



Notice of Convocation

The 49th Ordinary General Meeting of Shareholders

The following is an English translation of the Notice of Convocation of the 49th Ordinary General Meeting of Shareholders of SECOM CO., LTD. to be held on June 25, 2010, except for the translation of the INSTRUCTION ON ONLINE VOTING and the ACCESS MAP FOR THE PLACE OF THE MEETING in the Notice. The Company provides this translation for your reference and convenience only and without any warranty as to its accuracy or otherwise.

Table of Contents

Notice of Convocation of The 49th Ordinary General Meeting of Shareholders	4
[Attached Documents]	
Business Report	8
I. Outline of the Group's Business	8
1. The Current Business Development and Results of Operations	8
2. Issues the Group Has to Cope with	12
3. Capital Investments	12
4. Fund Raising	13
5. Trends in Earnings and Assets	13
6. Matters Concerning Principal Subsidiaries	16
7. Principal Business of the Group	17
8. Principal Offices of the Group	17
9. Matters Concerning Employees of the Group and the Company	18
10. Primary Lenders	18
11. Other Important Matters Concerning the Group	18
II. Matters Concerning the Company's Shares and Shareholders	20
1. Total Number of Shares to be Issued	20
2. Total Number of Issued Shares	20
3. Number of Shareholders at the End of the Fiscal Year	20
4. Number of Shares Constituting a Unit of Shares	20
5. Major Shareholders	20
III. Directors and Corporate Auditors	22
1. Names and Titles of Directors and Corporate Auditors	22
2. Remuneration of Directors and Corporate Auditors	24
3. Outside Corporate Auditors	26
IV. Accounting Auditors	28
1. Name of Accounting Auditors	28
2. Remuneration of Accounting Auditors	28
3. Non-Audit Duties	28
4. Policy for Decision for Dismissal or Non-reappointment	28
V. System under which the Company's Business is Ensured to be Properly Executed	30
1. Basic Policy Regarding Internal Control System	30
2. Organizations, etc. Relating to Internal Control System	38

Consolidated Balance Sheet	41
Consolidated Statement of Income	42
Consolidated Statement of Changes in Net Assets	43
Notes to Consolidated Financial Statements	44
Non-Consolidated Balance Sheet	65
Non-Consolidated Statement of Income	66
Non-Consolidated Statement of Changes in Net Assets	67
Notes to Non-Consolidated Financial Statements	69
Certified Copy of the Accounting Auditors' Report (Consolidated)	78
Certified Copy of the Accounting Auditors' Report (Non-Consolidated)	79
Certified Copy of the Board of Corporate Auditors' Report	80
Reference Document Concerning the General Meeting of Shareholders	82

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

June 4, 2010

Notice of Convocation of The 49th Ordinary General Meeting of Shareholders

Dear Shareholders:

You are cordially invited to attend the 49th Ordinary General Meeting of Shareholders of SECOM CO., LTD. (the “Company”).

If you are unable to attend the aforesaid meeting, you are respectfully requested to review the “Reference Document Concerning the General Meeting of Shareholders” below and exercise your voting right on or before 6:00 p.m., Thursday, June 24, 2010 (Tokyo time), by either of the methods stated below:

[By mail]

Please indicate on the Voting Right Exercise Form enclosed herewith your consent or dissent to the proposals on the agenda, and return the form to the Company by mail so as to arrive us before the aforesaid deadline for the exercise of voting right.

[Via the Internet]

Please access the designated website for exercising voting rights (<http://www.evote.jp/>) from your personal computers by using the “log in ID” and “temporary password” stated on the enclosed Voting Right Exercise Form. Then, please indicate your consent or dissent to the proposals on the agenda by following the instructions on the display screen before the aforesaid deadline for the exercise of voting right.

Yours very truly,

SECOM CO., LTD.

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

By: SHUJI MAEDA

President and Representative
Director

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

PARTICULARS

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

Friday, June 25, 2010 at 10:00 a.m.

2. **Place of the Meeting:**

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

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

Matters to be Reported:

1. Report on the Business Report, the Consolidated Financial Statements for the 49th Fiscal Year (from April 1, 2009 to March 31, 2010) and the Results on the Audits of Consolidated Financial Statements by the Accounting Auditors and the Board of Corporate Auditors.
2. Report on the Non-Consolidated Financial Statements for the 49th Fiscal Year (from April 1, 2009 to March 31, 2010).

Matters to be Resolved upon :

First Item of Business: **Proposed Distribution of Surplus**

Second Item of Business: **Election of Eleven (11) Directors**

4. **Matters related to Exercise of Voting Rights:**

(i) Non-uniform Exercise of Voting Rights

When the shares are owned by multiple owners but are registered in the name of a sole shareholder, each owner may want to exercise his/her voting rights independently from other owners. The law permits non-uniform exercise of voting rights by a registered shareholder in such a situation. In order to exercise non-uniform voting, the registered shareholder shall notify the Company to make non-uniform voting and the reason thereof not later than 3 days before the general meeting of shareholders.

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

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

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

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

(Notes)

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

(Notice)

If there occurs any changes in the contents of the Reference Document Concerning the General Meeting of Shareholders, the Business Report, the Consolidated Financial Statements for the 49th Fiscal Year (from April 1, 2009 to March 31, 2010), the Results on the Audits of Consolidated Financial Statements by the Accounting Auditors and the Board of Corporate Auditors, and the Non-Consolidated Financial Statements for the 49th Fiscal Year (from April 1, 2009 to March 31, 2010), the Company will announce such change on the Company's website (<http://www.secom.co.jp/>).

[Attached Documents]

Business Report (Fiscal Year Ended March 31, 2010)

I. Outline of the Group's Business

1. The Current Business Development and Results of Operations

During the current consolidated fiscal year, Japanese economy has not fully recovered due to persistent severe unemployment and recession led by overseas stagnancy and domestic deflation, although some signs of recovery of business earnings and bottoming out of flagging capital investments in the backdrop of recovery of overseas economy and Japan's emergency economic stimulus packages.

In this environment, we continued to respond to the increasing diverse and sophisticated needs of customers for security and peace of mind with the aim of establishing our "Social System Industry" vision, which realizes a society that provides "security and peace of mind for people whenever and wherever necessary." To this end, we stepped up efforts to provide high-grade services and products suited to customer needs in our core security services business, as well as in our fire protection services, medical services, insurance services, geographic information services, real estate development and sales, and information and communication related and other services businesses.

Despite these efforts, revenue for the current consolidated fiscal year decreased by 3.5% to Yen 654.6 billion, compared with the previous consolidated fiscal year. However, operating profit increased by 12.4% to Yen 98.5 billion and ordinary profit increased by 8.1% to Yen 98.3 billion, primarily due to the reduction of write-down on real estate inventories, to Yen 1.2 billion from Yen 8.3 billion in the previous fiscal year. Net income increased by 121.4% to Yen 47.6 billion. This was mainly attributable to Yen 20.6 billion loss on impairment of investment securities held by SECOM Co., Ltd., Secom General Insurance Co., Ltd. and Nohmi Bosai Ltd., etc. and shelving of the recognition of a portion of deferred tax assets at domestic subsidiaries in the previous fiscal year.

[English Translation]

(Millions of Yen)

	Revenue	Operating profit	Ordinary profit	Net income
Current fiscal year (FY2009)	654,678	98,539	98,327	47,611
Previous fiscal year (FY2008)	678,400	87,634	90,924	21,502

A breakdown by business segments are as follows:

In the security services business, we provided safety and peace of mind to customers by capitalizing on commercial and residential security services (on-line security systems), static guard services, armored car services and sales of merchandises as comprehensive security services. In the current fiscal year, we strived to tailor our services to customers' needs through more intensive visiting activities, along with enriching our services by improving system capability and usability, enhancing lifestyle support services for Secom Home Security subscribers. Outside Japan, we amplified our business foundation in People's Republic of China, and Southeast Asia, etc., and expanded sales of "SECOM-style" on-line security services by exploiting our accumulated experiences and expertise in Japan.

Revenue fell by 3.1% to Yen 414.6 billion and operating profit decreased by 3.0% to Yen 100.3 billion. These results were attributable to a decrease in construction revenue owing to decreases in large-scale constructions and scale-down of constructions, and decrease of sales of merchandise and yen amount of revenue of overseas subsidiaries due to foreign currency fluctuations.

In the fire protection services business, we provided a broad range of fire protection systems such as high-quality fire alarm systems and fire extinguishing systems to a wide variety of facilities such as office buildings, production facilities, tunnels, cultural properties, ships and residences. Also, we increased sales of renovations in fire protection systems with building renovations by making the use of solid trust of customers and good track records accumulated over the years, and strengthened business foundations.

Revenue decreased by 4.8% to Yen 80.1 billion and operating profit decreased by 21.8% to Yen 4.4 billion. These results reflected decreased sales of fire alarm systems for residences.

In the medical services business, we enhanced our core home medical services, including home nursing services and pharmaceutical dispensing and home delivery services, operation of residences for seniors, sales of electronic medical

[English Translation]

report systems, sales of medical equipments, personal care services, and the leasing of real estate for medical institutions.

Revenue increased by 7.1% to Yen 37.7 billion and operating profit increased by 48.3% to Yen 2.4 billion. These results were attributable to increase of revenue mainly from home medical services and contribution of a newly-consolidated subsidiary as well as the opening of residences for seniors, “Comfort Hills Rokko” in Rokko, Kobe City.

In the insurance services business, we expanded marketing efforts for our unique non-life insurance offerings, including Security Discount Fire Policy for commercial facilities and the comprehensive home fire insurance policy, SECOM *Anshin My Home*, that provides discounts on premiums to customers who have installed on-line security systems, recognizing such systems as a risk-mitigating factor; 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 aiming at helping patients overcome cancer by giving access to the best treatments.

Revenue rose by 4.2% to Yen 31.6 billion due to increase in net premiums written following brisk sales of unrestricted cancer treatment policy MEDCOM and improvements of investment income. Operating loss was Yen 36 million, compared to operating loss of Yen 0.3 billion in the previous fiscal year, owing to decrease in provision for reserve for natural disasters and decrease in selling, general and administrative expenses.

In the geographic information services business, we provided advanced geospatial data services for domestic national and local governmental agencies, GIS (Geographic Information System) –based operation support services for private sectors and geospatial data services for foreign governmental agencies, including developing countries’.

Revenue increased by 4.3% to Yen 41.9 billion and operating profit increased by 34.0% to Yen 2.4 billion owing to strict process management and cost-cutting efforts.

