

ANNUAL REPORT 2005

Year ended March 31, 2005

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.

PROFILE

Since its establishment in 1962, SECOM CO., LTD., a pioneer in Japan's security services industry, has earned a solid reputation by developing innovative products and services that truly benefit society. SECOM's achievements to date have transformed it into a provider of security and peace of mind and supported steady growth.

SECOM—the parent company and the companies of the SECOM Group—continues to pursue a wide range of initiatives aimed at realizing its vision for the future: the Social System Industry, a new framework of services created by integrating SECOM's products and services into distinctive packages that contribute to a world free of apprehension for its customers. SECOM has capitalized on its exceptional capabilities to expand beyond security services into such areas as medical, insurance, information and geographic information system (GIS) services. Today, SECOM is also striving to improve marketing capabilities and operating efficiency, thus positioning it for further growth.

SECOM has expanded into overseas markets, establishing an extensive network of subsidiaries and affiliates in Taiwan, the Republic of Korea (ROK), Thailand, Malaysia, Singapore, Indonesia, the People's Republic of China (PRC), the United States, the United Kingdom and Australia. These companies primarily provide highly respected security services. SECOM is focusing particularly on the high-growth PRC market, and has established a network of subsidiaries and affiliates in major coastal cities.

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HIGHLIGHTS



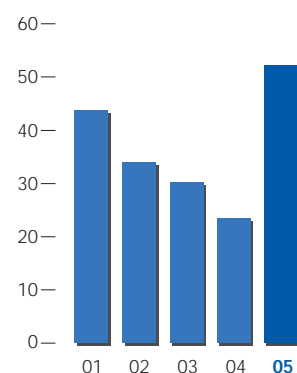
SECOM CO., LTD. and Subsidiaries
Three years ended March 31, 2005

This table shows key financial highlights calculated using accounting principles generally accepted in the United States (U.S. GAAP).

| U.S. GAAP | In millions of yen | | | In thousands of U.S. dollars |
|---------------------------------------|----------------------|-----------|-----------|---------------------------------|
| | Years ended March 31 | | | Year ended March 31 |
| | 2005 | 2004 | 2003 | 2005 |
| Net sales and operating revenue | ¥ 552,354 | ¥ 517,435 | ¥ 497,691 | \$ 5,162,187 |
| Operating income | 75,558 | 54,065 | 61,922 | 706,150 |
| Net income | 52,133 | 23,479 | 30,275 | 487,224 |
| Total assets | 1,164,204 | 1,165,105 | 1,158,082 | 10,880,411 |
| Total shareholders' equity | 457,837 | 415,852 | 372,518 | 4,278,851 |
| | | | In yen | In U.S. dollars |
| Per share of common stock: | | | | |
| Net income (basic) | ¥ 231.66 | ¥ 104.32 | ¥ 132.87 | \$ 2.17 |
| Cash dividends paid | 45.00 | 40.00 | 40.00 | 0.42 |
| Shareholders' equity | 2,034.63 | 1,847.80 | 1,655.04 | 19.02 |

- Notes: 1. Yen amounts have been translated into U.S. dollars, solely for the convenience of the reader, at the rate of ¥107=US\$1, the rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2005.
 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. Subsequent to March 31, 2005, cash dividends of ¥50.00 per share were approved at the general shareholders' meeting held on June 29, 2005 (see Note 17 of the accompanying notes to the consolidated financial statements).
 5. The consolidated statements of income were reclassified in the year ended March 31, 2005.
 6. In the year ended March 31, 2005, firm gains in revenue in all segments, particularly security services, supported a rise in net sales and operating revenue of ¥34.9 billion, to ¥552.4 billion. Operating income increased ¥21.5 billion, to ¥75.6 billion, reflecting higher net sales and operating revenue, as well as the absence of ¥8.8 billion in losses recorded a year earlier owing to a revision of pension plans. Net income totaled ¥52.1 billion, up ¥28.7 billion, as a result of such factors as improved operating income and ¥9.9 billion in income from discontinued operations, net of tax, compared with a ¥4.2 billion loss a year earlier.

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



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 | In millions of yen | | | In thousands of U.S. dollars |
|----------------------------------|----------------------|-----------|-----------|---------------------------------|
| | Years ended March 31 | | | Year ended March 31 |
| | 2005 | 2004 | 2003 | 2005 |
| Revenue | ¥ 547,230 | ¥ 527,409 | ¥ 523,271 | \$ 5,114,299 |
| Operating profit | 83,043 | 81,286 | 72,902 | 776,103 |
| Ordinary profit | 83,478 | 76,243 | 70,063 | 780,168 |
| Net income | 48,517 | 41,111 | 35,583 | 453,430 |
| Total assets | 1,097,548 | 1,092,067 | 1,090,131 | 10,257,458 |
| Total shareholders' equity | 441,927 | 403,257 | 369,753 | 4,130,159 |
| | | | In yen | In U.S. dollars |
| Per share of common stock: | | | | |
| Net income (basic) | ¥ 214.41 | ¥ 181.40 | ¥ 154.96 | \$ 2.00 |
| Cash dividends paid | 45.00 | 40.00 | 40.00 | 0.42 |
| Shareholders' equity | 1,962.74 | 1,790.58 | 1,641.53 | 18.34 |

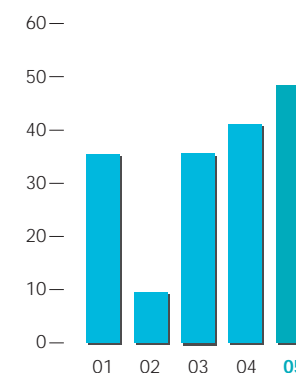
The Company reported record-high revenue, operating profit and ordinary profit based on Japanese GAAP in the year ended March 31, 2005. Cash dividends of ¥50.00 per share were declared in the year ended March 31, 2006, an increase of ¥5.00 from the year ended March 31, 2005.

Note: Japanese GAAP was amended in the year ended March 31, 2001, with the adoption of accounting standards for pension benefits.

In the year ended March 31, 2002, the Company revised its pension plans and changed the accounting method for unrecognized actuarial gains and losses. Unrecognized actuarial gains and losses, which had been amortized using the straight-line method over the average remaining service period prior to the year ended March 31, 2002, were charged to income on an "as-incurred" basis. The Company also recorded unrecognized transition assets/obligations as a one-time charge to income. In addition, prior service costs were charged to income on an as-incurred basis. This resulted in a decrease in income before income taxes of ¥35.0 billion.

One-time recognition on an as-incurred basis for pension benefits is not permitted under U.S. GAAP. Accordingly, unrecognized actuarial gains and losses, unrecognized transition assets/obligations and prior service costs were amortized in the accompanying consolidated financial statements prepared under U.S. GAAP.

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



We are
SECOM



A MESSAGE TO SHAREHOLDERS

SECOM



Makoto Iida
Founder

Consolidated Operating Results

Despite rising crude oil prices and other causes for concern, the Japanese economy appeared on track for recovery, as a rise in corporate profits and capital investment was accompanied by a rally in consumer spending.

In the year ended March 31, 2005, SECOM continued to forge ahead with measures aimed at taking the Social System Industry to the next level. These measures included stepping up efforts in our various businesses to offer services and products that respond to evolving customer needs, as well as to expand sales channels. We also sought to combine products and services into comprehensive packages that meet the demands of our customers. Solid results in all business segments, including our core security services segment, contributed to consolidated net sales and operating revenue of ¥552.4 billion, up 6.7% from the previous fiscal year. Steady sales gains and the absence of a loss resulting from a revision of pension plans in the previous period supported a 39.8% increase in operating income, to ¥75.6 billion. Net income increased 122.0%, to ¥52.1 billion. Net income per share was ¥231.66.

Calculated using Japanese GAAP, we recorded consolidated revenue of ¥547.2 billion, an increase of 3.8%; operating profit and ordinary profit of ¥83.0 billion and ¥83.5 billion, respectively—both record highs; and net income of ¥48.5 billion, up 18.0%. Net income per share was ¥214.41. In light of this performance, cash dividends per share of ¥50.00 were proposed and approved at the general shareholders' meeting held on June 29, 2005, up ¥5.00 from the previous period.

Management Changes

At a meeting of the Board of Directors on November 25, 2004, several changes to the positions and responsibilities of directors were approved. As a consequence, effective April 1, 2005, Kanemasa Haraguchi replaced Shohei Kimura as President and Representative Director and Mr. Kimura assumed the position of Chairman.

The Current Business Environment

In recent years, we have witnessed significant qualitative changes in the operating environment in our core security services business in Japan. Basically, people's perceptions of security are beginning to change. In the past, customers sought security services "just in case." Today, however, many customers accept there is a significantly high chance they will at some point face an emergency situation. Public security has deteriorated, as shown by the increasing frequency of brutal muggings and child abductions. We are also seeing a rise in the number of incidents involving personal information leaks, further highlighting the increasingly diverse needs of customers for security and peace of mind. These changes are transforming the commercial and home security service markets.

In the market for commercial security services, contract cancellations and pressure to discount—owing to the integration of financial institutions and other outlets—has run its course, and the economic recovery in Japan has prompted a turnaround in capital investment by businesses. In this environment, customers today need protection for more than just cash and other tangible assets. Crimes involving the theft of information are on the rise and businesses must be vigilant both night and day to ensure information assets are protected. The Law Concerning Protection of Personal Information ("Personal Information Protection Law"), which came into effect on April 1, 2005, has triggered an increase in the need for companies to have superior-quality security systems.

The market for home security services is expanding to encompass a wide range of customers, including ordinary families, elderly couples, young condominium residents and individuals of all ages living alone. We are also seeing growth in demand for security not only when homes are empty but also when the occupants are present. The market has thus recently expanded from services designed simply to protect homes from break-ins when the occupants are absent toward those that also protect occupants at home against intruders. Paralleling this shift,

demand is expanding rapidly for comprehensive solutions that combine, for example, on-line home security with image monitoring cameras, high-impact breakage-resistant window glass and other products and services designed to prevent crimes.

Against this background of change, we are facing intensified competition from companies in the security services industry, as well as from new market entrants from other industries. The nature of the security services industry makes it difficult to achieve viability in the short term. This has long been a barrier to new market entrants to both the commercial and home security services markets. It is difficult for commercial security services firms to enter the home security services market, owing to the more meticulous service requirements of the latter and the need for new investment to accommodate a different service area. Home security services specialists face an equally difficult situation, as the modest size of residential contracts and a lack of experience in commercial security services—effectively precluding participation in this market—continue to hinder sales growth and profitability. The home security services market has expanded, however, leading to the emergence of generic home security systems at lower prices, which have often been realized by reducing the number of sensors installed at customers' homes.

Responding to Change and Enhancing Growth and Efficiency

SECOM believes it is impossible to compromise on quality when it comes to security. Our commitment to quality has earned us the support of customers and enabled us to achieve steady growth. In addition to the aforementioned changes in the business environment, the purchasing inclinations of today's consumers have reaffirmed our conviction that customers today demand quality products and services that deliver value.

We are endeavoring to take advantage of the opportunities afforded by changes in the security services market by emphasizing two key priorities that will underpin strategies going forward: growth and efficiency.

In promoting growth, we will seek to further enhance the quality of our security services, thereby strengthening our competitive edge.

Our ability to offer distinctive, high-quality services reflects our accumulated expertise and management resources in the security services business. SECOM boasts outstanding people, systems and communication networks—key management assets unmatched in the industry. These include our well-trained employees, in-house research and development (R&D) and manufacturing departments that enable us to develop and offer products and services that respond promptly to customers' needs, and our information infrastructure comprising both stationary (using telecommunications circuits) and mobile (COCO-SECOM) services. Moreover, having a non-life insurance company in the SECOM Group enables us to offer seamless services encompassing security systems, which offer prior protection, and insurance, which protects customers in the event of misfortune—something only SECOM can do. These capabilities are enabling us to develop an ever-expanding range of services.

Of course, we recognize growth depends on being able to grasp and respond promptly to the needs of customers. In the area of commercial security services, for example, we are stepping up efforts to assist existing customers to respond to changes in security requirements arising from Japan's new Personal Information Protection Law and at the same time identify latent demand. In the home security services market, we are responding to our increasingly diverse customers, each of whom has different security needs, by offering carefully tailored systems. We are also accommodating demand for more rigorous home security systems by rolling out new residential security products and offering solutions that combine such products with on-line security systems.

We also believe growth must be accompanied by corresponding improvements in efficiency. To this end, we will strive to break down tired conventions by implementing key reforms designed to overhaul outdated practices and eliminating



Shohei Kimura
Chairman



Kanemasa Haraguchi
President and
Representative Director

structural redundancies. For example, we will strive to enhance the efficiency of sales by making more effective use of the vast wealth of data available to us. Greater efficiency will in turn free up funds for strategic investments aimed at enhancing and accelerating growth.

Attracting new customers in overseas markets will be another key to expanding our operations. Other Asian markets, notably the PRC, are of particular importance. We have operated in the PRC for more than a decade now, primarily providing security services for foreign-owned firms, including subsidiaries of other Asian companies that are SECOM customers and seek a similar level of security as they enjoy outside of the PRC. Enhancing our operations in the PRC will also depend on expanding commercial security services for local firms.

Toward a Society Free of Apprehension

By implementing strategies based on our twin priorities of growth and efficiency, we will reinforce our already significant competitive advantage in the security services business. We will also pursue strategic mergers and acquisitions to enhance our capabilities not only in our core businesses but

also in other areas, thereby cultivating a lineup of services that contribute to security and peace of mind in the home and the workplace.

As part of our mission to realize our Social System Industry vision and contribute to a world in which people can enjoy security, convenience and peace of mind, we have entered various business areas, including security, medical, insurance, information and GIS services. Our expansion has been fueled not only by a desire to exploit potential synergies but also by the need to combine these various businesses into a single, coherent service framework. To this end, management strives to ensure SECOM employees share a common understanding and dedication.

By accelerating our growth strategies, we will seek to reinforce the trust of our customers and respond to their evolving needs. Moreover, by shedding old practices to enhance efficiency we will put SECOM on a new course for the future and ensure it remains a company to which people turn for solutions to security and related problems. We look forward to your continued support in these endeavors.

August 31, 2005



Makoto Iida
Founder

Shohei Kimura
Chairman

Kanemasa Haraguchi
President and Representative Director

SECOM TODAY

SECOM

Driving the Social System Industry Forward

From its origins as Japan's first provider of security services, SECOM has developed a broad spectrum of businesses in its quest to deliver integrated products and services that contribute to a society free of apprehension. Today, our operations encompass security, medical, insurance, information and GIS services.

The perception of criminal activity has worsened in recent years. The nature of crimes and the source of customers' unease have shifted from worrying about break-ins when they are absent to fears of forced entry while they are at home.

Japan's new Personal Information Protection Law, which came into effect on April 1, 2005, has expanded customers' awareness of security to include information as well as money and tangible assets.

In this environment, SECOM is focusing on the development and timely introduction of services and products that respond to emerging customer needs. In the year ended March 31, 2005, we

focused on expanding sales of mainstay security services and products for the commercial and home security markets—efforts that supported a solid improvement in results. Net sales and operating revenue in each segment surpassed the prior period as we drew on capabilities to develop innovative new offerings. Overseas, business expansion accelerated in Asia, particularly in the PRC, which continues to see rapid economic growth.

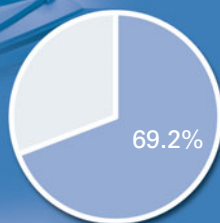
SECOM's mission is to realize its Social System Industry vision by creating services and systems and offering them in comprehensive, integrated packages that deliver security, convenience and comfort to commercial enterprises, households and individuals. To this end, we continue to drive this vision forward by broadening the scope of our operations and pursuing new challenges to achieve ongoing growth. In the following pages, we present a summary of our business performance, followed by a look at recent activities and an in-depth review of our financial results for the period under review.

RESULTS BY SEGMENT

SECOM

Security Services

Percentage of consolidated net sales and operating revenue*
*Excluding intersegment transactions



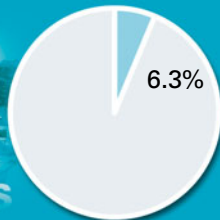
Security Services

In the year ended March 31, 2005, net sales and operating revenue in the security services segment increased 4.0%, to ¥382.4 billion, and accounted for 69.2% of consolidated net sales and operating revenue, compared with 71.0% in the previous period. Electronic security services, comprising commercial and home security and large-scale proprietary systems, generated revenue of ¥271.9 billion. Other security services, which include static guard and armored car services, provided revenue of ¥56.8 billion. Merchandise and other contributed revenue of ¥53.7 billion.

• Commercial and Home Security

Centralized (on-line) security systems are configured with on-site sensors and controllers that detect intruders, fires and equipment malfunctions. These are linked by telecommunications circuits to SECOM control centers, where they are monitored around the clock. When an emergency occurs at a customer's premises, the information is transmitted to our control centers, which notify emergency response personnel to take the appropriate measures and when necessary notify the police or fire department.

Medical Services



Medical Services

In the medical services segment, net sales and operating revenue rose 64.0%, to ¥34.7 billion, and constituted 6.3% of consolidated net sales and operating revenue, compared with 4.1% a year earlier.

Our medical services business encompasses home medical services, remote image diagnosis support services, electronic medical report (EMR) systems, sales of medical equipment, the operation of nursing homes, personal care services and real estate leasing for medical institutions.

Insurance Services



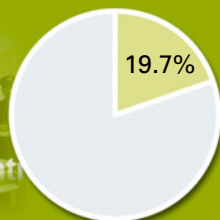
Insurance Services

Net sales and operating revenue in the insurance services segment advanced 12.4%, to ¥26.5 billion, and accounted for 4.8% of consolidated net sales and operating revenue, compared with 4.6% a year earlier.

We continue to develop and offer unique policies that draw on synergies between insurance and other businesses, notably security and medical services.

In the period under review, we continued to market the Security Discount Fire Policy, designed for commercial subscribers; SECOM *Anshin My Home*, a

Information and Communication Related and Other Services



Information and Communication Related and Other Services

Net sales and operating revenue in the information and communication related and other services segment rose 3.4%, to ¥108.8 billion. This was equivalent to 19.7% of consolidated net sales and operating revenue, compared with 20.3% a year earlier.

This segment encompasses cyber security, information network system operation and other information-related services; GIS services; real estate development and sales, primarily of attractive, secure condominiums;

To ensure the quality of our services, we have established an integrated process that enables us to maintain control of every aspect of our services, from the research and development of centralized systems and equipment to manufacturing, sales and marketing, installation, round-the-clock monitoring, emergency dispatches, and maintenance and repairs.

- **Large-Scale Proprietary Systems**

Our large-scale proprietary systems are self-contained, facilitating monitoring at the subscriber's premises, rather than remotely, through a combination of on-site patrols and electronic security and equipment management systems.

- **Static Guard Services**

Static guard services are staffed by highly trained security professionals for situations that require human judgment and flexible responses.

- **Armored Car Services**

We provide professional armored car services for the transport of cash and other valuables, such as stock certificates.

- **Merchandise and Other**

Merchandise includes access-control systems, closed-circuit television (CCTV) systems, automated fire detection and extinguishing systems, and internal and external monitoring systems that can be used alone or connected to on-line security systems. We also offer COCO-SECOM mobile security services.

During the period under review, we stepped up efforts to market centralized systems to commercial security customers. These include SECOM AX, which employs advanced image monitoring, and the versatile SECOM DX on-line security system, which supplies on-site image display screens for access control. Reflecting increasing awareness of the need to protect more than just cash and other tangible assets, we also recorded brisk sales of access-control and CCTV systems. In the home security market, efforts focused on expanding sales of the SECOM Home Security system and marketing products designed to prevent crimes.

Solid results in the year ended March 31, 2005, were mainly attributable to efforts to enhance home nursing, pharmaceutical dispensing and delivery, and other home medical care services. During the period, we commenced construction of the SECOMFORT series of nursing homes. Like existing facility Royal Life Tama, SECOMFORT will offer full-time personal care services. Other efforts to expand our nursing home business included the development of our Alive Care Home series.

residential fire insurance policy; New SECOM *Anshin My Car*, a comprehensive automobile insurance policy; and MEDCOM, an unrestricted cancer treatment policy that covers the portion of costs normally borne by the patient for all kinds of treatments. Sales of MEDCOM progressed well, aided by new sales channels gained through an alliance with a major Japanese life insurance company.

and real estate leasing.

In information-related services, we continued to focus on cyber security and information network system operation services. In the area of GIS services, we stepped up marketing of PasCAL, a comprehensive service for the public sector, and the MarketPlanner series of area marketing and store location support tools for the private sector. In real estate development and sales, we focused on developing and marketing the Glorio series of attractive

condominiums developed with an emphasis on security. In real estate leasing, we reviewed our portfolio in response to market conditions and at the same time expanded property management services for office buildings and other commercial premises.



Responding to Major Transformations in Security Needs

As the state of public safety has worsened in recent years, security needs are rapidly shifting from simple nighttime protection to all-day, 24-hour protection. SECOM has responded swiftly to this change by introducing the Electronic Article Surveillance (EAS) shoplifting prevention system, which can be integrated with on-line security to provide stores with 24-hour security, enabling store operators to achieve seamless protection during daylight operating hours, late-night operating hours and closed periods. This system can also be linked with SECOM IX, a security system for commercial facilities with remote imaging features, and CCTV systems for added security. The EAS shoplifting prevention system is proving effective in halting recent increases in child-perpetrated shoplifting incidents, as well as in stemming losses by storekeepers. SECOM

introduced this system as part of a business and capital alliance with one of Japan's leading providers of shoplifting prevention systems.

The recent deterioration in public safety has also affected schools. Break-ins and crimes committed by unauthorized entry are changing the security needs of educational facilities. Until now, SECOM has responded to schools' security needs with on-line security systems, including remote imaging security systems. To combat the increasing seriousness of campus crime, however, we have introduced SECOM School Security, a total security service specifically designed to protect schools. This service integrates COCO-SECOM mobile security services with integrated circuit (IC) tags, creating a comprehensive management system for confirming school attendance and ensuring the safety of routes taken by students on their way



SECOM Robot X



CCTV system

to and from school. To ward off intruders, we install surveillance cameras at the school gates and entrances as well as intercoms linked to electronic locks, and we patrol the grounds with static guards and SECOM Robot X, an outdoor surveillance robot. We are now marketing SECOM School Security to schools around Japan to provide an environment in which children can study safely.

The transformation in security needs is also heightening demand for CCTV systems. Previously, privacy concerns were a major obstacle to installing CCTV systems in areas such as shopping thoroughfares. However, CCTV systems have become indispensable to protecting these areas from criminals and the shopping public's perception has swung around to "feeling safe because the anti-theft

cameras are there." This created an opportunity for us to market a CCTV system that takes privacy concerns into account. This system features a restricted area located in the administrative offices of a neighborhood shopping thoroughfare. The restricted area, which is equipped with a video recorder that allows recorded images to be viewed, can only be accessed with a key and card. Because it only allows the viewing of images when necessary for security reasons, this system offers an effective solution to privacy issues. We are now marketing the system to shopping districts and public facilities around the country.





Capitalizing on Changes in the Security Market

The Personal Information Protection Law, which came into effect on April 1, 2005, has transformed ways of thinking about customer security. Customers who previously thought security applied only to cash and tangible assets because they did not recognize value in the information they possessed now regard information as an asset that must be protected. Reflecting this change, demand is rising for on-line security systems, access-control systems and CCTV systems. For example, more customers are interested in utilizing noncontact IC card systems and SESAMO IDs fingerprint identification systems.

We believe this new aspect of security will continue to stimulate demand for various services from a diverse array of customers. We are ready to respond to these trends by accurately grasping customer needs in a timely fashion to develop and offer new products and services that add to our already generous product lines.



SESAMO IDs



Illustration of a correctional facility in Mine, Yamaguchi Prefecture

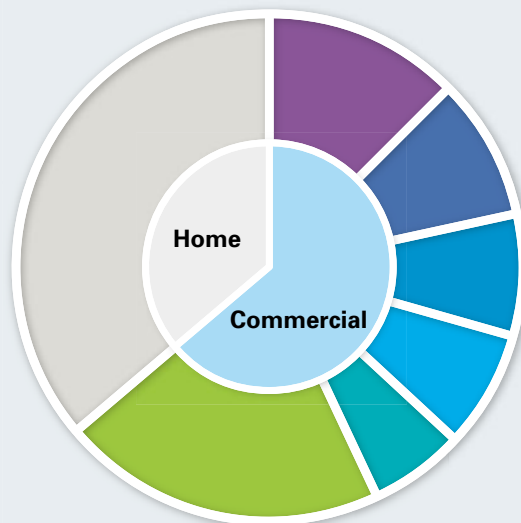
Private Finance Initiatives

SECOM has ventured into the private finance initiative (PFI) field. PFIs are used to develop public infrastructure using private-sector capital. As our first project, we led a consortium of 12 companies to form the Mine SECOM Group, which was awarded the contract to build and operate a correctional facility in the city of Mine, Yamaguchi Prefecture.

