue\*



Security Services

■ **Security Services** P 9

■ **Commercial Security Services** P10

■ **Home Security Services** P13

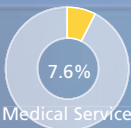
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Fire Protection Services

■ **Fire Protection Services** P19



Medical Services

■ **Medical Services** P20



Insurance Services

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Geographic Information Services

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Real Estate Development and Sales

■ **Real Estate Development and Sales** P24



Information and Communication Related and Other Services

■ **Information and Communication Related and Other Services** P24

\*Pie charts show percentage of consolidated net sales and operating revenue (Excluding intersegment transactions)

## Security Services

Our high-grade on-line security systems are supported by our distinctive approach.

SECOM began offering on-line security services in 1966. Rather than simply selling security equipment outright, SECOM sought to provide a comprehensive service, which it did by creating an innovative system encompassing the placement of sensors and other equipment at its subscribers’ premises, around-the-clock monitoring from a SECOM control center via telecommunications circuits, the dispatch of emergency response personnel from the closest emergency depot should an irregularity be detected and, when necessary, alerting the police and/or fire department.

Security services that are supposed to protect the safety of customers must be deserving of those customers’ full trust. Such services must also accommodate diverse customer needs, which reflect such factors as regional variations and business differences, and be priced in a manner that aptly matches the nature of the services provided.

We have developed a distinctive, integrated approach that allows us to offer reliable, high-grade security services to customers at appropriate prices. First of all, we rent, rather than sell, our security equipment to subscribers. This enables us to take responsibility for replacing equipment promptly in the event of a malfunction, thus ensuring stable and outstanding service quality with only minimal downtime. Rental contracts also mean initial costs for subscribers are significantly lower than if they were required to purchase the systems outright.

The second key difference in our approach is that we maintain full control over every aspect of our security systems, from research and development (R&D) to manufacturing, sales, security planning, installation, monitoring, emergency response services and equipment maintenance. Because R&D is conducted in-house, we are able to incorporate customer feedback swiftly into the development process, as well as update and integrate existing systems promptly and flexibly. Additionally, we have leveraged our management resources to develop a reliable communications network, meaning that subscribers’ premises can be linked with SECOM

control centers not only through the subscribers’ telephone circuits, but also by using the COCO-SECOM mobile security systems’ communications infrastructure. Our ability to leverage management resources has therefore allowed us to build a portfolio of highly reliable products and services. Our integrated approach also reinforces the reliability of our systems and aids stringent cost control, thereby facilitating the optimization of business processes.

We are particularly well positioned to respond to a broad range of customer requirements. Our expert emergency response team of highly trained security professionals and nationwide network of approximately 2,200 emergency depots are available around-the-clock to respond quickly if and when they are needed. Accordingly, we are able to provide comprehensive solutions to the security needs of subscribers with branches or shops across the country. With the aim of accelerating our emergency response capabilities, we continuously reassess the locations and distribution of our emergency depots and branches and are taking steps to further enhance the quality of services to subscribers. Additionally, we are capitalizing on the comprehensive strengths of the SECOM Group. This includes making use of the vast map database of subsidiary Pasco Corporation to enable control center staff to respond swiftly and dispatch emergency response personnel from the emergency depot nearest the customer in the event of a problem, thereby substantially reducing response times.

On another front, we also offer Web-based centralized monitoring of employee access, which allows subscribers to keep abreast of their employees’ movements at every one of their branches or shops, thus facilitating effective management of overtime and other personnel-related matters.

Efforts to reinforce our distinctive approach and promote even greater market acceptance of our high-grade services have made SECOM a trusted brand. Looking ahead, we will continue to earn this trust by providing improved services that respond to the needs of our customers.



Emergency response personnel

## Commercial Security Services

We continue to draw on a wealth of expertise and an extensive product and service lineup that responds to customers' expectations.



SECOM AX on-line security system

### Image Technologies: A Unique Solution to Increasingly Diverse Types of Crime

Criminal acts are growing more and more cunning and malicious, and are often committed in just minutes. SECOM AX—an on-line security system employing image recognition technology that promptly records and transmits images should an irregularity be detected when the subscriber's premises are vacant, thus facilitating a swift and accurate response—continues to earn favorable customer reviews.

The most important feature of SECOM AX is our very own image recognition technology, which makes use of advanced, on-site sensors. Even if the premises are in darkness, should the sensors detect an intruder the system immediately transmits a signal and images of the premises to a SECOM control center. This enables control center staff to swiftly and accurately evaluate the situation and respond appropriately. Using speakers installed at the subscriber's premises, control center staff are also able to broadcast a warning to the intruder. If the subscriber has also installed the SECOM Foggy

Protection System, control center staff can activate this system remotely, filling the premises with a thick—but harmless to people and equipment—chemical mist that significantly reduces visibility and hinders the intruder's ability to proceed as planned.

SECOM IX, an on-line remote imaging system developed for use in convenience stores and other commercial premises that are staffed and open around-the-clock, also continues to prove to be a formidable tool. This system enables store employees to request monitoring from a SECOM control center, should they feel uneasy about someone in the store acting suspiciously or disruptively, simply by pushing a call button. In addition to image monitoring, control center staff can also broadcast a warning through speakers mounted in the store, thereby helping to prevent crimes from occurring. If there is a threat of robbery or physical violence, store employees can push an emergency button to alert control center staff, allowing control center staff to accurately assess the situation based on images and voices transmitted from the



SECOM Control Center

premises and respond accordingly. SECOM IX can also be linked to sensors that detect intruders and fires to protect facilities that are vacant outside business hours and on holidays and weekends.

SECOM's superior image technology is also advancing the capabilities of surveillance camera systems. High-resolution imaging enables the HVR System to detect faces and even the denominations of banknotes, and delivers crisp, clear images even when premises are in darkness or the subject is lit from behind. The HVR System also signals an abnormality if someone attempts to disable or destroy its cameras, capitalizing on our proprietary expertise in this area.

The HVR System also allows for the combined use of digital and analog cameras. This eliminates the need for customers to remove existing analog cameras and peripheral equipment, and requires the installation of digital cameras only in certain positions. Therefore, customers can make effective use of existing equipment while reinforcing security. In response to rising demand for surveillance cameras to prevent information leaks and thwart crime, we are actively marketing the HVR System not only to potential customers, but also to existing customers who are renovating their premises or seeking to upgrade system performance and quality.

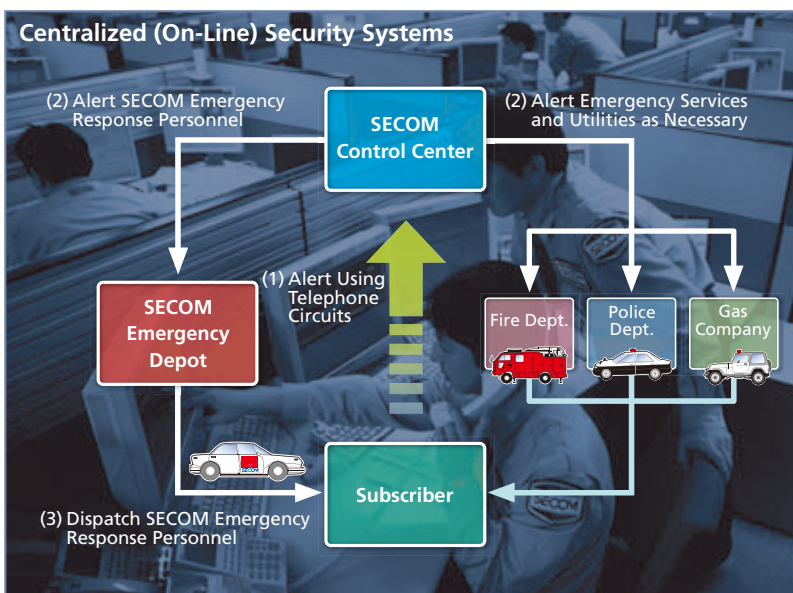
### Leveraging Unique Capabilities and Expertise to Develop New Systems

SECOM FX is an on-line security system developed specifically for unmanned retail facilities and small offices. It encompasses monitoring for the prevention of crime and fire, as well as various facility and office control mechanisms, such as the opening and closing of retail facilities, contributing to improved services for subscribers, as well as helping to reduce energy and power use. In addition to assisting with the management of a facility's schedule and employee access control, SECOM FX uses sensor signals to automatically turn off lights, air-conditioning and office automation (OA) equipment when people are not present, thus reducing power consumption. We are also stepping up efforts to market SECOM FX as an "environment-friendly" on-line security system that helps subscribers not only to cut energy and power consumption, but also to minimize CO2 emissions, thereby assisting efforts to address environmental concerns.

In recent years, integrated circuit (IC) tag technology has become as prevalent as IC card technology in a wide range of fields, and demand for a variety of applications is expected to expand significantly. To date, IC tags have been used primarily to keep track of goods, but our newly developed SECOM Active IC Tag

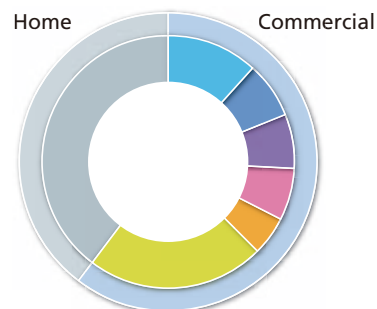


Laundromat equipped with the SECOM FX on-line security system



### Contracts for Centralized Security Systems

(As of March 31, 2009)



|                       |       |
|-----------------------|-------|
| Service industries    | 11.7% |
| Retailing/wholesaling | 7.4%  |
| Financial services    | 7.0%  |
| Manufacturing         | 6.4%  |
| Government agencies   | 5.2%  |
| Other                 | 22.7% |
| Home                  | 39.6% |



SECOM Active IC Tag System

System uses them for people. Because it doesn't require an active IC tag to be scanned by a reader to detect when an individual has passed, the system facilitates the smooth movement of people in and out of premises, thereby resolving many of the difficulties associated with traditional IC card-based systems. For example, IC tags make it possible to thwart unauthorized access through gates that do not have doors. Hospitals can use IC tags to prevent patients with cognitive impairments from wandering away undetected. Consequently, IC tags allow for flexible system modification to suit specific needs. The SECOM Active IC Tag System can also be used in tandem with our access control systems so that, for example, employee access to offices is controlled by IC card-based IDs, while IC tags may also be used to control access to warehouses, where individuals entering and exiting often do so with their hands full.

### Contributing to Safety, Peace of Mind and Greater Convenience

In Japan, most convenience stores have automated teller machines (ATMs). We supply a variety of services for ATMs, including security services, emergency equipment repairs and cash supply replenishment.

We attach sensors to ATMs to deter vandalism. If the sensors detect an irregularity, the system immediately transmits a signal to a SECOM control center. If a store employee has pressed the emergency button to indicate a potential threat, the system will also transmit a signal,

alerting the control center to dispatch emergency response personnel.

Japan has had a serious problem in recent years with "*furikome sagi*," or remittance fraud, a popular scam whereby con artists dupe their victims, usually using a cellular phone, into going to a nearby ATM and transferring funds into other accounts. Many of the victims are elderly. Perpetrators usually deceive targets into believing they are relatives and then say they need money in a hurry to get out of some sort of predicament. Thus convinced, the target goes to an ATM and remits the requested amount, following the perpetrator's instructions over the phone. In response, we have developed a remittance fraud protection system, which can intercept certain remittances made from ATMs.

This system detects when a customer is making a remittance while using a cellular phone and, determining this to indicate a high likelihood of remittance fraud, broadcasts an automatic warning to the customer. Linking the system to SECOM IX allows images and sounds from the ATM booth to be transmitted to a SECOM control center, where staff confirm the situation and try to get the customer's attention using the speaker in the booth. Banks that have installed this system have reported a decline in the incidence of remittance fraud.

Looking ahead, we will continue to develop and provide security services that help resolve causes of unease and prevent the occurrence of crimes and unexpected misfortunes.



Convenience store ATM operated by E-net Co., Ltd.



Remittance fraud protection system

## Home Security Services

By capitalizing on our broad range of high-grade home security products and services, we are responding to the needs of homeowners for security, peace of mind, convenience and comfort.



SECOM Home Security

### Capitalizing on Our Unique Strengths to Promote Increased Acceptance of SECOM Home Security

Building on our capabilities in the provision of security services for commercial subscribers, in 1981 we launched Japan's first-ever on-line home security system. Today, SECOM Home Security is suitable for a wide range of homes, from condominiums to detached houses and houses designed for two generations living under the same roof, and enjoys support from a broad range of subscribers, from young singles to couples in their 30s and 40s with young families and families with middle-aged and elderly members, and continues to find increasing application.

SECOM Home Security encompasses around-the-clock monitoring for intruders, fires, gas leaks and medical emergencies, among others.

Should an abnormality be detected, a SECOM control center is alerted to dispatch emergency response personnel and, if necessary, contacts the police and/or fire department. By capitalizing on expertise honed over 28 years, we have continued to modify and enhance the system and its related services, improving both convenience for subscribers and our response capabilities.

For example, the system currently not only monitors the subscriber's home to deter intruders when the occupants are out, but also protects them when they are at home by ensuring doors and windows are closed properly and by monitoring rooms that are not in use.

Subscribers can also take advantage of optional cellular phone- and Internet-based services that further enhance convenience. These services enable the subscriber to check on the security of his or her home from wherever they



SECOM Anshin Glass

may be by using a cellular phone or the Internet, and switch the system on if they have neglected to do so. Using a cellular phone, subscribers can even check whether air-conditioning and home electronics appliances have been left on and if necessary turn them off. Additionally, we offer a service that picks up emergency earthquake warnings from the Japan Meteorological Agency and alerts the subscriber aurally and visually using the system's home controller, thus further contributing to peace of mind.

The increasingly malicious and cunning nature of crimes is responsible for heightened demand from subscribers anxious to step up their home security. In response to such needs, we have introduced a number of security products and systems that can be integrated into SECOM Home Security to reinforce detection and prevention.

These include SECOM *Anshin Glass*, a high-impact, breakage-resistant window glass with a built-in sensor that deters break-ins through windows—an increasingly popular modus operandi. Made from two panes of glass separated by a sheet of special, super-strong film, SECOM *Anshin Glass* prevents penetration by objects impacting the window. The sensor also detects any cracks in the glass the moment they happen and immediately alerts a SECOM control center before further breakage occurs. Connected to SECOM Home Security, SECOM *Anshin Glass* offers even greater security. Other offerings include External Image Monitoring System, which reinforces exterior security by deterring trespassers; Sensor Light Camera, which detects when a person approaches the house at night and issues a warning by turning on a bright light; entrance security products such as SECURIFACE, which features a built-in face detection system; SESAMO IDs, an access-control system that uses fingerprint recognition technology; and SESAMO Electric Lock II, an access-control system that uses a secret code. We also offer HOME PYTHAGORAS, a high-strength home-use security vault that boasts superior protection against vandalism and fire and can also be linked to SECOM Home Security.

SECOM Home Security is backed by our outstanding and highly rated emergency response services, which ensure that emergency response personnel are dispatched promptly should they

be needed. This is yet another reason why SECOM Home Security continues to be the preferred choice for home security in Japan.

### Highly Rated SECOM Home Security Peripheral Services

To add further value to SECOM Home Security, we offer a wide selection of additional services to subscribers. Of particular note is SECOM Home Service, which comprises a host of lifestyle support services. These include *Anshin Support Service*, whereby SECOM staff assist in resolving concerns that arise in everyday life through such services as patrolling around subscribers' homes when the occupants are away; *Troubleshooting Support Service*, which includes assistance in resolving unforeseen problems like lost keys; *Housework Support Service*, which includes help with housekeeping and around-the-house jobs.

Since its launch in 2005, SECOM Home Service has earned acclaim from customers, and demand has risen annually. In autumn 2008, we introduced SECOM Home Service Pack, a year-long SECOM Home Service plan that allows subscribers to sign up for popular services—particularly housework support—for a year, thereby eliminating the bother of having to make a reservation each time and ensuring that these services are available at busy times, such as the end of the year. Moving forward, we will continue to expand the availability and content of SECOM Home Service to further improve convenience for customers.



Sensor Light Camera



SECOM Home Service



## Other Security Services

COCO-SECOM provides real time information on the whereabouts of people and property and the dispatch of emergency response personnel—capabilities that continue to find new applications.

### Capitalizing on the Advantages of COCO-SECOM

Building on our expertise as the company that launched SECOM Home Security—thus essentially creating Japan's home security services market—in 2001 we released COCO-SECOM mobile security system. This system has since been credited as the starting point of Japan's personal security services market.

COCO-SECOM uses signals from Global Positioning System (GPS) satellites and cellular telephone base stations to pinpoint the location of transmitter devices. Initially developed with the aim of preventing child abductions, locating wandering elderly people and averting the theft of automobiles and motorcycles, COCO-SECOM continues to attract attention from customers for a wider range of applications. Today, COCO-SECOM transmitter devices are popular for preventing the loss of handbags and the destruction and/or theft of ATMs, managing corporate car fleets, monitoring the movements of sales staff, thwarting crimes against women and enabling businesspeople who are frequently out of the office or away on business to send emergency messages.

COCO-SECOM's most important advantage is its exclusive transmitter device. By pushing the alert button on the device, an individual can notify a COCO-SECOM operations center operator around-the-clock, which will dispatch emergency response personnel from the nearest SECOM emergency depot if requested. We will continue to further enhance COCO-SECOM in an ever-broader range of fields, thereby helping subscribers feel a greater sense of security.

### Boosting Sales by Capitalizing on Increasing Demand for COCO-SECOM Services for Children

Recent years have seen an increase in incidences of bullying and other crimes committed by children that many attribute to cellular phone e-mail and Internet use. Many elementary and junior

high schools have begun regulating the possession of cellular phones at school. However, parents recognize the usefulness of cellular phones in determining their children's whereabouts in an emergency. COCO-SECOM offers an equitable solution to this dilemma. We have begun introducing COCO-SECOM to children and their parents at elementary and junior high schools across the country in a bid to promote greater awareness of COCO-SECOM's outstanding performance features and further expand sales.

### Patrolling Plants and Other Premises with the SECOM Robot X Outdoor Surveillance Robot

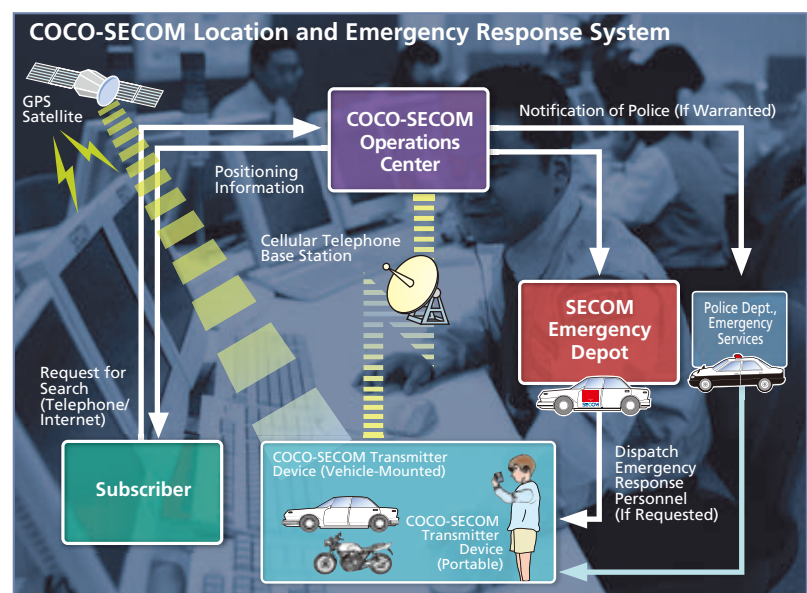
We continue to promote the development of service robots with the aim of creating robots that play useful roles in society. To date, these efforts have yielded SECOM Robot X, an outdoor surveillance robot that patrols a set route at plants, harbor areas and other large sites to detect intruders. SECOM Robot X has positioned us well to respond to an anticipated increase in the need for products like this to guard and patrol huge sites.



COCO-SECOM emergency response personnel



COCO-SECOM Operations Center



## SECOM AED Package Service: Helping to Save Lives

Prompted by a regulatory change in Japan that allowed the use of automated external defibrillators (AEDs)—emergency-use devices that administer an electrical pulse to the heart of a person suffering from cardiac arrhythmia to reestablish a normal rhythm—by ordinary individuals, as well as by medical care professionals and paramedics, in 2004 we began marketing the SECOM AED Package Service.

The SECOM AED Package Service is distinctive because it is a full-service package. Each time an AED is used, its battery must be recharged and expendables—notably the electrode pads—either replenished or replaced. Even if the AED is not used, the pads must be replaced when they reach their expiry date. To ensure our AEDs are always in peak operating order, we offer a rental-based service package that encompasses periodic replacement



SECOM AED Package Service



SECOM AED Package Service installed on a *shinkansen* train

of electrode pads and other expendables. Replacement of depleted or expired expendables is available from a dedicated, around-the-clock help desk at the SECOM Customer Service Center, along with servicing in the event of malfunction, damage or theft. This ensures that lives are not put at risk because the AED is never missing key parts and is thus always usable when needed.

In the five years since we first began offering the SECOM AED Package Service, demand has expanded to include such facilities as airports, fitness clubs, shopping centers, nursing homes, golf courses,

offices, schools and financial institutions. Recently, a significant number of SECOM AED Package Service units were installed on the *shinkansen*, Japan's network of high-speed "bullet trains." This development underscores the outstanding reputation this service enjoys.

Our central objective as a corporate entity is to contribute to society through our business activities. Promoting further market acceptance for the SECOM AED Package Service is yet another way we will continue to provide security and peace of mind.

## Security Services in Overseas Markets

Offering “SECOM-style” security services in overseas markets enables us to provide security and peace of mind to people around the world.

### Operations in 11 Countries and Territories

Since commencing operations overseas in 1978, we have accumulated experience in the provision of on-line security services in 11 countries and territories: Taiwan, the Republic of Korea (ROK), the PRC, Thailand, Malaysia, Singapore, Indonesia, Vietnam, the United Kingdom, Australia and the United States. The most notable characteristic of our overseas operations is that we offer the same high-grade “SECOM-style” on-line security services as in Japan, customized to reflect local needs and sensibilities.

The standard business model for security services companies in Europe and the United States is to sell security equipment outright. While the equipment is linked to a monitoring center, the standard response in the event of an emergency is simply to notify the police. In contrast, with SECOM services, security equipment installed at the customer’s premises is linked to a control center that immediately dispatches emergency response personnel should an irregularity be detected and, if deemed necessary, also calls the police.

As our global operations grow, this distinctive approach is attracting growing appreciation and new contracts continue to increase. In particular, our equity-method joint ventures in



Control center (Secom Plc, United Kingdom)

Taiwan (Taiwan Secom Co., Ltd.) and the ROK (S1 Corporation) have established themselves as the leading names in their respective markets and have both listed on their respective principal stock exchanges.

### Expanding Our Presence in the Growing Markets of the PRC and Southeast Asia

Recognizing significant latent demand in the PRC, we commenced operations in the country in 1992. At present, we have security service subsidiaries in key cities in high-growth coastal areas, namely, Dalian, Shanghai, Beijing, Qingdao, Shenzhen and Fujian. These companies continue to see steady growth in contract volume and have broadened their focus beyond their immediate markets to offer their services to subscribers in neighboring areas.

In Southeast Asia, sharp economic growth has spurred an increase in security needs in recent years. As a result, markets have shifted from a phase of initial development to one of widespread acceptance. In Thailand and Malaysia, SECOM Group are extending their efforts beyond the capital cities to include other urban centers. In Singapore, “SECOM-style” services have attracted considerable praise and contract volume is increasing steadily. Our subsidiary in Indonesia is expanding operations as a leading name in the local security services market. In Vietnam, our focus is currently on security service-related consulting and proposing solutions, due to restrictions on foreign investment. We do, however, expect to see our on-line security services business grow in the years ahead.

Looking ahead, we will continue to expand our operations overseas by offering the “SECOM-style” services of the same high grade as we offer in the Japanese market.



Emergency response service (S1 Corporation, ROK)

## SECOM in the PRC: Firmly Positioned on a Growth Trajectory



Control Center (Beijing Jingdun Secom Electronic Security Co., Ltd.)



Emergency response personnel (Beijing Jingdun Secom Electronic Security Co., Ltd.)

Our commercial security services operations in the PRC began in 1992 with the establishment of holding company Secom (China) Co., Ltd. in Beijing. The following year, we set up the PRC's first on-line security services provider in Dalian. Since then, we have established a number of security services companies, focusing particularly on key cities in the country's high-growth coastal areas, and 78 emergency depots.

While economic growth has brought prosperity to the PRC, it has also led to an increase in awareness of the need for effective security in urban areas, which has spurred market demand for high-grade security services. Our on-line security services have earned much acclaim for responding to these needs,

supporting an increase in contract volume. Our focus has not been limited to security services, however. In Shanghai, subsidiary Shanghai Nohmi Secom Fire Protection Equipment Co., Ltd., manufactures and sells fire protection equipment in the Chinese market, as well as for export to Japan and Southeast Asia.

Customers for SECOM on-line security services in the PRC include companies in a wide range of industries. Local companies account for the largest proportion of contracts, followed by Japanese and then other foreign companies—underscoring the wide acceptance of the SECOM business model in the Chinese market.

In the coming years, we will work to broaden our presence to include the central and western areas of the PRC, with the aim of offering “SECOM-style” on-line security services to customers throughout the country.



Emergency response personnel (Shenzhen Secom Security System Co., Ltd.)

## Fire Protection Services

Sales in the fire protection services business remain robust, reflecting SECOM's strong presence in the market for fire protection systems for residential customers and the renovations market. A partial revision of Japan's Fire Services Act has bolstered efforts to expand marketing of our Group Home Sprinkler system.

### Promoting Wider Acceptance of Residential Fire Protection Systems

Subsidiary Nohmi Bosai Ltd., is one of Japan's leading providers of fire extinguishing and other fire protection systems, with an extensive product lineup that encompasses systems for office buildings, production facilities, tunnels, cultural properties, ships and residences.

Nohmi Bosai products marketed under the SECOM name include Home Fire Sensor, a fire alarm system for residential applications. Owing to a partial revision of Japan's Fire Services Act in 2006, fire alarm systems are now mandatory in new homes. By 2011, local governments throughout Japan will enact related ordinances, gradually obliging existing homes to install such systems. We intend to continue promoting market acceptance of Home Fire Sensor to protect the lives of subscribers.

### Reinforcing the Marketing of Fire Protection Systems in the Renovations Market

As a leading name in Japan's fire protection industry, Nohmi Bosai boasts an illustrious record and the solid trust of its customers. The company is drawing on these advantages to expand services in the renovations market by actively marketing itself to companies undertaking building renovations. To further promote its business in the renovations market, Nohmi Bosai established a Fire Protection Solutions Department, which is charged with proposing effective solutions to the fire protection worries of customers, thereby bolstering orders from the renovations market.

### Responding to Needs for Sprinkler Systems for Group Homes

A tragic 2006 blaze in a group home for elderly people with cognitive impairments spurred a partial amendment of the Fire Services Act, which came into effect in April 2009, making it obligatory for social welfare facilities with a total floor space in excess of 275 m<sup>2</sup> that house individuals who may have difficulty escaping in the event of a fire to install sprinkler systems. In response, Nohmi Bosai released the Group Home Sprinkler System, a new specialized dry-pipe system for such facilities that is connected directly to municipal water pipes. Unlike conventional sprinkler systems, the Group Home Sprinkler System does not have water in its pipes and so there is no danger of freezing in areas that experience cold weather or of leakage. The system is activated automatically in the event of a fire, flowing water through the system's pipes and discharging it onto the flames. Since the Group Home Sprinkler System can be connected directly to municipal water pipes, installation costs are minimal.

Nohmi Bosai's new Group Home Sprinkler System is a specialized, highly competitive product that leverages the company's accumulated expertise in the provision of home sprinkler systems. Going forward, the company will endeavor to enhance security and peace of mind for residents of group homes by promoting wider market acceptance of the Group Home Sprinkler System.



Test of sprinkler system



Test of foam fire extinguishing system

## Medical Services

We are gradually expanding our home medical services and leveraging Group capabilities to develop and manage new residences for seniors.



Home nurse training



Home nursing service

### Steadily Expanding Our Home Medical Services

Our medical services business reflects our conviction that effective medical care is crucial to security and peace of mind. Today, our medical services business is spearheaded by subsidiary Secom Medical Services Co., Ltd., and encompasses a wide range of services in the fields of medical, health and personal care.

Home nursing—one of the mainstays of our medical services business—involves regular visits by nurses to patients in their homes to provide highly skilled nursing services and treatment in line with the instructions of those patients' physicians, as well as pharmaceutical dispensing and home delivery services. As the first private-sector firm in the home nursing field in Japan, we began providing services in 1991. Since then, our rigorous training program and the advanced skills of our visiting nurses have earned us a solid reputation for service quality. During this time, we have also established a network of 35 visiting nurse stations nationwide, including in the Tokyo Metropolitan Area, the Kansai area, Nagoya and Sendai, which dispatch

nurses to patients' homes and are on call around-the-clock to assist them or their families.

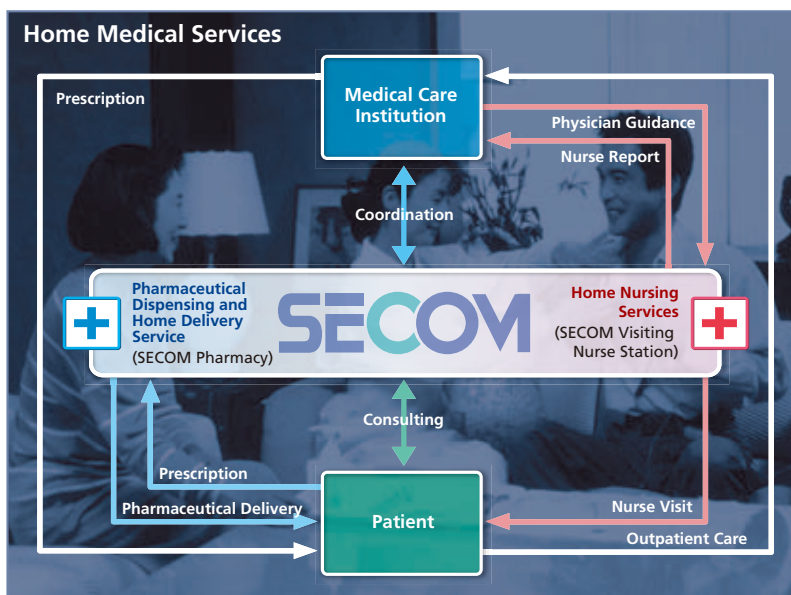
### Leveraging Distinctive Capabilities to Manage Residences for Senior Citizens

In an effort to cope with the rapid aging of Japan's population, we have developed and operate a range of innovative residences for seniors through Group companies. These include residences designed for healthy individuals who do not require assisted living: Sacraviva Seijo, which offers services comparable with the finest hotels; Royal Life Tama, which is situated in a lush green area; and the SECOMFORT series, including Comfort Garden Azamino and Comfort Hills Rokko, the latter of which opened in June 2009. Based on the concept of "comfortable aging," the SECOMFORT series brings together our expertise in security services and medical services to provide peace of mind by promoting aging without apprehension.

We also operate the Alive Care Home series, designed for seniors requiring personal care from the outset. Situated primarily in the Tokyo Metropolitan Area, Alive Care Home series' facilities are small in scale, with only about 40 rooms, thereby ensuring high-quality attentive services. Alive Care Home facilities are also highly rated because they respond to the desire of many seniors to remain close to home and family.

### Associated Hospitals: Providing Security and Peace of Mind through Better Regional Medical Care

We have established affiliations with 17 local hospitals to ensure effective support for customers of our home medical services and promote medical care that is firmly rooted in the local community, thus contributing to a more effective regional medical care system. We endeavor to assist these institutions to improve management efficiency and enhance service quality.



## Comfort Hills Rokko: Giving New Form to Our Ideals of Peace of Mind and Comfortable Aging

Comfort Hills Rokko, in Kobe, is the newest in our SECOMFORT series of residences for seniors. The SECOMFORT series is based on the concept of “comfortable aging,” or aging with grace and serenity, rather than with apprehension. Designed by world-renowned architect Tadao Ando, Comfort Hills Rokko is a 111-room facility that blends harmoniously with the surrounding natural environment.

Comfort Hills Rokko boasts two uniquely SECOM features. First, it is directly attached to Kobe Kaisei Hospital, a SECOM-affiliated facility. Kobe Kaisei Hospital staff doctors serve as residents’ home doctors, ensuring attentive, high-quality medical services. This also makes it easy to schedule routine and general checkups, physicals and rehabilitation sessions for residents, thereby enhancing their peace of mind. Second, Comfort Hills Rokko emphasizes flexibility, enabling residents to choose certain personal care services if they feel the need. Residences for seniors generally require individuals to choose either standard rooms or rooms with full personal care services. To accommodate residents in the transitional phase between independent and assisted living, where choosing between the two can be difficult, Comfort Hills Rokko has established what it calls CAREA (an acronym for “comfortable aging area”), which allows residents to



Comfort Hills Rokko

take advantage of certain personal care services—for example, bathing and meal services—while continuing to live in standard rooms. Should the resident eventually require full-time personal care, he or she can move to a special room with full-time, expert personal care.

Comfort Hills Rokko also features the very latest SECOM security system, further putting residents at ease. Care has been taken to ensure residents enjoy active and fulfilling lives. For example, staff members include a professional chef, who ensures healthy and tasty meals. Residents also have access to a wide range of hobbies and activities. The facility, which embodies SECOM’s distinctive approach to security, peace

of mind and comfort, continues to attract critical acclaim.



Dining area of standard room

## Insurance Services

Our non-life insurance policies look after customers in the event of misfortune.



Head office of  
Secom General Insurance Co., Ltd.

### Increasing Contract Volume with Distinctive Non-Life Insurance Policies

The rationale behind our decision to expand into the non-life insurance business was our conviction that augmenting our security services, which provide prior protection, with insurance, which looks after customers in the event of misfortune, would reinforce security and peace of mind. Today, we continue to expand our lineup of distinctive policies and bolster contract volume.

SECOM *Anshin My Home*, for example, is a policy designed for households which takes into account the risk-mitigating factor of installing home security systems to offer a discount of up to 60% off the regular premium rate, depending on building structure and choice of policy content. The same concept underlies the Security Discount Fire Policy, which offers a discount of up to 30% to offices and retail facilities that have installed on-line commercial security systems, recognizing this as an effort to reduce risk. We also benefit from other synergies. In many instances, the conclusion of a security system contract leads subscribers to purchase insurance, while on occasion the decision to purchase insurance prompts a customer to sign up for our security systems.

Another uniquely SECOM offering is New SECOM *Anshin My Car*, a comprehensive automobile insurance policy that includes around-the-clock on-site support services by emergency response personnel, if requested, in the event of an accident, a significant factor in ensuring security and peace of mind for vehicle owners.



New SECOM *Anshin My Car*  
on-site emergency service

### MEDCOM: Enhancing the Content of our Unrestricted Cancer Treatment Policy to Cover Outpatient Treatment

We also offer MEDCOM, an unrestricted cancer treatment policy that provides coverage for all hospitalization and medical treatment costs, both those that are covered under Japan's National Health Insurance (NHI) scheme and

those that are not and for which the patient normally bears the full cost. This highly rated policy therefore enables subscribers to take advantage of advanced treatment options. In response to feedback from subscribers, in April 2009 we enhanced the content of MEDCOM to reflect the changing face of cancer treatment and reinforce the policy's competitiveness. For example, we recognized that in the past cancer treatment required patients to be hospitalized. However, since current treatment is increasingly on an outpatient basis, we became the first insurance company in Japan to abolish restrictions on the number of days of outpatient treatment covered and added coverage for outpatient treatment up to ¥10 million for each five-year period. Furthermore, while postoperative care and advanced treatments were previously the only types of outpatient treatment covered, MEDCOM now covers all outpatient visits, even if they are only to collect anticancer drugs or other medications. As a consequence of these modifications, MEDCOM subscribers are now even better positioned to take advantage of the most appropriate treatment options available without having to worry about costs.

