SECOM

ANNUAL REPORT 2006

Year ended March 31, 2006

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

PROFILE

Since its establishment in 1962, SECOM CO., LTD., a pioneer in Japan's security services industry, has sought to offer innovative services and products that benefit society, in line with its philosophy of contributing to society through its business activities. These efforts have enabled it to provide safety and security and achieve steady growth.

Today, SECOM—the parent company and the companies of the SECOM Group—is stepping up its pursuit of a wide range of initiatives aimed at realizing its vision for the future—the Social System Industry, a framework comprising integrated packages of products and services that make life more secure, convenient and comfortable—and contributing to a society free from apprehension. SECOM has built on its exceptional capabilities, expanding its focus beyond security services to include medical, insurance, geographic information, and information and communication related and other services. In recent years, the deterioration of public security has heightened the expectations of customers. In response, SECOM will strive to maximize group capabilities to develop distinctive new products and services.

SECOM has also expanded into overseas security services markets, establishing an array of subsidiaries and affiliates in 10 countries and territories. In particular, SECOM is focusing on the high-growth market of the People's Republic of China (PRC) and is establishing a business foundation in key coastal cities.

CONTENTS

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

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

U.S. GAAP

SECOM CO., LTD. and Subsidiaries
Three years ended March 31, 2006

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2006	2005	2004	**2006**
Net sales and operating revenue	**¥ 580,526**	¥ 552,354	¥ 517,435	**$ 4,961,761**
Operating income	**81,893**	75,558	54,065	**699,940**
Net income	**50,331**	52,133	23,479	**430,179**
Total assets	**1,225,228**	1,164,204	1,165,105	**10,472,034**
Total shareholders' equity	**508,696**	457,837	415,852	**4,347,829**
	In yen			In U.S. dollars
Per share of common stock:				
Net income (basic)	**¥ 223.69**	¥ 231.66	¥ 104.32	**$ 1.91**
Cash dividends paid	**50.00**	45.00	40.00	**0.43**
Shareholders' equity	**2,261.00**	2,034.63	1,847.80	**19.32**

Notes: 1. Yen amounts have been translated into U.S. dollars, solely for the convenience of the reader, at the rate of ¥117=US$1, the rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2006.
2. Net income per share of common stock is based on the average number of shares outstanding during each period.
3. Shareholders' equity per share of common stock is based on the number of shares outstanding at the end of each period, minus treasury stock.
4. Subsequent to March 31, 2006, cash dividends of ¥60.00 per share were approved at the general shareholders' meeting held on June 27, 2006 (see Note 17 of the accompanying Notes to Consolidated Financial Statements).

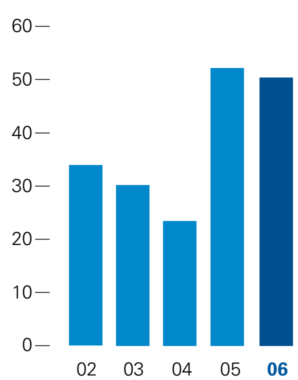
Japanese GAAP

SECOM CO., LTD. and Subsidiaries
Three years ended March 31, 2006

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2006	2005	2004	**2006**
Revenue	**¥ 567,315**	¥ 547,230	¥ 527,409	**$ 4,848,846**
Operating profit	**94,109**	83,043	81,286	**804,350**
Ordinary profit	**96,669**	83,478	76,243	**826,231**
Net income	**52,994**	48,517	41,111	**452,940**
Total assets	**1,149,377**	1,097,548	1,092,067	**9,823,735**
Total shareholders' equity	**496,164**	441,927	403,257	**4,240,718**
	In yen			In U.S. dollars
Per share of common stock:				
Net income (basic)	**¥ 234.28**	¥ 214.41	¥ 181.40	**$ 2.00**
Cash dividends paid	**50.00**	45.00	40.00	**0.43**
Shareholders' equity	**2,204.06**	1,962.74	1,790.58	**18.84**

Note: The Company reported record-high revenue, operating profit, ordinary profit and net income based on Japanese GAAP in the year ended March 31, 2006. Cash dividends of ¥60.00 per share were declared for the year ended March 31, 2006, an increase of ¥10.00 from the year ended March 31, 2005.

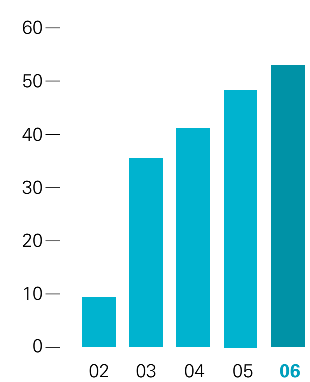
Net Income (U.S. GAAP)
(In billions of yen)



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

Net income in the year ended March 31, 2005, rose ¥28.7 billion, to ¥52.1 billion. This result reflected ¥9.9 billion in income from discontinued operations, net of tax, and the absence of ¥8.8 billion in losses recorded in the preceding period owing to a revision of pension plans.

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



Note: In the year ended March 31, 2002, the Company revised its pension plans and changed the accounting method for unrecognized actuarial gains and losses. Unrecognized actuarial gains and losses, which had been amortized using the straight-line method over the average remaining service period prior to the year ended March 31, 2002, were charged to income on an "as-incurred" basis. The Company also recorded unrecognized transition assets/obligations as a one-time charge to income. In addition, prior service costs were charged to income on an as-incurred basis. This resulted in a decrease in income before income taxes of ¥35.0 billion.

One-time recognition on an as-incurred basis for pension benefits is not permitted under U.S. GAAP. Accordingly, unrecognized actuarial gains and losses, unrecognized transition assets/obligations and prior service costs were amortized on the basis of the average remaining service period in the accompanying consolidated financial statements prepared under U.S. GAAP.

BUSINESS INDEX

A MESSAGE TO SHAREHOLDERS

Makoto Iida
Founder

Consolidated Operating Results

Despite high oil prices and other causes for concern, Japan's economy remains on a recovery trend. Overseas economic expansion continues to stimulate exports. Capital investment is rising, bolstered by rising corporate profits, and personal consumption is steady. In this environment, SECOM continues to cater to the needs of its customers with high-value-added services and products that are aimed at realizing the Social System Industry. In addition to expanding our core security services business with new offerings and by building or relocating branch offices, we continue to expand our medical, insurance, geographic information, and information and communication related and other services businesses.

In the fiscal year ended March 31, 2006, firm gains in all segments supported a 5.1% increase in consolidated net sales and operating revenue, to ¥580.5 billion. Operating income rose 8.4%, to ¥81.9 billion, owing to buoyant sales and a decline in impairment loss on long-lived assets. Higher operating income and a gain on sale of securities, net, supported a 22.6% increase in income from continuing operations. Nonetheless, net income slipped 3.5%, to ¥50.3 billion, primarily owing to the inclusion in the previous period of ¥9.9 billion in income from discontinued operations, net of tax, generated by the sale of our education services business and certain real estate properties for lease. Net income per share was ¥223.69.

Calculated according to accounting principles generally accepted in Japan, consolidated net sales and revenue was ¥567.3 billion, up 3.7%, while operating profit, ordinary profit and net income reached ¥94.1 billion, ¥96.7 billion and ¥53.0 billion, respectively—all record highs. Net income per share was ¥234.28. As a consequence, a resolution to raise cash dividends ¥10.00, to ¥60.00 per share, was approved at the general shareholders' meeting on June 27, 2006.

At a meeting held on May 9, 2006, the Board of Directors resolved to lower our minimum trading unit from 500 shares to 100 shares, effective from August 1, 2006, in light of current share price trends and market expectations.

Responding to a Changing Environment

During the period under review, we witnessed several notable changes in the operating environment for our core security business in Japan. First, we saw a high frequency of changes in the businesses of tenants in the commercial districts. We perceive this not just as a reflection of the economic climate, but also as evidence of structural changes in Japan's economy. To seize the opportunities afforded by these changes, we are striving to identify and concentrate marketing activities on growth industries and companies, with the aim of achieving greater efficiency.

The second change was the emergence of a trend among existing security service customers to reexamine their security needs, with the aim of ensuring systems are up-to-date. As these needs increase in complexity, it is essential to ensure an accurate grasp of our customers' expectations so that we can respond promptly with appropriate solutions. Earning the ongoing trust of our customers depends on the speed of our emergency response personnel and the effectiveness of their actions.

We have built up an extensive infrastructure to support our security services in Japan that encompasses 47 control centers and approximately 2,100 emergency depots. In addition, we have accumulated expertise in the design, development and operation of security systems that are backed round-the-clock by highly trained emergency response personnel. This, together with know-how gained through the provision of security services to customers in various specialized industries, has provided us with a formidable capacity to lead the nation's security industry in delivering security and peace of mind to customers.

Toward Heightened Growth and Efficiency

We are pursuing numerous initiatives aimed at further enhancing growth and efficiency. In the security services business, we are implementing organizational improvements designed to reinforce our marketing capabilities and add further value to our security services. In metropolitan areas, where our subscriber base is expanding, we are building new offices and relocating existing ones to create operating units of optimal scale for efficient marketing and prompt customer service. To better tap the market for security systems for large-scale buildings, we are locating System Design Centers in regional as well as metropolitan headquarters. This will enhance our sales and proposal development capabilities and provide us with an edge in serving this sector of the market. As another measure to boost sales, we have shifted the focus of our internal evaluation system from subscription volume to subscription value, thereby encouraging sales staff to target large contracts. We also enhanced our ability to win contracts and provide higher-value-added services by acquiring shares in a major property management company.

Creating and offering new products and services is another key part of our growth equation. In May 2006, we released four new SECOM Home Security systems targeted at dwellings of specific sizes and types. These systems provide optimal solutions to the security needs of homes that range in size from studio apartment to large detached house. In conjunction, we launched SECOM Home Services, a suite of value-added support services designed to complement SECOM Home Security systems. We are rolling out these new services, which have received a favorable market response, initially targeting home security customers in the Tokyo and Osaka metropolitan areas.

We are also taking steps to improve efficiency. For example, we absorbed security services subsidiary Chuo Bohan Co., Ltd., which operates primarily in Shizuoka Prefecture, allowing us to consolidate local offices and relocate staff, thereby significantly improving operational efficiency. We also improved efficiency by introducing a control system for keys entrusted to us by customers that has improved control precision and greatly reduced the time required for daily key inspections.

In addition, we are focusing on expanding security services for commercial customers overseas. Within Asia, our focus is currently on the PRC, which is experiencing rapid economic growth. To date, we have established subsidiaries in the economic centers of Shanghai, Dalian, Qingdao, Beijing and Shenzhen. These subsidiaries are serving an increasing number of local companies, as well as foreign corporations. We view Asia, particularly the PRC, as one of the most promising growth markets for SECOM and will continue to build on our already strong business foundation there to capture increasing demand.

Among our other businesses, medical services have grown steadily, becoming a major pillar of our operations. In addition to our expanding home medical services business, we have diversified into such areas as nursing home management, as part of our goal to extend peace of mind to all members of society. Our SECOMFORT private nursing homes introduce a proactive approach to wellness, which is a new concept in Japan’s caregiver industry.

To broaden our insurance services business, we are reinforcing our marketing capabilities, offering seamless systems encompassing security services, which offer prior protection, and insurance, which protects customers in the event of misfortune.

In our geographic information services business, we are establishing a system that enables us to promptly provide highly accurate geographic information services by making use of commercial satellites for various mapping purposes. We have also taken this expertise abroad to countries in Southeast Asia where there is significant demand for updated mapping information. We expect overseas sales to contribute to growth in this segment in the years ahead.

Shohei Kimura
Chairman

Kanemasa Haraguchi
President and
Representative Director

We improved the efficiency of our information and communication related and other services business in May 2006 by merging subsidiaries Secom Trust.net Co., Ltd., and Secom Information System Co., Ltd. This move consolidates the operating resources of the two companies in the information security and information services markets, thereby eliminating redundancies and bolstering marketing capabilities, and will pave the way for the newly merged entity to become a comprehensive information services provider with information security and major disaster response services at its core.

Among other initiatives this period, we divested a cable television affiliate as part of a long-term strategy to build a business portfolio that will position SECOM on track for further growth going forward.

The Next Step

With the aim of accelerating growth, we will seek to capitalize on the opportunities created by changes in the business environment and increasing appreciation for security services by stepping up marketing activities. At the same time, we will continue to exploit opportunities to raise efficiency and further enhance profitability.

In today's aging society, demand for security and medical services is on the increase. We intend to draw upon our long-standing expertise and extensive infrastructure to develop and deliver the services and products that protect people and companies from new dangers and anxiety.

The most important prerequisite for continued growth is trust of our customers. Accordingly, we will do all in our power to remain a company deserving of this trust. To strive always to do what is right is a fundamental principle of SECOM. This principle guides employees to judge their work on the basis of what is right and equitable for society. The basic concept behind our corporate ethics, this principle will continue to guide our efforts to earn the trust of our customers.

We continue to promote the realization of the Social System Industry as a comprehensive framework of services provided by group companies. Our goal is to be a company that makes people's lives safe, convenient and comfortable, thereby ensuring people are confident in turning to SECOM. With this goal in mind, we will continue to expand our businesses and enhance corporate value. We look forward to your continued support in these endeavors.

June 27, 2006

M. Iida S. Kimura K. Haraguchi

Makoto Iida
Founder

Shohei Kimura
Chairman

Kanemasa Haraguchi
President and Representative Director

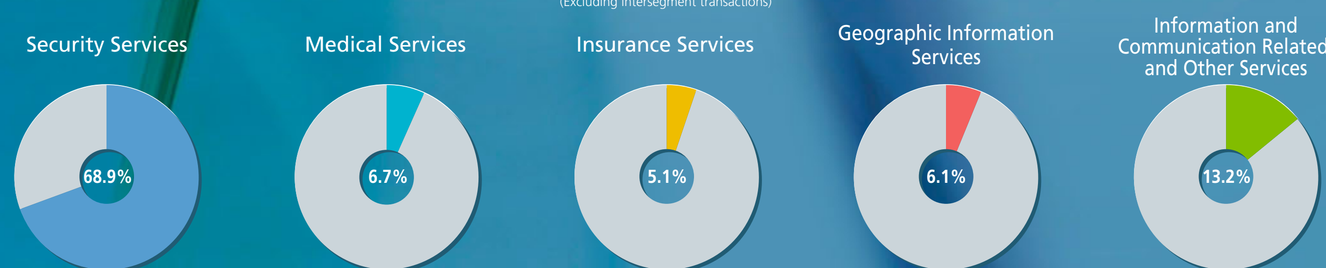
Responding promptly and effectively to increasingly diverse and sophisticated customer needs

In recent years, social change has aggravated the risks people face and contributed to the emergence of new sources of unease. These include the increasing frequency and brutality of break-ins, corporate and personal information theft, health issues in an aging society and crimes targeting children and schools. With the threats to safety and security becoming progressively more varied, the needs of customers are growing increasingly diverse and sophisticated.

To respond promptly and effectively to such needs, SECOM has drawn on its accumulated expertise in the provision of security services and technological development, as well as its extensive network and highly professional service capabilities, to develop distinctive products and services. Today, our portfolio encompasses security, medical, insurance, geographic information, information and communication related and other services businesses. In our quest to contribute to a society free from apprehension, we are focusing our efforts on the development of innovative new offerings. Overseas, we are accelerating the expansion of our security services business in Asia, particularly in the PRC, which continues to show rapid economic growth.

In the following pages, we present a summary of recent business activities and our efforts to respond to the changing environment.

Percentage of consolidated net sales and operating revenue
(Excluding intersegment transactions)



Commercial Security Services

Solutions for Businesses

Tokyo's Omotesando quarter of the Shibuya ward is world renowned as a center of fashion. The new heart of this vibrant hot spot is Omotesando Hills, which opened in February 2006 and has quickly become a leading catalyst of fashion and cultural trends.

Omotesando Hills has six floors above ground and six below. Thirty-eight apartments extend across the upper floors. The lower floors house high-profile fashion boutiques, restaurants and other commercial tenants.

Large-scale security systems for this exciting new complex were provided by SECOM.

Photo courtesy of Mori Building Co., Ltd.

Sophisticated Security Systems for Large Complexes

Urban redevelopment and other factors have contributed to the emergence of large complexes that are essentially self-contained communities, combining offices, housing and commercial facilities. The effective management of such complexes demands sophisticated security systems that protect people and property from crime and unexpected hazards. Such systems are also a key sales point for individuals and companies considering moving into such complexes. By marrying our services, products and know-how, we develop and provide security systems tailored to specific requirements.

Basic security systems for large complexes encompass on-line security and static guard services, thus providing comprehensive protection against crime and monitoring of facilities. Such systems combine the advantages of technologically advanced security systems with the split-second decision-making abilities and practical skills of trained professional guards. We adapt these systems to customer needs by adding various services and products to this basic package. Our unique capabilities in this area are evidenced by the many security systems we have provided for large complexes throughout Japan.

Going forward, we will continue to maximize our expertise in security services, advanced network technologies and Group capabilities to respond to the needs of this growing market.

Customized Security Services for Large Sites

We also offer extensive experience and expertise in security management for large sites. With the emergence of various new factors threatening public security in recent years, the security needs of factories, schools, housing complexes, shopping centers and other facilities situated on large sites are expanding. Such needs include not only the protection of buildings but also surveillance to prevent unauthorized site entry. For most facilities, however, the cost of positioning static guards and installing surveillance cameras over such large sites is prohibitive.

A SECOM control center

Commercial Security Services

SESAMO TRII comprehensive access-control system

SECOM Robot X outdoor surveillance robot

CCTV system

In response, we have developed a customized crime prevention solution featuring the Border series, an outdoor site surveillance system that uses infrared technology, thus reducing the number of cameras needed, and SECOM Robot X, an outdoor surveillance robot, as well as static guards.

Protecting Crucial Information

The implementation of Japan's Personal Information Protection Law in 2005 has increased awareness of the need to ensure the security of information among our customers. Several recent incidents involving personal information leaks have heightened the need for organizations to ensure effective information management. As a consequence, the number of companies, hospitals and other organizations turning to SECOM for security services is rising sharply.

SECOM access-control systems have earned high marks from customers seeking information security solutions. One of the most effective ways to prevent the theft of personal computers and other information equipment, files, and medical records is to install a system that controls access to key rooms, thereby keeping track of who goes where and when. We offer a variety of options, from simple systems that limit access to advanced access-control systems, thereby enabling us to respond to a broad range of customer needs. SESAMO TRII, an access-control system that can be integrated with our on-line security systems to provide comprehensive protection, controls access through up to 400 doors, or 50,000 individuals, per location. This system can also be used to link a company's head office with multiple sites via a network to ensure effective access control for up to 200 locations in total. Because the entire system can be administered from a single personal computer, SESAMO TRII is particularly appropriate for, among others, large buildings, large factories and companies with multiple sales offices. The SESAMO series also includes high-precision identification systems that use biometric data, including SESAMO IDs, a fingerprint identification system, and the recently introduced SESAMO IDj, which identifies individuals using the veins in their palms.

Closed-circuit television (CCTV) systems are also an effective way to prevent information leaks and crimes. Our CCTV systems use a configuration that enables the transmission of images captured by cameras as digital data directly to a controller, ensuring the recording and display of sharp, detailed images.

Today, many companies are actively seeking to enhance their information management capabilities. This trend is spurring firm growth in demand for SECOM's on-line security, access-control systems and surveillance camera systems.

Security Services for Retail Facilities

SECOM boasts a solid track record in the provision of security services for retail facilities. On-line security system SECOM IX enables store employees to request remote monitoring from a SECOM image monitoring center by pushing a call button or lifting the receiver on a special SECOM phone should they, for example, see anyone acting suspiciously or being harassed or otherwise troubled by a person who is intoxicated on their premises. If there is a threat of robbery or physical violence, store employees can push an emergency button to alert a SECOM image monitoring center and simultaneously transmit a color image and voice recording. Image monitoring center staff examine the images and, if necessary, broadcast a warning through speakers mounted in the store and dispatch emergency response personnel. When necessary, staff also alert the police.

We also offer the Electronic Article Surveillance (EAS) shoplifting prevention system, which responds to the needs of retailers for more effective security during operating hours. With shoplifting incidents on the rise in Japan, the impact on storekeepers of related losses is increasingly apparent. We will continue to step up marketing of the EAS shoplifting prevention system through our nationwide network of sales offices with the aim of cultivating new markets.

Venturing into the PFI Field

SECOM led a consortium of 12 companies that secured the contract to build, maintain and operate a private finance initiative (PFI) correctional facility in the city of Mine, Yamaguchi Prefecture. PFIs use private-sector capital and management and technological know-how to build, maintain and operate public-sector facilities. The Ministry of Justice invited numerous groups to participate in an open competition for this facility that gave consideration to both bid price and proposal content. As a consequence, the tender submitted by the SECOM-led consortium was selected. This success is also testament to the Ministry of Justice's positive appraisal of our superior expertise in providing security for large-scale facilities.

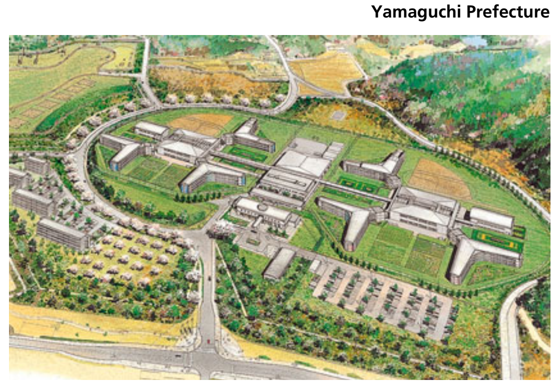
Construction of the correctional facility in Mine began in January 2006. The facility is scheduled to open in April 2007. Except where the exercise of public authority is required, the facility will be managed by private-sector participants. The scope of private-sector responsibility thus encompasses the provision of capable, efficient management services. We will also provide effective correctional education and vocational training. The facility will be equipped with a location-positioning system to keep track of inmates at all times, high-impact, break-resistant window glass rather than iron bars and an advanced security system.

In addition to being the first correctional facility to be built as a PFI in Japan, the correctional facility in Mine is SECOM's first venture into the PFI field. This project will thus enable us to secure new expertise in PFIs and correctional facility management. Participating in this PFI also allows us to contribute to society by promoting inmate rehabilitation through education and training, as well as to revitalize the local economy by purchasing goods and creating employment opportunities.

Correctional facility in Mine, Yamaguchi Prefecture

SECOM emergency response personnel

Correctional facility in Mine, Yamaguchi Prefecture



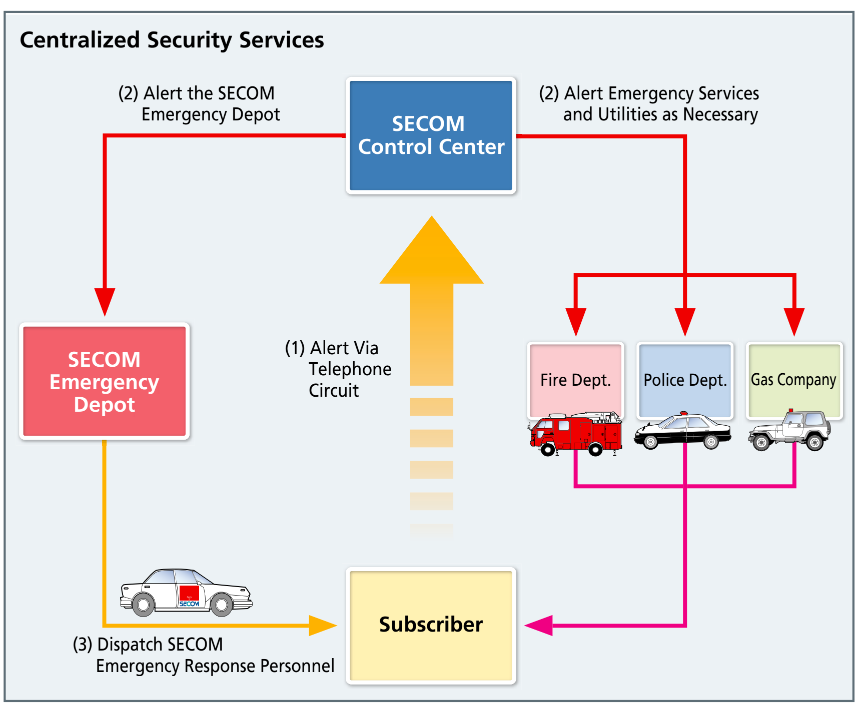
Home Security Services

Peace of Mind for the Home

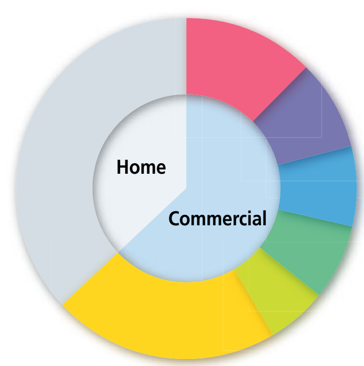
SECOM's Evolving Home Security Services

SECOM is also a pioneer in the provision of home security services in Japan. We have provided security for our subscribers' residences for the past 25 years, since launching SECOM Home Security in 1981. Today, SECOM Home Security, an on-line security system that offers round-the-clock monitoring of homes for intruders, fires, gas leaks and medical emergencies, is an essential prerequisite to safe and secure living for customers throughout Japan. Our reliability and high service standards have earned a solid reputation for the SECOM brand.

