



ANNUAL REPORT 2008

Year ended March 31, 2008

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

Established in 1962, SECOM CO., LTD., is a pioneer in Japan's security services industry. Since its founding date, SECOM has endeavored to develop innovative offerings, particularly in the area of security services, in line with its mission to contribute to society through its business activities. These efforts have enabled SECOM to respond to the increasing need for security and peace of mind, as well as to achieve steady growth.

Today, SECOM—comprising the parent company and the other companies of the SECOM Group—has expanded its focus beyond its core security services to include fire protection services, medical services, insurance services, geographic information services, and information and communication related and other services. In addition to providing services that benefit society in each of its business areas, SECOM continues to consolidate the foundation of the Social System Industry, a framework of distinctive, integrated packages of products and services that make life more secure, convenient and comfortable, and to reinforce the trust of its customers.

SECOM has also expanded into overseas markets, establishing a network of subsidiaries and joint ventures in 11 countries and territories, where it has earned a solid reputation for providing services of the same high quality it offers in Japan. In particular, SECOM is focusing on the high-growth markets of the People's Republic of China (PRC) and Southeast Asia, where it is establishing bases and broadening its reach as part of a larger effort to promote the acceptance of security services.

In the years ahead, SECOM will continue to leverage its comprehensive expertise and experience to achieve further expansion and growth.

HIGHLIGHTS

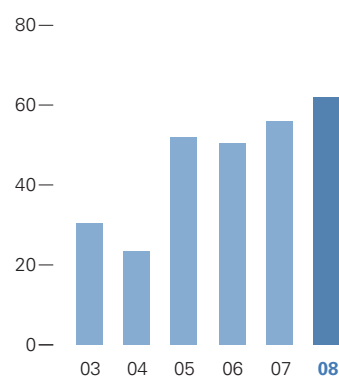
U.S. GAAP

SECOM CO., LTD. and Subsidiaries Three years ended March 31, 2008	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2008	2007	2006	2008
Net sales and operating revenue.....	¥ 706,695	¥ 636,678	¥ 580,526	\$ 7,066,950
Operating income.....	105,628	94,418	81,893	1,056,280
Net income.....	61,756	55,889	50,331	617,560
Total assets.....	1,265,525	1,241,182	1,225,228	12,655,250
Total shareholders' equity.....	574,554	551,732	508,696	5,745,540
			In yen	In U.S. dollars
Per share of common stock:				
Net income.....	¥ 274.51	¥ 248.42	¥ 223.69	\$ 2.75
Cash dividends.....	80.00	60.00	50.00	0.80
Shareholders' equity.....	2,553.97	2,452.47	2,261.00	25.54

- Notes: 1. Yen amounts have been translated into U.S. dollars, solely for the convenience of the reader, at the rate of ¥100=US\$1, the rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2008.
 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. The Company recorded record-high net sales and operating revenue, operating income, and net income, in the year ended March 31, 2008.
 5. Cash dividends per share of common stock shown are based on dividends approved and paid in each period. Subsequent to March 31, 2008, cash dividends of ¥85.00 per share were approved at the general shareholders' meeting held on June 26, 2008 (see Note 17 of the accompanying Notes to Consolidated Financial Statements).

Net Income (U.S. GAAP)

(In billions of yen)



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

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

In the year ended March 31, 2006, net income declined ¥1.8 billion, to ¥50.3 billion. This result was despite a ¥9.4 billion increase in income from continuing operations, to ¥51.2 billion, which reflected increases in operating income and gains on sales of securities, net, and was primarily attributable to the absence of ¥9.9 billion in income from discontinued operations, net of tax, recorded in the previous period, owing to the sale of the Company's education services business and certain real estate properties for lease.

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

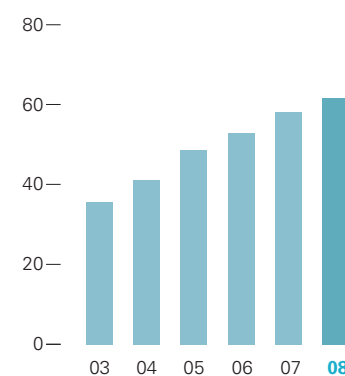
Japanese GAAP

SECOM CO., LTD. and Subsidiaries Three years ended March 31, 2008	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2008	2007	2006	2008
Revenue.....	¥ 682,619	¥ 613,976	¥ 567,315	\$ 6,826,190
Operating profit.....	104,706	97,840	94,109	1,047,060
Ordinary profit.....	114,278	102,720	96,669	1,142,780
Net income.....	61,506	58,299	52,994	615,060
Total assets.....	1,202,840	1,169,182	1,149,377	12,028,400
Total shareholders' equity.....	—	—	496,164	—
Total net assets.....	630,274	601,116	—	6,302,740
			In yen	In U.S. dollars
Per share of common stock:				
Net income.....	¥ 273.40	¥ 259.14	¥ 234.28	\$ 2.73
Cash dividends.....	80.00	60.00	50.00	0.80
Shareholders' equity.....	—	—	2,204.06	—
Net assets.....	2,521.45	2,400.91	—	25.21

Note: The Company reported record-high revenue, operating profit, ordinary profit and net income based on Japanese GAAP in the year ended March 31, 2008. Cash dividends per share of common stock shown are based on dividends approved and paid in each period. Subsequent to March 31, 2008, cash dividends of ¥85.00 per share were approved at the general shareholders' meeting held on June 26, 2008.

Net Income (Japanese GAAP)

(In billions of yen)



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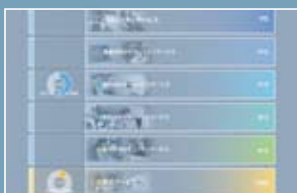
SECOM continues to pursue a wide range of initiatives aimed at realizing its vision for the future—the Social System Industry.

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At the general shareholders' meeting, shareholders approved a resolution to raise annual cash dividends by ¥5.00, to ¥85.00 per share.

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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 R&D in the area of security systems and equipment to manufacturing, sales, security planning, installation, monitoring, emergency response services and equipment maintenance.

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We continue to draw on our wealth of expertise and extensive product and service lineup to offer security solutions to respond to increasingly sophisticated and diverse security needs.

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



**Geographic Information
Services**

Security Services

Medical Services

**Fire Protection
Services**

Insurance Services

**Information and
Communication Related
and Other Services**

Realizing the Social System Industry Vision

In line with its mission to contribute to society through its business activities, SECOM is implementing a wide range of initiatives aimed at realizing its unique Social System Industry vision.

SECOM declared 1989 as the first year of its commitment to realizing this vision. In the two decades since, SECOM has maximized its capabilities to build on its core security services business, broadening its focus to include fire protection services, medical services, insurance services, geographic information services, and information and communication related and other services. SECOM has also promoted close collaboration among these businesses with the aim of developing integrated packages of distinctive, value-added products and services.

Looking ahead, SECOM will further build on this unique approach to diversify into new areas, with the aim of making its services an essential part of life that is readily accessible to people everywhere. To this end, SECOM will promote the decisive investment of resources aimed at reinforcing the framework of integrated products and services that constitutes the Social System Industry.

The success of SECOM's efforts to date in realizing the Social System Industry is thanks in no small part to its original corporate philosophy, which emphasizes challenging accepted norms and striving to do what is appropriate. Challenging accepted norms means not being content with the status quo, constantly seeking better and more suitable solutions. Striving to do what is appropriate means judging the legitimacy of our actions based on whether they benefit society.

This philosophy has guided SECOM since its establishment, and will continue to underscore its efforts to achieve further growth by developing and offering new products and services that earn the support of an ever-greater number of customers. Going forward, SECOM recognizes that the most important condition for achieving growth is that it remains a company that is trusted by its customers.

“Providing reliable peace of mind.”

This new corporate message encapsulates the common goal of employees and management as SECOM pushes forward in its drive to realize the Social System Industry.

“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



Shohei Kimura
Chairman



Kanemasa Haraguchi
President and
Representative Director

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



Makoto Iida
Founder





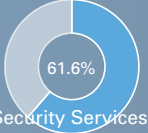



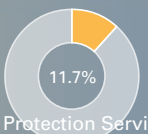

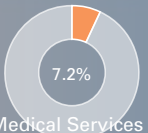

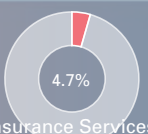

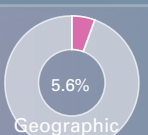

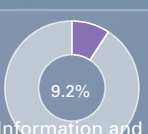

Shohei Kimura
Chairman



Kanemasa Haraguchi
President and Representative Director

BUSINESS INDEX

Percentage of consolidated net sales and operating revenue*

		Security Services	P9
		Commercial Security Services	P10
		Home Security Services	P14
		Other Security Services	P17
		Security Services in Overseas Markets	P19
		Fire Protection Services	P20
		Medical Services	P21
		Insurance Services	P22
		Geographic Information Services	P23
		Information and Communication Related and Other Services	P24

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

Security Services

An integrated package enables SECOM to provide high-grade security services.

SECOM offers exceptional on-line security systems that seamlessly combine the advantages of advanced equipment and human expertise. Equipment configured with sensors that detect intruders, fires and device malfunctions is installed at the subscriber's premises. The sensors are linked by telecommunications circuits to SECOM control centers, where they are monitored around-the-clock. Should an emergency occur at the customer's premises, alarm signals are transmitted to a control center, which dispatches emergency response personnel—who respond immediately by taking the appropriate measures to protect the security of subscribers and their premises—and, when necessary, the police and/or fire department.

The distinguishing feature of our security systems is our integrated approach, whereby we take full responsibility for maintaining control of every aspect of our security systems from research and development (R&D) to manufacturing, sales, security planning, installation, monitoring, emergency response services and equipment maintenance. This integrated approach is the key to our high-grade security services, enabling us to maintain proprietary know-how and crucial information in-house, to be deployed readily in the development of new systems. Moreover, because systems are developed in-house, we are able to both update and incorporate them promptly and flexibly, as well as provide new equipment that is compatible with existing systems. Tailored security planning and equipment installation by our seasoned security professionals means we are able to offer subscribers the optimal system for their particular security needs.

Furthermore, because we rent, rather than sell, security systems to subscribers, we are able to respond swiftly in the event of a malfunction or breakdown and repair or provide replacement equipment—thus ensuring that

systems are maintained in optimal operating condition. Rental contracts also enable subscribers to minimize the initial costs.

Using SECOM field personnel to provide emergency response services and maintenance not only ensures appropriate and timely services, but also gives us access to the opinions of subscribers and information which we are able to feed back to our R&D departments, leading to system improvements. Our integrated approach ensures that such information obtained is distributed among other pertinent departments and incorporated into the relevant systems, thereby enabling us to offer distinctive, high-grade services. Additionally, our integrated approach enhances cost control, allowing us to offer security services to customers at appropriate prices.

Our expert emergency response personnel are crucial to our ability to offer high-grade security services. These highly trained security professionals provide broad-based support for our security services, including guard services and system maintenance, as well as temporary facility repairs, designed to keep facilities operable until maintenance experts are available. SECOM emergency response personnel are available around-the-clock to respond swiftly and effectively to requests from subscribers, thereby playing a critical role in ensuring that customers can rely on, and are satisfied with, our services.



Emergency response personnel



Static guard

Commercial Security Services

SECOM is drawing on its wealth of expertise, its extensive product and service lineup, and its ability to provide solutions that respond to increasingly sophisticated and diverse security needs and earn the satisfaction of customers.



March 2008 marked the opening of Akasaka Sacas, a new development in Tokyo's Akasaka district that has caused a considerable buzz. An exciting, comprehensive entertainment complex comprising five buildings, including Akasaka Biz Tower, which has three floors below ground and 39 above, Akasaka Sacas houses facilities for events, theater and music, as well as a variety of dining options.

Akasaka Biz Tower uses SECOM security gate systems. We also provide the SECOM AED Package Service, static guard services and a variety of other services.

Providing Uniquely SECOM Solutions to Varied Security Needs

Large commercial complexes increasingly require advanced security systems that protect people and property from crimes and other hazards. For prospective tenants, a sophisticated security system is an important consideration. To facilitate prompt responses to such needs, we have established System Design centers—specialized units that design security systems for large complexes—within major cities throughout Japan. In close cooperation with sales staff, center engineers work to design systems that accommodate specific security requirements.

SECOM's large-scale proprietary security systems combine advanced equipment and highly trained, professional static guard services. Technology and human expertise thus complement each other in a single sophisticated package.

By adding various products and services from the SECOM Group's extensive lineup, we also create customized packages. At the same time, we are taking advantage of Group capabilities to expand sales channels. For example, in many instances a solid relationship established with a subscriber to the SECOM Safety Confirmation Service—part of a range of disaster response support services—has led to a new contract for security services, underscoring the effectiveness of this approach. Looking ahead, we will continue to create new value and respond to the varied needs of customers in the commercial security services markets by leveraging our expertise in security services and our comprehensive capabilities.

Developing Security Systems that Respond to Diverse Types of Crime

Criminal acts are growing ever more cunning and malicious, and crimes today are often committed in just minutes. SECOM AX, an on-line security system employing proprietary image recognition technology, features advanced on-site sensors that detect irregularities, even in the dark. If an intruder is detected, images are immediately transmitted to a SECOM control center, enabling control center staff to accurately ascertain the status of the intruder and respond appropriately. If the subscriber has also installed the SECOM Foggy Protection System, control center staff can activate this system remotely, filling the room with a thick but harmless chemical mist that significantly reduces visibility for the intruder, thus hindering his or her ability to proceed as planned.

A recent introduction to our lineup is the newly developed SECOM T-AX, which combines SECOM AX with the features of SECOM TX, a centralized security system for commercial buildings with multiple tenants. As a result, we are now able to provide security systems employing proprietary image recognition to large commercial complexes.

Demand is growing for surveillance camera systems to prevent information leaks, the theft of information and crimes. In response, we recently launched the HVR System, a surveillance camera system that capitalizes on our proprietary expertise in such things as detecting attempts to disable or destroy cameras. With this high-performance system, control equipment is linked to a combination of digital and analog cameras—up to 16 in total—to enable effective, continuous recording over extended periods. To date, the switch to digital camera-based systems has necessitated the removal of existing analog cameras. With the HVR System, customers can continue to use existing analog cameras, thus making this a highly economical option. Going forward, we will continue to promote the HVR System as a flexible, economically priced option for both existing and new customers.

Catering to Commercial Security Needs Around-the-Clock

The enforcement of Japan's Personal Information Protection Law in 2005 has reinforced the need for stringent management of personal information pertaining to customers and other individuals. Despite increased



HVR System surveillance camera



HVR System recording unit



SECOM Control Center



SESAMO IDj, an access-control system that identifies people by the veins in their palms



110 Emergency Call for Children which enables children in danger to take shelter in ATM booths

vigilance, however, incidents involving personal information leaks have continued to occur. In most cases, the leaks have resulted from the illicit removal of physical documents, PCs, or data contained in PCs, from the workplace.

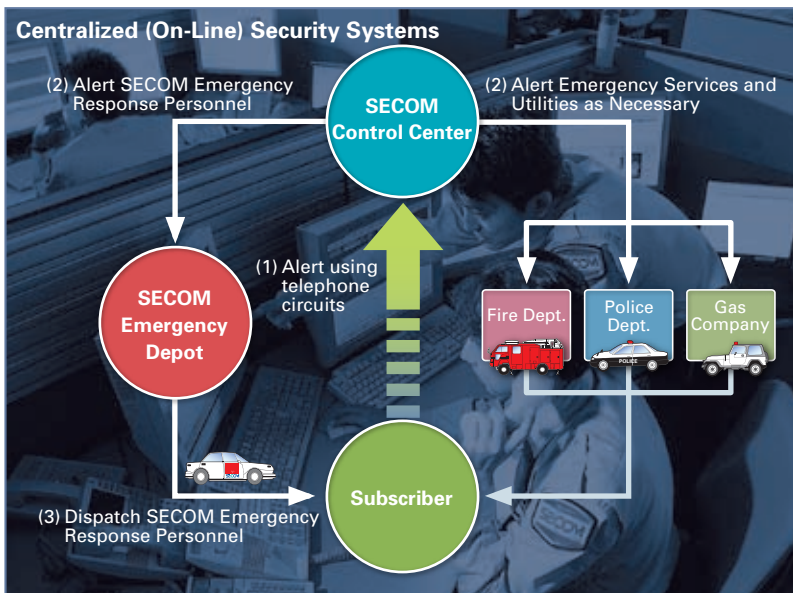
To help commercial customers improve their ability to protect such information, we have developed SESAMO TRII, a comprehensive access-control system that makes it possible to restrict access to selected areas, times and individuals, as well as keep a detailed access record. Integrating this system with electronic authorization systems, provided by subsidiary SECOM Trust Systems Co., Ltd., and contactless IC card-based identification systems facilitates effective control of PC boot-up and network access. SESAMO TRII can also be combined with identification systems in the SESAMO series that use biometric information—including SESAMO IDs, a fingerprint identification system, and SESAMO IDj, which identifies individuals by the veins in their palms—for even more sophisticated access control. Our Electronic Article Surveillance (EAS) system, originally developed to prevent shoplifting, is also used in offices to reinforce daytime security.

Prompted by a number of recent crimes targeting stores and offices in the early morning

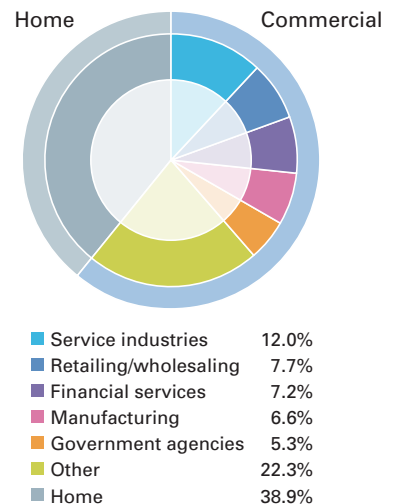
and evening—times when employees are often at work—customers are stepping up efforts to protect employees in the workplace. To assist in these endeavors, we have developed a service that augments existing on-line security systems, allowing us to monitor windows and doors using sensors even when workers are present, thereby helping to prevent unlawful access and ensure employee safety. The device is compatible with existing commercial security systems, and we will continue to market it to customers in a variety of industries as an effective way to reinforce safety.

Leveraging Existing Strengths to Cultivate New Customers

Another recent SECOM offering is 110 Emergency Call for Children (110 is the number for Japan’s emergency call service), which employs technologies used in SECOM IX, a remote imaging system developed for use in automated teller machine (ATM) booths. A child who feels he or she may be in danger for any reason can call for help simply by ducking into an ATM booth and pushing the emergency call button, which immediately locks the automatic door, preventing anyone else from entering. SECOM image monitoring center staff will then confirm the situation using the images and attempt to make contact



Contracts for Centralized Security Systems
(As of March 31, 2008)



on the ATM booth's speaker phone and reassure the child, and when warranted dispatch emergency response personnel and contact the police. Following 110 Emergency Call for Children's adoption for use in regional bank ATM booths, a number of agricultural cooperatives also contracted SECOM to install the system in its credit cooperative ATM booths.

The Setagaya Security Patrol, launched in April 2007, capitalizes on SECOM's accumulated expertise in security patrol services for commercial buildings. The patrol, provided under contract with Tokyo's Setagaya Ward, conducts around-the-clock street and park patrols using cars bearing the SECOM logo. Since the patrol began, it has played a part in the arrest of individuals suspected of wrongdoing.

Praise for the Setagaya Security Patrol prompted Tokyo's Minato Ward to contract the Minna-to (a play on words tying together the ward name and the Japanese phrase "minna to," or "everyone together") Patrol, which focuses on nighttime patrols throughout the ward and regular patrols of routes to and from school and of facilities especially for children aimed at ensuring their safety. This service has also earned praise from local residents for helping to protect the ward from crime.

Expanded Participation in PFI Correctional Facilities: Kitsuregawa Rehabilitation Program Center

Having played a key role in Japan's first private finance initiative (PFI) correctional facility—the Mine Rehabilitation Program Center in the city of Mine, Yamaguchi Prefecture, in April

2007—in October 2007, we commenced operation of Kitsuregawa Rehabilitation Program Center and Kurobane Prison, two correctional facilities in, respectively, Sakura and Ohtawara, Tochigi Prefecture. Prior to this, a SECOM-led consortium had secured a 15-year contract through general bidding for Social Rehabilitation Support Kitsuregawa Co., Ltd.—a special-purpose company in which SECOM is the principal shareholder—to operate and maintain the Kitsuregawa Rehabilitation Program Center, in partnership with the Ministry of Justice.

Rigorous security for the Kitsuregawa Rehabilitation Program Center, which focuses on rehabilitation programs for convicted offenders, is provided by a closed-circuit surveillance camera system that is monitored from a central monitoring office. With an information system provided and overseen by SECOM Group company SECOM Trust Systems and maintenance services provided by Group company Tokyo Biso Kogyo Corporation, the center capitalizes on SECOM Group capabilities. Incorporating such innovative approaches as group sessions focused on behavior modification and vocational training aimed to equip inmates with marketable skills and qualifications that are in high demand, the facility marks a departure from traditional prisons.

These projects will enable us to secure additional expertise in correctional facility management, as well as to contribute to a society that is secure and free from apprehension by promoting and assisting in the prompt rehabilitation of inmates, thereby facilitating early release and preventing recidivism.



Setagaya Security Patrol car bearing the SECOM logo



Minna-to Patrol car bearing the SECOM logo



Exterior of the Kitsuregawa Rehabilitation Program Center, a PFI correctional facility



Entrance to the Kitsuregawa Rehabilitation Program Center

Home Security Services

To ensure our ability to resolve unease and bring peace of mind to homeowners, we are stepping up efforts to reinforce marketing of residential security products and systems.



SECOM Home Security Subscribers Increase as Security Systems Become a Standard Feature in Many Homes

Launched in 1981, SECOM Home Security—Japan’s first-ever home security system—encompasses around-the-clock monitoring for intruders, fires, gas leaks and medical emergencies. Should an abnormality be detected, a SECOM control center dispatches emergency response personnel and, if necessary, contacts the police and/or fire department. Today, our growing customer base ranges from single people living in condominiums to middle-aged subscribers with families and seniors.

Recent years have brought an increase in the incidence of residential break-ins while the occupants are at home, clearly increasing the danger of physical harm. Accordingly, we have introduced a number of security products that can be integrated into SECOM Home Security to create a system that both ensures personal security when the occupants are in and protects their property when they are out. These include SECOM *Anshin* Glass, a high-impact, breakage-resistant window glass with a built-in sensor that deters break-ins through

windows—a modus operandi particularly popular among thieves targeting detached dwellings. Among other options is the External Image Monitoring service, which is designed to discourage trespassers, and SECURIFACE, an intercom system featuring a built-in face detection function that recognizes when the person at the door is attempting to hide his or her face.

We are also working to cultivate new sales routes that will enable us to further promote market penetration for SECOM Home Security. For example, in the period under review, we entered into an alliance with a leading glass manufacturer in Japan, thereby enabling us to increase sales of SECOM Home Security in the home renovations market. We anticipate substantial demand for SECOM Home Security, as renovating one's home provides an ideal opportunity to consider reinforcing security. In the market for built-for-sale houses, we have joined forces with a major residential construction company to install high-grade home security systems for the company's model houses. These houses feature the basic SECOM Home Security package as standard equipment, as well as SECURIFACE, and are also equipped with the Sensor Light Camera—which detects when a person approaches the house at night, automatically turning on a light and photographing the person—and Home Pythagoras, a security vault that offers superior heat resistance and protection against vandalism.

In the market for security for previously owned condominiums, we allied ourselves with Japan's top condominium management firm to propose home security packages featuring intercom systems with monitoring cameras for units to be sold to private owners.

Needs are also growing for our "town security" systems, which are designed to provide security for entire communities. Town security systems involve providing SECOM Home Security for each home and various security products for the entire neighborhood, thereby providing superior security for the community as a whole.

