



Notice of Convocation

The 45th Ordinary General Meeting of Shareholders

The following is an English translation of the Notice of Convocation of the 45th Ordinary General Meeting of Shareholders of SECOM CO., LTD. to be held on June 27, 2006, except for the translation of the INSTRUCTION ON ONLINE VOTING and the ACCESS MAP FOR THE PLACE OF THE MEETING in the Notice. The Company provides this translation for your reference and convenience only and without any warranty as to its accuracy or otherwise.

Table of Contents

Notice of Convocation of The 45th Ordinary General Meeting of Shareholders	3
[Attached Documents]	
Business Report	6
I. Outline of Business	6
1 The Group's business development and results of operations	6
2 The Group's capital investments	9
3 The Group's fund raising	9
4 Issues the Group has to cope with	9
5 The Group's and the Company's business performance and assets	10
II. Outline of the Company	14
1 Principal Business of the Group	14
2 Principal Offices of the Group	14
3 Matters Concerning Employees of the Group and the Company	14
4 Matters Concerning Principal Subsidiaries and other Principal Business Combinations	15
5 Matters Concerning Shares and Shareholders	16
6 Acquisition, disposition and holding of treasury stock	17
7 Primary Lenders	17
8 Directors and Corporate Auditors	18
9 Remuneration for Accounting Auditors	19
III. Important Facts Pertaining to the Group since Fiscal Year End	19
IV. Report on the Company's Internal System	20
Consolidated Balance Sheet	24
Consolidated Statement of Income	35
Copy of the Accounting Auditors' Report (Consolidated)	37
Copy of the Board of Corporate Auditors' Report (Consolidated)	38
Non-Consolidated Balance Sheet	39
Non-Consolidated Statement of Income	44
Proposal for appropriation of unappropriated retained earnings	46
Copy of the Accounting Auditors' Report	47
Copy of the Board of Corporate Auditors' Report	49
Reference Document Concerning the General Meeting of Shareholders	51

(Note) This Table of Contents is for this abridged English translation only, and not the same as that in the original Japanese documents.

Notice of Convocation of The 45th Ordinary General Meeting of Shareholders

Dear Shareholders:

You are cordially invited to attend the 45th Ordinary General Meeting of Shareholders of SECOM CO., LTD. (the “Company”).

If you are unable to attend the meeting, you are respectfully requested to review the “Reference Document Concerning the General Meeting of Shareholders” below and exercise your voting right on or before June 26, 2006, by either of the methods stated below: ¹

[By mail]

Please indicate on the Voting Right Exercise Form enclosed herewith your consent or dissent to the proposals on the agenda, and return the form to the Company by mail, after affixing your seal impression thereto.

[By the Internet]

Please access the designated website for exercising voting rights (<https://www.evoting.tr.mufg.jp>) from your personal computers and use the “log in ID” and “temporary password” stated on the enclosed Voting Right Exercise Form. Then, please indicate your consent or dissent to the proposals on the agenda by following the instructions on the display screen. When exercising your voting right by the Internet, please carefully read the “Instruction on Online Voting”.

Yours very truly,

SECOM CO., LTD.
5-1, Jingumae 1-chome, Shibuya-ku,
Tokyo, Japan

By: KANEMASA HARAGUCHI
President and Representative Director

¹ (Note): Please note that shareholders with addresses outside Japan may not themselves use these voting procedures. For these shareholders please consult their standing proxies within Japan as to the exercise of voting rights.

PARTICULARS

1. **Date and Time of the Meeting:**

Tuesday, June 27, 2006 at 10:00 a.m.

2. **Place of the Meeting:**

HARAJUKU QUEST HALL, on the 3rd floor of HARAJUKU QUEST Building
13-14, Jingumae 1-chome, Shibuya-ku, Tokyo, Japan

3. **Matters to be dealt with at the Meeting:**

Matters to be Reported:

1. Report on the Business Report, the Consolidated Balance Sheet and the Consolidated Statement of Income for the 45th Fiscal Year (from April 1, 2005 to March 31, 2006) and the Results on the Audits of Consolidated Accounting Documents by the Accounting Auditors and the Board of Corporate Auditors.
2. Report on the Non-Consolidated Balance Sheet and the Non-Consolidated Statement of Income for the 45th Fiscal Year (from April 1, 2005 to March 31, 2006).

Matters to be Resolved upon :

- | | |
|---------------------------------|--|
| First Item of Business: | Approval of the Proposal for appropriation of unappropriated retained earnings for the 45th Fiscal Year |
| Second Item of Business: | Partial Amendments to the Articles of Incorporation |
| Third Item of Business: | Election of Eleven (11) Directors |

4. Matters related to Exercise of Voting Rights:

(i) Exercise of Voting Rights through Proxy

If a shareholder is unable to attend the general meeting of shareholders, the shareholder may exercise voting rights through a proxy who shall be a shareholder of the Company. In this case, the shareholder or the proxy is required to submit a document evidencing the proxy's power of representation to the Company at the meeting.

(ii) Non-uniform Exercise of Voting Rights

When the shares are owned by multiple owners but are registered in the name of a sole shareholder, each owner may want to exercise his/her voting rights independently from other owners. The law permits non-uniform exercise of voting rights by a registered shareholder in such a situation. In order to exercise non-uniform voting, the registered shareholder shall notify the Company to make such voting and the reason thereof 3 days before the general meeting of shareholders.

(iii) Validity of the voting in the event of exercise of voting rights by a shareholder both by return mail (Voting Right Exercise Form) and by the Internet

In the event that a shareholder exercises voting rights both by return mail (Voting Right Exercise Form) and by the Internet, the Company will consider the exercise of voting rights by the Internet to be valid.

(iv) Validity of the voting in the event of exercise of voting rights by a shareholder by the Internet more than once

In the event that a shareholder exercises voting rights by the Internet more than once, the Company will consider the last exercise of voting rights to be valid.

(Notes)

If you plan to attend the meeting, please submit the enclosed Voting Right Exercise Form to the receptionist at the meeting.

In cases that any content of the Reference Document Concerning the General Meeting of Shareholders and Accounting documents is amended, the Company will announce such amendment on the Company's website (<http://www.secom.co.jp/>).

[Attached Documents]

Business Report (Fiscal Year Ended March 31, 2006)

I. Outline of Business

1. The Group's business development and results of operations

During the fiscal year ended March 31, 2006, the recovery in the Japanese economy gradually became more evident as private-sector capital investment increased on account of improved corporate earnings, consumer spending rose, and exports were firm due to expanding overseas economies. However, there were some concerns such as higher oil prices.

Meanwhile, against the backdrop of various societal factors, including the recent deterioration in public safety and the law related to personal information protection coming into full effect, social needs for safety and security advanced and diversified. In this situation, with the aim to fully developing the “Social System Industry” vision, we, the SECOM Group (the “Group”), expanded our security services, our core business, by adding new offices, relocating some offices, and introducing new services and products. At the same time, we continued to aggressively develop other services, including medical services, insurance services, geographic information services, and information and communication related and other services. We have worked to provide high-value-added services and products that more precisely match the needs of our customers.

Security services are mainly responsible for centralized systems (online security systems) for businesses and private residences, static guard services, armored car services, and the sale of security products. For businesses, we provide services that meet the security needs of our customers, and these services include the following: *SECOM AX*, which involves image sensors that make use of image recognition technology at a customer's building to enable remote monitoring in a time of emergency; the highly-versatile *SECOM DX*, which can be used to meet a wide range of security needs; and *SECOM IX*, remote visual monitoring for 24-hour businesses. The number of contracts for online security systems steadily increased. In addition, sales of security products, including access-control systems and surveillance cameras, remained firm as a result of increased awareness of crime prevention and information asset management. In cooperation with the corporation that has the largest share of the market for shoplifting-prevention systems, we launched sales of the *Electronic Article Surveillance (EAS)* system, which can be effectively employed to prevent shoplifting at stores. *SESAMO TR II*, an integrated access-control system to manage individuals entering and leaving buildings and to remotely control doors, which can also include an anticrime function, has also gone on sale. We introduced these new products in response to increased recognition of the importance of daytime security related to people entering and leaving offices and commercial facilities.

For residential customers, we have strived to expand sales of the online security system *SECOM Home Security*, and actively proposed other products and services including comprehensive home insurance, *External Image Monitoring Service*, *SECOM Anshin Glass*, *SECOM Home Camera System*, and *SECURIFACE* intercom system. We also introduced the daily-life support service, *SECOM Home Service*, for subscribers of our *SECOM Home Security* service in densely populated residential areas in Tokyo, Kanagawa, Osaka, and Hyogo. By adding this service, which includes security support, housework

support, and trouble support to quickly respond to various daily problems, we are able to provide higher-quality and higher-value-added services to households.

During the fiscal year, in order to provide higher-quality security services, we partially changed our organizational structure. Satellite offices were relocated to or newly established in areas with a growing number of customers, particularly in large cities, and this has made it possible to provide quick and meticulous response to customers. System Design Centers, which are involved in major projects such as those for large-scale buildings, were expanded throughout Japan, and we have strengthened our sales and proposal abilities.

Medical services contain various activities including home medical services, remote image diagnosis support services, electronic medical report (EMR) systems, sales of medical equipment and others, the management of nursing homes, personal care services, and real estate leasing for medical institutions. During the fiscal year, we focused on expanding home medical services, centered on the home nursing services and pharmaceutical dispensing and home delivery services. We also provided the *SECOM Health Care Club*, a membership-based health management service that provides detailed care for each member, and offer high-quality medical services at our affiliated clinic in Chiyoda-ku, Tokyo, which is equipped with the cutting-edge medical equipment.

For insurance services, we continued sales of the comprehensive automobile insurance policy *New SECOM Anshin My Car*, which includes express on-site service by SECOM's emergency response personnel. Other products include *Security Discount Fire Policy* for businesses, *SECOM Anshin My Home* for households, and *MEDCOM*, an unrestricted medical treatment policy, which is aimed to help policyholders defeat cancer through proper treatment. We have strived to sell unique insurance policies that can generate synergies between insurance and security services.

In geographic information services, which were originally part of information and communication related and other services but were spun off this fiscal year, we are mainly engaged in providing services that utilize geographic information system (GIS) that meets the needs of both regional governments and private sectors, and conducting businesses related to surveying, measuring, and construction consulting. In the fiscal year, we launched sales of *PasCAL*, an integrated GIS product for regional public organizations, and *MarketPlanner Series*, which supports the computerization of area marketing activities by private enterprises. In addition we introduced the *Return Home Support Mapping Service*, to aid corporation's emergency management measures and enhance employees' ability to get home in the event of a major earthquake. The Group also focused on expanding its overseas sites, particularly in Asia.

Information and communication related and other services contain various fields including information services, real estate development and sales, and real estate leasing. In the field of information services, while focusing on providing cyber security services and operating network systems, in addition to our present *SECOM Safety Confirmation Service*, we started the *SECOM Disaster Response Support Service*, which provides support for the initial response of organizations including corporations to major disasters. In the field of real estate development and sales, efforts were made to develop and sell the condominium series *Glorio*, which stresses security.

The Group is engaged in each of its business, including security services, overseas. During the fiscal year, the Group established the fifth security company in China in the city of Shenzhen and aggressively promoted the development of security services in China, whose economy is expanding at an incredible pace.

As a result, during the fiscal year, consolidated revenue increased 3.7% year-on-year to ¥567.3 billion. Partially in response to returns on pension assets that were substantially greater

than expected, which reduced operating expenses, consolidated operating profit increased 13.3% to ¥94.1 billion, and consolidated ordinary profit expanded 15.8% to ¥96.6 billion. The Company also recorded ¥9.3 billion in extraordinary profit including a gain of ¥7.2 billion on the sales of shares of subsidiaries and affiliated companies, and ¥11.1 billion in extraordinary losses including a ¥3.2 billion provision for allowance for doubtful accounts, a ¥2.7 billion revaluation loss on telephone rights and a ¥1.1 billion provision for accrued retirement benefits for Directors and Corporate Auditors. As a result, consolidated net income increased 9.2% to ¥52.9 billion.

2. The Group's capital investments

Capital investment for the fiscal year totaled ¥53.6 billion (a breakdown is given below), a major portion of which was ¥29.9 billion in system investments, including those for alarm systems and equipment in the security service segment.

Business Segment	(Millions of yen)
	Current fiscal year
Security Services	29,964
Medical Services	8,671
Insurance Services	749
Geographic Information Services	1,840
Information & Communication Related and Other Services	14,368
Subtotal	<u>55,594</u>
Eliminations and Corporate Items	<u>(1,949)</u>
Total	<u>53,644</u>

3. The Group's fund raising

During the fiscal year, no funds were raised by the Group in capital markets through the issuance of corporate bonds or new shares.

The Group uses cash flows from operating activities and short-term loans from financial institutions to meet its needs for funds.

4. Issues the Group has to cope with

In an ever-changing society, changes in people's sense of values result in more diversified and advanced social demands for security and safety, such as medical treatment, insurance, geographic information, and cyber security.

Therefore, by providing numerous services that bring people with security and peace of mind, such as security services, the SECOM Group is aiming to create the "Social System Industry" that can help realize a safer, more convenient, and pleasant society. In particular, we are striving to provide high-quality systems that are trusted by customers and meticulous services that meet the needs of our customers. In addition, we are making further progress in integrating each service of the Group, and are working to provide integrated services that make use of the total abilities of the Group. Furthermore, in regards to businesses that are approaching a full-fledged growth phase, we are striving to increase the efficiency of management throughout the Group by continually improving operations.

Through these efforts, the Group is going to establish a "society without any fears" and a corporate structure that is said to "be reliable when there is a problem".

We hope to receive the continued support of all of our shareholders.

5. The Group's and the Company's business performance and assets

(1) The Group's earnings and assets

The following table gives the Group's earnings and assets for the current and the 3 preceding fiscal years.

(Millions of yen except for Net Income per Share)

Category \ Fiscal Year	42nd Fiscal year (4/1/2002 - 3/31/2003)	43rd Fiscal year (4/1/2003 - 3/31/2004)	44th Fiscal year (4/1/2004 - 3/31/2005)	45th Fiscal year (current fiscal year) (4/1/2005 - 3/31/2006)
Revenue	523,271	527,409	547,230	567,315
Operating Profit	72,902	81,286	83,043	94,109
Ordinary Profit	70,063	76,243	83,478	96,669
Net Income	35,583	41,111	48,517	52,994
Net Income per Share(yen)	154.96	181.40	214.41	234.28
Total Assets	1,090,131	1,092,067	1,097,548	1,149,377
Net Assets	369,753	403,257	441,927	496,164

A breakdown by business segment reveals that earnings for security services, centered on centralized systems, were firm, with revenue increasing 4.2% year-on-year to ¥393.4 billion and operating profit increasing by 7.6% to ¥102.0 billion.

In medical services, the home medical service business was firm and a newly consolidated subsidiary contributed to the service's earnings. Therefore, revenue increased 14.3% to ¥29.0 billion, and operating profit surged 64.5% to ¥1.1 billion.