We will continue to maximize the capabilities of the SECOM Group to develop distinctive non-life insurance policies that stand out against the competition.



MEDCOM provides coverage for advanced treatment options



## Geographic Information Services

Subsidiary Pasco Corporation makes use of geospatial information to cultivate customers in a broad range of fields. Having obtained the rights to sell image data offered by the operator of a commercial satellite worldwide, Pasco is steadily expanding this business globally.

### Expanding Services Using Geospatial Information

Pasco is leveraging its measuring and geographic information system (GIS) technologies to develop a wide range of geospatial information services. For national and local governments, Pasco capitalizes on its wealth of experience and expertise to provide consulting services and solutions designed to support urban planning and road engineering, as well as geospatial information services, which help local governments improve the effectiveness of administrative services. For corporate customers, Pasco provides marketing support services, designed to help companies analyze target business areas and formulate branch and shop scrap-and-build plans; logistics support services, which aid efforts to develop effective plans for the use of trucks and other forms of transport; and risk management services, which include the support for the formulation of business continuity plans (BCPs).

### Satellite Information-Based Geographic Information Services for Global Markets

Pasco has obtained exclusive rights in Japan and nonexclusive rights worldwide to sell image data generated by Terra SAR-X, a German commercial satellite that delivers a resolution higher than any other commercial satellite. This satellite is unique in that it can capture high-frequency, high-resolution images regardless of the weather or the time of day. Pasco is capitalizing on this capability to gather and analyze data that will support efforts to minimize the impact of natural disasters and monitor environmental issues, including woodland degradation, thereby contributing to efforts to track the decline of forests.

Pasco plans to establish a new satellite receiving station at Chitose, Hokkaido. Together with its existing station at Itoman, Okinawa, the new station will be part of a receiving station network with nationwide coverage. This will position

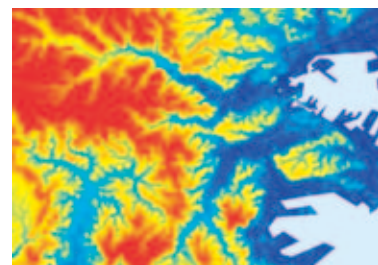
Pasco to aid efforts to prevent natural disasters and address environmental issues, thereby contributing to greater security and peace of mind for society in general.

Recently, Pasco established a joint venture in the United States. The new company is engaged in developing new processing technologies designed to facilitate the creation of highly accurate three-dimensional satellite images.

### Addressing the Need for Geospatial Information in International Projects

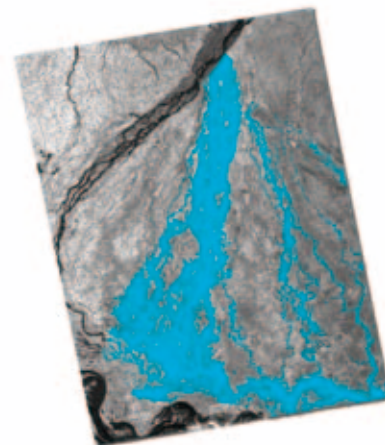
Pasco is assisting in the making and revising of national land maps, as well as in the preparation of mapping data necessary for urban planning and road engineering projects in countries where such data is not readily available but the needs for urban planning and proper land-use programs are high. Building on extensive expertise, accumulated over its many years in business, as well as its technological and consulting capabilities, Pasco is also directly securing orders for the creation of databases for national land maps for other countries, accepting orders as part of Japan's official development assistance (ODA) program, and is promoting sales of products that incorporate advanced technologies.

The expansion of Pasco's overseas operations is also proceeding steadily. Currently, the company has subsidiaries in the Philippines, Thailand, the PRC, Indonesia, Europe and the United States, and is stepping up efforts to secure orders in these markets. In Brazil, Pasco is involved in efforts to protect the Amazon rainforest, and has taken advantage of this to launch operations in Brazil and its surrounding countries. Pasco will continue to expand its satellite image-based geospatial information collection and processing capabilities overseas, supplying quality images equal to those it provides in Japan, thereby enabling it to cultivate new markets.



Digital elevation model (DEM) of a wide area made using two images generated by the Terra SAR-X commercial satellite

Extracted image of flooded area after Nepal's Kosi River breached its embankments  
©Infoterra GmbH  
Distribution: PASCO



## Real Estate Development and Sales

This business encompasses the development and sale of condominiums with advanced security features.



Glorio Roka Park

### Safe and Secure Glorio Series Condominiums

In line with our emphasis on peace of mind and comfortable living, we have developed the Glorio series of condominiums, which are equipped with advanced SECOM security systems. Owners of Glorio series condominiums

also benefit from Glorio Support 24, a condominium management service that not only provides access to around-the-clock maintenance services, but also responds to inquiries about such subjects as non-life insurance and medical and personal care.

## Information and Communication Related and Other Services

The information and communication related services business centers on information security and disaster response services.



Disaster monitoring center of Secom Trust Systems

### SECOM Safety Confirmation Service Continues to Register Robust Results

Our information and communication related services originated with the call for better security for computers and networks in the information age. Today, subsidiary Secom Trust Systems Co., Ltd., provides comprehensive services that center on information security and disaster response services. Among these, the SECOM Safety Confirmation Service continues to attract acclaim. This service helps subscribers promptly assess structural damage and confirm the whereabouts and safety of employees in the aftermath of an earthquake or other major disaster, thus relieving concern and assisting companies in restarting operations as soon as possible. *Anpikun*, an optional feature, enables employees and their families to confirm one another's safety.

Key features of SECOM Safety Confirmation Service include Secom Trust Systems' disaster monitoring center, which provides around-the-clock human support services, collects disaster information and assists subscribers in setting up a disaster response headquarters in the immediate aftermath of a disaster, using IT technologies. Since it was built and is operated in-house, SECOM Safety Confirmation Service is constantly evolving and is able to respond flexibly to the

changing needs of subscribers. For example, in order to promptly determine the whereabouts of client employees, we linked the service to COCO-SECOM for swift and precise tracking. We also expanded our lineup of related services, launching SECOM Safety Confirmation Service SCM, which enables companies to confirm the safety of key suppliers and the extent of damage where they are located; and SECOM Safety Confirmation Service GS, which confirms the safety of employees abroad in the event of a disaster.

### SECOM Safety Confirmation Service: Protecting Against the Spread of H1N1 Influenza

In 2008, a new standard function of SECOM Safety Confirmation Service was created to help companies manage exposure to the newly identified H1N1 strain of influenza. This new function enables the individuals in charge of risk management to assess the extent of transmission among employees and their families swiftly and accurately. They can then issue the appropriate instructions to their employees and minimize the likelihood that operations will be affected. Going forward, we will continue to enhance the SECOM Safety Confirmation Service to better address the needs of customers.



Secure Data Center

## Operating Results

### Overview

In the year ended March 31, 2009, the parent company, SECOM Co., Ltd., and its consolidated subsidiaries (collectively "the Company") sought to provide high-quality products and services that respond to the needs of customers in its core security services business, as well as in its fire protection services, medical services, insurance services, geographic information services, real estate development and sales, and information and communication related and other services businesses. While net sales and operating revenue increased steadily in the security services, fire protection services, medical services and geographic information services businesses, net sales and operating revenue declined in the insurance services business, due to an increase in loss on other-than-temporary impairment of investment securities, reflecting a stagnant stock market; the real estate development and sales business, owing to flagging conditions in the condominium market; and the information and communication related and other services business, a consequence of efforts to scale back lower-margin services. Consolidated net sales and operating revenue slipped 2.5%, or ¥17.9 billion, to ¥688.8 billion.

The decline in net sales and operating revenue, together with the write-down on real estate inventories in the real estate development and sales business, pushed operating income down 27.4%, or ¥28.9 billion, to ¥76.7 billion. Net income fell 50.5%, or ¥31.2 billion, to ¥30.6 billion, owing mainly to an increase in loss on other-than-temporary impairment of investment securities.

During the year ended March 31, 2009, the Company decided to separately disclose real estate development and sales, which was previously included in information and communication related and other services, due to the fact that the reporting loss exceeded the quantitative threshold. Accordingly, segment information of all prior periods has been restated to conform to the presentation used for the year ended March 31, 2009.

### Net Sales and Operating Revenue

Despite increases in the security services, fire protection services, medical services and geographic information services businesses, net sales and operating revenue slipped 2.5%, or ¥17.9 billion, to ¥688.8

billion, owing to decreases in the insurance services, real estate development and sales and information and communication related and other services businesses. (For more details, please see Segment Information below.)

### Costs and Expenses

Total costs and expenses were up 1.8%, or ¥11.0 billion, to ¥612.1 billion. Cost of sales rose 2.2%, or ¥10.0 billion, to ¥464.2 billion, equivalent to 67.4% of net sales and operating revenue, up from 64.3% in the previous period. This increase was due mainly to the write-down on real estate inventories in the real estate development and sales business.

Selling, general and administrative (SG&A) expense edged down 0.4%, or ¥512 million, to ¥144.3 billion. SG&A expense was equivalent to 20.9% of net sales and operating revenue, up from 20.5% in the previous period, owing mainly to the decline in net sales and operating revenue.

Loss on sales and disposal of property, plant and equipment, net, rose ¥1.0 billion, to ¥2.0 billion. Impairment loss on goodwill, at ¥1.6 billion, was up ¥450 million.

### Operating Income

Operating income, at ¥76.7 billion, was down 27.4%, or ¥28.9 billion, and was equivalent to 11.1% of net sales and operating revenue, down from 14.9% in the previous period. This was due largely to the decline in net sales and operating revenue, and to increases in cost of sales and loss on sales and disposal of property, plant and equipment, net. Segments contributing to operating income were—in order of size of contribution—security services, fire protection services, information and communication related and other services, geographic information services and medical services. (For more details, please see Segment Information below.)

### Other Income and Expenses

Other income fell ¥7.2 billion, to ¥5.8 billion, while other expenses rose ¥10.8 billion, to ¥19.2 billion, resulting in net other expenses of ¥13.4 billion, down from net other income of ¥4.6 billion in the previous period. This result was due primarily to an increase in loss on other-than-temporary impairment of investment securities and a net loss on sales of securities, compared

with a net gain in the previous period, both owing to a stagnant stock market; a decline in gain on private equity investments and a provision for loss on litigation.

### Income before Income Taxes

Income before income taxes fell 42.6%, or ¥46.9 billion, to ¥63.3 billion, reflecting the decrease in operating income, as well as net other expenses, compared with net other income in the previous period.

### Income Taxes

Income taxes amounted to ¥36.6 billion, down ¥10.5 billion, and were equivalent to 57.8% of income before income taxes, up from 42.7% in the previous period. This was largely attributable to an increase in unrecognized tax benefits from subsidiaries in loss positions.

### Minority Interests in Subsidiaries and Equity in Net Income of Affiliated Companies

Minority interests in subsidiaries were down ¥1.7 billion, to ¥4.9 billion, owing to a decline in income in the insurance services business. Equity in net income of affiliated companies advanced ¥3.5 billion, to ¥8.7 billion, owing to a reversal of long-term deferred tax liabilities related to undistributed earnings of overseas affiliated companies, resulting from the revision of Japanese tax regulations.

### Net Income

As a consequence of the aforementioned factors, net income fell 50.5%, or ¥31.2 billion, to ¥30.6 billion, and was equivalent to 4.4% of net sales and operating revenue, down from 8.7% in the previous period. Net income per share was ¥137.42. A proposal to leave annual cash dividends unchanged at ¥85.00 per share was approved at the general shareholders' meeting on June 25, 2009.

## Segment Information

For detailed information, please see note 26 of the accompanying Notes to the Consolidated Financial Statements.

### Security Services

The security services segment encompasses electronic security services, other security services, and merchandise and other. In the period under review, net sales and operating revenue in the segment edged up 0.4%, or ¥1.8 billion, to ¥438.4 billion. Excluding intersegment transactions, net sales and operating revenue in the segment amounted to ¥436.9 billion, equivalent to 63.5% of overall net sales and operating revenue, up from 61.6% in the previous period.

Electronic security services include centralized systems (on-line commercial and home security systems) and large-scale proprietary security systems, which center on surveillance services at the subscriber's premises. On-line commercial and home security systems, the core of our electronic security services business, use sensors installed at the subscriber's premises to detect events, such as intrusions, fires and equipment malfunctions. Sensors are linked to a SECOM control center via telecommunications circuits to enable remote monitoring around-the-clock. Should an irregularity be detected at the subscriber's premises, the relevant information is relayed to the control center, where staff dispatch emergency response personnel. Control center staff also notify the police or fire department if required while the emergency response personnel take other appropriate measures. To ensure our ability to deliver the level of quality subscribers expect, we have established an integrated approach, whereby we take full responsibility for maintaining control over every aspect of our electronic security services, from R&D to manufacturing, sales, security planning, installation, monitoring, emergency response services and equipment maintenance. In the period under review, net sales and operating revenue from electronic security services amounted to ¥303.5 billion, an increase of 2.5%, or ¥7.3 billion, owing to efforts to reinforce the Company's sales activities, which included making visits to potential customers.

Other security services include static guard services—which are staffed by highly trained professionals—for security situations that require human judgment and flexible responses, and armored car services, for the transport of cash and valuables by specially fitted armored cars and

security professionals. In the period under review, net sales and operating revenue from static guard services advanced 2.9%, or ¥1.4 billion, to ¥48.0 billion, and that from armored car services rose 3.9%, or ¥763 million, to ¥20.3 billion.

The merchandise and other category encompasses a wide range of security products, including access-control systems, CCTV surveillance systems, fire extinguishing systems and external monitoring systems, which can be free-standing or connected to on-line security systems. Net sales and operating revenue in this category decreased 10.7%, or ¥7.8 billion, to ¥65.1 billion, owing to the absence of one-time orders received in the previous period.

Operating income in the security services segment edged down 0.6%, or ¥662 million, to ¥102.5 billion. The operating margin slipped to 23.4%, from 23.6% in the previous period, owing to an increase in costs aimed at improving service quality.

### Fire Protection Services

The fire protection services segment includes automatic fire alarm systems, fire extinguishing systems and other fire protection systems for a wide range of applications, including office buildings, plants, tunnels, cultural properties, ships and residences. In the period under review, segment net sales and operating revenue amounted to ¥89.8 billion, up 3.7%, or ¥3.2 billion, from the previous period, as a partial revision of Japan's Fire Services Act boosted sales of fire alarm systems for residential applications, while orders remained firm for the replacement of fire protection systems from the office renovations market. Operating income rose 8.2%, or ¥405 million, from the previous period, to ¥5.4 billion, reflecting higher net sales and operating revenue, while the operating margin was 6.0%, up from 5.7% in the previous period.

### Medical Services

The medical services segment includes home medical services, comprising pharmaceutical dispensing and delivery and home nursing services, remote image diagnosis support services, electronic medical report systems, sales of medical equipment, the operation of residences for seniors, personal care services, the leasing of real estate for medical institutions, and others.

Net sales and operating revenue in the medical services segment increased 2.9%, or ¥1.5 billion, to ¥52.3 billion. This increase was primarily due to higher net sales and operating revenue from home medical services and the operation of residences for seniors. Operating income amounted to ¥11 million, up from an operating loss of ¥1.1 billion in the previous period. This was attributable largely to improved results from the operation of residences for seniors.

### Insurance Services

In addition to security services, which are preventative by nature, we offer non-life insurance, which looks after customers in the event of misfortune. We have developed and marketed a broad range of distinctive non-life insurance policies, including Security Discount Fire Policy, a commercial fire insurance policy, and SECOM *Anshin My Home*, a comprehensive fire insurance policy for households—both of which offer discounts on premiums to customers who have installed home security systems, recognizing this as a risk-mitigating factor. Other offerings include New SECOM *Anshin My Car*, a comprehensive automobile insurance policy that offers on-site support services—provided by our on-line emergency response personnel—should the subscriber be involved in an accident, and MEDCOM, an unrestricted cancer treatment policy that covers the entire cost of medical treatment for cancer.

Segment net sales and operating revenue were ¥24.4 billion, down 32.3%, or ¥11.7 billion. The segment generated an operating loss of ¥8.2 billion, compared with operating income of ¥3.8 billion in the previous period. These results were largely attributable to a decline in net gain on sales of investment securities and an increase in loss on other-than-temporary impairment of investment securities.

### Geographic Information Services

This segment comprises a variety of GIS-based services tailored to the needs of the public and private sectors, as well as surveying and measuring, and construction consulting services.

Net sales and operating revenue in the geographic information services segment rose 1.6%, or ¥627 million, to ¥40.3 billion. This result reflected steadily expanding sales of geospatial data-based services and

## Financial Position

merchandise to public- and private-sector customers and contributions from our new satellite image data business.

Operating income amounted to ¥2.0 billion, up 42.1%, or ¥606 million, lifting the operating margin to 5.1%, from 3.6% in the previous period. This improvement was due primarily to the increase in the segment's net sales and operating revenue, as well to improvements in, and exhaustive efforts to improve management of, production processes, which reduced cost of sales.

### Real Estate Development and Sales

This segment comprises the development and sales of condominiums that are equipped with advanced security and contingency planning features. Net sales and operating revenue in the real estate development and sales segment declined 18.4%, or ¥5.5 billion, to ¥24.4 billion, as we have carefully selected our properties for development and sales in order to correspond with the flagging conditions in the condominium market. Sales price revisions, implemented to counter flagging market conditions, together with the selling off of units to reduce inventories and the write-down on real estate inventories, triggered an operating loss of ¥17.6 billion, down from operating income of ¥673 million in the previous period.

### Information and Communication Related and Other Services

This segment consists primarily of information and communication related services—including information security systems and network system operations services, which protect subscribers' information security in the event of a major disaster—and real estate leasing.

Segment net sales and operating revenue amounted to ¥40.5 billion, a decline of 8.6%, or ¥3.8 billion. Nevertheless, operating income increased 4.2%, or ¥200 million, to ¥4.9 billion, and the operating margin rose to 12.1%, from 10.6% in the previous period. These results reflected efforts to scale back lower-margin services and expand high-margin, highly competitive services.

Total assets as of March 31, 2009, amounted to ¥1,143.1 billion, 9.7%, or ¥122.4 billion, lower than at the end of the previous fiscal year.

Total current assets, at ¥492.5 billion, were down 15.2%, or ¥88.0 billion. This was attributable largely to decreases in cash and cash equivalents (for more details, please see Cash Flows, which follows this section), as well as to decreases in inventories in the real estate development and sales business and notes and accounts receivable, trade. Despite a decrease in total current assets, the current ratio remained level at 1.7 times, as current liabilities also decreased (see below).

Investments and long-term receivables declined 11.7%, or ¥38.7 billion, to ¥290.9 billion, reflecting an increase in loss on other-than-temporary impairment of investment securities—owing to a stagnant stock market—and a decrease in foreign currency translation adjustments relating to investments in overseas affiliated companies, owing to the appreciation of the yen.

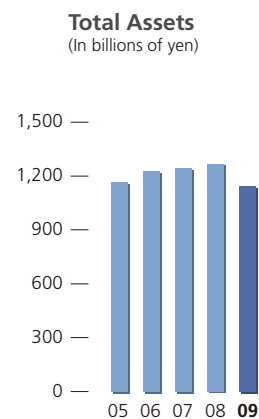
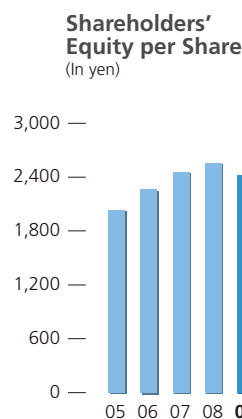
Property, plant and equipment, less accumulated depreciation, rose 3.1%, or ¥7.8 billion, to ¥259.3 billion. This was due primarily to an increase in land resulting from the purchase of land for the real estate leasing business. An increase in the number of security services subscribers also necessitated an increase in security equipment and control stations, but this was offset by an increase in accumulated depreciation resulting from the depreciation of assets.

Other assets were down 3.3%, or ¥3.5 billion, to ¥100.4 billion. This

reflected decreases in prepaid pension and severance costs, a consequence of a deteriorating asset-management environment, and other intangible assets, both of which were partially countered by an increase in deferred income taxes prompted by increases in loss carryforwards and loss on other-than-temporary impairment of investment securities.

Total liabilities fell 12.0%, or ¥75.1 billion, to ¥553.4 billion. Total current liabilities amounted to ¥283.4 billion, down 18.4%, or ¥63.8 billion, owing to efforts to reinforce cash management, which resulted in a decrease in bank loans, as well as to a decrease in accrued income taxes. The decrease in total liabilities also reflected decreases in accrued pension and severance costs, and in deferred income taxes—the latter due to a reversal of long-term deferred tax liabilities related to undistributed earnings of overseas affiliated companies resulting from the revision of Japanese tax regulations.

Total shareholders' equity amounted to ¥528.7 billion, down 8.0%, or ¥45.8 billion. This primarily reflected a ¥30.0 billion increase in common stock in treasury, at cost, and a higher accumulated other comprehensive loss, which were partially offset by an increase in retained earnings. The increase in the accumulated other comprehensive loss was largely attributable to a decrease in foreign currency translation adjustments—a consequence of the strong yen—and an increase of losses in pension liability adjustments, owing to a deteriorating asset-management environment. The equity ratio rose to 46.3%, from 45.4%.



## Cash Flows

SECOM is committed to maintaining sufficient liquidity to allow flexibility in its operations and ensure a solid financial foundation. To the best of our ability, we are also firmly committed to financing related strategic investments with cash generated by our operating activities.

In the period under review, net cash provided by operating activities amounted to ¥107.4 billion. The principal items contributing to this total were net income of ¥30.6 billion, depreciation and amortization of ¥54.6 billion, loss on other-than-temporary impairment of investment securities of ¥19.5 billion, write-down on real estate inventories of ¥8.4 billion, and decrease in inventories of ¥10.1 billion accounted for largely by the reduction of real estate inventories. Cash used in operating activities included an increase in deferred charges of ¥16.0 billion. Operating activities provided ¥14.8 billion more cash than in the previous period. Despite the

decline in net income, increases in non-cash expenses—including loss on other-than-temporary impairment of investment securities and write-down on real estate inventories—and decrease in inventories, due largely to the reduction of real estate inventories, contributed to the increase in net cash provided by operating activities.

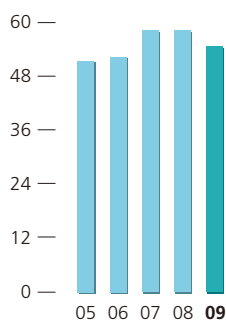
Net cash used in investing activities was ¥49.9 billion. Significant factors included payments for purchases of property, plant and equipment of ¥44.8 billion, a result of the purchase of security equipment and control stations, necessitated by an increase in the number of security services subscribers, and payments for long-term receivables of ¥6.8 billion. Cash provided by investment activities included proceeds from long-term receivables of ¥7.2 billion. Investing activities in the period under review used ¥2.2 billion less cash than in the previous period, as net payments for sales and purchases of short-term

investments and investment securities decreased, despite the decrease in proceeds from sales of property, plant and equipment.

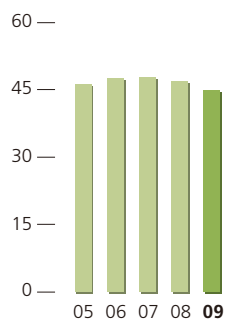
Net cash used in financing activities amounted to ¥109.9 billion. Contributing to this were a decrease in bank loans of ¥55.2 billion, an increase of treasury stock, net, of ¥30.0 billion, and dividends paid of ¥19.1 billion. Financing activities used ¥90.6 billion more cash than in the previous period, owing to a decrease in bank loans of ¥55.2 billion—compared with a ¥6.0 billion increase in bank loans in the previous period—and an increase in treasury stock, net, of ¥30.0 billion.

As a result of operating, investing and financing activities during the period under review, cash and cash equivalents at end of year totaled ¥159.4 billion, down ¥55.2 billion from ¥214.6 billion at the end of the previous period.

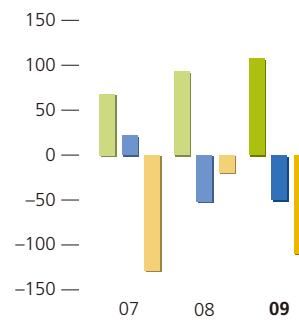
**Depreciation and Amortization**  
(In billions of yen)



**Capital Expenditures**  
(In billions of yen)



**Cash Flows**  
(In billions of yen)



- Cash flows from operating activities
- Cash flows from investing activities
- Cash flows from financing activities

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# CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED BALANCE SHEETS

SECOM CO., LTD. and Subsidiaries  
March 31, 2009 and 2008

|   | In millions of yen |                   | Translation into thousands<br>of U.S. dollars (Note 3) |
|---|--------------------|-------------------|--|
|   | 2009               | 2008              | March 31   |
| <b>ASSETS</b>   |                    |                   |  |
| <b>Current assets:</b>  |                    |                   |  |
| Cash and cash equivalents (Notes 5 and 22).....                 | ¥ 159,393          | ¥ 214,577         | \$ 1,626,459   |
| Time deposits (Note 12).....                                    | 8,775              | 8,820             | 89,541   |
| Cash deposits (Note 6).....                                     | 56,668             | 63,697            | 578,245  |
| Short-term investments (Notes 7 and 22).....                    | 13,830             | 6,540             | 141,122  |
| Notes and accounts receivable, trade .....                      | 80,457             | 88,411            | 820,990  |
| Due from subscribers .....                                      | 29,384             | 29,947            | 299,837  |
| Inventories (Note 8) .....                                      | 96,071             | 118,442           | 980,316  |
| Short-term receivables (Notes 12 and 20) .....                  | 15,009             | 17,871            | 153,153  |
| Allowance for doubtful accounts.....                            | (2,782)            | (1,827)           | (28,388)   |
| Deferred insurance acquisition costs (Note 13).....             | 6,559              | 6,624             | 66,929   |
| Deferred income taxes (Note 16).....                            | 16,245             | 17,395            | 165,765  |
| Other current assets.....                                       | 12,932             | 10,041            | 131,960  |
| <b>Total current assets.....</b>                                | <b>492,541</b>     | <b>580,538</b>    | <b>5,025,929</b>                                       |
| <b>Investments and long-term receivables:</b>                   |                    |                   |  |
| Investment securities (Notes 2 (7), 7, 12 and 22) .....         | 161,668            | 196,688           | 1,649,673  |
| Investments in affiliated companies (Note 9) .....              | 40,072             | 46,814            | 408,898  |
| Long-term receivables (Notes 12 and 20) .....                   | 74,962             | 70,265            | 764,918  |
| Lease deposits.....   | 13,213             | 13,370            | 134,827  |
| Other investments.....  | 9,943              | 11,290            | 101,459  |
| Allowance for doubtful accounts.....                            | (8,940)            | (8,826)           | (91,224)   |
|   | <b>290,918</b>     | <b>329,601</b>    | <b>2,968,551</b>                                       |
| <b>Property, plant and equipment</b> (Notes 10, 12, 19 and 20): |                    |                   |  |
| Land.....   | 86,699             | 78,818            | 884,684  |
| Buildings and improvements.....                                 | 147,881            | 143,661           | 1,508,990  |
| Security equipment and control stations.....                    | 251,013            | 244,933           | 2,561,357  |
| Machinery, equipment and automobiles .....                      | 66,828             | 71,945            | 681,918  |
| Construction in progress.....                                   | 6,817              | 5,977             | 69,561   |
|   | <b>559,238</b>     | <b>545,334</b>    | <b>5,706,510</b>                                       |
| Accumulated depreciation .....                                  | (299,956)          | (293,823)         | (3,060,776)  |
|   | <b>259,282</b>     | <b>251,511</b>    | <b>2,645,734</b>                                       |
| <b>Other assets:</b>  |                    |                   |  |
| Deferred charges (Note 2 (12)).....                             | 46,196             | 46,151            | 471,388  |
| Goodwill (Note 11).....   | 15,440             | 16,141            | 157,551  |
| Other intangible assets (Notes 11 and 12) .....                 | 18,921             | 21,127            | 193,071  |
| Prepaid pension and severance costs (Note 14) .....             | 823                | 9,135             | 8,398  |
| Deferred income taxes (Note 16).....                            | 19,020             | 11,321            | 194,082  |
|   | <b>100,400</b>     | <b>103,875</b>    | <b>1,024,490</b>                                       |
| <b>Total assets.....</b>  | <b>¥1,143,141</b>  | <b>¥1,265,525</b> | <b>\$11,664,704</b>                                    |

See accompanying notes to consolidated financial statements.



|  | In millions of yen |            | Translation into thousands<br>of U.S. dollars (Note 3) |
|--|--------------------|------------|--|
|  | 2009               | 2008       | March 31   |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>                      |                    |            |  |
| <b>Current liabilities:</b>                                      |                    |            |  |
| Bank loans (Notes 6 and 12).....                                 | ¥ 78,180           | ¥ 133,056  | \$ 797,755   |
| Current portion of long-term debt (Notes 12, 19 and 21) .....    | 15,967             | 9,061      | 162,929  |
| Notes and accounts payable, trade .....                          | 28,942             | 30,956     | 295,327  |
| Other payables .....   | 23,111             | 29,058     | 235,826  |
| Deposits received (Note 6) .....                                 | 33,475             | 36,667     | 341,582  |
| Deferred revenue .....   | 42,646             | 43,496     | 435,163  |
| Accrued income taxes .....                                       | 19,126             | 24,693     | 195,163  |
| Accrued payrolls .....   | 23,526             | 22,572     | 240,061  |
| Reserve for litigation loss (Note 24) .....                      | 2,415              | —          | 24,643   |
| Other current liabilities (Notes 16, 21 and 22) .....            | 16,049             | 17,668     | 163,765  |
| Total current liabilities .....                                  | 283,437            | 347,227    | 2,892,214  |
| Long-term debt (Notes 12, 19 and 21) .....                       | 36,404             | 44,183     | 371,469  |
| Guarantee deposits received.....                                 | 32,258             | 30,581     | 329,163  |
| Accrued pension and severance costs (Note 14) .....              | 17,814             | 18,419     | 181,776  |
| Deferred revenue .....   | 21,308             | 22,283     | 217,429  |
| Unearned premiums and other insurance liabilities (Note 13)..... | 68,869             | 63,205     | 702,745  |
| Investment deposits by policyholders (Notes 13 and 21) .....     | 86,064             | 87,252     | 878,204  |
| Deferred income taxes (Note 16).....                             | 1,224              | 10,075     | 12,490   |
| Other liabilities.....   | 5,973              | 5,235      | 60,948   |
| Total liabilities .....  | 553,351            | 628,460    | 5,646,438  |
| <b>Minority interests in subsidiaries</b> .....                  | 61,069             | 62,511     | 623,153  |
| <b>Commitments and contingent liabilities</b> (Note 24)          |                    |            |  |
| <b>Shareholders' equity</b> (Note 17):                           |                    |            |  |
| Common stock:  |                    |            |  |
| Authorized 900,000,000 shares;                                   |                    |            |  |
| issued 233,288,717 shares in 2009 and 2008.....                  | 66,378             | 66,378     | 677,327  |
| Additional paid-in capital .....                                 | 79,995             | 79,998     | 816,276  |
| Legal reserve .....  | 10,036             | 10,020     | 102,408  |
| Retained earnings .....  | 482,488            | 471,066    | 4,923,347  |
| Accumulated other comprehensive income (loss):                   |                    |            |  |
| Unrealized holding losses on securities (Note 7) .....           | (3,597)            | (3,137)    | (36,704)   |
| Unrealized losses on derivative instruments (Note 23) .....      | (187)              | (94)       | (1,908)  |
| Pension liability adjustments (Note 14) .....                    | (11,878)           | (4,726)    | (121,204)  |
| Foreign currency translation adjustments .....                   | (19,618)           | (74)       | (200,184)  |
|  | (35,280)           | (8,031)    | (360,000)  |
| Common stock in treasury, at cost:                               |                    |            |  |
| 15,251,520 shares in 2009 and 8,323,599 shares in 2008.....      | (74,896)           | (44,877)   | (764,245)  |
| Total shareholders' equity .....                                 | 528,721            | 574,554    | 5,395,113  |
| Total liabilities and shareholders' equity .....                 | ¥1,143,141         | ¥1,265,525 | \$11,664,704   |

## CONSOLIDATED STATEMENTS OF INCOME

 SECOM CO., LTD. and Subsidiaries  
 Three years ended March 31, 2009

|  | In millions of yen   |          |          | Translation into thousands |
|--|----------------------|----------|----------|----------------------------|
|  | Years ended March 31 |          |          | of U.S. dollars (Note 3)   |
|  | 2009                 | 2008     | 2007     | Year ended March 31        |
| <b>Net sales and operating revenue</b> .....   | <b>¥688,771</b>      | ¥706,695 | ¥636,678 | <b>\$7,028,276</b>         |
| <b>Costs and expenses:</b>   |                      |          |          |                            |
| Cost of sales (Note 8) .....   | 464,154              | 454,165  | 410,275  | 4,736,265                  |
| Selling, general and administrative expense (Notes 2 (19) and 18) .....                                    | 144,270              | 144,782  | 127,062  | 1,472,143                  |
| Impairment loss on long-lived assets (Note 10) .....   | 76                   | 16       | 1,176    | 776                        |
| Impairment loss on goodwill (Note 11) .....  | 1,578                | 1,128    | 2,966    | 16,102                     |
| Loss on sales and disposal of property, plant and equipment, net .....                                     | 1,994                | 976      | 781      | 20,347                     |
|  | <b>612,072</b>       | 601,067  | 542,260  | <b>6,245,633</b>           |
| Operating income .....   | <b>76,699</b>        | 105,628  | 94,418   | <b>782,643</b>             |
| <b>Other income:</b>   |                      |          |          |                            |
| Interest and dividends .....   | 2,195                | 2,969    | 2,993    | 22,398                     |
| Gain on sales of securities, net (Notes 7 and 9) .....   | —                    | 2,020    | 1,772    | —                          |
| Gain on private equity investments .....   | 1,403                | 4,070    | —        | 14,316                     |
| Other (Note 15) .....  | 2,205                | 3,952    | 3,672    | 22,500                     |
|  | <b>5,803</b>         | 13,011   | 8,437    | <b>59,214</b>              |
| <b>Other expenses:</b>   |                      |          |          |                            |
| Interest .....   | 2,019                | 2,094    | 1,815    | 20,602                     |
| Loss on sales of securities, net (Note 7) .....  | 231                  | —        | —        | 2,357                      |
| Loss on other-than-temporary impairment of investment securities .....                                     | 8,831                | 1,912    | 1,026    | 90,112                     |
| Provision for loss on litigation (Note 24) .....   | 2,415                | —        | —        | 24,643                     |
| Other (Note 15) .....  | 5,676                | 4,370    | 4,678    | 57,919                     |
|  | <b>19,172</b>        | 8,376    | 7,519    | <b>195,633</b>             |
| Income before income taxes .....   | <b>63,330</b>        | 110,263  | 95,336   | <b>646,224</b>             |
| <b>Income taxes</b> (Note 16):   |                      |          |          |                            |
| Current .....  | 41,991               | 42,769   | 40,136   | 428,480                    |
| Deferred .....   | (5,416)              | 4,337    | 430      | (55,265)                   |
|  | <b>36,575</b>        | 47,106   | 40,566   | <b>373,215</b>             |
| Income before minority interests in subsidiaries and equity<br>in net income of affiliated companies ..... | <b>26,755</b>        | 63,157   | 54,770   | <b>273,009</b>             |
| <b>Minority interests in subsidiaries</b> .....  | <b>(4,928)</b>       | (6,639)  | (4,649)  | <b>(50,285)</b>            |
| <b>Equity in net income of affiliated companies</b> .....  | <b>8,733</b>         | 5,238    | 5,768    | <b>89,112</b>              |
| Net income .....   | <b>¥ 30,560</b>      | ¥ 61,756 | ¥ 55,889 | <b>\$ 311,836</b>          |

|   | In yen               |         |         | Translation into      |
|---|----------------------|---------|---------|-----------------------|
|   | Years ended March 31 |         |         | U.S. dollars (Note 3) |
|   | 2009                 | 2008    | 2007    | Year ended March 31   |
| <b>Basic net income per share</b> (Note 2 (21)) ..... | <b>¥137.42</b>       | ¥274.51 | ¥248.42 | <b>\$1.40</b>         |
| <b>Cash dividends per share</b> .....                 | <b>¥ 85.00</b>       | ¥ 80.00 | ¥ 60.00 | <b>\$0.87</b>         |

See accompanying notes to consolidated financial statements.

## CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

SECOM CO., LTD. and Subsidiaries  
Three years ended March 31, 2009

|   | In millions of yen      |                |                            |                |                   |   |                                   |                 |
|---|-------------------------|----------------|----------------------------|----------------|-------------------|---|-----------------------------------|-----------------|
|   | Number of shares issued | Common stock   | Additional paid-in capital | Legal reserve  | Retained earnings | Accumulated other comprehensive income (loss) | Common stock in treasury, at cost | Total           |
| <b>Balance, March 31, 2006</b>  | 233,288,717             | ¥66,378        | ¥79,996                    | ¥ 9,825        | ¥386,558          | ¥10,689                                       | (¥44,750)                         | ¥508,696        |
| Comprehensive income:   |                         |                |                            |                |                   |   |                                   |                 |
| Net income  | —                       | —              | —                          | —              | 55,889            | —   | —                                 | 55,889          |
| Other comprehensive income (loss), net of tax (Note 17):  |                         |                |                            |                |                   |   |                                   |                 |
| Unrealized holding gains on securities—   |                         |                |                            |                |                   |   |                                   |                 |
| Unrealized holding gains or losses arising during the period...                                       | —                       | —              | —                          | —              | —                 | (1,562)                                       | —                                 | (1,562)         |
| Less: Reclassification adjustment for gains or losses included in net income                          | —                       | —              | —                          | —              | —                 | (1,464)                                       | —                                 | (1,464)         |
| Unrealized losses on derivative instruments—  |                         |                |                            |                |                   |   |                                   |                 |
| Unrealized gains or losses arising during the period...   | —                       | —              | —                          | —              | —                 | (113)   | —                                 | (113)           |
| Less: Reclassification adjustment for gains or losses included in net income                          | —                       | —              | —                          | —              | —                 | —   | —                                 | —               |
| Minimum pension liability adjustments   | —                       | —              | —                          | —              | —                 | 30  | —                                 | 30              |
| Foreign currency translation adjustments  | —                       | —              | —                          | —              | —                 | (21)  | —                                 | (21)            |
| Total comprehensive income  | —                       | —              | —                          | —              | —                 | 2,193   | —                                 | 2,193           |
| Adjustments for initially applying SFAS No. 158, net of tax   | —                       | —              | —                          | —              | —                 | 1,681   | —                                 | 1,681           |
| Cash dividends  | —                       | —              | —                          | —              | (13,499)          | —   | —                                 | (13,499)        |
| Transfer to legal reserve   | —                       | —              | —                          | 98             | (98)              | —   | —                                 | —               |
| Gain on disposal of treasury stock  | —                       | —              | 2                          | —              | —                 | —   | —                                 | 2               |
| Net changes in treasury stock   | —                       | —              | —                          | —              | —                 | —   | (100)                             | (100)           |
| <b>Balance, March 31, 2007</b>  | 233,288,717             | 66,378         | 79,998                     | 9,923          | 428,850           | 11,433  | (44,850)                          | 551,732         |
| Cumulative effect of a change in accounting principle-adoption of EITF 05-2, net of tax (Note 2 (16)) | —                       | —              | —                          | —              | (1,227)           | —   | —                                 | (1,227)         |
| Comprehensive income:   |                         |                |                            |                |                   |   |                                   |                 |
| Net income  | —                       | —              | —                          | —              | 61,756            | —   | —                                 | 61,756          |
| Other comprehensive income (loss), net of tax (Note 17):  |                         |                |                            |                |                   |   |                                   |                 |
| Unrealized holding losses on securities—  |                         |                |                            |                |                   |   |                                   |                 |
| Unrealized holding gains or losses arising during the period...                                       | —                       | —              | —                          | —              | —                 | (11,034)                                      | —                                 | (11,034)        |
| Less: Reclassification adjustment for gains or losses included in net income                          | —                       | —              | —                          | —              | —                 | (204)   | —                                 | (204)           |
| Unrealized losses on derivative instruments—  |                         |                |                            |                |                   |   |                                   |                 |
| Unrealized gains or losses arising during the period...   | —                       | —              | —                          | —              | —                 | (54)  | —                                 | (54)            |
| Less: Reclassification adjustment for gains or losses included in net income                          | —                       | —              | —                          | —              | —                 | 13  | —                                 | 13              |
| Pension liability adjustments—  |                         |                |                            |                |                   |   |                                   |                 |
| Unrealized gains or losses arising during the period...   | —                       | —              | —                          | —              | —                 | (5,564)                                       | —                                 | (5,564)         |
| Less: Reclassification adjustment for gains or losses realized in net income                          | —                       | —              | —                          | —              | —                 | (434)   | —                                 | (434)           |
| Foreign currency translation adjustments  | —                       | —              | —                          | —              | —                 | (2,187)                                       | —                                 | (2,187)         |
| Total comprehensive income  | —                       | —              | —                          | —              | —                 | —   | —                                 | —               |
| Cash dividends  | —                       | —              | —                          | —              | (17,998)          | —   | —                                 | (17,998)        |
| Changes in scope of consolidation   | —                       | —              | —                          | —              | (218)             | —   | —                                 | (218)           |
| Transfer to legal reserve   | —                       | —              | —                          | 97             | (97)              | —   | —                                 | —               |
| Gains and losses on disposal of treasury stock  | —                       | —              | 0                          | —              | —                 | —   | —                                 | 0               |
| Net changes in treasury stock   | —                       | —              | —                          | —              | —                 | —   | (27)                              | (27)            |
| <b>Balance, March 31, 2008</b>  | 233,288,717             | 66,378         | 79,998                     | 10,020         | 471,066           | (8,031)                                       | (44,877)                          | 574,554         |
| Comprehensive income:   |                         |                |                            |                |                   |   |                                   |                 |
| Net income  | —                       | —              | —                          | —              | 30,560            | —   | —                                 | 30,560          |
| Other comprehensive income (loss), net of tax (Note 17):  |                         |                |                            |                |                   |   |                                   |                 |
| Unrealized holding losses on securities—  |                         |                |                            |                |                   |   |                                   |                 |
| Unrealized holding gains or losses arising during the period...                                       | —                       | —              | —                          | —              | —                 | (10,522)                                      | —                                 | (10,522)        |
| Less: Reclassification adjustment for gains or losses included in net income                          | —                       | —              | —                          | —              | —                 | 10,062  | —                                 | 10,062          |
| Unrealized losses on derivative instruments—  |                         |                |                            |                |                   |   |                                   |                 |
| Unrealized gains or losses arising during the period...   | —                       | —              | —                          | —              | —                 | (157)   | —                                 | (157)           |
| Less: Reclassification adjustment for gains or losses included in net income                          | —                       | —              | —                          | —              | —                 | 64  | —                                 | 64              |
| Pension liability adjustments—  |                         |                |                            |                |                   |   |                                   |                 |
| Unrealized gains or losses arising during the period...   | —                       | —              | —                          | —              | —                 | (7,043)                                       | —                                 | (7,043)         |
| Less: Reclassification adjustment for gains or losses realized in net income                          | —                       | —              | —                          | —              | —                 | (109)   | —                                 | (109)           |
| Foreign currency translation adjustments  | —                       | —              | —                          | —              | —                 | (19,544)                                      | —                                 | (19,544)        |
| Total comprehensive income  | —                       | —              | —                          | —              | —                 | —   | —                                 | —               |
| Cash dividends  | —                       | —              | —                          | —              | (19,122)          | —   | —                                 | (19,122)        |
| Transfer to legal reserve   | —                       | —              | —                          | 16             | (16)              | —   | —                                 | —               |
| Gains and losses on disposal of treasury stock  | —                       | —              | (3)                        | —              | —                 | —   | —                                 | (3)             |
| Net changes in treasury stock   | —                       | —              | —                          | —              | —                 | —   | (30,019)                          | (30,019)        |
| <b>Balance, March 31, 2009</b>  | <b>233,288,717</b>      | <b>¥66,378</b> | <b>¥79,995</b>             | <b>¥10,036</b> | <b>¥482,488</b>   | <b>(¥35,280)</b>                              | <b>(¥74,896)</b>                  | <b>¥528,721</b> |

Translation into thousands of U.S. dollars (Note 3)

|  | Common stock                   | Additional paid-in capital | Legal reserve    | Retained earnings  | Accumulated other comprehensive income (loss) | Common stock in treasury, at cost | Total              |
|--|--------------------------------|----------------------------|------------------|--------------------|---|-----------------------------------|--------------------|
|  | <b>Balance, March 31, 2008</b> | \$677,327                  | \$816,306        | \$102,245          | \$4,806,796                                   | (\$ 81,949)                       | (\$457,929)        |
| Comprehensive income:  |                                |                            |                  |                    |   |                                   |                    |
| Net income   | —                              | —                          | —                | 311,836            | —   | —                                 | 311,836            |
| Other comprehensive income (loss), net of tax (Note 17):                     |                                |                            |                  |                    |   |                                   |                    |
| Unrealized holding losses on securities—                                     |                                |                            |                  |                    |   |                                   |                    |
| Unrealized holding gains or losses arising during the period...              | —                              | —                          | —                | —                  | (107,367)                                     | —                                 | (107,367)          |
| Less: Reclassification adjustment for gains or losses included in net income | —                              | —                          | —                | —                  | 102,673                                       | —                                 | 102,673            |
| Unrealized losses on derivative instruments—                                 |                                |                            |                  |                    |   |                                   |                    |
| Unrealized gains or losses arising during the period...                      | —                              | —                          | —                | —                  | (1,602)                                       | —                                 | (1,602)            |
| Less: Reclassification adjustment for gains or losses included in net income | —                              | —                          | —                | —                  | 653   | —                                 | 653                |
| Pension liability adjustments—   |                                |                            |                  |                    |   |                                   |                    |
| Unrealized gains or losses arising during the period...                      | —                              | —                          | —                | —                  | (71,867)                                      | —                                 | (71,867)           |
| Less: Reclassification adjustment for gains or losses realized in net income | —                              | —                          | —                | —                  | (1,112)                                       | —                                 | (1,112)            |
| Foreign currency translation adjustments                                     | —                              | —                          | —                | —                  | (199,429)                                     | —                                 | (199,429)          |
| Total comprehensive income   | —                              | —                          | —                | —                  | —   | —                                 | 33,785             |
| Cash dividends   | —                              | —                          | —                | (195,122)          | —   | —                                 | (195,122)          |
| Transfer to legal reserve  | —                              | —                          | 163              | (163)              | —   | —                                 | —                  |
| Gains and losses on disposal of treasury stock                               | —                              | —                          | (30)             | —                  | —   | —                                 | (30)               |
| Net changes in treasury stock  | —                              | —                          | —                | —                  | —   | (306,316)                         | (306,316)          |
| <b>Balance, March 31, 2009</b>   | <b>\$677,327</b>               | <b>\$816,276</b>           | <b>\$102,408</b> | <b>\$4,923,347</b> | <b>(\$360,000)</b>                            | <b>(\$764,245)</b>                | <b>\$5,395,113</b> |

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

SECOM CO., LTD. and Subsidiaries  
Three years ended March 31, 2009

|  | In millions of yen   |          |           | Translation into thousands<br>of U.S. dollars (Note 3) |
|--|----------------------|----------|-----------|--|
|  | Years ended March 31 |          |           | Year ended March 31                                    |
|  | 2009                 | 2008     | 2007      | 2009   |
| <b>Cash flows from operating activities:</b>   |                      |          |           |  |
| Net income   | ¥ 30,560             | ¥ 61,756 | ¥ 55,889  | \$ 311,836   |
| Adjustments to reconcile net income to net cash provided<br>by operating activities— |                      |          |           |  |
| Depreciation and amortization, including amortization of deferred charges            | 54,625               | 58,194   | 58,248    | 557,398  |
| Accrual for pension and severance costs, less payments                               | (5,313)              | (4,083)  | (2,972)   | (54,214)   |
| Deferred income taxes  | (5,416)              | 4,337    | 430       | (55,265)   |
| Loss on sales and disposal of property, plant and equipment, net                     | 1,994                | 976      | 781       | 20,347   |
| Impairment loss on long-lived assets (Note 10)                                       | 76                   | 16       | 1,176     | 776  |
| Write-down on real estate inventories (Note 8)                                       | 8,366                | —        | —         | 85,367   |
| Gain on private equity investments   | (1,403)              | (4,070)  | —         | (14,316)   |
| Provision for loss on litigation (Note 24)   | 2,415                | —        | —         | 24,643   |
| Impairment loss on goodwill (Note 11)  | 1,578                | 1,128    | 2,966     | 16,102   |
| Gain on sales of securities, net   | (299)                | (4,593)  | (5,715)   | (3,051)  |
| Loss on liquidation of subsidiaries  | 32                   | 485      | —         | 327  |
| Loss on other-than-temporary impairment of investment securities                     | 19,514               | 2,562    | 1,357     | 199,122  |
| Equity in net income of affiliated companies   | (8,733)              | (5,238)  | (5,768)   | (89,112)   |
| Minority interests in subsidiaries   | 4,928                | 6,639    | 4,649     | 50,285   |
| Changes in assets and liabilities, net of effects from acquisitions and disposals:   |                      |          |           |  |
| (Increase) decrease in cash deposits   | 7,030                | 11,632   | (10,142)  | 71,735   |
| (Increase) decrease in receivables and due from subscribers, net of allowances       | 8,525                | (4,766)  | (13,798)  | 86,990   |
| (Increase) decrease in inventories   | 10,099               | (19,267) | (17,264)  | 103,051  |
| Increase in deferred charges   | (15,972)             | (16,336) | (18,267)  | (162,980)  |
| Increase (decrease) in deposits received   | (3,136)              | (14,023) | 9,022     | (32,000)   |
| Increase (decrease) in deferred revenue  | (1,037)              | 1,468    | 2,137     | (10,582)   |
| Increase (decrease) in accrued income taxes  | (5,530)              | (332)    | 1,697     | (56,429)   |
| Increase in guarantee deposits received  | 1,811                | 329      | 2,318     | 18,480   |
| Increase in unearned premiums and other insurance liabilities                        | 5,664                | 4,939    | 4,936     | 57,796   |
| Other, net   | (2,968)              | 10,820   | (3,794)   | (30,286)   |
| Net cash provided by operating activities  | 107,410              | 92,573   | 67,886    | 1,096,020  |
| <b>Cash flows from investing activities:</b>   |                      |          |           |  |
| Increase in time deposits  | (12)                 | (1,612)  | (2,425)   | (122)  |
| Proceeds from sales of property, plant and equipment                                 | 206                  | 4,277    | 3,919     | 2,102  |
| Payments for purchases of property, plant and equipment                              | (44,790)             | (45,332) | (46,378)  | (457,041)  |
| Proceeds from sales and redemptions of investment securities                         | 60,118               | 87,439   | 132,923   | 613,449  |
| Payments for purchases of investment securities                                      | (57,133)             | (99,262) | (103,242) | (582,990)  |
| (Increase) decrease in short-term investments  | (3,317)              | 6,397    | 32,548    | (33,847)   |
| Acquisitions, net of cash acquired (Note 4)  | (1,498)              | (317)    | 4,648     | (15,286)   |
| Payments for investments in affiliated companies (Note 9)                            | —                    | (1,741)  | (5,158)   | —  |
| (Increase) decrease in short-term receivables, net                                   | 87                   | (1,207)  | (474)     | 888  |
| Payments for long-term receivables   | (6,796)              | (3,773)  | (6,898)   | (69,347)   |
| Proceeds from long-term receivables  | 7,160                | 6,581    | 15,740    | 73,061   |
| Other, net   | (3,944)              | (3,557)  | (3,167)   | (40,245)   |
| Net cash provided by (used in) investing activities                                  | (49,919)             | (52,107) | 22,036    | (509,378)  |
| <b>Cash flows from financing activities:</b>   |                      |          |           |  |
| Proceeds from long-term debt   | 11,396               | 12,955   | 12,154    | 116,286  |
| Repayments of long-term debt   | (13,411)             | (12,792) | (52,269)  | (136,847)  |
| Increase (decrease) in bank loans, net   | (55,161)             | 6,075    | 20,687    | (562,867)  |
| Decrease in investment deposits by policyholders                                     | (1,188)              | (6,109)  | (94,424)  | (12,122)   |
| Dividends paid   | (19,122)             | (17,998) | (13,499)  | (195,122)  |
| Increase in treasury stock, net  | (30,019)             | (27)     | (100)     | (306,316)  |
| Other, net   | (2,412)              | (1,430)  | (920)     | (24,614)   |
| Net cash used in financing activities  | (109,917)            | (19,326) | (128,371) | (1,121,602)  |
| Effect of exchange rate changes on cash and cash equivalents                         | (2,758)              | 222      | 620       | (28,142)   |
| Net increase (decrease) in cash and cash equivalents                                 | (55,184)             | 21,362   | (37,829)  | (563,102)  |
| Cash and cash equivalents at beginning of year                                       | 214,577              | 193,215  | 231,044   | 2,189,561  |
| Cash and cash equivalents at end of year   | ¥159,393             | ¥214,577 | ¥193,215  | \$1,626,459  |

See accompanying notes to consolidated financial statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SECOM CO., LTD. and Subsidiaries  
Three years ended March 31, 2009

### 1. Nature of Operations

The parent company and its subsidiaries (collectively “the Company”) are engaged in the areas of security services, fire protection services, medical services, insurance services, geographic information services, real estate development and sales, and information and communication related and other services. With these services combined, the Company is focusing on its “Social System Industry,” a network of integrated systems and services, targeted at the needs of people and business.

The Company’s principal business activities are security services, including on-line centralized security services for commercial and residential premises, static guard services, armored car services for cash collection and deposit, and the development, manufacturing and sale of various security equipment. The Company has also been diversifying the operation of its services covering: fire protection services, including automatic fire alarm systems and fire extinguishing systems; home and other medical services; non-life insurance services; geographic information services using geographic information system (“GIS”) and surveying and measuring technology; real estate development and sales, focusing on development and sale of condominiums that reinforce security; and information and communication related services, centered on information security services and the provision of comprehensive information networks designed to assist people and companies in the event of a major disaster; lease of real estate and other services.

### 2. Significant Accounting Policies

The parent company and its Japanese subsidiaries maintain their records and prepare their statutory financial statements in accordance with accounting principles generally accepted in Japan. Certain adjustments and reclassifications have been incorporated in the accompanying financial statements to conform with accounting principles generally accepted in the United States of America. These adjustments were not recorded in the statutory books of account.

Significant accounting policies used in the preparation of the accompanying consolidated financial statements are summarized below:

#### **(1) Basis of Consolidation and Investments in Affiliated Companies**

The consolidated financial statements include the accounts of the parent company and those of its majority owned subsidiaries. The consolidated financial statements also include variable interest entities to which the Company is the primary beneficiary. All significant intercompany transactions and accounts have been eliminated in consolidation.

Investments in 20 to 50 percent owned companies, in which the ability to exercise significant influence exists, are accounted for under the equity method. Consolidated income includes the Company’s current equity in the net income of affiliated companies, after elimination of intercompany profits.

The excess of cost over underlying identifiable net assets at acquisition dates of investments in subsidiaries and affiliated companies is recorded as goodwill.

On occasion, a consolidated subsidiary or affiliated company accounted for using the equity method may issue its shares to third parties as either a public or private offering or upon conversion of convertible bonds to common stock at amounts per share in excess of or less than the Company’s average per share carrying value. With respect to such transactions, where the sale of such shares is not a part of a broader corporate reorganization contemplated or planned by the Company, the resulting gains or losses arising from the change in ownership interest are recorded in income for the year the transaction occurs.

#### **(2) Consolidation of Variable Interest Entities**

In December 2003, the Financial Accounting Standards Board (“FASB”) issued FASB Interpretation No. 46 (revised December 2003) (“FIN No. 46R”), “Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51.” FIN No. 46R addresses the consolidation and disclosure by business enterprise of a variable interest entity (“VIE”) as defined in the Interpretation. FIN No. 46R requires that the primary beneficiary—a party that absorbs a majority of the entity’s expected loss and receives a majority of the entity’s expected residual returns, or both, as a result of holding variable interests—consolidates the VIE and an enterprise that holds significant variable interests but is not the primary beneficiary discloses certain required information about the VIE. FIN No. 46R was effective immediately for all new VIEs created or acquired after January 31, 2003. For VIEs created or acquired prior to February 1, 2003, FIN No. 46R was effective for the Company on April 1, 2004.

The Company provides loans and guarantees to organizations managing hospitals and health care-related institutions and to a PFI (Private Finance Initiative) organization which was established to build, maintain and operate correctional facilities. Certain organizations are considered as VIEs under FIN No. 46R.

Total assets held by VIEs to which the Company is the primary beneficiary were ¥16,594 million (\$169,327 thousand) and ¥17,284 million at March 31, 2009 and 2008, respectively. Total assets held by VIEs to which the Company holds significant variable interests but is not the primary beneficiary at March 31, 2009 and 2008 were ¥46,654 million (\$476,061 thousand) and ¥45,889 million, respectively. The Company’s maximum exposure to losses related to VIEs at March 31, 2009 and 2008 were ¥9,794 million (\$99,939 thousand) and ¥9,164 million, respectively.

The Company also provided loans and guarantees to real estate investment companies. Certain investment companies were considered as VIEs under FIN No. 46R. In September 2006, the Company acquired 100% ownership of these VIEs and consolidated as its subsidiaries. There are no such VIEs to which the Company holds significant variable interests but was not primary beneficiary at March 31, 2009.

**(3) Revenue Recognition**

The Company generates revenue principally through sales of security services, merchandise and software, and insurance services under separate contractual arrangements. The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, title and risk of loss have been transferred to the customer, the sales price is fixed or determinable, and collectibility is probable.

Revenue from security services is recognized over the contractual period or, in the case of specific services, when such services are rendered. Subscribers are generally requested to prepay a portion of service charges which are credited to deferred revenue and taken into income ratably over the covered service period. Revenue from installation services of security equipment related to on-line centralized security services is deferred and recognized over the contractual period of security services after completion of the installation. The related installation costs are also deferred and amortized over the contractual period (Note 2 (12)).

The Company enters into arrangements with multiple elements, which may include any combination of security equipment, installation and security service. The Company allocates revenue to each element based on its relative fair value if such element meets criteria for treatment as a separate unit of accounting as prescribed in the Emerging Issues Task Force ("EITF") No. 00-21, "Accounting for Revenue Arrangement with Multiple Deliverables." Otherwise, revenue is deferred until the undelivered elements are fulfilled as a single unit of accounting.

Revenue from sales of merchandise and software is recognized when the merchandise and software are received by the customer and, in the case of installations, when such installations are completed.

Revenue from construction contracts for fire protection services is recognized when constructions are completed.

Revenue from long-term contracts for geographic information services is recognized under the percentage-of-completion method.

Property and casualty insurance premiums are earned ratably over the terms of the related insurance contracts. Unearned premiums are earned ratably over the terms of the unexpired portion of premiums written.

Revenue from sales of real estate is recognized when the ownership of real estates are transferred to the customers.

Revenue from sales of equipment under sales-type leases is recognized at the inception of the lease. Unearned income on sales-type leases and direct-financing leases is recognized over the life of each respective lease using the interest method. Leases not qualifying as sales-type leases or direct-financing leases are accounted for as operating leases and the related revenue is recognized over the lease term.

Taxes collected from customers and remitted to governmental authorities on revenue-producing transactions are accounted for on a net basis and therefore are excluded from net sales and operating revenue in consolidated statements of income.

**(4) Foreign Currency Translation**

All asset and liability accounts of foreign subsidiaries and affiliates are translated into Japanese yen at the rates of exchange in effect at year-end and all income and expense accounts are translated at average rates of exchange during the year. The resulting translation adjustments are accumulated and reported as part of other comprehensive income (loss).

Foreign currency receivables and payables of the Company are translated into yen at the rate in effect at the balance sheet date and the resulting translation gains and losses are credited or charged to income for the year.

**(5) Cash Equivalents**

For the purpose of the statements of cash flows, the Company considers all highly liquid investments purchased with initial maturities of three months or less to be cash equivalents.

**(6) Investments in Debt and Equity Securities**

The Company classifies investments in debt and equity securities as "available-for-sale" or "held-to-maturity." The Company has no securities classified as "trading." "Held-to-maturity" securities are those securities in which the Company has the ability and intent to hold the security until maturity. All securities not included in "trading" or "held-to-maturity" are classified as "available-for-sale" securities. Marketable debt and equity securities which are classified as "available-for-sale" are recorded at fair value. Unrealized holding gains and losses on securities classified as "available-for-sale" are reported as part of other comprehensive income (loss), net of tax. Debt securities classified as "held-to-maturity" are reported at amortized cost.

A decline in the fair value of any available-for-sale securities below cost that is deemed to be other-than-temporary results in a reduction in carrying amount to fair value. The impairment is charged to income and a new cost basis for the securities is established. To determine whether an impairment is other-than-temporary, the Company considers the length of time and extent to which the market value of the security has been less than its original cost, the financial condition, other specific factors affecting the market value, deterioration of the credit condition of the issuers, and whether or not the Company is able to retain the investment for a period of time sufficient to allow for the anticipated recovery in market value.

Other investments in non-public companies are recorded at cost as fair value is not readily determinable. The Company periodically evaluates the values of other investments in non-public companies for possible impairment by taking into consideration the financial and operating conditions of the issuer, the general market conditions in the issuer's industry and the period of the decline in the estimated fair value and other relevant factors. If the impairment is determined to be other-than-temporary, other investments in non-public companies are written down to their impaired value through a charge to income.

Realized gains or losses on the sale of investments are based on the moving-average cost method and are credited or charged to income.

### **(7) Private Equity Investments**

The Company accounts for private equity investments in accordance with "AICPA Audit and Accounting Guide: Investment Companies," in which investments are accounted for at fair value based on the Company's assessment of each underlying investment. The investments, by their nature, have little or no price transparency. Investments are initially carried at cost as an approximation of fair value. Adjustments to carrying value are made if there is evidence of a change in fair value. Downward adjustments are also made, in the absence of third-party transactions, if it is determined that the expected realizable value of the investment has declined below the carrying value.

The carrying value of private equity investments was ¥20,861 million (\$212,867 thousand) and ¥33,153 million at March 31, 2009 and 2008, respectively.

Private equity investments are included in investment securities in the consolidated balance sheets.

### **(8) Inventories**

Inventories, consisting of security-related products, fire protection-related products, real estate and information and other related products, are stated at the lower of cost or market. Cost is determined, in the case of real estate, based on the specific identification method and, in the case of other inventories, primarily using the moving-average method.

### **(9) Allowance for Doubtful Accounts**

The Company recognizes an allowance for doubtful accounts to ensure trade and other receivables are not overstated due to uncollectibility. Allowance for doubtful accounts is maintained for all customers based on a variety of factors, including the length of time receivables are past due, macroeconomic conditions, significant one-time events and historical experience. An additional reserve for individual accounts is recorded when the Company becomes aware of a customer's inability to meet its financial obligations, such as in the case of bankruptcy filings or deterioration in the customer's operating results or financial position. If circumstances related to customers change, estimates of the recoverability of receivables would be further adjusted.

### **(10) Deferred Insurance Acquisition Costs**

Costs that vary with and are primarily related to acquiring new insurance policies are deferred and are being amortized principally over the premium-paying period of the related insurance policies applying a percentage relationship of cost incurred to premiums from contracts issued to applicable unearned premiums throughout the period of the contract.

### **(11) Property, Plant and Equipment and Depreciation**

Property, plant and equipment, including significant leasehold improvements, are carried at cost and depreciated at rates based on the estimated useful lives of the assets. From April 1, 2008, depreciation is computed using the

straight-line method for assets except security equipment and control stations. Prior to April 1, 2008, these assets were depreciated primarily using the declining-balance method. Security equipment and control stations are depreciated by using the declining-balance method. Assets leased to others under operating leases are depreciated using the straight-line method over the estimated useful lives. Depreciation expense was ¥33,417 million (\$340,990 thousand), ¥37,241 million and ¥38,719 million for the years ended March 31, 2009, 2008 and 2007, respectively. Maintenance, repairs and renewals are charged to income as incurred.

The estimated useful lives of depreciable assets are as follows:

|   |                |
|---|----------------|
| Buildings                               | 22 to 50 years |
| Security equipment and control stations | 5 to 8 years   |
| Machinery, equipment and automobiles    | 2 to 20 years  |

Effective April 1, 2008, the Company adopted the straight-line method of depreciation for assets except security equipment and control stations. In accordance with Statement of Financial Accounting Standards ("SFAS") No. 154, "Accounting Changes and Error Corrections, a replacement of APB Opinion No. 20 and FASB Statement No. 3," this change in depreciation method is treated on a prospective basis as a change in estimate. Prior period results have not been restated. The Company has unified its accounting policy within the Group, as it believes that the change of depreciation method for assets except security equipment and control stations better reflects the pattern of consumption of the future benefits to be derived from those assets being depreciated and provides a better matching of costs and revenues over the assets' estimated useful lives. The effect of the change in depreciation method for the year ended March 31, 2009, was to reduce depreciation expense by ¥2,203 million (\$22,480 thousand) and increase net income and basic net income per share by ¥1,336 million (\$13,633 thousand) and ¥6.01 (\$0.06), respectively.

The Company recognizes an asset retirement liability if the fair value of the obligation can be reasonably estimated. Asset retirement obligations include those for which an entity has a legal obligation to perform an asset retirement activity, however, the timing and/or method of settling the obligation are conditional on a future event that may or may not be within the control of the entity.

### **(12) Deferred Charges**

Deferred charges primarily consist of costs related to installation services of security equipment related to on-line centralized security services. The installation costs are deferred and amortized using the straight-line method over the contractual period of security services after completion of the installation. Amortization expense was ¥15,359 million (\$156,724 thousand), ¥14,953 million and ¥14,474 million for the years ended March 31, 2009, 2008 and 2007, respectively.

**(13) Impairment or Disposal of Long-Lived Assets**

In accordance with SFAS No. 144, "Accounting for Impairment or Disposal of Long-Lived Assets," the Company reviews the carrying amount of its long-lived assets held and used, other than goodwill and intangible assets with indefinite lives, and assets to be disposed of, whenever events or changes in circumstances indicated that the carrying amount may not be recoverable. Long-lived assets to be held and used are reviewed for impairment by comparing the carrying amount of the assets with their estimated future undiscounted cash flows. If it is determined that an impairment loss has occurred, the loss would be recognized during the period. The impairment loss would be calculated as the difference between the assets' carrying amount and the fair value. Long-lived assets that are to be disposed of other than by sale are considered held and used until they are disposed of. Long-lived assets that are to be disposed of by sale are reported at the lower of their carrying amount or fair value less cost to sell. Reductions in carrying amount are recognized in the period in which the long-lived assets are classified as held for sale.

**(14) Goodwill and Other Intangible Assets**

Goodwill represents the excess of costs over the fair value of assets of business acquired. Pursuant to SFAS No. 142, "Goodwill and Other Intangible Assets," goodwill and intangible assets acquired in a purchase business combination and determined to have an indefinite useful life are not amortized, but instead tested for impairment at least annually. SFAS No. 142 also requires that intangible assets with estimable useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with SFAS No. 144. The Company conducts its annual impairment test at the end of each fiscal year.

**(15) Unearned Premiums and Other Insurance Liabilities**

Unearned premiums are related to unexpired periods of insurance contracts and are earned on a pro-rata basis over the remaining contract period. Other insurance liabilities consist principally of liabilities for unpaid claims and adjustment expenses, which are estimates of payments to be made on reported claims and incurred but not reported claims, which are computed based on past experience for unpaid losses.

**(16) Compensated Absences**

In June 2006, the FASB ratified the Emerging Issues Task Force ("EITF") consensus on EITF Issue No. 06-2 ("EITF 06-2"), "Accounting for Sabbatical Leave and Other Similar Benefits Pursuant to FASB Statement No. 43." EITF 06-2 provides guidance for an accrual of compensated absences that require a minimum service period but have no increase in the benefit even with additional years of service. On April 1, 2007, the Company adopted EITF 06-2 and recorded an increase in the beginning balance of accrued payrolls of ¥2,265 million and an increase in the beginning balance of deferred income taxes (Other assets) of ¥846 million, with a decrease in the beginning balance of retained earnings of ¥1,227 million.

**(17) Income Taxes**

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and operating loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences and carryforwards are expected to be realized or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized.

On April 1, 2007, the Company adopted FASB Interpretation No. 48 ("FIN No. 48"), "Accounting for Uncertainty in Income Taxes—an Interpretation of FASB Statement No. 109," which requires a more-likely-than-not threshold for financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return.

The Company recognizes interest and penalties accrued related to unrecognized tax benefits in income taxes in the consolidated statement of income.

**(18) Research and Development**

Research and development costs are charged to income as incurred.

**(19) Advertising Costs**

Advertising costs are charged to income as incurred, except for the costs related to insurance policies. Advertising costs for acquiring new insurance policies are deferred and amortized as part of insurance acquisition costs. Advertising expenses included in selling, general and administrative expenses for the years ended March 31, 2009, 2008 and 2007 were ¥5,416 million (\$55,265 thousand), ¥5,996 million and ¥5,348 million, respectively.

**(20) Derivative Financial Instruments**

The Company accounts for derivative financial instruments in accordance with SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended.

The Company recognizes all derivative financial instruments in the consolidated financial statements at fair value regardless of the purpose or intent for holding them. Changes in the fair value of derivative financial instruments are either recognized periodically in income or in shareholders' equity as a component of other comprehensive income (loss) depending on whether the derivative financial instruments qualify for hedge accounting, and if so, whether they qualify as a fair value hedge or a cash flow hedge. Changes in the fair values of derivative financial instruments accounted for as a fair value hedge are recorded in income along with the portion of the change in the fair value of the hedged item that relates to the hedged risk. Changes in the fair value of derivative financial instruments accounted for as a cash flow hedge, to the extent it is effective as a hedge, are recorded in other comprehensive income (loss), net of tax. Changes in the fair value of derivative financial instruments not qualifying as a hedge are reported in income.



The Company meets the documentation requirements which include their risk management objective and strategy for undertaking various hedge transactions. In addition, formal assessment is made at the hedge's inception and periodically on an on-going basis, as to whether the derivatives used in hedging activities are highly effective in off-setting changes in fair values or cash flow of hedged items. Hedge accounting is discontinued for ineffective hedges, if any. Discontinued hedges are recognized in current earnings.

#### **(21) Per Share Data**

Basic Earnings per Share ("EPS") is computed based on the average number of shares of common stock outstanding for the period. The average number of shares of common stock outstanding for the years ended March 31, 2009, 2008 and 2007 was 222,378 thousand shares, 224,967 thousand shares and 224,974 thousand shares, respectively. There were no potentially dilutive shares outstanding during the years ended March 31, 2009, 2008 or 2007.

Cash dividends per share shown in the accompanying consolidated statements of income are computed based on dividends approved and paid in each fiscal year.

#### **(22) Use of Estimates**

The preparation of the consolidated financial statements requires management of the Company to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Significant items subject to such estimates and assumptions include the carrying amounts of inventories, investment securities, other investments, property, plant and equipment, goodwill and other intangible assets; valuation allowances for receivables and deferred income taxes; valuation of derivative instruments; assets and obligations related to employee benefits; income tax uncertainties; and other contingencies.

