

**CONSOLIDATED FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED MARCH 31, 2006**

May 9, 2006

Company name: SECOM Co., Ltd. (URL: <http://www.secom.co.jp>)  
 Code number: 9735 Tokyo Stock Exchange ----- First Section  
 Osaka Securities Exchange ----- First Section  
 Corporate headquarters: Tokyo, Japan  
 Representative: Kanemasa Haraguchi, President and Representative Director  
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 Date approved by Board of Directors: May 9, 2006  
 Adoption of US GAAP: None

1. Summary of the consolidated financial statements for the fiscal year ended March 31, 2006 (April 1, 2005 – March 31, 2006)

(1) Consolidated operating results (In millions of yen, figures rounded down)

	Years ended March 31	
	2006	2005
Revenue	567,315 3.7%	547,230 3.8%
Operating profit	94,109 13.3%	83,043 2.2%
Ordinary profit	96,669 15.8%	83,478 9.5%
Net income	52,994 9.2%	48,517 18.0%
Basic net income per share (in yen)	234.28	214.41
Diluted net income per share (in yen)	–	214.41
Net income / Shareholders' equity	11.3%	11.5%
Ordinary profit / Total assets	8.6%	7.6%
Ordinary profit / Revenue	17.1%	15.3%

Note 1. Equity in net gains/losses of affiliated companies:

Year ended March 31, 2006: JPY 3,781 million

Year ended March 31, 2005: JPY 2,576 million

Note 2. Weighted average number of common shares outstanding:

Year ended March 31, 2006: 225,002,496 shares

Year ended March 31, 2005: 225,038,973 shares

Note 3. Change in accounting policy: Yes

Note 4. Percentage numbers shown in revenue, operating profit, ordinary profit and net income represent the change from the results of the previous year.

## (2) Consolidated financial conditions (In millions of yen, figures rounded down)

	March 31, 2006	March 31, 2005
Total assets	1,149,377	1,097,548
Shareholders' equity	496,164	441,927
Shareholders' equity / Total assets	43.2%	40.3%
Shareholders' equity per share (in yen)	2,204.06	1,962.74

Note: Number of common shares outstanding:

As of March 31, 2006: 224,986,720 shares

As of March 31, 2005: 225,022,674 shares

## (3) Consolidated cash flows (In millions of yen, figures rounded down)

	Years ended March 31	
	2006	2005
Cash flows from operating activities	41,607	90,108
Cash flows from investing activities	(113)	(41,221)
Cash flows from financing activities	(6,168)	(43,162)
Cash and cash equivalents at end of the period	228,745	192,950

## (4) Consolidated subsidiaries and affiliated companies

	Additions	Deletions	As of March 31, 2006
Number of consolidated subsidiaries	8	6	125
Number of affiliated companies accounted for using the equity method	4	5	30

## 2. Forecasts for the consolidated financial results for the fiscal year ending March 31, 2007 (April 1, 2006 – March 31, 2007) and the six-month period ending September 30, 2006 (April 1, 2006 – September 30, 2006) (In millions of yen)

	Six-month period ending September 30, 2006	Year ending March 31, 2007
Expected revenue	273,700 4.8%	593,000 4.5%
Expected operating profit	42,800 4.4%	98,500 4.7%
Expected ordinary profit	44,000 5.3%	100,800 4.3%
Expected net income	25,200 7.9%	56,700 7.0%

Expected basic net income per share (for the full year): JPY 252.01

Note 1. Forecast statements above include estimates based on current plans, assumptions and prospects and may differ from actual performance because of risks and uncertainties.

Note 2. Percentage numbers shown in revenue, operating profit, ordinary profit and net income represent the change from the results of the corresponding period of the previous year.