The market penetration of SECOM Home Security has been accompanied by the broadening of our customer base, which now ranges from young people living alone to people in their 30s and 40s with families and seniors. Recognizing that the security needs of our customers vary significantly depending on lifestyle, in May 2006 we launched an updated SECOM Home Security system. The new system comes in four versions developed for dwellings of different sizes: condominiums, small houses, average-sized houses, and houses that have a large number of rooms or are designed to accommodate multiple generations of one family. Customers are therefore able to select the version that best suits their home. We have also introduced such new service options as the Entry Delay function, for times when a member or members of the family are not expected to return until after the rest of the family has retired for the night, and the Daily Life Monitoring function, developed for seniors living alone, which alerts SECOM if no movement is detected in the residence for a specified interval.



Commercial and Home Security Service Subscribers by Category
(At March 31, 2006)



Service industries	12.4%
Retailing/wholesaling	8.6%
Financial services	7.6%
Manufacturing	7.2%
Government agencies	5.7%
Others	21.5%
Households	37.0%

Home Security Services


SECOM Home Security system


SECOM Home Service lifestyle support services

SECOM sticker

SECOM shop

SECURIFACE intercom system

In Japan, new homes for which construction begins after June 1, 2006, will be required by law to have fire alarm systems installed in bedrooms, stairways and other areas. By May 31, 2011, all residences will also be obliged to install fire prevention systems that meet standards set by local authorities. We offer a buzzer-equipped fire alarm that can be connected to the SECOM Home Security system. Going forward, we will endeavor to expand sales of the SECOM Home Security system by informing potential customers about the benefits of this alarm.

Enhancing Safety and Security for Families

We continue to introduce new service options with the aim of adding value to the SECOM Home Security system and expanding sales. One example is SECOM Medical Club, a membership-based health management service that is designed to relieve the health concerns of SECOM Home Security subscribers. This service capitalizes on the expertise of our medical services business and gives subscribers access to telephone health counseling and Internet-based checklists for lifestyle-related illnesses. In addition, we have begun offering SECOM Home Service, a suite of lifestyle support services that is offered to SECOM Home Security subscribers. Through SECOM Home Service, we assist customers with problems arising in everyday life, such as lost keys and broken windows. This service also includes support for house cleaning and other housework, external checks of customers' premises and patrol services. Initially, we are focusing our marketing efforts for this service in the Tokyo and Osaka metropolitan areas, both major population centers. Customer response to SECOM Home Service has been outstanding and its launch has contributed to an increase in home security system contracts. Going forward, we will continue to add new services that enhance safety, convenience and comfort, thereby ensuring customers are satisfied they chose SECOM.

Recent years have seen an increase in residential break-ins that occur when the occupants are at home and result in physical assault as well as the theft of property. To protect people in their homes from such danger, we offer an extensive selection of products designed to enhance the safety and security of residential interiors, doors and windows, and exteriors, including fences and gardens. These include SECOM *Anshin* Glass, a specially made high-impact, breakage-resistant window glass with built-in sensors; External Image Monitoring Service and SECOM Home Camera System, designed to reinforce exterior security; and SECURIFACE, an intercom system that features a built-in face detection function that recognizes when the person at the door is hiding his or her face from the camera.

Condominium Security Systems

In addition to security systems for houses, SECOM provides a wide range of systems designed to respond to the unique security concerns of condominiums and other types of housing complexes. With break-ins an increasingly serious problem for condominiums today, the need for effective security systems is rising. Since launching SECOM MS-1—Japan's first security system exclusively for condominiums—in 1987, we have introduced several systems, including SECOM MS-2 and SECOM MS-3. SECOM MS-3 not only offers improved security capabilities, but also incorporates a wide range of functions that enhance the convenience of condominium living. Another key feature of SECOM MS-3 is its extensive coverage, enabling it to provide security for up to three buildings in a single complex, or a total of 4,000 households, simultaneously. Security can be further strengthened with the installation of SECOM IX, which provides remote surveillance of common areas. SECOM's condominium security systems thus help ensure condominiums are secure and comfortable.

SECOM's security systems provide comprehensive support for safe and comfortable homes. Going forward, we will strive to reinforce our competitive advantage in the home security market by expanding our lineup with new services that respond to customer needs and bear the SECOM mark of quality.

Image monitoring center

SECOM MS-3 condominium security system

Other Security Services

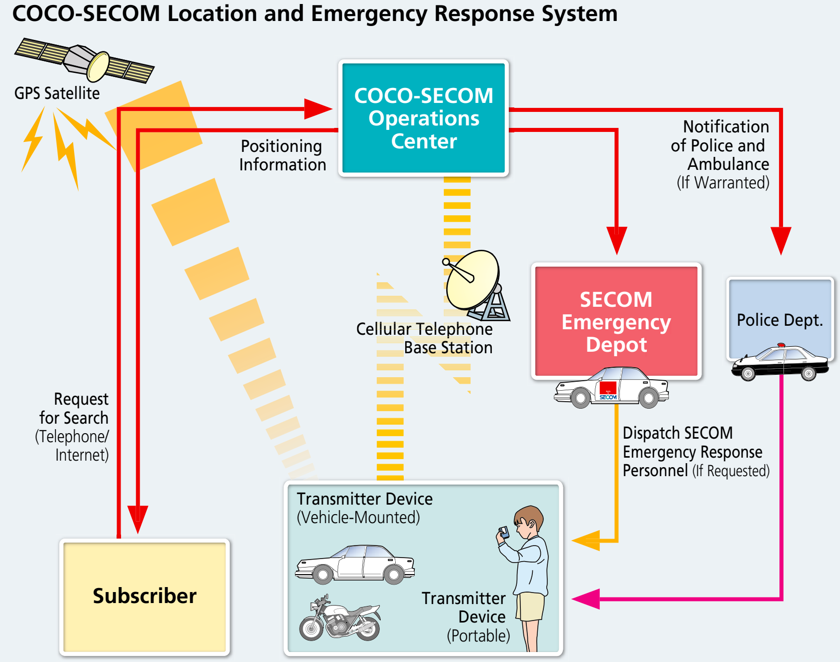

COCO-SECOM mobile security systems

COCO-SECOM operations center


Sharply Increasing Demand for COCO-SECOM Services for Children

We have expanded our services capabilities from commercial and residential security to security for people and property on the move. With the launch of COCO-SECOM mobile security systems for individuals in 2001, we created an entirely new market. COCO-SECOM uses Global Positioning System (GPS) satellites and cellular telephone base stations to pinpoint locations with an accuracy of within five to 10 meters under optimum circumstances. Emergency response personnel are on standby round-the-clock for dispatch to any location if a subscriber requests assistance—a level of service facilitated by SECOM's unique security services capabilities. COCO-SECOM services were initially developed to locate people and vehicles. Today, we also offer services for locating cash and valuables cases, safes, automated teller machines (ATMs) and pets, as well as for simultaneously tracking commercial vehicle fleets and employees.

COCO-SECOM Location and Emergency Response System



Today, COCO-SECOM is attracting attention as an effective means to prevent child disappearances and abductions, resulting in an increase in the number of people equipping their children with COCO-SECOM transmitter devices. Approximately one-fourth of all COCO-SECOM subscriber contracts are for services for locating children. On more than one occasion, COCO-SECOM has assisted in the location and rescue of a child. To protect children traveling between home and school, we provide COCO-SECOM for Olivier Navirand school bags and the PRESAVE elementary school uniforms through business alliances with the manufacturers of these items. Both the school bags and the uniforms have earned high marks from parents.

To teach children about potential dangers, we supervised production of a picture book and an animated film. The picture book, *Suu, the White Ghost,* was overseen by a committee of SECOM employees with children, and features content and visuals for children and their parents to enjoy together. The animated film, *Kin-Q Kids: Rescue Team,* was put together with the aim of teaching children ways to avoid danger. We contributed by providing crime-prevention expertise and methodologies based on analysis of data and actual incidents. The film was shown on satellite and cable television channels for children and has since been released on DVD and video.

Security Services in Overseas Markets

Expanding Operations in the Growing PRC Market

In 1978, we established operations in Taiwan, our first overseas market. Shortly thereafter, we expanded into the Republic of Korea (ROK) and the United States. We then secured access to the markets of Europe and Oceania by setting up operations in the United Kingdom and Australia, and extended our presence in Asia by branching out into Thailand, Malaysia, Singapore, Indonesia and the PRC. We provide the same high-standard services in all of these markets as we do in Japan. Of particular note, our affiliates Taiwan Secom Co., Ltd., in Taiwan, and S1 Corporation in the ROK, enjoy the top shares of their respective security services markets.

In recent years, our efforts have focused on the expanding economies of Asia, particularly the PRC, where rapid economic growth is prompting greater demand for security. To enable us to provide security services in the PRC, in 1992 we set up holding company Secom (China) Co., Ltd. Since then, we have established security services subsidiaries in the key cities of Dalian, Qingdao, Beijing and Shanghai. Through these companies, we extend security services of the same level as in Japan, that is, services that feature not only remote surveillance, but also emergency response services.

To take advantage of the massive security services market of the PRC, in July 2005 we set up a security services company—our fifth local subsidiary—in the city of Shenzhen. Located north of Hong Kong, Shenzhen was declared a special economic zone in 1980. Since then, the city has grown into a major center thanks to the investment of foreign capital. In this and other ways, it is emblematic of the PRC's economic rise. With the new company, we have succeeded in creating a solid business foundation in the PRC's key coastal economic areas. We will continue to draw on this foundation to provide a wide range of security services to customers in the PRC, a center of increasing global economic importance.

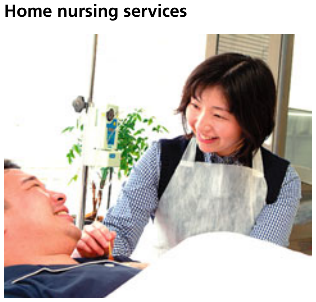
Shanghai Secom Security Co., Ltd.'s control center

The Crown Court of London in the UK—a customer of Secom Plc

Medical Services

Comfort Garden Azamino

Home nursing services



Increasing Demand for Home Nursing Services

Eliminating fears about family health is crucial to security and peace of mind. Relieving concerns over health and illness is an important part of our commitment to realizing a society free from apprehension. Accordingly, in 1991 we launched our medical services business. With one in five people in Japan today over the age of 65, concerns over the future of health and medical care are multiplying.

Our medical services business began with the provision of home medical services, the first time such services were offered in Japan. Our various home medical services include home nursing services and pharmaceutical delivery services, demand for which continues to expand. Home nursing services are provided by nurses who visit patients in their homes and provide nursing services in line with the instructions of the patient's physician. The skilled and experienced nurses we employ are highly evaluated by patients. In line with rising demand, we have expanded our network of SECOM visiting nurse stations, which dispatch nurses to patients' homes, to 37. Accordingly, we will continue to provide superior home nursing services that emphasize the patient's perspective, thereby providing peace of mind as well as a high level of patient satisfaction.

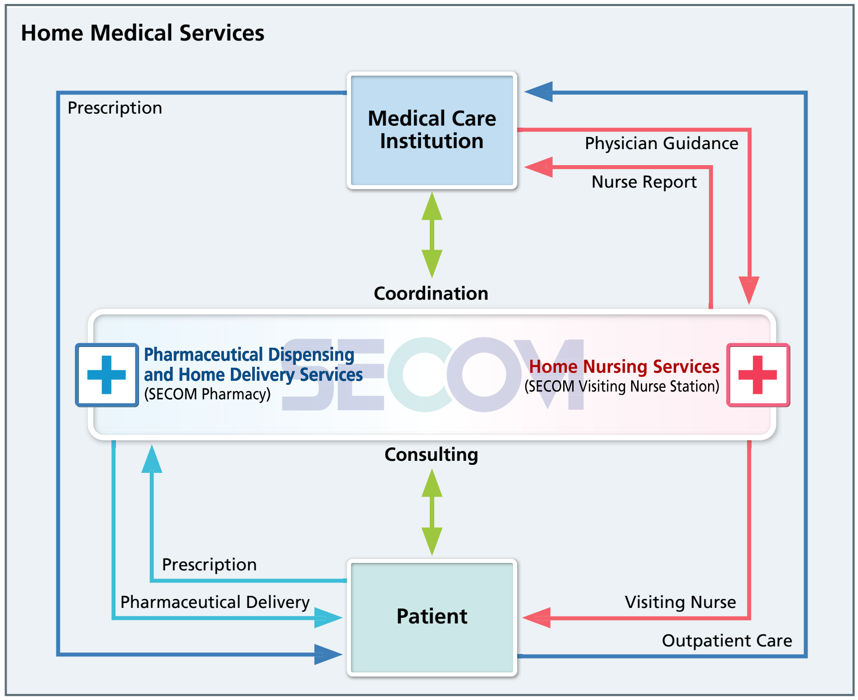
Expanding into New Businesses

Health issues are one of the chief causes of concern among the elderly. We are seeing a rise in interest in products and services that contribute to the maintenance or improvement of health, evidence of the increasing number of people that see investments in their own health as money well spent. With the needs of such people in mind, we have established SECOM Health Care Club. A membership-based club operated by subsidiary Secom Medical System Co., Ltd., in alliance with Anshinkai, an incorporated medical institution, SECOM Health Care Club aims to ensure the prevention and early detection of serious illnesses. Members have access to advanced positron emission tomography (PET)/computerized tomography (CT) scanner and other advanced medical equipment at Yotsuya Medical Cube, a clinic in Tokyo, as well as full physical examinations and health management consultations with a regular physician.

Another key new business is the SECOMFORT series of nursing homes. We have built up a solid reputation in this field through the Sacravia Seijo and Royal Life Tama—two high-end nursing homes—and the Alive Care Home series of nursing homes, which provide full-time care services. The SECOMFORT series capitalizes on the know-how accumulated through the management of these facilities and brings together our expertise in such areas as security, medical care and personal care. In October 2006, we will open Comfort Garden Azamino in Yokohama, the first nursing home in the SECOMFORT series. This facility will feature an adjacent on-site clinic and offer health management services for residents. Residents requiring care will be able to take advantage of the services of skilled, compassionate nursing and care staff in the comfort of their rooms. Should a resident require round-the-clock care, he or she will be moved to a special room within the building to be attended to by expert staff. We have also developed a security system for the SECOMFORT series that is easy for seniors to operate, thereby enhancing the peace of mind of residents. The second SECOMFORT nursing home, Comfort Hills Rokko, is scheduled to open in Kobe in June 2009. We will continue to expand the SECOMFORT series, focusing on the goal of providing safe, secure and comfortable residences that enable seniors to enjoy active, fulfilling lives.

On another front, we engage in the lease and sale of a wide range of medical equipment. Among these, our automated external defibrillators (AEDs) continue to perform particularly well. AEDs are devices that administer an electric pulse to the heart to reestablish a normal rhythm. Their use by members of the general public, that is, by individuals who are not licensed physicians or paramedics, was approved by Japan's Ministry of Health, Labour and Welfare in July 2004. Subsequently, we introduced the SECOM AED Package Service, a service package featuring an AED that we lease to individuals and organizations and for which we provide regular maintenance and round-the-clock support. To date, the SECOM AED Package Service has been adopted by a variety of customers, including sports facilities, government and municipal offices, companies, airports, health and welfare facilities, schools and hotels. Narita International Airport, for which we provide static guards and other security services, has adopted the SECOM AED Package Service to help ensure better security for airport users. By expanding SECOM AED Package Service subscriptions, we hope to contribute to an increase in the number of lives saved.

Going forward, we will aim for further growth by developing and providing quality medical services that are trusted and appreciated by our customers.




SECOM AED Package Service

AED

Insurance Services

Secom General Insurance Co., Ltd.

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

MEDCOM consultants

SECOM's Unmatched Policies

We provide seamless offerings that combine security services and non-life insurance to ensure greater peace of mind. Security services ensure prior protection, while the non-life insurance looks after customers in the event of misfortune. These offerings are made possible by our non-life insurance subsidiary, which has developed a lineup of distinctive policies.

SECOM *Anshin* My Home, for example, a policy designed for households, takes into account the reduced risk in homes that have installed security systems to offer up to a 50% discount on premiums. This same concept underlies the Security Discount Fire Policy, which offers up to a 30% discount on premiums to commercial premises that have installed security systems, recognizing this as a risk-lowering factor. New SECOM *Anshin* My Car is a comprehensive automobile insurance policy that offers round-the-clock on-site support services by emergency response personnel in the event of an automobile accident. The knowledge that professional emergency response personnel are there to help any time and anywhere is a significant factor in ensuring security and peace of mind for vehicle owners.

We also offer MEDCOM, an unrestricted cancer treatment policy that provides coverage for all hospitalization and medical treatment costs. "Unrestricted" means that MEDCOM covers the cost of treatments not covered by Japan's national health insurance scheme and thus normally borne by the patient. MEDCOM also covers the portion of costs that individuals bear for cancer treatments covered by the national health insurance scheme. This ensures subscribers are able to take advantage of advanced treatment options without having to worry about the frequently prohibitive costs.

We will continue to maximize the capabilities of the SECOM Group to develop and market innovative and attractive new insurance offerings.

Geographic Information Services

Providing Security and Peace of Mind in the Event of an Earthquake

Pasco Corporation provides a wide range of innovative geographic information services and is a leader in geographic information system (GIS) and surveying and measuring services. Frequent earthquakes in recent years have heightened awareness of the need to minimize the scale of disaster in the event of a major tremor. If a major, vertical-thrust earthquake were to hit Tokyo, for example, the resulting disruption of public transport would strand millions of commuters with no way to get home from their workplace. Companies are thus coming under increasing pressure to ensure their employees are able to return home safely in the event of such a disaster. Pasco has responded by developing a mapping service that searches for the safest routes to take between employees' homes and workplaces, based on such considerations as earthquake vulnerability, as disclosed by the prefectural authorities, and the presence of facilities and roads designated for the provision of assistance to stranded commuters. By inputting the appropriate departure and arrival locations into the computer, companies can generate maps for each individual employee. The service also enables companies to determine how many employees at its different offices are unable to return home, thereby allowing it to determine the quantities of food and other supplies it needs to store. In the event such a disaster occurs at night or on a public holiday, companies can also determine how many of their employees live close enough to walk to work, making it possible to formulate plans for the resumption of operations. This mapping service is also available to individuals, permitting them to access information via the Internet to create maps for their families, and is thus useful in protecting homes and families in disaster situations.

Geographic Information Services for Global Markets

Although headquartered in Japan, Pasco has established bases in the PRC, Thailand, the Philippines, India, Indonesia, the United States and Finland, and built a global network linking it with companies and universities, enabling it to provide high-quality, high-precision geographic information services in markets around the world.

Pasco is also responding to a rising need, particularly in developing countries in Southeast Asia, for accurate domestic topographic maps, using its advanced surveying and measuring technologies and GIS to assist map-making efforts.

Recently, Pasco became a distribution partner for TerraSAR-X data products, obtaining exclusive rights to sell these products in Japan and rights to sell them worldwide. TerraSAR-X is a synthetic aperture radar (SAR) satellite scheduled for launch in October 2006. With TerraSAR-X, it will be possible to obtain 1: 25,000 scale geographical data for all of Japan in one month, compared with 4.5 years with a conventional satellite employing a telecentric optical imaging instrument. This capability will enable Pasco to provide information, monitoring and damage assessment in real time when earthquakes, tsunami, typhoons, volcanic eruptions and other natural disasters occur.

Safe Route Mapping Service

TerraSAR-X

Information and Communication Related and Other Services

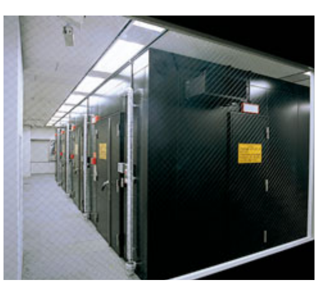
SECOM Safety Confirmation Service

Providing Comprehensive Disaster Response Support Services for Corporate Customers

SECOM's disaster response support services include the SECOM Safety Confirmation Service, a comprehensive service for commercial subscribers that helps companies to confirm promptly the whereabouts and safety of employees and their families and collect information in the event of a major disaster, thereby relieving concern and assisting companies to reopen for business as soon as possible. This service also offers round-the-clock, dedicated support personnel, ensuring a prompt response in the aftermath of a disaster. Services are offered on a rental basis, making it possible for customers to avoid administrative hassles of purchasing and installing systems.

Responding to calls for more effective countermeasures against natural disasters, we applied our expertise to the development of the SECOM Disaster Response Support Service. Designed with the aim of minimizing disaster-related losses through prompt, effective action, the SECOM Disaster Response Support Service encompasses the preparation of initial response manuals, which can also be made accessible via the Internet and/or cellular phone, as well as management and replenishment of emergency equipment inventories.

Secure Data Center



Security for the Information Age

SECOM is also answering the call for better information security. The Secure Data Center integrates our unparalleled physical and cyber security services expertise to provide a highly secure environment for subscribers' valuable information. The facility houses customers' servers and sees to the operation, monitoring and maintenance of connections to the Internet. The building is guarded around the clock by static guards, access-control systems and surveillance cameras, applying our know-how in the area of physical security. Cyber security services include protection against Internet-based intrusions and viruses and the provision of digital authentication services. The Secure Data Center currently operates the digital certificate authorities of a number of Japan's pre-eminent financial institutions, underscoring recognition of the high level of security it delivers, as well as customer confidence in our information security capabilities.

Safe and Secure Glorio Condominiums

Developed in line with a concept that emphasizes peace of mind and quality lifestyles, SECOM's Glorio series of condominiums boast sophisticated security. All units offer our on-line security system as a standard feature. Glorio condominiums can also feature break-resistant SECOM *Anshin* Glass window glass; SECOM IX, which provides surveillance of the entrance hall and individual elevators; and the SECOM AED Package Service, for assisting individuals experiencing acute heart trouble. The Glorio series also offers Glorio Support 24, round-the-clock condominium management services that enable residents to call late at night or on holidays when no guards are present. Today, security is one of the most important considerations in condominium purchasing decisions. We will continue to develop and sell attractive condominiums that deliver both quality and peace of mind.

Operating Results

Overview

In the year ended March 31, 2006, the parent company and its consolidated subsidiaries (collectively, "the Company") took a variety of steps aimed at enhancing their operations—which center on security services and also include medical, insurance, geographic information, information and communication related services, real estate development and sales, and real estate leasing—by improving services and expanding marketing and product development. Firm gains in revenue in all segments supported an increase in net sales and operating revenue of 5.1%, or ¥28.2 billion, to ¥580.5 billion. Operating income rose 8.4%, or ¥6.3 billion, to ¥81.9 billion, reflecting higher net sales and operating revenue and a decline in impairment loss on long-lived assets. Income from continuing operations totaled ¥51.2 billion, up 22.6%, or ¥9.4 billion, owing to such factors as improved operating income and a gain on the sale of the Company's stake in a cable television affiliate accounted for under the equity method. Despite an increase in income from continuing operations, net income declined 3.5%, or ¥1.8 billion, to ¥50.3 billion, owing to the absence of ¥9.9 billion in income from discontinued operations, net of tax, recorded in the previous period generated by the sale of the Company's education services business and certain real estate properties for lease.

During the period, the Company decided to disclose the geographic information services, which was previously included in the information and communication related and other services segment, separately from the segment due to an increase in importance of its business. Accordingly, segment information of all prior periods has been restated to conform to the presentation used for the year ended March 31, 2006.

