

Working to gain the unfailing loyalty of customers

Consolidated Operating Results

Despite lingering economic uncertainty, owing to persistently high unemployment rates, the continued appreciation of the yen and gradual deflation, Japan's economy had begun showing signs of recovery as both corporate earnings and private-sector capital investment improved, bolstered by global economic recovery and the positive impact of government stimulus packages. However, as a result of the Great East Japan Earthquake of March 11, 2011, the economic outlook is currently unclear.

We at SECOM continue doing our utmost to actively assist relief and recovery efforts in areas affected by the earthquake and subsequent tsunami. In light of deteriorating sanitation at evacuation centers, we provided five million hygienic masks and 10,000 liters of disinfectant in the days immediately following the disaster. Consolidated subsidiary Secom Medical System Co., Ltd., and its associated hospitals dispatched a medical team to help provide vital health care services. Going forward, we will continue to provide assistance as needed at each stage of recovery.

Operating in such an environment, we continued working toward the realization of our Social System Industry vision, responding to the needs of customers by providing high-grade products and services in our mainstay security services segment, as well as in our other business segments: fire protection services, medical services, insurance services, geographic information services, real estate development and sales, and information and communication related and other services.

Consolidated net sales and operating revenue for the year ended March 31, 2011, rose 12.1%, or ¥81.2 billion, to ¥751.9 billion. This result was attributable to newly consolidated organizations managing hospitals and health care-related institutions, which were determined to be variable interest entities, as well as to robust sales of units in large-scale condominium complexes in the real estate development and sales segment. Operating income advanced 3.3%, or ¥3.3 billion, to ¥100.4 billion, owing to operating income in the real estate development and sales segment, compared with an operating loss in the previous period, and to an increase in operating income in the geographic information services segment, reflecting efforts to promote in-house manufacturing and stringent process control. Net income attributable to SECOM CO., LTD.,

advanced 33.4%, of ¥15.7 billion, to ¥62.7 billion, bolstered by the increase in operating income and a gain on private equity investments, compared with a loss in the previous period, and by an increase in equity in net income of affiliated companies.

Distribution of Dividends

Recognizing the provision of a fair return to shareholders as an important management task, we determined the consolidated dividend payout ratio based on an overall assessment of trends in our consolidated operating performance, in line with our policy of ensuring a consistent, stable distribution of profits. At the general shareholders' meeting on June 24, 2011, management proposed and shareholders approved the payment of annual cash dividends of ¥90.00 per share, an increase of ¥5.00 per share from the previous period.

Understanding and Responding to Change

Social change and the increasing diversity and sophistication of people's needs for security and peace of mind continue to drive change and growth in the security services market. Evolving social imperatives, changing patterns of criminal behavior, technological advances and improvements in social infrastructure are among the many factors that influence the needs of customers for service systems that provide greater security and peace of mind.

In the security services business, we continued to introduce innovative new systems with the aim of cultivating new subscribers, as well as offering existing subscribers ever-greater levels of security. New offerings in this business included the Intelligent Emergency Alert System, which applies our image recognition and voice processing technologies. The system automatically detects abnormal or suspicious situations, such as a robbery, and alerts a SECOM control center without the need for anyone to press an emergency alarm button. We also introduced a new external sensor featuring a laser beam, facilitating the detection of intrusions over a wide area and ensuring effective monitoring at sites where physical impediments would hamper the performance of conventional sensors. In addition to being suitable for installation at the premises of new customers, these systems—both of which are examples of our application of pioneering proprietary technologies to respond to demand from customers seeking more advanced

security—can be added as upgrades to the systems of existing subscribers.

Other new launches include SECOM LX, an on-line security system for businesses that not only monitors unauthorized access at night, but also limits and records daytime access; SECOM AS, a security system for small-scale apartment buildings that boasts the same performance features as our on-line home security systems, thereby responding to security needs in the rental housing market; and the SECOM On-Line AED Management Service, which ensures automated external defibrillators (AEDs) are kept in proper working order.

The introduction of new products and services also increased opportunities for us to propose new ideas to customers, enabling us to maintain close communication with subscribers and reinforce relationships by enhancing trust. We also created a new position, placing individuals in charge of improving customer satisfaction nationwide. This new position has enhanced our basic approach, whereby sales personnel visit each subscriber in person, thus enabling us to accurately interpret needs and expectations and to respond effectively and in a timely manner. We will continue to promote meticulous communication with subscribers as we work to encourage the installation of up-to-date security systems and to ensure greater customer satisfaction.

On another front, to optimize the allocation of management resources, we implemented key organizational and administrative reforms. Of particular note, at a meeting of the Board of Directors on May 11, 2011, we resolved to absorb security equipment installation and maintenance subsidiary, Secom Techno Service Co., Ltd., in July 2011.

Overseas, we took steps to encourage broad acceptance of security services and advance our presence in key markets, with an emphasis on the developing economies of the People's Republic of China (PRC) and Southeast Asia. Throughout Asia, economic growth continues to spur increased demand for security services. To reinforce our capabilities in key growth markets, we revised our organizational structure to facilitate the development and implementation of consistent, comprehensive strategies, and the further expansion of our overseas operations. In the PRC, which is expected to continue seeing exceptional economic growth, we have already expanded our service areas, previously limited to the country's important



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coastal regions, to include major inland cities, and have established a network of bases, through which we are actively marketing our products and services. In addition, we commenced operations in New Zealand, broadening our geographical coverage to 12 countries and territories. With subsidiaries in both Australia and New Zealand, we are well-positioned to broaden our operations in Oceania.