In the real estate development and sales business, we focused on the condominiums equipped with advanced security and disaster prevention systems. Amid a slump in the market for condominiums, we developed well-selected condominiums, further devoted sales promotions and reduced real estate inventories in line with future market projections by making appropriate price revisions along the proper market forecast the same as the previous fiscal year.

[English Translation]

Revenue downed by 39.9% to Yen 13.2 billion. Operating loss was Yen 3.1 billion, compared to operating loss of Yen 16.7 billion due to write-down on real estate inventories of Yen 8.3 billion recorded in the previous fiscal year (comparable in the current fiscal year being Yen 1.2 billion), in addition to sales of condominiums in the current fiscal year whose prices were drastically revised in the previous fiscal year.

The information and communication related and other services business covers information and communication related services and real estate leasing, etc. In the information and communication related services, we strived to provide comprehensive information network services, focusing on information security, development and management of business systems and major-disaster response services.

Revenue decreased by 7.8% to Yen 35.3 billion and operating profit decreased by 10.3% to Yen 3.9 billion .

Results by Business Segment (49th Fiscal Year – current consolidated fiscal year)

(Millions of Yen)

Business segment	Revenue			Operating profit (loss)
	Customers	Inter-segment	Total	
Security Services	414,637	9,173	423,811	100,361
Fire Protection Services	80,132	4,297	84,429	4,460
Medical Services	37,730	122	37,853	2,454
Insurance Services	31,659	2,982	34,641	(36)
Geographic Information Services	41,917	140	42,058	2,433
Real Estate Development and Sales	13,267	188	13,456	(3,169)
Information and Communication Related and Other Services	35,334	8,124	43,458	3,972
Total	654,678	25,030	679,708	110,476
Eliminations and Corporate Items	-	(25,030)	(25,030)	(11,936)
Consolidated revenue	654,678	-	654,678	98,539

With respect to the results by geographical segments, in Japan, revenue decreased by 3.5% to Yen 634.9 billion , and operating profit increased by 10.1% to Yen 108.2 billion . In other regions, revenue decreased by 3.0% to Yen 19.7 billion and operating profit decreased by 6.0% to Yen 1.0 billion due to the appreciation of yen, although revenue of overseas subsidiaries providing security services increased at the local currency level as a result of strengthening business foundation in countries and regions such as Southeast Asia and China, whose economies are continuously expanding.

[English Translation]

2. Issues the Group Has to Cope with

As society undergoes constant change, people's demand for security and safety increases, and such demand shows diversification and sophistication.

In view of this situation, the Secom Group is aiming to realize a "Social System Industry" through providing various services and products, mainly in our core Security Services, and also in Fire Protection Services, Medical Services, Insurance Services, Geographic Information Services, Real Estate Development and Sales, and Information and Communication Related and Other Services, that can help realize more secured, convenient, and comfortable society. Moreover, by combining these services and products, the Group endeavors to create and supply unique services and products, which would not have been able to realize without such combination. To this end, we are striving to develop and provide customer-oriented services and high-quality systems that can earn the trust of our customers. Simultaneously we are working to provide comprehensive services by maximizing the SECOM Group's capabilities. Furthermore, we will aggressively develop overseas businesses and seek further growth, taking advantage of know-how we have cultivated in Japan. We are also continually improving operations throughout the Group to enhance management efficiency.

We look forward to the support of our shareholders in these and all of our endeavors.

3. Capital Investments

Capital investment for the current consolidated fiscal year totaled Yen 45.5 billion (a breakdown is given below). A major portion, Yen 30.8 billion, was in system investments (including those for security equipment and control stations), etc. in the Security Services segment.

Business segment	(Millions of Yen)
Security Services	30,846
Fire Protection Services	2,197
Medical Services	3,783
Insurance Services	3,342
Geographic Information Services	1,644
Real Estate Development and Sales	3
Information and Communication Related and Other Services	4,848
Subtotal	46,667
Eliminations and Corporate Items	(1,116)
Total	45,550

4. Fund Raising

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

5. Trends in Earnings and Assets

(1) Trends in Earnings and Assets of the Group

(Millions of Yen except for net income per share)

Category \ Fiscal years	46th fiscal year (4/1/2006– 3/31/2007)	47th fiscal year (4/1/2007– 3/31/2008)	48th fiscal year (4/1/2008– 3/31/2009)	49th fiscal year (current consolidated fiscal year) (4/1/2009– 3/31/2010)
Revenue	613,976	682,619	678,400	654,678
Operating profit	97,840	104,706	87,634	98,539
Ordinary profit	102,720	114,278	90,924	98,327
Net income	58,299	61,506	21,502	47,611
Net income per share (Yen)	259.14	273.40	96.69	218.37
Total assets	1,169,182	1,202,840	1,090,483	1,081,679
Net assets	601,116	630,274	582,608	625,153

[English Translation]

(2) Trends in Earnings and Assets of the Company

(Millions of Yen except for net income per share)

Fiscal years Category	46th fiscal year (4/1/2006 - 3/31/2007)	47th fiscal year (4/1/2007 - 3/31/2008)	48th fiscal year (4/1/2008 - 3/31/2009)	49th fiscal year (current fiscal year) (4/1/2009 - 3/31/2010)
Revenue	326,076	337,611	336,893	328,773
Operating profit	73,404	74,155	72,616	71,527
Ordinary profit	76,583	79,187	78,346	77,462
Net income	47,245	50,046	32,414	45,806
Net income per share (Yen)	210.00	222.46	145.76	210.09
Total assets	654,791	673,043	679,858	668,207
Net assets	494,154	521,529	504,932	532,931

In the current fiscal year, the Company's revenue decreased by 2.4% to Yen 328.7 billion, operating profit fell by 1.5% to Yen 71.5 billion, ordinary profit decreased by 1.1% to Yen 77.4 billion, and net income increased by 41.3% to Yen 45.8 billion. Net income per share increased to Yen 210.09 from Yen 145.76 for the previous fiscal year.

Contract revenue accounted for 88.6% of total revenue, or Yen 291.3 billion, and sale of products and equipment accounted for 11.4% of total revenue, or Yen 37.4 billion.

Revenue from centralized system contracts, which is the core of revenue and profit in contract revenue, recorded Yen 240.4 billion and accounted for 73.1% of total revenue. Static guard contracts generated revenue of Yen 24.7 billion, and revenue from armored car services came to Yen 17.0 billion. The remaining contract revenue amounted to Yen 9.0 billion, of which the majority came from fees paid by subsidiaries and other companies for advisory services.

Product sales totaled Yen 26.7 billion, 8.2% of total revenue, and equipment sales to subsidiaries and other companies totaled Yen 10.6 billion, 3.2% of total revenue.

Operating profit was Yen 71.5 billion, which was achieved by putting cost control measures in place to reduce sales and general administrative expenses materially. Non-operating income was Yen 9.2 billion, which included interest and dividends received, while non-operating expenses, made up of expenses such as interest paid and losses on sales and disposal of fixed assets, totaled Yen 3.2 billion. As a result, ordinary profit was Yen 77.4 billion.

[English Translation]

In the previous fiscal year, the Company recorded extraordinary losses of Yen 27.0 billion, including loss on impairment of investment securities in subsidiaries and affiliates of Yen 14.1 billion. In the current fiscal year, extraordinary losses was Yen 4.6 billion, including Yen 1.2 billion losses related to the Government's spectrum reallocation (*) and Yen 1.1 billion losses on sales of investment securities in subsidiaries and affiliates. As a result, net income came to Yen 45.8 billion.

(*) "Losses related to spectrum reallocation" relates to the replacement of equipments due to the spectrum reallocation led by the Government so that the existing spectrum system allotted to COCO-Secom, will no longer be available for the existing equipment after July 2012.

Revenue by Business Category of the Company

Fiscal years Category		47th fiscal year (4/1/2007-3/31/2008)			48th fiscal year (4/1/2008-3/31/2009)			49th fiscal year (Current fiscal year) (4/1/2009-3/31/2010)		
		Amount (millions of Yen)	%	Change (%)	Amount (millions of Yen)	%	Change (%)	Amount (millions of Yen)	%	Change (%)
Contract revenue	Centralized systems	238,507	70.6	3.2	241,618	71.7	1.3	240,417	73.1	(0.5)
	Static guard services	25,480	7.6	12.9	25,809	7.7	1.3	24,781	7.5	(4.0)
	Armored car services	16,684	4.9	(2.9)	17,456	5.2	4.6	17,040	5.2	(2.4)
	Other	10,676	3.2	(5.7)	9,502	2.8	(11.0)	9,086	2.8	(4.4)
	Subtotal	291,350	86.3	3.2	294,386	87.4	1.0	291,325	88.6	(1.0)
Sales	Products	31,905	9.4	8.0	30,987	9.2	(2.9)	26,788	8.2	(13.6)
	Equipment	14,355	4.3	0.4	11,518	3.4	(19.8)	10,659	3.2	(7.5)
	Subtotal	46,261	13.7	5.5	42,506	12.6	(8.1)	37,447	11.4	(11.9)
Total		337,611	100.0	3.5	336,893	100.0	(0.2)	328,773	100.0	(2.4)

6. Matters Concerning Principal Subsidiaries

Company name	Issued capital	Percentage of ownership (percentage of voting rights)	Principal business activities
Secom Joshinetsu Co., Ltd.	(Millions of Yen) 3,530	(%) 50.87 (50.88)	Security, safety
Secom Techno Service Co., Ltd.	(Millions of Yen) 2,357	(%) 67.79 (67.85)	Installation and maintenance of security systems
Nohmi Bosai Ltd.	(Millions of Yen) 13,302	(%) 50.36 (50.93)	Comprehensive fire protection services
Secom Medical System Co., Ltd.	(Millions of Yen) 6,545	(%) 100.00 (100.00)	Home medical services and remote image diagnosis support services
Secom General Insurance Co., Ltd.	(Millions of Yen) 16,808	(%) 97.11 (97.40)	Non-life insurance
Pasco Corporation	(Millions of Yen) 8,758	(%) 69.84 (73.02)	Surveying, measuring and geographic information system services
Secom Home Life Co., Ltd	(Millions of Yen) 3,700	(%) 99.94 (99.95)	Development and sales of real estate
Secom Trust Systems Co., Ltd.	(Millions of Yen) 1,468	(%) 100.00 (100.00)	Information security services and software development
The Westec Security Group, Inc.	(US\$) 301	(%) 100.00 (100.00)	Holding company in the U.S.
Secom Plc	(Thousands of UK Pounds) 39,126	(%) 100.00 (100.00)	Security business in the U.K.