Net Sales and Operating Revenue

Net sales and operating revenue amounted to ¥580.5 billion, an increase of 5.1%, or ¥28.2 billion. Net sales and operating revenue rose in all segments. (For more details, please see Segment Information below.)

Costs and Expenses

Costs and expenses were up 4.6%, or ¥21.8 billion, to ¥498.6 billion. Cost of sales rose 4.5%, or ¥15.7 billion, to ¥364.9 billion, equivalent to 62.9% of net sales and operating revenue, down from 63.2% in the previous period. The lower cost-of-sales ratio was primarily attributable to a decline in cost-of-sales ratio of the insurance services segment. This was mainly caused by an increase in gains on the sales of investment securities, included in net sales and operating revenue, in the segment.

Selling, general and administrative expenses rose 6.7%, or ¥8.0 billion, to ¥128.2 billion, equivalent to 22.1% of net sales and operating revenue, up from 21.8% a year earlier. This increase was largely due to an increase in the provision for the allowance for doubtful accounts in the medical services segment.

Impairment loss on long-lived assets shrank ¥3.7 billion, to ¥821 million. Losses on sales and disposal of property, plant and equipment, net, amounted to ¥2.2 billion, a decline of ¥646 million. In addition, the transfer of a portion of the cash balance pension plan maintained by the parent company and certain of its Japanese subsidiaries to a defined contribution pension plan resulted in recognition of a portion of an unrecognized actuarial loss, which was included as a settlement loss of benefit obligation on transfer to defined contribution pension plan of ¥2.5 billion.

Operating Income

Operating income rose 8.4%, or ¥6.3 billion, to ¥81.9 billion, and represented 14.1% of net sales and operating revenue, compared with 13.7% the previous year. Factors influencing the increase included increases in net sales and operating revenue and declines in the cost-of-sales ratio and impairment loss on long-lived assets, although the impact was partially offset by an increase in selling, general and administrative expenses. The insurance services segment and the information and communication related and other services segment recorded operating income, in contrast to the previous period, when both recorded operating losses. These improvements contributed to the overall increase in operating income. (For more details, please see Segment Information below.)

Other Income and Expenses

Other income rose ¥9.4 billion, to ¥15.9 billion, while other expenses advanced ¥250 million, to ¥8.1 billion, resulting in net other income of ¥7.8 billion, compared to net other expenses of ¥1.3 billion in the previous year. The increase in other income was primarily due to an increase in a net gain on sales of securities, a result of the sale of the Company's stake in a cable television affiliate accounted for under the equity method.

Income Taxes

Income taxes increased ¥6.0 billion, to ¥37.9 billion, owing to higher income from continuing operations before income taxes. Income taxes were equivalent to 42.2% of income from continuing operations before income taxes, down from 43.0% in the previous year.

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

Minority interest in subsidiaries amounted to ¥3.9 billion, an increase of ¥1.0 billion, mainly as a result of improved income from insurance services. Equity in net income of affiliated companies also rose ¥964 million, to ¥3.3 billion, owing primarily to solid performances by equity-method affiliates in Taiwan and the ROK.

Income from Continuing Operations

As a consequence of the above factors, income from continuing operations rose 22.6%, or ¥9.4 billion, to ¥51.2 billion, and represented 8.8% of net sales and operating revenue, compared with 7.6% in the previous period.

Income from Discontinued Operations

Discontinued operations include any component of an entity with its own identifiable operations and cash flows which is disposed of or is classified as held for sale, and with which the Company will not have significant continuing involvement. In the previous period, the Company sold its education services operation, and its security services operations in the United States, as well as certain real estate properties for lease. This resulted in income from discontinued operations, net of tax, of ¥9.9 billion in that period. (For more information, please see Note 25 of the accompanying Notes to Consolidated Financial Statements.)

Net Income

Net income totaled ¥50.3 billion. Both basic and diluted net income per share were ¥223.69. Cash dividends per share of ¥60.00 were approved at the general shareholders' meeting held on June 27, 2006.

Segment Information

For detailed segment information, please see Note 27 of the accompanying Notes to Consolidated Financial Statements.

Security Services

This segment encompasses electronic security services, other security services and merchandise and other. Net sales and operating revenue in the security services segment rose 4.6%, or ¥17.6 billion, to ¥401.4 billion. Excluding intersegment transactions, segment net sales and operating revenue was ¥400.0 billion, equivalent to 68.9% of total net sales and operating revenue, down from 69.2% a year earlier.

Electronic security services include centralized systems (on-line commercial and home security systems) and large-scale proprietary systems, which center on surveillance services at the subscriber's premises. Commercial and home on-line security systems, the core of SECOM's electronic security services business, use sensors installed at the customer's premises to detect events, such as intrusions, fires and equipment malfunctions. Sensors are linked to a SECOM control center via telecommunications circuits to enable remote monitoring around the clock. Should an event be detected, the relevant information is relayed to the control center, where the staff dispatch emergency response personnel and take other appropriate measures, as well as notify the police or fire department if required. To ensure its ability to deliver the level of quality customers expect, the Company has established an integrated process that allows it to maintain control over every aspect of its electronic security services, from centralized systems research and development (R&D) to equipment manufacturing, sales, installation, 24-hour monitoring, dispatch of emergency response personnel and maintenance. In the period under review, net sales and operating revenue from electronic security services amounted to ¥277.9 billion, an increase of 2.2%, or ¥6.0 billion. During the period under review, we continued to market a number of security systems suited to the diverse needs of commercial customers. These include SECOM AX, a centralized system that employs advanced image monitoring; SECOM DX, a versatile system suitable for a wide range of users; and SECOM IX, a remote imaging system for retail premises that operate around the clock. Subscriptions for such services increased steadily, as did subscriptions for SECOM Home Security systems.

Other security services include static guard services, staffed by highly trained professionals, for security situations that require human judgment and flexible responses, and armored car services, for the transport of cash and valuables by specially fitted armored cars and security professionals. In the period under review, net sales and operating revenue from static guard services amounted to ¥41.5 billion, an increase of 8.3%, or ¥3.2 billion, while that from armored car services amounted to ¥19.4 billion, up 4.9%, or ¥907 million.

The merchandise and other category encompasses a wide range of security products, including access-control systems, CCTV surveillance systems, fire extinguishing systems, and external and internal monitoring systems, which can be used alone or connected to on-line security systems. In the period under review, these products and services generated net sales and operating revenue of ¥61.3 billion, an increase of 14.1%, or ¥7.6 billion. Increasing awareness of the need to ensure protection against crime, as well as to properly manage information assets, supported brisk sales of access-control systems and CCTV surveillance systems.

Operating income in the security services segment slipped 4.2%, or ¥3.8 billion, to ¥86.7 billion. The operating margin was 21.6%, compared with 23.6% for the previous period. This primarily reflected a settlement loss of benefit obligation on transfer to defined contribution pension plan and an increase in advertising expenses. The settlement loss of benefit obligation reflected the transfer of a portion of the cash balance pension plan maintained by the parent company and certain of its Japanese subsidiaries to a defined contribution pension plan, as described above.

Medical Services

Medical services encompasses home medical services, including pharmaceutical dispensing and delivery and home nursing services; remote image diagnosis support services; electronic medical report systems; sales of medical equipment; the operation of nursing homes; personal care services; and the leasing of real estate for medical institutions. Net sales and operating revenue in the medical services segment amounted to ¥39.4 billion, an increase of 13.0%, or ¥4.5 billion. During the period under review, sales in the home medical services area expanded, while a newly consolidated subsidiary that manages dispensing pharmacies also contributed to an increase in net sales and operating revenue.

The medical services segment posted an operating loss of ¥1.3 billion for the period under review, down from operating income of ¥1.6 billion in the previous period. This was attributable to a provision for the allowance for doubtful accounts as a result of loans extended to health care facilities. This reflected changes in the business environment prompted by amendments to Japan's health care system, including a reduction of remuneration for medical treatment.

Insurance Services

This segment includes a variety of unique offerings that complement security services, which provide prior protection, with non-life insurance, which looks after customers in the event of misfortune. For example, Security Discount Fire Policy, a commercial fire insurance policy, and SECOM *Anshin* My Home, a comprehensive fire insurance policy for residences, offer a discount on premiums to subscribers who have installed on-line security systems, recognizing this as a risk-lowering factor. Other products include New SECOM *Anshin* My Car, a comprehensive automobile insurance policy that offers on-site support services—provided by our emergency response personnel—in the event of an accident, and MEDCOM, an unrestricted cancer treatment policy that covers the entire cost of medical treatments for cancer. The insurance services segment generated net sales and operating revenue of ¥32.0 billion, up 9.5%, or ¥2.8 billion. In addition to expanding the marketing of non-life insurance during the period under review, the Company took advantage of a favorable investment environment, recording gains from the sales of investment securities.

The insurance services segment registered operating income of ¥5.1 billion, up from an operating loss of ¥3.0 billion in the previous period. This improvement primarily reflected the aforementioned gains on sales of investment securities, as well as the fact that the loss ratio had worsened in the previous period due to damages sustained in typhoons.

Geographic Information Services

This segment encompasses a variety of GIS services tailored to the needs of the public and private sector, as well as surveying and measuring and construction consulting services. Net sales and operating revenue in this segment edged up 0.6%, or ¥216 million, to ¥35.4 billion. During the period under review, efforts included the provision of high-precision national spatial data to government and municipal offices using digital aerial cameras, laser scanners and other aerial surveying technologies. The Company also provided GIS services for private-sector customers, mainly companies, and cultivated markets for these services overseas, particularly in developing countries.

Segment operating income declined 27.2%, or ¥336 million, to ¥900 million. This was primarily a consequence of the inclusion of devaluation losses on inventories and an increase in loss on disposal of software.

Information and Communication Related and Other Services

This segment includes information and communication related services, including cyber security and information network system operation services, real estate development and sales, and real estate leasing. In the information and communication related and other services segment, net sales and operating revenue rose 5.2%, or ¥4.1 billion, to ¥82.9 billion. During the period under review, the real estate development and sales business performed well, bolstered by brisk sales of condominiums.

Solid results in the real estate development and sales business, together with a decline in impairment loss on long-lived assets, supported segment operating income of ¥5.6 billion, compared with an operating loss of ¥816 million in the previous period.

Financial Position

Total assets of the Company as of March 31, 2006, stood at ¥1,225.2 billion, up 5.2%, or ¥61.0 billion, from the previous fiscal year-end.

Total current assets rose 10.0%, or ¥52.5 billion, to ¥578.6 billion. This mainly reflected increases in cash and cash equivalents (for more details, please see Cash Flows below) and real estate for sale, which boosted inventories. Current assets were outpaced by current liabilities, however, reflecting such factors as an increase in the current portion of long-term debt. As a consequence, the current ratio was 1.8 times, compared with 2.0 times a year earlier.

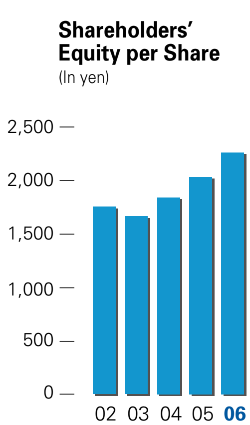
Investments and long-term receivables declined 1.0%, or ¥3.3 billion, to ¥310.7 billion, owing largely to an increase in public and corporate bonds redeemable within one year, which boosted current assets and resulted in a decline in investment securities.

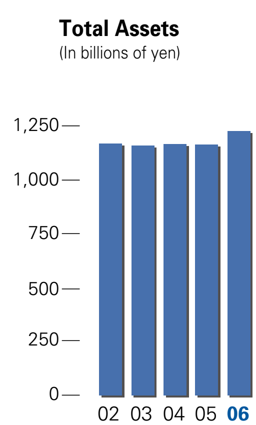
Property, plant and equipment, less accumulated depreciation, rose 5.0%, or ¥11.7 billion, to ¥243.1 billion. This was primarily attributable to an increase in real estate for lease and, in the medical services business, an increase in real estate for medical facilities, which contributed to an increase in buildings and improvements and construction in progress.

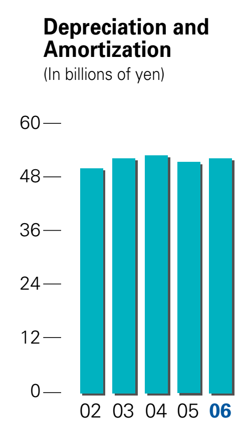
Other assets increased 0.2%, or ¥159 million, to ¥92.8 billion.

Total liabilities of the Company amounted to ¥680.6 billion, up 1.0%, or ¥6.7 billion, from a year earlier. Total current liabilities advanced 22.6%, or ¥60.4 billion, to ¥328.1 billion, mainly owing to the shift of long-term debt due within one year to current liabilities, which pushed the current portion of long-term debt up ¥34.2 billon, to ¥44.7 billion. As a consequence, long-term debt declined ¥30.0 billion, to ¥35.8 billion. Investment deposits by insurance policyholders declined ¥39.9 billion, to ¥187.8 billion, and accounted for 15.3% of total liabilities and shareholders equity.

Total shareholders' equity increased 11.1%, or ¥50.9 billion, to ¥508.7 billion. Retained earnings were ¥386.6 billion, up ¥39.0 billion. Accumulated other comprehensive income amounted to ¥10.7 billion, compared to an accumulated other comprehensive loss of ¥1.3 billion a year earlier, reflecting a ¥5.5 billion increase in unrealized gains on securities, to ¥11.1 billion, and an accumulated loss from foreign currency translation adjustments of ¥80 million, compared with a loss of ¥6.4 billion in the previous period. The equity ratio rose to 41.5%, from 39.3%.







Cash Flows

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

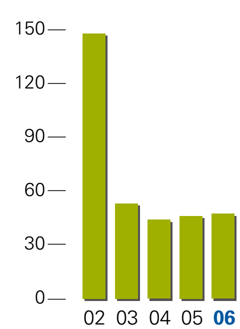
In the period under review, net cash provided by operating activities amounted to ¥78.5 billion. Important items contributing to this total included net income of ¥50.3 billion and depreciation and amortization, including amortization of deferred charges, of ¥52.3 billion. Cash used in operating activities included inventories of ¥24.1 billion, owing to an increase in real estate for sale. Operating activities provided ¥6.7 billion less cash than in the previous period, primarily a consequence of the increase in inventories.

Net cash provided by investing activities was ¥3.9 billion. Significant factors were a decrease in short-term investments and net proceeds from sales of investment securities of ¥32.2 billion, proceeds from sales of property, plant and equipment of ¥11.0 billion and net proceeds from short- and long-term receivables of ¥10.1 billion. Payments for purchases of property, plant and equipment totaled ¥44.3 billion, partly a result of the purchase of security equipment and control stations, prompted by growth in the number of security service subscribers. The fact that investing activities, which used ¥24.0 billion in the previous period, provided net cash of ¥3.9 billion in the period under review, was largely due to a decrease in short-term investments and net proceeds from sale of investment securities, which were used to fund the payout of investment deposits by insurance policyholders.

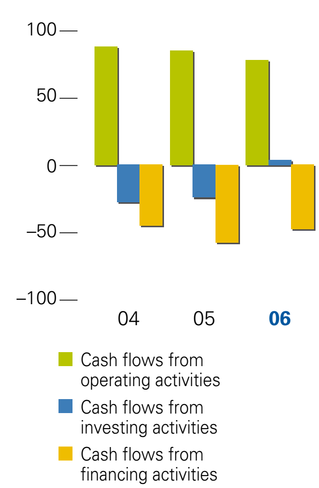
Net cash used in financing activities amounted to ¥48.8 billion. This amount reflected a ¥39.9 billion decrease in investment deposits by insurance policyholders and dividends paid of ¥11.3 billion. Financing activities used ¥8.2 billion less than in the previous period, reflecting a net increase in debt, that is, of long-term debt and bank loans, of ¥3.6 billion, compared with a net outlay of ¥43.2 billion for repayment of debt, that is, net repayments of long-term debt and decrease in bank loans, in the previous period.

As a consequence of the operating, investing and financing activities of the Company during the period under review, cash and cash equivalents at end of year amounted to¥231.0 billion, up ¥34.0 billion from ¥197.0 billion a year earlier.

Capital Expenditures
(In billions of yen)



Cash Flows
(In billions of yen)



AUDITED FINANCIAL STATEMENTS

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CONSOLIDATED BALANCE SHEETS

SECOM CO., LTD. and Subsidiaries
March 31, 2006 and 2005

ASSETS	In millions of yen		Translation into thousands of U.S. dollars (Note 3)
	March 31		March 31
	2006	2005	2006
Current assets:			
Cash and cash equivalents (Note 5)	¥ 231,044	¥ 197,012	$ 1,974,735
Time deposits	4,548	4,614	38,872
Cash deposits (Note 6)	65,187	60,806	557,154
Short-term investments (Note 7)	82,135	71,598	702,009
Notes and accounts receivable, trade	55,195	55,827	471,752
Due from subscribers	26,192	23,638	223,863
Inventories (Notes 8 and 12)	64,531	41,152	551,547
Short-term receivables (Note 20)	21,468	46,449	183,487
Allowance for doubtful accounts	(1,622)	(1,297)	(13,863)
Deferred insurance acquisition costs (Note 13)	4,885	1,066	41,752
Deferred income taxes (Note 16)	14,659	13,951	125,291
Other current assets	10,423	11,338	89,085
Total current assets	578,645	526,154	4,945,684
Investments and long-term receivables:			
Investment securities (Note 7)	194,174	203,432	1,659,607
Investments in affiliated companies (Note 9)	38,075	39,915	325,427
Long-term receivables (Note 20)	67,657	61,051	578,265
Lease deposits	12,513	12,897	106,949
Other investments	8,927	6,444	76,299
Allowance for doubtful accounts	(10,636)	(9,746)	(90,906)
	310,710	313,993	2,655,641
Property, plant and equipment (Notes 10, 12, 19 and 20)**:**			
Land	71,270	71,992	609,145
Buildings and improvements	131,995	118,812	1,128,162
Security equipment and control stations	222,398	213,807	1,900,838
Machinery, equipment and automobiles	59,922	56,045	512,154
Construction in progress	8,164	3,916	69,778
	493,749	464,572	4,220,077
Accumulated depreciation	(250,660)	(233,140)	(2,142,393)
	243,089	231,432	2,077,684
Other assets:			
Deferred charges (Note 2 (11))	41,109	38,578	351,359
Goodwill (Note 11)	20,333	18,070	173,786
Other intangible assets (Note 11)	17,273	19,462	147,632
Prepaid pension and severance costs (Note 14)	10,929	11,165	93,410
Deferred income taxes (Note 16)	3,140	5,350	26,838
	92,784	92,625	793,025
Total assets	¥1,225,228	¥1,164,204	$10,472,034

See accompanying notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	In millions of yen		Translation into thousands of U.S. dollars (Note 3)
	March 31		March 31
	2006	2005	2006
Current liabilities:			
Bank loans (Notes 6 and 12)	¥ 105,750	¥ 102,228	$ 903,846
Current portion of long-term debt (Notes 12 and 19)	44,714	10,492	382,171
Notes and accounts payable, trade	19,180	16,026	163,932
Other payables	26,434	19,722	225,932
Deposits received (Note 6)	41,297	37,038	352,966
Deferred revenue (Note 2 (3))	41,773	39,193	357,034
Accrued income taxes	22,372	16,803	191,214
Accrued payrolls	16,058	15,427	137,248
Other current liabilities (Note 16)	10,566	10,773	90,307
Total current liabilities	328,144	267,702	2,804,650
Long-term debt (Notes 12 and 19)	35,782	65,815	305,829
Guarantee deposits received	27,479	28,099	234,863
Accrued pension and severance costs (Note 14)	12,583	13,261	107,547
Deferred revenue (Note 2 (3))	20,338	18,832	173,829
Unearned premiums and other insurance liabilities (Note 13)	53,330	46,452	455,812
Investment deposits by policyholders (Note 13)	187,785	227,719	1,605,000
Other liabilities (Note 16)	15,167	6,056	129,632
Total liabilities	680,608	673,936	5,817,162
Minority interest in subsidiaries	35,924	32,431	307,043
Commitments and contingent liabilities (Note 23)			
Shareholders' equity (Note 17)**:**			
Common stock (Note 24):			
Authorized 900,000,000 shares;			
issued 233,288,717 shares in 2006 and 2005	66,378	66,378	567,333
Additional paid-in capital (Note 24)	79,996	79,996	683,727
Legal reserve	9,825	9,787	83,974
Retained earnings	386,558	347,516	3,303,915
Accumulated other comprehensive income (loss):			
Unrealized gains on securities (Note 7)	11,127	5,586	95,103
Unrealized gains (losses) on derivative instruments (Note 22)	30	(85)	256
Minimum pension liability adjustments (Note 14)	(388)	(358)	(3,316)
Foreign currency translation adjustments	(80)	(6,425)	(684)
	10,689	(1,282)	91,359
Common stock in treasury, at cost:			
8,301,997 shares in 2006 and 8,266,043 shares in 2005	(44,750)	(44,558)	(382,479)
Total shareholders' equity	508,696	457,837	4,347,829
Total liabilities and shareholders' equity	¥1,225,228	¥1,164,204	$10,472,034

CONSOLIDATED STATEMENTS OF INCOME

SECOM CO., LTD. and Subsidiaries
Three years ended March 31, 2006

	In millions of yen			Translation into thousands of U.S. dollars (Note 3)
	Years ended March 31			Year ended March 31
	2006	2005	2004	2006
Net sales and operating revenue	¥580,526	¥552,354	¥517,435	$4,961,761
Costs and expenses:				
Cost of sales	364,932	349,212	320,950	3,119,077
Selling, general and administrative (Notes 2 (17) and 18)	128,226	120,206	123,019	1,095,949
Impairment loss on long-lived assets (Note 10)	821	4,568	8,420	7,017
Loss on sales and disposal of property, plant and equipment, net	2,164	2,810	2,217	18,496
Settlement loss of benefit obligation on transfer to defined contribution pension plan (Note 14)	2,490	—	4,555	21,282
Loss on transfer of the substitutional portion of Employees' Pension Fund (Note 14)	—	—	4,209	—
	498,633	476,796	463,370	4,261,821
Operating income	81,893	75,558	54,065	699,940
Other income:				
Interest and dividends	2,209	2,119	2,425	18,880
Gain on sales of securities, net (Notes 7 and 9)	10,044	276	347	85,846
Other (Note 15)	3,683	4,171	2,900	31,479
	15,936	6,566	5,672	136,205
Other expenses:				
Interest	1,877	1,488	1,991	16,043
Loss on other-than-temporary impairment of investment securities	2,263	227	231	19,342
Other (Note 15)	3,961	6,136	4,151	33,854
	8,101	7,851	6,373	69,239
Income from continuing operations before income taxes	89,728	74,273	53,364	766,906
Income taxes (Note 16)**:**				
Current	34,931	32,188	29,791	298,556
Deferred	2,973	(247)	(3,648)	25,410
	37,904	31,941	26,143	323,966
Income from continuing operations before minority interest in subsidiaries and equity in net income of affiliated companies	51,824	42,332	27,221	442,940
Minority interest in subsidiaries	(3,927)	(2,917)	(462)	(33,564)
Equity in net income of affiliated companies	3,298	2,334	927	28,188
Income from continuing operations	51,195	41,749	27,686	437,564
Income (loss) from discontinued operations, net of tax (Note 25)	—	9,877	(4,207)	—
Income before cumulative effect of accounting change	51,195	51,626	23,479	437,564
Cumulative effect of accounting change, net of tax (Notes 2 (2) and (10))	(864)	507	—	(7,385)
Net income	¥ 50,331	¥ 52,133	¥ 23,479	$ 430,179

	In yen			Translation into U.S. dollars (Note 3)
	Years ended March 31			Year ended March 31
	2006	2005	2004	2006
Per share data (Note 4)**:**				
Income from continuing operations—				
—Basic	¥227.53	¥185.52	¥123.01	$ 1.94
—Diluted	¥227.53	¥185.52	¥123.01	$ 1.94
Income (loss) from discontinued operations—				
—Basic	¥ —	¥ 43.89	¥ (18.69)	$ —
—Diluted	¥ —	¥ 43.89	¥ (18.69)	$ —
Cumulative effect of accounting change—				
—Basic	¥ (3.84)	¥ 2.25	¥ —	$(0.03)
—Diluted	¥ (3.84)	¥ 2.25	¥ —	$(0.03)
Net income—				
—Basic	¥223.69	¥231.66	¥104.32	$ 1.91
—Diluted	¥223.69	¥231.66	¥104.32	$ 1.91

