

## ANNUAL REPORT 2011

Year ended March 31, 2011



---

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

---

## PROFILE

Since its establishment in 1962, SECOM CO., LTD., a pioneer in Japan's security services industry, has sought to contribute to a safe society by developing innovative security services and systems, in line with its mission to provide security and peace of mind through its business activities, as well as to achieve steady growth. Beginning with Japan's first on-line security system, developed in 1966, SECOM has endeavored to create a variety of systems that respond to changing social imperatives. These include an on-line home security system in 1981—which this year celebrated its 30th anniversary—and COCO-SECOM, a mobile personal security system for outdoor use in 2001. At the same time, SECOM has worked to secure broad acceptance of the concept of security services in Japan.

Today, the overarching mission of SECOM—comprising the parent company and the companies of the SECOM Group—is to provide safety and security for people whenever and wherever necessary. With this in mind, SECOM is pressing ahead with efforts to realize its vision for the future, the Social System Industry, which describes a framework of distinctive, integrated products and services that make life more secure, convenient and comfortable. To this end, SECOM is capitalizing on its broad business portfolio—which has expanded to include 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—to drive growth.

SECOM continues striving to provide distinctive service systems that encourage people to turn to SECOM to help resolve security and other problems. With the aim of rallying Group strengths and maximizing synergies to realize its Social System Industry vision and to accelerate growth, the Company recently declared the Group slogan "ALL SECOM."

SECOM has also established operations in 12 countries and territories outside of Japan. In these markets, SECOM is aiming to further grow its operations by providing customers with security services of the same high quality as it does in Japan.

# CONTENTS

---

SECOM'S VISION .....	2
A MESSAGE TO SHAREHOLDERS .....	4
SPECIAL FEATURE: THE CONTINUING EVOLUTION OF SECOM'S ON-LINE SECURITY SYSTEMS .....	8
SECOM TODAY .....	14
TOPICS .....	30

---

FINANCIAL REVIEW .....	31
AUDITED FINANCIAL STATEMENTS .....	35
OTHER FINANCIAL DATA .....	66
CONSOLIDATED FINANCIAL DATA (BASED ON JAPANESE GAAP) [REFERENCE] .....	71
NONCONSOLIDATED FINANCIAL DATA (BASED ON JAPANESE GAAP) [REFERENCE] .....	75
CORPORATE INFORMATION .....	79
SECOM GROUP'S BASIC BUSINESS AREAS .....	83
DIRECTORS, CORPORATE AUDITORS AND EXECUTIVE OFFICERS .....	85

---

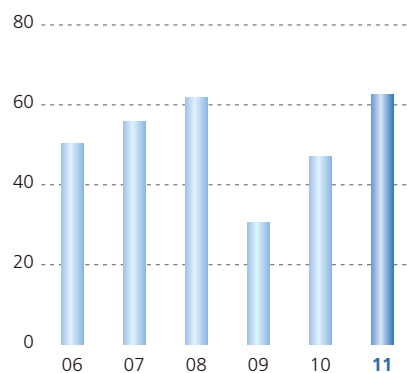
Note: Unless specified otherwise, all figures contained in this annual report are based on the financial statements, which have been calculated and are presented in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

# HIGHLIGHTS

U.S. GAAP SECOM CO., LTD. and Subsidiaries Three years ended March 31, 2011	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2011	2010	2009	2011
Net sales and operating revenue	¥ 751,868	¥ 670,644	¥ 684,016	\$ 9,058,651
Operating income	100,432	97,178	76,259	1,210,024
Net income attributable to SECOM CO., LTD.	62,665	46,989	30,560	755,000
Total assets	1,171,152	1,138,147	1,143,141	14,110,265
Total SECOM CO., LTD. shareholders' equity	593,495	569,799	528,721	7,150,542
	In yen			In U.S. dollars
Per share of common stock:				
Net income attributable to SECOM CO., LTD.	¥ 287.41	¥ 215.51	¥ 137.42	\$ 3.46
Cash dividends	85.00	85.00	85.00	1.02
SECOM CO., LTD. shareholders' equity	2,722.08	2,613.34	2,424.91	32.80

- Notes: 1. Yen amounts have been translated into U.S. dollars, solely for the convenience of the reader, at the rate of ¥83=US\$1, the rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2011.
2. Net income attributable to SECOM CO., LTD. per share of common stock is based on the average number of shares outstanding during each period, less treasury stock.
3. SECOM CO., LTD. shareholders' equity per share of common stock is based on the number of shares outstanding at the end of each period, less treasury stock.
4. Cash dividends per share of common stock shown are based on dividends approved and paid in each period. Subsequent to March 31, 2011, cash dividends of ¥90.00 per share were approved at the general shareholders' meeting held on June 24, 2011 (see Note 18 of the accompanying Notes to Consolidated Financial Statements).

**Net income attributable to SECOM CO., LTD. (U.S. GAAP)**  
(In billions of yen)



Note: Net income attributable to SECOM CO., LTD. in the year ended March 31, 2011, rose ¥15.7 billion, to ¥62.7 billion. This result was attributable to operating income in the real estate development and sales segment, compared with an operating loss in the previous period, and to a gain on private equity investments, compared with a loss in the previous period.

Net income attributable to SECOM CO., LTD. in the year ended March 31, 2010, increased ¥16.4 billion, to ¥47.0 billion. Principal factors behind this result were decreases in loss on other-than-temporary impairment of investment securities and operating loss in the real estate development and sales segment.

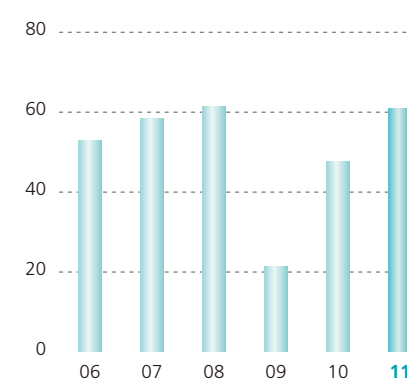
Net income attributable to SECOM CO., LTD. in the year ended March 31, 2009, declined ¥31.2 billion, to ¥30.6 billion. This result was due mainly to an increase in loss on other-than-temporary impairment of investment securities, reflecting a stagnant stock market, and an operating loss in the real estate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

Pursuant to the 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, 2011	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2011	2010	2009	2011
Revenue	¥ 663,887	¥ 654,678	¥ 678,400	\$ 7,998,639
Operating profit	99,141	98,539	87,634	1,194,470
Ordinary profit	109,674	98,327	90,924	1,321,373
Net income	60,846	47,611	21,502	733,084
Total assets	1,094,400	1,081,679	1,090,483	13,185,542
Total net assets	654,055	625,153	582,608	7,880,181
	In yen			In U.S. dollars
Per share of common stock:				
Net income	¥ 279.07	¥ 218.37	¥ 96.69	\$ 3.36
Cash dividends	85.00	85.00	85.00	1.02
Net assets	2,716.35	2,561.94	2,380.12	32.73

Note: Cash dividends per share of common stock shown are based on dividends approved and paid in each period. Subsequent to March 31, 2011, cash dividends of ¥90.00 per share were approved at the general shareholders' meeting held on June 24, 2011.

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





### Realizing the Social System Industry

Since first declaring our Social System Industry vision in 1989, we have continued working to make this vision a reality by creating a framework of distinctive, integrated products and services that make life more secure, convenient and comfortable.

Our business portfolio today comprises 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. In these businesses, we strive not only to provide individual products and services, but also to combine them into distinctive packages, in line with our overarching mission, which is to provide safety and security for people whenever and wherever necessary. This approach encourages people to turn to SECOM with the confidence that doing so will help resolve security and various other problems.

In all our efforts, we are guided by our corporate philosophy, which also governs the conduct of every SECOM employee. This philosophy emphasizes a refusal to be content with the status quo and a commitment to doing what is appropriate. The former means seeking constantly to provide innovative products and services by challenging accepted norms, while the latter means judging the legitimacy of our actions by whether they are just, fair and beneficial, not to SECOM but to society as a whole. As we press forward with efforts to realize the Social System Industry by growing our businesses and winning ever-broader public acceptance, we recognize the increasingly vital nature of our role in society. This philosophy, shared by everyone at SECOM, drives our efforts to realize the Social System Industry vision and in so doing to be a corporate group that makes an important contribution to society by providing comprehensive security and peace of mind.

### Targeting New Growth

To hasten the realization of the Social System Industry, in November 2010 we declared a new Group slogan, "ALL SECOM," to convey a shift in our strategic approach. While our approach to date has focused on maximizing synergies between our core security services business and each of our various other businesses, under the ALL SECOM banner, we will strive to advance cooperation among our various businesses with the aim of strengthening the Group as a whole and building new synergies. To this end, we are encouraging SECOM employees everywhere to push forward by actively sharing information, ideas and objectives. We will also continue to create new products and services that accommodate evolving security needs, thereby earning the satisfaction of customers and encouraging people to turn to SECOM with the confidence that doing so will help resolve their problems and enhance peace of mind.

Since our establishment, we have sought to keep abreast of social trends, patterns of criminal activity and technological advances, ensuring our ability to develop and market innovative products, services and systems that are needed and welcomed by society. This approach has enabled us to build a wealth of proprietary technologies and operational know-how. Our technological capabilities are supported by our R&D department, comprising the Secom Intelligent Systems Laboratory, which conducts research in the area of basic technologies, and the Development Center, which is responsible for the timely development of highly reliable products and services that leverage these technologies. Our emphasis on R&D reflects our recognition of technological capabilities as a crucial management resource that gives us a key competitive advantage in the security services market.

Collaboration among our R&D department, sales teams and operations teams makes it possible for us to promptly incorporate feedback obtained from customers through day-to-day sales and service activities into R&D efforts. This, in turn, enables us to create products, services and systems that respond swiftly and effectively to customer needs.

Looking ahead, we will continue working to provide products, services and systems that respond to evolving needs for security and peace of mind, as well as to win ever-broader acceptance of the concept of security services. Through these efforts, we will work to further elucidate our Social System Industry vision, as well as to encourage the unfailing loyalty of customers, thus positioning ourselves to secure new growth into the future.

## 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



**Makoto Iida**  
Founder



**Shohei Kimura**  
Chairman



**Kanemasa Haraguchi**  
Executive Vice Chairman



**Shuji Maeda**  
President and Representative Director

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



Makoto Iida  
Founder



Shohei Kimura  
Chairman



Kanemasa Haraguchi  
Executive Vice Chairman



Shuji Maeda  
President and Representative Director



at

# Public Facilities

By analyzing global technological trends and the changing nature of criminal activity, we strive to combine appropriate infrastructure with advanced technologies to offer systems that deliver improved efficiency and provide security and peace of mind in a wide range of settings.

TOTAX ZETA



■ TOTAX ZETA (comprehensive local control system)  
Developed to provide total security for commercial complexes and production facilities, TOTAX ZETA combines our accumulated expertise in security for large-scale facilities with the latest networking technologies to provide an optimal security environment for customers.





at

# Offices

Guided by our corporate philosophy, which emphasizes challenging accepted norms, we continue to incorporate our vision of the security needs and lifestyles of the future into our efforts to realize advanced security systems that are both innovative and reliable and that will define ideals of security and peace of mind.

SECOM AX



■ SECOM AX (on-line image recognition system)

SECOM AX is an advanced system employing proprietary image recognition technology that enables it to detect and capture clear images of an intruder, even when the premises are in darkness. This technology plays a key role in a variety of SECOM systems.





# in Homes

We work to provide products and services that deliver security and peace of mind for all types of homes, from detached houses to condominiums, customized to meet the diverse needs of a wide range of customers across all age groups.

SECOM Home Security



■ **SECOM Home Security** (on-line security system for residential applications)

SECOM Home Security provides around-the-clock protection for residences, encompassing services that go beyond the confines of security to provide support from a variety of perspectives. These include support services that help resolve problems occurring in everyday life and services designed to protect the health of subscribers.



## Security Services

### Our distinctive approach enables us to offer high-grade on-line security systems.

SECOM's on-line security systems encompass the placement of sensors at its subscribers' premises, around-the-clock monitoring from a SECOM control center via telecommunications circuits, the dispatch of emergency response personnel from the nearest emergency depot, should the sensors detect an irregularity, and, if necessary, the notification of the police and/or fire department. Our insistence on providing emergency response services, as well as security equipment installation and monitoring, reflects our deep-seated belief that only by guaranteeing subscribers' safety can we honestly claim to be providing security.

Appreciation for SECOM on-line security systems continues to grow not only in Japan, but also in overseas markets where we offer the same SECOM-style security services. Support for SECOM on-line security systems reflects a number of key competitive advantages, namely:

- **Swift emergency response capabilities:** Capitalizing on our extensive experience, reflected in the prompt decision-making capabilities of our control center staff and the fast reactions of our highly trained emergency response personnel, we are well positioned to respond swiftly and effectively in the event of an emergency. Another key factor underscoring our responsiveness is our nationwide network of approximately 2,750 emergency depots—more than any other security services company in Japan—each of which looks after only a limited geographic area. The swift response capabilities of our control center staff and emergency response personnel continue to earn high marks from subscribers nationwide.
- **Comprehensive security systems that combine the capabilities of humans and equipment:** Our on-line security systems combine the speed and accuracy of sensors and communications equipment in detecting irregularities and transmitting information with the analytical capabilities and quick action of humans, thereby delivering superb service quality. We give priority to fostering expert emergency response personnel capable of responding effectively in various situations through training that capitalizes on our unique know-how. Highly trained staff, together with reliable, technologically advanced security equipment, ensure our ability to provide comprehensive security solutions that are a cut above the competition.
- **Integrated services scheme:** We maintain control over every aspect of our security services, from R&D to manufacturing, sales, security planning, installation, around-the-clock monitoring, emergency response services and equipment maintenance. This integrated scheme underpins both our reputation for reliability and the potency of the SECOM brand, ensuring stable, high-grade services.
- **In-house R&D capabilities:** Our R&D organization encompasses the Secom Intelligent Systems Laboratory, which conducts research in the area of basic technology, and the Development Center, which applies basic technology to develop new security systems. This configuration enables us to incorporate feedback from customers swiftly and accurately into the development process, as well as to act promptly in making modifications that enhance existing products and systems.
- **Effective training and management of human resources:** Four SECOM training centers in Japan provide training for emergency response personnel, as well as for individuals in sales and administrative positions, designed to transmit knowledge and techniques. These facilities also strive to impart the SECOM corporate philosophy and standards of conduct that employees, as security professionals, are expected to observe. The effective training and management of human resources is essential to our ability to provide high-grade services.
- **Ability to provide comprehensive peace of mind:** In addition to security services, we provide fire protection services, medical services, insurance services, geographic information services, real estate development and sales, and information and communication related and other services, which we can combine into unique, tailored ALL SECOM packages that enable us to go beyond simply installing security systems, ensuring our customers feel they can turn to us anytime for solutions that will remove sources of unease and deliver security and peace of mind.
- **Security services adapted to local markets:** SECOM-style on-line security systems continue to earn high marks in overseas markets. One reason for this is that since launching operations overseas in 1978, our approach has been to customize products and services to reflect local needs and cultural sensibilities. In April 2011, we commenced operations in New Zealand, which is our 12th overseas market. We will continue promoting broader market acceptance of SECOM-style security services in markets around the world.

With the aim of making SECOM on-line security systems available to an ever-greater number of customers, we recognize the need to offer optimal prices. To this end, we retain ownership of security equipment, which we rent—rather than sell—to subscribers. As a consequence, initial costs for subscribers are significantly lower than would be the case if they were required to purchase equipment outright. The rental format also allows us to take responsibility for maintenance and upkeep, facilitating prompt replacement in the event of a malfunction, or an upgrade, and ensuring stable high-grade services.

In the years ahead, our distinctive approach and the key competitive advantages of our on-line security systems will continue to support our ability to provide services of the highest quality.

## Commercial Security Services



We are promoting greater market acceptance of SECOM security services by drawing on our advanced technologies and our wealth of expertise.

### Responding to the diverse security needs of large-scale commercial facilities

Large-scale commercial facilities require sophisticated security systems that help deter crimes and prevent accidents from occurring and ensure secure operation and management. Leveraging our extensive expertise, we provide proprietary security systems customized to suit each customer's requirements. Orders for such security systems remain firm. Of note, we recently signed a contract to provide a security system for Tokyo International Air Terminal, the new international terminal at Haneda Airport in Tokyo's Ota City, which opened in October 2010. Under this contract, we currently assist in the safe operation of the terminal by providing static guard services, airport security checks for employees and the SECOM AED Package Service, a full-service package that encompasses leasing, installation and maintenance of AEDs in public areas. For JR Hakata City, the building housing Fukuoka's main railway terminal, which opened in March 2011, we provide comprehensive support to help ensure the station's secure and safe operation. Rebuilt to accommodate the inauguration of

full services on the Kyushu Shinkansen's Kagoshima Route, JR Hakata City has a total floor space of 200,000 m<sup>2</sup>, making it one of Japan's largest railway station building complexes. Our package for JR Hakata City includes TOTAX ZETA, a comprehensive local control system for large-scale commercial facilities; static guard services (provided by joint venture JR Kyushu Secom, Inc.); SECOM Security Gates, which prevents unauthorized access through building entrances; a surveillance camera system; and TOMAHAWK JET fire extinguishing systems for restaurant kitchens.

As these examples show, one of our greatest strengths is our ability to combine various service systems into unique packages tailored to customers' diverse needs. Moreover, rather than simply selling automated security services, we also offer static guard services provided by highly trained professionals, thereby realizing a quality of security services only possible by integrating systems and human capabilities. Looking ahead, we will continue to respond to the sophisticated needs of large-scale commercial facilities by capitalizing on our high-grade security services and comprehensive human capabilities.



JR Hakata City

## Commercial Security Services

### Developing systems that facilitate automatic detection of crimes and accelerate responses

With robberies committed by perpetrators armed with knives or firearms on the rise in Japan, we see more situations where victims are unable to press the emergency alarm button to notify SECOM because they feel physically threatened. Taking action, in the period under review, we launched the Intelligent Emergency Alert System, which automatically detects abnormal or suspicious occurrences and alerts a SECOM control center without the need for anyone to press a button. This newly developed system employs a number of exclusive image and sound processing technologies, including those used in SECOM AX, an on-line image recognition system, and in SECURIFACE, an intercom system equipped with a novel facial recognition function.

Installed in critical areas, such as near a safe, the Intelligent Emergency Alert System automatically detects, for example, individuals wearing masks or trying otherwise to hide their faces, groups of individuals approaching the safe together and someone screaming. The system simultaneously transmits images and audio, together with an emergency signal, to a SECOM control center and image monitoring center, where staff promptly dispatches emergency response personnel and, if necessary, notifies the police.

The Intelligent Emergency Alert System's ability to swiftly detect potential robberies, break-ins and other crimes and to issue an automatic alert, expedites our response, thereby

helping to prevent such acts from actually occurring. This system is designed for use with the SECOM IX remote imaging security system to provide an advanced security solution. We continue working to introduce systems that are a cut above the competition to a wider range of customers.

### Next-generation external sensor technologies that facilitate highly sensitive external monitoring of a premises

External intrusion detection systems generally involve the placement of infrared illuminators and photodetectors around the perimeter of a subscriber's premises, wherein if the beam is interrupted by a person in its path, an alert is issued. However, for wide areas, multiple illuminators and photodetectors are required and physical obstacles such as trees and sheds often make installation unfeasible. Recently, we introduced Laser Sensor, a new sensor that resolves such problems, facilitating effective detection of intrusions over a broad area with only a single unit. Performance is not affected by physical impediments and the size of the area monitored can be programmed according to requirements. The sensor also boasts an autonomous learning function, enabling it to automatically reset itself if objects are shifted in the monitored area. Used in tandem with a SECOM on-line security system, the sensor automatically sends an emergency signal to a SECOM control center should an intrusion be detected.



SECOM AX



Intelligent Emergency Alert System

Laser Sensor is particularly appropriate for monitoring large premises, including factories, offices, stores, schools, construction sites and materials storage yards. We will continue actively to market this system as an attractive alternative for locations where conventional detection systems are unsuitable.

### Development of a stereoscopic facial recognition access control system using 3D images

In recent years, intrusions and personal information leaks attributable to the loss or copying of employee ID cards have become issues of paramount concern for companies. To preclude such intrusions, many companies have introduced access control systems employing biometric authentication based on, for example, fingerprint, palm vein identification or facial recognition. Drawbacks to conventional facial recognition-based access control systems include the fact that individuals must stand still facing a camera and the need for manual system operation.

Responding to perceived needs, Secom Intelligent Systems Laboratory has for some time been promoting the development of facial recognition systems that use surveillance cameras to manage access control and detect suspicious persons. Individuals do not need to follow specific procedures, but can simply proceed in a normal fashion. In 2011, we expect to launch a stereoscopic facial recognition system, the Walkthrough Face Recognition System. The new system builds on our exclusive image processing technologies, which are integral to such offerings as SECOM AX, SECURIFACE and SESAMO IDs, our fingerprint-based access control system.

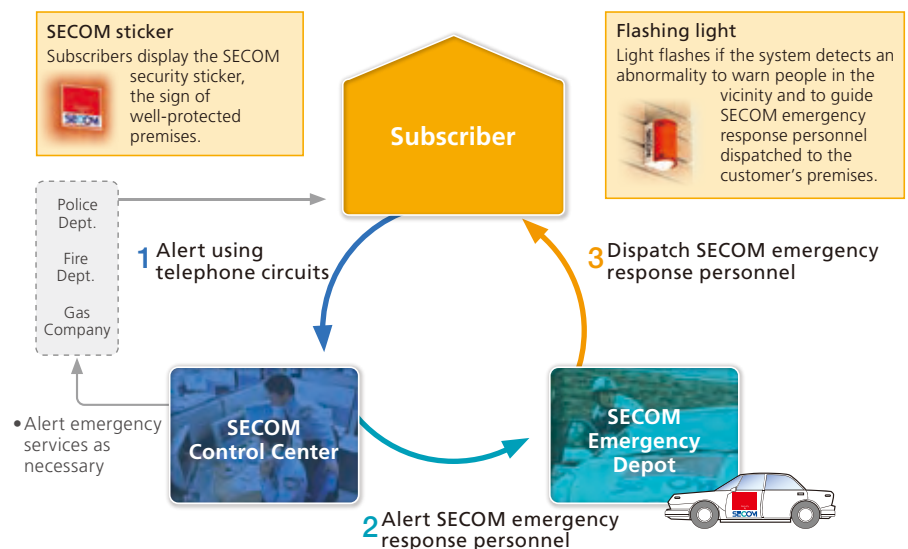


SECOM control center

### Centralized (On-Line) Security Systems



Laser Sensor





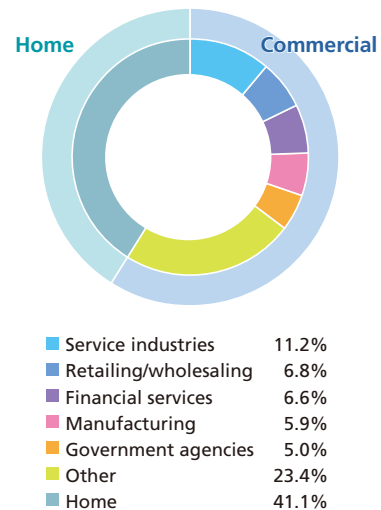
## Commercial Security Services

The Walkthrough Face Recognition System works by automatically constructing a 3D image of each individual from a registered photograph of the face. Surveillance camera footage is then matched to this image to identify the individual. Because this system uses 3D images, it easily accommodates natural variations in features and posture—something not possible with existing facial recognition systems. Moreover, the system can process approximately 60 individuals per minute, allowing it to function effectively during high-traffic periods, such as the beginning and end of the workday. In addition to employee access control, the system is suited for identifying visitors who have previously called and been registered. By facilitating accurate, speedy facial recognition, the system will greatly enhance the convenience and efficiency of access control. Going forward, we will continue to develop and commercialize groundbreaking service systems that reflect our distinctive capabilities.



Walkthrough Face Recognition System

**Contracts for Centralized Security Systems**  
(As of March 31, 2011)



## Home Security Services



By capitalizing on our distinctive capabilities, we continue responding to the increasingly diverse needs of homeowners for security and peace of mind by providing residential security products and services, centering on the growing SECOM Home Security system.

### SECOM Home Security: Leveraging a wealth of experience and know-how accumulated over three decades

In 2011, we celebrated the 30th anniversary of SECOM Home Security, which we first introduced in 1981. Over the past three decades, we have expanded and modified the system's products and services in response to evolving social imperatives and lifestyles, as well as to changing patterns of criminal activity.

SECOM Home Security comprises sensors and other security equipment, which are placed in and around subscribers' homes, providing around-the-clock monitoring for intruders, fires and gas leaks, sending emergency alerts and calling for emergency medical attention. In the event an irregularity is detected, the system alerts a SECOM control center, where staff respond by assessing the situation, dispatching emergency response personnel and, if necessary, notifying the police and/or fire department.

In 1982, we introduced My Doctor, a pendant-style emergency medical alert system as an option for SECOM Home Security subscribers that, when activated, sends an emergency signal to a SECOM control center. In 2003, we added SECOM Medical Club, which gives subscribers access to telephone-based

health counseling and lifestyle assessments. Two years later, we inaugurated SECOM Home Service, further enhancing our ability to provide homeowners with security and peace of mind.

In light of the rising incidence of vicious crimes in Japan, in recent years we have reinforced the products and services we offer to SECOM Home Security subscribers. Examples include our External Image Monitoring service, which detects intruders and transmits images to a SECOM control center; SECURIFACE, an intercom system equipped with facial recognition; and SECOM *Anshin* Glass, a high-impact, breakage-resistant window glass that prevents break-ins. Looking ahead, we will continue striving to provide ever-greater security and peace of mind for SECOM Home Security subscribers.

In December 2011, we plan to launch SECOM Home Security G-Custom, a system that brings together a variety of services that enhance security and peace of mind and make life more convenient. One of these services allows subscribers, for example, to entrust family photographs, emergency contact information, information on prescription medications, to us for storage at a SECOM Secure Data Center, thereby ensuring such information is available in the event of an earthquake or other major disaster. A new function enables subscribers to check on the safety of elderly parents living far away, as well as to share photographs and messages with family members and

other relatives using the SECOM Home Security network. This new home security service system, which combines our extensive expertise in crime prevention and other security services and in information



SECOM Home Security



SECOM Home Security G-Custom

## Home Security Services

security, is evidence of the excellence of our R&D capabilities. By continuing to develop such attractive new home security services, we will work to promote greater awareness of the concept of home security.

### Expanding SECOM Home Service's geographic coverage and service menu

Launched in 2005, SECOM Home Service is a suite of close to 100 convenient, high-grade lifestyle support services developed for SECOM Home Security subscribers. Demand for these popular services has grown steadily since. In June 2010, we expanded the availability of all but a few of these services to include nonsubscribers, a move that has further spurred demand.

At present, the SECOM Home Service menu includes *Anshin* Support Service, whereby SECOM staff assist in resolving concerns that arise in everyday life by, for example, patrolling around subscribers' homes when occupants are away. Troubleshooting Support Service includes assistance in resolving unforeseen problems, such as lost keys. Housework Support Service provides help with housekeeping and around-the-house jobs. The SECOM Home Service Pack is a special plan that allows customers to sign up for services that suit their lifestyles on an annual basis. We continue to promote the expansion of this menu. Recent additions include Family Support Service, which provides short-term assistance with such tasks as tidying, cooking meals, doing laundry and airing bedding, and Family Grave Management, whereby we look after maintenance of the family grave on behalf of customers. We have also expanded our service area, as a result of which SECOM Home Service is now available in almost all parts of Japan.

Owing to the rapid aging of Japan's population and the growth of the nuclear family, we expect to see further growth in demand from seniors for lifestyle support services. Accordingly, we will continue to broaden our service menu to accommodate the needs of this important market.



SECOM Home Service (Family Support Service)

### SECOM AS: Responding to needs in the rental housing market

One of the most important considerations for many individuals renting apartments or small multifamily dwellings is the building's security.

In Japan, the number of seniors living alone is on the rise, underscoring an increase in the need for home security systems that help prevent crime and fires. With this in mind, and with the aim of providing security and peace of mind for such individuals, as well as providing systems that help property owners enhance the appeal of their units, recruit potential tenants and ensure the stability of building management, we developed SECOM AS, a home security system designed especially for small-scale rental housing complexes with a built-in intercom system. Separate controls in each apartment not only enable tenants to use both the intercom and security functions, thus providing protection against burglary, but also enable them to alert a SECOM control center, should they feel ill at ease or require emergency medical services, greatly enhancing peace of mind. With the launch of SECOM AS, which offers significant benefits to both building owners and tenants, we are stepping up efforts to promote security for the rental housing market and bolster demand.



SECOM AS home security system for small-scale rental housing complexes

## Other Security Services



COCO-SECOM continues to find new applications. With the aim of helping to save lives, we are working to promote wider acceptance of the SECOM On-Line AED Management Service.

*mamorino 2*



### Expanding applications for COCO-SECOM continue to drive sales

The launch of the COCO-SECOM mobile security system for outdoor use in 2001 marked our expansion into the area of location tracking systems for individual subscribers. COCO-SECOM uses signals from Global Positioning System (GPS) satellites and cellular phone base stations to pinpoint the location of portable transmitter devices with outstanding precision. Simply by pushing the alert button on the device, an individual in danger can instantly notify the COCO-SECOM operations center. The operations center will dispatch emergency response personnel whenever needed.

Initially advanced as a way to prevent child abductions, locate elderly people who had wandered off and avert the theft of cars and motorcycles, today's COCO-SECOM is attracting attention for a wider range of applications, including preventing the theft of handbags or construction equipment, managing taxi and bus fleets and thwarting vandalism and removal of automated teller machines (ATMs).