#### **(23) Recent Pronouncements**

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements." SFAS No. 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007, and was adopted by the Company in the fiscal year beginning April 1, 2008. In February 2008, the FASB issued Staff Positions ("FSP") No. FAS 157-1, "Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13" and No. FAS 157-2, "Effective Date of FASB Statement No. 157," which delays the effective date of SFAS No. 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually) and remove certain leasing transactions from its scope. The Company has not applied

the provisions of SFAS No. 157 to the impairment of long-lived assets and goodwill that have been recognized or disclosed at fair value for the year ended March 31, 2009. The adoption did not have a material impact on the Company's consolidated results of operations or financial positions.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities—Including an amendment of SFAS No. 115." SFAS No. 159 provides companies with an option to report selected financial assets and liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are recognized in earnings. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007, and was adopted by the Company in the fiscal year beginning April 1, 2008. The adoption of SFAS No. 159 did not have an impact on the Company's consolidated results of operations and financial condition as the Company did not elect to report financial assets and liabilities under the fair value option.

In December 2007, the FASB issued SFAS No. 141(R), "Business Combinations." SFAS No. 141(R) establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any noncontrolling interest in the acquiree and the goodwill acquired. SFAS No. 141(R) also establishes disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. SFAS No. 141(R) is effective for fiscal years beginning after December 15, 2008 and is required to be adopted by the Company in the fiscal year beginning April 1, 2009. The effect of adopting SFAS No. 141(R) will depend on the nature and significance of any acquisitions subject to SFAS No. 141(R).

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51." SFAS No. 160 requires that the noncontrolling interest in the equity of a subsidiary be accounted for and reported as equity, provides revised guidance on the treatment of net income and losses attributable to the noncontrolling interest and changes in ownership interests in a subsidiary. SFAS No. 160 also requires additional disclosures that identify and distinguish between the interests of the controlling and noncontrolling owners. SFAS No. 160 is effective for fiscal years beginning after December 15, 2008 and is required to be adopted by the Company in the fiscal year beginning April 1, 2009. The effect of adopting SFAS No. 160 will depend on the nature and significance of any transactions subject to SFAS No. 160.

In December 2008, the FASB issued FSP FAS No. 132(R)-1 ("FSP 132R-1"), "Employers' Disclosures about Postretirement Benefit Plan Assets." FSP 132R-1 requires additional disclosures about assets held in an employer's defined benefit pension or other postretirement plan. FSP 132R-1 is effective for fiscal years ending after December 15, 2009 and is required to be adopted by the Company in the fiscal year ending March 31, 2010. The Company is currently evaluating the requirements of the additional disclosures, and does not expect the adoption of FSP 132R-1 to have a material impact on its consolidated results of operations or financial positions.

In April 2009, the FASB issued FSP FAS No. 115-2 and 124-2, "Recognition and Presentation of Other-Than-Temporary Impairments" ("FSP 115-2 and 124-2"). FSP 115-2 and 124-2 revises the recognition and presentation requirements for other-than-temporary impairments for debt securities, and contains additional disclosure requirements related to debt and equity securities. FSP 115-2 and 124-2 is effective for fiscal years ending after June 15, 2009 and is required to be adopted by the Company in the fiscal year ending March 31, 2010. It is not anticipated that the adoption will have a material impact on the Company's consolidated results of operations or financial position.

In June 2009, the FASB issued SFAS No. 167, "Amendments to FASB Interpretation No. 46(R)." This statement requires reporting entities to evaluate former QSPEs for consolidation, changes the approach to determining a VIE's primary beneficiary from a mainly quantitative assessment to an exclusively qualitative assessment designed to identify a controlling financial interest, and increases the frequency of required reassessments to determine whether a company is the primary beneficiary of a VIE. SFAS 167 is effective for fiscal years beginning after November 15, 2009. Earlier application is prohibited. SFAS 167 will be adopted by the Company in the fiscal year beginning April 1, 2010. The Company is currently evaluating the effect of adopting SFAS 167 on its consolidated financial statements.

**(24) Reclassifications**

The accompanying consolidated financial statements for the years ended March 31, 2008 and 2007 have been reclassified to conform to the presentation used for the year ended March 31, 2009.

**3. U.S. Dollar Amounts**

U.S. dollar amounts have been included in these financial statements solely for the convenience of the reader. The translations of yen into U.S. dollars have been made at the rate of ¥98=US\$1, the rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2009. These translations should not be construed as representing that the yen amounts actually represent, or have been or could be converted into U.S. dollars at that rate.

**4. Acquisition**

In December 2006, the Company acquired 18,500,000 newly issued shares—equivalent to 30.8 percent of total outstanding common stocks—of Nohmi Bosai Ltd. ("Nohmi Bosai"), listed on the First Section of the Tokyo Stock Exchange for an aggregate value of ¥14,060 million. Nohmi Bosai operates automatic fire alarms, fire

extinguishing and other fire protection systems. As a result of this new share acquisition, the Company owns 50.4 percent of the total outstanding common stocks of Nohmi Bosai. The operating results of Nohmi Bosai and its subsidiaries (collectively, "Nohmi Bosai group") have been included in the consolidated financial statements since the date of acquisition. The Company has been in an alliance with Nohmi Bosai, which had been accounted for under the equity method before this new share acquisition. Purpose of this acquisition is to reinforce its alliance with Nohmi Bosai by integrating the Company's expertise in security systems with Nohmi Bosai's fire protection technologies.

The value of the transaction was determined based on the average closing price of Nohmi Bosai's common stocks on the Tokyo Stock Exchange over the one month period (from October 23, 2006 to November 21, 2006). Price per share was ¥760, which represents a 5.6 percent discount from the average share price.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition. The excess of the fair value of acquired net assets over cost was deducted on a pro rata basis to all acquired assets except financial assets other than investments accounted for under the equity method, deferred tax assets, prepaid pension and severance costs, and any other current assets.

|  | In millions of yen |
|--|--------------------|
| Cash and cash equivalents .....          | ¥17,513            |
| Receivables and other                    |                    |
| current assets.....                      | 41,991             |
| Investments and                          |                    |
| long-term receivables.....               | 9,015              |
| Property, plant and equipment.....       | 5,973              |
| Intangible assets.....                   | 4,769              |
| <b>Total assets acquired .....</b>       | <b>79,261</b>      |
| Current liabilities.....                 | 27,001             |
| Other liabilities.....                   | 7,757              |
| <b>Total liabilities assumed .....</b>   | <b>34,758</b>      |
| Minority interests in subsidiaries ..... | 124                |
| <b>Net assets acquired .....</b>         | <b>¥44,379</b>     |

Substantially all of the trademarks (including trade names) assigned for ¥1,879 million out of total intangible assets acquired for ¥4,769 million are not subject to amortization. ¥2,890 million of acquired intangible assets were assigned to assets subject to amortization, which have a weighted-average useful life of approximately 16 years, including customer contracts and related customer relationships of ¥1,908 million with a 20-year weighted-average useful life.

The following unaudited pro forma information shows the Company's consolidated results of operations for the year ended March 31, 2007 as though Nohmi Bosai group had been consolidated at the beginning of the year.

|   | Unaudited           |
|---|---------------------|
|   | In millions of yen  |
|   | Year ended March 31 |
|   | 2007                |
| Pro forma net sales and operating revenue ... | ¥686,429            |
| Pro forma net income.....                     | 56,090              |
|   | Unaudited           |
|   | In yen              |
|   | Year ended March 31 |
|   | 2007                |
| Pro forma basic net income per share.....     | ¥249.32             |

The unaudited pro forma data is not necessarily indicative of the Company's consolidated results of operations that would actually have been reported if the transaction in fact had occurred at the beginning of the year, and is not necessarily representative of the Company's consolidated results of operations for any future period.

## 5. Cash and Cash Equivalents

Cash and cash equivalents at March 31, 2009 and 2008 were comprised as follows:

|                             | In millions of yen |          | In thousands of |
|-----------------------------|--------------------|----------|-----------------|
|                             | March 31           | March 31 | U.S. dollars    |
|                             | 2009               | 2008     | March 31        |
| Cash .....                  | ¥100,327           | ¥149,874 | \$1,023,745     |
| Time deposits.....          | 19,609             | 42,936   | 200,092         |
| Call loan.....              | 36,500             | 19,000   | 372,449         |
| Investment securities ..... | 2,957              | 2,767    | 30,173          |
|                             | ¥159,393           | ¥214,577 | \$1,626,459     |

Investment securities include commercial papers and money management funds. These agreements mature within three months and their carrying values approximate fair value. The Company has not experienced any losses through default of the financial institutions and does not anticipate default of any outstanding agreements.

## 6. Cash Deposits

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 service for entities other than financial institutions. Cash deposit balances of ¥56,668 million (\$578,245 thousand) and ¥63,697 million at March 31, 2009 and 2008, respectively, are segregated from cash and cash equivalents and are restricted as to use by the Company. The Company funds most of the cash for such operations through bank overdrafts and deposits. Bank loans and deposits received, which relate to these operations, were ¥26,894 million (\$274,429 thousand) and ¥29,084 million (\$296,776 thousand), respectively, at March 31, 2009, and ¥30,402 million and ¥32,619 million, respectively, at March 31, 2008. As part of its fee arrangement, the Company is reimbursed for the interest cost of the related overdrafts.

## 7. Short-Term Investments and Investment Securities

Short-term investments (current) and investment securities (non-current) include debt and equity securities. The related aggregate fair value, gross unrealized gains, gross unrealized losses and cost pertaining to "available-for-sale" and "held-to-maturity" investments at March 31, 2009 and 2008 were as follows:

|                                | In millions of yen |        |        |            |
|--------------------------------|--------------------|--------|--------|------------|
|                                | March 31, 2009     |        |        |            |
|                                | Gross unrealized   |        |        | Fair value |
|                                | Cost               | Gains  | Losses |            |
| <b>Short-term investments:</b> |                    |        |        |            |
| <b>Available-for-sale:</b>     |                    |        |        |            |
| Equity securities .....        | ¥ 710              | ¥ —    | ¥ 133  | ¥ 577      |
| Debt securities .....          | 11,962             | 22     | 216    | 11,768     |
| <b>Held-to-maturity:</b>       |                    |        |        |            |
| Debt securities .....          | 1,485              | 2      | —      | 1,487      |
|                                | ¥ 14,157           | ¥ 24   | ¥ 349  | ¥ 13,832   |
| <b>Investment securities:</b>  |                    |        |        |            |
| <b>Available-for-sale:</b>     |                    |        |        |            |
| Equity securities .....        | ¥ 43,221           | ¥2,408 | ¥3,840 | ¥ 41,789   |
| Debt securities .....          | 84,918             | 534    | 3,380  | 82,072     |
| <b>Held-to-maturity:</b>       |                    |        |        |            |
| Debt securities .....          | 6,232              | —      | 102    | 6,130      |
|                                | ¥134,371           | ¥2,942 | ¥7,322 | ¥129,991   |

# CONSOLIDATED FINANCIAL STATEMENTS

| In millions of yen             |          |                  |         |            |
|--------------------------------|----------|------------------|---------|------------|
| March 31, 2008                 |          |                  |         |            |
|                                | Cost     | Gross unrealized |         | Fair value |
|                                |          | Gains            | Losses  |            |
| <b>Short-term investments:</b> |          |                  |         |            |
| Available-for-sale:            |          |                  |         |            |
| Debt securities .....          | ¥ 5,051  | ¥ 1              | ¥ 115   | ¥ 4,937    |
| Held-to-maturity:              |          |                  |         |            |
| Debt securities .....          | 1,603    | 0                | 0       | 1,603      |
|                                | ¥ 6,654  | ¥ 1              | ¥ 115   | ¥ 6,540    |
| <b>Investment securities:</b>  |          |                  |         |            |
| Available-for-sale:            |          |                  |         |            |
| Equity securities .....        | ¥ 62,195 | ¥5,051           | ¥ 8,485 | ¥ 58,761   |
| Debt securities .....          | 85,426   | 918              | 1,962   | 84,382     |
| Held-to-maturity:              |          |                  |         |            |
| Debt securities .....          | 8,242    | 1                | 348     | 7,895      |
|                                | ¥155,863 | ¥5,970           | ¥10,795 | ¥151,038   |

| In thousands of U.S. dollars   |             |                  |          |             |
|--------------------------------|-------------|------------------|----------|-------------|
| March 31, 2009                 |             |                  |          |             |
|                                | Cost        | Gross unrealized |          | Fair value  |
|                                |             | Gains            | Losses   |             |
| <b>Short-term investments:</b> |             |                  |          |             |
| Available-for-sale:            |             |                  |          |             |
| Equity securities .....        | \$ 7,245    | \$ —             | \$ 1,357 | \$ 5,888    |
| Debt securities .....          | 122,061     | 225              | 2,204    | 120,082     |
| Held-to-maturity:              |             |                  |          |             |
| Debt securities .....          | 15,152      | 20               | —        | 15,172      |
|                                | \$ 144,458  | \$ 245           | \$ 3,561 | \$ 141,142  |
| <b>Investment securities:</b>  |             |                  |          |             |
| Available-for-sale:            |             |                  |          |             |
| Equity securities .....        | \$ 441,031  | \$24,571         | \$39,184 | \$ 426,418  |
| Debt securities .....          | 866,510     | 5,449            | 34,490   | 837,469     |
| Held-to-maturity:              |             |                  |          |             |
| Debt securities .....          | 63,592      | —                | 1,041    | 62,551      |
|                                | \$1,371,133 | \$30,020         | \$74,715 | \$1,326,438 |

Gross unrealized losses on, and fair value of, "available-for-sale" and "held-to-maturity" securities, aggregated by investment category and the length of time that individual securities have been in a continuous unrealized loss position, at March 31, 2009 were as follows:

| In millions of yen         |                     |                         |                     |                         |
|----------------------------|---------------------|-------------------------|---------------------|-------------------------|
| March 31, 2009             |                     |                         |                     |                         |
|                            | Less than 12 months |                         | 12 months or longer |                         |
|                            | Fair value          | Gross unrealized losses | Fair value          | Gross unrealized losses |
| <b>Available-for-sale:</b> |                     |                         |                     |                         |
| Equity securities .....    |                     |                         |                     |                         |
|                            | ¥ 7,711             | ¥1,272                  | ¥ 8,653             | ¥2,701                  |
| Debt securities .....      |                     |                         |                     |                         |
|                            | 25,704              | 1,416                   | 28,299              | 2,180                   |
| Total .....                | ¥33,415             | ¥2,688                  | ¥36,952             | ¥4,881                  |
| <b>Held-to-maturity:</b>   |                     |                         |                     |                         |
| Debt securities .....      | ¥ —                 | ¥ —                     | ¥ 398               | ¥ 102                   |

| In thousands of U.S. dollars |                     |                         |                     |                         |
|------------------------------|---------------------|-------------------------|---------------------|-------------------------|
| March 31, 2009               |                     |                         |                     |                         |
|                              | Less than 12 months |                         | 12 months or longer |                         |
|                              | Fair value          | Gross unrealized losses | Fair value          | Gross unrealized losses |
| <b>Available-for-sale:</b>   |                     |                         |                     |                         |
| Equity securities .....      | \$ 78,684           | \$12,980                | \$ 88,296           | \$27,561                |
| Debt securities .....        | 262,286             | 14,449                  | 288,765             | 22,245                  |
| Total .....                  | \$340,970           | \$27,429                | \$377,061           | \$49,806                |
| <b>Held-to-maturity:</b>     |                     |                         |                     |                         |
| Debt securities .....        | \$ —                | \$ —                    | \$ 4,061            | \$ 1,041                |

Based on the Company's ability and intent to hold the investment for a reasonable period of time sufficient for a recovery of fair value, the credit condition of the issuers, the fact that the markets have gradually showed a certain level of recovery and other relevant factors, the Company does not consider these investments to be other-than-temporary impaired at March 31, 2009.

At March 31, 2009, debt securities principally consisted of short-term investments in monetary trusts, Japanese government bonds, corporate bonds, U.S. treasury securities and U.S. Government Agency Bonds.

The cost and fair value of "available-for-sale" and "held-to-maturity" debt securities by contractual maturity at March 31, 2009 are as follows:

|  | In millions of yen |            |                  |            |
|--|--------------------|------------|------------------|------------|
|  | March 31, 2009     |            |                  |            |
|  | Available-for-sale |            | Held-to-maturity |            |
|  | Cost               | Fair value | Cost             | Fair value |
| Due within 1 year .....                  | ¥11,962            | ¥11,768    | ¥1,485           | ¥1,487     |
| Due after 1 year through 5 years .....   | 52,777             | 50,497     | —                | —          |
| Due after 5 years through 10 years ..... | 26,056             | 25,630     | —                | —          |
| Due after 10 years .....                 | 6,085              | 5,945      | 6,232            | 6,130      |
|  | ¥96,880            | ¥93,840    | ¥7,717           | ¥7,617     |

|  | In thousands of U.S. dollars |            |                  |            |
|--|------------------------------|------------|------------------|------------|
|  | March 31, 2009               |            |                  |            |
|  | Available-for-sale           |            | Held-to-maturity |            |
|  | Cost                         | Fair value | Cost             | Fair value |
| Due within 1 year .....                  | \$122,061                    | \$120,082  | \$15,152         | \$15,172   |
| Due after 1 year through 5 years .....   | 538,541                      | 515,276    | —                | —          |
| Due after 5 years through 10 years ..... | 265,878                      | 261,531    | —                | —          |
| Due after 10 years .....                 | 62,091                       | 60,662     | 63,592           | 62,551     |
|  | \$988,571                    | \$957,551  | \$78,744         | \$77,723   |

During the years ended March 31, 2009, 2008 and 2007, the net unrealized gains and losses on "available-for-sale" securities included as part of other comprehensive income (loss), net of tax, decreased by ¥460 million (\$4,694 thousand), ¥11,238 million and ¥3,026 million, respectively.

Proceeds from the sale of “available-for-sale” securities for the years ended March 31, 2009, 2008 and 2007 were ¥59,340 million (\$605,510 thousand), ¥106,925 million and ¥109,405 million, respectively. On those sales, the gross realized gains and gross realized losses, using moving-average cost basis, for the years ended March 31, 2009, 2008 and 2007 were as follows:

|                            | In millions of yen |        |        | In thousands of U.S. dollars |
|----------------------------|--------------------|--------|--------|------------------------------|
|                            | 2009               | 2008   | 2007   | 2009                         |
| Gross realized gains ..... | ¥679               | ¥3,005 | ¥4,076 | \$6,929                      |
| Gross realized losses..... | 325                | 623    | 295    | 3,316                        |

The Company maintains long-term investment securities, included as investment securities, issued by a number of non-public companies. The aggregate carrying amount of the investments in non-public companies, at cost net of other-than-temporary impairment, was ¥10,714 million (\$109,327 thousand) and ¥12,150 million at March 31, 2009 and 2008, respectively. The corresponding fair value at that date was not computed as such estimation was not practical.

## 8. Inventories

Inventories at March 31, 2009 and 2008 comprised the following:

|   | In millions of yen |          | In thousands of U.S. dollars |
|---|--------------------|----------|------------------------------|
|   | 2009               | 2008     | 2009                         |
| Security-related products.....              | ¥ 7,333            | ¥ 7,732  | \$ 74,826                    |
| Fire protection-related products...         | 16,241             | 13,747   | 165,724                      |
| Real estate .....                           | 67,614             | 91,182   | 689,939                      |
| Information and other-related products..... | 4,883              | 5,781    | 49,827                       |
|   | ¥96,071            | ¥118,442 | \$980,316                    |

Work in process for real estate inventories at March 31, 2009 and 2008, amounting to ¥61,437 million (\$626,908 thousand) and ¥73,312 million, respectively, are included in real estate.

The amount of write-down on real estate inventories included in cost of sales for the year ended March 31, 2009 was ¥8,366 million (\$85,367 thousand).

## 9. Investments in Affiliated Companies

The Company has investments in affiliated companies that are accounted for under the equity method. Investments principally consist of investments in Taiwan Secom Co., Ltd., a 28.1 percent owned affiliate, which is listed on the Taiwan Stock Exchange; S1 Corporation, a 27.2 percent owned affiliate, which is listed on the Korea Exchange; Toyo Tech Co., Ltd., a 27.8 percent owned affiliate acquired—amounting

to ¥5,146 million—in December 2006, which is listed on the Second Section of the Osaka Securities Exchange; and Tokyo Biso Kogyo Corporation, a 36.6 percent owned new affiliate by additionally acquiring ¥1,740 million—equivalent to 16.6 percent of total outstanding common stocks—in May 2007 and March 2008, which is listed on the Second Section of the Tokyo Stock Exchange.

In December 2006, the Company additionally acquired 18,500,000 newly issued shares of Nohmi Bosai, listed on the First Section of the Tokyo Stock Exchange, and as a result the Company held 50.4 percent of its ownership. Nohmi Bosai had been accounted for under the equity method before the acquisition and has been consolidated as its subsidiaries since the date of acquisition. (For more details, see Note 4.)

Summarized financial information regarding the affiliated companies accounted for under the equity method was as follows:

|  | In millions of yen |          | In thousands of U.S. dollars |
|--|--------------------|----------|------------------------------|
|  | 2009               | 2008     | 2009                         |
| Current assets .....                             | ¥ 90,419           | ¥ 96,089 | \$ 922,643                   |
| Non-current assets .....                         | 106,004            | 134,467  | 1,081,673                    |
| Total assets.....                                | ¥196,423           | ¥230,556 | \$2,004,316                  |
| Current liabilities.....                         | ¥ 39,994           | ¥ 48,212 | \$ 408,102                   |
| Non-current liabilities.....                     | 34,486             | 36,846   | 351,898                      |
| Shareholders' equity .....                       | 121,943            | 145,498  | 1,244,316                    |
| Total liabilities and shareholders' equity ..... | ¥196,423           | ¥230,556 | \$2,004,316                  |

|                    | In millions of yen |          |          | In thousands of U.S. dollars |
|--------------------|--------------------|----------|----------|------------------------------|
|                    | 2009               | 2008     | 2007     | 2009                         |
| Net sales .....    | ¥177,465           | ¥202,335 | ¥196,486 | \$1,810,867                  |
| Gross profit ..... | ¥ 54,621           | ¥ 64,213 | ¥ 67,315 | \$ 557,357                   |
| Net income .....   | ¥ 18,574           | ¥ 22,576 | ¥ 18,851 | \$ 189,531                   |

Dividends received from affiliated companies for the years ended March 31, 2009, 2008 and 2007 were ¥2,503 million (\$25,541 thousand), ¥2,657 million and ¥2,193 million, respectively.

Four listed affiliated companies accounted for under the equity method with an aggregated carrying amount of ¥29,752 million (\$303,592 thousand) and ¥37,035 million at March 31, 2009 and 2008, respectively, had a quoted market value of ¥53,118 million (\$542,020 thousand) and ¥80,984 million at March 31, 2009 and 2008, respectively.

The amounts of goodwill were ¥2,710 million (\$27,653 thousand) and ¥2,710 million at March 31, 2009 and 2008, respectively.

In November 2006, the parent company sold the outstanding shares of Miyagi Network Inc., a 39.4 percent owned affiliate, to Mediatti Communications, Inc. for ¥1,419 million. The sales resulted in a gain of ¥855 million.

A summary of transactions and balances with the affiliated companies accounted for under the equity method is presented below:

|                 | In millions of yen   |        |        | In thousands of U.S. dollars |
|-----------------|----------------------|--------|--------|------------------------------|
|                 | Years ended March 31 | 2008   | 2007   | Year ended March 31          |
|                 | 2009                 | 2008   | 2007   | 2009                         |
| Sales .....     | ¥1,737               | ¥2,584 | ¥1,843 | \$17,724                     |
| Purchases ..... | ¥8,293               | ¥6,237 | ¥3,777 | \$84,622                     |

|  | In millions of yen |        | In thousands of U.S. dollars |
|--|--------------------|--------|------------------------------|
|  | March 31           | 2008   | March 31                     |
|  | 2009               | 2008   | 2009                         |
| Notes and accounts receivable, trade ..... | ¥ 461              | ¥ 523  | \$ 4,704                     |
| Loans receivable .....                     | ¥ 92               | ¥ 98   | \$ 939                       |
| Notes and accounts payable.....            | ¥2,949             | ¥2,482 | \$30,092                     |
| Guarantees for bank loans.....             | ¥ 8                | ¥ 10   | \$ 82                        |

The Company's equity in undistributed income of affiliates at March 31, 2009 and 2008 included in retained earnings was ¥23,147 million (\$236,194 thousand) and ¥15,496 million, respectively.

### 10. Long-Lived Assets

The Company has assessed the potential impairment for its long-lived assets. As a result of significant decreases in rental rates, market prices and revenue forecasts, and changes of assumptions regarding useful lives before sale, the Company principally recognized impairment losses on medical services equipment for the year ended March 31, 2007. The fair value was determined by the estimated present value of future cash flows or appraisal value.

Impairment loss on long-lived assets by business segment for the years ended March 31, 2009, 2008 and 2007 was as follows:

|  | In millions of yen   |      |        | In thousands of U.S. dollars |
|--|----------------------|------|--------|------------------------------|
|  | Years ended March 31 | 2008 | 2007   | Year ended March 31          |
|  | 2009                 | 2008 | 2007   | 2009                         |
| Security services.....   | ¥34                  | ¥ —  | ¥ —    | \$347                        |
| Fire protection services.....                                  | —                    | 16   | 32     | —                            |
| Medical services .....   | —                    | 0    | 1,134  | —                            |
| Insurance services .....                                       | —                    | —    | —      | —                            |
| Geographic information services.....                           | 42                   | —    | 10     | 429                          |
| Real estate development and sales.....                         | —                    | —    | —      | —                            |
| Information and communication related and other services ..... | —                    | —    | —      | —                            |
| Corporate items .....  | —                    | —    | —      | —                            |
| Total.....   | ¥76                  | ¥16  | ¥1,176 | \$776                        |

### 11. Goodwill and Other Intangible Assets

The components of acquired intangible assets excluding goodwill at March 31, 2009 and 2008 were as follows:

|                                    | In millions of yen    |                          |                     |
|------------------------------------|-----------------------|--------------------------|---------------------|
|                                    | March 31, 2009        |                          |                     |
|                                    | Gross carrying amount | Accumulated amortization | Net carrying amount |
| Amortized intangible assets:       |                       |                          |                     |
| Software .....                     | ¥30,725               | (¥18,739)                | ¥11,986             |
| Other .....                        | 5,058                 | (2,179)                  | 2,879               |
| Total .....                        | ¥35,783               | (¥20,918)                | ¥14,865             |
| Unamortized intangible assets..... | ¥ 4,056               | ¥ —                      | ¥ 4,056             |

|                                    | In millions of yen    |                          |                     |
|------------------------------------|-----------------------|--------------------------|---------------------|
|                                    | March 31, 2008        |                          |                     |
|                                    | Gross carrying amount | Accumulated amortization | Net carrying amount |
| Amortized intangible assets:       |                       |                          |                     |
| Software .....                     | ¥30,055               | (¥16,488)                | ¥13,567             |
| Other .....                        | 4,911                 | (1,764)                  | 3,147               |
| Total .....                        | ¥34,966               | (¥18,252)                | ¥16,714             |
| Unamortized intangible assets..... | ¥ 4,413               | ¥ —                      | ¥ 4,413             |

| In thousands of U.S. dollars        |                       |                          |                     |
|-------------------------------------|-----------------------|--------------------------|---------------------|
| March 31, 2009                      |                       |                          |                     |
|                                     | Gross carrying amount | Accumulated amortization | Net carrying amount |
| Amortized intangible assets:        |                       |                          |                     |
| Software .....                      | \$313,520             | (\$191,214)              | \$122,306           |
| Other .....                         | 51,612                | (22,235)                 | 29,377              |
| <b>Total .....</b>                  | <b>\$365,132</b>      | <b>(\$213,449)</b>       | <b>\$151,683</b>    |
| Unamortized intangible assets ..... |                       |                          |                     |
|                                     | \$ 41,388             | \$ —                     | \$ 41,388           |

Aggregate amortization expense for the years ended March 31, 2009, 2008 and 2007 was ¥5,850 million (\$59,694 thousand), ¥5,999 million and ¥5,055 million, respectively. Amortized intangible assets are amortized using the straight-line method over the estimated useful lives. The weighted average amortization period for internal use software is approximately five years.

The estimated aggregate amortization expense for intangible assets for the next five years is as follows:

| Years ending March 31 | In millions of yen | In thousands of U.S. dollars |
|-----------------------|--------------------|------------------------------|
| 2010.....             | ¥4,743             | \$48,398                     |
| 2011.....             | 3,868              | 39,469                       |
| 2012.....             | 2,846              | 29,041                       |
| 2013.....             | 1,697              | 17,316                       |
| 2014.....             | 347                | 3,541                        |

The changes in the carrying amount of goodwill by business segment for the years ended March 31, 2009 and 2008 were as follows:

| In millions of yen            |                   |                  |                                 |                                   |  |                |
|-------------------------------|-------------------|------------------|---------------------------------|-----------------------------------|--|----------------|
|                               | Security services | Medical services | Geographic information services | Real estate development and sales | Information and communication related and other services | Total          |
| March 31, 2007...             | ¥1,457            | ¥7,047           | ¥3,623                          | ¥ 135                             | ¥5,101   | ¥17,363        |
| Goodwill                      |                   |                  |                                 |                                   |  |                |
| acquired during the year..... | 117               | —                | —                               | —                                 | —  | 117            |
| Disposal.....                 | —                 | —                | (1)                             | —                                 | (180)  | (181)          |
| Impairment losses.....        |                   |                  |                                 |                                   |  |                |
|                               | (117)             | (876)            | —                               | (135)                             | —  | (1,128)        |
| Translation adjustment .....  |                   |                  |                                 |                                   |  |                |
|                               | (30)              | —                | —                               | —                                 | —  | (30)           |
| March 31, 2008...             | 1,427             | 6,171            | 3,622                           | —                                 | 4,921  | 16,141         |
| Goodwill                      |                   |                  |                                 |                                   |  |                |
| acquired during the year..... | 1,386             | —                | 155                             | —                                 | —  | 1,541          |
| Disposal.....                 | —                 | —                | —                               | —                                 | —  | —              |
| Impairment losses.....        |                   |                  |                                 |                                   |  |                |
|                               | (407)             | (996)            | —                               | —                                 | (175)  | (1,578)        |
| Translation adjustment .....  |                   |                  |                                 |                                   |  |                |
|                               | (664)             | —                | —                               | —                                 | —  | (664)          |
| <b>March 31, 2009...</b>      | <b>¥1,742</b>     | <b>¥5,175</b>    | <b>¥3,777</b>                   | <b>¥ —</b>                        | <b>¥4,746</b>  | <b>¥15,440</b> |

| In thousands of U.S. dollars  |                   |                  |                                 |                                   |  |                  |
|-------------------------------|-------------------|------------------|---------------------------------|-----------------------------------|--|------------------|
|                               | Security services | Medical services | Geographic information services | Real estate development and sales | Information and communication related and other services | Total            |
| March 31, 2008...             | \$14,561          | \$62,969         | \$36,959                        | \$ —                              | \$50,214   | \$164,703        |
| Goodwill                      |                   |                  |                                 |                                   |  |                  |
| acquired during the year..... | 14,143            | —                | 1,582                           | —                                 | —  | 15,725           |
| Disposal.....                 | —                 | —                | —                               | —                                 | —  | —                |
| Impairment losses.....        |                   |                  |                                 |                                   |  |                  |
|                               | (4,153)           | (10,163)         | —                               | —                                 | (1,786)  | (16,102)         |
| Translation adjustment .....  |                   |                  |                                 |                                   |  |                  |
|                               | (6,775)           | —                | —                               | —                                 | —  | (6,775)          |
| <b>March 31, 2009...</b>      | <b>\$17,776</b>   | <b>\$52,806</b>  | <b>\$38,541</b>                 | <b>\$ —</b>                       | <b>\$48,428</b>  | <b>\$157,551</b> |

The Company principally recognized impairment losses related to goodwill allocated to the reporting units in the medical services segment of ¥996 million (\$10,163 thousand) and ¥876 million, and in the security services segment of ¥407 million (\$4,153 thousand) and ¥117 million for the years ended March 31, 2009 and 2008, respectively, due to decreases in the estimated fair value of these reporting units mainly caused by decreases of expected cash flows.

The fair value was determined by the estimated present value of future cash flows or quoted market prices.

## 12. Bank Loans and Long-Term Debt

Bank loans of ¥78,180 million (\$797,755 thousand) and ¥133,056 million at March 31, 2009 and 2008, respectively, are generally comprised of 30 to 365 day notes. Their weighted average interest rates were 1.28 percent and 1.37 percent at March 31, 2009 and 2008, respectively. Substantially all of these loans are borrowed from banks. The Company has entered into basic agreements with these banks which state that, with respect to all present or future loans with such banks, collateral (including sums on deposit with such banks) or guarantors shall be provided immediately upon request. Further, any collateral furnished pursuant to such agreements or otherwise will be applicable to all indebtedness to such banks. The Company has not been requested to submit such additional security.

At March 31, 2009, Nohmi Bosai, a subsidiary of the parent company, had unused committed line of credit from short-term arrangement aggregating ¥4,000 million (\$40,816 thousand). The line of credit expires in March 2010. Under the agreement, Nohmi Bosai is required to pay committed fees at an annual rate of 0.15 percent, on the unused portion of the line of credit. At March 31, 2009, the parent company had overdraft agreements with seven banks and its unused lines of credit amounted to ¥67,000 million (\$683,673 thousand). The parent company incurs no fee on the unused portion of the lines of credit. The overdraft agreements expire in the period from April 2009 to March 2010. The parent company has the ability and intent to extend these overdraft agreements under similar terms and conditions.

Long-term debt at March 31, 2009 and 2008 comprised the following:

|  | In millions of yen |         | In thousands of U.S. dollars |          |
|--|--------------------|---------|------------------------------|----------|
|  | 2009               | 2008    | March 31                     | March 31 |
| Loans, principally from banks due 2008–2027 with interest rates ranging from 1.17% to 10.05% in 2009 and 2008: |                    |         |                              |          |
| Secured.....   | ¥20,811            | ¥20,624 | \$212,357                    |          |
| Unsecured .....  | 4,336              | 5,249   | 44,245                       |          |
| 0.61% unsecured bonds due 2010...  | 450                | 750     | 4,592                        |          |
| 0.91% unsecured bonds due 2010...  | 440                | 660     | 4,490                        |          |
| 1.14% unsecured bonds due 2013...  | 4,590              | —       | 46,837                       |          |
| Unsecured bonds due 2009–2014 with floating interest rates based on 6-month TIBOR plus 0.00%–0.20% .....       | 12,230             | 14,051  | 124,796                      |          |
| Obligations under capital leases, due 2008–2026 (Note 19).....   | 9,514              | 11,910  | 97,081                       |          |
|  | 52,371             | 53,244  | 534,398                      |          |
| Less:  |                    |         |                              |          |
| Portion due within one year .....  | 15,967             | 9,061   | 162,929                      |          |
|  | ¥36,404            | ¥44,183 | \$371,469                    |          |

Property, plant and equipment with a carrying amount of ¥58,100 million (\$592,857 thousand), investment securities with a carrying amount of ¥745 million (\$7,602 thousand), time deposits of ¥1,483 million (\$15,133 thousand), short-term and long-term receivables of ¥1,095 million (\$11,173 thousand) and other intangible assets and other with a carrying amount of ¥818 million (\$8,347 thousand) were pledged as collateral for bank loans and long-term debt at March 31, 2009.