Value-Added SECOM Home Security Peripheral Services

To further enhance the satisfaction of SECOM Home Security subscribers, we offer a wide selection of additional services. These include SECOM Home Service, which comprises a host of lifestyle support services. These include *Anshin* Support Service, which assists in resolving concerns that arise in everyday life by, among others, patrolling around subscribers' homes when residents are away on vacation or for business; Troubleshooting Support Service, which includes assistance by expert firms in resolving such problems as lost keys, broken windows and malfunctioning PCs; and Housework Support Service, which includes assistance with housecleaning,



Built-for-sale house equipped with SECOM Home Security package as a standard feature



SECOM Home Security



SECOM Home Service, a suite of value-added lifestyle support services available to SECOM Home Security subscribers

meal preparation, and trees and gardens, also provided by expert firms with which SECOM has concluded business alliances. These services are available to SECOM Home Security subscribers around-the-clock. All the subscriber has to do is simply call our Home Service desk and place a request, and we look after the rest.

For subscribers to SECOM Home Security or the SECOM MS-3 condominium security system, we recently introduced an emergency earthquake early warning (EEW) service. Providing early warning of impending tremors, EEW systems give people precious extra seconds to protect themselves at home.

Town Security equips each home with SECOM Home Security and the neighborhood as a whole with various security products, including surveillance cameras.



Other Security Services

The distinctive SECOM AED Package Service continues to attract an increasing number of subscribers. COCO-SECOM provides real-time information on the whereabouts of people and items, and the option of requesting the dispatch of emergency response personnel, and has contributed to the favorable resolution of a number of incidents.

SECOM's Evolving AED Package Service

Orders for SECOM AED Package Service emergency lifesaving kits continue to increase. What is distinctive about this service is that rather than simply placing automated external defibrillators (AEDs)—electronic devices used to reestablish a normal heart rhythm—at a customer's premises, we offer a full-service package. This package encompasses leasing and maintenance of AEDs, with periodic replacement of depleted supplies and servicing in the event of a malfunction—available around-the-clock from a dedicated help desk. These kits are increasingly being used in, among others, sports facilities, public-sector office buildings, airports, railway stations, cinemas, gas stations, financial institutions and other large complexes. With the aim of further enhancing their usefulness, we recently launched a monitoring service that makes it possible for AED units installed in ATM corners to be constantly ready for use.

Enhancing the Convenience of COCO-SECOM

We launched COCO-SECOM mobile security systems in April 2001 to provide security for

moving people and vehicles. COCO-SECOM has since attracted attention as an effective means to protect children from abduction, prevent vehicle theft and monitor the movements of valuables and employees. COCO-SECOM has played a role in the resolution of numerous incidents, including the location of lost children and the recovery of stolen automobiles. COCO-SECOM uses signals from Global Positioning System (GPS) satellites and cellular telephone base stations to accurately pinpoint locations. Unlike GPS-enabled cellular telephones, COCO-SECOM transmitter devices are exclusively for locating people or property, meaning they are user-friendly and can be used to call an operator at the COCO-SECOM operations center around-the-clock to request the dispatch of emergency response personnel from one or more of our approximately 2,200 SECOM emergency depots nationwide.

In a bid to enhance the convenience of COCO-SECOM, we have modified contract conditions, thus enabling families to use a single COCO-SECOM device concurrently.



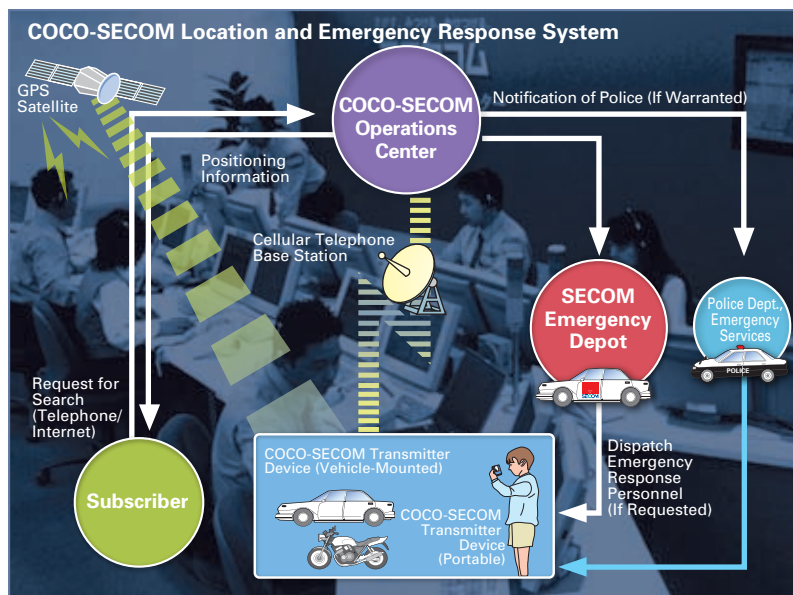
COCO-SECOM Operations Center



The increasingly popular COCO-SECOM



SECOM AED Package Service



SECOM's Research and Development Activities



Charged with developing the core technologies and systems that will enable us to realize our Social System Industry vision, the SECOM Development Center focuses on systems that anticipate society's needs and are both original and reliable.

We place our highest priority on quality. Since SECOM systems are in action around-the-clock, they must be able to detect abnormalities at any time of the day or night. Ensuring stable system operations under a wide range of climatic conditions and in a variety of environments demands a significantly higher level of precision and reliability than, for example, a standard electronics appliance. Accordingly, we conduct exhaustive reliability tests on both systems and equipment at the development stage. Only those that meet the stringent benchmarks set forth in our proprietary SECOM Equipment Standards are taken to the next level—production at factories in

Japan and overseas, including Secom Industries Co., Ltd. The SECOM Development Center and our plants actively exchange information to ensure consistently high product quality. We also place a high priority on the speed of development, recognizing that we have a responsibility to remain abreast of social change and crime trends, and to respond swiftly and effectively to any which may arise.

The SECOM Intelligent Systems (IS) Laboratory works to develop sophisticated technologies to support the new products and service models that will help realize the Social System Industry vision. These include the core sensing, image processing, robotics, network security and medical information processing technologies that will underlie our lineup in the future. These technologies are transformed into products and systems at the SECOM Development Center.

To date, these efforts have yielded such products as SECOM AX—which incorporates a proprietary image recognition technology—and SECOM Robot X, an outdoor surveillance robot that uses advanced automatic drive control and image processing technologies to detect intruders. Communications and medical information technologies developed in-house facilitated the creation of HOSPINET—a remote image diagnosis support service that

transmits computed tomography (CT) and magnetic resonance imaging (MRI) data to our HOSPINET center, where it is examined by our diagnostic experts. Researchers at the SECOM IS Laboratory frequently visit subscribers' premises and accompany salespeople and emergency response personnel, allowing them to accumulate the first-hand knowledge and experience in the field that facilitates the development of distinctively SECOM products and systems which respond effectively to the needs of customers.

Our research and development teams will continue working to better grasp the needs of our customers, and develop innovative products and systems that anticipate the future and enable us to respond to the expectations, and earn us the trust, of society.

SECOM Development Center



SECOM IS Laboratory



Security Services in Overseas Markets

SECOM provides the same high-grade security services as it does in Japan to customers in overseas markets. Operations in Asia are expanding particularly rapidly. In the period under review, Secom plc in the United Kingdom won the 2007 Security Excellence Award.

Expanding Operations in the PRC and Southeast Asia

Our overseas operations currently encompass businesses in Taiwan, the Republic of Korea (ROK), the PRC, Thailand, Malaysia, Singapore, Australia, Indonesia, Vietnam, the United Kingdom and the United States. At present, sharp economic growth in Southeast Asia has spurred a sudden jump in security needs. One result of this has been a rapid increase in sales of monitoring camera systems designed to enhance security within companies. A distinguishing feature of our business when we first entered the Southeast Asian market was that many of our subscribers were the local operations of Japanese companies that naturally expected the same level of security services as they receive in Japan—a feature that was highly conducive to the introduction of the SECOM business model. Looking ahead, we will strive to reinforce our operations in Southeast Asian markets by expanding our local branch office networks and establishing a robust operating foundation.

In the PRC, we have set up security services companies in key cities in the country's high-growth coastal areas, namely, Dalian, Shanghai, Beijing, Qingdao and Shenzhen, through which we provide local customers with the same types of security services we offer in Japan. These companies have also expanded their focus beyond their immediate markets, establishing branches and offices in surrounding cities and increasing subscriptions.

With security systems beginning to find wide acceptance in the PRC, we will focus on broadening our presence by establishing operations in key inland cities, thereby creating a nationwide service network. In the PRC, SECOM security equipment is distributed by Shanghai Guanlin Secom Intelligence Technology Co., Ltd., a comprehensive security equipment trading company established as a

joint venture with a local partner. This company sources basic equipment from Chinese manufacturers or local plants of overseas manufacturers and adds the necessary additional equipment to create advanced, tailored security systems. Shanghai Guanlin Secom Intelligence Technology boasts solid connections with local security equipment manufacturers, underscoring its importance to our plans to further grow our business in this crucial market.

Secom plc Receives Security Excellence Award

SECOM Group company Secom plc, which provides security services in the United Kingdom, was awarded the 2007 Security Excellence Award for the best customer care initiative. Sponsored by the British Security Industry Association, the Association of Chief Police Officers and an industry publication, among others, the Security Excellence Awards are the most prestigious awards given to security companies in the United Kingdom. Secom plc's award underscores the appreciation our unique approach to security has earned in the United Kingdom.

Secom plc also secured a major order to provide a security system for police facilities at London Heathrow Airport. This order came through the Metropolitan Police, the territorial police force responsible for Greater London, and encompasses the provision of security systems for police facilities at Heathrow's new Terminal 5, and at St. Pancras International and Stratford stations (Eurostar), all of which are considered to be high risk terrorist targets. The order reflects the Metropolitan Police's high opinion of Secom plc's service record and the high quality of security systems it had previously provided for other police facilities. Secom plc will continue to focus on proving superior security systems with the aim of further growing its business.



Emergency response personnel of subsidiary Beijing Jingdun Secom Electronic Security Co., Ltd.



2007 Security Excellence Awards ceremony



Terminal 5 of London's Heathrow Airport

Fire Protection Services

SECOM offers reliable fire protection services backed by expertise and a solid track record. Sales of residential fire alarm systems are brisk, while demand for system renovations is also expanding.



Residential fire alarm

Demand for Residential Fire Alarm Systems On the Rise

Nohmi Bosai Ltd., which became a consolidated subsidiary in December 2006, is one of Japan's leading manufacturers of fire alarm, fire extinguishing and other fire protection systems.

Nohmi Bosai products marketed under the SECOM brand include New Home Fire Sensor, a fire alarm system for residential applications. Owing to a change in Japan's Fire Protection Law, the installation of such systems is now mandatory in new homes nationwide. Moreover, local authorities throughout the country have introduced regulations that will gradually oblige existing homes to be equipped with fire alarm systems. Owing to the change in the law, demand for the New Home Fire Sensor has risen sharply. Among its numerous advanced features which have earned high marks from residential construction companies, New Home Fire Sensor is powered by a battery with a life of 10 years, meaning it is unaffected by power failures, and it is freestanding—meaning it does not require time-consuming wiring and is easy to install. Service personnel respond promptly in the event of a malfunction to ensure the units are always in excellent condition.

We view fire protection as an area with considerable growth potential and will continue efforts to establish a preeminent market position, as well as to promote widespread acceptance of residential fire protection systems.

Growing Demand for Fire Protection Systems in the Renovations Market

Nohmi Bosai provides fire protection systems for a broad range of facilities—including multipurpose complexes, office buildings, condominiums, plants, tunnels cultural properties, ships, hospitals and detached houses—and strives to enhance its service capabilities and expand the number of installations. Recently, demand has grown in the renovations market, with many facility owners taking advantage of the opportunity to install advanced fire protection systems. Nohmi Bosai is drawing on its expertise to advise customers on the most appropriate choices for their needs.

Nohmi Bosai is also cultivating environment-related businesses, notably Dry Mist—an ultrafine dry mist spraying system designed to combat the heat island phenomenon. It uses the principle that water draws heat from its surroundings to lower the temperature when it vaporizes. Dry Mist achieves a two to three degree reduction in the ambient temperature of the misted areas. It uses tap water, ensuring the mist is hygienic, and adjusts automatically to accommodate different temperatures, humidity levels, wind speeds and directions, and other weather conditions to provide a cool, refreshing mist. With orders for Dry Mist increasing, Nohmi Bosai will step up efforts to apply its extensive know-how and experience to help create a pleasant urban environments and cultivate new businesses.



Nohmi Bosai's Menuma Factory



Facility maintenance services

Medical Services

SECOM is expanding its home nursing services and leveraging Group capabilities to develop and manage specialized nursing homes.

Expanding our Trusted Home Nursing Services

Protecting one's health is crucial to security and peace of mind, and is thus an important aspect of our commitment to realizing our Social System Industry vision. Accordingly, we entered the medical services business. Today our medical services business encompasses a broad range of services.

We began in 1991 with the provision of Japan's first private-sector home nursing services, whereby nurses regularly visit patients in their homes, providing highly skilled nursing services and treatment in line with the instructions of patients' physicians. We have a network of approximately 40 SECOM visiting nurse stations, which dispatch our roster of approximately 260 nurses to patients' homes, and we will continue working to provide home nursing services that are individual-oriented, thereby ensuring customer satisfaction.

The SECOMFORT Series of Nursing Homes

The first facility in our SECOMFORT series of nursing homes, Comfort Garden Azamino, in Yokohama, opened in 2006. The SECOMFORT series, which combines security services and medical services, is based on the concept of "comfortable aging," or aging without apprehension. The second SECOMFORT nursing home, Comfort Hills Rokko, is scheduled to open in Kobe in June 2009.



Home nursing services

The SECOMFORT series continues to attract critical and popular acclaim for offering an environment that is conducive to the evolving needs of seniors in the years ahead, thereby ensuring security and peace of mind.

Contributing to Better Regional Medical Care

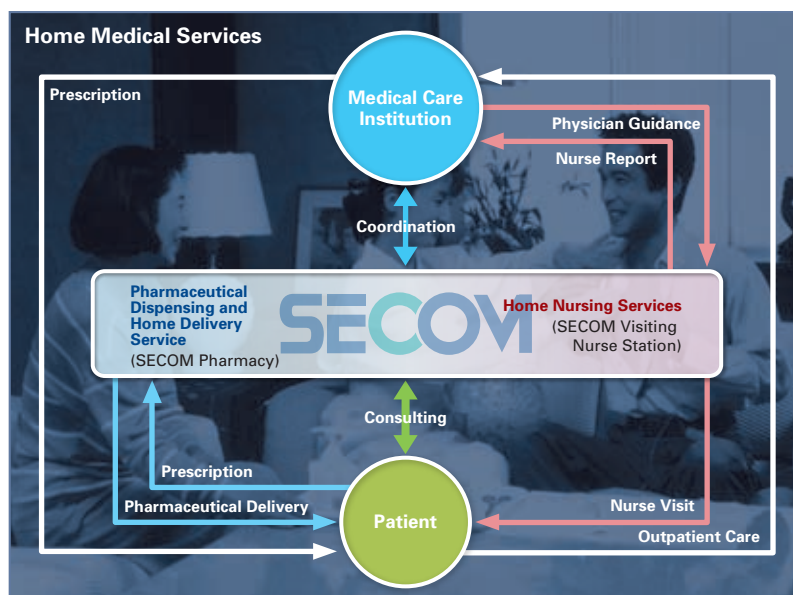
We have established affiliations with local hospitals to ensure effective follow-up support for customers of our home nursing services, as well as with the aim of helping to create a more effective local medical care system. We currently have affiliations with 16 such institutions. We endeavor to assist these institutions to improve management efficiency, secure top-level human resources and the latest medical equipment, enhance service capabilities and address other critical challenges.



Visiting nurse training



Artist's rendition of Comfort Hills Rokko



Insurance Services

SECOM's non-life insurance policies ensure security and peace of mind in the event of misfortune. We continue to develop and actively market a variety of distinctive policies.



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

Security and Non-Life Insurance

The rationale behind having a non-life insurance company in the SECOM Group is our conviction that augmenting security services, which are preventative in nature, by adding insurance, which looks after customers in the event of misfortune, reinforces security and peace of mind.

Uniquely SECOM Non-Life Insurance Policies

Our lineup of distinctive policies includes SECOM *Anshin My Home*, a policy designed for households that offers a discount on premiums to customers who have installed home security systems—taking into account the reduced risk of fire in such homes. Additional discounts, up to 60% in total, are offered to customers who have installed exclusively electrical appliances or structures built with fire-safe materials.

The same concept underlies the Security Discount Fire Policy, which offers a discount on premiums of up to 30% to commercial customers that have installed security systems, recognizing this as a risk-mitigating factor. Such policies that acknowledge the reduced risk which comes with the installation of security systems continue to yield considerable synergies, with subscribers to security systems frequently taking advantage of the opportunity to also purchase insurance.

New SECOM *Anshin My Car* is a comprehensive automobile insurance policy that includes around-the-clock support services from SECOM emergency response personnel in the event of an accident. This policy enables us to ease the concerns of subscribers and offer peace of mind, even in the event of a motor accident.

To enable cancer patients to take advantage of the best treatment options available, we developed MEDCOM—an unrestricted cancer treatment policy that fully covers costs for hospitalization and all types of medical treatments, both those that are covered by Japan's National Health Insurance scheme and those that are not. This enables subscribers to take advantage of advanced treatment options without having to worry about the frequently prohibitive costs. Subscribers also have access to MEDCOM Nurse Call, a free-of-charge support service whereby agents who are also qualified nurses provide consultation, introduce medical institutions and help arrange for subscribers to obtain second opinions.

Recognizing the importance of insurance in ensuring peace of mind, we will continue to focus efforts on developing and marketing a variety of attractive and innovative offerings.

Head office of SECOM General Insurance Co., Ltd.



SECOM General Insurance call center

Geographic Information Services

Subsidiary Pasco Corporation has obtained exclusive rights in Japan to sell image data offered by the operator of a new commercial satellite. Pasco is also promoting the joint development of new broad-range, high-precision surveying and measuring technologies with the aim of establishing itself as a leading provider of geospatial information services.

Responding to Emerging Needs while Reinforcing Results

Owing to the recent amalgamation of cities, towns and villages throughout Japan, local and regional authorities are actively revamping their information systems and integrating mapping data, aerial photographs and other basic geographic information. In this environment, Pasco's success in promptly developing solutions to such needs is underscored by the rising demand for its PasCAL series of geographic information system (GIS) solutions and its various public facility management systems.

For the private sector, Pasco has earned a reputation for marketing support services—which help companies analyze business areas and formulate branch development strategies—and logistics support services, which aid efforts to develop appropriate plans for the transport of goods. In 2007, Pasco introduced a highly acclaimed service designed to assist companies in formulating business continuity plans (BCPs) by, for example, using GIS data to forecast the number of employees that would be unable to return home safely in the event of a major disaster. Initially offered only in selected areas, this service will also soon be available in the Tokyo and Osaka metropolitan regions.

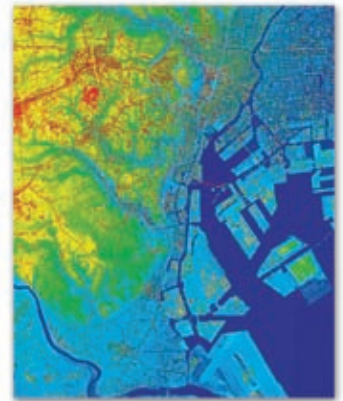
Pasco Introduces Satellite Information-Based Geographic Information Services

Pasco has obtained exclusive rights in Japan and nonexclusive rights worldwide to sell image data generated by the operator of a German commercial satellite. This satellite is unique since it uses microwaves to capture images of the earth's surface—meaning it can capture images regardless of the weather or the time of day—and has been used to generate image data for such things as national land maps in tropical areas near the equator

that are generally obscured by clouds. Pasco is also working to develop a wide range of high-precision surveying technologies with the aim of contributing to efforts to prevent global warming. Of particular note, Pasco is gathering, comparing and analyzing image data from the satellite to measure and monitor the flooding from glaciers in the Himalayas, the lingering snow on Mt. Fuji, the melting of the Antarctic ice shelf and the decline of the Amazon forests. Going forward, we are confident that Pasco's surveying technologies will play a crucial role in advanced efforts to promptly identify environmental damage and assess the impact of global warming.

New Services Through Ubiquitous Technologies

Pasco is taking decisive steps to diversify its operations. One of the company's new businesses is "Ubiquitous Consulting." As a participant in the city of Kobe's Free Mobility Project, Pasco took part in the development of an urban planning proposal designed to enable all residents, including those with physical impairments, to move around the city easily and comfortably. Since then, Pasco has expanded its focus to include the use of electronic tags and radio wave markers in urban living spaces—including public roads, public facilities, bridges and parks—to facilitate effective maintenance and management. Positioning information and management data provided by such tags and markers can be used together with the Internet to create a more pleasant living environment.



Hypsographic map of digital surface model generated from aerial photos

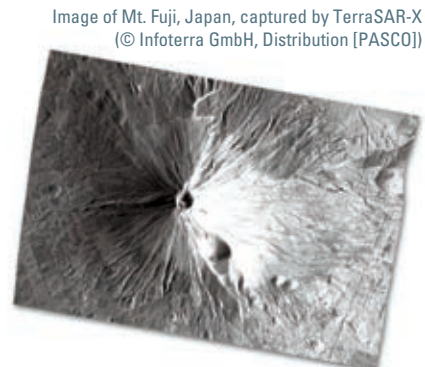


Image of Mt. Fuji, Japan, captured by TerraSAR-X
(© Infoterra GmbH, Distribution [PASCO])

Information and Communication Related and Other Services

In the area of information and communication related services, we augmented the SECOM Safety Confirmation Service lineup, earning praise from customers. In real estate development and sales, we continue to offer attractive condominiums that deliver both quality and peace of mind.



The disaster monitoring center of SECOM Trust Systems Co., Ltd.



Secure Data Center

SECOM Safety Confirmation Service

Awareness of the need for effective BCPs among Japanese companies has increased since Japan's government introduced business continuity guidelines in 2005. Against this backdrop, the SECOM Safety Confirmation Service continues to attract considerable attention. This comprehensive service helps companies confirm the safety of employees and assess damage in the aftermath of an earthquake or other major disaster, thereby assisting them in swiftly resuming operations. The effectiveness of the service—which was launched in 2004—was demonstrated during the Niigata Chuetsu and Fukuoka earthquakes, which occurred soon after its introduction. Recently we have taken steps to enhance the service. In January 2007, we introduced SECOM Safety Confirmation Service GS, which provides risk information to employees on assignment abroad—thus assisting companies in more effectively managing risks related to overseas operations. In November 2007, we launched SECOM Safety Confirmation Service SCM, which enables companies to confirm the safety of key customers and determine the extent of the damage where such customers are located—a vital challenge in the formulation of BCPs.

We also offer a variety of other services in this category that assist in the formation of effective BCPs. These include the SECOM Disaster Response Support Service, which helps companies to develop effective initial response strategies, thereby preparing them to act swiftly in the aftermath of a disaster.

Support for Sophisticated Information Security: The Secure Data Center

In response to the call for peace of mind in today's networked society, we offer a variety of services designed to ensure the security of networks and information. The Secure Data Center provides a safe environment for our subscribers' valuable data that combines physical and information security—housing subscribers' servers and providing sophisticated protection against unauthorized access and computer viruses, as well as digital authentication services. Secure Data Center subscriptions continue to rise, underscoring the praise the facility has earned from prominent financial institutions for which it has built digital authentication registry offices. Going forward, we will continue working both to boost sales of Secure Data Center subscriptions and to advance our information security services.

Secure and Comfortable SECOM Condominiums

Group subsidiary Secom Home Life Co., Ltd., offers the Glorio series of condominiums. Developed with an emphasis on peace of mind and quality lifestyles for residents, these condominiums are equipped with our on-line security system as a standard feature. The Glorio series also offers Glorio Support 24, a condominium management service that not only gives residents around-the-clock access to a variety of maintenance services, but also provides responses to enquiries on a broad range of subjects—including medical care, non-life insurance and nursing care. Leveraging unique Group capabilities, these services continue to earn acclaim from residents.