### Cellular phones for children with COCO-SECOM as a standard feature (*mamorino* and *mamorino 2*) earn high marks

Designed to provide security for preschool- and primary school-age children, *mamorino* was developed in collaboration

with a major telecommunications company. If a child feels threatened, all he or she has to do is sound the phone's security alarm to alert the COCO-SECOM operations center, which then tracks the child's location. The operations center then makes contact with the child and a parent or guardian and, if requested, dispatches emergency response personnel to ensure the child's safety. Because it does not have a web browser function and allows only a limited number of telephone/email contacts, *mamorino* also protects children from potential trouble arising from Internet and e-mail use. In March 2011, we launched *mamorino 2*, with expanded performance features, including a function that ensures location tracking and security alarm services remain active even when the phone is turned off during class hours, as well as a function that enables parents and guardians to keep an eye on their child's movements using a smartphone or a computer.

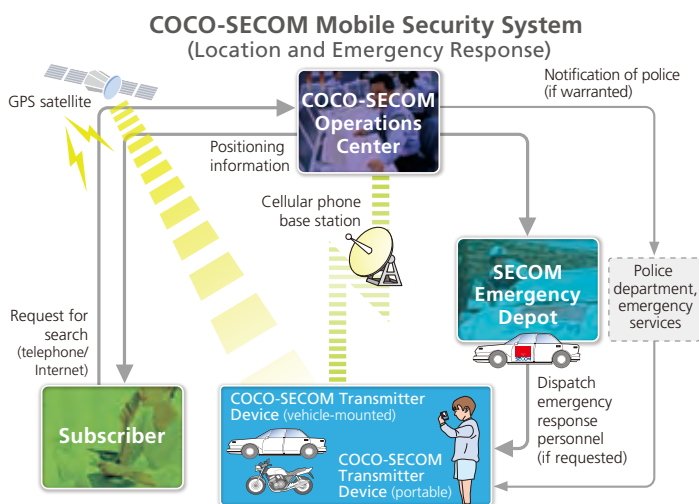
### New around-the-clock AED management services

We currently offer the SECOM AED Package Service, a full-service package for automated external defibrillators (AEDs). However, with the installation of AEDs expanding in Japan, there have been a number of incidents recently in which devices have failed at a critical moment as a result of maintenance lapses. In response, we developed the SECOM On-Line AED Management Service, an automated daily maintenance service that ensures AEDs are kept in proper working order around-the-clock.

One of our principal goals as a corporate entity is to contribute to a society free from apprehension. Accordingly, we see promoting further market acceptance of AEDs as an important mission. Going forward, we will actively market the SECOM On-Line AED Management Service with the aim of further helping to save lives.



SECOM On-Line AED Management Service



## Overseas Security Services

We continue to grow our overseas operations by offering comprehensive, high-grade security services customized to reflect local needs and cultural sensibilities.

Emergency response personnel (Thaisecom Pitakkij Co., Ltd.)



### Solid results from overseas security businesses

Our first inroads into overseas markets were in 1978, when we began operating in Taiwan. In the years since, we have also established operations in the Republic of Korea (ROK), the PRC, Thailand, Malaysia, Singapore, Indonesia, Vietnam, the United Kingdom, Australia, New Zealand and the United States.

The distinguishing feature of our overseas security services is that we offer SECOM-style on-line security systems customized to reflect local needs and sensibilities. By this, we mean not only installing equipment and monitoring customers' premises from a control center, but also dispatching highly trained emergency response personnel and, if necessary, contacting the police and/or fire department. This is the same comprehensive approach we use in Japan, which differs significantly from the on-line security systems offered by European and U.S. security service providers—which, as a rule, specialize in sales, installation or monitoring—in that it enables us to better provide customers with security and peace of mind. Demand for such services continues to grow steadily in overseas markets.

### Expanding operations in key markets

Recognizing the tremendous potential of the local market, we began offering services in the PRC in 1992. Initially, our focus was on offering on-line security systems in the cities of the PRC's high-growth coastal areas. Since then, we have broadened our service network to include inland cities. Today, our services encompass 18 cities—Beijing, Tianjin, Dalian, Shenyang, Qingdao, Shanghai, Suzhou, Wuxi, Kunshan, Hangzhou, Ningbo, Fuzhou, Xiamen, Shenzhen, Guangzhou, Dongguan, Chengdu and Xi'an—and we continue to see solid growth in our subscriber base.

The PRC has approximately 2,400 state-operated security services companies, as well as numerous internal private firms and foreign-affiliated firms, as a result of which the local market is intensely competitive. At the same time, heightened awareness of the need for effective security has spurred demand for high-grade services. In this environment, recognition of the intrinsic value of SECOM-style on-line security systems is rising. In 2008, we established an R&D center in Shanghai, better positioning ourselves to develop the products and services suited to local market needs.

In Taiwan, subsidiary Taiwan Secom Co., Ltd., enjoys the leading share of the Taiwanese security services market. Taiwan Secom is also publicly listed on the Taiwan Stock Exchange. Maintaining the SECOM business model, Taiwan Secom rents security equipment and enters into long-term contracts with subscribers. The company's subscriber base continues to increase steadily.

In the ROK, joint venture S1 Corporation is currently the country's top security services company and is listed on the Korea Exchange. S1 provides an extensive selection of security services to an increasing number of subscribers, including homeowners, companies and large-scale commercial facilities.



Emergency response personnel (Shanghai Secom Security Co., Ltd.)



Control center (Secom Australia Pty. Ltd.)



We are also expanding SECOM-style on-line security systems in Southeast Asia by providing products and services that respond to local needs in individual markets. A market leader in Thailand, we are not only active in the private sector, but also participate in large-scale public sector projects, reinforcing our position in the Thai market as a comprehensive security services firm. In Malaysia, we supply security systems combining static guard services and security equipment to local companies, as well as to the local subsidiaries of foreign companies, including those from Japan, and enjoy a strong competitive advantage. In Singapore, we are developing distinctive products and providing broad-based services that accommodate a trend toward the outsourcing of social services. Our focus in Indonesia is on antiterrorism security products suitable for airports, harbors, major facilities and high-rise office buildings, among others, and we have grown to become a leader in the local security services market.

In the United Kingdom, our track record as a provider of high-grade on-line security systems has earned us a solid reputation. Our expanding U.K. subscriber base currently includes major financial institutions, retail chains, companies, public facilities and large-scale facilities, as well as private homes.

### Broadening our geographical coverage to 12 countries and territories

Our presence in Australia dates back to 1990, when we began providing a full menu of services, including on-line security systems, static guard services, equipment installation and maintenance, among others, earning solid praise from customers. Our subscriber base in Australia currently comprises major corporations, financial institutions and public offices. Many of our Australian customers also have bases in New Zealand.

Having thus recognized significant demand in New Zealand, we acquired a local company and began offering SECOM-style security services. Prior to the acquisition, the company—which has since been renamed Secom Guardall Ltd.—specialized in the sale of security equipment and maintenance and inspection services, and enjoyed a significant share of the local market for security services for major financial institutions and retail chains. Today, Secom Guardall is leveraging its broad service menu, which integrates its predecessor's security equipment sales and maintenance and inspection services with SECOM's on-line security systems and static guard services, to cultivate new demand nationwide.



Head office and local staff (Secom Guardall Ltd., New Zealand)

## Fire Protection Services



High-rise fire prevention center

Nohmi Bosai's technological capabilities and wealth of expertise are enabling us to develop new systems and respond to rising demand in the renovations market.

### Providing comprehensive fire protection systems

Subsidiary Nohmi Bosai is a leading name in fire alarms and other fire protection systems, with an extensive lineup that includes products for office buildings, plants, tunnels, cultural properties, ships and homes. A provider of integrated services, Nohmi Bosai takes responsibility for R&D, assembly, planning, installation and maintenance, an approach that has earned it the trust of customers nationwide.

In recent years, the deterioration of older office buildings has stimulated demand for renovations to update automatic fire alarm systems and other equipment. Responding to demand in this market, Nohmi Bosai is drawing on its achievements, and on the solid trust of its customers, to bolster orders from those undertaking renovations. With many older high-rises due to be renovated, demand for replacement of fire alarm systems is expected to expand in the future. Nohmi Bosai has established a department dedicated to the aim of improving its ability to provide solutions to customers in the renovations market and bolstering orders.

In the area of fire extinguishing equipment, Nohmi Bosai's product lineup includes sprinkler systems, foam fire extinguishers, such as those found in parking lots, and gas fire suppression systems for locations that preclude the use of water-based systems. Boasting advanced technologies in the area of fire extinguishing systems for industrial plants, factories and road tunnels, the company continues to capitalize on its reputation for excellence in customized fire extinguishing systems to cultivate new orders.

As an integrated services provider, Nohmi Bosai views maintenance services as a crucial responsibility. Regular maintenance calls are also opportunity to strengthen relations and enhance customer satisfaction because they enable Nohmi Bosai to keep abreast of the condition of its customers' systems. This approach also gives Nohmi Bosai a distinct competitive advantage when it comes time for customers to replace existing systems, a key factor in securing orders for new installations and another reason for the company's emphasis on maintenance services.

### Leveraging a solid record in the provision of systems for large-scale facilities to develop innovative fire protection systems

A pioneer in Japan's fire protection services industry, Nohmi Bosai has built a solid record in the provision of systems for large-scale facilities, achieving growth and securing its position as the first choice of customers who place a high emphasis on safety. Recognizing the importance of adding value in distinguishing its products and services from those of its competitors, Nohmi Bosai has leveraged its technological capabilities and wealth of expertise to develop and launch such innovative offerings as PROTECTVIEW, a fire detection and alarm system that monitors for early signs of fire, thereby minimizing damage; Group Home Sprinkler System, a dry-pipe extinguishing system that is connected directly to a water pipe, for designated social welfare facilities; and Dry Mist, which uses sprinkler technology to reduce ambient temperature.

Going forward, Nohmi Bosai's development prowess and accumulated technologies will continue to underpin its efforts to respond to evolving social imperatives and shape the fire protection services industry, adding new value to products and systems that enable it to further bolster orders.



Clean room testing of fire extinguishing system



Water spray system installed in road tunnel

## Medical Services



Alive Setagaya Nakamachi

By providing comprehensive services in the medical care, personal care, social welfare, health care and preventative care fields, we are giving new form to our ideal of providing security and peace of mind.

### Home Medical Services: An expanding business

Our decision to diversify into medical services reflected our belief that protecting the health and lives of people is a natural extension of our commitment to provide security and peace of mind. Today, our medical services business encompasses a wide range of services in the medical care, personal care, social welfare, health care and preventative care fields.

Home Medical Services—a mainstay of this business—centers on home nursing, which involves regular visits by nurses to patients in their homes to provide expert nursing services and treatment in accordance with the instructions of the patient’s physician, and pharmaceutical dispensing and home delivery services.

Our home nursing services, which began in 1991, are rated favorably by customers. This reflects a number of factors, including our rigorous proprietary training program, which is designed to further hone the skills of our visiting nurses and enable them to provide highly professional services. Our pharmaceutical dispensing and home delivery services range from the dispensing and delivery of common oral and topical medications to the provision of specialized services for home health care patients. These include the dispensing of nutrient solutions for parenteral nutrition, pain relief injections and home visits by pharmacists to provide guidance on the use of prescribed medications.

In June 2011, we opened SECOM Home Health Care Center Kugayama, a facility providing total services that combine con-



Home nursing services

ventional home nursing with home personal care. The same month, we introduced *Karada ViBI*, a new brand of products in our mail-order health foods business, which we launched in 1998. We are currently marketing this new brand, highlighting its emphasis on safety and quality.

### Expanding our service menu to respond to the needs of an aging society

In October 2010, we opened Alive Setagaya Nakamachi, our 12th residence for seniors, in Tokyo’s Setagaya City. Equipped with the SECOM IX remote imaging security system, as well

as SECOM Active IC Tag System, which controls access to the facility using IC tags, eliminating the need to swipe cards over a card reader, the new facility makes full use of SECOM’s capabilities in the security services field to ensure the safety of residents.

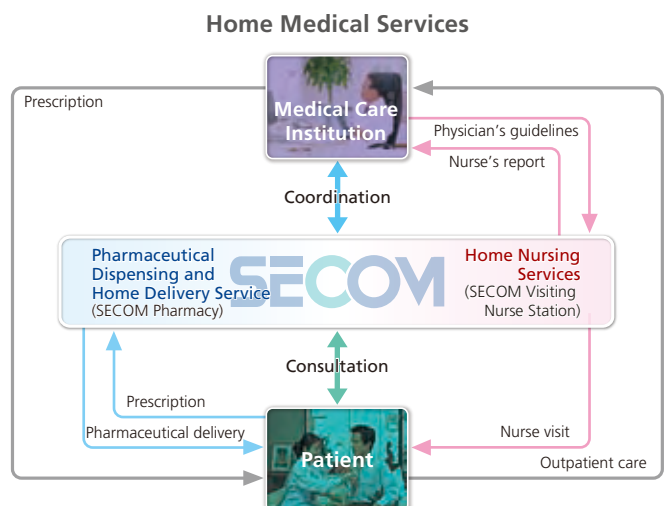
In April 2011, we opened SECOM Senior Club Fujigaoka, a day service center. This is the fourth facility in the SECOM Senior Club series, conceived to help seniors enjoy more fulfilling lifestyles. The new facility has received high marks from local seniors.

### Collaboration among 17 associated hospitals to enhance operating efficiency and quality of care

We have established an association with 17 local hospitals, enabling us to ensure top-level care and earning us a reputation for reliability.

New Tokyo Hospital, in Matsudo, Chiba, is recognized for excellence in the treatment of cardiovascular disease. Seeking to cater to international patients, New Tokyo Hospital is currently building a new facility, completion of which is scheduled for 2013.

We also provide a variety of support services for hospitals and clinics that help enhance operating efficiency and the quality of care provided. Particularly notable are Hospinet, a remote image diagnosis support service, and SECOM Ubiquitous Electronic Medical Report, a medical report system that ensures safe storage of medical records and common access by all members of a patient’s medical team.





## Insurance Services



SECOM *Anshin My Home* call center

Sales of our distinctive non-life insurance policies continue to expand.

### Revision of SECOM *Anshin My Home* enhances competitiveness

Diversification into the non-life insurance business came about as a result of our conviction that augmenting our security services, which provide prior protection, with insurance, which looks after people in the event of misfortune, would reinforce security and peace of mind.

We have developed a lineup of distinctive non-life insurance policies that capitalize on the strengths of the Group. Notable offerings include the Security Discount Fire Policy, for commercial customers, and SECOM *Anshin My Home*, for residential customers. These policies are aimed primarily at on-line security services subscribers that take into account the risk-mitigating nature of on-line security systems and offer a discount on regular premium rates to such customers, thereby reducing their costs.

In January 2011, we began offering a new, more competitive version of SECOM *Anshin My Home*. As a consequence, customers can now choose from among three versions of this policy—Wide, Basic or Slim—which they can configure to suit their own needs by adding options, which include special policy conditions, tailoring the policies to their requirements. Additionally, we offer discounts for houses with exclusively electrical—i.e., no gas—appliances and improved fire resistance. Such efforts contributed to an increase in the number of policies. We also continue to benefit from considerable synergies among our businesses. In some cases, the drawing up of a security system contract prompts a subscriber to purchase insurance, while in others the decision to purchase insurance encourages a customer to sign up for security services.



Head office of Secom General Insurance Co., Ltd.

### MEDCOM unrestricted cancer treatment policy subscriptions are on the rise

One of our most popular insurance policies is MEDCOM, an unrestricted cancer treatment policy that provides full coverage for hospitalization and medical treatment costs, for both those covered under Japan's National Health Insurance scheme and those that are not, for which the patient normally bears the full cost. In April 2009, we enhanced coverage under MEDCOM to include outpatient treatment, placing no restrictions on the number of days of outpatient treatment allowed and providing coverage for outpatient treatment of up to ¥10 million for each five-year period. This improvement has supported steady growth in subscriptions. MEDCOM continues to earn high acclaim not only from subscribers, but also from insurance industry experts. Looking ahead, we will continue to actively market MEDCOM with the aim of enabling people to take advantage of the most appropriate treatment options available.

### Enhancing our unique SECOM *Anshin My Car* automotive insurance policy

SECOM *Anshin My Car* is a unique policy that includes on-site support by SECOM emergency response personnel if requested by the policyholder. In the event of an accident, this service plays a significant role in easing the anxiety of vehicle owners in the immediate aftermath of an accident.

Looking ahead, we will step up efforts to market these policies by highlighting the distinctive benefits of insuring with SECOM.

## Geographic Information Services



Section of a national land map

We are making use of our geospatial information capabilities to expand our services in such areas as satellite image data, as well as to strengthen our overseas operations.

### Broadening geographic information services that utilize satellite data

Subsidiary Pasco Corporation began as a provider of measuring and geographic data services based primarily on aerial photography. Today, the company is leveraging its capabilities to provide geospatial information services for the development of social infrastructure crucial to both public-sector planning and private-sector corporate management.

Since 2008, Pasco has provided image data offered by the operator of TerraSAR-X, a German commercial satellite that delivers images with higher resolution than other commercial satellites. To reinforce its satellite image-based geospatial information services, in January 2011 Pasco completed the PASCO Hokkaido Ground Station, a receiving station in Chitose, Hokkaido. This is its second such facility, joining the company's first domestic receiving station in Itoman, Okinawa. The addition of a new receiving station has facilitated extension of the usable pass time—the length of time the satellite is contactable when it is above a certain location—to 16 minutes, from 10 minutes, an achievement that will make a crucial difference when applied to disaster prevention and environmental monitoring, contributing to greater security and peace of mind.

Pasco enjoys exclusive rights in Japan and nonexclusive rights worldwide to sell image data generated by the operator of TerraSAR-X. The image capturing ability of TerraSAR-X is not affected by the weather, ensuring high-grade, timely data. At present, with rights to utilize data from a total of 14 commercial satellites, Pasco works tirelessly to enhance the quality

of the data it provides. A proponent of the importance of satellites in monitoring natural disasters, Pasco analyzed image data from TerraSAR-X from before and immediately after the Great East Japan Earthquake to pinpoint the devastated areas. Pasco also prepared map data, which it distributed to related organizations and government agencies, helping ensure a swift, accurate grasp of the situation on the ground, as well as assisted relief efforts, bolstering awareness of the value and effectiveness of satellite monitoring in times of disaster.

In Japan, Pasco has participated in the ASNARO (Advanced Satellite with New system ARchitecture for Observation) project, an initiative for developing an advanced small satellite that can be built and launched for short periods and at a low cost. Pasco is in charge of developing a compact integrated mobile receiving station for the satellite. This system will ensure a highly effective reception framework capable of functioning even in the event of damage to the communications infrastructure, enabling Pasco to go to affected areas and receive, process and provide satellite image data.

### International orders continue to grow

Pasco has established subsidiaries in a number of countries, including Finland, Brazil and Belgium, with the aim of submitting tenders for overseas projects. Demand for better infrastructure is rising in developing countries, resource-rich nations and emerging economies. Beginning in the period under review, Pasco is assisting in the preparation of mapping data for the island of Sumatra, in Indonesia, a project that is expected to

take three and a half years to complete. Looking ahead, Pasco will make use of its group network in Asia, Europe and Brazil to broaden the geographic scope of its services.



PASCO Hokkaido Ground Station



Integrated Mobile Station  
(1/12 scale model)

## Real Estate Development and Sales



Glorio Roka-koen

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

### Glorio Roka-koen honored with an award for excellence in condominium complexes

In line with our emphasis on peace of mind and comfortable living, we develop and sell condominiums in the Glorio series, which are equipped with advanced SECOM security systems. A notable example is Glorio Roka-koen, in Tokyo's Setagaya City. This complex combines SECOM MS-3, a security system developed specially for condominiums, with around-the-clock access control, as well as the SECOM IX remote imaging

security system and a sensor-equipped perimeter fence, to provide quality homes that are safe and secure. In the period under review, Glorio Roka-koen was honored with an award for excellence in condominium housing from the Japan Residential Land Development Federation. In presenting this award, the organization praised the complex's design concept, which emphasizes harmony with nature, spacious freestanding blocks and secure living.

## Information and Communication Related and Other Services



New Secure Data Center (left)

We are enhancing our service menu to respond to increasingly diverse needs for effective information security and BCPs.

### Services provided by new Secure Data Center facility earn high marks

Our Secure Data Center has provided data security services rated among the best in Japan since it opened in 2000. The facility houses servers, as well as important data, entrusted to us by subscribers, who include prominent financial institutions. In recent years, we have seen a sharp increase in demand for effective solutions that prevent the leakage of classified and personal information and for assistance in formulating BCPs to facilitate the swift restart of operations in the event of a major disaster. Responding to such needs, in August 2010, we opened our fifth Secure Data Center facility, which provides a highly secure environment, thanks to sophisticated SECOM security features, including an access control system that capitalizes on our extensive expertise in such systems, as well

as a biometric identification system and metal detectors. The facility also offers around-the-clock information monitoring provided by our highly trained information security staff, ensuring instantaneous response in the event of a breach. Other key features include a safe location and an advanced seismically isolated design. In addition to data center services, which include housing servers, our Secure Data Center facilities function as a base from which we provide operational and management support for customers' data systems, as well as SECOM cloud computing-based services, including SECOM Safety Confirmation Service. These and other features continue to bolster the Secure Data Centers' subscriber base.

Our Secure Data Center facilities once again proved their worth in the Great East Japan Earthquake of March 11, 2011. Despite the disaster and rolling blackouts implemented in its

aftermath to save power, these facilities continued to operate uninterrupted, thus ensuring customers' valuable information



Disaster monitoring center

assets were securely protected. Entrusting servers to a SECOM Secure Data Center facility has recently attracted the attention of companies that recognize this as an effective way to reduce their consumption of electric power.

### Demand continues to expand for SECOM Safety Confirmation Service

SECOM has acquired a significant reputation as a provider of services designed to support business continuity and help ensure the prompt resumption of operations in the event of a major disaster. Of particular note is SECOM Safety Confirmation Service, which helps confirm the safety of employees and assess the extent of damage. The service's effectiveness and ease of use continue to attract acclaim from customers, who range from government agencies to private-sector corporations.

Support for SECOM Safety Confirmation Service reflects broader awareness of the need for stringent risk management following the Japanese government's publication of guidelines for BCPs. The service was effective in the wake of the Great East Japan Earthquake, drawing considerable attention from a variety of quarters. Our technological prowess, which enables us to customize products and services to suit the needs of customers, together with our extensive consulting capabilities, are key factors. In recent years, we have also offered SECOM Safety Confirmation Service SCM, which enables subscribers to confirm the safety of and the extent of damage to key suppliers, and SECOM Safety Confirmation Service GS, which enables subscribers to confirm the safety of overseas employees. We continue to develop and add new performance features to SECOM Safety Confirmation Service in response to arising needs, including functions that assist companies to manage exposure to new strains of influenza, make inquiries in English, and gather together personnel with capabilities necessary to facilitate a swift return to business.

We are further applying our know-how in security services and the foundation we have established with SECOM Safety Confirmation Service to provide risk management services. One of these is Initial Response Operations Service, whereby our

Secure Data Center server room



expert staff provide around-the-clock services in the aftermath of a major accident or information leak, which encompasses handling queries from employees and other involved parties and swiftly notifying executives and other pertinent individuals in charge on the customer side. Another is SECOM Emergency Contact Network Service for everyday emergencies, which facilitates efficient contact via e-mail and enables an administrator to confirm collated responses, thus ensuring the swift communication of information. Used together, Initial Response Operations Service and SECOM Emergency Contact Network Service ensure effective emergency communication from the moment a disaster occurs.

In the information security field, our offerings include SECOM Information Leak Assessment Service, whereby our expert staff carefully examine the customer's information systems and diagnose problems regarding risk of an information leak. This service continues to find application in a wide range of industries and fields.

Drawing on our accumulated expertise in information security and our reputation as a professional in the field, we have launched SECOM Professional Support, which provides around-the-clock support in the event of a widespread computer virus infection or unauthorized network access. This service, whereby we dispatch SECOM information security professionals to the subscriber's premises, has earned considerable acclaim from customers.



New Secure Data Center monitoring room

## Environmental Initiatives

With the belief that protecting the environment is essential to our ability to provide security and peace of mind, we continue to promote environmental initiatives in line with our basic environmental philosophy, which is to incorporate consideration for the environment in all areas of our operations.

- **A recycling-oriented, low-carbon business model**

In our on-line security services business, we provide security equipment on a rental basis, rather than selling it, and take full responsibility for management, including the collection after use. This enables us to minimize waste, as well as to reuse and recycle in an efficient manner. Our efforts to ensure a recycling-oriented, low-carbon business model also encompass the promotion of green purchasing and environment-friendly design.

- **SECOM Eco Data System supports corporate efforts to reduce energy consumption**

The SECOM Eco Data System is the first product to come out of our new environmental protection business. The system calculates and displays electric power, gas and other energy consumed, and is aimed at the approximately 10,000 companies in Japan obliged to report such information under the revised Law Concerning the Rational Use of Energy, which was enacted on April 1, 2010. By making energy use visible, the system assists the efforts of companies obligated under the law to achieve a 1% annual energy reduction to promote energy-saving initiatives.

- **Reducing the environmental impact of our operations**

We are currently implementing a program aimed at replacing the approximately 5,000 cars currently used in our security services business with environment-friendly vehicles. As of the date of this annual report, this effort was 84% complete. We have also begun using electric scooters in this business, a move aimed at helping to reduce CO<sub>2</sub> emissions from our operations. Additionally, we are implementing the "Eco-Anzen Drive," an initiative that aims to reduce the amount of fuel used by our vehicles when in operation, as well as to promote safe driving. These initiatives were recognized with an award for contributions to the preservation of air quality in 2010, from Japan's Ministry of the Environment.



Electric scooter

On another front, we are taking decisive steps to reduce our environmental footprint through measures designed to improve facility efficiency, including the installation of low-power lighting, voluntary initiatives aimed at making our offices more environmentally sound, and the establishment of SECOM Eco Team, which encourages environmental initiatives at home. We will continue working to implement lifecycle assessments (LCAs) with the aim of ensuring the environmental soundness of our various products over their entire lifecycle.

## Corporate Citizenship Efforts

In the aftermath of the Great East Japan Earthquake, which struck on March 11, 2011, we took immediate action, rallying the entire Group with the aim of providing assistance to people in areas devastated by the earthquake and subsequent tsunami. On March 15, we donated five million hygienic masks and 10,000 liters of hand disinfectant to evacuation sites, with the aim of helping prevent the spread of viral infections and to provide respiratory protection against dangerous particles released during the post-disaster cleanup of destroyed homes and buildings.

On March 26, subsidiary Secom Medical System and the medical staff of its associated hospitals established the Secom Disaster Medical Assistance Team (SDMAT), a squad of doctors, nurses and other medical professionals. SDMAT was promptly dispatched to help provide vital health care services at evacuation sites, remaining in the area for three weeks. Other associated hospitals also responded to a request

from the All Japan Hospital Association by dispatching emergency medical teams to affected areas in Miyagi Prefecture.



Health care services at earthquake evacuation center

With the aim of ensuring a swift, accurate grasp of the extent of the damage on the ground, as well as to assist relief efforts, subsidiary Pasco used image data from TerraSAR-X on March 13, along with the data generated through analysis from various perspectives and using a variety of processes, to create maps. These maps were published on Pasco's website and distributed to related organizations and government agencies.

We will continue to draw on the capabilities of SECOM to contribute to recovery efforts in the months and years ahead.

## Operating Results

### Overview

In the year ended March 31, 2011, SECOM CO., LTD., and its subsidiaries (collectively, "the Company") sought to provide high-quality products and services that respond to the needs of customers in its core security services segment, as well as in fire protection services, medical services, insurance services, geographic information services, real estate development and sales, and information and communication related and other services segments. Consolidated net sales and operating revenue rose 12.1%, or ¥81.2 billion, to ¥751.9 billion, a result that 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 increased 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%, or ¥15.7 billion, to ¥62.7 billion, bolstered by the increase in operating income, as well as by 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.

### Net Sales and Operating Revenue

Consolidated net sales and operating revenue increased 12.1%, or ¥81.2 billion, to ¥751.9 billion. Increases in net sales and operating revenue were reported in the security services, medical services, real estate development and sales, insurance services and geographic information services segments, while the fire protection services and information and communication related and other services segments saw declines. (For more details, please see Segment Information below.)

### Costs and Expenses

Total costs and expenses, at ¥651.4 billion, were up 13.6%, or ¥78.0 billion. Cost of sales increased 15.2%, or ¥65.8 billion, to ¥499.0 billion, equivalent to 66.4% of net sales and operating revenue, up from 64.6% in the previous period. Among factors behind this increase were newly consolidated organizations managing hospitals and health care-related institutions and restoration-related costs incurred in the wake of the Great East Japan Earthquake.

Selling, general and administrative (SG&A) expenses increased 7.2%, or ¥9.9 billion, to ¥147.7 billion. SG&A expenses were equivalent to 19.6% of net sales and operating revenue, improving from 20.5% in the previous period. The increase in SG&A expenses was a result of such factors as an increase in research and development costs, while the improvement in SG&A expenses as a percentage of net sales and operating revenue was due to efforts to reduce costs, including lowering advertising costs. The Company also recognized a ¥3.2 billion loss on settlement of pre-existing relationship, owing to the settlement of a lease contract between the Company and newly consolidated organizations managing hospitals and health care-related institutions in the medical services segment.

### Operating Income

Operating income rose 3.3%, or ¥3.3 billion, to ¥100.4 billion, equivalent to 13.4% of net sales and operating revenue, down

from 14.5% in the previous period. The increase in operating income was attributable primarily to operating income in the real estate development and sales segment, compared with an operating loss in the previous period, coupled with an increase in operating income in the geographic information services segment and a decrease in the operating loss in the insurance services segment, although these factors were partially offset by declines in operating income in the security services, fire protection services, information and communication related and other services and medical services segments. Segments contributing to operating income were—in order of size of contribution—security services, geographic information services, information and communication related and other services, fire protection services, medical services and real estate development and sales. (For more details, please see Segment Information below.)