The aggregate annual maturities on long-term debt after March 31, 2009 are as follows:

| Years ending March 31 | In millions of yen | In thousands of U.S. dollars |
|-----------------------|--------------------|------------------------------|
| 2010.....             | ¥15,967            | \$162,929                    |
| 2011.....             | 8,389              | 85,602                       |
| 2012.....             | 6,796              | 69,347                       |
| 2013.....             | 8,826              | 90,061                       |
| 2014.....             | 6,503              | 66,357                       |
| Thereafter .....      | 5,890              | 60,102                       |
|                       | ¥52,371            | \$534,398                    |

### 13. Insurance-Related Operations

Secom General Insurance Co., Ltd. (“Secom Insurance”), a subsidiary of the parent company, maintains accounting records as noted in Note 2 in accordance with the accounting principles and practices generally accepted in Japan, which vary in certain respects from accounting principles generally accepted in the United States of America. Those differences are principally, (a) that insurance acquisition costs are charged to income when incurred in Japan whereas in the United States of America those costs are deferred and amortized generally over the premium-paying period of the insurance policies, (b) that liabilities related to incurred but not reported claims are computed based on related regulations in Japan whereas in the United States of America those liabilities are computed based on past experience

for unreported losses, and (c) that unearned premiums are calculated based on the documents authorized by the Supervisory Authorities in Japan whereas in the United States of America unearned premiums are reflected based on the lapse and surrender over the contract period.

In addition, under certain property and casualty insurance contracts with a refund clause and long-term insurance policies that provide refunds at maturity, such as personal accident and fire, the policyholder receives a refund if premiums have been fully paid unless a substantial settlement (as defined in the policy) has occurred. The Company has provided for such refundable amounts by classifying a portion of the net premiums written, together with interest thereon, as investment deposits by policyholders. Contract and policy terms are principally five years.

For purposes of preparing the consolidated financial statements, appropriate adjustments have been made to reflect such items in accordance with accounting principles generally accepted in the United States of America.

The net equity of Secom Insurance at March 31, 2009 and 2008 was ¥47,753 million (\$487,276 thousand) and ¥35,218 million, respectively.

Net sales and operating revenue of Secom Insurance include net realized investment gains and losses, including the results on sales of securities, loss on other-than-temporary impairment of investment securities and impairment loss on long-lived assets. Net realized investment gains and losses for the years ended March 31, 2009, 2008 and 2007 were losses of ¥10,152 million (\$103,592 thousand), and gains of ¥1,922 million and ¥3,612 million, respectively. Loss on other-than-temporary impairment of investment securities for the years ended March 31, 2009, 2008 and 2007 were ¥10,683 million (\$109,010 thousand), ¥650 million and ¥331 million, respectively.

### 14. Pension and Severance Costs

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

The parent company and certain domestic subsidiaries have adopted a cash balance pension plan and a defined contribution pension plan. Benefits under the cash balance pension plan are calculated by the amount equal to a certain percentage of employee’s annual income over their period of service, plus interest calculated by the 3-year average yield for 10-year government bonds. The defined contribution pension plan was established in April 2003, by transferring a portion equivalent to 20 percent of the cash balance pension plan, including portions funded in prior periods. Specified percentage of employees’ annual income is contributed to the defined contribution pension plan.

In April 2005, the parent company and certain domestic subsidiaries transferred an additional portion of the cash balance pension plan to the defined contribution pension plan. Accordingly, the ratio of the accumulated amount in the cash balance pension plan and the amount of contributions to the defined contribution pension plan changed to 70 percent and 30 percent, including portions funded in prior periods.



In March 2009, Pasco Corporation and its domestic subsidiaries settled and transferred a portion of the tax-qualified non-contributory pension plan to the defined contribution pension plan. In accordance with SFAS No. 88 "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits," the Company accounted for these transfers as a partial settlement of benefit obligation. The amount of settlement loss was immaterial for the year ended March 31, 2009.

On March 31, 2007, the Company adopted the recognition and disclosure provisions of SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statement No. 87, 88, 106, and 132(R)." SFAS No. 158 required the Company to recognize the funded status (i.e., the difference between the fair value of plan assets and the projected benefit obligations) of its pension plans in the consolidated balance sheet at March 31, 2007, with a corresponding adjustment to accumulated other comprehensive income (loss), net of tax. The adjustment to accumulated other comprehensive income (loss) at adoption represents the unrecognized actuarial loss and unrecognized prior service benefit, both of which were previously netted against the plan's funded status in the consolidated balance sheets pursuant to the provisions of SFAS No. 87 "Employers' Accounting for Pensions." These amounts will be subsequently recognized as net periodic pension and severance costs pursuant to the Company's historical accounting policy for amortizing such amounts. In addition, actuarial gains and losses that arise in subsequent periods and are not recognized as net periodic pension and severance cost in the same periods will be recognized as other comprehensive income (loss). Those amounts will be subsequently recognized as a component of net periodic pension and severance cost on the same basis as the amounts recognized in accumulated other comprehensive income (loss) at adoption of SFAS No. 158.

Net periodic pension and severance costs for the years ended March 31, 2009, 2008 and 2007 were as follows:

|   | In millions of yen   |         |         | In thousands of U.S. dollars |
|---|----------------------|---------|---------|------------------------------|
|   | Years ended March 31 | 2008    | 2007    | Year ended March 31          |
|   | 2009                 |         |         | 2009                         |
| Net periodic pension and severance costs:   |                      |         |         |                              |
| Service cost .....                          | <b>¥4,694</b>        | ¥4,511  | ¥3,998  | <b>\$47,898</b>              |
| Interest cost .....                         | <b>1,430</b>         | 1,424   | 1,146   | <b>14,592</b>                |
| Expected return on plan assets .....        | <b>(1,952)</b>       | (1,808) | (1,620) | <b>(19,918)</b>              |
| Amortization of prior service benefit ..... | <b>(1,713)</b>       | (1,715) | (1,715) | <b>(17,480)</b>              |
| Recognized actuarial loss .....             | <b>861</b>           | 1,005   | 1,123   | <b>8,786</b>                 |
| Net periodic pension and severance costs... | <b>¥3,320</b>        | ¥3,417  | ¥2,932  | <b>\$33,878</b>              |

The changes in benefit obligation, assets and funded status were as follows:

|  | In millions of yen   |           | In thousands of U.S. dollars |
|--|----------------------|-----------|------------------------------|
|  | Years ended March 31 | 2008      | Year ended March 31          |
|  | 2009                 |           | 2009                         |
| Change in benefit obligation:                        |                      |           |                              |
| Benefit obligation at beginning of year .....        | <b>¥71,820</b>       | ¥71,000   | <b>\$732,857</b>             |
| Service cost .....                                   | <b>4,694</b>         | 4,511     | <b>47,898</b>                |
| Interest cost .....                                  | <b>1,430</b>         | 1,424     | <b>14,592</b>                |
| Actuarial loss .....                                 | <b>818</b>           | 337       | <b>8,347</b>                 |
| Benefits paid .....                                  | <b>(4,989)</b>       | (5,452)   | <b>(50,908)</b>              |
| Settlement .....                                     | <b>(1,683)</b>       | —         | <b>(17,173)</b>              |
| Benefit obligation at end of year .....              | <b>72,090</b>        | 71,820    | <b>735,613</b>               |
| Change in plan assets:                               |                      |           |                              |
| Fair value of plan assets at beginning of year ..... | <b>62,536</b>        | 68,371    | <b>638,123</b>               |
| Actual loss on plan assets .....                     | <b>(9,887)</b>       | (7,792)   | <b>(100,888)</b>             |
| Employer contribution .....                          | <b>5,979</b>         | 5,509     | <b>61,010</b>                |
| Benefits paid .....                                  | <b>(3,529)</b>       | (3,552)   | <b>(36,010)</b>              |
| Fair value of plan assets at end of year .....       | <b>55,099</b>        | 62,536    | <b>562,235</b>               |
| Funded status at the end of year .....               | <b>(¥16,991)</b>     | (¥ 9,284) | <b>(\$173,378)</b>           |

Amounts recognized in the consolidated balance sheet at March 31, 2009 and 2008 consist of:

|   | In millions of yen   |           | In thousands of U.S. dollars |
|---|----------------------|-----------|------------------------------|
|   | Years ended March 31 | 2008      | Year ended March 31          |
|   | 2009                 |           | 2009                         |
| Prepaid pension and severance costs ..... | <b>¥ 823</b>         | ¥ 9,135   | <b>\$ 8,398</b>              |
| Accrued pension and severance costs ..... | <b>(17,814)</b>      | (18,419)  | <b>(181,776)</b>             |
| Net amount recognized ...                 | <b>(¥16,991)</b>     | (¥ 9,284) | <b>(\$173,378)</b>           |

Other changes in plan assets and benefit obligations recognized in other comprehensive income (loss) for the year ended March 31, 2009 were summarized as follows:

|   | In millions of yen   |      | In thousands of U.S. dollars |
|---|----------------------|------|------------------------------|
|   | Years ended March 31 | 2008 | Year ended March 31          |
|   | 2009                 |      | 2009                         |
| Current year actuarial loss .....           | <b>¥12,657</b>       |      | <b>\$129,153</b>             |
| Amortization of actuarial loss .....        | <b>(861)</b>         |      | <b>(8,786)</b>               |
| Settlement of actuarial loss .....          | <b>(596)</b>         |      | <b>(6,082)</b>               |
| Amortization of prior service benefit ..... | <b>1,713</b>         |      | <b>17,480</b>                |
| Settlement of prior service benefit .....   | <b>78</b>            |      | <b>796</b>                   |
|   | <b>¥12,991</b>       |      | <b>\$132,561</b>             |

Amounts recognized in accumulated other comprehensive income (loss) at March 31, 2009 and 2008 consist of:

|                             | In millions of yen   |          | In thousands of U.S. dollars |
|-----------------------------|----------------------|----------|------------------------------|
|                             | Years ended March 31 | 2008     | Year ended March 31 2009     |
| Actuarial loss.....         | <b>¥33,903</b>       | ¥22,703  | <b>\$345,949</b>             |
| Prior service benefit.....  | <b>(12,536)</b>      | (14,327) | <b>(127,918)</b>             |
| Net amount recognized ..... | <b>¥21,367</b>       | ¥ 8,376  | <b>\$218,031</b>             |

The estimated prior service benefit and actuarial loss for the defined benefit pension plans that will be amortized from accumulated other comprehensive income (loss) into net periodic benefit cost over the next year are ¥1,682 million (\$17,163 thousand) and ¥1,021 million (\$10,418 thousand), respectively.

The accumulated benefit obligation for the pension plan was ¥66,154 million (\$675,041 thousand) and ¥66,079 million at March 31, 2009 and 2008, respectively.

The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for the pension plans with accumulated benefit obligation in excess of plan assets were ¥26,072 million (\$266,041 thousand), ¥23,093 million (\$235,643 thousand) and ¥8,361 million (\$85,316 thousand), respectively, at March 31, 2009, and ¥27,588 million, ¥24,775 million and ¥9,335 million, respectively, at March 31, 2008.

The Company uses March 31 as the measurement date for the domestic pension plan.

Weighted-average assumptions used to determine the benefit obligation at March 31, 2009 and 2008 were as follows:

|                                     | March 31    |      |
|-------------------------------------|-------------|------|
|                                     | 2009        | 2008 |
| Discount rate .....                 | <b>2.1%</b> | 2.0% |
| Rate of compensation increase ..... | <b>2.7</b>  | 2.7  |

Weighted-average assumptions used to determine net pension and severance costs for the years ended March 31, 2009, 2008 and 2007 were as follows:

|                                      | Years ended March 31 |      |      |
|--------------------------------------|----------------------|------|------|
|                                      | 2009                 | 2008 | 2007 |
| Discount rate .....                  | <b>2.0%</b>          | 2.0% | 1.9% |
| Expected return on plan assets ..... | <b>3.0</b>           | 3.0  | 3.0  |
| Rate of compensation increase .....  | <b>2.7</b>           | 2.7  | 2.7  |

The Company determines the expected long-term rate of return based on the expected long-term return of the various asset categories in which it invests. The Company considers the current expectations for future returns and the actual historical returns of each plan asset category.

The weighted-average asset allocation of the Company's pension plans at March 31, 2009 and 2008 were as follows:

| Asset category:        | March 31      |        |
|------------------------|---------------|--------|
|                        | 2009          | 2008   |
| Equity securities..... | <b>6.9%</b>   | 26.6%  |
| Debt securities.....   | <b>43.5</b>   | 20.9   |
| Call loan .....        | <b>16.2</b>   | 11.6   |
| Other .....            | <b>33.4</b>   | 40.9   |
| Total.....             | <b>100.0%</b> | 100.0% |

The Company's investment policy is designed to ensure that sufficient plan assets are available to provide future payments of pension benefits to the eligible plan participants. The policy does not use target allocations for the individual asset categories. Plan assets are invested primarily in equity and debt securities, and mutual funds with the objective to minimize risk and achieve the expected rate of return. The investment results are periodically monitored and asset allocation is adjusted as necessary.

The Company expects to contribute ¥5,248 million (\$53,551 thousand) to its domestic defined benefit plans in the year ending March 31, 2010.

The following benefit payments, which reflect future services, as appropriate, are expected to be paid.

| Years ending March 31 | In millions of yen | In thousands of U.S. dollars |
|-----------------------|--------------------|------------------------------|
| 2010.....             | ¥ 4,130            | \$ 42,143                    |
| 2011.....             | 4,154              | 42,388                       |
| 2012.....             | 4,250              | 43,367                       |
| 2013.....             | 4,523              | 46,153                       |
| 2014.....             | 4,622              | 47,163                       |
| 2015–2019.....        | 22,741             | 232,051                      |

The parent company and certain subsidiaries have defined contribution pension plans. The contributions to the defined contribution pension plans for the years ended March 31, 2009, 2008 and 2007 were ¥1,469 million (\$14,990 thousand), ¥1,413 million and ¥1,392 million, respectively.

### 15. Exchange Gains and Losses

Other expense for the year ended March 31, 2009 and 2008 include net exchange losses of ¥1,564 million (\$15,959 thousand) and ¥826 million. Other income for the year ended March 31, 2007 includes net exchange gains of ¥76 million.

## 16. Income Taxes

Total income taxes for the years ended March 31, 2009, 2008 and 2007 were allocated as follows:

|  | In millions of yen      |         |         | In thousands of<br>U.S. dollars |
|--|-------------------------|---------|---------|---------------------------------|
|  | Years ended<br>March 31 | 2008    | 2007    | Year ended<br>March 31          |
|  | 2009                    |         |         | 2009                            |
| Net Income .....   | <b>¥36,575</b>          | ¥47,106 | ¥40,566 | <b>\$373,215</b>                |
| Shareholders' equity—<br>accumulated other<br>comprehensive<br>income (loss):            |                         |         |         |                                 |
| Unrealized holding gains<br>(losses) on securities ...                                   | <b>(452)</b>            | (8,189) | (3,437) | <b>(4,612)</b>                  |
| Unrealized gains<br>(losses) on derivative<br>instruments .....                          | <b>(102)</b>            | (8)     | (17)    | <b>(1,041)</b>                  |
| Pension liability<br>adjustments .....   | <b>(4,863)</b>          | (3,901) | —       | <b>(49,623)</b>                 |
| Minimum pension<br>liability adjustments ...   | —                       | —       | (20)    | —                               |
| Foreign currency<br>translation<br>adjustments .....                                     | <b>(859)</b>            | (497)   | 476     | <b>(8,765)</b>                  |
| Cumulative effect of<br>change in accounting<br>principle-adoption<br>of EITF 06-2 ..... | —                       | (846)   | —       | —                               |
| Adjustments for initially<br>applying SFAS No. 158....                                   | —                       | —       | 897     | —                               |
|  | <b>¥30,299</b>          | ¥33,665 | ¥38,465 | <b>\$309,174</b>                |

The parent company and its domestic subsidiaries were subject to a corporate tax of 30 percent, an inhabitants tax of approximately 20.3 percent, and a deductible enterprise tax of approximately 7.4 percent, which, in the aggregate, indicate a statutory tax rate in Japan of approximately 40.5 percent for the years ended March 31, 2009, 2008 and 2007.

Reconciliations of the differences between income taxes computed at statutory tax rates and consolidated income taxes from continuing operations were as follows:

|   | In millions of yen      |         |         | In thousands of<br>U.S. dollars |
|---|-------------------------|---------|---------|---------------------------------|
|   | Years ended<br>March 31 | 2008    | 2007    | Year ended<br>March 31          |
|   | 2009                    |         |         | 2009                            |
| Income taxes computed<br>at statutory tax rate of<br>40.5% .....                                  | <b>¥25,649</b>          | ¥44,658 | ¥38,611 | <b>\$261,724</b>                |
| Increase (decrease)<br>resulting from:  |                         |         |         |                                 |
| Unrecognized tax<br>benefits from<br>subsidiaries in loss<br>positions .....                      | <b>10,214</b>           | 2,309   | 1,552   | <b>104,224</b>                  |
| Reversal of valuation<br>allowance due to<br>utilization of operating<br>loss carryforwards ..... | <b>(187)</b>            | (1,260) | (1,629) | <b>(1,908)</b>                  |
| Per capita tax .....  | <b>811</b>              | 805     | 713     | <b>8,276</b>                    |
| Other, net .....  | <b>88</b>               | 594     | 1,319   | <b>899</b>                      |
| Consolidated<br>income taxes .....  | <b>¥36,575</b>          | ¥47,106 | ¥40,566 | <b>\$373,215</b>                |

The significant components of deferred tax assets and liabilities at March 31, 2009 and 2008 were as follows:

|  | In millions of yen |          | In thousands of<br>U.S. dollars |
|--|--------------------|----------|---------------------------------|
|  | March 31<br>2009   | 2008     | March 31<br>2009                |
| Deferred tax assets:                                       |                    |          |                                 |
| Loss carryforwards .....                                   | <b>¥17,465</b>     | ¥ 9,907  | <b>\$178,214</b>                |
| Deferred revenue .....                                     | <b>12,896</b>      | 13,601   | <b>131,592</b>                  |
| Adjustment of book value at<br>the date of acquisition—    |                    |          |                                 |
| Land and buildings .....                                   | <b>7,320</b>       | 4,899    | <b>74,694</b>                   |
| Other assets .....   | <b>462</b>         | 2,764    | <b>4,714</b>                    |
| Accrued pension and<br>severance costs .....               | <b>6,810</b>       | 7,149    | <b>69,490</b>                   |
| Property, plant and<br>equipment .....                     | <b>6,137</b>       | 6,524    | <b>62,622</b>                   |
| Accrued bonus .....  | <b>5,323</b>       | 5,053    | <b>54,316</b>                   |
| Intangible assets .....                                    | <b>4,006</b>       | 2,634    | <b>40,878</b>                   |
| Allowance for doubtful<br>accounts .....                   | <b>3,957</b>       | 2,239    | <b>40,378</b>                   |
| Vacation accrual .....                                     | <b>3,589</b>       | 3,427    | <b>36,622</b>                   |
| Investment securities .....                                | <b>3,505</b>       | 1,641    | <b>35,765</b>                   |
| Write-down on real estate<br>inventories .....             | <b>2,573</b>       | —        | <b>26,255</b>                   |
| Unrealized holding losses on<br>securities .....           | <b>1,405</b>       | 1,941    | <b>14,337</b>                   |
| Other .....  | <b>9,387</b>       | 9,014    | <b>95,786</b>                   |
| Gross deferred tax assets .....                            | <b>84,835</b>      | 70,793   | <b>865,663</b>                  |
| Less: Valuation allowance .....                            | <b>(26,863)</b>    | (17,068) | <b>(274,112)</b>                |
| Total deferred tax assets .....                            | <b>57,972</b>      | 53,725   | <b>591,551</b>                  |
| Deferred tax liabilities:                                  |                    |          |                                 |
| Deferred installation costs .....                          | <b>(8,137)</b>     | (8,408)  | <b>(83,031)</b>                 |
| Adjustment of book value at<br>the date of acquisition—    |                    |          |                                 |
| Land and buildings .....                                   | <b>(4,514)</b>     | (5,180)  | <b>(46,061)</b>                 |
| Other assets .....   | <b>(1,734)</b>     | (1,740)  | <b>(17,694)</b>                 |
| Investments in affiliated<br>companies .....               | <b>(2,705)</b>     | (7,496)  | <b>(27,602)</b>                 |
| Unearned premiums and<br>other insurance liabilities ..... | <b>(2,679)</b>     | (3,324)  | <b>(27,337)</b>                 |
| Prepaid pension and<br>severance costs .....               | <b>(104)</b>       | (3,189)  | <b>(1,061)</b>                  |
| Other .....  | <b>(4,982)</b>     | (7,157)  | <b>(50,837)</b>                 |
| Gross deferred tax liabilities ...                         | <b>(24,855)</b>    | (36,494) | <b>(253,623)</b>                |
| Net deferred tax assets .....                              | <b>¥33,117</b>     | ¥17,231  | <b>\$337,928</b>                |

The valuation allowance principally relates to deferred tax assets of the subsidiaries with operating loss carryforwards, for tax purposes, that are not expected to be realized. The net change in the total valuation allowance for the years ended March 31, 2009, 2008 and 2007 was an increase of ¥9,795 million (\$99,949 thousand), ¥1,477 million and ¥245 million, respectively.

In assessing the realizability of deferred tax assets, the Company management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. The Company management considered the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, the Company management believes it is more likely than not that the Company will realize the benefits of these deductible differences, net of the existing valuation allowance at March 31, 2009 and 2008.

Net deferred tax assets at March 31, 2009 and 2008 are reflected in the accompanying consolidated balance sheets under the following captions:

|   | In millions of yen |          | In thousands of U.S. dollars |
|---|--------------------|----------|------------------------------|
|   | March 31 2009      | 2008     | March 31 2009                |
| Deferred income taxes (Current assets)..... | ¥16,245            | ¥17,395  | \$165,765                    |
| Deferred income taxes (Other assets).....   | 19,020             | 11,321   | 194,082                      |
| Other current liabilities.....              | (924)              | (1,410)  | (9,429)                      |
| Deferred income taxes (Liabilities).....    | (1,224)            | (10,075) | (12,490)                     |
| Net deferred tax assets .....               | ¥33,117            | ¥17,231  | \$337,928                    |

The Company has not recognized deferred tax liabilities of ¥455 million (\$4,643 thousand) for a portion of undistributed earnings of foreign subsidiaries totaling ¥10,551 million (\$107,663 thousand) at March 31, 2009 as they are not expected to be remitted in the foreseeable future.

At March 31, 2009, the operating loss carryforwards of domestic subsidiaries amounted to ¥40,529 million (\$413,561 thousand) and are available for offsetting against future taxable earnings of such subsidiaries for up to seven years, as follows:

| Expires in the years ending March 31 | In millions of yen | In thousands of U.S. dollars |
|--------------------------------------|--------------------|------------------------------|
| 2010.....                            | ¥ 1,837            | \$ 18,745                    |
| 2011.....                            | 2,360              | 24,082                       |
| 2012.....                            | 3,222              | 32,878                       |
| 2013.....                            | 1,871              | 19,092                       |
| 2014.....                            | 4,090              | 41,735                       |
| 2015.....                            | 3,468              | 35,388                       |
| 2016.....                            | 23,681             | 241,641                      |
|                                      | ¥40,529            | \$413,561                    |

The operating loss carryforwards of overseas subsidiaries at March 31, 2009 amounted to ¥4,734 million (\$48,306 thousand), a part of which will begin to expire in the year ending March 31, 2010.

The Company adopted the provisions of FIN No. 48 on April 1, 2007. The adoption of FIN No. 48 did not have a material effect on the Company's financial position and results of operations.

The total amount of unrecognized tax benefits as of the date of adoption of FIN No. 48 and for the years ended March 31, 2009 and 2008 were insignificant. Also there were no movements of the gross amounts in unrealized tax benefits and the amounts of interest and penalties recognized due to the unrecognized tax benefits during the years ended March 31, 2009 and 2008.

Although the Company believes its estimates of unrecognized tax benefits are reasonable, uncertainties regarding the final determination of income tax audit settlements and any related litigation could affect the total amount of unrecognized tax benefits in the future periods. Based on the information available as of March 31, 2009, the Company does not expect significant changes to the unrecognized tax benefits within the next twelve months.

The Company files tax returns in Japan and various foreign jurisdictions. In Japan, the Company is no longer subject to regular income tax examinations by the tax authorities for years before 2007. In other foreign tax jurisdictions, major subsidiaries are no longer subject to income tax examinations by tax authorities for years before 2008 with few exceptions.

## 17. Shareholders' Equity

### (1) Retained Earnings

The Japanese Corporate Law, enforced on May 1, 2006, provides that an amount equal to 10 percent of surplus distributed by the parent company and its Japanese subsidiaries be appropriated as a legal reserve until the aggregate amount of additional paid-in capital and legal reserve equals 25 percent of the common stock account.

The amount available for dividends under the Japanese Corporate Law is based on the amount recorded in the parent company's nonconsolidated statutory financial statements in accordance with the accounting principle generally accepted in Japan. Such amount was ¥346,419 million (\$3,534,888 thousand) at March 31, 2009.

Subsequent to March 31, 2009, the parent company's Board of Directors declared an annual cash dividend of ¥85.00 (\$0.87) per share, totaling ¥18,533 million (\$189,112 thousand), to shareholders of record on March 31, 2009. The dividend declared was approved at the general shareholders' meeting held on June 25, 2009. Dividends are recorded in the period they are declared.

The Japanese Corporate Law provides that a company can make dividends of surplus anytime with resolution of the shareholders.

### (2) Common Stock in Treasury

The Company may repurchase its common stock from the market pursuant to the Japanese Corporate Law. For the year ended March 31, 2009, 6,928 thousand shares were repurchased for the aggregate cost of ¥30,019 million (\$306,316 thousand).

### (3) Other Comprehensive Income (Loss)

Components of other comprehensive income (loss) for the years ended March 31, 2009, 2008 and 2007 is as follows:

|  | In millions of yen |                          |                   | In millions of yen |                          |                   |
|--|--------------------|--------------------------|-------------------|--------------------|--------------------------|-------------------|
|  | Pre-tax amount     | Tax (expense) or benefit | Net-of-tax amount | Pre-tax amount     | Tax (expense) or benefit | Net-of-tax amount |
| <b>For the year ended March 31, 2009:</b>  |                    |                          |                   |                    |                          |                   |
| Unrealized holding losses on securities—   |                    |                          |                   |                    |                          |                   |
| Unrealized holding gains or losses arising during the period.....                  | (¥17,054)          | ¥6,532                   | (¥10,522)         | (¥ 2,924)          | ¥1,362                   | (¥ 1,562)         |
| Less: Reclassification adjustment for gains or losses included in net income ..... | 16,142             | (6,080)                  | 10,062            | (3,539)            | 2,075                    | (1,464)           |
| Unrealized losses on derivative instruments—                                       |                    |                          |                   |                    |                          |                   |
| Unrealized gains or losses arising during the year .....                           | (263)              | 106                      | (157)             | (132)              | 19                       | (113)             |
| Less: Reclassification adjustment for gains or losses included in net income ..... | 68                 | (4)                      | 64                | 32                 | (2)                      | 30                |
| Pension liability adjustments—   |                    |                          |                   |                    |                          |                   |
| Unrealized gains or losses arising during the period.....                          | (11,602)           | 4,559                    | (7,043)           | (41)               | 20                       | (21)              |
| Less: Reclassification adjustment for gains or losses realized in net income.....  | (413)              | 304                      | (109)             | 2,669              | (476)                    | 2,193             |
| Foreign currency translation adjustments.....                                      | (20,403)           | 859                      | (19,544)          |                    |                          |                   |
| Other comprehensive income (loss) .....  | (¥33,525)          | ¥6,276                   | (¥27,249)         | (¥ 3,935)          | ¥2,998                   | (¥ 937)           |
| <b>For the year ended March 31, 2008:</b>  |                    |                          |                   |                    |                          |                   |
| Unrealized holding losses on securities—   |                    |                          |                   |                    |                          |                   |
| Unrealized holding gains or losses arising during the period.....                  | (¥18,914)          | ¥ 7,880                  | (¥11,034)         | (¥174,020)         | \$66,653                 | (\$107,367)       |
| Less: Reclassification adjustment for gains or losses included in net income ..... | (513)              | 309                      | (204)             | 164,714            | (62,041)                 | 102,673           |
| Unrealized losses on derivative instruments—                                       |                    |                          |                   |                    |                          |                   |
| Unrealized gains or losses arising during the year .....                           | (61)               | 7                        | (54)              | (2,684)            | 1,082                    | (1,602)           |
| Less: Reclassification adjustment for gains or losses included in net income ..... | 12                 | 1                        | 13                | 694                | (41)                     | 653               |
| Pension liability adjustments—   |                    |                          |                   |                    |                          |                   |
| Unrealized gains or losses arising during the period.....                          | (9,209)            | 3,645                    | (5,564)           | (118,388)          | 46,521                   | (71,867)          |
| Less: Reclassification adjustment for gains or losses realized in net income.....  | (690)              | 256                      | (434)             | (4,214)            | 3,102                    | (1,112)           |
| Foreign currency translation adjustments.....                                      | (2,684)            | 497                      | (2,187)           | (208,194)          | 8,765                    | (199,429)         |
| Other comprehensive income (loss) .....  | (¥32,059)          | ¥12,595                  | (¥19,464)         | (¥342,092)         | \$64,041                 | (\$278,051)       |

### 18. Research and Development Expenses

Research and development expenses included in selling, general and administrative expenses for the years ended March 31, 2009, 2008 and 2007 were ¥5,943 million (\$60,643 thousand), ¥5,792 million and ¥5,875 million, respectively.

**19. Lessee**

The Company leases certain office space, employee residential facilities, computer and transportation equipment. Some leased buildings and computer and transportation equipment are held under capital leases. The other leases are classified as operating leases.

On April 23, 1996, the Company entered into a long-term lease agreement for a building and land in Mitaka, Tokyo. The lease agreement extends for 30 years beginning May 1, 1996. For financial reporting purposes, the portion of the lease relating to the building has been classified as a capital lease; accordingly, an asset of approximately ¥5,086 million (\$51,898 thousand) has been recorded in the building and improvements account. The portion of the lease relating to the land has been classified as an operating lease. The future minimum lease payments for the site at March 31, 2009 were ¥5,593 million (\$57,071 thousand).

A summary of leased assets under capital leases at March 31, 2009 and 2008 is as follows:

|  | In millions of yen |          | In thousands of U.S. dollars |  |
|--|--------------------|----------|------------------------------|--|
|  | March 31           |          | March 31                     |  |
|  | 2009               | 2008     | 2009                         |  |
| Buildings and improvements .....           | ¥ 5,243            | ¥ 5,208  | \$ 53,500                    |  |
| Machinery, equipment and automobiles ..... | 12,043             | 15,672   | 122,888                      |  |
| Other intangible assets .....              | 593                | 791      | 6,051                        |  |
| Accumulated depreciation .....             | (9,811)            | (10,814) | (100,112)                    |  |
|  | ¥ 8,068            | ¥10,857  | \$ 82,327                    |  |

Depreciation expenses under capital leases for the years ended March 31, 2009, 2008 and 2007 were ¥3,328 million (\$33,959 thousand), ¥4,089 million and ¥3,704 million, respectively.

The following is a schedule by year of future minimum lease payments under capital leases together with the present value of the net minimum lease payments at March 31, 2009:

| Years ending March 31                                       | In thousands of U.S. dollars |              |
|---|------------------------------|--------------|
|   | In millions of yen           | U.S. dollars |
| 2010.....   | ¥ 2,907                      | \$ 29,663    |
| 2011.....   | 2,097                        | 21,398       |
| 2012.....   | 1,339                        | 13,663       |
| 2013.....   | 794                          | 8,102        |
| 2014.....   | 449                          | 4,582        |
| Thereafter .....  | 4,173                        | 42,582       |
| Total minimum lease payments .....                          | 11,759                       | 119,990      |
| Less: Amount representing interest....                      | 2,245                        | 22,909       |
| Present value of net minimum lease payments (Note 12) ..... | 9,514                        | 97,081       |
| Less: Current portion.....                                  | 2,571                        | 26,234       |
| Long-term capital lease obligations.....                    | ¥ 6,943                      | \$ 70,847    |

Rental expenses under operating leases for the years ended March 31, 2009, 2008 and 2007 were ¥15,494 million (\$158,102 thousand), ¥15,912 million and ¥15,771 million, respectively. A significant portion of such rentals relates to cancelable short-term leases for office space and employee residential facilities, many of which are renewed upon expiration.

On December 8, 2000, the Company entered into a lease agreement for a building and land in Shibuya, Tokyo. The lease agreement extends for 20 years beginning December 8, 2000. For financial reporting purposes, the lease has been classified as an operating lease. Based on the agreement, annual lease payments for the site are approximately ¥1,339 million (\$13,663 thousand) over a 20-year period.

The future minimum lease payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year at March 31, 2009 are as follows:

| Years ending March 31                    | In thousands of U.S. dollars |              |
|--|------------------------------|--------------|
|  | In millions of yen           | U.S. dollars |
| 2010.....                                | ¥ 2,419                      | \$ 24,684    |
| 2011.....                                | 2,288                        | 23,347       |
| 2012.....                                | 2,242                        | 22,878       |
| 2013.....                                | 2,197                        | 22,418       |
| 2014.....                                | 2,193                        | 22,378       |
| Thereafter .....                         | 18,719                       | 191,009      |
| Total future minimum lease payments..... | ¥30,058                      | \$306,714    |

**20. Lessor**

The Company's leasing operations consist principally of leasing of security equipment and real estate for office and medical institutions. Most of the security equipment and certain real estate for medical institutions on lease are classified as sales-type leases or direct-financing leases. The other leases are classified as operating leases.

A summary of lease receivables under sales-type and direct-financing leases at March 31, 2009 and 2008 is as follows:

|  | In millions of yen |          | In thousands of U.S. dollars |  |
|--|--------------------|----------|------------------------------|--|
|  | March 31           |          | March 31                     |  |
|  | 2009               | 2008     | 2009                         |  |
| Total minimum lease payments to be received..... | ¥48,511            | ¥48,206  | \$495,010                    |  |
| Estimated executory cost.....                    | (3,620)            | (3,576)  | (36,939)                     |  |
| Estimated unguaranteed residual value.....       | 3,474              | 3,480    | 35,449                       |  |
| Unearned income .....                            | (12,264)           | (13,069) | (125,142)                    |  |
| Lease receivables, net .....                     | 36,101             | 35,041   | 368,378                      |  |
| Less: Current portion.....                       | (8,287)            | (7,820)  | (84,562)                     |  |
| Long-term lease receivables, net .....           | ¥27,814            | ¥27,221  | \$283,816                    |  |

The following is a schedule by year of future minimum lease payments to be received under sales-type leases and direct-financing leases at March 31, 2009:

| Years ending March 31                                    | In thousands of U.S. dollars |              |
|--|------------------------------|--------------|
|  | In millions of yen           | U.S. dollars |
| 2010.....  | ¥ 9,873                      | \$100,745    |
| 2011.....  | 8,397                        | 85,684       |
| 2012.....  | 6,426                        | 65,571       |
| 2013.....  | 4,368                        | 44,571       |
| 2014.....  | 2,348                        | 23,959       |
| Thereafter .....   | 17,099                       | 174,480      |
| Total future minimum lease payments to be received ..... | ¥48,511                      | \$495,010    |

A summary of investment in property on operating leases and property held for lease at March 31, 2009 and 2008 is as follows:

|                                  | In millions of yen |         | In thousands of U.S. dollars |          |
|----------------------------------|--------------------|---------|------------------------------|----------|
|                                  | 2009               | 2008    | March 31                     | March 31 |
| Land .....                       | ¥32,579            | ¥27,223 | \$332,439                    |          |
| Buildings and improvements ..... | 29,660             | 26,955  | 302,653                      |          |
| Other intangible assets .....    | 662                | 775     | 6,755                        |          |
| Accumulated depreciation .....   | (8,539)            | (7,634) | (87,133)                     |          |
|                                  | ¥54,362            | ¥47,319 | \$554,714                    |          |

The future minimum rentals on non-cancelable operating leases at March 31, 2009 are as follows:

| Years ending March 31              | In thousands of U.S. dollars |              |
|------------------------------------|------------------------------|--------------|
|                                    | In millions of yen           | U.S. dollars |
| 2010.....                          | ¥ 2,545                      | \$ 25,969    |
| 2011.....                          | 775                          | 7,908        |
| 2012.....                          | 775                          | 7,908        |
| 2013.....                          | 775                          | 7,908        |
| 2014.....                          | 775                          | 7,908        |
| Thereafter .....                   | 11,270                       | 115,001      |
| Total future minimum rentals ..... | ¥16,915                      | \$172,602    |

## 21. Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of financial instruments in cases for which it is practicable.