In insurance services, on a non-consolidated basis, Secom General Insurance Co., Ltd., revenue rose 4.9% or ¥1.2 billion year on year. However, revenue for insurance services declined 2.5% to ¥29.2 billion, as a result of various factors including the elimination of internal transactions, and absence of ¥0.6 billion in revenue from maturity repayment of savings-type insurance policies held by eight companies including the Company for the previous year. The segment posted an operating loss of ¥3.1 billion, compared to an operating loss of ¥2.5 billion for the previous year, because of a ¥1.2 billion transfer to actuarial liabilities for natural disasters and emergencies, and a decline in received interest and dividend income following Secom General Insurance's shift of assets from real estate related investments to safer investments. On account of the nature of the insurance business, ordinary profit is an important indicator, and Secom General Insurance, which is the core of insurance services, recorded ¥1.0 billion in ordinary profit, compared to a ¥0.5 billion ordinary loss for the previous year.

In geographic information services, revenue increased 1.0% to ¥35.2 billion, and operating profit increased 31.3% to ¥1.6 billion.

For information and communication related and other services, revenue increased 1.2% to ¥80.2 billion, and operating profit increased 125.7% to ¥6.1 billion, as a result of various factors including an improvement in operating profit from the hotel business and a substantial increase in profit from the real estate development and sales business.

In the fiscal year, geographic information services, which had been included in information and communication related and other services, was spun off as an independent segment. Year-on-year comparison are made after re-categorizing the items.

Sales by Business Segment [45th Fiscal Year]

(Millions of yen)

Business Segment	Revenue			Profit(Loss) from operations
	Customers	Inter-segment	Total	
Security Services	393,479	8,258	401,737	102,019
Medical Services	29,048	220	29,268	1,143
Insurance Services	29,260	2,495	31,756	(3,167)
Geographic Information Services	35,271	113	35,384	1,689
Information and Communication Related and Other Services	80,255	6,405	86,661	6,115
Total	567,315	17,492	584,808	107,799
Eliminations and Corporate Items	-	(17,492)	(17,492)	(13,689)
Consolidated	567,315	-	567,315	94,109

(2) The Company's earnings and assets

(i) Earning and assets for the current fiscal year and the 3 preceding fiscal years

(Millions of yen except for Net Income per Share)

Fiscal Year / Category	42nd Fiscal year (4/1/2002 - 3/31/2003)	43rd Fiscal year (4/1/2003 - 3/31/2004)	44th Fiscal year (4/1/2004 - 3/31/2005)	45th Fiscal year (current fiscal year) (4/1/2005 - 3/31/2006)
Revenue	278,610	288,493	297,782	313,096
Operating profit	54,167	64,231	66,031	72,172
Ordinary profit	53,513	62,156	66,219	70,964
Net Income	30,784	34,282	37,704	43,879
Net Income per Share(yen)	134.45	151.66	167.09	194.58
Total Assets	582,707	580,547	598,711	643,990
Net Assets	371,182	397,862	426,288	461,646

(Notes)

1. Since the 43rd fiscal year, in place of the traditional "income" and "income per share", "net income" and "net income per share" have been used based on "Ministerial Ordinance Partially Amending Enforcement Ordinance of the Commercial Law" (February 28, 2003, Ministry of Justice Ordinance No. 7).
2. Net Income per Share was calculated using the average number of shares during the fiscal year.

(ii) Revenue and Profit

Total revenue increased 5.1% year-on-year to ¥313.0 billion, operating profit grew 9.3% to ¥72.1 billion, ordinary profit increased 7.2% to ¥70.9 billion, and net income increased 16.4% to ¥43.8 billion.

Net income per share increased to ¥194.58 from ¥167.09.

A breakdown of revenue reveals that contract revenue accounted for 87.2% of total revenue, or ¥272.8 billion, and product/equipment sales accounted for 12.8% of total revenue, or ¥40.2 billion.

Within contract revenue, revenue from centralized system contracts, which are the core of revenue and profit, was firm at ¥223.5 billion, and accounted for 71.4% of total revenue. There were ¥21.8 billion revenue from static guard services and ¥16.4 billion from armored car service. The remaining revenue for contract revenue amounted to ¥11.0 billion, of which majority came from advising fees from companies, including subsidiaries.

Product sales totaled ¥29.0 billion, 9.3% of total revenue, and equipment sales to other companies, including subsidiaries, totaled ¥11.1 billion, 3.5% of total revenue.

We continued to reduce operating expenses, and the return on the investment of pension assets was substantially greater than expected, which resulted in a decrease in operating expenses. Therefore, operating profit reached ¥72.1 billion.

Non-operating income was ¥6.2 billion, which included interest and dividends received, while non-operating expenses totaled ¥7.5 billion due to interest paid and the losses on the sales and disposal of fixed assets. Therefore, ordinary profit was ¥70.9 billion.

In addition, we recorded ¥6.1 billion in extraordinary profit, which included a gain of ¥4.6 billion from the sale of investment securities, and ¥5.6 billion in extraordinary losses as a result of a ¥1.9 billion loss on revaluation of telephone rights and a ¥1.1 billion provision for accrued retirement benefits for Directors and Corporate Auditors.

As a result, net income came to ¥43.8 billion.

(iii) Earnings by business category

The following table gives sales for each business category.

Fiscal Year Category		43rd Fiscal year (4/1/2003 - 3/31/2004)			44th Fiscal year (4/1/2004 - 3/31/2005)			45th Fiscal year (current fiscal year) (4/1/2005 - 3/31/2006)		
		Amount (Millions of yen)	%	Change (%)	Amount (Millions of yen)	%	Change (%)	Amount (Millions of yen)	%	Change (%)
Contract revenue	Centralized system	212,811	73.7	2.1	216,655	72.8	1.8	223,527	71.4	3.2
	Static Guard Services	18,295	6.3	3.7	18,963	6.4	3.7	21,882	7.0	15.4
	Armored Car Services	15,751	5.5	7.3	15,609	5.2	(0.9)	16,423	5.3	5.2
	Other	10,024	3.5	5.5	10,690	3.6	6.6	11,043	3.5	3.3
	Subtotal	256,883	89.0	2.7	261,918	88.0	2.0	272,876	87.2	4.2
Sales	Merchandize	21,906	7.6	21.2	24,875	8.3	13.6	29,036	9.3	16.7
	Equipment	9,704	3.4	(5.7)	10,988	3.7	13.2	11,183	3.5	1.8
	Subtotal	31,610	11.0	11.4	35,863	12.0	13.5	40,220	12.8	12.1
Total		288,493	100.0	3.5	297,782	100.0	3.2	313,096	100.0	5.1

(Note) In the contract revenue business category, local system has been included in centralized system starting this fiscal year.

The following are the revenues for the local system included in centralized system: 43rd fiscal year, ¥3,487 million; 44th fiscal year, ¥3,415 million; 45th fiscal year, ¥3,332 million.

II. Outline of the Company (as of March 31, 2006)

1. Principal Business of the Group

The principal business activities of the Group are as follows: security services centering on security on contract business, medical services including home medical services and remote image diagnosis support services, non-life insurance, geographic information services that mainly entails the provision of geographic information system, information and communication business including cyber-security services and network services, software development, real estate development and sales, real estate leasing and other miscellaneous business activities.

2. Principal Offices of the Group

(i) Headquarters of the Company:

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

(ii) Regional Headquarters:

Hokkaido (Sapporo), Tohoku (Sendai), West Kanto (Saitama), East Kanto (Chiba), Tokyo (Bunkyo-ku, Tokyo), Metropolitan Static Guard Service(Shinjuku-ku, Tokyo), Metropolitan Armored Car Service (Shibuya-ku, Tokyo), Kanagawa (Yokohama), Shizuoka (Shizuoka), Chubu (Nagoya), Osaka (Osaka), Kansai Static Guard Service(Osaka), Kinki (Kyoto), Hyogo (Kobe), Chugoku (Hiroshima), Shikoku (Takamatsu), Kyushu (Fukuoka)

(iii) Domestic Subsidiaries

Secom Joshinetsu Co., Ltd.(Niigata), Secom Techno Service Co., Ltd.(Nakano-ku, Tokyo), Secom Industries Co., Ltd. (Shiroishi City, Miyagi Prefecture), Pasco Corporation (Meguro-ku, Tokyo), Secom Medical System Co., Ltd. (Shibuya-ku, Tokyo), Secom General Insurance Co., Ltd. (Chiyoda-ku, Tokyo), Secom Trust.net Co., Ltd. (Shibuya-ku, Tokyo), Secom Home Life Co., Ltd. (Shibuya-ku, Tokyo), Arai & Co., Ltd. (Shibuya-ku, Tokyo)

(ix) Overseas Subsidiaries

The Westec Security Group, Inc. (Dover, Delaware, US), Secom Plc. (Kenley, Surrey, UK), Secom (China) Co., Ltd. (Beijing, China)

3. Matters Concerning Employees of the Group and the Company

(1) Matters Concerning Employees of the Group

Number of Employees	Comparison with the preceding fiscal year
28,224	+1,002

(2) Matters Concerning Employees of the Company

Number of Employees	Comparison with the preceding fiscal year	Average Age	Average Working Years
12,800	+282	37.3	11.6

Note: The number of employees refers to the number of full time employees. Part time or temporary employees are not included.

4. Matters Concerning Principal Subsidiaries and Other Principal Business Combinations

(1) Matters Concerning Principal Subsidiaries

Name of the Company	Issued Capital	Percentage of Shareholding (Percentage of Voting Rights)	Principal Business
Secom Joshinetsu Co., Ltd.	(¥ million) 3,530	(%) 50.88 (50.88)	Security, Safety
Secom Techno Service Co., Ltd.	(¥ million) 2,357	(%) 67.79 (67.83)	Installation and maintenance of security systems
Secom Industries Co., Ltd.	(¥ million) 499	(%) 100.00 (100.00)	Manufacture of security systems
Pasco Corporation	(¥ million) 8,758	(%) 69.84 (73.42)	Surveying, measuring and geographic information
Secom Medical System Co., Ltd.	(¥ million) 200	(%) 100.00 (100.00)	Home medical services and remote image diagnosis support services
Secom General Insurance Co., Ltd.	(¥ million) 5,611	(%) 83.15 (83.27)	Non-life insurance
The Westec Security Group, Inc.	(\$) 301	(%) 100.00 (100.00)	American holding company
Secom Plc	(£ 1,000) 39,126	(%) 100.00 (100.00)	Security business in the UK

(Notes)

- Percentage of Shareholding (Percentage of Voting Rights) is truncated to two decimal places.
- Percentage of Shareholding (Percentage of Voting Rights) for Secom Joshinetsu Co., Ltd. and Secom Techno Service Co., Ltd. include those owned by the Company's subsidiaries.

(2) Ongoing Business Combinations

Nothing particular to comment.

(3) Results of Business Combinations

The Company has a total of 125 consolidated subsidiaries, including the 8 companies mentioned in section (1), and a total of 30 affiliated companies accounted for by using a equity method.

Results of business combinations are described in Section I “Outline of Business”, Subsection 1 “The Group's business development and results of operations”.

(4) Technological Cooperation

The Company has technological cooperation agreements with domestic subsidiaries and affiliated companies, and the following overseas companies: Taiwan Secom Co., Ltd., S1 Corporation, Thaisecom Pitakkij Co., Ltd., Secom (Malaysia) Sdn Bhd,

Secom (Singapore) Pte Ltd., PT. Secom Indoprata, Shanghai Secom Security Co., Ltd. and 4 other companies.

5. Matters Concerning Shares and Shareholders

- (i) Total number of shares to be issued: 900,000,000
(ii) Issued number of shares: 233,288,717
(iii) Number of shareholders at the end of the fiscal year: 19,807
(iv) Major shareholders

Shareholders	Investment in the Company		Investment in the Principal Shareholders by the Company	
	Number of shares held	Percentage of shareholding	Number of shares held	Percentage of shareholding
	(thousands of shares)	(%)	(thousands of shares)	(%)
Japan Trustee Services Bank, Ltd.	14,700	6.30	--	--
The Master Trust Bank of Japan, Ltd.	13,894	5.95	--	--
The State Street Bank and Trust Company	7,835	3.35	--	--
Mitsubishi UFJ Trust and Banking Corporation Trust Account 106	6,153	2.63		
BNP PARIBAS Securities (Japan) Limited	4,863	2.08	--	--
The State Street Bank and Trust Company 505103	4,607	1.97		
Makoto Iida	4,320	1.85	--	--
The State Street Bank and Trust Company 505025	4,040	1.73		
SECOM Science and Technology Foundation	4,025	1.72	--	--
Bank of Bermuda Limited, Hamilton	3,221	1.38	--	--

(Notes)

1. Percentage of shareholding (Percentage of Voting Rights) is truncated to two decimal places.
2. As of March 31, 2006, the Company owned 8,301 thousand shares of treasury stock (excluded from the table above).
3. In the case of the above trust banks, bank business-related shares and trust service-related shares are registered under different names. Therefore, the number of shares held by each trust bank above represents the shares regarding trust services.

6. Acquisition, disposition and holding of treasury stock

(i) Acquisition

Common stock: 35,954 shares

Total acquisition price: ¥191 million

(ii) Share disposition

No entry

(iii) Shares expired

No entry

(iv) The number of shares of treasury stock at the end of the fiscal year

Common stock: 8,301,997 shares

(Note) As of March 31, 2005, the Company held 8,266,043 shares of common stock.

7. Primary Lenders

Lender	Closing balance at the end of the fiscal year	The Company's shares owned by primary lenders	
		Number of shares held	Percentage of shareholding
Mizuho Bank, Ltd.	(¥ million) 10,867	(thousands of shares) 100	0.04%
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	(¥ million) 5,359	(thousands of shares) 3,196	1.37%
Sumitomo Mitsui Banking Corporation	(¥ million) 3,296	--	--%

(Note) Percentage of shareholding is truncated to two decimal places.

8. Directors and Corporate Auditors

Position	Name	Field of Responsibility
Director	Makoto Iida	Supreme Advisor
Director	Juichi Toda	Supreme Advisor
Director	Toshitaka Sugimachi	Advisor
Chairman and Director	Shohei Kimura	Executive officer
President and Representative Director	Kanemasa Haraguchi	Executive officer
Senior Executive Director	Nobuyuki Sasaki	Executive officer
Executive Director	Katsuhisa Kuwahara	Executive officer
Executive Director	Shuji Maeda	Executive officer
Executive Director	Katsuo Akiyama	Executive officer
Executive Director	Shinobu Iida	Executive officer
Director	Fumio Obata	Executive officer, President and Representative Director of Secom Medical System Co., Ltd.
Corporate Auditor	Teruo Ogino	Full-time auditor
Corporate Auditor	Ken Tsunematsu	
Corporate Auditor	Hiroshi Yasuda	
Corporate Auditor	Kohei Yamashita	

(Notes)

1. Ken Tsunematsu, Hiroshi Yasuda and Kohei Yamashita are outside Corporate Auditors as stipulated in Article 18 Paragraph 1 of the former Law Concerning Special Exceptions to Commercial Code with respect to Audit, etc. of Joint Stock Corporations.
2. Moves in Directors during the fiscal year:
 - (1) Yoichi Tao resigned at the close of the 44th Ordinary General Shareholders' Meeting held on June 29, 2005.
 - (2) Shinobu Iida was elected Director at the 44th Ordinary General Shareholders' Meeting held on June 29, 2005. (At the meeting of the Board of Directors held on the same day, he was appointed Executive Director.)