### Other Income and Expenses

Other income advanced ¥6.5 billion, to ¥11.9 billion, while other expenses fell ¥3.4 billion, to ¥4.5 billion, resulting in net other income of ¥7.4 billion, compared with net other expenses of ¥2.5 billion in the previous period. Principal factors behind this result included a gain on private equity investments of ¥6.0 billion, compared with a loss of ¥1.4 billion in the previous period; a loss on other-than-temporary impairment of investment securities of ¥84 million, down ¥1.7 billion from the previous period; and the absence of a ¥1.3 billion loss related to spectrum reallocation recognized in the previous period.

### Income from Continuing Operations before Income Taxes and Equity in Net Income of Affiliated Companies

Income from continuing operations before income taxes and equity in net income of affiliated companies rose 13.9%, or ¥13.2 billion, to ¥107.8 billion, reflecting the increase in operating income and the fact that other income exceeded other expenses.

### Income Taxes

Income taxes declined ¥2.4 billion, to ¥43.3 billion, equivalent to 40.1% of income from continuing operations before income taxes and equity in net income of affiliated companies, down from 48.2% in the previous period. This result was due mainly to the fact that unrecognized tax benefits from subsidiaries in loss positions were higher in the previous period.

### Equity in Net Income of Affiliated Companies

Equity in net income of affiliated companies, at ¥5.0 billion, was up ¥2.4 billion. The principal factor behind this result was an increase in equity in net income of overseas affiliated companies.

### Net Income Attributable to Noncontrolling Interests

Net Income attributable to noncontrolling interests amounted to ¥6.9 billion, up ¥900 million.

### Net Income Attributable to SECOM CO., LTD.

Net income attributable to SECOM CO., LTD., climbed 33.4%, or ¥15.7 billion, to ¥62.7 billion, equivalent to 8.3% of net sales and operating revenue, compared with 7.0% in the previous period. Net income attributable to SECOM CO., LTD., per share was ¥287.41, up from ¥215.51. A proposal to pay cash dividends of ¥90.00 per share, an increase of ¥5.00 per share from the previous period, was approved at the general shareholders' meeting held on June 24, 2011.

## Segment Information

(For more detailed information, please see Note 28 of the accompanying Notes to the Consolidated Financial Statements)

### Security Services

The security services segment comprises electronic security services, other security services, and merchandise and other. In the period under review, net sales and operating revenue in this segment increased 0.1%, or ¥441 million, to ¥426.8 billion. Excluding intersegment transactions, net sales and operating revenue in this segment amounted to ¥424.7 billion, representing 56.5% of overall net sales and operating revenue, down from 63.3% in the previous period.

Electronic security services include on-line commercial and home security systems (centralized 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, use sensors installed at the subscriber's premises to detect events, including intrusions, fires and equipment malfunctions. Sensors are linked to a SECOM control center via telecommunications circuits to facilitate around-the-clock remote monitoring. Should an irregularity be detected, relevant information is relayed to the control center, where staff dispatch emergency response personnel to take appropriate measures. Control center staff also notify the police or fire department, if necessary. We have established an integrated approach, whereby we take full responsibility for all aspects of our on-line security commercial and home security systems, from R&D through to equipment manufacturing, sales, security planning, installation, monitoring, emergency response services and equipment maintenance. Net sales and operating revenue from electronic security services slipped 0.4%, or ¥1.3 billion, to ¥297.8 billion, owing primarily to declines in the installation of both on-line commercial and home security systems and large-scale proprietary security systems.

Other security services include static guard services and armored car services. The former is provided by highly trained professional security guards for situations requiring human judgment and flexible responsiveness. The latter involves the transport of cash, securities and other valuables using specially fitted armored cars and security professionals. Net sales and operating revenue from static guard services edged up 0.3%, or ¥159 million, to ¥46.4 billion, and that from armored car services rose 1.5%, or ¥306 million, to ¥20.1 billion.

The merchandise and other category encompasses sales of a wide range of security products, including access control systems, CCTV surveillance systems, automated fire extinguishing systems and external monitoring systems, which can be free-standing or linked to on-line security systems. Net sales and operating revenue in this category increased 1.9%, or ¥1.1 billion, to ¥60.4 billion, mainly reflecting an increase in sales of large-scale equipment.

Operating income in the security services segment declined 1.7%, or ¥1.8 billion, to ¥99.9 billion. The operating margin slipped to 23.4%, from 23.8% in the previous period, owing primarily to an increase in operating expenses, a result of restoration efforts in areas affected by the Great East Japan Earthquake, and to an increase in R&D expenses.

### Fire Protection Services

The fire protection services segment focuses on tailored 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.

Net sales and operating revenue from the fire protection services segment declined 5.2%, or ¥4.4 billion, to ¥80.1 billion. Operating income was ¥3.2 billion, down 24.7%, or ¥1.0 billion, while the operating margin was 3.9%, compared with 5.0% in the previous period. These results were attributable largely to the absence of large-scale replacement sales of fire protection systems, which bolstered results in the previous period, despite efforts to enhance

the segment's earnings base by securing renovations-related orders, as persistently unfavorable economic conditions further intensified competition for orders.

### Medical Services

The medical services segment encompasses home medical services, comprising pharmaceutical dispensing and home nursing services, as well as the operation of residences for seniors, electronic medical report systems, sales of medical equipment, personal care services, the leasing of real estate for hospitals and health care-related institutions and others. The segment also includes the operations of variable interest entities of which the Company is the primary beneficiary, which manage hospitals and health care-related institutions.

Segment net sales and operating revenue climbed 121.8%, or ¥68.7 billion, to ¥125.2 billion. The principal factor behind this result was the newly consolidated organizations managing hospitals and health care-related institutions, which were determined to be variable interest entities. Operating income declined 21.4%, or ¥483 million, to ¥1.8 billion, owing primarily to a loss of ¥3.2 billion on settlement of pre-existing relationship related to the settlement of a lease contract between the Company and the aforementioned newly consolidated organizations.

### Insurance Services

In addition to security services, which are preventative by nature, we offer non-life insurance, which looks after customers in the event of misfortune. We have developed and marketed a broad range of distinctive non-life insurance policies, including Security Discount Fire Policy, a commercial fire insurance policy, and SECOM *Anshin My Home*, a comprehensive fire insurance policy for homes—both of which offer discounts on premiums to customers who have installed on-line security systems, recognizing this as a risk-mitigating factor. Other offerings include SECOM *Anshin My Car*, a comprehensive automobile insurance policy that offers on-site support services—provided by our 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.

Net sales and operating revenue in the insurance services segment rose 11.3%, or ¥3.6 billion, to ¥35.8 billion. The segment's operating loss improved to ¥180 million, from ¥1.5 billion in the previous period. This result was due primarily to a decrease in loss on other-than-temporary impairment of investment securities.

### Geographic Information Services

This segment includes the use of highly advanced measuring equipment and surveying technologies to provide a variety of geospatial information services to national and local governments and public- and private-sector entities in Japan. We also provide geospatial information services to foreign countries, including emerging economies and developing countries. During the period, we procured high-resolution data and, leveraging our processing technologies, provided geographic information services that responded to a wide variety of customer needs in areas ranging from map production to environmental monitoring and fire and disaster prevention. We also provided a variety of pertinent information in the wake of the Great East Japan Earthquake.

Net sales and operating revenue in this segment rose 3.9%, or ¥1.6 billion, to ¥43.7 billion, reflecting increased sales to overseas customers, as well as contributions from newly consolidated subsidiaries. Operating income advanced 55.9%, or ¥1.2 billion, to ¥3.4 billion, bolstered by efforts to promote in-house manufacturing and stringent process control. The operating margin was 7.8%, up from 5.2% in the previous period.

### Real Estate Development and Sales

This segment comprises the development and sales of condominiums equipped with advanced security and contingency planning features. Amidst a slump in the market for condominiums, we actively promoted sales to customer groups we had not been able to approach in the past. For condominiums on the market since the previous period, we also sought to adjust prices in response to flagging market conditions.

Net sales and operating revenue in this segment climbed 85.1%, or ¥11.5 billion, to ¥24.9 billion, bolstered by an increase in sales of units in large-scale condominium complexes. Operating income was ¥525 million, compared with a ¥3.7 billion operating loss in the previous period, owing to an increase in net sales and operating revenue and other factors.

### Information and Communication Related and Other Services

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

Segment net sales and operating revenue declined 4.5%, or ¥1.5 billion, to ¥32.0 billion, owing primarily to the impact of the Great East Japan Earthquake. Operating income fell 15.9%, or ¥611 million, to ¥3.2 billion. The operating margin was 10.1%, compared with 11.5% in the previous period. These results were largely attributable to the opening of a new Secure Data Center facility, which began providing services in August 2010.

### Financial Position

Total assets as of March 31, 2011, amounted to ¥1,171.2 billion, 2.9%, or ¥33.0 billion, higher than at the end of the previous period.

Total current assets, at ¥521.4 billion, increased ¥20.6 billion. The principal factors behind this result were increases in cash and cash equivalents (for more details, please see Cash Flows, which follows this section), time deposits and notes and accounts receivable, trade, the latter due to newly consolidated organizations managing hospitals and health care-related institutions, which were determined to be variable interest entities. These increases were partially offset by a decline in inventories, owing to favorable sales of condominiums in the real estate development and sales segment. With both current assets and current liabilities up, the current ratio remained level at 2.1 times.

Investments and long-term receivables were down ¥30.3 billion, to ¥246.3 billion, a consequence primarily of a decline in long-term receivables. Long-term loans receivable to organizations managing hospitals and health care-related institutions were eliminated, as these entities were newly consolidated.

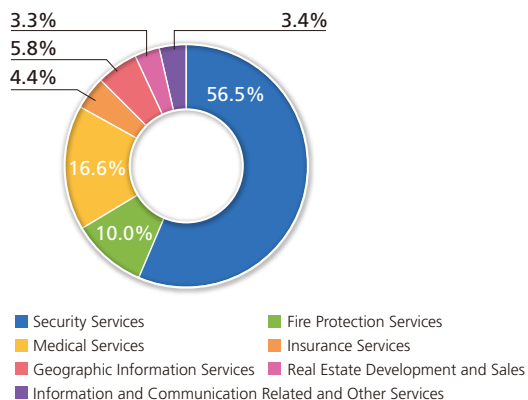
Property, plant and equipment less accumulated depreciation, rose ¥39.2 billion, to ¥302.5 billion. This was due mainly to increases in land, buildings and improvements, and machinery, equipment and automobiles related to newly consolidated

organizations managing hospitals and health care-related institutions; in buildings and improvements as a result of the opening of a new Secure Data Center facility in the information and communication related and other services segment; and in land as a result of the purchase of land for the new hospital facilities in the medical services segment. Additionally, an increase in the number of security services subscribers necessitated an increase in security equipment and control stations, although this was offset by depreciation.

Other assets were up ¥3.5 billion, to ¥101.0 billion. This primarily reflected increases in prepaid pension and severance costs—a result of the investment of plan assets—as well as in deferred charges and goodwill, the latter due to acquisitions in the security services and geographic information services segments. These increases were partially offset by a decline in deferred income taxes.

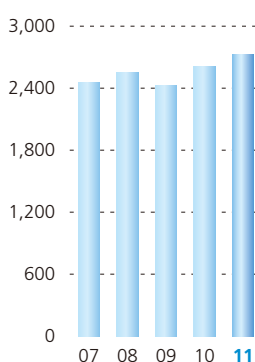
Total liabilities rose 2.5%, or ¥12.7 billion, to ¥516.3 billion. Total current liabilities amounted to ¥242.6 billion, up ¥7.1 billion. Long-term debt, at ¥53.0 billion, was up ¥11.4 billion. These increases were attributable largely to newly consolidated organizations managing hospitals and health care-related institutions. In addition, unearned premiums and other insurance liabilities increased ¥9.1 billion. These factors were offset to a certain extent by a ¥20.6 billion decline in investment deposits by policyholders.

**Percentage of Consolidated Net Sales and Operating Revenue\***  
(Year ended March 31, 2011)

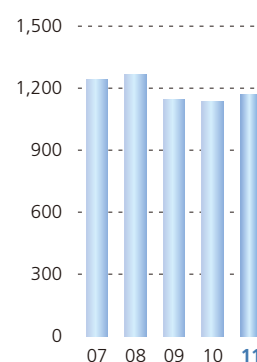


\* Pie chart shows percentage of consolidated net sales and operating revenue (Excluding intersegment transactions)

**SECOM CO., LTD. Shareholders' Equity per Share**  
(In yen)



**Total Assets**  
(In billions of yen)





Total SECOM CO., LTD. shareholders' equity rose 4.2%, or ¥23.7 billion, to ¥593.5 billion. This was due primarily to an increase in retained earnings, which was partially offset by an increase in the loss resulting from foreign currency translation adjustments—owing to the appreciation of the yen—and by

a decrease in additional paid-in capital resulting from a tender offer to acquire shares of common stock issued by consolidated subsidiary Secom Techno Service Co., Ltd. As a consequence, the shareholders' equity ratio rose to 50.7%, from 50.1% at the end of the previous period.

### Cash Flows

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

Net cash provided by operating activities amounted to ¥112.6 billion. Cash provided by operating activities included net income of ¥69.6 billion, depreciation and amortization of ¥57.0 billion and a decrease in inventories of ¥14.6 billion. Cash used in operating activities included increases of ¥15.1 billion in deferred charges, ¥7.7 billion in cash deposits and ¥6.9 billion in receivables and due from subscribers, net of allowances. The decrease in inventories was attributable largely to favorable sales of condominiums in the real estate development and sales segment, which pushed down inventories of real estate for sale. The increase in deferred charges was due to the deferral of installation service charges for security equipment related to on-line security systems, which are recognized over the contractual period for the security services. The increase in cash deposits primarily reflected the Company's business expansion efforts. The increase in receivables and due from subscribers, net of allowances, arose mainly as a result of newly consolidated organizations managing hospitals and health-care institutions, which were determined to be variable interest entities. Net cash provided by operating activities was ¥4.1 billion lower than in the previous period, owing principally to the increases in cash deposits and in receivables and due from subscribers, net of allowances, which were partially offset by the increase in net income.

Net cash used in investing activities came to ¥46.9 billion. Principal uses of cash included payments for purchases of property, plant and equipment of ¥41.7 billion—a result of the purchase of security equipment and control stations necessitated by an

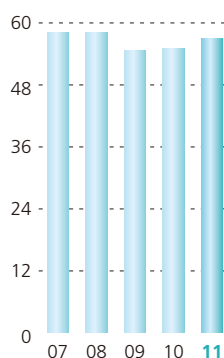
increase in the number of security services subscribers—and increase in time deposits of ¥9.7 billion. Cash was provided mainly by net proceeds from sales and redemption of short-term investments and investment securities of ¥3.2 billion. This was due mainly to a reassessment of investment assets in the insurance services segment and investment results of U.S. investment companies. The increase in time deposits was attributable to the expansion of short-term deposits, the purpose of which was to reinforce relations with subscribers. Net cash used in investing activities was ¥36.3 billion higher than in the previous period, owing to net proceeds from sales and redemption of short-term investments and investment securities of ¥3.2 billion, down considerably from ¥24.0 billion in the previous period, and an increase in time deposits of ¥9.7 billion, compared with a decrease of ¥1.4 billion.

Net cash used in financing activities amounted to ¥55.3 billion. This included a decrease in investment deposits by policyholders of ¥20.6 billion, dividends paid to SECOM CO., LTD. shareholders of ¥18.5 billion and payments for acquisition of shares of consolidated subsidiaries from noncontrolling interest holders of ¥13.7 billion, the result of a tender offer to acquire shares of common stock issued by consolidated subsidiary Secom Techno Service. Net cash used in financing activities was down ¥30.4 billion, a consequence of efforts to reduce both bank loans and long-term debt implemented in earlier periods.

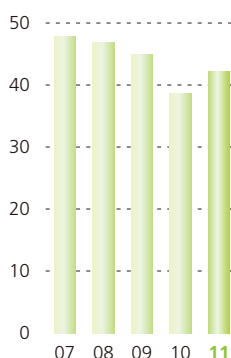
The Company also posted cumulative effect adjustments resulting from the adoption of a new accounting standard on variable interest entities of ¥3.9 billion, owing to newly consolidated organizations managing hospitals and health care-related institutions.

As a result of the aforementioned factors, net cash and cash equivalents at end of year were ¥193.9 billion, an increase of ¥13.8 billion from net cash and cash equivalents at beginning of year of ¥180.1 billion.

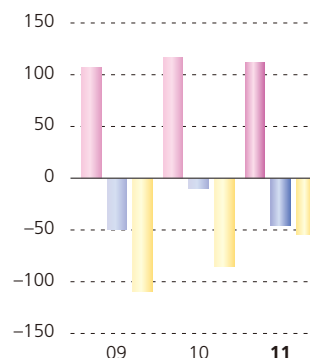
**Depreciation and Amortization**  
(In billions of yen)



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



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



■ Cash flows from operating activities  
■ Cash flows from investing activities  
■ Cash flows from financing activities



# CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED BALANCE SHEETS

SECOM CO., LTD. and Subsidiaries  
March 31, 2011 and 2010

	In millions of yen		Translation into thousands of U.S. dollars (Note 3)
	2011	2010	March 31
<b>ASSETS</b>			<b>2011</b>
<b>Current assets:</b>			
Cash and cash equivalents (Notes 5 and 23).....	¥ 193,942	¥ 180,144	\$ 2,336,651
Time deposits (Note 13).....	17,185	7,337	207,048
Cash deposits (Note 6).....	56,546	48,862	681,277
Short-term investments (Notes 7 and 23).....	6,393	13,327	77,024
Notes and accounts receivable, trade.....	86,511	76,848	1,042,301
Due from subscribers.....	35,886	29,322	432,361
Inventories (Note 8).....	81,769	98,255	985,169
Short-term receivables (Notes 9, 13 and 21).....	14,063	16,165	169,434
Allowance for doubtful accounts (Note 9).....	(1,855)	(2,223)	(22,349)
Deferred insurance acquisition costs (Note 14).....	5,456	6,145	65,735
Deferred income taxes (Note 17).....	15,438	15,737	186,000
Other current assets.....	10,042	10,873	120,988
Total current assets.....	521,376	500,792	6,281,639
<b>Investments and long-term receivables:</b>			
Investment securities (Notes 2 (7), 7, 13 and 23).....	148,990	148,069	1,795,060
Investments in affiliated companies (Note 10).....	38,978	42,613	469,614
Long-term receivables (Notes 9, 13 and 21).....	42,672	70,852	514,120
Lease deposits.....	13,636	13,438	164,289
Other investments.....	9,842	9,412	118,579
Allowance for doubtful accounts (Note 9).....	(7,858)	(7,848)	(94,675)
	246,260	276,536	2,966,987
<b>Property, plant and equipment (Notes 11, 13, 20 and 21):</b>			
Land.....	96,420	90,521	1,161,687
Buildings and improvements.....	193,445	156,137	2,330,663
Security equipment and control stations.....	264,693	257,395	3,189,072
Machinery, equipment and automobiles.....	84,374	70,499	1,016,554
Construction in progress.....	2,913	3,022	35,096
	641,845	577,574	7,733,072
Accumulated depreciation.....	(339,330)	(314,246)	(4,088,313)
	302,515	263,328	3,644,759
<b>Other assets:</b>			
Deferred charges (Note 2 (12)).....	45,634	44,125	549,807
Goodwill (Note 12).....	14,450	13,152	174,096
Other intangible assets (Notes 12 and 13).....	22,593	22,497	272,206
Prepaid pension and severance costs (Note 15).....	6,500	4,742	78,313
Deferred income taxes (Note 17).....	11,824	12,975	142,458
	101,001	97,491	1,216,880
Total assets.....	¥1,171,152	¥1,138,147	\$14,110,265

See accompanying notes to consolidated financial statements.

LIABILITIES AND EQUITY	In millions of yen		Translation into thousands of U.S. dollars (Note 3)
	2011	2010	March 31
<b>Current liabilities:</b>			
Bank loans (Notes 6 and 13).....	¥ 47,698	¥ 43,025	\$ 574,675
Current portion of long-term debt (Notes 13, 20 and 22).....	11,918	10,801	143,590
Notes and accounts payable, trade.....	27,882	25,336	335,928
Other payables.....	24,348	23,193	293,349
Deposits received (Note 6).....	24,737	28,348	298,036
Deferred revenue.....	40,899	44,248	492,759
Accrued income taxes.....	20,358	21,064	245,277
Accrued payroll.....	24,691	21,316	297,482
Reserve for litigation loss (Note 25).....	—	1,770	—
Other current liabilities (Notes 17, 22, 23 and 24).....	20,065	16,385	241,747
Total current liabilities.....	242,596	235,486	2,922,843
Long-term debt (Notes 13, 20 and 22).....	53,020	41,572	638,795
Guarantee deposits received.....	36,202	34,829	436,169
Accrued pension and severance costs (Note 15).....	21,169	16,503	255,048
Deferred revenue.....	18,246	20,078	219,831
Unearned premiums and other insurance liabilities (Note 14).....	83,615	74,466	1,007,410
Investment deposits by policyholders (Notes 14 and 22).....	41,643	62,226	501,723
Deferred income taxes (Note 17).....	9,827	10,403	118,398
Other liabilities (Notes 22, 23 and 24).....	10,025	8,120	120,783
Total liabilities.....	516,343	503,683	6,221,000

#### Commitments and contingent liabilities (Note 25)

#### Equity:

SECOM CO., LTD. shareholders' equity (Note 18):

Common stock:			
Authorized 900,000,000 shares;			
issued 233,288,717 shares in 2011 and 2010.....	66,378	66,378	799,735
Additional paid-in capital.....	75,555	81,096	910,301
Legal reserve.....	10,104	10,053	121,735
Retained earnings.....	551,187	510,927	6,640,807
Accumulated other comprehensive income (loss):			
Unrealized holding gains on securities (Note 7).....	2,131	5,603	25,675
Unrealized losses on derivative instruments (Note 24).....	(6)	(18)	(72)
Pension liability adjustments (Note 15).....	(11,909)	(10,711)	(143,482)
Foreign currency translation adjustments.....	(25,021)	(18,622)	(301,458)
	(34,805)	(23,748)	(419,337)
Common stock in treasury, at cost:			
15,258,553 shares in 2011 and 15,254,334 shares in 2010.....	(74,924)	(74,907)	(902,699)
Total SECOM CO., LTD. shareholders' equity.....	593,495	569,799	7,150,542
Noncontrolling interests.....	61,314	64,665	738,723
Total equity.....	654,809	634,464	7,889,265
Total liabilities and equity.....	¥1,171,152	¥1,138,147	\$14,110,265

# CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED STATEMENTS OF INCOME

SECOM CO., LTD. and Subsidiaries  
Three years ended March 31, 2011

	In millions of yen			Translation into thousands
	Years ended March 31			of U.S. dollars (Note 3)
	2011	2010	2009	Year ended March 31
<b>Net sales and operating revenue</b> (Notes 14 and 23) .....	<b>¥751,868</b>	¥670,644	¥684,016	<b>\$9,058,651</b>
<b>Costs and expenses:</b>				
Cost of sales (Note 8) .....	<b>498,957</b>	433,139	462,149	<b>6,011,531</b>
Selling, general and administrative expenses (Notes 2 (18) and 19) .....	<b>147,667</b>	137,720	141,960	<b>1,779,120</b>
Loss on settlement of pre-existing relationship (Note 2 (2)) .....	<b>3,212</b>	—	—	<b>38,699</b>
Impairment loss on long-lived assets (Note 11) .....	<b>3</b>	292	76	<b>36</b>
Impairment loss on goodwill (Note 12) .....	<b>—</b>	245	1,578	<b>—</b>
Loss on sales and disposal of fixed assets, net .....	<b>1,597</b>	2,070	1,994	<b>19,241</b>
	<b>651,436</b>	573,466	607,757	<b>7,848,627</b>
Operating income .....	<b>100,432</b>	97,178	76,259	<b>1,210,024</b>
<b>Other income:</b>				
Interest and dividends .....	<b>928</b>	1,317	2,232	<b>11,181</b>
Reversal of reserve for litigation loss (Note 25) .....	<b>—</b>	781	—	<b>—</b>
Gain on sales of securities, net (Notes 7 and 10) .....	<b>139</b>	—	—	<b>1,675</b>
Gain on private equity investments (Note 23) .....	<b>6,014</b>	—	1,403	<b>72,458</b>
Other (Note 16) .....	<b>4,789</b>	3,254	2,124	<b>57,698</b>
	<b>11,870</b>	5,352	5,759	<b>143,012</b>
<b>Other expenses:</b>				
Interest .....	<b>1,683</b>	1,799	2,022	<b>20,277</b>
Loss on sales of securities, net (Note 7) .....	<b>—</b>	7	231	<b>—</b>
Loss on other-than-temporary impairment of investment securities (Note 23) .....	<b>84</b>	1,764	8,831	<b>1,012</b>
Loss on private equity investments (Note 23) .....	<b>—</b>	1,367	—	<b>—</b>
Loss related to spectrum reallocation (Note 25) .....	<b>—</b>	1,254	—	<b>—</b>
Provision for loss on litigation (Note 25) .....	<b>—</b>	—	2,415	<b>—</b>
Other (Notes 16 and 24) .....	<b>2,691</b>	1,663	5,356	<b>32,422</b>
	<b>4,458</b>	7,854	18,855	<b>53,711</b>
Income from continuing operations before income taxes and equity in net income of affiliated companies .....	<b>107,844</b>	94,676	63,163	<b>1,299,325</b>
<b>Income taxes</b> (Note 17):				
Current .....	<b>38,765</b>	38,749	41,682	<b>467,048</b>
Deferred .....	<b>4,512</b>	6,882	(5,423)	<b>54,361</b>
	<b>43,277</b>	45,631	36,259	<b>521,409</b>
Income from continuing operations before equity in net income of affiliated companies .....	<b>64,567</b>	49,045	26,904	<b>777,916</b>
<b>Equity in net income of affiliated companies</b> .....	<b>5,028</b>	2,620	8,733	<b>60,578</b>
Income from continuing operations .....	<b>69,595</b>	51,665	35,637	<b>838,494</b>
<b>Income (loss) from discontinued operations, net of tax</b> (Note 26) .....	<b>—</b>	1,354	(149)	<b>—</b>
Net income .....	<b>69,595</b>	53,019	35,488	<b>838,494</b>
<b>Less: Net income attributable to noncontrolling interests</b> .....	<b>(6,930)</b>	(6,030)	(4,928)	<b>(83,494)</b>
Net income attributable to SECOM CO., LTD. .....	<b>¥ 62,665</b>	¥ 46,989	¥ 30,560	<b>\$ 755,000</b>

	In yen			Translation into
	Years ended March 31			U.S. dollars (Note 3)
	2011	2010	2009	Year ended March 31
<b>Per share data</b> (Note 2 (20)):				
Income from continuing operations attributable to SECOM CO., LTD. ....	<b>¥287.41</b>	¥209.41	¥138.05	<b>\$3.46</b>
Income (loss) from discontinued operations attributable to SECOM CO., LTD. ....	<b>—</b>	6.10	(0.63)	<b>—</b>
Net income attributable to SECOM CO., LTD. ....	<b>287.41</b>	215.51	137.42	<b>3.46</b>
<b>Cash dividends per share</b> .....	<b>¥ 85.00</b>	¥ 85.00	¥ 85.00	<b>\$1.02</b>

See accompanying notes to consolidated financial statements.