(Notes)

1. The percentages of ownership (percentages of voting rights) are truncated to two decimal places.
2. The percentages of ownership (percentages of voting rights) for Secom Joshinetsu Co., Ltd., Secom Techno Service Co., Ltd. and Nohmi Bosai Ltd. include those owned by the Company's subsidiaries.
3. Secom General Insurance Co., Ltd. issued new shares of stock to a third party (cash contribution) in April 2009, resulting in an increase in capital from Yen 14,558 million to Yen 16,808 million. (Following the increase in capital, the Company's percentage of ownership rose from 95.83% to 97.11%.)

[English Translation]

7. Principal Business of the Group

The Secom Group consists of 165 consolidated subsidiaries and 30 affiliates accounted for under the equity method.

The principal business activities of the Group are as follows: Security Services centering on contracted security services; Fire Protection Services centering on comprehensive fire protection services; Medical Services, focusing on home medical services and management of residence for seniors; Insurance Services consisting mainly of non-life insurance; Geographic Information Services that mainly entails the provision of surveying and measuring operations; Real Estate Development and Sales centering on development and sales of condominiums; and Information and Communication Related and Other Services, including security network services, development and operation of business systems and information security services.

8. Principal Offices of the Group

(i) Headquarters of the Company:

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

(ii) Regional Headquarters:

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

(iii) Domestic Subsidiaries

Secom Joshinetsu Co., Ltd. (Niigata City), Secom Techno Service Co., Ltd. (Nakano-ku, Tokyo), Nohmi Bosai Ltd. (Chiyoda-ku, Tokyo), Secom Medical System Co., Ltd. (Shibuya-ku, Tokyo), Secom General Insurance Co., Ltd. (Chiyoda-ku, Tokyo), Pasco Corporation (Meguro-ku, Tokyo), Secom Home Life Co., Ltd. (Shibuya-ku, Tokyo), Secom Trust Systems Co., Ltd. (Shibuya-ku, Tokyo), Arai & Co., Ltd. (Shibuya-ku, Tokyo).

(iv) Overseas Subsidiaries

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

[English Translation]

9. Matters Concerning Employees of the Group and the Company

(1) Matters Concerning Employees of the Group

Number of employees	Decrease from the end of the previous consolidated fiscal year
33,685	393

(2) Matters Concerning Employees of the Company

Number of employees	Decrease from the end of the previous fiscal year	Average age	Average years of service
13,765	327	39.6	12.9

Note: The number of employees refers to the number of full-time employees.

10. Primary Lenders

(Millions of Yen)

Lenders	Balance
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	16,385
Mizuho Bank, Ltd.	13,598
Mitsubishi UFJ Trust and Banking Corp.	8,114
Sumitomo Mitsui Banking Corp.	5,602

11. Other Important Matters Concerning the Group

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

[English Translation]

1. Pasco Corporation must pay money to Sumitomo Mitsui Banking Corporation in an amount of Yen 2,010 million as well as interest at the rate of 6 percent per annum on Yen 600 million, from November 1, 2005, and on Yen 1,409 million, from December 1, 2005, up to the full payment of the respective amounts;
2. Pasco Corporation incurs the cost of lawsuits including the cost caused by supplementary participation; and
3. The judgment can be provisionally executed.

Pasco Corporation appealed the case to the Tokyo High Court on April 6, 2009. On May 10, 2010, Pasco Corporation and Sumitomo Mitsui Banking Corporation reached a settlement under which Pasco Corporation will pay to Sumitomo Mitsui Banking Corporation on amount of Yen 1,750 million, after several oral proceedings and settlement negotiations at the Tokyo High Court. Pursuant to the settlement, Pasco Corporation accounted Yen 780 million as an extraordinary profit as a reversal of a part of reserve for litigation loss provided for the previous fiscal year and provided anew Yen 1,770 million, a sum of the above settlement amount and related litigation expenses, on the consolidated balance sheet for the current fiscal year.

II. Matters Concerning the Company's Shares and Shareholders

1. Total Number of Shares to be Issued: 900,000,000

2. Total Number of Issued Shares: 233,288,717
(including 15,254,334 shares of treasury stock held by the Company)

3. Number of Shareholders at the End of the Fiscal Year: 31,488

4. Number of Shares Constituting a Unit of Shares: 100 shares

5. Major Shareholders (Top 10)

Name of Shareholders	Number of shares held (Thousands of shares)	Percentage of ownership (%)
The State Street Bank and Trust Company	15,808	7.25
The Master Trust Bank of Japan, Ltd. (Trust Account)	12,873	5.90
Japan Trustee Services Bank, Ltd. (Trust Account)	12,105	5.55
The Nomura Trust and Banking Co., Ltd. (Trust Account 2052098)	6,153	2.82
Makoto Iida	4,320	1.98
The Nomura Trust and Banking Co., Ltd. (Trust Account 2052088)	4,148	1.90
SECOM Science and Technology Foundation	4,025	1.84
JPMorgan Securities Japan Co., Ltd.	3,305	1.51
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3,196	1.46
Juichi Toda	3,152	1.44

(Notes)

1. The company holds treasury stock of 15,254,334 shares although it is not included in the table above. The percentage of ownership is calculated on the basis of the total number of shares outstanding after excluding treasury stock. The percentage of ownership is truncated to two decimal places.
2. In the case of the trust banks listed above, banking business-related shares and trust service-related shares are registered under different register names. Therefore, the

[English Translation]

number of shares held under the register name of banking business is registered separately.

III. Directors and Corporate Auditors

1. Names and Titles of Directors and Corporate Auditors

(as of March 31, 2010)

Position	Name	Field of responsibility and important position of other organization concurrently assumed
Director	Makoto Iida	Supreme Advisor
Director	Juichi Toda	Supreme Advisor
Chairman and Director	Shohei Kimura	Chairman of the Tokyo Security Service Association, Outside Corporate Auditor of Secom General Insurance Co., Ltd.
Executive Vice Chairman and Director	Kanemasa Haraguchi	Outside Director of Secom Joshinetsu Co., Ltd.
President and Representative Director	Shuji Maeda	Executive Officer, Outside Director of Nohmi Bosai Ltd.
Executive Vice President and Director	Koichi Sato	Executive Officer (general manager of sales division), Chairman and Director of Secom Joshinetsu Co., Ltd.
Senior Executive Director	Fumio Obata	Executive Officer (in charge of corporate planning and medical services)
Executive Director	Katsuhisa Kuwahara	Executive Officer (general manager of finance division)
Executive Director	Yasuo Nakayama	Executive Officer (general manager of general affairs division)
Executive Director	Hiroshi Ito	Executive Officer (general manager of human resources division, in charge of information systems and liaison), President and Representative Director of Secom Trust Systems Co., Ltd.
Director	Takayuki Ito	Executive Officer (general manager of corporate sales division), Outside Corporate Auditor of Secom Joshinetsu Co., Ltd.
Corporate Auditor	Teruo Ogino	Full-time Corporate Auditor
Corporate Auditor	Ken Tsunematsu	Attorney-at-law, Managing Director of SECOM Science and Technology Foundation
Corporate Auditor	Hiroshi Yasuda	President and Director of Yasuda Gakuen Kyoikukai
Corporate Auditor	Kohei Yamashita	President and Representative Director of Kokyo Tatemono Co., Ltd.

(Notes)

1. Messrs. Ken Tsunematsu, Hiroshi Yasuda and Kohei Yamashita are Outside Corporate Auditors as stipulated in Article 2 Item 16 of the Companies Act.
2. The Corporate Auditor, Mr. Teruo Ogino had been in charge of the Company's financial affairs for 11 years and has considerable knowledge of finance and accounting matters.
3. The Corporate Auditor, Mr. Ken Tsunematsu, has for many years been involved in securities issuance businesses for domestic and overseas companies, public institutions and organizations etc. as an attorney-at-law. He has experienced in the analysis and evaluation of the financial statements of these issuers, and has considerable knowledge of finance and accounting matters.
4. There are no special interests between the Company and other corporations employing Outside Corporate Auditors Messrs. Ken Tsunematsu, Hiroshi Yasuda and Kohei Yamashita.
5. The notice of Outside Corporate Auditor Ken Tsunematsu being an independent officer was submitted to Tokyo Stock Exchange, Inc. and Osaka Securities Exchange Co., Ltd.
6. Changes in Directors during the current fiscal year
 - 1) Director Mr. Seiichiro Kobayashi resigned at the expiration of his term of office at the conclusion of the 48th ordinary general meeting of shareholders held on June 25, 2009.
 - 2) Mr. Hiroshi Ito was elected director at the 48th ordinary general meeting of shareholders held on June 25, 2009, and assumed the position of Executive Director on the same day.
7. Changes in positions of directors during the current fiscal year
 - 1) Director Mr. Fumio Obata assumed the position of Senior Executive Director as of June 25, 2009.
 - 2) President and Representative Director Mr. Kanemasa Haraguchi assumed the position of Executive Vice Chairman and Director as of January 1, 2010.
 - 3) Executive Vice President and Director Mr. Shuji Maeda assumed the position of President and Representative Director as of January 1, 2010.
8. Chairman and Director Mr. Shohei Kimura resigned Chairman of the Tokyo Security Service Association as of March 31, 2010.

9. As of April 1, 2010, the responsibilities of Directors have changed as follows:

Title	Name	Previous responsibilities	Current responsibilities
Executive Vice President and Director	Koichi Sato	General manager of sales division	General manager of sales division, in charge of management of overall sales activities
Senior Executive Director	Fumio Obata	In charge of corporate planning and medical services	In charge of overseas businesses

〈Reference〉 Executive Officers who are not Directors are as follows:

(as of May 1, 2010)

Title	Name
Senior Managing Executive Officer	Katsuo Akiyama
Managing Executive Officer	Seiichi Mori, Shunji Ogahara
Executive Officer	Minoru Takaoka, Hideo Morishita, Tsuneo Komatsuzaki, Ryohei Komatsu, Teruo Kano, Yukio Tsunoda, Naohide Nakamura, Masahiro Takeda, Teruhisa Yoshimura, Keitaro Arai, Yasuyuki Yoshida, Tatsuro Fuse

(Notes)

1. Executive Officer Mr. Shunji Ogahara was appointed to Managing Executive Officer as of April 1, 2010.
2. Messrs. Keitaro Arai, Yasuyuki Yoshida, and Tatsuro Fuse were appointed as Executive Officers as of April 1, 2010.