9. Remuneration for Accounting Auditors

- (i) Amount to be paid by the Company and its subsidiaries to Accounting Auditors: ¥133 million.
 - (ii) Of the amount referred to in (i) above, ¥129 million will be paid as audit fees.
 - (iii) Of the amount referred to in (ii) above, ¥60 million will be paid for auditors by the Company.
- (Note) In the contract between the Company and Accounting Auditors, no distinction is made between remuneration for auditing based on the former Law Concerning Special Exceptions to Commercial Code with respect to Audit, etc. of Joint Stock Corporations and remuneration for auditing based on the Securities and Exchange Law, and indeed no practical distinction is possible. Therefore, the amount referred to in (iii) above is the total for both audits.

III. Important Facts Pertaining to the Group since Fiscal Year End

No significant events to be noted.

IV. Report on the Company's Internal System

The Company, at the meeting of its Board of Directors held on May 9, 2006, resolved upon the basic policy regarding the internal control system, i.e. "the system under which execution of duties by Directors is ensured to comply with laws and regulations and the Articles of Incorporation, and the system under which the Company's business is ensured to be properly executed" as provided for in Article 362, Paragraph 4, Item 6 of the Companies Law and Article 100, Paragraphs 1 and 3 of the Enforcement Regulation of the Companies Law. The contents of the resolution are set out below.

PARTICULAR

1. General

The resolution expresses the basic policy regarding the internal control system of the Company to be specifically established by the President and Representative Director based on Article 362, Paragraph 5 of the Companies Law.

The internal control system based on this resolution shall be established urgently by officers in charge, and shall be constantly reviewed and improved.

2. System under which execution of duties by Directors and employees is ensured to comply with laws and regulations and the Articles of Incorporation

(i) The Company has prepared a compliance manual which officers and employees of the Company are required to follow in order to comply with laws, regulations, the Articles of Incorporation and "constitution of SECOM's business and operation" and a manual for the compliance with important laws. To enforce it to the full extent, Audit and Compliance Department oversees and coordinates the undertaking for compliance of the entire Company horizontally and this department acts as a core vehicle in education, etc. of officers and employees. Such activities shall be reported to the Board of Directors and the Board of Corporate Auditors.

Furthermore, an organization climate committee whose chairman is the President and Representative Director has been set up and deliberates important matters related to compliance.

(ii) In connection with the enforcement of the Whistle Blowers Protection Law, we will examine how effective the aforesaid compliance system is under the law and will make necessary changes to the systems.

Furthermore, officers in charge will be appointed, who shall control and oversee the conditions of execution of compliance as to each department and shall establish and manage an appropriate training system for employees.

(iii) Any important changes in the compliance manual shall be subject to approval of the Board of Directors after obtaining an opinion of Corporate Auditors.

3. System under which information regarding execution of business by Directors shall be maintained and controlled

(i) Documents and other information regarding execution of duties such as those concerned with decision making (hereinafter referred to as the "information on

executing duties”) shall be properly maintained, administered (including destruction) pursuant to the Document Administration Regulation of the Company, which will be amended upon reviewing the operating conditions if necessary.

(ii) Information on executing duties shall be recorded on data base with necessary information protection measure so that a search system can be established to enable quick search as to whether or not the particular document exists or the condition of storage of the particular document.

(iii) Any business related to the preceding two paragraphs shall be undertaken by officers in charge, and in particular the status of examination and review of (i) above, and operation and management of the data base of (ii) above shall be reported to the Board of Directors and the Board of Corporate Auditors.

(iv) Establishment and important amendments of the Regulation of (i) above shall be subject to approval of the Board of Directors after obtaining opinion of Corporate Auditors.

4. Regulation regarding Control of Risk of Loss and other System

(i) We will review the Company’s risk control regulation, and each organization corresponding to each risk shall constantly monitor the risk to the full extent and, in addition, an officer(s) in charge of each specified risk shall be appointed. The officer in charge shall, pursuant to the risk control regulation, be responsible to: (1) forecast and classify the risk, (2) develop a system for emergency by which appropriate information shall be transmitted promptly and appropriately in case of emergency, and (3) in cooperation with the Audit and Compliance Department, audit the conditions of daily control of risk.

(ii) The officers in charge shall report the President and Representative Director, the Board of Directors, the Board of Corporate Auditors on matters related to control of risks.

(iii) Any important changes of the risk control regulation shall be subject to approval of the Board of Directors after obtaining opinions of Corporate Auditors.

The Company’s risks shall be classified as follows:

Large scale calamity risk (System risk)

Security accident risk

Accounting treatment and clerical work risk

Compliance risk

Others

5. System by which efficient execution of duties of Directors shall be ensured

(i) All Directors of the Company shall carry out operation and execution of business on the basis of “constitution of SECOM’s business and operation” so that they may share the idea essential to execution of the duties such as decision making for management by the Board of Directors and decision making for execution of duties by the Directors.

(ii) On the basis of the preceding, to implement execution of duties efficiently, the system of executive officers was introduced so that decision making and execution of business shall be further facilitated.

(iii) In executing duties, in order to unify the power of the entire Company, a system utilizing IT should be established enabling an information to be immediately disseminated to the entire Company to the full extent.

(iv) With respect to particular decision making or execution of duties, through a system utilizing IT, the decision making and execution can be carried out immediately and definitely.

(v) The Company will share the short- and medium-term business vision and for the purpose of accomplishment thereof, the Board of Directors will design an annual business plan and deliberate progress of the plan each month.

6. System under which the corporate group consisting of the Company and its parent company and subsidiaries is ensured to properly execute its business

(i) The Company stipulated the “constitution of SECOM’s business and operation” and exerts its efforts to properly execute business with unified force of all officers and employees of the Company group. Subsidiaries accepts audit and guidance conducted by the Company, their parent company and exchanges information with the Company so that they exerts efforts to grasp issues from the viewpoint of compliance.

Furthermore, Corporate Auditors of the Company visits important subsidiaries and audit the subsidiaries with respect to the internal control system.

(ii) The Company shall establish a group management board whose chairman is the President and Representative Director. The board engages in administrating the group information, gives guidance to management of subsidiaries and has their businesses properly executed. The officer in charge will man the secretarial office of the board. The officer in charge will report to the Board of Directors and the Board of Corporate Auditors.

(iii) Upon consultations with the Board of Corporate Auditors, a group corporate auditors conference will be formed so that information will be shared.

7. Matters related to employees to assist duties of Corporate Auditors when Corporate Auditors requests to do so

A Corporate Auditors office will be established and at least two employees will be positioned to assist audit duties of the Corporate Auditors.

8. In the case of preceding item, matters related to independence of the employees concerned from Directors

Transfer and evaluation of assistants in the preceding item shall be subject to approval of the Board of Corporate Auditors.

The assistants who received necessary instruction on audit duties by Corporate Auditors shall not be subject to any instruction and order of Directors, executive officers or employees with respect to the subject audit duties nor be obligated to report to them.

9. System under which Directors and employees report to Corporate Auditors and system under which any report is made to Corporate Auditors

(i) Regulation providing for matters to be reported to Corporate Auditors shall be established upon discussion with the board of Corporate Auditors, and Directors shall make report with respect to the following matters: (1) matters resolved by the organization climate committee; (2) matters likely to be prejudicing materially the Company; (3) important matters relating to monthly conditions of business; (4) important matters relating to internal audit and risk control; (5) material violation of laws and regulations or the articles of incorporation; (6) condition of usage and content of hot help line; and (7) in addition, important matters from viewpoint of compliance.

(ii) If an employee finds a fact falling within the preceding paragraph, a system by which the fact may be transmitted directly to the President and Representative Director through such as the hot help line shall be arranged and the President and Representative Director shall report to Corporate Auditors pursuant to the preceding paragraph.

10. Furthermore, system under which audit by Corporate Auditors is ensured efficiently to be performed

(i) The Board of Corporate Auditors shall regularly hold the meetings with the President and Representative Director and Accounting Auditor, to exchange opinions so that audit shall be performed efficiently.

(ii) The Company ensures that the Board of Corporate Auditors may retain lawyers at its discretion and if necessary have opportunities to retain and consult professional accountants with respect to their audit duties.

Consolidated Balance Sheet

(As of March 31, 2006)

(Millions of yen)

ITEM	AMOUNT	ITEM	AMOUNT
<u>ASSETS</u>		<u>LIABILITIES</u>	
Current Assets:	551,959	Current Liabilities:	303,440
Cash on hand and in banks	271,780	Notes and accounts payable, trade	18,652
Call loan	25,000	Bank loans	112,868
Notes and accounts receivable, trade	52,667	Current portion of straight bonds	32,210
Due from subscribers	17,678	Payables – others	26,340
Short-term investments	83,809	Income taxes payable	22,159
Inventories	11,263	Consumption taxes payable	2,588
Real estate for sale	52,931	Accrued expenses	2,085
Deferred income taxes	9,462	Deferred revenue – service charges	30,747
Short-term loans receivable	15,564	Accrued bonus	8,981
Other current assets	13,419	Other current liabilities	46,805
Allowance for doubtful accounts	(1,617)		
Fixed Assets:	597,370	Fixed Liabilities:	314,303
Tangible Fixed Assets:	234,066	Straight bonds	11,180
Buildings and improvements	77,270	Long-term loans	13,444
Security equipment and control stations	63,070	Guarantee deposits received from subscribers	28,982
Land	65,542	Deferred income taxes	1,079
Other tangible assets	28,183	Accrued pension and severance costs	11,362
Intangible Assets:	24,384	Accrued retirement benefits for Directors and Corporate Auditors	1,565
Software	12,961	Investment deposits by policyholders, unearned premiums and other insurance liabilities	245,644
Consolidated adjustment account	8,477	Other fixed liabilities	1,043
Other intangible assets	2,945		
Investments and Others:	338,920	Total Liabilities	617,743
Investment securities	231,096		
Long-term loans receivable	57,564	MINORITY INTEREST IN SUBSIDIARIES	35,469
Long-term prepaid expenses	14,427		
Prepaid pension and severance costs	11,186	SHAREHOLDERS' EQUITY	
Deferred income taxes	11,256	Common Stock	66,377
Other investments	26,790	Capital Surplus	83,054
Allowance for doubtful accounts	(13,401)	Retained Earnings	388,077
Deferred Assets:	47	Net unrealized gains on securities	13,230
		Foreign currency translation adjustments	(9,825)
		Common Stock in treasury, at cost	(44,749)
		Total Shareholders' Equity	496,164
TOTAL ASSETS	1,149,377	TOTAL LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY	1,149,377

Significant Items for Preparation of Consolidated Financial Statements

1. Scope of Consolidation

(1) Number of consolidated subsidiaries 125

Name of major consolidated subsidiaries:

Secom Joshinetsu Co., Ltd., Secom Medical System Co., Ltd.,
Secom General Insurance Co., Ltd., Secom Techno Service Co., Ltd.,
Secom Industries Co., Ltd., SECOM Information System Co., Ltd.,
Secom Trust.net Co., Ltd., Pasco Corporation,
Secom Home Life Co., Ltd., Arai & Co Ltd., Westec Security Group, Inc.

(2) Descriptions of unconsolidated subsidiaries

Name of major unconsolidated subsidiary: FM-International Laos Co., Ltd.

(The reason for exclusion from consolidation)

FM-International Laos Co., Ltd. is of a small size, so that the aggregate amounts of total assets, net sales, net income (an amount prorated to the equity ratio) and retained earnings (an amount prorated to the equity ratio) and others do not have a significant effect on the consolidated financial statements.

2. Equity Method

All 30 affiliated companies are accounted for by the equity method.

Name of major affiliated companies accounted for by the equity method:

Nohmi Bosai, Ltd., Japan Nuclear Security System Co., Ltd., S1 Corporation,
Taiwan Secom Co., Ltd.

3. Changes in Scope of Consolidation and Companies accounted for by Equity Method

Newly consolidated companies: 8

Pasco North America Inc. and other 4 companies:
(Investments for establishment)

NS Development, Inc.:
(Acquisition of stock)

US Chemical Co., Ltd.:
(Acquisition of holding)

GIS Kanto Co., Ltd.:
(Changed from affiliated companies accounted for by the equity method)

Exclusion from consolidation: 6

Chuo Bohan Co., Ltd. and other 3 companies:
(Merger by absorption)

Chuo Bohan Act Service Co., Ltd. and another company
(Sale of stock)

Newly accounted for by equity method companies: 4

- Social Rehabilitation Support Mine Co., Ltd. and another company:
(Investments for establishment)
- Kamakura Cable Communications Co., Ltd. and another company:
(Practical influence)

Exclusion from companies accounted for by equity method: 5

- Japan Cablenet Holdings Ltd. and other 2 companies:
(Sale of stock)
- GIS East Co., Ltd.:
(Merger with GIS Kanto Co., Ltd.)
- GIS Kanto Co., Ltd.:
(Changed to consolidated subsidiaries)

4. Items for Settlement Date of Consolidated Subsidiaries, etc.

With respect to overseas consolidated subsidiaries, etc., The Westec Securities Group Inc. and other 12 U.S. subsidiaries, Secominter Australia Pty. Ltd. and other two Australian companies, Secom Plc and other three U.K. subsidiaries, SECOM (China) Co., Ltd. and other 12 Chinese subsidiaries, P.T. Nusantara Secom Innfotech, P.T. Secom IndoPratama, Pasco Thailand Co., Ltd., Thaisecom Pitakkij Co., Ltd., SECOM Vietnam Joint Venture Co., PASCO-CERTEZA COMPUTER MAPPING CORPORATION and FM-International Oy FINMAP settle accounting as of December 31 each year, and the financial statements as of December 31, 2005 are used for preparation of the consolidated financial statements.

With respect to domestic consolidated subsidiaries, etc., while Ena Urban Properties, Co., Ltd. settles accounting as of December 31 each year, the financial statements prepared pursuant to the provisional settlement of accounts conducted as of March 31, 2006, are used for preparation of the consolidated financial statements. GIS Sendai Co., Ltd., GIS Kitanihon Co., Ltd., GIS Kanto Co., Ltd., and GIS Kansai Co., Ltd settle accounting as of December 31 each year, and the financial statements as of December 31, 2005 are used for preparation of the consolidated financial statements. Other consolidated subsidiaries, etc. settle accounting as of the same date of the consolidated settlement date.

5. Significant Accounting Policies

(1) Valuation methods for significant assets

1) Securities

- a. Held-to-maturity debt securities are carried at amortized cost.
- b. With respect to investments classified as other securities, among investment with fair value, stock and beneficiary certificates are carried at fair value based on the average stock prices during one month prior to the balance sheet date, and others are carried at fair value as of the balance sheet date, with changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in shareholders' equity. The cost of securities sold is primarily calculated by the moving average method.

Investments without fair value are stated at cost primarily determined by the moving average method.

- 2) Derivatives are stated at fair value.
- 3) Inventories are stated principally at cost being determined by the moving average method.
- 4) Real estate for sale is stated at the lower of cost or market based on the identified cost method.