Glorio Seta (Tokyo)

Operating Results

Overview

In the year ended March 31, 2008, the parent company and its consolidated subsidiaries (collectively "the Company") sought to respond to the needs of its customers by taking steps aimed at reinforcing its security services business—including strengthening the performance features of its on-line security systems and products, and enhancing its lineup. At the same time, the Company promoted the expansion of its fire protection services, medical services, insurance services, geographic information services, and information and communication related and other services. Reflecting a full year of contributions from the fire protection services segment—newly established for the operations of Nohmi Bosai, which became a consolidated subsidiary in December 2006—and favorable increases in security services, medical services, geographic information services and insurance services, consolidated net sales and operating revenue rose 11.0%, or ¥70.0 billion, from the previous period, to ¥706.7 billion. Higher net sales and operating revenue, together with a decline in impairment losses on long-lived assets and goodwill, supported an 11.9%, or ¥11.2 billion, increase in operating income, to ¥105.6 billion. Net income rose 10.5%, or ¥5.9 billion, to ¥61.8 billion.

Net Sales and Operating Revenue

Net sales and operating revenue rose 11.0%, or ¥70.0 billion, from the previous period, to ¥706.7 billion, reflecting a full year of contributions from the fire protection services segment—newly established for the operations of Nohmi Bosai, which became a consolidated subsidiary in December 2006—and favorable increases in security services, medical services, geographic information services and insurance services. Net sales and operating revenue in the information and communication related and other services segment decreased. (For more details, please see Segment Information below.)

Costs and Expenses

Total costs and expenses increased 10.8%, or ¥58.8 billion, to ¥601.1 billion. Cost of sales rose 10.7%, or ¥43.9 billion, to ¥454.2 billion, equivalent to 64.3% of net sales and operating revenue, edging down from 64.4% in the previous period. Selling, general and administrative expenses were up 13.9%, or ¥17.7 billion, to ¥144.8 billion, or 20.5% of net sales and operating revenue, up from 20.0% in the previous period. This increase was primarily attributable to the inclusion of a full year of sales of the fire protection services segment, net sales and operating revenue of which tend to be concentrated in the fourth quarter. Impairment loss on long-lived assets declined ¥1.2 billion, to ¥16 million, and impairment loss on goodwill decreased ¥1.8 billion, to ¥1.1 billion. Loss on sales and disposal of property, plant and equipment, net rose ¥195 million, to ¥976 million.

Operating Income

Operating income increased 11.9%, or ¥11.2 billion, to ¥105.6 billion, and represented 14.9% of net sales and operating revenue, up slightly from 14.8% in the previous period. This was attributable to the increase in net sales and operating revenue and declines in the cost of sales ratio and impairment losses on long-lived assets and goodwill, although these factors were partially countered by higher selling, general and administrative expenses. In terms of segment results, increases in operating income in the security services segment, the geographic information services segment and the fire protection services segment, as well as a decrease in the operating loss in the medical services segment, were the primary contributors to the overall increase. (For more details, please see Segment Information below.)

Other Income and Expenses

Other income rose ¥4.6 billion, to ¥13.0 billion, and other expenses increased ¥857 million, to ¥8.4 billion, resulting in net other income of ¥4.6 billion, up from ¥918 million in the previous period. The increase in other income was due primarily to a gain on private equity investments.

Income before Income Taxes

Income before income taxes amounted to ¥110.3 billion, up 15.7%, or ¥14.9 billion, from the previous period, owing to increases in operating income and net other income.

Income Taxes

Income taxes rose ¥6.5 billion, to ¥47.1 billion, reflecting the increase in income before income taxes, and were equivalent to 42.7% of income before income taxes, compared with 42.6% in the previous period.

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

Minority interests in subsidiaries amounted to ¥6.6 billion, an increase of ¥2.0 billion from the previous period, owing to the inclusion of a full year of results for the fire protection services segment. Equity in net income of affiliated companies declined ¥530 million, to ¥5.2 billion.

Net Income

As a consequence of the aforementioned factors, net income increased 10.5%, or ¥5.9 billion, to ¥61.8 billion, and was equivalent to 8.7% of net sales and operating revenue, compared with 8.8% in the previous period. Net income per share was ¥274.51. A resolution to raise annual cash dividends by ¥5.00, to ¥85.00 per share, was approved at the general shareholders' meeting on June 26, 2008. The increase in dividends reflected the Company's aim of ensuring returns to shareholders that closely reflect its operating performance by determining dividends based on consolidated results calculated using accounting principles generally accepted in Japan, rather than on nonconsolidated results, an approach that was adopted in and has been in use since the previous period.

Segment Information

For detailed segment information, please see Note 25 of the accompanying Notes to the Consolidated Financial Statements.

Security Services

The security services segment encompasses electronic security services, other security services, and merchandise and other. In the period under review, net sales and operating revenue in the segment rose 4.7%, or ¥19.8 billion, to ¥436.7 billion. Excluding intersegment transactions, net sales and operating revenue in the segment amounted to ¥435.3 billion, equivalent to 61.6% of overall net sales and operating revenue, down from 65.3% in the previous period.

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

In the period under review, net sales and operating revenue from electronic security services amounted to ¥296.2 billion, an increase of 3.6%, or ¥10.3 billion. In the area of on-line security systems for commercial subscribers, we focused on reinforcing performance features and enhancing our lineup in response to customer needs. In on-line security systems for the home, we worked to increase subscriptions for SECOM Home Security by carefully promoting products and services tailored to customers' requirements.

Other security services include static guard services—which are staffed by highly trained professionals—for security situations that require human judgment and flexible responses, and armored car

services, for the transport of cash and valuables by specially fitted armored cars and security professionals. In the period under review, net sales and operating revenue from static guard services increased 10.7%, or ¥4.5 billion, to ¥46.6 billion, while that from armored car services declined 3.7%, or ¥761 million, to ¥19.5 billion.

The merchandise and other category encompasses a wide range of security products, including access-control systems, CCTV surveillance systems, fire extinguishing systems and external monitoring systems, which can be free-standing or connected to on-line security systems. In the period under review, net sales and operating revenue in this category amounted to ¥72.9 billion, an increase of 8.7%, or ¥5.8 billion. Favorable sales were supported by major orders for access-control systems.

Operating income in the security services segment rose 7.3%, or ¥7.0 billion, to ¥103.1 billion. The operating margin rose to 23.6%, from 23.1% in the previous period, as the increase in operating income outpaced that of costs and expenses.

Fire Protection Services

The fire protection services segment includes automatic fire alarm systems, fire extinguishing systems and other fire protection systems for a wide range of applications, including office buildings, plants, tunnels, cultural properties, ships and residences.

In the period under review, net sales and operating revenue amounted to ¥86.6 billion, up from ¥28.4 billion in the previous period. Operating income was ¥4.9 billion, compared with ¥1.8 billion in the previous period, while the operating margin was 5.7%, down from 6.4% in the previous period. The principal factor behind the significant increases in net sales and operating revenue and operating income was the inclusion of a full year of results for Nohmi Bosai, which became a consolidated subsidiary in December 2006. The decline in operating margin reflects the fact that net sales and operating revenue for fire protection services from the construction industry tend to be concentrated in the fourth quarter.

Medical Services

The medical services segment includes home medical services, comprising pharmaceutical dispensing and delivery and home nursing services, remote image

diagnosis support services, electronic medical report systems, sales of medical equipment, the operation of nursing homes, personal care services, the leasing of real estate for medical institutions, and others.

Net sales and operating revenue in the medical services segment amounted to ¥50.9 billion in the period under review, an increase of 10.4%, or ¥4.8 billion. This increase was primarily due to higher net sales and operating revenue from medical equipment sales and the provision of home medical services.

The segment reported an operating loss of ¥1.1 billion, an improvement from the ¥2.9 billion loss posted in the previous period. This was attributable largely to declines in impairment losses on long-lived assets and goodwill.

Insurance Services

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

In the period under review, the insurance services segment generated net sales and operating revenue of ¥36.1 billion, an increase of 4.2%, or ¥1.4 billion, as expanded marketing of non-life insurance policies boosted net premiums written and exceeded the impact of a decline in the net gain on sales of securities.

The insurance services segment registered operating income of ¥3.8 billion, edging up 0.4%, or ¥14 million. This result primarily reflected a decline in net claims paid, which had risen in the previous period owing to the impact of typhoons, which partially offset the impact of a decline in the net gain on sales of securities.

Financial Position

Geographic Information Services

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

In the period under review, net sales and operating revenue in the geographic information services segment increased 8.5%, or ¥3.1 billion, to ¥39.7 billion. This result reflected firm revenues from the provision of map data to public agencies and government offices for use in the preparation of land development, preservation, urban planning and disaster prevention plans, and in the preparation and materials for the assessment and management of property taxes, as well as an increase in overseas orders.

Segment operating income amounted to ¥1.4 billion, an increase of 265.2%, or ¥1.0 billion, boosting the operating margin to 3.6%, from 1.1% in the previous period. This improvement was primarily attributable to the increase in net sales and operating revenue, and also reflected a decrease in selling, general and administrative expenses.

Information and Communication Related and Other Services

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

Net sales and operating revenue for the segment in the period under review amounted to ¥74.2 billion, a decline of 16.3%, or ¥14.5 billion. This result reflected such factors as rising condominium prices, a consequence of higher construction costs, and flagging consumer confidence, owing to the current unclear economic outlook, which combined to push down the condominium market in the second half of the period, hampering net sales and operating revenue from real estate development and sales.

Operating income declined 26.5%, or ¥1.9 billion, to ¥5.4 billion. The operating margin slipped to 7.3%, from 8.3% in the previous period.

Total assets as of March 31, 2008, amounted to ¥1,265.5 billion, up 2.0%, or ¥24.3 billion, from the end of the previous period.

Total current assets increased 4.7%, or ¥26.3 billion, to ¥580.5 billion. This was due primarily to increases in cash and cash equivalents (for more details, please see Cash Flows below), and an increase in inventories in the real estate development and sales business—a portion of which was offset by a decline in cash deposits and sales of short-term investment securities accompanying an increase in new investments by our U.S. investment company. While current assets increased, current liabilities declined (see below), as a consequence of which the current ratio rose only slightly to 1.7 times, from 1.6 times at the end of the previous period.

Investments and long-term receivables edged up 0.3%, or ¥1.0 billion, to ¥329.6 billion. An increase in investments in affiliated companies attributable to a transfer from investment securities—related to the acquisition of additional shares in Tokyo Biso Kogyo—and equity in net income of affiliated companies was offset by a decline in investment securities. The decline in investment securities was due to the fact that unrealized losses on securities—a consequence of flagging stock market conditions—and the aforementioned transfer exceeded the amount of new investments.

Property, plant and equipment, less accumulated depreciation, was also essentially level, rising 0.4%, or ¥1.0 billion, to ¥251.5 billion. This reflected an increase in security equipment and control stations necessitated by an increase in security systems subscribers and the purchase of land for the real estate

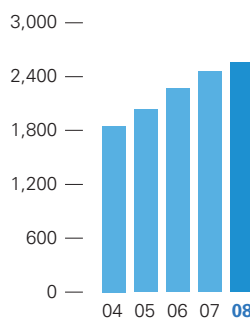
leasing business, as well as an increase in accumulated depreciation resulting from the depreciation of assets.

Other assets were down 3.7%, or ¥4.0 billion, to ¥103.9 billion. This reflected declines in prepaid pension and severance costs, a consequence of a deteriorating investment environment, and other intangible assets—the impact of which was partially offset by an increase in deferred income taxes resulting from the aforementioned unrealized losses on securities.

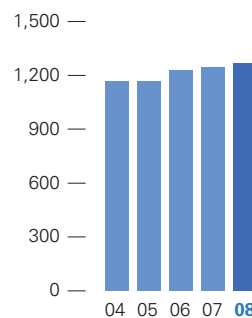
Total liabilities were level, edging up 0.1%, or ¥321 million, to ¥628.5 billion. Current liabilities edged down 0.3%, or ¥883 million, to ¥347.2 billion, as the decline in deposits received, including deposits related to armored car services, was largely offset by increases in bank loans related to the purchase of real estate for sale, accrued payrolls and notes and accounts payable, trade. Unearned premiums and other insurance liabilities rose, reflecting an increase in insurance contracts. Long-term debt rose, owing primarily to the opening of the Kitsuregawa Rehabilitation Program Center. Investment deposits by policyholders declined, as certain policies designed for payout at maturity came due.

Total shareholders' equity rose 4.1%, or ¥22.8 billion, to ¥574.6 billion. Retained earnings were ¥471.1 billion, an increase of ¥42.2 billion. This was partially offset by an accumulated other comprehensive loss of ¥8.0 billion, compared with income of ¥11.4 billion in the previous period, resulting primarily from unrealized losses on securities and losses from pension liability adjustments, a consequence of flagging stock market conditions. The equity ratio rose to 45.4%, from 44.5%.

Shareholders' Equity per Share
(In yen)



Total Assets
(In billions of yen)



Cash Flows

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

In the period under review, net cash provided by operating activities amounted to ¥92.6 billion. The principal items contributing to this total were net income of ¥61.8 billion and depreciation and amortization of ¥58.2 billion. Cash used in operating activities included an increase in inventories of ¥19.3 billion, owing to the purchase of real estate for sale, and an increase in deferred charges of ¥16.3 billion. Operating activities provided ¥24.7 billion more than in the previous period, owing mainly to higher net income, as well as to a considerably lower increase in receivables and due from subscribers, net of allowances. A decline in deposits received related to armored car services led to a decrease in cash deposits.

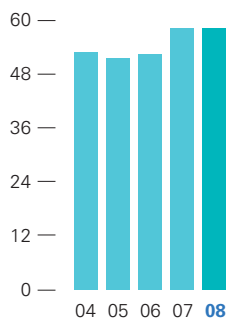
Net cash used in investing activities amounted to ¥52.1 billion. Significant factors included ¥45.3 billion in payments for purchases of property, plant and equipment, a result of the purchase of security equipment and control stations, necessitated by an increase in security systems subscribers, and a net total of ¥5.4 billion in payments for purchase of short-term

investments and investment securities. In the previous period, investment activities provided a net total of ¥22.0 billion. The difference in the period under review was net payments for purchases of short-term investments and investment securities, compared with net proceeds from sales of short-term investments and investment securities in the previous period to fund the payout of investment deposits received from insurance policyholders. Similarly, net proceeds from short-term receivables and long-term receivables in the period under review decreased from the previous period.

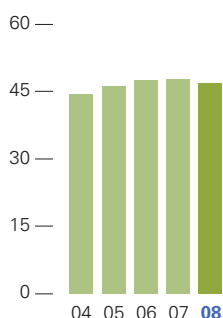
Net cash used in financing activities was ¥19.3 billion. This amount reflected ¥18.0 billion in dividends paid and a ¥6.1 billion decrease in investment deposits by policyholders, as well as net proceeds from bank loans and long-term debt of ¥6.2 billion. Financing activities used ¥109.0 billion less than in the previous period, owing to a ¥6.1 billion decrease in investment deposits by policyholders, compared with a ¥94.4 billion decrease in the previous period.

As a result of operating, investing and financing activities during the period under review, cash and cash equivalents at end of year amounted to ¥214.6 billion, up ¥21.4 billion from ¥193.2 billion at the end of the previous period.

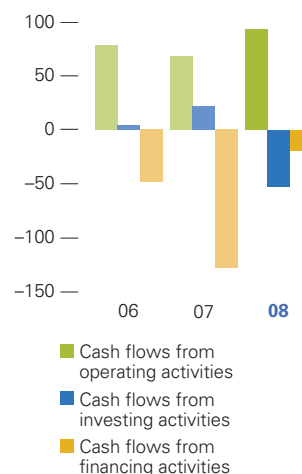
Depreciation and Amortization
(In billions of yen)



Capital Expenditures
(In billions of yen)



Cash Flows
(In billions of yen)



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CONSOLIDATED BALANCE SHEETS

SECOM CO., LTD. and Subsidiaries
March 31, 2008 and 2007

	In millions of yen		Translation into thousands of U.S. dollars (Note 3)
	2008	2007	March 31 2008
ASSETS			
Current assets:			
Cash and cash equivalents (Note 5)	¥ 214,577	¥ 193,215	\$ 2,145,770
Time deposits (Note 12).....	8,820	7,194	88,200
Cash deposits (Note 6).....	63,697	75,329	636,970
Short-term investments (Note 7)	6,540	14,892	65,400
Notes and accounts receivable, trade	88,411	85,971	884,110
Due from subscribers	29,947	27,963	299,470
Inventories (Notes 8 and 12)	118,442	98,337	1,184,420
Short-term receivables (Notes 12 and 20)	17,871	19,727	178,710
Allowance for doubtful accounts.....	(1,827)	(1,944)	(18,270)
Deferred insurance acquisition costs (Note 13).....	6,624	5,695	66,240
Deferred income taxes (Note 16).....	17,395	16,947	173,950
Other current assets.....	10,041	10,912	100,410
Total current assets.....	580,538	554,238	5,805,380
Investments and long-term receivables:			
Investment securities (Notes 7 and 12)	196,688	204,142	1,966,880
Investments in affiliated companies (Note 9)	46,814	38,832	468,140
Long-term receivables (Notes 12 and 20)	70,265	71,271	702,650
Lease deposits.....	13,370	13,457	133,700
Other investments.....	11,290	10,139	112,900
Allowance for doubtful accounts.....	(8,826)	(9,282)	(88,260)
	329,601	328,559	3,296,010
Property, plant and equipment (Notes 10, 12, 19 and 20):			
Land.....	78,818	77,273	788,180
Buildings and improvements.....	143,661	143,012	1,436,610
Security equipment and control stations.....	244,933	233,323	2,449,330
Machinery, equipment and automobiles	71,945	69,446	719,450
Construction in progress.....	5,977	5,261	59,770
	545,334	528,315	5,453,340
Accumulated depreciation	(293,823)	(277,810)	(2,938,230)
	251,511	250,505	2,515,110
Other assets:			
Deferred charges (Note 2 (12)).....	46,151	45,208	461,510
Goodwill (Note 11).....	16,141	17,363	161,410
Other intangible assets (Notes 11 and 12)	21,127	23,419	211,270
Prepaid pension and severance costs (Note 14)	9,135	15,817	91,350
Deferred income taxes (Note 16).....	11,321	6,073	113,210
	103,875	107,880	1,038,750
Total assets.....	¥1,265,525	¥1,241,182	\$12,655,250

See accompanying notes to consolidated financial statements.

	In millions of yen		Translation into thousands of U.S. dollars (Note 3)
	March 31 2008	March 31 2007	March 31 2008
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Bank loans (Notes 6 and 12).....	¥ 133,056	¥ 126,964	\$ 1,330,560
Current portion of long-term debt (Notes 12 and 19)	9,061	10,044	90,610
Notes and accounts payable, trade	30,956	28,892	309,560
Other payables	29,058	29,903	290,580
Deposits received (Note 6)	36,667	50,689	366,670
Deferred revenue	43,496	42,555	434,960
Accrued income taxes	24,693	25,023	246,930
Accrued payrolls	22,572	19,047	225,720
Other current liabilities (Note 16)	17,668	14,993	176,680
Total current liabilities	347,227	348,110	3,472,270
Long-term debt (Notes 12 and 19)	44,183	40,153	441,830
Guarantee deposits received	30,581	30,210	305,810
Accrued pension and severance costs (Note 14)	18,419	18,446	184,190
Deferred revenue	22,283	21,716	222,830
Unearned premiums and other insurance liabilities (Note 13).....	63,205	58,266	632,050
Investment deposits by policyholders (Note 13)	87,252	93,361	872,520
Deferred income taxes (Note 16).....	10,075	12,635	100,750
Other liabilities.....	5,235	5,242	52,350
Total liabilities	628,460	628,139	6,284,600
Minority interests in subsidiaries	62,511	61,311	625,110
Commitments and contingent liabilities (Note 23)			
Shareholders' equity (Note 17):			
Common stock:			
Authorized 900,000,000 shares;			
issued 233,288,717 shares in 2008 and 2007.....	66,378	66,378	663,780
Additional paid-in capital	79,998	79,998	799,980
Legal reserve	10,020	9,923	100,200
Retained earnings	471,066	428,850	4,710,660
Accumulated other comprehensive income (loss):			
Unrealized gains (losses) on securities (Note 7).....	(3,137)	8,101	(31,370)
Unrealized losses on derivative instruments (Note 22)	(94)	(53)	(940)
Pension liability adjustments (Note 14)	(4,726)	1,272	(47,260)
Foreign currency translation adjustments	(74)	2,113	(740)
	(8,031)	11,433	(80,310)
Common stock in treasury, at cost:			
8,323,599 shares in 2008 and 8,318,900 shares in 2007.....	(44,877)	(44,850)	(448,770)
Total shareholders' equity.....	574,554	551,732	5,745,540
Total liabilities and shareholders' equity	¥1,265,525	¥1,241,182	\$12,655,250

CONSOLIDATED STATEMENTS OF INCOME

 SECOM CO., LTD. and Subsidiaries
 Three years ended March 31, 2008

	In millions of yen			Translation into thousands
	Years ended March 31			of U.S. dollars (Note 3)
	2008	2007	2006	Year ended March 31
Net sales and operating revenue	¥706,695	¥636,678	¥580,526	\$7,066,950
Costs and expenses:				
Cost of sales	454,165	410,275	364,932	4,541,650
Selling, general and administrative expense (Notes 2 (18) and 18)	144,782	127,062	128,077	1,447,820
Impairment loss on long-lived assets (Note 10).....	16	1,176	821	160
Impairment loss on goodwill (Note 11)	1,128	2,966	149	11,280
Loss on sales and disposal of property, plant and equipment, net.....	976	781	2,164	9,760
Settlement loss of benefit obligation on transfer to defined contribution pension plan (Note 14)	—	—	2,490	—
	601,067	542,260	498,633	6,010,670
Operating income.....	105,628	94,418	81,893	1,056,280
Other income:				
Interest and dividends	2,969	2,993	2,209	29,690
Gain on sales of securities, net (Notes 7 and 9)	2,020	1,772	10,044	20,200
Gain on private equity investments	4,070	—	—	40,700
Other (Note 15).....	3,952	3,672	3,683	39,520
	13,011	8,437	15,936	130,110
Other expenses:				
Interest	2,094	1,815	1,877	20,940
Loss on other-than-temporary impairment of investment securities.....	1,912	1,026	2,263	19,120
Other (Note 15).....	4,370	4,678	3,961	43,700
	8,376	7,519	8,101	83,760
Income before income taxes	110,263	95,336	89,728	1,102,630
Income taxes (Note 16):				
Current	42,769	40,136	34,931	427,690
Deferred	4,337	430	2,973	43,370
	47,106	40,566	37,904	471,060
Income before minority interests in subsidiaries and equity in net income of affiliated companies	63,157	54,770	51,824	631,570
Minority interests in subsidiaries	(6,639)	(4,649)	(3,927)	(66,390)
Equity in net income of affiliated companies	5,238	5,768	3,298	52,380
Income before cumulative effect of accounting change	61,756	55,889	51,195	617,560
Cumulative effect of accounting change, net of tax (Note 2 (11))	—	—	(864)	—
Net income.....	¥ 61,756	¥ 55,889	¥ 50,331	\$ 617,560

	In yen			Translation into
	Years ended March 31			U.S. dollars (Note 3)
	2008	2007	2006	Year ended March 31
Per share data (Note 2 (20)):				
Income before cumulative effect of accounting change—				
—Basic	¥274.51	¥248.42	¥227.53	\$2.75
Cumulative effect of accounting change—				
—Basic	—	—	(3.84)	—
Net income—				
—Basic	274.51	248.42	223.69	2.75
Cash dividends per share	¥ 80.00	¥ 60.00	¥ 50.00	\$0.80