This project, the first correctional facility to be built as a PFI in Japan, will involve constructing facilities capable of housing approximately 1,000 first-time inmates on a site of approximately 28 hectares. Except where the exercise of public authority is required, the facility will be managed by private-sector participants. The scope of SECOM's work includes security systems, static guard services and facilities maintenance and management, as well as administrative assistance and support for inmate work programs.

The Mine SECOM Group was selected because of the high marks awarded to its efficient and effective security systems, including COCO-SECOM services, for locating inmates while in transit outside the facility; remotely operated electronic locks; and CCTV systems. Participating in this PFI, slated to commence in April 2007, allows SECOM to expand its business scope while contributing to society by promoting inmate rehabilitation and revitalizing the local economy by creating employment opportunities.

Commercial and Home Security Service Subscribers by Category
(At March 31, 2005)



| | |
|-----------------------|-------|
| Service industries | 12.5% |
| Retailing/wholesaling | 9.1% |
| Financial services | 7.8% |
| Manufacturing | 7.5% |
| Government agencies | 6.1% |
| Others | 20.8% |
| Households | 36.2% |



SECOM Home Security— Peace of Mind for the Home

SECOM has guarded the security of its subscribers' residences since it launched SECOM Home Security in 1981 as Japan's first on-line security system with round-the-clock monitoring of the home for intruders, fires, gas leaks and medical emergencies. In providing SECOM Home Security over the past 24 years, we have built up an impressive infrastructure and know-how that has allowed us to gain the deep trust of customers for our reliability and high service standards.

Public perception of a worsening crime situation in residential areas has shifted demand for home security from services that protect the home when occupants are absent to those that protect occupants from forced entries when they are at home. Since such crimes may involve several perpetrators and place the occupants' lives in jeopardy, customer fears

have become increasingly pronounced. As a consequence, demand for home security and safety products has risen. In addition to home security systems, SECOM offers an extensive menu of systems designed to prevent unauthorized entry, including External Image Monitoring Services; SECOM Home Camera Systems; SECURIFACE, an intercom system featuring built-in face detection technology; and SESAMO Home IDs, a fingerprint identification system, as well as such attractive security products as SECOM *Anshin* Glass, high-impact breakage-resistant window glass with built-in sensors. Such offerings continue to attract customers seeking to enhance protection of their homes.

Reflecting the rising incidence of crimes targeting homes in Japan, the market for home security services is expanding to encompass an increasingly broad range of customers.



SECOM Home Security



SECOM Anshin Glass



SECOM Shop outlet



SECOM Super Rescue emergency supply set

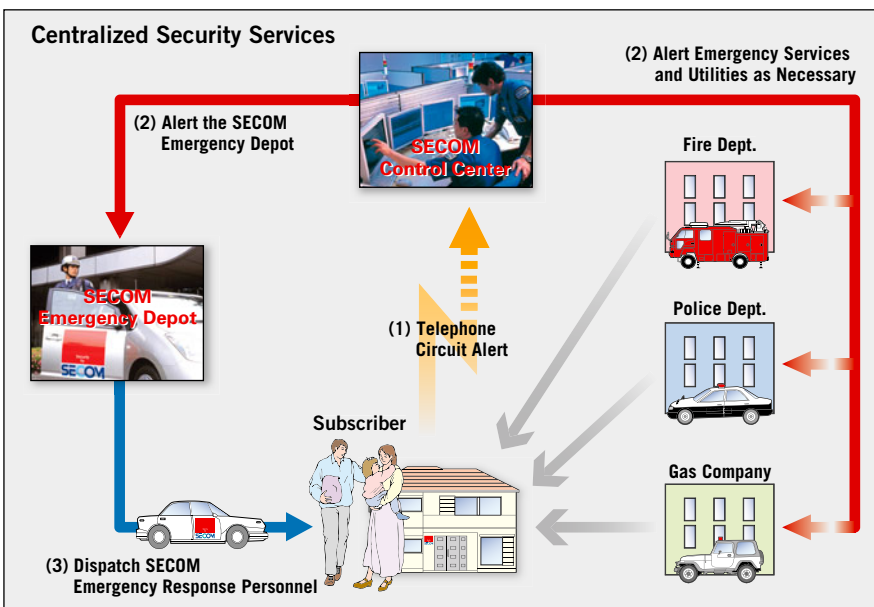
SECOM believes it is impossible to compromise when it comes to security and is thus committed to providing superior-quality products and services. In today's security environment, when people fear forced entries even when they are at home, we believe it is essential to have a system that automatically raises an alert when, for example, occupants are on the second floor and something occurs on the supposedly vacant first floor. SECOM Home Security subscribers, who understand this approach, range from young women living alone to adults in their 30s and 40s, families and seniors.

SECOM Shop security information stations—local shops tailored to the needs of local markets—are the primary means by which we market security products and services for the home. Each SECOM Shop outlet features

SECOM Home Security and a broad range of security products on display, allowing customers to experience a simulated SECOM lifestyle and consult with a security advisor about their household security needs. We plan to continue expanding our SECOM Shop network to augment our sales capabilities.

We are also opening specialty shops for anti-theft and emergency supply products. Within SECOM Shop Harajuku, located in our headquarters building in Tokyo's Harajuku area, we have opened the SECOM Selection store, which offers approximately 300 types of anti-theft and emergency supply products. Our goal for SECOM Selection is to heighten customers' interest in security and to create new opportunities to introduce security systems. The SECOM Super Rescue emergency supply set is our first original offering. Major earthquakes in several regions of Japan have raised public concern and prompted people to rethink their preparations for such an event, creating an opportunity for us to develop this set, which provides relief in the days immediately following a major catastrophe.

These are just some of the ways that we are expanding and strengthening our sales network and tapping the market for home security with a diverse range of services and products that provide security and peace of mind.





The Ever-Expanding COCO-SECOM Lineup

We launched COCO-SECOM mobile security systems in April 2001, a move that expanded our service capabilities from security for buildings and structures to security for people and property on the move, and our marketing focus from homes and commercial premises to individual consumers. COCO-SECOM services use Global Positioning System (GPS) satellites and cellular telephone base stations to pinpoint locations with outstanding precision. Boasting accuracy of within five meters under optimum circumstances, COCO-SECOM's location-positioning technology is said to be one of the best of its type currently on the market. COCO-SECOM services were initially developed to locate people and vehicles,

notably automobiles and motorcycles. Since then, we have continually added to the menu of services in response to market needs. Today, we also offer services for locating cash and valuables, safes, automated teller machines (ATMs) and pets, as well as COCO-SECOM G-Manager, designed specifically for tracking commercial vehicle fleets and employees.

Approximately half of all COCO-SECOM subscriber contracts are for services for locating people, in particular children and the elderly. A rise in abductions targeting children traveling between home and school has prompted concern over the increasing dangers facing children. In response, in the period under review we introduced the Olivier



Olivier Navirand school bag

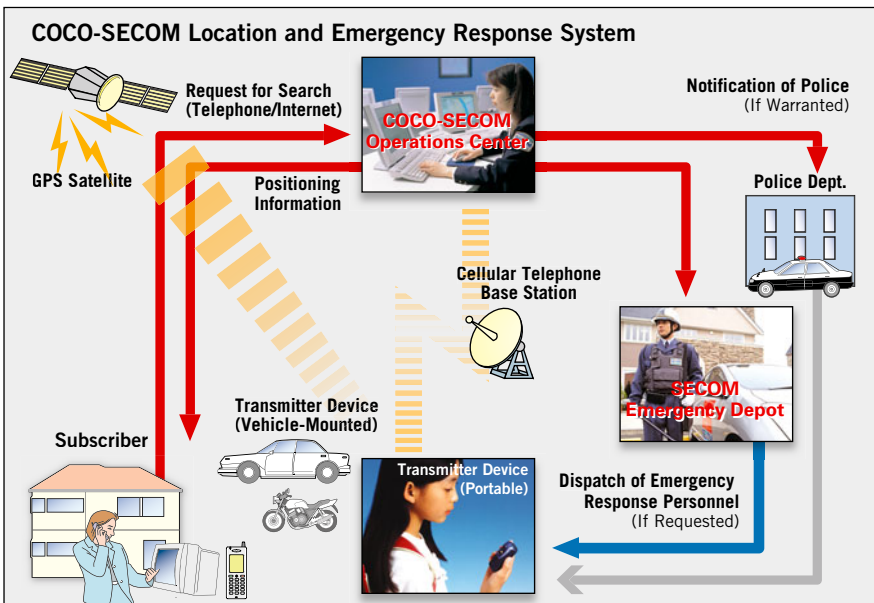


PRESAVE school uniform

Navirand line of school bags and the PRESAVE line of elementary school uniforms. Both the school bags and uniforms are equipped with COCO-SECOM transmitter devices. The school bags feature a compact device fitted in a small case attached to the side, making it possible to quickly and easily locate the child carrying the backpack. PRESAVE uniforms allow the insertion of the device into one of a multitude of pockets, thereby preventing detection by abductors.

At present, COCO-SECOM subscribers request searches via the COCO-SECOM web site approximately 40,000 times a day, while our COCO-SECOM Operations Center handles approximately 300 telephone calls a day on average. When requested by the subscriber, emergency response personnel are dispatched

to locations. On numerous occasions, COCO-SECOM services have contributed to the prevention or early resolution of missing persons and missing property incidents, underscoring the essential role these services now play in ensuring the security of individuals.





Precedent-Setting Home Medical Services

Relieving concerns over health and illness is an important part of our commitment to easing people's anxiety. Underscored by the rapid aging of Japan's population, concerns

Providing Peace of Mind

We see providing peace of mind as essential to creating a society free from apprehension. This goal has prompted us to launch a number of new businesses. One of these is the SECOMFORT series of nursing homes, which will offer full-time personal care services. These facilities capitalize on know-how accumulated through the management of Sacraviva Seijo and Royal Life Tama—two high-end nursing homes that also offer full-time personal care services—and the Alive Care Home series and through a combination of health care, medical care, nursing care and other services offered by our subsidiaries and affiliates. Staff at SECOMFORT facilities provide daily health checks and monitoring, as well as develop tailored programs that aim to prevent

over the future of medical care in Japan are rising. We continue to respond to such concerns by rolling out precedent-setting medical services that contribute to better care for patients.

Our flagship home nursing services offer round-the-clock peace of mind for patients convalescing at home. SECOM was the first company in Japan to offer full-fledged home nursing services, and the highly skilled and experienced nurses we employ continue to ensure these services are highly evaluated by patients. We have expanded our nationwide network of SECOM visiting nurse stations, which dispatch nurses to patients' homes, to 33.

illnesses and support active lifestyles. Such an approach is still uncommon in most of Japan's private-sector residential facilities for senior citizens.

Japan's high life expectancy underscores the attention people pay to their health. Most people feel very strongly that they are primarily responsible for their own health and many see investments in health improvement as money well spent. With the needs of such people in mind, we established SECOM Health Care Club, a membership-based health management service. Based at Yotsuya Medical Cube—a clinic in Yotsuya, Tokyo, operated by Anshinkai, an incorporated medical institution—in an alliance with subsidiary Secom Medical System Co., Ltd., SECOM Health Care Club offers members



Yotsuya Medical Cube, which provides SECOM Health Care Club, a membership-based health management service, in an alliance with subsidiary Secom Medical System



SECOMFORT—Comfort Garden Azamino



Sacraviva Seijo



SECOM AED Package Service

access to full physical examinations and health management consultations with a regular physician. Members also have access to state-of-the-art imaging equipment, including a positron emission tomography (PET)/computerized tomography (CT) scanner, thus facilitating the early detection of cancer and the prevention of strokes and lifestyle-related illnesses.

Another component of our medical services business is the lease and sale of medical equipment. In response to a report by Japan's Ministry of Health, Labour and Welfare proposing the use of automated external defibrillators (AEDs)—devices that administer an electrical

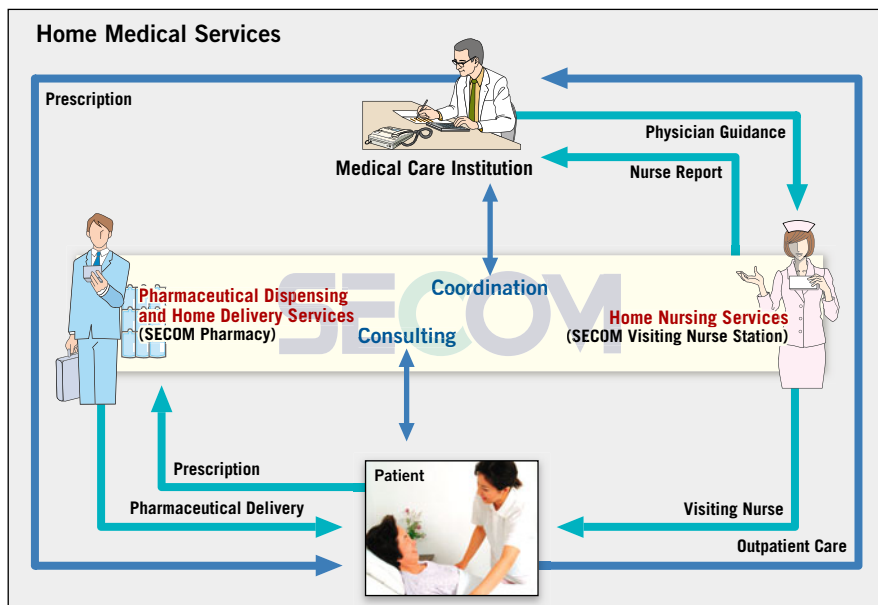
pulse to the heart to reestablish a normal rhythm—to improve pre-hospital emergency care, in September 2004 we introduced the SECOM AED Package Service, an emergency lifesaving kit featuring an AED that is leased at a reasonable rate to non-medical professionals. To date, we have leased the package primarily to public facilities, sports clubs, schools, hotels and other customers. By expanding SECOM AED Package Service subscriptions, we hope to contribute to a decline in the number of deaths resulting from acute heart failure occurring outside hospitals.

Advanced Information Technology (IT) for Japan's Hospitals

SECOM is assisting hospitals in many parts of Japan to improve operating efficiency by introducing advanced IT. For clinics that focus on home medical services, we developed

the SECOM Ubiquitous EMR system, an application service provider (ASP)-based EMR management system. We expanded basic features of this system to create the New SECOM Ubiquitous EMR system, which is tailored to the needs of small and medium-sized hospitals and will enable such hospitals to enhance their operations and realize necessary improvements in efficiency in advance of key revisions to Japan's medical care system in 2006.

We will continue to develop and introduce innovative medical services and products aimed at contributing to better health for our customers and enhancing the quality of medical care.





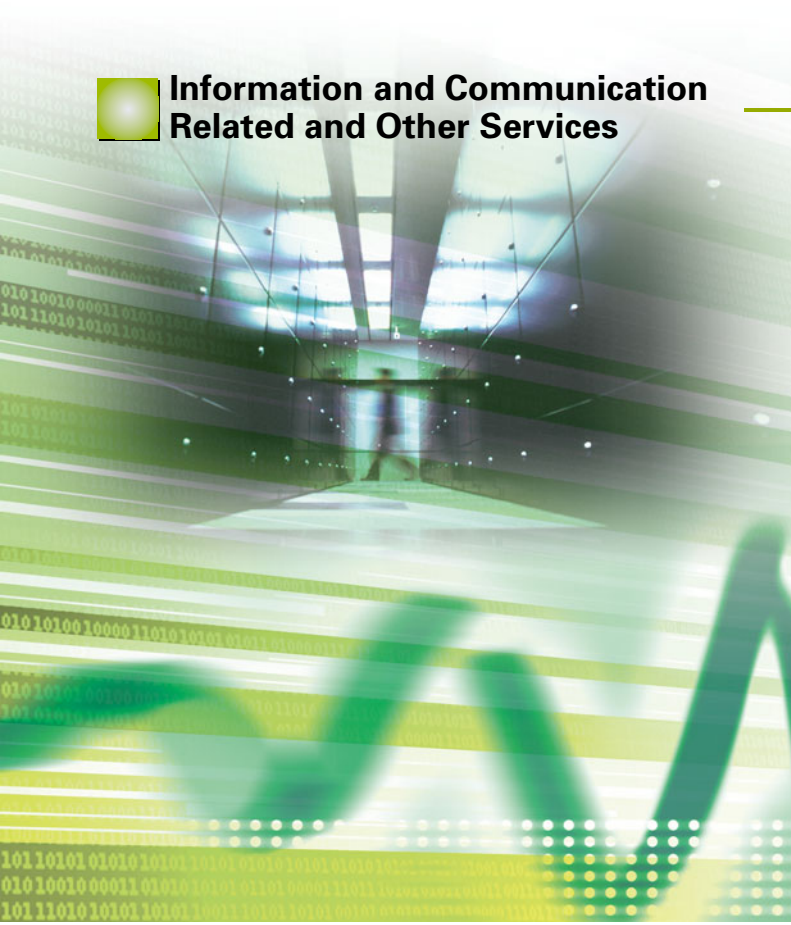
MEDCOM consultants

Unique Insurance Offerings

We continue to maximize the capabilities of our non-life insurance services subsidiary to combine security services with non-life insurance. The former provide prior protection, while the latter looks after customers in the event of misfortune, thus offering an enhanced level of reassurance. Security Discount Fire Policy, for example, takes into account the lowered risk of commercial premises that have installed security systems to offer up to a 30% discount on premiums. The same concept underlies SECOM *Anshin* My Home, a policy designed for households that offers lower premiums to home security subscribers.

We also offer MEDCOM, an unrestricted cancer treatment policy that combines medical and insurance features. MEDCOM covers the portion of costs for cancer treatments normally borne by the patient and is applicable to all types of cancer treatments, whether or not they are covered by Japan's national health insurance scheme. This ensures subscribers are able to take advantage of advanced treatment options without having to worry about the often-prohibitive costs.

Information and Communication Related and Other Services



Network Monitoring Center

Security for an Information-Dominated Age

The Secure Data Center integrates physical and cyber security services to provide a highly secure environment for our customers' information. Access to the building is guarded around the clock with static guards, access-control systems and cameras, reflecting our extensive know-how in the realm of physical

Information Services for Emergency Situations

The SECOM Safety Confirmation Service helps commercial subscribers confirm the whereabouts and safety of employees and their families and collect information in the event of a major disaster, relieving concern and assisting companies to reopen for business as soon as possible. This service offers English-language compatibility and incorporates

Glorio Support 24 Condominium Management Service

Many of SECOM's Glorio condominiums offer the Glorio Support 24 round-the-clock condominium management service for Glorio residents. In the event of a problem, Glorio Support 24 subscribers can contact the SECOM customer service center any time of the day or night and speak to an operator, who will promptly contact the appropriate service

security. Inside the building, customers' servers are guarded constantly by highly secure monitoring systems that protect against unauthorized access and viruses, as well as digital authentication and other advanced cyber security services. Indicative of the center's outstanding reputation, it currently operates digital certificate authorities for a number of Japan's preeminent financial institutions.

We continue to introduce new services designed to prevent information leaks. These include Total Office Security, developed in cooperation with a leading information equipment manufacturer. Total Office Security provides comprehensive protection against information leaks from offices by combining access control and other physical security features with network security, which protects information against unauthorized access and viruses, and document security, which manages electronic and physical data.

the COCO-SECOM G-Manager location service and other unique SECOM functions.

We will continue to market the SECOM Safety Confirmation Service to major Japanese and foreign-affiliated corporations, many of which are reinforcing measures to ensure the rapid resumption of operations in the event of a natural disaster or terrorist attack.

department. Subscribers gain the peace of mind that comes from knowing problems will be responded to quickly and effectively, enabling them to enjoy a worry-free lifestyle. We will step up efforts to promote condominium sales by promoting this unique service.

Overseas Operations



Shanghai Secom Security Co., Ltd.,
Control Center

Security Services in Overseas Markets

In 1978, we established operations in Taiwan, our first overseas market. Soon after, we branched out into the ROK and the United States. We then secured access to the markets of Europe and Oceania by setting up operations in the United Kingdom and Australia, and extended our presence in Asia by expanding into Thailand, Malaysia, Singapore, Indonesia and the PRC. Indicative of the leading market positions and solid reputations enjoyed by affiliates Taiwan Secom Co., Ltd., in Taiwan, and S1 Corporation, in the ROK, both of these companies are listed publicly.

The distinguishing characteristic of our overseas operations is that we customize our security systems and services to the needs of each country or territory while drawing on know-how accumulated in Japan. This strategy has enabled us to offer security services that transcend cultural differences and enjoy favor with subscribers around the world.

Rapid economic growth and rising demand for security services in Asia, particularly the PRC, continue to offer exciting business opportunities. We are taking advantage of such opportunities by stepping up efforts to promote security services and expanding our presence. Since establishing holding company Secom (China) Co., Ltd., in 1992, we have set up security services subsidiaries in the key cities of Dalian, Qingdao, Beijing and Shanghai. In July 2005, we further enhanced our network by establishing our fifth local subsidiary, in Shenzhen.

Operating Results

Overview

In the year ended March 31, 2005, the parent company and its consolidated subsidiaries (collectively, "the Company") took a variety of decisive steps aimed at enhancing their operations—which center on security services and also include medical, insurance, information and GIS services, real estate development and sales, and real estate leasing—by improving services and expanding marketing and product development. Firm gains in revenue in all segments, particularly security services, supported a rise in net sales and operating revenue of 6.7%, or ¥34.9 billion, to ¥552.4 billion. Operating income increased 39.8%, or ¥21.5 billion, to ¥75.6 billion, reflecting higher net sales and operating revenue for the period under review, as well as the absence of ¥8.8 billion in losses recorded a year earlier owing to a revision of pension plans. Net income totaled ¥52.1 billion, up 122.0%, or ¥28.7 billion, as a result of such factors as improved operating income and ¥9.9 billion in income from discontinued operations, net of tax, compared with a ¥4.2 billion loss a year earlier.

In the period under review, the consolidated statements of income were reclassified. Furthermore, the operating results of certain businesses and real estate properties that were sold and with which the Company will not have significant and continuing involvement were expressed as "income (loss) from discontinued operations, net of tax."

Net Sales and Operating Revenue

Net sales and operating revenue amounted to ¥552.4 billion, up 6.7%, or ¥34.9 billion. Net sales and operating revenue rose in all segments, including security services. (For more details, please see Segment Information below.)

Costs and Expenses

Costs and expenses edged up 2.9%, or ¥13.4 billion, to ¥476.8 billion. Cost of sales grew 8.8%, or ¥28.3 billion, to ¥349.2 billion, equivalent to 63.2% of net sales and operating revenue, up from 62.0% in the previous period. The higher cost-of-sales ratio was primarily a result of a less favorable loss ratio in the insurance services segment due to damages sustained in typhoons and other natural disasters, as well as the consolidation of an organization that manages hospitals and health care-related institutions. The consolidation was made in line with FASB Interpretation No. 46 (revised December 2003) ("FIN No. 46R"), "Consolidation of Variable Interest Entities—an Interpretation of

ARB No. 51," issued by the Financial Accounting Standards Board (FASB) of the United States.

Selling, general and administrative expenses fell 2.3%, or ¥2.8 billion, to ¥120.2 billion, representing 21.8% of net sales and operating revenue, down from 23.8% a year earlier. This reflected cost reduction efforts as well as decreases in net pension and severance costs and in the provision to allowance for doubtful accounts.

Impairment loss on long-lived assets shrank ¥3.9 billion, to ¥4.6 billion. Loss on sales and disposal of property, plant and equipment, net, amounted to ¥2.8 billion. In the previous fiscal year, the Company revised its pension plan to strengthen its financial condition. This resulted in a ¥4.6 billion settlement loss of benefit obligation on transfer to defined contribution pension plan and a ¥4.2 billion loss on transfer of the substitutional portion of Employees' Pension Fund.

Operating Income

Operating income climbed 39.8%, or ¥21.5 billion, to ¥75.6 billion, equivalent to 13.7% of net sales and operating revenue, compared with 10.4% the previous year. Factors influencing the increase included a rise in net sales and operating revenue, a decrease in selling, general and administrative expenses, a drop in impairment loss on long-lived assets, and the absence of settlement loss of benefit obligation on transfer to defined contribution pension plan and loss on transfer of the substitutional portion of Employees' Pension Fund, both of which were recorded in the previous year. Higher cost of sales, however, partially offset these positive factors. Operating income from the security services segment remained firm. The medical services segment and information and communication related and other services segment both recorded operating income, in contrast to the operating losses recorded the previous fiscal year. These improvements contributed to the overall increase in operating income, despite an operating loss from the insurance services segment. (For more details, please see Segment Information below.)

Other Income and Expenses

Other income rose 15.8%, or ¥894 million, to ¥6.6 billion. Other expenses totaled ¥7.9 billion, up 23.2%, or ¥1.5 billion. The total of other income and expenses was net other expenses of ¥1.3 billion, compared with net other expenses of ¥701 million the previous fiscal year.

Income Taxes

Income taxes increased ¥5.8 billion, to ¥31.9 billion, reflecting higher income from continuing operations before income taxes. Income taxes were equivalent to 43.0% of income from continuing operations before income taxes, down from 49.0% a year earlier, owing mainly to a decrease in unrecognized tax benefits from subsidiaries in loss positions.

