

“Peace of mind”
for everyone



Makoto Iida
Founder

Consolidated Operating Results

In the fiscal year ended March 31, 2008, harsh economic conditions persisted as a slowdown in the U.S. economy—precipitated by the subprime loan crisis—and soaring fuel and raw materials prices squeezed corporate profits, while the rising cost of living hindered consumer spending.

In this environment, we continued to respond promptly to our customers’ changing needs for security and peace of mind with the aim of realizing our Social System Industry vision, by stepping up efforts to reinforce our core security services business, as well as our fire protection, medical, insurance, geographic information, and information and communication related and other services.

These efforts contributed to record-high consolidated net sales and operating revenue, operating income and net income. Owing to a full year of contributions from the fire protection services segment—newly established in December 2006—and favorable increases in security services, medical services, geographic information services and insurance services, net sales and operating revenue amounted to ¥706.7 billion, an increase of 11.0%, or ¥70.0 billion. Higher net sales and operating revenue, together with a decline in impairment losses on long-lived assets and goodwill, supported an increase of 11.9%, or ¥11.2 billion in operating income, to ¥105.6 billion. Net income rose 10.5%, or ¥5.9 billion, to ¥61.8 billion.

Calculated in accordance with accounting principles generally accepted in Japan—Japanese GAAP—consolidated revenue rose 11.2%, to ¥682.6 billion while operating profit, ordinary profit and net income totaled ¥104.7 billion, ¥114.3 billion and ¥61.5 billion, respectively—all record highs.

With the intention of providing returns to shareholders that more closely reflect our operating performance, in the previous fiscal year we shifted the basis for determining dividends, which are calculated using Japanese GAAP, to consolidated results, from nonconsolidated results. At the general shareholders’ meeting on June 26, 2008, shareholders approved a resolution to pay annual cash dividends of ¥85.00 per share, an increase of ¥5.00.

Responding to Changes in the Operating Environment

In the security services business, the growing number of cunning and malicious crimes has made customers more inclined to reinforce security against potential dangers, both at home and in the workplace. As a consequence, we are seeing a pronounced increase in demand for high-quality security products and services.

With the aim of accommodating the increasingly varied needs of customers in the security services market, we continue to focus on further enhancing service quality by improving the skills of our employees and the capabilities of our security systems. Our ability to provide high-quality security services is due to our integrated approach, whereby we take full responsibility for maintaining control of

every aspect of product and service development, from research and development to manufacturing, sales, security planning, installation, monitoring, emergency response services and equipment maintenance. Improving the skills and teamwork of employees in these areas thus enables us to further enhance service quality.

In the commercial security services market, needs are diversifying in response to changing social conditions. In recent years, building tenant turnover and the emergence of new formats for tenancy have increased. This has in turn boosted liquidity in the commercial security services market. In Japan, for instance, building tenants change with increasing frequency as companies choose to close poorly performing offices and shops and reopen in more profitable locations—after which the vacated premises are leased to another company, most likely in a different industry. Recognizing this trend early on, we have endeavored to increase our market share by making it possible for customers changing premises to transfer their security services contracts to their new locations and by encouraging new tenants to enter into new contracts. An increasing emphasis on lower operating costs and greater efficiency has heightened the popularity of automated, unmanned facilities in a broad range of industries. We are stepping up efforts to develop products and services designed specifically to accommodate the needs of such customers. Recent additions to our lineup include a new security system featuring a facility control mechanism that enables remote opening and closing of doors and shutters.

We are also seeing an increase in the need for around-the-clock security for commercial premises. In response to an increase in crimes targeting stores and offices in recent years, we continue to propose access-control systems that suit a variety of requirements to ensure security when employees are present. We have augmented existing on-line systems with a new feature which monitors windows and doors using sensors in the early morning and late at night, even when employees are present, thereby helping to prevent unlawful access and ensure employee safety.

Employee identification cards based on integrated circuit (IC) card technology have rapidly grown in popularity among companies in Japan in recent years. As a consequence, there is an increasing need for employee identification cards that can be used for commercial security systems, facility access-control, time clocks, PC access-control and other systems. Our mainstay security systems can not only be used with the SECOM Wireless IC Card, but can also be made compatible with IC cards from other manufacturers. We are actively promoting these options to customers seeking systems that maximize the convenience of IC cards.