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

SECOM CO., LTD. and Subsidiaries
Three years ended March 31, 2008

	In millions of yen							Total
	Number of shares issued	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Common stock in treasury, at cost	
Balance, March 31, 2005	233,288,717	¥66,378	¥79,996	¥ 9,787	¥347,516	(¥ 1,282)	(¥44,558)	¥457,837
Comprehensive income:								
Net income	—	—	—	—	50,331	—	—	50,331
Other comprehensive income (loss), net of tax (Note 17):								
Unrealized gains on securities—								
Unrealized holding gains or losses arising during the period.....	—	—	—	—	—	8,896	—	8,896
Less: Reclassification adjustment for gains or losses included in net income.....	—	—	—	—	—	(3,356)	—	(3,356)
Unrealized gains on derivative instruments—								
Unrealized holding gains or losses arising during the period.....	—	—	—	—	—	97	—	97
Less: Reclassification adjustment for gains or losses included in net income.....	—	—	—	—	—	—	—	—
Minimum pension liability adjustments.....	—	—	—	—	—	18	—	18
Foreign currency translation adjustments.....	—	—	—	—	—	(30)	—	(30)
Total comprehensive income.....	—	—	—	—	—	6,346	—	6,346
Cash dividends.....	—	—	—	—	(11,251)	—	—	(11,251)
Transfer to legal reserve.....	—	—	—	38	(38)	—	—	—
Net changes in treasury stock.....	—	—	—	—	—	—	(192)	(192)
Balance, March 31, 2006	233,288,717	66,378	79,996	9,825	386,558	10,689	(44,750)	508,696
Comprehensive income:								
Net income	—	—	—	—	55,889	—	—	55,889
Other comprehensive income (loss), net of tax (Note 17):								
Unrealized gains on securities—								
Unrealized holding gains or losses arising during the period.....	—	—	—	—	—	(1,562)	—	(1,562)
Less: Reclassification adjustment for gains or losses included in net income.....	—	—	—	—	—	(1,464)	—	(1,464)
Unrealized losses on derivative instruments—								
Unrealized holding gains or losses arising during the period.....	—	—	—	—	—	(113)	—	(113)
Less: Reclassification adjustment for gains or losses included in net income.....	—	—	—	—	—	—	—	—
Minimum pension liability adjustments.....	—	—	—	—	—	30	—	30
Foreign currency translation adjustments.....	—	—	—	—	—	(21)	—	(21)
Total comprehensive income.....	—	—	—	—	—	2,193	—	2,193
Adjustments for initially applying SFAS No. 158, net of tax (Note 14).....	—	—	—	—	—	1,681	—	1,681
Cash dividends.....	—	—	—	—	(13,499)	—	—	(13,499)
Transfer to legal reserve.....	—	—	—	98	(98)	—	—	—
Gain on disposal of treasury stock.....	—	—	2	—	—	—	—	2
Net changes in treasury stock.....	—	—	—	—	—	—	(100)	(100)
Balance, March 31, 2007	233,288,717	66,378	79,998	9,923	428,850	11,433	(44,850)	551,732
Cumulative effect of a change in accounting principle-adoption of EITF 06-2, net of tax (Note 2 (22)).....	—	—	—	—	(1,227)	—	—	(1,227)
Comprehensive income:								
Net income	—	—	—	—	61,756	—	—	61,756
Other comprehensive income (loss), net of tax (Note 17):								
Unrealized losses on securities—								
Unrealized holding gains or losses arising during the period.....	—	—	—	—	—	(11,034)	—	(11,034)
Less: Reclassification adjustment for gains or losses included in net income.....	—	—	—	—	—	(204)	—	(204)
Unrealized losses on derivative instruments—								
Unrealized gains or losses arising during the period.....	—	—	—	—	—	(54)	—	(54)
Less: Reclassification adjustment for gains or losses included in net income.....	—	—	—	—	—	—	—	—
Pension liability adjustments—								
Unrealized gains or losses arising during the period.....	—	—	—	—	—	(5,564)	—	(5,564)
Less: Reclassification adjustment for gains or losses realized in net income.....	—	—	—	—	—	—	—	—
Foreign currency translation adjustments.....	—	—	—	—	—	(434)	—	(434)
Total comprehensive income.....	—	—	—	—	—	(2,187)	—	(2,187)
Cash dividends.....	—	—	—	—	(17,998)	—	—	(17,998)
Changes in scope of consolidation.....	—	—	—	—	(218)	—	—	(218)
Transfer to legal reserve.....	—	—	—	97	(97)	—	—	—
Gains and losses on disposal of treasury stock.....	—	—	0	—	—	—	—	0
Net changes in treasury stock.....	—	—	—	—	—	—	(27)	(27)
Balance, March 31, 2008	233,288,717	¥66,378	¥79,998	¥10,020	¥471,066	(¥ 8,031)	(¥44,877)	¥574,554

	Translation into thousands of U.S. dollars (Note 3)						
	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Common stock in treasury, at cost	Total
Balance, March 31, 2007	\$663,780	\$799,980	\$ 99,230	\$4,288,500	\$114,330	(\$448,500)	\$5,517,320
Cumulative effect of a change in accounting principle-adoption of EITF 06-2, net of tax (Note 2 (22)).....	—	—	—	(12,270)	—	—	(12,270)
Comprehensive income:							
Net income	—	—	—	617,560	—	—	617,560
Other comprehensive income (loss), net of tax (Note 17):							
Unrealized losses on securities—							
Unrealized holding gains or losses arising during the period.....	—	—	—	—	(110,340)	—	(110,340)
Less: Reclassification adjustment for gains or losses included in net income.....	—	—	—	—	(2,040)	—	(2,040)
Unrealized losses on derivative instruments—							
Unrealized gains or losses arising during the period.....	—	—	—	—	(540)	—	(540)
Less: Reclassification adjustment for gains or losses included in net income.....	—	—	—	—	—	—	—
Pension liability adjustments—							
Unrealized gains or losses arising during the period.....	—	—	—	—	(55,640)	—	(55,640)
Less: Reclassification adjustment for gains or losses realized in net income.....	—	—	—	—	—	—	—
Foreign currency translation adjustments.....	—	—	—	—	(4,340)	—	(4,340)
Total comprehensive income.....	—	—	—	—	(21,870)	—	(21,870)
Cash dividends.....	—	—	—	(179,980)	—	—	(179,980)
Changes in scope of consolidation.....	—	—	—	(2,180)	—	—	(2,180)
Transfer to legal reserve.....	—	—	970	(970)	—	—	—
Gains and losses on disposal of treasury stock.....	—	—	0	—	—	—	0
Net changes in treasury stock.....	—	—	—	—	—	(270)	(270)
Balance, March 31, 2008	\$663,780	\$799,980	\$100,200	\$4,710,660	(\$ 80,310)	(\$448,770)	\$5,745,540

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

 SECOM CO., LTD. and Subsidiaries
 Three years ended March 31, 2008

	In millions of yen			Translation into thousands
	Years ended March 31			of U.S. dollars (Note 3)
	2008	2007	2006	Year ended March 31
				2008
Cash flows from operating activities:				
Net income	¥ 61,756	¥ 55,889	¥ 50,331	\$ 617,560
Adjustments to reconcile net income to net cash provided by operating activities—				
Depreciation and amortization, including amortization of deferred charges	58,194	58,248	52,339	581,940
Accrual for pension and severance costs, less payments	(4,083)	(2,972)	(3,209)	(40,830)
Settlement loss of benefit obligation on transfer to defined contribution pension plan (Note 14)	—	—	2,490	—
Deferred income taxes	4,337	430	2,973	43,370
Loss on sales and disposal of property, plant and equipment, net	976	781	2,164	9,760
Impairment loss on long-lived assets (Note 10)	16	1,176	821	160
Impairment loss on goodwill (Note 11)	1,128	2,966	149	11,280
Gain on sales of securities, net	(4,593)	(5,715)	(14,514)	(45,930)
Gain on private equity investments	(4,070)	—	—	(40,700)
Loss on liquidation of subsidiaries	485	—	—	4,850
Loss on other-than-temporary impairment of investment securities	2,562	1,357	3,444	25,620
Equity in net income of affiliated companies	(5,238)	(5,768)	(3,298)	(52,380)
Minority interests in subsidiaries	6,639	4,649	3,927	66,390
Cumulative effect of accounting change, net of tax (Note 2 (11))	—	—	864	—
Changes in assets and liabilities, net of effects from acquisitions and disposals:				
(Increase) decrease in cash deposits	11,632	(10,142)	(4,381)	116,320
Increase in receivables and due from subscribers, net of allowances	(4,766)	(13,798)	(668)	(47,660)
Increase in inventories	(19,267)	(17,264)	(24,146)	(192,670)
Increase in deferred charges	(16,336)	(18,267)	(16,804)	(163,360)
Increase (decrease) in deposits received	(14,023)	9,022	4,175	(140,230)
Increase in deferred revenue	1,468	2,137	3,804	14,680
Increase (decrease) in accrued income taxes	(332)	1,697	5,590	(3,320)
Increase (decrease) in guarantee deposits received	329	2,318	(20)	3,290
Increase in unearned premiums and other insurance liabilities	4,939	4,936	6,878	49,390
Other, net	10,820	(3,794)	5,552	108,200
Net cash provided by operating activities	92,573	67,886	78,461	925,730
Cash flows from investing activities:				
(Increase) decrease in time deposits	(1,612)	(2,425)	101	(16,120)
Proceeds from sales of property, plant and equipment	4,277	3,919	10,995	42,770
Payments for purchases of property, plant and equipment	(45,332)	(46,378)	(44,272)	(453,320)
Proceeds from sales of investment securities	87,439	132,923	99,889	874,390
Payments for purchases of investment securities	(99,262)	(103,242)	(68,597)	(992,620)
Decrease in short-term investments	6,397	32,548	868	63,970
Acquisitions, net of cash acquired (Note 4)	(317)	4,648	(1,190)	(3,170)
Payments for investments in affiliated companies (Note 9)	(1,741)	(5,158)	—	(17,410)
(Increase) decrease in short-term receivables, net	(1,207)	(474)	3,065	(12,070)
Payments for long-term receivables	(3,773)	(6,898)	(11,338)	(37,730)
Proceeds from long-term receivables	6,581	15,740	18,365	65,810
Other, net	(3,557)	(3,167)	(4,030)	(35,570)
Net cash provided by (used in) investing activities	(52,107)	22,036	3,856	(521,070)
Cash flows from financing activities:				
Proceeds from long-term debt	12,955	12,154	10,575	129,550
Repayments of long-term debt	(12,792)	(52,269)	(11,400)	(127,920)
Increase in bank loans, net	6,075	20,687	4,387	60,750
Decrease in investment deposits by policyholders	(6,109)	(94,424)	(39,934)	(61,090)
Dividends paid	(17,998)	(13,499)	(11,251)	(179,980)
Increase in treasury stock, net	(27)	(100)	(192)	(270)
Other, net	(1,430)	(920)	(940)	(14,300)
Net cash used in financing activities	(19,326)	(128,371)	(48,755)	(193,260)
Effect of exchange rate changes on cash and cash equivalents	222	620	470	2,220
Net increase (decrease) in cash and cash equivalents	21,362	(37,829)	34,032	213,620
Cash and cash equivalents at beginning of year	193,215	231,044	197,012	1,932,150
Cash and cash equivalents at end of year	¥214,577	¥193,215	¥231,044	\$2,145,770

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SECOM CO., LTD. and Subsidiaries
Three years ended March 31, 2008

1. Nature of Operations

The parent company and its subsidiaries (collectively "the Company") are engaged in the areas of security services, fire protection services, medical services, insurance services, geographic information services, 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: fire protection services, including automatic fire alarm systems and fire extinguishing systems; home and other medical services; non-life insurance services; geographic information services using geographic information system ("GIS") and surveying and measuring technology; information and communication related services, including information security services, software development and system integration activities; development and sale of real estate; lease of real estate and other services.

2. Significant Accounting Policies

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

Significant accounting policies 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 subsidiaries. The consolidated financial statements also include variable interest entities to which the Company is the primary beneficiary. All significant intercompany transactions and accounts have been eliminated in consolidation.

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

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

On occasion, a consolidated subsidiary or affiliated company accounted for using the equity method may issue its shares to third parties as either a public or private offering

or upon conversion of convertible bonds to common stock at amounts per share in excess of or less than the Company's average per share carrying value. With respect to such transactions, where the sale of such shares is not a part of a broader corporate reorganization contemplated or planned by the Company, the resulting gains or losses arising from the change in ownership interest are recorded in income for the year the transaction occurs.

(2) Consolidation of Variable Interest Entities

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

The Company provides loans and guarantees to organizations managing hospitals and health care-related institutions and to a PFI (Private Finance Initiative) organization which was established to build, maintain and operate correctional facilities. Certain organizations are considered as VIEs under FIN No. 46R. In March 2006, the Company provided additional loans and acquired additional variable interests in three organizations managing hospitals and health care-related organizations. As a result of the acquisitions, the Company has become the primary beneficiary of these organizations and has consolidated these organizations since March 2006. The aggregated fair value of current assets, goodwill, and other non-current assets acquired are ¥1,894 million, ¥1,711 million and ¥6,795 million, respectively, and liabilities assumed are ¥4,144 million. The results of their operations have been included in the consolidated statements of income since the date of acquisition. The consolidated pro forma information that would show the Company's consolidated results of operations for the year ended March 31, 2006 has not been disclosed based on materiality considerations.

Total assets held by VIEs to which the Company is the primary beneficiary were ¥17,284 million (\$172,840 thousand) and ¥18,405 million at March 31, 2008 and 2007, respectively. Total assets held by VIEs to which the Company holds significant variable interests but is not the primary beneficiary at March 31, 2008 and 2007 were ¥45,889 million (\$458,890 thousand) and ¥44,105 million, respectively. The Company's maximum exposure to losses related to VIEs at March 31, 2008 and 2007 were ¥9,164 million (\$91,640 thousand) and ¥10,302 million, respectively.

The Company also provided loans and guarantees to real estate investment companies. Certain investment companies were considered as VIEs under FIN No. 46R. Total assets held by these VIEs to which the Company was primary beneficiary at March 31, 2006 were ¥10,638 million. In September 2006, the Company acquired 100% ownership of these VIEs and consolidated as its subsidiaries. There are no such VIEs to which the Company holds significant variable interests but was not primary beneficiary at March 31, 2008.

(3) Revenue Recognition

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

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

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

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

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

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

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

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

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

(4) Foreign Currency Translation

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

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

(5) Cash Equivalents

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

(6) Investments in Debt and Equity Securities

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

A decline in the fair value of any available-for-sale securities below cost that is deemed to be other-than-temporary results in a reduction in carrying amount to fair value. The impairment is charged to income and a new cost basis for the securities is established. To determine whether an impairment is other-than-temporary, the Company periodically reviews the fair value of available-for-sale securities for possible impairment by taking into consideration the financial and operating conditions of 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) Private Equity Investments

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

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

(8) Inventories

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

(9) Allowance for Doubtful Accounts

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

(10) Deferred Insurance Acquisition Costs

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

(11) Property, Plant and Equipment and Depreciation

Property, plant and equipment, including significant leasehold improvements, are carried at cost. 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 ¥37,241 million (\$372,410 thousand), ¥38,719 million and ¥33,042 million for the years ended March 31, 2008, 2007 and 2006, respectively. Maintenance, repairs and renewals are charged to income as incurred.

The estimated useful lives of depreciable assets are as follows:

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

In March 2005, the FASB issued FASB Interpretation No. 47 ("FIN No. 47"), "Accounting for Conditional Asset Retirement Obligations—an interpretation of FASB statement No. 143." FIN No. 47 clarifies that the term "conditional asset retirement obligation" as used in Statement of Financial Accounting Standards ("SFAS") No. 143, "Accounting for Asset Retirement Obligations," refers to a legal obligation of an entity to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity. Such an obligation to perform the asset retirement activity is unconditional even though uncertainty exists about the timing and/or method of settlement. Accordingly, an entity is required to recognize a liability for the value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated. FIN No. 47 is effective no later than the end of fiscal years ended after December 15, 2005 and required to be adopted by the Company on March 31, 2006. The Company has determined that conditional legal obligations exist for certain of its leased facilities. As a result of adoption of FIN No. 47, on March 31, 2006, the Company recognized a one-time expense of ¥864 million as a cumulative effect of accounting change, and the Company's buildings and improvements, and liabilities increased by ¥694 million and ¥2,162 million, respectively.

(12) Deferred Charges

Deferred charges primarily consist of costs related to installation services of security equipment related to on-line centralized security services. The installation costs are deferred and amortized using the straight-line method over the contractual period of security services after completion of the installation. Amortization expense was ¥14,953 million (\$149,530 thousand), ¥14,474 million and ¥14,045 million for the years ended March 31, 2008, 2007 and 2006, respectively.

(13) Impairment or Disposal of Long-Lived Assets

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

(14) Goodwill and Other Intangible Assets

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

(15) Unearned Premiums and Other Insurance Liabilities

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

(16) Income Taxes

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

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

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

(17) Research and Development

Research and development costs are charged to income as incurred.

(18) 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, 2008, 2007 and 2006 were ¥5,996 million (\$59,960 thousand), ¥5,348 million and ¥6,746 million, respectively.

(19) Derivative Financial Instruments

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

The Company recognizes all derivative financial instruments in the consolidated financial statements at fair value regardless of the purpose or intent for holding them. Changes in the fair value of derivative financial instruments are either recognized periodically in income or in shareholders' equity as a component of other comprehensive income (loss) depending on whether the derivative financial instruments qualify for hedge accounting, and if so, whether they qualify as a fair value hedge or a cash flow hedge. Changes in the fair values of derivative financial instruments accounted for as a fair value hedge are recorded in income along with the portion of the change in the fair value of the

hedged item that relates to the hedged risk. Changes in the fair value of derivative financial instruments accounted for as a cash flow hedge, to the extent it is effective as a hedge, are recorded in other comprehensive income (loss), net of tax. Changes in the fair value of derivative financial instruments not qualifying as a hedge are reported in income.

The Company meets the documentation requirements which include their risk management objective and strategy for undertaking various hedge transactions. In addition, formal assessment is made at the hedge's inception and periodically on an on-going basis, as to whether the derivatives used in hedging activities are highly effective in offsetting 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.

(20) Per Share Data

Basic Earnings per Share ("EPS") is computed based on the average number of shares of common stock outstanding for the period. The average number of shares of common stock outstanding for the years ended March 31, 2008, 2007 and 2006 was 224,967 thousand shares, 224,974 thousand shares and 225,002 thousand shares, respectively. There were no potentially dilutive shares outstanding during the years ended March 31, 2008, 2007 or 2006.

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

(21) Use of Estimates

The preparation of the consolidated financial statements requires management of the Company to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities 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, other 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.

(22) Recent Pronouncements

In June 2006, the FASB ratified the EITF consensus on EITF Issue No. 06-2 ("EITF 06-2"), "Accounting for Sabbatical Leave and Other Similar Benefits Pursuant to FASB Statement No. 43." EITF 06-2 provides guidance for an accrual of compensated absences that require a minimum service period but have no increase in the benefit even with additional years of service. EITF 06-2 is effective for fiscal years beginning after December 15, 2006 and was adopted by the Company in the fiscal year beginning April 1, 2007.

Accordingly, the Company recorded an increase in the beginning balance of accrued payrolls of ¥2,265 million (\$22,650 thousand) and an increase in the beginning balance of deferred income taxes (Other assets) of ¥846 million (\$8,460 thousand) as of April 1, 2007, with a decrease in the beginning balance of retained earnings of ¥1,227 million (\$12,270 thousand).

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

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

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

CONSOLIDATED FINANCIAL STATEMENTS

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

(23) Reclassifications

The accompanying consolidated financial statements for the years ended March 31, 2007 and 2006 have been reclassified to conform to the presentation used for the year ended March 31, 2008.

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 ¥100=US\$1, the rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2008. These translations should not be construed as representing that the yen amounts actually represent, or have been or could be converted into U.S. dollars at that rate.

4. Acquisition

In December 2006, the Company acquired 18,500,000 newly issued shares—equivalent to 30.8 percent of total outstanding common stocks—of Nohmi Bosai Ltd. ("Nohmi Bosai"), listed on the First Section of the Tokyo Stock Exchange for an aggregate amount of ¥14,060 million. Nohmi Bosai operates automatic fire alarms, fire extinguishing and other fire protection systems. As a result of this new share acquisition, the Company owns 50.4 percent of the total outstanding common stocks of Nohmi Bosai. The operating results of Nohmi Bosai and its subsidiaries (collectively, "Nohmi Bosai group") have been included in the consolidated financial statements since the date of acquisition. The Company has been in an alliance with Nohmi Bosai, which had been accounted for under the equity method before this new share acquisition. Purpose of this acquisition is to reinforce its alliance with Nohmi Bosai by integrating the Company's expertise in security systems with Nohmi Bosai's fire protection technologies.

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

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

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

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

The following unaudited pro forma information shows the Company's consolidated results of operations for the year ended March 31, 2007 and 2006 as though Nohmi Bosai group had been consolidated at the beginning of the years.

	Unaudited	
	In millions of yen	
	Years ended March 31	
	2007	2006
Pro forma net sales and operating revenue.....	¥686,429	¥653,872
Pro forma net income.....	56,090	50,573
	Unaudited	
	In yen	
	Years ended March 31	
	2007	2006
Pro forma net income per share:		
—Basic	¥249.32	¥224.77

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

5. Cash and Cash Equivalents

Cash and cash equivalents at March 31, 2008 and 2007 were comprised as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31 2008	March 31 2007	March 31 2008
Cash	¥149,874	¥140,849	\$1,498,740
Time deposits	42,936	34,087	429,360
Call loan	19,000	15,000	190,000
Investment securities	2,767	3,279	27,670
	¥214,577	¥193,215	\$2,145,770

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

6. Cash Deposits

The Company operates cash collection and deposit services for financial institutions relating to cash dispensers located outside of financial institution facilities and also operates cash collection service for entities other than financial institutions. Cash deposit balances of ¥63,697 million (\$636,970 thousand) and ¥75,329 million at March 31, 2008 and 2007, 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, which relate to these operations, were ¥30,402 million (\$304,020 thousand) and ¥32,619 million (\$326,190 thousand), respectively, at March 31, 2008, and ¥27,668 million and ¥47,166 million, respectively, at March 31, 2007. 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, 2008 and 2007 were as follows:

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

	In millions of yen			
	March 31, 2007			
	Cost	Gross unrealized		Fair value
	Gains	Losses		
Short-term investments:				
Available-for-sale:				
Debt securities	¥ 14,829	¥ 1	¥ 51	¥ 14,779
Held-to-maturity:				
Debt securities	113	—	—	113
	¥ 14,942	¥ 1	¥ 51	¥ 14,892
Investment securities:				
Available-for-sale:				
Equity securities	¥ 60,394	¥19,798	¥3,065	¥ 77,127
Debt securities	88,344	922	1,015	88,251
Held-to-maturity:				
Debt securities	3,413	—	20	3,393
	¥152,151	¥20,720	¥4,100	¥168,771

	In thousands of U.S. dollars			
	March 31, 2008			
	Cost	Gross unrealized		Fair value
	Gains	Losses		
Short-term investments:				
Available-for-sale:				
Debt securities	\$ 50,510	\$ 10	\$ 1,150	\$ 49,370
Held-to-maturity:				
Debt securities	16,030	0	0	16,030
	\$ 66,540	\$ 10	\$ 1,150	\$ 65,400
Investment securities:				
Available-for-sale:				
Equity securities	\$ 621,950	\$50,510	\$ 84,850	\$ 587,610
Debt securities	854,260	9,180	19,620	843,820
Held-to-maturity:				
Debt securities	82,420	10	3,480	78,950
	\$1,558,630	\$59,700	\$107,950	\$1,510,380

Gross unrealized losses on, and fair value of, "available-for-sale" and "held-to-maturity" securities, aggregated by investment category and the length of time that individual securities have been in a continuous unrealized loss position, at March 31, 2008 were as follows:

	In millions of yen			
	March 31, 2008			
	Less than 12 months		12 months or longer	
	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
Available-for-sale:				
Equity securities.....	¥31,795	¥7,416	¥ 3,476	¥1,069
Debt securities.....	19,194	1,141	25,996	936
Total	¥50,989	¥8,557	¥29,472	¥2,005
Held-to-maturity:				
Debt securities.....	¥ 1,175	¥ 325	¥ 2,794	¥ 23

	In thousands of U.S. dollars			
	March 31, 2008			
	Less than 12 months		12 months or longer	
	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
Available-for-sale:				
Equity securities.....	\$317,950	\$74,160	\$ 34,760	\$10,690
Debt securities.....	191,940	11,410	259,960	9,360
Total	\$509,890	\$85,570	\$294,720	\$20,050
Held-to-maturity:				
Debt securities.....	\$ 11,750	\$ 3,250	\$ 27,940	\$ 230

Based on relevant factors, the Company has determined that these investments are not considered other-than-temporary impaired at March 31, 2008.