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

SECOM CO., LTD. and Subsidiaries  
Three years ended March 31, 2011

In millions of yen

	Number of shares issued	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Common stock in treasury, at cost	Total SECOM CO., LTD. shareholders' equity	Noncontrolling interest	Total
<b>Balance, March 31, 2008</b>	233,288,717	¥66,378	¥79,998	¥10,020	¥471,066	(¥ 8,031)	(¥44,877)	¥574,554	¥62,511	¥637,065
Comprehensive income:										
Net income	—	—	—	—	30,560	—	—	30,560	4,928	35,488
Other comprehensive income (loss), net of tax (Note 18):										
Unrealized holding losses on securities	—	—	—	—	—	(460)	—	(460)	159	(301)
Unrealized losses on derivative instruments	—	—	—	—	—	(93)	—	(93)	(20)	(113)
Pension liability adjustments	—	—	—	—	—	(7,152)	—	(7,152)	(959)	(8,111)
Foreign currency translation adjustments	—	—	—	—	—	(19,544)	—	(19,544)	(622)	(20,166)
Total comprehensive income	—	—	—	—	(19,122)	—	—	3,311	3,486	6,797
Cash dividends paid to SECOM CO., LTD. shareholders	—	—	—	—	—	—	—	(19,122)	—	(19,122)
Cash dividends paid to noncontrolling interests	—	—	—	—	—	—	—	—	(1,701)	(1,701)
Transfer to legal reserve	—	—	—	16	(16)	—	—	—	—	—
Equity transactions with noncontrolling interests and other	—	—	—	—	—	—	—	—	(3,227)	(3,227)
Gains and losses on disposal of treasury stock	—	—	(3)	—	—	—	—	(3)	—	(3)
Net changes in treasury stock	—	—	—	—	—	—	(30,019)	(30,019)	—	(30,019)
<b>Balance, March 31, 2009</b>	233,288,717	66,378	79,995	10,036	482,488	(35,280)	(74,896)	528,721	61,069	589,790
Comprehensive income:										
Net income	—	—	—	—	46,989	—	—	46,989	6,030	53,019
Other comprehensive income (loss), net of tax (Note 18):										
Unrealized holding gains on securities	—	—	—	—	—	9,200	—	9,200	211	9,411
Unrealized gains on derivative instruments	—	—	—	—	—	169	—	169	47	216
Pension liability adjustments	—	—	—	—	—	1,167	—	1,167	372	1,539
Foreign currency translation adjustments	—	—	—	—	—	996	—	996	212	1,208
Total comprehensive income	—	—	—	—	(18,533)	—	—	58,521	6,872	65,393
Cash dividends paid to SECOM CO., LTD. shareholders	—	—	—	—	—	—	—	(18,533)	—	(18,533)
Cash dividends paid to noncontrolling interests	—	—	—	—	—	—	—	—	(1,759)	(1,759)
Transfer to legal reserve	—	—	—	17	(17)	—	—	—	—	—
Equity transactions with noncontrolling interests and other (Note 18)	—	—	1,101	—	—	—	—	1,101	(1,517)	(416)
Gains and losses on disposal of treasury stock	—	—	(0)	—	—	—	—	(0)	—	(0)
Net changes in treasury stock	—	—	—	—	—	—	(11)	(11)	—	(11)
<b>Balance, March 31, 2010</b>	233,288,717	66,378	81,096	10,053	510,927	(23,748)	(74,907)	569,799	64,665	634,464
Cumulative effect adjustments resulting from adoption of a new accounting standard on variable interest entities, net of tax (Note 2 (2))	—	—	—	—	(3,821)	—	—	(3,821)	—	(3,821)
Comprehensive income:										
Net income	—	—	—	—	62,665	—	—	62,665	6,930	69,595
Other comprehensive income (loss), net of tax (Note 18):										
Unrealized holding losses on securities	—	—	—	—	—	(3,472)	—	(3,472)	(61)	(3,533)
Unrealized gains on derivative instruments	—	—	—	—	—	12	—	12	5	17
Pension liability adjustments	—	—	—	—	—	(972)	—	(972)	(640)	(1,612)
Foreign currency translation adjustments	—	—	—	—	—	(6,399)	—	(6,399)	(381)	(6,780)
Total comprehensive income	—	—	—	—	(18,533)	—	—	51,834	5,853	57,687
Cash dividends paid to SECOM CO., LTD. shareholders	—	—	—	—	—	—	—	(18,533)	—	(18,533)
Cash dividends paid to noncontrolling interests	—	—	—	—	—	—	—	—	(1,822)	(1,822)
Transfer to legal reserve	—	—	—	51	(51)	—	—	—	—	—
Equity transactions with noncontrolling interests and other (Note 18)	—	—	(5,541)	—	—	(226)	—	(5,767)	(7,382)	(13,149)
Gains and losses on disposal of treasury stock	—	—	(0)	—	—	—	—	(0)	—	(0)
Net changes in treasury stock	—	—	—	—	—	—	(17)	(17)	—	(17)
<b>Balance, March 31, 2011</b>	<b>233,288,717</b>	<b>¥66,378</b>	<b>¥75,555</b>	<b>¥10,104</b>	<b>¥551,187</b>	<b>(¥34,805)</b>	<b>(¥74,924)</b>	<b>¥593,495</b>	<b>¥61,314</b>	<b>¥654,809</b>

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

	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Common stock in treasury, at cost	Total SECOM CO., LTD. shareholders' equity	Noncontrolling interest	Total
<b>Balance, March 31, 2010</b>	\$799,735	\$977,060	\$121,120	\$6,155,747	(\$286,120)	(\$902,494)	\$6,865,048	\$779,096	\$7,644,144
Cumulative effect adjustments resulting from adoption of a new accounting standard on variable interest entities, net of tax (Note 2 (2))	—	—	—	(46,036)	—	—	(46,036)	—	(46,036)
Comprehensive income:									
Net income	—	—	—	755,000	—	—	755,000	83,494	838,494
Other comprehensive income (loss), net of tax (Note 18):									
Unrealized holding losses on securities	—	—	—	—	(41,832)	—	(41,832)	(735)	(42,567)
Unrealized gains on derivative instruments	—	—	—	—	145	—	145	60	205
Pension liability adjustments	—	—	—	—	(11,711)	—	(11,711)	(7,711)	(19,422)
Foreign currency translation adjustments	—	—	—	—	(77,096)	—	(77,096)	(4,590)	(81,686)
Total comprehensive income	—	—	—	(223,289)	—	—	624,506	70,518	695,024
Cash dividends paid to SECOM CO., LTD. shareholders	—	—	—	—	—	—	(223,289)	—	(223,289)
Cash dividends paid to noncontrolling interests	—	—	—	—	—	—	—	(21,952)	(21,952)
Transfer to legal reserve	—	—	615	(615)	—	—	—	—	—
Equity transactions with noncontrolling interests and other (Note 18)	—	(66,759)	—	—	(2,723)	—	(69,482)	(88,939)	(158,421)
Gains and losses on disposal of treasury stock	—	(0)	—	—	—	—	(0)	—	(0)
Net changes in treasury stock	—	—	—	—	—	(205)	(205)	—	(205)
<b>Balance, March 31, 2011</b>	<b>\$799,735</b>	<b>\$910,301</b>	<b>\$121,735</b>	<b>\$6,640,807</b>	<b>(\$419,337)</b>	<b>(\$902,699)</b>	<b>\$7,150,542</b>	<b>\$738,723</b>	<b>\$7,889,265</b>

See accompanying notes to consolidated financial statements.

# CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED STATEMENTS OF CASH FLOWS

SECOM CO., LTD. and Subsidiaries  
Three years ended March 31, 2011

	In millions of yen			Translation into thousands of U.S. dollars (Note 3)
	Years ended March 31			Year ended March 31
	2011	2010	2009	2011
<b>Cash flows from operating activities:</b>				
Net income	¥ 69,595	¥ 53,019	¥ 35,488	\$ 838,494
Adjustments to reconcile net income to net cash provided by operating activities—				
Depreciation and amortization, including amortization of deferred charges (Notes 2 (11), 2 (12) and 12)	56,951	55,130	54,625	686,157
Accrual for pension and severance costs, less payments	(2,687)	(3,723)	(5,313)	(32,373)
Deferred income taxes, including discontinued operations	4,512	6,885	(5,416)	54,361
Loss on sales and disposal of fixed assets, net	1,597	2,070	1,994	19,241
Impairment loss on long-lived assets (Note 11)	3	292	76	36
Write-down on real estate inventories (Note 8)	1,482	1,285	8,366	17,855
(Gain) loss on private equity investments (Note 23)	(6,014)	1,367	(1,403)	(72,458)
Provision (reversal of reserve) for litigation loss (Note 25)	—	(781)	2,415	—
Impairment loss on goodwill (Note 12)	—	245	1,578	—
Gain on sales of securities, net (Notes 7, 10 and 14)	(1,658)	(1,302)	(299)	(19,976)
Loss on liquidation of subsidiaries	—	—	32	—
Loss on other-than-temporary impairment of investment securities (Notes 14 and 23)	765	6,321	19,514	9,217
Equity in net income of affiliated companies	(5,028)	(2,620)	(8,733)	(60,578)
Gain on sales of discontinued operations (Note 26)	—	(777)	—	—
Loss on settlement of pre-existing relationship (Note 2 (2))	3,212	—	—	38,699
Payments for legal settlement (Note 25)	(1,770)	—	—	(21,325)
Changes in assets and liabilities, net of effects from acquisitions and disposals:				
(Increase) decrease in cash deposits	(7,685)	7,806	7,030	(92,590)
(Increase) decrease in receivables and due from subscribers, net of allowances	(6,861)	3,845	8,525	(82,663)
(Increase) decrease in inventories	14,564	(3,386)	10,099	175,470
Increase in deferred charges	(15,097)	(14,502)	(15,972)	(181,892)
Decrease in notes and accounts payable	(182)	(3,059)	(7,657)	(2,193)
Decrease in deposits received	(4,236)	(5,133)	(3,136)	(51,036)
Increase (decrease) in deferred revenue	(5,419)	255	(1,037)	(65,289)
Increase (decrease) in accrued income taxes	(1,231)	2,021	(5,530)	(14,831)
Increase in guarantee deposits received	1,367	2,541	1,811	16,470
Increase in unearned premiums and other insurance liabilities	9,148	5,598	5,664	110,217
Other, net	7,297	3,292	4,689	87,915
Net cash provided by operating activities	112,625	116,689	107,410	1,356,928
<b>Cash flows from investing activities:</b>				
(Increase) decrease in time deposits	(9,665)	1,413	(12)	(116,446)
Proceeds from sales of property, plant and equipment	780	1,765	206	9,398
Payments for purchases of property, plant and equipment	(41,726)	(38,283)	(44,790)	(502,723)
Payments for purchases of intangible assets	(4,829)	(7,231)	(4,166)	(58,181)
Proceeds from sales and redemptions of investment securities (Note 7)	37,187	44,857	60,065	448,036
Payments for purchases of investment securities	(32,163)	(24,585)	(57,133)	(387,506)
(Increase) decrease in short-term investments	(1,854)	3,776	(3,317)	(22,337)
Proceeds from sales of discontinued operations	—	5,185	—	—
Acquisitions, net of cash acquired (Note 4)	(1,809)	996	(1,498)	(21,795)
Proceeds from sales in investments in affiliated companies (Note 10)	5,055	—	53	60,904
Decrease in short-term receivables, net	164	250	87	1,976
Payments for long-term receivables	(402)	(5,014)	(6,796)	(4,843)
Proceeds from long-term receivables	1,965	6,043	7,160	23,675
Other, net	421	226	222	5,071
Net cash used in investing activities	(46,876)	(10,602)	(49,919)	(564,771)
<b>Cash flows from financing activities:</b>				
Proceeds from long-term debt	11,277	6,885	11,396	135,867
Repayments of long-term debt	(11,597)	(12,951)	(13,411)	(139,723)
Decrease in bank loans, net	(312)	(35,156)	(55,161)	(3,759)
Decrease in investment deposits by policyholders	(20,583)	(23,838)	(1,188)	(247,988)
Dividends paid to SECOM CO., LTD. shareholders	(18,533)	(18,533)	(19,122)	(223,289)
Dividends paid to noncontrolling interests	(1,822)	(1,759)	(1,701)	(21,952)
Payments for acquisition of shares of consolidated subsidiaries from noncontrolling interest holders	(13,703)	(399)	—	(165,096)
Increase in treasury stock, net	(17)	(11)	(30,019)	(205)
Other, net	—	75	(711)	—
Net cash used in financing activities	(55,290)	(85,687)	(109,917)	(666,145)
<b>Cumulative effect adjustments resulting from adoption of a new accounting standard on variable interest entities (Note 2 (2))</b>				
	3,905	—	—	47,048
<b>Effect of exchange rate changes on cash and cash equivalents</b>				
	(566)	351	(2,758)	(6,819)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>13,798</b>	<b>20,751</b>	<b>(55,184)</b>	<b>166,241</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>180,144</b>	<b>159,393</b>	<b>214,577</b>	<b>2,170,410</b>
<b>Cash and cash equivalents at end of year</b>	<b>¥193,942</b>	<b>¥180,144</b>	<b>¥159,393</b>	<b>\$2,336,651</b>

See accompanying notes to consolidated financial statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SECOM CO., LTD. and Subsidiaries  
Three years ended March 31, 2011

### 1. Nature of Operations

The parent company and its subsidiaries (collectively "the Company") are engaged in the areas of security services, fire protection services, medical services, insurance services, geographic information services, real estate development and sales, and information and communication related and other services. With these services combined, the Company is focusing on the establishment of a "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 security systems for commercial and residential premises, static guard services, armored car services for cash collection and deposit and security merchandise. The Company has also been diversifying its services covering: fire protection services, including automatic fire alarm systems and fire extinguishing systems; medical services, including home and other medical services; insurance services, focusing on non-life insurance services; geographic information services using geographic information system ("GIS") and surveying and measuring technology; real estate development and sales, focusing on the development and sale of condominiums that feature security services and disaster prevention services; and information and communication related services, centered on information security services and the provision of comprehensive information networks designed to assist people and companies in the event of a major disaster; lease of real estate and other services.

### 2. Significant Accounting Policies

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

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

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

The consolidated financial statements include the accounts of the parent company and those of its majority owned subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation.

Investments in companies in which the ability to exercise significant influence exists (generally 20 to 50 percent owned companies), 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.

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

The consolidated financial statements also include variable interest entities ("VIEs") of which the Company is the primary beneficiary.

In December 2009, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2009-17, "Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities," which amends the Accounting Standards Codification ("ASC") 810, "Consolidation." This accounting standard requires the reporting entity to consolidate a variable interest entity ("VIE") as its primary beneficiary when it is deemed to have a controlling financial interest in a VIE, meeting both of the following characteristics:

- The power to direct activities of a VIE that most significantly impact the VIE's economic performance.
- The obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE.

This accounting standard is effective for fiscal years beginning after November 15, 2009 and was adopted by the Company in the fiscal year ended March 31, 2011. Due to the adoption of this accounting standard, certain organizations managing hospitals and health care-related institutions previously not consolidated until March 31, 2010 were included in the scope of consolidation as of April 1, 2010. As a result, assets of ¥22,907 million (\$275,988 thousand) and liabilities of ¥26,728 million (\$322,024 thousand), after elimination of intercompany balances, were included in the consolidated balance sheet at April 1, 2010. The cumulative effect adjustments resulting from the adoption of this accounting standard decreased the beginning retained earnings for the year ended March 31, 2011 by ¥3,821 million (\$46,036 thousand), net of tax. In addition, the Company recognized in the medical services segment ¥3,212 million (\$38,699 thousand) as a loss on settlement of pre-existing relationship, which relates to the settlement of a lease contract between the Company and the entity newly included in the scope of consolidation according to the adoption of this accounting standard.

The Company provides investments, loans and guarantees to organizations managing hospitals and health care-related institutions, to a company holding real estate and to a PFI (Private Finance Initiative) organization which was established to build, maintain and operate correctional facilities. Certain organizations are considered VIEs under ASC 810.

Total assets and liabilities held by VIEs of which the Company is the primary beneficiary were ¥67,860 million (\$817,590 thousand) and ¥77,277 million (\$931,048 thousand), respectively, at March 31, 2011, and ¥65,678 million and ¥76,502 million, respectively, at March 31, 2010. Total assets and liabilities held by VIEs of which the Company holds significant variable interests but is not the primary beneficiary were ¥31,642 million (\$381,229 thousand) and ¥32,574 million (\$392,458 thousand), respectively, at March 31, 2011, and ¥32,371 million and ¥33,116 million, respectively, at March 31, 2010. The Company's assets in the consolidated balance sheets and the Company's maximum exposure to losses related to VIEs at March 31, 2011 and 2010 were ¥4,568 million (\$55,036 thousand) and ¥4,356 million, respectively.

#### **(3) Revenue Recognition**

The Company generates revenue principally through sales of security services, merchandise and software, and insurance services under separate contractual arrangements. The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred 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 recognized in 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 ASC 605, "Revenue Recognition." 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 is principally recognized when construction is completed.

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

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

Revenue from sales of real estate is recognized when the title of the real estate is transferred to the customer.

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

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

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

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

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

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

#### (7) Private Equity Investments

The Company accounts for private equity investments in accordance with ASC 946, "Financial Services—Investment Companies," in which investments are accounted for at fair value based on the Company's assessment of each underlying investment. The investments, by their nature, have little or no price transparency. Investments are initially carried at cost as an approximation of fair value. Adjustments to carrying value are made if there is evidence of a change in fair value. Downward adjustments are also made, in the absence of third-party transactions, if it is determined that the expected realizable value of the investment has declined below the carrying value.

The carrying value of private equity investments was ¥25,980 million (\$313,012 thousand) and ¥23,520 million at March 31, 2011 and 2010, respectively.

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

### **(8) Inventories**

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

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

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

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

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

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

Property, plant and equipment, including significant leasehold improvements, are carried at cost and depreciated at rates based on the estimated useful lives of the assets. Depreciation is computed using the straight-line method for assets other than security equipment and control stations. Security equipment and control stations are depreciated by using the declining-balance method. Assets leased to others under operating leases are depreciated using the straight-line method over the estimated useful lives. Depreciation expense was ¥35,634 million (\$429,325 thousand), ¥34,033 million and ¥33,417 million for the years ended March 31, 2011, 2010 and 2009, respectively. Maintenance, repairs and renewals are charged to income as incurred.

The estimated useful lives of depreciable assets are as follows:

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

Effective April 1, 2008, the Company adopted the straight-line method of depreciation for assets other than security equipment and control stations. In accordance with ASC 250, "Accounting Changes and Error Corrections," this change in depreciation method is treated on a prospective basis as a change in estimate. Prior period results have not been restated. The Company has unified its accounting policy within the Group, as it believes that the change of depreciation method for assets other than security equipment and control stations better reflects the pattern of consumption of the future benefits to be derived from those assets being depreciated and provides a better matching of costs and revenues over the assets' estimated useful lives.

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

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

Deferred charges primarily consist of costs related to installation services of security equipment related to on-line security systems. The installation costs are deferred and amortized using the straight-line method over the contractual period of security services after completion of the installation. Amortization expense was ¥15,081 million (\$181,699 thousand), ¥15,312 million and ¥15,359 million for the years ended March 31, 2011, 2010 and 2009, respectively.

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

In accordance with ASC 360, "Property, Plant and Equipment," 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, and calculated as the difference between the assets' carrying amount and the fair value. Long-lived assets that are to be disposed of other than by sale are considered held and used until they are disposed of. Long-lived assets that are to be disposed of by sale are reported at the lower of their carrying amount or fair value less cost to sell. Reductions in the 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 ASC 350, "Intangibles—Goodwill and Other," 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. This accounting standard 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 ASC 360. 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.

The Company recognizes in the consolidated financial statements the impact of a tax position, if any, based on the technical merits of the position, when that position is more likely than not to be sustained upon examination. The benefit of the tax position is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon settlement with the appropriate tax authority.

The Company recognizes interest and penalties accrued related to unrecognized tax benefits in income taxes in the consolidated statements 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, 2011, 2010 and 2009 were ¥4,034 million (\$48,602 thousand), ¥4,665 million and ¥5,292 million, respectively.

**(19) Derivative Financial Instruments**

The Company accounts for derivative financial instruments in accordance with ASC 815, "Derivatives and Hedging."

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 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 necessary for effective hedges which include their risk management objective and strategy for undertaking various hedge transactions. In addition, formal assessment is made at inception of the hedge and periodically on an on-going basis, as to whether the derivatives

used in hedging activities are highly effective in off-setting changes in fair values or cash flow of hedged items. Hedge accounting is discontinued for ineffective hedges, if any. Discontinued hedges are recognized in 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, 2011, 2010 and 2009 was 218,032 thousand shares, 218,035 thousand shares and 222,378 thousand shares, respectively. There were no potentially dilutive shares outstanding during the years ended March 31, 2011, 2010 or 2009.

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, the disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the carrying amounts of inventories, deferred insurance acquisition costs, investment securities, other investments, property, plant and equipment, goodwill, other intangible assets and unearned premiums and other insurance liabilities; valuation of receivables; valuation allowances for deferred income taxes; valuation of derivative instruments; assets and obligations related to employee benefits; income tax uncertainties; reserve for litigation loss; and other contingencies.

**(22) Recent Pronouncements**

In December 2009, the FASB issued ASU No. 2009-17, "Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities." This accounting standard requires an enterprise to perform an analysis to identify the primary beneficiary of a variable interest entity and also requires ongoing reassessments of whether an enterprise is the primary beneficiary of a variable interest entity. This accounting standard is effective for fiscal years beginning after November 15, 2009 and was adopted by the Company in the fiscal year ended March 31, 2011. The impact of the adoption on the Company's consolidated results of operations and financial position is described in Note 2 (2).

In July 2010, the FASB issued ASU No. 2010-20, "Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses." This accounting standard requires an entity to provide certain existing disclosures and new disclosures, on a disaggregated basis, about its financing receivables and related allowance for credit losses. This accounting standard is effective for fiscal years beginning on or after December 15, 2010 and was adopted by the Company in the fiscal year ended March 31, 2011. The adoption of this accounting standard had no impact on the Company's consolidated results of operations and financial position. The Company's additional disclosures from the adoption of this accounting standard are described in Note 9.

In September 2009, the FASB issued ASU No. 2009-13, "Multiple-Deliverable Revenue Arrangements, a Consensus of the FASB Emerging Issues Task Force." This accounting standard addresses the accounting for multiple-deliverable arrangements to

enable the vender to account for products or services separately rather than as a combined unit, and also addresses how to separate deliverables and how to measure and allocate arrangement consideration to one or more units of accounting. This accounting standard will be effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, and will be adopted by the Company in the fiscal year beginning April 1, 2011. It is not anticipated that the adoption will have a material impact on the Company's consolidated results of operations or financial position.

In October 2009, the FASB issued ASU No. 2009-14, "Certain Revenue Arrangements That Include Software Elements, a Consensus of the FASB Emerging Issues Task Force." This accounting standard modifies the scope of the software revenue recognition guidance and excludes tangible products containing software components and nonsoftware components that function together to deliver the tangible product's essential functionality from the scope. This accounting standard is effective for fiscal years beginning on or after June 15, 2010, and will be adopted by the Company in the fiscal year beginning April 1, 2011. It is not anticipated that the adoption will have a material impact on the Company's consolidated results of operations or financial position.

In October 2010, the FASB issued ASU No. 2010-26, "Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts, a Consensus of the FASB Emerging Issues Task Force." This accounting standard redefines the definition of acquisition costs qualifying for deferral to be costs that are related directly to the successful acquisition of new or renewal insurance contracts. This accounting standard is effective for fiscal years beginning after December 15, 2011, and will be adopted by the Company in the fiscal year beginning April 1, 2012. The Company is currently evaluating the effect of adopting this accounting standard on its consolidated financial statements.

In April 2011, the FASB issued ASU No. 2011-02, "A Creditor's Determination of Whether a Restructuring Is a Troubled Debt Restructuring." This accounting standard provides the criteria as to whether a loan modification constitutes a troubled debt restructuring and requires additional disclosures about troubled debt restructurings. This accounting standard is effective for fiscal years beginning on or after June 15, 2011, and will be adopted by the Company in the fiscal year beginning April 1, 2012. It is not anticipated that the adoption will have a material impact on the Company's consolidated results of operations or financial position.

In May 2011, the FASB issued ASU No. 2011-04, "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs." This accounting standard amends current U.S. GAAP to create more commonality with IFRSs by changing the wording used to describe requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. This accounting standard is effective for fiscal years beginning after December 15, 2011, and will be adopted by the Company in the fiscal year beginning April 1, 2012. It is not anticipated that the adoption will have a material impact on the Company's consolidated results of operations or financial position.

### (23) Reclassifications

The accompanying consolidated financial statements for the years ended March 31, 2010 and 2009 have been reclassified to conform to the presentation used for the year ended March 31, 2011.

### 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 ¥83=US\$1, the rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2011. 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. Acquisitions

In July 2009, the Company acquired all outstanding shares of MAC International Co., Ltd. in exchange for the Company's long-term receivables of ¥3,733 million and other short-term receivables of ¥1,000 million, by foreclosing. The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition. Short-term loans of ¥5,684 million and long-term debt of ¥868 million to domestic subsidiaries were eliminated in consolidation.

	In millions of yen
Cash and cash equivalents .....	¥ 1,037
Other current assets .....	322
Investments and long-term receivables .....	8,941
Property, plant and equipment .....	4,138
Goodwill .....	702
Other assets .....	20
<b>Total assets acquired .....</b>	<b>15,160</b>
Current liabilities .....	5,798
Other liabilities .....	4,629
<b>Total liabilities assumed .....</b>	<b>10,427</b>
<b>Net assets acquired .....</b>	<b>¥ 4,733</b>

In February 2010, MAC International Co., Ltd. was merged into Secom Medical System Co., Ltd., a subsidiary of the Company.

The pro-forma result related to this acquisition is not disclosed because the impact on the consolidated financial statements is not material.

### 5. Cash and Cash Equivalents

Cash and cash equivalents at March 31, 2011 and 2010 were comprised as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2011	2010	2011
Cash .....	<b>¥120,371</b>	¥125,552	<b>\$1,450,253</b>
Time deposits .....	<b>41,427</b>	15,429	<b>499,121</b>
Call loan .....	<b>29,500</b>	36,500	<b>355,422</b>
Investment securities .....	<b>2,644</b>	2,663	<b>31,855</b>
	<b>¥193,942</b>	¥180,144	<b>\$2,336,651</b>

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

## CONSOLIDATED FINANCIAL STATEMENTS

### 6. Cash Deposits

The Company operates cash collection and deposit services for financial institutions relating to cash dispensers located outside of financial institution facilities and also operates cash collection service for entities other than financial institutions. Cash deposit balances of ¥56,546 million (\$681,277 thousand) and ¥48,862 million at March 31, 2011 and 2010, respectively, are segregated from cash and cash equivalents and are restricted as to use by the Company. The Company funds most of the cash for such operations through bank overdrafts and deposits. Bank loans and deposits received, which relate to these operations, were ¥29,387 million (\$354,060 thousand) and ¥20,659 million (\$248,904 thousand), respectively, at March 31, 2011, and ¥24,492 million and ¥23,790 million, respectively, at March 31, 2010. 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, 2011 and 2010 were as follows:

In millions of yen				
March 31, 2011				
	Cost	Gross unrealized		Fair value
		Gains	Losses	
<b>Short-term investments:</b>				
Available-for-sale:				
Debt securities .....	¥ 6,358	¥ 27	¥ 2	¥ 6,383
Held-to-maturity:				
Debt securities .....	10	0	—	10
	¥ 6,368	¥ 27	¥ 2	¥ 6,393
<b>Investment securities:</b>				
Available-for-sale:				
Equity securities .....	¥ 29,930	¥4,460	¥2,059	¥ 32,331
Debt securities .....	71,170	2,289	660	72,799
Held-to-maturity:				
Debt securities .....	7,473	20	49	7,444
	¥108,573	¥6,769	¥2,768	¥112,574
In millions of yen				
March 31, 2010				
	Cost	Gross unrealized		Fair value
		Gains	Losses	
<b>Short-term investments:</b>				
Available-for-sale:				
Debt securities .....	¥ 12,379	¥ 908	¥ —	¥ 13,287
Held-to-maturity:				
Debt securities .....	40	—	0	40
	¥ 12,419	¥ 908	¥ 0	¥ 13,327
<b>Investment securities:</b>				
Available-for-sale:				
Equity securities .....	¥ 37,173	¥7,153	¥330	¥ 43,996
Debt securities .....	61,397	2,446	—	63,843
Held-to-maturity:				
Debt securities .....	6,086	8	0	6,094
	¥104,656	¥9,607	¥330	¥113,933

In thousands of U.S. dollars				
March 31, 2011				
	Cost	Gross unrealized		Fair value
		Gains	Losses	
<b>Short-term investments:</b>				
Available-for-sale:				
Debt securities .....	\$ 76,603	\$ 325	\$ 24	\$ 76,904
Held-to-maturity:				
Debt securities .....	120	0	—	120
	\$ 76,723	\$ 325	\$ 24	\$ 77,024
<b>Investment securities:</b>				
Available-for-sale:				
Equity securities .....	\$ 360,602	\$53,735	\$24,807	\$ 389,530
Debt securities .....	857,470	27,578	7,952	877,096
Held-to-maturity:				
Debt securities .....	90,036	241	590	89,687
	\$1,308,108	\$81,554	\$33,349	\$1,356,313

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, 2011 were as follows:

In millions of yen				
March 31, 2011				
	Less than 12 months		12 months or longer	
	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
<b>Available-for-sale:</b>				
Equity securities.....	¥11,718	¥2,059	¥—	¥—
Debt securities.....	9,164	662	—	—
	¥20,882	¥2,721	¥—	¥—
<b>Held-to-maturity:</b>				
Debt securities.....	¥ 6,961	¥ 49	¥—	¥—
In thousands of U.S. dollars				
March 31, 2011				
	Less than 12 months		12 months or longer	
	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
<b>Available-for-sale:</b>				
Equity securities.....	\$141,181	\$24,807	\$—	\$—
Debt securities.....	110,409	7,976	—	—
	\$251,590	\$32,783	\$—	\$—
<b>Held-to-maturity:</b>				
Debt securities.....	\$ 83,867	\$ 590	\$—	\$—

Based on the Company's ability and intent to hold the investment for a reasonable period of time sufficient for a recovery of fair value, the credit condition of the issuers and other relevant factors, the Company does not consider these investments to be other-than-temporarily impaired at March 31, 2011.

At March 31, 2011, 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, 2011 are as follows:

	In millions of yen			
	March 31, 2011			
	Available-for-sale		Held-to-maturity	
	Cost	Fair value	Cost	Fair value
Due within 1 year .....	¥ 6,358	¥ 6,383	¥ 10	¥ 10
Due after 1 year through 5 years .....	32,871	33,412	—	—
Due after 5 years through 10 years .....	27,447	28,015	1,500	1,483
Due after 10 years .....	10,852	11,372	5,973	5,961
	<b>¥77,528</b>	<b>¥79,182</b>	<b>¥7,483</b>	<b>¥7,454</b>

	In thousands of U.S. dollars			
	March 31, 2011			
	Available-for-sale		Held-to-maturity	
	Cost	Fair value	Cost	Fair value
Due within 1 year .....	\$ 76,603	\$ 76,904	\$ 120	\$ 120
Due after 1 year through 5 years .....	396,036	402,554	—	—
Due after 5 years through 10 years .....	330,687	337,530	18,072	17,868
Due after 10 years .....	130,747	137,012	71,964	71,819
	<b>\$934,073</b>	<b>\$954,000</b>	<b>\$90,156</b>	<b>\$89,807</b>

During the years ended March 31, 2011, 2010 and 2009, the net unrealized gains and losses on "available-for-sale" securities included as part of other comprehensive income (loss), net of tax, decreased by ¥3,472 million (\$41,832 thousand), increased by ¥9,200 million and decreased by ¥460 million, respectively.