## Consolidated Balance Sheets

(In millions of yen)

	March 31, 2006		March 31, 2005		Change
	Amount	% of total assets	Amount	% of total assets	Amount
<b>ASSETS:</b>					
Current assets:	<b>551,959</b>	<b>48.0%</b>	<b>508,274</b>	<b>46.3%</b>	<b>43,684</b>
Cash on hand and in banks	271,780		246,693		25,087
Call loan	25,000		10,000		15,000
Notes and accounts receivable, trade	52,667		50,183		2,484
Due from subscribers	17,678		16,204		1,474
Short-term investments	83,809		73,252		10,557
Inventories	64,194		40,979		23,214
Deferred income taxes	9,462		8,207		1,254
Short-term loans receivable	15,564		46,375		(30,811)
Other current assets	13,419		17,676		(4,256)
Allowance for doubtful accounts	(1,617)		(1,297)		(319)
Fixed assets:	<b>597,370</b>	<b>52.0%</b>	<b>589,183</b>	<b>53.7%</b>	<b>8,186</b>
Tangible assets:	<b>234,066</b>	<b>20.4%</b>	<b>223,582</b>	<b>20.4%</b>	<b>10,483</b>
Buildings and improvements	77,270		72,816		4,454
Security equipment and control stations	63,070		64,104		(1,034)
Land	65,542		65,151		390
Other tangible assets	28,183		21,509		6,673
Intangible assets	<b>24,384</b>	<b>2.1%</b>	<b>27,582</b>	<b>2.5%</b>	<b>(3,198)</b>
Investments and others:	<b>338,920</b>	<b>29.5%</b>	<b>338,018</b>	<b>30.8%</b>	<b>901</b>
Investment securities	231,096		243,031		(11,934)
Long-term loans receivable	57,564		42,983		14,580
Prepaid pension and severance costs	11,186		1,527		9,658
Deferred income taxes	11,256		18,509		(7,252)
Other investments	41,217		42,258		(1,041)
Allowance for doubtful accounts	(13,401)		(10,292)		(3,109)
Deferred assets	<b>47</b>	<b>0.0%</b>	<b>90</b>	<b>0.0%</b>	<b>(42)</b>
Total assets	1,149,377	100.0%	1,097,548	100.0%	51,828

	March 31, 2006		March 31, 2005		Change
	Amount	% of total assets	Amount	% of total assets	Amount
<b>LIABILITIES:</b>					
Current liabilities:	<b>303,440</b>	<b>26.4%</b>	<b>246,222</b>	<b>22.4%</b>	<b>57,217</b>
Notes and accounts payable, trade	18,652		15,693		2,959
Bank loans	112,868		108,172		4,696
Current portion of straight bonds	32,210		690		31,520
Payables - other	26,340		18,959		7,381
Accrued income taxes	22,159		16,197		5,962
Accrued consumption taxes	2,588		2,698		(110)
Accrued expenses	2,085		2,275		(189)
Deferred revenue	30,747		28,532		2,215
Accrued bonus	8,981		8,758		222
Other current liabilities	46,805		44,245		2,559
Fixed liabilities:	<b>314,303</b>	<b>27.3%</b>	<b>377,234</b>	<b>34.4%</b>	<b>(62,931)</b>
Straight bonds	11,180		40,940		(29,760)
Long-term loans	13,444		14,513		(1,068)
Guarantee deposits received	28,982		28,737		245
Deferred income taxes	1,079		423		656
Accrued pension and severance costs	11,362		12,617		(1,255)
Accrued retirement benefits for directors and corporate auditors	1,565		-		1,565
Investment deposits by policyholders, unearned premiums and other insurance liabilities	245,644		278,278		(32,634)
Other fixed liabilities	1,043		1,724		(680)
Total liabilities	617,743	53.7%	623,457	56.8%	(5,714)
<b>MINORITY INTEREST IN SUBSIDIARIES</b>	<b>35,469</b>	<b>3.1%</b>	<b>32,163</b>	<b>2.9%</b>	<b>3,306</b>
<b>SHAREHOLDERS' EQUITY:</b>					
Common stock	66,377	5.8%	66,377	6.1%	-
Capital surplus	83,054	7.2%	82,553	7.5%	500
Retained earnings	388,077	33.8%	346,510	31.6%	41,567
Unrealized gains (losses) on securities	13,230	1.2%	8,167	0.7%	5,062
Foreign currency translation adjustments	(9,825)	(0.9%)	(17,123)	(1.5%)	7,297
Common stock in treasury, at cost	(44,749)	(3.9%)	(44,558)	(4.1%)	(191)
Total shareholders' equity	496,164	43.2%	441,927	40.3%	54,236
Total liabilities, minority interest in subsidiaries and shareholders' equity	1,149,377	100.0%	1,097,548	100.0%	51,828