At March 31, 2008, 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, 2008 are as follows:

	In millions of yen			
	March 31, 2008			
	Available-for-sale		Held-to-maturity	
	Cost	Fair value	Cost	Fair value
Due within 1 year.....	¥ 5,051	¥ 4,937	¥1,603	¥1,603
Due after 1 year through 5 years.....	42,123	41,897	1,492	1,493
Due after 5 years through 10 years.....	36,440	36,129	40	40
Due after 10 years	6,863	6,356	6,710	6,362
	¥90,477	¥89,319	¥9,845	¥9,498

	In thousands of U.S. dollars			
	March 31, 2008			
	Available-for-sale		Held-to-maturity	
	Cost	Fair value	Cost	Fair value
Due within 1 year.....	\$ 50,510	\$ 49,370	\$16,030	\$16,030
Due after 1 year through 5 years.....	421,230	418,970	14,920	14,930
Due after 5 years through 10 years.....	364,400	361,290	400	400
Due after 10 years	68,630	63,560	67,100	63,620
	\$904,770	\$893,190	\$98,450	\$94,980

During the years ended March 31, 2008, 2007 and 2006, the net unrealized gains on "available-for-sale" securities included as part of other comprehensive income (loss), net of tax, decreased by ¥11,238 million (\$112,380 thousand) and ¥3,026 million and increased by ¥5,541 million, respectively.

Proceeds from the sale of "available-for-sale" securities for the years ended March 31, 2008, 2007 and 2006 were ¥106,925 million (\$1,069,250 thousand), ¥109,405 million and ¥74,869 million, respectively. On those sales, the gross realized gains and gross realized losses, using moving-average cost basis, for the years ended March 31, 2008, 2007 and 2006 were as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2008	2007	2006	2008
Gross realized gains	¥3,005	¥4,076	¥5,716	\$30,050
Gross realized losses.....	623	295	74	6,230

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 ¥45,303 million (\$453,030 thousand) and ¥35,351 million at March 31, 2008 and 2007, respectively. The corresponding fair value at that date was not computed as such estimation was not practicable.

8. Inventories

Inventories at March 31, 2008 and 2007 comprised the following:

	In millions of yen			In thousands of U.S. dollars
	March 31			March 31
	2008	2007		2008
Security-related products.....	¥ 7,732	¥ 7,603		\$ 77,320
Fire protection-related products...	13,747	13,599		137,470
Real estate	91,182	72,218		911,820
Information and other-related products.....	5,781	4,917		57,810
	¥118,442	¥98,337		\$1,184,420

Work in process for real estate inventories at March 31, 2008 and 2007, amounting to ¥73,312 million (\$733,120 thousand) and ¥64,257 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. Investments principally consist of investments in Taiwan Secom Co., Ltd., a 28.1 percent owned affiliate, which is listed on the Taiwan Stock Exchange; S1 Corporation, a 27.3 percent owned affiliate, which is listed on the Korea Stock Exchange; Toyo Tech Co., Ltd., a 27.8 percent owned affiliate acquired—amounting to ¥5,146 million—in December 2006, which is listed on the Second Section of the Osaka Securities Exchange; and Tokyo Biso Kogyo Corporation, a 36.6 percent owned new affiliate by additionally acquiring ¥1,740 million (\$17,400 thousand)—equivalent to 16.6 percent of total outstanding common stocks—in May 2007 and March 2008, which is listed on the Second Section of the Tokyo Stock Exchange.

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

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

	In millions of yen		In thousands of U.S. dollars	
	March 31	March 31	March 31	March 31
	2008	2007	2008	2008
Current assets	¥ 96,089	¥ 78,568	\$ 960,890	
Non-current assets	134,467	121,889	1,344,670	
Total assets	¥230,556	¥200,457	\$2,305,560	
Current liabilities.....	¥ 48,212	¥ 40,444	\$ 482,120	
Non-current liabilities.....	36,846	37,559	368,460	
Shareholders' equity	145,498	122,454	1,454,980	
Total liabilities and shareholders' equity.....	¥230,556	¥200,457	\$2,305,560	

	In millions of yen			In thousands of U.S. dollars	
	Years ended March 31	Years ended March 31	Years ended March 31	Year ended March 31	Year ended March 31
	2008	2007	2006	2008	2008
Net sales	¥202,335	¥196,486	¥213,967	\$2,023,350	
Gross profit	¥ 64,213	¥ 67,315	¥ 71,863	\$ 642,130	
Net income	¥ 22,576	¥ 18,851	¥ 15,371	\$ 225,760	

Dividends received from affiliated companies for the years ended March 31, 2008, 2007 and 2006 were ¥2,657 million (\$26,570 thousand), ¥2,193 million and ¥2,068 million, respectively.

Four listed affiliated companies accounted for under the equity method with an aggregated carrying amount of ¥37,035 million (\$370,350 thousand) and ¥29,652 million at March 31, 2008 and 2007, respectively, had a quoted market value of ¥80,984 million (\$809,840 thousand) and ¥71,917 million at March 31, 2008 and 2007, respectively.

The amounts of goodwill were ¥2,863 million (\$28,630 thousand) and ¥2,851 million at March 31, 2008 and 2007, respectively.

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

In March 2006, the parent company sold 23.8 percent of the outstanding shares of Japan Cablenet Holdings Limited, a 26.0 percent owned affiliate, to KDDI Corporation for ¥12,393 million. The sale resulted in a gain of ¥6,710 million.

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

	In millions of yen			In thousands of U.S. dollars	
	Years ended March 31	Years ended March 31	Years ended March 31	Year ended March 31	Year ended March 31
	2008	2007	2006	2008	2008
Sales	¥2,447	¥1,843	¥1,926	\$24,470	
Purchases	¥1,734	¥3,777	¥6,077	\$17,340	

	In millions of yen		In thousands of U.S. dollars	
	March 31	March 31	March 31	March 31
	2008	2007	2008	2008
Notes and accounts receivable, trade	¥509	¥811	\$5,090	
Loans receivable.....	¥ 98	¥100	\$ 980	
Notes and accounts payable.....	¥331	¥205	\$3,310	
Guarantees for bank loans.....	¥ 10	¥ 9	\$ 100	

The Company's equity in undistributed income of affiliates at March 31, 2008 and 2007 included in retained earnings was ¥15,818 million (\$158,180 thousand) and ¥13,925 million, respectively.

10. Long-Lived Assets

The Company has assessed the potential impairment for its long-lived assets. As a result of significant decreases in rental rates, market prices and revenue forecasts, and changes of assumptions regarding useful lives before sale, the Company principally recognized impairment losses on medical services equipment for the year ended March 31, 2007 and idle properties for the year ended March 31, 2006. The fair value was determined by the estimated present value of future cash flows or appraisal value.

Impairment loss on long-lived assets by business segment for the years ended March 31, 2008, 2007 and 2006 was as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2008	2007	2006	2008
Security services.....	¥—	¥ —	¥ 63	\$ —
Fire protection services.....	16	32	—	160
Medical services	0	1,134	—	0
Insurance services	—	—	—	—
Geographic information services.....	—	10	—	—
Information and communication related and other services	—	—	59	—
Corporate items	—	—	699	—
Total.....	¥16	¥1,176	¥821	\$160

11. Goodwill and Other Intangible Assets

The components of acquired intangible assets excluding goodwill at March 31, 2008 and 2007 were as follows:

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

	In millions of yen		
	March 31, 2007		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortized intangible assets:			
Software	¥31,750	(¥16,370)	¥15,380
Other	6,092	(2,194)	3,898
Total	¥37,842	(¥18,564)	¥19,278
Unamortized intangible assets.....	¥ 4,141	¥ —	¥ 4,141

	In thousands of U.S. dollars		
	March 31, 2008		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortized intangible assets:			
Software	\$300,550	(\$164,880)	\$135,670
Other	49,110	(17,640)	31,470
Total	\$349,660	(\$182,520)	\$167,140
Unamortized intangible assets.....	\$ 44,130	\$ —	\$ 44,130

The net carrying amount of amortized and unamortized intangible assets acquired in a purchase business combination in December 2006 were ¥2,841 million and ¥1,879 million, respectively, at March 31, 2007.

Aggregate amortization expense for the years ended March 31, 2008, 2007 and 2006 was ¥5,999 million (\$59,990 thousand), ¥5,055 million and ¥5,251 million, respectively. Amortized intangible assets are amortized using the straight-line method over the estimated useful lives. The weighted average amortization period for internal use software is approximately five years.

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

Years ending March 31	In thousands of U.S. dollars	
	In millions of yen	U.S. dollars
2009.....	¥5,396	\$53,960
2010.....	3,742	37,420
2011.....	2,942	29,420
2012.....	2,502	25,020
2013.....	891	8,910

The changes in the carrying amount of goodwill by business segment for the years ended March 31, 2008 and 2007 were as follows:

	In millions of yen				
	Security services	Medical services	Geographic information services	Information and communication related and other services	Total
March 31, 2006.....	¥1,302	¥9,383	¥3,771	¥5,877	¥20,333
Goodwill acquired during the year.....	—	—	4	—	4
Disposal.....	—	—	—	(163)	(163)
Impairment losses ...	—	(2,336)	(152)	(478)	(2,966)
Translation adjustment	155	—	—	—	155
March 31, 2007.....	1,457	7,047	3,623	5,236	17,363
Goodwill acquired during the year.....	117	—	—	—	117
Disposal.....	—	—	(1)	(180)	(181)
Impairment losses ...	(117)	(876)	—	(135)	(1,128)
Translation adjustment	(30)	—	—	—	(30)
March 31, 2008.....	¥1,427	¥6,171	¥3,622	¥4,921	¥16,141

	In thousands of U.S. dollars				Total
	Security services	Medical services	Geographic information services	Information and communication related and other services	
March 31, 2007.....	\$14,570	\$70,470	\$36,230	\$52,360	\$173,630
Goodwill acquired during the year.....	1,170	—	—	—	1,170
Disposal.....	—	—	(10)	(1,800)	(1,810)
Impairment losses ...	(1,170)	(8,760)	—	(1,350)	(11,280)
Translation adjustment	(300)	—	—	—	(300)
March 31, 2008.....	\$14,270	\$61,710	\$36,220	\$49,210	\$161,410

The Company principally recognized impairment losses related to goodwill allocated to the reporting units in the medical services segment of ¥876 million (\$8,760 thousand) and ¥2,336 million for the year ended March 31, 2008 and 2007, respectively, due to decreases in the estimated fair value of these reporting units mainly caused by decreases of expected cash flows.

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

12. Bank Loans and Long-Term Debt

Bank loans of ¥133,056 million (\$1,330,560 thousand) and ¥126,964 million at March 31, 2008 and 2007, respectively, are generally comprised of 30 to 365 day notes. Their weighted average interest rates were 1.37 percent and 1.27 percent at March 31, 2008 and 2007, respectively. Substantially all of these loans are borrowed from banks. The Company has entered into basic agreements with these banks which state that, with respect to all present or future loans with such banks, collateral (including sums on deposit with such banks) or guarantors shall be provided immediately upon request. Further, any collateral furnished pursuant to such agreements or otherwise will be applicable to all indebtedness to such banks. The Company has not been requested to submit such additional security.

At March 31, 2008, Pasco Corporation ("PASCO") and Nohmi Bosai, subsidiaries of the parent company, had unused committed lines of credit from short-term arrangements aggregating ¥5,500 million (\$55,000 thousand) and ¥4,000 million (\$40,000 thousand), respectively. The lines of credit expire in July 2008 and March 2010, respectively. PASCO uses these lines of credit as a backup and does not intend to extend them after July 2008. Under the agreements, PASCO and Nohmi Bosai are required to pay committed fees at an annual rate of 0.40 percent and 0.15 percent, respectively, on the unused portion of the lines of credit. At March 31, 2008, Secom Home Life Co., Ltd. ("Secom Home Life"), a subsidiary of the parent company, had overdraft agreements with six banks and its unused lines of credit amounted to ¥38,050 million (\$380,500 thousand). However,

Secom Home Life incurs no fee on the unused portion of the lines of credit. The overdraft agreements expire in the period from April 2008 to March 2009. Secom Home Life has the ability and intent to extend these overdraft agreements under similar terms and conditions.

Long-term debt at March 31, 2008 and 2007 comprised the following:

	In thousands of U.S. dollars	
	In millions of yen	March 31
	2008	2007
Loans, principally from banks due 2007–2027 with interest rates ranging from 0.00 to 5.83% in 2008 and 2007:		
Secured.....	¥20,624	¥17,252
Unsecured	5,249	2,456
0.46% unsecured bonds due 2007...	—	1,500
0.61% unsecured bonds due 2010...	750	1,050
0.91% unsecured bonds due 2010...	660	880
Unsecured bonds due 2009–2014 with floating interest rates based on 6-month TIBOR plus 0.15%–0.20%	14,051	13,868
Obligations under capital leases, due 2007–2026 (Note 19).....	11,910	13,191
	53,244	50,197
Less:		
Portion due within one year	9,061	10,044
	¥44,183	¥40,153
		\$441,830

Property, plant and equipment with a carrying amount of ¥51,764 million (\$517,640 thousand), inventories with a carrying amount of ¥71,525 million (\$715,250 thousand), investment securities with a carrying amount of ¥870 million (\$8,700 thousand), time deposits of ¥1,191 million (\$11,910 thousand), short-term and long-term receivables of ¥993 million (\$9,930 thousand) and other intangible assets and other with a carrying amount of ¥1,593 million (\$15,930 thousand) were pledged as collateral for bank loans and long-term debt at March 31, 2008.

The aggregate annual maturities on long-term debt after March 31, 2008 are as follows:

Years ending March 31	In thousands of U.S. dollars	
	In millions of yen	U.S. dollars
2009.....	¥ 9,061	\$ 90,610
2010.....	12,402	124,020
2011.....	11,186	111,860
2012.....	6,459	64,590
2013.....	6,061	60,610
Thereafter	8,075	80,750
	¥53,244	\$532,440

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 U.S. generally accepted accounting principles.

The net equity of Secom Insurance at March 31, 2008 and 2007 was ¥35,218 million (\$352,180 thousand) and ¥30,553 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 for the years ended March 31, 2008, 2007 and 2006 were ¥1,922 million (\$19,220 thousand), ¥3,612 million and ¥3,290 million, respectively.

14. Pension and Severance Costs

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

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

In April 2005, the parent company and certain domestic subsidiaries transferred an additional portion of the cash balance pension plan to the defined contribution pension plan. Accordingly, the ratio of the accumulated amount in the cash balance pension plan and the amount of contributions to the defined contribution pension plan changed to 70 percent and 30 percent, including portions funded in prior periods. The contribution from the cash balance pension plan to the defined contribution plan, which was equivalent to the benefit transferred to the defined contribution pension plan, was ¥4,257 million. In accordance with SFAS No. 88, "Employer's Accounting for Settlements and Curtailments of Defined Benefit Pension and for Termination Benefits," the Company accounted for these transfers as a partial settlement of benefit obligation and recognized settlement losses of ¥2,490 million as "Settlement loss of benefit obligation on transfer to defined contribution pension plan" in the consolidated statements of income for the year ended March 31, 2006.

On March 31, 2007, the Company adopted the recognition and disclosure provisions of SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statement No. 87, 88, 106, and 132(R)." SFAS No. 158 required the Company to recognize the funded status (i.e., the difference between the fair value of plan assets and the projected benefit obligations) of its pension plans in the consolidated balance sheet at March 31, 2007, with a corresponding adjustment to accumulated other comprehensive income (loss), net of tax. The adjustment to accumulated other comprehensive income (loss) at adoption represents the unrecognized actuarial loss and unrecognized prior service benefit, both of which were previously netted against the plan's

funded status in the consolidated balance sheets pursuant to the provisions of SFAS No. 87. These amounts will be subsequently recognized as net periodic pension and severance costs pursuant to the Company's historical accounting policy for amortizing such amounts. In addition, actuarial gains and losses that arise in subsequent periods and are not recognized as net periodic pension and severance cost in the same periods will be recognized as other comprehensive income (loss). Those amounts will be subsequently recognized as a component of net periodic pension and severance cost on the same basis as the amounts recognized in accumulated other comprehensive income (loss) at adoption of SFAS No. 158.

The incremental effects of adopting the provision of SFAS No. 158 on the consolidated balance sheet at March 31, 2007 are as follows:

	In millions of yen		
	Before Application of SFAS No. 158	Adjustments	After Application of SFAS No. 158
Prepaid pension and severance costs.....	¥13,239	¥2,578	¥15,817
Deferred income taxes (Other assets).....	7,107	(1,034)	6,073
Accrued pension and severance costs.....	17,914	532	18,446
Minority interests in subsidiaries.....	61,706	(395)	61,311
Accumulated other comprehensive income (loss).....	13,114	(1,681)	11,433

Net periodic pension and severance costs for the years ended March 31, 2008, 2007 and 2006 were as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31	Years ended March 31	Years ended March 31	Year ended March 31
	2008	2007	2006	2008
Net periodic pension and severance costs:				
Service cost	¥4,511	¥3,998	¥3,629	\$45,110
Interest cost.....	1,424	1,146	1,097	14,240
Expected return on plan assets.....	(1,808)	(1,620)	(1,550)	(18,080)
Amortization of prior service benefit.....	(1,715)	(1,715)	(1,715)	(17,150)
Recognized actuarial loss.....	1,005	1,123	962	10,050
Net periodic pension and severance costs...	¥3,417	¥2,932	¥2,423	\$34,170

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

	In millions of yen		In thousands of U.S. dollars
	Years ended March 31	Years ended March 31	Year ended March 31
	2008	2007	2008
Change in benefit obligation:			
Benefit obligation			
at beginning of year.....	¥71,000	¥57,975	\$710,000
Service cost	4,511	3,998	45,110
Interest cost.....	1,424	1,146	14,240
Actuarial loss.....	337	208	3,370
Benefits paid.....	(5,452)	(3,495)	(54,520)
Acquisition.....	—	11,168	—
Benefit obligation at end of year	71,820	71,000	718,200
Change in plan assets:			
Fair value of plan assets			
at beginning of year.....	68,371	57,118	683,710
Actual return (loss) on plan assets.....	(7,792)	4,685	(77,920)
Employer contribution.....	5,509	4,818	55,090
Benefits paid.....	(3,552)	(2,518)	(35,520)
Acquisition.....	—	4,268	—
Fair value of plan assets at end of year	62,536	68,371	625,360
Funded status at the end of year... (¥ 9,284) (¥ 2,629) (\$ 92,840)			

Amounts recognized in the consolidated balance sheet at March 31, 2008 and 2007 consist of:

	In millions of yen		In thousands of U.S. dollars
	Years ended March 31	Years ended March 31	Year ended March 31
	2008	2007	2008
Prepaid pension and severance costs.....	¥ 9,135	¥ 15,817	\$ 91,350
Accrued pension and severance costs.....	(18,419)	(18,446)	(184,190)
Net amount recognized	(¥ 9,284)	(¥ 2,629)	(\$ 92,840)

Other changes in plan assets and benefit obligations recognized in other comprehensive income (loss) for the year ended March 31, 2008 were summarized as follows:

	In millions of yen		In thousands of U.S. dollars
	Years ended March 31	Years ended March 31	Year ended March 31
	2008	2007	2008
Current year actuarial loss.....	¥ 9,937	—	\$ 99,370
Amortization of actuarial loss.....	(1,005)	—	(10,050)
Amortization of prior service benefit..	1,715	—	17,150
	¥10,647	—	\$106,470

Amounts recognized in accumulated other comprehensive income (loss) at March 31, 2008 and 2007 consist of:

	In millions of yen		In thousands of U.S. dollars
	Years ended March 31		Year ended March 31
	2008	2007	2008
Actuarial loss.....	¥22,703	¥13,771	\$227,030
Prior service benefit.....	(14,327)	(16,042)	(143,270)
Net amount recognized	¥ 8,376	(¥ 2,271)	\$ 83,760

The estimated prior service benefit and actuarial loss for the defined benefit pension plans that will be amortized from accumulated other comprehensive income (loss) into net periodic benefit cost over the next year are ¥1,715 million (\$17,150 thousand) and ¥868 million (\$8,680 thousand), respectively.

The accumulated benefit obligation for the pension plan was ¥66,079 million (\$660,790 thousand) and ¥65,283 million at March 31, 2008 and 2007, 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 ¥27,588 million (\$275,880 thousand), ¥24,775 million (\$247,750 thousand) and ¥9,335 million (\$93,350 thousand), respectively, at March 31, 2008, and ¥28,207 million, ¥25,401 million and ¥9,853 million, respectively, at March 31, 2007.

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

Weighted-average assumptions used to determine the benefit obligation at March 31, 2008 and 2007 were as follows:

	March 31	
	2008	2007
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, 2008, 2007 and 2006 were as follows:

	Years ended March 31		
	2008	2007	2006
Discount rate	2.0%	1.9%	2.0%
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, 2008 and 2007 were as follows:

Asset category:	March 31	
	2008	2007
Equity securities.....	26.6%	39.9%
Debt securities.....	20.9	26.9
Call loan	11.6	6.0
Other	40.9	27.2
Total.....	100.0%	100.0%

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

The Company expects to contribute ¥5,499 million (\$54,990 thousand) to its domestic defined benefit plans in the year ending March 31, 2009.

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

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2009.....	¥ 5,582	\$ 55,820
2010.....	4,567	45,670
2011.....	4,528	45,280
2012.....	4,581	45,810
2013.....	4,900	49,000
2014–2018.....	23,140	231,400

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, 2008, 2007 and 2006 were ¥1,413 million (\$14,130 thousand), ¥1,392 million and ¥1,365 million, respectively.

15. Exchange Gains and Losses

Other expense for the year ended March 31, 2008 includes net exchange losses of ¥826 million (\$8,260 thousand). Other income for the years ended March 31, 2007 and 2006 includes net exchange gains of ¥76 million and ¥664 million.

16. Income Taxes

Total income taxes for the years ended March 31, 2008, 2007 and 2006 were allocated as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2008	2007	2006	2008
Net Income	¥47,106	¥40,566	¥37,904	\$471,060
Shareholders' equity— accumulated other comprehensive income (loss):				
Unrealized gains (losses) on securities ...	(8,189)	(3,437)	3,672	(81,890)
Unrealized gains (losses) on derivative instruments	(8)	(17)	79	(80)
Pension liability adjustments	(3,901)	—	—	(39,010)
Minimum pension liability adjustments	—	(20)	(27)	—
Foreign currency translation adjustments	(497)	476	971	(4,970)
Cumulative effect of change in accounting principle-adoption of EITF 06-2	(846)	—	—	(8,460)
Adjustments for initially applying SFAS No. 158....	—	897	—	—
	¥33,665	¥38,465	¥42,599	\$336,650

The parent company and its domestic subsidiaries were subject to a corporate tax of 30 percent, an inhabitants tax of approximately 20.3 percent, and a deductible enterprise tax of approximately 7.4 percent, which, in the aggregate, indicate a statutory tax rate in Japan of approximately 40.5 percent for the years ended March 31, 2008, 2007 and 2006.