(2) Depreciation and amortization of depreciable and amortizable fixed assets

- 1) Depreciation of property, plant and equipment is calculated primarily by the declining-balance method. Provided, however, that the buildings (excluding improvements) acquired on or after April 1, 1998 is calculated by the straight-line method.

The useful lives of buildings are principally 22 to 50 years, and alarm devices and security equipment are principally 5 years.

- 2) Amortization of intangible assets is calculated by the straight-line method. The software used in the Company is calculated by the straight-line method based on the useful lives within the Company (5 years).
- 3) Amortization of long-term prepaid expenses are calculated by the straight-line method. With respect to the installation costs related to security equipment at the customer sites, any portion exceeding the amount received from the customer is stated as the "long-term prepaid expenses" and amortized by the straight-line method over the contract period (5 years).

(3) Basis for significant allowances

- 1) The allowance for doubtful accounts is provided for possible losses on bad debts at an amount determined based on the historical experience of bad debts with respect to ordinary accounts, plus an estimate of uncollectible amounts determined by reference to specific doubtful accounts from customers who are experiencing financial difficulties.
- 2) The allowance for bonuses is provided for the bonus payments to employees, at an amount to be paid during the fiscal year under review.
- 3) With respect to accrued pension and severance costs and prepaid pension and severance costs, the Company and the domestic consolidated subsidiaries, etc. provide an amount that is recognized to be paid at the end of fiscal year under review, based on the estimated amount of retirement benefit obligations and plan assets as of March 31, 2006.

Prior service cost and actuarial gains or losses are amortized in the year in which the cost and gain or loss are incurred.

(Change in Accounting Policy)

By virtue of the application of the "Partial Revision of Accounting Standard for Retirement Benefits" (Accounting Standards Board Statement No. 3 issued on March 16, 2005) and the "Guidance on Partial Revision of Accounting Standard for Retirement Benefits" (Accounting Standards Board Guidance No. 7 issued on March 16, 2005) from the fiscal year beginning on or after April 1, 2005, the Company adopted these accounting standard and guideline for the fiscal year

under review. Due to the effect of accounting change, operating income, ordinary profit and income before income taxes each increased by ¥7,360 million.

(Additional Information)

Certain portions of the cash balance in pension plans of the Company and some of the domestic consolidated subsidiaries, etc. were additionally transferred to the defined contribution pension plan in April 2005. The amount arising from the transfer is accounted for the extraordinary profit of ¥864 million.

- 4) With respect to retirement benefits for Directors and Corporate Auditors, the Company and some of the domestic consolidated subsidiaries, etc. provide for the amount necessary for payment of retirement benefits at the end of the fiscal year in accordance with the rules of the retirement benefit for Directors and Corporate Auditors, in preparation for future retirement benefit payment to Directors and Corporate Auditors.

(Change in Accounting Policy)

Although the retirement benefits for Directors and Corporate Auditors were previously accounted for as expenses at the time of decision of payment amounts, the Company changed the accounting for retirement benefits for Directors and Corporate Auditors to state an amount necessary for retirement benefits at the end of the fiscal year concerned in accordance with the rules of the retirement benefits for Directors and Corporate Auditors from the fiscal year under review.

Upon the rearrangement of the rules for the retirement benefits for Directors and Corporate Auditors of the Company during the fiscal year under review, in the light of the allowance for retirement benefits being in common as the accounting practice in recent years, this accounting change was made due to the Company's policy to distribute expenses to the reasonable extent during the terms of office of Directors and Corporate Auditors, whereby the income and loss will be distributed reasonably to the respective terms to achieve sound financial structure.

An amount of ¥64 million arising from this accounting change during the fiscal year under review is stated as the selling, general and administrative expenses, and an amount corresponding to the prior years of ¥1,137 million is stated as the extraordinary loss. Consequently, operating income and ordinary profit are ¥64 million less than they would have been had they been calculated in accordance with the previous accounting method, as well as net income before income taxes is ¥1,201 million less than it would have been had it been calculated in accordance with the previous method.

(4) Revenue recognition

Revenue from contract business of Pasco Corporation and its subsidiaries, etc. is recognized under the percentage of completion method. Revenue from contract business of Secom Techno Service Co., Ltd. and its subsidiaries with respect to which a construction price per transaction exceeds ¥500 million, is recognized under the percentage of completion method.

(5) Accounting for material leases

Finance leases, except for those in which ownership is considered transferred to the lessee, are accounted for as operating leases similar to the rental of property.

(6) Hedge accounting

1) Hedge accounting

The Company principally applies the deferred hedging accounting. The interest rate swaps that fulfill requirements for exceptional treatments permitted for interest rate swaps are accounted for using exceptional treatments.

2) Hedging instruments and hedged items

Hedging instruments: Interest rate swaps

Hedged items: Bonds and loans payables

3) Hedging policy

The risks for forward interest rate fluctuation is to be hedged principally pursuant to the risk management policy of the Company.

4) Assessment of hedge effectiveness

Hedge effectiveness is assessed by comparing the cumulative changes in cash flows of fair value of the hedging items and hedging instruments from the beginning of hedging to the point of assessment, taking both changes into account with those with respect to the hedged items. However, that the interest rate swap that fulfill requirements for exceptional treatments, the assessment of hedge effectiveness is omitted.

(7) Accounting for consumption tax

Transactions subject to consumption tax and local consumption tax are recorded at amounts exclusive of consumption taxes.

6. Assets and liabilities of consolidated subsidiaries, etc. are fully carried at fair value.
7. The consolidated adjustments are to be amortized by the straight line method from 5 years to 10 years.
8. The appropriation of unappropriated retained earnings of the consolidated companies are prepared based on the appropriation of unappropriated retained earnings fixed during the fiscal year under review.

Notes to Consolidated Balance Sheet

1. Cash on hand and cash in banks, Bank loans

For financial institutions, the Company and some of domestic consolidated subsidiaries operate cash collection from and cash filling to cash dispensers located outside of financial institution facilities. The balance of Cash on hand and in banks includes Cash on hand and cash in banks representing a total of ¥45,050 million connected with such services, which is restricted as to use by the Company group. Short-term borrowing balance includes ¥10,054 million financed for the purpose of the cash collection and filling services. Furthermore, the balance of Cash on hand and in banks includes ¥20,136 million connected with cash collection administration services, which is also restricted as to use by the Company group. Moreover, short-term borrowing balance includes ¥16,014 million financed in connection with the same services.

2. Accumulated depreciation of property, plant and equipment amounted to ¥245,404 million.

3. Assets pledged as collateral and related liabilities:

	(Millions of yen)
Cash on hand and in banks (time deposit)	420
Real estate for sale	37,528
Buildings and improvements	28,599
Land	14,730
Other tangible assets	6
Intangible assets (leasehold)	1,976
Investment in securities	1,168
<u>Total</u>	<u>84,429</u>
Liabilities pledged as collateral	
Bank loans	63,141
Bonds	10,890
<u>Long-term loans payable</u>	<u>11,162</u>
Total	85,193

4. Shares of unconsolidated subsidiaries, etc. and affiliated companies:

(Fixed assets)

Investment in securities (shares) amounted to ¥37,132 million.

5. Contingent liabilities:

(1) The Company has contingent liabilities of ¥11,996 million as guarantors of the loans payable and amounts payable held for lease, etc. of the affiliated companies, etc.

(2) Lawsuits:

Secom General Insurance Co., Ltd. is in litigation with FUJITSU LIMITED over repayment of fees (an amount claimed totals ¥2,500 million) allegedly incurred with the system buildings that Secom General Insurance Co., Ltd. ordered. FUJITSU LIMITED instituted the suit in July 2004. Secom General Insurance Co., Ltd. has not only asserted that the amount claimed is unreasonable, but has also counterclaimed for alleged damages (the amount claimed totals ¥1,000 million). The case is currently pending in the court.

Pasco Corporation (“PASCO”) filed a lawsuit against Sumitomo Mitsui Banking Corporation (“SMBC”) for obtaining a confirmation judgment to the effect that it does not owe an obligation in the amount of ¥2,010 million to SMBC with the Tokyo District Court on October 31, 2005. SMBC alleged that it loaned to a third party and was assigned by the third party as a collateral for the loan the third party’s claim against PASCO for a sale of equipment to PASCO, and demanded PASCO to pay the claim to SMBC. However, upon carefully investigating the case together with outside lawyers, the Company believes that the aforesaid transactions must be null and void, and therefore the Company’s allegation will be admitted. Furthermore, in connection with the above, SMBC brought a cross action against PASCO for requesting payment of ¥1,846 million together with the late payment charge on December 5, 2005 (a case of cross action for demanding payment of assigned claim), and both actions were consolidated into an action by judicial procedures, which is currently pending.

6. Tax effect accounting:

(1) Significant components of deferred tax assets and liabilities:

Deferred tax assets:

	(Millions of yen)
Tax loss carryforward	8,643
Eliminations of unrealized gain	7,840
Accrued pension and severance costs	4,565
Allowance for doubtful accounts	4,528
Write-down of fixed assets	4,228
Adjustment of book value of land and buildings of subsidiaries, etc. at fair value at the date of consolidation	4,110
Allowance for bonuses	3,559
Underwriting funds and funds for outstanding claims	3,353
Loss on revaluation of investments securities	3,321
Impairment loss	2,996
Adjustment of book value of other fixed assets of subsidiaries, etc. at fair value at the date of consolidation	2,583
Other	5,508
Subtotal deferred tax assets	55,240
Valuation allowance	(14,481)
Total deferred tax assets	40,758

Deferred tax liabilities:

	(Millions of yen)
Unrealized gain on securities	(9,162)
Adjustment of book value of land and buildings of subsidiaries, etc. at fair value at the date of consolidation	(5,177)
Prepaid pension costs and severance costs	(4,255)
Adjustment book value of other fixed assets of subsidiaries, etc. at fair value at the date of consolidation	(2,522)
Other	(2)
Total deferred tax liabilities	(21,120)
Net deferred tax assets	19,638

- (2) The reconciliation between the effective tax rate reflected in the consolidated financial statements and the statutory tax rate is summarized as follows:

Domestic statutory tax rate	40.5(%)
(Reconciliation)	
Gain on investment pursuant to equity method	(1.6)
Increase in valuation allowance	1.0
Permanently nondeductible expenses such as entertainment expenses	0.9
Use of tax loss carryforward	(0.8)
Adjustment of gain or loss on sales of stocks of subsidiaries and affiliated companies	(0.8)
Installation of inhabitant tax	0.7
Depreciation of consolidated adjustment account	0.7
Taxation for R&D and promotion of investments in IT	(0.5)
Unrecognized tax benefits from subsidiaries, etc. in deficiency	0.1
Other	(0.1)
Effective tax rate after adoption of tax-effect accounting	40.1

7. Retirement Benefits:

- (1) Outline of retirement benefit plan adopted by the Company:

The employees of the Company and its domestic consolidated subsidiaries are generally qualified as recipients of a retirement lump-sum payment or pension at the time of their respective retirements.

The retirement benefit plans of the Company and some of its domestic consolidated subsidiaries, etc. consist of the cash balance pension plan and defined contribution plan. In calculating the cash balance payment plan, the Company will grant the employees an accumulated amount of a certain percentage of their annual income, plus interest (with interim measures) based on the 3-year average yield of applicants for 10-year government bonds. The defined contribution plan was established in April 2003 to which a portion equivalent to 20 percent of the cash balance pension plan so far accumulated was transferred and the Company contributes a specified percentage of annual income thereto. The ratio of accumulated amounts in the cash balance pension plan and the amounts of contributions to the defined contribution plan were 80 percent and 20 percent, respectively. The Company transferred an additional portion of the cash balance pension plan funds to the defined contribution plan in April 2005, and accordingly, the ratio of the accumulated amount in the cash balance pension plan and the amount of contributions to the defined contribution plan, including the past reserve, changed to 70 percent and 30 percent, respectively.

The majority of the consolidated overseas subsidiaries, etc. adopt a variety of retirement benefit plans that substantially cover all employees. The most of such plans is the defined contribution pension plans.

(2) Item concerning retirement benefit obligation (As of March 31, 2006):

(Millions of yen)	
(1) Retirement benefit obligation	(57,293)
(2) Plan assets *1	57,118
(3) Unfunded retirement benefit obligation (1)+(2)	(175)
(4) Unappropriated difference at the time of change in accounting standard	--
(5) Unrecognized actuarial gain or loss	--
(6) Unrecognized prior service cost	--
(7) Net retirement benefit obligation recognized in the consolidated balance sheet ((3)+(4)+(5)+(6))	(175)
(8) Prepaid pension and severance costs	11,186
(9) Accrued pension and severance costs ((7)-(8))	(11,362)

(Note) *1. Plan assets include the asset of ¥238 million of the retirement benefit trust.

(3) Components of retirement benefit expenses (April 1, 2005 - March 31, 2006):

(Millions of yen)	
(1) Service cost *1	3,564
(2) Interest cost	1,090
(3) Expected return on plan assets	(1,394)
(4) Amortization of actuarial gain or loss*2	(7,652)
(5) Retirement benefit expenses ((1)+(2)+(3)+(4))	(4,391)
(6) Gain or loss on transfer to defined contribution pension plan	(864)
(7) Other *3	1,365
Total	(3,891)

(Notes) *1. Retirement benefit expenses for consolidated subsidiaries, etc. adopting the simplified method are included in (1) "Service cost."

*2 In connection with the application of the "Partial Revision of Accounting Standard for Retirement Benefits" (Accounting Standards Board Statement No. 3 issued on March 16, 2005) and the "Guidance on Partial Revision of Accounting Standard for Retirement Benefits" (Accounting Standards Board Guidance No. 7 issued on March 16, 2005) from the fiscal year under review, amortization of actuarial gain or loss includes ¥1,571 million of an unrecognized amount in excess of plan assets at March 31, 2005, which is transferred to the actuarial gain or loss at the beginning of the fiscal year under review.

*3 The "other" represents the amount payable as premiums to the defined contribution pension plan.

(4) Assumptions used in accounting for the retirement benefit:

(1) Attribution of retirement benefit obligation	Straight-line method over the estimated years of services of the eligible employees
(2) Discount rates	Principally 2.0% at beginning of fiscal year Principally 1.9% at end of fiscal year
(3) Expected rates of return on plan assets	Principally 3.0% for plan assets 0.0% for retirement benefit trust
(4) Amortization period of prior service cost	Prior service cost is amortized in the year in which the cost are incurred.
(5) Amortization period of actuarial gain or loss	Actuarial gain or loss is amortized in the year in which the gain or loss are incurred.