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

SECOM CO., LTD. and Subsidiaries
Three years ended March 31, 2006

In millions of yen

	Number of shares issued	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Common stock in treasury, at cost	Total
Balance, March 31, 2003	233,281,133	¥66,369	¥79,987	¥9,672	¥291,149	(¥30,372)	(¥44,287)	¥372,518
Comprehensive income:								
Net income	—	—	—	—	23,479	—	—	23,479
Other comprehensive income (loss), net of tax (Note 17):								
Unrealized gains on securities—								
Unrealized holding gains or losses arising during the period	—	—	—	—	—	7,729	—	7,729
Less: Reclassification adjustment for gains or losses included in net income	—	—	—	—	—	(425)	—	(425)
Unrealized gains on derivative instruments—								
Unrealized holding gains or losses arising during the period	—	—	—	—	—	87	—	87
Less: Reclassification adjustment for gains or losses included in net income	—	—	—	—	—	(40)	—	(40)
Minimum pension liability adjustments	—	—	—	—	—	25,921	—	25,921
Foreign currency translation adjustments	—	—	—	—	—	(4,300)	—	(4,300)
Total comprehensive income								52,451
Cash dividends	—	—	—	—	(9,003)	—	—	(9,003)
Transfer to legal reserve	—	—	—	43	(43)	—	—	—
Purchase of treasury stock	—	—	—	—	—	—	(114)	(114)
Balance, March 31, 2004	233,281,133	66,369	79,987	9,715	305,582	(1,400)	(44,401)	415,852
Comprehensive income:								
Net income	—	—	—	—	52,133	—	—	52,133
Other comprehensive income (loss), net of tax (Note 17):								
Unrealized gains on securities—								
Unrealized holding gains or losses arising during the period	—	—	—	—	—	2,880	—	2,880
Less: Reclassification adjustment for gains or losses included in net income	—	—	—	—	—	(1,840)	—	(1,840)
Unrealized losses on derivative instruments—								
Unrealized holding gains or losses arising during the period	—	—	—	—	—	(91)	—	(91)
Less: Reclassification adjustment for gains or losses included in net income	—	—	—	—	—	(83)	—	(83)
Minimum pension liability adjustments	—	—	—	—	—	(164)	—	(164)
Foreign currency translation adjustments	—	—	—	—	—	(584)	—	(584)
Total comprehensive income								52,251
Cash dividends	—	—	—	—	(10,127)	—	—	(10,127)
Transfer to legal reserve	—	—	—	72	(72)	—	—	—
Conversion of convertible bonds	7,584	9	9	—	—	—	—	18
Purchase of treasury stock	—	—	—	—	—	—	(157)	(157)
Balance, March 31, 2005	233,288,717	66,378	79,996	9,787	347,516	(1,282)	(44,558)	457,837
Comprehensive income:								
Net income	—	—	—	—	**50,331**	—	—	**50,331**
Other comprehensive income (loss), net of tax (Note 17):								
Unrealized gains on securities—								
Unrealized holding gains or losses arising during the period	—	—	—	—	—	**8,896**	—	**8,896**
Less: Reclassification adjustment for gains or losses included in net income	—	—	—	—	—	**(3,356)**	—	**(3,356)**
Unrealized gains on derivative instruments—								
Unrealized holding gains or losses arising during the period	—	—	—	—	—	**97**	—	**97**
Less: Reclassification adjustment for gains or losses included in net income	—	—	—	—	—	**18**	—	**18**
Minimum pension liability adjustments	—	—	—	—	—	**(30)**	—	**(30)**
Foreign currency translation adjustments	—	—	—	—	—	**6,346**	—	**6,346**
Total comprehensive income								**62,302**
Cash dividends	—	—	—	—	**(11,251)**	—	—	**(11,251)**
Transfer to legal reserve	—	—	—	**38**	**(38)**	—	—	—
Purchase of treasury stock	—	—	—	—	—	—	**(192)**	**(192)**
Balance, March 31, 2006	**233,288,717**	**¥66,378**	**¥79,996**	**¥9,825**	**¥386,558**	**¥10,689**	**(¥44,750)**	**¥508,696**

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

	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Common stock in treasury, at cost	Total
Balance, March 31, 2005	$567,333	$683,727	$83,650	$2,970,222	($10,957)	($380,838)	$3,913,137
Comprehensive income:							
Net income	—	—	—	**430,179**	—	—	**430,179**
Other comprehensive income (loss), net of tax (Note 17):							
Unrealized gains on securities—							
Unrealized holding gains or losses arising during the period	—	—	—	—	**76,034**	—	**76,034**
Less: Reclassification adjustment for gains or losses included in net income	—	—	—	—	**(28,684)**	—	**(28,684)**
Unrealized gains on derivative instruments—							
Unrealized holding gains or losses arising during the period	—	—	—	—	**829**	—	**829**
Less: Reclassification adjustment for gains or losses included in net income	—	—	—	—	**154**	—	**154**
Minimum pension liability adjustments	—	—	—	—	**(256)**	—	**(256)**
Foreign currency translation adjustments	—	—	—	—	**54,239**	—	**54,239**
Total comprehensive income							**532,495**
Cash dividends	—	—	—	**(96,162)**	—	—	**(96,162)**
Transfer to legal reserve	—	—	**324**	**(324)**	—	—	—
Purchase of treasury stock	—	—	—	—	—	**(1,641)**	**(1,641)**
Balance, March 31, 2006	**$567,333**	**$683,727**	**$83,974**	**$3,303,915**	**$91,359**	**($382,479)**	**$4,347,829**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

SECOM CO., LTD. and Subsidiaries
Three years ended March 31, 2006

	In millions of yen			Translation into thousands of U.S. dollars (Note 3)
	Years ended March 31			Year ended March 31
	2006	2005	2004	2006
Cash flows from operating activities:				
Net income	¥ 50,331	¥ 52,133	¥ 23,479	$ 430,179
Adjustments to reconcile net income to net cash provided by operating activities—				
Depreciation and amortization, including amortization of deferred charges	52,339	51,450	52,943	447,342
Accrual for pension and severance costs, less payments	(3,209)	(2,619)	(870)	(27,427)
Settlement loss of benefit obligation on transfer to defined contribution pension plan (Note 14)	2,490	—	4,555	21,282
Loss on transfer of the substitutional portion of Employees' Pension Fund (Note 14)	—	—	4,209	—
Deferred income taxes, including discontinued operations	2,973	3,979	(6,045)	25,410
Loss on sales and disposal of property, plant and equipment, net	2,164	2,810	2,217	18,496
Impairment loss on long-lived assets, including discontinued operations (Note 10)	821	5,215	15,095	7,017
Gain on sales of securities, net	(14,514)	(3,457)	(1,603)	(124,051)
Loss on other-than-temporary impairment of investment securities	3,444	722	963	29,436
Equity in net income of affiliated companies	(3,298)	(2,334)	(927)	(28,188)
Minority interest in subsidiaries, including discontinued operations	3,927	3,368	540	33,564
Gain on sales of discontinued operations, net (Note 25)	—	(13,637)	(6,367)	—
Cumulative effect of accounting change, net of tax (Notes 2 (2) and (13))	864	(507)	—	7,385
Changes in assets and liabilities, net of effects from acquisitions and disposals:				
(Increase) decrease in cash deposits	(4,381)	123	(15,678)	(37,445)
(Increase) decrease in receivables and due from subscribers, net of allowances	(668)	(9,234)	10,721	(5,709)
(Increase) decrease in inventories	(24,146)	4,830	(5,279)	(206,376)
Increase in deferred charges	(16,804)	(14,123)	(14,347)	(143,624)
Increase (decrease) in deposits received	4,175	(2,718)	9,768	35,684
Increase in deferred revenue	3,804	334	556	32,513
Increase (decrease) in accrued income taxes	5,590	(1,067)	7,321	47,778
Decrease in guarantee deposits received	(20)	(5,140)	(427)	(171)
Increase in unearned premiums and other insurance liabilities	6,878	5,088	3,954	58,786
Other, net	5,701	9,898	4,421	48,726
Net cash provided by operating activities	78,461	85,114	89,199	670,607
Cash flows from investing activities:				
(Increase) decrease in time deposits	101	(638)	522	863
Proceeds from sales of property, plant and equipment	10,995	88,507	32,271	93,974
Payments for purchases of property, plant and equipment	(44,272)	(43,872)	(40,511)	(378,393)
Proceeds from sales of investment securities	99,889	66,534	32,959	853,752
Payments for purchases of investment securities	(68,597)	(96,945)	(61,712)	(586,299)
(Increase) decrease in short-term investments	868	(26,623)	7,603	7,419
(Increase) decrease in short-term receivables, net	3,065	(6,670)	(547)	26,197
Payments for long-term receivables	(11,338)	(14,946)	(11,349)	(96,906)
Proceeds from long-term receivables	18,365	16,836	19,258	156,965
Other, net	(5,220)	(6,205)	(7,094)	(44,615)
Net cash provided by (used in) investing activities	3,856	(24,022)	(28,600)	32,957
Cash flows from financing activities:				
Proceeds from long-term debt	10,575	10,163	10,523	90,385
Repayments of long-term debt	(11,400)	(43,695)	(28,944)	(97,436)
Increase (decrease) in bank loans	4,387	(9,669)	(17,438)	37,496
Decrease in investment deposits by policyholders	(39,934)	(2,597)	(793)	(341,316)
Dividends paid	(11,251)	(10,127)	(9,003)	(96,162)
Increase in treasury stock, net	(192)	(157)	(114)	(1,641)
Other, net	(940)	(916)	(991)	(8,035)
Net cash used in financing activities	(48,755)	(56,998)	(46,760)	(416,709)
Effect of exchange rate changes on cash and cash equivalents	470	26	(175)	4,017
Net increase in cash and cash equivalents	34,032	4,120	13,664	290,872
Cash and cash equivalents at beginning of year	197,012	192,892	179,228	1,683,863
Cash and cash equivalents at end of year	¥231,044	¥197,012	¥192,892	$1,974,735

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SECOM CO., LTD. and Subsidiaries
Three years ended March 31, 2006

1. Nature of Operations

The parent company and its subsidiaries (collectively "the Company") are engaged in the areas of security services, medical services, insurance services, geographic information services, and information and communication related and other services. With these services combined, the Company is focusing on its "Social System Industry," a network of integrated systems and services, targeted at the needs of people and business.

The Company's principal business activities are security services including on-line centralized security services for commercial and residential premises, static guard services, armored car services for cash collection and deposit, and the development, manufacturing and sale of various security equipment. The Company also has been diversifying the operation of its services covering: home and other medical services; non-life insurance services; geographic information services using aerial surveying technology; information and communication related services, including cyber security services, software development and system integration activities; development and sale of real estate; lease of real estate and other services.

2. Significant Accounting Policies

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

The preparation of the consolidated financial statements requires management of the Company to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Significant items subject to such estimates and assumptions include the carrying amounts of inventories, investment securities, investments, property, plant and equipment, goodwill and other intangible assets; valuation allowances for receivables and deferred income taxes; valuation of derivative instruments; and assets and obligations related to employee benefits. Actual results could differ from those estimates.

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

(1) Basis of Consolidation and Investments in Affiliated Companies

The consolidated financial statements include the accounts of the parent company and those of its majority owned subsidiaries. The consolidated financial statements also include variable interest entities to which the Company is primary beneficiary. All significant intercompany transactions and accounts have been eliminated in consolidation.

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

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

On occasion, a consolidated subsidiary or affiliated company accounted for using the equity method may issue its shares to third parties as either a public or private offering or upon conversion of convertible bonds to common stock at amounts per share in excess of or less than the Company's average per share carrying value. With respect to such transactions, where the sale of such shares is not a part of a broader corporate reorganization contemplated or planned by the Company, the resulting gains or losses arising from the change in ownership interest are recorded in income for the year the transaction occurs.

(2) Consolidation of Variable Interest Entities

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

The Company adopted the provisions of FIN No. 46R for VIEs created or acquired prior to February 1, 2003 on April 1, 2004. Under FIN No. 46R, any difference between the net amount added to the consolidated balance sheet and any previously recognized interest in the VIE shall be recognized as a cumulative effect of accounting change. As a result of the adoption of FIN No. 46R, one organization managing hospitals and health care-related institutions was consolidated and the Company recognized a one-time income of ¥507 million as a cumulative effect of accounting change and the Company's assets and liabilities increased by ¥3,636 million and ¥3,119 million, respectively, on April 1, 2004.

The Company provides loans and guarantees to organizations managing hospitals and health care-related institutions. Certain organizations are considered as VIEs under FIN No. 46R. In March 2006, the Company provided additional loans and acquired additional variable interests on three organizations. As a result of the acquisitions, the Company became the primary beneficiary of these organizations and consolidated these organizations since March 2006. The aggregated fair value of current assets, goodwill, and the other non-current assets acquired are ¥1,894 million ($16,188 thousand), ¥1,711 million ($14,624 thousand), and ¥6,795 million ($58,077 thousand), respectively, and liabilities assumed are ¥4,144 million ($35,419 thousand). The results of their operations have been included in the consolidated statements of income for the year ended March 31, 2006 since the date of acquisition. The consolidated pro forma information that would show the Company's consolidated results of operations for the years ended March 31, 2006, 2005 and 2004 has not been disclosed based on materiality considerations.

Total assets held by the VIEs to which the Company is primary beneficiary were ¥21,003 million ($179,513 thousand) and ¥7,276 million at March 31, 2006 and 2005, respectively. Total assets held by the VIEs to which the Company holds significant variable interests but is not primary beneficiary at March 31, 2006 and 2005 were ¥28,359 million ($242,385 thousand) and ¥26,951 million, respectively. The Company's maximum exposure to losses related to the VIEs at March 31, 2006 and 2005 were ¥12,552 million ($107,282 thousand) and ¥17,243 million, respectively.

The Company also provides loans and guarantees to real estate investment companies. Certain investment companies are considered as VIEs under FIN No. 46R. Total assets held by the VIEs to which the Company is primary beneficiary at March 31, 2006 and 2005 were ¥10,638 million ($90,923 thousand) and ¥18,543 million, respectively. There are no VIEs to which the Company holds significant variable interests but is not primary beneficiary at March 31, 2006. Total assets held by the VIEs to which the Company holds significant variable interests but is not primary beneficiary and the Company's maximum exposure to losses related to the VIEs at March 31, 2005 were ¥6,328 million and ¥5,941 million, respectively.

(3) Revenue Recognition

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

Revenue from security services is recognized over the contractual period or, in the case of specific services, when such services are performed. Subscribers are generally requested to prepay a portion of service charges which are credited to deferred revenue and taken into income ratably over the covered service period. Revenue from installation services of security equipment related to on-line centralized security services is deferred and recognized over the contractual period of security services after completion of the installation. The related installation costs are also deferred and amortized over the contractual period (Note 2 (11)).

The Company enters into arrangements with multiple elements, which may include any combination of security equipment, installation and security service. The Company allocates revenue to each element based on its relative fair value if such element meets criteria for treatment as a separate unit of accounting as prescribed in the Emerging Issues Task Force ("EITF") No. 00-21, "Accounting for Revenue Arrangement with Multiple Deliverables." Otherwise, revenue is deferred until the undelivered elements are fulfilled as a single unit of accounting. EITF No. 00-21 was effective for revenue arrangements entered into after March 31, 2004. The adoption of EITF No. 00-21 did not have a material effect on the Company's financial position and results of operations.

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

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

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

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

(4) Foreign Currency Translation

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

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

(5) Cash Equivalents

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

(6) Investments in Debt and Equity Securities

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

A decline in the fair value of any available-for-sale securities below cost that is deemed to be other-than-temporary results in a reduction in carrying amount to fair value. The impairment is charged to income and a new cost basis for the securities is established. To determine whether an impairment is other-than-temporary, the Company periodically reviews the fair value of available-for-sale securities for possible impairment by taking into consideration the financial and operating conditions of the issuer, the general market conditions in the issuer's industry, the degree and period of the decline in fair value and other relevant factors.

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

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

(7) Inventories

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

(8) Allowance for Doubtful Accounts

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

(9) Deferred Insurance Acquisition Costs

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

(10) Property, Plant and Equipment and Depreciation

Property, plant and equipment, including significant betterments, are carried at cost. Depreciation is computed primarily using the declining-balance method at rates based on the estimated useful lives of the assets. Assets leased to others under operating leases are primarily depreciated using the straight-line method over the estimated useful lives. Depreciation expense was ¥33,042 million ($282,410 thousand), ¥33,465 million and ¥34,943 million for the years ended March 31, 2006, 2005 and 2004, respectively. Maintenance, repairs and renewals are charged to income as incurred.

The estimated useful lives of depreciable assets are as follows:

Buildings	22 to 50 years
Security equipment and control stations	5 years
Machinery, equipment and automobiles	3 to 15 years

In March 2005, the FASB issued FASB Interpretation No. 47 ("FIN No. 47"), "Accounting for Conditional Asset Retirement Obligations—an interpretation of FASB statement No. 143." FIN No. 47 clarifies that the term "conditional asset retirement obligation" as used in Statement of Financial Accounting Standards ("SFAS") No. 143, "Accounting for Asset Retirement Obligations," refers to a legal obligation of an entity to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity. Such an obligation to perform the asset retirement activity is unconditional even though uncertainty exists about the timing and/or method of settlement. Accordingly, an entity is required to recognize a liability for the value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated. FIN No. 47 is effective no later than the end of fiscal years ended after December 15, 2005 and required to be adopted by the Company on March 31, 2006. The Company has determined that conditional legal obligations exist for certain of its leased facilities. As a result of adoption of FIN No. 47, on March 31, 2006, the Company recognized a one-time expense of ¥864 million ($7,385 thousand) as a cumulative effect of accounting change, and the Company's buildings and improvements, and liabilities increased by ¥694 million ($5,932 thousand) and ¥2,162 million ($18,479 thousand), respectively.

(11) Deferred Charges

Deferred charges primarily consist of costs related to installation services of security equipment related to on-line centralized security services. The installation costs are deferred and amortized using the straight-line method over the contractual period of security services after completion of the installation. Amortization expense was ¥14,045 million ($120,043 thousand), ¥13,583 million and ¥13,323 million for the years ended March 31, 2006, 2005 and 2004, respectively.

(12) Impairment or Disposal of Long-Lived Assets

The Company reviews the carrying amount of its long-lived assets held and used, other than goodwill and intangible assets with indefinite lives, and assets to be disposed of, whenever events or changes in circumstances indicated that the carrying amount may not be recoverable. Long-lived assets to be held and used are reviewed for impairment by comparing the carrying amount of the assets with their estimated future undiscounted cash flows. If it is determined that an impairment loss has occurred, the loss would be recognized during the period. The impairment loss would be calculated as the difference between the asset carrying amount and the fair value. Long-lived assets that are to be disposed of other than by sale are considered held and used until they are disposed of. Long-lived assets that are to be disposed of by sale are reported at the lower of their carrying amount or fair value less cost to sell. Reductions in carrying amount are recognized in the period in which the long-lived assets are classified as held for sale.

(13) Goodwill and Other Intangible Assets

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

(14) Unearned Premiums and Other Insurance Liabilities

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

(15) Income Taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities and operating loss carryforwards. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

(16) Research and Development

Research and development costs are charged to income as incurred.

(17) Advertising Costs

Advertising costs are charged to income as incurred, except for the costs related to insurance policies. Advertising costs for acquiring new insurance policies are deferred and amortized as part of insurance acquisition costs. Advertising expenses included in selling, general and administrative expenses for the years ended March 31, 2006, 2005 and 2004 were ¥6,746 million ($57,658 thousand), ¥5,186 million and ¥5,366 million, respectively.

(18) Derivative Financial Instruments

The Company recognizes all derivative financial instruments in the consolidated financial statements at fair value regardless of the purpose or intent for holding them. Changes in the fair value of derivative financial instruments are either recognized periodically in income or in shareholders' equity as a component of other comprehensive income (loss) depending on whether the derivative financial instruments qualify for hedge accounting, and if so, whether they qualify as a fair value hedge or a cash flow hedge. Changes in the fair values of derivative financial instruments accounted for as a fair value hedge are recorded in income along with the portion of the change in the fair value of the hedged item that relates to the hedged risk. Changes in the fair value of derivative financial instruments accounted for as a cash flow hedge, to the extent it is effective as a hedge, are recorded in other comprehensive income (loss), net of tax. Changes in the fair value of derivative financial instruments not qualifying as a hedge are reported in income.

The Company meets the documentation requirements which include their risk management objective and strategy for undertaking various hedge transactions. In addition, formal assessment is made at the hedge's inception and periodically on an on-going basis, as to whether the derivatives used in hedging activities are highly effective in off-setting changes in fair values or cash flow of hedged items. Hedge accounting is discontinued for ineffective hedges, if any. Discontinued hedges are recognized in current income.

(19) Discontinued Operations

SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," broadened the scope of discontinued operations to include the operating results of any component of an entity with its own identifiable operations and cash flows which is disposed of or is classified as held for sale, and with which the Company will not have significant continuing involvement. Included in reported discontinued operations are the operating results of certain businesses and properties sold in the years ended March 31, 2005 and 2004, without significant continuing involvement, and the results of operations for the presented periods were reclassified in the accompanying consolidated financial statements.

(20) Earnings per Share

Basic Earnings per Share ("EPS") is computed based on the average number of shares of common stock outstanding for the period. Diluted EPS assumes the dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock, or resulted in the issuance of common stock.

(21) Recent Pronouncements

In November 2004, the FASB issued SFAS No. 151, "Inventory Costs—an amendment of ARB No. 43, Chapter 4." SFAS No. 151 amends the guidance in Accounting Research Bulletin ("ARB") No. 43, Chapter 4, "Inventory Pricing," to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage). Among other provisions, the new rule requires that items such as idle facility expense, excessive spoilage, double freight, and rehandling costs be recognized as current-period charges regardless of whether they meet the criterion of "so abnormal" as stated in ARB No. 43. Additionally, SFAS No. 151 requires that the allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. SFAS No. 151 is effective for fiscal years beginning after June 15, 2005 and is required to be adopted by the Company on April 1, 2006. The adoption of SFAS No. 151 is not expected to have a material impact on the consolidated results of operations and financial condition.

In December 2004, the FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets—an amendment of APB Opinion No. 29." SFAS No. 153 eliminates the exception from fair value measurement for nonmonetary exchanges of similar productive assets in paragraph 21 (b) of Accounting Principles Board ("APB") Opinion No. 29, "Accounting for Nonmonetary Transactions," and replaces it with an exception for exchanges that do not have commercial substance. SFAS No. 153 specifies that a nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a results of the exchange. SFAS No. 153 is effective for the fiscal periods beginning after June 15, 2005 and is required to be adopted by the Company on April 1, 2006. The adoption of SFAS No. 153 is not expected to have a material impact on the consolidated results of operations and financial condition.

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections—a replacement of APB Opinion No. 20 and the FASB statement No. 3." SFAS No. 154 replaces APB Opinion No. 20, "Accounting Changes" and SFAS No. 3, "Reporting Accounting Changes in Interim Financial Statements," and provides guidance on the accounting for and reporting of accounting changes and error corrections. SFAS No. 154 requires retrospective application, or the latest practicable date, as the required method for reporting a change in accounting principle and the reporting of a correction of an error. SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005 and is required to be adopted by the Company on April 1, 2006. The impact of SFAS No. 154 will depend on the change, if any, in a future period.

(22) Reclassifications

Certain reclassifications of previously reported amounts have been made to conform to the presentation used for the year ended March 31, 2006.

3. U.S. Dollar Amounts

U.S. dollar amounts have been included in these financial statements solely for the convenience of the reader. The translations of yen into U.S. dollars have been made at the rate of ¥117=US$1, the rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2006. These translations should not be construed as representing that the yen amounts actually represent, or have been or could be converted into U.S. dollars at that rate.