Minority Interest in Subsidiaries and Equity in Net Income of Affiliated Companies

Minority interest in subsidiaries amounted to ¥2.9 billion, up ¥2.5 billion, mainly because of improved income from GIS services. Equity in net income of affiliated companies was ¥2.3 billion, up ¥1.4 billion, owing primarily to solid performances by Taiwanese and South Korean equity-method affiliates and improved income in the cable television (CATV) business.

Income from Continuing Operations

Reflecting the above factors, income from continuing operations rose 50.8%, or ¥14.1 billion, to ¥41.7 billion, amounting to 7.6% of net sales and operating revenue, compared with 5.4% a year earlier.

Income (Loss) from Discontinued Operations

Discontinued operations include any component of an entity with its own identifiable operations and cash flows which is disposed of or is classified as held for sale, and with which the Company will not have significant continuing involvement. During the period, the Company sold its education services operations, and its security services operations in the United States. The Company also sold certain real estate properties under operating leases. Income from discontinued operations, net of tax, totaled ¥9.9 billion, mainly as a consequence of the gain on sales of discontinued operations, compared with a loss of ¥4.2 billion in the previous period. (For more information, please refer to Note 25 of the accompanying Notes to Consolidated Financial Statements.)

Net Income

Net income totaled ¥52.1 billion. Both basic and diluted net income per share were ¥231.66. Cash dividends per share of ¥50.00 were approved at the general shareholders' meeting held on June 29, 2005.

Segment Information

For detailed segment information, please see Note 27 of the Notes to Consolidated Financial Statements. Net sales and operating revenue in the security services segment climbed 4.1%, or ¥15.1 billion, to ¥383.7 billion. Excluding intersegment transactions, segment net sales and operating revenue amounted to ¥382.4 billion, equivalent to 69.2% of total net sales and operating revenue, down from 71.0%. Net sales and operating revenue from mainstay commercial and home security services totaled ¥268.4 billion, up 3.1%, or ¥8.1 billion. Large-scale proprietary systems accounted for ¥3.5 billion, a decrease of 2.5%, or ¥91 million. Static guard services represented ¥38.3 billion, a rise of 2.0%, or ¥765 million. Armored car services generated ¥18.5 billion, a decrease of 0.8%, or ¥156 million. Merchandise and other contributed ¥53.7 billion, up 13.3%, or ¥6.3 billion. Operating income in the security services segment totaled ¥90.4 billion, an increase of 19.2%, or ¥14.6 billion. The operating margin rose from 20.6% to 23.6%, mainly owing to firm net sales and operating revenue in the commercial and home security category and the merchandise and other category. The improved operating margin was also attributable to the absence of settlement loss of benefit obligation on transfer to defined contribution pension plan and loss on transfer of the substitutional portion of Employees' Pension Fund, both of which were recorded in the previous year.

The medical services segment generated net sales and operating revenue of ¥34.9 billion, up 63.5%, or ¥13.6 billion. This reflected the consolidation of an organization that manages hospitals and health care-related institutions—a change in line with FIN No. 46R. Segment operating income was ¥1.6 billion, compared with an operating loss of ¥1.5 billion a year earlier, owing mostly to a decrease in provision to allowance for doubtful accounts and the contribution of the newly consolidated organization.

In the insurance services segment, net sales and operating revenue grew 12.7%, or ¥3.3 billion, to ¥29.2 billion, mainly owing to an increase in net realized investment gains. Segment operating losses amounted to ¥3.0 billion, in contrast with operating income of ¥2.4 billion the previous fiscal year, reflecting a higher loss ratio due to damages sustained in typhoons and other natural disasters.

In the information and communication related and other services segment, which encompasses information-related services, GIS services, real estate development and sales, and real estate leasing, net sales and operating revenue rose 4.3%, or

¥4.7 billion, to ¥113.7 billion. This was mainly the result of increased revenue from GIS services and the recent consolidation of Japan Image Communications Co., Ltd., a provider of commissioned broadcasting services, which only contributed to three months of consolidated financial results in the previous fiscal period. Segment operating income amounted to ¥420 million, compared with an operating loss of ¥8.2 billion, primarily owing to improved operating income from GIS services and a decrease in impairment loss on long-lived assets.

Financial Position

Total assets of the Company as of March 31, 2005, stood at ¥1,164.2 billion, down 0.1%, or ¥901 million, from the previous fiscal year-end.

Total current assets rose 8.5%, or ¥41.2 billion, to ¥526.2 billion. This mainly reflected a ¥35.7 billion increase in short-term investments, to ¥71.6 billion, in line with a shift in the Company's insurance business investment portfolio to assets with higher liquidity. The current ratio was 2.0 times, compared with 1.7 times a year earlier, owing to an increase in total current assets and a decrease in total current liabilities, mentioned below.

Investments and long-term receivables amounted to ¥314.0 billion, up 9.8%, or ¥28.0 billion, mostly following the purchase of investment securities as part of the aforementioned review of the Company's insurance business investment portfolio.

Property, plant and equipment, less accumulated depreciation, fell 23.6%, or ¥71.5 billion, to ¥231.4 billion. This was mainly attributable to the sale of real estate for lease—in line with the review of its insurance business investment portfolio and its real estate for lease holdings—and impairment loss on long-lived assets.

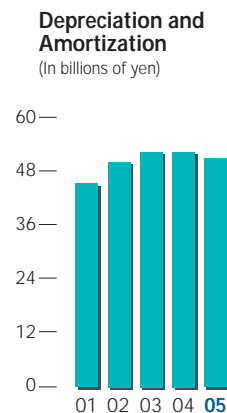
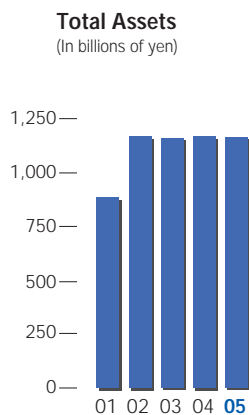
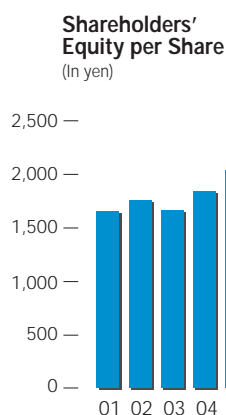
Other assets increased 1.6%, or ¥1.4 billion, to ¥92.6 billion. Factors leading to this rise included an increase in goodwill—due to the consolidation of an organization in line with FIN No. 46R—and a rise in prepaid pension and severance costs. These factors were partially offset by a decrease in deferred income taxes due to an impairment loss and pension and severance costs.

Total liabilities amounted to ¥673.9 billion, down 6.3%, or ¥45.1 billion, from a year earlier.

Total current liabilities fell 5.8%, or ¥16.5 billion, to ¥267.7 billion, primarily reflecting a ¥12.5 billion decline in bank loans and current portion of long-term debt, to ¥112.7 billion.

Long-term debt decreased ¥25.3 billion, to ¥65.8 billion. Guarantee deposits received amounted to ¥28.1 billion, down ¥6.9 billion, following the sale of real estate for lease. Investment deposits by policyholders totaled ¥227.7 billion and accounted for 19.6% of total liabilities and shareholders' equity.

Total shareholders' equity increased 10.1%, or ¥42.0 billion, to ¥457.8 billion. Retained earnings rose ¥41.9 billion, to ¥347.5 billion. The equity ratio edged up to 39.3%, from 35.7%.



Cash Flows

The Company is committed to maintaining sufficient liquidity to allow flexibility in its operations and ensure a solid financial foundation. To the best of its ability, the Company is also firmly committed to financing related strategic investments with cash from its operating activities.

In the period under review, net cash provided by operating activities amounted to ¥85.1 billion. Important items contributing to this total were net income of ¥52.1 billion and depreciation and amortization, including amortization of deferred charges, of ¥51.5 billion. Operating activities provided ¥4.1 billion less cash than in the previous period. This was mainly attributable to decreases in losses of such non-cash items as impairment loss on long-lived assets, including discontinued operations, and an increase in receivables and due from subscribers, net of allowances, owing to stronger sales in the GIS services category. These two factors countered the improvement in net income.

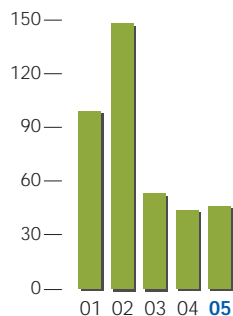
Net cash used in investing activities amounted to ¥24.0 billion. Payments for purchases of property, plant and equipment totaled ¥43.9 billion, partly the result of purchases of security equipment and control stations due to growth in the number of security services subscribers. Other significant factors were increase in short-term investments and net payments for purchases of investment securities of ¥57.0 billion, reflecting a review of the Company's investment portfolio. The Company recorded proceeds from sales of property, plant and equipment

of ¥88.5 billion, notably real estate for lease. Investing activities used ¥4.6 billion less than in the previous period, primarily as a result of an increase in proceeds from sales of property, plant and equipment, which limited the impact of increase in short-term investments and net payments for purchases of investment securities.

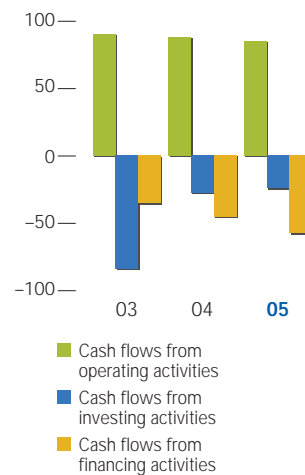
Net cash used in financing activities totaled ¥57.0 billion. This amount included a net outlay of ¥43.2 billion for repayments of debt—comprising net repayments of long-term debt and decrease in bank loans—and dividends paid of ¥10.1 billion. Net cash used in financing activities rose ¥10.2 billion, largely the result of intense efforts to reduce interest-bearing debt.

As a result of the operating, investing and financing activities described above, cash and cash equivalents at end of year amounted to ¥197.0 billion, up ¥4.1 billion from ¥192.9 billion a year earlier.

Capital Expenditures
(In billions of yen)



Cash Flows
(In billions of yen)



AUDITED
FINANCIAL
STATEMENTS



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CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

SECOM CO., LTD. and Subsidiaries
March 31, 2005 and 2004

ASSETS

| | In millions of yen | | Translation into thousands of U.S. dollars (Note 3) |
|---|--------------------|-------------------|--|
| | 2005 | March 31 2004 | March 31 2005 |
| Current assets: | | | |
| Cash and cash equivalents (Note 5) | ¥ 197,012 | ¥ 192,892 | \$ 1,841,234 |
| Time deposits | 4,614 | 3,912 | 43,121 |
| Cash deposits (Note 6) | 60,806 | 60,930 | 568,280 |
| Short-term investments (Note 7) | 71,598 | 35,933 | 669,140 |
| Notes and accounts receivable, trade | 55,827 | 50,044 | 521,748 |
| Due from subscribers | 23,638 | 23,931 | 220,916 |
| Inventories (Notes 8 and 12) | 41,152 | 45,698 | 384,598 |
| Short-term receivables | 46,449 | 47,855 | 434,103 |
| Allowance for doubtful accounts | (1,297) | (4,925) | (12,122) |
| Deferred insurance acquisition costs (Note 13) | 1,066 | 2,963 | 9,963 |
| Deferred income taxes (Note 16) | 13,951 | 14,716 | 130,383 |
| Other current assets | 11,338 | 11,029 | 105,963 |
| Total current assets | 526,154 | 484,978 | 4,917,327 |
| Investments and long-term receivables: | | | |
| Investment securities (Note 7) | 203,432 | 170,429 | 1,901,234 |
| Investments in affiliated companies (Note 9) | 39,915 | 39,314 | 373,037 |
| Long-term receivables | 61,051 | 55,272 | 570,570 |
| Lease deposits | 12,897 | 11,917 | 120,533 |
| Other investments | 6,444 | 19,274 | 60,224 |
| Allowance for doubtful accounts | (9,746) | (10,220) | (91,084) |
| | 313,993 | 285,986 | 2,934,514 |
| Property, plant and equipment (Notes 10, 12, 19 and 20): | | | |
| Land | 71,992 | 111,800 | 672,822 |
| Buildings and improvements | 118,812 | 148,961 | 1,110,393 |
| Security equipment and control stations | 213,807 | 209,505 | 1,998,196 |
| Machinery, equipment and automobiles | 56,045 | 54,410 | 523,785 |
| Construction in progress | 3,916 | 4,429 | 36,598 |
| | 464,572 | 529,105 | 4,341,794 |
| Accumulated depreciation | (233,140) | (226,169) | (2,178,879) |
| | 231,432 | 302,936 | 2,162,915 |
| Other assets: | | | |
| Deferred charges (Note 2 (11)) | 38,578 | 38,772 | 360,542 |
| Goodwill (Note 11) | 18,070 | 15,598 | 168,879 |
| Other intangible assets (Note 11) | 19,462 | 19,740 | 181,888 |
| Prepaid pension and severance costs (Note 14) | 11,165 | 8,801 | 104,346 |
| Deferred income taxes (Note 16) | 5,350 | 8,294 | 50,000 |
| | 92,625 | 91,205 | 865,655 |
| Total assets | ¥1,164,204 | ¥1,165,105 | \$10,880,411 |

The accompanying notes are an integral part of these statements.

| LIABILITIES AND SHAREHOLDERS' EQUITY | In millions of yen | | Translation into thousands of U.S. dollars (Note 3) |
|--|--------------------|------------|--|
| | March 31 | | March 31 |
| | 2005 | 2004 | 2005 |
| Current liabilities: | | | |
| Bank loans (Notes 6 and 12) | ¥ 102,228 | ¥ 111,764 | \$ 955,402 |
| Current portion of long-term debt (Notes 12 and 19) | 10,492 | 13,439 | 98,056 |
| Notes and accounts payable, trade | 16,026 | 18,460 | 149,776 |
| Other payables | 19,722 | 17,782 | 184,318 |
| Deposits received (Note 6) | 37,038 | 38,590 | 346,150 |
| Deferred revenue (Note 2 (3)) | 39,193 | 39,075 | 366,290 |
| Accrued income taxes | 16,803 | 18,010 | 157,037 |
| Accrued payrolls | 15,427 | 14,522 | 144,178 |
| Other current liabilities (Note 16) | 10,773 | 12,554 | 100,682 |
| Total current liabilities..... | 267,702 | 284,196 | 2,501,889 |
| Long-term debt (Notes 12 and 19) | 65,815 | 91,095 | 615,093 |
| Guarantee deposits received..... | 28,099 | 35,039 | 262,607 |
| Accrued pension and severance costs (Note 14)..... | 13,261 | 12,813 | 123,935 |
| Deferred revenue (Note 2 (3))..... | 18,832 | 19,287 | 176,000 |
| Unearned premiums and other insurance liabilities (Note 13) | 46,452 | 41,364 | 434,131 |
| Investment deposits by policyholders (Note 13) | 227,719 | 230,316 | 2,128,215 |
| Other liabilities (Note 16) | 6,056 | 4,934 | 56,597 |
| Total liabilities..... | 673,936 | 719,044 | 6,298,467 |
| Minority interest in subsidiaries | 32,431 | 30,209 | 303,093 |
| Commitments and contingent liabilities (Note 23) | | | |
| Shareholders' equity: | | | |
| Common stock (Notes 17 and 24): | | | |
| Authorized 900,000,000 shares; | | | |
| issued 233,288,717 shares in 2005 and 233,281,133 shares in 2004 | 66,378 | 66,369 | 620,355 |
| Additional paid-in capital (Notes 17 and 24) | 79,996 | 79,987 | 747,626 |
| Legal reserve (Note 17) | 9,787 | 9,715 | 91,467 |
| Retained earnings (Note 17) | 347,516 | 305,582 | 3,247,813 |
| Accumulated other comprehensive income (loss): | | | |
| Unrealized gains on securities (Note 7)..... | 5,586 | 4,546 | 52,206 |
| Unrealized gains (losses) on derivative instruments (Note 22)..... | (85) | 89 | (794) |
| Minimum pension liability adjustments (Note 14) | (358) | (194) | (3,346) |
| Foreign currency translation adjustments | (6,425) | (5,841) | (60,046) |
| | (1,282) | (1,400) | (11,980) |
| Common stock in treasury, at cost (Note 17): | | | |
| 8,266,043 shares in 2005 and 8,228,652 shares in 2004..... | (44,558) | (44,401) | (416,430) |
| Total shareholders' equity | 457,837 | 415,852 | 4,278,851 |
| Total liabilities and shareholders' equity..... | ¥1,164,204 | ¥1,165,105 | \$10,880,411 |

CONSOLIDATED STATEMENTS OF INCOME

SECOM CO., LTD. and Subsidiaries
Three years ended March 31, 2005

| | In millions of yen | | | Translation into thousands of U.S. dollars (Note 3) |
|--|----------------------|-----------------|-----------------|--|
| | Years ended March 31 | | | Year ended March 31 |
| | 2005 | 2004 | 2003 | 2005 |
| Net sales and operating revenue | ¥552,354 | ¥517,435 | ¥497,691 | \$5,162,187 |
| Costs and expenses: | | | | |
| Cost of sales | 349,212 | 320,950 | 312,794 | 3,263,663 |
| Selling, general and administrative (Notes 2 (17) and 18) | 120,206 | 123,019 | 119,434 | 1,123,420 |
| Impairment loss on long-lived assets (Note 10) | 4,568 | 8,420 | — | 42,692 |
| Loss on sales and disposal of property, plant and equipment, net | 2,810 | 2,217 | 3,541 | 26,262 |
| Settlement loss of benefit obligation on transfer to defined contribution pension plan (Note 14) | — | 4,555 | — | — |
| Loss on transfer of the substitutional portion of Employees' Pension Fund (Note 14) | — | 4,209 | — | — |
| | 476,796 | 463,370 | 435,769 | 4,456,037 |
| Operating income | 75,558 | 54,065 | 61,922 | 706,150 |
| Other income: | | | | |
| Interest and dividends | 2,119 | 2,425 | 2,888 | 19,803 |
| Other (Notes 7 and 15) | 4,447 | 3,247 | 3,740 | 41,561 |
| | 6,566 | 5,672 | 6,628 | 61,364 |
| Other expenses: | | | | |
| Interest | 1,488 | 1,991 | 3,009 | 13,907 |
| Loss on other-than-temporary impairment of investment securities | 227 | 231 | 4,283 | 2,121 |
| Other (Note 15) | 6,136 | 4,151 | 5,096 | 57,346 |
| | 7,851 | 6,373 | 12,388 | 73,374 |
| Income from continuing operations before income taxes | 74,273 | 53,364 | 56,162 | 694,140 |
| Income taxes (Note 16): | | | | |
| Current | 32,188 | 29,791 | 27,805 | 300,822 |
| Deferred | (247) | (3,648) | (2,489) | (2,308) |
| | 31,941 | 26,143 | 25,316 | 298,514 |
| Income from continuing operations before minority interest in subsidiaries and equity in net income of affiliated companies | 42,332 | 27,221 | 30,846 | 395,626 |
| Minority interest in subsidiaries | (2,917) | (462) | (1,207) | (27,262) |
| Equity in net income of affiliated companies | 2,334 | 927 | 1,244 | 21,813 |
| Income from continuing operations | 41,749 | 27,686 | 30,883 | 390,177 |
| Income (loss) from discontinued operations, net of tax (Note 25) | 9,877 | (4,207) | (1,765) | 92,309 |
| Income before cumulative effect of accounting change | 51,626 | 23,479 | 29,118 | 482,486 |
| Cumulative effect of accounting change, net of tax (Notes 2 (2) and (13)) | 507 | — | 1,157 | 4,738 |
| Net income | ¥ 52,133 | ¥ 23,479 | ¥ 30,275 | \$ 487,224 |

| | In yen | | | Translation into U.S. dollars (Note 3) |
|---|----------------------|-----------|----------|---|
| | Years ended March 31 | | | Year ended March 31 |
| | 2005 | 2004 | 2003 | 2005 |
| Per share data (Note 4): | | | | |
| Income from continuing operations— | | | | |
| —Basic | ¥185.52 | ¥123.01 | ¥135.54 | \$1.74 |
| —Diluted | ¥185.52 | ¥123.01 | ¥135.54 | \$1.74 |
| Income (loss) from discontinued operations— | | | | |
| —Basic | ¥ 43.89 | ¥ (18.69) | ¥ (7.75) | \$0.41 |
| —Diluted | ¥ 43.89 | ¥ (18.69) | ¥ (7.75) | \$0.41 |
| Cumulative effect of accounting change— | | | | |
| —Basic | ¥ 2.25 | ¥ — | ¥ 5.08 | \$0.02 |
| —Diluted | ¥ 2.25 | ¥ — | ¥ 5.08 | \$0.02 |
| Net income— | | | | |
| —Basic | ¥231.66 | ¥104.32 | ¥132.87 | \$2.17 |
| —Diluted | ¥231.66 | ¥104.32 | ¥132.87 | \$2.17 |

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

SECOM CO., LTD. and Subsidiaries
Three years ended March 31, 2005

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 stock, at cost | Total |
|--|-------------------------|--------------|----------------------------|---------------|-------------------|---|---|----------|
| Balance, March 31, 2002 | 233,274,769 | ¥66,360 | ¥79,979 | ¥9,663 | ¥270,213 | (¥24,748) | (¥ 141) | ¥401,326 |
| Comprehensive income: | | | | | | | | |
| Net income | — | — | — | — | 30,275 | — | — | 30,275 |
| Other comprehensive income (loss), net of tax (Note 17): | | | | | | | | |
| Unrealized losses on securities— | | | | | | | | |
| Unrealized holding gains or losses arising during the period | — | — | — | — | — | (4,315) | — | (4,315) |
| Less: Reclassification adjustment for gains or losses included in net income | — | — | — | — | — | 6,038 | — | 6,038 |
| Unrealized gains on derivative instruments— | | | | | | | | |
| Unrealized holding gains or losses arising during the period | — | — | — | — | — | 105 | — | 105 |
| Less: Reclassification adjustment for gains or losses included in net income | — | — | — | — | — | (106) | — | (106) |
| Minimum pension liability adjustments | — | — | — | — | — | (3,006) | — | (3,006) |
| Foreign currency translation adjustments | — | — | — | — | — | (4,340) | — | (4,340) |
| Total comprehensive income | — | — | — | — | — | — | — | 24,651 |
| Cash dividends | — | — | — | — | (9,330) | — | — | (9,330) |
| Transfer to legal reserve | — | — | — | 9 | (9) | — | — | — |
| Conversion of convertible bonds | 6,364 | 9 | 8 | — | — | — | — | 17 |
| Purchase of treasury stock | — | — | — | — | — | — | (44,146) | (44,146) |
| Balance, March 31, 2003 | 233,281,133 | 66,369 | 79,987 | 9,672 | 291,149 | (30,372) | (44,287) | 372,518 |
| Comprehensive income: | | | | | | | | |
| Net income | — | — | — | — | 23,479 | — | — | 23,479 |
| Other comprehensive income (loss), net of tax (Note 17): | | | | | | | | |
| Unrealized gains on securities— | | | | | | | | |
| Unrealized holding gains or losses arising during the period | — | — | — | — | — | 7,729 | — | 7,729 |
| Less: Reclassification adjustment for gains or losses included in net income | — | — | — | — | — | (425) | — | (425) |
| Unrealized gains on derivative instruments— | | | | | | | | |
| Unrealized holding gains or losses arising during the period | — | — | — | — | — | 87 | — | 87 |
| Less: Reclassification adjustment for gains or losses included in net income | — | — | — | — | — | (40) | — | (40) |
| Minimum pension liability adjustments | — | — | — | — | — | 25,921 | — | 25,921 |
| Foreign currency translation adjustments | — | — | — | — | — | (4,300) | — | (4,300) |
| Total comprehensive income | — | — | — | — | — | — | — | 52,451 |
| Cash dividends | — | — | — | — | (9,003) | — | — | (9,003) |
| Transfer to legal reserve | — | — | — | 43 | (43) | — | — | — |
| Purchase of treasury stock | — | — | — | — | — | — | (114) | (114) |
| Balance, March 31, 2004 | 233,281,133 | 66,369 | 79,987 | 9,715 | 305,582 | (1,400) | (44,401) | 415,852 |
| Comprehensive income: | | | | | | | | |
| Net income | — | — | — | — | 52,133 | — | — | 52,133 |
| Other comprehensive income (loss), net of tax (Note 17): | | | | | | | | |
| Unrealized gains on securities— | | | | | | | | |
| Unrealized holding gains or losses arising during the period | — | — | — | — | — | 2,880 | — | 2,880 |
| Less: Reclassification adjustment for gains or losses included in net income | — | — | — | — | — | (1,840) | — | (1,840) |
| Unrealized losses on derivative instruments— | | | | | | | | |
| Unrealized holding gains or losses arising during the period | — | — | — | — | — | (91) | — | (91) |
| Less: Reclassification adjustment for gains or losses included in net income | — | — | — | — | — | (83) | — | (83) |
| Minimum pension liability adjustments | — | — | — | — | — | (164) | — | (164) |
| Foreign currency translation adjustments | — | — | — | — | — | (584) | — | (584) |
| Total comprehensive income | — | — | — | — | — | — | — | 52,251 |
| Cash dividends | — | — | — | — | (10,127) | — | — | (10,127) |
| Transfer to legal reserve | — | — | — | 72 | (72) | — | — | — |
| Conversion of convertible bonds | 7,584 | 9 | 9 | — | — | — | — | 18 |
| Purchase of treasury stock | — | — | — | — | — | — | (157) | (157) |
| Balance, March 31, 2005 | 233,288,717 | ¥66,378 | ¥79,996 | ¥9,787 | ¥347,516 | (¥ 1,282) | (¥44,558) | ¥457,837 |