Proceeds from the sale of "available-for-sale" securities for the years ended March 31, 2011, 2010 and 2009 were ¥17,187 million (\$207,072 thousand), ¥31,328 million and ¥59,340 million, respectively. On those sales, the gross realized gains and gross realized losses, using moving-average cost basis, for the years ended March 31, 2011, 2010 and 2009 were as follows:

	In millions of yen			In thousands of U.S. dollars
	2011	2010	2009	2011
Gross realized gains .....	<b>¥2,916</b>	¥1,499	¥679	<b>\$35,133</b>
Gross realized losses .....	<b>752</b>	383	325	<b>9,060</b>

The Company maintains long-term investment securities, issued by a number of non-public companies, included as investment securities in the consolidated balance sheets. The aggregate carrying amount of the investments in non-public companies, at cost net of other-than-temporary impairment, was ¥10,407 million (\$125,386 thousand) and ¥10,624 million at March 31, 2011 and 2010, respectively. The corresponding fair value at that date was not computed as such estimation was not practical.

## 8. Inventories

Inventories at March 31, 2011 and 2010 comprised the following:

	In millions of yen		In thousands of U.S. dollars
	2011	2010	2011
Security-related products.....	¥ 5,596	¥ 7,940	\$ 67,422
Fire protection-related products .....	10,518	12,279	126,723
Real estate.....	59,913	74,423	721,843
Information and other-related products .....	5,742	3,613	69,181
	<b>¥81,769</b>	<b>¥98,255</b>	<b>\$985,169</b>

Work in process for real estate inventories at March 31, 2011 and 2010, amounting to ¥48,432 million (\$583,518 thousand) and ¥55,916 million, respectively, are included in real estate.

The amount of write-down on real estate inventories included in cost of sales for the years ended March 31, 2011, 2010 and 2009 were ¥1,482 million (\$17,855 thousand), ¥1,285 million and ¥8,366 million, respectively.

## 9. Credit Quality of Financing Receivables and Allowance for Doubtful Accounts

The Company has financing receivables and classifies them into five categories: "lease receivable," "loans receivable resulting from medical services," "loans receivable resulting from insurance services," "other loans receivable" and "other." Financing receivables classified as "lease receivable" are resulting from lease transactions of security equipment and real estate for office and medical institutions.

The Company continuously monitors overdue financing receivables, which the Company considers as uncollectible risk receivables. For financing receivables with specific customer collection issues, the Company individually evaluates their collectability in order to determine the amount of allowance for doubtful accounts. For other financing receivables, the Company categorizes these receivables into groups by their nature and characteristics. The Company collectively evaluates the collectability by each group, using its historical experience of write-off and determines the amount of allowance for doubtful accounts.

Financing receivables and allowance for doubtful accounts at March 31, 2011 are as follows:

	In millions of yen					
	Lease receivable	Loans receivable resulting from medical services	Loans receivable resulting from insurance services	Other loans receivable	Other	Total
Allowance for doubtful accounts:						
Individually evaluated.....	¥ 41	¥2,629	¥ 874	¥2,957	¥1,180	¥ 7,681
Collectively evaluated.....	386	—	149	70	—	605
	<b>¥ 427</b>	<b>¥2,629</b>	<b>¥1,023</b>	<b>¥3,027</b>	<b>¥1,180</b>	<b>¥ 8,286</b>
Financing receivables:						
Individually evaluated.....	¥ 44	¥12,326	¥1,417	¥3,128	¥1,218	¥18,133
Collectively evaluated.....	25,551	413	6,659	3,165	196	35,984
	<b>¥25,595</b>	<b>¥12,739</b>	<b>¥8,076</b>	<b>¥6,293</b>	<b>¥1,414</b>	<b>¥54,117</b>

## CONSOLIDATED FINANCIAL STATEMENTS

In thousands of U.S. dollars						
	Lease receivable	Loans receivable resulting from medical services	Loans receivable resulting from insurance services	Other loans receivable	Other	Total
Allowance for doubtful accounts:						
Individually evaluated .....	\$ 494	\$ 31,675	\$ 10,530	\$ 35,627	\$ 14,216	\$ 92,542
Collectively evaluated .....	4,651	—	1,795	843	—	7,289
	<b>\$ 5,145</b>	<b>\$ 31,675</b>	<b>\$ 12,325</b>	<b>\$ 36,470</b>	<b>\$ 14,216</b>	<b>\$ 99,831</b>
Financing receivables:						
Individually evaluated .....	\$ 530	\$ 148,506	\$ 17,072	\$ 37,687	\$ 14,675	\$ 218,470
Collectively evaluated .....	307,843	4,976	80,229	38,133	2,361	433,542
	<b>\$ 308,373</b>	<b>\$ 153,482</b>	<b>\$ 97,301</b>	<b>\$ 75,820</b>	<b>\$ 17,036</b>	<b>\$ 652,012</b>

The Company ascribes the fact of past due and the financial position of the debtor to credit quality indicators and classifies financing receivables into Overdue and Current. Financing receivables determined to have no prospects for collecting contractual interest on the basis of past due date and other factors are no longer recorded as accruing interest.

Analysis of the age of the recorded financing receivables and financing receivables on nonaccrual status at March 31, 2011 are as follows:

In millions of yen						
	Lease receivable	Loans receivable resulting from medical services	Loans receivable resulting from insurance services	Other loans receivable	Other	Total
Current .....	¥25,551	¥12,436	¥6,659	¥3,165	¥ 899	¥48,710
Overdue .....	44	303	1,417	3,128	515	5,407
Total:						
Financing receivables .....	¥25,595	¥12,739	¥8,076	¥6,293	¥1,414	¥54,117
Financing receivables on nonaccrual status .....	¥ —	¥ 4,614	¥1,417	¥3,128	¥ —	¥ 9,159

In thousands of U.S. dollars						
	Lease receivable	Loans receivable resulting from medical services	Loans receivable resulting from insurance services	Other loans receivable	Other	Total
Current .....	\$ 307,843	\$ 149,831	\$ 80,229	\$ 38,133	\$ 10,831	\$ 586,867
Overdue .....	530	3,651	17,072	37,687	6,205	65,145
Total:						
Financing receivables .....	\$ 308,373	\$ 153,482	\$ 97,301	\$ 75,820	\$ 17,036	\$ 652,012
Financing receivables on nonaccrual status .....	\$ —	\$ 55,590	\$ 17,072	\$ 37,687	\$ —	\$ 110,349

### 10. Investments in Affiliated Companies

The Company has investments in affiliated companies that are accounted for under the equity method. Investments principally consist of Taiwan Secom Co., Ltd., a 28.8 percent owned affiliate, which is listed on the Taiwan Stock Exchange; S1 Corporation, a 27.8 percent owned affiliate, which is listed on the Korea Exchange; Toyo Tech Co., Ltd., a 27.8 percent owned affiliate, which is listed on the Second Section of the Osaka Securities Exchange.

Combined 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
	2011	2010	2011
Current assets .....	¥ 72,049	¥ 85,620	\$ 868,060
Non-current assets .....	111,349	122,321	1,341,554
Total assets .....	¥183,398	¥207,941	\$ 2,209,614
Current liabilities .....	¥ 34,272	¥ 39,388	\$ 412,916
Non-current liabilities .....	32,458	35,512	391,060
Equity .....	116,668	133,041	1,405,638
Total liabilities and equity .....	¥183,398	¥207,941	\$ 2,209,614

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31		Year ended March 31	
	2011	2010	2009	2011
Net sales .....	¥129,551	¥153,990	¥177,465	\$ 1,560,855
Gross profit .....	¥ 46,156	¥ 44,395	¥ 54,621	\$ 556,096
Net income attributable to affiliated companies .....	¥ 16,933	¥ 14,105	¥ 18,574	\$ 204,012

Dividends received from affiliated companies for the years ended March 31, 2011, 2010 and 2009 were ¥2,175 million (\$26,205 thousand), ¥2,295 million and ¥2,503 million, respectively.

Three (four at March 31, 2010) listed affiliated companies accounted for under the equity method with an aggregated carrying amount of ¥27,555 million (\$331,988 thousand) and ¥31,834 million at March 31, 2011 and 2010, respectively, had a quoted market value of ¥61,259 million (\$738,060 thousand) and ¥60,911 million at March 31, 2011 and 2010, respectively.

The amounts of goodwill were ¥3,254 million (\$39,205 thousand) and ¥2,175 million at March 31, 2011 and 2010, respectively.

In June 2011, the parent company sold the outstanding share of Tokyo Biso Kogyo Corporation, a 36.6 percent owned affiliate, to TB Holdings Corporation for ¥5,055 million (\$60,904 thousand). The sale resulted in a loss of ¥513 million (\$6,181 thousand).

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			Year ended March 31
	2011	2010	2009	2011
Sales .....	<b>¥1,669</b>	¥1,597	¥1,737	<b>\$20,108</b>
Purchases.....	<b>¥5,128</b>	¥6,504	¥8,293	<b>\$61,783</b>

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2011	2010	2011
Notes and accounts receivable, trade .....	<b>¥ 460</b>	¥ 432	<b>\$ 5,542</b>
Loans receivable.....	<b>¥ 81</b>	¥ 87	<b>\$ 976</b>
Notes and accounts payable.....	<b>¥2,261</b>	¥2,189	<b>\$27,241</b>
Guarantees for bank loans.....	<b>¥ 150</b>	¥ —	<b>\$ 1,807</b>

The Company's equity in undistributed income of affiliates at March 31, 2011 and 2010 included in retained earnings was ¥26,319 million (\$317,096 thousand) and ¥22,819 million, respectively.

### 11. Long-Lived Assets

The Company has assessed the potential impairment of its long-lived assets. 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, 2011, 2010 and 2009 was as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2011	2010	2009	2011
Security services.....	<b>¥—</b>	¥ 83	¥34	<b>\$—</b>
Fire protection services.....	<b>—</b>	15	—	<b>—</b>
Medical services.....	<b>1</b>	—	—	<b>12</b>
Insurance services .....	<b>—</b>	—	—	<b>—</b>
Geographic information services.....	<b>2</b>	149	42	<b>24</b>
Real estate development and sales.....	<b>—</b>	—	—	<b>—</b>
Information and communication related and other services.....	<b>—</b>	45	—	<b>—</b>
Corporate items.....	<b>—</b>	—	—	<b>—</b>
	<b>¥ 3</b>	¥292	¥76	<b>\$36</b>

### 12. Goodwill and Other Intangible Assets

The components of acquired intangible assets excluding goodwill at March 31, 2011 and 2010 were as follows:

	In millions of yen		
	March 31, 2011		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortized intangible assets:			
Software.....	<b>¥38,234</b>	<b>(¥21,933)</b>	<b>¥16,301</b>
Other.....	<b>5,104</b>	<b>(2,965)</b>	<b>2,139</b>
	<b>¥43,338</b>	<b>(¥24,898)</b>	<b>¥18,440</b>
Unamortized intangible assets.....	<b>¥ 4,153</b>	<b>¥ —</b>	<b>¥ 4,153</b>

	In millions of yen		
	March 31, 2010		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortized intangible assets:			
Software.....	¥33,989	(¥18,041)	¥15,948
Other.....	5,024	(2,532)	2,492
	¥39,013	(¥20,573)	¥18,440
Unamortized intangible assets.....	<b>¥ 4,057</b>	<b>¥ —</b>	<b>¥ 4,057</b>

	In thousands of U.S. dollars		
	March 31, 2011		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortized intangible assets:			
Software.....	<b>\$460,651</b>	<b>(\$264,253)</b>	<b>\$196,398</b>
Other.....	<b>61,494</b>	<b>(35,723)</b>	<b>25,771</b>
	<b>\$522,145</b>	<b>(\$299,976)</b>	<b>\$222,169</b>
Unamortized intangible assets.....	<b>\$ 50,037</b>	<b>\$ —</b>	<b>\$ 50,037</b>

Aggregate amortization expense for the years ended March 31, 2011, 2010 and 2009 was ¥6,236 million (\$75,133 thousand), ¥5,785 million and ¥5,850 million, respectively. Amortized intangible assets are amortized using the straight-line method over the estimated useful lives. The weighted average amortization period for internal use software is approximately five years.

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

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2012.....	¥5,739	\$69,145
2013.....	4,516	54,410
2014.....	3,554	42,819
2015.....	2,392	28,819
2016.....	1,166	14,048



## CONSOLIDATED FINANCIAL STATEMENTS

The changes in the carrying amount of goodwill by business segment for the years ended March 31, 2011 and 2010 were as follows:

	In millions of yen						Total
	Security services	Fire protection services	Medical services	Geographic information services	Real estate development and sales	Information and communication related and other services	
Goodwill.....	¥2,148	¥—	¥9,598	¥4,269	¥135	¥5,399	¥21,549
Accumulated impairment losses.....	(406)	—	(4,423)	(492)	(135)	(653)	(6,109)
March 31, 2009....	1,742	—	5,175	3,777	—	4,746	15,440
Goodwill acquired during the year ...	—	—	702	—	—	—	702
Disposal.....	—	—	—	—	—	(2,919)	(2,919)
Impairment losses.....	—	—	(245)	—	—	—	(245)
Translation adjustment.....	174	—	—	—	—	—	174
Goodwill.....	2,322	—	9,970	4,269	135	2,002	18,698
Accumulated impairment losses.....	(406)	—	(4,338)	(492)	(135)	(175)	(5,546)
March 31, 2010....	1,916	—	5,632	3,777	—	1,827	13,152
Goodwill acquired during the year ...	675	81	—	711	—	—	1,467
Disposal.....	—	—	—	—	—	—	—
Impairment losses.....	—	—	—	—	—	—	—
Translation adjustment.....	(99)	—	—	(70)	—	—	(169)
Goodwill.....	2,898	81	9,970	4,910	135	2,002	19,996
Accumulated impairment losses.....	(406)	—	(4,338)	(492)	(135)	(175)	(5,546)
March 31, 2011... <b>¥2,492</b>	<b>¥81</b>	<b>¥5,632</b>	<b>¥4,418</b>	<b>¥—</b>	<b>¥1,827</b>	<b>¥14,450</b>	

	In thousands of U.S. dollars						Total
	Security services	Fire protection services	Medical services	Geographic information services	Real estate development and sales	Information and communication related and other services	
Goodwill.....	\$27,976	\$—	\$120,120	\$51,434	\$1,627	\$24,120	\$225,277
Accumulated impairment losses.....	(4,892)	—	(52,265)	(5,928)	(1,627)	(2,108)	(66,820)
March 31, 2010....	23,084	—	67,855	45,506	—	22,012	158,457
Goodwill acquired during the year ...	8,133	976	—	8,566	—	—	17,675
Disposal.....	—	—	—	—	—	—	—
Impairment losses.....	—	—	—	—	—	—	—
Translation adjustment.....	(1,193)	—	—	(843)	—	—	(2,036)
Goodwill.....	34,916	976	120,120	59,157	1,627	24,120	240,916
Accumulated impairment losses.....	(4,892)	—	(52,265)	(5,928)	(1,627)	(2,108)	(66,820)
March 31, 2011... <b>\$30,024</b>	<b>\$976</b>	<b>\$ 67,855</b>	<b>\$53,229</b>	<b>\$—</b>	<b>\$22,012</b>	<b>\$174,096</b>	

The Company recognized impairment losses primarily related to goodwill allocated to reporting units in the medical services

segment of ¥245 million for the year ended March 31, 2010, due to decreases in the estimated fair value of these reporting units mainly caused by decreases of projected cash flows.

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

### 13. Bank Loans and Long-Term Debt

Bank loans of ¥47,698 million (\$574,675 thousand) and ¥43,025 million at March 31, 2011 and 2010, respectively, are generally comprised of 30 to 365 day notes. The weighted average interest rate was 1.19 percent and 1.24 percent at March 31, 2011 and 2010, 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, 2011, Nohmi Bosai Ltd., a subsidiary of the parent company, had an unused committed line of credit from a short-term arrangement of ¥4,000 million (\$48,193 thousand). The line of credit expires in March 2013. Under the agreement, Nohmi Bosai Ltd. is required to pay committed fees at an annual rate of 0.15 percent, on the unused portion of the line of credit. At March 31, 2011, the Company had overdraft agreements with 17 banks and its unused lines of credit amounted to ¥10,275 million (\$123,795 thousand). The Company incurs no fee on the unused portion of the lines of credit. The overdraft agreements expire in the period from April 2011 to March 2012. The Company has the ability and intent to extend these overdraft agreements under similar terms and conditions.

Long-term debt at March 31, 2011 and 2010 comprised the following:

	In millions of yen		In thousands of U.S. dollars	
	March 31 2011	2010	March 31 2011	2010
Loans, principally from banks due 2010–2033 with interest rates ranging from 0.60% to 10.05% in 2011 and 2010:				
Secured.....	<b>¥25,205</b>	¥20,461	<b>\$303,675</b>	
Unsecured.....	<b>10,160</b>	3,037	<b>122,410</b>	
0.61% unsecured bonds due 2010.....	—	150	—	
0.91% unsecured bonds due 2010.....	—	220	—	
1.14% unsecured bonds due 2013.....	<b>3,570</b>	4,080	<b>43,011</b>	
1.13% unsecured bonds due 2014.....	<b>1,644</b>	1,730	<b>19,807</b>	
Unsecured bonds due 2010–2015 with floating interest rates based on 6-month TIBOR plus				
0.00%–0.20%.....	<b>11,793</b>	12,588	<b>142,084</b>	
Obligations under capital leases, due 2010–2040 (Note 20).....	<b>12,566</b>	10,107	<b>151,398</b>	
	<b>64,938</b>	52,373	<b>782,385</b>	
Less: Portion due within one year.....	<b>(11,918)</b>	(10,801)	<b>(143,590)</b>	
	<b>¥53,020</b>	¥41,572	<b>\$638,795</b>	

Assets pledged as collateral for bank loans and long-term debt at March 31, 2011 and 2010 were as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31	March 31	March 31
	2011	2010	2011
Time deposits .....	¥ 1,993	¥ 1,741	\$ 24,012
Short-term and long-term receivables ...	5,334	1,295	64,265
Investment securities.....	606	646	7,301
Property, plant and equipment.....	55,755	60,411	671,747
Other intangible assets.....	818	818	9,855

The aggregate annual maturities on long-term debt at March 31, 2011 are as follows:

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2012.....	¥11,918	\$143,590
2013.....	21,073	253,892
2014.....	9,997	120,446
2015.....	7,687	92,614
2016.....	3,075	37,048
Thereafter.....	11,188	134,795
	¥64,938	\$782,385

#### 14. 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 Japanese GAAP, which vary in certain respects from U.S. GAAP. Those differences are principally, (a) that insurance acquisition costs are charged to income when incurred under Japanese GAAP whereas under U.S. GAAP, 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 under U.S. GAAP, 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 under U.S. GAAP, 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. GAAP.

The net equity of Secom Insurance at March 31, 2011 and 2010 was ¥45,838 million (\$552,265 thousand) and ¥52,262 million, respectively.

Net sales and operating revenue of Secom Insurance include net realized investment gains and losses, including the results on sales

of securities, loss on other-than-temporary impairment of investment securities and impairment loss on long-lived assets. Net realized investment gains and losses for the years ended March 31, 2011, 2010 and 2009 were gains of ¥838 million (\$10,096 thousand), losses of ¥3,309 million and ¥10,152 million, respectively. Loss on other-than-temporary impairment of investment securities for the years ended March 31, 2011, 2010 and 2009 were ¥681 million (\$8,205 thousand), ¥4,558 million and ¥10,683 million, respectively.

#### 15. Pension and Severance Costs

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

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

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

In March 2009, Pasco Corporation, a subsidiary of the parent company, and its domestic subsidiaries settled and transferred a portion of the tax-qualified non-contributory pension plan to the defined contribution pension plan. In accordance with ASC 715, "Compensation—Retirement Benefits," the Company accounted for these transfers as a partial settlement of benefit obligation. The amount of settlement loss was immaterial for the year ended March 31, 2009.

Net periodic pension and severance costs for the years ended March 31, 2011, 2010 and 2009 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
	2011	2010	2009	2011
Net periodic pension and severance costs:				
Service cost.....	¥6,313	¥4,424	¥4,694	\$76,060
Interest cost.....	1,610	1,476	1,430	19,398
Expected return on plan assets.....	(2,065)	(1,997)	(1,952)	(24,880)
Amortization of prior service benefit.....	(1,687)	(1,682)	(1,713)	(20,325)
Recognized actuarial loss.....	924	901	861	11,133
Net periodic pension and severance costs.....	¥5,095	¥3,122	¥3,320	\$61,386

## CONSOLIDATED FINANCIAL STATEMENTS

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

	In millions of yen		In thousands of U.S. dollars
	Years ended March 31	2010	Year ended March 31 2011
<b>Change in benefit obligation:</b>	<b>2011</b>		<b>2011</b>
Benefit obligation at beginning of year.....	¥72,524	¥72,090	\$873,783
Effect of adopting ASU No. 2009-17.....	4,244	—	51,133
Service cost.....	6,313	4,424	76,060
Interest cost.....	1,610	1,476	19,398
Actuarial (gain) loss.....	2,173	(873)	26,181
Prior service benefit.....	(263)	—	(3,169)
Benefits paid.....	(4,941)	(4,593)	(59,530)
Acquisition.....	840	—	10,120
Benefit obligation at end of year.....	82,500	72,524	993,976
<b>Change in plan assets:</b>			
Fair value of plan assets at beginning of year.....	60,763	55,099	732,084
Effect of adopting ASU No. 2009-17.....	2,200	—	26,506
Actual return on plan assets.....	1,975	3,436	23,795
Employer contribution.....	5,829	5,323	70,229
Benefits paid.....	(3,342)	(3,095)	(40,265)
Acquisition.....	406	—	4,892
Fair value of plan assets at end of year.....	67,831	60,763	817,241
<b>Funded status at the end of year.....</b>	<b>(¥14,669)</b>	<b>(¥11,761)</b>	<b>(\$176,735)</b>

Amounts recognized in the consolidated balance sheet at March 31, 2011 and 2010 consist of:

	In millions of yen		In thousands of U.S. dollars
	March 31	2010	March 31 2011
Prepaid pension and severance costs.....	¥ 6,500	¥ 4,742	\$ 78,313
Accrued pension and severance costs.....	(21,169)	(16,503)	(255,048)
Net amount recognized.....	(¥14,669)	(¥11,761)	(\$176,735)

Other changes in plan assets and benefit obligations recognized in other comprehensive income (loss) for the year ended March 31, 2011 were summarized as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31	2010	March 31 2011
Current year actuarial loss.....	¥2,263	—	\$27,265
Amortization of actuarial loss.....	(924)	—	(11,133)
Current year prior service benefit.....	(263)	—	(3,169)
Amortization of prior service benefit.....	1,687	—	20,325
	¥2,763	—	\$33,288

Amounts recognized in accumulated other comprehensive income (loss) at March 31, 2011 and 2010 consist of:

	In millions of yen		In thousands of U.S. dollars
	March 31	2010	March 31 2011
Actuarial loss.....	¥32,029	¥30,690	\$385,892
Prior service benefit.....	(9,430)	(10,854)	(113,615)
Net amount recognized.....	¥22,599	¥19,836	\$272,277

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 ¥1,648 million (\$19,855 thousand) and ¥1,148 million (\$13,831 thousand), respectively.

The accumulated benefit obligation for the pension plan was ¥75,894 million (\$914,386 thousand) and ¥66,486 million at March 31, 2011 and 2010, 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 ¥34,647 million (\$417,434 thousand), ¥31,206 million (\$375,976 thousand) and ¥13,644 million (\$164,386 thousand), respectively, at March 31, 2011, and ¥26,563 million, ¥23,411 million and ¥10,142 million, respectively, at March 31, 2010.

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, 2011 and 2010 were as follows:

	March 31	
	2011	2010
Discount rate.....	2.1%	2.2%
Rate of compensation increase.....	2.6%	2.6%

Weighted-average assumptions used to determine net pension and severance costs for the years ended March 31, 2011, 2010 and 2009 were as follows:

	Years ended March 31		
	2011	2010	2009
Discount rate.....	2.2%	2.1%	2.0%
Expected return on plan assets.....	3.0%	3.0%	3.0%
Rate of compensation increase.....	2.6%	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 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 pooled funds with the objective to minimize risk and achieve the expected rate of return. The investment results are periodically checked and asset allocation is adjusted as necessary.

The following table represents the fair value of the Company's pension plan assets at March 31, 2011 and 2010. The three levels of input used to measure fair value are more fully described in Note 23.

	In millions of yen			
	March 31, 2011			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents .....	¥ 1,053	¥ —	¥ —	¥ 1,053
Equity securities				
Japanese companies .....	6,963	50	—	7,013
Debt securities				
Government bonds .....	5,978	938	6	6,922
Nongovernment bonds .....	2,333	—	651	2,984
Pooled fund .....	741	17,634	18,338	36,713
Call loans .....	—	6,646	—	6,646
Insurance contracts .....	—	5,652	—	5,652
Other .....	—	100	748	848
	¥17,068	¥31,020	¥19,743	¥67,831

- \*The plan's equity securities include common stock of the parent company in the amount of ¥40 million at March 31, 2011.
- \*The plan's government bonds invest approximately 95% in Japanese bonds and 5% in foreign bonds. The nongovernment bonds invest approximately 80% in Japanese bonds and 20% in foreign bonds.
- \*The pension investment trust fund included in the plan's pooled funds is classified as level 2, and invests approximately 45% in equity securities, 50% in debt securities and 5% in other investments. The unquoted beneficial certificate of security investment trust included in the plan's pooled funds is classified as level 3.

	In millions of yen			
	March 31, 2010			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents .....	¥ 1,222	¥ —	¥ —	¥ 1,222
Equity securities				
Japanese companies .....	3,371	—	7	3,378
Foreign companies .....	0	—	—	0
Debt securities				
Government bonds .....	8,878	837	61	9,776
Nongovernment bonds .....	1,418	—	702	2,120
Pooled funds .....	33	18,040	12,994	31,067
Call loans .....	—	8,998	—	8,998
Insurance contracts .....	—	3,428	—	3,428
Other .....	—	377	397	774
	¥14,922	¥31,680	¥14,161	¥60,763

- \*The plan's equity securities include common stock of the parent company and its domestic subsidiaries in the amount of ¥23 million at March 31, 2010.
- \*The plan's government bonds invest approximately 80% in Japanese bonds and 20% in foreign bonds. The nongovernment bonds invest approximately 70% in Japanese bonds and 30% in foreign bonds.
- \*The pension investment trust fund included in the plan's pooled funds is classified as level 2, and invests approximately 40% in equity securities, 50% in debt securities and 10% in other investments. The unquoted beneficial certificate of security investment trust included in the plan's pooled funds is classified as level 3.

	In thousands of U.S. dollars			
	March 31, 2011			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents .....	\$ 12,687	\$ —	\$ —	\$ 12,687
Equity securities				
Japanese companies .....	83,892	602	—	84,494
Debt securities				
Government bonds .....	72,024	11,302	72	83,398
Nongovernment bonds .....	28,109	—	7,843	35,952
Pooled fund .....	8,927	212,458	220,940	442,325
Call loans .....	—	80,072	—	80,072
Insurance contracts .....	—	68,096	—	68,096
Other .....	—	1,205	9,012	10,217
	\$205,639	\$373,735	\$237,867	\$817,241

- \*The plan's equity securities include common stock of the parent company in the amount of \$482 thousand at March 31, 2011.
- \*The plan's government bonds invest approximately 95% in Japanese bonds and 5% in foreign bonds. The nongovernment bonds invest approximately 80% in Japanese bonds and 20% in foreign bonds.
- \*The pension investment trust fund included in the plan's pooled funds is classified as level 2, and invests approximately 45% in equity securities, 50% in debt securities and 5% in other investments. The unquoted beneficial certificate of security investment trust included in the plan's pooled funds is classified as level 3.

The following table represents the changes in level 3 investments for the years ended March 31, 2011 and 2010.

	In millions of yen					
	Year ended March 31, 2011					
	Equity securities		Debt securities		Pooled funds	Other
Japanese companies	Government bonds	Non-government bonds				
Balance at beginning of year .....	¥ 7	¥61	¥702	¥12,994	¥397	¥14,161
Actual return on plan assets:						
Relating to assets sold during the year .....	—	—	48	93	135	276
Relating to assets held at end of year .....	—	—	896	(370)	224	750
Purchases, sales and settlements, net .....	(7)	(55)	(995)	3,845	(8)	2,780
Transfer into level 3 .....	—	—	—	1,776	—	1,776
Balance at end of year .....	¥—	¥ 6	¥651	¥18,338	¥748	¥19,743

## CONSOLIDATED FINANCIAL STATEMENTS

	In millions of yen					
	Year ended March 31, 2010					
	Equity securities	Debt securities		Pooled funds	Other	Total
Japanese companies	Government bonds	Non-government bonds				
Balance at beginning of year.....	¥—	¥26	¥ 55	¥11,177	¥250	¥11,508
Actual return on plan assets:						
Relating to assets sold during the year .....	—	(1)	—	(301)	—	(302)
Relating to assets held at end of year .....	—	5	647	431	181	1,264
Purchases, sales and settlements, net.....	4	31	—	1,687	(34)	1,688
Transfer into level 3.....	3	—	—	—	—	3
Balance at end of year .....	¥ 7	¥61	¥702	¥12,994	¥397	¥14,161

	In thousands of U.S. dollars					
	Year ended March 31, 2011					
	Equity securities	Debt securities		Pooled funds	Other	Total
Japanese companies	Government bonds	Non-government bonds				
Balance at beginning of year.....	\$84	\$735	\$ 8,458	\$156,554	\$4,783	\$170,614
Actual return on plan assets:						
Relating to assets sold during the year .....	—	—	578	1,120	1,627	3,325
Relating to assets held at end of year .....	—	—	10,795	(4,458)	2,699	9,036
Purchases, sales and settlements, net.....	(84)	(663)	(11,988)	46,326	(97)	33,494
Transfer into level 3.....	—	—	—	21,398	—	21,398
Balance at end of year .....	\$—	\$ 72	\$ 7,843	\$220,940	\$9,012	\$237,867

The Company expects to contribute ¥6,130 million (\$73,855 thousand) to its domestic defined benefit plans in the year ending March 31, 2012.

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
2012.....	¥ 4,573	\$ 55,096
2013.....	4,807	57,916
2014.....	5,034	60,651
2015.....	4,230	50,964
2016.....	4,888	58,892
2017–2021.....	26,372	317,735

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, 2011, 2010 and 2009 were ¥1,596 million (\$19,229 thousand), ¥1,468 million and ¥1,469 million, respectively.