2. Remuneration of Directors and Corporate Auditors

	Number of Recipients	Combined total of remuneration (Millions of Yen)
Directors	12	483
Corporate Auditors	4	44
Total	16	528

(Notes)

1. Of the above, the total combined remuneration for the 3 outside Corporate Auditors is Yen 24 million.

2. The Directors' bonuses of Yen 64 million paid for the current fiscal year is included in the above total amount of remunerations of Directors.
3. The total amount of Remuneration of Directors and Corporate Auditors shown above includes Yen 75 million (Yen 74 million to Directors and Yen 1 million to Corporate Auditors (including Yen 0 to Outside Corporate Auditors), respectively) which are accrued to retirement benefits for Directors and Corporate Auditors, which were appropriated in the current fiscal year.
4. The total amount of Remuneration of Directors shown above includes amount paid to one Director who retired at the conclusion of the 48th ordinary general meeting of shareholders held on June 25, 2009.
5. In addition to the above, retirement benefits of Yen 53 million (already approved at general meeting of shareholders, and included an amount disclosed as provisions to accrued retirement benefits for Directors and Corporate Auditors in past fiscal years) have been paid to one Director who retired at the conclusion of the 48th ordinary general meeting of shareholders held on June 25, 2009, and two Directors who retired at the conclusion of the 43rd ordinary general meeting of shareholders held on June 29, 2004 (appointed as Executive Officers when retiring as Directors and retired as Executive Officers on June 25, 2009).

3. Outside Corporate Auditors

Name	Attendance of the Meetings of the Board of Directors	Attendance of the Meetings of the Board of Corporate Auditors	Main Activities
Ken Tsunematsu	12 (out of 12)	11 (out of 11)	He has high level of insight to corporate legal matters and knowledge about interests between management and stakeholders through many domestic and international securities issuing projects and abundance of experience in the area of finance and accounting, which were cultivated in many years as attorney-at-law. He primarily offered advice and suggestions at the Board of Directors Meeting in order to ascertain the validity and/or appropriateness of operations and management.
Hiroshi Yasuda	12 (out of 12)	11 (out of 11)	He offered advice and suggestions at the Board of Directors Meeting based on his ample experience and insights of company management and directorships gained from previously held positions. He also asked questions and stated opinions in order to clarify unclear issues.

Name	Attendance of the Meetings of the Board of Directors	Attendance of the Meetings of the Board of Corporate Auditors	Main Activities
Kohei Yamashita	11 (out of 12)	10 (out of 11)	<p>He offered advice and suggestions at the Board of Directors Meeting based on his ample experience and insights of managing a global corporation. He also asked questions and stated opinions in order to clarify unclear issues. In addition, with respect to the meetings for which he was absent, he received from the full-time Corporate Auditor detailed reports on the resolutions of the meetings so as to remain fully informed.</p>

IV. Accounting Auditors

1. Name of Accounting Auditors

KPMG AZSA & Co.

2. Remuneration of Accounting Auditors

(1) Remuneration for duties relating to Article 2 Paragraph 1 of Certificated Public Accountants Act to be paid by the Company	Yen 174 million
(2) Total cash and other remuneration to be paid by the Company and subsidiaries to the accounting auditors	Yen 518 million

(Notes)

1. Based on the audit contract between the Company and the accounting auditors, the remuneration paid to auditors is not distinguished between those as the auditors under the Companies Act and those as the auditors under Financial Instruments and Exchange Act and furthermore they cannot in fact be distinguished, and therefore the amount given in (1) above is the combined total of these amounts.
2. Of the major subsidiaries of the Company, The Westec Security Group Inc. is audited by PricewaterhouseCoopers LLP and Secom Plc by KPMG LLP.

3. Non-Audit Duties

A subsidiary of the Company mainly engages the Accounting Auditors to provide verification of the design and operating effectiveness of internal control systems, as defined in the Auditing Standards Committee Report No. 18 (Evaluation of effectiveness over internal control of service organizations), as services other than those stipulated in Article 2, Paragraph 1 of Certificated Public Accountants Act (non-audit services).

4. Policy for Decision for Dismissal or Non-reappointment

Whenever there occurs any material event which could be a substantial hazard to the performance of audit duties of the Company, such as a case when it is deemed that the accounting auditors have come to fall within the purview of Article 340 Paragraph 1 of the Companies Act or the accounting auditors or the firm of accounting auditors is subjected to the disposition of suspension of business by

[English Translation]

the supervisory authorities, the Board of Corporate Auditors will examine the situation, and, when all Corporate Auditors have consented thereto, the Corporate Auditor will take action for the dismissal of the subject accounting auditors or the subject firm of accounting auditors. In such case, the Corporate Auditor selected by the Board of Corporate Auditors will report the reasons for the dismissal at the general meeting of shareholders convened for the first time after such dismissal. In any other case, when there exists any situation where it is acknowledged that the accounting auditors are not fit to act as accounting auditors, a proposal will, with the consent of the Board of Corporate Auditors, be submitted to the general meeting of shareholders for the dismissal or non-reappointment of the accounting auditors.

V. System under which the Company's Business is Ensured to be Properly Executed

1. Basic Policy Regarding Internal Control System

The Company's basic policy regarding the internal control system, i.e. the "system under which execution of duties by Directors is ensured to comply with laws and regulations and the Articles of Incorporation, and the system under which the Company's business is ensured to be properly executed" resolved on and approved by the Board of Directors is set out below. (Last revised on April 7, 2010)

(1) General

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

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

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

- (i) In order to ensure even more thorough compliance with laws and ordinances and the Articles of Incorporation in the execution of duties, the Company has integrated its compliance manual with *SECOM Group Code of Employee Conduct*, which sets key ethical standards to be followed, and at the same time, it has conducted a review of manuals on critical laws. *SECOM Group Code of Employee Conduct* is based on the philosophy of SECOM, which we have followed since the establishment of the business. These ethical guidelines prescribe ideals covering the official and private affairs of all executives and employees and action standards (including the blocking relationships with anti-social forces) to be followed in the execution of specific daily duties. As such, these guidelines provide the basis of all actions. The compliance management system is as follows.

(Ensuring compliance)

From the start, the compliance of laws and ordinances has been an indispensable requirement of our business, and we have always sought to operate in strict adherence to this spirit. Therefore, compliance is a part of the company's daily routines, which should not require a system in which a specific section or manager is responsible for implementation. Each and every employee is at the front line of promoting the code of conduct, including legal compliance. The implementation of guidelines is carried out by the line managers of the organization. Further control is provided by the executive officers in charge of departments under their control, with the President and Representative Director providing companywide control.

(Executive officers in charge)

The executive officers in charge of each area are responsible for having thorough knowledge particularly of regulations related to their duties and the relationships of such regulations with their own operations. They are responsible for proposing responses to any revisions of laws to the President and Representative Director. The Legal Affairs Department supports them, providing cross-organizational coordination.

(Inspection)

Following the orders of the President and Representative Director, the Audit and Compliance Department provides cross-organizational inspection in a timely manner, indicating how to improve morale through observance and at the same time pointing out matters that need correction. The findings of the inspection are reported promptly to the President and Representative Director.

(Internal Report System)

When executives and employees of the Company become aware of unethical actions, they have the obligation to report such actions to the proper superior without hesitation. A "Hot Helpline" has been established to facilitate contact with the Audit and Compliance Department if corrective actions are not taken even after reporting to superiors or it is difficult to report. Such reports will remain strictly

confidential, preventing any harm to the reporter, and any necessary investigation and appropriate measures will be taken promptly.

(Organizational Culture Committee)

The Company establishes a standing, active Organizational Culture Committee, chaired by the President and Representative Director.

The Organizational Culture Committee examines important organizational culture-related issues (including compliance-related matters), which are the cornerstone of developing and maintaining the corporate organization, and determines important official commendations and punishments.

(ii) Revisions of *SECOM Group Code of Employee Conduct* and/or critical compliance-related matters are undertaken after discussion with the Organizational Culture Committee and subject to the approval of the Board of Directors after obtaining opinions of the Corporate Auditors.

(iii) Basic plans and policies concerning internal controls related to financial reporting are determined in accordance with the standards of the Business Accounting Council. Furthermore, an internal control system is being developed by reinforcing information security and through other steps.

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

(i) Documents and other information regarding execution of duties such as those concerned with decision making (hereinafter referred to as the “information on executing duties”) shall be properly maintained, administered (including destruction) pursuant to the Document Administration Regulation of the Company, which will be amended upon reviewing the operating conditions if necessary.

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

- (iii) Any business related to the preceding two paragraphs shall be undertaken by officers in charge, and in particular the status of examination and review of (i) above, and operation and management of the database of (ii) above shall be reported to the President and Representative Director, the Board of Directors, and the Board of Corporate Auditors.
- (iv) Establishment and important amendments of the Regulation regarding (i) above shall be subject to approval of the Board of Directors after obtaining opinions of the Corporate Auditors.

(4) Regulation regarding control of risk of loss and other system

- (i) The Company's approach to risk management is embedded in day-to-day business activities, with acknowledgement that risk management itself is the Company's business.
Executive officers in charge, under the direction of the President and Representative Director, analyze and assess business risk and fraud risk in the operational areas for which they are responsible, and revise established rules and manuals as conditions change.
Rules and manuals are based on risk analysis and assessment, and stipulate preventive measures, prompt and appropriate communication and emergency preparedness when incidents occur, daily risk monitoring and other systems.
- (ii) The officer in charge shall report the President and Representative Director, the Board of Directors and the Board of Corporate Auditors on matters related to control of risk.
- (iii) Any important changes of the risk control system shall be subject to approval of the Board of Directors after obtaining opinions of the Corporate Auditors.

	Risk Category	Example
Large scale calamity	(1) Large scale calamity risk	Earthquake, wind, flood, volcanic disasters, radiation leakage, etc.
Ordinary times	(2) Compliance risk	Noncompliance with “SECOM’s Business and Operation”, “SECOM Group Code of Employee Conduct” or other internal rules and guidelines, etc., risk accompanied by establishment or changes in regulations (in the area of tax system, medical system, etc.), breach of law, etc.
	(3) System risk	Information system shut down, electronic data extinguishment, large scale blackout, wide area circuit disturbance, ICT (information and communication technology) related risk, etc.
	(4) Service providing risk	Risk incurred when providing services (Accidents related security, fire alarm or equipment maintenance businesses, etc.)
	(5) Administrative work and accounting treatment risk	Input error or input omission in administrative or account processing, estimation error for allowance amount, etc.
	(6) Others	Offence from outsiders (groundless rumor, calumny, theft, terror, etc.), risk related to M&A, risk related to new system development, other risk related to business infrastructure (fire on the Company’s premises, pandemic influenza, disease epidemic, etc.), etc.