Consolidated Statement of Income

(Fiscal Year ended March 31, 2006)

(Millions of yen)

ITEM	AMOUNT	
ORDINARY PROFIT AND LOSSES		
Operating Profit and Expenses		
Revenue		567,315
Costs of revenue	351,020	
Selling, general and administrative expenses	122,185	473,205
Operating Profit:		94,109
Non-Operating Profit and Expenses		
Non-operating income:		
Interest income	1,856	
Dividends income	355	
Gain on sales of investment securities	6,061	
Equity in net gains of affiliated companies	3,781	
Other	3,736	15,792
Non-operating expenses:		
Interest expenses	1,721	
Loss on sales and disposal of fixed assets	2,964	
Provision for allowance for doubtful accounts	886	
Loss on revaluation of investment securities	2,136	
Other	5,524	13,232
Ordinary Profit:		96,669
EXTRAORDINARY PROFIT AND LOSSES		
Extraordinary profit:		
Gain on reversal of allowance for doubtful accounts	313	
Gain on sales of fixed assets	407	
Gain on sales of subsidiaries' and affiliates' securities	7,233	
Gain on sales of investment securities	493	
Gain on transfer to defined contribution pension Plan	864	
Other	37	9,349
Extraordinary losses:		
Provision for allowance for doubtful accounts	3,276	
Provision for accrued retirement benefits for Directors and Corporate Auditors	1,137	
Impairment loss on fixed assets	820	
Loss on revaluation of telephone rights	2,721	
Loss on other-than-temporary impairment of investment securities	1,186	
Write-down of inventory	909	
Loss on disposal of software	214	
Other	921	11,189
Income before income taxes:		94,829
Income taxes – current		34,888
Income taxes – deferred		3,131
Minority interest in subsidiaries		3,815
Net Income		52,994

Notes to Consolidated Statement of Income

1. Basic net income per share: ¥234.28

(Note) The calculation base of basic net income per share is as follows:

Basic net income per share:

Net income for the 45th fiscal year: ¥52,994 million

Amounts not attributable to common stock: ¥280 million

(Bonus to Directors and Corporate Auditors by appropriation
of unappropriated retained earnings included in the above): (¥280 million)

Net income attributable to common stock: ¥52,713 million

The average number of common stock outstanding
during the fiscal year: 225,002,496 shares

2. Impairment loss of fixed assets:

The Company stated on a consolidated basis an impairment loss of ¥820 million for the following asset group during the fiscal year under review.

The assets of the Company and its consolidated subsidiaries, etc. are on a consolidated basis grouped by the individual property unit of the real estate held for lease and idle property. The carrying value of the real estate held for lease and idle property have been decreased to the collectible value since the profitability of each asset declined substantially during the fiscal year under review due to a lowered rent standard of the real estate held for lease and a decline in land prices.

Purpose of use	Type	Area	Impairment loss (millions of yen)
Real estate held for lease	Land and buildings	5 properties in Kanto area 3 properties in other areas	59
Idle property	Land and buildings	5 properties in Kanto area 7 properties in other areas	761

* The details of the impairment loss by the purpose of use:

- Real estate held for lease ¥59 million
(including land of ¥44 million and buildings of ¥14 million)
- Idle property ¥761 million
(including land of ¥688 million and buildings of ¥73 million)

The collectible value of the asset group of the Company is on a consolidated basis assessed by the net selling value, which is based on the actual selling and purchase prices of the real estate.

Copy of the Accounting Auditors' Report (Consolidated)

[English Translation of the Independent Auditors' Report Originally Issued in the Japanese Language]

Independent Auditors' Report

May 23, 2006

The Board of Directors
SECOM Co., Ltd.

KPMG AZSA & Co.

Shuji Ohtsu (Seal)
Designated and Engagement Partner
Certified Public Accountant

Kentaro Onishi (Seal)
Designated and Engagement Partner
Certified Public Accountant

We have audited the consolidated statutory report, that is the consolidated balance sheet and the consolidated statement of income, of SECOM Co., Ltd. for the 45th fiscal year from April 1, 2005 to March 31, 2006 in accordance with Article 19-2 (3) of the former "Law for Special Exceptions to the Commercial Code Concerning Audit, etc. of Kabushiki Kaisha". The consolidated statutory report is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated statutory report based on our audit as Accounting Auditors.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those auditing standards require us to obtain reasonable assurance about whether the consolidated statutory report is free of material misstatement. An audit is performed on a test basis, and includes assessing the accounting principles used, the method of their application and estimates made by management, as well as evaluating the overall presentation of the consolidated statutory report. We believe that our audit provides a reasonable basis for our opinion. Our audit procedures also include those considered necessary for the Company's majority-owned subsidiaries and non-majority owned consolidated subsidiaries.

As a result of the audit, in our opinion, the consolidated statutory report referred to above presents fairly the consolidated financial position of SECOM Co., Ltd. and consolidated subsidiaries, and the consolidated results of their operations in conformity with related laws and regulations and the Articles of Incorporation of the Company.

As discussed in the "Change in Accounting Policy of 5. (3) 3) Accrued pension and severance costs and prepaid pension and severance costs of Significant Items for Preparation of Consolidated Financial Statements", the Company adopted the partially revised accounting standard for retirement benefits in the fiscal year ended March 31, 2006. We concurred with this accounting change since the "Partial Revision of Accounting Standard for Retirement Benefits" (Accounting Standards Board Statement No. 3 issued on March 16, 2005) and the "Guidance on Partial Revision of Accounting Standard for Retirement Benefits" (Accounting Standards Board Guidance No. 7 issued on March 16, 2005) was applied for the fiscal year beginning on or after April 1, 2005.

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

Copy of the Board of Corporate Auditors' Report (Consolidated)

AUDIT REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

May 26, 2006

To: KANEMASA HARAGUCHI
 President and Representative Director
 SECOM Co., Ltd.

Board of Corporate Auditors of
 SECOM Co., Ltd.

Corporate Auditor (full-time)
 Teruo Ogino (Seal)
 Corporate Auditor
 Ken Tsunematsu (Seal)
 Corporate Auditor
 Hiroshi Yasuda (Seal)
 Corporate Auditor
 Kohei Yamashita (Seal)

The Board of Corporate Auditors prepared and reports as follows regarding the Consolidated Financial Statements, namely, the Consolidated Balance Sheet and the Consolidated Statement of Income for the 45th Fiscal Year from April 1, 2005 to March 31, 2006, upon deliberation, based on the reports from each Corporate Auditor regarding the method and the result of audit.

1. Summary of method of audit

Each Corporate Auditor, in accordance with the audit policy of the current fiscal year and audit plan, etc. set up by the Board of Corporate Auditors, received from Directors, etc., and Independent Accountants reports and explanations about the consolidated financial statements, has conducted audit.

2. Result of audit

The Board recognizes the method and results of audit carried out by KPMG AZSA & Co., Independent Public Accountants, are appropriate.

(Note)

Ken Tsunematsu, Hiroshi Yasuda, and Kohei Yamashita are outside Corporate Auditors as provided in Article 18, Paragraph 1 of the former Law Concerning Special Exceptions to the Commercial Code with Respect to Audit, etc. of Joint Stock Corporations (Kabushiki Kaisha).

Non-Consolidated Balance Sheet

(As of March 31, 2006)

(Millions of yen)

<u>ITEM</u>	<u>AMOUNT</u>	<u>ITEM</u>	<u>AMOUNT</u>
<u>ASSETS</u>		<u>LIABILITIES</u>	
Current Assets:	215,630	Current Liabilities:	157,317
Cash on hand and in banks	167,097	Accounts payables	3,168
Notes receivables	476	Bank loans	26,069
Due from subscribers	9,475	Current portion of Convertible bonds	30,000
Accounts receivable, trade	6,447	Payables – others	12,987
Receivable – other	3,876	Income taxes payable	15,312
Short-term investments	451	Consumption taxes payable	1,509
Merchandise	5,928	Accrued expenses	651
Supplies	950	Deposits received	34,442
Prepaid expenses	1,798	Deferred revenue – service charges	22,371
Deferred income taxes	4,531	Payable – construction	3,634
Short-term loans receivable	13,000	Accrued bonus	5,232
Other current assets	2,199	Other current liabilities	1,938
Allowance for doubtful accounts	(604)		
Fixed Assets:	428,359	Fixed Liabilities:	25,027
Tangible Fixed Assets:	122,419	Guarantee deposits received from	18,244
Buildings and improvements	22,811	subscribers	
Automobiles	166	Accrued pension and severance costs	5,581
Security machinery and control stations	59,442	Accrued retirement benefits for	1,201
Security equipment	1,467	Directors and Corporate Auditors	
Tools, furniture and fixtures	4,379		
Land	32,200	Total Liabilities	182,344
Construction in progress	1,919		
Other tangible assets	32		
Intangible Assets:	6,615		
Telephone rights	0	<u>SHAREHOLDERS' EQUITY</u>	
Telephone and telegraph utility rights	112	Common Stock	66,377
Software	6,420	Capital Surplus:	83,054
Other intangible assets	83	Additional paid-in capital	83,054
Investments and Others:	299,324	Retained earnings:	351,358
Investment securities	62,979	Legal reserve	9,028
Investment securities in subsidiaries	133,696	Voluntary reserve:	3,036
and invest in subsidiaries		Reserve for systems development	800
Long-term loans receivable	58,740	Reserve for tax deferral on asset	24
Lease deposits	9,006	replacement	
Long-term prepaid expense	22,175	General reserve	2,212
Prepaid pension and severance costs	8,670	Unappropriated retained earnings	339,293
Deferred income taxes	6,206	Net unrealized gains on securities	5,604
Fund for insurance	4,893	Common Stock in treasury, at cost	(44,749)
Other investments	955		
Allowance for doubtful accounts	(7,998)		
		Total Shareholders' Equity	461,646
TOTAL ASSETS	643,990	TOTAL LIABILITIES AND	
		SHAREHOLDERS' EQUITY	643,990

Significant Accounting Policies

1. Valuation policies and methods for securities:

- (1) Investments in subsidiaries and affiliates are carried at cost determined by the moving average method.
- (2) With respect to investments classified as other securities, among investment with fair value, stock and beneficially certificates are carried at fair value based on the average stock price during one month prior to the balance sheet date, and others are carried at fair value as of the balance sheet date with changes in unrealized holding gain or loss, net of the applicable income taxes, directly included in shareholders' equity. The cost of securities sold is calculated by the moving average method.

Investments without fair value are stated at cost determined by the moving average method.

2. Valuation policies and methods for inventories:

Merchandise and supplies are stated at cost determined by the moving average method.

3. Depreciation on property, plant and equipment is calculated by the declining-balance method. Provided, however, that the buildings acquired on or after April 1, 1998 (excluding improvements) are calculated by the straight-line method. Amortization of intangible assets is calculated by the straight-line method. The software used in the Company is calculated by the straight-line method based on the useful lives within the Company (5 years).

Amortization of long-term prepaid expenses are calculated by the straight-line method. With respect to the installation costs related to security equipment at the customer sites, any portion exceeding the amount received from the customer is stated as the "long-term prepaid expenses" and amortized by the straight-line method over the contract period (5 years).

4. The allowance for doubtful accounts is provided for possible losses on bad debts at an amount determined based on the historical experience of bad debts with respect to ordinary accounts, plus an estimate of uncollectible amounts determined by reference to specific doubtful accounts from customers who are experiencing financial difficulties.
5. The allowance for bonuses is provided for the bonus payments to employees, at an amount to be paid during the fiscal year under review.
6. With respect to accrued pension and severance costs and prepaid pension and severance costs, the Company provides an amount that is recognized to be paid at the end of fiscal year under review, based on the estimated amount of retirement benefit obligations and plan assets as of March 31, 2006.

Prior service cost and actuarial gains or losses are amortized in the year in which the cost and gain or loss are incurred.

(Change in Accounting Policy)

By virtue of the application of the "Partial Revision of Accounting Standard for Retirement Benefits" (Accounting Standards Board Statement No. 3 issued on March 16,

2005) and the "Guidance on Partial Revision of Accounting Standard for Retirement Benefits" (Accounting Standards Board Guidance No. 7 issued on March 16, 2005) from the fiscal year beginning on or after April 1, 2005, the Company adopted these accounting standard and guideline for the fiscal year under review. Due to the effect of accounting change, operating income, ordinary profit and income before income taxes each increased by ¥5,613 million.

(Additional Information)

Certain portions of the cash balance in pension plans of the Company were additionally transferred to the defined contribution pension plan in April 2005. The amount arising from the transfer is accounted for as the extraordinary profit of ¥670 million.

7. Accrued retirement benefits for Directors and Corporate Auditors

With respect to retirement benefits for Directors and Corporate Auditors, the Company provides for the amount necessary for payment of retirement benefits at the end of the fiscal year in accordance with the rules of the retirement benefit for Directors and Corporate Auditors, in preparation for future retirement benefit payment to Directors and Corporate Auditors. Furthermore, this allowance falls under the allowance provided for by Article 43 of the Enforcement Regulations of the Commercial Code.

(Change in Accounting Policy)

Although the retirement benefits for Directors and Corporate Auditors were previously accounted for as expenses at the time of decision of payment amounts, the Company changed the accounting for retirement benefits for Directors and Corporate Auditors to state an amount necessary for retirement benefits at the end of the fiscal year concerned in accordance with the rules of the retirement benefits for Directors and Corporate Auditors from the fiscal year under review.

Upon the rearrangement of the rules for the retirement benefits for Directors and Corporate Auditors of the Company during the fiscal year under review, in the light of the allowance for retirement benefits being in common as the accounting practice in recent years, this accounting change was made due to the Company's policy to distribute expenses to the reasonable extent during the terms of office of Directors and Corporate Auditors, whereby the income and loss will be distributed reasonably to the respective terms to achieve sound financial structure.

An amount of ¥64 million arising from this accounting change during the fiscal year under review is stated as the selling, general and administrative expenses, and an amount corresponding to the prior years of ¥1,137 million is stated as the extraordinary loss. Consequently, operating income and ordinary profit are ¥64 million less than they would have been had they been calculated in accordance with the previous accounting method, as well as net income before income taxes is ¥1,201 million less than it would have been had it been calculated in accordance with the previous method.

8. Finance leases, except for those in which ownership is considered transferred to the lessee, are accounted for as operating leases similar to the rental of property.
9. Transactions subject to consumption tax and local consumption tax are recorded at amounts exclusive of consumption taxes.

Notes to Balance Sheet

1. Cash on hand and cash in banks, bank loans

For financial institutions, the Company operates cash collection from and cash filling to cash dispensers located outside of financial institution facilities. The balance of cash on hand and in banks includes cash on hand and cash in banks representing a total of ¥39,274 million connected with such services, which is restricted as to use by the Company group. Short-term borrowing balance includes ¥10,054 million financed for the purpose of the cash collection and filling services. Furthermore, the balance of cash on hand and in banks includes ¥20,136 million connected with cash collection administration services, which is also restricted as to use by the Company group. Moreover, short-term borrowing balance includes ¥16,014 million financed in connection with the same services.

2. Short-term receivables from subsidiaries: ¥15,545 million
Long-term receivables from subsidiaries: ¥44,531 million

3. Short-term payables to subsidiaries: ¥9,884 million
Long-term payables to subsidiaries: ¥676 million

4. Accumulated depreciation of property, plant and equipment: ¥182,796 million

5. In addition to the fixed assets stated in the balance sheet, there are one building, 1,855 vehicles, some parts of telecommunication circuits and office equipment as fixed assets used under lease contracts.

6. Contingent liabilities:

(1) Guaranteed liabilities: ¥7,467 million

(2) Net assets maintaining agreement:

The Company entered into a net assets maintaining agreement with Secom General Insurance Co., Ltd. (“Secom Insurance”), under which the Company is obligated to provide funds to Secom Insurance if and when the net assets of Secom Insurance become lower than the specified amount or its current assets necessary for the payment of its liabilities are insufficient. The total liabilities of Secom Insurance as at the end of the fiscal year under review are ¥255,732 million, including ¥250,346 million of investment deposits by policyholders, unearned premiums and other insurance liability and the total assets are ¥273,024 million.