### 16. Exchange Gains and Losses

Other expenses for the years ended March 31, 2011 and 2009 include net exchange losses of ¥635 million (\$7,651 thousand) and ¥1,564 million, respectively. Other income for the year ended March 31, 2010 includes net exchange gains of ¥552 million.

### 17. Income Taxes

Total income taxes for the years ended March 31, 2011, 2010 and 2009 were allocated as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31	2010	2009	Year ended March 31
	2011	2010	2009	2011
Income from continuing operations.....	¥43,277	¥45,631	¥36,259	\$521,409
Income (loss) from discontinued operations.....	—	(317)	316	—
Shareholders' equity—accumulated other comprehensive income (loss):				
Unrealized holding gains (losses) on securities.....	(1,946)	5,401	(452)	(23,445)
Unrealized gains (losses) on derivative instruments.....	—	107	(102)	—
Pension liability adjustments.....	(654)	857	(4,863)	(7,879)
Foreign currency translation adjustments.....	—	1,020	(859)	—
Equity transactions with noncontrolling interest and other .....	(154)	—	—	(1,855)
	¥40,523	¥52,699	¥30,299	\$488,230

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, results in a statutory tax rate in Japan of approximately 40.5 percent for the years ended March 31, 2011, 2010 and 2009.

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

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31	2010	2009	Year ended March 31
	2011	2010	2009	2011
Income taxes computed at statutory tax rate of 40.5% .....	¥43,677	¥38,344	¥25,581	\$526,229
Increase (decrease) resulting from:				
Unrecognized tax benefits from subsidiaries in loss positions.....	97	7,280	10,124	1,168
Reversal of valuation allowance due to utilization of operating loss carryforwards.....	(736)	(955)	(187)	(8,867)
Per capita tax .....	831	817	807	10,012
Other, net .....	(592)	145	(66)	(7,133)
Income taxes from continuing operations.....	¥43,277	¥45,631	¥36,259	\$521,409

The significant components of deferred tax assets and liabilities at March 31, 2011 and 2010 were as follows:

	In millions of yen		In thousands of U.S. dollars	
	2011	2010	2011	2010
<b>Deferred tax assets:</b>				
Loss carryforwards .....	<b>¥19,372</b>	¥19,489	<b>\$233,398</b>	
Deferred revenue .....	<b>11,580</b>	12,118	<b>139,518</b>	
Accrued pension and severance costs .....	<b>8,164</b>	6,144	<b>98,361</b>	
Adjustment of book value at the date of acquisition—				
Land and buildings .....	<b>7,546</b>	6,887	<b>90,916</b>	
Other assets .....	<b>361</b>	405	<b>4,349</b>	
Accrued bonus .....	<b>5,704</b>	5,166	<b>68,723</b>	
Property, plant and equipment .....	<b>5,528</b>	6,184	<b>66,602</b>	
Vacation accrual .....	<b>3,806</b>	3,649	<b>45,855</b>	
Allowance for doubtful accounts .....	<b>3,611</b>	3,742	<b>43,506</b>	
Intangible assets .....	<b>1,969</b>	2,213	<b>23,723</b>	
Investment securities .....	<b>1,902</b>	2,593	<b>22,916</b>	
Write-down on real estate inventories .....	<b>1,823</b>	1,467	<b>21,964</b>	
Other .....	<b>9,394</b>	10,145	<b>113,181</b>	
Gross deferred tax assets .....	<b>80,760</b>	80,202	<b>973,012</b>	
Less: Valuation allowance .....	<b>(33,699)</b>	(32,095)	<b>(406,012)</b>	
Total deferred tax assets .....	<b>47,061</b>	48,107	<b>567,000</b>	
<b>Deferred tax liabilities:</b>				
Deferred installation costs .....	<b>(9,494)</b>	(7,721)	<b>(114,386)</b>	
Adjustment of book value at the date of acquisition—				
Land and buildings .....	<b>(5,544)</b>	(5,871)	<b>(66,795)</b>	
Other assets .....	<b>(1,614)</b>	(1,591)	<b>(19,446)</b>	
Investments in affiliated companies .....	<b>(5,111)</b>	(4,611)	<b>(61,578)</b>	
Prepaid pension and severance costs .....	<b>(2,543)</b>	(1,506)	<b>(30,639)</b>	
Unrealized holding gains on securities .....	<b>(1,042)</b>	(3,002)	<b>(12,554)</b>	
Unearned premiums and other insurance liabilities .....	<b>(774)</b>	(2,166)	<b>(9,325)</b>	
Other .....	<b>(5,362)</b>	(4,687)	<b>(64,602)</b>	
Gross deferred tax liabilities .....	<b>(31,484)</b>	(31,155)	<b>(379,325)</b>	
Net deferred tax assets .....	<b>¥15,577</b>	¥16,952	<b>\$187,675</b>	

The valuation allowance principally relates to deferred tax assets of the subsidiaries with operating loss carryforwards, for tax purposes, that are not expected to be realized. The net change in the total valuation allowance for the years ended March 31, 2011, 2010 and 2009 was an increase of ¥1,604 million (\$19,325 thousand), ¥5,232 million and ¥9,795 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, 2011 and 2010.

Net deferred tax assets at March 31, 2011 and 2010 are reflected in the accompanying consolidated balance sheets under the following captions:

	In millions of yen		In thousands of U.S. dollars	
	2011	2010	2011	2010
<b>Deferred income taxes</b>				
(Current assets) .....	<b>¥15,438</b>	¥15,737	<b>\$186,000</b>	
<b>Deferred income taxes</b>				
(Other assets) .....	<b>11,824</b>	12,975	<b>142,458</b>	
Other current liabilities .....	<b>(1,858)</b>	(1,357)	<b>(22,385)</b>	
<b>Deferred income taxes</b>				
(Liabilities) .....	<b>(9,827)</b>	(10,403)	<b>(118,398)</b>	
Net deferred tax assets .....	<b>¥15,577</b>	¥16,952	<b>\$187,675</b>	

The Company has not recognized deferred tax liabilities of ¥712 million (\$8,578 thousand) for a portion of undistributed earnings of foreign subsidiaries totaling ¥14,526 million (\$175,012 thousand) at March 31, 2011 as they are not expected to be remitted in the foreseeable future.

At March 31, 2011, the operating loss carryforwards of domestic subsidiaries amounted to ¥45,981 million (\$553,988 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
2012 .....	¥ 3,307	\$ 39,843
2013 .....	1,608	19,373
2014 .....	3,577	43,096
2015 .....	3,109	37,458
2016 .....	22,222	267,735
2017 .....	9,708	116,964
2018 .....	2,450	29,519
	<b>¥45,981</b>	<b>\$553,988</b>

The operating loss carryforwards of overseas subsidiaries at March 31, 2011 amounted to ¥3,794 million (\$45,711 thousand), a part of which will begin to expire in the year ending March 31, 2012.

The total amount of unrecognized tax benefits for the years ended March 31, 2011, 2010 and 2009 were insignificant. Also there were no movements of the gross amounts in unrealized tax benefits and the amounts of interest and penalties recognized due to the unrecognized tax benefits during the years ended March 31, 2011, 2010 and 2009.

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, 2011, the Company does not expect significant changes to the unrecognized tax benefits within the next twelve months.

The Company files tax returns in Japan and various foreign jurisdictions. In Japan, the Company is no longer subject to regular income tax examinations by the tax authorities for years before 2007. In other foreign tax jurisdictions, major subsidiaries are no longer subject to income tax examinations by tax authorities for years before 2010 with few exceptions.

## 18. Shareholders' Equity

### (1) Additional Paid-In Capital

The change in additional paid-in capital includes the effect of changes in the Company's ownership interest in its consolidated subsidiaries.

The net income attributable to SECOM CO., LTD. and transfers from (to) noncontrolling interests for the years ended March 31, 2011 and 2010 were as follows:

	In millions of yen		In thousands of U.S. dollars
	Years ended March 31	2010	Year ended March 31 2011
Net income attributable to SECOM CO., LTD. ....	<b>¥62,665</b>	¥46,989	<b>\$755,000</b>
Transfers from (to) noncontrolling interests:			
Decrease in additional paid-in capital for acquisition of Secom Techno Service Co., Ltd.'s ownership interests for the purpose of merger .....	<b>(5,692)</b>	—	<b>(68,578)</b>
Other, net .....	<b>151</b>	1,101	<b>1,819</b>
Net transfers from (to) noncontrolling interests.....	<b>(5,541)</b>	1,101	<b>(66,759)</b>
Change from net income attributable to SECOM CO., LTD. and transfers from (to) noncontrolling interests.....	<b>¥57,124</b>	¥48,090	<b>\$688,241</b>

### (2) Retained Earnings

The Japanese Corporate Law 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 Japanese GAAP. Such amount was ¥399,957 million (\$4,818,759 thousand) at March 31, 2011.

Subsequent to March 31, 2011, the parent company's Board of Directors declared an annual cash dividend of ¥90.00 (\$1.08) per share, totaling ¥19,623 million (\$236,422 thousand), to shareholders of record on March 31, 2011. The dividend declared was approved at the general shareholders' meeting held on June 24, 2011. Dividends are recorded in the year they are declared.

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

### (3) Common Stock in Treasury

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

### (4) Other Comprehensive Income (Loss)

Components of other comprehensive income (loss) for the years ended March 31, 2011, 2010 and 2009 are as follows:

	In millions of yen		
	Pre-tax amount	Tax (expense) or benefit	Net-of-tax amount
<b>For the year ended March 31, 2011:</b>			
Unrealized holding losses on securities—			
Unrealized holding gains or losses arising during the period .....	<b>(¥ 4,760)</b>	<b>¥1,719</b>	<b>(¥ 3,041)</b>
Less: Reclassification adjustment for gains or losses included in net income.....	<b>(658)</b>	<b>227</b>	<b>(431)</b>
Unrealized gains on derivative instruments—			
Unrealized gains or losses arising during the year.....	<b>3</b>	—	<b>3</b>
Less: Reclassification adjustment for gains or losses included in net income.....	<b>9</b>	—	<b>9</b>
Pension liability adjustments—			
Unrealized gains or losses arising during the period .....	<b>(1,052)</b>	<b>424</b>	<b>(628)</b>
Less: Reclassification adjustment for gains or losses realized in net income.....	<b>(574)</b>	<b>230</b>	<b>(344)</b>
Foreign currency translation adjustments.....	<b>(6,399)</b>	—	<b>(6,399)</b>
Other comprehensive income (loss) .....	<b>(¥13,431)</b>	<b>¥2,600</b>	<b>(¥10,831)</b>
<b>For the year ended March 31, 2010:</b>			
Unrealized holding gains on securities—			
Unrealized holding gains or losses arising during the period .....	¥11,598	(¥4,382)	¥ 7,216
Less: Reclassification adjustment for gains or losses included in net income.....	3,003	(1,019)	1,984
Unrealized gains on derivative instruments—			
Unrealized gains or losses arising during the year.....	(5)	—	(5)
Less: Reclassification adjustment for gains or losses included in net income.....	281	(107)	174
Pension liability adjustments—			
Unrealized gains or losses arising during the period .....	2,724	(1,140)	1,584
Less: Reclassification adjustment for gains or losses realized in net income.....	(700)	283	(417)
Foreign currency translation adjustments.....	2,016	(1,020)	996
Other comprehensive income (loss) .....	¥18,917	(¥7,385)	¥11,532

	In millions of yen		
	Pre-tax amount	Tax (expense) or benefit	Net-of-tax amount
<b>For the year ended March 31, 2009:</b>			
Unrealized holding losses on securities—			
Unrealized holding gains or losses arising during the period .....	(¥17,054)	¥6,532	(¥10,522)
Less: Reclassification adjustment for gains or losses included in net income.....	16,142	(6,080)	10,062
Unrealized losses on derivative instruments—			
Unrealized gains or losses arising during the period.....	(263)	106	(157)
Less: Reclassification adjustment for gains or losses included in net income.....	68	(4)	64
Pension liability adjustments—			
Unrealized gains or losses arising during the period.....	(11,602)	4,559	(7,043)
Less: Reclassification adjustment for gains or losses realized in net income.....	(413)	304	(109)
Foreign currency translation adjustments.....	(20,403)	859	(19,544)
Other comprehensive income (loss) .....	(¥33,525)	¥6,276	(¥27,249)

	In thousands of U.S. dollars		
	Pre-tax amount	Tax (expense) or benefit	Net-of-tax amount
<b>For the year ended March 31, 2011:</b>			
Unrealized holding losses on securities—			
Unrealized holding gains or losses arising during the period .....	<b>(\$ 57,349)</b>	<b>\$20,710</b>	<b>(\$ 36,639)</b>
Less: Reclassification adjustment for gains or losses included in net income.....	<b>(7,928)</b>	<b>2,735</b>	<b>(5,193)</b>
Unrealized gains on derivative instruments—			
Unrealized gains or losses arising during the year.....	<b>36</b>	<b>—</b>	<b>36</b>
Less: Reclassification adjustment for gains or losses included in net income.....	<b>109</b>	<b>—</b>	<b>109</b>
Pension liability adjustments—			
Unrealized gains or losses arising during the period.....	<b>(12,674)</b>	<b>5,108</b>	<b>(7,566)</b>
Less: Reclassification adjustment for gains or losses realized in net income.....	<b>(6,916)</b>	<b>2,771</b>	<b>(4,145)</b>
Foreign currency translation adjustments.....	<b>(77,096)</b>	<b>—</b>	<b>(77,096)</b>
Other comprehensive income (loss) .....	<b>(\$161,818)</b>	<b>\$31,324</b>	<b>(\$130,494)</b>

## 19. Research and Development Expenses

Research and development expenses included in selling, general and administrative expenses for the years ended March 31, 2011, 2010 and 2009 were ¥6,755 million (\$81,386 thousand), ¥5,952 million and ¥5,943 million, respectively.

## 20. Lessee

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

On April 23, 1996, the Company entered into a long-term lease agreement for a building and land in Mitaka, Tokyo. The lease term is 30 years beginning May 1, 1996. On July 15, 2010, the Company also entered into a long-term lease agreement for the building and land adjoining. The lease term is also 30 years beginning July 15, 2010. 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 ¥7,206 million (\$86,819 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, 2011 were ¥7,051 million (\$84,952 thousand).

A summary of leased assets under capital leases at March 31, 2011 and 2010 is as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31 2011	2010	March 31 2011
Buildings and improvements .....	<b>¥ 8,209</b>	¥ 5,243	<b>\$ 98,904</b>
Machinery, equipment and automobiles.....	<b>14,072</b>	13,359	<b>169,542</b>
Other intangible assets.....	<b>306</b>	409	<b>3,687</b>
Accumulated depreciation .....	<b>(10,996)</b>	(10,085)	<b>(132,482)</b>
	<b>¥11,591</b>	¥ 8,926	<b>\$139,651</b>

Depreciation expenses for assets under capital leases for the years ended March 31, 2011, 2010 and 2009 were ¥3,368 million (\$40,578 thousand), ¥3,402 million and ¥3,328 million, respectively.

The following is a schedule by year of future minimum lease payments under capital leases and the present value of the net minimum lease payments at March 31, 2011:

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2012.....	¥ 3,230	\$ 38,916
2013.....	2,230	26,867
2014.....	1,602	19,301
2015.....	1,217	14,663
2016.....	739	8,904
Thereafter .....	9,377	112,976
Total minimum lease payments .....	18,395	221,627
Less: Amount representing interest .....	(5,829)	(70,229)
Present value of net minimum lease payments (Note 13).....	12,566	151,398
Less: Current portion .....	(2,792)	(33,639)
Long-term capital lease obligations.....	¥ 9,774	\$117,759



## CONSOLIDATED FINANCIAL STATEMENTS

Rental expenses under operating leases for the years ended March 31, 2011, 2010 and 2009 were ¥16,504 million (\$198,843 thousand), ¥14,290 million and ¥15,494 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 term is 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 ¥1,299 million (\$15,651 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, 2011 are as follows:

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2012.....	¥ 2,362	\$ 28,458
2013.....	2,266	27,301
2014.....	2,227	26,831
2015.....	2,211	26,639
2016.....	2,208	26,602
Thereafter.....	15,648	188,530
Total future minimum lease payments.....	¥26,922	\$324,361

### 21. 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. Other leases are classified as operating leases.

A summary of lease receivables under sales-type and direct-financing leases at March 31, 2011 and 2010 is as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31	2010	March 31
	2011		2011
Total minimum lease payments to be received.....	¥34,327	¥57,334	\$413,578
Estimated executory cost.....	(2,980)	(4,746)	(35,904)
Estimated unguaranteed residual value.....	1,261	7,190	15,193
Unearned income.....	(7,013)	(16,049)	(84,494)
Lease receivables, net.....	25,595	43,729	308,373
Less: Current portion.....	(7,748)	(8,778)	(93,349)
Long-term lease receivables, net....	¥17,847	¥34,951	\$215,024

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, 2011:

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2012.....	¥ 8,850	\$106,627
2013.....	6,982	84,120
2014.....	5,036	60,675
2015.....	3,285	39,578
2016.....	1,560	18,795
Thereafter.....	8,614	103,783
Total future minimum lease payments to be received.....	¥34,327	\$413,578

A summary of investment in property under operating leases and property held for lease at March 31, 2011 and 2010 is as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31	2010	March 31
	2011		2011
Land.....	¥29,820	¥34,822	\$359,277
Buildings and improvements.....	26,255	31,029	316,325
Other intangible assets.....	662	662	7,976
Accumulated depreciation.....	(8,519)	(9,689)	(102,638)
	¥48,218	¥56,824	\$580,940

The future minimum rentals under non-cancelable operating leases at March 31, 2011 are as follows:

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2012.....	¥ 2,233	\$ 26,904
2013.....	563	6,783
2014.....	592	7,133
2015.....	425	5,120
2016.....	297	3,578
Thereafter.....	6,043	72,807
Total future minimum rentals.....	¥10,153	\$122,325

### 22. 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 are estimated using current market pricing models by obtaining quotes from financial institutions.

The carrying amounts and estimated fair values of financial instruments, excluding debt and equity securities, which are disclosed in Notes 2 (7) and 7 at March 31, 2011 and 2010 are as follows:

	In millions of yen			
	March 31			
	2011		2010	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Non-derivatives:				
Liabilities—				
Long-term debt including current portion.....	¥64,938	¥65,078	¥52,373	¥52,582
Investment deposits by policyholders .....	41,643	41,671	62,226	63,803
Derivatives:				
Liabilities—				
Forward exchange contract (Other current liabilities) ..	286	286	—	—
Interest rate swaps (Other liabilities) .....	160	160	203	203
In thousands of U.S. dollars				
March 31, 2011				
	Carrying amount	Estimated fair value		
Non-derivatives:				
Liabilities—				
Long-term debt including current portion.....		\$782,385	\$784,072	
Investment deposits by policyholders .....		501,723	502,060	
Derivatives:				
Liabilities—				
Forward exchange contract (Other current liabilities) .....		3,446	3,446	
Interest rate swaps (Other liabilities) .....		1,928	1,928	

#### 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.

### 23. Fair Value Measurements

ASC 820, "Fair Value Measurements and Disclosures," defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. This accounting standard establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value as follows:

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

The following table represents the Company's assets and liabilities that are measured at fair value on a recurring basis at March 31, 2011 and 2010.

	In millions of yen			
	March 31, 2011			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents .....	¥ 35	¥ 2,609	¥ —	¥ 2,644
Short-term investments and investment securities.....	88,643	21,419	27,431	137,493
Total assets .....	¥88,678	¥24,028	¥27,431	¥140,137
Liabilities:				
Derivatives (Other current liabilities).....	¥ —	¥ 286	¥ —	¥ 286
Derivatives (Other liabilities)....	—	160	—	160
Total liabilities .....	¥ —	¥ 446	¥ —	¥ 446
In millions of yen				
March 31, 2010				
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents .....	¥ 55	¥ 2,608	¥ —	¥ 2,663
Short-term investments and investment securities.....	76,093	39,398	29,155	144,646
Total assets .....	¥76,148	¥42,006	¥29,155	¥147,309
Liabilities:				
Derivatives (Other liabilities)....	¥ —	¥ 203	¥ —	¥ 203
Total liabilities .....	¥ —	¥ 203	¥ —	¥ 203

## CONSOLIDATED FINANCIAL STATEMENTS

	In thousands of U.S. dollars			
	March 31, 2011			
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Cash equivalents.....	\$ 421	\$ 31,434	\$ —	\$ 31,855
Short-term investments and investment securities.....	1,067,988	258,060	330,494	1,656,542
<b>Total assets .....</b>	<b>\$1,068,409</b>	<b>\$289,494</b>	<b>\$330,494</b>	<b>\$1,688,397</b>
<b>Liabilities:</b>				
Derivatives (Other current liabilities).....	\$ —	\$3,446	\$ —	\$ 3,446
Derivatives (Other liabilities)....	—	1,928	—	1,928
<b>Total liabilities .....</b>	<b>\$ —</b>	<b>\$5,374</b>	<b>\$ —</b>	<b>\$ 5,374</b>

### Cash Equivalents

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

### Short-Term Investments and Investment Securities

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

Level 2 assets are comprised principally of debt securities, which are valued using quoted prices for similar assets in active markets, or quoted price for identical or similar assets in markets that are not active.

Non-marketable securities classified as Level 3 assets are valued based on unobservable inputs as the market for the assets was not active at the measurement date.

### Derivative Financial Investments

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

The following table represents the changes in Level 3 assets measured on a recurring basis for the years ended March 31, 2011 and 2010.

	In millions of yen		In thousands of U.S. dollars
	Years ended March 31		Year ended March 31
	2011	2010	2011
Balance at beginning of year.....	¥29,155	¥26,983	\$351,265
Total gains or losses (realized or unrealized):			
Included in earnings.....	4,460	(1,808)	53,735
Included in other comprehensive income.....	975	504	11,747
Purchase, issuances and settlements, net.....	(3,973)	3,229	(47,867)
Foreign currency translation adjustments.....	(3,186)	247	(38,386)
<b>Balance at end of year .....</b>	<b>¥27,431</b>	<b>¥29,155</b>	<b>\$330,494</b>

Total gains or losses (realized or unrealized) related to short-term investments and investment securities are included in net sales and operating revenue or gain/loss on private equity investments, in the consolidated statements of income.

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

Non-marketable equity securities with a carrying amount of ¥10,687 million (\$128,759 thousand) were written down to their fair value of ¥10,407 million (\$125,386 thousand), resulting in an other-than-temporary impairment charge of ¥280 million (\$3,373 thousand), which was included in earnings for the year ended March 31, 2011. For the year ended March 31, 2010, non-marketable equity securities with a carrying amount of ¥10,973 million were written down to their fair value of ¥10,623 million, resulting in an other-than-temporary impairment charge of ¥350 million, which was included in earnings. All impaired non-marketable equity securities were classified as Level 3 assets as the Company uses unobservable inputs to value these investments.

Long-lived assets (Note 11) and goodwill (Note 12) are also measured at fair value on a nonrecurring basis. All impaired long-lived assets and goodwill were classified as Level 3 assets as the Company uses unobservable inputs to value these assets.

## 24. 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 currency rates and in interest rates. The Company assesses currency rate risk and 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 amongst a number of major financial institutions.

### (2) Risk Management

The Company has exposure to the market risk of changes in currency rates which relates to time deposits. The Company enters into forward exchange contracts to manage fluctuation resulting from changes in currency rates. The Company also has exposure to the market risk of changes in interest rates which 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, 2011, 2010 and 2009 as the critical terms of most of the interest rate swap agreements match the terms of the hedged debt obligations. Approximately ¥6 million (\$72 thousand) of net derivative losses included in other comprehensive income (loss), net of tax at March 31, 2011, will be reclassified into current income within 12 months from that date. At March 31, 2011 and 2010, the notional principal amounts of interest rate swap agreements designated as cash flow hedges were ¥1,000 million (\$12,048 thousand) and ¥2,000 million, respectively.

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

The Company enters into forward exchange contracts to reduce exposure to fluctuations in currency rates relating to time deposits, and interest rate swap agreements to reduce exposure to fluctuations in interest rates relating primarily to debt obligations. Changes in fair value of the above noted derivative instruments, which are not designated as hedges, are reported in current income.

Fair values of derivative instruments reflected in the consolidated balance sheet as of March 31, 2011 and 2010 are as follows:

Derivatives designated as hedging instruments  
Liabilities:

Location	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2011	2010	2011
Interest rate swaps	¥8	¥25	\$97

Derivatives not designated as hedging instruments  
Liabilities:

Location	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2011	2010	2011
Forward exchange contract	¥286	¥ —	\$3,446
Interest rate swaps	¥152	¥178	\$1,831

Effects of derivative instruments on the consolidated statements of income for the years ended March 31, 2011 and 2010 are as follows:

Derivatives designated as cash flow hedging instruments  
Gains (losses) recognized in other comprehensive income (effective portion)

Location	In millions of yen		In thousands of U.S. dollars
	Years ended March 31		Year ended March 31
	2011	2010	2011
Interest rate swaps	¥4	(¥6)	\$48

Gains (losses) reclassified from accumulated other comprehensive income into income (effective portion)

Location	In millions of yen		In thousands of U.S. dollars
	Years ended March 31		Year ended March 31
	2011	2010	2011
Interest rate swaps	(¥12)	(¥358)	(\$145)

Derivatives not designated as hedging instruments

Location	In millions of yen		In thousands of U.S. dollars
	Years ended March 31		Year ended March 31
	2011	2010	2011
Forward exchange contract	(¥286)	¥ —	(\$3,446)
Interest rate swaps	(¥31)	(¥81)	(\$373)

## 25. Commitments and Contingent Liabilities

The Company has commitments outstanding at March 31, 2011 for the purchase of property, plant and equipment of approximately ¥9,900 million (\$119,277 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 ¥1,911 million (\$23,027 thousand) at March 31, 2011. The carrying amounts of the liabilities recognized for the Company's obligations under these guarantees at March 31, 2011 and 2010 were deemed insignificant.

Loss related to spectrum reallocation is for disposal and replacement of equipment, since the allotted spectrum currently used in COCO-SECOM will no longer be available after July 2012 as a result of spectrum reallocation by the government.

Pasco Corporation filed a lawsuit against Sumitomo Mitsui Banking Corporation asking for a confirmatory judgment to the effect that it does not owe an obligation in the amount of ¥2,010 million to Sumitomo Mitsui Banking Corporation with the Tokyo District Court on October 31, 2005. Sumitomo Mitsui Banking Corporation alleged that it made a loan to a third party and acquired from the third party its claim against Pasco Corporation for an alleged sale of equipment to Pasco Corporation, as collateral for the loan, and demanded Pasco Corporation to pay such claim to Sumitomo Mitsui Banking Corporation. On December 5, 2005, Sumitomo Mitsui Banking Corporation brought a cross action against Pasco Corporation in relation to a demand for payment of a transferred receivable. Subsequently, both actions were consolidated according to a court procedure. The oral argument was concluded on October 31, 2008, and on March 27, 2009 Tokyo District Court rendered the following judgement:

1. Pasco Corporation must pay money to Sumitomo Mitsui Banking Corporation in an amount of ¥2,010 million as well as interest at the rate of 6 percent per annum on ¥600 million, from November 1, 2005, and on ¥1,410 million, from December 1, 2005, up to the full payment of the respective amounts;

2. Pasco Corporation incurs the cost of lawsuits including the cost caused by supplementary participation; and
3. The judgement can be provisionally executed.

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

Following the decision, Pasco Corporation provided a reserve for litigation loss of ¥2,415 million for the year ended March 31, 2009.

On May 10, 2010, Pasco Corporation and Sumitomo Mitsui Banking Corporation reached a settlement under which Pasco Corporation will pay to Sumitomo Mitsui Banking Corporation an amount of ¥1,750 million, after several oral proceedings and settlement negotiations at the Tokyo High Court.

Pursuant to the settlement, Pasco Corporation accounted for ¥781 million as a reversal of reserve for litigation loss in the year ended March 31, 2010, and provided for ¥1,770 million, a sum of the above settlement amount and related litigation expenses, in the consolidated balance sheet as of March 31, 2010. These amounts were paid in the year ended March 31, 2011.

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

## 26. Discontinued Operations

The Company accounted for the sale of certain businesses in accordance with ASC 205-20, "Discontinued Operations." The Company sold all of the shares of Japan Image Communications Co., Ltd., and Asia Pacific Business Link Ltd., included in the information and communication related and other services segment, in August and December 2009, respectively. The Company reported the operating results related to these operations as discontinued operations. Prior period figures have been restated.

Discontinued operations for the years ended March 31, 2010 and 2009 were as follows:

	In millions of yen	
	Years ended March 31	
	2010	2009
Net sales and operating revenue .....	¥2,135	¥4,755
Income from discontinued operations before income taxes.....	260	167
Gain on sales of discontinued operations .....	777	—
Income taxes.....	317	(316)
Income (loss) from discontinued operations, net of tax.....	¥1,354	(¥ 149)
Attributable to noncontrolling interests.....	(¥ 23)	¥ 10
Attributable to SECOM CO., LTD. ....	¥1,331	(¥ 139)

Income (loss) from discontinued operations, net of tax, by business segment for the years ended March 31, 2010 and 2009 were as follows:

	In millions of yen	
	Years ended March 31	
	2010	2009
Security services .....	¥ 110	¥231
Medical services .....	1	3
Real estate development and sales .....	—	0
Information and communication related and other services.....	1,243	(383)
Income (loss) from discontinued operations, net of tax.....	¥1,354	(¥149)

## 27. Supplemental Cash Flow Information

Supplemental cash flow information is as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2011	2010	2009	2011
Cash paid during the year for:				
Interest.....	¥ 1,689	¥ 1,830	¥ 1,978	\$ 20,349
Income taxes .....	39,719	36,719	47,419	478,542
Non-cash investing and financing activities:				
Additions to obligations under capital leases .....	4,240	3,963	803	51,084
Acquisitions (Note 4)— Fair value of assets acquired .....	—	15,160	—	—
Fair value of liabilities assumed .....	—	10,427	—	—
Total considerations .....	¥ —	¥ 4,733	¥ —	\$ —

## 28. Segment Information

The Company has applied ASC 280, "Segment Reporting," which requires disclosure of financial and descriptive information about the Company's reportable operating segments. The operating segments reported below are the segments of the Company for which separate financial information is available and for which operating profit/loss amounts are evaluated regularly by management in deciding how to allocate resources and assess performance.