4. Reconciliation of the Differences between Basic and Diluted Net Income per Share ("EPS")

Reconciliation of the differences between basic and diluted EPS for the years ended March 31, 2006, 2005 and 2004 is as follows:

	In millions of yen	Thousands of shares	In yen
	Income from continuing operations	Weighted-average shares	EPS
For the year ended March 31, 2006:			
Basic EPS—			
Income from continuing operations	**¥51,195**	**225,002**	**¥227.53**
Effect of dilutive securities—			
Convertible bonds	**—**	**—**	
Diluted EPS—			
Income from continuing operations for diluted EPS computation	**¥51,195**	**225,002**	**¥227.53**
For the year ended March 31, 2005:			
Basic EPS—			
Income from continuing operations	¥41,749	225,039	¥185.52
Effect of dilutive securities—			
Convertible bonds	—	3	
Diluted EPS—			
Income from continuing operations for diluted EPS computation	¥41,749	225,042	¥185.52
For the year ended March 31, 2004:			
Basic EPS—			
Income from continuing operations	¥27,686	225,066	¥123.01
Effect of dilutive securities—			
Convertible bonds	0	8	
Diluted EPS—			
Income from continuing operations for diluted EPS computation	¥27,686	225,074	¥123.01

	In thousands of U.S. dollars	Thousands of shares	In U.S. dollars
	Income from continuing operations	Weighted-average shares	EPS
For the year ended March 31, 2006:			
Basic EPS—			
Income from continuing operations	**$437,564**	**225,002**	**$1.94**
Effect of dilutive securities—			
Convertible bonds	**—**	**—**	
Diluted EPS—			
Income from continuing operations for diluted EPS computation	**$437,564**	**225,002**	**$1.94**

5. Cash and Cash Equivalents

Cash and cash equivalents at March 31, 2006 and 2005 were comprised as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2006	2005	2006
Cash	¥144,024	¥166,920	$1,230,974
Time deposits	60,345	18,438	515,769
Call loan	25,000	10,000	213,675
Investment securities	1,675	1,654	14,316
	¥231,044	¥197,012	$1,974,735

Investment securities include commercial papers and money management funds. These agreements mature within three months and the carrying values approximate market. The Company has never experienced any losses through default of the financial institutions and does not anticipate default of any outstanding agreements.

6. Cash Deposits

The Company operates cash collection and deposit services for financial institutions relating to cash dispensers located outside of financial institution facilities and also operates cash collection service for entities other than financial institutions. Cash deposit balances of ¥65,187 million ($557,154 thousand) and ¥60,806 million at March 31, 2006 and 2005, respectively, are segregated from cash and cash equivalents and are restricted as to use by the Company. The Company funds most of the necessary cash through bank overdrafts and deposits. Bank loans and deposits received, which relate to these operations, were ¥26,069 million ($222,812 thousand) and ¥38,511 million ($329,154 thousand), respectively, at March 31, 2006, and ¥25,573 million and ¥34,556 million, respectively, at March 31, 2005. As part of its fee arrangement, the Company is reimbursed for the interest cost of the related overdrafts.

7. Short-Term Investments and Investment Securities

Short-term investments (current) and investment securities (non-current) include debt and equity securities. The related aggregate fair value, gross unrealized gains, gross unrealized losses and cost pertaining to "available-for-sale" and "held-to-maturity" investments at March 31, 2006 and 2005 were as follows:

	In millions of yen			
	March 31, 2006			
		Gross unrealized		
	Cost	Gains	Losses	Fair value
Available-for-sale:				
Equity securities	¥ 60,495	¥27,463	¥1,981	¥ 85,977
Debt securities	152,253	376	2,067	150,562
Total	¥212,748	¥27,839	¥4,048	¥236,539
Held-to-maturity:				
Debt securities	¥ 3,909	¥ —	¥ 33	¥ 3,876

	In millions of yen			
	March 31, 2005			
		Gross unrealized		
	Cost	Gains	Losses	Fair value
Available-for-sale:				
Equity securities	¥ 49,897	¥13,948	¥ 702	¥ 63,143
Debt securities	170,146	994	547	170,593
Total	¥220,043	¥14,942	¥1,249	¥233,736
Held-to-maturity:				
Debt securities	¥ 6,112	¥ 20	¥ —	¥ 6,132

	In thousands of U.S. dollars			
	March 31, 2006			
		Gross unrealized		
	Cost	Gains	Losses	Fair value
Available-for-sale:				
Equity securities	$ 517,051	$234,726	$16,931	$ 734,846
Debt securities	1,301,308	3,214	17,667	1,286,855
Total	$1,818,359	$237,940	$34,598	$2,021,701
Held-to-maturity:				
Debt securities	$ 33,410	$ —	$ 282	$ 33,128

Gross unrealized losses on, and fair value of, "available-for-sale" and "held-to-maturity" securities, aggregated by investment category and the length of time that individual securities have been in a continuous unrealized loss position, at March 31, 2006 were as follows:

	In millions of yen			
	March 31, 2006			
	Less than 12 months		12 months or longer	
	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
Available-for-sale:				
Equity securities	¥ 11,482	¥1,637	¥ 3,405	¥344
Debt securities	104,781	1,864	7,579	203
Total	¥116,263	¥3,501	¥10,984	¥547
Held-to-maturity:				
Debt securities	¥ 2,876	¥ 33	¥ —	¥ —

	In thousands of U.S. dollars			
	March 31, 2006			
	Less than 12 months		12 months or longer	
	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
Available-for-sale:				
Equity securities	$ 98,137	$13,991	$29,103	$2,940
Debt securities	895,564	15,932	64,778	1,735
Total	$993,701	$29,923	$93,881	$4,675
Held-to-maturity:				
Debt securities	$ 24,581	$ 282	$ —	$ —

At March 31, 2006, debt securities principally consisted of short-term investments in monetary trusts, Japanese government bonds, corporate bonds, U.S. treasury securities and U.S. Government Agency Bonds.

The cost and fair value of "available-for-sale" and "held-to-maturity" debt securities by contractual maturity at March 31, 2006 are as follows:

	In millions of yen			
	March 31, 2006			
	Available-for-sale		Held-to-maturity	
	Cost	Fair value	Cost	Fair value
Due within 1 year	¥ 82,200	¥ 82,135	¥ —	¥ —
Due after 1 year through 5 years	33,329	32,891	2,909	2,876
Due after 5 years through 10 years	28,082	27,456	—	—
Due after 10 years	8,642	8,080	1,000	1,000
	¥152,253	¥150,562	¥3,909	¥3,876

	In thousands of U.S. dollars			
	March 31, 2006			
	Available-for-sale		Held-to-maturity	
	Cost	Fair value	Cost	Fair value
Due within 1 year	$ 702,564	$ 702,009	$ —	$ —
Due after 1 year through 5 years	284,863	281,120	24,863	24,581
Due after 5 years through 10 years	240,017	234,667	—	—
Due after 10 years	73,864	69,059	8,547	8,547
	$1,301,308	$1,286,855	$33,410	$33,128

During the years ended March 31, 2006, 2005 and 2004, the net unrealized gains on "available-for-sale" securities included as part of other comprehensive income (loss), net of tax, increased by ¥5,541 million ($47,359 thousand) and ¥1,040 million and ¥7,304 million, respectively.

Proceeds from the sale of "available-for-sale" securities for the years ended March 31, 2006, 2005 and 2004 were ¥74,869 million ($639,906 thousand), ¥17,826 million and ¥20,791 million, respectively. On those sales, the gross realized gains and gross realized losses, using a specifically identified moving-average cost basis, for the years ended March 31, 2006, 2005 and 2004 were as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2006	2005	2004	2006
Gross realized gains	¥5,716	¥3,612	¥2,175	$48,855
Gross realized losses	74	102	556	632

The Company maintains long-term investment securities, included as investment securities, issued by a number of non-public companies. The aggregate carrying amount of the investments in non-public companies, at cost net of other-than-temporary impairment, was ¥35,861 million ($306,505 thousand) and ¥35,182 million at March 31, 2006 and 2005, respectively. The corresponding fair value at that date was not computed as such estimation was not practicable.

8. Inventories

Inventories principally consist of operational equipment and certain merchandise, including security-related products and real estate for sale.

Inventories at March 31, 2006 and 2005 comprised the following:

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2006	2005	2006
Security-related products	¥ 7,310	¥ 7,877	$ 62,478
Real estate	53,112	28,007	453,949
Information and other-related products	4,109	5,268	35,120
	¥64,531	¥41,152	$551,547

Work in process real estate inventories at March 31, 2006 and 2005, amounting to ¥48,500 million ($414,530 thousand) and ¥21,700 million, respectively, are included in real estate.

9. Investments in Affiliated Companies

The Company has investments in affiliated companies that are accounted for under the equity method. Investments principally consist of investments in Nohmi Bosai Ltd., a 28.6 percent owned affiliate, which is the largest Japanese manufacturer of fire alarms and listed on the First Section of the Tokyo Stock Exchange; Taiwan Secom Co., Ltd., a 28.1 percent owned affiliate, which is listed on the Taiwan Stock Exchange; and S1 Corporation, a 26.7 percent owned affiliate, which is listed on the Korea Stock Exchange.

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

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2006	2005	2006
Current assets	¥ 89,410	¥ 95,697	$ 764,188
Non-current assets	117,499	142,730	1,004,265
Total assets	¥206,909	¥238,427	$1,768,453
Current liabilities	¥ 51,740	¥ 51,013	$ 442,222
Non-current liabilities	31,622	61,216	270,274
Shareholders' equity	123,547	126,198	1,055,957
Total liabilities and shareholders' equity	¥206,909	¥238,427	$1,768,453

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2006	2005	2004	2006
Net sales	¥213,967	¥201,253	¥188,570	$1,828,778
Gross profit	¥ 71,863	¥ 65,276	¥ 59,894	$ 614,214
Net income	¥ 15,371	¥ 11,362	¥ 9,751	$ 131,376

Dividends received from affiliated companies for the years ended March 31, 2006, 2005 and 2004 were ¥2,068 million ($17,675 thousand), ¥1,524 million and ¥1,140 million, respectively.

Three affiliated companies accounted for under the equity method with an aggregated carrying amount of ¥28,839 million ($246,487 thousand) and ¥24,593 million at March 31, 2006 and 2005, respectively, had a quoted market value of ¥82,385 million ($704,145 thousand) and ¥65,601 million at March 31, 2006 and 2005, respectively.

The unamortized amounts of goodwill were ¥1,556 million ($13,299 thousand) and ¥1,698 million at March 31, 2006 and 2005, respectively.

On March 30, 2006, the parent company sold 23.8 percent of the outstanding shares of Japan Cablenet Holdings Limited, a 26.0 percent owned affiliate, to KDDI Corporation for ¥12,393 million ($105,923 thousand). The sale resulted in a gain of ¥6,710 million (¥57,350 thousand).

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

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2006	2005	2004	2006
Sales	¥1,926	¥1,740	¥1,840	$16,462
Purchases	¥6,077	¥5,574	¥7,858	$51,940

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2006	2005	2006
Notes and accounts receivable, trade	¥ 751	¥ 448	$ 6,419
Loan receivables	¥ 75	¥ 671	$ 641
Notes and accounts payable	¥ 594	¥ 857	$ 5,077
Guarantees for bank loans	¥1,633	¥1,850	$13,957

10. Long-Lived Assets

The Company has assessed the potential impairment for its long-lived assets. As a result of significant decreases in rental rates, market prices and revenue forecasts, and changes of assumptions regarding useful lives before sale, the Company principally recognized impairment losses on idle properties for the year ended March 31, 2006, properties of hotel business for the year ended March 31, 2005, properties held for lease and properties held by real estate investment companies as part of investment assets of the insurance services segment for the year ended March 31, 2004. Fair value used was determined mainly based on appraisal value.

Impairment loss on long-lived assets by business segment for the years ended March 31, 2006, 2005 and 2004 was as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2006	2005	2004	2006
Continuing operations:				
Security services	¥ 63	¥1,350	¥ —	$ 539
Medical services	—	25	511	—
Insurance services	—	647	407	—
Geographic information services	—	—	650	—
Information and communication related and other services	59	2,724	5,475	504
Corporate items	699	469	1,784	5,974
	821	5,215	8,827	7,017
Discontinued operations (Note 25):				
Insurance services	—	—	3,312	—
Information and communication related and other services	—	—	2,956	—
	—	—	6,268	—
Total	¥821	¥5,215	¥15,095	$7,017

Impairment loss on long-lived assets of the insurance service segment was recorded in net sales and operating revenue, which included net realized investment gains and losses of the segment.

11. Goodwill and Other Intangible Assets

The components of acquired intangible assets excluding goodwill at March 31, 2006 and 2005 were as follows:

	In millions of yen		
	March 31, 2006		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortized intangible assets:			
Software	¥27,391	(¥14,020)	¥13,371
Other	3,787	(2,580)	1,207
Total	¥31,178	(¥16,600)	¥14,578
Unamortized intangible assets	¥ 2,695	¥ —	¥ 2,695

	In millions of yen		
	March 31, 2005		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortized intangible assets:			
Software	¥23,561	(¥10,517)	¥13,044
Other	4,055	(2,599)	1,456
Total	¥27,616	(¥13,116)	¥14,500
Unamortized intangible assets	¥ 4,962	¥ —	¥ 4,962

	In thousands of U.S. dollars		
	March 31, 2006		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortized intangible assets:			
Software	$234,111	($119,829)	$114,282
Other	32,368	(22,052)	10,316
Total	$266,479	($141,881)	$124,598
Unamortized intangible assets	$ 23,034	$ —	$ 23,034

Aggregate amortization expense for the years ended March 31, 2006, 2005 and 2004 was ¥5,251 million ($44,880 thousand), ¥4,324 million and ¥4,537 million, respectively. The weighted average amortization period for internal use software is approximately five years.

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

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2007	¥4,313	$36,863
2008	3,148	26,906
2009	2,402	20,530
2010	1,480	12,650
2011	701	5,991

The changes in the carrying amount of goodwill by business segment for the years ended March 31, 2006 and 2005 were as follows:

	In millions of yen				
	Security services	Medical services	Geographic information services	Information and communication related and other services	Total
March 31, 2004	¥1,231	¥4,813	¥3,853	¥5,701	¥15,598
Effect of adopting FIN No. 46R	—	2,514	—	—	2,514
Impairment losses	—	(93)	—	—	(93)
Translation adjustment	51	—	—	—	51
March 31, 2005	1,282	7,234	3,853	5,701	18,070
Goodwill acquired during the year	—	2,298	—	176	2,474
Disposal	—	—	(82)	—	(82)
Impairment losses	—	(149)	—	—	(149)
Translation adjustment	20	—	—	—	20
March 31, 2006	¥1,302	¥9,383	¥3,771	¥5,877	¥20,333

	In thousands of U.S. dollars				
	Security services	Medical services	Geographic information services	Information and communication related and other services	Total
March 31, 2005	$10,957	$61,829	$32,932	$48,726	$154,444
Goodwill acquired during the year	—	19,641	—	1,504	21,145
Disposal	—	—	(701)	—	(701)
Impairment losses	—	(1,274)	—	—	(1,274)
Translation adjustment	172	—	—	—	172
March 31, 2006	$11,129	$80,196	$32,231	$50,230	$173,786

12. Bank Loans and Long-Term Debt

Bank loans of ¥105,750 million ($903,846 thousand) and ¥102,228 million at March 31, 2006 and 2005, respectively, are generally comprised of 30 to 365 day notes. Their interest rates ranged from 0.57 to 5.37 percent and from 0.52 to 5.25 percent at March 31, 2006 and 2005, respectively. Substantially all of these loans are with banks. The Company has entered into basic agreements with these banks which state that, with respect to all present or future loans with such banks, collateral (including sums on deposit with such banks) or guarantors shall be provided immediately upon request. Further, any collateral furnished pursuant to such agreements or otherwise will be applicable to all indebtedness to such banks. The Company has never been requested to submit such additional security.

At March 31, 2006, Pasco Corporation ("PASCO"), a subsidiary of the parent company, had unused committed lines of credit from short-term arrangements aggregating ¥2,000 million ($17,094 thousand). The lines of credit expire in July 2006. PASCO has the ability and intent to extend these lines of credit under similar terms and conditions in July 2006. Under the agreements, PASCO is required to pay committed fees at an annual rate of 0.40 percent on the unused portion of the lines of credit.

Long-term debt at March 31, 2006 and 2005 comprised the following:

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2006	2005	**2006**
Loans, principally from banks due 2006–2025 with interest rates ranging from 0.00 to 6.60% in 2006 and 2005:			
Secured	**¥20,202**	¥17,249	**$172,666**
Unsecured	**4,281**	6,159	**36,590**
0.53% unsecured bonds due 2006	**30,000**	30,000	**256,410**
0.46% unsecured bonds due 2007	**1,500**	1,500	**12,821**
0.48% unsecured bonds due 2007	**1,000**	1,000	**8,547**
0.61% unsecured bonds due 2010	**1,350**	—	**11,538**
0.91% unsecured bonds due 2010	**1,100**	—	**9,402**
Unsecured bonds due 2009–2012 with floating interest rates based on 6-month TIBOR plus 0.15%–0.20%	**8,440**	9,130	**72,137**
Obligations under capital leases, due 2006–2026 (Note 19)	**12,623**	11,269	**107,889**
	80,496	76,307	**688,000**
Less:			
Portion due within one year	**44,714**	10,492	**382,171**
	¥35,782	¥65,815	**$305,829**

Property, plant and equipment with a carrying amount of ¥48,698 million ($416,222 thousand), inventories with a carrying amount of ¥37,529 million ($320,761 thousand), investment securities with a carrying amount of ¥1,169 million ($9,991 thousand), time deposits of ¥420 million ($3,590 thousand) and other intangible assets and other with a carrying amount of ¥1,976 million ($16,889 thousand) were pledged as collateral for bank loans and long-term debt at March 31, 2006.

The aggregate annual maturities on long-term debt after March 31, 2006 are as follows:

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2007	¥44,714	$382,171
2008	8,348	71,351
2009	5,154	44,051
2010	9,037	77,239
2011	4,857	41,513
Thereafter	8,386	71,675
	¥80,496	$688,000

13. Insurance-Related Operations

Secom General Insurance Co., Ltd. (“Secom Insurance”), a subsidiary of the parent company, maintains accounting records as noted in Note 2 in accordance with the accounting principles and practices generally accepted in Japan, which vary in certain respects from accounting principles generally accepted in the United States of America. Those differences are principally, (a) that insurance acquisition costs are charged to income when incurred in Japan whereas in the United States of America those costs are deferred and amortized generally over the premium-paying period of the insurance policies, (b) that liabilities related to incurred but not reported claims are computed based on related regulations in Japan whereas in the United States of America those liabilities are computed based on past experience for unreported losses, and (c) that unearned premiums are calculated based on the documents authorized by the Supervisory Authorities in Japan whereas in the United States of America unearned premiums are reflected based on the lapse and surrender over the contract period.

In addition, under certain property and casualty insurance contracts with a refund clause and long-term insurance policies that provide refunds at maturity, such as personal accident and fire, the policyholder receives a refund if premiums have been fully paid unless a substantial settlement (as defined in the policy) has occurred. The Company has provided for such refundable amounts by classifying a portion of the net premiums written, together with interest thereon, as investment deposits by policyholders. Contract and policy terms are principally five years.

For purposes of preparing the consolidated financial statements, appropriate adjustments have been made to reflect such items in accordance with accounting principles generally accepted in the United States of America.

The amounts of net equity of Secom Insurance at March 31, 2006 and 2005 were ¥29,847 million ($255,103 thousand) and ¥23,444 million, respectively.

Net sales and operating revenue of Secom Insurance include net realized investment gains and losses, including the results on sales of securities, loss on other-than-temporary impairment of investment securities and impairment loss on long-lived assets. Net realized investment gains for the years ended March 31, 2006, 2005 and 2004 were ¥3,290 million ($28,120 thousand), ¥2,039 million and ¥117 million, respectively.

14. Pension and Severance Costs

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

The parent company and certain of its Japanese subsidiaries maintained an Employees' Pension Fund ("EPF") plan which is a defined benefit pension established under the Japanese Welfare Pension Insurance Law, covering substantially all of their employees. The EPF plan was composed of the substitutional portion and the corporate portion. The pension benefits for the substitutional portion were determined based on standard remuneration scheduled by the Japanese Welfare Pension Insurance Law and the length of participation. The corporate portion is a cash balance pension plan. Under the cash balance pension plan, each participant has an account which is credited annually based on the current rate of pay and market-related interest rate.

In April 2003, the parent company and certain of its Japanese subsidiaries transferred the 20 percent portion of their cash balance pension plan for the eligible employees having three years or more of service to a newly established defined contribution pension plan. In addition, these companies transferred a part of their cash balance pension plan to the defined contribution pension plan in April 2005. The contributions from the cash balance pension plan to the defined contribution plan, which were equivalent to the benefits transferred to the defined contribution pension plan, were ¥4,257 million ($36,385 thousand) and ¥7,091 million in April 2005 and 2003, respectively. In accordance with SFAS No. 88, "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits," the Company accounted for these transfers as a partial settlement of benefit obligation and recognized settlement losses of ¥2,490 million ($21,282 thousand) and ¥4,555 million as "Settlement loss of benefit obligation on transfer to defined contribution pension plan" in the consolidated statements of income for the years ended March 31, 2006 and 2004, respectively.

In April 2002, following the enactment of changes to the Japanese Welfare Pension Insurance Law, the parent company and certain of its Japanese subsidiaries obtained approval from the Japanese Ministry of Health, Labour and Welfare for exemption from the future benefit obligation with respect to the substitutional portion of the EPF plan. After obtaining the approval, in October 2003, these companies obtained another approval for separation of the remaining benefit obligation of the substitutional portion that is related to past employee services. The transfer to the Government was completed in February 2004.

The Company accounted for the transfer in accordance with EITF No. 03-2, "Accounting for the Transfer to the Japanese Government of the Substitutional Portion of Employee Pension Fund Liabilities." As a result of the transfer, the Company recognized a loss of ¥4,209 million as "Loss on transfer of the substitutional portion of Employees' Pension Fund" in the consolidated statement of income for the year ended March 31, 2004. This consists of a ¥24,272 million subsidy from the Government calculated as the difference between accumulated benefit obligation settled and the amount transferred to the Government, ¥7,719 million of derecognition of previously accrued salary progression and ¥36,200 million of recognition of related unrecognized actuarial loss, at the time when the past benefit obligation was transferred.

The corporate portion of the EPF, which is a cash balance pension plan, continues to exist exclusively as a corporate pension fund.

Net pension and severance costs for the years ended March 31, 2006, 2005 and 2004 were as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2006	2005	2004	**2006**
Net pension and severance costs:				
Service cost	**¥3,629**	¥3,473	¥3,360	**$31,017**
Interest cost	**1,097**	1,237	3,083	**9,376**
Expected return on plan assets	**(1,550)**	(1,767)	(2,678)	**(13,248)**
Amortization of transition assets	**—**	(40)	(44)	**—**
Amortization of prior service benefit	**(1,715)**	(1,654)	(1,642)	**(14,658)**
Recognized actuarial loss	**962**	907	2,509	**8,222**
Net pension and severance costs	**¥2,423**	¥2,156	¥4,588	**$20,709**

The changes in benefit obligation and plan assets, funded status and composition of the amounts recognized in the consolidated balance sheets were as follows:

	In millions of yen		In thousands of U.S. dollars
	Years ended March 31		Year ended March 31
	2006	2005	2006
Change in benefit obligation:			
Benefit obligation at beginning of year	¥61,634	¥62,460	$526,787
Service cost	3,629	3,473	31,017
Interest cost	1,097	1,237	9,376
Actuarial gain	(291)	(1,599)	(2,487)
Benefits paid	(3,958)	(4,542)	(33,829)
Acquisition	247	195	2,111
Divestiture	(126)	—	(1,077)
Effect of adopting FIN No. 46R	—	410	—
Settlement	(4,257)	—	(36,385)
Benefit obligation at end of year	57,975	61,634	495,513
Change in plan assets:			
Fair value of plan assets at beginning of year	51,695	49,561	441,837
Actual return on plan assets	8,100	1,703	69,231
Employer contribution	4,137	4,229	35,359
Benefits paid	(2,496)	(3,997)	(21,333)
Acquisition	—	199	—
Divestiture	(61)	—	(521)
Settlement	(4,257)	—	(36,385)
Fair value of plan assets at end of year	57,118	51,695	488,188
Funded status	857	9,939	7,325
Unrecognized actuarial loss	(17,649)	(27,944)	(150,846)
Unrecognized prior service benefit	17,757	19,472	151,769
Net amount recognized	¥ 965	¥ 1,467	$ 8,248
Amounts recognized in the consolidated balance sheets consist of:			
Prepaid pension and severance costs	(¥10,929)	(¥11,165)	($ 93,410)
Accrued pension and severance costs	12,583	13,261	107,547
Accumulated other comprehensive income (loss)	(689)	(629)	(5,889)
Net amount recognized	¥ 965	¥ 1,467	$ 8,248

The accumulated benefit obligation for the pension plan was ¥53,804 million ($459,863 thousand) and ¥56,939 million at March 31, 2006 and 2005, respectively.