### (1) Cash and Cash Equivalents; Time Deposits; Cash Deposits; Notes and Accounts Receivable, Trade; Due from Subscribers; Short-Term Receivables; Bank Loans; Notes and Accounts Payable, Trade; Other Payables; Deposits Received; and Accrued Payrolls

The carrying amounts approximate fair value because of the short-term maturities of such instruments.

### (2) Short-term Investments; Investment Securities

The fair values of short-term investments and investment securities are principally based on quoted market price.

### (3) Long-Term Receivables

The fair values of long-term receivables are based on the present value of future cash flows through estimated maturity, discounted using estimated market discount rates. The carrying amount of long-term receivables approximates fair value.

### (4) Long-Term Debt Including Current Portion

The fair value of long-term debt including the current portion was estimated based on the discounted amounts of future cash flows of each instrument at the Company's current incremental borrowing rates for similar liabilities.

### (5) Investment Deposits by Policyholders

The fair values of investment deposits by policyholders are estimated by discounting future cash flows using the interest rates currently being offered for similar contracts.

### (6) Derivatives

The fair values of interest rate swaps and embedded derivatives are estimated using current market pricing models by obtaining quotes from financial institutions.

The carrying amounts and estimated fair values of the financial instruments excluding debt and equity securities which are disclosed in Notes 2 (7) and 7 at March 31, 2009 and 2008 are as follows:

|   | In millions of yen |                      |                 |                      |
|---|--------------------|----------------------|-----------------|----------------------|
|   | 2009               |                      | 2008            |                      |
|   | Carrying amount    | Estimated fair value | Carrying amount | Estimated fair value |
| Non-derivatives:                              |                    |                      |                 |                      |
| Liabilities—                                  |                    |                      |                 |                      |
| Long-term debt including current portion..... | ¥52,371            | ¥52,451              | ¥53,244         | ¥53,344              |
| Investment deposits by policyholders.....     | 86,064             | 87,891               | 87,252          | 89,373               |
| Derivatives:                                  |                    |                      |                 |                      |
| Liabilities—                                  |                    |                      |                 |                      |
| Interest rate swaps.....                      | 242                | 242                  | 135             | 135                  |
| Embedded derivatives ...                      | —                  | —                    | 514             | 514                  |

|   | In thousands of U.S. dollars |                      |
|---|------------------------------|----------------------|
|   | March 31                     |                      |
|   | 2009                         | 2008                 |
|   | Carrying amount              | Estimated fair value |
| Non-derivatives:                              |                              |                      |
| Liabilities—                                  |                              |                      |
| Long-term debt including current portion..... | \$534,398                    | \$535,214            |
| Investment deposits by policyholders.....     | 878,204                      | 896,847              |
| Derivatives:                                  |                              |                      |
| Liabilities—                                  |                              |                      |
| Interest rate swaps.....                      | 2,469                        | 2,469                |
| Embedded derivatives .....                    | —                            | —                    |

### Limitation:

Fair value estimates are made at a specific point in time based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

**22. Fair Value Measurements**

SFAS 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. SFAS 157 establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value as follows:

- Level 1—Inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2—Inputs are quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable, and inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3—Inputs are derived from valuation techniques in which one or more significant inputs or value drivers are unobservable, which reflect the reporting entity’s own assumptions about the assumptions that market participants would use in establishing a price.

The following table presents the Company’s assets and liabilities that are measured at fair value on a recurring basis at March 31, 2009 consistent with the fair value hierarchy provisions of SFAS No. 157.

|   | In millions of yen |               |               |                |
|---|--------------------|---------------|---------------|----------------|
|   | Level 1            | Level 2       | Level 3       | Total          |
| <b>Assets:</b>  |                    |               |               |                |
| Cash equivalents...                                   | ¥ 350              | ¥ 2,607       | ¥ —           | ¥ 2,957        |
| Short-term investments and investment securities..... | 76,556             | 53,528        | 26,983        | 157,067        |
| <b>Total assets.....</b>                              | <b>76,906</b>      | <b>56,135</b> | <b>26,983</b> | <b>160,024</b> |
| <b>Liabilities:</b>                                   |                    |               |               |                |
| Derivatives.....                                      | —                  | 242           | —             | 242            |
| <b>Total liabilities.....</b>                         | <b>—</b>           | <b>242</b>    | <b>—</b>      | <b>242</b>     |

|   | In thousands of U.S. dollars |                |                |                  |
|---|------------------------------|----------------|----------------|------------------|
|   | Level 1                      | Level 2        | Level 3        | Total            |
| <b>Assets:</b>  |                              |                |                |                  |
| Cash equivalents...                                   | \$ 3,571                     | \$ 26,602      | \$ —           | \$ 30,173        |
| Short-term investments and investment securities..... | 781,183                      | 546,204        | 275,337        | 1,602,724        |
| <b>Total assets.....</b>                              | <b>784,754</b>               | <b>572,806</b> | <b>275,337</b> | <b>1,632,897</b> |
| <b>Liabilities:</b>                                   |                              |                |                |                  |
| Derivatives.....                                      | —                            | 2,469          | —              | 2,469            |
| <b>Total liabilities.....</b>                         | <b>—</b>                     | <b>2,469</b>   | <b>—</b>       | <b>2,469</b>     |

**Cash Equivalents**

All highly liquid investments with initial maturities of three months or less are considered to be cash equivalents, and principally valued using quoted prices for identical assets in markets that are not active.

**Short-Term Investments and Investment Securities**

Equity securities and debt securities classified as Level 1 assets are valued using unadjusted quoted market price in active markets with sufficient volume and frequency of transactions.

Level 2 assets are comprised principally of debt securities, which are valued using quoted prices for similar assets in active markets, or quoted price for identical or similar assets in markets that are not active. Non-marketable securities classified as Level 3 assets are valued based on unobservable inputs as the market for the assets was not active at the measurement date.

**Derivative Financial Investments**

Derivative financial instruments are comprised of interest rate swaps. These derivative instruments are valued using observable market data and classified as Level 2 liabilities.

The following table presents the changes in Level 3 assets measured on a recurring basis for the year ended March 31, 2009.

|  | In millions of yen | In thousands of U.S. dollars |
|--|--------------------|------------------------------|
| Balance at beginning of year.....                  | ¥40,980            | \$418,163                    |
| Total gains or losses (realized or unrealized):    |                    |                              |
| Included in earnings.....                          | (3,907)            | (39,867)                     |
| Included in other comprehensive income (loss)..... | (1,705)            | (17,398)                     |
| Purchase, issuances, and settlements, net.....     | (2,393)            | (24,418)                     |
| Foreign currency translation adjustments.....      | (5,992)            | (61,143)                     |
| <b>Balance at end of year.....</b>                 | <b>¥26,983</b>     | <b>\$275,337</b>             |

**Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis**

Non-marketable equity securities with carrying amount of ¥10,830 million (\$110,511 thousand) were written down to their fair value of ¥10,714 million (\$109,327 thousand), resulting in an other-than-temporary impairment charge of ¥116 million (\$1,184 thousand), which was included in earnings for the year ended March 31, 2009. All impaired non-marketable equity securities were classified as Level 3 assets, as the Company uses unobservable inputs to value these investments.



## 23. Derivative Financial Instruments

### (1) Risk Management Policy

The Company utilizes derivative financial instruments in the normal course of business to reduce exposure to fluctuations in interest rate. The Company assesses interest rate risk by continually monitoring changes in the exposure and by evaluating hedging opportunities. The Company does not hold or issue derivative financial instruments for trading purposes. The Company is also exposed to credit-related losses in the event of non-performance by counterparties to derivative financial instruments, but it is not expected that any counterparties will fail to meet their obligations, because most of the counterparties are internationally recognized financial institutions and contracts are diversified to a number of major financial institutions.

### (2) Interest Rate Risk Management

The Company's exposure to the market risk of changes in interest rates relates primarily to its debt obligations. The Company principally enters into interest rate swap agreements to manage fluctuations in cash flows resulting from changes in interest rates. Interest rate swaps are used to change floating rates on debt obligations to fixed rates by entering into receive-floating, pay-fixed interest rate swaps under which the Company receives floating interest rate proceeds and makes fixed interest rate payments, thereby effectively creating fixed-rate debt.

### (3) Cash Flow Hedge

The Company designates interest rate swap agreements as cash flow hedges for variability of cash flows originated from floating rate borrowings. The interest rate swap agreements mature at various dates through 2022. The effective portion of changes in fair values of derivative instruments designated as cash flow hedges of these debt obligations are reported in other comprehensive income (loss). These amounts are reclassified into current income in the same period that hedged items affect current income. The ineffective portion of changes in fair values are reported in income immediately. The sum of the amount of the hedge ineffectiveness and net gains or losses excluded from the assessment of hedge effectiveness is not material for the years ended March 31, 2009, 2008 and 2007 as the critical terms of most of the interest rate swap agreements match the terms of the hedged debt obligations. Approximately ¥21 million (\$214 thousand) of net derivative losses included in other comprehensive income (loss), net of tax at March 31, 2009, will be reclassified into current income within 12 months from that date. At March 31, 2009 and 2008, the notional principal amounts of interest rate swap agreements designated as cash flow hedges were ¥8,723 million (\$89,010 thousand) and ¥21,111 million, respectively.

### (4) Derivative Instruments Not Designated as Hedges

Certain subsidiaries enter into interest rate swap agreements to change the effective interest rates on debt securities held as investments with the objective of increasing current interest income. Certain subsidiaries hold embedded derivatives that must be separated from the host debt securities and accounted for as derivative instruments, which are also to increase investment income. Changes in fair value of the above noted derivative financial instruments, which are not designated as hedges, are reported in current income.

## 24. Commitments and Contingent Liabilities

The Company has commitments outstanding at March 31, 2009 for the purchase of property, plant and equipment approximated ¥6,588 million (\$67,224 thousand).

The Company provides guarantees to third parties mainly with respect to bank loans extended to its affiliated companies and other entities. Such guarantees are provided to enhance the credit standing of the affiliated companies and other entities. For each guarantee provided, the Company would have to perform under the guarantee, if the affiliated companies and other entities default on a payment within the guaranteed period of one to five years. The maximum amount of undiscounted payments the Company would have to make in the event of default amounts to ¥7,061 million (\$72,051 thousand) at March 31, 2009. The carrying amounts of the liabilities recognized for the Company's obligations under these guarantees at March 31, 2009 and 2008 were deemed insignificant.

In July 2004, Fujitsu Limited filed a lawsuit against Secom Insurance in the Tokyo District Court, claiming compensation for costs related to a system development order in the amount of ¥2,500 million (\$25,510 thousand). Secom Insurance 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 ¥1,000 million (\$10,204 thousand). However, on January 16, 2009, Secom Insurance resolved the matter by reaching a settlement involving the payment to Fujitsu Limited in the amount of ¥1,000 million (\$10,204 thousand), which was paid on January 30, 2009.

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 ¥2,010 million (\$20,510 thousand) 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 collateral for the loan, and demanded Pasco Corporation to pay such claim to Sumitomo Mitsui Banking Corporation. 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 oral argument was concluded on October 31, 2008, and on March 27, 2009 Tokyo District Court rendered the following decision;

(Contents of decision)

1. Pasco Corporation must pay money for Sumitomo Mitsui Banking Corporation in an amount of ¥2,010 million (\$20,510 thousand) as well as interest of the rate of 6 percent per annum on ¥600 million (\$6,122 thousand), from November 1, 2005, and on ¥1,410 million (\$14,388 thousand), from December 1, 2005, up to the full payment of the respective amounts;
2. Pasco Corporation incurs the cost of lawsuits including the cost caused by supplementary participation; and
3. The judgement can be provisionally executed.

Pasco Corporation appealed the case to the Tokyo High Court on April 6, 2009.

Following the decision, Pasco Corporation provided a reserve for litigation loss of ¥2,415 million (\$24,643 thousand) for the year ended March 31, 2009.

Other than those above, it is not anticipated that damages, if any, resulting from other legal actions will have a material impact on the Company's consolidated financial statements.

## 25. Supplemental Cash Flow Information

Supplemental cash flow information is as follows:

|   | In millions of yen   |                      |                      | In thousands of U.S. dollars |
|---|----------------------|----------------------|----------------------|------------------------------|
|   | Years ended March 31 | Years ended March 31 | Years ended March 31 | Year ended March 31          |
|   | 2009                 | 2008                 | 2007                 | 2009                         |
| Cash paid during the year for:                      |                      |                      |                      |                              |
| Interest .....                                      | ¥ 1,978              | ¥ 2,082              | ¥ 1,865              | \$ 20,184                    |
| Income taxes .....                                  | 47,419               | 43,067               | 38,360               | 483,867                      |
| Non-cash investing and financing activities:        |                      |                      |                      |                              |
| Additions to obligations under capital leases ..... | ¥ 803                | ¥ 2,668              | ¥ 5,395              | \$ 8,194                     |

## 26. Segment Information

The Company has applied SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," which requires disclosure of financial and descriptive information about the Company's reportable operating segments. The operating segments reported below are the segments of the Company for which separate financial information is available and for which operating profit/loss amounts are evaluated regularly by management in deciding how to allocate resources and assess performance.

The Company has seven reportable business segments: security services, fire protection services, medical services, insurance services, geographic information services, real estate development and sales, and information and communication related and other services. From December 2006, the Company newly established a business segment, the fire protection services, due to the acquisition of Nohmi Bosai group. During the year ended March 31, 2009, the Company decided to separately disclose the real estate development and sales, which was previously included in the information and communication related and other services segment, due to the fact that the reporting loss exceeded the quantitative threshold. Accordingly, segment information of all prior periods has been restated to conform to the presentation used for the year ended March 31, 2009.

The security services segment provides various types of security services by utilizing the Company's unique security systems and manufacturing and selling security equipment. The fire protection services segment provides various types of fire protection equipment, such as automatic fire alarm and fire extinguishing and other fire protection systems for office buildings, plants, tunnels, ships, residences and cultural monuments. The medical services segment provides intravenous solutions to patients at home, home-based nursing care services, medical data transmission services by utilizing the Company's network and leasing of real estate for medical institutions. In addition, the VIEs to which the Company is primary beneficiary manage hospitals and health care-related institutions. The insurance services segment represents non-life insurance-related underwriting business in the Japanese market. The geographic information services segment represents surveying and measuring services and GIS services. The real estate development and sales segment represents development and sales of condominiums that reinforce security. The information and communication related and other services segment represents the Company's network business, leasing of real estate and management of hotel business.

Corporate expenses consist principally of general and administrative expenses of the planning, personnel and administrative departments of the parent company and administrative departments of the foreign holding company.

Intersegment sales are priced on a basis intended to approximate amounts charged to unaffiliated customers.

Identifiable assets are those assets used exclusively in the operations of each segment or which are allocated when used jointly. Corporate assets, which are held by the parent company and the foreign holding company for general and administrative facilities, consist principally of cash and cash equivalents, short-term investments, investment securities, land, buildings, machinery and equipment.

Information by business and geographic segments for the years ended March 31, 2009, 2008 and 2007 is as follows:

**(1) Business Segment Information**

|   | In millions of yen |          |          | In thousands of U.S. dollars |
|---|--------------------|----------|----------|------------------------------|
|   | 2009               | 2008     | 2007     | 2009                         |
| Net sales and operating revenue:                          |                    |          |          |                              |
| Security services—  |                    |          |          |                              |
| Customers.....  | ¥436,918           | ¥435,306 | ¥415,410 | \$4,458,347                  |
| Intersegment .....  | 1,516              | 1,375    | 1,491    | 15,469                       |
|   | 438,434            | 436,681  | 416,901  | 4,473,816                    |
| Fire protection services—                                 |                    |          |          |                              |
| Customers.....  | 84,175             | 82,572   | 27,448   | 858,929                      |
| Intersegment .....  | 5,659              | 4,046    | 944      | 57,745                       |
|   | 89,834             | 86,618   | 28,392   | 916,674                      |
| Medical services—   |                    |          |          |                              |
| Customers.....  | 52,220             | 50,741   | 45,852   | 532,857                      |
| Intersegment .....  | 123                | 127      | 233      | 1,255                        |
|   | 52,343             | 50,868   | 46,085   | 534,112                      |
| Insurance services—                                       |                    |          |          |                              |
| Customers.....  | 21,530             | 33,229   | 31,978   | 219,694                      |
| Intersegment .....  | 2,919              | 2,894    | 2,702    | 29,786                       |
|   | 24,449             | 36,123   | 34,680   | 249,480                      |
| Geographic information services—                          |                    |          |          |                              |
| Customers.....  | 40,207             | 39,376   | 36,438   | 410,276                      |
| Intersegment .....  | 117                | 321      | 138      | 1,194                        |
|   | 40,324             | 39,697   | 36,576   | 411,470                      |
| Real estate development and sales—                        |                    |          |          |                              |
| Customers.....  | 22,072             | 29,928   | 45,431   | 225,224                      |
| Intersegment .....  | 2,361              | —        | —        | 24,092                       |
|   | 24,433             | 29,928   | 45,431   | 249,316                      |
| Information and communication related and other services— |                    |          |          |                              |
| Customers.....  | 31,649             | 35,543   | 34,121   | 322,949                      |
| Intersegment .....  | 8,863              | 8,782    | 9,127    | 90,439                       |
|   | 40,512             | 44,325   | 43,248   | 413,388                      |
| Total .....   | 710,329            | 724,240  | 651,313  | 7,248,256                    |
| Eliminations.....   | (21,558)           | (17,545) | (14,635) | (219,980)                    |
| Total net sales and operating revenue...                  | ¥688,771           | ¥706,695 | ¥636,678 | \$7,028,276                  |

|   | In millions of yen |            |            | In thousands of U.S. dollars |
|---|--------------------|------------|------------|------------------------------|
|   | 2009               | 2008       | 2007       | 2009                         |
| Operating income (loss):                                      |                    |            |            |                              |
| Security services.....  | ¥102,475           | ¥103,137   | ¥96,162    | \$1,045,663                  |
| Fire protection services.....                                 | 5,353              | 4,948      | 1,815      | 54,623                       |
| Medical services.....   | 11                 | (1,083)    | (2,914)    | 112                          |
| Insurance services .....                                      | (8,222)            | 3,766      | 3,752      | (83,898)                     |
| Geographic information services.....                          | 2,045              | 1,439      | 394        | 20,867                       |
| Real estate development and sales.....                        | (17,577)           | 673        | 4,436      | (179,357)                    |
| Information and communication related and other services..... | 4,918              | 4,718      | 2,899      | 50,184                       |
| Total .....   | 89,003             | 117,598    | 106,544    | 908,194                      |
| Corporate expenses and eliminations .....                     | (12,304)           | (11,970)   | (12,126)   | (125,551)                    |
| Operating income .....  | ¥76,699            | ¥105,628   | ¥94,418    | \$782,643                    |
| Other income.....   | 5,803              | 13,011     | 8,437      | 59,214                       |
| Other expenses .....  | (19,172)           | (8,376)    | (7,519)    | (195,633)                    |
| Income before income taxes .....                              | ¥63,330            | ¥110,263   | ¥95,336    | \$646,224                    |
| Assets:   |                    |            |            |                              |
| Security services.....  | ¥395,814           | ¥473,582   | ¥468,256   | \$4,038,918                  |
| Fire protection services.....                                 | 81,404             | 80,777     | 77,850     | 830,653                      |
| Medical services.....   | 122,960            | 119,251    | 105,158    | 1,254,694                    |
| Insurance services .....                                      | 197,844            | 188,538    | 196,798    | 2,018,816                    |
| Geographic information services.....                          | 58,141             | 58,038     | 55,124     | 593,276                      |
| Real estate development and sales.....                        | 76,095             | 97,261     | 82,840     | 776,480                      |
| Information and communication related and other services..... | 96,476             | 98,081     | 95,693     | 984,449                      |
| Total .....   | 1,028,734          | 1,115,528  | 1,081,719  | 10,497,286                   |
| Corporate items .....   | 74,335             | 103,183    | 120,631    | 758,520                      |
| Investments in and loans to affiliated companies .....        | 40,072             | 46,814     | 38,832     | 408,898                      |
| Total assets.....   | ¥1,143,141         | ¥1,265,525 | ¥1,241,182 | \$11,664,704                 |

# CONSOLIDATED FINANCIAL STATEMENTS

|   | In millions of yen |         |         | In thousands of<br>U.S. dollars |
|---|--------------------|---------|---------|---------------------------------|
|   | 2009               | 2008    | 2007    | 2009                            |
| Depreciation and amortization:                                |                    |         |         |                                 |
| Security services.....  | <b>¥45,428</b>     | ¥47,191 | ¥49,168 | <b>\$463,551</b>                |
| Fire protection services.....                                 | <b>1,250</b>       | 1,171   | 326     | <b>12,755</b>                   |
| Medical services.....   | <b>2,026</b>       | 3,816   | 3,202   | <b>20,673</b>                   |
| Insurance services.....                                       | <b>1,220</b>       | 1,225   | 1,206   | <b>12,449</b>                   |
| Geographic information services.....                          | <b>1,675</b>       | 1,666   | 1,631   | <b>17,092</b>                   |
| Real estate development and sales.....                        | <b>58</b>          | 51      | 54      | <b>592</b>                      |
| Information and communication related and other services..... | <b>2,680</b>       | 2,707   | 2,360   | <b>27,347</b>                   |
| Total .....   | <b>54,337</b>      | 57,827  | 57,947  | <b>554,459</b>                  |
| Corporate items .....   | <b>288</b>         | 367     | 301     | <b>2,939</b>                    |
| Total depreciation and amortization ...                       | <b>¥54,625</b>     | ¥58,194 | ¥58,248 | <b>\$557,398</b>                |
| Capital expenditures:   |                    |         |         |                                 |
| Security services.....  | <b>¥29,722</b>     | ¥33,192 | ¥33,306 | <b>\$303,286</b>                |
| Fire protection services.....                                 | <b>1,524</b>       | 1,556   | 364     | <b>15,551</b>                   |
| Medical services.....   | <b>2,153</b>       | 4,674   | 5,985   | <b>21,969</b>                   |
| Insurance services.....                                       | <b>309</b>         | 8       | 49      | <b>3,153</b>                    |
| Geographic information services.....                          | <b>299</b>         | 1,450   | 1,882   | <b>3,051</b>                    |
| Real estate development and sales.....                        | <b>7</b>           | 258     | 38      | <b>72</b>                       |
| Information and communication related and other services..... | <b>10,614</b>      | 5,622   | 6,125   | <b>108,306</b>                  |
| Total .....   | <b>44,628</b>      | 46,760  | 47,749  | <b>455,388</b>                  |
| Corporate items .....   | <b>227</b>         | 63      | 12      | <b>2,316</b>                    |
| Total capital expenditures.....                               | <b>¥44,855</b>     | ¥46,823 | ¥47,761 | <b>\$457,704</b>                |

The capital expenditures in the above table represent the additions to property, plant and equipment of each segment.

The Company has no single customer that accounts for more than 10 percent of total revenues.

The following table is a breakdown of security services revenue to external customers by service category. The security services business is managed as a single operating segment by the Company's management.

|                                   | In millions of yen |          |          | In thousands of<br>U.S. dollars |
|-----------------------------------|--------------------|----------|----------|---------------------------------|
|                                   | 2009               | 2008     | 2007     | 2009                            |
| Electronic security services..... | <b>¥303,505</b>    | ¥296,167 | ¥285,858 | <b>\$3,096,990</b>              |
| Other security services:          |                    |          |          |                                 |
| Static guard services.....        | <b>47,999</b>      | 46,648   | 42,144   | <b>489,786</b>                  |
| Armored car services.....         | <b>20,310</b>      | 19,547   | 20,308   | <b>207,245</b>                  |
| Merchandise and other .....       | <b>65,104</b>      | 72,944   | 67,100   | <b>664,326</b>                  |
| Total security services.....      | <b>¥436,918</b>    | ¥435,306 | ¥415,410 | <b>\$4,458,347</b>              |

## (2) Geographic Segment Information

Net sales and operating revenue attributed to countries based on location of customers and long-lived assets for the years ended March 31, 2009, 2008 and 2007 were as follows:

|                                  | In millions of yen |          |          | In thousands of<br>U.S. dollars |
|----------------------------------|--------------------|----------|----------|---------------------------------|
|                                  | 2009               | 2008     | 2007     | 2009                            |
| Net sales and operating revenue: |                    |          |          |                                 |
| Japan .....                      | <b>¥668,451</b>    | ¥684,909 | ¥620,435 | <b>\$6,820,929</b>              |
| Other .....                      | <b>20,320</b>      | 21,786   | 16,243   | <b>207,347</b>                  |
| Total.....                       | <b>¥668,771</b>    | ¥706,695 | ¥636,678 | <b>\$7,028,276</b>              |
| Long-lived assets:               |                    |          |          |                                 |
| Japan .....                      | <b>¥351,143</b>    | ¥345,318 | ¥347,546 | <b>\$3,583,092</b>              |
| Other .....                      | <b>4,925</b>       | 6,185    | 5,023    | <b>50,255</b>                   |
| Total.....                       | <b>¥356,068</b>    | ¥351,503 | ¥352,569 | <b>\$3,633,347</b>              |

There are no individually material countries with respect to net sales and operating revenue and long-lived assets included in other areas.



The Board of Directors and Shareholders  
SECOM CO., LTD.:

We have audited the accompanying consolidated balance sheets of SECOM CO., LTD. and subsidiaries as of March 31, 2009 and 2008, and the related consolidated statements of income, changes in shareholders' equity and cash flows for each of the years in the three-year period ended March 31, 2009, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of SECOM CO., LTD. and subsidiaries as of March 31, 2009 and 2008, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2009, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements as of and for the year ended March 31, 2009 have been translated into United States dollars solely for the convenience of the reader. We have audited the translation and, in our opinion, the consolidated financial statements expressed in Japanese yen have been translated into United States dollars on the basis set forth in Note 3 of the notes to the consolidated financial statements.

A handwritten signature in black ink that reads 'KPMG ISA &amp; Co.' in a cursive, stylized font.

Tokyo, Japan  
June 25, 2009

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# SUMMARY OF SELECTED FINANCIAL DATA

SECOM CO., LTD. and Subsidiaries  
Years ended March 31

|   | In millions of yen |          |          |          |          |          |
|---|--------------------|----------|----------|----------|----------|----------|
|   | 2009               | 2008     | 2007     | 2006     | 2005     | 2004     |
| <b>Composition of consolidated net sales and operating revenue by segment</b> |                    |          |          |          |          |          |
| Net sales and operating revenue.....  | <b>¥688,771</b>    | ¥706,695 | ¥636,678 | ¥580,526 | ¥552,354 | ¥517,435 |
| Security services:.....   | <b>436,918</b>     | 435,306  | 415,410  | 400,044  | 382,360  | 367,482  |
| <i>As a percentage of net sales and operating revenue...</i>                  | <b>63.5%</b>       | 61.6%    | 65.3%    | 68.9%    | 69.2%    | 71.0%    |
| Electronic security services—   | <b>303,505</b>     | 296,167  | 285,858  | 277,892  | 271,872  | 263,900  |
| <i>As a percentage of net sales and operating revenue...</i>                  | <b>44.1</b>        | 41.9     | 44.9     | 47.9     | 49.2     | 51.0     |
| Other security services—  |                    |          |          |          |          |          |
| Static guard services.....  | <b>47,999</b>      | 46,648   | 42,144   | 41,480   | 38,302   | 37,537   |
| <i>As a percentage of net sales and operating revenue...</i>                  | <b>7.0</b>         | 6.6      | 6.6      | 7.1      | 6.9      | 7.2      |
| Armored car services.....   | <b>20,310</b>      | 19,547   | 20,308   | 19,369   | 18,462   | 18,618   |
| <i>As a percentage of net sales and operating revenue...</i>                  | <b>2.9</b>         | 2.8      | 3.2      | 3.3      | 3.4      | 3.6      |
| Subtotal.....   | <b>68,309</b>      | 66,195   | 62,452   | 60,849   | 56,764   | 56,155   |
| Merchandise and other.....  | <b>65,104</b>      | 72,944   | 67,100   | 61,303   | 53,724   | 47,427   |
| <i>As a percentage of net sales and operating revenue...</i>                  | <b>9.5</b>         | 10.3     | 10.6     | 10.6     | 9.7      | 9.2      |
| Fire protection services.....   | <b>84,175</b>      | 82,572   | 27,448   | —        | —        | —        |
| <i>As a percentage of net sales and operating revenue...</i>                  | <b>12.2</b>        | 11.7     | 4.3      | —        | —        | —        |
| Medical services.....   | <b>52,220</b>      | 50,741   | 45,852   | 39,215   | 34,688   | 21,147   |
| <i>As a percentage of net sales and operating revenue...</i>                  | <b>7.6</b>         | 7.2      | 7.2      | 6.7      | 6.3      | 4.1      |
| Insurance services.....   | <b>21,530</b>      | 33,229   | 31,978   | 29,537   | 26,465   | 23,536   |
| <i>As a percentage of net sales and operating revenue...</i>                  | <b>3.1</b>         | 4.7      | 5.0      | 5.1      | 4.8      | 4.5      |
| Geographic information services.....  | <b>40,207</b>      | 39,376   | 36,438   | 35,271   | 34,915   | 32,346   |
| <i>As a percentage of net sales and operating revenue...</i>                  | <b>5.8</b>         | 5.6      | 5.7      | 6.1      | 6.3      | 6.3      |
| Real estate development and sales.....  | <b>22,072</b>      | 29,928   | 45,431   | 41,967   | 39,699   | 39,193   |
| <i>As a percentage of net sales and operating revenue...</i>                  | <b>3.2</b>         | 4.2      | 7.1      | 7.2      | 7.2      | 7.6      |
| Information and communication related<br>and other services.....              | <b>31,649</b>      | 35,543   | 34,121   | 34,492   | 34,227   | 33,731   |
| <i>As a percentage of net sales and operating revenue...</i>                  | <b>4.6</b>         | 5.0      | 5.4      | 6.0      | 6.2      | 6.5      |
| <b>Net income, cash dividends and shareholders' equity</b>                    |                    |          |          |          |          |          |
| Net income.....   | <b>¥ 30,560</b>    | ¥ 61,756 | ¥ 55,889 | ¥ 50,331 | ¥ 52,133 | ¥ 23,479 |
| Cash dividends (paid) <sup>(2)</sup> .....                                    | <b>19,122</b>      | 17,998   | 13,499   | 11,251   | 10,127   | 9,003    |
| Shareholders' equity.....   | <b>528,721</b>     | 574,554  | 551,732  | 508,696  | 457,837  | 415,852  |
| <b>Consolidated financial ratios</b>  |                    |          |          |          |          |          |
| Percentage of working capital accounted for by:                               |                    |          |          |          |          |          |
| Debt—   |                    |          |          |          |          |          |
| Bank loans.....   | <b>11.9</b>        | 17.5     | 17.4     | 15.2     | 16.1     | 17.7     |
| Current portion of long-term debt.....  | <b>2.4</b>         | 1.2      | 1.4      | 6.4      | 1.7      | 2.1      |
| Convertible bonds.....  | <b>—</b>           | —        | —        | —        | —        | —        |
| Straight bonds.....   | <b>1.9</b>         | 1.8      | 1.9      | 1.6      | 6.4      | 5.2      |
| Other long-term debt.....   | <b>3.6</b>         | 4.0      | 3.6      | 3.6      | 3.9      | 9.2      |
| Total debt.....   | <b>19.8</b>        | 24.5     | 24.3     | 26.8     | 28.1     | 34.2     |
| Shareholders' equity.....   | <b>80.2</b>        | 75.5     | 75.7     | 73.2     | 71.9     | 65.8     |
| Total capitalization.....   | <b>100.0</b>       | 100.0    | 100.0    | 100.0    | 100.0    | 100.0    |
| Return on total assets (percentage) <sup>(a)</sup> .....                      | <b>2.7</b>         | 4.9      | 4.5      | 4.1      | 4.5      | 2.0      |
| Return on equity (percentage) <sup>(b)</sup> .....                            | <b>5.8</b>         | 10.7     | 10.1     | 9.9      | 11.4     | 5.6      |
| Percentage of net sales and operating revenue absorbed by <sup>(c)</sup> :    |                    |          |          |          |          |          |
| Depreciation and amortization.....  | <b>7.9</b>         | 8.2      | 9.1      | 9.0      | 9.1      | 10.1     |
| Rental expense under operating leases.....                                    | <b>2.2</b>         | 2.3      | 2.5      | 2.7      | 2.6      | 2.8      |
| Ratio of accumulated depreciation to depreciable<br>assets (percentage).....  |                    |          |          |          |          |          |
|   | <b>64.4</b>        | 63.8     | 62.3     | 60.5     | 60.0     | 54.8     |
| Net property turnover (times) <sup>(c)</sup> .....                            | <b>2.66</b>        | 2.81     | 2.54     | 2.39     | 2.43     | 1.74     |
| Before-tax interest coverage (times) <sup>(c)(d)</sup> .....                  | <b>32.4</b>        | 53.7     | 53.5     | 48.8     | 39.3     | 15.9     |

Note: Installation revenue is included in the corresponding electronic security services.

## SUMMARY OF SELECTED FINANCIAL DATA

|  | 2009               | 2008        | 2007        | 2006        | 2005        | 2004        |
|--|--------------------|-------------|-------------|-------------|-------------|-------------|
| <b>Number of shares outstanding</b>                          |                    |             |             |             |             |             |
| Issued.....  | <b>233,288,717</b> | 233,288,717 | 233,288,717 | 233,288,717 | 233,288,717 | 233,281,133 |
| Owned by the Company .....                                   | <b>15,251,520</b>  | 8,323,599   | 8,318,900   | 8,301,997   | 8,266,043   | 8,228,652   |
| Balance .....  | <b>218,037,197</b> | 224,965,118 | 224,969,817 | 224,986,720 | 225,022,674 | 225,052,481 |
| <b>Per share information</b>                                 |                    |             |             |             |             |             |
| Basic net income per share (in yen) <sup>(1)</sup> .....     | <b>¥ 137.42</b>    | ¥ 274.51    | ¥ 248.42    | ¥ 223.69    | ¥ 231.66    | ¥ 104.32    |
| Cash dividends paid per share (in yen) <sup>(2)</sup> .....  | <b>85.00</b>       | 80.00       | 60.00       | 50.00       | 45.00       | 40.00       |
| Shareholders' equity per share (in yen) <sup>(3)</sup> ..... | <b>2,424.91</b>    | 2,553.97    | 2,452.47    | 2,261.00    | 2,034.63    | 1,847.80    |
| Cash flow per share (in yen) <sup>(1) (e)</sup> .....        | <b>299.72</b>      | 448.19      | 427.34      | 396.31      | 410.29      | 294.56      |
| Price/Book value ratio.....                                  | <b>1.50</b>        | 1.90        | 2.23        | 2.66        | 2.19        | 2.46        |
| Price/Earnings ratio .....                                   | <b>26.41</b>       | 17.63       | 22.02       | 26.91       | 19.25       | 43.52       |
| Price/Cash flow ratio.....                                   | <b>12.11</b>       | 10.80       | 12.80       | 15.19       | 10.87       | 15.41       |
| Stock price at year-end (in yen).....                        | <b>3,630</b>       | 4,840       | 5,470       | 6,020       | 4,460       | 4,540       |

Notes: (a) Net income/Total assets  
 (b) Net income/Shareholders' equity  
 (c) Including discontinued operations  
 (d) (Income before income taxes + Interest expense)/Interest expense  
 (e) (Net income + Depreciation and amortization - Dividends approved) /  
 Average number of shares outstanding during each period

(1) Per share amounts are based on the average number of shares outstanding during each period.  
 (2) Subsequent to March 31, 2009, cash dividends of ¥18,533 million (¥85.00 per share) were approved at the general shareholders' meeting on June 25, 2009 (see Note 17 of the accompanying notes to consolidated financial statements).  
 (3) Per share amounts are based on the number of shares outstanding at the end of each period, minus treasury stock.