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
	2008	2007	2006	2008
Income taxes computed at statutory tax rate of 40.5%	¥44,658	¥38,611	¥36,340	\$446,580
Increase (decrease) resulting from:				
Unrecognized tax benefits from subsidiaries in loss positions	2,309	1,552	1,366	23,090
Reversal of valuation allowance due to utilization of operating loss carryforwards	(1,260)	(1,629)	(642)	(12,600)
Per capita tax	805	713	699	8,050
Other, net	594	1,319	141	5,940
Consolidated income taxes	¥47,106	¥40,566	¥37,904	\$471,060

The significant components of deferred tax assets and liabilities at March 31, 2008 and 2007 were as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2008	2007	2008
Deferred tax assets:			
Deferred revenue	¥13,601	¥13,201	\$136,010
Operating loss carryforwards ...	9,907	9,544	99,070
Adjustment of book value at the date of acquisition—			
Land and buildings	4,899	5,147	48,990
Other assets	2,764	2,764	27,640
Accrued pension and severance costs	7,149	7,400	71,490
Property, plant and equipment	6,524	6,795	65,240
Accrued bonus	5,053	4,781	50,530
Vacation accrual	3,427	2,287	34,270
Intangible assets	2,634	1,955	26,340
Allowance for doubtful accounts	2,239	2,350	22,390
Unrealized losses on securities	1,941	—	19,410
Investment securities	1,641	2,980	16,410
Other	9,014	8,915	90,140
Gross deferred tax assets	70,793	68,119	707,930
Less: Valuation allowance	(17,068)	(15,591)	(170,680)
Total deferred tax assets	53,725	52,528	537,250
Deferred tax liabilities:			
Deferred installation costs	(8,408)	(8,483)	(84,080)
Investments in affiliated companies	(7,496)	(6,732)	(74,960)
Adjustment of book value at the date of acquisition—			
Land and buildings	(5,180)	(5,607)	(51,800)
Long-term receivables	(1,740)	(1,752)	(17,400)
Unearned premiums and other insurance liabilities	(3,324)	(2,347)	(33,240)
Prepaid pension and severance costs	(3,189)	(5,918)	(31,890)
Unrealized gains on securities	—	(6,825)	—
Other	(7,157)	(5,457)	(71,570)
Gross deferred tax liabilities ...	(36,494)	(43,121)	(364,940)
Net deferred tax assets	¥17,231	¥ 9,407	\$172,310

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, 2008 and 2007 was an increase of ¥1,477 million (\$14,770 thousand) and ¥245 million, respectively.

In assessing the realizability of deferred tax assets, the Company management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. The Company management considered the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, the Company management believes it is more likely than not that the Company will realize the benefits of these deductible differences, net of the existing valuation allowance at March 31, 2008 and 2007.

Net deferred tax assets at March 31, 2008 and 2007 are reflected in the accompanying consolidated balance sheets under the following captions:

	In millions of yen		In thousands of U.S. dollars
	March 31 2008	2007	March 31 2008
Deferred income taxes (Current assets).....	¥17,395	¥16,947	\$173,950
Deferred income taxes (Other assets).....	11,321	6,073	113,210
Other current liabilities.....	(1,410)	(978)	(14,100)
Deferred income taxes (Liabilities).....	(10,075)	(12,635)	(100,750)
Net deferred tax assets	¥17,231	¥ 9,407	\$172,310

The Company has not recognized deferred tax liabilities of ¥806 million (\$8,060 thousand) for a portion of undistributed earnings of foreign subsidiaries totaling ¥8,941 million (\$89,410 thousand) at March 31, 2008 because they are not expected to be remitted in the foreseeable future.

At March 31, 2008, the operating loss carryforwards of domestic subsidiaries amounted to ¥20,503 million (\$205,030 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
2009.....	¥ 56	\$ 560
2010.....	481	4,810
2011.....	4,155	41,550
2012.....	4,229	42,290
2013.....	2,522	25,220
2014.....	4,270	42,700
2015.....	4,790	47,900
	¥20,503	\$205,030

The operating loss carryforwards of overseas subsidiaries at March 31, 2008 amounted to ¥7,041 million (\$70,410 thousand), a part of which will begin to expire in the year ending March 31, 2009.

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

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

Although the Company believes its estimates of unrecognized tax benefits are reasonable, uncertainties regarding the final determination of income tax audit settlements and any related litigation could affect the total amount of unrecognized tax benefits in the future periods. Based on the information available as of March 31, 2008, the Company does not expect significant changes to the unrecognized tax benefits within the next twelve months.

The Company files tax returns in Japan and various foreign jurisdictions. In Japan, the Company is no longer subject to regular income tax examinations by the tax authorities for years before 2004. In other foreign tax jurisdictions, major subsidiaries are no longer subject to income tax examinations by tax authorities for years before 2007 with few exceptions.

17. Shareholders' Equity

(1) Retained Earnings

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

The amount available for dividends under the Japanese Corporate Law is based on the amount recorded in the parent company's nonconsolidated statutory financial statements in accordance with the accounting principle generally accepted in Japan. Such amount was ¥363,068 million (\$3,630,680 thousand) at March 31, 2008.

Subsequent to March 31, 2008, the parent company's Board of Directors declared an annual cash dividend of ¥19,122 million (\$191,220 thousand) to shareholders of record on March 31, 2008. The dividend declared was approved at the general shareholders' meeting held on June 26, 2008. Dividends are recorded in the period they are declared.

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

(2) Other Comprehensive Income (Loss)

Components of other comprehensive income (loss) for the years ended March 31, 2008, 2007 and 2006 is as follows:

	In millions of yen		
	Pre-tax amount	Tax (expense) or benefit	Net-of-tax amount
For the year ended March 31, 2008:			
Unrealized losses on securities—			
Unrealized holding gains or losses arising during the period.....	(¥18,914)	¥ 7,880	(¥11,034)
Less: Reclassification adjustment for gains or losses included in net income	(513)	309	(204)
Unrealized losses on derivative instruments—			
Unrealized holding gains or losses arising during the year	(61)	7	(54)
Less: Reclassification adjustment for gains or losses included in net income	12	1	13
Pension liability adjustments—			
Unrealized gains or losses arising during the period.....	(9,209)	3,645	(5,564)
Less: Reclassification adjustment for gains or losses realized in net income.....	(690)	256	(434)
Foreign currency translation adjustments.....	(2,684)	497	(2,187)
Other comprehensive income (loss)	(¥32,059)	¥12,595	(¥19,464)
For the year ended March 31, 2007:			
Unrealized gains on securities—			
Unrealized holding gains or losses arising during the period.....	(¥ 2,924)	¥1,362	(¥ 1,562)
Less: Reclassification adjustment for gains or losses included in net income	(3,539)	2,075	(1,464)
Unrealized losses on derivative instruments—			
Unrealized holding gains or losses arising during the year	(132)	19	(113)
Less: Reclassification adjustment for gains or losses included in net income	32	(2)	30
Minimum pension liability adjustments	(41)	20	(21)
Foreign currency translation adjustments.....	2,669	(476)	2,193
Other comprehensive income (loss)	(¥ 3,935)	¥2,998	(¥ 937)

	In millions of yen		
	Pre-tax amount	Tax (expense) or benefit	Net-of-tax amount
For the year ended March 31, 2006:			
Unrealized gains on securities—			
Unrealized holding gains or losses arising during the period.....	¥14,660	(¥5,764)	¥ 8,896
Less: Reclassification adjustment for gains or losses included in net income	(5,448)	2,092	(3,356)
Unrealized gains on derivative instruments—			
Unrealized holding gains or losses arising during the year	163	(66)	97
Less: Reclassification adjustment for gains or losses included in net income	31	(13)	18
Minimum pension liability adjustments	(57)	27	(30)
Foreign currency translation adjustments.....	7,317	(971)	6,346
Other comprehensive income (loss)	¥16,666	(¥4,695)	¥11,971
For the year ended March 31, 2008:			
In thousands of U.S. dollars			
Pre-tax amount Tax (expense) or benefit Net-of-tax amount			
Unrealized losses on securities—			
Unrealized holding gains or losses arising during the period.....	(\$189,140)	\$ 78,800	(\$110,340)
Less: Reclassification adjustment for gains or losses included in net income	(5,130)	3,090	(2,040)
Unrealized losses on derivative instruments—			
Unrealized gains or losses arising during the year	(610)	70	(540)
Less: Reclassification adjustment for gains or losses included in net income	120	10	130
Pension liability adjustments—			
Unrealized gains or losses arising during the period.....	(92,090)	36,450	(55,640)
Less: Reclassification adjustment for gains or losses realized in net income.....	(6,900)	2,560	(4,340)
Foreign currency translation adjustments.....	(26,840)	4,970	(21,870)
Other comprehensive income (loss)	(\$320,590)	\$125,950	(\$194,640)

18. Research and Development Expenses

Research and development expenses included in selling, general and administrative expenses for the years ended March 31, 2008, 2007 and 2006 were ¥5,792 million (\$57,920 thousand), ¥5,875 million and ¥4,061 million, respectively.

19. Lessee

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

On April 23, 1996, the Company entered into a long-term lease agreement for a building and land in Mitaka, Tokyo. The lease agreement extends for 30 years beginning May 1, 1996. For financial reporting purposes, the portion of the lease relating to the building has been classified as a capital lease; accordingly, an asset of approximately ¥5,086 million (\$50,860 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, 2008 were ¥5,920 million (\$59,200 thousand).

A summary of leased assets under capital leases at March 31, 2008 and 2007 is as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2008	2007	2008
Buildings and improvements	¥ 5,208	¥ 5,208	\$ 52,080
Machinery, equipment and automobiles	15,672	16,531	156,720
Other intangible assets	791	723	7,910
Accumulated depreciation	(10,814)	(10,488)	(108,140)
	¥10,857	¥11,974	\$108,570

Depreciation expenses under capital leases for the years ended March 31, 2008, 2007 and 2006 were ¥4,089 million (\$40,890 thousand), ¥3,704 million and ¥3,576 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, 2008:

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2009.....	¥ 3,675	\$ 36,750
2010.....	2,727	27,270
2011.....	1,822	18,220
2012.....	1,171	11,710
2013.....	640	6,400
Thereafter	4,524	45,240
Total minimum lease payments	14,559	145,590
Less: Amount representing interest....	2,649	26,490
Present value of net minimum lease payments (Note 12)	11,910	119,100
Less: Current portion.....	3,282	32,820
Long-term capital lease obligations.....	¥ 8,628	\$ 86,280

Rental expenses under operating leases for the years ended March 31, 2008, 2007 and 2006 were ¥15,912 million (\$159,120 thousand), ¥15,771 million and ¥15,415 million, respectively.

A significant portion of such rentals relates to cancelable short-term leases for office space and employee residential facilities, many of which are renewed upon expiration.

On December 8, 2000, the Company entered into a lease agreement for a building and land in Shibuya, Tokyo. The lease agreement extends for 20 years beginning December 8, 2000. For financial reporting purposes, the lease has been classified as an operating lease. Based on the agreement, annual lease payments for the site are approximately ¥1,339 million (\$13,390 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, 2008 are as follows:

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2009.....	¥ 2,504	\$ 25,040
2010.....	2,329	23,290
2011.....	2,255	22,550
2012.....	2,233	22,330
2013.....	2,219	22,190
Thereafter	20,908	209,080
Total future minimum lease payments	¥32,448	\$324,480

20. Lessor

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

A summary of lease receivables under sales-type and direct-financing leases at March 31, 2008 and 2007 is as follows:

	In millions of yen		In thousands of U.S. dollars	
	March 31	March 31	March 31	March 31
	2008	2007	2008	2008
Total minimum lease payments to be received.....	¥48,206	¥32,375	\$482,060	
Estimated executory cost.....	(3,576)	(2,034)	(35,760)	
Estimated unguaranteed residual value.....	3,480	2,161	34,800	
Unearned income.....	(13,069)	(6,289)	(130,690)	
Lease receivables, net.....	35,041	26,213	350,410	
Less: Current portion.....	(7,820)	(6,340)	(78,200)	
Long-term lease receivables, net.....	¥27,221	¥19,873	\$272,210	

The following is a schedule by year of future minimum lease payments to be received under sales-type leases and direct-financing leases at March 31, 2008:

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2009.....	¥ 9,317	\$ 93,170
2010.....	7,647	76,470
2011.....	6,170	61,700
2012.....	4,279	42,790
2013.....	2,369	23,690
Thereafter.....	18,424	184,240
Total future minimum lease payments to be received.....	¥48,206	\$482,060

A summary of investment in property on operating leases and property held for lease at March 31, 2008 and 2007 is as follows:

	In millions of yen		In thousands of U.S. dollars	
	March 31	March 31	March 31	March 31
	2008	2007	2008	2008
Land.....	¥27,223	¥25,686	\$272,230	
Buildings and improvements.....	26,955	26,299	269,550	
Other intangible assets.....	775	775	7,750	
Accumulated depreciation.....	(7,634)	(6,881)	(76,340)	
	¥47,319	¥45,879	\$473,190	

The future minimum rentals on non-cancelable operating leases at March 31, 2008 are as follows:

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2009.....	¥ 2,622	\$ 26,220
2010.....	760	7,600
2011.....	760	7,600
2012.....	760	7,600
2013.....	760	7,600
Thereafter.....	12,104	121,040
Total future minimum rentals.....	¥17,766	\$177,660

21. Fair Value of Financial Instruments

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

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

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

(2) Short-term Investments; Investment Securities

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

(3) Long-Term Receivables

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

(4) Long-Term Debt Including Current Portion

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

(5) Investment Deposits by Policyholders

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

(6) Derivatives

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

The carrying amounts and estimated fair values of the financial instruments excluding debt and equity securities which are disclosed in Note 7 at March 31, 2008 and 2007 are as follows:

	In millions of yen			
	March 31			
	2008		2007	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Non-derivatives:				
Liabilities—				
Long-term debt including current portion.....	¥53,244	¥53,344	¥50,197	¥50,134
Investment deposits by policyholders.....	87,252	89,373	93,361	95,246
Derivatives:				
Assets—				
Interest rate swaps.....	—	—	8	8
Liabilities—				
Interest rate swaps.....	135	135	84	84
Embedded derivatives ...	514	514	—	—

	In thousands of U.S. dollars			
	March 31			
	2008		2007	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Non-derivatives:				
Liabilities—				
Long-term debt including current portion.....		\$532,440	\$533,440	
Investment deposits by policyholders.....		872,520	893,730	
Derivatives:				
Assets—				
Interest rate swaps.....		—	—	
Liabilities—				
Interest rate swaps.....		1,350	1,350	
Embedded derivatives		5,140	5,140	

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

(2) Interest Rate Risk Management

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

(3) Cash Flow Hedge

The Company designates interest rate swap agreements as cash flow hedges for variability of cash flows originated from floating rate borrowings. The interest rate swap agreements mature at various dates through 2012. The effective portion of changes in fair values of derivative instruments designated as cash flow hedges of these debt obligations are reported in other comprehensive income (loss). These amounts are reclassified into current income in the same period that hedged items affect current income. The ineffective portion of changes in fair values are reported in income immediately. The sum of the amount of the hedge ineffectiveness and net gains or losses excluded from the assessment of hedge effectiveness is not material for the years ended March 31, 2008, 2007 and 2006 as the critical terms of most of the interest rate swap agreements match the terms of the hedged debt obligations. Approximately

¥23 million (\$230 thousand) of net derivative losses included in other comprehensive income (loss), net of tax at March 31, 2008, will be reclassified into current income within 12 months from that date. At March 31, 2008 and 2007, the notional principal amounts of interest rate swap agreements designated as cash flow hedges were ¥21,111 million (\$211,110 thousand) and ¥23,052 million, respectively.

(4) Derivative Instruments Not Designated as Hedges

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

23. Commitments and Contingent Liabilities

The Company has commitments outstanding at March 31, 2008 for the purchase of property, plant and equipment approximated ¥10,843 million (\$108,430 thousand).

The Company provides guarantees to third parties mainly with respect to bank loans extended to its affiliated companies and other entities. Such guarantees are provided to enhance the credit standing of the affiliated companies and other entities. For each guarantee provided, the Company would have to perform under the guarantee, if the affiliated companies and other entities default on a payment within the guaranteed period of one to five years. The maximum amount of undiscounted payments the Company would have to make in the event of default amounts to ¥3,975 million (\$39,750 thousand) at March 31, 2008. The carrying amounts of the liabilities recognized for the Company's obligations under these guarantees at March 31, 2008 and 2007 were deemed 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 (\$25,000 thousand). Secom Insurance is not only contesting this lawsuit on the grounds that it is without merit, but has also filed a countersuit claiming damages in the amount of ¥1,000 million (\$10,000 thousand), which is pending at March 31, 2008.

PASCO filed a lawsuit against Sumitomo Mitsui Banking Corporation ("SMBC") for obtaining a confirmation judgment to the effect that it does not owe an obligation in the amount of ¥2,010 million (\$20,100 thousand) to SMBC with the Tokyo District Court on October 31, 2005. SMBC alleged that it made a loan to a third party and acquired from the third party its claim against PASCO for an alleged sale of equipment to PASCO as a collateral for the loan, and demanded PASCO to pay such claim to SMBC. However, upon carefully investigating the case with counsel, the Company believes that the alleged transactions were null and void, and the Company's pleading should be admitted. Furthermore, on December 5, 2005, SMBC brought a cross action against PASCO in relation to a demand for payment of a transferred receivable. Subsequently, both actions were consolidated according to a court procedure. The existence of the debt in the above-mentioned sum is still being disputed in court at March 31, 2008.

24. Supplemental Cash Flow Information

Supplemental cash flow information is as follows:

	In millions of yen			In thousands of U.S. dollars
	2008	2007	2006	Year ended March 31
Cash paid during the year for:				
Interest	¥ 2,082	¥ 1,865	¥ 1,873	\$ 20,820
Income taxes	43,067	38,360	28,959	430,670
Non-cash investing and financing activities:				
Additions to obligations under capital leases	¥ 2,668	5,395	2,253	\$ 26,680

25. Segment Information

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

The Company has six reportable business segments: security services, fire protection services, medical services, insurance services, geographic information services, and information and communication related and other services. From December 2006, the Company newly established a business segment, the fire protection services, due to the acquisition of Nohmi Bosai group.

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

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

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

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

Information by business and geographic segments for the years ended March 31, 2008, 2007 and 2006 is as follows:

(1) Business Segment Information

	In millions of yen			In thousands of U.S. dollars
	2008	2007	2006	Year ended March 31
Net sales and operating revenue:				
Security services—				
Customers.....	¥435,306	¥415,410	¥400,044	\$4,353,060
Intersegment	1,375	1,491	1,317	13,750
	436,681	416,901	401,361	4,366,810
Fire protection services—				
Customers.....	82,572	27,448	—	825,720
Intersegment	4,046	944	—	40,460
	86,618	28,392	—	866,180
Medical services—				
Customers.....	50,741	45,852	39,215	507,410
Intersegment	127	233	220	1,270
	50,868	46,085	39,435	508,680
Insurance services—				
Customers.....	33,229	31,978	29,537	332,290
Intersegment	2,894	2,702	2,496	28,940
	36,123	34,680	32,033	361,230
Geographic information services—				
Customers.....	39,376	36,438	35,271	393,760
Intersegment	321	138	113	3,210
	39,697	36,576	35,384	396,970
Information and communication related and other services—				
Customers.....	65,471	79,552	76,459	654,710
Intersegment	8,700	9,096	6,406	87,000
	74,171	88,648	82,865	741,710
Total	724,158	651,282	591,078	7,241,580
Eliminations.....	(17,463)	(14,604)	(10,552)	(174,630)
Total net sales and operating revenue...	¥706,695	¥636,678	¥580,526	\$7,066,950

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2008	2007	2006	2008
Operating income (loss):				
Security services.....	¥103,137	¥ 96,162	¥86,660	\$1,031,370
Fire protection services.....	4,948	1,815	—	49,480
Medical services.....	(1,083)	(2,914)	(1,321)	(10,830)
Insurance services.....	3,766	3,752	5,061	37,660
Geographic information services.....	1,439	394	900	14,390
Information and communication related and other services.....	5,391	7,335	5,643	53,910
Total	117,598	106,544	96,943	1,175,980
Corporate expenses and eliminations	(11,970)	(12,126)	(15,050)	(119,700)
Operating income	¥105,628	¥ 94,418	¥81,893	\$1,056,280
Other income.....	13,011	8,437	15,936	130,110
Other expenses	(8,376)	(7,519)	(8,101)	(83,760)
Income before income taxes	¥110,263	¥ 95,336	¥89,728	\$1,102,630
	In millions of yen			In thousands of U.S. dollars
	March 31			March 31
	2008	2007	2006	2008
Assets:				
Security services.....	¥ 472,071	¥ 467,071	¥ 438,989	\$ 4,720,710
Fire protection services.....	80,777	77,850	—	807,770
Medical services.....	119,251	105,158	102,838	1,192,510
Insurance services.....	188,538	196,798	284,911	1,885,380
Geographic information services.....	58,038	55,124	55,448	580,380
Information and communication related and other services.....	195,284	178,532	145,757	1,952,840
Total	1,113,959	1,080,533	1,027,943	11,139,590
Corporate items	104,752	121,817	159,210	1,047,520
Investments in and loans to affiliated companies	46,814	38,832	38,075	468,140
Total assets.....	¥1,265,525	¥1,241,182	¥1,225,228	\$12,655,250

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2008	2007	2006	2008
Depreciation and amortization:				
Security services.....	¥47,191	¥49,168	¥44,942	\$471,910
Fire protection services.....	1,171	326	—	11,710
Medical services.....	3,816	3,202	1,629	38,160
Insurance services.....	1,225	1,206	1,143	12,250
Geographic information services.....	1,666	1,631	1,494	16,660
Information and communication related and other services.....	2,758	2,414	2,690	27,580
Total	57,827	57,947	51,898	578,270
Corporate items	367	301	441	3,670
Total depreciation and amortization	¥58,194	¥58,248	¥52,339	\$581,940
Capital expenditures:				
Security services.....	¥33,192	¥33,306	¥29,351	\$331,920
Fire protection services.....	1,556	364	—	15,560
Medical services.....	4,674	5,985	8,474	46,740
Insurance services.....	8	49	1,733	80
Geographic information services.....	1,450	1,882	436	14,500
Information and communication related and other services.....	5,880	6,163	7,448	58,800
Total	46,760	47,749	47,442	467,600
Corporate items	63	12	120	630
Total capital expenditures.....	¥46,823	¥47,761	¥47,562	\$468,230

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
	2008	2007	2006	Year ended March 31
Electronic security services.....	¥296,167	¥285,858	¥277,892	\$2,961,670
Other security services:				
Static guard services.....	46,648	42,144	41,480	466,480
Armored car services.....	19,547	20,308	19,369	195,470
Merchandise and other	72,944	67,100	61,303	729,440
Total security services.....	¥435,306	¥415,410	¥400,044	\$4,353,060

(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, 2008, 2007 and 2006 were as follows:

	In millions of yen			In thousands of U.S. dollars
	2008	2007	2006	Year ended March 31
Net sales and operating revenue:				
Japan	¥684,909	¥620,435	¥564,803	\$6,849,090
Other	21,786	16,243	15,723	217,860
Total.....	¥706,695	¥636,678	¥580,526	\$7,066,950

	In millions of yen			In thousands of U.S. dollars
	2008	2007	2006	March 31
Long-lived assets:				
Japan	¥345,318	¥347,546	¥330,752	\$3,453,180
Other	6,185	5,023	5,609	61,850
Total.....	¥351,503	¥352,569	¥336,361	\$3,515,030

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



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

We have audited the accompanying consolidated balance sheets of SECOM CO., LTD. and subsidiaries as of March 31, 2008 and 2007, 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, 2008, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of SECOM CO., LTD. and subsidiaries as of March 31, 2008 and 2007, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2008, 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 conditional asset retirement obligations in the year ended March 31, 2006.

The accompanying consolidated financial statements as of and for the year ended March 31, 2008 have been translated into United States dollars solely for the convenience of the reader. We have audited the translation and, in our opinion, the consolidated financial statements expressed in Japanese yen have been translated into United States dollars on the basis set forth in Note 3 of the notes to the consolidated financial statements.