The Company has seven reportable business segments: security services, fire protection services, medical services, insurance services, geographic information services, real estate development and sales, and information and communication related and other services.

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

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

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

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

Information by business and geographic segments for the years ended March 31, 2011, 2010 and 2009 is as follows:

### (1) Business Segment Information

	In millions of yen			In thousands of U.S. dollars
	2011	2010	2009	2011
Net sales and operating revenue:				
Security services—				
Customers .....	¥424,706	¥424,385	¥436,918	\$5,116,940
Intersegment.....	2,095	1,975	1,516	25,241
	<b>426,801</b>	426,360	438,434	<b>5,142,181</b>
Fire protection services—				
Customers .....	75,176	80,132	84,175	905,735
Intersegment.....	4,887	4,297	5,659	58,880
	<b>80,063</b>	84,429	89,834	<b>964,615</b>
Medical services—				
Customers .....	125,020	56,309	52,220	1,506,265
Intersegment.....	151	123	123	1,819
	<b>125,171</b>	56,432	52,343	<b>1,508,084</b>
Insurance services—				
Customers .....	33,133	29,142	21,530	399,193
Intersegment.....	2,635	2,982	2,919	31,747
	<b>35,768</b>	32,124	24,449	<b>430,940</b>
Geographic information services—				
Customers .....	43,539	41,918	40,207	524,566
Intersegment.....	167	140	117	2,012
	<b>43,706</b>	42,058	40,324	<b>526,578</b>
Real estate development and sales—				
Customers .....	24,817	13,268	22,072	299,000
Intersegment.....	95	188	2,361	1,145
	<b>24,912</b>	13,456	24,433	<b>300,145</b>
Information and communication related and other services—				
Customers .....	25,477	25,490	26,894	306,952
Intersegment.....	6,541	8,044	8,671	78,807
	<b>32,018</b>	33,534	35,565	<b>385,759</b>
Total.....	<b>768,439</b>	688,393	705,382	<b>9,258,302</b>
Eliminations .....	(16,571)	(17,749)	(21,366)	(199,651)
Total net sales and operating revenue.....	<b>¥751,868</b>	¥670,644	¥684,016	<b>\$9,058,651</b>

	In millions of yen			In thousands of U.S. dollars
	2011	2010	2009	2011
Operating income (loss):				
Security services .....	¥ 99,855	¥101,623	¥102,475	\$1,203,072
Fire protection services .....	3,158	4,193	5,353	38,048
Medical services .....	1,771	2,254	11	21,337
Insurance services.....	(180)	(1,503)	(8,222)	(2,169)
Geographic information services .....	3,393	2,177	2,045	40,880
Real estate development and sales.....	525	(3,702)	(17,577)	6,326
Information and communication related and other services .....	3,239	3,850	4,478	39,024
Total.....	<b>111,761</b>	108,892	88,563	<b>1,346,518</b>
Corporate expenses and eliminations.....	(11,329)	(11,714)	(12,304)	(136,494)
Operating income.....	<b>¥100,432</b>	¥ 97,178	¥ 76,259	<b>\$1,210,024</b>
Other income.....	11,870	5,352	5,759	143,012
Other expenses .....	(4,458)	(7,854)	(18,855)	(53,711)
Income from continuing operations before income taxes and equity in net income of affiliated companies .....	<b>¥107,844</b>	¥ 94,676	¥ 63,163	<b>\$1,299,325</b>

	In millions of yen			In thousands of U.S. dollars
	2011	2010	2009	2011
Assets:				
Security services .....	¥ 400,428	¥ 398,333	¥ 390,414	\$ 4,824,434
Fire protection services .....	80,346	79,761	81,404	968,024
Medical services .....	161,877	131,061	122,960	1,950,325
Insurance services.....	177,571	190,329	197,844	2,139,410
Geographic information services .....	58,697	58,092	58,141	707,193
Real estate development and sales.....	60,431	77,948	76,095	728,084
Information and communication related and other services .....	88,881	89,911	96,476	1,070,856
Total.....	<b>1,028,231</b>	1,025,435	1,023,334	<b>12,388,326</b>
Corporate items.....	103,943	70,099	79,735	1,252,325
Investments in affiliated companies....	38,978	42,613	40,072	469,614
Total assets.....	<b>¥1,171,152</b>	¥1,138,147	¥1,143,141	<b>\$14,110,265</b>

## CONSOLIDATED FINANCIAL STATEMENTS

	In millions of yen			In thousands of U.S. dollars
	2011	2010	2009	2011
Depreciation and amortization:				
Security services .....	<b>¥44,604</b>	¥45,694	¥45,428	<b>\$537,398</b>
Fire protection services .....	<b>1,490</b>	1,428	1,250	<b>17,952</b>
Medical services .....	<b>5,137</b>	2,253	2,026	<b>61,891</b>
Insurance services.....	<b>1,200</b>	1,017	1,220	<b>14,458</b>
Geographic information services ....	<b>1,666</b>	1,857	1,675	<b>20,072</b>
Real estate development and sales.....	<b>48</b>	46	58	<b>578</b>
Information and communication related and other services .....	<b>2,587</b>	2,577	2,680	<b>31,169</b>
Total.....	<b>56,732</b>	54,872	54,337	<b>683,518</b>
Corporate items .....	<b>219</b>	258	288	<b>2,639</b>
Total depreciation and amortization.....	<b>¥56,951</b>	¥55,130	¥54,625	<b>\$686,157</b>
Capital expenditures:				
Security services .....	<b>¥27,643</b>	¥27,154	¥29,722	<b>\$333,048</b>
Fire protection services .....	<b>3,602</b>	1,804	1,524	<b>43,398</b>
Medical services .....	<b>5,563</b>	4,069	2,153	<b>67,024</b>
Insurance services.....	<b>14</b>	275	309	<b>169</b>
Geographic information services ....	<b>2,166</b>	883	299	<b>26,096</b>
Real estate development and sales.....	<b>19</b>	2	7	<b>229</b>
Information and communication related and other services .....	<b>3,157</b>	4,477	10,614	<b>38,036</b>
Total.....	<b>42,164</b>	38,664	44,628	<b>508,000</b>
Corporate items .....	<b>34</b>	55	227	<b>410</b>
Total capital expenditures .....	<b>¥42,198</b>	¥38,719	¥44,855	<b>\$508,410</b>

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

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

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

	In millions of yen			In thousands of U.S. dollars
	2011	2010	2009	2011
Electronic security services .....	<b>¥297,802</b>	¥299,089	¥303,505	<b>\$3,587,976</b>
Other security services:				
Static guard services .....	<b>46,372</b>	46,213	47,999	<b>558,699</b>
Armored car services .....	<b>20,129</b>	19,823	20,310	<b>242,518</b>
Merchandise and other .....	<b>60,403</b>	59,260	65,104	<b>727,747</b>
Total security services .....	<b>¥424,706</b>	¥424,385	¥436,918	<b>\$5,116,940</b>

### (2) Geographic Segment Information

Net sales and operating revenue attributed to countries based on location of customers and long-lived assets for the years ended March 31, 2011, 2010 and 2009 were as follows:

	In millions of yen			In thousands of U.S. dollars
	2011	2010	2009	2011
Net sales and operating revenue:				
Japan .....	<b>¥726,381</b>	¥649,523	¥661,219	<b>\$8,751,579</b>
Other .....	<b>25,487</b>	21,121	22,797	<b>307,072</b>
Total.....	<b>¥751,868</b>	¥670,644	¥684,016	<b>\$9,058,651</b>
Long-lived assets:				
Japan .....	<b>¥395,884</b>	¥352,028	¥351,143	<b>\$4,769,687</b>
Other .....	<b>5,161</b>	3,834	4,925	<b>62,181</b>
Total.....	<b>¥401,045</b>	¥355,862	¥356,068	<b>\$4,831,868</b>

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

### 29. Subsequent Events

The parent company and Secom Techno Service Co., Ltd. ("Secom Techno"), a subsidiary of the parent company, resolved at their respective meetings of the Board of Directors held on May 11, 2011, to conduct an absorption-type merger (the "Merger") on July 1, 2011, with the parent company being the surviving company and Secom Techno being the absorbed company, and they have entered into a merger agreement in relation to the Merger. The parent company and Secom Techno have reached the conclusion that the realization of maximum synergy and the acceleration of efforts towards the establishment of the Social System Industry, by means of conducting management integration through the tender offer for the parent company to acquire the common stock of Secom Techno from February 9, 2011 to March 24, 2011 and the Merger, would be invaluable, not only to the expansion of the value of Secom Techno, but also to the expansion of the value of the Group as a whole. For details of allotment with respect to the Merger, 0.85 shares of common stock of the parent company will be allotted and delivered in exchange for each share of common stock of Secom Techno; provided, however, that no shares will be allotted in the Merger for the shares of common stock of Secom Techno held by the parent company and treasury shares held by Secom Techno. Moreover, all of the shares to be delivered by the parent company are scheduled to be sourced from the treasury shares held by the parent company, and the parent company does not plan to issue new shares upon the allotment in the Merger.

The Company has evaluated subsequent events through June 24, 2011, the date at which the financial statements were available to be issued, and determined there are no other items to disclose.

# INDEPENDENT AUDITORS' REPORT



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

We have audited the accompanying consolidated balance sheets of SECOM CO., LTD. and subsidiaries (the "Company") as of March 31, 2011 and 2010, and the related consolidated statements of income, changes in equity and cash flows for each of the years in the three-year period ended March 31, 2011, 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, 2011 and 2010, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2011, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 2 to the consolidated financial statements, the Company adopted Accounting Standards Update No. 2009-17, Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities, in the year ended March 31, 2011.

The accompanying consolidated financial statements as of and for the year ended March 31, 2011 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 to the consolidated financial statements.

KPMG AZSA LLC

Tokyo, Japan  
June 24, 2011





## SUMMARY OF SELECTED FINANCIAL DATA

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

	In millions of yen					
	2011	2010	2009	2008	2007	2006
<b>Composition of consolidated net sales and operating revenue by segment</b>						
Net sales and operating revenue .....	<b>¥751,868</b>	¥670,644	¥684,016	¥701,836	¥631,945	¥575,856
Security services: .....	<b>424,706</b>	424,385	436,918	435,306	415,410	400,044
<i>As a percentage of net sales and operating revenue .....</i>	<b>56.5%</b>	63.3%	63.9%	62.0%	65.7%	69.5%
Electronic security services—	<b>297,802</b>	299,089	303,505	296,167	285,858	277,892
<i>As a percentage of net sales and operating revenue .....</i>	<b>39.6</b>	44.6	44.4	42.2	45.2	48.3
Other security services—						
Static guard services .....	<b>46,372</b>	46,213	47,999	46,648	42,144	41,480
<i>As a percentage of net sales and operating revenue .....</i>	<b>6.2</b>	6.9	7.0	6.6	6.7	7.2
Armored car services.....	<b>20,129</b>	19,823	20,310	19,547	20,308	19,369
<i>As a percentage of net sales and operating revenue .....</i>	<b>2.7</b>	3.0	3.0	2.8	3.2	3.4
Subtotal .....	<b>66,501</b>	66,036	68,309	66,195	62,452	60,849
Merchandise and other .....	<b>60,403</b>	59,260	65,104	72,944	67,100	61,303
<i>As a percentage of net sales and operating revenue .....</i>	<b>8.0</b>	8.8	9.5	10.4	10.6	10.6
Fire protection services.....	<b>75,176</b>	80,132	84,175	82,572	27,448	—
<i>As a percentage of net sales and operating revenue .....</i>	<b>10.0</b>	11.9	12.3	11.8	4.3	—
Medical services .....	<b>125,020</b>	56,309	52,220	50,741	45,852	39,215
<i>As a percentage of net sales and operating revenue .....</i>	<b>16.6</b>	8.4	7.6	7.2	7.3	6.8
Insurance services.....	<b>33,133</b>	29,142	21,530	33,229	31,978	29,537
<i>As a percentage of net sales and operating revenue .....</i>	<b>4.4</b>	4.3	3.2	4.7	5.1	5.1
Geographic information services .....	<b>43,539</b>	41,918	40,207	39,376	36,438	35,271
<i>As a percentage of net sales and operating revenue .....</i>	<b>5.8</b>	6.3	5.9	5.6	5.8	6.1
Real estate development and sales.....	<b>24,817</b>	13,268	22,072	29,928	45,431	41,967
<i>As a percentage of net sales and operating revenue .....</i>	<b>3.3</b>	2.0	3.2	4.3	7.2	7.3
Information and communication related and other services.....	<b>25,477</b>	25,490	26,894	30,684	29,388	29,822
<i>As a percentage of net sales and operating revenue .....</i>	<b>3.4</b>	3.8	3.9	4.4	4.6	5.2
<b>Net income attributable to SECOM CO., LTD., cash dividends and SECOM CO., LTD. shareholders' equity</b>						
Net income attributable to SECOM CO., LTD. ....	<b>¥ 62,665</b>	¥ 46,989	¥ 30,560	¥ 61,756	¥ 55,889	¥ 50,331
Cash dividends (paid) <sup>(2)</sup> .....	<b>18,533</b>	18,533	19,122	17,998	13,499	11,251
SECOM CO., LTD. shareholders' equity .....	<b>593,495</b>	569,799	528,721	574,554	551,732	508,696
<b>Consolidated financial ratios</b>						
Percentage of working capital accounted for by:						
Debt						
Bank loans .....	<b>6.8</b>	6.5	11.9	17.5	17.4	15.2
Current portion of long-term debt.....	<b>1.7</b>	1.6	2.4	1.2	1.4	6.4
Straight bonds.....	<b>2.0</b>	2.6	1.9	1.8	1.9	1.6
Other long-term debt .....	<b>5.5</b>	3.6	3.6	4.0	3.6	3.6
Total debt .....	<b>16.0</b>	14.3	19.8	24.5	24.3	26.8
SECOM CO., LTD. shareholders' equity .....	<b>84.0</b>	85.7	80.2	75.5	75.7	73.2
Total capitalization .....	<b>100.0</b>	100.0	100.0	100.0	100.0	100.0
Return on total assets (percentage) <sup>(a)</sup> .....	<b>5.4</b>	4.1	2.7	4.9	4.5	4.1
Return on equity (percentage) <sup>(b)</sup> .....	<b>10.6</b>	8.2	5.8	10.7	10.1	9.9
Percentage of net sales and operating revenue absorbed by <sup>(c)</sup> :						
Depreciation and amortization .....	<b>7.6</b>	8.2	7.9	8.2	9.1	9.0
Rental expense under operating leases.....	<b>2.2</b>	2.1	2.2	2.3	2.5	2.7
Ratio of accumulated depreciation to depreciable assets (percentage) .....						
.....	<b>62.5</b>	64.9	64.4	63.8	62.3	60.5
Net property turnover (times) <sup>(c)</sup> .....	<b>2.49</b>	2.55	2.66	2.81	2.54	2.39
Before-tax interest coverage (times) <sup>(c)(d)</sup> .....	<b>65.1</b>	53.5	32.4	53.7	53.5	48.8

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

## SUMMARY OF SELECTED FINANCIAL DATA

	2011	2010	2009	2008	2007	2006
<b>Number of shares outstanding</b>						
Issued	<b>233,288,717</b>	233,288,717	233,288,717	233,288,717	233,288,717	233,288,717
Owned by the Company .....	<b>15,258,553</b>	15,254,334	15,251,520	8,323,599	8,318,900	8,301,997
Balance .....	<b>218,030,164</b>	218,034,383	218,037,197	224,965,118	224,969,817	224,986,720
<b>Per share information</b>						
Net income attributable to SECOM CO., LTD. per share (in yen) <sup>(1)</sup> .....	<b>¥ 287.41</b>	¥ 215.51	¥ 137.42	¥ 274.51	¥ 248.42	¥ 223.69
Cash dividends paid per share (in yen) <sup>(2)</sup> .....	<b>85.00</b>	85.00	85.00	80.00	60.00	50.00
SECOM CO., LTD. shareholders' equity per share (in yen) <sup>(3)</sup> .....	<b>2,722.08</b>	2,613.34	2,424.91	2,553.97	2,452.47	2,261.00
Cash flow per share (in yen) <sup>(1)(e)</sup> .....	<b>458.62</b>	383.36	299.72	448.19	427.34	396.31
Price/Book value ratio .....	<b>1.42</b>	1.57	1.50	1.90	2.23	2.66
Price/Earnings ratio .....	<b>13.45</b>	18.98	26.41	17.63	22.02	26.91
Price/Cash flow ratio .....	<b>8.43</b>	10.67	12.11	10.80	12.80	15.19
Stock price at year-end (in yen) .....	<b>3,865</b>	4,090	3,630	4,840	5,470	6,020

Notes: (a) Net income attributable to SECOM CO., LTD. / Total assets  
 (b) Net income attributable to SECOM CO., LTD. / SECOM CO., LTD. shareholders' equity  
 (c) Including discontinued operations  
 (d) (Income before income taxes and equity in net income of affiliated companies + Interest expense) / Interest expense  
 (e) (Net income attributable to SECOM CO., LTD. + 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, 2011, cash dividends of ¥19,623 million (¥90.00 per share) were approved at the general shareholders' meeting on June 24, 2011 (see Note 18 of the accompanying notes to consolidated financial statements).  
 (3) Per share amounts are based on the number of shares outstanding at the end of each period, minus treasury stock.

## COMMON STOCK DATA

SECOM CO., LTD.  
As of March 31

<b>SHAREHOLDER INFORMATION</b>	<b>2011</b>	2010	2009	2008	2007	2006
Number of shareholders.....	<b>30,338</b>	31,488	30,859	28,512	30,683	19,807
Common shares held by:						
Japanese government and local public entities.....	<b>0.08%</b>	0.08%	0.00%	—%	—%	—%
Financial institutions.....	<b>30.76</b>	31.34	35.67	33.84	32.21	33.04
Securities firms.....	<b>4.75</b>	4.28	2.55	3.86	3.68	2.16
Other domestic corporations.....	<b>3.71</b>	3.73	3.76	3.81	3.86	3.92
Foreign investors.....	<b>41.27</b>	40.77	38.17	41.71	42.43	43.40
Individuals and others.....	<b>19.43</b>	19.80	19.85	16.78	17.82	17.48
Total.....	<b>100.00%</b>	100.00%	100.00%	100.00%	100.00%	100.00%

### PRICE INFORMATION (TOKYO STOCK EXCHANGE)

	Price per share (in yen)		Nikkei Stock Average (in yen)	
	High	Low	High	Low
2009 April–June.....	¥4,100	¥3,420	¥10,135.82	¥8,351.91
July–September.....	4,600	3,900	10,639.71	9,050.33
October–December.....	4,640	3,940	10,638.06	9,081.52
2010 January–March.....	4,540	3,965	11,097.14	9,932.90
April–June.....	4,165	3,785	11,339.30	9,382.64
July–September.....	4,225	3,635	9,795.24	8,824.06
October–December.....	3,920	3,620	10,370.53	9,154.72
2011 January–March.....	4,230	3,425	10,857.53	8,605.15

## 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, 2011, the number of shares outstanding was 233,289 thousand and share capital was ¥66,377,829 thousand.

\*One share was split into two.

# CONSOLIDATED FINANCIAL DATA (BASED ON JAPANESE GAAP) [REFERENCE]

## CONTENTS

CONDENSED CONSOLIDATED BALANCE SHEETS (BASED ON JAPANESE GAAP) .....	72
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (BASED ON JAPANESE GAAP) .....	74
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (BASED ON JAPANESE GAAP) .....	74

## CONDENSED CONSOLIDATED BALANCE SHEETS (BASED ON JAPANESE GAAP)

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

	In millions of yen					
ASSETS	2011	2010	2009	2008	2007	2006
<b>Current assets:</b>						
Cash on hand and in banks.....	¥ 172,958	¥ 146,929	¥ 127,476	¥ 200,403	¥ 181,266	¥ 271,780
Cash deposits for armored car services .....	56,546	48,861	56,667	63,696	75,328	—
Call loans .....	29,500	36,500	36,500	19,000	15,000	25,000
Notes and accounts receivable, trade.....	73,956	73,844	77,398	85,595	83,397	52,667
Due from subscribers.....	22,754	20,824	20,139	21,125	19,217	17,678
Short-term investments .....	7,313	15,989	16,786	9,306	18,171	83,809
Lease receivables and investment in leased assets.....	15,433	14,742	14,993	—	—	—
Inventories .....	—	—	—	27,080	25,945	64,194
Merchandises and products.....	8,823	10,987	10,730	—	—	—
Real estate inventories.....	11,481	18,493	6,177	90,230	71,724	—
Work in process .....	2,249	1,427	2,174	—	—	—
Costs on uncompleted construction contracts .....	4,233	5,312	9,534	—	—	—
Work in process for real estate inventories.....	48,296	55,916	60,950	—	—	—
Raw materials and supplies.....	5,750	5,932	5,840	—	—	—
Deferred income taxes.....	12,216	11,684	11,135	11,840	11,597	9,462
Short-term loans receivable .....	3,908	3,088	4,125	7,246	5,097	15,564
Other .....	12,566	15,275	15,578	13,827	19,660	13,419
Allowance for doubtful accounts.....	(1,704)	(2,207)	(2,762)	(1,813)	(1,923)	(1,617)
Total current assets .....	486,284	483,600	473,445	547,538	524,484	551,959
<b>Fixed assets:</b>						
Tangible assets:						
Buildings and improvements .....	102,855	97,692	85,415	84,545	87,306	77,270
Security equipment and control stations .....	63,490	63,034	65,631	65,450	63,675	63,070
Land .....	97,730	93,424	89,297	81,716	80,341	65,542
Other.....	18,638	18,869	22,923	33,636	29,485	28,183
Intangible assets.....	25,553	21,885	21,331	22,332	23,294	24,384
Investments and others:						
Investment securities.....	188,001	187,777	201,923	241,957	243,148	231,096
Long-term loans receivable .....	47,576	50,488	59,880	54,599	55,223	57,564
Prepaid pension and severance costs.....	18,730	18,618	18,876	17,834	15,817	11,186
Deferred income taxes .....	20,110	19,848	24,413	22,740	15,654	11,256
Other.....	43,422	44,630	46,129	47,579	45,692	41,217
Allowance for doubtful accounts .....	(18,111)	(18,403)	(19,122)	(17,455)	(15,161)	(13,401)
Total fixed assets.....	607,998	597,864	616,698	654,936	644,478	597,370
<b>Deferred assets</b> .....	<b>117</b>	<b>213</b>	<b>338</b>	<b>365</b>	<b>219</b>	<b>47</b>
Total assets .....	¥1,094,400	¥1,081,679	¥1,090,483	¥1,202,840	¥1,169,182	¥1,149,377

In millions of yen

LIABILITIES	2011	2010	2009	2008	2007	2006
<b>Current liabilities:</b>						
Notes and accounts payable, trade	¥ 25,959	¥ 24,774	¥ 28,374	¥ 30,459	¥ 28,469	¥ 18,652
Bank loans	47,426	48,094	85,383	136,034	129,169	112,868
Current portion of straight bonds	2,914	1,761	5,036	1,936	3,356	32,210
Lease obligations	354	247	202	—	—	—
Payables—other	22,857	23,359	23,195	28,988	29,888	26,340
Accrued income taxes	19,353	20,907	18,983	24,610	24,973	22,159
Accrued consumption taxes	2,850	3,302	2,932	3,456	3,366	2,588
Accrued expenses	3,792	3,633	3,534	3,641	3,198	2,085
Deferred revenue	30,582	33,554	31,298	32,061	31,188	30,747
Accrued bonuses	11,925	12,139	12,741	12,210	11,409	8,981
Reserve for litigation losses	—	1,770	2,415	—	—	—
Accrued bonuses to directors and corporate auditors	—	—	—	—	80	—
Reserve for losses on construction contracts	530	145	—	—	—	—
Other	33,527	36,660	42,558	46,337	58,665	46,805
Total current liabilities	202,074	210,353	256,655	319,737	323,766	303,440
<b>Long-term liabilities:</b>						
Straight bonds	14,091	17,006	12,673	13,524	13,941	11,180
Long-term loans	21,586	16,085	15,338	20,024	14,363	13,444
Lease obligations	3,080	501	571	—	—	—
Guarantee deposits received	38,091	36,777	34,210	32,532	32,164	28,982
Deferred income taxes	8,909	8,399	3,740	5,042	2,717	1,079
Accrued pension and severance costs	13,097	13,264	13,807	16,096	17,596	11,362
Accrued retirement benefits for directors and corporate auditors	2,433	2,398	2,244	2,220	2,300	1,565
Investment deposits by policyholders, unearned premiums and other insurance liabilities	135,498	150,180	167,011	162,329	160,142	245,644
Other	1,481	1,557	1,621	1,057	1,073	1,043
Total long-term liabilities	238,270	246,171	251,218	252,828	244,299	314,303
Total liabilities	440,344	456,525	507,874	572,565	568,065	617,743
MINORITY INTERESTS IN SUBSIDIARIES	—	—	—	—	—	35,469
SHAREHOLDERS' EQUITY						
Common stock	—	—	—	—	—	66,377
Capital surplus	—	—	—	—	—	83,054
Retained earnings	—	—	—	—	—	388,077
Unrealized gains (losses) on securities	—	—	—	—	—	13,230
Foreign currency translation adjustments	—	—	—	—	—	(9,825)
Common stock in treasury, at cost	—	—	—	—	—	(44,749)
Total shareholders' equity	—	—	—	—	—	496,164
Total liabilities, minority interests in subsidiaries and shareholders' equity	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 1,149,377
<b>NET ASSETS</b>						
<b>Shareholders' equity:</b>						
Common stock	¥ 66,377	¥ 66,377	¥ 66,377	¥ 66,377	¥ 66,377	¥ —
Capital surplus	83,054	83,054	83,054	83,056	83,056	—
Retained earnings	549,747	507,434	478,355	475,987	432,696	—
Common stock in treasury, at cost	(74,923)	(74,907)	(74,896)	(44,877)	(44,850)	—
Total shareholders' equity	624,255	581,959	552,891	580,543	537,279	—
<b>Accumulated other comprehensive income:</b>						
Unrealized gains (losses) on securities	2,192	4,521	(3,901)	(3,306)	10,157	—
Deferred losses on hedges	(35)	(17)	(27)	(90)	(51)	—
Foreign currency translation adjustments	(34,166)	(27,871)	(30,008)	(9,907)	(7,253)	—
Total accumulated other comprehensive income	(32,010)	(23,367)	(33,937)	(13,304)	2,853	—
Minority interests in subsidiaries	61,810	66,562	63,654	63,035	60,983	—
Total net assets	654,055	625,153	582,608	630,274	601,116	—
Total liabilities and net assets	¥ 1,094,400	¥ 1,081,679	¥ 1,090,483	¥ 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					
	2011	2010	2009	2008	2007	2006
Revenue .....	<b>¥663,887</b>	¥654,678	¥678,400	¥682,619	¥613,976	¥567,315
<i>Percentage change from prior year .....</i>	<b>1.4%</b>	(3.5%)	(0.6%)	11.2%	8.2%	3.7%
Costs of revenue .....	<b>423,983</b>	415,390	444,771	433,030	388,787	351,020
<i>As a percentage of revenue .....</i>	<b>63.9</b>	63.4	65.6	63.4	63.3	61.9
Gross profit .....	<b>239,904</b>	239,288	233,628	249,589	225,189	216,294
<i>As a percentage of revenue .....</i>	<b>36.1</b>	36.6	34.4	36.6	36.7	38.1
Selling, general and administrative expenses .....	<b>140,762</b>	140,749	145,994	144,883	127,348	122,185
<i>As a percentage of revenue .....</i>	<b>21.2</b>	21.5	21.5	21.3	20.7	21.5
Operating profit .....	<b>99,141</b>	98,539	87,634	104,706	97,840	94,109
<i>As a percentage of revenue .....</i>	<b>14.9</b>	15.1	12.9	15.3	15.9	16.6
Non-operating income .....	<b>17,428</b>	9,158	12,957	20,125	15,087	15,792
Non-operating expenses .....	<b>6,895</b>	9,371	9,666	10,552	10,207	13,232
Ordinary profit .....	<b>109,674</b>	98,327	90,924	114,278	102,720	96,669
<i>As a percentage of revenue .....</i>	<b>16.5</b>	15.0	13.4	16.7	16.7	17.1
Extraordinary profit .....	<b>1,717</b>	3,370	482	2,748	2,601	9,349
Extraordinary losses .....	<b>5,749</b>	5,463	27,875	4,984	3,317	11,189
Income before income taxes .....	<b>105,642</b>	96,233	63,531	112,043	102,005	94,829
<i>As a percentage of revenue .....</i>	<b>15.9</b>	14.7	9.4	16.4	16.6	16.7
Income taxes—current .....	<b>37,303</b>	38,172	41,768	42,602	39,961	34,888
Income taxes—deferred .....	<b>1,383</b>	4,944	(3,244)	2,656	(660)	3,131
Net income before minority interests in subsidiaries .....	<b>66,955</b>	—	—	—	—	—
Minority interests in subsidiaries .....	<b>6,109</b>	5,505	3,504	5,278	4,404	3,815
Net income .....	<b>60,846</b>	47,611	21,502	61,506	58,299	52,994
<i>As a percentage of revenue .....</i>	<b>9.2</b>	7.3	3.2	9.0	9.5	9.3
<i>Percentage change from prior year .....</i>	<b>27.8</b>	121.4	(65.0)	5.5	10.0	9.2