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 stock, at cost | Total |
|--|--------------|----------------------------|---------------|-------------------|---|---|-------------|
| Balance, March 31, 2004 | \$620,271 | \$747,542 | \$90,794 | \$2,855,906 | (\$13,081) | (\$414,963) | \$3,886,469 |
| Comprehensive income: | | | | | | | |
| Net income | — | — | — | 487,224 | — | — | 487,224 |
| Other comprehensive income (loss), net of tax (Note 17): | | | | | | | |
| Unrealized gains on securities— | | | | | | | |
| Unrealized holding gains or losses arising during the period | — | — | — | — | 26,915 | — | 26,915 |
| Less: Reclassification adjustment for gains or losses included in net income | — | — | — | — | (17,196) | — | (17,196) |
| Unrealized losses on derivative instruments— | | | | | | | |
| Unrealized holding gains or losses arising during the period | — | — | — | — | (851) | — | (851) |
| Less: Reclassification adjustment for gains or losses included in net income | — | — | — | — | (776) | — | (776) |
| Minimum pension liability adjustments | — | — | — | — | (1,533) | — | (1,533) |
| Foreign currency translation adjustments | — | — | — | — | (5,458) | — | (5,458) |
| Total comprehensive income | — | — | — | — | — | — | 488,325 |
| Cash dividends | — | — | — | (94,644) | — | — | (94,644) |
| Transfer to legal reserve | — | — | 673 | (673) | — | — | — |
| Conversion of convertible bonds | 84 | 84 | — | — | — | — | 168 |
| Purchase of treasury stock | — | — | — | — | — | (1,467) | (1,467) |
| Balance, March 31, 2005 | \$620,355 | \$747,626 | \$91,467 | \$3,247,813 | (\$11,980) | (\$416,430) | \$4,278,851 |

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

SECOM CO., LTD. and Subsidiaries
Three years ended March 31, 2005

| | In millions of yen | | | Translation into thousands |
|--|----------------------|----------|----------|----------------------------|
| | Years ended March 31 | | | of U.S. dollars (Note 3) |
| | 2005 | 2004 | 2003 | Year ended March 31 |
| | | | | 2005 |
| Cash flows from operating activities: | | | | |
| Net income..... | ¥ 52,133 | ¥ 23,479 | ¥ 30,275 | \$ 487,224 |
| Adjustments to reconcile net income to net cash provided by operating activities— | | | | |
| Depreciation and amortization, including amortization of deferred charges..... | 51,450 | 52,943 | 52,067 | 480,841 |
| Accrual for pension and severance costs, less payments | (2,619) | (870) | 188 | (24,476) |
| Settlement loss of benefit obligation on transfer to defined contribution pension plan (Note 14)..... | — | 4,555 | — | — |
| Loss on transfer of the substitutional portion of Employees' Pension Fund (Note 14)..... | — | 4,209 | — | — |
| Deferred income taxes, including discontinued operations | 3,979 | (6,045) | (3,829) | 37,187 |
| Loss on sales and disposal of property, plant and equipment, net | 2,810 | 2,217 | 3,541 | 26,262 |
| Impairment loss on long-lived assets, including discontinued operations (Note 10) ... | 5,215 | 15,095 | 3,012 | 48,739 |
| (Gain) loss on sales of securities, net | (3,457) | (1,603) | 177 | (32,308) |
| Loss on other-than-temporary impairment of investment securities | 722 | 963 | 11,546 | 6,747 |
| Equity in net income of affiliated companies..... | (2,334) | (927) | (1,244) | (21,813) |
| Minority interest in subsidiaries, including discontinued operations..... | 3,368 | 540 | 950 | 31,477 |
| Gain on sales of discontinued operations, net (Note 25)..... | (13,637) | (6,367) | (770) | (127,449) |
| Cumulative effect of accounting change, net of tax (Notes 2 (2) and (13)) | (507) | — | (1,157) | (4,738) |
| Changes in assets and liabilities, net of effects from acquisitions and disposals: | | | | |
| (Increase) decrease in cash deposits | 123 | (15,678) | (4,502) | 1,150 |
| (Increase) decrease in receivables and due from subscribers, net of allowances | (9,234) | 10,721 | 1,483 | (86,299) |
| (Increase) decrease in inventories | 4,830 | (5,279) | 10,073 | 45,140 |
| Increase in deferred charges | (14,123) | (14,347) | (13,668) | (131,991) |
| Increase (decrease) in deposits received | (2,718) | 9,768 | 4,771 | (25,402) |
| Increase in deferred revenue..... | 334 | 556 | 2,129 | 3,121 |
| Increase (decrease) in accrued income taxes | (1,067) | 7,321 | (12,375) | (9,972) |
| Increase (decrease) in guarantee deposits received | (5,140) | (427) | 3,588 | (48,037) |
| Increase in unearned premiums and other insurance liabilities | 5,088 | 3,954 | 142 | 47,551 |
| Other, net | 9,898 | 4,421 | 4,147 | 92,504 |
| Net cash provided by operating activities..... | 85,114 | 89,199 | 90,544 | 795,458 |
| Cash flows from investing activities: | | | | |
| (Increase) decrease in time deposits | (638) | 522 | 430 | (5,963) |
| Proceeds from sales of property, plant and equipment..... | 88,507 | 32,271 | 25,512 | 827,168 |
| Payments for purchases of property, plant and equipment | (43,872) | (40,511) | (50,171) | (410,019) |
| Proceeds from sales of investment securities | 66,534 | 32,959 | 16,492 | 621,813 |
| Payments for purchases of investment securities..... | (96,945) | (61,712) | (80,170) | (906,028) |
| (Increase) decrease in short-term investments..... | (26,623) | 7,603 | 10,292 | (248,813) |
| Increase in short-term receivables, net | (6,670) | (547) | (3,362) | (62,336) |
| Payments for long-term receivables..... | (14,946) | (11,349) | (10,910) | (139,682) |
| Proceeds from long-term receivables..... | 16,836 | 19,258 | 12,147 | 157,346 |
| Other, net | (6,205) | (7,094) | (4,978) | (57,991) |
| Net cash used in investing activities | (24,022) | (28,600) | (84,718) | (224,505) |
| Cash flows from financing activities: | | | | |
| Proceeds from long-term debt | 10,163 | 10,523 | 10,803 | 94,981 |
| Repayments of long-term debt | (43,695) | (28,944) | (53,817) | (408,365) |
| Increase (decrease) in bank loans | (9,669) | (17,438) | 56,753 | (90,364) |
| Increase (decrease) in investment deposits by policyholders..... | (2,597) | (793) | 4,702 | (24,271) |
| Dividends paid | (10,127) | (9,003) | (9,330) | (94,644) |
| Increase in treasury stock, net (Note 17) | (157) | (114) | (44,146) | (1,467) |
| Other, net | (916) | (991) | (1,619) | (8,561) |
| Net cash used in financing activities | (56,998) | (46,760) | (36,654) | (532,691) |
| Effect of exchange rate changes on cash and cash equivalents | 26 | (175) | (421) | 243 |
| Net increase (decrease) in cash and cash equivalents | 4,120 | 13,664 | (31,249) | 38,505 |
| Cash and cash equivalents at beginning of year | 192,892 | 179,228 | 210,477 | 1,802,729 |
| Cash and cash equivalents at end of year..... | ¥197,012 | ¥192,892 | ¥179,228 | \$1,841,234 |

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SECOM CO., LTD. and Subsidiaries
Three years ended March 31, 2005

1. Nature of Operations

The parent company and its subsidiaries (collectively “the Company”) are engaged in security services, medical services, insurance services 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 also has been diversifying the operation of its services covering: home and other medical services; non-life insurance services; information and communication related services, including cyber security services, software development and system integration activities; Geographic Information System services using aerial surveying technology; development and sale of real estate; lease of real estate and other services. The Company is also expanding its business into broadband services using cable television networks through its affiliated companies.

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.

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 and the disclosure 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, investments, property, plant and equipment, goodwill and other intangible assets; valuation allowances for receivables and deferred income taxes; valuation of derivative instruments; and assets and obligations related to employee benefits. Actual results could differ from those estimates.

Significant accounting policies followed 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 subsidiary companies. The consolidated financial statements also include variable interest entities to which the Company is primary beneficiary. All 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 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 is 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 is effective for the Company on April 1, 2004.

The Company adopted the provisions of FIN No. 46R for VIEs created or acquired prior to February 1, 2003 on April 1, 2004. Under FIN No. 46R, any difference between the net amount added to the consolidated balance sheet and any previously recognized interest in the VIE shall be recognized as a cumulative effect of accounting change. As a result of the adoption of FIN No. 46R, one organization managing hospitals and health care-related institutions was consolidated and the Company recognized a one-time income of ¥507 million (\$4,738 thousand) as a cumulative effect of accounting change, and the Company’s assets and liabilities increased by ¥3,636 million (\$33,981 thousand) and ¥3,119 million (\$29,150 thousand), respectively.

The Company provides loans and guarantees to organizations managing hospitals and health care-related institutions. Certain organizations are considered as VIEs under FIN No. 46R. Total assets held by the VIE to which the Company is primary beneficiary at March 31, 2005 were ¥7,276 million (\$68,000 thousand). Total assets held by the VIEs to which the Company holds significant variable interests but is not primary beneficiary and the Company’s maximum exposure to loss related to the VIEs at March 31, 2005 were ¥26,951 million (\$251,879 thousand) and ¥17,243 million (\$161,150 thousand), respectively.

The Company also provides loans and guarantees to real estate investment companies. Certain investment companies are considered as VIEs under FIN No. 46R. As the Company has been consolidating these companies before April 1, 2004, the adoption of FIN No. 46R for these entities did not have a material effect on the Company's consolidated financial position and results of operations. Total assets held by the VIEs to which the Company is primary beneficiary at March 31, 2005 were ¥18,543 million (\$173,299 thousand). Total assets held by the VIEs to which the Company holds significant variable interests but is not primary beneficiary and the Company's maximum exposure to loss related to the VIEs at March 31, 2005 were ¥6,328 million (\$59,140 thousand) and ¥5,941 million (\$55,523 thousand), respectively.

(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, 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 performed. 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 (11)).

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. EITF No. 00-21 was effective for revenue arrangements entered into after March 31, 2004. The adoption of EITF No. 00-21 did not have a material effect on the Company's financial position and results of operations.

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 long-term contracts for Geographic Information System 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.

(4) Foreign Currency Translation

All asset and liability accounts of foreign subsidiaries and affiliates are translated into Japanese yen at appropriate year-end current rates 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". Marketable debt and equity securities which are classified as "available-for-sale" are recorded at fair value. Unrealized gains and losses on securities classified as "available-for-sale" are reported as part of other comprehensive income (loss), net of tax. Debt securities that are expected to be "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 periodically reviews the fair value of available-for-sale securities for possible impairment by taking into consideration the financial and operating conditions the issuer, the general market conditions in the issuer's industry, the degree and period of the decline in fair value and other relevant factors.

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) Inventories

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

(8) Allowance for Doubtful Accounts

The Company recognizes 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.

(9) 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.

(10) Property, Plant and Equipment and Depreciation

Property, plant and equipment, including significant betterments, are carried at cost. Depreciation is computed primarily using the declining-balance method at rates based on the estimated useful lives of the assets. Assets leased to others under operating leases are primarily depreciated using the straight-line method over the estimated useful lives. Depreciation expense was ¥33,465 million (\$312,757 thousand), ¥34,943 million and ¥34,735 million for the years ended March 31, 2005, 2004 and 2003, 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 years |
| Machinery, equipment and automobiles | 3 to 15 years |

(11) 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 was ¥13,583 million (\$126,944 thousand), ¥13,323 million and ¥13,197 million for the years ended March 31, 2005, 2004 and 2003, respectively.

(12) Impairment or Disposal of Long-Lived Assets

The Company periodically 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 asset 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.

(13) Goodwill and Other Intangible Assets

The Company adopted the provisions of Statement of Financial Accounting Standards ("SFAS") No. 141, "Business Combinations", and SFAS No. 142, "Goodwill and Other Intangible Assets", on April 1, 2002, with the exception of the immediate requirement to use the purchase method of accounting for all business combinations completed after June 30, 2001. As a result of the adoption of SFAS No. 141, the Company recorded a transition gain as cumulative effect of accounting change on April 1, 2002 due to the write-off of unamortized deferred credits of ¥1,157 million which existed at March 31, 2002.

Pursuant to SFAS No. 142, 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, "Accounting for the Impairment or Disposal of Long-Lived Assets".

(14) 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.

(15) Income Taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized. 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.

(16) Research and Development

Research and development costs are charged to income as incurred.

(17) 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, 2005, 2004 and 2003 were ¥5,186 million (\$48,467 thousand), ¥5,366 million and ¥5,315 million, respectively.

(18) Derivative Financial Instruments

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 income.

(19) Discontinued Operations

SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", broadened the scope of discontinued operations to include the operating results of any component of an entity with its own identifiable operations and cash flows which is disposed of or is classified as held for sale, and with which the Company will not have significant continuing involvement. Included in reported discontinued operations are the operating results of certain businesses and properties sold in the years ended March 31, 2005, 2004 and 2003, without significant continuing involvement, and the results of operations for the presented periods were reclassified in the accompanying consolidated financial statements.

(20) Earnings per Share

Basic Earnings per Share ("EPS") is computed based on the average number of shares of common stock outstanding for the period. Diluted EPS assumes the dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock, or resulted in the issuance of common stock.

(21) Recent Pronouncements

In March 2004, EITF reached a consensus on EITF No. 03-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments". EITF No. 03-1 provides guidance on other-than-temporary impairment models for marketable debt and equity securities accounted for under SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities", and non-marketable equity securities accounted for under the cost method. EITF No. 03-1 developed a basic three-step model to evaluate whether an investment is other-than-temporarily impaired. The FASB issued FASB Staff Position EITF 03-1-1 in September 2004, which delayed the effective date of the recognition and measurement provisions of EITF No. 03-1. The adoption of EITF No. 03-1 is not expected to have a material effect on the Company's consolidated results of operations and financial position.

In November 2004, the FASB issued SFAS No. 151, "Inventory Costs—an amendment of ARB No. 43, Chapter 4". SFAS No. 151 amends the guidance in Accounting Research Bulletin ("ARB") No. 43, Chapter 4, "Inventory Pricing", to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage). Among other provisions, the new rule requires that items such as idle facility expense,

excessive spoilage, double freight, and rehandling costs be recognized as current-period charges regardless of whether they meet the criterion of "so abnormal" as stated in ARB No. 43. Additionally, SFAS No. 151 requires that the allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. SFAS No. 151 is effective for fiscal years beginning after June 15, 2005 and is required to be adopted by the Company on April 1, 2006. The Company is currently evaluating the effect that the adoption of SFAS No. 151 will have on its consolidated results of operations and financial position but does not expect SFAS No. 151 to have a material impact.

In December 2004, the FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets—an amendment of APB Opinion No. 29". SFAS No. 153 eliminates the exception from fair value measurement for nonmonetary exchanges of similar productive assets in paragraph 21 (b) of Accounting Principles Board ("APB") Opinion No. 29, "Accounting for Nonmonetary Transactions", and replaces it with an exception for exchanges that do not have commercial substance. SFAS No. 153 specifies that a nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS No. 153 is effective for the fiscal periods beginning after June 15, 2005 and is required to be adopted by the Company on April 1, 2006. The Company is currently evaluating the effect that the adoption of SFAS No. 153 will have on its consolidated results of operations and financial position but does not expect it to have a material impact.

(22) Reclassifications

During the year ended March 31, 2005, the Company reclassified the consolidated statements of income. Certain reclassifications of previously reported amounts have been made to conform to the presentation used for the year ended March 31, 2005. These reclassifications had no effect on net income and total shareholders' equity in the accompanying consolidated financial statements.

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 ¥107=US\$1, the rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2005. These translations should not be construed as representing that the yen amounts actually represented, or have been or could be converted into U.S. dollars at that rate.

4. Reconciliation of the Differences between Basic and Diluted Net Income per Share ("EPS")

Reconciliation of the differences between basic and diluted EPS for the years ended March 31, 2005, 2004 and 2003 is as follows:

| | In millions of yen | Thousands of shares | In yen |
|---|---|-----------------------------|--------------------|
| | Income from continuing operations | Weighted- average shares | EPS |
| For the year ended March 31, 2005: | | | |
| Basic EPS— | | | |
| Income from continuing operations..... | ¥41,749 | 225,039 | ¥185.52 |
| Effect of dilutive securities— | | | |
| Convertible bonds..... | — | 3 | |
| Diluted EPS— | | | |
| Income from continuing operations for diluted EPS computation..... | ¥41,749 | 225,042 | ¥185.52 |
| For the year ended March 31, 2004: | | | |
| Basic EPS— | | | |
| Income from continuing operations..... | ¥27,686 | 225,066 | ¥123.01 |
| Effect of dilutive securities— | | | |
| Convertible bonds..... | 0 | 8 | |
| Diluted EPS— | | | |
| Income from continuing operations for diluted EPS computation..... | ¥27,686 | 225,074 | ¥123.01 |
| For the year ended March 31, 2003: | | | |
| Basic EPS— | | | |
| Income from continuing operations..... | ¥30,883 | 227,849 | ¥135.54 |
| Effect of dilutive securities— | | | |
| Convertible bonds..... | 0 | 9 | |
| Diluted EPS— | | | |
| Income from continuing operations for diluted EPS computation..... | ¥30,883 | 227,858 | ¥135.54 |
| | In thousands of U.S. dollars | Thousands of shares | In U.S. dollars |
| | Income from continuing operations | Weighted- average shares | EPS |
| For the year ended March 31, 2005: | | | |
| Basic EPS— | | | |
| Income from continuing operations..... | \$390,177 | 225,039 | \$1.74 |
| Effect of dilutive securities— | | | |
| Convertible bonds..... | — | 3 | |
| Diluted EPS— | | | |
| Income from continuing operations for diluted EPS computation..... | \$390,177 | 225,042 | \$1.74 |

5. Cash and Cash Equivalents

Cash and cash equivalents at March 31, 2005 and 2004 were comprised as follows:

| | In millions of yen | | In thousands of U.S. dollars |
|-----------------------------|--------------------|----------|------------------------------|
| | March 31 | | March 31 |
| | 2005 | 2004 | 2005 |
| Cash | ¥166,920 | ¥124,855 | \$1,560,000 |
| Time deposits..... | 18,438 | 18,626 | 172,318 |
| Call loan..... | 10,000 | 38,000 | 93,458 |
| Investment securities | 1,654 | 11,411 | 15,458 |
| | ¥197,012 | ¥192,892 | \$1,841,234 |

Investment securities include commercial papers and money management funds. These agreements mature within three months and the carrying values approximate market. The Company has never 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 ¥60,806 million (\$568,280 thousand) and ¥60,930 million at March 31, 2005 and 2004, respectively, are segregated from cash and cash equivalents and are restricted as to use by the Company. The Company funds most of the necessary cash through bank overdrafts and deposits. Bank loans and deposits received include ¥25,573 million (\$239,000 thousand) and ¥34,556 million (\$322,953 thousand), respectively, at March 31, 2005, and ¥24,263 million and ¥36,512 million, respectively, at March 31, 2004, relating to these operations. 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, 2005 and 2004 were as follows:

| | In millions of yen | | | |
|-------------------------|--------------------|------------------|---------------|-----------------|
| | March 31, 2005 | | | |
| | Cost | Gross unrealized | | Fair value |
| | | Gains | Losses | |
| Available-for-sale: | | | | |
| Equity securities | ¥ 49,897 | ¥13,948 | ¥ 702 | ¥ 63,143 |
| Debt securities | 170,146 | 994 | 547 | 170,593 |
| Total | ¥220,043 | ¥14,942 | ¥1,249 | ¥233,736 |
| Held-to-maturity: | | | | |
| Debt securities | ¥ 6,112 | ¥ 20 | ¥ — | ¥ 6,132 |

| | In millions of yen | | | |
|-------------------------|--------------------|------------------|---------------|-----------------|
| | March 31, 2004 | | | |
| | Cost | Gross unrealized | | Fair value |
| | | Gains | Losses | |
| Available-for-sale: | | | | |
| Equity securities | ¥ 42,296 | ¥12,117 | ¥ 926 | ¥ 53,487 |
| Debt securities | 118,190 | 760 | 164 | 118,786 |
| Total | ¥160,486 | ¥12,877 | ¥1,090 | ¥172,273 |
| Held-to-maturity: | | | | |
| Debt securities | ¥ 5,755 | ¥ 0 | ¥ 5 | ¥ 5,750 |

| | In thousands of U.S. dollars | | | |
|-------------------------|------------------------------|------------------|-----------------|--------------------|
| | March 31, 2005 | | | |
| | Cost | Gross unrealized | | Fair value |
| | | Gains | Losses | |
| Available-for-sale: | | | | |
| Equity securities | \$ 466,327 | \$130,356 | \$ 6,561 | \$ 590,122 |
| Debt securities | 1,590,150 | 9,289 | 5,112 | 1,594,327 |
| Total | \$2,056,477 | \$139,645 | \$11,673 | \$2,184,449 |
| Held-to-maturity: | | | | |
| Debt securities | \$ 57,121 | \$ 187 | \$ — | \$ 57,308 |

Gross unrealized losses on, and fair value of, "available-for-sale" securities, aggregated by investment category and the length of time that individual securities have been in a continuous unrealized loss position, at March 31, 2005 were as follows:

| | In millions of yen | | | |
|-------------------------|---------------------|-------------------------|---------------------|-------------------------|
| | March 31, 2005 | | | |
| | Less than 12 months | | 12 months or longer | |
| | Fair value | Gross unrealized losses | Fair value | Gross unrealized losses |
| Available-for-sale: | | | | |
| Equity securities | ¥ 6,557 | ¥241 | ¥1,823 | ¥461 |
| Debt securities | 55,360 | 520 | 332 | 27 |
| Total | ¥61,917 | ¥761 | ¥2,155 | ¥488 |

| | In thousands of U.S. dollars | | | |
|-------------------------|------------------------------|-------------------------|---------------------|-------------------------|
| | March 31, 2005 | | | |
| | Less than 12 months | | 12 months or longer | |
| | Fair value | Gross unrealized losses | Fair value | Gross unrealized losses |
| Available-for-sale: | | | | |
| Equity securities | \$ 61,280 | \$2,252 | \$17,037 | \$4,309 |
| Debt securities | 517,383 | 4,860 | 3,103 | 252 |
| Total | \$578,663 | \$7,112 | \$20,140 | \$4,561 |

At March 31, 2005, 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, 2005 are as follows:

| | In millions of yen | | | |
|---|--------------------|-----------------|------------------|---------------|
| | March 31, 2005 | | | |
| | Available-for-sale | | Held-to-maturity | |
| | Cost | Fair value | Cost | Fair value |
| Due within 1 year | ¥ 69,500 | ¥ 69,506 | ¥2,000 | ¥2,003 |
| Due after 1 year through 5 years | 47,701 | 47,702 | 2,912 | 2,929 |
| Due after 5 years through 10 years | 45,163 | 45,653 | — | — |
| Due after 10 years | 7,782 | 7,732 | 1,200 | 1,200 |
| | ¥170,146 | ¥170,593 | ¥6,112 | ¥6,132 |

| | In thousands of U.S. dollars | | | |
|---|------------------------------|--------------------|------------------|-----------------|
| | March 31, 2005 | | | |
| | Available-for-sale | | Held-to-maturity | |
| | Cost | Fair value | Cost | Fair value |
| Due within 1 year | \$ 649,533 | \$ 649,589 | \$18,692 | \$18,720 |
| Due after 1 year through 5 years | 445,804 | 445,813 | 27,215 | 27,374 |
| Due after 5 years through 10 years | 422,084 | 426,664 | — | — |
| Due after 10 years | 72,729 | 72,261 | 11,214 | 11,214 |
| | \$1,590,150 | \$1,594,327 | \$57,121 | \$57,308 |

During the years ended March 31, 2005, 2004 and 2003, the net unrealized gains on "available-for-sale" securities included as part of other comprehensive income (loss), net of tax, increased by ¥1,040 million (\$9,720 thousand) and ¥7,304 million and ¥1,723 million, respectively.