# COMMON STOCK DATA

SECOM CO., LTD.  
As of March 31

| <b>SHAREHOLDER INFORMATION</b> | <b>2009</b>    | 2008    | 2007    | 2006    | 2005    | 2004    |
|--------------------------------|----------------|---------|---------|---------|---------|---------|
| Number of shareholders .....   | <b>30,859</b>  | 28,512  | 30,683  | 19,807  | 21,327  | 21,720  |
| Common shares held by:         |                |         |         |         |         |         |
| Financial institutions .....   | <b>35.67%</b>  | 33.84%  | 32.21%  | 33.04%  | 34.32%  | 37.04%  |
| Securities firms .....         | <b>2.55</b>    | 3.86    | 3.68    | 2.16    | 1.99    | 2.19    |
| Other corporations .....       | <b>3.76</b>    | 3.81    | 3.86    | 3.92    | 4.13    | 4.29    |
| Foreign investors .....        | <b>38.17</b>   | 41.71   | 42.43   | 43.40   | 40.75   | 37.22   |
| Individuals and others .....   | <b>19.85</b>   | 16.78   | 17.82   | 17.48   | 18.81   | 19.26   |
| Total .....                    | <b>100.00%</b> | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |

## PRICE INFORMATION (TOKYO STOCK EXCHANGE)

|      |                        | Price per share (in yen) |        | Nikkei Stock Average (in yen) |            |
|------|------------------------|--------------------------|--------|-------------------------------|------------|
|      |                        | High                     | Low    | High                          | Low        |
| 2007 | April–June .....       | ¥5,860                   | ¥5,360 | ¥18,240.30                    | ¥17,028.41 |
|      | July–September .....   | 5,830                    | 5,060  | 18,261.98                     | 15,273.68  |
|      | October–December ..... | 6,340                    | 5,480  | 17,458.98                     | 14,837.66  |
| 2008 | January–March .....    | 6,200                    | 4,720  | 14,691.41                     | 11,787.51  |
|      | April–June .....       | 5,330                    | 4,710  | 14,489.44                     | 12,656.42  |
|      | July–September .....   | 5,310                    | 4,300  | 13,603.31                     | 11,259.86  |
| 2009 | October–December ..... | 4,700                    | 2,790  | 11,368.26                     | 7,162.90   |
|      | January–March .....    | 4,700                    | 3,100  | 9,239.24                      | 7,054.98   |

## COMMON STOCK ISSUES

| Date          | Additional shares issued (In thousands) | Shares outstanding after issue (In thousands) | Share capital after issue (In thousands of yen) | Allotment ratio to shareholders | Remarks                         |
|---------------|---|---|---|---------------------------------|---------------------------------|
| June 15, 1974 | 1,968                                   | 9,200   | ¥ 460,000                                       | —                               | Issue at market price (¥900)    |
| Dec. 21, 1974 | 2,760                                   | 11,960  | 598,000   | 3 for 10                        | Stock split                     |
| May 21, 1975  | 1,196                                   | 13,156  | 657,800   | 1 for 10                        | Stock split                     |
| May 21, 1975  | 1,244                                   | 14,400  | 720,000   | —                               | Issue at market price (¥1,134)  |
| Dec. 1, 1975  | 4,320                                   | 18,720  | 936,000   | 3 for 10                        | Stock split                     |
| May 31, 1976  | 1,880                                   | 20,600  | 1,030,000                                       | —                               | Issue at market price (¥2,570)  |
| June 1, 1976  | 2,060                                   | 22,660  | 1,133,000                                       | 1 for 10                        | Stock split                     |
| Dec. 1, 1976  | 6,798                                   | 29,458  | 1,472,900                                       | 3 for 10                        | Stock split                     |
| Nov. 30, 1977 | 2,042                                   | 31,500  | 1,575,000                                       | —                               | Issue at market price (¥1,700)  |
| Dec. 1, 1977  | 6,300                                   | 37,800  | 1,890,000                                       | 2 for 10                        | Stock split                     |
| Dec. 1, 1978  | 7,560                                   | 45,360  | 2,268,000                                       | 2 for 10                        | Stock split                     |
| June 1, 1981  | 3,000                                   | 48,360  | 2,418,000                                       | —                               | Issue at market price (¥2,230)  |
| Dec. 1, 1981  | 4,836                                   | 53,196  | 2,659,800                                       | 1 for 10                        | Stock split                     |
| Jan. 20, 1983 | 5,320                                   | 58,516  | 3,000,000                                       | 1 for 10                        | Stock split                     |
| Nov. 30, 1983 | 194                                     | 58,710  | 3,280,942                                       | —                               | Conversion of convertible bonds |
| Nov. 30, 1984 | 1,418                                   | 60,128  | 5,329,282                                       | —                               | Conversion of convertible bonds |
| Nov. 30, 1985 | 186                                     | 60,314  | 5,602,945                                       | —                               | Conversion of convertible bonds |
| Jan. 20, 1986 | 6,031                                   | 66,345  | 5,602,945                                       | 1 for 10                        | Stock split                     |
| Nov. 30, 1986 | 2,878                                   | 69,223  | 11,269,932                                      | —                               | Conversion of convertible bonds |
| Nov. 30, 1987 | 1,609                                   | 70,832  | 15,021,200                                      | —                               | Conversion of convertible bonds |
| Jan. 20, 1988 | 3,541                                   | 74,373  | 15,021,200                                      | 0.5 for 10                      | Stock split                     |
| Nov. 30, 1988 | 439                                     | 74,812  | 16,063,099                                      | —                               | Conversion of convertible bonds |
| Nov. 30, 1989 | 1,808                                   | 76,620  | 21,573,139                                      | —                               | Conversion of convertible bonds |
| Jan. 19, 1990 | 22,986                                  | 99,606  | 21,573,139                                      | 3 for 10                        | Stock split                     |
| Mar. 31, 1990 | 1,446                                   | 101,052                                       | 25,070,104                                      | —                               | Conversion of convertible bonds |
| Mar. 31, 1991 | 2,949                                   | 104,001                                       | 32,244,732                                      | —                               | Conversion of convertible bonds |
| Mar. 31, 1992 | 2,035                                   | 106,036                                       | 37,338,751                                      | —                               | Conversion of convertible bonds |
| Mar. 31, 1993 | 267                                     | 106,303                                       | 37,991,568                                      | —                               | Conversion of convertible bonds |
| Mar. 31, 1994 | 6,986                                   | 113,289                                       | 56,756,263                                      | —                               | Conversion of convertible bonds |
| Mar. 31, 1995 | 477                                     | 113,766                                       | 58,214,178                                      | —                               | Conversion of convertible bonds |
| Mar. 31, 1996 | 613                                     | 114,379                                       | 59,865,105                                      | —                               | Conversion of convertible bonds |
| Mar. 31, 1997 | 1,825                                   | 116,204                                       | 65,253,137                                      | —                               | Conversion of convertible bonds |
| Mar. 31, 1998 | 29                                      | 116,233                                       | 65,327,060                                      | —                               | Conversion of convertible bonds |
| Mar. 31, 1999 | 159                                     | 116,392                                       | 65,709,927                                      | —                               | Conversion of convertible bonds |
| Nov. 19, 1999 | 116,410                                 | 232,802                                       | 65,709,927                                      | 10 for 10*                      | Stock split                     |
| Mar. 31, 2000 | 273                                     | 233,075                                       | 66,096,852                                      | —                               | Conversion of convertible bonds |
| Mar. 31, 2001 | 25                                      | 233,100                                       | 66,126,854                                      | —                               | Conversion of convertible bonds |
| Mar. 31, 2002 | 175                                     | 233,275                                       | 66,360,338                                      | —                               | Conversion of convertible bonds |
| Mar. 31, 2003 | 6                                       | 233,281                                       | 66,368,827                                      | —                               | Conversion of convertible bonds |
| Mar. 31, 2005 | 8                                       | 233,289                                       | 66,377,829                                      | —                               | Conversion of convertible bonds |

Notes: 1. The above is a record of SECOM's common stock issues since the common stock was listed on the Tokyo Stock Exchange in June 1974.

2. As of March 31, 2009, the number of shares outstanding was 233,289 thousand and share capital was ¥66,377,829 thousand.

\*One share was split into two.

# SUPPLEMENTAL CONSOLIDATED FINANCIAL DATA

(BASED ON JAPANESE GAAP)

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CONDENSED CONSOLIDATED BALANCE SHEETS (BASED ON JAPANESE GAAP)

SECOM CO., LTD. and Subsidiaries  
As of March 31

|   | In millions of yen |            |            |            |            |            |
|---|--------------------|------------|------------|------------|------------|------------|
| ASSETS  | 2009               | 2008       | 2007       | 2006       | 2005       | 2004       |
| <b>Current assets:</b>                                  |                    |            |            |            |            |            |
| Cash on hand and in banks .....                         | ¥ 127,476          | ¥ 200,403  | ¥ 181,266  | ¥ 271,780  | ¥ 246,693  | ¥ 202,630  |
| Cash deposits for armored car services .....            | 56,667             | 63,696     | 75,328     | —          | —          | —          |
| Call loans .....  | 36,500             | 19,000     | 15,000     | 25,000     | 10,000     | 38,000     |
| Notes and accounts receivable, trade .....              | 77,398             | 85,595     | 83,397     | 52,667     | 50,183     | 46,813     |
| Due from subscribers .....                              | 20,139             | 21,125     | 19,217     | 17,678     | 16,204     | 17,561     |
| Short-term investments .....                            | 16,786             | 9,306      | 18,171     | 83,809     | 73,252     | 47,343     |
| Lease receivables and investment in leased assets ..... | 14,993             | —          | —          | —          | —          | —          |
| Inventories .....                                       | —                  | 27,080     | 25,945     | 64,194     | 40,979     | 45,477     |
| Merchandises and products .....                         | 10,730             | —          | —          | —          | —          | —          |
| Real estate inventories .....                           | 6,177              | 90,230     | 71,724     | —          | —          | —          |
| Work in process .....                                   | 2,174              | —          | —          | —          | —          | —          |
| Costs on uncompleted construction contracts .....       | 9,534              | —          | —          | —          | —          | —          |
| Work in process for real estate inventories .....       | 60,950             | —          | —          | —          | —          | —          |
| Raw materials and supplies .....                        | 5,840              | —          | —          | —          | —          | —          |
| Deferred income taxes .....                             | 11,135             | 11,840     | 11,597     | 9,462      | 8,207      | 9,768      |
| Short-term loans receivable .....                       | 4,125              | 7,246      | 5,097      | 15,564     | 46,375     | 58,793     |
| Other .....   | 15,578             | 13,827     | 19,660     | 13,419     | 17,676     | 17,205     |
| Allowance for doubtful accounts .....                   | (2,762)            | (1,813)    | (1,923)    | (1,617)    | (1,297)    | (4,925)    |
| Total current assets .....                              | 473,445            | 547,538    | 524,484    | 551,959    | 508,274    | 478,668    |
| <b>Fixed assets:</b>                                    |                    |            |            |            |            |            |
| Tangible assets:  |                    |            |            |            |            |            |
| Buildings and improvements .....                        | 85,415             | 84,545     | 87,306     | 77,270     | 72,816     | 79,072     |
| Security equipment and control stations .....           | 65,631             | 65,450     | 63,675     | 63,070     | 64,104     | 65,315     |
| Land .....  | 89,297             | 81,716     | 80,341     | 65,542     | 65,151     | 80,507     |
| Other .....   | 22,923             | 33,636     | 29,485     | 28,183     | 21,509     | 19,050     |
| Intangible assets .....                                 | 21,331             | 22,332     | 23,294     | 24,384     | 27,582     | 33,820     |
| Investments and others:                                 |                    |            |            |            |            |            |
| Investment securities .....                             | 201,923            | 241,957    | 243,148    | 231,096    | 243,031    | 207,654    |
| Long-term loans receivable .....                        | 59,880             | 54,599     | 55,223     | 57,564     | 42,983     | 63,799     |
| Prepaid pension and severance costs .....               | 18,876             | 17,834     | 15,817     | 11,186     | 1,527      | —          |
| Deferred income taxes .....                             | 24,413             | 22,740     | 15,654     | 11,256     | 18,509     | 22,523     |
| Other .....   | 46,129             | 47,579     | 45,692     | 41,217     | 42,258     | 55,528     |
| Allowance for doubtful accounts .....                   | (19,122)           | (17,455)   | (15,161)   | (13,401)   | (10,292)   | (14,060)   |
| Total fixed assets .....                                | 616,698            | 654,936    | 644,478    | 597,370    | 589,183    | 613,211    |
| Deferred assets .....                                   | 338                | 365        | 219        | 47         | 90         | 187        |
| Total assets .....                                      | ¥1,090,483         | ¥1,202,840 | ¥1,169,182 | ¥1,149,377 | ¥1,097,548 | ¥1,092,067 |

|   | In millions of yen |                   |                   |                   |                   |                   |
|---|--------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| LIABILITIES   | 2009               | 2008              | 2007              | 2006              | 2005              | 2004              |
| <b>Current liabilities:</b>   |                    |                   |                   |                   |                   |                   |
| Notes and accounts payable, trade   | ¥ 28,374           | ¥ 30,459          | ¥ 28,469          | ¥ 18,652          | ¥ 15,693          | ¥ 18,460          |
| Bank loans  | 85,383             | 136,034           | 129,169           | 112,868           | 108,172           | 119,344           |
| Current portion of straight bonds   | 5,036              | 1,936             | 3,356             | 32,210            | 690               | 200               |
| Current portion of convertible bonds  | —                  | —                 | —                 | —                 | —                 | 18                |
| Lease obligations   | 202                | —                 | —                 | —                 | —                 | —                 |
| Payables—other  | 23,195             | 28,988            | 29,888            | 26,340            | 18,959            | 17,743            |
| Accrued income taxes  | 18,983             | 24,610            | 24,973            | 22,159            | 16,197            | 17,083            |
| Accrued consumption taxes   | 2,932              | 3,456             | 3,366             | 2,588             | 2,698             | 3,792             |
| Accrued expenses  | 3,534              | 3,641             | 3,198             | 2,085             | 2,275             | 2,304             |
| Deferred revenue  | 31,298             | 32,061            | 31,188            | 30,747            | 28,532            | 28,459            |
| Accrued bonuses   | 12,741             | 12,210            | 11,409            | 8,981             | 8,758             | 8,490             |
| Reserve for litigation losses   | 2,415              | —                 | —                 | —                 | —                 | —                 |
| Accrued bonuses to directors and corporate auditors                                     | —                  | —                 | 80                | —                 | —                 | —                 |
| Other   | 42,558             | 46,337            | 58,665            | 46,805            | 44,245            | 45,283            |
| <b>Total current liabilities</b>  | <b>256,655</b>     | <b>319,737</b>    | <b>323,766</b>    | <b>303,440</b>    | <b>246,222</b>    | <b>261,181</b>    |
| <b>Long-term liabilities:</b>   |                    |                   |                   |                   |                   |                   |
| Straight bonds  | 12,673             | 13,524            | 13,941            | 11,180            | 40,940            | 32,800            |
| Long-term loans   | 15,338             | 20,024            | 14,363            | 13,444            | 14,513            | 43,530            |
| Lease obligations   | 571                | —                 | —                 | —                 | —                 | —                 |
| Guarantee deposits received   | 34,210             | 32,532            | 32,164            | 28,982            | 28,737            | 29,160            |
| Deferred income taxes   | 3,740              | 5,042             | 2,717             | 1,079             | 423               | 371               |
| Accrued pension and severance costs   | 13,807             | 16,096            | 17,596            | 11,362            | 12,617            | 12,899            |
| Accrued retirement benefits for directors and corporate auditors                        | 2,244              | 2,220             | 2,300             | 1,565             | —                 | —                 |
| Investment deposits by policyholders, unearned premiums and other insurance liabilities | 167,011            | 162,329           | 160,142           | 245,644           | 278,278           | 276,979           |
| Other   | 1,621              | 1,057             | 1,073             | 1,043             | 1,724             | 2,117             |
| <b>Total long-term liabilities</b>  | <b>251,218</b>     | <b>252,828</b>    | <b>244,299</b>    | <b>314,303</b>    | <b>377,234</b>    | <b>397,858</b>    |
| <b>Total liabilities</b>  | <b>507,874</b>     | <b>572,565</b>    | <b>568,065</b>    | <b>617,743</b>    | <b>623,457</b>    | <b>659,040</b>    |
| <b>MINORITY INTERESTS IN SUBSIDIARIES</b>   | <b>—</b>           | <b>—</b>          | <b>—</b>          | <b>35,469</b>     | <b>32,163</b>     | <b>29,770</b>     |
| <b>SHAREHOLDERS' EQUITY</b>   |                    |                   |                   |                   |                   |                   |
| Common stock  | —                  | —                 | —                 | 66,377            | 66,377            | 66,368            |
| Capital surplus   | —                  | —                 | —                 | 83,054            | 82,553            | 82,544            |
| Retained earnings   | —                  | —                 | —                 | 388,077           | 346,510           | 308,268           |
| Unrealized gains (losses) on securities   | —                  | —                 | —                 | 13,230            | 8,167             | 6,079             |
| Foreign currency translation adjustments  | —                  | —                 | —                 | (9,825)           | (17,123)          | (15,603)          |
| Common stock in treasury, at cost   | —                  | —                 | —                 | (44,749)          | (44,558)          | (44,400)          |
| <b>Total shareholders' equity</b>   | <b>—</b>           | <b>—</b>          | <b>—</b>          | <b>496,164</b>    | <b>441,927</b>    | <b>403,257</b>    |
| <b>Total liabilities, minority interests in subsidiaries and shareholders' equity</b>   | <b>¥ —</b>         | <b>¥ —</b>        | <b>¥ —</b>        | <b>¥1,149,377</b> | <b>¥1,097,548</b> | <b>¥1,092,067</b> |
| <b>NET ASSETS</b>   |                    |                   |                   |                   |                   |                   |
| <b>Shareholders' equity:</b>  |                    |                   |                   |                   |                   |                   |
| Common stock  | ¥ 66,377           | ¥ 66,377          | ¥ 66,377          | ¥ —               | ¥ —               | ¥ —               |
| Capital surplus   | 83,054             | 83,056            | 83,056            | —                 | —                 | —                 |
| Retained earnings   | 478,355            | 475,987           | 432,696           | —                 | —                 | —                 |
| Common stock in treasury, at cost   | (74,896)           | (44,877)          | (44,850)          | —                 | —                 | —                 |
| <b>Total shareholders' equity</b>   | <b>552,891</b>     | <b>580,543</b>    | <b>537,279</b>    | <b>—</b>          | <b>—</b>          | <b>—</b>          |
| <b>Valuation, translation adjustments and others:</b>                                   |                    |                   |                   |                   |                   |                   |
| Unrealized gains (losses) on securities   | (3,901)            | (3,306)           | 10,157            | —                 | —                 | —                 |
| Deferred losses on hedges   | (27)               | (90)              | (51)              | —                 | —                 | —                 |
| Foreign currency translation adjustments  | (30,008)           | (9,907)           | (7,253)           | —                 | —                 | —                 |
| <b>Total valuation, translation adjustments and others</b>                              | <b>(33,937)</b>    | <b>(13,304)</b>   | <b>2,853</b>      | <b>—</b>          | <b>—</b>          | <b>—</b>          |
| <b>Minority interests in subsidiaries</b>   | <b>63,654</b>      | <b>63,035</b>     | <b>60,983</b>     | <b>—</b>          | <b>—</b>          | <b>—</b>          |
| <b>Total net assets</b>   | <b>582,608</b>     | <b>630,274</b>    | <b>601,116</b>    | <b>—</b>          | <b>—</b>          | <b>—</b>          |
| <b>Total liabilities and net assets</b>   | <b>¥1,090,483</b>  | <b>¥1,202,840</b> | <b>¥1,169,182</b> | <b>¥ —</b>        | <b>¥ —</b>        | <b>¥ —</b>        |

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (BASED ON JAPANESE GAAP)

SECOM CO., LTD. and Subsidiaries  
Years ended March 31

|  | In millions of yen |          |          |          |          |          |
|--|--------------------|----------|----------|----------|----------|----------|
|  | 2009               | 2008     | 2007     | 2006     | 2005     | 2004     |
| Revenue.....                                       | <b>¥678,400</b>    | ¥682,619 | ¥613,976 | ¥567,315 | ¥547,230 | ¥527,409 |
| <i>Percentage change from prior year.....</i>      | <i>(0.6%)</i>      | 11.2%    | 8.2%     | 3.7%     | 3.8%     | 0.8%     |
| Costs of revenue .....                             | <b>444,771</b>     | 433,030  | 388,787  | 351,020  | 341,466  | 324,759  |
| <i>As a percentage of revenue.....</i>             | <i>65.6</i>        | 63.4     | 63.3     | 61.9     | 62.4     | 61.6     |
| Gross profit .....                                 | <b>233,628</b>     | 249,589  | 255,189  | 216,294  | 205,764  | 202,650  |
| <i>As a percentage of revenue.....</i>             | <i>34.4</i>        | 36.6     | 36.7     | 38.1     | 37.6     | 38.4     |
| Selling, general and administrative expenses ..... | <b>145,994</b>     | 144,883  | 127,348  | 122,185  | 122,720  | 121,363  |
| <i>As a percentage of revenue.....</i>             | <i>21.5</i>        | 21.3     | 20.7     | 21.5     | 22.4     | 23.0     |
| Operating profit .....                             | <b>87,634</b>      | 104,706  | 97,840   | 94,109   | 83,043   | 81,286   |
| <i>As a percentage of revenue.....</i>             | <i>12.9</i>        | 15.3     | 15.9     | 16.6     | 15.2     | 15.4     |
| Non-operating income .....                         | <b>12,957</b>      | 20,125   | 15,087   | 15,792   | 11,942   | 7,798    |
| Non-operating expenses.....                        | <b>9,666</b>       | 10,552   | 10,207   | 13,232   | 11,507   | 12,841   |
| Ordinary profit .....                              | <b>90,924</b>      | 114,278  | 102,720  | 96,669   | 83,478   | 76,243   |
| <i>As a percentage of revenue.....</i>             | <i>13.4</i>        | 16.7     | 16.7     | 17.1     | 15.3     | 14.5     |
| Extraordinary profit .....                         | <b>482</b>         | 2,748    | 2,601    | 9,349    | 11,381   | 31,860   |
| Extraordinary loss.....                            | <b>27,875</b>      | 4,984    | 3,317    | 11,189   | 10,105   | 24,892   |
| Income before income taxes .....                   | <b>63,531</b>      | 112,043  | 102,005  | 94,829   | 84,754   | 83,211   |
| <i>As a percentage of revenue.....</i>             | <i>9.4</i>         | 16.4     | 16.6     | 16.7     | 15.5     | 15.8     |
| Income taxes—current .....                         | <b>41,768</b>      | 42,602   | 39,961   | 34,888   | 28,723   | 30,962   |
| Income taxes—deferred.....                         | <b>(3,244)</b>     | 2,656    | (660)    | 3,131    | 4,145    | 8,985    |
| Minority interest in subsidiaries.....             | <b>3,504</b>       | 5,278    | 4,404    | 3,815    | 3,367    | 2,152    |
| Net income .....                                   | <b>21,502</b>      | 61,506   | 58,299   | 52,994   | 48,517   | 41,111   |
| <i>As a percentage of revenue.....</i>             | <i>3.2</i>         | 9.0      | 9.5      | 9.3      | 8.9      | 7.8      |
| <i>Percentage change from prior year.....</i>      | <i>(65.0)</i>      | 5.5      | 10.0     | 9.2      | 18.0     | 15.5     |

# SUPPLEMENTAL NONCONSOLIDATED FINANCIAL DATA (BASED ON JAPANESE GAAP)

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CONDENSED NONCONSOLIDATED BALANCE SHEETS (BASED ON JAPANESE GAAP)

SECOM CO., LTD.  
As of March 31

|   | In millions of yen |                 |                 |                 |                 |                 |
|---|--------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| ASSETS  | 2009               | 2008            | 2007            | 2006            | 2005            | 2004            |
| <b>Current assets:</b>  |                    |                 |                 |                 |                 |                 |
| Cash on hand and in banks .....   | ¥ 31,149           | ¥ 77,130        | ¥ 71,818        | ¥167,097        | ¥135,400        | ¥117,302        |
| Cash deposits for armored car services .....                                  | 54,258             | 60,821          | 67,799          | —               | —               | —               |
| Notes receivable .....  | 389                | 534             | 667             | 476             | 552             | 292             |
| Due from subscribers .....  | 11,630             | 11,661          | 10,972          | 9,475           | 9,008           | 8,856           |
| Accounts receivable, trade .....  | 6,732              | 6,760           | 6,952           | 6,447           | 6,228           | 5,372           |
| Receivables—other .....   | 2,415              | 2,921           | 2,218           | 3,876           | 5,822           | 5,680           |
| Short-term investments .....  | 455                | 454             | 452             | 451             | 451             | 451             |
| Merchandise .....   | 5,652              | 6,298           | 5,991           | 5,928           | 6,740           | 5,673           |
| Supplies .....  | 1,101              | 952             | 1,024           | 950             | 1,056           | 1,123           |
| Prepaid expenses .....  | 2,034              | 1,913           | 2,014           | 1,798           | 1,728           | 1,610           |
| Deferred income taxes .....   | 4,446              | 4,714           | 4,750           | 4,531           | 4,629           | 5,890           |
| Short-term loans receivable .....   | 173                | 236             | 463             | 298             | 17,493          | 19,278          |
| Short-term loans receivable to subsidiaries and<br>affiliated companies ..... | 11,471             | 17,782          | 13,910          | 12,587          | 24,404          | 19,119          |
| Other .....   | 3,457              | 2,720           | 2,615           | 2,314           | 2,614           | 2,526           |
| Allowance for doubtful accounts .....   | (567)              | (568)           | (541)           | (604)           | (2,299)         | (5,216)         |
| <b>Total current assets .....</b>   | <b>134,801</b>     | <b>194,333</b>  | <b>191,111</b>  | <b>215,630</b>  | <b>213,831</b>  | <b>187,961</b>  |
| <b>Fixed assets:</b>  |                    |                 |                 |                 |                 |                 |
| <b>Tangible assets:</b>   |                    |                 |                 |                 |                 |                 |
| Buildings and improvements .....  | 23,055             | 21,969          | 22,124          | 22,811          | 23,943          | 25,836          |
| Automobiles .....   | 386                | 122             | 136             | 166             | 132             | 145             |
| Security equipment and control stations .....                                 | 63,064             | 62,419          | 60,284          | 59,442          | 59,836          | 60,684          |
| Machinery and equipment .....   | 1,071              | 1,267           | 1,364           | 1,467           | 1,423           | 1,427           |
| Tools, furniture and fixtures .....   | 3,717              | 3,239           | 4,216           | 4,379           | 4,514           | 3,990           |
| Land .....  | 28,306             | 25,913          | 32,092          | 32,200          | 35,179          | 36,439          |
| Construction in progress .....  | 1,588              | 1,961           | 2,980           | 1,919           | 1,692           | 2,862           |
| Other .....   | 634                | 14              | 22              | 32              | 47              | 72              |
| <b>Intangible assets:</b>   |                    |                 |                 |                 |                 |                 |
| Telephone rights .....  | —                  | —               | —               | 0               | 1,946           | 2,134           |
| Telephone and telegraph utility rights .....                                  | —                  | —               | 83              | 112             | 147             | 207             |
| Software .....  | 6,578              | 7,184           | 4,755           | 6,420           | 6,401           | 8,935           |
| Other .....   | 542                | 516             | 3,419           | 83              | 84              | 457             |
| <b>Investments and others:</b>  |                    |                 |                 |                 |                 |                 |
| Investment securities .....   | 21,267             | 28,668          | 43,165          | 46,166          | 27,654          | 23,874          |
| Investment securities in subsidiaries and<br>affiliated companies .....       | 192,775            | 194,110         | 166,839         | 149,535         | 159,772         | 157,612         |
| Investments in subsidiaries and<br>affiliated companies .....                 | 1,874              | 1,874           | 1,074           | 974             | 667             | 667             |
| Long-term loans receivable .....  | 8,468              | 8,453           | 18,308          | 18,630          | 3,122           | 3,071           |
| Long-term loans receivable to employees .....                                 | 40                 | 31              | 24              | 24              | 22              | 22              |
| Long-term loans receivable to subsidiaries and<br>affiliated companies .....  | 134,636            | 66,354          | 52,929          | 40,085          | 14,160          | 20,292          |
| Lease deposits .....  | 8,702              | 8,859           | 8,973           | 9,006           | 8,816           | 8,533           |
| Long-term prepaid expenses .....  | 26,412             | 26,165          | 24,855          | 22,175          | 20,335          | 19,889          |
| Prepaid pension and severance costs .....                                     | 14,561             | 13,769          | 12,213          | 8,670           | 1,257           | —               |
| Deferred income taxes .....   | 14,763             | 6,760           | 5,139           | 6,206           | 10,450          | 13,728          |
| Fund for insurance .....  | 4,896              | 4,893           | 4,893           | 4,893           | 5,153           | 5,761           |
| Other .....   | 1,065              | 975             | 983             | 955             | 2,877           | 7,245           |
| Allowance for doubtful accounts .....   | (13,354)           | (6,812)         | (7,200)         | (7,998)         | (4,760)         | (11,306)        |
| <b>Total fixed assets .....</b>   | <b>545,056</b>     | <b>478,710</b>  | <b>463,680</b>  | <b>428,359</b>  | <b>384,880</b>  | <b>392,586</b>  |
| <b>Total assets .....</b>   | <b>¥679,858</b>    | <b>¥673,043</b> | <b>¥654,791</b> | <b>¥643,990</b> | <b>¥598,711</b> | <b>¥580,547</b> |



In millions of yen

| LIABILITIES   | 2009     | 2008     | 2007     | 2006     | 2005     | 2004     |
|---|----------|----------|----------|----------|----------|----------|
| <b>Current liabilities:</b>   |          |          |          |          |          |          |
| Accounts payable.....   | ¥ 2,319  | ¥ 2,757  | ¥ 2,573  | ¥ 3,168  | ¥ 2,113  | ¥ 2,160  |
| Bank loans .....  | 60,893   | 30,401   | 27,667   | 26,069   | 31,473   | 35,663   |
| Current portion of straight and convertible bonds .....               | —        | —        | —        | 30,000   | —        | 18       |
| Lease obligations .....   | 43       | —        | —        | —        | —        | —        |
| Payables—other .....  | 10,981   | 10,838   | 12,596   | 12,987   | 10,201   | 10,358   |
| Payables—construction .....   | 3,742    | 3,607    | 3,825    | 3,634    | 3,113    | 4,666    |
| Accrued income taxes .....  | 11,849   | 15,834   | 15,775   | 15,312   | 10,279   | 10,570   |
| Accrued consumption taxes.....  | 1,622    | 1,566    | 2,029    | 1,509    | 1,306    | 2,232    |
| Accrued expenses .....  | 597      | 640      | 639      | 651      | 599      | 634      |
| Deposits received .....   | 28,451   | 31,299   | 41,603   | 34,442   | 31,146   | 33,958   |
| Deferred revenue .....  | 22,735   | 22,903   | 22,735   | 22,371   | 21,727   | 21,247   |
| Accrued bonuses.....  | 5,537    | 5,372    | 5,207    | 5,232    | 4,967    | 4,710    |
| Other .....   | 1,928    | 1,958    | 895      | 1,938    | 1,764    | 1,797    |
| Total current liabilities.....  | 150,704  | 127,180  | 135,548  | 157,317  | 118,694  | 128,019  |
| <b>Long-term liabilities:</b>   |          |          |          |          |          |          |
| Straight and convertible bonds .....                                  | —        | —        | —        | —        | 30,000   | 30,000   |
| Long-term loans .....   | —        | —        | —        | —        | —        | 2,300    |
| Lease obligations .....   | 192      | —        | —        | —        | —        | —        |
| Guarantee deposits received .....                                     | 18,146   | 18,174   | 18,449   | 18,244   | 18,014   | 17,009   |
| Accrued pension and severance costs .....                             | 4,766    | 5,087    | 5,370    | 5,581    | 5,713    | 5,356    |
| Accrued retirement benefits for directors and corporate auditors..... | 1,104    | 1,070    | 1,268    | 1,201    | —        | —        |
| Other .....   | 12       | —        | —        | —        | —        | —        |
| Total long-term liabilities.....                                      | 24,221   | 24,333   | 25,088   | 25,027   | 53,728   | 54,665   |
| Total liabilities.....  | 174,926  | 151,513  | 160,637  | 182,344  | 172,423  | 182,684  |
| <b>SHAREHOLDERS' EQUITY</b>   |          |          |          |          |          |          |
| Common stock .....  | —        | —        | —        | 66,377   | 66,377   | 66,368   |
| Capital surplus:  |          |          |          |          |          |          |
| Additional paid-in capital.....                                       | —        | —        | —        | 83,054   | 82,553   | 82,544   |
| Total capital surplus .....   | —        | —        | —        | 83,054   | 82,553   | 82,544   |
| Retained earnings:  |          |          |          |          |          |          |
| Legal reserve.....  | —        | —        | —        | 9,028    | 9,028    | 9,028    |
| Voluntary reserve:  |          |          |          |          |          |          |
| Reserve for systems development.....                                  | —        | —        | —        | 800      | 800      | 800      |
| Reserve for tax deferral on asset replacement.....                    | —        | —        | —        | 24       | 25       | 26       |
| General reserve.....  | —        | —        | —        | 2,212    | 2,212    | 2,212    |
| Total voluntary reserve .....   | —        | —        | —        | 3,036    | 3,037    | 3,038    |
| Unappropriated retained earnings.....                                 | —        | —        | —        | 339,293  | 306,766  | 279,338  |
| Total retained earnings .....   | —        | —        | —        | 351,358  | 318,832  | 291,405  |
| Unrealized gains on securities .....                                  | —        | —        | —        | 5,604    | 3,082    | 1,944    |
| Common stock in treasury, at cost .....                               | —        | —        | —        | (44,749) | (44,558) | (44,400) |
| Total shareholders' equity .....                                      | —        | —        | —        | 461,646  | 426,288  | 397,862  |
| Total liabilities and shareholders' equity .....                      | ¥ —      | ¥ —      | ¥ —      | ¥643,990 | ¥598,711 | ¥580,547 |
| <b>NET ASSETS</b>   |          |          |          |          |          |          |
| <b>Shareholders' equity:</b>  |          |          |          |          |          |          |
| Common stock .....  | ¥ 66,377 | ¥ 66,377 | ¥ 66,377 | ¥ —      | ¥ —      | ¥ —      |
| Capital surplus:  |          |          |          |          |          |          |
| Additional paid-in capital.....                                       | 83,054   | 83,054   | 83,054   | —        | —        | —        |
| Other capital surplus .....   | —        | 1        | 1        | —        | —        | —        |
| Total capital surplus .....   | 83,054   | 83,056   | 83,056   | —        | —        | —        |
| Retained earnings:  |          |          |          |          |          |          |
| Legal reserve.....  | 9,028    | 9,028    | 9,028    | —        | —        | —        |
| Other retained earnings:  |          |          |          |          |          |          |
| Reserve for systems development.....                                  | 800      | 800      | 800      | —        | —        | —        |
| General reserve.....  | 2,212    | 2,212    | 2,212    | —        | —        | —        |
| Accumulated earnings carried forward .....                            | 418,306  | 405,015  | 372,966  | —        | —        | —        |
| Total retained earnings .....   | 430,347  | 417,055  | 385,006  | —        | —        | —        |
| Common stock in treasury, at cost .....                               | (74,896) | (44,877) | (44,850) | —        | —        | —        |
| Total shareholders' equity .....                                      | 504,883  | 521,612  | 489,590  | —        | —        | —        |
| <b>Valuation, translation adjustments and others:</b>                 |          |          |          |          |          |          |
| Unrealized gains (losses) on securities .....                         | 48       | (82)     | 4,564    | —        | —        | —        |
| Total valuation, translation adjustments and others .....             | 48       | (82)     | 4,564    | —        | —        | —        |
| Total net assets.....   | 504,932  | 521,529  | 494,154  | —        | —        | —        |
| Total liabilities and net assets .....                                | ¥679,858 | ¥673,043 | ¥654,791 | ¥ —      | ¥ —      | ¥ —      |

CONDENSED NONCONSOLIDATED STATEMENTS OF INCOME (BASED ON JAPANESE GAAP)

SECOM CO., LTD.