However, this agreement is not construed as the Company’s guarantee with respect to payment obligations of Secom Insurance, and Secom Insurance maintained net assets above the required level and its current assets were not insufficient as at the end of the fiscal year under review.

7. Amount of shareholders’ equity pursuant to Article 124, Paragraph 3 of Enforcement Regulations of the Commercial Code: ¥5,604 million

8. Tax-effect accounting

Significant components of deferred tax assets and liabilities:

	(Millions of yen)
Deferred tax assets	
Impairment loss	2,520
Accrued pension and severance costs	2,356
Allowance for bonuses	2,119
Allowance for doubtful accounts	1,936
Write-down of fixed assets	1,934
Loss on revaluation of investments in subsidiaries	1,837
Loss on revaluation of investments in securities	1,494
Accrued enterprise tax	1,259
Other	2,605
<hr/>	
Total deferred tax assets	18,063
Deferred tax liabilities	
Unrealized gains on securities	(3,815)
Prepaid pension and severance costs	(3,511)
<hr/>	
Total deferred tax liabilities	(7,326)
<hr/>	
Net deferred tax assets	10,737

Non-Consolidated Statement of Income

(Fiscal Year ended March 31, 2006)

(Millions of yen)

ITEM	AMOUNT	
ORDINARY PROFIT AND LOSSES		
Operating Profit and Expenses		
Revenue		313,096
Costs of revenue	171,803	
Selling, general and administrative expenses	69,121	240,924
Operating Profit:		72,172
Non-Operating Profit and Expenses		
Non-operating income:		
Interest income	1,021	
Dividends income	4,562	
Other income	715	6,299
Non-operating expenses:		
Interest expenses	499	
Loss on disposal of inventories	957	
Loss on sales and disposal of fixed assets	2,418	
Loss from write-off of prepaid installation cost	666	
Provision for allowance for doubtful accounts	1,569	
Other expenses	1,395	7,506
Ordinary Profit:		70,964
EXTRAORDINARY PROFIT AND LOSSES		
Extraordinary profit:		
Gain on sales of investment securities	4,670	
Gain on transfer to defined contribution pension plan	670	
Gain on sales of subsidiaries' securities	450	
Other	355	6,147
Extraordinary losses:		
Loss on revaluation of telephone rights	1,995	
Provision for accrued retirement benefits for Directors and Corporate Auditors	1,137	
Loss on other-than-temporary impairment of investment securities	884	
Impairment loss on fixed assets	810	
Other	787	5,615
Income before income taxes:		71,496
Income taxes – current		24,766
Income taxes – deferred		2,850
Net Income		43,879
Retained earnings brought forward		295,414
Unappropriated retained earnings at the end of the period		339,293

Notes to Statement of Income

1. Transactions between subsidiaries:

Sales to subsidiaries:	¥13,645 million
Purchases from subsidiaries:	¥53,460 million
Non-operating transactions with subsidiaries:	¥2,782 million

2. Basic net income per share: ¥194.58
 (Note) The calculation base for basic net income per share is as follows:

Basic net income per share	
Net income:	¥43,879 million
Amounts not attributable to common stock:	¥98 million
(Bonus to directors and corporate auditors by appropriation of unappropriated retained earnings included in the above):	(¥98 million)
Net income attributable to common stock:	¥43,781 million
The average number of common stock outstanding during the year:	225,002,496 shares

3. Impairment loss of fixed assets:

The Company's assets are grouped by the individual property unit of the real estate held for lease and idle property.

The carrying value of the real estate held for lease and idle property has been decreased to the collectible value, since the profitability of each asset declined substantially during the fiscal year under review due to a lowered rent standard of the real estate held for lease and a decline in land prices. As a result, the amount decreased is stated as an impairment loss (¥810 million) in the category of extraordinary losses.

Purpose of use	Type	Area	Impairment loss (millions of yen)
Real estate held for lease	Land and buildings	5 properties in Kanto area 3 properties in other areas	59
Idle property	Land and buildings	5 properties in Kanto area 6 properties in other areas	751

* The details of the impairment loss by the purpose of use:

- Real estate held for lease ¥59 million
(including land of ¥44 million and buildings of ¥14 million)
- Idle property ¥751 million
(including land of ¥683 million and buildings of ¥67 million)

The collectible value of the asset group of the Company is assessed by the net selling value, which is based on the actual selling and purchase prices of the real estate.

PROPOSAL FOR APPROPRIATION OF UNAPPROPRIATED RETAINED EARNINGS

(Yen)

Item	Amount	
<u>Appropriation of unappropriated retained earnings for fiscal year under review</u>		
Unappropriated retained earnings:		339,293,864,441
Reversal of reserve for tax deferral on replacement assets	24,439,271	24,439,271
Total		339,318,303,712
The above amounts are appropriated as follows:		
Cash dividends: (ordinary dividend of ¥60.00 per share)	13,499,203,200	
Directors' bonuses:	98,200,000	13,597,403,200
Retained earnings carried forward to the next fiscal year:		325,720,900,512

(Note) Dividends for treasury stocks (8,301,997 shares) are excluded from the cash dividends.

Copy of the Accounting Auditors' Report

[English Translation of the Independent Auditors' Report Originally Issued in the Japanese Language]

Independent Auditors' Report

May 23, 2006

The Board of Directors
SECOM Co., Ltd.

KPMG AZSA & Co.

Shuji Ohtsu (Seal)
Designated and Engagement Partner
Certified Public Accountant

Kentaro Onishi (Seal)
Designated and Engagement Partner
Certified Public Accountant

We have audited the statutory report, that is the non-consolidated balance sheet, the non-consolidated statement of income, the business report (limited to accounting matters) and the proposal for appropriation of unappropriated retained earnings, and its supporting schedules (limited to accounting matters) of SECOM Co., Ltd. for the 45th fiscal year from April 1, 2005 to March 31, 2006 in accordance with Article 2(1) of the former "Law for Special Exceptions to the Commercial Code Concerning Audit, etc. of Kabushiki Kaisha". With respect to the aforementioned business report and supporting schedules, our audit was limited to those matters derived from the accounting books and records. The statutory report and supporting schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on the statutory report and supporting schedules based on our audit as Accounting Auditors.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those auditing standards require us to obtain reasonable assurance about whether the statutory report and supporting schedules are free of material misstatement. An audit is performed on a test basis, and includes assessing the accounting principles used, the method of their application and estimates made by management, as well as evaluating the overall presentation of the statutory report and supporting schedules. We believe that our audit provides a reasonable basis for our opinion. Our audit procedures also include those considered necessary for the Company's subsidiaries.

As a result of the audit, our opinion is as follows:

- (1) The non-consolidated balance sheet and the non-consolidated statement of income present fairly the financial position and the results of operations of the Company in conformity with related laws and regulations and the Articles of Incorporation of the Company.
- (2) As discussed in the "Change in Accounting Policy of 6. Accrued pension and severance costs and prepaid pension and severance costs of Significant Accounting Policies", the Company adopted the partially revised accounting standard for retirement benefits in the fiscal year ended March 31, 2006. We concurred with this accounting change since the "Partial Revision of Accounting Standard for Retirement Benefits" (Accounting Standards Board Statement No. 3 issued on March 16, 2005) and the "Guidance on Partial Revision of Accounting Standard for Retirement Benefits" (Accounting Standards Board Guidance No. 7 issued on March 16, 2005) was applied for the fiscal year beginning on or after April 1, 2005.
- (3) The business report (limited to accounting matters) presents fairly the status of the Company in conformity with related laws and regulations and the Articles of Incorporation of the

Company.

- (4) The proposal for appropriation of unappropriated retained earnings has been prepared in conformity with related laws and regulations and the Articles of Incorporation of the Company.
- (5) With respect to the supporting schedules (limited to accounting matters) there are no items to be noted that are not in conformity with the provisions of the Commercial Code.

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

Copy of the Board of Corporate Auditors' Report

AUDIT REPORT

May 26, 2006

To: KANEMASA HARAGUCHI
 President and Representative Director
 SECOM Co., Ltd.

Board of Corporate Auditors of
 SECOM Co., Ltd.

Corporate Auditor (full-time)
 Teruo Ogino (Seal)
 Corporate Auditor
 Ken Tsunematsu (Seal)
 Corporate Auditor
 Hiroshi Yasuda (Seal)
 Corporate Auditor
 Kohei Yamashita (Seal)

The Board of Corporate Auditors prepared and reports as follows regarding the performance of duties of the Directors of the Company for the 45th fiscal year from April 1, 2005 to March 31, 2006, upon deliberation, based on the reports from each Corporate Auditor regarding the method and the result of audit.

1. Summary of method of audit

Each Corporate Auditor, in accordance with the audit policy of the current fiscal year and audit plans, etc. set up by the Board of Corporate Auditors, has attended meetings of the Board of Directors and other meetings as deemed important, received on heard from Directors, etc. reports on the execution of their duties, perused the documents whereby the important decisions were made, and examined business and conditions of assets at the head office and the principal offices, required reports on business from the Company's subsidiaries, visited the subsidiaries when deemed it necessary, and has examined business and financial conditions. In addition, from time to time, we received from the Independent Accountants reports and explanation on audit and examined the accounting statements and attached schedules.

As for the transactions between Directors acting on their own behalf and the companies which businesses are competitive to the Company, transactions between Directors and the Company in which interests in both parties are contradictory, the provision, free of charge, of proprietary interests made by the Company, transactions not in the ordinary course of business between the Company and its subsidiaries or between the Company and its shareholders and acquisition and disposal of its own shares and the like, Each of Corporate Auditor required reports from the Directors, as necessary, and thoroughly examined the reports, in addition to the method of audit mentioned above.

2. Result of audit

- (1) The method and results of audit carried out by KPMG AZSA & Co., Independent Public Accountants, are appropriate.
- (2) The Business Report fairly sets forth the situation of the Company in accordance

with laws and regulations and the Articles of Incorporation.

- (3) With respect to the item concerning the proposal for appropriation of profits, nothing unusual is to be pointed out in accordance with the financial condition of the Company and other circumstances.
- (4) The attached schedules fairly set forth the matters to be stated therein and nothing unusual is to be pointed out.
- (5) With respect to the performance of their duties by the Directors, including the performance of duties for subsidiaries, no illegal act nor any fact which is in violation of the laws and regulations and the Articles of Incorporation is ascertainable.

We confirm that there is no illegal acts of Directors with respect to transactions between Directors acting on their behaves and the companies which businesses are competitive to the Company, transactions between Directors and the Company in which interests in both parties are contradictory, the provision, free of charge, of proprietary interests made by the Company, transactions not in the ordinary course of business between the Company and its subsidiaries or between the Company and its shareholders and acquisition and disposal of the Company's own shares and the like.

(Note)

Ken Tsunematsu, Hiroshi Yasuda, and Kohei Yamashita are outside Corporate Auditors as provided in Article 18, Parahraph 1 of the former Law Concerning Special Exceptions to the Commercial Code with Respect to Audit, etc. of Joint Stock Corporations (Kabushiki Kaisha).

Reference Document Concerning the General Meeting of Shareholders

First Item of Business: Approval of the Proposal for Appropriation of Unappropriated Retained Earnings for the 45th Fiscal Year

The proposal for appropriation of unappropriated retained earnings is as stated on page 46. The Company considers the return of profit to shareholders as one of the important issues, and the Company determines a dividend payout ratio and a level of internal reserves after making an overall judgment on the expansion of the Company's business and forecast for future sales and profits with consideration of the Company's basic policy that the stable and continued dividends are ensured to be paid.

It is proposed that based on the aforesaid management policy cash dividends for the 45th Fiscal Year to be increased by ¥10 per share to ¥60 per share from ¥50 per share for the previous fiscal year to reward shareholders' continued support.

Second Item of Business: Partial Amendments to the Articles of Incorporation

1. Reasons for the amendments

- (1) Proposed Article 4 (Method of Giving Public Notice) will change the method for public notice to electronic notice to enhance the availability for inspection and provide for alternative measures if electronic notice cannot be used for unavoidable reasons.
- (2) Proposed Article 7 (Number of Shares per Unit and Non-Issuance of Share Certificates for Shares Constituting Less Than One Unit), Paragraph 1 will reflect proposed change in the number of shares of one unit from 500 shares to 100 shares with effect from August 1, 2006.
- (3) Proposed Article 8 (Additional Purchase of Shares Constituting Less Than One Unit) will be newly established providing for a new system whereby a shareholder owning any number of shares less than a whole unit is able to demand the Company to sell additional number of shares to make up a whole unit of shares.
- (4) By virtue of the coming into force of the "Companies Law" (Law No. 86, 2005), the "Law Concerning Streamlining, etc. of Related Laws upon Enforcement of Companies Law" (Law No. 87, 2005), the "Companies Law Enforcement Rules" (Ministry of Justice Ordinance No. 12, 2006) and the "Company Accounting Rules" (Ministry of Justice Ordinance No. 13, 2006) on May 1, 2006, the Company proposes to make amendments to its Articles of Incorporation as follows:
 - (i) With respect to the matters which by virtue of the provisions of Companies Law, etc. are deemed to be provided in the Article of Incorporation (provision that certificates for shares are issued; the administrator of the register of shareholders; and establishing Board of Directors, Corporate Auditors, Board of Corporate Auditors, and Accounting Auditor), Article 7 (Number of Shares per Unit and Non-Issuance of Share Certificates for Shares Constituting Less Than One Unit), Article 11 (Administrator of the Register of Shareholders), Article 20 (Establishment of the Board of Directors), Article 32 (Establishment of Corporate Auditors and Board of Corporate Auditors), Article 41 (Establishment of

- Accounting Auditor), Article 42 (Election of Accounting Auditor), Article 43 (Term of Office of Accounting Auditor) and Article 44 (Remuneration, etc. for Accounting Auditor) will be amended or newly provided.
- (ii) Proposed Article 9 (Rights of Holders of Shares Constituting Less Than One Unit) will be newly provided to restrict rights of shareholder of shares constituting less than one unit to the reasonable extent.
 - (iii) Proposed Article 16 (Disclosure of Reference Materials for the General Meeting of Shareholders via the Internet and Deemed Furnished) will be newly provided to enable the Company to disclose via the Internet a part of reference materials for the general meeting of shareholders to facilitate to disclose sufficient information to shareholders.
 - (iv) Proposed Article 30 (Alternatives of Resolution of the Board of Directors) will be newly provided to operate the Board of Directors flexibly and efficiently, and to enable the Board of Directors to make resolution in writing or electronically if all Directors consent and no Corporate Auditors dissent.
- (5) In addition, in the entirety, an arrangement for the composition, and amendments, additions, eliminations with respect to wordings and letters, will be made and the numbers of Articles and Paragraphs will be adjusted.
- (6) The supplemental provisions relating to the effective date for the change of the number of shares of one unit (August 1, 2006) and the enforcement date for the additional purchase system for shares constituting less than one unit (August 1, 2006) will be eliminated after the effective date or the enforcement date (August 1, 2006).

2. Details of amendments:

The details of amendments are as follows:

(The underlined parts are changed parts.)