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

- (i) All Directors of the Company shall carry out operation and execution of business on the basis of the “Constitution of SECOM’s Business and Operation” so that they may share the idea essential to execution of the duties such as decision making for management by the Board of Directors, decision making for execution of duties by the Directors.
- (ii) On the basis of the preceding, to implement execution of duties efficiently, the system of executive officers has been introduced so that decision making and execution of business shall be further facilitated.
- (iii) In executing duties, in order to unify the power of the entire Company, a system utilizing IT should be established and thereby, enabling information to be immediately disseminated to the entire Company to the fullest extent.
- (iv) With respect to particular decision making or execution of duties, a system utilizing IT should be established to carry out the decision making and execution immediately and definitely.
- (v) The Company will share the medium- and long-term business vision, and for the purpose of accomplishment thereof, the Board of Directors will design an annual business plan and deliberate progress of the plan each month.

(6) System under which the Company and the Company Group consisting of the parent company and subsidiaries is ensured to properly execute its business

- (i) Abiding by the "Constitution of SECOM's Business and Operation," each of the companies of the SECOM Group shares *SECOM Group Code of Employee Conduct*, which applies to all executives and employees. United by these guidelines, the executives and employees work to accomplish the corporate goals in an appropriate manner.
- (ii) The "Basic Rules for SECOM Group Corporate Management" provide guidelines to enhance Group synergy, leading to the achievement of the business vision by the entire SECOM Group. Covering critical

decision-making by the companies, these basic rules clarify the coordination of items to be approved in prior consultation with the parent company and ensure the acknowledgement of such important items.

(iii) Each of the companies of the SECOM Group carries out IT controls covering administration and management information in conformance with the "Basic Policy of the SECOM Group for Information Security." The Company's IT executive officers conduct timely inspections covering the IT management of major subsidiaries.

(iv) The "SECOM Group Management Committee," which is chaired by the Company's President and Representative Director and whose members are composed of the presidents of subsidiaries and other parties appointed by the chairperson, works to ensure that appropriate operations are carried out. It accomplishes this goal by conducting discussions of issues related to the Group's internal controls in an effort to share Group information and operating philosophy. The President and Representative Director reports the results of the Group Management Committee to the Board of Directors and the Board of Corporate Auditors.

(v) The President and Representative Director issues orders to the Audit and Compliance Department and the supervising executive officers at Group companies to inspect subsidiaries, if necessary. The subsidiaries accept the inspection by the Company, which is the parent company, and at the same time promote the understanding of compliance-related issues by exchanging information with the Company.

(vi) The Corporate Auditors of the Company visit important subsidiaries and conduct audits regarding internal controls.

(vii) A liaison meeting with Group Corporate Auditors is established after discussion with the Board of Corporate Auditors in an attempt to share information.

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

The Office of Corporate Auditors will be established and at least two employees will be manned to assist audit duties of the Corporate Auditors.

(8) Matters related to independence of the employees in the preceding item concerned from Directors

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

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

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

(i) Regulation providing for matters to be reported to Corporate Auditors shall be established upon discussion with the Board of Corporate Auditors, and Directors shall make reports with respect to the following matters: (1) matters resolved by the Organization Culture Committee and other committees; (2) matters likely to be materially harming the Company; (3) important matters relating to monthly business conditions; (4) important matters relating to internal audit and risk control; (5) material violation of laws and regulations or the Articles of Incorporation; (6) condition of usage and content of the Hot Help Line; and (7) in addition, important matters from viewpoint of compliance.

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

(10) System under which audit by Corporate Auditors is ensured to be performed efficiently

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

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

Note:

"(4) Regulation regarding control of risk of loss and other system" was revised as of April 7, 2010. The fact that the Company's risk management is embedded in day-to-day business activities themselves was noted and specific examples for each category of the Company's risk were added, among other revisions.

2. Organizations, etc. Relating to Internal Control System (as of May 1, 2010)

The Company's governance system is as follows: The Board of Directors makes decisions on business execution and other company matters; executive officers led by President and Representative Director execute business; and Corporate Auditors, including three Outside Corporate Auditors, and the Board of Directors, coordinating with internal audit departments, etc. audit and oversee Directors and executive officers in the execution of their duties. More details are provided below.

(1) Organizations, etc. involved in business execution, auditing and supervision of the Company

(i) Directors and Board of Directors

The Board of Directors consists of 11 Directors and is attended by 4 Corporate Auditors (including 3 outside Corporate Auditors). It is convened once a month as a general rule. The Board of Directors determines management policies and business execution policies in relation to business in general, oversees the execution of duties by Directors, actively exchanges opinions and endeavors to make decisions in a precise and speedy fashion.

Seven out of 11 Directors are involved in business execution, and 4 Directors (2 Supreme Advisors, Chairman and Executive Vice Chairman) do not engage in business execution.

(ii) Executive Officers

The Company has an executive officer system by which decisions are made by the President and Representative Director or the Board of Directors, and business is executed by the Executive Officers. The system strengthens field divisions and enhances the service system for customers by expediting business execution and clarifying responsibilities and authority.

There are 22 Executive Officers, including 7 Directors.

(iii) Corporate Auditors and Board of Corporate Auditors

The Board of Corporate Auditors consists of 4 Corporate Auditors, consisting of 1 full-time Corporate Auditor and 3 outside Corporate Auditors. It is convened once a month as a general rule.

For the office of full-time Corporate Auditor, the Company appoints persons who are well versed in the Company's business, internal affairs and finance. For the office of Outside Corporate Auditors, the Company appoints persons who are independent from the management, have considerable knowledge of management, legal matters, finance and other fields and are capable of providing appropriate oversight and supervision of management.

Corporate Auditors attend each meeting of the Board of Directors in addition to other important conferences, exchange opinions relating to corporate management in general, receive reports on the status of execution of duties from Directors, etc. and conduct audits focusing on whether there are any facts of violations of laws, regulations, the Articles of Incorporation or shareholders' interests.

The Board of Corporate Auditors also conducts audits on operations in general within the Company as well as its subsidiaries and affiliates according to the audit plan.

Major Activities in the current fiscal year

- (i) Corporate Auditors' attendance rate at meetings of the Board of Directors: 97.9%
- (ii) Corporate Auditors' attendance rate at meetings of the Board of Corporate Auditors: 97.7%
- (iii) Conducted interviews with Directors, etc. of the Company and its subsidiaries and affiliates: 48 times
- (iv) Conducted on-site audits at business locations of the Company and its subsidiaries and affiliates, etc.: 157 locations

(2) Coordination among Organizations and Business Units

(i) Periodic Meetings among Representative Director, etc. and Corporate Auditors:

Corporate Auditors hold meetings with the President & Representative Director with the presence of Chairman & Director and Executive Vice Chairman & Director periodically (once a month). At the meeting, Corporate Auditors report the results of audits, etc. and exchange opinions on important issues regarding management, to share mutual recognition.

(ii) Conferences, etc. among Corporate Auditors and Accounting Auditors:

Corporate Auditors hold periodical meetings with Accounting Auditors 6 times a year and have ones additionally as necessary, and exchange opinions and information. Corporate Auditors and the Board of Corporate Auditors receive explanation and exchange opinions regarding the audit plan and audit results* from the Accounting Auditors. In addition, Corporate Auditors present as a witness during visiting audits and audit review conducted by the Accounting Auditors as necessary. (Witness frequency: 34 times in the current fiscal year)

* including the results of quarterly reviews and the result of annual audit, etc.

(iii) Cooperation with Internal Audit Division, etc.:

Corporate Auditors hold conferences with the Audit and Compliance Department periodically (once a month), are reported audit results and exchange opinions with them. And Corporate Auditors endeavor to conduct audits in an efficient manner such as requesting the internal audit division, etc. to conduct an investigation as necessary.

Consolidated Balance Sheet

(As of March 31, 2010)

(Millions of Yen)

ITEM	AMOUNT	ITEM	AMOUNT
<u>ASSETS</u>		<u>LIABILITIES</u>	
Current assets:	483,600	Current liabilities:	210,353
Cash on hand and in banks	146,929	Notes and accounts payable, trade	24,774
Cash deposits for armored car services	48,861	Bank loans	48,094
Call loans	36,500	Current portion of straight bonds	1,761
Notes and accounts receivable, trade	73,844	Lease obligations	247
Due from subscribers	20,824	Payables - other	23,359
Short-term investments	15,989	Accrued income taxes	20,907
Lease receivables and investment in leased assets	14,742	Accrued consumption taxes	3,302
Inventories	23,659	Accrued expenses	3,633
Real estate inventories	74,409	Deferred revenue	33,554
Deferred income taxes	11,684	Accrued bonuses	12,139
Short-term loans receivable	3,088	Reserve for litigation losses	1,770
Other	15,275	Reserve for losses on construction contracts	145
Allowance for doubtful accounts	(2,207)	Other	36,660
Fixed assets:	597,864	Long-term liabilities:	246,171
Tangible assets:	273,020	Straight bonds	17,006
Buildings and improvements	97,692	Long-term loans	16,085
Security equipment and control stations	63,034	Lease obligations	501
Land	93,424	Guarantee deposits received	36,777
Other	18,869	Deferred income taxes	8,399
Intangible assets:	21,885	Accrued pension and severance costs	13,264
Software	15,769	Accrued retirement benefits for Directors and Corporate Auditors	2,398
Goodwill	2,295	Investment deposits by policyholders, unearned premiums and other insurance liabilities	150,180
Other	3,820	Other	1,557
Investments and others:	302,959	Total liabilities	456,525
Investment securities	187,777	<u>NET ASSETS</u>	
Long-term loans receivable	50,488	Shareholders' equity:	581,959
Long-term prepaid expenses	18,136	Common stock	66,377
Prepaid pension and severance costs	18,618	Capital surplus	83,054
Deferred income taxes	19,848	Retained earnings	507,434
Other	26,493	Common stock in treasury, at cost	(74,907)
Allowance for doubtful accounts	(18,403)	Valuation, translation adjustments and others:	(23,367)
Deferred assets:	213	Unrealized gains on securities	4,521
Other	213	Deferred losses on hedges	(17)
		Foreign currency translation adjustments	(27,871)
		Minority interests in subsidiaries:	66,562
		Total net assets	625,153
TOTAL ASSETS	1,081,679	TOTAL LIABILITIES AND NET ASSETS	1,081,679