In line with our vision for the future—the Social System Industry—we also implemented key measures in businesses other than security services. In the fire protection services, the deterioration of older office buildings has stimulated replacement demand for fire alarms and other systems. Accordingly, consolidated subsidiary Nohmi Bosai Ltd., Japan’s leading provider of fire protection services, is focusing on the renovations market, leveraging its wealth of experience and the solid trust of its customers to respond to the needs of building owners and secure replacement orders.

In the medical services business, the rapid aging of Japanese society and an expanding market for home health care are bolstering demand for our home medical services, which include home nursing services and pharmaceutical dispensing and home delivery services. In October 2010, we opened Alive Setagaya Nakamachi, our 12th residence for seniors, in Tokyo.

Our insurance services business emphasizes distinctive non-life insurance policies. These include a fire insurance policy for commercial premises and SECOM *Anshin My Home*, a comprehensive fire insurance policy for residences, both of which take into account the risk-mitigating factor of on-line security systems, offering discounts; SECOM *Anshin My Car*, a comprehensive automobile insurance policy that includes access to on-site support services by emergency response personnel; and MEDCOM, an unrestricted cancer treatment policy that provides coverage for all treatment costs. With competition in the comprehensive home insurance market intensifying, we are revising SECOM *Anshin My Home* to enhance flexibility, enabling subscribers to set terms that suit their particular needs. MEDCOM continues to earn acclaim for providing access to the best treatment available, prompting steady growth in the number of subscriptions.

In the area of geographic information services, we offer a variety of geospatial information that makes use of advanced measuring devices and technologies. In the period under

review, this business continued to generate robust results. We also continued to actively expand our overseas operations, securing orders for major mapping projects, as well as for the creation of national land maps in developing countries.

In our real estate development and sales business, we pressed forward with efforts to develop and sell condominiums equipped with sophisticated security systems and contingency planning features.

Efforts in the information and communication related and other services business focused on reinforcing our information security services, as well as our comprehensive information and network services, designed to ensure the security of subscribers’ information and communication in the event of a natural disaster. In response to increasing needs for assistance in the formulation of business continuity plans (BCPs), in August 2010, we established a new Secure Data Center. We also worked to expand sales of our highly rated SECOM Safety Confirmation Service.

Advancing to the Next Stage of Growth

Our Social System Industry vision depicts a framework of distinctive products and services—both individually and in tailored packages—that deliver security and peace of mind and make life more secure, convenient and comfortable. To this end, we will continue responding to changing customer needs by creating service systems that leverage our unique capabilities. We also recognize the need to anticipate and respond swiftly to evolving social imperatives by developing and marketing service systems worthy of our customers’ trust. One recent measure taken with the aim of hastening realization of the Social System Industry is the introduction of the ALL SECOM concept.

Having established a broad business portfolio encompassing security services, fire protection services, medical services, insurance services, geographic information services, real estate development and sales, and information and communication related and other services, we are pursuing a variety of initiatives in each business with the aim of further consummating our vision. ALL SECOM emphasizes advancing cooperation among such businesses to strengthen the Group as a whole and build new synergies, and enabling us to better grasp what customers expect from us so as to respond with products and services that make a meaningful contribution to society.

These initiatives include the creation of a team comprising key individuals appointed from each business, which is charged with spearheading projects aimed at developing solutions that enable us to respond swiftly and effectively as a Group to needs for greater security and peace of mind. By facilitating the sharing of information among our various businesses, ALL SECOM will help enhance the efficiency of Group service system sales efforts.

We will also actively promote this concept overseas. The defining feature of our overseas security services business is that we provide SECOM-style on-line security systems of the same high quality as in Japan, customized to reflect local needs and cultural sensibilities. SECOM-style security services encompass the installation of security equipment at a subscriber's premises, around-the-clock monitoring from a SECOM control center and the prompt dispatch of emergency response personnel should an abnormality be detected. As previously mentioned, in March 2011, we began offering such services in New Zealand. In the years ahead, we will continue working to expand into new markets overseas, primarily by seeking out promising M&A opportunities and forming joint ventures with local firms.

The development of new products and services will be crucial to expanding the scale of our operations. The Great East Japan Earthquake has caused tremendous upheaval in Japan, fundamentally altering lifestyles and accepted norms. Such an event inevitably transforms peoples' values. Social systems must evolve in response to new values. Recognizing that there

is considerable scope for us to make unique and meaningful contributions, we will push ahead with efforts to realize our Social System Industry vision by capitalizing on latent capabilities in our seven existing businesses, as well as by taking bold steps to foster new businesses.

Furthermore, to accelerate growth, we will implement measures aimed at reinforcing our operating foundation and increasing productivity and at cultivating new markets, keeping an eye open for beneficial M&A opportunities both in Japan and overseas. Through such measures, we seek to drive growth by positioning ourselves to better grasp the needs of customers in different markets for security and peace of mind, as well as to accelerate the development and provision of reliable products and services.

As always, our success depends on earning the trust of customers. In line with our corporate message—"Providing reliable peace of mind"—we pledge to work as one to contribute to society through our business activities and to prove SECOM worthy of the trust of our customers.

Guided by the ALL SECOM concept, we are committed to maintaining a corporate culture that emphasizes cultivating new businesses that challenge accepted norms and to accelerating efforts to realize our Social System Industry vision, thereby enabling us to advance to the next stage of growth. In these and all of our endeavors, we look forward to the continued support of our shareholders.


June 24, 2011



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