Current Articles of Incorporation	Proposed changes
<p>CHAPTER 1 GENERAL PROVISIONS</p> <p>(Trade name) Article 1. (Provisions Omitted)</p> <p>(Purpose) Article 2. (Provisions Omitted)</p> <p>(Location of Head Office) Article 3. (Provisions Omitted)</p> <p>(Method of Giving Public Notice) Article 4. <u>Public notices</u> of the Company shall be placed in the Nihon Keizai Shinbun.</p> <p style="text-align: center;">CHAPTER 2 SHARES</p> <p>(Total Number of Shares to be Issued) Article 5. The total number of shares <u>authorized to be issued by the Company</u> shall be nine hundred million (900,000,000) shares. <u>In the case of the retirement of shares, the number of shares retired shall be reduced.</u></p> <p>(Self Equity) Article 6. <u>In accordance with the provisions of Commercial Law article 211-3, Section 1, No. 2,</u> the Company may <u>acquire</u> its own shares <u>pursuant to</u> a resolution from the board of directors.</p>	<p>CHAPTER 1 GENERAL PROVISIONS</p> <p>(Trade Name) Article 1. (Same as the current provision)</p> <p>(Purpose) Article 2. (Same as the current provision)</p> <p>(Location of Head Office) Article 3. (Same as the current provision)</p> <p>(Method of Giving Public Notice) Article 4. Public notices of the Company shall be placed <u>electronically. Provided, however, that the Company is unable to place a electronic public notice due to an accident or any other unavoidable reason, public notices shall be placed in the</u> Nihon Keizai Shinbun.</p> <p style="text-align: center;">CHAPTER 2 SHARES</p> <p>(Total Number of Shares to be issued) Article 5. The total number of shares <u>that the Company may issue</u> shall be nine hundred million (900,000,000) shares.</p> <p>(Purchase of Own Shares) Article 6. In accordance with <u>Article 165, Paragraph 2 of the Companies Law,</u> the Company may <u>purchase</u> its own shares upon resolution of the Board of Directors <u>through market transactions, etc.</u></p>

Current Articles of Incorporation	Proposed changes
<p><u>(Number of single unit of shares and non-issuance of non-whole unit shares)</u> Article 7. <u>The number of single unit shares to be issued by the Company shall be 500 shares.</u> 2. <u>The Company shall not issue certificates for shares constituting less than one unit.</u></p> <p><u>(Denominations of Share Certificates)</u> Article 8. <u>The denominations of share certificates shall be governed by the Share Handling Regulations established by the Board of Directors.</u></p> <p>(Newly provided)</p> <p>(Newly provided)</p>	<p><u>(Number of Shares per Unit and Non-Issuance of Share Certificates for Shares Constituting Less Than One Unit)</u> Article 7. <u>The number of shares of the Company constituting one unit shall be 100 shares.</u> 2. <u>The Company shall issue certificates for shares. The kinds of share certificates to be issued by the Company shall be prescribed by the Share Handling Regulations established by the Board of Directors.</u> 3. <u>Notwithstanding the preceding Paragraph, the Company may not issue share certificates for shares constituting less than one unit.</u> (Provided in Article 7)</p> <p><u>(Additional Purchase of Shares Constituting Less Than One Unit)</u> Article 8. <u>The shareholders of the Company (including beneficial shareholders; the same hereinafter being applicable) may request the Company to sell them such number of shares as will constitute, together with the shares constituting less than one unit of shares already held, one full unit in accordance with the Share Handling Regulations.</u></p> <p><u>(Rights of Holders of Shares Constituting Less Than One Unit)</u> Article 9. <u>Shareholders of the Company shall not be entitled to exercise any rights with respect to the shares constituting less than one unit held by them, except for the following rights:</u> (1) <u>Rights enumerated in each Item of Article 189, Paragraph 2 of the Companies Law;</u> (2) <u>Rights to make a request in accordance with the provisions of Article 166, Paragraph 1 of the Companies Law;</u> (3) <u>Rights to receive the allotment of offered shares and offered stock acquisition rights, in proportion to the number of shares held by shareholders;</u> (4) <u>Rights to make a demand provided for in the preceding Article.</u></p>

Current Articles of Incorporation	Proposed changes
<p>(Share Handling Regulations)</p> <p>Article 9. <u>Registration of transfers of shares, registration of pledges or cancellation thereof, indication of trust assets or cancellation thereof, reissuance of share certificates, listing on register of beneficial shareholders, the register of lost share certificates, purchase by the Company of shares constituting less than a full unit and other handling business relating to shares of the Company and charges therefor shall be governed by the Share Handling Regulations established by the Board of Directors.</u></p> <p>(Transfer Agent)</p> <p>Article 10. <u>The Company shall appoint a transfer agent with respect to its shares.</u></p> <p>2. <u>The transfer agent and its handling offices shall be designated by a resolution of the Board of Directors and public notices shall be given with regard thereto.</u></p> <p>3. <u>The register of shareholders (including register of beneficial shareholders) and a record of lost share certificates of the Company shall be kept at the handling office of the transfer agent, and registration of transfers of shares, listing on register of beneficial shareholders, the register of lost share certificates, purchase of shares constituting less than a full unit by the Company and other business pertaining to shares shall be handled by the transfer agent and the Company shall not handle any of such business directly.</u></p> <p>(Record Date)</p> <p>Article 11. <u>The Company shall consider the shareholders whose names appear as such on the last record of register of shareholders at the close of each business year (including beneficial shareholders) to be those entitled to exercise their rights at an ordinary general meeting of shareholders for that business year.</u></p> <p>2. <u>In addition to the preceding paragraph, the Company may, whenever necessary, temporarily suspend changes of any entry in the register of shareholders or fix a record date upon giving not less than two weeks' prior public notice.</u></p>	<p>(Handling of Matters relating to Shares)</p> <p>Article 10. <u>Matters concerning the handling of shares and charges therefor and procedure, etc. for exercise of rights of shareholders shall be governed by the Share Handling Regulations to be established by the Board of Directors, in addition to laws and regulations, or the Articles of Incorporation.</u></p> <p>(Administrator of the Register of Shareholders)</p> <p>Article 11. <u>The Company shall have an administrator of the register of shareholders.</u></p> <p>2. <u>The administrator of the register of shareholders and the place of handling of its business shall be determined by resolution of the Board of Directors and a public notice thereof shall be given.</u></p> <p>3. <u>Preparation and maintenance of the register of shareholders (including the register of beneficial shareholders, the same hereinafter applicable), the register of lost share certificates and the register of stock acquisition rights of the Company, and other business relating to the register of shareholders, the register of lost share certificates and the register of stock acquisition rights shall be handled by the administrator of the register of shareholders and the Company shall not handle any of such business directly.</u></p> <p>(Deleted)</p>

Current Articles of Incorporation	Proposed changes
<p style="text-align: center;">CHAPTER 3 GENERAL MEETING OF SHAREHOLDERS</p> <p>(Time of Convocation of General Meetings) Article 12. An ordinary general meeting of shareholders of the Company shall be convened <u>within three (3) months from the day following the day of each closing of accounts</u>. An extraordinary general meetings of shareholders may be convened from time to time <u>whenever necessary</u>.</p> <p style="text-align: center;">(Newly provided)</p> <p>(Person to Convene General Meetings) Article 13. Unless otherwise <u>provided</u> by laws or ordinances, the President and Director shall convene general meetings of shareholders <u>pursuant to</u> a resolution of the Board of Directors. 2. When the President and Director is unable to act, one of the other Directors selected in accordance with the order of priority previously determined <u>by</u> a resolution of the Board of Directors shall take his place.</p> <p>(Chairman of General Meetings) Article 14. The President and Director shall act as the <u>chairman</u> of general meetings of shareholders. 2. When the President and Director is unable to act, one of the other Directors selected in accordance with the order of priority previously determined <u>by</u> a resolution of the Board of Directors <u>shall take</u> his place.</p> <p style="text-align: center;">(Newly provided)</p>	<p style="text-align: center;">CHAPTER 3 GENERAL MEETING OF SHAREHOLDERS</p> <p>(Time to Convene General Meeting of Shareholders) Article 12. The ordinary general meeting of shareholders of the Company shall be convened <u>in June each year</u> and an extraordinary general meeting of shareholders shall be convened at any time <u>when necessary</u>.</p> <p><u>(Record Date for Ordinary General Meeting of Shareholders)</u> Article 13. <u>The record date for an ordinary general meeting of shareholders of the Company shall be March 31 of each year.</u></p> <p>(Person to Convene General Meetings) Article 14. Except as otherwise <u>provided by</u> laws and regulations, the general meeting of shareholders shall be convened by the President and Director <u>by</u> resolution of the Board of Directors. 2. When the President and Director is prevented from so acting, one of the other Directors selected in accordance with the order of priority previously determined <u>by</u> a resolution of the Board of Directors shall take his/her place.</p> <p>(Chairman of General Meeting of Shareholders) Article 15. The Director and President shall <u>act as chairman</u> at the general meeting of shareholders. 2. If the Director and President is prevented from so acting, one of the other Directors selected in accordance with the order of priority previously determined <u>by</u> a resolution of the Board of Directors shall <u>take his place</u>.</p> <p><u>(Disclosure of Reference Materials for General Meeting of Shareholders via the Internet and Deemed Furnished)</u> Article 16. <u>When convening a General Meeting of Shareholders, the Company may, in a manner using the Internet pursuant to Ministry of Justice Ordinances, disclose information concerning matters required to be described or presented in the reference materials of the General Meeting of Shareholders, business reports, financial statements and consolidated financial statements and deem such information furnished to shareholders.</u></p>

Current Articles of Incorporation	Proposed changes
<p>(Method of <u>Adopting</u> Resolution) Article <u>15</u>. Unless otherwise <u>provided</u> by laws or ordinances, resolutions of general meetings of shareholders shall be adopted by a majority of the affirmative votes held by the <u>shareholders present thereat</u>. 2. <u>Resolution in accordance with Commercial Law article 343</u> shall require the attendance of one-third of the shareholders with voting rights and a two-thirds majority vote by those in attendance.</p> <p>(Exercise of Voting Rights by Proxy) Article <u>16</u>. A shareholder may exercise his voting rights through a proxy <u>who is also a shareholder of the Company having voting rights</u>. In this case the proxy shall file with the Company a document evidencing his authority.</p> <p>(Minutes of General Meetings) Article <u>17</u>. The substance of proceedings at a general meeting of shareholders and the results thereof shall be recorded in the minutes of the meeting, which <u>shall bear the electronic signatures or the names and seals of the chairman and of the Directors present at the meeting</u>.</p> <p style="text-align: center;">CHAPTER 4 DIRECTORS AND BOARD OF DIRECTORS</p> <p style="text-align: center;">(Newly provided)</p> <p>(Number of Directors) Article <u>18</u>. The Company shall have not more than twenty (20) Directors.</p>	<p>(<u>Method</u> of Resolution) Article <u>17</u>. Except as otherwise provided by laws and regulations and <u>the Articles of Incorporation</u>, resolutions of general meetings of shareholders shall be adopted by a majority affirmative vote of the <u>shareholders having voting rights exercisable and present thereat</u>. 2. <u>Resolutions provided for in Article 309, Paragraph 2 of the Companies Law shall be adopted by an affirmative vote of two-thirds (2/3) or more of the voting rights of shareholders present and exercisable at the general meeting of shareholders, of which a quorum shall be the presence of shareholders with not less than one-third (1/3) of the voting rights exercisable at such meeting</u>.</p> <p>(Exercise of Voting Rights by Proxy) Article <u>18</u>. A shareholder may exercise his/her voting rights by a proxy who is <u>another shareholder holding a voting right of the Company</u>. 2. <u>In the case of the preceding paragraph, a proxy must submit to the Company a written document certifying his/her power of representation at each general meeting of shareholders</u>.</p> <p>(Minutes of General Meetings) Article <u>19</u>. Minutes of a general meeting of shareholders shall <u>describe or record</u> the proceedings and <u>the results thereof and matters as otherwise provided for in laws and regulations</u>.</p> <p style="text-align: center;">CHAPTER 4 DIRECTORS AND BOARD OF DIRECTORS</p> <p>(<u>Establishment of the Board of Directors</u>) Article <u>20</u>. <u>The Company shall establish the Board of Directors</u>.</p> <p>(Number of Directors) Article <u>21</u>. The Company shall have not more than twenty (20) Directors.</p>

Current Articles of Incorporation	Proposed changes
<p>(Election) Article 19. Directors shall be elected <u>at</u> general meetings of shareholders, provided, <u>however</u>, that <u>no</u> cumulative voting shall be used <u>for</u> the election of Directors.</p> <p>(Term of Office) Article 20. The term of office of Directors shall expire at the conclusion of the ordinary general meeting of shareholders held with respect to the last <u>closing of accounts within one (1) years after their assumption of office.</u></p> <p>(Representative Directors and Directors with Special Titles) Article 21. The Board of Directors shall, <u>by</u> its resolution, <u>appoint</u> not more than three (3) Representative Directors from among the Directors. 2. The Board of Directors shall, <u>by</u> its resolution, <u>appoint</u> one Chairman and Director and one President and Director. In addition to the foregoing, the Board of Directors may appoint one or more Executive Vice Chairmen and Directors, Executive Vice Presidents and Directors, Senior Executive Directors and Executive Directors.</p> <p>(<u>Remuneration and Retirement Allowances</u> for Directors) Article 22. The remuneration and <u>retirement allowances</u> for Directors shall be determined <u>by</u> a resolution of a general meeting of shareholders.</p> <p>(Person to Convene Meetings) Article 23. Unless otherwise <u>provided</u> by laws or ordinances, the President and Director shall convene meetings of the Board of Directors. 2. When the President and Director is unable to act, one of the other Directors selected in accordance with the order of priority previously determined <u>by</u> a resolution of the Board of Directors shall <u>take</u> his place.</p>	<p>(Election of Directors) Article 22. Directors shall be elected <u>by resolution</u> of the general meeting of shareholders. 2. <u>Resolution for election of Directors shall be adopted by a majority affirmative vote of the shareholders present at the general meeting of shareholders, a quorum of which shall be the presence of shareholders with not less than one-third (1/3) of the voting rights exercisable at such meeting.</u> 3. Resolution for election of Directors <u>shall not be adopted</u> by cumulative voting.</p> <p>(Term of Office of Directors) Article 23. The term of office of Directors shall expire at the close of the ordinary general meeting of shareholders held with respect to the closing of <u>the last business term that falls within one (1) year after their election.</u></p> <p>(Representative Directors and Directors with Special Titles) Article 24. The Board of Directors shall, <u>by</u> its resolution, <u>elect</u> not more than three (3) Representative Directors from among the Directors. 2. The Board of Directors shall, <u>by</u> its resolution, appoint one Chairman and Director and one President and Director. <u>In addition to the foregoing,</u> the Board of Directors may <u>appoint</u> one or more Executive Vice Chairmen and Directors, Executive Vice Presidents and Directors, Senior Executive Directors and Executive Directors.</p> <p>(<u>Remuneration etc.</u> to Directors) Article 25. The remuneration, <u>bonus, and other proprietary interests received by Directors from the Company as a consideration of their duties</u> shall be determined <u>by</u> resolution of the general meeting of shareholders.</p> <p>(Person to Convene Meetings of the Board of Directors) Article 26. Unless otherwise <u>provided</u> for by laws and regulations, the President and Director shall convene meetings of the Board of Directors. 2. When the President and Director is unable to act, one of the other Directors selected in accordance with the order of priority previously determined <u>by</u> a resolution of the Board of Directors shall take his/her place.</p>