Consolidated Statement of Income

(Fiscal Year from April 1, 2009 to March 31, 2010)

(Millions of Yen)

ITEM	AMOUNT	
Revenue		654,678
Costs of revenue	415,390	
Gross profit		239,288
Selling, general and administrative expenses	140,749	
Operating profit		98,539
Non-operating income:		
Interest income	1,083	
Dividends income	274	
Gain on sales of investment securities	1,526	
Net gains from investment in affiliated companies accounted for under the equity method	2,977	
Other	3,296	9,158
Non-operating expenses:		
Interest expenses	1,331	
Loss on sales and disposal of fixed assets	1,483	
Write-off of long-term prepaid expenses	989	
Loss on private equity investments	3,063	
Other	2,503	9,371
Ordinary profit		98,327
Extraordinary profit:		
Gain on sales of investment securities in subsidiaries and affiliates	2,225	
Reversal of reserve for litigation loss	780	
Penalty charge income	240	
Gain on sales of investment securities	8	
Gain on sales of fixed assets	6	
Other	108	3,370
Extraordinary losses:		
Loss on impairment of investment securities	2,653	
Losses related to spectrum reallocation	1,253	
Loss on disposal of software	586	
Impairment losses on fixed assets	291	
Loss on sales of investment securities in subsidiaries and affiliates	60	
Loss on sales of fixed assets	14	
Other	602	5,463
Income before income taxes		96,233
Income taxes – current	38,172	
Income taxes – deferred	4,944	43,116
Minority interests in subsidiaries		5,505
Net income		47,611

Consolidated Statement of Changes in Net Assets

(Fiscal Year from April 1, 2009 to March 31, 2010)

(Millions of Yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Common stock in treasury, at cost	Total shareholders' equity
Balance as of March 31, 2009	66,377	83,054	478,355	(74,896)	552,891
Changes during the period:					
Cash dividends			(18,533)		(18,533)
Net income			47,611		47,611
Purchase of treasury stock				(12)	(12)
Disposal of treasury stock		(0)		0	0
Transfer of losses on disposal of treasury stock		0	(0)		—
Net changes of items other than shareholders' equity					
Total changes during the period	—	—	29,078	(11)	29,067
Balance as of March 31, 2010	66,377	83,054	507,434	(74,907)	581,959

	Valuation, translation adjustments and others				Minority interests in subsidiaries	Total net assets
	Unrealized gains (losses) on securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Total valuation, translation adjustments and others		
Balance as of March 31, 2009	(3,901)	(27)	(30,008)	(33,937)	63,654	582,608
Changes during the period:						
Cash dividends						(18,533)
Net income						47,611
Purchase of treasury stock						(12)
Disposal of treasury stock						0
Transfer of losses on disposal of treasury stock						—
Net changes of items other than shareholders' equity	8,423	9	2,137	10,569	2,908	13,477
Total changes during the period	8,423	9	2,137	10,569	2,908	42,545
Balance as of March 31, 2010	4,521	(17)	(27,871)	(23,367)	66,562	625,153

Notes to Consolidated Financial Statements

Notes to Significant Items for Preparation of Consolidated Financial Statements

1. Scope of Consolidation

(1) Number of Consolidated Subsidiaries: 165

Names of major consolidated subsidiaries:

Secom Joshinetsu Co., Ltd., Nohmi Bosai Ltd., Secom Medical System Co., Ltd., Secom General Insurance Co., Ltd., Secom Techno Service Co., Ltd., Secom Industries Co., Ltd., Secom Trust Systems Co., Ltd., Pasco Corporation, Secom Home Life Co., Ltd., Arai & Co., Ltd., The Westec Security Group, Inc.

(2) Descriptions of Non-consolidated Subsidiaries

FM-International Laos Co., Ltd., Nohmi Kosaku Co., Ltd., Nohmi Facilities Co., Ltd., Eishin Denshi Co., Ltd., Nohmi Baoli (Beijing) Intelligent Fire Protection Co., Ltd., and 2 other companies

(The reason for exclusion from consolidation)

All of these 7 non-consolidated subsidiaries are of a small size, so that the aggregate amounts of total assets, revenue, net income/loss (an amount prorated to ownership) and retained earnings (an amount prorated to ownership) and others do not have a significant effect on the consolidated financial statements.

(3) Names of other companies owing majority of voting rights not regarded as subsidiaries

US Collections, Inc., Switchcraft Holdco, Inc., Global Sales Training, Inc., CLP Auto Interior Corp., US Juice Partners, LLC, Gold Canyon Mining & Construction, LLC, US Water, LLC

(The reason for not regarded as subsidiaries)

These companies were acquired by subsidiaries of The Westec Security Group, Inc. through normal course of business with the objective of investment, not with the objective of control.

2. Equity Method

(1) Number of equity method affiliates: 30

Names of major affiliated companies accounted for under the equity method:

Japan Nuclear Security System Co., Ltd., S1 Corporation, Toyo Tec Co., Ltd., Tokyo Biso Kogyo Corporation, Taiwan Secom Co., Ltd.

(2) Number of non-equity method affiliates: 5

(The reason for not applying the equity method)

These 5 companies are not accounted for under the equity method because their effect on net income/loss (an amount prorated to

ownership) and retained earnings (an amount prorated to ownership) during the current fiscal year is insignificant.

- (3) Names of other companies owing between 20% and 50% of voting rights not regarded as affiliates

Global T&M Holdings, LLC

(The reason for not regarded as an affiliate)

This company was acquired by a subsidiary of The Westec Security Group, Inc. through normal course of business with the objective of investment, not with the objective of control.

3. Changes in Scope of Consolidation and Companies Accounted for under the Equity Method

Consolidation

Newly consolidated subsidiaries: 7

Sichuan Secom Security Co., Ltd and 5 other companies: (Newly establishment)

MAC International Co., Ltd: (Acquisition)

Excluded from consolidation: 6

MAC International Co., Ltd and 1 other company: (Merger)

Seisho Corporation: (Liquidation)

Japan Image Communications Co., Ltd. and 2 other companies: (Divestiture)

Equity Method

Exclusion from affiliates accounted for under the equity method: 1

Ibaraki Network Inc.: (Liquidation)

4. Closing Dates of Consolidated Subsidiaries and Equity Method Affiliates

With respect to overseas consolidated subsidiaries, etc., 9 U.S. subsidiaries such as The Westec Security Group Inc., 4 U.K. subsidiaries such as Secom Plc, 15 Chinese subsidiaries such as Secom (China) Co., Ltd., 5 Australian subsidiaries such as Secom Australia Pty. Ltd., P.T. Nusantara Secom Infotech, P.T. Secom Indopratama, Pasco Thailand Co., Ltd., Thaisecom Pitakkij Co., Ltd., Pasco Philippines Corp., Secom Vietnam Co.,Ltd., FM-International Oy, Nohmi Taiwan Ltd., Base Aerofotogrametria E Projetos S.A. and Pasco Do Brasil Participacoes Ltda. close their book as of December 31 each year, and the financial statements as of this date are used for preparation of the consolidated financial statements.

With respect to domestic consolidated subsidiaries, etc., while 15 companies such as Ena Urbane Properties, Co., Ltd. close their book as of December 31 each year, the financial statements prepared pursuant to the provisional closing of books conducted as of March 31 are used for preparation of the consolidated financial statements.

With respect to equity method affiliates, 12 companies such as S1 Corporation and Taiwan Secom Co., Ltd. close their book as of December 31 each year, and the financial statements as of this date are used for preparation of the consolidated financial statements. While Koatsu Co. Ltd. closes its book as of September 30 each year, the financial statements prepared pursuant to the provisional closing of books conducted as of March 31 are used for preparation of the consolidated financial statements.

The necessary adjustments related to the consolidation are made for any major transactions which arise between the consolidated closing dates. The closing dates of other consolidated subsidiaries and equity method affiliates are the same as the consolidated closing date.

5. Significant Accounting Policies

(1) Valuation policies and methods for significant assets

1) Securities

a. Held-to-maturity debt securities are carried at amortized cost.

b. Available-for-sale

Securities with fair value

Stock and beneficiary securities: At fair value based on the average market price one month prior to the fiscal year-end

Others: At fair value based on market price at fiscal year-end

Net unrealized gains and losses of securities are primarily reported, net of applicable income taxes, directly in net assets. The cost of securities sold is primarily calculated by the moving average method.

Securities with no fair value

At cost, principally based on the moving average method

2) Derivatives

Derivatives are stated at fair value.

3) Inventories

Inventories are principally stated at cost based on the moving average method (or at the net realizable value (NRV) calculated by writing down the book value to reflect a decrease in the NRV).

4) Real estate for sale

Stated at cost by the specific cost method (or at the net realizable value calculated by writing down the book value to reflect a decrease in the NRV).

(2) Depreciation and Amortization of Depreciable and Amortizable Fixed Assets

1) Tangible Assets (except for leased assets)

a. Security equipment and control stations

Security equipment and control stations are depreciated over their average estimated useful service lives (5–8 years) by the declining-balance method.

b. Other tangible fixed assets

Other tangible fixed assets are depreciated by the straight-line method.

Their main useful service lives are as follows:

Buildings and improvements: 22–50 years

Tools and equipments: 2–20 years

2) Intangible Assets (except for leased assets)

Intangible fixed assets are amortized by the straight-line method.

The software used in the Company is amortized by the straight-line method based on the useful service lives within the Company (5 years).

3) Leased Assets

a. Leased assets related to ownership-transfer finance lease transactions

Depreciated, using the same depreciation method applied to fixed assets in possession.

b. Leased assets related to non-ownership-transfer finance lease transactions

Depreciated, using the straight-line method over a useful life equal to the lease period with a residual value of zero.

In addition, non-ownership-transfer finance leases entered into on or before March 31, 2008 are treated using the method applicable to operating lease transactions.

4) Long-term Prepaid Expenses

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

(3) Basis for Significant Allowances

1) Allowance for Doubtful Accounts

To prepare for losses from bad debts such as losses on trade receivables and loans, the allowance for doubtful accounts provides an estimated amount of uncollectables. It is determined based on the historical loss rate with respect to ordinary accounts, plus an estimate of uncollectable amounts respectively determined by reference to specific doubtful accounts from customers who are experiencing financial difficulties.

2) Accrued Bonuses

The accrued bonuses are provided for the bonus payments to employees, at an amount incurred during the current fiscal year.