Proceeds from the sale of "available-for-sale" securities for the years ended March 31, 2005, 2004 and 2003 were ¥17,826 million (\$166,598 thousand), ¥20,791 million and ¥8,228 million, respectively. On those sales, the gross realized gains and gross realized losses, using a specifically identified moving-average cost basis, for the years ended March 31, 2005, 2004 and 2003 were as follows:

| | In millions of yen | | | In thousands of U.S. dollars |
|---------------------------|----------------------|--------|-------|------------------------------|
| | Years ended March 31 | | | Year ended March 31 |
| | 2005 | 2004 | 2003 | 2005 |
| Gross realized gains..... | ¥3,612 | ¥2,175 | ¥ 759 | \$33,757 |
| Gross realized losses ... | 102 | 556 | 1,266 | 953 |

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 ¥35,182 million (\$328,804 thousand) and ¥28,334 million at March 31, 2005 and 2004, respectively. The corresponding fair value at that date was not computed as such estimation was not practicable.

8. Inventories

Inventories principally consist of operational equipment and certain merchandise, including security-related products and real estate for sale.

Inventories at March 31, 2005 and 2004 comprised the following:

| | In millions of yen | | In thousands of U.S. dollars |
|--|--------------------|----------------|------------------------------|
| | March 31 | | March 31 |
| | 2005 | 2004 | 2005 |
| Security-related products | ¥ 7,877 | ¥ 6,655 | \$ 73,617 |
| Real estate | 28,007 | 33,410 | 261,748 |
| Information and other-related products | 5,268 | 5,633 | 49,233 |
| | ¥41,152 | ¥45,698 | \$384,598 |

Work in process real estate inventories at March 31, 2005 and 2004, amounting to ¥21,700 million (\$202,804 thousand) and ¥32,170 million, respectively, are included in real estate.

9. Investments in Affiliated Companies

The Company has investments in affiliated companies that are accounted for under the equity method. The principal investments are Nohmi Bosai Ltd., a 28.6 percent owned affiliate, which is Japan's largest manufacturer of fire alarms and listed on the First Section of the Tokyo Stock Exchange; Taiwan Secom Co., Ltd., a 28.1 percent owned affiliate, which is listed on the Taiwan Stock Exchange; S1 Corporation, a 26.2 percent owned affiliate, which is listed on the Korea Stock Exchange; and Japan Cablenet Holdings Limited, a 26.0 percent owned affiliate.

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 |
|---|--------------------|-----------------|------------------------------|
| | March 31 | | March 31 |
| | 2005 | 2004 | 2005 |
| Current assets | ¥ 95,697 | ¥ 99,233 | \$ 894,365 |
| Non-current assets | 142,730 | 142,588 | 1,333,925 |
| Total assets | ¥238,427 | ¥241,821 | \$2,228,290 |
| Current liabilities | ¥ 51,013 | ¥ 57,846 | \$ 476,757 |
| Non-current liabilities | 61,216 | 63,326 | 572,112 |
| Shareholders' equity | 126,198 | 120,649 | 1,179,421 |
| Total liabilities and shareholders' equity | ¥238,427 | ¥241,821 | \$2,228,290 |

| | In millions of yen | | | In thousands of U.S. dollars |
|--------------------|----------------------|----------|----------|------------------------------|
| | Years ended March 31 | | | Year ended March 31 |
| | 2005 | 2004 | 2003 | 2005 |
| Net sales | ¥201,253 | ¥188,570 | ¥178,397 | \$1,880,869 |
| Gross profit | ¥ 65,276 | ¥ 59,894 | ¥ 55,179 | \$ 610,056 |
| Net income | ¥ 11,362 | ¥ 9,751 | ¥ 6,996 | \$ 106,187 |

Dividends received from affiliated companies for the years ended March 31, 2005, 2004 and 2003 were ¥1,524 million (\$14,243 thousand), ¥1,140 million and ¥924 million, respectively.

Among the affiliated companies accounted for using the equity method, the stocks of three companies carried at equity of ¥24,593 million (\$229,841 thousand) and ¥24,088 million at March 31, 2005 and 2004, respectively, had a quoted market value of ¥65,601 million (\$613,093 thousand) and ¥44,026 million at March 31, 2005 and 2004, respectively.

The unamortized amounts of goodwill were ¥1,698 million (\$15,869 thousand) and ¥979 million at March 31, 2005 and 2004, respectively.

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

| | In millions of yen | | | In thousands of U.S. dollars |
|-----------------|----------------------|--------|---------|------------------------------|
| | Years ended March 31 | | | Year ended March 31 |
| | 2005 | 2004 | 2003 | 2005 |
| Sales | ¥1,740 | ¥1,840 | ¥ 1,862 | \$16,262 |
| Purchases | ¥5,574 | ¥7,858 | ¥10,061 | \$52,093 |

| | In millions of yen | | In thousands of U.S. dollars |
|--|--------------------|--------|------------------------------|
| | March 31 | | March 31 |
| | 2005 | 2004 | 2005 |
| Notes and accounts receivable, trade | ¥ 448 | ¥ 645 | \$ 4,187 |
| Loan receivables | ¥ 671 | ¥ 992 | \$ 6,271 |
| Notes and accounts payable | ¥ 857 | ¥1,750 | \$ 8,009 |
| Guarantees for bank loans | ¥1,850 | ¥3,824 | \$17,290 |

10. Long-Lived Assets

The Company has assessed the potential impairment for all material long-lived assets. As a result of significant decreases of rental rates, market prices and forecasts of future revenue, and changes of assumptions regarding useful lives before sale, the Company principally recognized impairment losses on properties of hotel business for the year ended March 31, 2005 and properties held for lease and properties held by real estate investment companies as part of investment assets of the insurance services segment for the years ended March 31, 2004 and 2003. Fair value used was determined mainly based on appraisal value.

Impairment loss on long-lived assets by business segment for the years ended March 31, 2005, 2004 and 2003 was as follows:

| | In millions of yen | | | In thousands of U.S. dollars |
|--|----------------------|----------------|---------------|------------------------------|
| | Years ended March 31 | | | Year ended March 31 |
| | 2005 | 2004 | 2003 | 2005 |
| Continuing operations: | | | | |
| Security services | ¥1,350 | ¥ — | ¥ — | \$12,617 |
| Medical services | 25 | 511 | — | 234 |
| Insurance services | 647 | 407 | — | 6,047 |
| Information and communication related and other services | 2,724 | 6,125 | — | 25,458 |
| Corporate items | 469 | 1,784 | — | 4,383 |
| | 5,215 | 8,827 | — | 48,739 |
| Discontinued operations (Note 25): | | | | |
| Insurance services | — | 3,312 | 3,012 | — |
| Information and communication related and other services | — | 2,956 | — | — |
| | — | 6,268 | 3,012 | — |
| Total | ¥5,215 | ¥15,095 | ¥3,012 | \$48,739 |

Impairment loss on long-lived assets of the insurance service segment was recorded in net sales and operating revenue, which included net realized investment gains and losses of the segment.

11. Goodwill and Other Intangible Assets

The components of acquired intangible assets excluding goodwill at March 31, 2005 and 2004 were as follows:

| | In millions of yen | | |
|------------------------------|-----------------------|--------------------------|---------------------|
| | March 31, 2005 | | |
| | Gross carrying amount | Accumulated amortization | Net carrying amount |
| Amortized intangible assets: | | | |
| Software..... | ¥23,561 | (¥10,517) | ¥13,044 |
| Other..... | 4,055 | (2,599) | 1,456 |
| Total | ¥27,616 | (¥13,116) | ¥14,500 |

Unamortized intangible assets..... ¥ 4,962 ¥ — ¥ 4,962

| | In millions of yen | | |
|------------------------------|-----------------------|--------------------------|---------------------|
| | March 31, 2004 | | |
| | Gross carrying amount | Accumulated amortization | Net carrying amount |
| Amortized intangible assets: | | | |
| Software..... | ¥22,133 | (¥ 9,304) | ¥12,829 |
| Other..... | 4,569 | (2,348) | 2,221 |
| Total | ¥26,702 | (¥11,652) | ¥15,050 |

Unamortized intangible assets..... ¥ 4,690 ¥ — ¥ 4,690

| | In thousands of U.S. dollars | | |
|------------------------------|------------------------------|--------------------------|---------------------|
| | March 31, 2005 | | |
| | Gross carrying amount | Accumulated amortization | Net carrying amount |
| Amortized intangible assets: | | | |
| Software..... | \$220,196 | (\$ 98,290) | \$121,906 |
| Other..... | 37,898 | (24,290) | 13,608 |
| Total | \$258,094 | (\$122,580) | \$135,514 |

Unamortized intangible assets..... \$ 46,374 \$ — \$ 46,374

Aggregate amortization expense for the years ended March 31, 2005, 2004 and 2003 was ¥4,324 million (\$40,411 thousand), ¥4,537 million and ¥4,134 million, respectively.

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 |
|-----------------------|--------------------|------------------------------|
| 2006 | ¥4,595 | \$42,944 |
| 2007 | 3,865 | 36,121 |
| 2008 | 2,628 | 24,561 |
| 2009 | 1,735 | 16,215 |
| 2010 | 815 | 7,617 |

The changes in the carrying amount of goodwill by business segment for the years ended March 31, 2005 and 2004 were as follows:

| | In millions of yen | | | |
|--|--------------------|------------------|--|----------------|
| | Security services | Medical services | Information and communication related and other services | Total |
| March 31, 2003 | ¥1,244 | ¥4,902 | ¥6,345 | ¥12,491 |
| Goodwill acquired during the year..... | — | — | 3,549 | 3,549 |
| Impairment losses | — | (89) | (340) | (429) |
| Translation adjustment | (13) | — | — | (13) |
| March 31, 2004 | 1,231 | 4,813 | 9,554 | 15,598 |
| Effect of adopting FIN No. 46R | — | 2,514 | — | 2,514 |
| Impairment losses | — | (93) | — | (93) |
| Translation adjustment | 51 | — | — | 51 |
| March 31, 2005 | ¥1,282 | ¥7,234 | ¥9,554 | ¥18,070 |

| | In thousands of U.S. dollars | | | |
|--------------------------------------|------------------------------|------------------|--|------------------|
| | Security services | Medical services | Information and communication related and other services | Total |
| March 31, 2004 | \$11,505 | \$44,981 | \$89,290 | \$145,776 |
| Effect of adopting FIN No. 46R | — | 23,495 | — | 23,495 |
| Impairment losses | — | (869) | — | (869) |
| Translation adjustment | 477 | — | — | 477 |
| March 31, 2005 | \$11,982 | \$67,607 | \$89,290 | \$168,879 |

12. Bank Loans and Long-Term Debt

Bank loans of ¥102,228 million (\$955,402 thousand) and ¥111,764 million at March 31, 2005 and 2004, respectively, are generally comprised of 30 to 365 day notes. Their interest rates ranged from 0.52 to 5.25 percent and from 0.49 to 2.36 percent at March 31, 2005 and 2004, respectively. Substantially all of these loans are with banks. The Company has entered into basic agreements with these banks that 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 never been requested to submit such additional security.

Long-term debt at March 31, 2005 and 2004 comprised the following:

| | In millions of yen | | In thousands of U.S. dollars |
|---|--------------------|-----------------|------------------------------|
| | March 31 2005 | March 31 2004 | March 31 2005 |
| Loans, principally from banks due 2005 to 2025 with interest rates ranging from 0.00 to 6.60% in 2005 and 2004: | | | |
| Secured..... | ¥17,249 | ¥ 46,787 | \$161,205 |
| Unsecured | 6,159 | 12,784 | 57,561 |
| 1.60% unsecured convertible bonds due 2004, convertible at ¥2,372.4 (\$22.17) for one common share, redeemable before due date..... | — | 18 | — |
| 0.53% unsecured bonds due 2006..... | 30,000 | 30,000 | 280,374 |
| 0.46% unsecured bonds due 2007..... | 1,500 | 1,500 | 14,018 |
| 0.48% unsecured bonds due 2007..... | 1,000 | 1,000 | 9,346 |
| Unsecured bonds due 2009 to 2012 with floating interest rates based on 6-month TIBOR plus 0.15% to 0.20%..... | 9,130 | — | 85,327 |
| 1.80% secured bonds due 2004 | — | 200 | — |
| 1.21% secured bonds due 2006 | — | 300 | — |
| Obligations under capital leases, due 2005 to 2026 (Note 19)..... | 11,269 | 11,945 | 105,318 |
| | 76,307 | 104,534 | 713,149 |
| Less: | | | |
| Portion due within one year | 10,492 | 13,439 | 98,056 |
| | ¥65,815 | ¥ 91,095 | \$615,093 |

Property, plant and equipment with a carrying amount of ¥41,470 million (\$387,570 thousand), inventories with a carrying amount of ¥18,745 million (\$175,187 thousand), investment securities with a carrying amount of ¥1,138 million (\$10,636 thousand), time deposits of ¥730 million (\$6,822 thousand) and other intangible assets and other with a carrying amount of ¥1,593 million (\$14,888 thousand) were pledged as collateral for bank loans and long-term debt at March 31, 2005.

The Company has no compensating balance arrangements with any lending bank. However, as is the customary practice in Japan, the Company had time deposits aggregating ¥2,038 million (\$19,047 thousand) with such banks at March 31, 2005.

The aggregate annual maturities on long-term debt after March 31, 2005 are as follows:

| Years ending March 31 | In millions of yen | In thousands of U.S. dollars |
|-----------------------|--------------------|------------------------------|
| 2006..... | ¥10,492 | \$ 98,056 |
| 2007..... | 42,851 | 400,477 |
| 2008..... | 5,599 | 52,327 |
| 2009..... | 2,516 | 23,514 |
| 2010..... | 6,751 | 63,093 |
| Thereafter | 8,098 | 75,682 |
| | ¥76,307 | \$713,149 |

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 amounts of net equity of Secom Insurance at March 31, 2005 and 2004 were ¥23,444 million (\$219,103 thousand) and ¥23,154 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, 2005, 2004 and 2003 were gains of ¥2,039 million (\$19,056 thousand), ¥117 million and losses of ¥7,897 million, respectively.

14. Pension and Severance Costs

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

The parent company and certain of its Japanese subsidiaries maintained an Employees' Pension Fund ("EPF") plan which is a defined benefit pension established under the Japanese Welfare Pension Insurance Law, covering substantially all of their employees. The EPF plan was composed of the substitutional portion and the corporate portion. The pension benefits for the substitutional portion were determined based on standard remuneration scheduled by the Japanese Welfare Pension Insurance Law and the length of participation. The corporate portion is a cash balance pension plan. Under the cash balance pension plan, each participant has an account which is credited annually based on the current rate of pay and market-related interest rate.

In March 2003, the parent company and certain of its Japanese subsidiaries decided to transfer the 20 percent portion of their cash balance pension plan for the eligible employees having three years or more of service to a newly established defined contribution pension plan and amend the calculation method of a market-related interest rate for the remaining 80 percent portion, effective April 1, 2003. With the decision of the transfer to the defined contribution pension plan, the EPF plan made contributions of ¥7,091 million, which was equivalent to the benefit transferred to the defined contribution pension plan in April 2003. 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 this transfer as a partial settlement of benefit obligation and recognized a settlement loss of ¥4,555 million as "Settlement loss of benefit obligation on transfer to defined contribution pension plan" in the consolidated statement of income for the year ended March 31, 2004. The amendment for the remaining 80 percent portion was accounted for as a plan amendment in March 2003 and the resulting prior service benefit is amortized based on the remaining service period.

In April 2002, following the enactment of changes to the Japanese Welfare Pension Insurance Law, the parent company and certain of its Japanese subsidiaries obtained approval from the Japanese Ministry of Health, Labour and Welfare for exemption from the future benefit obligation with respect to the substitutional portion of the EPF plan. After obtaining the approval, in October 2003 these companies obtained another approval for separation of the remaining benefit obligation of the substitutional portion that is related to past employee services. The transfer to the Government was completed in February 2004.

The Company accounted for the transfer in accordance with EITF No. 03-2, "Accounting for the Transfer to the Japanese Government of the Substitutional Portion of Employee Pension Fund Liabilities". As a result of the transfer, the Company recognized a loss of ¥4,209 million as "Loss on transfer of the substitutional portion of Employees' Pension Fund" in the consolidated statement of income for the year ended March 31, 2004. This consists of ¥24,272 million of a subsidy from the Government calculated as the difference between accumulated benefit obligation settled and the amount transferred to the Government, ¥7,719 million of derecognition of previously accrued salary progression and ¥36,200 million of recognition of related unrecognized actuarial loss, at the time when the past benefit obligation was transferred.

The corporate portion of the EPF which is a cash balance pension plan continues to exist exclusively as a corporate pension fund.

Net pension and severance costs for the years ended March 31, 2005, 2004 and 2003 were as follows:

| | In millions of yen | | | In thousands of U.S. dollars |
|---|--------------------|---------|---------|------------------------------|
| | 2005 | 2004 | 2003 | Year ended March 31 |
| Net pension and severance costs: | | | | |
| Service cost | ¥3,473 | ¥3,360 | ¥4,200 | \$32,458 |
| Interest cost | 1,237 | 3,083 | 3,449 | 11,561 |
| Expected return on plan assets | (1,767) | (2,678) | (2,749) | (16,514) |
| Amortization of transition assets | (40) | (44) | (46) | (374) |
| Amortization of prior service benefit | (1,654) | (1,642) | (1,172) | (15,458) |
| Recognized actuarial loss | 907 | 2,509 | 3,336 | 8,477 |
| Net pension and severance costs | ¥2,156 | ¥4,588 | ¥7,018 | \$20,150 |

The changes in benefit obligation and plan assets, funded status and composition of the amounts recognized in the consolidated balance sheets were as follows:

| | In millions of yen | | In thousands of U.S. dollars |
|---|----------------------|----------|------------------------------|
| | Years ended March 31 | 2004 | Year ended March 31 |
| | 2005 | 2004 | 2005 |
| Change in benefit obligation: | | | |
| Benefit obligation | | | |
| at beginning of year | ¥62,460 | ¥135,488 | \$583,738 |
| Service cost | 3,473 | 3,360 | 32,458 |
| Interest cost | 1,237 | 3,083 | 11,561 |
| Actuarial gain | (1,599) | (2,086) | (14,944) |
| Amendments | — | (344) | — |
| Benefits paid | (4,542) | (3,922) | (42,448) |
| Acquisition | 195 | — | 1,822 |
| Effect of adopting FIN No. 46R ... | 410 | — | 3,832 |
| Settlement | — | (7,091) | — |
| Transfer of the substitutional portion of EPF | — | (66,028) | — |
| Benefit obligation at end of year | 61,634 | 62,460 | 576,019 |
| Change in plan assets: | | | |
| Fair value of plan assets | | | |
| at beginning of year | 49,561 | 82,717 | 463,187 |
| Actual return on plan assets | 1,703 | 6,172 | 15,916 |
| Employer contribution | 4,229 | 5,043 | 39,523 |
| Benefits paid | (3,997) | (3,243) | (37,355) |
| Acquisition | 199 | — | 1,860 |
| Settlement | — | (7,091) | — |
| Transfer of the substitutional portion of EPF | — | (34,037) | — |
| Fair value of plan assets at end of year | 51,695 | 49,561 | 483,131 |
| Funded status | 9,939 | 12,899 | 92,888 |
| Unrecognized actuarial loss | (27,944) | (30,395) | (261,159) |
| Unrecognized transition assets | — | 40 | — |
| Unrecognized prior service benefit | 19,472 | 21,127 | 181,981 |
| Net amount recognized | ¥ 1,467 | ¥ 3,671 | \$ 13,710 |

Amounts recognized in the consolidated balance sheets consist of:

| | | | |
|---|-----------|-----------|-------------|
| Prepaid pension and severance costs | (¥11,165) | (¥ 8,801) | (\$104,346) |
| Accrued pension and severance costs | 13,261 | 12,813 | 123,935 |
| Accumulated other comprehensive income (loss) | (629) | (341) | (5,879) |
| Net amount recognized | ¥ 1,467 | ¥ 3,671 | \$ 13,710 |

The accumulated benefit obligation for the pension plan was ¥56,939 million (\$532,140 thousand) and ¥58,249 million at March 31, 2005 and 2004, respectively.

The Company recognizes a minimum pension liability in the consolidated balance sheets for pension plans with an accumulated benefit obligation in excess of plan assets. The minimum pension liability which exceeded the unrecognized prior service cost was recorded as a component of accumulated other comprehensive income (loss), net of tax, of ¥358 million (\$3,346 thousand) and ¥194 million at March 31, 2005 and 2004, 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 ¥16,255 million (\$151,916 thousand), ¥15,002 million (\$140,206 thousand) and ¥3,324 million (\$31,065 thousand), respectively, at March 31, 2005, and ¥15,890 million, ¥14,987 million and ¥2,832 million, respectively, at March 31, 2004.

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

Weighted-average assumptions used to determine benefit obligation at March 31, 2005 and 2004 were as follows:

| | March 31 | |
|-------------------------------------|----------|------|
| | 2005 | 2004 |
| Discount rate | 2.0% | 2.0% |
| Rate of compensation increase | 2.7 | 2.7 |

Weighted-average assumptions used to determine net pension and severance costs for the years ended March 31, 2005, 2004 and 2003 were as follows:

| | Years ended March 31 | | |
|--------------------------------------|----------------------|------|------|
| | 2005 | 2004 | 2003 |
| Discount rate | 2.0% | 2.5% | 2.5% |
| Expected return on plan assets | 3.0 | 3.0 | 3.0 |
| Rate of compensation increase | 2.7 | 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, 2005 and 2004 were as follows:

| Asset category: | March 31 | |
|-------------------------|----------|--------|
| | 2005 | 2004 |
| Equity securities | 33.8% | 32.1% |
| Debt securities | 35.6 | 35.3 |
| Call loan | 21.2 | 23.6 |
| Other | 9.4 | 9.0 |
| Total | 100.0% | 100.0% |

The Company's investment policy is designed to ensure 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 ¥4,156 million (\$38,841 thousand) to its domestic defined benefit plans in the year ending March 31, 2006.

The following benefit payments, which reflected future service, as appropriate, are expected to be paid.

| Years ending March 31 | In millions of yen | In thousands of U.S. dollars |
|-----------------------|--------------------|------------------------------|
| 2006..... | ¥ 2,610 | \$ 24,393 |
| 2007..... | 3,249 | 30,364 |
| 2008..... | 3,982 | 37,215 |
| 2009..... | 3,968 | 37,084 |
| 2010..... | 3,839 | 35,879 |
| 2011–2015..... | 17,938 | 167,645 |

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, 2005, 2004 and 2003 were ¥892 million (\$8,336 thousand), ¥865 million and ¥22 million, respectively.

15. Exchange Gains and Losses

Other expenses for the years ended March 31, 2005 and 2004 include net exchange losses of ¥177 million (\$1,654 thousand) and ¥469 million, respectively. Other income for the year ended March 31, 2003 includes net exchange gains of ¥389 million.

16. Income Taxes

Total income taxes for the years ended March 31, 2005, 2004 and 2003 were allocated as follows:

| | In millions of yen | | | In thousands of U.S. dollars |
|---|----------------------|---------|---------|------------------------------|
| | Years ended March 31 | | | Year ended March 31 |
| | 2005 | 2004 | 2003 | 2005 |
| Income from continuing operations ... | ¥31,941 | ¥26,143 | ¥25,316 | \$298,514 |
| Income (loss) from discontinued operations..... | 931 | (206) | (1,268) | 8,701 |
| Shareholders' equity—accumulated other comprehensive income (loss): | | | | |
| Unrealized gains on securities | 621 | 4,640 | 439 | 5,804 |
| Unrealized gains (losses) on derivative instruments..... | (118) | 30 | 6 | (1,103) |
| Minimum pension liabilities..... | (105) | 17,226 | (1,379) | (981) |
| Foreign currency translation adjustments..... | (904) | 72 | (279) | (8,449) |
| | ¥32,366 | ¥47,905 | ¥22,835 | \$302,486 |

The parent company and its subsidiaries in Japan were subject to a corporate tax of 30 percent, an inhabitants tax of approximately 20.3 percent, and a deductible enterprise tax of approximately 9.9 percent, which, in the aggregate, indicate a statutory tax rate in Japan of approximately 41.9 percent for the years ended March 31, 2004 and 2003.

Amendments to Japanese tax regulations, which reduced a deductible enterprise tax rate from approximately 9.9 percent to approximately 7.4 percent, were enacted on March 24, 2003. As a result of this amendment, the statutory tax rate was reduced from approximately 41.9 percent to 40.5 percent effective from April 1, 2004. Deferred tax assets and liabilities expected to be settled or realized on or after April 1, 2004 were calculated at the rate of approximately 40.5 percent.