KPMG ARSA & Co.

Tokyo, Japan
June 26, 2008

OTHER FINANCIAL DATA

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SUMMARY OF SELECTED FINANCIAL DATA

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

	In millions of yen					
	2008	2007	2006	2005	2004	2003
Composition of consolidated net sales and operating revenue by segment						
Net sales and operating revenue.....	¥706,695	¥636,678	¥580,526	¥552,354	¥517,435	¥497,691
Security services:.....	435,306	415,410	400,044	382,360	367,482	352,985
As a percentage of net sales and operating revenue...	61.6%	65.3%	68.9%	69.2%	71.0%	70.9%
Electronic security services—	296,167	285,858	277,892	271,872	263,900	257,075
As a percentage of net sales and operating revenue...	41.9	44.9	47.9	49.2	51.0	51.6
Other security services—						
Static guard services.....	46,648	42,144	41,480	38,302	37,537	35,908
As a percentage of net sales and operating revenue...	6.6	6.6	7.1	6.9	7.2	7.2
Armored car services.....	19,547	20,308	19,369	18,462	18,618	17,261
As a percentage of net sales and operating revenue...	2.8	3.2	3.3	3.4	3.6	3.5
Subtotal.....	66,195	62,452	60,849	56,764	56,155	53,169
Merchandise and other.....	72,944	67,100	61,303	53,724	47,427	42,741
As a percentage of net sales and operating revenue...	10.3	10.6	10.6	9.7	9.2	8.6
Fire protection services.....	82,572	27,448	—	—	—	—
As a percentage of net sales and operating revenue...	11.7	4.3	—	—	—	—
Medical services.....	50,741	45,852	39,215	34,688	21,147	19,637
As a percentage of net sales and operating revenue...	7.2	7.2	6.7	6.3	4.1	3.9
Insurance services.....	33,229	31,978	29,537	26,465	23,536	15,234
As a percentage of net sales and operating revenue...	4.7	5.0	5.1	4.8	4.5	3.1
Geographic information services.....	39,376	36,438	35,271	34,915	32,346	39,525
As a percentage of net sales and operating revenue...	5.6	5.7	6.1	6.3	6.3	8.0
Information and communication related and other services.....	65,471	79,552	76,459	73,926	72,924	70,310
As a percentage of net sales and operating revenue...	9.2	12.5	13.2	13.4	14.1	14.1
Net income, cash dividends and shareholders' equity						
Net income.....	¥ 61,756	¥ 55,889	¥ 50,331	¥ 52,133	¥ 23,479	¥ 30,275
Cash dividends (paid) ⁽²⁾	17,998	13,499	11,251	10,127	9,003	9,330
Shareholders' equity.....	574,554	551,732	508,696	457,837	415,852	372,518
Consolidated financial ratios						
Percentage of working capital accounted for by:						
Debt—						
Bank loans.....	17.5	17.4	15.2	16.1	17.7	20.0
Current portion of long-term debt.....	1.2	1.4	6.4	1.7	2.1	3.3
Convertible bonds.....	—	—	—	—	—	0.0
Straight bonds.....	1.8	1.9	1.6	6.4	5.2	5.2
Other long-term debt.....	4.0	3.6	3.6	3.9	9.2	11.4
Total debt.....	24.5	24.3	26.8	28.1	34.2	39.9
Shareholders' equity.....	75.5	75.7	73.2	71.9	65.8	60.1
Total capitalization.....	100.0	100.0	100.0	100.0	100.0	100.0
Return on total assets (percentage) ^(a)	4.9	4.5	4.1	4.5	2.0	2.6
Return on equity (percentage) ^(b)	10.7	10.1	9.9	11.4	5.6	8.1
Percentage of net sales and operating revenue absorbed by ^(c) :						
Depreciation and amortization.....	8.2	9.1	9.0	9.1	10.1	10.3
Rental expense under operating leases.....	2.3	2.5	2.7	2.6	2.8	3.0
Ratio of accumulated depreciation to depreciable assets (percentage).....						
.....	63.8	62.3	60.5	60.0	54.8	50.6
Net property turnover (times) ^(c)	2.81	2.54	2.39	2.43	1.74	1.37
Before-tax interest coverage (times) ^{(c)(d)}	53.7	53.5	48.8	39.3	15.9	15.2

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

SUMMARY OF SELECTED FINANCIAL DATA

	2008	2007	2006	2005	2004	2003
Number of shares outstanding						
Issued.....	233,288,717	233,288,717	233,288,717	233,288,717	233,281,133	233,281,133
Owned by the Company	8,323,599	8,318,900	8,301,997	8,266,043	8,228,652	8,200,245
Balance	224,965,118	224,969,817	224,986,720	225,022,674	225,052,481	225,080,888
Per share information						
Basic net income per share (in yen) ⁽¹⁾	¥ 274.51	¥ 248.42	¥ 223.69	¥ 231.66	¥ 104.32	¥ 132.87
Cash dividends paid per share (in yen) ⁽²⁾	80.00	60.00	50.00	45.00	40.00	40.00
Shareholders' equity per share (in yen) ⁽³⁾	2,553.97	2,452.47	2,261.00	2,034.63	1,847.80	1,655.04
Cash flow per share (in yen) ^{(1) (e)}	448.19	427.34	396.31	410.29	294.56	321.88
Price/Book value ratio.....	1.90	2.23	2.66	2.19	2.46	1.84
Price/Earnings ratio	17.63	22.02	26.91	19.25	43.52	22.88
Price/Cash flow ratio.....	10.80	12.80	15.19	10.87	15.41	9.44
Stock price at year-end (in yen)	4,840	5,470	6,020	4,460	4,540	3,040

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

(1) Per share amounts are based on the average number of shares outstanding during each period.
 (2) Subsequent to March 31, 2008, cash dividends of ¥19,122 million (¥85.00 per share) were approved at the general shareholders' meeting on June 26, 2008 (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	2008	2007	2006	2005	2004	2003
Number of shareholders.....	28,512	30,683	19,807	21,327	21,720	20,230
Common shares held by:						
Financial institutions.....	33.84%	32.21%	33.04%	34.32%	37.04%	46.14%
Securities firms.....	3.86	3.68	2.16	1.99	2.19	2.04
Other corporations.....	3.81	3.86	3.92	4.13	4.29	4.60
Foreign investors.....	41.71	42.43	43.40	40.75	37.22	28.64
Individuals and others.....	16.78	17.82	17.48	18.81	19.26	18.58
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
2006	April–June.....	¥6,460	¥5,090	¥17,563.37	¥14,218.60
	July–September.....	6,010	5,160	16,385.96	14,437.24
	October–December.....	6,310	5,670	17,225.83	15,725.94
2007	January–March.....	6,360	5,250	18,215.35	16,642.25
	April–June.....	5,860	5,360	18,240.30	17,028.41
	July–September.....	5,830	5,060	18,261.98	15,273.68
2008	October–December.....	6,340	5,480	17,458.98	14,837.66
	January–March.....	6,200	4,720	14,691.41	11,787.51

COMMON STOCK ISSUES

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

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

2. As of March 31, 2008, the number of shares outstanding was 233,289 thousand and share capital was ¥66,377,829 thousand.

*One share was split into two.

SUPPLEMENTAL CONSOLIDATED FINANCIAL DATA
(BASED ON JAPANESE GAAP)

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CONDENSED CONSOLIDATED BALANCE SHEETS (Based on Japanese GAAP)

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

	In millions of yen					
ASSETS	2008	2007	2006	2005	2004	2003
Current assets:						
Cash on hand and in banks	¥ 200,403	¥ 181,266	¥ 271,780	¥ 246,693	¥ 202,630	¥ 175,776
Cash deposits for armored car services	63,696	75,328	—	—	—	—
Call loans	19,000	15,000	25,000	10,000	38,000	30,000
Notes and accounts receivable, trade	85,595	83,397	52,667	50,183	46,813	43,922
Due from subscribers	21,125	19,217	17,678	16,204	17,561	16,336
Short-term investments	9,306	18,171	83,809	73,252	47,343	36,402
Inventories	27,080	25,945	64,194	40,979	45,477	41,339
Inventories for real estate for sales	90,230	71,724	—	—	—	—
Deferred income taxes	11,840	11,597	9,462	8,207	9,768	7,678
Short-term loans receivable	7,246	5,097	15,564	46,375	58,793	51,355
Other	13,827	19,660	13,419	17,676	17,205	19,650
Allowance for doubtful accounts	(1,813)	(1,923)	(1,617)	(1,297)	(4,925)	(1,558)
Total current assets	547,538	524,484	551,959	508,274	478,668	420,903
Fixed assets:						
Tangible assets:						
Buildings and improvements	84,545	87,306	77,270	72,816	79,072	90,823
Security equipment and control stations	65,450	63,675	63,070	64,104	65,315	65,026
Land	81,716	80,341	65,542	65,151	80,507	87,853
Other	33,636	29,485	28,183	21,509	19,050	17,313
Intangible assets	22,332	23,294	24,384	27,582	33,820	34,544
Investments and others:						
Investment securities	241,957	243,148	231,096	243,031	207,654	188,880
Long-term loans receivable	54,599	55,223	57,564	42,983	63,799	102,448
Prepaid pension and severance costs	17,834	15,817	11,186	1,527	—	—
Deferred income taxes	22,740	15,654	11,256	18,509	22,523	38,056
Other	47,579	45,692	41,217	42,258	55,528	52,098
Allowance for doubtful accounts	(17,455)	(15,161)	(13,401)	(10,292)	(14,060)	(8,010)
Total fixed assets	654,936	644,478	597,370	589,183	613,211	669,034
Deferred assets	365	219	47	90	187	192
Total assets	¥1,202,840	¥1,169,182	¥1,149,377	¥1,097,548	¥1,092,067	¥1,090,131

In millions of yen

LIABILITIES	2008	2007	2006	2005	2004	2003
Current liabilities:						
Notes and accounts payable, trade	¥ 30,459	¥ 28,469	¥ 18,652	¥ 15,693	¥ 18,460	¥ 15,529
Bank loans	136,034	129,169	112,868	108,172	119,344	135,540
Current portion of straight bonds.....	1,936	3,356	32,210	690	200	—
Current portion of convertible bonds.....	—	—	—	—	18	—
Payables—other	28,988	29,888	26,340	18,959	17,743	19,580
Accrued income taxes	24,610	24,973	22,159	16,197	17,083	10,756
Accrued consumption taxes.....	3,456	3,366	2,588	2,698	3,792	3,444
Accrued expenses.....	3,641	3,198	2,085	2,275	2,304	1,837
Deferred revenue	32,061	31,188	30,747	28,532	28,459	28,851
Accrued bonuses.....	12,210	11,409	8,981	8,758	8,490	8,852
Accrued bonuses to directors and corporate auditors...	—	80	—	—	—	—
Other	46,337	58,665	46,805	44,245	45,283	35,140
Total current liabilities.....	319,737	323,766	303,440	246,222	261,181	259,531
Long-term liabilities:						
Straight bonds.....	13,524	13,941	11,180	40,940	32,800	32,000
Convertible bonds.....	—	—	—	—	—	18
Long-term loans.....	20,024	14,363	13,444	14,513	43,530	48,301
Guarantee deposits received	32,532	32,164	28,982	28,737	29,160	28,304
Deferred income taxes.....	5,042	2,717	1,079	423	371	459
Accrued pension and severance costs	16,096	17,596	11,362	12,617	12,899	45,210
Accrued retirement benefits for directors and corporate auditors.....	2,220	2,300	1,565	—	—	—
Investment deposits by policyholders, unearned premiums and other insurance liabilities	162,329	160,142	245,644	278,278	276,979	274,476
Other	1,057	1,073	1,043	1,724	2,117	4,033
Total long-term liabilities	252,828	244,299	314,303	377,234	397,858	432,803
Total liabilities.....	572,565	568,065	617,743	623,457	659,040	692,335
MINORITY INTERESTS IN SUBSIDIARIES	—	—	35,469	32,163	29,770	28,042
SHAREHOLDERS' EQUITY						
Common stock	—	—	66,377	66,377	66,368	66,368
Capital surplus.....	—	—	83,054	82,553	82,544	82,544
Retained earnings	—	—	388,077	346,510	308,268	276,397
Unrealized gains (losses) on securities.....	—	—	13,230	8,167	6,079	116
Foreign currency translation adjustments.....	—	—	(9,825)	(17,123)	(15,603)	(11,386)
Common stock in treasury, at cost	—	—	(44,749)	(44,558)	(44,400)	(44,287)
Total shareholders' equity	—	—	496,164	441,927	403,257	369,753
Total liabilities, minority interests in subsidiaries and shareholders' equity	¥ —	¥ —	¥1,149,377	¥1,097,548	¥1,092,067	¥1,090,131
NET ASSETS						
Shareholders' equity:						
Common stock	¥ 66,377	¥ 66,377	—	—	—	—
Capital surplus.....	83,056	83,056	—	—	—	—
Retained earnings	475,987	432,696	—	—	—	—
Common stock in treasury, at cost	(44,877)	(44,850)	—	—	—	—
Total shareholders' equity	580,543	537,279	—	—	—	—
Valuation, translation adjustments and others:						
Unrealized gains on securities.....	(3,306)	10,157	—	—	—	—
Deferred losses on hedges.....	(90)	(51)	—	—	—	—
Foreign currency translation adjustments.....	(9,907)	(7,253)	—	—	—	—
Total valuation, translation adjustments and others.....	(13,304)	2,853	—	—	—	—
Minority interests in subsidiaries	63,035	60,983	—	—	—	—
Total net assets.....	630,274	601,116	—	—	—	—
Total liabilities and net assets	¥1,202,840	¥1,169,182	¥ —	¥ —	¥ —	¥ —

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (Based on Japanese GAAP)

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

	In millions of yen					
	2008	2007	2006	2005	2004	2003
Revenue.....	¥682,619	¥613,976	¥567,315	¥547,230	¥527,409	¥523,271
<i>Percentage change from prior year</i>	11.2%	8.2%	3.7%	3.8%	0.8%	5.1%
Costs of revenue	433,030	388,787	351,020	341,466	324,759	325,952
<i>As a percentage of revenue.....</i>	63.4	63.3	61.9	62.4	61.6	62.3
Gross profit	249,589	255,189	216,294	205,764	202,650	197,319
<i>As a percentage of revenue.....</i>	36.6	36.7	38.1	37.6	38.4	37.7
Selling, general and administrative expenses	144,883	127,348	122,185	122,720	121,363	124,416
<i>As a percentage of revenue.....</i>	21.3	20.7	21.5	22.4	23.0	23.8
Operating profit	104,706	97,840	94,109	83,043	81,286	72,902
<i>As a percentage of revenue.....</i>	15.3	15.9	16.6	15.2	15.4	13.9
Non-operating income	20,125	15,087	15,792	11,942	7,798	8,672
Non-operating expenses.....	10,552	10,207	13,232	11,507	12,841	11,512
Ordinary profit	114,278	102,720	96,669	83,478	76,243	70,063
<i>As a percentage of revenue.....</i>	16.7	16.7	17.1	15.3	14.5	13.4
Extraordinary profit	2,748	2,601	9,349	11,381	31,860	13,587
Extraordinary loss.....	4,984	3,317	11,189	10,105	24,892	15,728
Income before income taxes	112,043	102,005	94,829	84,754	83,211	67,921
<i>As a percentage of revenue.....</i>	16.4	16.6	16.7	15.5	15.8	13.0
Income taxes—current	42,602	39,961	34,888	28,723	30,962	27,808
Income taxes—deferred.....	2,656	(660)	3,131	4,145	8,985	2,171
Minority interest in subsidiaries.....	5,278	4,404	3,815	3,367	2,152	2,358
Net income	61,506	58,299	52,994	48,517	41,111	35,583
<i>As a percentage of revenue.....</i>	9.0	9.5	9.3	8.9	7.8	6.8
<i>Percentage change from prior year</i>	5.5	10.0	9.2	18.0	15.5	271.3

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	2008	2007	2006	2005	2004	2003
Current assets:						
Cash on hand and in banks	¥ 77,130	¥ 71,818	¥167,097	¥135,400	¥117,302	¥ 93,044
Cash deposits for armored car services	60,821	67,799	—	—	—	—
Notes receivable	534	667	476	552	292	365
Due from subscribers	11,661	10,972	9,475	9,008	8,856	8,311
Accounts receivable, trade	6,760	6,952	6,447	6,228	5,372	4,695
Receivables—other	2,921	2,218	3,876	5,822	5,680	3,047
Short-term investments	454	452	451	451	451	7,951
Merchandise	6,298	5,991	5,928	6,740	5,673	6,738
Supplies	952	1,024	950	1,056	1,123	1,420
Prepaid expenses	1,913	2,014	1,798	1,728	1,610	1,507
Deferred income taxes	4,714	4,750	4,531	4,629	5,890	4,642
Short-term loans receivable	236	463	298	17,493	19,278	23,035
Short-term loans receivable to subsidiaries and affiliated companies	17,782	13,910	12,587	24,404	19,119	30,076
Other	2,720	2,615	2,314	2,614	2,526	2,367
Allowance for doubtful accounts	(568)	(541)	(604)	(2,299)	(5,216)	(3,602)
Total current assets	194,333	191,111	215,630	213,831	187,961	183,602
Fixed assets:						
Tangible assets:						
Buildings and improvements	21,969	22,124	22,811	23,943	25,836	28,777
Automobiles	122	136	166	132	145	525
Security equipment and control stations	62,419	60,284	59,442	59,836	60,684	60,220
Machinery and equipment	1,267	1,364	1,467	1,423	1,427	1,501
Tools, furniture and fixtures	3,239	4,216	4,379	4,514	3,990	3,678
Land	25,913	32,092	32,200	35,179	36,439	42,197
Construction in progress	1,961	2,980	1,919	1,692	2,862	1,463
Other	14	22	32	47	72	18
Intangible assets:						
Telephone rights	—	—	0	1,946	2,134	2,033
Telephone and telegraph utility rights	—	83	112	147	207	540
Software	7,184	4,755	6,420	6,401	8,935	10,957
Other	516	3,419	83	84	457	800
Investments and others:						
Investment securities	28,668	43,165	46,166	27,654	23,874	20,796
Investment securities in subsidiaries and affiliated companies	194,110	166,839	149,535	159,772	157,612	155,886
Investments in subsidiaries and affiliated companies	1,874	1,074	974	667	667	4,015
Long-term loans receivable	8,453	18,308	18,630	3,122	3,071	3,336
Long-term loans receivable to employees	31	24	24	22	22	23
Long-term loans receivable to subsidiaries and affiliated companies	66,354	52,929	40,085	14,160	20,292	6,700
Lease deposits	8,859	8,973	9,006	8,816	8,533	8,489
Long-term prepaid expenses	26,165	24,855	22,175	20,335	19,889	19,709
Prepaid pension and severance costs	13,769	12,213	8,670	1,257	—	—
Deferred income taxes	6,760	5,139	6,206	10,450	13,728	18,379
Fund for insurance	4,893	4,893	4,893	5,153	5,761	5,761
Other	975	983	955	2,877	7,245	4,889
Allowance for doubtful accounts	(6,812)	(7,200)	(7,998)	(4,760)	(11,306)	(1,596)
Total fixed assets	478,710	463,680	428,359	384,880	392,586	399,104
Total assets	¥673,043	¥654,791	¥643,990	¥598,711	¥580,547	¥582,707

In millions of yen

LIABILITIES	2008	2007	2006	2005	2004	2003
Current liabilities:						
Accounts payable.....	¥ 2,757	¥ 2,573	¥ 3,168	¥ 2,113	¥ 2,160	¥ 2,121
Bank loans	30,401	27,667	26,069	31,473	35,663	53,503
Current portion of straight and convertible bonds	—	—	30,000	—	18	—
Payables—other	10,838	12,596	12,987	10,201	10,358	9,605
Payables—construction	3,607	3,825	3,634	3,113	4,666	3,535
Accrued income taxes	15,834	15,775	15,312	10,279	10,570	6,806
Accrued consumption taxes.....	1,566	2,029	1,509	1,306	2,232	2,157
Accrued expenses	640	639	651	599	634	576
Deposits received.....	31,299	41,603	34,442	31,146	33,958	24,749
Deferred revenue	22,903	22,735	22,371	21,727	21,247	21,048
Accrued bonuses.....	5,372	5,207	5,232	4,967	4,710	4,920
Other	1,958	895	1,938	1,764	1,797	1,679
Total current liabilities.....	127,180	135,548	157,317	118,694	128,019	130,706
Long-term liabilities:						
Straight and convertible bonds	—	—	—	30,000	30,000	30,018
Long-term loans	—	—	—	—	2,300	3,700
Guarantee deposits received	18,174	18,449	18,244	18,014	17,009	16,721
Accrued pension and severance costs	5,087	5,370	5,581	5,713	5,356	30,378
Accrued retirement benefits for directors and corporate auditors.....	1,070	1,268	1,201	—	—	—
Total long-term liabilities	24,333	25,088	25,027	53,728	54,665	80,818
Total liabilities.....	151,513	160,637	182,344	172,423	182,684	211,524
SHAREHOLDERS' EQUITY						
Common stock	—	—	66,377	66,377	66,368	66,368
Capital surplus:						
Additional paid-in capital.....	—	—	83,054	82,553	82,544	82,544
Total capital surplus	—	—	83,054	82,553	82,544	82,544
Retained earnings:						
Legal reserve.....	—	—	9,028	9,028	9,028	9,028
Voluntary reserve:						
Reserve for systems development.....	—	—	800	800	800	800
Reserve for tax deferral on asset replacement.....	—	—	24	25	26	27
General reserve.....	—	—	2,212	2,212	2,212	2,212
Total voluntary reserve	—	—	3,036	3,037	3,038	3,039
Unappropriated retained earnings.....	—	—	339,293	306,766	279,338	254,364
Total retained earnings	—	—	351,358	318,832	291,405	266,431
Unrealized gains on securities.....	—	—	5,604	3,082	1,944	124
Common stock in treasury, at cost	—	—	(44,749)	(44,558)	(44,400)	(44,287)
Total shareholders' equity	—	—	461,646	426,288	397,862	371,182
Total liabilities and shareholders' equity	¥ —	¥ —	¥643,990	¥598,711	¥580,547	¥582,707
NET ASSETS						
Shareholders' equity:						
Common stock	¥ 66,377	¥ 66,377	¥ —	¥ —	¥ —	¥ —
Capital surplus:						
Additional paid-in capital.....	83,054	83,054	—	—	—	—
Other capital surplus.....	1	1	—	—	—	—
Total capital surplus	83,056	83,056	—	—	—	—
Retained earnings:						
Legal reserve.....	9,028	9,028	—	—	—	—
Other retained earnings:						
Reserve for systems development.....	800	800	—	—	—	—
General reserve.....	2,212	2,212	—	—	—	—
Accumulated earnings carried forward	405,015	372,966	—	—	—	—
Total retained earnings	417,055	385,006	—	—	—	—
Common stock in treasury, at cost	(44,877)	(44,850)	—	—	—	—
Total shareholders' equity	521,612	489,590	—	—	—	—
Valuation, translation adjustments and others:						
Unrealized gains on securities	(82)	4,564	—	—	—	—
Total valuation, translation adjustments and others	(82)	4,564	—	—	—	—
Total net assets.....	521,529	494,154	—	—	—	—
Total liabilities and net assets	¥673,043	¥654,791	¥ —	¥ —	¥ —	¥ —

CONDENSED NONCONSOLIDATED STATEMENTS OF INCOME (Based on Japanese GAAP)

SECOM CO., LTD.