3) Reserve for losses on construction contracts

To prepare for future losses on construction contracts, etc., an accrual is provided based on the estimated losses on construction contracts, etc. that are undelivered at the end of the current fiscal year.

4) Accrued Pension and Severance Costs

To prepare for the retirement benefits of employees, the Company and its domestic consolidated subsidiaries, etc. provide an amount of accrued pension and severance costs and prepaid pension and severance costs at the end of the current fiscal year, based on the estimated amount of projected retirement benefit obligations and plan assets as of the end of the current fiscal year.

Prior service liability is recognized as profit or loss in the year of occurrence.

Actuarial gains and losses are amortized from the following fiscal year of occurrence, using the straight-line method over certain years within the average remaining service period (mainly 10 years).

(Change to the accounting policy)

In the current fiscal year, the Company applied the “Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)” (ASBJ Statement No.19, issued on July 31, 2008).

Because actuarial gains and losses are amortized from the following fiscal year, this change does not impact operating profit, ordinary profit and income before income taxes in the current fiscal year.

The balance of unrecognized retirement benefit obligations with the application of this accounting standard is negative Yen 623 million.

- 5) Accrued Retirement Benefits for Directors and Corporate Auditors
To prepare for outlays for retirement benefits of Directors and Corporate Auditors of the Company and certain domestic consolidated subsidiaries, a necessary amount at the end of the current fiscal year is appropriated based on the rules of the Directors and Corporate Auditors’ retirement benefits
- 6) Reserve for Litigation Losses
To prepare for litigation losses, an accrual is provided based on the estimated potential losses.

(4) Revenue and Cost Recognition Policies

- 1) Revenue Recognition Policies for Construction Contracts
The Company applies the percentage-of-completion method to construction contracts whose outcomes are deemed certain for progress until the end of the current fiscal year, and applies the completed-contract method to other construction contracts. The percentage of costs incurred to the estimated total cost is used for estimating the percentage of completion.

(Change to the accounting policy)

Regarding the revenue recognition policies for construction contracts, the percentage-of-completion method was applied for contracts in Pasco Corporation and its subsidiaries, and constructions with contract amount of more than 0.5 billion yen or greater in Secom Techno Service Co., Ltd. and its subsidiaries, while the completed-contract method was applied for other constructions. According to the adoption of “Accounting Standard for Construction Contracts” (ASBJ Statement No.15, issued on December 27, 2007) and “Guidance on Accounting Standard for Construction Contracts” (ASBJ Guidance No.18, issued on December 27, 2007) from the current fiscal year, for construction contracts engaged on or after April 1, 2009, the percentage-of-completion method is applied for construction contracts whose outcomes are deemed certain for progress until the end of the current fiscal year, otherwise the completed-contract method is applied. The percentage of costs incurred to the estimated total cost is used for estimating the percentage of completion. The effect of this change on revenue, operating profit, ordinary profit and income before income taxes is insignificant.

- 2) Recognition Policies for Revenue and Costs of Finance Leases
The Company applies the method to recognize revenue and cost upon receipt of lease payments.

(5) Accounting for Major Hedges

- 1) Hedge Accounting Policy
The Company principally applies deferred hedging accounting. The interest rate swaps that fulfill requirements for exceptional treatments

permitted for interest rate swaps are accounted for using exceptional treatments.

- 2) Hedging Instruments and Hedged Items
Hedging instruments: Interest rate swaps
Hedged items: Loans payable

- 3) Hedging Policy
The risks for forward interest rate fluctuation are to be hedged principally pursuant to the risk management policy of the Company.

- 4) Assessment of Hedge Effectiveness
Hedge effectiveness is assessed by comparing the cumulative totals of price fluctuations of the hedging items and hedging instruments from the beginning of hedging to the effective point of assessment, taking the changes of both the hedging items and hedging instruments into account. However, when an item is judged to fulfill requirements for exceptional treatments, the assessment of hedge effectiveness is omitted.

- (6) Accounting for Consumption Tax, etc.

The Company has adopted the tax-exclusive method.

6. Valuation of Assets and Liabilities of Consolidated Subsidiaries

Assets and liabilities of consolidated subsidiaries, etc. are fully measured at fair value at acquisitions.

7. Amortization of Goodwill and Negative Goodwill

Goodwill and negative goodwill are amortized by the straight-line method over a 5–10 year period.

8. Changes of Presentations

(Consolidated Balance Sheet)

“Reserve for losses on construction contracts” was included in “Other” of current liabilities in the previous fiscal year. However, it is listed separately from the current fiscal year for better clarification. Reserve for losses on construction contracts included in “Other” of current liabilities in the previous fiscal year was Yen 258 million.

(Consolidated Statement of Income)

“Exchange losses” which was listed separately until the previous fiscal year, amounted to an exchange gain of Yen 533 million in the current fiscal year. Because this amount is less than 10% of non-operating income, it has been included in “Other” of non-operating income.

Notes to Consolidated Balance Sheet

1. Cash Deposits for Armored Car Services, Short-term Bank Loans

For financial institutions, the Company and some of the domestic consolidated subsidiaries provide cash collection from and cash filling to cash dispensers located outside of financial institution facilities. The balance of cash deposits for armored car services includes cash on hand and cash in banks representing a total of Yen 26,592 million connected with such services, which is restricted as to use by the Company group. The short-term bank loan balance includes Yen 6,310 million financed for the cash collection and filling services.

Furthermore, the balance of cash deposits for armored car services includes Yen 22,269 million connected with cash collection administration services, which is also restricted as to use by the Group. Also, the short-term bank loan balance includes Yen 18,181 million financed in connection with the same services.

2. Accumulated Depreciation of Assets

Accumulated Depreciation of Tangible Assets: Yen 304,337 million

3. Assets Pledged as Collateral and Collateral-related Liabilities:

(1) Assets Pledged as Collateral

	(Millions of Yen)
Cash on hand and in banks (time deposit)	1,541
Short-term loans receivables	14
Other current assets (receivable -other)	670
Buildings and improvements	30,005
Land	29,548
Intangible assets (leasehold)	818
Investment securities	645
Long-term loans receivable	610
Other fixed assets (long-term deposit)	200
<u>Total</u>	<u>64,054</u>

(2) Collateral-related Liabilities

	(Millions of Yen)
Bank loans	14,314
Current portion of straight bonds	1,761
Straight bonds	17,006
<u>Long-term loans</u>	<u>15,005</u>
<u>Total</u>	<u>48,088</u>

In addition to the above liabilities, investment securities and long-term loans are pledged as collateral for the debts of affiliated companies and other debts.

4. Investment in Non-consolidated Subsidiaries and Affiliated Companies:

(Fixed assets)

Investment in securities (shares) amounted to Yen 40,662 million.

5. Contingent Liabilities:

(1) The company guarantees loans payable and amounts payable held for lease, etc. of the affiliated companies, etc. amounted to Yen 4,607 million.

(2) Lawsuits

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

1. Pasco Corporation must pay money for Sumitomo Mitsui Banking Corporation in an amount of Yen 2,010 million as well as interest of the rate of 6 percent per annum on Yen 600 million, from November 1, 2005, and on Yen 1,409 million, from December 1, 2005, up to the full payment of the respective amounts;
2. Pasco Corporation incurs the cost of lawsuits including the cost caused by supplementary participation; and
3. The judgment can be provisionally executed.

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

And on May 10, 2010, Pasco Corporation reached a Yen 1,750 million cash settlement with Sumitomo Mitsui Banking Corporation at the Tokyo High Court after several oral proceedings and settlements negotiation.

As reserve for litigation loss, Yen 1,770 million, including the above cash settlement and related litigation expenses, is recognized.

6. Presentation of Goodwill and Negative Goodwill

Goodwill and negative goodwill are presented in netted amount. Listed below are the amounts before offset.

Goodwill	Yen 4,170 million
<u>Negative goodwill</u>	<u>1,875</u>
Net amount	2,295

Notes to Consolidated Statement of Income

1. Write-down on real estate inventories included in cost of revenue

Yen 1,285 million

Notes to Consolidated Statement of Changes in Net Assets

1. Classes and Total Number of Issued Shares and Treasury Stocks

(Unit: 1 share)

	Number of shares at the end of the previous consolidated fiscal year	Increase in the number of shares in the current consolidated fiscal year	Decrease in the number of shares in the current consolidated fiscal year	Number of shares at the end of the current consolidated fiscal year
Issued shares				
Common stocks	233,288,717	–	–	233,288,717
Treasury stocks				
Common stocks	15,251,520	2,998	184	15,254,334

(Outline of reasons for change)

The increase of 2,998 in the number of common stocks is due to the purchase of shares constituting less than one unit.

The decrease of 184 in the number of common stocks is due to requests to sell such number of shares as will constitute, together with the shares constituting less than one unit of shares already held, one full unit.

2. Items Related to Dividends

(1) Amount of Dividend Paid

Resolution	Classes of Shares	Total amount of dividend (Millions of Yen)	Cash dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 25, 2009	Common stock	18,533	85	March 31, 2009	June 26, 2009

(2) Of the dividends whose record date belongs to the current fiscal year, the following are those dividends of which the effective date belongs to the next fiscal year.

The matters to be resolved on the general meeting of shareholders are as follows.

Resolution	Classes of Shares	Source of dividend	Total amount of cash dividend (Millions of Yen)	Cash dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 25, 2010	Common stock	Retained earnings	18,532	85	March 31, 2010	June 28, 2010

Notes to Financial Instruments

1. Items Related to Status of Financial Instruments

The SECOM Group (excluding its insurance services business) raises necessary funds to establish a “Social System Industry” by such means as procuring funds from markets and borrowing money from financial institutions. The Group also holds financial instruments for promoting its business and investment. Derivatives are primarily used for averting interest rate fluctuation risks associated with loans, etc., and it is the Group’s policy not to perform speculative transactions.

The Group's Insurance Services business manages funds using financial instruments for the purpose of safely and carefully holding and managing insurance premiums received from policyholders for underwriting insurance policies as a source of funds for paying future insurance benefits. As the financial instruments in which the Group invests are exposed to market risks such as interest rate fluctuation risks, the Group performs asset-liability management (ALM) to prevent any adverse impact of such risks from arising.