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 U.S. dollars |
|--|----------------------|---------|---------|------------------------------|
| | Years ended March 31 | | | Year ended March 31 |
| | 2005 | 2004 | 2003 | 2005 |
| Income taxes computed at statutory tax rate of 40.5% in 2005, 41.9% in 2004 and 2003 | ¥30,081 | ¥22,360 | ¥23,532 | \$281,131 |
| Increase (decrease) resulting from: | | | | |
| Unrecognized tax benefits from subsidiaries in loss positions | 387 | 3,355 | 2,274 | 3,617 |
| Reversal of valuation allowance due to utilization of operating loss carryforwards | (316) | (321) | (1,420) | (2,953) |
| Other, net | 1,789 | 749 | 930 | 16,719 |
| Consolidated income taxes from continuing operations | ¥31,941 | ¥26,143 | ¥25,316 | \$298,514 |

The significant components of deferred tax assets and liabilities at March 31, 2005 and 2004 were as follows:

| | In millions of yen | | In thousands of U.S. dollars |
|---|--------------------|----------|------------------------------|
| | March 31 | 2004 | March 31 |
| | 2005 | 2004 | 2005 |
| Deferred tax assets: | | | |
| Deferred revenue | ¥11,945 | ¥12,110 | \$111,636 |
| Loss carryforwards | 9,518 | 11,567 | 88,953 |
| Adjustment of book value at the date of acquisition— | | | |
| Land and buildings..... | 4,541 | 8,906 | 42,439 |
| Other assets | 2,607 | 2,581 | 24,364 |
| Accrued pension and severance costs | 5,426 | 5,045 | 50,710 |
| Allowance for doubtful accounts | 5,220 | 4,309 | 48,785 |
| Property, plant and equipment..... | 3,992 | 7,338 | 37,309 |
| Investment securities..... | 3,636 | 4,156 | 33,981 |
| Accrued bonus | 3,585 | 3,429 | 33,505 |
| Vacation accrual | 1,932 | 1,641 | 18,056 |
| Other | 6,714 | 8,493 | 62,748 |
| Gross deferred tax assets | 59,116 | 69,575 | 552,486 |
| Less: Valuation allowance | (12,592) | (16,761) | (117,682) |
| Total deferred tax assets | 46,524 | 52,814 | 434,804 |
| Deferred tax liabilities: | | | |
| Deferred installation costs..... | (7,897) | (8,060) | (73,804) |
| Adjustment of book value at the date of acquisition— | | | |
| Land and buildings..... | (5,543) | (6,529) | (51,804) |
| Long-term receivables | (1,817) | (1,897) | (16,981) |
| Other investments..... | (62) | (2,523) | (579) |
| Unrealized gains on securities | (5,680) | (4,841) | (53,084) |
| Prepaid pension and severance costs | (4,553) | (3,512) | (42,551) |
| Unearned premiums and other insurance liabilities | (1,278) | (1,748) | (11,944) |
| Other | (4,586) | (3,762) | (42,860) |
| Gross deferred tax liabilities | (31,416) | (32,872) | (293,607) |
| Net deferred tax assets | ¥15,108 | ¥19,942 | \$141,196 |

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, 2005 and 2004 was a decrease of ¥4,169 million (\$38,963 thousand) and ¥5,128 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, 2005 and 2004.

Net deferred tax assets at March 31, 2005 and 2004 are reflected in the accompanying consolidated balance sheets under the following captions:

| | In millions of yen | | In thousands of U.S. dollars |
|---------------------------------|--------------------|---------|------------------------------|
| | March 31 | 2004 | March 31 |
| | 2005 | 2004 | 2005 |
| Deferred income taxes | | | |
| (Current assets) | ¥13,951 | ¥14,716 | \$130,383 |
| Deferred income taxes | | | |
| (Other assets) | 5,350 | 8,294 | 50,000 |
| Other current liabilities | — | (360) | — |
| Other liabilities | (4,193) | (2,708) | (39,187) |
| Net deferred tax assets | ¥15,108 | ¥19,942 | \$141,196 |

No deferred income taxes have been provided on undistributed earnings of overseas subsidiaries totaling ¥5,475 million (\$51,168 thousand) at March 31, 2005 because they are not expected to be remitted in the foreseeable future.

At March 31, 2005, tax loss carryforwards of domestic subsidiaries amounted to ¥17,519 million (\$163,729 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 |
|--------------------------------------|--------------------|------------------------------|
| 2006 | ¥ 1,289 | \$ 12,047 |
| 2007 | 443 | 4,140 |
| 2008 | — | — |
| 2009 | 1,064 | 9,944 |
| 2010 | 4,853 | 45,355 |
| 2011 | 5,471 | 51,131 |
| 2012 | 4,399 | 41,112 |
| | ¥17,519 | \$163,729 |

The tax loss carryforwards of overseas subsidiaries at March 31, 2005 amounted to ¥4,781 million (\$44,682 thousand), a part of which will begin to expire in the year ending March 31, 2006.

17. Shareholders' Equity

(1) Treasury Stock

On August 13, 2002, the parent company repurchased its own stock, in accordance with the resolution approved by the shareholders' meeting held on June 27, 2002. The shares repurchased were 8,000,000 shares at ¥5,420 per share for an aggregate amount of ¥43,360 million. The purchase price per share was determined based on the closing price on the Tokyo Stock Exchange on August 12, 2002.

The transaction for repurchase of treasury stock included a portion with related parties, Yugen Kaisha Iida Kosan and Yugen Kaisha Toda Zenken, which are asset management companies with a majority of voting interests held by the parent company's directors and their immediate families. The amounts purchased from these related parties, Yugen Kaisha Iida Kosan and Yugen Kaisha Toda Zenken, were ¥25,530 million and ¥16,512 million, respectively.

(2) Retained Earnings

The Japanese Commercial Code, amended effective October 1, 2001, provides that an amount equal to at least 10 percent of cash dividends and other distributions from retained earnings paid in cash 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 Japanese Commercial Code requires that dividends at year-end, which the Board of Directors resolved to declare customarily in the first month following year-end, be approved at the general shareholders' meeting to be held within three months after the end of the accounting period.

Subsequent to March 31, 2005, the parent company's Board of Directors declared an annual cash dividend of ¥11,251 million (\$105,150 thousand) to shareholders of record on March 31, 2005. The dividend declared was approved at the general shareholders' meeting held on June 29, 2005. Dividends are recorded in the period they are declared.

(3) Accumulated Other Comprehensive Income (Loss)

An analysis of the changes in accumulated other comprehensive income (loss) for the years ended March 31, 2005, 2004 and 2003 is as follows:

| | In millions of yen | | |
|---|--------------------|--------------------------------|----------------------|
| | Pre-tax amount | Tax (expense) or benefit | Net-of-tax amount |
| For the year ended March 31, 2005: | | | |
| Unrealized gains on securities— | | | |
| Unrealized holding gains or losses arising during the period | ¥4,579 | (¥1,699) | ¥2,880 |
| Less: Reclassification adjustment for gains or losses included in net income | (2,918) | 1,078 | (1,840) |
| Unrealized losses on derivative instruments— | | | |
| Unrealized holding gains or losses arising during the year | (152) | 61 | (91) |
| Less: Reclassification adjustment for gains or losses included in net income | (140) | 57 | (83) |
| Minimum pension liability adjustments | (269) | 105 | (164) |
| Foreign currency translation adjustments | (1,488) | 904 | (584) |
| Other comprehensive income (loss) | (¥ 388) | ¥ 506 | ¥ 118 |
| For the year ended March 31, 2004: | | | |
| Unrealized gains on securities— | | | |
| Unrealized holding gains or losses arising during the period | ¥12,639 | (¥ 4,910) | ¥ 7,729 |
| Less: Reclassification adjustment for gains or losses included in net income | (695) | 270 | (425) |
| Unrealized gains on derivative instruments— | | | |
| Unrealized holding gains or losses arising during the year | 145 | (58) | 87 |
| Less: Reclassification adjustment for gains or losses included in net income | (68) | 28 | (40) |
| Minimum pension liability adjustments | 43,147 | (17,226) | 25,921 |
| Foreign currency translation adjustments | (4,228) | (72) | (4,300) |
| Other comprehensive income (loss) | ¥50,940 | (¥21,968) | ¥28,972 |

| | In millions of yen | | |
|--|--------------------|--------------------------|-------------------|
| | Pre-tax amount | Tax (expense) or benefit | Net-of-tax amount |
| For the year ended March 31, 2003: | | | |
| Unrealized losses on securities— | | | |
| Unrealized holding gains or losses arising during the period | (¥ 7,053) | ¥ 2,738 | (¥ 4,315) |
| Less: Reclassification adjustment for gains or losses included in net income | 9,215 | (3,177) | 6,038 |
| Unrealized gains on derivative instruments— | | | |
| Unrealized holding gains or losses arising during the year | 177 | (72) | 105 |
| Less: Reclassification adjustment for gains or losses included in net income | (172) | 66 | (106) |
| Minimum pension liability adjustments | (4,385) | 1,379 | (3,006) |
| Foreign currency translation adjustments | (4,619) | 279 | (4,340) |
| Other comprehensive income (loss) | (¥ 6,837) | ¥ 1,213 | (¥ 5,624) |

| | In thousands of U.S. dollars | | |
|--|------------------------------|--------------------------|-------------------|
| | Pre-tax amount | Tax (expense) or benefit | Net-of-tax amount |
| For the year ended March 31, 2005: | | | |
| Unrealized gains on securities— | | | |
| Unrealized holding gains or losses arising during the period | \$42,794 | (\$15,879) | \$26,915 |
| Less: Reclassification adjustment for gains or losses included in net income | (27,271) | 10,075 | (17,196) |
| Unrealized losses on derivative instruments— | | | |
| Unrealized holding gains or losses arising during the year | (1,421) | 570 | (851) |
| Less: Reclassification adjustment for gains or losses included in net income | (1,309) | 533 | (776) |
| Minimum pension liability adjustments | (2,514) | 981 | (1,533) |
| Foreign currency translation adjustments | (13,907) | 8,449 | (5,458) |
| Other comprehensive income (loss) | (\$ 3,628) | \$ 4,729 | \$ 1,101 |

18. Research and Development Expenses

Research and development expenses included in selling, general and administrative expenses for the years ended March 31, 2005, 2004 and 2003 were ¥4,470 million (\$41,776 thousand), ¥4,088 million and ¥5,003 million, respectively.

19. Leased Assets—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. 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 (\$47,533 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, 2005 were ¥6,903 million (\$64,514 thousand).

A summary of leased assets under capital leases at March 31, 2005 and 2004 is as follows:

| | In millions of yen | | In thousands of U.S. dollars |
|--|--------------------|---------------|------------------------------|
| | March 31 2005 | March 31 2004 | March 31 2005 |
| Buildings and improvements | ¥ 5,185 | ¥ 5,185 | \$ 48,458 |
| Machinery, equipment and automobiles | 12,993 | 13,273 | 121,430 |
| Other intangible assets | 147 | 151 | 1,374 |
| Accumulated depreciation | (7,954) | (7,498) | (74,337) |
| | ¥10,371 | ¥11,111 | \$ 96,925 |

Depreciation expenses under capital leases for the years ended March 31, 2005, 2004 and 2003 were ¥3,146 million (\$29,402 thousand), ¥3,186 million and ¥2,991 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, 2005:

| Years ending March 31 | In millions of yen | In thousands of U.S. dollars |
|---|--------------------|------------------------------|
| 2006 | ¥ 3,101 | \$ 28,982 |
| 2007 | 2,274 | 21,252 |
| 2008 | 1,829 | 17,093 |
| 2009 | 1,020 | 9,533 |
| 2010 | 620 | 5,794 |
| Thereafter | 5,821 | 54,402 |
| Total minimum lease payments | 14,665 | 137,056 |
| Less: Amount representing interest | 3,396 | 31,738 |
| Present value of net minimum lease payments (Note 12) | 11,269 | 105,318 |
| Less: Current portion | 2,741 | 25,617 |
| Long-term capital lease obligations | ¥ 8,528 | \$ 79,701 |

Rental expenses under operating leases for the years ended March 31, 2005, 2004 and 2003 were ¥14,616 million (\$136,598 thousand), ¥14,540 million and ¥15,182 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 (\$12,514 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, 2005 are as follows:

| Years ending March 31 | In thousands of U.S. dollars | |
|---|------------------------------|------------------|
| | In millions of yen | U.S. dollars |
| 2006..... | ¥ 2,322 | \$ 21,701 |
| 2007..... | 2,276 | 21,271 |
| 2008..... | 2,209 | 20,645 |
| 2009..... | 2,197 | 20,533 |
| 2010..... | 2,175 | 20,327 |
| Thereafter..... | 27,113 | 253,392 |
| Total future minimum lease payments..... | ¥38,292 | \$357,869 |

20. Property on Operating Leases—Lessor

The Company's leasing operations consist principally of leasing of certain office space and related properties. The properties on operating leases are primarily held by real estate investment companies as part of investment assets of the insurance services segment and by the companies which are engaged in leasing services of real estate.

A summary of investment in property on operating leases and property held for lease at March 31, 2005 and 2004 is as follows:

| | In millions of yen | | In thousands of U.S. dollars | |
|---------------------------------|--------------------|-----------------|------------------------------|--|
| | March 31 | | March 31 | |
| | 2005 | 2004 | 2005 | |
| Land..... | ¥21,185 | ¥ 66,093 | \$197,991 | |
| Buildings and improvements..... | 21,888 | 70,163 | 204,561 | |
| Construction in progress..... | — | 901 | — | |
| Other intangible assets..... | 840 | 1,711 | 7,850 | |
| Accumulated depreciation..... | (5,430) | (12,498) | (50,748) | |
| | ¥38,483 | ¥126,370 | \$359,654 | |

The future minimum rentals on non-cancelable operating leases at March 31, 2005 are as follows:

| Years ending March 31 | In thousands of U.S. dollars | |
|--|------------------------------|------------------|
| | In millions of yen | U.S. dollars |
| 2006..... | ¥ 3,162 | \$ 29,551 |
| 2007..... | 1,335 | 12,477 |
| 2008..... | 1,335 | 12,477 |
| 2009..... | 1,335 | 12,477 |
| 2010..... | 1,335 | 12,477 |
| Thereafter..... | 20,699 | 193,448 |
| Total future minimum rentals..... | ¥29,201 | \$272,907 |

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 maturities of such instruments.

(2) 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.

(3) 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 using the Company's current incremental borrowing rates for similar liabilities. As long-term interest rates have not fluctuated significantly in recent years in Japan, the carrying amounts of obligations under capital lease approximate estimated fair value.

(4) 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.

(5) Derivatives

The fair values of interest rate swaps and embedded derivatives are estimated 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 Note 7 at March 31, 2005 and 2004 are as follows:

| | In millions of yen | | | |
|---|--------------------|----------------------|-----------------|----------------------|
| | March 31 | | | |
| | 2005 | | 2004 | |
| | Carrying amount | Estimated fair value | Carrying amount | Estimated fair value |
| Non-derivatives: | | | | |
| Liabilities— | | | | |
| Long-term debt including current portion..... | ¥ 76,307 | ¥ 76,489 | ¥104,534 | ¥104,792 |
| Investment deposits by policyholders..... | 227,719 | 236,214 | 230,316 | 241,423 |
| Derivatives: | | | | |
| Assets— | | | | |
| Interest rate swaps..... | 10 | 10 | 19 | 19 |
| Embedded derivatives..... | — | — | 16 | 16 |
| Liabilities— | | | | |
| Interest rate swaps..... | 343 | 343 | 536 | 536 |

| | In thousands of U.S. dollars | | | |
|---|------------------------------|----------------------|-----------------|----------------------|
| | March 31 | | | |
| | 2005 | | 2004 | |
| | Carrying amount | Estimated fair value | Carrying amount | Estimated fair value |
| Non-derivatives: | | | | |
| Liabilities— | | | | |
| Long-term debt including current portion..... | \$ 713,149 | \$ 714,850 | | |
| Investment deposits by policyholders..... | 2,128,215 | 2,207,607 | | |
| Derivatives: | | | | |
| Assets— | | | | |
| Interest rate swaps..... | | | 93 | 93 |
| Embedded derivatives..... | | | — | — |
| Liabilities— | | | | |
| Interest rate swaps..... | | | 3,206 | 3,206 |

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. 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 and foreign currency rates. The Company assesses interest rate risk and foreign currency exchange risk by continually monitoring changes in these exposures 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 into 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 2009. 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 as 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, 2005, 2004 and 2003. Approximately ¥26 million (\$243 thousand) of net derivative losses included in other comprehensive income (loss), net of tax at March 31, 2005, will be reclassified into current income within 12 months from that date. At March 31, 2005 and 2004, the notional principal amounts of interest rate swap agreements designated as cash flow hedges were ¥27,833 million (\$260,121 thousand) and ¥35,909 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. At March 31, 2004, Secom Insurance held embedded derivatives that must be separated from the host debt securities and accounted for as derivative instruments, which were also to increase investment income. At March 31, 2005, Secom Insurance held no embedded derivatives. Changes in fair value of the above noted derivative financial instruments, which are not designated as hedges, are reported in current income.

23. Commitments and Contingent Liabilities

Commitments outstanding at March 31, 2005 for the purchase of property, plant and equipment approximated ¥10,225 million (\$95,561 thousand).

The Company provides guarantees to third parties 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 14 years. The maximum amount of undiscounted payments the Company would have to make in the event of default amounts to ¥16,424 million (\$153,495 thousand) at March 31, 2005. The carrying amounts of the liabilities recognized for the Company's obligations under these guarantees at March 31, 2005 and 2004 were insignificant.

In July 2004, Fujitsu Ltd. filed a lawsuit against Secom Insurance in the Tokyo District Court, claiming compensation for costs related to a systems development order in the amount of ¥2,500 million (\$23,364 thousand). Secom Insurance is not only contesting this lawsuit on the grounds that it is unmerited, but has also filed a countersuit claiming damages in the amount of ¥1,000 million (\$9,346 thousand), which is pending at March 31, 2005.

24. Free Share Distributions of Less than 25 Percent

The Company may make free distributions of its common stock to shareholders at the discretion of its Board of Directors. Prior to October 1, 2001, free share distributions were accounted for either by (1) a transfer from additional paid-in capital to the common stock account, or (2) no entry if free shares are distributed from the portion of previously issued shares in the common stock account as required by the Japanese Commercial Code. Effective on October 1, 2001, the Japanese Commercial Code requires no accounting recognition for such free share distribution. A corporation in the United States of America issuing shares, comparable to less than 25 percent free share distributions, would be required to account for them as stock dividends and the fair value of the shares would be transferred from retained earnings to the appropriate capital accounts.

Had the Company accounted for such free share distributions made during the period from 1974 to 1990 in the manner used by companies in the United States of America, ¥98,388 million (\$919,514 thousand) would have been transferred from retained earnings to the appropriate capital accounts. However, there would be no effect on total shareholders' equity.

25. Discontinued Operations

The Company accounted for the sale of certain businesses and properties in accordance with SFAS No. 144.

Real estate properties on operating leases are primarily held by real estate investment companies as part of investment assets of the insurance services segment and by the companies that engage in leasing services of real estate included in the information and communication related and other services segment. The Company reported the operating results related to these real estate properties which were disposed of or classified as held for sale without significant continuing involvement as discontinued operations.

In January 2005, the Company sold the operation of school education systems included in the information and communication related and other services segment. In October 2004, The Westec Security Group, Inc., a wholly owned subsidiary in the United States of America, sold all of the outstanding shares of Westec Interactive Security, Inc. included in the security services segment. Accordingly, the Company reported the operating results related to these operations as discontinued operations.

Discontinued operations for the years ended March 31, 2005, 2004 and 2003 were as follows:

| | In millions of yen | | | In thousands of U.S. dollars |
|--|--------------------|-----------|----------|------------------------------|
| | 2005 | 2004 | 2003 | Year ended March 31 |
| Net sales and operating revenue | ¥ 7,491 | ¥ 4,508 | ¥ 716 | \$ 70,009 |
| Loss from discontinued operations before income taxes, net | (2,378) | (10,702) | (4,060) | (22,224) |
| Gain on sales of discontinued operations, net | 13,637 | 6,367 | 770 | 127,449 |
| Income taxes | (931) | 206 | 1,268 | (8,701) |
| Minority interest in subsidiaries | (451) | (78) | 257 | (4,215) |
| Income (loss) from discontinued operations, net of tax | ¥ 9,877 | (¥ 4,207) | (¥1,765) | \$ 92,309 |

Income (loss) from discontinued operations, net of tax, by business segment for the years ended March 31, 2005, 2004 and 2003 were as follows:

| | In millions of yen | | | In thousands of U.S. dollars |
|--|----------------------|----------|----------|------------------------------|
| | Years ended March 31 | | | Year ended March 31 |
| | 2005 | 2004 | 2003 | 2005 |
| Security services | ¥ 439 | (¥ 77) | (¥ 470) | \$ 4,103 |
| Insurance services | 2,164 | 370 | (1,218) | 20,225 |
| Information and communication related and other services (Leasing services of real estate) | 3,983 | (244) | (82) | 37,224 |
| Information and communication related and other services (Education services) | 3,291 | (4,256) | 5 | 30,757 |
| Income (loss) from discontinued operations, net of tax | ¥9,877 | (¥4,207) | (¥1,765) | \$92,309 |

26. 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 | | | Year ended March 31 |
| | 2005 | 2004 | 2003 | 2005 |
| Cash paid during the year for: | | | | |
| Interest | ¥ 2,277 | ¥ 3,307 | ¥ 3,527 | \$ 21,280 |
| Income taxes | 31,530 | 24,718 | 40,263 | 294,673 |
| Non-cash investing and financing activities: | | | | |
| Conversion of convertible bond | 18 | — | 17 | 168 |
| Additions to obligations under capital leases | 2,350 | 4,173 | 2,739 | 21,963 |

27. 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. During the year ended March 31, 2005, the Company changed the segment measures of revenue and profit or loss evaluated by management from revenue and other income to net sales and operating revenue, and from income and loss before income taxes to operating income and loss, respectively. Accordingly, segment information of all prior periods has been restated to confirm to the presentation used for the year ended March 31, 2005.

The Company has four reportable business segments: security services, medical services, insurance services, and information and communication related and other services.

The security services segment provides various types of security services by utilizing the Company's unique security systems and manufactures and sells security equipment. 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. Also the VIE to which the Company is primary beneficiary manages hospitals and health care-related institutions. The insurance services segment represents non-life insurance-related underwriting business in the Japanese market. The information and communication related and other services segment represents the Company's network business, aerial surveying and mapping services, Geographic Information System services, development and sales of real estate and leasing of real estate as well as management of hotel business. The Company develops real estate, principally condominiums, for consumers, to promote a network of integrated communication systems to create synergies with home security services. These communication services are considered a subset or an integrated part of the real estate package.

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 holding company overseas.