The Company recognizes a minimum pension liability in the consolidated balance sheets for pension plans with an accumulated benefit obligation in excess of plan assets. The minimum pension liability which exceeded the unrecognized prior service cost was recorded as a component of accumulated other comprehensive income (loss), net of tax, of ¥388 million ($3,316 thousand) and ¥358 million at March 31, 2006 and 2005, respectively.

The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for the pension plans with accumulated benefit obligation in excess of plan assets were ¥16,215 million ($138,590 thousand), ¥15,082 million ($128,906 thousand) and ¥4,261 million ($36,419 thousand), respectively, at March 31, 2006, and ¥16,255 million, ¥15,002 million and ¥3,324 million, respectively, at March 31, 2005.

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

Weighted-average assumptions used to determine the benefit obligation at March 31, 2006 and 2005 were as follows:

	March 31	
	2006	2005
Discount rate	1.9%	2.0%
Rate of compensation increase	2.7	2.7

Weighted-average assumptions used to determine net pension and severance costs for the years ended March 31, 2006, 2005 and 2004 were as follows:

	Years ended March 31		
	2006	2005	2004
Discount rate	2.0%	2.0%	2.5%
Expected return on plan assets	3.0	3.0	3.0
Rate of compensation increase	2.7	2.7	2.7

The Company determines the expected long-term rate of return based on the expected long-term return of the various asset categories in which it invests. The Company considers the current expectations for future returns and the actual historical returns of each plan asset category.

The weighted-average asset allocation of the Company's pension plans at March 31, 2006 and 2005 were as follows:

	March 31	
	2006	2005
Asset category:		
Equity securities	39.5%	33.8%
Debt securities	30.9	35.6
Call loan	10.3	21.2
Other	19.3	9.4
Total	100.0%	100.0%

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

The Company expects to contribute ¥4,316 million ($36,889 thousand) to its domestic defined benefit plans in the year ending March 31, 2007.

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

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2007	¥ 3,466	$ 29,624
2008	4,315	36,880
2009	4,271	36,504
2010	4,054	34,650
2011	3,814	32,598
2012–2016	19,151	163,684

The parent company and certain subsidiaries have defined contribution pension plans. The contributions to the defined contribution pension plans for the years ended March 31, 2006, 2005 and 2004 were ¥1,365 million ($11,667 thousand), ¥892 million and ¥865 million, respectively.

15. Exchange Gains and Losses

Other income for the year ended March 31, 2006 includes net exchange gains of ¥664 million ($5,675 thousand). Other expenses for the years ended March 31, 2005 and 2004 include net exchange losses of ¥177 million and ¥469 million, respectively.

16. Income Taxes

Total income taxes for the years ended March 31, 2006, 2005 and 2004 were allocated as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2006	2005	2004	**2006**
Income from continuing operations	**¥37,904**	¥31,941	¥26,143	**$323,966**
Income (loss) from discontinued operations	**—**	931	(206)	**—**
Shareholders' equity—accumulated other comprehensive income (loss):				
Unrealized gains on securities	**3,672**	621	4,640	**31,385**
Unrealized gains (losses) on derivative instruments	**79**	(118)	30	**675**
Minimum pension liabilities	**(27)**	(105)	17,226	**(231)**
Foreign currency translation adjustments	**971**	(904)	72	**8,299**
	¥42,599	¥32,366	¥47,905	**$364,094**

The parent company and its subsidiaries in Japan were subject to a corporate tax of 30 percent, an inhabitants tax of approximately 20.3 percent, and a deductible enterprise tax of approximately 9.9 percent, which, in the aggregate, indicate a statutory tax rate in Japan of approximately 41.9 percent for the year ended March 31, 2004.

Amendments to Japanese tax regulations, which reduced a deductible enterprise tax rate from approximately 9.9 percent to approximately 7.4 percent, were enacted on March 24, 2003. As a result of this amendment, the statutory tax rate was reduced from approximately 41.9 percent to 40.5 percent effective from April 1, 2004. Deferred tax assets and liabilities expected to be settled or realized on or after April 1, 2004 were calculated at the rate of approximately 40.5 percent.

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

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2006	2005	2004	**2006**
Income taxes computed at statutory tax rate of 40.5% in 2006 and 2005 and 41.9% in 2004	**¥36,340**	¥30,081	¥22,360	**$310,598**
Increase (decrease) resulting from:				
Unrecognized tax benefits from subsidiaries in loss positions	**1,366**	387	3,355	**11,675**
Reversal of valuation allowance due to utilization of operating loss carryforwards	**(642)**	(316)	(321)	**(5,487)**
Other, net	**840**	1,789	749	**7,180**
Consolidated income taxes from continuing operations	**¥37,904**	¥31,941	¥26,143	**$323,966**

The significant components of deferred tax assets and liabilities at March 31, 2006 and 2005 were as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2006	2005	2006
Deferred tax assets:			
Deferred revenue	¥12,727	¥11,945	$108,778
Operating loss carryforwards	10,417	9,518	89,034
Adjustment of book value at the date of acquisition—			
Land and buildings	4,130	4,541	35,299
Other assets	2,583	2,607	22,077
Accrued pension and severance costs	5,358	5,426	45,795
Property, plant and equipment	4,677	3,992	39,974
Accrued bonus	3,715	3,585	31,752
Allowance for doubtful accounts	3,547	5,220	30,316
Investment securities	3,318	3,636	28,359
Intangible assets	2,037	1,256	17,410
Vacation accrual	2,017	1,932	17,239
Other	7,258	5,458	62,035
Gross deferred tax assets	61,784	59,116	528,068
Less: Valuation allowance	(15,346)	(12,592)	(131,162)
Total deferred tax assets	46,438	46,524	396,906
Deferred tax liabilities:			
Unrealized gains on securities	(9,427)	(5,680)	(80,573)
Deferred installation costs	(8,286)	(7,897)	(70,821)
Adjustment of book value at the date of acquisition—			
Land and buildings	(5,554)	(5,543)	(47,470)
Long-term receivables	(1,764)	(1,817)	(15,077)
Investments in affiliated companies	(5,748)	(3,069)	(49,128)
Prepaid pension and severance costs	(4,470)	(4,553)	(38,205)
Unearned premiums and other insurance liabilities	(1,194)	(1,278)	(10,205)
Other	(3,649)	(1,579)	(31,188)
Gross deferred tax liabilities	(40,092)	(31,416)	(342,667)
Net deferred tax assets	¥ 6,346	¥15,108	$ 54,239

The valuation allowance principally relates to deferred tax assets of the subsidiaries with operating loss carryforwards, for tax purposes, that are not expected to be realized. The net change in the total valuation allowance for the years ended March 31, 2006 and 2005 was an increase of ¥2,754 million ($23,538 thousand) and a decrease of ¥4,169 million, respectively.

In assessing the realizability of deferred tax assets, the Company management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. The Company management considered the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, the Company management believes it is more likely than not that the Company will realize the benefits of these deductible differences, net of the existing valuation allowance at March 31, 2006 and 2005.

Net deferred tax assets at March 31, 2006 and 2005 are reflected in the accompanying consolidated balance sheets under the following captions:

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2006	2005	2006
Deferred income taxes (Current assets)	¥14,659	¥13,951	$125,291
Deferred income taxes (Other assets)	3,140	5,350	26,838
Other current liabilities	(972)	—	(8,309)
Other liabilities	(10,481)	(4,193)	(89,581)
Net deferred tax assets	¥ 6,346	¥15,108	$ 54,239

The Company has not recognized deferred tax liabilities of ¥536 million ($4,581 thousand) for a portion of undistributed earnings of foreign subsidiaries totaling ¥5,730 million ($48,974 thousand) at March 31, 2006 because they are not expected to be remitted in the foreseeable future.

At March 31, 2006, the operating loss carryforwards of domestic subsidiaries amounted to ¥18,386 million ($157,145 thousand) and are available for offsetting against future taxable earnings of such subsidiaries for up to seven years, as follows:

Expires in the years ending March 31	In millions of yen	In thousands of U.S. dollars
2007	¥ —	$ —
2008	—	—
2009	1,788	15,282
2010	3,067	26,214
2011	5,000	42,735
2012	5,996	51,248
2013	2,535	21,666
	¥18,386	$157,145

The operating loss carryforwards of overseas subsidiaries at March 31, 2006 amounted to ¥6,474 million ($55,333 thousand), a part of which will begin to expire in the year ending March 31, 2007.

17. Shareholders' Equity

(1) Retained Earnings

The Japanese Commercial Code provides that an amount equal to at least 10 percent of cash dividends and other distributions from retained earnings paid in cash by the parent company and its Japanese subsidiaries be appropriated as a legal reserve until the aggregate amount of additional paid-in capital and legal reserve equals 25 percent of the common stock account.

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

The amount available for dividends under the Japanese Commercial Code is based on the amount recorded in the parent company's nonconsolidated statutory financial statements in accordance with the accounting principle generally accepted in Japan. Such amount was ¥297,581 million ($2,543,427 thousand) at March 31, 2006.

The Japanese Commercial Code requires that dividends at year-end, which the Board of Directors resolved to declare customarily in the first month following year-end, be approved at the general shareholders' meeting to be held within three months after the end of the accounting period.

Subsequent to March 31, 2006, the parent company's Board of Directors declared an annual cash dividend of ¥13,499 million ($115,376 thousand) to shareholders of record on March 31, 2006. The dividend declared was approved at the general shareholders' meeting held on June 27, 2006. Dividends are recorded in the period they are declared.

The Japanese Corporate Law provides that a company can make dividends of surplus anytime with resolution of the shareholders. The Japanese Corporate Law imposes limitation on an amount of surplus available for dividends which is different from that under the Japanese Commercial Code. The Japanese Commercial Code was applied to the limitation on the amount available for dividends for the year ended March 31, 2006.

(2) Accumulated Other Comprehensive Income (Loss)

An analysis of the changes in accumulated other comprehensive income (loss) for the years ended March 31, 2006, 2005 and 2004 is as follows:

	In millions of yen		
	Pre-tax amount	Tax (expense) or benefit	Net-of-tax amount
For the year ended March 31, 2006:			
Unrealized gains on securities—			
Unrealized holding gains or losses arising during the period	**¥14,660**	**(¥5,764)**	**¥ 8,896**
Less: Reclassification adjustment for gains or losses included in net income	**(5,448)**	**2,092**	**(3,356)**
Unrealized gains on derivative instruments—			
Unrealized holding gains or losses arising during the year	**163**	**(66)**	**97**
Less: Reclassification adjustment for gains or losses included in net income	**31**	**(13)**	**18**
Minimum pension liability adjustments	**(57)**	**27**	**(30)**
Foreign currency translation adjustments	**7,317**	**(971)**	**6,346**
Other comprehensive income (loss)	**¥16,666**	**(¥4,695)**	**¥11,971**
For the year ended March 31, 2005:			
Unrealized gains on securities—			
Unrealized holding gains or losses arising during the period	¥4,579	(¥1,699)	¥2,880
Less: Reclassification adjustment for gains or losses included in net income	(2,918)	1,078	(1,840)
Unrealized losses on derivative instruments—			
Unrealized holding gains or losses arising during the year	(152)	61	(91)
Less: Reclassification adjustment for gains or losses included in net income	(140)	57	(83)
Minimum pension liability adjustments	(269)	105	(164)
Foreign currency translation adjustments	(1,488)	904	(584)
Other comprehensive income (loss)	(¥ 388)	¥ 506	¥ 118

	Pre-tax amount	Tax (expense) or benefit	Net-of-tax amount
	In millions of yen		
For the year ended March 31, 2004:			
Unrealized gains on securities—			
Unrealized holding gains or losses arising during the period	¥12,639	(¥ 4,910)	¥ 7,729
Less: Reclassification adjustment for gains or losses included in net income	(695)	270	(425)
Unrealized gains on derivative instruments—			
Unrealized holding gains or losses arising during the year	145	(58)	87
Less: Reclassification adjustment for gains or losses included in net income	(68)	28	(40)
Minimum pension liability adjustments	43,147	(17,226)	25,921
Foreign currency translation adjustments	(4,228)	(72)	(4,300)
Other comprehensive income (loss)	¥50,940	(¥21,968)	¥28,972

	Pre-tax amount	Tax (expense) or benefit	Net-of-tax amount
	In thousands of U.S. dollars		
For the year ended March 31, 2006:			
Unrealized gains on securities—			
Unrealized holding gains or losses arising during the period	**$125,299**	**($49,265)**	**$ 76,034**
Less: Reclassification adjustment for gains or losses included in net income	**(46,564)**	**17,880**	**(28,684)**
Unrealized gains on derivative instruments—			
Unrealized holding gains or losses arising during the year	**1,393**	**(564)**	**829**
Less: Reclassification adjustment for gains or losses included in net income	**265**	**(111)**	**154**
Minimum pension liability adjustments	**(487)**	**231**	**(256)**
Foreign currency translation adjustments	**62,538**	**(8,299)**	**54,239**
Other comprehensive income (loss)	**$142,444**	**($40,128)**	**$102,316**

18. Research and Development Expenses

Research and development expenses included in selling, general and administrative expenses for the years ended March 31, 2006, 2005 and 2004 were ¥4,061 million ($34,709 thousand), ¥4,470 million and ¥4,088 million, respectively.

19. Lessee

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

On April 23, 1996, the Company entered into a long-term lease agreement for a building and land in Mitaka, Tokyo. The lease agreement extends for 30 years beginning May 1, 1996. For financial reporting purposes, the portion of the lease relating to the building has been classified as a capital lease; accordingly, an asset of approximately ¥5,086 million ($43,470 thousand) has been recorded in the building and improvements account. The portion of the lease relating to the land has been classified as an operating lease. The future minimum lease payments for the site at March 31, 2006 were ¥6,575 million ($56,197 thousand).

A summary of leased assets under capital leases at March 31, 2006 and 2005 is as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2006	2005	**2006**
Buildings and improvements	**¥ 5,185**	¥ 5,185	**$ 44,316**
Machinery, equipment and automobiles	**14,599**	12,993	**124,778**
Other intangible assets	**407**	147	**3,479**
Accumulated depreciation	**(8,532)**	(7,954)	**(72,923)**
	¥11,659	¥10,371	**$ 99,650**

Depreciation expenses under capital leases for the years ended March 31, 2006, 2005 and 2004 were ¥3,576 million ($30,564 thousand), ¥3,146 million and ¥3,186 million, respectively.

The following is a schedule by year of future minimum lease payments under capital leases together with the present value of the net minimum lease payments at March 31, 2006:

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2007	¥ 3,419	$ 29,222
2008	2,991	25,564
2009	2,048	17,504
2010	1,302	11,128
2011	642	5,487
Thereafter	5,465	46,710
Total minimum lease payments	15,867	135,615
Less: Amount representing interest	3,244	27,726
Present value of net minimum lease payments (Note 12)	12,623	107,889
Less: Current portion	3,023	25,838
Long-term capital lease obligations	¥ 9,600	$ 82,051

Rental expenses under operating leases for the years ended March 31, 2006, 2005 and 2004 were ¥15,415 million ($131,752 thousand), ¥14,616 million and ¥14,540 million, respectively. A significant portion of such rentals relates to cancelable short-term leases for office space and employee residential facilities, many of which are renewed upon expiration.

On December 8, 2000, the Company entered into a lease agreement for a building and land in Shibuya, Tokyo. The lease agreement extends for 20 years beginning December 8, 2000. For financial reporting purposes, the lease has been classified as an operating lease. Based on the agreement, annual lease payments for the site are approximately ¥1,339 million ($11,444 thousand) over a 20-year period.

The future minimum lease payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year at March 31, 2006 are as follows:

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2007	¥ 2,325	$ 19,872
2008	2,245	19,188
2009	2,218	18,957
2010	2,185	18,675
2011	2,181	18,641
Thereafter	24,960	213,334
Total future minimum lease payments	¥36,114	$308,667

20. Lessor

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

A summary of lease receivables under sales-type and direct-financing leases at March 31, 2006 and 2005 is as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2006	2005	**2006**
Total minimum lease payments to be received	**¥29,574**	¥30,887	**$252,769**
Estimated executory cost	**(1,926)**	(2,241)	**(16,461)**
Estimated unguaranteed residual value	**2,160**	3,254	**18,461**
Unearned income	**(6,559)**	(9,901)	**(56,060)**
Lease receivables, net	**23,249**	21,999	**198,709**
Less: Current portion	**(5,122)**	(4,095)	**(43,777)**
Long-term lease receivables, net	**¥18,127**	¥17,904	**$154,932**

The following is a schedule by year of future minimum lease payments to be received under sales-type leases and direct-financing leases at March 31, 2006:

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2007	¥ 6,044	$ 51,658
2008	4,988	42,632
2009	4,234	36,188
2010	3,274	27,983
2011	1,676	14,325
Thereafter	9,358	79,983
Total future minimum lease payments to be received	¥29,574	$252,769

A summary of investment in property on operating leases and property held for lease at March 31, 2006 and 2005 is as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2006	2005	**2006**
Land	**¥20,928**	¥21,185	**$178,872**
Buildings and improvements	**25,737**	21,888	**219,974**
Other intangible assets	**1,158**	840	**9,897**
Accumulated depreciation	**(6,324)**	(5,430)	**(54,051)**
	¥41,499	¥38,483	**$354,692**

The future minimum rentals on non-cancelable operating leases at March 31, 2006 are as follows:

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2007	¥ 2,757	$ 23,564
2008	760	6,496
2009	740	6,325
2010	740	6,325
2011	740	6,325
Thereafter	13,874	118,580
Total future minimum rentals	¥19,611	$167,615

21. Fair Value of Financial Instruments

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

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

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

(2) Long-Term Receivables

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

(3) Long-Term Debt Including Current Portion

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

(4) Investment Deposits by Policyholders

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

(5) Derivatives

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

The carrying amounts and estimated fair values of the financial instruments excluding debt and equity securities which are disclosed in Note 7 at March 31, 2006 and 2005 are as follows:

	In millions of yen			
	March 31			
	2006		2005	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Non-derivatives:				
Liabilities—				
Long-term debt including current portion	¥ 80,496	¥ 80,465	¥ 76,307	¥ 76,489
Investment deposits by policyholders	187,785	192,002	227,719	236,214
Derivatives:				
Assets—				
Interest rate swaps	32	32	10	10
Liabilities—				
Interest rate swaps	5	5	343	343

	In thousands of U.S. dollars	
	March 31	
	2006	
	Carrying amount	Estimated fair value
Non-derivatives:		
Liabilities—		
Long-term debt including current portion	$ 688,000	$ 687,735
Investment deposits by policyholders	1,605,000	1,641,043
Derivatives:		
Assets—		
Interest rate swaps	274	274
Liabilities—		
Interest rate swaps	43	43

Limitation:

Fair value estimates are made at a specific point in time based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

22. Derivative Financial Instruments

(1) Risk Management Policy

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

(2) Interest Rate Risk Management

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

(3) Cash Flow Hedge

The Company designates interest rate swap agreements as cash flow hedges for variability of cash flows originated from floating rate borrowings. The interest rate swap agreements mature at various dates through 2010. The effective portion of changes in fair values of derivative instruments designated as cash flow hedges of these debt obligations are reported in other comprehensive income (loss). These amounts are reclassified into current income in the same period as hedged items affect current income. The ineffective portion of changes in fair values are reported in income immediately. The sum of the amount of the hedge ineffectiveness and net gains or losses excluded from the assessment of hedge effectiveness is not material for the years ended March 31, 2006, 2005 and 2004. Approximately ¥1 million ($9 thousand) of net derivative losses included in other comprehensive income (loss), net of tax at March 31, 2006, will be reclassified into current income within 12 months from that date. At March 31, 2006 and 2005, the notional principal amounts of interest rate swap agreements designated as cash flow hedges were ¥25,462 million ($217,624 thousand) and ¥27,833 million, respectively.

(4) Derivative Instruments Not Designated as Hedges

Certain subsidiaries enter into interest rate swap agreements to change the effective interest rates on debt securities held as investments with the objective of increasing current interest income. Changes in fair value of the above noted derivative financial instruments, which are not designated as hedges, are reported in current income.

23. Commitments and Contingent Liabilities

Commitments outstanding at March 31, 2006 for the purchase of property, plant and equipment approximated ¥14,756 million ($126,120 thousand).

The Company provides guarantees to third parties with respect to bank loans extended to its affiliated companies and other entities. Such guarantees are provided to enhance the credit standing of the affiliated companies and other entities. For each guarantee provided, the Company would have to perform under the guarantee, if the affiliated companies and other entities default on a payment within the guaranteed period of one to 13 years. The maximum amount of undiscounted payments the Company would have to make in the event of default amounts to ¥10,207 million ($87,239 thousand) at March 31, 2006. The carrying amounts of the liabilities recognized for the Company's obligations under these guarantees at March 31, 2006 and 2005 were insignificant.

In July 2004, Fujitsu Ltd. filed a lawsuit against Secom Insurance in the Tokyo District Court, claiming compensation for costs related to a systems development order in the amount of ¥2,500 million ($21,368 thousand). Secom Insurance is not only contesting this lawsuit on the grounds that it is without merit, but has also filed a countersuit claiming damages in the amount of ¥1,000 million ($8,547 thousand), which is pending at March 31, 2006.

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 ($17,179 thousand) to SMBC with the Tokyo District Court on October 31, 2005. SMBC alleged that it made a loan to a third party and acquired from the third party its claim against PASCO for an alleged sale of equipment to PASCO as a collateral for the loan, and demanded PASCO to pay such claim to SMBC. However, upon carefully investigating the case with counsel, the Company believes that the alleged transactions were null and void, and the Company's pleading should be admitted. Furthermore, on December 5, 2005, SMBC brought a cross action against PASCO for requesting payment of ¥1,846 million ($15,778 thousand) together with the delayed payment charge. Both actions had been consolidated and were pending at March 31, 2006.

24. Free Share Distributions of Less than 25 Percent

The Company may make free distributions of its common stock to shareholders at the discretion of its Board of Directors. Prior to October 1, 2001, free share distributions were accounted for either by (1) a transfer from additional paid-in capital to the common stock account, or (2) no entry if free shares are distributed from the portion of previously issued shares in the common stock account as required by the Japanese Commercial Code. Effective on October 1, 2001, the Japanese Commercial Code requires no accounting recognition for such free share distributions. A corporation in the United States of America issuing shares, comparable to less than 25 percent free share distributions, would be required to account for them as stock dividends and the fair value of the shares would be transferred from retained earnings to the appropriate capital accounts.

Had the Company accounted for such free share distributions made during the period from 1974 to 1990 in the manner used by companies in the United States of America, ¥98,388 million ($840,923 thousand) would have been transferred from retained earnings to the appropriate capital accounts. The free share distributions would have no effect on total shareholders' equity.

25. Discontinued Operations

The Company accounted for the sale of certain businesses and properties in accordance with SFAS No. 144.

Real estate properties on operating leases are primarily held by real estate investment companies as part of investment assets of the insurance services segment and by the companies that engage in leasing services of real estate included in the information and communication related and other services segment. The Company reported the operating results related to these real estate properties which were disposed of or classified as held for sale without significant continuing involvement in discontinued operations for the years ended March 31, 2005 and 2004.

In January 2005, the Company sold the operation of its school education systems included in the information and communication related and other services segment. In October 2004, The Westec Security Group, Inc., a wholly owned subsidiary in the United States of America, sold all of the outstanding shares of Westec Interactive Security, Inc. included in the security services segment. Accordingly, the Company reported the operating results related to these operations in discontinued operations for the years ended March 31, 2005 and 2004.

There were no operating results which were reported in discontinued operations for the year ended March 31, 2006.