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (BASED ON JAPANESE GAAP)

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

	In millions of yen					
	2011	2010	2009	2008	2007	2006
Net income before minority interests in subsidiaries .....	<b>¥66,955</b>	¥—	¥—	¥—	¥—	¥—
Other comprehensive income:						
Unrealized losses on securities .....	<b>(2,970)</b>	—	—	—	—	—
Deferred gains on hedges .....	<b>16</b>	—	—	—	—	—
Foreign currency translation adjustments .....	<b>(5,191)</b>	—	—	—	—	—
Share of other comprehensive losses of affiliated companies accounted for under the equity method .....	<b>(1,069)</b>	—	—	—	—	—
Total other comprehensive income .....	<b>(9,214)</b>	—	—	—	—	—
Comprehensive income .....	<b>57,740</b>	—	—	—	—	—
Comprehensive income attributable to:						
Comprehensive income attributable to owners of the parent company .....	<b>52,203</b>	—	—	—	—	—
Comprehensive income attributable to minority interests .....	<b>5,537</b>	—	—	—	—	—

# NONCONSOLIDATED FINANCIAL DATA (BASED ON JAPANESE GAAP) [REFERENCE]

## CONTENTS

CONDENSED NONCONSOLIDATED BALANCE SHEETS (BASED ON JAPANESE GAAP) .....	76
CONDENSED NONCONSOLIDATED STATEMENTS OF INCOME (BASED ON JAPANESE GAAP) .....	78

## CONDENSED NONCONSOLIDATED BALANCE SHEETS (BASED ON JAPANESE GAAP)

SECOM CO., LTD.  
As of March 31

	In millions of yen					
ASSETS	2011	2010	2009	2008	2007	2006
<b>Current assets:</b>						
Cash on hand and in banks .....	¥ 74,680	¥ 44,607	¥ 31,149	¥ 77,130	¥ 71,818	¥167,097
Cash deposits for armored car services .....	54,641	46,957	54,258	60,821	67,799	—
Notes receivable .....	221	248	389	534	667	476
Due from subscribers .....	11,563	11,434	11,630	11,661	10,972	9,475
Accounts receivable, trade .....	6,074	6,484	6,732	6,760	6,952	6,447
Receivables—other .....	2,385	2,556	2,415	2,921	2,218	3,876
Short-term investments .....	456	2,429	455	454	452	451
Merchandise .....	4,279	6,574	5,652	6,298	5,991	5,928
Supplies .....	1,167	1,082	1,101	952	1,024	950
Prepaid expenses .....	2,051	2,016	2,034	1,913	2,014	1,798
Deferred income taxes .....	4,938	4,720	4,446	4,714	4,750	4,531
Short-term loans receivable .....	277	171	173	236	463	298
Short-term loans receivable to subsidiaries and affiliated companies .....	4,040	3,669	11,471	17,782	13,910	12,587
Other .....	1,857	2,129	3,457	2,720	2,615	2,314
Allowance for doubtful accounts .....	(206)	(450)	(567)	(568)	(541)	(604)
Total current assets .....	168,428	134,634	134,801	194,333	191,111	215,630
<b>Fixed assets:</b>						
<b>Tangible assets:</b>						
Buildings and improvements .....	22,310	22,360	23,055	21,969	22,124	22,811
Automobiles .....	243	368	386	122	136	166
Security equipment and control stations .....	61,461	60,860	63,064	62,419	60,284	59,442
Machinery and equipment .....	565	828	1,071	1,267	1,364	1,467
Tools, furniture and fixtures .....	3,151	3,519	3,717	3,239	4,216	4,379
Land .....	28,390	28,352	28,306	25,913	32,092	32,200
Construction in progress .....	1,743	1,203	1,588	1,961	2,980	1,919
Other .....	513	654	634	14	22	32
<b>Intangible assets:</b>						
Telephone rights .....	—	—	—	—	—	0
Telephone and telegraph utility rights .....	—	—	—	—	83	112
Software .....	6,751	7,580	6,578	7,184	4,755	6,420
Other .....	815	975	542	516	3,419	83
<b>Investments and others:</b>						
Investment securities .....	20,969	21,769	21,267	28,668	43,165	46,166
Investment securities in subsidiaries and affiliated companies .....	203,036	193,899	192,775	194,110	166,839	149,535
Investments in subsidiaries and affiliated companies .....	1,874	1,874	1,874	1,874	1,074	974
Long-term loans receivable .....	4,687	5,088	8,468	8,453	18,308	18,630
Long-term loans receivable to employees .....	53	55	40	31	24	24
Long-term loans receivable to subsidiaries and affiliated companies .....	113,536	128,727	134,636	66,354	52,929	40,085
Lease deposits .....	8,047	8,583	8,702	8,859	8,973	9,006
Long-term prepaid expenses .....	25,872	25,816	26,412	26,165	24,855	22,175
Prepaid pension and severance costs .....	14,321	14,364	14,561	13,769	12,213	8,670
Deferred income taxes .....	13,865	14,099	14,763	6,760	5,139	6,206
Insurance funds .....	4,181	4,334	4,896	4,893	4,893	4,893
Other .....	2,831	800	1,065	975	983	955
Allowance for doubtful accounts .....	(12,995)	(12,544)	(13,354)	(6,812)	(7,200)	(7,998)
Total fixed assets .....	526,227	533,572	545,056	478,710	463,680	428,359
Total assets .....	¥694,656	¥668,207	¥679,858	¥673,043	¥654,791	¥643,990

In millions of yen

LIABILITIES	2011	2010	2009	2008	2007	2006
<b>Current liabilities:</b>						
Accounts payable.....	¥ 1,672	¥ 2,009	¥ 2,319	¥ 2,757	¥ 2,573	¥ 3,168
Bank loans.....	29,386	24,492	60,893	30,401	27,667	26,069
Current portion of straight bonds.....	—	—	—	—	—	30,000
Lease obligations.....	71	51	43	—	—	—
Payables—other.....	10,824	10,811	10,981	10,838	12,596	12,987
Payables—construction.....	3,719	3,425	3,742	3,607	3,825	3,634
Accrued income taxes.....	12,450	14,637	11,849	15,834	15,775	15,312
Accrued consumption taxes.....	1,422	1,491	1,622	1,566	2,029	1,509
Accrued expenses.....	722	555	597	640	639	651
Deposits received.....	20,362	23,625	28,451	31,299	41,603	34,442
Deferred revenue.....	22,229	22,558	22,735	22,903	22,735	22,371
Accrued bonuses.....	5,468	5,493	5,537	5,372	5,207	5,232
Other.....	2,107	2,133	1,928	1,958	895	1,938
Total current liabilities.....	110,439	111,287	150,704	127,180	135,548	157,317
<b>Long-term liabilities:</b>						
Lease obligations.....	2,253	182	192	—	—	—
Guarantee deposits received.....	18,262	17,965	18,146	18,174	18,449	18,244
Accrued pension and severance costs.....	4,040	4,394	4,766	5,087	5,370	5,581
Accrued retirement benefits for directors and corporate auditors.....	1,232	1,174	1,104	1,070	1,268	1,201
Other.....	11	272	12	—	—	—
Total long-term liabilities.....	25,799	23,989	24,221	24,333	25,088	25,027
Total liabilities.....	136,238	135,276	174,926	151,513	160,637	182,344
<b>SHAREHOLDERS' EQUITY</b>						
Common stock.....	—	—	—	—	—	66,377
Capital surplus:						
Additional paid-in capital.....	—	—	—	—	—	83,054
Total capital surplus.....	—	—	—	—	—	83,054
Retained earnings:						
Legal reserve.....	—	—	—	—	—	9,028
Voluntary reserve:						
Reserve for system developments.....	—	—	—	—	—	800
Reserve for tax deferral on asset replacement.....	—	—	—	—	—	24
General reserve.....	—	—	—	—	—	2,212
Total voluntary reserve.....	—	—	—	—	—	3,036
Unappropriated retained earnings.....	—	—	—	—	—	339,293
Total retained earnings.....	—	—	—	—	—	351,358
Unrealized gains on securities.....	—	—	—	—	—	5,604
Common stock in treasury, at cost.....	—	—	—	—	—	(44,749)
Total shareholders' equity.....	—	—	—	—	—	461,646
Total liabilities and shareholders' equity.....	¥ —	¥ —	¥ —	¥ —	¥ —	¥643,990
<b>NET ASSETS</b>						
<b>Shareholders' equity:</b>						
Common stock.....	¥ 66,377	¥ 66,377	¥ 66,377	¥ 66,377	¥ 66,377	¥ —
Capital surplus:						
Additional paid-in capital.....	83,054	83,054	83,054	83,054	83,054	—
Other capital surplus.....	—	—	—	1	1	—
Total capital surplus.....	83,054	83,054	83,054	83,056	83,056	—
Retained earnings:						
Legal reserve.....	9,028	9,028	9,028	9,028	9,028	—
Other retained earnings:						
Reserve for system developments.....	800	800	800	800	800	—
General reserve.....	2,212	2,212	2,212	2,212	2,212	—
Accumulated earnings carried forward.....	472,070	445,579	418,306	405,015	372,966	—
Total retained earnings.....	484,110	457,620	430,347	417,055	385,006	—
Common stock in treasury, at cost.....	(74,923)	(74,907)	(74,896)	(44,877)	(44,850)	—
Total shareholders' equity.....	558,619	532,145	504,883	521,612	489,590	—
<b>Valuation, translation adjustments and others:</b>						
Unrealized gains (losses) on securities.....	(201)	786	48	(82)	4,564	—
Total valuation, translation adjustments and others.....	(201)	786	48	(82)	4,564	—
Total net assets.....	558,417	532,931	504,932	521,529	494,154	—
Total liabilities and net assets.....	¥694,656	¥668,207	¥679,858	¥673,043	¥654,791	¥ —

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

SECOM CO., LTD.

Years ended March 31

	In millions of yen					
	2011	2010	2009	2008	2007	2006
Revenue .....	<b>¥329,297</b>	¥328,773	¥336,893	¥337,611	¥326,076	¥313,096
<i>Percentage change from prior year</i> .....	<b>0.2%</b>	(2.4%)	(0.2%)	3.5%	4.1%	5.1%
Service charges.....	<b>290,252</b>	291,325	294,386	291,350	282,247	272,876
<i>Percentage change from prior year</i> .....	<b>(0.4)</b>	(1.0)	1.0	3.2	3.4	4.2
Sales of merchandise.....	<b>39,045</b>	37,447	42,506	46,261	43,829	40,220
<i>Percentage change from prior year</i> .....	<b>4.3</b>	(11.9)	(8.1)	5.5	9.0	12.1
Costs .....	<b>191,284</b>	188,701	193,842	192,417	183,341	171,803
<i>As a percentage of revenue</i> .....	<b>58.1</b>	57.4	57.5	57.0	56.2	54.9
Costs of service .....	<b>160,203</b>	160,349	161,548	158,031	151,532	142,473
<i>As a percentage of service charges</i> .....	<b>55.2</b>	55.0	54.9	54.2	53.7	52.2
Costs of sales .....	<b>31,081</b>	28,352	32,294	34,386	31,809	29,329
<i>As a percentage of merchandise sales</i> .....	<b>79.6</b>	75.7	76.0	74.3	72.6	72.9
Gross profit.....	<b>138,013</b>	140,072	143,050	145,193	142,734	141,293
<i>As a percentage of revenue</i> .....	<b>41.9</b>	42.6	42.5	43.0	43.8	45.1
Gross profit on service.....	<b>130,048</b>	130,976	132,838	133,318	130,715	130,402
<i>As a percentage of service charges</i> .....	<b>44.8</b>	45.0	45.1	45.8	46.3	47.8
Gross profit on sales.....	<b>7,964</b>	9,095	10,212	11,874	12,019	10,890
<i>As a percentage of merchandise sales</i> .....	<b>20.4</b>	24.3	24.0	25.7	27.4	27.1
Selling, general and administrative expenses .....	<b>69,324</b>	68,544	70,434	71,038	69,330	69,121
<i>As a percentage of revenue</i> .....	<b>21.0</b>	20.8	20.9	21.0	21.3	22.0
Operating profit.....	<b>68,688</b>	71,527	72,616	74,155	73,404	72,172
<i>As a percentage of revenue</i> .....	<b>20.9</b>	21.8	21.6	22.0	22.5	23.1
Non-operating income .....	<b>8,863</b>	9,225	9,721	9,607	7,942	6,299
Non-operating expenses .....	<b>3,050</b>	3,290	3,990	4,575	4,763	7,506
Ordinary profit .....	<b>74,501</b>	77,462	78,346	79,187	76,583	70,964
<i>As a percentage of revenue</i> .....	<b>22.6</b>	23.6	23.3	23.5	23.5	22.7
Extraordinary profit .....	<b>106</b>	561	67	2,221	1,246	6,147
Extraordinary losses.....	<b>2,637</b>	4,639	27,068	566	1,141	5,615
Income before income taxes .....	<b>71,970</b>	73,384	51,345	80,842	76,688	71,496
<i>As a percentage of revenue</i> .....	<b>21.9</b>	22.3	15.2	23.9	23.5	22.8
Income taxes.....	<b>26,946</b>	27,578	18,931	30,795	29,443	27,617
<i>Effective tax rate</i> .....	<b>37.4</b>	37.6	36.9	38.1	38.4	38.6
Net income .....	<b>45,023</b>	45,806	32,414	50,046	47,245	43,879
<i>As a percentage of revenue</i> .....	<b>13.7</b>	13.9	9.6	14.8	14.5	14.0
<i>Percentage change from prior year</i> .....	<b>(1.7)</b>	41.3	(35.2)	5.9	7.7	16.4

# CORPORATE INFORMATION

(As of July 1, 2011)

<b>Headquarters:</b>	5-1, Jingumae 1-chome, Shibuya-ku, Tokyo 150-0001, Japan
<b>Independent auditors:</b>	KPMG AZSA LLC
<b>Administrator of the register of shareholders:</b>	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	(As of July 1, 2011)
<b>Domestic</b>				
<b>&lt;Security services&gt;</b>				
Secom Joshinetsu Co., Ltd.	¥3,530	(50.9)%	Security services	
Secom Hokuriku Co., Ltd.	201	59.1	Security services	
Secom Yamanashi Co., Ltd.	15	70.0	Security services	
Secom Mie Co., Ltd.	50	51.0	Security services	
Secom Sanin Co., Ltd.	286	67.0	Security services	
Secom Miyazaki Co., Ltd.	30	68.3	Security services	
Secom Jastic Co., Ltd.	210	100.0	Security services	
Secom Jastic Joshinetsu Co., Ltd.	40	(100.0)	Security services	
Secom Jastic Hokuriku Co., Ltd.	10	(100.0)	Security services	
Secom Jastic Miyazaki Co., Ltd.	10	(100.0)	Security services	
Secom Jastic Akita Co., Ltd.	10	100.0	Security services	
Secom Jastic Sanin Co., Ltd.	10	(100.0)	Security services	
Secom Jastic Yamanashi Co., Ltd.	10	(100.0)	Security services	
Secom Static Hokkaido Co., Ltd.	50	100.0	Security services	
Secom Static Tohoku Co., Ltd.	50	100.0	Security services	
Secom Static Nishi-Nihon Co., Ltd.	50	100.0	Security services	
Secom Static Kansai Co., Ltd.	50	100.0	Security services	
Secom Sado Co., Ltd.	24	(54.5)	Security services	
JK. Siress Co., Ltd.	10	(100.0)	Security services	
Japan Safety Guard Co., Ltd.	100	60.0	Security services	
Meian Co., Ltd.	60	51.0	Security services	
Secom Tech Sanin Co., Ltd.	23	(100.0)	Installation of security equipment	
Secom Techno Joshinetsu Co., Ltd.	30	(100.0)	Installation of security equipment	
Secom Win Co., Ltd.	15	66.7	Installation of security equipment and facilities	
TES Co., Ltd.	20	(100.0)	Maintenance of equipment	
Secom Tohoku Enterprise Co., Ltd.	100	100.0	Design, construction and maintenance of facilities	
Secom Industries Co., Ltd.	499	100.0	Manufacturing of security equipment	
Otec Electronics Co., Ltd.	200	82.0	Manufacturing and sales of security systems	
Secom Alpha Co., Ltd.	271	100.0	Sales of security and water-treatment equipment	
Yanoshin Air Conditioning Co., Ltd.	80	100.0	Sales of air-conditioning equipment	
Secom Mine Security Co., Ltd.	30	100.0	Security services	
Social Rehabilitation Support Kitsuregawa Co., Ltd.	10	51.7	Operation of PFI correctional facilities	
Secom Kitsuregawa Security Co., Ltd.	50	100.0	Security services	
Home Life Kanri Co., Ltd.	40	(100.0)	Condominium management	
Secom Home Service Co., Ltd.	32	100.0	Lifestyle support services	
Japan Security System, Inc.	22	(99.9)	Security services	

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

(Continued)

## MAJOR CONSOLIDATED SUBSIDIARIES

	Issued capital (In millions of yen)	Percentage of equity/ voting rights	Lines of business	(As of July 1, 2011)
<b>&lt;Fire protection services&gt;</b>				
Nohmi Bosai Ltd.	¥13,302	(50.4)%	Manufacturing and sales of fire protection equipment and facilities	
Nohmi Setsubi Co., Ltd.	30	(100.0)	Installation of fire protection equipment	
Ichibou Co., Ltd.	28	(73.2)	Installation of fire protection equipment	
Kyushu Nohmi Co., Ltd.	30	(100.0)	Installation and 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	
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	(81.8)	Installation of fire protection equipment	
<b>&lt;Medical services&gt;</b>				
Secom Medical System Co., Ltd.	6,545	100.0	Home health/nursing care and other medical-related services	
Mac Corporation	95	(100.0)	Sales of medical equipment	
Yoshikaku Co., Ltd.	20	(100.0)	Operation of restaurants and shops at medical facilities	
Kensei Co., Ltd.	100	(100.0)	Management of pharmacies	
Ryomay Royal Life Co., Ltd.	210	86.5	Management of nursing homes	
Alive Medicare Co., Ltd.	50	(100.0)	Management of nursing homes	
Secom Medical Resource Co., Ltd.	10	(100.0)	Medical staffing solutions	
Secomfort Co., Ltd.	100	(100.0)	Management of nursing homes	
Secomfort West Co., Ltd.	100	(100.0)	Management of nursing homes	
US Chemical Co., Ltd.	3	(100.0)	Management of pharmacies	
<b>&lt;Insurance services&gt;</b>				
Secom Insurance Service Co., Ltd.	225	(100.0)	Non-life insurance agency	
Secom General Insurance Co., Ltd.	16,809	97.1	Non-life insurance	

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	(As of July 1, 2011)
<b>&lt;Geographic information services&gt;</b>				
Pasco Corporation	¥8,758	69.8%	Geographic information services	
Pasco Space Mapping Technology Co., Ltd.	25	(100.0)	Geographic information services	
GIS Hokkaido Co., Ltd.	190	(100.0)	Geographic information services	
GIS Tohoku Co., Ltd.	50	(84.6)	Geographic information services	
GIS Kanto Co., Ltd.	40	(52.6)	Geographic information services	
GIS Kansai Co., Ltd.	99	(100.0)	Geographic information services	
Tokyo Digital Map Corporation	10	(100.0)	Geographic information services	
Mid Map Tokyo Corporation	15	(60.0)	Geographic information services	
Grafica Co., Ltd.	20	(51.0)	Geographic information services	
Tobu Keikaku Co., Ltd.	200	(100.0)	Geographic information services	
<b>&lt;Real estate development and sales&gt;</b>				
Secom Home Life Co., Ltd.	3,700	99.9	Development of residential buildings	
<b>&lt;Information and communication related and other services&gt;</b>				
Secom Trust Systems Co., Ltd.	1,469	100.0	Information, communication, information security services and software development	
Arai & Co., Ltd.	3,000	86.7	Real estate leasing	
Arai Corporation, Inc.	10	(100.0)	Management of real estate	
Secom Credit Co., Ltd.	400	100.0	Credit services	
Secom Corporation	100	100.0	Printing services	
Secom Auto Service Co., Ltd.	45	100.0	Car maintenance	
Wonder Dream Co., Ltd.	490	100.0	Employee welfare for SECOM Group	
Secom Staff Service Co., Ltd.	50	(100.0)	Employment agency	
The Windsor Hotels International Co., Ltd.	165	90.0	Hotel management	
Secom Business Plus Co., Ltd.	20	100.0	General office services	

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

(Continued)



## MAJOR CONSOLIDATED SUBSIDIARIES

	Issued capital	Percentage of equity/ voting rights	Lines of business	(As of July 1, 2011)
<b>Overseas</b>				
<b>&lt;Security services&gt;</b>				
Secom Plc	£44,126 thousand	100.0%	Security services	
Capital Q High Security Service Ltd.	£1 thousand	(100.0)	Security services	
Secom (China) Co., Ltd.	¥5,550 million	100.0	Holding company	
Dalian Secom Security Co., Ltd.	US\$2,000 thousand	(95.0)	Security services	
Shanghai Secom Security Co., Ltd.	US\$3,500 thousand	(65.0)	Security services	
Beijing Jingdun Secom 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	
Guangdong Jinpeng Secom Security Co., Ltd.	US\$2,000 thousand	(90.0)	Security services	
Fujian Secom Security Co., Ltd.	Rmb7,000 thousand	(95.0)	Security services	
Sichuan Secom Security Co., Ltd.	Rmb6,000 thousand	(85.0)	Security services	
Shaanxi Secom Security Co., Ltd.	Rmb6,000 thousand	(85.0)	Security services	
Zhejiang Secom Security Co., Ltd.	Rmb7,000 thousand	(97.0)	Security services	
Liaoning Secom Security Co., Ltd.	Rmb10,000 thousand	(60.0)	Security services	
Tianjin Secom Property Management Co., Ltd.	Rmb2,000 thousand	(80.0)	Comprehensive building management services	
P.T. Secom Indopratama	US\$3,950 thousand	94.9	Security services	
Thaisecom Pitakkij Co., Ltd.	THB378,857 thousand	70.0	Security services	
Secom Australia Pty. Ltd.	AUD17,297 thousand	100.0	Security services	
Secom Technical Services Unit Trust	AUD5,951 thousand	(70.0)	Security services	
Secom Australia (ACT) Unit Trust	AUD700 thousand	(100.0)	Security services	
Secom Guardall Ltd.	NZD1,604 thousand	(80.0)	Security services	
Secom Vietnam Co., Ltd.	US\$600 thousand	80.0	Security service-related consulting	
<b>&lt;Other services&gt;</b>				
Shanghai Nohmi Secom 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 Philippines Corp.	PHP20,400 thousand	(100.0)	Geographic information services	
Pasco China Corporation	Rmb22,320 thousand	(99.0)	Geographic information services	
Pasco (Thailand) Co., Ltd.	THB129,000 thousand	(100.0)	Geographic information services	
FM-International Oy	EUR10,994 thousand	(100.0)	Geographic information services	
Base Aerofotogrametria E Projetos S.A.	BRL5,000 thousand	(51.0)	Geographic information services	
Aerodata International Surveys BVBA	EUR56 thousand	(70.0)	Geographic information services	
Pasco International Europe B.V.	EUR2,000 thousand	(100.0)	Geographic information services	
The Westec Security Group, Inc.	US\$0.3 thousand	100.0	Holding company	
ClearLight Partners, LLC	US\$122,059 thousand	(99.7)	Investment	
ClearLight Partners II, LLC	US\$133,974 thousand	(99.0)	Investment	

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

## SECOM GROUP'S BASIC BUSINESS AREAS

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

### Security Services

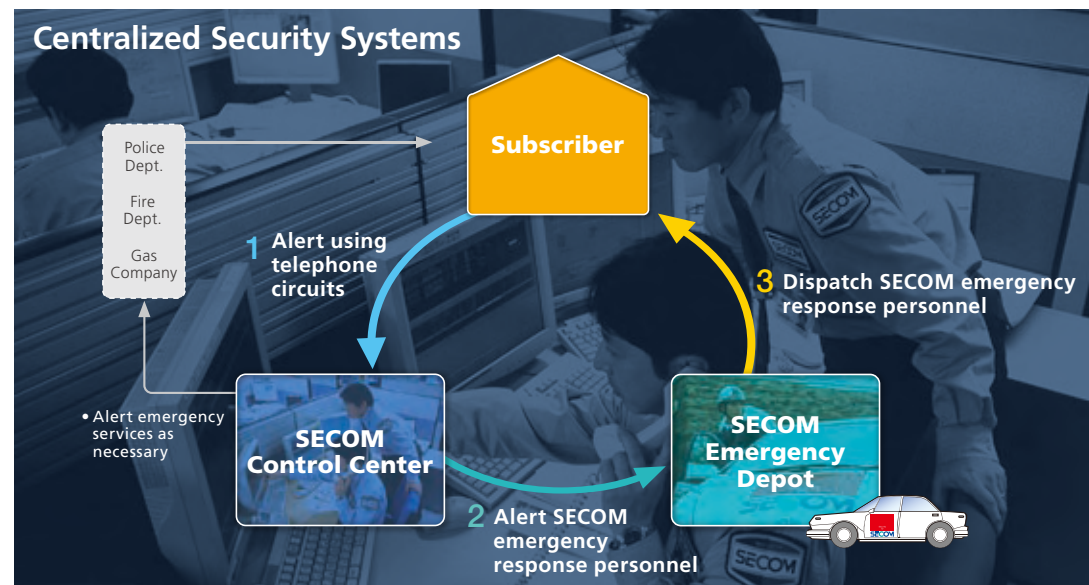
#### Centralized Security Systems

##### 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.
- **Intelligent Emergency Alert System**  
The Intelligent Emergency Alert System automatically recognizes robberies or other suspicious situations and alerts a SECOM control center without the need for anyone to push an emergency alarm button, applying advanced image recognition and voice processing technologies to aid in the early detection of irregularities.
- **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 and 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.

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

### 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.
- **SECOM ANSHIN MY CAR**  
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 anti-theft devices.

### Geographic Information Services

- **PasCAL SERIES**  
Designed for local governments, the PasCAL series of comprehensive GIS services facilitates 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.

### Merchandise

- **SECOM CCTV SYSTEM**  
The SECOM CCTV system is a multifunctional, cost-effective closed-circuit surveillance camera system. The system provides stable monitoring even in places where insufficient light makes clear images difficult and allows the combined use of digital and analog cameras. It is also capable of detecting attempts to disable or destroy the camera.
- **SECURILOCK SERIES**  
The SECURILOCK series uses identification numbers, integrated circuit (IC) pass cards and other methods to control access to restricted areas.
- **SESAMO SERIES**  
The SESAMO series comprises access-control systems for use in corporate offices, factories, parking facilities and any other security-sensitive areas. These systems employ such technologies as contactless IC pass cards, magnetic cards, personal identification numbers, fingerprint identification and palm vein identification.
- **TOMAHAWK SERIES**  
The TOMAHAWK series is an extensive lineup of innovative extinguishing systems, including TOMAHAWK MACH II residential-use fire extinguisher and TOMAHAWK III high-speed automated fire extinguishing system with gas suppression.
- **PYTHAGORAS SERIES**  
PYTHAGORAS is a series of security vaults with superior protection, heat resistance and performance.
- **SECURIFACE**  
SECURIFACE is a residential intercom system that combines a face detection function with SECOM Home Camera System, enhancing security for people at home.
- **Laser Sensor**  
Laser Sensor is an external monitoring sensor that uses a laser beam to facilitate effective detection of intrusions over a broad area. The sensor is flexible and can be programmed to accommodate various monitoring areas.
- **PHYSICAL SECURITY PRODUCTS FOR HOMES**  
SECOM offers a broad range of physical security products for homes. These include SECOM Anshin Glass, a high-impact breakage-resistant window glass designed to prevent intruders from entering through broken windows; SECOM Window Frame, a window frame with reinforced stainless bars; and Strong Door, a door that cannot be forced open for an extended period of time after it has been engaged.

### Real Estate Development and Sales

- **REAL ESTATE DEVELOPMENT AND SALES**  
SECOM offers Glorio condominiums.

### Information and Communication Related and Other Services

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

Directors



Makoto Iida  
Founder



Juichi Toda  
Co-Founder



Shohei Kimura  
Chairman



Kanemasa Haraguchi  
Executive Vice Chairman



Shuji Maeda  
President and  
Representative Director



Koichi Sato  
Executive Vice President



Fumio Obata  
Senior Executive  
Director



Katsuhisa Kuwahara  
Executive Director



Yasuo Nakayama  
Executive Director



Hiroshi Ito  
Executive Director



Takayuki Ito  
Director

Corporate Auditors

Teruo Ogino  
Seiji Sakamoto  
Ken Tsunematsu  
Hiroshi Yasuda  
Kohei Yamashita

Executive Officers

Shuji Maeda  
President and  
Representative Director  
  
Koichi Sato  
Executive Vice  
President  
  
Fumio Obata  
Senior Executive  
Director

Katsuhisa Kuwahara  
Executive Director  
  
Yasuo Nakayama  
Executive Director  
  
Hiroshi Ito  
Executive Director  
  
Shunji Ogahara  
Managing Executive  
Officer  
  
Naohide Nakamura  
Managing Executive  
Officer

Minoru Takaoka  
Executive Officer  
  
Hideo Morishita  
Executive Officer  
  
Tsuneo Komatsuzaki  
Executive Officer  
  
Takayuki Ito  
Director

Ryohei Komatsu  
Executive Officer  
  
Yukio Tsunoda  
Executive Officer  
  
Masahiro Takeda  
Executive Officer  
  
Teruhisa Yoshimura  
Executive Officer

Keitaro Arai  
Executive Officer  
  
Yasuyuki Yoshida  
Executive Officer  
  
Tatsuro Fuse  
Executive Officer  
  
Hiromichi Sonoda  
Executive Officer

(As of July 31, 2011)



**SECOM CO., LTD.**

5-1, Jingumae 1-chome, Shibuya-ku,

Tokyo 150-0001, Japan

<http://www.secom.co.jp/>