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 holding company overseas 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, 2005, 2004 and 2003 is as follows:

(1) Business Segment Information

| | In millions of yen | | | In thousands of U.S. dollars |
|---|----------------------|-----------------|-----------------|------------------------------|
| | Years ended March 31 | | | Year ended March 31 |
| | 2005 | 2004 | 2003 | 2005 |
| Net sales and operating revenue: | | | | |
| Security services— | | | | |
| Customers | ¥382,360 | ¥367,482 | ¥352,985 | \$3,573,458 |
| Intersegment..... | 1,362 | 1,121 | 1,252 | 12,729 |
| | 383,722 | 368,603 | 354,237 | 3,586,187 |
| Medical services— | | | | |
| Customers | 34,688 | 21,147 | 19,637 | 324,187 |
| Intersegment..... | 215 | 194 | 171 | 2,009 |
| | 34,903 | 21,341 | 19,808 | 326,196 |
| Insurance services— | | | | |
| Customers | 26,465 | 23,536 | 15,234 | 247,336 |
| Intersegment..... | 2,776 | 2,420 | 2,025 | 25,944 |
| | 29,241 | 25,956 | 17,259 | 273,280 |
| Information and communication related and other services— | | | | |
| Customers | 108,841 | 105,270 | 109,835 | 1,017,206 |
| Intersegment..... | 4,889 | 3,723 | 2,988 | 45,692 |
| | 113,730 | 108,993 | 112,823 | 1,062,898 |
| Total | 561,596 | 524,893 | 504,127 | 5,248,561 |
| Eliminations | (9,242) | (7,458) | (6,436) | (86,374) |
| Total net sales and operating revenue..... | ¥552,354 | ¥517,435 | ¥497,691 | \$5,162,187 |
| Operating income (loss): | | | | |
| Security services | ¥ 90,414 | ¥ 75,833 | ¥ 80,118 | \$ 844,991 |
| Medical services..... | 1,641 | (1,519) | 1,905 | 15,336 |
| Insurance services..... | (3,011) | 2,396 | (6,677) | (28,140) |
| Information and communication related and other services..... | 420 | (8,219) | 1,167 | 3,925 |
| Total | 89,464 | 68,491 | 76,513 | 836,112 |
| Corporate expenses and eliminations..... | (13,906) | (14,426) | (14,591) | (129,962) |
| Operating income | 75,558 | 54,065 | 61,922 | 706,150 |
| Other income | 6,566 | 5,672 | 6,628 | 61,364 |
| Other expenses | (7,851) | (6,373) | (12,388) | (73,374) |
| Income from continuing operations before income taxes | ¥ 74,273 | ¥ 53,364 | ¥ 56,162 | \$ 694,140 |

| | In millions of yen | | | In thousands of U.S. dollars |
|--|--------------------|-------------------|-------------------|------------------------------|
| | March 31 | | | March 31 |
| | 2005 | 2004 | 2003 | 2005 |
| Assets: | | | | |
| Security services..... | ¥ 445,576 | ¥ 428,034 | ¥ 396,850 | \$ 4,164,262 |
| Medical services | 91,574 | 73,573 | 67,214 | 855,832 |
| Insurance services.. | 310,159 | 317,102 | 319,750 | 2,898,682 |
| Information and communication related and other services | 177,582 | 205,374 | 209,954 | 1,659,645 |
| Total | 1,024,891 | 1,024,083 | 993,768 | 9,578,421 |
| Corporate items..... | 99,398 | 101,708 | 129,372 | 928,953 |
| Investments in and loans to affiliated companies | 39,915 | 39,314 | 34,942 | 373,037 |
| Total assets..... | ¥1,164,204 | ¥1,165,105 | ¥1,158,082 | \$10,880,411 |
| Depreciation and amortization: | | | | |
| Security services..... | ¥44,042 | ¥44,833 | ¥44,014 | \$411,607 |
| Medical services | 1,531 | 1,164 | 953 | 14,308 |
| Insurance services.. | 1,175 | 1,586 | 2,305 | 10,981 |
| Information and communication related and other services | 4,293 | 4,766 | 4,200 | 40,121 |
| Total | 51,041 | 52,349 | 51,472 | 477,017 |
| Corporate items | 409 | 594 | 595 | 3,824 |
| Total depreciation and amortization... | ¥51,450 | ¥52,943 | ¥52,067 | \$480,841 |
| Capital expenditures: | | | | |
| Security services..... | ¥30,255 | ¥33,205 | ¥29,586 | \$282,757 |
| Medical services | 8,647 | 1,625 | 5,115 | 80,813 |
| Insurance services.. | 1,380 | 3,859 | 12,899 | 12,897 |
| Information and communication related and other services | 5,910 | 5,632 | 4,726 | 55,234 |
| Total | 46,192 | 44,321 | 52,326 | 431,701 |
| Corporate items | 1 | 7 | 612 | 9 |
| Total capital expenditures | ¥46,193 | ¥44,328 | ¥52,938 | \$431,710 |

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 U.S. dollars |
|--|----------------------|----------|----------|------------------------------|
| | Years ended March 31 | | | Year ended March 31 |
| | 2005 | 2004 | 2003 | 2005 |
| Electronic security services: | | | | |
| Commercial security and home security..... | ¥268,379 | ¥260,316 | ¥253,614 | \$2,508,215 |
| Large-scale proprietary systems..... | 3,493 | 3,584 | 3,461 | 32,645 |
| Other security services: | | | | |
| Static guard services..... | 38,302 | 37,537 | 35,908 | 357,963 |
| Armored car services..... | 18,462 | 18,618 | 17,261 | 172,542 |
| Merchandise and other | 53,724 | 47,427 | 42,741 | 502,093 |
| Total security services..... | ¥382,360 | ¥367,482 | ¥352,985 | \$3,573,458 |

(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, 2005, 2004 and 2003 was as follows:

| | In millions of yen | | | In thousands of U.S. dollars |
|----------------------------------|----------------------|----------|----------|------------------------------|
| | Years ended March 31 | | | Year ended March 31 |
| | 2005 | 2004 | 2003 | 2005 |
| Net sales and operating revenue: | | | | |
| Japan | ¥538,851 | ¥506,213 | ¥487,273 | \$5,035,991 |
| Other | 13,503 | 11,222 | 10,418 | 126,196 |
| Total | ¥552,354 | ¥517,435 | ¥497,691 | \$5,162,187 |

| | In millions of yen | | | In thousands of U.S. dollars |
|--------------------|--------------------|----------|----------|------------------------------|
| | March 31 | | | March 31 |
| | 2005 | 2004 | 2003 | 2005 |
| Long-lived assets: | | | | |
| Japan | ¥316,358 | ¥445,632 | ¥463,144 | \$2,956,617 |
| Other | 6,079 | 5,528 | 6,384 | 56,813 |
| Total | ¥322,437 | ¥451,160 | ¥469,528 | \$3,013,430 |

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

INDEPENDENT
AUDITORS' REPORT



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, 2005 and 2004, 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, 2005, 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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, 2005 and 2004, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2005, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 of the notes to the consolidated financial statements, SECOM CO., LTD. and subsidiaries changed their method of accounting for variable interest entities in the year ended March 31, 2005, and their method of accounting for goodwill and other intangible assets in the year ended March 31, 2003.

The accompanying consolidated financial statements as of and for the year ended March 31, 2005 have been translated into United States dollars solely for the convenience of the reader. We have recomputed 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.

KPMG ARSA & Co.

Tokyo, Japan
June 29, 2005

OTHER FINANCIAL
DATA

SECOM

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SUMMARY OF SELECTED FINANCIAL DATA

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

In millions of yen

| | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 |
|---|-----------------|----------|----------|----------|----------|----------|
| Composition of consolidated net sales and operating revenue by segment | | | | | | |
| Net sales and operating revenue | ¥552,354 | ¥517,435 | ¥497,691 | ¥475,151 | ¥430,999 | ¥391,488 |
| Security services:..... | 382,360 | 367,482 | 352,985 | 335,867 | 313,340 | 294,903 |
| <i>As a percentage of net sales and operating revenue</i> | 69.2% | 71.0% | 70.9% | 70.7% | 72.7% | 75.3% |
| Electronic security services— | | | | | | |
| Commercial security and home security | 268,379 | 260,316 | 253,614 | 243,049 | 229,924 | 221,353 |
| <i>As a percentage of net sales and operating revenue</i> | 48.6 | 50.3 | 50.9 | 51.1 | 53.3 | 56.5 |
| Large-scale proprietary systems | 3,493 | 3,584 | 3,461 | 3,438 | 3,647 | 3,773 |
| <i>As a percentage of net sales and operating revenue</i> | 0.6 | 0.7 | 0.7 | 0.7 | 0.9 | 1.0 |
| Subtotal | 271,872 | 263,900 | 257,075 | 246,487 | 233,571 | 225,126 |
| Other security services— | | | | | | |
| Static guard services | 38,302 | 37,537 | 35,908 | 34,107 | 32,204 | 31,663 |
| <i>As a percentage of net sales and operating revenue</i> | 6.9 | 7.2 | 7.2 | 7.2 | 7.5 | 8.1 |
| Armored car services | 18,462 | 18,618 | 17,261 | 17,001 | 15,109 | 13,540 |
| <i>As a percentage of net sales and operating revenue</i> | 3.4 | 3.6 | 3.5 | 3.6 | 3.5 | 3.4 |
| Subtotal | 56,764 | 56,155 | 53,169 | 51,108 | 47,313 | 45,203 |
| Merchandise and other | 53,724 | 47,427 | 42,741 | 38,272 | 32,456 | 24,574 |
| <i>As a percentage of net sales and operating revenue</i> | 9.7 | 9.2 | 8.6 | 8.1 | 7.5 | 6.3 |
| Medical services | 34,688 | 21,147 | 19,637 | 13,300 | 6,315 | 1,316 |
| <i>As a percentage of net sales and operating revenue</i> | 6.3 | 4.1 | 3.9 | 2.8 | 1.5 | 0.3 |
| Insurance services | 26,465 | 23,536 | 15,234 | 24,875 | 21,069 | 26,209 |
| <i>As a percentage of net sales and operating revenue</i> | 4.8 | 4.6 | 3.1 | 5.2 | 4.9 | 6.7 |
| Information and communication related and other services | 108,841 | 105,270 | 109,835 | 101,109 | 90,275 | 69,060 |
| <i>As a percentage of net sales and operating revenue</i> | 19.7 | 20.3 | 22.1 | 21.3 | 20.9 | 17.7 |
| Net income, cash dividends and shareholders' equity | | | | | | |
| Net income | ¥ 52,133 | ¥ 23,479 | ¥ 30,275 | ¥ 34,082 | ¥ 43,996 | ¥ 47,326 |
| Cash dividends (paid) ⁽²⁾ | 10,127 | 9,003 | 9,330 | 9,324 | 9,323 | 8,146 |
| Shareholders' equity | 457,837 | 415,852 | 372,518 | 401,326 | 377,304 | 373,806 |
| Consolidated financial ratios | | | | | | |
| Percentage of working capital accounted for by: | | | | | | |
| Debt— | | | | | | |
| Bank loans | 16.1 | 17.7 | 20.0 | 10.7 | 14.5 | 15.6 |
| Current portion of long-term debt | 1.7 | 2.1 | 3.3 | 4.4 | 1.9 | 1.2 |
| Convertible bonds | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.1 |
| Straight bonds | 6.4 | 5.2 | 5.2 | 5.6 | 2.0 | 2.1 |
| Other long-term debt | 3.9 | 9.2 | 11.4 | 16.1 | 6.1 | 3.2 |
| Total debt | 28.1 | 34.2 | 39.9 | 36.8 | 24.6 | 22.2 |
| Shareholders' equity | 71.9 | 65.8 | 60.1 | 63.2 | 75.4 | 77.8 |
| Total capitalization | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Return on total assets (percentage) ⁽³⁾ | 4.5 | 2.0 | 2.6 | 2.9 | 5.0 | 6.1 |
| Return on equity (percentage) ⁽³⁾ | 11.4 | 5.6 | 8.1 | 8.5 | 11.7 | 12.7 |
| Percentage of net sales and operating revenue absorbed by ⁽³⁾ : | | | | | | |
| Depreciation and amortization | 9.1 | 10.1 | 10.3 | 10.4 | 10.4 | 8.7 |
| Rental expense | 2.6 | 2.8 | 3.0 | 2.7 | 2.6 | 3.0 |
| Ratio of accumulated depreciation to depreciable assets (percentage) | 60.0 | 54.8 | 50.6 | 48.9 | 54.0 | 60.0 |
| Net property turnover (times) ⁽³⁾ | 2.43 | 1.74 | 1.37 | 1.23 | 1.84 | 2.59 |
| Before-tax interest coverage (times) ⁽³⁾⁽⁴⁾ | 39.3 | 15.9 | 15.2 | 41.6 | 43.9 | 60.0 |

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

| | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 |
|--|--------------------|-------------|-------------|-------------|-------------|-------------|
| Number of shares outstanding | | | | | | |
| Issued..... | 233,288,717 | 233,281,133 | 233,281,133 | 233,274,769 | 233,099,744 | 233,075,442 |
| Owned by the Company..... | 8,266,043 | 8,228,652 | 8,200,245 | 22,512 | 510 | 4,840 |
| Balance..... | 225,022,674 | 225,052,481 | 225,080,888 | 233,252,257 | 233,099,234 | 233,070,602 |
| Per share information | | | | | | |
| Basic net income per share (in yen) ⁽¹⁾ | ¥ 231.66 | ¥ 104.32 | ¥ 132.87 | ¥ 146.19 | ¥ 188.76 | ¥ 203.22 |
| Cash dividends paid per share (in yen) ⁽²⁾ | 45.00 | 40.00 | 40.00 | 40.00 | 40.00 | 35.00 |
| Shareholders' equity per share (in yen) ⁽³⁾ | 2,034.63 | 1,847.80 | 1,655.04 | 1,720.57 | 1,618.64 | 1,603.83 |
| Cash flow per share (in yen) ^{(1)(e)} | 410.29 | 294.56 | 321.88 | 320.17 | 341.91 | 310.28 |
| Price/Book value ratio | 2.19 | 2.46 | 1.84 | 3.33 | 4.39 | 5.49 |
| Price/Earnings ratio | 19.25 | 43.52 | 22.88 | 39.20 | 37.61 | 43.30 |
| Price/Cash flow ratio | 10.87 | 15.41 | 9.44 | 17.90 | 20.77 | 28.36 |
| Stock price at year-end (in yen) | 4,460 | 4,540 | 3,040 | 5,730 | 7,100 | 8,800 |

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 - Dividend 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, 2005, cash dividends of ¥11,251 million (¥50 per share) were approved at the general shareholders' meeting on June 29, 2005 (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

SHAREHOLDER INFORMATION

| | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 |
|-------------------------------------|----------------|---------|---------|---------|---------|---------|
| Number of shareholders | 21,327 | 21,720 | 20,230 | 17,609 | 15,621 | 15,019 |
| Common shares held by: | | | | | | |
| Financial institutions | 34.32% | 37.04% | 46.14% | 45.31% | 44.44% | 42.74% |
| Securities firms | 1.99 | 2.19 | 2.04 | 1.61 | 1.73 | 2.66 |
| Other corporations | 4.13 | 4.29 | 4.60 | 13.78 | 13.84 | 13.86 |
| Foreign investors | 40.75 | 37.22 | 28.64 | 24.64 | 25.76 | 25.96 |
| Individuals and others | 18.81 | 19.26 | 18.58 | 14.66 | 14.23 | 14.78 |
| Total | 100.00% | 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 |
| 2003 April-June | ¥3,900 | ¥2,655 | ¥ 9,137.14 | ¥ 7,607.88 |
| July-September | 4,430 | 3,260 | 11,033.32 | 9,265.56 |
| October-December | 5,120 | 3,620 | 11,161.71 | 9,614.60 |
| 2004 January-March | 4,620 | 3,930 | 11,770.65 | 10,365.40 |
| April-June | 4,850 | 4,130 | 12,163.89 | 10,505.05 |
| July-September | 4,720 | 3,830 | 11,896.01 | 10,687.81 |
| October-December | 4,190 | 3,730 | 11,488.76 | 10,659.15 |
| 2005 January-March | 4,510 | 3,930 | 11,966.69 | 11,238.37 |

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, 2004 | — | 233,281 | 66,368,827 | — | — |
| Mar. 31, 2005 | 8 | 233,289 | 66,377,829 | — | Conversion of convertible bonds |

Note: 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.

*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 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 |
|---|-------------------|------------|------------|------------|----------|----------|
| Current assets: | | | | | | |
| Cash on hand and in banks | ¥ 246,693 | ¥ 202,630 | ¥ 175,776 | ¥ 192,437 | ¥135,820 | ¥156,888 |
| Call loans | 10,000 | 38,000 | 30,000 | 40,000 | 35,690 | 11,000 |
| Notes and accounts receivable, trade | 50,183 | 46,813 | 43,922 | 46,048 | 45,904 | 45,112 |
| Due from subscribers | 16,204 | 17,561 | 16,336 | 14,395 | 12,137 | 11,713 |
| Short-term investments..... | 73,252 | 47,343 | 36,402 | 31,321 | 41,033 | 98,479 |
| Inventories | 40,979 | 45,477 | 41,339 | 55,387 | 49,860 | 52,400 |
| Deferred income taxes..... | 8,207 | 9,768 | 7,678 | 9,111 | 5,785 | 5,541 |
| Short-term loans | 46,375 | 58,793 | 51,355 | 90,610 | 36,682 | — |
| Other current assets..... | 17,676 | 17,205 | 19,650 | 17,441 | 14,334 | 38,707 |
| Allowance for doubtful accounts..... | (1,297) | (4,925) | (1,558) | (1,501) | (1,092) | (973) |
| Total current assets..... | 508,274 | 478,668 | 420,903 | 495,251 | 376,156 | 418,870 |
| Fixed assets: | | | | | | |
| Tangible assets: | | | | | | |
| Buildings and improvements | 72,816 | 79,072 | 90,823 | 68,804 | 34,835 | 33,180 |
| Security equipment and control stations | 64,104 | 65,315 | 65,026 | 78,328 | 73,169 | 68,521 |
| Land | 65,151 | 80,507 | 87,853 | 63,547 | 48,427 | 45,318 |
| Other tangible assets | 21,509 | 19,050 | 17,313 | 19,321 | 19,540 | 19,065 |
| Intangible assets | 27,582 | 33,820 | 34,544 | 37,460 | 32,225 | 23,193 |
| Investments and others: | | | | | | |
| Investment securities | 243,031 | 207,654 | 188,880 | 158,438 | 153,553 | 70,170 |
| Long-term loans | 42,983 | 63,799 | 102,448 | 86,420 | 59,586 | 34,020 |
| Deferred income taxes..... | 18,509 | 22,523 | 38,056 | 38,299 | 12,214 | 12,736 |
| Other investments | 43,786 | 55,528 | 52,098 | 37,452 | 30,449 | 24,972 |
| Allowance for doubtful accounts | (10,292) | (14,060) | (8,010) | (12,341) | (7,567) | (5,637) |
| Total fixed assets..... | 589,183 | 613,211 | 669,034 | 575,731 | 456,435 | 325,541 |
| Deferred assets | 90 | 187 | 192 | 207 | 410 | 1,294 |
| Foreign currency translation adjustments..... | — | — | — | — | — | 18,784 |
| Total assets | ¥1,097,548 | ¥1,092,067 | ¥1,090,131 | ¥1,071,190 | ¥833,001 | ¥764,491 |

In millions of yen

| LIABILITIES | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 |
|--|-------------------|-------------------|-------------------|-------------------|-----------------|-----------------|
| Current liabilities: | | | | | | |
| Notes and accounts payable, trade | ¥ 15,693 | ¥ 18,460 | ¥ 15,529 | ¥ 16,401 | ¥ 15,854 | ¥ 16,342 |
| Bank loans | 108,172 | 119,344 | 135,540 | 90,194 | 79,409 | 77,896 |
| Current portion of straight bonds | 690 | 200 | — | 5,000 | 5,000 | — |
| Current portion of convertible bonds | — | 18 | — | 33 | — | — |
| Payables—other | 18,959 | 17,743 | 19,580 | 20,229 | 19,243 | 35,803 |
| Accrued income taxes | 16,197 | 17,083 | 10,756 | 23,002 | 18,263 | 13,647 |
| Accrued consumption taxes | 2,698 | 3,792 | 3,444 | 3,030 | 3,196 | 2,939 |
| Accrued expenses | 2,275 | 2,304 | 1,837 | 1,828 | 10,563 | 9,899 |
| Deferred revenue | 28,532 | 28,459 | 28,851 | 27,373 | 27,433 | 26,087 |
| Accrued bonus | 8,758 | 8,490 | 8,852 | 8,834 | — | — |
| Other current liabilities | 44,245 | 45,283 | 35,140 | 29,045 | 23,595 | 31,646 |
| Total current liabilities | 246,222 | 261,181 | 259,531 | 224,972 | 202,560 | 214,261 |
| Fixed liabilities: | | | | | | |
| Straight bonds | 40,940 | 32,800 | 32,000 | 30,500 | 5,000 | 10,000 |
| Convertible bonds | — | — | 18 | 18 | 518 | 578 |
| Long-term loans | 14,513 | 43,530 | 48,301 | 48,671 | 10,742 | 4,934 |
| Guarantee deposits received | 28,737 | 29,160 | 28,304 | 26,174 | 17,938 | 17,086 |
| Deferred income taxes | 423 | 371 | 459 | 1 | 1,320 | — |
| Accrued severance indemnities | — | — | — | — | — | 2,651 |
| Accrued pension and severance costs | 12,617 | 12,899 | 45,210 | 49,617 | 7,181 | — |
| Investment deposits by policyholders, unearned premiums and other insurance liabilities | 278,278 | 276,979 | 274,476 | 268,519 | 168,648 | 112,831 |
| Other fixed liabilities | 1,724 | 2,117 | 4,033 | 3,164 | 2,448 | 1,932 |
| Total fixed liabilities | 377,234 | 397,858 | 432,803 | 426,666 | 213,799 | 150,014 |
| Total liabilities | 623,457 | 659,040 | 692,335 | 651,639 | 416,360 | 364,275 |
| MINORITY INTEREST IN SUBSIDIARIES | 32,163 | 29,770 | 28,042 | 27,401 | 27,049 | 27,442 |
| SHAREHOLDERS' EQUITY | | | | | | |
| Common stock | 66,377 | 66,368 | 66,368 | 66,360 | 66,126 | 66,096 |
| Capital surplus | 82,553 | 82,544 | 82,544 | 82,536 | 82,302 | 82,272 |
| Retained earnings | 346,510 | 308,268 | 276,397 | 250,400 | 250,409 | 224,446 |
| Unrealized gains (losses) on securities | 8,167 | 6,079 | 116 | (246) | 4,846 | — |
| Foreign currency translation adjustments | (17,123) | (15,603) | (11,386) | (6,759) | (14,089) | — |
| Common stock in treasury, at cost | (44,558) | (44,400) | (44,287) | (141) | (3) | (42) |
| Total shareholders' equity | 441,927 | 403,257 | 369,753 | 392,149 | 389,592 | 372,773 |
| Total liabilities, minority interest in subsidiaries and shareholders' equity | ¥1,097,548 | ¥1,092,067 | ¥1,090,131 | ¥1,071,190 | ¥833,001 | ¥764,491 |

**CONDENSED
CONSOLIDATED
STATEMENTS OF
INCOME**
(BASED ON JAPANESE GAAP)

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

In millions of yen

| | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 |
|--|-----------------|----------|----------|----------|----------|----------|
| Revenue | ¥547,230 | ¥527,409 | ¥523,271 | ¥497,921 | ¥454,960 | ¥410,492 |
| <i>Percentage change from prior year</i> | 3.8% | 0.8% | 5.1% | 9.4% | 10.8% | 16.5% |
| Cost of revenue | 341,466 | 324,759 | 325,952 | 319,826 | 278,911 | 245,317 |
| <i>As a percentage of revenue</i> | 62.4 | 61.6 | 62.3 | 64.2 | 61.3 | 59.8 |
| Gross profit | 205,764 | 202,650 | 197,319 | 178,094 | 176,049 | 165,174 |
| <i>As a percentage of revenue</i> | 37.6 | 38.4 | 37.7 | 35.8 | 38.7 | 40.2 |
| Selling, general and administrative expenses | 122,720 | 121,363 | 124,416 | 135,071 | 110,787 | 103,658 |
| <i>As a percentage of revenue</i> | 22.4 | 23.0 | 23.8 | 27.2 | 24.4 | 25.2 |
| Operating profit | 83,043 | 81,286 | 72,902 | 43,022 | 65,261 | 61,515 |
| <i>As a percentage of revenue</i> | 15.2 | 15.4 | 13.9 | 8.6 | 14.3 | 15.0 |
| Non-operating income | 11,942 | 7,798 | 8,672 | 8,088 | 11,333 | 15,894 |
| Non-operating expenses | 11,507 | 12,841 | 11,512 | 9,569 | 10,320 | 8,411 |
| Ordinary profit | 83,478 | 76,243 | 70,063 | 41,541 | 66,274 | 68,997 |
| <i>As a percentage of revenue</i> | 15.3 | 14.5 | 13.4 | 8.3 | 14.6 | 16.8 |
| Extraordinary profit | 11,381 | 31,860 | 13,587 | 33,491 | 24,618 | 6,739 |
| Extraordinary loss | 10,105 | 24,892 | 15,728 | 53,150 | 26,597 | 4,170 |
| Income before income taxes | 84,754 | 83,211 | 67,921 | 21,882 | 64,295 | 71,566 |
| <i>As a percentage of revenue</i> | 15.5 | 15.8 | 13.0 | 4.4 | 14.1 | 17.4 |
| Income taxes—current | 28,723 | 30,962 | 27,808 | 37,095 | 30,011 | 27,395 |
| Income taxes—deferred | 4,145 | 8,985 | 2,171 | (23,550) | (2,057) | (1,757) |
| Minority interest in subsidiaries | 3,367 | 2,152 | 2,358 | (1,246) | 801 | 3,111 |
| Net income | 48,517 | 41,111 | 35,583 | 9,583 | 35,540 | 42,817 |
| <i>As a percentage of revenue</i> | 8.9 | 7.8 | 6.8 | 1.9 | 7.8 | 10.4 |
| <i>Percentage change from prior year</i> | 18.0 | 15.5 | 271.3 | (73.0) | (17.0) | (12.8) |