Years ended March 31

|   | In millions of yen |          |          |          |          |          |
|---|--------------------|----------|----------|----------|----------|----------|
|   | 2009               | 2008     | 2007     | 2006     | 2005     | 2004     |
| Revenue.....                                      | <b>¥336,893</b>    | ¥337,611 | ¥326,076 | ¥313,096 | ¥297,782 | ¥288,493 |
| <i>Percentage change from prior year</i> .....    | <i>(0.2%)</i>      | 3.5%     | 4.1%     | 5.1%     | 3.2%     | 3.5%     |
| Service charges.....                              | <b>294,386</b>     | 291,350  | 282,247  | 272,876  | 261,918  | 256,883  |
| <i>Percentage change from prior year</i> .....    | <i>1.0</i>         | 3.2      | 3.4      | 4.2      | 2.0      | 2.7      |
| Sales of merchandise.....                         | <b>42,506</b>      | 46,261   | 43,829   | 40,220   | 35,863   | 31,610   |
| <i>Percentage change from prior year</i> .....    | <i>(8.1)</i>       | 5.5      | 9.0      | 12.1     | 13.5     | 11.4     |
| Costs.....  | <b>193,842</b>     | 192,417  | 183,341  | 171,803  | 164,518  | 159,018  |
| <i>As a percentage of revenue</i> .....           | <i>57.5</i>        | 57.0     | 56.2     | 54.9     | 55.2     | 55.1     |
| Cost of service.....                              | <b>161,548</b>     | 158,031  | 151,532  | 142,473  | 138,298  | 136,144  |
| <i>As a percentage of service charges</i> .....   | <i>54.9</i>        | 54.2     | 53.7     | 52.2     | 52.8     | 53.0     |
| Cost of sales.....                                | <b>32,294</b>      | 34,386   | 31,809   | 29,329   | 26,219   | 22,873   |
| <i>As a percentage of merchandise sales</i> ..... | <i>76.0</i>        | 74.3     | 72.6     | 72.9     | 73.1     | 72.4     |
| Gross profit.....                                 | <b>143,050</b>     | 145,193  | 142,734  | 141,293  | 133,263  | 129,475  |
| <i>As a percentage of revenue</i> .....           | <i>42.5</i>        | 43.0     | 43.8     | 45.1     | 44.8     | 44.9     |
| Gross profit on service.....                      | <b>132,838</b>     | 133,318  | 130,715  | 130,402  | 123,620  | 120,738  |
| <i>As a percentage of service charges</i> .....   | <i>45.1</i>        | 45.8     | 46.3     | 47.8     | 47.2     | 47.0     |
| Gross profit on sales.....                        | <b>10,212</b>      | 11,874   | 12,019   | 10,890   | 9,643    | 8,736    |
| <i>As a percentage of merchandise sales</i> ..... | <i>24.0</i>        | 25.7     | 27.4     | 27.1     | 26.9     | 27.6     |
| Selling, general and administrative expenses..... | <b>70,434</b>      | 71,038   | 69,330   | 69,121   | 67,232   | 65,244   |
| <i>As a percentage of revenue</i> .....           | <i>20.9</i>        | 21.0     | 21.3     | 22.0     | 22.6     | 22.6     |
| Operating profit.....                             | <b>72,616</b>      | 74,155   | 73,404   | 72,172   | 66,031   | 64,231   |
| <i>As a percentage of revenue</i> .....           | <i>21.6</i>        | 22.0     | 22.5     | 23.1     | 22.2     | 22.3     |
| Non-operating income.....                         | <b>9,721</b>       | 9,607    | 7,942    | 6,299    | 6,241    | 4,817    |
| Non-operating expenses.....                       | <b>3,990</b>       | 4,575    | 4,763    | 7,506    | 6,052    | 6,892    |
| Ordinary profit.....                              | <b>78,346</b>      | 79,187   | 76,583   | 70,964   | 66,219   | 62,156   |
| <i>As a percentage of revenue</i> .....           | <i>23.3</i>        | 23.5     | 23.5     | 22.7     | 22.2     | 21.5     |
| Extraordinary profit.....                         | <b>67</b>          | 2,221    | 1,246    | 6,147    | 1,083    | 25,462   |
| Extraordinary loss.....                           | <b>27,068</b>      | 566      | 1,141    | 5,615    | 5,915    | 29,860   |
| Income before income taxes.....                   | <b>51,345</b>      | 80,842   | 76,688   | 71,496   | 61,388   | 57,758   |
| <i>As a percentage of revenue</i> .....           | <i>15.2</i>        | 23.9     | 23.5     | 22.8     | 20.6     | 20.0     |
| Income taxes.....                                 | <b>18,931</b>      | 30,795   | 29,443   | 27,617   | 23,684   | 23,475   |
| <i>Effective tax rate</i> .....                   | <i>36.9</i>        | 38.1     | 38.4     | 38.6     | 38.6     | 40.6     |
| Net income.....                                   | <b>32,414</b>      | 50,046   | 47,245   | 43,879   | 37,704   | 34,282   |
| <i>As a percentage of revenue</i> .....           | <i>9.6</i>         | 14.8     | 14.5     | 14.0     | 12.7     | 11.9     |
| <i>Percentage change from prior year</i> .....    | <i>(35.2)</i>      | 5.9      | 7.7      | 16.4     | 10.0     | 11.4     |

(As of June 30, 2009)

|   |  |
|---|--|
| <b>Headquarters:</b>                                  | 5-1, Jingumae 1-chome, Shibuya-ku, Tokyo 150-0001, Japan   |
| <b>Independent auditors:</b>                          | KPMG AZSA & Co.  |
| <b>Administrator of the register of shareholders:</b> | Mitsubishi UFJ Trust and Banking Corporation<br>4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8212, Japan |

## MAJOR CONSOLIDATED SUBSIDIARIES

|   | Issued capital<br>(In millions of yen) | Percentage<br>of equity/<br>voting rights | Lines of business                                  |
|---|--|---|--|
| <b>Domestic</b>                                     |  |   |  |
| <b>&lt;Security services&gt;</b>                    |  |   |  |
| Secom Joshinetsu Co., Ltd.                          | ¥3,530                                 | (50.9)%                                   | Security services                                  |
| Secom Hokuriku Co., Ltd.                            | 201                                    | 59.1                                      | Security services                                  |
| Secom Yamanashi Co., Ltd.                           | 15                                     | 70.0                                      | Security services                                  |
| Secom Mie Co., Ltd.                                 | 50                                     | 51.0                                      | Security services                                  |
| Secom Sanin Co., Ltd.                               | 286                                    | 67.0                                      | Security services                                  |
| Secom Miyazaki Co., Ltd.                            | 30                                     | 68.3                                      | Security services                                  |
| Secom Jastic Co., Ltd.                              | 210                                    | 100.0                                     | Security services                                  |
| Secom Jastic Joshinetsu Co., Ltd.                   | 40                                     | (100.0)                                   | Security services                                  |
| Secom Jastic Hokuriku Co., Ltd.                     | 10                                     | (100.0)                                   | Security services                                  |
| Secom Jastic Miyazaki Co., Ltd.                     | 10                                     | (100.0)                                   | Security services                                  |
| Secom Jastic Akita Co., Ltd.                        | 10                                     | 100.0                                     | Security services                                  |
| Secom Jastic Sanin Co., Ltd.                        | 10                                     | (100.0)                                   | Security services                                  |
| Secom Jastic Yamanashi Co., Ltd.                    | 10                                     | (100.0)                                   | Security services                                  |
| Secom Static Hokkaido Co., Ltd.                     | 50                                     | 100.0                                     | Security services                                  |
| Secom Static Tohoku Co., Ltd.                       | 50                                     | 100.0                                     | Security services                                  |
| Secom Static Nishi-Nihon Co., Ltd.                  | 50                                     | 100.0                                     | Security services                                  |
| Secom Static Kansai Co., Ltd.                       | 50                                     | 100.0                                     | Security services                                  |
| Secom Sado Co., Ltd.                                | 24                                     | (54.5)                                    | Security services                                  |
| JK. Siress Co., Ltd.                                | 10                                     | (100.0)                                   | Security services                                  |
| Japan Safety Guard Co., Ltd.                        | 100                                    | 60.0                                      | Security services                                  |
| Meian Co., Ltd.                                     | 60                                     | 51.0                                      | Security services                                  |
| Secom Techno Service Co., Ltd.                      | 2,358                                  | (67.8)                                    | Installation and maintenance of security equipment |
| Secom Tech Sanin Co., Ltd.                          | 23                                     | (100.0)                                   | Installation of security equipment                 |
| Secom Techno Joshinetsu Co., Ltd.                   | 30                                     | (80.5)                                    | Installation of security equipment                 |
| Secom Win Co., Ltd.                                 | 15                                     | (66.7)                                    | Installation of security equipment and facilities  |
| TES Co., Ltd.                                       | 20                                     | (100.0)                                   | Maintenance of equipment                           |
| Secom Tohoku Enterprise Co., Ltd.                   | 100                                    | (100.0)                                   | Design, construction and maintenance of facilities |
| Secom Industries Co., Ltd.                          | 499                                    | 100.0                                     | Manufacturing of security equipment                |
| Otec Electronics Co., Ltd.                          | 200                                    | 76.0                                      | Manufacturing and sales of security systems        |
| Secom Alpha Co., Ltd.                               | 271                                    | 100.0                                     | Sales of security and water-treatment equipment    |
| Yanoshin Air Conditioning Co., Ltd.                 | 80                                     | (100.0)                                   | Sales of air-conditioning equipment                |
| Secom Mine Security Co., Ltd.                       | 30                                     | 100.0                                     | Security services                                  |
| Social Rehabilitation Support Kitsuregawa Co., Ltd. | 10                                     | 51.7                                      | Operation of PFI correctional facilities           |
| Secom Kitsuregawa Security Co., Ltd.                | 50                                     | 100.0                                     | Security services                                  |
| Home Life Kanri Co., Ltd.                           | 40                                     | (100.0)                                   | Condominium management                             |
| Secom Home Service Co., Ltd.                        | 32                                     | 100.0                                     | Lifestyle support services                         |

Notes: 1. ( ) indicates the percentage of equity/voting rights held by both SECOM Co., Ltd., and certain of its subsidiaries, or by certain subsidiaries independently.  
2. Subsidiaries are categorized into segments above according to their major lines of business.

(Continued)

## MAJOR CONSOLIDATED SUBSIDIARIES

|   | Issued capital<br>(In millions of yen) | Percentage<br>of equity/<br>voting rights | Lines of business   |
|---|--|---|---|
| <b>&lt;Fire Protection services&gt;</b> |  |   |   |
| Nohmi Bosai Ltd.                        | ¥13,302                                | (50.4)%                                   | Manufacturing and sales of fire protection equipment and facilities |
| Nohmi Setsubi Co., Ltd.                 | 30                                     | (100.0)                                   | Installation of fire protection equipment                           |
| Ichibou Co., Ltd.                       | 28                                     | (73.2)                                    | Installation of fire protection equipment                           |
| Fukuoka Nohmi Co., Ltd.                 | 20                                     | (100.0)                                   | Maintenance of fire protection equipment                            |
| Chiyoda Service Co., Ltd.               | 20                                     | (70.0)                                    | Building management   |
| Bosai Engineering Corporation           | 40                                     | (100.0)                                   | Installation of fire protection equipment                           |
| Nohmi System Co., Ltd.                  | 20                                     | (100.0)                                   | Maintenance of fire protection equipment                            |
| Iwate Nohmi Co., Ltd.                   | 30                                     | (100.0)                                   | Installation of fire protection equipment                           |
| Tohoku Bosai Plant Co., Ltd.            | 12                                     | (100.0)                                   | Installation of fire protection equipment                           |
| Aomori Nohmi Co., Ltd.                  | 20                                     | (100.0)                                   | Installation of fire protection equipment                           |
| Osaka Nohmi Co., Ltd.                   | 20                                     | (100.0)                                   | Installation of fire protection equipment                           |
| Nissin Bohsai Co., Ltd.                 | 50                                     | (100.0)                                   | Installation of fire protection equipment                           |
| Chiba Nohmi Co., Ltd.                   | 10                                     | (100.0)                                   | Installation of fire protection equipment                           |
| Shikoku Nohmi Co., Ltd.                 | 20                                     | (100.0)                                   | Installation of fire protection equipment                           |
| Nohmi Techno Engineering Co., Ltd.      | 40                                     | (100.0)                                   | Installation of environmental monitoring systems                    |
| Akita Nohmi Co., Ltd.                   | 20                                     | (100.0)                                   | Installation of fire protection equipment                           |
| Kyushu Nohmi Engineering Co., Ltd.      | 20                                     | (100.0)                                   | Installation of fire protection equipment                           |
| Fukushima Nohmi Co., Ltd.               | 20                                     | (100.0)                                   | Installation of fire protection equipment                           |
| Tohoku Nohmi Co., Ltd.                  | 20                                     | (100.0)                                   | Installation of fire protection equipment                           |
| Nohmi Plant Niigata Co., Ltd.           | 20                                     | (100.0)                                   | Installation of fire protection equipment                           |
| Hokkaido Nohmi Co., Ltd.                | 20                                     | (100.0)                                   | Installation of fire protection equipment                           |
| Yashima Bosai Setsubi Co., Ltd.         | 20                                     | (75.5)                                    | Installation of fire protection equipment                           |
| <b>&lt;Medical services&gt;</b>         |  |   |   |
| Secom Medical System Co., Ltd.          | 6,545                                  | 100.0                                     | Home health/nursing care and other medical-related services         |
| Seisho Corporation                      | 10                                     | (100.0)                                   | Maintenance of medical facilities                                   |
| Koyu Co., Ltd.                          | 10                                     | (100.0)                                   | Sales of medical and other supplies                                 |
| Mac Corporation                         | 95                                     | (100.0)                                   | Sales of medical equipment  |
| Yoshikikaku Co., Ltd.                   | 20                                     | (100.0)                                   | Operation of restaurants and shops at medical facilities            |
| Kensei Co., Ltd.                        | 100                                    | (100.0)                                   | Management of pharmacies  |
| Ryomay Royal Life Co., Ltd.             | 210                                    | 86.5                                      | Management of nursing homes   |
| Alive Medicare Co., Ltd.                | 50                                     | (100.0)                                   | Management of nursing homes   |
| Secom Medical Resource Co., Ltd.        | 10                                     | (100.0)                                   | Medical staffing solutions  |
| Secomfort Co., Ltd.                     | 100                                    | (100.0)                                   | Management of nursing homes   |
| Secomfort West Co., Ltd.                | 100                                    | (100.0)                                   | Management of nursing homes   |
| US Chemical Co., Ltd.                   | 3                                      | (100.0)                                   | Management of pharmacies  |
| <b>&lt;Insurance services&gt;</b>       |  |   |   |
| Secom Insurance Service Co., Ltd.       | 225                                    | (100.0)                                   | Non-life insurance agency   |
| Secom General Insurance Co., Ltd.       | 16,809                                 | 97.1                                      | Non-life insurance  |

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2. Subsidiaries are categorized into segments above according to their major lines of business.

(Continued)

## MAJOR CONSOLIDATED SUBSIDIARIES

|   | Issued capital<br>(In millions of yen) | Percentage<br>of equity/<br>voting rights | Lines of business   |
|---|--|---|---|
| <b>&lt;Geographic information services&gt;</b>                              |  |   |   |
| Pasco Corporation   | ¥8,758                                 | 69.8%                                     | Geographic information services   |
| Pasco Space Mapping Technology Co., Ltd.                                    | 25                                     | (100.0)                                   | Geographic information services   |
| GIS Hokkaido Co., Ltd.  | 190                                    | (100.0)                                   | Geographic information services   |
| GIS Tohoku Co., Ltd.  | 50                                     | (84.6)                                    | Geographic information services   |
| GIS Kanto Co., Ltd.   | 40                                     | (52.6)                                    | Geographic information services   |
| GIS Tokai Co., Ltd.   | 50                                     | (100.0)                                   | Geographic information services   |
| GIS Kansai Co., Ltd.  | 99                                     | (100.0)                                   | Geographic information services   |
| GIS Shikoku Co., Ltd.   | 30                                     | (72.8)                                    | Geographic information services   |
| Pasco Road Center Co., Ltd.   | 50                                     | (72.2)                                    | Geographic information services   |
| Tokyo Digital Map Corporation   | 10                                     | (100.0)                                   | Geographic information services   |
| Mid Map Tokyo Corporation   | 15                                     | (60.0)                                    | Geographic information services   |
| Grafica Co., Ltd.   | 20                                     | (51.0)                                    | Geographic information services   |
| <b>&lt;Real estate development and sales&gt;</b>                            |  |   |   |
| Secom Home Life Co., Ltd.   | 3,700                                  | 99.9                                      | Development of residential buildings  |
| <b>&lt;Information and communication related<br/>and other services&gt;</b> |  |   |   |
| Secom Trust Systems Co., Ltd.   | 1,469                                  | 100.0                                     | Information, communication, information security<br>services and software development |
| Arai & Co., Ltd.  | 3,000                                  | 86.7                                      | Real estate leasing   |
| Arai Corporation, Inc.  | 10                                     | (100.0)                                   | Management of real estate   |
| Secom Credit Co., Ltd.  | 400                                    | 100.0                                     | Credit services   |
| Secom Corporation   | 100                                    | 100.0                                     | Printing services   |
| Secom Auto Service Co., Ltd.  | 45                                     | 100.0                                     | Car maintenance   |
| Wonder Dream Co., Ltd.  | 490                                    | 100.0                                     | Employee welfare for SECOM Group  |
| Secom Staff Service Co., Ltd.   | 50                                     | (100.0)                                   | Employment agency   |
| The Windsor Hotels International Co., Ltd.                                  | 165                                    | 90.0                                      | Hotel management  |

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2. Subsidiaries are categorized into segments above according to their major lines of business.

(Continued)

## MAJOR CONSOLIDATED SUBSIDIARIES

|   | Issued capital<br>(In millions of yen) | Percentage<br>of equity/<br>voting rights | Lines of business  |
|---|--|---|--|
| <b>Overseas</b>   |  |   |  |
| <b>&lt;Security services&gt;</b>                            |  |   |  |
| Secom Plc   | £39,126 thousand                       | 100.0%                                    | Security services  |
| Secom (China) Co., Ltd.                                     | ¥5,550 million                         | 100.0                                     | Holding company  |
| Dalian Secom Security Co., Ltd.                             | US\$2,000 thousand                     | (95.0)                                    | Security services  |
| Shanghai Secom Security Co., Ltd.                           | US\$3,500 thousand                     | (65.0)                                    | Security services  |
| Beijing Jingdun Secom<br>Electronic Security Co., Ltd.      | US\$2,500 thousand                     | (80.0)                                    | Security services  |
| Qingdao Secom Security Co., Ltd.                            | US\$1,000 thousand                     | (80.0)                                    | Security services  |
| Shenzhen Secom Security System Co., Ltd.                    | US\$2,000 thousand                     | (90.0)                                    | Security services  |
| Fujian Secom Security Co., Ltd.                             | Rmb7,000 thousand                      | (95.0)                                    | Security services  |
| Tianjin Secom Property Management Co., Ltd.                 | Rmb2,000 thousand                      | (70.0)                                    | Comprehensive building management services                             |
| P.T. Secom Indopratama                                      | US\$3,950 thousand                     | 94.9                                      | Security services  |
| Thaisecom Pitakkij Co., Ltd.                                | THB379 million                         | 70.0                                      | Security services  |
| Secom Australia Pty. Ltd.                                   | AUD7,822 thousand                      | 100.0                                     | Security services  |
| Secom Technical Services Unit Trust                         | AUD5,951 thousand                      | (70.0)                                    | Security services  |
| Secom Vietnam Co., Ltd.                                     | US\$600 thousand                       | 80.0                                      | Security service-related consulting                                    |
| <b>&lt;Other services&gt;</b>                               |  |   |  |
| Shanghai Nohmi Secom<br>Fire Protection Equipment Co., Ltd. | US\$14,300 thousand                    | (100.0)                                   | Manufacturing and sales of fire protection equipment<br>and facilities |
| Nohmi Taiwan Ltd.   | NT\$15,000 thousand                    | (52.0)                                    | Manufacturing and sales of fire protection equipment<br>and facilities |
| P.T. Nusantara Secom InfoTech                               | US\$3,304 thousand                     | (100.0)                                   | Geographic information services and<br>software development            |
| Pasco Philippines Corp.                                     | PHP20,400 thousand                     | (100.0)                                   | Geographic information services  |
| Pasco China Corporation                                     | Rmb5,329 thousand                      | (99.0)                                    | Geographic information services  |
| Pasco (Thailand) Co., Ltd.                                  | THB100,979 thousand                    | (100.0)                                   | Geographic information services  |
| FM-International Oy   | EUR2,722 thousand                      | (100.0)                                   | Geographic information services  |
| Pasco Map, LLC  | US\$40 thousand                        | (50.1)                                    | Geographic information services  |
| Base Aerofotogrametria E Projetos S.A.                      | BRL5,000 thousand                      | (51.0)                                    | Geographic information services  |
| The Westec Security Group, Inc.                             | US\$0.3 thousand                       | 100.0                                     | Holding company  |
| ClearLight Partners, LLC                                    | US\$131,803 thousand                   | (99.7)                                    | Investment   |
| ClearLight Partners II, LLC                                 | US\$98,230 thousand                    | (99.0)                                    | Investment   |
| Asia Pacific Business Link Ltd.                             | US\$9,670 thousand                     | 88.6                                      | Holding company; housing-related business                              |
| Shanghai Asia Pacific Property Co., Ltd.                    | US\$5,000 thousand                     | (100.0)                                   | Housing-related business   |

Notes: 1. ( ) indicates the percentage of equity/voting rights held by both SECOM Co., Ltd., and certain of its subsidiaries, or by certain subsidiaries independently.  
2. Subsidiaries are categorized into segments above according to their major lines of business.

## SECOM GROUP'S BASIC BUSINESS AREAS

SECOM offers a wide range of services and products with the aim of realizing the Social System Industry.

### Security Services

#### Centralized Security Systems

##### Commercial Use:

- **SECOM AX**  
SECOM AX is an on-line security system with advanced on-site image sensors that incorporate microphones to enable the SECOM control center staff to check the subscriber's premises by listening and viewing.
- **SECOM IX**  
SECOM IX is a remote imaging security system for commercial facilities offering round-the-clock services.
- **SECOM DX**  
SECOM DX is an on-line security system developed to meet the needs of shops, offices, warehouses, factories and other commercial and industrial establishments.
- **SECOM TX**  
SECOM TX is an on-line security system for commercial buildings with more than one tenant.
- **HANKS SYSTEM**  
HANKS SYSTEM is an on-line security system for financial institutions, including automated banking facilities.
- **SECOM CX**  
SECOM CX offers a comprehensive building management system that monitors and manages large building complexes.

##### Residential Use:

##### ● SECOM HOME SECURITY

SECOM Home Security is a comprehensive home security system combining basic intrusion- and fire-prevention services and emergency call services, as well as gas leak monitoring and medical emergency call service options. The system is linked around the clock with a SECOM control center, where personnel respond immediately in the event of a problem by dispatching emergency response personnel and, if necessary, contacting the appropriate authorities. Subscribers are also eligible for telephone health counseling and other services

### Fire Protection Services

#### ● FIRE ALARM SYSTEMS

This business encompasses the assembly, installation and sale of a broad range of equipment and systems, including automatic fire alarm systems, environmental monitoring systems, and fire and smoke control systems, suited to buildings of varying sizes and uses, from homes to large-scale commercial and industrial facilities.

#### ● FIRE EXTINGUISHING SYSTEMS

SECOM offers an extensive lineup, including fire sprinklers and other water fire extinguishing systems, foam fire extinguishing systems, dry chemical fire extinguishing systems and inert gas fire extinguishing systems, for applications ranging from office buildings to chemical plants and tunnels.

#### ● MAINTENANCE SERVICES

This business centers on inspection, maintenance and repair services, as well as round-the-clock on-line monitoring and other services provided through a customer services center.

#### ● OTHERS

This category comprises the installation and maintenance of parking lot control systems and the assembly and sale of printed circuit boards for manufacturers in other industries, including medical and electronics equipment.

### Medical Services

#### ● HOME MEDICAL SERVICES

SECOM's medical services for patients at home include pharmaceutical services, encompassing the preparation—in the SECOM Pharmacy cleanroom—and delivery of prescription pharmaceuticals, and home nursing services provided through visiting nurse stations. SECOM also provides consulting and support services for physicians opening home medical care clinics.

#### ● HOME-BASED PERSONAL CARE SERVICES

SECOM provides patients recovering at home with caregivers to assist with personal hygiene, bathing, exercise and other daily activities, as well as provide light housekeeping.

#### ● SECOM UBIQUITOUS ELECTRONIC MEDICAL REPORT (EMR)

SECOM Ubiquitous EMR is a medical report system for home medical care aimed at clinics and small and medium-sized hospitals. The system enables the sharing of data among members of the home-care team, including the primary physician, visiting nurse and pharmacy.

#### ● HOSPINET

Hospinet, a remote image diagnosis support service, transmits magnetic resonance imaging (MRI), computerized tomography (CT) and other images to SECOM's Hospinet center, where diagnostic experts examine them and provide consultation to the primary physician.

#### ● MY SPOON

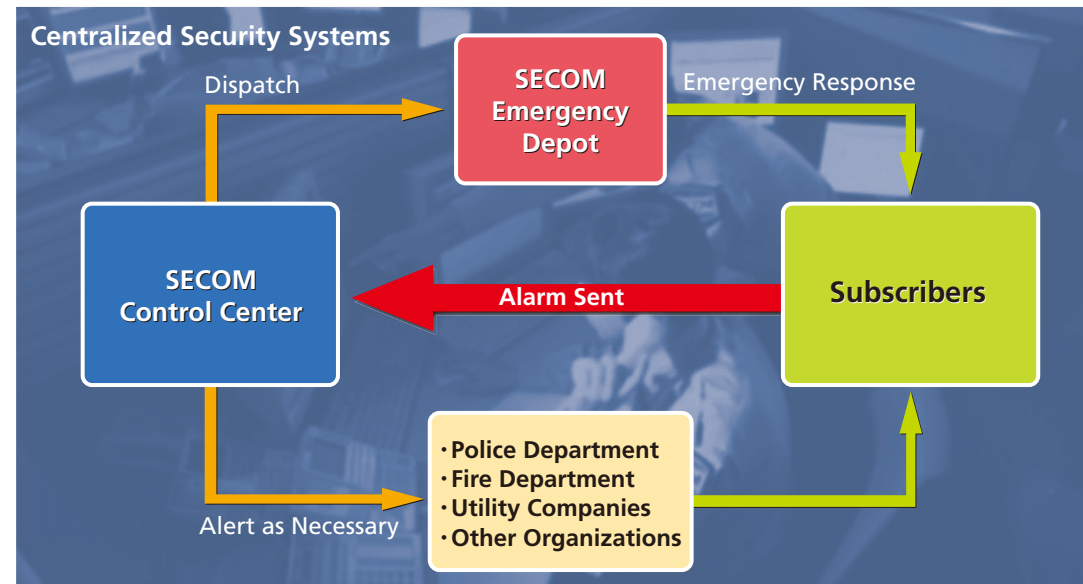
My Spoon is a robot that enables people with impaired upper body mobility to eat with minimal assistance. This is the first robot of its kind in Japan.

#### ● RESIDENCES FOR SENIORS WITH FULL-TIME PERSONAL CARE SERVICES

SECOM manages the Sacrava Seijo, Royal Life Tama, Comfort Garden Azamino, Comfort Hills Rokko and Alive Care Home series of residences for seniors.

#### ● SECOM HEALTH CARE CLUB

SECOM Health Care Club is a membership-based club that provides access to a variety of health management services, including testing with a PET/CT scanner. The club is offered through an alliance with Yotsuya Medical Cube, a cutting-edge clinic in Tokyo.



offered through SECOM Medical Club. Subscribers in certain areas also have access to SECOM Home Service, a suite of lifestyle support services.

#### ● SECOM CONDOMINIUM SECURITY SYSTEMS

SECOM condominium security systems provide comprehensive building management functions for condominiums and total safety with a centralized security system for each unit in the building. SECOM MS-3, the top-of-the-line system, can be used for buildings of any size, either as a retrofit or a new installation.

### Large-Scale Proprietary Security Systems

#### ● TOTAX ZETA

TOTAX ZETA integrates networking capabilities and a security system into a comprehensive local control system for industrial complexes and buildings.

### COCO-SECOM

COCO-SECOM is an innovative system that uses signals from Global Positioning System (GPS) satellites and cellular telephone base stations to locate moving objects, such as people, vehicles and property. As an option, customers can also request to have emergency response personnel dispatched to the location of the object or an emergency alert relayed to a predetermined telephone number.

### Static Guard Services

Static guard services are provided for facilities where customer needs are best served by professionally trained on-site personnel.

### Armored Car Services

SECOM provides armored car services for the collection and transportation of cash and other valuables.

### Insurance Services

#### ● SECURITY DISCOUNT FIRE POLICY

Security Discount Fire Policy is a commercial fire insurance policy that features reduced premiums for subscribers to commercial security systems.

#### ● SECOM ANSHIN MY HOME

SECOM Anshin My Home is a comprehensive fire insurance policy that features reduced premiums for subscribers to home security systems.

#### ● MEDCOM

MEDCOM is an unrestricted treatment policy that covers the cost of cancer treatment not covered by Japan's national health insurance scheme, as well as the patient's portion of the cost of medical care covered by the national health insurance scheme. MEDCOM also provides hospital referrals and treatment-related consulting services.

#### ● NEW SECOM ANSHIN MY CAR

New SECOM Anshin My Car is a comprehensive automobile insurance policy that includes on-site emergency services in the event of an accident, as well as discounts for drivers without a traffic violation history or on cars equipped with antitheft devices.

### Geographic Information Services

#### ● PasCAL SERIES

Designed for local governments, the PasCAL series of comprehensive GIS services facilitate the effective use of GIS in a variety of situations.

#### ● MarketPlanner SERIES

The MarketPlanner series uses a variety of data sorting and presentation methods to support the efforts of growing companies to establish area marketing strategies.

#### ● SAFE ROUTE MAPPING SERVICE

This service helps companies ensure their employees are able to reach home safely and assists crisis management efforts in the event of a major earthquake. A version of this service is also available to individuals.

### SECOM AED Package Service

The SECOM AED Package Service is a full-service package encompassing leasing and maintenance of emergency lifesaving kits featuring automated external defibrillators (AEDs) to non-medical professionals.

### Merchandise

#### ● SECOM CCTV SYSTEM

The SECOM CCTV system is a multifunctional, cost-effective closed-circuit surveillance camera system. The system provides stable monitoring even in places where insufficient light makes clear images difficult and allows the combined use of digital and analog cameras. It is also capable of detecting attempts to disable or destroy the camera.

#### ● SECURILOCK SERIES

The SECURILOCK series uses identification numbers, integrated circuit (IC) pass cards and other methods to control access to restricted areas.

#### ● SESAMO SERIES

The SESAMO series comprises access-control systems for use in corporate offices, factories, parking facilities and any other security-sensitive areas. These systems employ such technologies as contactless IC pass cards, magnetic cards, personal identification numbers, fingerprint identification and palm vein identification.

#### ● TOMAHAWK SERIES

The TOMAHAWK series is an extensive lineup of innovative extinguishing systems, including TOMAHAWK MACH II residential-use fire extinguisher and TOMAHAWK III high-speed automated fire extinguishing system with gas suppression.

#### ● PYTHAGORAS SERIES

PYTHAGORAS is a series of security vaults with superior protection, heat resistance and performance.

#### ● SENSOR LIGHT

SENSOR LIGHT is a sensor-equipped light activated automatically when the sensor detects human body temperature.

#### ● SECURIFACE

SECURIFACE is a residential intercom system that combines a face detection function with SECOM Home Camera System, enhancing security for people at home.

#### ● PHYSICAL SECURITY PRODUCTS FOR HOMES

SECOM offers a broad range of physical security products for homes. These include SECOM Anshin Glass, a high-impact breakage-resistant window glass designed to prevent intruders from entering through broken windows; SECOM Window Frame, a window frame with reinforced stainless bars; and Strong Door, a door that cannot be forced open for an extended period of time after it has been engaged.

### Real Estate Development and Sales

#### ● REAL ESTATE DEVELOPMENT AND SALES

SECOM offers Glorio condominiums.

### Information and Communication Related and Other Services

#### ● SECURE DATA CENTER

The Secure Data Center provides a comprehensive service for e-business that combines SECOM's expertise in both physical and information security.

#### ● DIGITAL AUTHENTICATION SERVICES

SECOM offers public key infrastructure (PKI) services that provide an effective means of establishing credibility among Internet users, including issuance of digital certificates and a set-up and operating service for organizations that wish to establish their own digital certificate authority.

#### ● NETWORK SECURITY MONITORING SERVICES

SECOM provides security and stability for clients' IT systems around the clock. SECOM monitors and reports on threats to security, and on network operating status and network traffic.

#### ● DISASTER RESPONSE SERVICES

SECOM offers a variety of services, including SECOM Safety Confirmation Service, which helps commercial subscribers ascertain the safety of employees and collect and share information in the event of a major disaster, thereby assisting them to reopen for business as soon as possible.

## Directors



Makoto Iida  
Founder



Juichi Toda  
Co-Founder



Shohei Kimura  
Chairman



Kanemasa Haraguchi  
President and  
Representative Director



Shuji Maeda  
Executive Vice President



Koichi Sato  
Executive Vice President



Fumio Obata  
Senior Executive  
Director



Katsuhisa Kuwahara  
Executive Director



Yasuo Nakayama  
Executive Director



Hiroshi Ito  
Executive Director



Takayuki Ito  
Director

## Corporate Auditors

Teruo Ogino  
Ken Tsunematsu  
Hiroshi Yasuda  
Kohei Yamashita

## Executive Officers

Kanemasa Haraguchi  
President and  
Representative Director  
  
Shuji Maeda  
Executive Vice President  
  
Koichi Sato  
Executive Vice President  
  
Katsuo Akiyama  
Senior Managing  
Executive Officer  
  
Fumio Obata  
Senior Executive Director

Katsuhisa Kuwahara  
Executive Director  
  
Yasuo Nakayama  
Executive Director  
  
Seiichi Mori  
Managing Executive  
Officer  
  
Hiroshi Ito  
Executive Director

Shunji Ogahara  
Executive Officer  
  
Minoru Takaoka  
Executive Officer  
  
Hideo Morishita  
Executive Officer  
  
Tsuneo Komatsuzaki  
Executive Officer

Takayuki Ito  
Director  
  
Ryohei Komatsu  
Executive Officer  
  
Teruo Kano  
Executive Officer  
  
Yukio Tsunoda  
Executive Officer

Naohide Nakamura  
Executive Officer  
  
Masahiro Takeda  
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Teruhisa Yoshimura  
Executive Officer

(As of July 31, 2009)





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