Years ended March 31

	In millions of yen					
	2008	2007	2006	2005	2004	2003
Revenue.....	¥337,611	¥326,076	¥313,096	¥297,782	¥288,493	¥278,610
<i>Percentage change from prior year</i>	3.5%	4.1%	5.1%	3.2%	3.5%	1.4%
Service charges.....	291,350	282,247	272,876	261,918	256,883	250,237
<i>Percentage change from prior year</i>	3.2	3.4	4.2	2.0	2.7	2.5
Sales of merchandise.....	46,261	43,829	40,220	35,863	31,610	28,373
<i>Percentage change from prior year</i>	5.5	9.0	12.1	13.5	11.4	(7.4)
Costs.....	192,417	183,341	171,803	164,518	159,018	155,499
<i>As a percentage of revenue</i>	57.0	56.2	54.9	55.2	55.1	55.8
Cost of service.....	158,031	151,532	142,473	138,298	136,144	135,315
<i>As a percentage of service charges</i>	54.2	53.7	52.2	52.8	53.0	54.1
Cost of sales.....	34,386	31,809	29,329	26,219	22,873	20,184
<i>As a percentage of merchandise sales</i>	74.3	72.6	72.9	73.1	72.4	71.1
Gross profit.....	145,193	142,734	141,293	133,263	129,475	123,111
<i>As a percentage of revenue</i>	43.0	43.8	45.1	44.8	44.9	44.2
Gross profit on service.....	133,318	130,715	130,402	123,620	120,738	114,921
<i>As a percentage of service charges</i>	45.8	46.3	47.8	47.2	47.0	45.9
Gross profit on sales.....	11,874	12,019	10,890	9,643	8,736	8,189
<i>As a percentage of merchandise sales</i>	25.7	27.4	27.1	26.9	27.6	28.9
Selling, general and administrative expenses.....	71,038	69,330	69,121	67,232	65,244	68,943
<i>As a percentage of revenue</i>	21.0	21.3	22.0	22.6	22.6	24.8
Operating profit.....	74,155	73,404	72,172	66,031	64,231	54,167
<i>As a percentage of revenue</i>	22.0	22.5	23.1	22.2	22.3	19.4
Non-operating income.....	9,607	7,942	6,299	6,241	4,817	4,288
Non-operating expenses.....	4,575	4,763	7,506	6,052	6,892	4,942
Ordinary profit.....	79,187	76,583	70,964	66,219	62,156	53,513
<i>As a percentage of revenue</i>	23.5	23.5	22.7	22.2	21.5	19.2
Extraordinary profit.....	2,221	1,246	6,147	1,083	25,462	6,543
Extraordinary loss.....	566	1,141	5,615	5,915	29,860	7,535
Income before income taxes.....	80,842	76,688	71,496	61,388	57,758	52,521
<i>As a percentage of revenue</i>	23.9	23.5	22.8	20.6	20.0	18.9
Income taxes.....	30,795	29,443	27,617	23,684	23,475	21,736
<i>Effective tax rate</i>	38.1	38.4	38.6	38.6	40.6	41.4
Net income.....	50,046	47,245	43,879	37,704	34,282	30,784
<i>As a percentage of revenue</i>	14.8	14.5	14.0	12.7	11.9	11.0
<i>Percentage change from prior year</i>	5.9	7.7	16.4	10.0	11.4	81.6

(As of June 30, 2008)

Headquarters:	5-1, Jingumae 1-chome, Shibuya-ku, Tokyo 150-0001, Japan
Independent auditors:	KPMG AZSA & Co.
Administrator of the register of shareholders:	Mitsubishi UFJ 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	(50.9)%	Security services
Secom Hokuriku Co., Ltd.	201	59.1	Security services
Secom Yamanashi Co., Ltd.	15	70.0	Security services
Secom Mie Co., Ltd.	50	51.0	Security services
Secom Sanin Co., Ltd.	286	67.0	Security services
Secom Miyazaki Co., Ltd.	30	68.3	Security services
Secom Jastic Co., Ltd.	210	100.0	Security services
Secom Jastic Joshinetsu Co., Ltd.	40	(100.0)	Security services
Secom Jastic Hokuriku Co., Ltd.	10	(100.0)	Security services
Secom Jastic Miyazaki Co., Ltd.	10	(100.0)	Security services
Secom Jastic Akita Co., Ltd.	10	100.0	Security services
Secom Jastic Sanin Co., Ltd.	10	(100.0)	Security services
Secom Jastic Yamanashi Co., Ltd.	10	(100.0)	Security services
Secom Static Hokkaido Co., Ltd.	50	100.0	Security services
Secom Static Tohoku Co., Ltd.	50	100.0	Security services
Secom Static Nishi-Nihon Co., Ltd.	50	100.0	Security services
Secom Static Kansai Co., Ltd.	50	100.0	Security services
Secom Sado Co., Ltd.	24	(54.5)	Security services
JK. Siress Co., Ltd.	10	(100.0)	Security services
Japan Safety Guard Co., Ltd.	100	60.0	Security services
Meian Co., Ltd.	60	51.0	Security services
Secom Techno Service Co., Ltd.	2,358	(67.8)	Installation and maintenance of security equipment
Secom Tech Sanin Co., Ltd.	23	(100.0)	Installation of security equipment
Secom Techno Joshinetsu Co., Ltd.	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
Secom Tohoku Enterprise Co., Ltd.	100	(100.0)	Design, construction and maintenance of facilities
Secom Industries Co., Ltd.	499	100.0	Manufacturing of security equipment
Otec Electronics Co., Ltd.	200	76.0	Manufacturing and sales of security systems
Secom Alpha Co., Ltd.	271	100.0	Sales of security and water-treatment equipment
Yanoshin Air Conditioning Co., Ltd.	80	(100.0)	Sales of air-conditioning equipment
Secom Mine Security Co., Ltd.	30	100.0	Security services
Social Rehabilitation Support Kitsuregawa Co., Ltd.	10	51.7	Operation of PFI correctional facilities
Secom Kitsuregawa Security Co., Ltd.	50	100.0	Security services
Home Life Kanri Co., Ltd.	5	(100.0)	Condominium management

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
<Fire Protection services>			
Nohmi Bosai Ltd.	¥13,302	(50.4)%	Manufacturing and sales of fire protection equipment and facilities
Nohmi Setsubi Co., Ltd.	30	(100.0)	Installation of fire protection equipment
Ichibou Co., Ltd.	28	(73.2)	Installation of fire protection equipment
Fukuoka Nohmi Co., Ltd.	20	(100.0)	Maintenance of fire protection equipment
Chiyoda Service Co., Ltd.	20	(70.0)	Building management
Bosai Engineering Corporation	40	(100.0)	Installation of fire protection equipment
Nohmi System Co., Ltd.	20	(100.0)	Maintenance of fire protection equipment
Iwate Nohmi Co., Ltd.	30	(100.0)	Installation of fire protection equipment
Tohoku Bosai Plant Co., Ltd.	12	(100.0)	Installation of fire protection equipment
Aomori Nohmi Co., Ltd.	20	(100.0)	Installation of fire protection equipment
Osaka Nohmi Co., Ltd.	20	(100.0)	Installation of fire protection equipment
Nissin Bohsai Co., Ltd.	50	(100.0)	Installation of fire protection equipment
Chiba Nohmi Co., Ltd.	10	(100.0)	Installation of fire protection equipment
Shikoku Nohmi Co., Ltd.	20	(100.0)	Installation of fire protection equipment
Nohmi Techno Engineering Co., Ltd.	40	(100.0)	Installation of environmental monitoring systems
Akita Nohmi Co., Ltd.	20	(100.0)	Installation of fire protection equipment
Kyushu Nohmi Engineering Co., Ltd.	20	(100.0)	Installation of fire protection equipment
Fukushima Nohmi Co., Ltd.	20	(100.0)	Installation of fire protection equipment
Tohoku Nohmi Co., Ltd.	20	(100.0)	Installation of fire protection equipment
Nohmi Plant Niigata Co., Ltd.	20	(100.0)	Installation of fire protection equipment
Hokkaido Nohmi Co., Ltd.	20	(100.0)	Installation of fire protection equipment
Yashima Bosai Setsubi Co., Ltd.	20	(72.3)	Installation of fire protection equipment and sales of fire protection equipment
<Medical services>			
Secom Medical System Co., Ltd.	6,545	100.0	Home health/nursing care and other medical-related services
Seisho Corporation	10	(100.0)	Maintenance of medical facilities
Koyu Co., Ltd.	10	(100.0)	Sales of medical and other supplies
Mac Corporation	95	(100.0)	Sales of medical equipment
Yoshikikaku Co., Ltd.	20	(100.0)	Operation of restaurants and shops at medical facilities
Kensei Co., Ltd.	100	(100.0)	Management of pharmacies
Ryomay Royal Life Co., Ltd.	210	86.5	Management of nursing homes
Alive Medicare Co., Ltd.	50	(100.0)	Management of nursing homes
Japan Life Plus Medical Co., Ltd.	10	(100.0)	Medical-related services
Secom Medical Resource Co., Ltd.	10	(100.0)	Medical staffing solutions
Secomfort Co., Ltd.	100	(100.0)	Management of nursing homes
Secomfort West Co., Ltd.	100	(100.0)	Management of nursing homes
US Chemical Co., Ltd.	3	(100.0)	Management of pharmacies
<Insurance services>			
Secom Insurance Service Co., Ltd.	225	(100.0)	Non-life insurance agency
Secom General Insurance Co., Ltd.	8,093	89.6	Non-life insurance

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

(Continued)

MAJOR CONSOLIDATED SUBSIDIARIES

	Issued capital (In millions of yen)	Percentage of equity/ voting rights	Lines of business
<Geographic information services>			
Pasco Corporation	¥8,758	69.8%	Geographic information services
Pasco Road Center Co., Ltd.	50	(72.2)	Geographic information services
Urban Environmental Improvement Center Co., Ltd.	50	(95.0)	Geographic information services
GIS Hokkaido Co., Ltd.	190	(100.0)	Geographic information services
GIS Tohoku Co., Ltd.	50	(84.6)	Geographic information services
GIS Hokuriku Co., Ltd.	20	(100.0)	Geographic information services
GIS Kanto Co., Ltd.	40	(52.6)	Geographic information services
GIS Tokai Co., Ltd.	50	(100.0)	Geographic information services
GIS Kansai Co., Ltd.	99	(100.0)	Geographic information services
GIS Shikoku Co., Ltd.	30	(86.2)	Geographic information services
GIS Kyushu Co., Ltd.	50	(100.0)	Geographic information services
Tokyo Digital Map Co., Ltd.	10	(100.0)	Geographic information services
Pasco Space Mapping Technology Co., Ltd.	25	(100.0)	Geographic information services
Mid Map Tokyo Corporation	15	(60.0)	Geographic information services
<Information and communication related and other services>			
Secom Trust Systems Co., Ltd.	1,469	100.0	Information, communication, information security services and software development
Laboratory for Innovators of Quality of Life	100	(94.5)	Research and planning of social life
Japan Image Communications Co., Ltd.	487	95.3	Commissioned broadcasting service
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

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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
Overseas			
<Security services>			
Secom Plc	£39,126 thousand	100.0%	Security services
Secom (China) Co., Ltd.	¥5,550 million	100.0	Holding company
Dalian Secom Security Co., Ltd.	US\$2,000 thousand	(95.0)	Security services
Shanghai Secom Security Co., Ltd.	US\$3,500 thousand	(90.0)	Security services
Beijing Jingdun Secom Electronic Security Co., Ltd.	US\$2,500 thousand	(80.0)	Security services
Qingdao Secom Security Co., Ltd.	US\$1,000 thousand	(80.0)	Security services
Shenzhen Secom Security System Co., Ltd.	US\$2,000 thousand	(90.0)	Security services
Tianjin Secom Property Management Co., Ltd.	Rmb2,000 thousand	(70.0)	Provision of comprehensive building management services
P.T. Secom Indopratama	US\$3,950 thousand	94.9	Security services
Thaisecom Pitakkij Co., Ltd.	THB379 million	70.0	Security services
Secom Australia Pty. Ltd.	AUD7,822 thousand	100.0	Security services
Secom Technical Services Unit Trust	AUD4,185 thousand	(70.0)	Security services
Secom Vietnam Co., Ltd.	US\$600 thousand	80.0	Security service-related consulting
<Other services>			
Shanghai Nohmi Secom Fire Protection Equipment Co., Ltd.	US\$14,300 thousand	(100.0)	Manufacturing and sales of fire protection equipment and facilities
Nohmi Taiwan Ltd.	NT\$15,000 thousand	(52.0)	Manufacturing and sales of fire protection equipment and facilities
P.T. Nusantara Secom InfoTech	US\$3,304 thousand	(100.0)	Geographic information services and software development
Pasco-Certeza Computer Mapping Corporation	PHP8,400 thousand	(70.0)	Geographic information services
Suzhou Super Dimension Earth Science Research and Development Co., Ltd.	Rmb1,000 thousand	(92.0)	Geographic information services
Pasco China Corporation	Rmb5,284 thousand	(100.0)	Geographic information services
Pasco (Thailand) Co., Ltd.	THB30,979 thousand	(100.0)	Geographic information services
FM-International Oy	EUR2,122 thousand	(100.0)	Geographic information services
Pasco North America Inc.	US\$171 thousand	(100.0)	Geographic information services
Pasco Geomatics India Pvt. Ltd.	INR5,575 thousand	(100.0)	Geographic information services
The Westec Security Group, Inc.	US\$0.3 thousand	100.0	Holding company
ClearLight Partners, LLC	US\$235,103 thousand	(99.7)	Investment
ClearLight Partners II, LLC	US\$96,688 thousand	(99.0)	Investment
Asia Pacific Business Link Ltd.	US\$9,670 thousand	88.6	Holding company; housing-related business
Shanghai Asia Pacific Property Co., Ltd.	US\$5,000 thousand	(100.0)	Housing-related business

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

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

Security Services

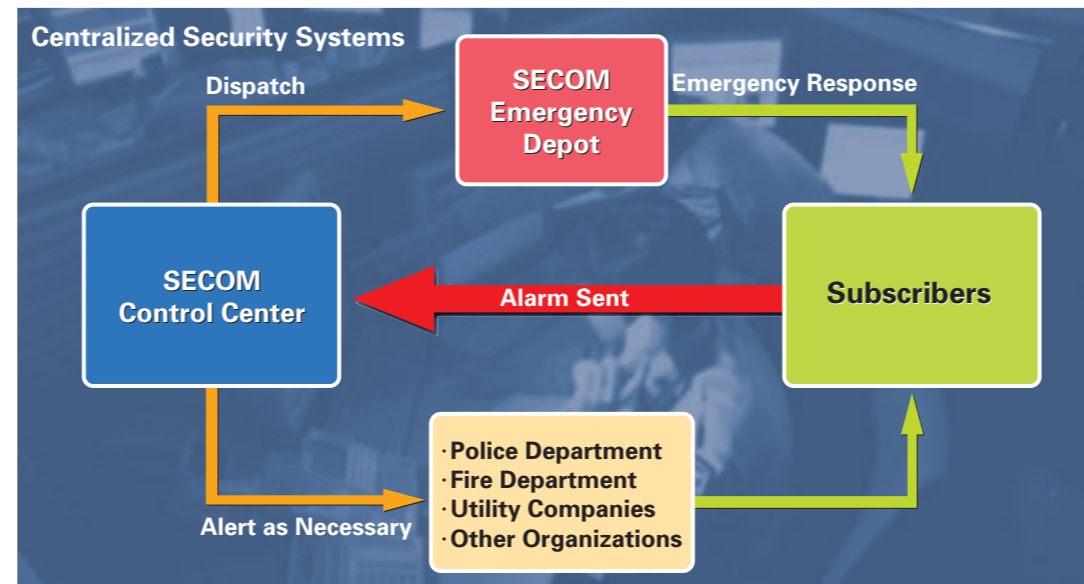
Centralized Security Systems

Commercial Use:

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

Residential Use:

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



- offered through SECOM Medical Club. Subscribers in certain areas also have access to SECOM Home Service, a suite of lifestyle support services.
- **SECOM CONDOMINIUM SECURITY SYSTEMS**
SECOM condominium security systems provide comprehensive building management functions for condominiums and total safety with a centralized security system for each unit in the building. SECOM MS-3, the top-of-the-line system, can be used for buildings of any size, either as a retrofit or a new installation.

Large-Scale Proprietary Security Systems

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

COCO-SECOM

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

Static Guard Services

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

Armored Car Services

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

SECOM AED Package Service

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

Merchandise

- **SECOM CCTV SYSTEM**
The SECOM CCTV system is a multifunctional, cost-effective closed-circuit surveillance camera system. The system is fully digital, eliminating the risk of image degradation. It is also capable of detecting attempts to disable or destroy the camera.
- **SECURILOCK SERIES**
The SECURILOCK series uses identification numbers, integrated circuit (IC) pass cards and other methods to control access to restricted areas.
- **SESAMO SERIES**
The SESAMO series comprises access-control systems for use in corporate offices, factories, parking facilities and any other security-sensitive areas. These systems employ such technologies as contactless IC pass cards, magnetic cards, personal identification numbers, fingerprint identification and palm vein identification.
- **TOMAHAWK SERIES**
The TOMAHAWK series is an extensive lineup of innovative extinguishing systems, including TOMAHAWK MACH II residential-use fire extinguisher and TOMAHAWK III high-speed automated fire extinguishing system with gas suppression.
- **PYTHAGORAS SERIES**
PYTHAGORAS is a series of security vaults with superior protection, heat resistance and performance.
- **SENSOR LIGHT**
SENSOR LIGHT is a sensor-equipped light activated automatically when the sensor detects human body temperature.
- **SECURIFACE**
SECURIFACE is a residential intercom system that combines a face detection function with SECOM Home Camera System, enhancing security for people at home.
- **PHYSICAL SECURITY PRODUCTS FOR HOMES**
SECOM offers a broad range of physical security products for homes. These include SECOM Anshin Glass, a high-impact breakage-resistant window glass designed to prevent intruders from entering through broken windows; SECOM Window Frame, a window frame with reinforced stainless bars; and Strong Door, a door that cannot be forced open for an extended period of time after it has been engaged.

Fire Protection Services

- **FIRE ALARM SYSTEMS**
This business encompasses the assembly, installation and sale of a broad range of equipment and systems, including automatic fire alarm systems, environmental monitoring systems, and fire and smoke control systems, suited to buildings of varying sizes and uses, from homes to large-scale commercial and industrial facilities.
- **FIRE EXTINGUISHING SYSTEMS**
SECOM offers an extensive lineup, including fire sprinklers and other water fire extinguishing systems, foam fire extinguishing systems, dry chemical fire extinguishing systems and inert gas fire extinguishing systems, for applications ranging from office buildings to chemical plants and tunnels.
- **MAINTENANCE SERVICES**
This business centers on inspection, maintenance and repair services, as well as round-the-clock on-line monitoring and other services provided through a customer services center.
- **OTHERS**
This category comprises the installation and maintenance of parking lot control systems and the assembly and sale of printed circuit boards for manufacturers in other industries, including medical and electronics equipment.

Medical Services

- **HOME MEDICAL SERVICES**
SECOM's medical services for patients at home include pharmaceutical services, encompassing the preparation—in the SECOM Pharmacy cleanroom—and delivery of prescription pharmaceuticals, and home nursing services provided through visiting nurse stations. SECOM also provides consulting and support services for physicians opening home medical care clinics.
- **HOME-BASED PERSONAL CARE SERVICES**
SECOM provides patients recovering at home with caregivers to assist with personal hygiene, bathing, exercise and other daily activities, as well as provide light housekeeping.
- **SECOM UBIQUITOUS ELECTRONIC MEDICAL REPORT (EMR)**
SECOM Ubiquitous EMR is a medical report system for home medical care aimed at clinics and small and medium-sized hospitals. The system enables the sharing of data among members of the home-care team, including the primary physician, visiting nurse and pharmacy.
- **HOSPINET**
Hospinet, a remote image diagnosis support service, transmits magnetic resonance imaging (MRI), computerized tomography (CT) and other images to SECOM's Hospinet center, where diagnostic experts examine them and provide consultation to the primary physician.
- **MY SPOON**
My Spoon is a robot that enables people with impaired upper body mobility to eat with minimal assistance. This is the first robot of its kind in Japan.
- **NURSING HOMES WITH FULL-TIME PERSONAL CARE SERVICES**
SECOM manages the Sacra Via Seijo, Royal Life Tama, Comfort Garden Azamino and Alive Care Home series nursing homes.
- **SECOM HEALTH CARE CLUB**
SECOM Health Care Club is a membership-based club that provides access to a variety of health management services, including testing with a PET/CT scanner. The club is offered through an alliance with Yotsuya Medical Cube, a cutting-edge clinic in Tokyo.

Insurance Services

- **SECURITY DISCOUNT FIRE POLICY**
Security Discount Fire Policy is a commercial fire insurance policy that features reduced premiums for subscribers to commercial security systems.
- **SECOM ANSHIN MY HOME**
SECOM Anshin My Home is a comprehensive fire insurance policy that features reduced premiums for subscribers to home security systems.
- **MEDCOM**
MEDCOM is an unrestricted treatment policy that covers the cost of cancer treatment not covered by Japan's national health insurance scheme, as well as the patient's portion of the cost of medical care covered by the national health insurance scheme. MEDCOM also provides hospital referrals and treatment-related consulting services.
- **NEW SECOM ANSHIN MY CAR**
New SECOM Anshin My Car is a comprehensive automobile insurance policy that includes on-site emergency services in the event of an accident, as well as discounts for drivers without a traffic violation history or on cars equipped with antitheft devices.

Geographic Information Services

- **PasCAL SERIES**
Designed for local governments, the PasCAL series of comprehensive GIS services facilitate the effective use of GIS in a variety of situations.
- **MarketPlanner SERIES**
The MarketPlanner series uses a variety of data sorting and presentation methods to support the efforts of growing companies to establish area marketing strategies.
- **SAFE ROUTE MAPPING SERVICE**
This service helps companies ensure their employees are able to reach home safely and assists crisis management efforts in the event of a major earthquake. A version of this service is also available to individuals.

Information and Communication Related and Other Services

- **SECURE DATA CENTER**
The Secure Data Center provides a comprehensive service for e-business that combines SECOM's expertise in both physical and information security.
- **DIGITAL AUTHENTICATION SERVICES**
SECOM offers public key infrastructure (PKI) services that provide an effective means of establishing credibility among Internet users, including issuance of digital certificates and a set-up and operating service for organizations that wish to establish their own digital certificate authority.
- **NETWORK SECURITY MONITORING SERVICES**
SECOM provides security and stability for clients' IT systems around the clock. SECOM monitors and reports on threats to security, and on network operating status and network traffic.
- **DISASTER RESPONSE SERVICES**
SECOM offers a variety of services, including SECOM Safety Confirmation Service, which helps commercial subscribers ascertain the safety of employees and collect and share information in the event of a major disaster, thereby assisting them to reopen for business as soon as possible.
- **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.

Directors



Makoto Iida
Founder



Juichi Toda
Co-Founder



Shohei Kimura
Chairman



Kanemasa Haraguchi
President and
Representative Director



Seiichiro Kobayashi
Executive Director



Katsuhisa Kuwahara
Executive Director



Shuji Maeda
Executive Director



Yasuo Nakayama
Executive Director



Koichi Sato
Executive Director



Fumio Obata
Director



Takayuki Ito
Director

Corporate Auditors

Teruo Ogino
Ken Tsunematsu
Hiroshi Yasuda
Kohei Yamashita

Executive Officers

Kanemasa Haraguchi President and Representative Director	Hiroshi Ito Executive Officer
Katsuo Akiyama Senior Managing Executive Officer	Shunji Ogahara Executive Officer
Seiichiro Kobayashi Executive Director	Kiyomasa Sugii Executive Officer
Katsuhisa Kuwahara Executive Director	Minoru Takaoka Executive Officer
Shuji Maeda Executive Director	Yoshihiro Chino Executive Officer
Yasuo Nakayama Executive Director	Mamoru Sasaki Executive Officer
Koichi Sato Executive Director	Hideo Morishita Executive Officer
Yushiro Ito Managing Executive Officer	Tsuneo Komatsuzaki Executive Officer
Seiichi Mori Managing Executive Officer	Takayuki Ito Director
Seiji Sakamoto Managing Executive Officer	Ryohei Komatsu Executive Officer
Fumio Obata Director	

(As of July 31, 2008)



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