Discontinued operations for the years ended March 31, 2005 and 2004 were as follows:

	In millions of yen	
	Years ended March 31	
	2005	2004
Net sales and operating revenue	¥ 7,491	¥ 4,508
Loss from discontinued operations before income taxes, net	(2,378)	(10,702)
Gain on sales of discontinued operations, net	13,637	6,367
Income taxes	(931)	206
Minority interest in subsidiaries	(451)	(78)
Income (loss) from discontinued operations, net of tax	¥ 9,877	(¥ 4,207)

Income (loss) from discontinued operations, net of tax, by business segment for the years ended March 31, 2005 and 2004 were as follows:

	In millions of yen	
	Years ended March 31	
	2005	2004
Security services	¥ 439	(¥ 77)
Insurance services	2,164	370
Information and communication related and other services (Leasing services of real estate)	3,983	(244)
Information and communication related and other services (Education services)	3,291	(4,256)
Income (loss) from discontinued operations, net of tax	¥9,877	(¥4,207)

26. Supplemental Cash Flow Information

Supplemental cash flow information is as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2006	2005	2004	**2006**
Cash paid during the year for:				
Interest	**¥ 1,873**	¥ 2,277	¥ 3,307	**$ 16,009**
Income taxes	**28,959**	31,530	24,718	**247,513**
Non-cash investing and financing activities:				
Conversion of convertible bonds	**—**	18	—	**—**
Additions to obligations under capital leases	**2,253**	2,350	4,173	**19,256**

27. Segment Information

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

The Company has five reportable business segments: security services, medical services, insurance services, geographic information services, and information and communication related and other services. During the year ended March 31, 2006, the Company decided to disclose the geographic information services, which was previously included in the information and communication related and other services segment, separately from the segment due to an increase in importance of its business. Accordingly, segment information of all prior periods has been restated to conform to the presentation used for the year ended March 31, 2006.

The security services segment provides various types of security services by utilizing the Company's unique security systems and manufactures and sells security equipment. The medical services segment provides intravenous solutions to patients at home, home-based nursing care services, medical data transmission services by utilizing the Company's network and leasing of real estate for medical institutions. Also the VIEs to which the Company is primary beneficiary manage hospitals and health care-related institutions. The insurance services segment represents non-life insurance-related underwriting business in the Japanese market. The geographic information services segment represents aerial surveying and mapping services and geographic information system services. The information and communication related and other services segment represents the Company's network business, development and sales of real estate and leasing of real estate, and management of hotel business. The Company develops real estate, principally condominiums, for consumers, to promote a network of integrated communication systems to create synergies with home security services. These communication services are considered a subset or an integrated part of the real estate package.

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

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

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

Information by business and geographic segments for the years ended March 31, 2006, 2005 and 2004 is as follows:

(1) Business Segment Information

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2006	2005	2004	2006
Net sales and operating revenue:				
Security services—				
Customers	¥400,044	¥382,360	¥367,482	$3,419,179
Intersegment	1,317	1,362	1,121	11,257
	401,361	383,722	368,603	3,430,436
Medical services—				
Customers	39,215	34,688	21,147	335,171
Intersegment	220	215	194	1,880
	39,435	34,903	21,341	337,051
Insurance services—				
Customers	29,537	26,465	23,536	252,453
Intersegment	2,496	2,776	2,420	21,333
	32,033	29,241	25,956	273,786
Geographic information services—				
Customers	35,271	34,915	32,346	301,462
Intersegment	113	253	178	966
	35,384	35,168	32,524	302,428
Information and communication related and other services—				
Customers	76,459	73,926	72,924	653,496
Intersegment	6,406	4,821	3,755	54,752
	82,865	78,747	76,679	708,248
Total	591,078	561,781	525,103	5,051,949
Eliminations	(10,552)	(9,427)	(7,668)	(90,188)
Total net sales and operating revenue	¥580,526	¥552,354	¥517,435	$4,961,761
Operating income (loss):				
Security services	¥ 86,660	¥ 90,414	¥ 75,833	$ 740,684
Medical services	(1,321)	1,641	(1,519)	(11,291)
Insurance services	5,061	(3,011)	2,396	43,256
Geographic information services—	900	1,236	(4,208)	7,692
Information and communication related and other services	5,643	(816)	(4,011)	48,231
Total	96,943	89,464	68,491	828,572
Corporate expenses and eliminations	(15,050)	(13,906)	(14,426)	(128,632)
Operating income	¥ 81,893	¥ 75,558	¥ 54,065	$ 699,940
Other income	15,936	6,566	5,672	136,205
Other expenses	(8,101)	(7,851)	(6,373)	(69,239)
Income from continuing operations before income taxes	¥ 89,728	¥ 74,273	¥ 53,364	$ 766,906

	In millions of yen			In thousands of U.S. dollars
	March 31			March 31
	2006	2005	2004	2006
Assets:				
Security services	¥ 438,989	¥ 445,576	¥ 428,034	$ 3,752,043
Medical services	102,838	91,574	73,573	878,957
Insurance services	284,911	310,159	317,102	2,435,137
Geographic information services	55,448	53,004	53,536	473,915
Information and communication related and other services	145,757	124,578	151,838	1,245,786
Total	1,027,943	1,024,891	1,024,083	8,785,838
Corporate items	159,210	99,398	101,708	1,360,769
Investments in and loans to affiliated companies	38,075	39,915	39,314	325,427
Total assets	¥1,225,228	¥1,164,204	¥1,165,105	$10,472,034

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2006	2005	2004	2006
Depreciation and amortization:				
Security services	¥44,942	¥44,042	¥44,833	$384,120
Medical services	1,629	1,531	1,164	13,923
Insurance services	1,143	1,175	1,586	9,769
Geographic information services	1,494	1,477	1,840	12,769
Information and communication related and other services	2,690	2,816	2,926	22,992
Total	51,898	51,041	52,349	443,573
Corporate items	441	409	594	3,769
Total depreciation and amortization	¥52,339	¥51,450	¥52,943	$447,342
Capital expenditures:				
Security services	¥29,351	¥30,255	¥33,205	$250,863
Medical services	8,474	8,647	1,625	72,427
Insurance services	1,733	1,380	3,859	14,812
Geographic information services	436	983	1,103	3,727
Information and communication related and other services	7,448	4,927	4,529	63,658
Total	47,442	46,192	44,321	405,487
Corporate items	120	1	7	1,026
Total capital expenditures	¥47,562	¥46,193	¥44,328	$406,513

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

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

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

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2006	2005	2004	2006
Electronic security services	¥277,892	¥271,872	¥263,900	$2,375,145
Other security services:				
Static guard services	41,480	38,302	37,537	354,530
Armored car services	19,369	18,462	18,618	165,547
Merchandise and other	61,303	53,724	47,427	523,957
Total security services	¥400,044	¥382,360	¥367,482	$3,419,179

(2) Geographic Segment Information

Net sales and operating revenue attributed to countries based on location of customers and long-lived assets for the years ended March 31, 2006, 2005 and 2004 were as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2006	2005	2004	2006
Net sales and operating revenue:				
Japan	¥564,803	¥538,851	¥506,213	$4,827,376
Other	15,723	13,503	11,222	134,385
Total	¥580,526	¥552,354	¥517,435	$4,961,761

	In millions of yen			In thousands of U.S. dollars
	March 31			March 31
	2006	2005	2004	2006
Long-lived assets:				
Japan	¥330,752	¥316,358	¥445,632	$2,826,940
Other	5,609	6,079	5,528	47,940
Total	¥336,361	¥322,437	¥451,160	$2,874,880

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

KPMG

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

We have audited the accompanying consolidated balance sheets of SECOM CO., LTD. and subsidiaries as of March 31, 2006 and 2005, and the related consolidated statements of income, changes in shareholders' equity and cash flows for each of the years in the three-year period ended March 31, 2006, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of SECOM CO., LTD. and subsidiaries as of March 31, 2006 and 2005, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2006, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 2 of the notes to the consolidated financial statements, SECOM CO., LTD. and subsidiaries changed their method of accounting for conditional asset retirement obligations in the year ended March 31, 2006, and their method of accounting for variable interest entities in the year ended March 31, 2005.

The accompanying consolidated financial statements as of and for the year ended March 31, 2006 have been translated into United States dollars solely for the convenience of the reader. We have recomputed the translation and, in our opinion, the consolidated financial statements expressed in Japanese yen have been translated into United States dollars on the basis set forth in Note 3 of the notes to the consolidated financial statements.

KPMG AZSA & Co.

Tokyo, Japan
June 27, 2006

OTHER FINANCIAL DATA

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

In millions of yen

	2006	2005	2004	2003	2002	2001
Composition of consolidated net sales and operating revenue by segment						
Net sales and operating revenue	**¥580,526**	¥552,354	¥517,435	¥497,691	¥475,151	¥430,999
Security services:	**400,044**	382,360	367,482	352,985	335,867	313,340
As a percentage of net sales and operating revenue	***68.9%***	*69.2%*	*71.0%*	*70.9%*	*70.7%*	*72.7%*
Electronic security services—	**277,892**	271,872	263,900	257,075	246,487	233,571
As a percentage of net sales and operating revenue	***47.9***	*49.2*	*51.0*	*51.6*	*51.8*	*54.2*
Other security services—						
Static guard services	**41,480**	38,302	37,537	35,908	34,107	32,204
As a percentage of net sales and operating revenue	***7.1***	*6.9*	*7.2*	*7.2*	*7.2*	*7.5*
Armored car services	**19,369**	18,462	18,618	17,261	17,001	15,109
As a percentage of net sales and operating revenue	***3.3***	*3.4*	*3.6*	*3.5*	*3.6*	*3.5*
Subtotal	**60,849**	56,764	56,155	53,169	51,108	47,313
Merchandise and other	**61,303**	53,724	47,427	42,741	38,272	32,456
As a percentage of net sales and operating revenue	***10.6***	*9.7*	*9.2*	*8.6*	*8.1*	*7.5*
Medical services	**39,215**	34,688	21,147	19,637	13,300	6,315
As a percentage of net sales and operating revenue	***6.7***	*6.3*	*4.1*	*3.9*	*2.8*	*1.5*
Insurance services	**29,537**	26,465	23,536	15,234	24,875	21,069
As a percentage of net sales and operating revenue	***5.1***	*4.8*	*4.5*	*3.1*	*5.2*	*4.9*
Geographic information services	**35,271**	34,915	32,346	39,525	38,106	41,948
As a percentage of net sales and operating revenue	***6.1***	*6.3*	*6.3*	*8.0*	*8.0*	*9.7*
Information and communication related and other services	**76,459**	73,926	72,924	70,310	63,003	48,327
As a percentage of net sales and operating revenue	***13.2***	*13.4*	*14.1*	*14.1*	*13.3*	*11.2*
Net income, cash dividends and shareholders' equity						
Net income	**¥ 50,331**	¥ 52,133	¥ 23,479	¥ 30,275	¥ 34,082	¥ 43,996
Cash dividends (paid)[2]	**11,251**	10,127	9,003	9,330	9,324	9,323
Shareholders' equity	**508,696**	457,837	415,852	372,518	401,326	377,304
Consolidated financial ratios						
Percentage of working capital accounted for by:						
Debt—						
Bank loans	**15.2**	16.1	17.7	20.0	10.7	14.5
Current portion of long-term debt	**6.4**	1.7	2.1	3.3	4.4	1.9
Convertible bonds	**—**	—	—	0.0	0.0	0.1
Straight bonds	**1.6**	6.4	5.2	5.2	5.6	2.0
Other long-term debt	**3.6**	3.9	9.2	11.4	16.1	6.1
Total debt	**26.8**	28.1	34.2	39.9	36.8	24.6
Shareholders' equity	**73.2**	71.9	65.8	60.1	63.2	75.4
Total capitalization	**100.0**	100.0	100.0	100.0	100.0	100.0
Return on total assets (percentage)[a]	**4.1**	4.5	2.0	2.6	2.9	5.0
Return on equity (percentage)[b]	**9.9**	11.4	5.6	8.1	8.5	11.7
Percentage of net sales and operating revenue absorbed by[c]:						
Depreciation and amortization	**9.0**	9.1	10.1	10.3	10.4	10.4
Rental expense	**2.7**	2.6	2.8	3.0	2.7	2.6
Ratio of accumulated depreciation to depreciable assets (percentage)	**60.5**	60.0	54.8	50.6	48.9	54.0
Net property turnover (times)[c]	**2.39**	2.43	1.74	1.37	1.23	1.84
Before-tax interest coverage (times)[c][d]	**48.8**	39.3	15.9	15.2	41.6	43.9

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

	2006	2005	2004	2003	2002	2001
Number of shares outstanding						
Issued	233,288,717	233,288,717	233,281,133	233,281,133	233,274,769	233,099,744
Owned by the Company	8,301,997	8,266,043	8,228,652	8,200,245	22,512	510
Balance	224,986,720	225,022,674	225,052,481	225,080,888	233,252,257	233,099,234
Per share information						
Basic net income per share (in yen) (1)	¥ 223.69	¥ 231.66	¥ 104.32	¥ 132.87	¥ 146.19	¥ 188.76
Cash dividends paid per share (in yen) (2)	50.00	45.00	40.00	40.00	40.00	40.00
Shareholders' equity per share (in yen) (3)	2,261.00	2,034.63	1,847.80	1,655.04	1,720.57	1,618.64
Cash flow per share (in yen) (1) (e)	396.31	410.29	294.56	321.88	320.17	341.91
Price/Book value ratio	2.66	2.19	2.46	1.84	3.33	4.39
Price/Earnings ratio	26.91	19.25	43.52	22.88	39.20	37.61
Price/Cash flow ratio	15.19	10.87	15.41	9.44	17.90	20.77
Stock price at year-end (in yen)	6,020	4,460	4,540	3,040	5,730	7,100

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

(1) Per share amounts are based on the average number of shares outstanding during each period.
(2) Subsequent to March 31, 2006, cash dividends of ¥13,499 million (¥60.00 per share) were approved at the general shareholders' meeting on June 27, 2006 (see Note 17 of the accompanying notes to consolidated financial statements).
(3) Per share amounts are based on the number of shares outstanding at the end of each period, minus treasury stock.

SECOM CO., LTD.
As of March 31

SHAREHOLDER INFORMATION

	2006	2005	2004	2003	2002	2001
Number of shareholders	**19,807**	21,327	21,720	20,230	17,609	15,621
Common shares held by:						
Financial institutions	**33.04%**	34.32%	37.04%	46.14%	45.31%	44.44%
Securities firms	**2.16**	1.99	2.19	2.04	1.61	1.73
Other corporations	**3.92**	4.13	4.29	4.60	13.78	13.84
Foreign investors	**43.40**	40.75	37.22	28.64	24.64	25.76
Individuals and others	**17.48**	18.81	19.26	18.58	14.66	14.23
Total	**100.00%**	100.00%	100.00%	100.00%	100.00%	100.00%

PRICE INFORMATION (TOKYO STOCK EXCHANGE)

		Price per share (in yen)		Nikkei Stock Average (in yen)	
		High	Low	High	Low
2004	April–June	¥4,850	¥4,130	¥12,163.89	¥10,505.05
	July–September	4,720	3,830	11,896.01	10,687.81
	October–December	4,190	3,730	11,488.76	10,659.15
2005	January–March	4,510	3,930	11,966.69	11,238.37
	April–June	4,830	4,060	11,874.75	10,825.39
	July–September	5,900	4,760	13,617.24	11,565.99
	October–December	6,470	5,480	16,344.20	13,106.18
2006	January–March	6,280	5,310	17,059.66	15,341.18

COMMON STOCK ISSUES

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

Notes: 1. The above is a record of SECOM's common stock issues since the common stock was listed on the Tokyo Stock Exchange in June 1974.
2. As of March 31, 2006, the number of shares outstanding was 233,289 thousand and share capital was ¥66,377,829 thousand.
*One share was split into two.

SUPPLEMENTAL CONSOLIDATED FINANCIAL DATA
(Based on Japanese GAAP)

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CONDENSED CONSOLIDATED BALANCE SHEETS
(Based on Japanese GAAP)

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

In millions of yen

ASSETS	2006	2005	2004	2003	2002	2001
Current assets:						
Cash on hand and in banks	¥ 271,780	¥ 246,693	¥ 202,630	¥ 175,776	¥ 192,437	¥135,820
Call loans	25,000	10,000	38,000	30,000	40,000	35,690
Notes and accounts receivable, trade	52,667	50,183	46,813	43,922	46,048	45,904
Due from subscribers	17,678	16,204	17,561	16,336	14,395	12,137
Short-term investments	83,809	73,252	47,343	36,402	31,321	41,033
Inventories	64,194	40,979	45,477	41,339	55,387	49,860
Deferred income taxes	9,462	8,207	9,768	7,678	9,111	5,785
Short-term loans	15,564	46,375	58,793	51,355	90,610	36,682
Other	13,419	17,676	17,205	19,650	17,441	14,334
Allowance for doubtful accounts	(1,617)	(1,297)	(4,925)	(1,558)	(1,501)	(1,092)
Total current assets	551,959	508,274	478,668	420,903	495,251	376,156
Fixed assets:						
Tangible assets:						
Buildings and improvements	77,270	72,816	79,072	90,823	68,804	34,835
Security equipment and control stations	63,070	64,104	65,315	65,026	78,328	73,169
Land	65,542	65,151	80,507	87,853	63,547	48,427
Other	28,183	21,509	19,050	17,313	19,321	19,540
Intangible assets	24,384	27,582	33,820	34,544	37,460	32,225
Investments and others:						
Investment securities	231,096	243,031	207,654	188,880	158,438	153,553
Long-term loans	57,564	42,983	63,799	102,448	86,420	59,586
Prepaid pension and severance costs	11,186	1,527	—	—	—	—
Deferred income taxes	11,256	18,509	22,523	38,056	38,299	12,214
Other	41,217	42,258	55,528	52,098	37,452	30,449
Allowance for doubtful accounts	(13,401)	(10,292)	(14,060)	(8,010)	(12,341)	(7,567)
Total fixed assets	597,370	589,183	613,211	669,034	575,731	456,435
Deferred assets	47	90	187	192	207	410
Total assets	¥1,149,377	¥1,097,548	¥1,092,067	¥1,090,131	¥1,071,190	¥833,001

In millions of yen

LIABILITIES	2006	2005	2004	2003	2002	2001
Current liabilities:						
Notes and accounts payable, trade	¥ 18,652	¥ 15,693	¥ 18,460	¥ 15,529	¥ 16,401	¥ 15,854
Bank loans	112,868	108,172	119,344	135,540	90,194	79,409
Current portion of straight bonds	32,210	690	200	—	5,000	5,000
Current portion of convertible bonds	—	—	18	—	33	—
Payables—other	26,340	18,959	17,743	19,580	20,229	19,243
Accrued income taxes	22,159	16,197	17,083	10,756	23,002	18,263
Accrued consumption taxes	2,588	2,698	3,792	3,444	3,030	3,196
Accrued expenses	2,085	2,275	2,304	1,837	1,828	10,563
Deferred revenue	30,747	28,532	28,459	28,851	27,373	27,433
Accrued bonus	8,981	8,758	8,490	8,852	8,834	—
Other	46,805	44,245	45,283	35,140	29,045	23,595
Total current liabilities	303,440	246,222	261,181	259,531	224,972	202,560
Fixed liabilities:						
Straight bonds	11,180	40,940	32,800	32,000	30,500	5,000
Convertible bonds	—	—	—	18	18	518
Long-term loans	13,444	14,513	43,530	48,301	48,671	10,742
Guarantee deposits received	28,982	28,737	29,160	28,304	26,174	17,938
Deferred income taxes	1,079	423	371	459	1	1,320
Accrued pension and severance costs	11,362	12,617	12,899	45,210	49,617	7,181
Accrued retirement benefits for directors and corporate auditors	1,565	—	—	—	—	—
Investment deposits by policyholders, unearned premiums and other insurance liabilities	245,644	278,278	276,979	274,476	268,519	168,648
Other	1,043	1,724	2,117	4,033	3,164	2,448
Total fixed liabilities	314,303	377,234	397,858	432,803	426,666	213,799
Total liabilities	617,743	623,457	659,040	692,335	651,639	416,360
MINORITY INTEREST IN SUBSIDIARIES	35,469	32,163	29,770	28,042	27,401	27,049
SHAREHOLDERS' EQUITY						
Common stock	66,377	66,377	66,368	66,368	66,360	66,126
Capital surplus	83,054	82,553	82,544	82,544	82,536	82,302
Retained earnings	388,077	346,510	308,268	276,397	250,400	250,409
Unrealized gains (losses) on securities	13,230	8,167	6,079	116	(246)	4,846
Foreign currency translation adjustments	(9,825)	(17,123)	(15,603)	(11,386)	(6,759)	(14,089)
Common stock in treasury, at cost	(44,749)	(44,558)	(44,400)	(44,287)	(141)	(3)
Total shareholders' equity	496,164	441,927	403,257	369,753	392,149	389,592
Total liabilities, minority interest in subsidiaries and shareholders' equity	¥1,149,377	¥1,097,548	¥1,092,067	¥1,090,131	¥1,071,190	¥833,001

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Based on Japanese GAAP)

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

In millions of yen

	2006	2005	2004	2003	2002	2001
Revenue	**¥567,315**	¥547,230	¥527,409	¥523,271	¥497,921	¥454,960
Percentage change from prior year	***3.7%***	*3.8%*	*0.8%*	*5.1%*	*9.4%*	*10.8%*
Cost of revenue	**351,020**	341,466	324,759	325,952	319,826	278,911
As a percentage of revenue	***61.9***	*62.4*	*61.6*	*62.3*	*64.2*	*61.3*
Gross profit	**216,294**	205,764	202,650	197,319	178,094	176,049
As a percentage of revenue	***38.1***	*37.6*	*38.4*	*37.7*	*35.8*	*38.7*
Selling, general and administrative expenses	**122,185**	122,720	121,363	124,416	135,071	110,787
As a percentage of revenue	***21.5***	*22.4*	*23.0*	*23.8*	*27.2*	*24.4*
Operating profit	**94,109**	83,043	81,286	72,902	43,022	65,261
As a percentage of revenue	***16.6***	*15.2*	*15.4*	*13.9*	*8.6*	*14.3*
Non-operating income	**15,792**	11,942	7,798	8,672	8,088	11,333
Non-operating expenses	**13,232**	11,507	12,841	11,512	9,569	10,320
Ordinary profit	**96,669**	83,478	76,243	70,063	41,541	66,274
As a percentage of revenue	***17.1***	*15.3*	*14.5*	*13.4*	*8.3*	*14.6*
Extraordinary profit	**9,349**	11,381	31,860	13,587	33,491	24,618
Extraordinary loss	**11,189**	10,105	24,892	15,728	53,150	26,597
Income before income taxes	**94,829**	84,754	83,211	67,921	21,882	64,295
As a percentage of revenue	***16.7***	*15.5*	*15.8*	*13.0*	*4.4*	*14.1*
Income taxes—current	**34,888**	28,723	30,962	27,808	37,095	30,011
Income taxes—deferred	**3,131**	4,145	8,985	2,171	(23,550)	(2,057)
Minority interest in subsidiaries	**3,815**	3,367	2,152	2,358	(1,246)	801
Net income	**52,994**	48,517	41,111	35,583	9,583	35,540
As a percentage of revenue	***9.3***	*8.9*	*7.8*	*6.8*	*1.9*	*7.8*
Percentage change from prior year	***9.2***	*18.0*	*15.5*	*271.3*	*(73.0)*	*(17.0)*

SUPPLEMENTAL NONCONSOLIDATED FINANCIAL DATA
(BASED ON JAPANESE GAAP)

CONTENTS

CONDENSED NONCONSOLIDATED BALANCE SHEETS

(Based on Japanese GAAP)