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 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|
| Current assets: | | | | | | |
| Cash on hand and in banks | ¥135,400 | ¥117,302 | ¥ 93,044 | ¥101,946 | ¥ 77,581 | ¥ 92,077 |
| Notes receivable..... | 552 | 292 | 365 | 741 | 538 | 324 |
| Due from subscribers | 9,008 | 8,856 | 8,311 | 7,726 | 7,072 | 6,242 |
| Accounts receivable, trade | 6,228 | 5,372 | 4,695 | 6,719 | 5,089 | 4,172 |
| Receivables—other | 5,822 | 5,680 | 3,047 | 3,536 | 3,123 | 3,457 |
| Short-term investments..... | 451 | 451 | 7,951 | 1,479 | 6,312 | 15,482 |
| Common stock in treasury | — | — | — | — | 3 | 42 |
| Merchandise | 6,740 | 5,673 | 6,738 | 9,563 | 6,625 | 5,524 |
| Supplies | 1,056 | 1,123 | 1,420 | 1,649 | 1,326 | 1,121 |
| Prepaid expenses | 1,728 | 1,610 | 1,507 | 1,857 | 1,605 | 1,369 |
| Deferred income taxes..... | 4,629 | 5,890 | 4,642 | 4,096 | 3,063 | 1,961 |
| Short-term loans | 41,897 | 38,398 | 53,111 | 40,659 | 28,897 | 33,189 |
| Other current assets..... | 2,614 | 2,526 | 2,367 | 2,458 | 2,683 | 4,274 |
| Allowance for doubtful accounts..... | (2,299) | (5,216) | (3,602) | (2,959) | (2,245) | (137) |
| Total current assets..... | 213,831 | 187,961 | 183,602 | 179,475 | 141,676 | 169,104 |
| Fixed assets: | | | | | | |
| Tangible assets: | | | | | | |
| Buildings and improvements | 23,943 | 25,836 | 28,777 | 20,576 | 23,006 | 23,696 |
| Automobiles..... | 132 | 145 | 525 | 634 | 679 | 578 |
| Security equipment and control stations | 59,836 | 60,684 | 60,220 | 75,216 | 70,511 | 65,825 |
| Machinery and equipment..... | 1,423 | 1,427 | 1,501 | 3,571 | 4,104 | 2,906 |
| Tools, furniture and fixtures | 4,514 | 3,990 | 3,678 | 3,383 | 3,316 | 2,335 |
| Land | 35,179 | 36,439 | 42,197 | 37,907 | 37,837 | 35,152 |
| Construction in progress | 1,692 | 2,862 | 1,463 | 2,011 | 2,327 | 1,616 |
| Other | 47 | 72 | 18 | 25 | 16 | 18 |
| Intangible assets: | | | | | | |
| Telephone rights and other | 2,030 | 2,592 | 2,834 | 3,602 | 4,702 | 6,518 |
| Telephone and telegraph utility rights | 147 | 207 | 540 | 634 | 803 | 1,156 |
| Software | 6,401 | 8,935 | 10,957 | 10,535 | 11,422 | 3,313 |
| Investments and other: | | | | | | |
| Investment securities | 27,654 | 23,874 | 20,796 | 23,578 | 27,284 | 10,706 |
| Investments in subsidiaries and affiliated companies | 160,440 | 158,279 | 159,901 | 160,870 | 145,227 | 129,771 |
| Long-term loans | 17,305 | 23,385 | 10,059 | 9,748 | 11,242 | 2,636 |
| Lease deposits | 8,816 | 8,533 | 8,489 | 8,504 | 8,697 | 6,802 |
| Long-term prepaid expenses..... | 20,335 | 19,889 | 19,709 | 1,025 | 1,263 | 1,540 |
| Deferred income taxes..... | 10,450 | 13,728 | 18,379 | 19,223 | — | 1,631 |
| Other investments | 9,288 | 13,007 | 10,650 | 11,555 | 11,423 | 9,428 |
| Allowance for doubtful accounts | (4,760) | (11,306) | (1,596) | (1,311) | (1,205) | (13) |
| Total fixed assets..... | 384,880 | 392,586 | 399,104 | 391,293 | 362,662 | 305,622 |
| Total assets | ¥598,711 | ¥580,547 | ¥582,707 | ¥570,769 | ¥504,339 | ¥474,726 |

In millions of yen

| LIABILITIES | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 |
|--|----------|----------|----------|----------|----------|----------|
| Current liabilities: | | | | | | |
| Accounts payable..... | ¥ 2,113 | ¥ 2,160 | ¥ 2,121 | ¥ 1,813 | ¥ 1,908 | ¥ 1,683 |
| Bank loans | 31,473 | 35,663 | 53,503 | 15,234 | 20,157 | 23,454 |
| Current portion of straight and convertible bonds..... | — | 18 | — | 33 | — | — |
| Payables—other | 10,201 | 10,358 | 9,605 | 10,167 | 10,722 | 7,590 |
| Accrued expenses | 599 | 634 | 576 | 619 | 5,713 | 5,484 |
| Deposits received..... | 31,146 | 33,958 | 24,749 | 20,867 | 15,681 | 18,784 |
| Deferred revenue—service charges | 21,727 | 21,247 | 21,048 | 20,108 | 19,583 | 19,254 |
| Accrued income taxes | 10,279 | 10,570 | 6,806 | 18,163 | 13,904 | 9,858 |
| Payables—construction | 3,113 | 4,666 | 3,535 | 3,514 | 4,328 | 4,123 |
| Accrued bonus | 4,967 | 4,710 | 4,920 | 4,939 | — | — |
| Other current liabilities | 3,070 | 4,029 | 3,837 | 2,772 | 2,437 | 3,330 |
| Total current liabilities | 118,694 | 128,019 | 130,706 | 98,234 | 94,436 | 93,564 |
| Fixed liabilities: | | | | | | |
| Straight and convertible bonds | 30,000 | 30,000 | 30,018 | 30,018 | 518 | 578 |
| Long-term loans | — | 2,300 | 3,700 | — | — | — |
| Guarantee deposits received | 18,014 | 17,009 | 16,721 | 16,445 | 15,784 | 15,046 |
| Deferred income taxes..... | — | — | — | — | 581 | — |
| Accrued severance indemnities..... | — | — | — | — | — | 368 |
| Accrued pension and severance costs | 5,713 | 5,356 | 30,378 | 31,341 | 1,999 | — |
| Other fixed liabilities..... | — | — | — | — | 120 | — |
| Total fixed liabilities | 53,728 | 54,665 | 80,818 | 77,805 | 19,003 | 15,993 |
| Total liabilities | 172,423 | 182,684 | 211,524 | 176,039 | 113,439 | 109,557 |
| SHAREHOLDERS' EQUITY | | | | | | |
| Common stock | 66,377 | 66,368 | 66,368 | 66,360 | 66,126 | 66,096 |
| Capital surplus: | | | | | | |
| Additional paid-in capital..... | 82,553 | 82,544 | 82,544 | 82,536 | 82,302 | 82,272 |
| Total capital surplus..... | 82,553 | 82,544 | 82,544 | 82,536 | 82,302 | 82,272 |
| Retained earnings: | | | | | | |
| Legal reserve..... | 9,028 | 9,028 | 9,028 | 9,028 | 8,077 | 7,126 |
| Voluntary reserve: | | | | | | |
| Reserve for systems development..... | 800 | 800 | 800 | 800 | 800 | 800 |
| Reserve for tax deferral on asset replacement..... | 25 | 26 | 27 | 28 | 30 | 31 |
| General reserve..... | 2,212 | 2,212 | 2,212 | 2,212 | 2,212 | 2,212 |
| Total voluntary reserve..... | 3,037 | 3,038 | 3,039 | 3,040 | 3,042 | 3,043 |
| Unappropriated retained earnings..... | 306,766 | 279,338 | 254,364 | 233,263 | 226,776 | 206,629 |
| Total retained earnings..... | 318,832 | 291,405 | 266,431 | 245,332 | 237,895 | 216,799 |
| Unrealized gains on securities..... | 3,082 | 1,944 | 124 | 642 | 4,575 | — |
| Common stock in treasury, at cost..... | (44,558) | (44,400) | (44,287) | (141) | — | — |
| Total shareholders' equity..... | 426,288 | 397,862 | 371,182 | 394,729 | 390,899 | 365,169 |
| Total liabilities and shareholders' equity | ¥598,711 | ¥580,547 | ¥582,707 | ¥570,769 | ¥504,339 | ¥474,726 |

**CONDENSED
NONCONSOLIDATED
STATEMENTS OF
INCOME**
(BASED ON JAPANESE GAAP)

SECOM CO., LTD.
Years ended March 31

In millions of yen

| | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 |
|--|-----------------|----------|----------|----------|----------|----------|
| Revenue | ¥297,782 | ¥288,493 | ¥278,610 | ¥274,669 | ¥257,008 | ¥242,461 |
| <i>Percentage change from prior year</i> | 3.2% | 3.5% | 1.4% | 6.9% | 6.0% | 4.7% |
| Service charges | 261,918 | 256,883 | 250,237 | 244,014 | 230,722 | 218,977 |
| <i>Percentage change from prior year</i> | 2.0 | 2.7 | 2.5 | 5.8 | 5.4 | 4.2 |
| Sales of merchandise | 35,863 | 31,610 | 28,373 | 30,654 | 26,285 | 23,484 |
| <i>Percentage change from prior year</i> | 13.5 | 11.4 | (7.4) | 16.6 | 11.9 | 10.4 |
| Costs | 164,518 | 159,018 | 155,499 | 162,427 | 141,310 | 130,585 |
| <i>As a percentage of revenue</i> | 55.2 | 55.1 | 55.8 | 59.1 | 55.0 | 53.9 |
| Cost of service | 138,298 | 136,144 | 135,315 | 140,000 | 122,456 | 113,815 |
| <i>As a percentage of service charges</i> | 52.8 | 53.0 | 54.1 | 57.4 | 53.1 | 52.0 |
| Cost of sales | 26,219 | 22,873 | 20,184 | 22,427 | 18,853 | 16,769 |
| <i>As a percentage of merchandise sales</i> | 73.1 | 72.4 | 71.1 | 73.2 | 71.7 | 71.4 |
| Gross profit | 133,263 | 129,475 | 123,111 | 112,241 | 115,698 | 111,876 |
| <i>As a percentage of revenue</i> | 44.8 | 44.9 | 44.2 | 40.9 | 45.0 | 46.1 |
| Gross profit on service | 123,620 | 120,738 | 114,921 | 104,013 | 108,266 | 105,161 |
| <i>As a percentage of service charges</i> | 47.2 | 47.0 | 45.9 | 42.6 | 46.9 | 48.0 |
| Gross profit on sales | 9,643 | 8,736 | 8,189 | 8,227 | 7,432 | 6,714 |
| <i>As a percentage of merchandise sales</i> | 26.9 | 27.6 | 28.9 | 26.8 | 28.3 | 28.6 |
| Selling, general and administrative expenses | 67,232 | 65,244 | 68,943 | 73,339 | 62,484 | 60,212 |
| <i>As a percentage of revenue</i> | 22.6 | 22.6 | 24.8 | 26.7 | 24.3 | 24.8 |
| Operating profit | 66,031 | 64,231 | 54,167 | 38,901 | 53,214 | 51,663 |
| <i>As a percentage of revenue</i> | 22.2 | 22.3 | 19.4 | 14.2 | 20.7 | 21.3 |
| Other income (expenses): | | | | | | |
| Interest, dividends and other income | 6,241 | 4,817 | 4,288 | 4,661 | 7,211 | 5,210 |
| Interest expense | 547 | 695 | 494 | 354 | 269 | 15 |
| Other expense | 5,505 | 6,196 | 4,448 | 4,317 | 6,917 | 4,821 |
| Ordinary profit | 66,219 | 62,156 | 53,513 | 38,891 | 53,239 | 52,036 |
| <i>As a percentage of revenue</i> | 22.2 | 21.5 | 19.2 | 14.2 | 20.7 | 21.5 |
| Extraordinary profit | 1,083 | 25,462 | 6,543 | 28,211 | 23,246 | 5,427 |
| Extraordinary loss | 5,915 | 29,860 | 7,535 | 38,712 | 24,570 | 5,810 |
| Income before income taxes | 61,388 | 57,758 | 52,521 | 28,390 | 51,915 | 51,653 |
| <i>As a percentage of revenue</i> | 20.6 | 20.0 | 18.9 | 10.3 | 20.2 | 21.3 |
| Provision for income taxes | 23,684 | 23,475 | 21,736 | 11,441 | 21,319 | 21,381 |
| <i>Effective tax rate</i> | 38.6 | 40.6 | 41.4 | 40.3 | 41.1 | 41.4 |
| Net income | 37,704 | 34,282 | 30,784 | 16,948 | 30,595 | 30,272 |
| <i>As a percentage of revenue</i> | 12.7 | 11.9 | 11.0 | 6.2 | 11.9 | 12.5 |
| <i>Percentage change from prior year</i> | 10.0 | 11.4 | 81.6 | (44.6) | 1.1 | 16.1 |

CORPORATE INFORMATION

(As of July 31, 2005)

| | |
|------------------------------|--|
| Headquarters: | 5-1, Jingumae 1-chome, Shibuya-ku, Tokyo 150-0001, Japan |
| Independent auditors: | KPMG AZSA & Co. |
| Transfer agent: | The Mitsubishi Trust and Banking Corporation 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8212, Japan |

MAJOR CONSOLIDATED SUBSIDIARIES

| | Issued capital (In millions of yen) | Percentage of equity/ voting rights | Lines of business |
|--|--|---|--|
| Domestic | | | |
| <Security services> | | | |
| Secom Joshinetsu Co., Ltd. | ¥3,530 | (53.0)% | 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 | (52.3) | Security services |
| JK. Siress Co., Ltd. | 10 | (100.0) | Security services |
| Japan Safety Guard Co., Ltd. | 100 | 60.0 | Security services |
| Meian Co., Ltd. | 30 | 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 | (52.2) | Installation of security equipment |
| Secom Techno Joshinetsu Co., Ltd. | 20 | (79.1) | Installation of security equipment |
| Secom Win Co., Ltd. | 15 | (66.7) | Installation of security equipment and facilities |
| Secom Maintenance Joshinetsu Co., Ltd. | 10 | (100.0) | Maintenance of equipment |
| TES Co., Ltd. | 20 | (100.0) | Maintenance of equipment |
| Riken Maintenance Co., Ltd. | 10 | (100.0) | Maintenance of facilities |
| 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 |
| <Medical services> | | | |
| Secom Medical System Co., Ltd. | 200 | 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 |
| Kyokushin Shoji Co., Ltd. | 10 | (100.0) | Management of real estate |
| 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 | 51.8 | Management of nursing homes |
| Central Medical Service Co., Ltd. | 50 | (100.0) | Management of nursing homes |
| Japan Life Plus Medical Co., Ltd. | 10 | (100.0) | Medical-related services |
| Secom Medical Resource Co., Ltd. | 10 | (100.0) | Medical staffing solutions |
| Japan Medical Information System Co., Ltd. | 185 | (100.0) | Development and sales of health-, medical-, and welfare-related software |
| Secomfort Co., Ltd. | 10 | (100.0) | Management of nursing homes |
| Secomfort West Co., Ltd. | 10 | (100.0) | Management of nursing homes |
| US Chemical Co., Ltd. | 3 | (100.0) | Management of pharmacies |
| <Insurance services> | | | |
| Secom Insurance Service Co., Ltd. | 225 | (100.0) | Non-life insurance agency |
| Secom General Insurance Co., Ltd. | 5,611 | 82.7 | Non-life insurance |

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 (In millions of yen) | Percentage of equity/ voting rights | Lines of business |
|---|--|---|--|
| <Information and communication related and other services> | | | |
| Secom Trust.net Co., Ltd. | ¥1,469 | 76.6% | Information, communication and cyber security services |
| Secom Information System Co., Ltd. | 350 | 100.0 | Software development |
| Laboratory for Innovators of Quality of Life | 100 | (94.5) | Research and planning of social life |
| Cable Net Niigata Co., Ltd. | 2,142 | (92.1) | CATV broadcasting service |
| Japan Image Communications Co., Ltd. | 487 | 94.8 | Commissioned broadcasting service |
| Pasco Corporation | 8,758 | 70.0 | Geographic information system services |
| Pasco Road Center Co., Ltd. | 50 | (72.2) | Geographic information system services |
| GIS Tokyo Co., Ltd. | 100 | (100.0) | Geographic information system services |
| GIS Hokkaido Co., Ltd. | 190 | (100.0) | Geographic information system services |
| GIS Kansai Co., Ltd. | 50 | (68.0) | Geographic information system services |
| GIS Sendai Co., Ltd. | 30 | (73.7) | Geographic information system services |
| GIS Kitanihon Co., Ltd. | 20 | (83.3) | Geographic information system services |
| GIS Kyushu Co., Ltd. | 50 | (93.1) | Geographic information system services |
| GIS Hokuriku Co., Ltd. | 20 | (100.0) | Geographic information system services |
| GIS Tokai Co., Ltd. | 50 | (100.0) | Geographic information system services |
| GIS Shikoku Co., Ltd. | 30 | (86.2) | Geographic information system services |
| Urban Environmental Improvement Center Co., Ltd. | 50 | (95.0) | Geographic information system services |
| ESRI Japan, Inc. | 50 | (75.0) | Geographic information system services |
| Tokyo Digital Map Co., Ltd. | 60 | (66.7) | Geographic information system services |
| Pasco Geographia Co., Ltd. | 25 | (100.0) | Geographic information system services |
| Secom Home Life Co., Ltd. | 3,700 | 99.9 | Development of residential buildings |
| Arai & Co., Ltd. | 3,000 | (93.0) | Real estate leasing |
| Stappy, Inc. | 5 | 100.0 | Management of real estate |
| 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 |
| Overseas | | | |
| <Security services> | | | |
| The Westec Security Group, Inc. | US\$0.3 thousand | 100.0 | Holding company |
| Westec Franchising, Inc. | US\$100 thousand | (100.0) | Sales of franchises with Westec trademark |
| Secom Plc | £39,126 thousand | 100.0 | Security services |
| Secom (China) Co., Ltd. | Rmb332,170 thousand | 100.0 | Holding company |
| Dalian Secom Security Co., Ltd. | Rmb17,228 thousand | (95.0) | Security services |
| Shanghai Secom Security Co., Ltd. | Rmb29,122 thousand | (90.0) | Security services |
| Beijing Jingdun Secom | | | |
| Electronic Security Co., Ltd. | Rmb20,792 thousand | (80.0) | Security services |
| Qingdao Secom Security Co., Ltd. | Rmb8,298 thousand | (80.0) | Security services |
| Shenzhen Secom Security System Co., Ltd. | US\$2,000 thousand | (90.0) | Security services |
| P.T. Secom Indopratama | US\$3,950 thousand | 94.9 | Security services |
| Thaisecom Pitakkij Co., Ltd. | THB300 million | 88.4 | Security services |
| Secominter (Australia) Pty. Ltd. | AUD31.5 million | 100.0 | Holding company |
| Secom Australia Pty. Ltd. | AUD32.0 million | (100.0) | Security services |
| <Other services> | | | |
| Asia Pacific Business Link Ltd. | US\$9,670 thousand | 85.5 | Holding company; housing-related business |
| Shanghai Asia Pacific Property Co., Ltd. | US\$5,000 thousand | (100.0) | Housing-related business |
| P.T. Nusantara Secom Infotech | US\$3,304 thousand | (100.0) | Software development |
| Pasco-Certeza Computer Mapping Corporation | PHP8,400 thousand | (70.0) | Geographic information system services |
| Suzhou Super Dimension Earth Science Research and Development Co., Ltd. | | | |
| | Rmb1,000 thousand | (92.0) | Geographic information system services |
| Pasco Thailand Co., Ltd. | THB30,979 thousand | (100.0) | Geographic information system services |
| FM-International Oy FINNMAP | EUR323 thousand | (55.0) | Geographic information system services |
| Pasco China Corporation | Rmb5,284 thousand | (100.0) | Geographic information system services |
| Pasco North America Inc. | US\$70 thousand | (100.0) | Geographic information system services |
| Beijing Secom Information Technology Co., Ltd. | | | |
| | US\$2,500 thousand | (100.0) | Development of information systems |
| ClearLight Partners, LLC | US\$118,500 thousand | (99.7) | Investment |
| Gold Stone Investment Inc. | US\$3 thousand | (100.0) | Investment |

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 that help provide peace of mind in today's rapidly changing society.

Security Services

Centralized Security Systems

Commercial Use:

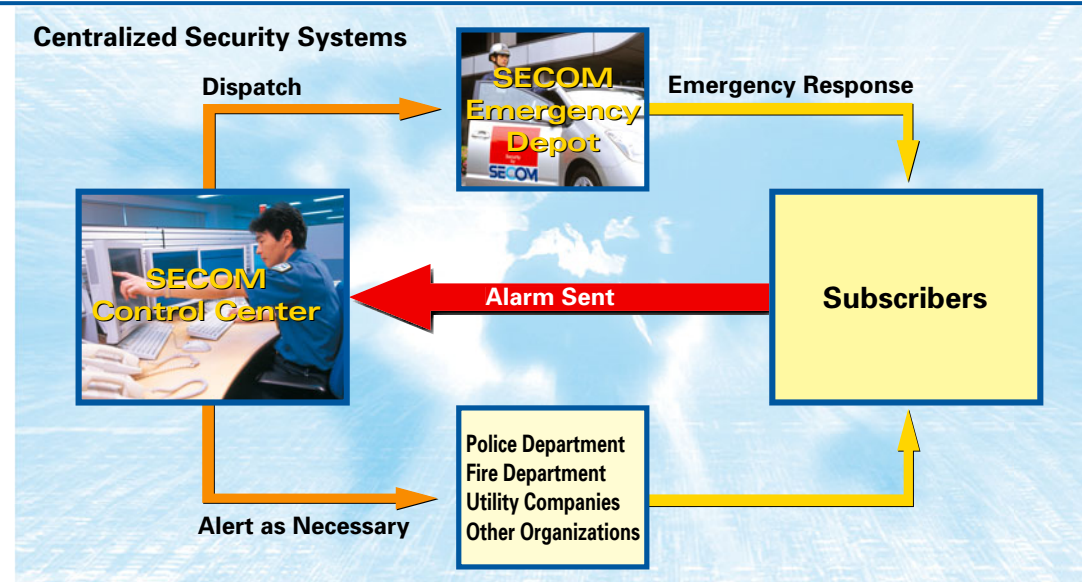
- **SECOM AX**
SECOM AX is an on-line security system with advanced on-site image sensors that incorporate microphones to enable the SECOM control center staff to check the subscriber's premises by listening and viewing.
- **SECOM IX**
SECOM IX is a remote imaging security system for commercial facilities 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 provides on-line protection for commercial buildings with more than one tenant.
- **HANKS SYSTEM**
HANKS SYSTEM is an on-line security system for 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 preventive treatment, health care and other services offered through SECOM Medical Club.

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.
- **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.
- **NURSING HOMES WITH FULL-TIME PERSONAL CARE SERVICES**
SECOM manages the Sacrava Seijo and Royal Life Tama nursing homes and the Alive Care Home series for senior citizens with full-time personal care 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 Systems

- **SECOM TOTAX ZETA**
SECOM TOTAX ZETA integrates cutting-edge 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. The services include COCO-SECOM EZ and COCO-SECOM-i, cellular phone-based medical emergency alert services; Automobile Emergency Monitoring Service, a car alarm service that monitors parked vehicles; COCO-SECOM G-Manager, a service with a group search function that allows the subscriber to pinpoint simultaneously the location of a number of automobiles or people; COCO-SECOM for Pets, featuring compact transmitters; and such options as COCO-SECOM Inquiry Call and COCO-SECOM Watch Me Call, which monitor customers' safety.

Static Guard Services

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

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.

Armored Car Services

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

Merchandise

- **SECOM CCTV SYSTEM**
The SECOM CCTV system is a multifunctional, cost-effective closed-circuit surveillance camera system. The system is fully digital, eliminating the risk of image degradation. It is also capable of detecting attempts to disable or destroy the camera.
- **SECURILOCK**
SECURILOCK 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 wireless IC pass cards, magnetic cards, personal identification numbers, microwave transmission and fingerprint 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.

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 cyber security.
- **SECOM DATA SAFE**
SECOM Data Safe is a high-security computer server repository that combines advanced physical and cyber 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.
- **SECOM SAFETY CONFIRMATION SERVICE**
The SECOM Safety Confirmation Service 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.
- **GEOGRAPHIC INFORMATION SYSTEM (GIS) SERVICES**
SECOM provides a range of services based on aerial mapping and GIS technologies, including PasCAL, a comprehensive service for local governments, and the Management-Navigation and MarketPlanner series of corporate management support services.
- **SECOM FINE FOODS**
SECOM Fine Foods is a line of quality food products marketed through mail order catalogs and the Internet.
- **REAL ESTATE DEVELOPMENT AND SALES**
SECOM offers Glorio condominiums.
- **CABLE TELEVISION**
SECOM provides cable television (CATV)-based video transmission and high-speed Internet services.

**DIRECTORS,
CORPORATE
AUDITORS AND
EXECUTIVE
OFFICERS**
SECOM

Directors



Makoto Iida
Founder



Juichi Toda
Co-Founder



Toshitaka Sugimachi
Advisor



Shohei Kimura
Chairman



Kanemasa Haraguchi
*President and
Representative Director*



Nobuyuki Sasaki
Senior Executive Director



Katsuhisa Kuwahara
Executive Director



Shuji Maeda
Executive Director



Katsuo Akiyama
Executive Director



Shinobu Iida
Executive Director



Fumio Obata
Director

Corporate Auditors

Teruo Ogino
Ken Tsunematsu
Hiroshi Yasuda
Kohei Yamashita

Executive Officers

Shohei Kimura
Chairman

Kanemasa Haraguchi
*President and
Representative Director*

Nobuyuki Sasaki
*Senior Executive
Director*

Shigemi Tanaka
*Senior Managing
Executive Officer*

Katsuhisa Kuwahara
Executive Director

Seiichiro Kobayashi
*Managing Executive
Officer*

Shoichi Kake
*Managing Executive
Officer*

Shuji Maeda
Executive Director

Katsuo Akiyama
Executive Director

Shinobu Iida
Executive Director

Koichi Sato
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Masaaki Saida
Executive Officer

Kiyomasa Sugii
Executive Officer

Minoru Takaoka
Executive Officer

Yoshihiro Chino
Executive Officer

Mamoru Sasaki
Executive Officer

Akira Tsutsumi
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Tsuneo Komatsuzaki
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(As of July 31, 2005)



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