## Consolidated Statements of Income

(In millions of yen)

	Year ended March 31, 2006		Year ended March 31, 2005		Change	
	Amount	% of revenue	Amount	% of revenue	Amount	%
Revenue	567,315	100.0%	547,230	100.0%	20,084	3.7%
Costs of revenue	351,020	61.9%	341,466	62.4%	9,554	2.8%
Gross profit	216,294	38.1%	205,764	37.6%	10,530	5.1%
Selling, general and administrative expenses	122,185	21.5%	122,720	22.4%	(535)	(0.4%)
Operating profit	94,109	16.6%	83,043	15.2%	11,065	13.3%
Non-operating income	15,792	2.8%	11,942	2.2%	3,849	32.2%
Non-operating expenses	13,232	2.3%	11,507	2.1%	1,725	15.0%
Ordinary profit	96,669	17.1%	83,478	15.3%	13,190	15.8%
Extraordinary profit	9,349	1.6%	11,381	2.1%	(2,031)	(17.9%)
Extraordinary loss	11,189	2.0%	10,105	1.9%	1,084	10.7%
Income before income taxes	94,829	16.7%	84,754	15.5%	10,074	11.9%
Income taxes - current	34,888	6.1%	28,723	5.2%	6,165	21.5%
Income taxes - deferred	3,131	0.6%	4,145	0.8%	(1,014)	(24.5%)
Minority interest in subsidiaries	3,815	0.7%	3,367	0.6%	447	13.3%
Net income	52,994	9.3%	48,517	8.9%	4,476	9.2%

## Consolidated Statements of Capital Surplus and Retained Earnings

(In millions of yen)

	Year ended March 31, 2006		Year ended March 31, 2005		Change	
	Amount	Amount	Amount	Amount	Amount	Amount
<b>Capital surplus</b>						
Balance at beginning of the period	82,553		82,544		8	
Increase in capital surplus:						
Effect of mergers of subsidiaries	500		-		500	
Conversion of convertible bonds	-		8		(8)	
Balance at end of the period	83,054		82,553		500	
<b>Retained earnings</b>						
Balance at beginning of the period	346,510		308,268		38,241	
Increase in retained earnings:						
Net income	52,994		48,517		4,476	
Effect of changes in investments accounted for under the equity method	535		74		461	
Decrease in retained earnings:						
Cash dividends	11,251		10,127		1,123	
Directors' bonuses	180		222		(42)	
Effect of mergers of subsidiaries	500		-		500	
Effect of a decrease in subsidiaries	29		-		29	
Balance at end of the period	388,077		346,510		41,567	

**Consolidated Statements of Cash Flows**

(In millions of yen)