In the home security market, we continue to focus on boosting the number of contracts for our on-line home security services. Underscoring the increasing unease in society today, residential security customers are seeking ever-higher levels of security. We offer a wide range of options carefully tailored to customer needs. The recent revision of Japan's Fire Protection Law and the introduction of corresponding regulations by local authorities have increased the number of homes that are required to install fire alarm systems. In response, we have begun offering New Home Fire Sensor, which can be connected to our on-line home security



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systems, and have already received substantial numbers of orders. Other security products that can also be connected to our on-line security systems to make homes more secure include SECOM *Anshin* Glass—a high-impact, breakage-resistant window glass—and residential monitoring cameras, both of which continue to earn praise from customers. These and other business activities have benefited from the efforts in recent years of our network of offices, which has bolstered sales and increased opportunities for us to interact directly with customers. Sales have also benefited from the introduction of such value-added options as SECOM Home Service, a suite of lifestyle support services through which we assist customers in resolving everyday household problems. Originally offered in the Tokyo Metropolitan area, this service is now available nationwide. Going forward, we will continue to enhance and broaden the SECOM Home Service lineup with the aim of increasing convenience for customers.

The proliferation of mobile phones has significantly changed the face of the home security market in many ways, one of which is a rise in the number of homes without landlines. Because home security systems traditionally use home telephones to notify control centers should an abnormality be detected, this change has had a noticeable impact on the security services industry. In developing our COCO-SECOM mobile security system, we established a communications infrastructure using COCO-SECOM, thereby making it possible for us to offer SECOM Home Security to customers without home telephones. Accordingly, because we are able to offer security services using a variety of communications methods, we are not dependent on the user's communications infrastructure and can guarantee a uniform level of service to all customers.

We are also expanding our presence in overseas markets. In the growing market of the PRC, we offer SECOM security services in key coastal cities and surrounding urban centers. Given our rapidly expanding contract volume in the PRC, we are planning to double our number of branches in the years ahead by, among others, expanding into inland areas. In the high-growth economies of Southeast Asia, we are working to establish new bases and expand our operations in the region. In the United Kingdom, subsidiary Secom Plc won the top prize in the 2007 Security Excellence Awards for best customer care initiative—underscoring the high regard in which SECOM's approach to security services is held in the U.K. market. Moving forward, we will continue to enhance our capabilities by further raising the quality of our security services, while at the same time expanding our presence in promising markets.

To further accelerate our growth, we are also taking decisive steps to expand businesses other than security services. In the area of fire protection services, we have expanded sales in the home fire protection market, as well as reinforced efforts to coordinate sales activities for large-scale buildings and develop an optimal execution and maintenance system. In medical services, we have enhanced our various home services, which include home nursing and pharmaceutical dispensing and delivery services, as well as our other services. In insurance services,

we have endeavored to bolster sales of distinctive non-life insurance policies, which include a fire insurance policy for commercial premises, a comprehensive home insurance policy, a comprehensive automobile insurance policy and MEDCOM, an unrestricted cancer treatment policy that covers the cost of treatments, including those not covered by Japan's national health insurance scheme. In geographic information services, we have built on our advanced measuring technologies and accumulated geographic information system (GIS) surveying capabilities to generate geospatial data, which we supply to public- and private-sector customers. We have also obtained exclusive rights in Japan and nonexclusive rights worldwide to sell image data generated by TerraSAR-X, a German commercial satellite. We have already laid a solid business foundation that will enable us to use this data in a wide range of areas. Our information and communication related and other services business encompasses a wide array of services, ranging from consulting to the provision of effective solutions, with a focus on such areas as information security services and disaster response support services. Recent efforts have included expanding the lineup of services offered under the umbrella of the SECOM Safety Confirmation Service, which is designed to help confirm the safety of employees in the event of a major disaster.

Realizing the Social System Industry

Having positioned the security services business as our core focus and expanded our business portfolio to include fire protection services, medical services, insurance services, geographic information services, and information and communication related and other services, we have developed products and services that deliver ever-greater added value by promoting close collaboration among these businesses. Our quest to realize our Social System Industry vision involves the creation of a comprehensive framework of products and services that are an essential part of life. To this end, we are striving to develop and offer new products and services that contribute to a safer and more secure society. We are confident that such efforts will enable us to achieve steady growth in corporate value.

On January 1, 2008, we unveiled a new corporate message, "providing reliable peace of mind." This reflects our mission as a company providing products and services that promote a level of safety worthy of the trust of our customers, thereby enabling us to realize our Social System Industry vision.

We look forward to the support of our shareholders in these and all of our endeavors.

June 26, 2008



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President and Representative Director