SECOM CO., LTD.
As of March 31

In millions of yen

ASSETS	2006	2005	2004	2003	2002	2001
Current assets:						
Cash on hand and in banks	¥167,097	¥135,400	¥117,302	¥ 93,044	¥101,946	¥ 77,581
Notes receivable	476	552	292	365	741	538
Due from subscribers	9,475	9,008	8,856	8,311	7,726	7,072
Accounts receivable, trade	6,447	6,228	5,372	4,695	6,719	5,089
Receivables—other	3,876	5,822	5,680	3,047	3,536	3,123
Short-term investments	451	451	451	7,951	1,479	6,312
Common stock in treasury	—	—	—	—	—	3
Merchandise	5,928	6,740	5,673	6,738	9,563	6,625
Supplies	950	1,056	1,123	1,420	1,649	1,326
Prepaid expenses	1,798	1,728	1,610	1,507	1,857	1,605
Deferred income taxes	4,531	4,629	5,890	4,642	4,096	3,063
Short-term loans	12,885	41,897	38,398	53,111	40,659	28,897
Other	2,314	2,614	2,526	2,367	2,458	2,683
Allowance for doubtful accounts	(604)	(2,299)	(5,216)	(3,602)	(2,959)	(2,245)
Total current assets	215,630	213,831	187,961	183,602	179,475	141,676
Fixed assets:						
Tangible assets:						
Buildings and improvements	22,811	23,943	25,836	28,777	20,576	23,006
Automobiles	166	132	145	525	634	679
Security equipment and control stations	59,442	59,836	60,684	60,220	75,216	70,511
Machinery and equipment	1,467	1,423	1,427	1,501	3,571	4,104
Tools, furniture and fixtures	4,379	4,514	3,990	3,678	3,383	3,316
Land	32,200	35,179	36,439	42,197	37,907	37,837
Construction in progress	1,919	1,692	2,862	1,463	2,011	2,327
Other	32	47	72	18	25	16
Intangible assets:						
Telephone rights	0	1,946	2,134	2,033	1,997	1,958
Telephone and telegraph utility rights	112	147	207	540	634	803
Software	6,420	6,401	8,935	10,957	10,535	11,422
Other	83	84	457	800	1,605	2,743
Investments and other:						
Investment securities	46,166	27,654	23,874	20,796	23,578	27,284
Investments in subsidiaries and affiliated companies	150,509	160,440	158,279	159,901	160,870	145,227
Long-term loans	58,740	17,305	23,385	10,059	9,748	11,242
Lease deposits	9,006	8,816	8,533	8,489	8,504	8,697
Long-term prepaid expenses	22,175	20,335	19,889	19,709	1,025	1,263
Prepaid pension and severance costs	8,670	1,257	—	—	—	—
Deferred income taxes	6,206	10,450	13,728	18,379	19,223	—
Fund for insurance	4,893	5,153	5,761	5,761	5,406	5,766
Other	955	2,877	7,245	4,889	6,149	5,657
Allowance for doubtful accounts	(7,998)	(4,760)	(11,306)	(1,596)	(1,311)	(1,205)
Total fixed assets	428,359	384,880	392,586	399,104	391,293	362,662
Total assets	¥643,990	¥598,711	¥580,547	¥582,707	¥570,769	¥504,339

In millions of yen

LIABILITIES	2006	2005	2004	2003	2002	2001
Current liabilities:						
Accounts payable	¥ 3,168	¥ 2,113	¥ 2,160	¥ 2,121	¥ 1,813	¥ 1,908
Bank loans	26,069	31,473	35,663	53,503	15,234	20,157
Current portion of straight and convertible bonds	30,000	—	18	—	33	—
Payables—other	12,987	10,201	10,358	9,605	10,167	10,722
Payables—construction	3,634	3,113	4,666	3,535	3,514	4,328
Accrued income taxes	15,312	10,279	10,570	6,806	18,163	13,904
Accrued consumption taxes	1,509	1,306	2,232	2,157	1,839	1,669
Accrued expenses	651	599	634	576	619	5,713
Deposits received	34,442	31,146	33,958	24,749	20,867	15,681
Deferred revenue—service charges	22,371	21,727	21,247	21,048	20,108	19,583
Accrued bonus	5,232	4,967	4,710	4,920	4,939	—
Other	1,938	1,764	1,797	1,679	933	768
Total current liabilities	157,317	118,694	128,019	130,706	98,234	94,436
Fixed liabilities:						
Straight and convertible bonds	—	30,000	30,000	30,018	30,018	518
Long-term loans	—	—	2,300	3,700	—	—
Guarantee deposits received	18,244	18,014	17,009	16,721	16,445	15,784
Deferred income taxes	—	—	—	—	—	581
Accrued pension and severance costs	5,581	5,713	5,356	30,378	31,341	1,999
Accrued retirement benefits for directors and corporate auditors	1,201	—	—	—	—	—
Other	—	—	—	—	—	120
Total fixed liabilities	25,027	53,728	54,665	80,818	77,805	19,003
Total liabilities	182,344	172,423	182,684	211,524	176,039	113,439
SHAREHOLDERS' EQUITY						
Common stock	66,377	66,377	66,368	66,368	66,360	66,126
Capital surplus:						
Additional paid-in capital	83,054	82,553	82,544	82,544	82,536	82,302
Total capital surplus	83,054	82,553	82,544	82,544	82,536	82,302
Retained earnings:						
Legal reserve	9,028	9,028	9,028	9,028	9,028	8,077
Voluntary reserve:						
Reserve for systems development	800	800	800	800	800	800
Reserve for tax deferral on asset replacement	24	25	26	27	28	30
General reserve	2,212	2,212	2,212	2,212	2,212	2,212
Total voluntary reserve	3,036	3,037	3,038	3,039	3,040	3,042
Unappropriated retained earnings	339,293	306,766	279,338	254,364	233,263	226,776
Total retained earnings	351,358	318,832	291,405	266,431	245,332	237,895
Unrealized gains on securities	5,604	3,082	1,944	124	642	4,575
Common stock in treasury, at cost	(44,749)	(44,558)	(44,400)	(44,287)	(141)	—
Total shareholders' equity	461,646	426,288	397,862	371,182	394,729	390,899
Total liabilities and shareholders' equity	¥643,990	¥598,711	¥580,547	¥582,707	¥570,769	¥504,339

CONDENSED NONCONSOLIDATED STATEMENTS OF INCOME

(Based on Japanese GAAP)

SECOM CO., LTD.
Years ended March 31

In millions of yen

	2006	2005	2004	2003	2002	2001
Revenue	**¥313,096**	¥297,782	¥288,493	¥278,610	¥274,669	¥257,008
Percentage change from prior year	***5.1%***	*3.2%*	*3.5%*	*1.4%*	*6.9%*	*6.0%*
Service charges	**272,876**	261,918	256,883	250,237	244,014	230,722
Percentage change from prior year	***4.2***	*2.0*	*2.7*	*2.5*	*5.8*	*5.4*
Sales of merchandise	**40,220**	35,863	31,610	28,373	30,654	26,285
Percentage change from prior year	***12.1***	*13.5*	*11.4*	*(7.4)*	*16.6*	*11.9*
Costs	**171,803**	164,518	159,018	155,499	162,427	141,310
As a percentage of revenue	***54.9***	*55.2*	*55.1*	*55.8*	*59.1*	*55.0*
Cost of service	**142,473**	138,298	136,144	135,315	140,000	122,456
As a percentage of service charges	***52.2***	*52.8*	*53.0*	*54.1*	*57.4*	*53.1*
Cost of sales	**29,329**	26,219	22,873	20,184	22,427	18,853
As a percentage of merchandise sales	***72.9***	*73.1*	*72.4*	*71.1*	*73.2*	*71.7*
Gross profit	**141,293**	133,263	129,475	123,111	112,241	115,698
As a percentage of revenue	***45.1***	*44.8*	*44.9*	*44.2*	*40.9*	*45.0*
Gross profit on service	**130,402**	123,620	120,738	114,921	104,013	108,266
As a percentage of service charges	***47.8***	*47.2*	*47.0*	*45.9*	*42.6*	*46.9*
Gross profit on sales	**10,890**	9,643	8,736	8,189	8,227	7,432
As a percentage of merchandise sales	***27.1***	*26.9*	*27.6*	*28.9*	*26.8*	*28.3*
Selling, general and administrative expenses	**69,121**	67,232	65,244	68,943	73,339	62,484
As a percentage of revenue	***22.0***	*22.6*	*22.6*	*24.8*	*26.7*	*24.3*
Operating profit	**72,172**	66,031	64,231	54,167	38,901	53,214
As a percentage of revenue	***23.1***	*22.2*	*22.3*	*19.4*	*14.2*	*20.7*
Non-operating income	**6,299**	6,241	4,817	4,288	4,661	7,211
Non-operating expenses	**7,506**	6,052	6,892	4,942	4,671	7,186
Ordinary profit	**70,964**	66,219	62,156	53,513	38,891	53,239
As a percentage of revenue	***22.7***	*22.2*	*21.5*	*19.2*	*14.2*	*20.7*
Extraordinary profit	**6,147**	1,083	25,462	6,543	28,211	23,246
Extraordinary loss	**5,615**	5,915	29,860	7,535	38,712	24,570
Income before income taxes	**71,496**	61,388	57,758	52,521	28,390	51,915
As a percentage of revenue	***22.8***	*20.6*	*20.0*	*18.9*	*10.3*	*20.2*
Provision for income taxes	**27,617**	23,684	23,475	21,736	11,441	21,319
Effective tax rate	***38.6***	*38.6*	*40.6*	*41.4*	*40.3*	*41.1*
Net income	**43,879**	37,704	34,282	30,784	16,948	30,595
As a percentage of revenue	***14.0***	*12.7*	*11.9*	*11.0*	*6.2*	*11.9*
Percentage change from prior year	***16.4***	*10.0*	*11.4*	*81.6*	*(44.6)*	*1.1*

CORPORATE INFORMATION

(As of June 30, 2006)

Headquarters:	5-1, Jingumae 1-chome, Shibuya-ku, Tokyo 150-0001, Japan
Independent auditors:	KPMG AZSA & Co.
Administrator of the register of shareholders:	Mitsubishi UFJ Trust and Banking Corporation 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8212, Japan

MAJOR CONSOLIDATED SUBSIDIARIES

	Issued capital (In millions of yen)	Percentage of equity/ voting rights	Lines of business
Domestic			
<Security services>			
Secom Joshinetsu Co., Ltd.	¥3,530	(50.9)%	Security services
Secom Hokuriku Co., Ltd.	201	59.1	Security services
Secom Yamanashi Co., Ltd.	15	70.0	Security services
Secom Mie Co., Ltd.	50	51.0	Security services
Secom Sanin Co., Ltd.	286	67.0	Security services
Secom Miyazaki Co., Ltd.	30	68.3	Security services
Secom Jastic Co., Ltd.	210	100.0	Security services
Secom Jastic Joshinetsu Co., Ltd.	40	(100.0)	Security services
Secom Jastic Hokuriku Co., Ltd.	10	(100.0)	Security services
Secom Jastic Miyazaki Co., Ltd.	10	(100.0)	Security services
Secom Jastic Akita Co., Ltd.	10	100.0	Security services
Secom Jastic Sanin Co., Ltd.	10	(100.0)	Security services
Secom Jastic Yamanashi Co., Ltd.	10	(100.0)	Security services
Secom Static Hokkaido Co., Ltd.	50	100.0	Security services
Secom Static Tohoku Co., Ltd.	50	100.0	Security services
Secom Static Nishi-Nihon Co., Ltd.	50	100.0	Security services
Secom Static Kansai Co., Ltd.	50	100.0	Security services
Secom Sado Co., Ltd.	24	(52.3)	Security services
JK. Siress Co., Ltd.	10	(100.0)	Security services
Japan Safety Guard Co., Ltd.	100	60.0	Security services
Meian Co., Ltd.	60	51.0	Security services
Secom Techno Service Co., Ltd.	2,358	(67.8)	Installation and maintenance of security equipment
Secom Tech Sanin Co., Ltd.	23	(52.2)	Installation of security equipment
Secom Techno Joshinetsu Co., Ltd.	20	(79.1)	Installation of security equipment
Secom Win Co., Ltd.	15	(66.7)	Installation of security equipment and facilities
Secom Maintenance Joshinetsu Co., Ltd.	10	(100.0)	Maintenance of equipment
TES Co., Ltd.	20	(100.0)	Maintenance of equipment
Secom Tohoku Enterprise Co., Ltd.	100	(100.0)	Design, construction and maintenance of facilities
Secom Industries Co., Ltd.	499	100.0	Manufacturing of security equipment
Otec Electronics Co., Ltd.	200	76.0	Manufacturing and sales of security systems
Secom Alpha Co., Ltd.	271	100.0	Sales of security and water-treatment equipment
Yanoshin Air Conditioning Co., Ltd.	80	(100.0)	Sales of air-conditioning equipment
<Medical services>			
Secom Medical System Co., Ltd.	200	100.0	Home health/nursing care and other medical-related services
Seisho Corporation	10	(100.0)	Maintenance of medical facilities
Koyu Co., Ltd.	10	(100.0)	Sales of medical and other supplies
Kyokushin Shoji Co., Ltd.	10	(100.0)	Management of real estate
Mac Corporation	95	(100.0)	Sales of medical equipment
Yoshikikaku Co., Ltd.	20	(100.0)	Operation of restaurants and shops at medical facilities
Kensei Co., Ltd.	100	(100.0)	Management of pharmacies
Ryomay Royal Life Co., Ltd.	210	51.8	Management of nursing homes
Alive Medicare Co., Ltd.	50	(100.0)	Management of nursing homes
Japan Life Plus Medical Co., Ltd.	10	(100.0)	Medical-related services
Secom Medical Resource Co., Ltd.	10	(100.0)	Medical staffing solutions
Secomfort Co., Ltd.	100	(100.0)	Management of nursing homes
Secomfort West Co., Ltd.	10	(100.0)	Management of nursing homes
US Chemical Co., Ltd.	3	(100.0)	Management of pharmacies
<Insurance services>			
Secom Insurance Service Co., Ltd.	225	(100.0)	Non-life insurance agency
Secom General Insurance Co., Ltd.	5,611	83.2	Non-life insurance

(*Continued*)

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

MAJOR CONSOLIDATED SUBSIDIARIES

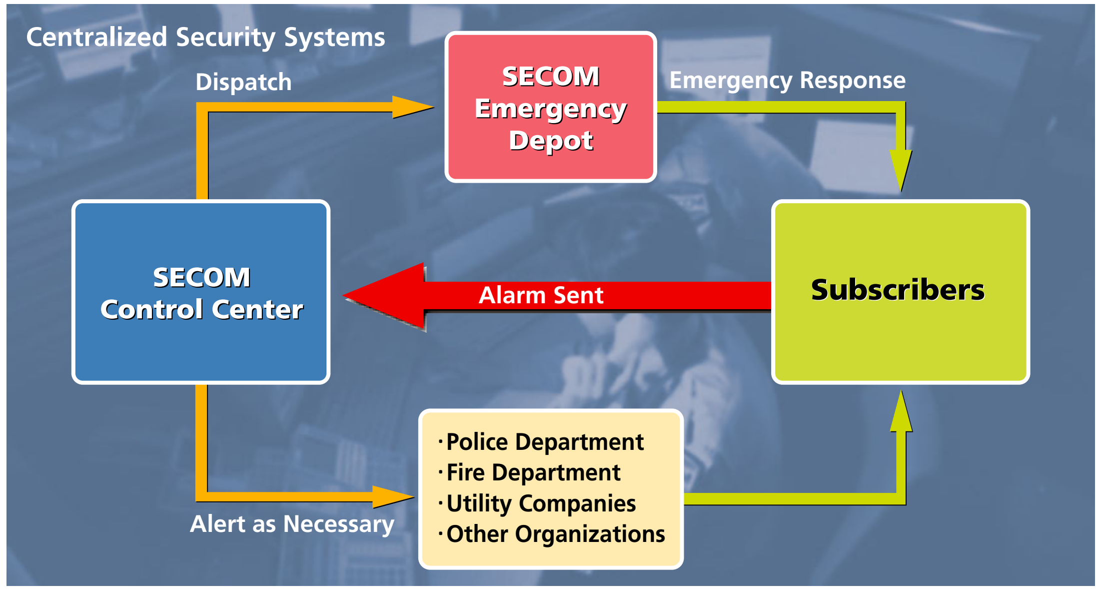
	Issued capital (In millions of yen)	Percentage of equity/ voting rights	Lines of business
<Geographic information services>			
Pasco Corporation	¥8,758	69.8%	Geographic information services
Pasco Road Center Co., Ltd.	50	(72.2)	Geographic information services
Urban Environmental Improvement Center Co., Ltd.	50	(95.0)	Geographic information services
GIS Hokkaido Co., Ltd.	190	(100.0)	Geographic information services
GIS Tohoku Co., Ltd.	50	(73.3)	Geographic information services
GIS Hokuriku Co., Ltd.	20	(100.0)	Geographic information services
GIS Kanto Co., Ltd.	40	(52.6)	Geographic information services
GIS Tokyo Co., Ltd.	100	(100.0)	Geographic information services
GIS Tokai Co., Ltd.	50	(100.0)	Geographic information services
GIS Kansai Co., Ltd.	50	(68.0)	Geographic information services
GIS Shikoku Co., Ltd.	30	(86.2)	Geographic information services
GIS Kyushu Co., Ltd.	50	(93.1)	Geographic information services
Tokyo Digital Map Co., Ltd.	60	(100.0)	Geographic information services
Pasco Space Mapping Technology Co., Ltd.	25	(100.0)	Geographic information services
<Information and communication related and other services>			
Secom Trust Systems Co., Ltd.	1,469	99.9	Information, communication, cyber security services and software development
Laboratory for Innovators of Quality of Life	100	(94.5)	Research and planning of social life
Cable Net Niigata Co., Ltd.	2,142	(92.1)	CATV broadcasting service
Japan Image Communications Co., Ltd.	487	95.2	Commissioned broadcasting service
Secom Home Life Co., Ltd.	3,700	99.9	Development of residential buildings
Arai & Co., Ltd.	3,000	(93.0)	Real estate leasing
Stappy, Inc.	5	100.0	Management of real estate
Arai Corporation, Inc.	10	(100.0)	Management of real estate
Secom Credit Co., Ltd.	400	100.0	Credit services
Secom Corporation	100	100.0	Printing services
Secom Auto Service Co., Ltd.	45	100.0	Car maintenance
Wonder Dream Co., Ltd.	490	100.0	Employee welfare for SECOM Group
Secom Staff Service Co., Ltd.	50	(100.0)	Employment agency
The Windsor Hotels International Co., Ltd.	165	90.0	Hotel management

	Issued capital	Percentage of equity/ voting rights	Lines of business
Overseas			
<Security services>			
Secom Plc	£39,126 thousand	100.0%	Security services
Secom (China) Co., Ltd.	Rmb332,170 thousand	100.0	Holding company
Dalian Secom Security Co., Ltd.	Rmb17,228 thousand	(95.0)	Security services
Shanghai Secom Security Co., Ltd.	Rmb29,122 thousand	(90.0)	Security services
Beijing Jingdun Secom Electronic Security Co., Ltd.	Rmb20,792 thousand	(80.0)	Security services
Qingdao Secom Security Co., Ltd.	Rmb8,298 thousand	(80.0)	Security services
Shenzhen Secom Security System Co., Ltd.	US$2,000 thousand	(90.0)	Security services
P.T. Secom Indopratama	US$3,950 thousand	94.9	Security services
Thaisecom Pitakkij Co., Ltd.	THB300 million	88.4	Security services
Secominter (Australia) Pty. Ltd.	AUD31.5 million	100.0	Holding company
Secom Australia Pty. Ltd.	AUD32.0 million	(100.0)	Security services
Secom Vietnam Joint Venture Co.	US$600 thousand	80.0	Security service-related consulting
<Other services>			
The Westec Security Group, Inc.	US$0.3 thousand	100.0	Holding company
ClearLight Partners, LLC	US$140,610 thousand	(99.7)	Investment
Asia Pacific Business Link Ltd.	US$9,670 thousand	88.6	Holding company; housing-related business
Shanghai Asia Pacific Property Co., Ltd.	US$5,000 thousand	(100.0)	Housing-related business
P.T. Nusantara Secom Infotech	US$3,304 thousand	(100.0)	Geographic information services and software development
Pasco-Certeza Computer Mapping Corporation	PHP8,400 thousand	(70.0)	Geographic information services
Suzhou Super Dimension Earth Science Research and Development Co., Ltd.	Rmb1,000 thousand	(92.0)	Geographic information services
Pasco China Corporation	Rmb5,284 thousand	(100.0)	Geographic information services
Pasco Thailand Co., Ltd.	THB30,979 thousand	(100.0)	Geographic information services
FM-International Oy FINNMAP	EUR323 thousand	(55.0)	Geographic information services
Pasco North America Inc.	US$171 thousand	(100.0)	Geographic information services
Pasco Geomatics India Pvt. Ltd.	INR5,575 thousand	(100.0)	Geographic information services
Gold Stone Investment Inc.	US$3 thousand	(100.0)	Investment

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

SECOM GROUP'S BASIC BUSINESS AREAS

SECOM offers a wide range of services and products that help provide peace of mind in today's rapidly changing society.



Security Services

Centralized Security Systems

Commercial Use:

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

Residential Use:

- **SECOM HOME SECURITY**
  SECOM Home Security is a comprehensive home security system combining basic intrusion- and fire-prevention services and emergency call services, as well as gas leak monitoring and medical emergency call service options. The system is linked around the clock with a SECOM control center, where personnel respond immediately in the event of a problem by dispatching emergency response personnel and, if necessary, contacting the appropriate authorities. Subscribers are also eligible for telephone health counseling and other services offered through SECOM Medical Club. Subscribers in certain areas also have access to SECOM Home Services, a suite of lifestyle support services.
- **SECOM CONDOMINIUM SECURITY SYSTEMS**
  SECOM condominium security systems provide comprehensive building management functions for condominiums and total safety with a centralized security system for each unit in the building. SECOM MS-3, the top-of-the-line system, can be used for buildings of any size, either as a retrofit or a new installation.

Large-Scale Proprietary Systems

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

COCO-SECOM

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

Static Guard Services

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

Armored Car Services

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

Merchandise

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

Medical Services

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

Insurance Services

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

Geographic Information Services

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

Information and Communication Related and Other Services

- **SECURE DATA CENTER**
  The Secure Data Center provides a comprehensive service for e-business that combines SECOM's expertise in both physical and cyber security.
- **SECOM DATA SAFE**
  SECOM Data Safe is a high-security computer server repository that combines advanced physical and cyber security.
- **DIGITAL AUTHENTICATION SERVICES**
  SECOM offers public key infrastructure (PKI) services that provide an effective means of establishing credibility among Internet users, including issuance of digital certificates and a set-up and operating service for organizations that wish to establish their own digital certificate authority.
- **NETWORK SECURITY MONITORING SERVICES**
  SECOM provides security and stability for clients' IT systems around the clock. SECOM monitors and reports on threats to security, and on network operating status and network traffic.
- **DISASTER RESPONSE SERVICES**
  SECOM offers a variety of services, including SECOM Safety Confirmation Service, which helps commercial subscribers ascertain the safety of employees and collect and share information in the event of a major disaster, thereby assisting them to reopen for business as soon as possible.
- **SECOM FINE FOODS**
  SECOM Fine Foods is a line of quality food products marketed through mail order catalogs and the Internet.
- **REAL ESTATE DEVELOPMENT AND SALES**
  SECOM offers Glorio condominiums.

DIRECTORS, CORPORATE AUDITORS AND EXECUTIVE OFFICERS

Directors

Makoto Iida
Founder

Juichi Toda
Co-Founder

Toshitaka Sugimachi
Advisor

Shohei Kimura
Chairman

Kanemasa Haraguchi
President and Representative Director

Nobuyuki Sasaki
Senior Executive Director

Katsuhisa Kuwahara
Executive Director

Shuji Maeda
Executive Director

Katsuo Akiyama
Executive Director

Shinobu Iida
Executive Director

Fumio Obata
Director

Corporate Auditors

Teruo Ogino
Ken Tsunematsu
Hiroshi Yasuda
Kohei Yamashita

Executive Officers

Shohei Kimura
Chairman

Kanemasa Haraguchi
President and Representative Director

Nobuyuki Sasaki
Senior Executive Director

Katsuhisa Kuwahara
Executive Director

Seiichiro Kobayashi
Managing Executive Officer

Shuji Maeda
Executive Director

Katsuo Akiyama
Executive Director

Shinobu Iida
Executive Director

Koichi Sato
Managing Executive Officer

Yushiro Ito
Managing Executive Officer

Seiichi Mori
Executive Officer

Fumio Obata
Director

Hiroshi Ito
Executive Officer

Shunji Ogahara
Executive Officer

Kiyomasa Sugii
Executive Officer

Minoru Takaoka
Executive Officer

Yoshihiro Chino
Executive Officer

Mamoru Sasaki
Executive Officer

Akira Tsutsumi
Executive Officer

Tomoo Toya
Executive Officer

Hideo Morishita
Executive Officer

Tsuneo Komatsuzaki
Executive Officer

Seiji Sakamoto
Executive Officer

Kazuaki Anzai
Executive Officer

Takayuki Ito
Executive Officer

Ryohei Komatsu
Executive Officer

(As of June 27, 2006)