Current Articles of Incorporation	Proposed changes
<p>(Convocation Notices) Article 24. Notice of a meeting of the Board of Directors shall be given to each Director and each Statutory Auditor at least three (3) days prior to <u>the date set for such meeting</u>; provided, however, that when the consent of all the Directors and Statutory Auditors is obtained, meetings of the Board of Directors may be convened without any procedure for convocation.</p> <p>(Chairman) Article 25. The President and Director shall <u>act as the chairman</u> at meetings of the Board of Directors. 2. When the President and Director is unable to act, one of the other Directors selected in accordance with the order of priority previously determined <u>by</u> a resolution of the Board of Directors <u>shall take his place</u>.</p> <p>(Method of Adopting Resolutions) Article 26. Resolutions of meetings of the Board of Directors shall be adopted by an affirmative vote of a majority of the Directors present thereat, when the Directors present constitute a majority of all Directors then in office.</p> <p style="text-align: center;">(Newly provided)</p> <p>(Minutes of Meetings) Article 27. The substance of proceedings at a meeting of the Board of Directors and the results thereof shall be recorded in the minutes of the meeting, which shall bear the electronic signatures or names and seals of the Directors and Statutory Auditors present at the meeting.</p>	<p>(Notice for Convening the Board of Directors' Meeting) Article 27. Notice of a meeting of the Board of Directors shall be given to each Director and each Corporate Auditor at least three (3) days prior to <u>the date set for such meeting of the Board of Directors</u>; provided, however, that the consent of all the Directors and Statutory Auditors is obtained, the meetings of the Board of Directors may be convened without any procedure for convocation.</p> <p>(Chairman) Article 28. The President and Director shall <u>act as the chairman at</u> meetings of the Board of Directors. 2. When the President and Director is unable to act as the chairman, one of the other Directors selected in accordance with the order of priority previously determined <u>by</u> a resolution of the Board of Directors <u>shall take his/her place</u>.</p> <p>(Method of Resolutions of the Board of Directors) Article 29. Resolutions of a meeting of the Board of Directors shall be adopted by a majority affirmative vote of the <u>Directors entitled to participate in a resolution and present thereat</u>, of which a quorum shall be the presence of a majority of Directors then in office.</p> <p>(Alternative of Resolution of the Board of Directors) <u>Article 30. The Company may deem that a resolution of the Board of Directors is adopted, if all of the Directors consent in writing or by electromagnetic record to matters to be resolved upon; however, the foregoing shall not be applicable if Corporate Auditor(s) dissent(s) thereto.</u></p> <p>(Minutes of Meetings) Article 31. The substance of proceedings at a meeting of the Board of Directors and the results thereof and <u>matters provided for in laws and regulations</u> shall be described or recorded in the minutes of the meeting, which shall bear the names and seals or electronic signatures of the Directors and Statutory Auditors present at the meeting.</p>

Current Articles of Incorporation	Proposed changes
<p style="text-align: center;">CHAPTER 5 STATUTORY AUDITORS AND BOARD OF STATUTORY AUDITORS</p> <p style="text-align: center;">(Newly provided)</p> <p>(Number of Corporate Auditors) Article 28. The Company shall have not more than four (4) Statutory Auditors.</p> <p>(Election) Article 29. Statutory Auditors shall be elected at general meetings of shareholders.</p> <p>(Term of office) Article 30. The terms of office of Statutory Auditors shall expire at the conclusion of the ordinary general meeting of shareholders held with respect to the last closing of accounts <u>within four (4) years after their assumption of office.</u> 2. The term of office of any Statutory Auditor elected to fill a vacancy shall expire when <u>the term of office of his predecessor would have expired.</u></p> <p>(Full-time Corporate Auditor) <u>Article 31. The Statutory Auditors select full-time Statutory Auditors from amongst each other.</u></p>	<p style="text-align: center;">CHAPTER 5 CORPORATE AUDITORS AND BOARD OF CORPORATE AUDITORS</p> <p><u>(Establishment of Corporate Auditors and Board of Corporate Auditors)</u> <u>Article 32. The Company shall establish Corporate Auditors and the Board of Corporate Auditors.</u></p> <p>(Number of Corporate Auditors) Article 33. (Same as present English translation, though minor changes in Japanese wordings have been made.)</p> <p><u>(Election of Corporate Auditors)</u> Article 34. Corporate Auditors shall be elected <u>by resolution of the general meeting of shareholders.</u> <u>2. Resolution for election of Corporate Auditors shall be adopted by a majority affirmative vote of the shareholders present at the general meeting of shareholders, a quorum of which shall be the presence of shareholders with not less than one-third (1/3) of the voting rights exercisable at such meeting.</u></p> <p><u>(Term of office of Corporate Auditors)</u> Article 35. The term of office of Corporate Auditors shall expire at the close of the ordinary general meeting of shareholders held with respect to <u>the last business term that falls within four (4) years after their election.</u> 2. The term of office of any Corporate Auditor elected to fill a vacancy of office of Corporate Auditor <u>who resigns prior to the expiration of the terms of office shall expire at the expiration of the terms of office of the Corporate Auditor so resigned.</u></p> <p>(Full-time Corporate Auditors) <u>Article 36. The Board of Corporate Auditors shall elect full-time Corporate Auditors among Corporate Auditors.</u></p>

Current Articles of Incorporation	Proposed changes
<p><u>(Remuneration and Retirement Allowances for Statutory Auditors)</u> Article <u>32</u>. The remuneration <u>and retirement allowances for Statutory Auditors</u> shall be determined <u>by</u> a resolution of a general meeting of shareholders.</p> <p>(Convocation Notices) Article <u>33</u>. Notice of a meeting of the Board of Statutory Auditor shall be given to each Statutory Auditor at least three (3) days prior to <u>the date set for such meeting</u>; provided, however, that when the consent of all Statutory Auditors is obtained, the meetings of the Board of Statutory Auditors may be convened without any procedure for convocation.</p> <p>(Method of <u>Adopting Resolutions</u>) Article <u>34</u>. Resolutions of meetings of the Board of Statutory Auditors shall be adopted by an affirmative vote of a majority of the Statutory Auditors, unless the law has special provisions.</p> <p>(Minutes of Meetings) Article <u>35</u>. The substance of proceedings at a meeting of the Board of Statutory Auditors and the results thereof shall be recorded in the minutes of the meeting, which shall bear the electronic signatures or names and seals of the Statutory Auditors present at the meeting.</p> <p>(Newly Provided)</p> <p>(Newly Provided)</p>	<p><u>(Remuneration etc. for Corporate Auditors)</u> Article <u>37</u>. The remuneration <u>etc. for Corporate Auditors</u> shall be determined <u>by</u> a resolution of a general meeting of shareholders.</p> <p>(Notice for Convening the Board of Corporate Auditors' Meeting) Article <u>38</u>. Notice of a meeting of the Board of Corporate Auditor shall be given to each Corporate Auditor at least three (3) days prior to <u>the date set for such meeting</u>; provided, however, that the consent of all Corporate Auditors is obtained, meetings of <u>the Board of Corporate Auditors</u> may be convened without any procedure for convocation.</p> <p><u>(Method of Resolutions of the Board of Corporate Auditors)</u> Article <u>39</u>. Resolutions of meetings of the Board of Corporate Auditors, except as otherwise provided for in laws and regulations, shall be adopted by a majority affirmative vote of the Corporate Auditors.</p> <p>(Minutes of Meetings) Article <u>40</u>. The substance of proceedings at a meeting of the Board of Statutory Auditors and the results thereof <u>and matters provided for in laws and regulations</u> shall be described or recorded in the minutes of the meeting, which shall bear the electronic signatures or names and seals of the Statutory Auditors present at the meeting.</p> <p style="text-align: center;"><u>CHAPTER 6</u> <u>ACCOUNTING AUDITOR</u></p> <p><u>(Establishment of Accounting Auditor)</u> Article <u>41</u>. <u>The Company shall establish Accounting Auditor.</u></p> <p><u>(Election of Accounting Auditor)</u> Article <u>42</u>. <u>Accounting Auditor shall be elected by resolution of a general meeting of shareholders.</u></p>

Current Articles of Incorporation	Proposed changes
<p style="text-align: center;">(Newly Provided)</p> <p style="text-align: center;">CHAPTER 6 ACCOUNTS</p> <p>(Business Year) Article 36. The business year of the Company shall be from April 1 each year until March 31 of the following year, and the accounts shall be closed on March 31 each year.</p> <p>(Dividends to Shareholders) Article 37. <u>Dividends to shareholders shall be paid to the shareholders or registered pledges whose names appear as such on the last record of the register of shareholders at the close of each business year.</u></p> <p>(Prescription Period of Dividends) Article 38. The Company shall be exempted from the <u>obligation of the payment of dividends</u> to shareholders if such dividends remain unreceived for three (3) full years from the date of commencement of the payment thereof.</p> <p style="text-align: center;">(Newly provided)</p>	<p>(Term of Office of Accounting Auditor) Article 43. <u>The term of office of Accounting Auditor shall expire at the close of the ordinary general meeting of shareholders held with respect to the closing of the last business term that falls within one (1) year after Accounting Auditor's election.</u> 2. <u>Except as otherwise resolved at the general meeting of shareholders referred to in the preceding paragraph, an Accounting Auditor shall be deemed to have been re-elected at such general meeting of shareholders.</u></p> <p>(Remuneration etc. for Accounting Auditor) Article 44. <u>Representative Director(s) shall determine remuneration etc. for Accounting Auditor upon obtaining consent of Board of Corporate Auditors.</u></p> <p style="text-align: center;">CHAPTER 7 ACCOUNTS</p> <p>(Business Year) Article 45. The <u>business year</u> of the Company shall be <u>one (1) year</u> commencing from the April 1 each year to the March 31 of the following year.</p> <p>(Record date for Distribution of Surplus) Article 46. <u>The record date of the Company for distribution of year-end dividend shall be March 31 each year.</u></p> <p>(Prescription Period of Dividends) Article 47. <u>In the event that dividend are paid in cash,</u> the Company shall be exempted from the <u>obligation of the payment</u> of dividends to shareholders if such dividends <u>remain unreceived</u> for three (3) full years from the date of commencement of the payment thereof. 2. <u>No interest shall accrue on unpaid dividends.</u></p> <p><u>Supplemental provision: The amendments to Article 7, Paragraph 1 and Article 8 shall take effect on August 1, 2006.</u></p>

Third Item of Business: Election of Eleven (11) Directors

The term of office of all of the eleven (11) Directors will expire at the close of this meeting. Therefore, it is proposed that eleven (11) Directors be elected.

The candidates are as follows:

(Candidates for Directors)

	Name (Date of Birth)	Profile (Title, Responsibility, and Representatives for Other Companies)	The number of Shares Held
1	Makoto Iida (April 1, 1933)	Jul 1962 President and Representative Director (Founder) Feb 1976 Chairman and Representative Director Jun 1997 Supreme Advisor (up to the present)	4,320,500
2	Juichi Toda (March 7, 1932)	Jul 1962 Senior Executive Director (Co-founder) Feb 1976 Executive Vice Chairman and Representative Director Jun 1997 Supreme Advisor (up to the present)	3,152,216
3	Toshitaka Sugimachi (September 10, 1937)	Oct 1976 Joined SECOM Co., Ltd. Feb 1979 Director Feb 1986 Executive Director Jun 1994 Senior Executive Director Jun 1995 President and Representative Director Apr 2002 Chairman and Director Apr 2005 Advisor (up to the present) (Representatives for other companies) President and Representative Director, Secom Credit Co., Ltd.	5,232
4	Shohei Kimura (May 2, 1943) *	Apr 1967 Joined SECOM Co., Ltd. Feb 1985 Director Feb 1988 Executive Director Jun 1995 Senior Executive Director Apr 2002 President and Representative Director Jun 2004 President and Representative Director and Executive Officer Apr 2005 Chairman and Director (up to the present)	36,200
5	Kanemasa Haraguchi (August 7, 1950) *	Apr 1974 Joined SECOM Co., Ltd. Jun 1990 Director Jun 1995 Executive Director Jun 1997 Senior Executive Director Jun 2002 Executive Vice President Jun 2004 Executive Vice President and Executive Officer Apr 2005 President and Representative Director (up to the present)	8,244
6	Nobuyuki Sasaki (March 17, 1941) *	Mar 1988 Branch Manager, Kyoto Branch, The Bank of Japan May 1990 General Manager, Information System Services Department, The Bank of Japan May 1991 Advisor, SECOM Co., Ltd. Jun 1991 Executive Director Jun 1997 Senior Executive Director Jun 2004 Director and Senior Managing Executive Officer Apr 2005 Senior Executive Director (up to the present)	12,500
7	Katsuhisa Kuwahara (May 9, 1948) *	Apr 1971 Joined SECOM Co., Ltd. Jun 1990 Director Jun 1995 Executive Director Jun 2004 Director and Managing Executive Officer Apr 2005 Executive Director (up to the present)	3,000

	Name (Date of Birth)	Profile (Title, Responsibility, and Representatives for Other Companies)	The number of Shares Held
8	Shuji Maeda (September 27, 1952) *	Jan 1981 Joined SECOM Co., Ltd. Jun 1997 Director Jun 2000 Executive Director Jun 2004 Director and Managing Executive Officer Apr 2005 Executive Director (up to the present)	4,000
9	Katsuo Akiyama (June 20, 1945) *	Feb 1974 Joined SECOM Co., Ltd. Jun 1995 Director Jun 2002 Executive Director Jun 2004 Director and Managing Executive Officer Apr 2005 Executive Director (up to the present)	5,500
10	Shinobu Iida (May 27, 1945) *	Jun 1995 Executive Director, Foundation for Ambulance Service Development Nov 1996 Advisor, Office of Chairman, SECOM Co., Ltd. Jun 1997 Director (up to Jun 2004) Jun 2004 Executive Officer (up to the present) Jun 2005 Executive Director (up to the present)	5,000
11	Fumio Obata (July 6, 1946) *	Apr 1996 General Manager, Business Development Department, the Bank of Mitsubishi, Ltd. (Presently the Bank of Tokyo-Mitsubishi UFJ, Ltd.) Nov 1998 Senior Executive Director, the Long-Term Credit Bank of Japan (under state control then; presently the Shinsei Bank, Limited) Mar 2000 Joined SECOM Co., Ltd., Associate Manager, Strategic Planning Division, SECOM Co., Ltd. Jun 2000 General Manager, Medical Services Department Jun 2000 Director (up to the present) Mar 2002 President and Representative Director, Secom Medical System Co., Ltd. (up to the present) Jun 2004 Executive Officer (up to the present) (Representatives for other companies) President and Representative Director, Secom Medical System Co., Ltd.	1,500

(Notes)

1. There is no particular interest between the Company and each of the said candidates.
2. Asterisk marks (*) indicate incumbent Executive Officer of the Company.

-End-