	Year ended March 31, 2006	Year ended March 31, 2005
<b>Cash flows from operating activities:</b>		
Income before income taxes	94,829	84,754
Depreciation	37,436	36,345
Amortization of goodwill	1,863	3,146
Equity in net gains of affiliated companies	(3,781)	(2,576)
Increase (decrease) in allowance for doubtful accounts	3,423	(7,226)
Increase/decrease in accrued/prepaid pension and severance costs	(10,883)	(1,815)
Interest and dividend income	(7,332)	(9,114)
Interest expenses	1,721	2,259
Exchange (gains) losses	(663)	176
Net loss (gain) on sales and disposal of tangible assets	3,028	(4,485)
Impairment loss on fixed assets	820	7,589
Gain on sales of investment securities	(6,454)	(3,594)
Loss on other-than-temporary impairment of investment securities	3,322	794
(Gain) loss on sales of affiliates' securities	(7,233)	(796)
(Increase) decrease in notes and accounts receivable, trade, and due from subscribers	(3,601)	(1,614)
(Increase) decrease in inventories	(24,088)	4,732
Increase (decrease) in accounts payable	9,979	(1,802)
Increase (decrease) in investment deposit by policyholders, unearned premiums and other insurance liabilities	(32,634)	1,298
Other	2,555	4,986
<b>Subtotal</b>	<b>62,308</b>	<b>113,060</b>
Interest and dividend received	9,570	10,229
Interest paid	(1,718)	(2,267)
Income taxes paid	(28,553)	(30,913)
<b>Net cash provided by operating activities</b>	<b>41,607</b>	<b>90,108</b>
<b>Cash flows from investing activities:</b>		
(Increase) decrease in time deposits, net	102	(636)
(Increase) decrease in short-term investments, net	867	(26,622)
Payments for purchases of tangible assets	(48,687)	(48,612)
Proceeds from sales of tangible assets	6,945	38,029
Payments for purchases of investment securities	(69,005)	(97,445)
Proceeds from sales of investment securities	99,889	66,534
Payments for purchases of subsidiaries' securities	(938)	(501)
(Increase) decrease in short-term loans receivable, net	3,064	(5,441)
Payments for long-term loans receivable	(15,327)	(12,923)
Proceeds from long-term loans receivable	27,995	51,263
Purchases of subsidiaries' securities accompanied with change in scope of consolidation	(1,106)	166
Sales of subsidiaries' securities accompanied with change in scope of consolidation	(178)	833
Payments for transfer of business	-	(1,094)
Other	(3,734)	(4,769)
<b>Net cash used in investing activities</b>	<b>(113)</b>	<b>(41,221)</b>
<b>Cash flows from financing activities:</b>		
Increase (decrease) in bank loans, net	4,387	(10,169)
Proceeds from long-term loans	7,459	1,189
Repayments of long-term loans	(7,356)	(31,456)
Proceeds from straight bonds	2,565	8,974
Payments for redemption of straight bonds	(840)	(500)
Proceeds from minority shareholders	34	5
Dividends paid	(11,251)	(10,127)
Dividends paid for minority shareholders	(942)	(875)
Increase in treasury stock, net	(191)	(157)
Increase in treasury stock of subsidiaries, net	(33)	(43)
<b>Net cash provided by (used in) financing activities</b>	<b>(6,168)</b>	<b>(43,162)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>470</b>	<b>25</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>35,795</b>	<b>5,750</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>192,950</b>	<b>187,199</b>
<b>Cash and cash equivalents at end of the period</b>	<b>228,745</b>	<b>192,950</b>

## Segment Information

### 1. Business segment information

(In millions of yen)

	Year ended March 31, 2006							
	Security services	Medical services	Insurance services	Geographic information services	Information and communication related and other services	Total	Eliminations or corporate items	Consolidated
Revenue:								
Customers	393,479	29,048	29,260	35,271	80,255	567,315	-	567,315
Intersegment	8,258	220	2,495	113	6,405	17,492	(17,492)	-
Subtotal	401,737	29,268	31,756	35,384	86,661	584,808	(17,492)	567,315
Operating costs and expenses	299,718	28,125	34,923	33,695	80,545	477,008	(3,802)	473,205
Operating profit (loss)	102,019	1,143	(3,167)	1,689	6,115	107,799	(13,689)	94,109
Assets	476,403	89,268	275,092	51,066	148,944	1,040,774	108,602	1,149,377
Depreciation and amortization	28,804	1,567	1,054	1,109	5,617	38,153	(716)	37,436
Impairment loss on fixed assets	62	-	-	-	59	121	699	820
Capital expenditures	29,964	8,671	749	1,840	14,368	55,594	(1,949)	53,644

(In millions of yen)

	Year ended March 31, 2005						
	Security services	Medical services	Insurance services	Information and communication related and other services	Total	Eliminations or corporate items	Consolidated
Revenue:							
Customers	377,598	25,418	29,997	114,216	547,230	-	547,230
Intersegment	6,836	215	3,134	4,888	15,075	(15,075)	-
Subtotal	384,435	25,634	33,131	119,104	562,306	(15,075)	547,230
Operating costs and expenses	289,650	24,939	35,670	115,108	465,368	(1,181)	464,187
Operating profit (loss)	94,784	695	(2,538)	3,996	96,937	(13,893)	83,043
Assets	461,906	80,344	306,658	171,173	1,020,081	77,466	1,097,548
Depreciation and amortization	28,395	1,493	781	6,354	37,023	(678)	36,345
Impairment loss on fixed assets	1,349	24	-	5,745	7,120	469	7,589
Capital expenditures	30,205	10,939	899	12,885	54,930	(1,734)	53,196

(Note)

The SECOM Group formerly categorized its business into four business segments: Security Services, Medical Services, Insurance Services, and Information and Communication Related and Other Services. This fiscal year, however, the Company has set up a new business segment, Geographic Information Services, by separating it off from where it once belonged, Information and Communication Related and Other Services segment. This separation is intended to provide more meaningful business segment information by independently describing the Geographic Information Services business, as it has grown more important.

Shown below for your reference is the business segment information for the year ended March 31, 2005, under the assumption that the segmentation methodology used for the year ended March 31, 2006, is applied to that periods.

(In millions of yen)

	Year ended March 31, 2005							
	Security services	Medical services	Insurance services	Geographic information services	Information and communication related and other services	Total	Eliminations or corporate items	Consolidated
Revenue:								
Customers	377,598	25,418	29,997	34,914	79,301	547,230	-	547,230
Intersegment	6,836	215	3,134	252	4,821	15,260	(15,260)	-
Subtotal	384,435	25,634	33,131	35,167	84,122	562,491	(15,260)	547,230
Operating costs and expenses	289,650	24,939	35,670	33,881	81,413	465,554	(1,367)	464,187
Operating profit (loss)	94,784	695	(2,538)	1,286	2,709	96,937	(13,893)	83,043
Assets	461,906	80,344	306,658	50,213	123,011	1,022,133	75,415	1,097,548
Depreciation and amortization	28,395	1,493	781	1,022	5,331	37,023	(678)	36,345
Impairment loss on fixed assets	1,349	24	-	-	5,745	7,120	469	7,589
Capital expenditures	30,205	10,939	899	1,835	11,049	54,930	(1,734)	53,196

## 2. Geographic segment information

(In millions of yen)

	Year ended March 31, 2006				
	Japan	Others	Total	Eliminations or corporate items	Consolidated
Revenue:					
Customers	553,524	13,791	567,315	-	567,315
Intersegment	315	-	315	(315)	-
Subtotal	553,839	13,791	567,630	(315)	567,315
Operating costs and expenses	447,969	12,888	460,858	12,347	473,205
Operating profit (loss)	105,870	902	106,772	(12,662)	94,109
Assets	940,339	16,985	957,324	192,053	1,149,377

(In millions of yen)

	Year ended March 31, 2005				
	Japan	Others	Total	Eliminations or corporate items	Consolidated
Revenue:					
Customers	534,539	12,691	547,230	-	547,230
Intersegment	228	-	228	(228)	-
Subtotal	534,768	12,691	547,459	(228)	547,230
Operating costs and expenses	438,995	12,401	451,396	12,790	464,187
Operating profit (loss)	95,772	290	96,063	(13,019)	83,043
Assets	942,577	14,405	956,983	140,565	1,097,548

## 3. Revenue from overseas

(In millions of yen)

	Years ended March 31	
	2006	2005
Revenue from overseas	15,723	14,046
Consolidated revenue	567,315	547,230
% of consolidated revenue	2.8%	2.6%