2. Items Related to Fair Values of Financial Instruments

The amounts recognized on the consolidated balance sheet, fair values and corresponding differences as of March 31, 2010 are listed below. Items for which identifying the fair value has been deemed extremely difficult are not included in the table below. (See Note 2)

(Millions of Yen)

	Amount recognized on the consolidated balance sheet	Fair value	Difference
(1)Cash on hand and in banks	146,929	146,929	-
(2)Cash deposits for armored car services	48,861	48,861	-
(3)Call loans	36,500	36,500	-
(4)Notes and accounts receivable, trade	73,844	73,844	-
(5)Due from subscribers	20,824	20,824	-
(6)Short-term investments and investment securities			
(i)Held-to-maturity debt securities	6,650	6,133	(516)
(ii)Available-for-sale securities	145,886	145,886	-
(7)Lease receivables and investment in leased assets	14,742	15,461	718
(8)Short-term loans receivable	3,088		
Allowance for doubtful accounts (*1)	(50)		
	3,038	3,038	-
(9)Long-term loans receivable	50,488		
Allowance for doubtful accounts (*1)	(17,136)		
	33,351	33,925	573
Total assets	530,628	531,404	776
(1)Notes and accounts payable, trade	24,774	24,774	-
(2)Bank loans	48,094	48,094	-
(3)Payables - other	23,359	23,359	-
(4)Accrued income taxes	20,907	20,907	-
(5)Straight bonds	18,768	18,837	69
(6)Long-term loans	16,085	16,146	60
(7)Guarantee deposits received	5,625	5,491	(133)
Total liabilities	157,616	157,612	(4)
Derivative transactions (* 2)			
(i)Hedge accounting applied	(31)	(31)	-
(ii)Hedge accounting not applied	(24)	(169)	(144)
Total derivative transactions	(56)	(200)	(144)

*1 Excludes allowance for doubtful accounts for loans receivable.

*2 Net claims and obligations arising from derivative transactions are shown as net values. Items for which the total is a net obligation are shown in parentheses.

(Note 1) Calculation method of fair value of financial instruments and matters concerning securities and derivative transactions

[English Translation]

Assets

(1) Cash on hand and in banks, (2) Cash deposits for armored car services, (3) Call loans, (4) Notes and accounts receivable, trade, (5) Due from subscribers and (8) Short-term loans receivable

These items are stated at their book value, as these items are mainly settled in a short period of time, and their fair value approximates their book value.

(6) Short-term investments and investment securities

The fair value of stocks is based on the price quoted on the exchange whereas the fair value of straight bonds, etc. is based on the price quoted on the exchange or the price presented by the corresponding financial institution.

(7) Lease receivables and investment in leased assets

These items are stated at present value calculated by discounting the sum of the principal and interest at the interest rate assumed when a new similar lease transaction is performed.

(9) Long-term loans receivable

These items are stated at present value calculated by discounting the sum of the principal and interest at the interest rate assumed when a new similar loan transaction is performed with respect to each category based on type, internal rating and period of the loans receivable. The fair value of doubtful accounts is approximately the same as the value on the balance sheet as of the fiscal year-end less the current estimated loan loss, as the estimated loan loss is calculated based on the discounted present value of estimated cash flow or the expected recoverable amount with collateral and guarantee, etc.; therefore, the said value is stated as fair value. Certain consolidated subsidiaries calculate the present value of future cash flow by discounting the future cash flow at an interest rate equal to an appropriate index such as the yield of government bonds plus the credit spread according to the residual period.

Liabilities

(1) Notes and accounts payable, trade, (2) Bank loans, (3) Other payables and (4) Accrued income taxes

These items are stated at their book value, as these items are mainly settled in a short period of time, and their fair value approximates their book value.

(5) Straight bonds

These items are stated at present value calculated by discounting the sum of the principal and interest at the interest rate assumed when new similar straight bonds are issued, according to the residual period of the straight bonds.

(6) Long-term loans

These items are stated at present value calculated by discounting the sum of the principal and interest at the interest rate assumed when a new similar debt is taken on.

(7) Guarantee deposits received

Guarantee deposits received are stated at present value calculated by discounting the future cash flow at risk-free interest rate.

Derivative transactions

Derivatives are stated at the price presented by the financial institution with which the Group has concluded an agreement.

For hybrid instruments which do not separate the fair value of the embedded derivatives, the fair value of the hybrid instruments is calculated as a whole, and included in “(i) held-to-maturity debt securities” in “(6) Short-term investments and investment securities”.

(Note 2) Financial instruments whose fair value is deemed extremely difficult to identify

(Millions of Yen)

Item	Amount recognized on the consolidated balance sheet
Unlisted stock (*1)	5,053
Investments in limited partnerships for investment	5,513
Deposit from business activities (*2)	31,152

*1 Not included in “(6) Short-term investments and investment securities” due to lack of market price, and because fair value is deemed extremely difficult to identify.

*2 Not included in “(7) Guarantee deposits received” because reasonable estimation of cash flow is deemed extremely difficult due to lack of market price and difficulty in calculating the effective depositing period.

(Additional Information)

Starting in the current fiscal year, the Company has applied “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, March 10, 2008) and “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, March 10, 2008).

Notes to Rental Property and Other Real Estate

The Company and some of its consolidated subsidiaries own rental office buildings and medical facilities such as hospitals, in addition to rental housing, etc. mainly in Tokyo and other major cities across the country.

The amount recognized on the consolidated balance sheet, the amount of increase/decrease during the current fiscal year and the fair value of such rental properties are as follows.

(Millions of Yen)

	Amount recognized on the consolidated balance sheet			Fair value at end of the current consolidated fiscal year
	Balance at end of the previous consolidated fiscal year	Increase/decrease during the current consolidated fiscal year	Balance at end of the current consolidated fiscal year	
Office buildings	36,620	(341)	36,279	48,540
Medical facilities	34,960	10,871	45,831	40,229
Other	8,094	801	8,896	8,361
Total	79,676	11,331	91,007	97,131

[English Translation]

- (Note 1) The amount recognized on the consolidated balance sheet equals the acquisition cost less accumulated depreciation and accumulated impairment loss.
- (Note 2) Of the amount of increase/decrease for medical facilities during the current consolidated fiscal year, the main component of the increase was the acquisition of MAC International Co., Ltd.(increase of Yen 12,229 million).
- (Note 3) The fair value as at the current consolidated fiscal year end is, in the case of major properties, the amount based on real-estate appraisal by an external real-estate appraiser, and in the case of other properties, the amount calculated in-house based on the Real Estate Appraisal Standard. However, if no significant fluctuations have occurred in a certain valuation or an index that is deemed to properly reflect the market price since the acquisition of the property from a third party or the most recent external valuation, the fair value is based on the valuation during the current fiscal year or the amount adjusted by using the index.

Profit or loss on rental properties and other real estate in the fiscal year ended March 2010 is as follows.

(Millions of Yen)

	Rental income	Rental expenses	Difference	Other (gain/loss on sale, etc.)
Office buildings	3,285	1,536	1,749	246
Medical facilities	3,805	1,677	2,127	-
Other	529	293	235	(6)
Total	7,619	3,506	4,113	239

(Additional Information)

Starting in the current fiscal year under review, the Company has applied the “Accounting Standard for Disclosures about Fair Value of Investment and Rental Property” (ASBJ Statement No. 20, November 28, 2008) and “Guidance on Accounting Standard for Disclosures about Fair Value of Investment and Rental Property”(ASBJ Guidance No. 23, November 28, 2008).

Notes to Deferred Tax Accounting

1. The Significant Components of Deferred Tax Assets and Deferred Tax Liabilities:

Deferred tax assets:	(Millions of Yen)
Operating loss carryforwards	15,061
Eliminations of unrealized gain	10,441
Allowance for doubtful accounts	8,004
Adjustment of book value of land and buildings of subsidiaries, etc. at fair value at the date of consolidation	7,032
Accrued bonuses	4,886
Accrued pension and severance costs	4,843
Investment deposits by policyholders, unearned premiums and other insurance liabilities and provision for outstanding claims	4,750
Write-down on fixed assets	4,423
Impairment loss	2,831
Loss on impairment of investment securities	1,986
Write-down on real estate inventories	1,466
Other	10,138
<hr/> Gross deferred tax assets	<hr/> 75,866
Valuation allowance	(33,216)
<hr/> Total deferred tax assets	<hr/> 42,649
 Deferred tax liabilities:	
Adjustment of book value of other fixed assets of subsidiaries, etc. at fair value at the date of consolidation (land and buildings)	(7,768)
Prepaid pension and severance costs	(7,108)
Adjustment of book value of other fixed assets of subsidiaries, etc. at fair value at the date of consolidation (Other fixed assets)	(2,522)
Unrealized gains on securities	(1,745)
Other	(370)
<hr/> Total deferred tax liabilities	<hr/> (19,516)
<hr/> Net deferred tax assets	<hr/> 23,133

2. Summary of the Reconciliation between the Effective Tax Rate Reflected in the Consolidated Financial Statements and the Statutory Tax Rate :

Statutory tax rate (Reconciliation)	40.5 (%)
Unrecognized tax benefits from subsidiaries in deficit	3.7
Increase in valuation allowance	2.6
Adjustment of gain/loss on sales of investments in subsidiaries and affiliates	(1.4)
Net gains from investment in affiliated companies accounted for under the equity method	(1.2)
Utilization of tax loss carryforwards	(1.0)
Per capita levy of corporate inhabitant tax	0.8
Permanently nondeductible expenses such as entertainment expenses	0.7
Amortization of goodwill	0.6
Research and development tax credits	(0.4)
Other	(0.1)
<hr/>	
Effective tax rate after the application of deferred tax accounting	44.8 (%)

Notes to Fixed Assets Used under Leases

1. Finance lease transactions commencing on or before March 31, 2008 other than those deemed to transfer the ownership of the leased assets to the lessees

(1) As a Lessee

Besides the ones booked as fixed assets on the balance sheet of the Company, some of buildings, automobiles, machinery and equipment, tools, furniture and fixtures and software are used based on the finance lease contracts other than those deemed to transfer the ownership of the leased assets to the lessees.

1) The Amount Equivalent to Acquisition Cost, the Amount Equivalent to Accumulated Depreciation, and the Amount Equivalent to Year-End Balance of Leased Properties

(Millions of Yen)

Amount equivalent to acquisition cost	
Buildings and improvements	5,184
Tangible assets (other)	8,105
<u>Intangible assets (software)</u>	<u>989</u>
Total	14,278

Amount equivalent to accumulated depreciation

Buildings and improvements	2,453
Tangible assets (other)	5,988
<u>Intangible assets (software)</u>	<u>627</u>
Total	9,069

Amount equivalent to year-end balance

Buildings and improvements	2,731
Tangible assets (other)	2,116
<u>Intangible assets (software)</u>	<u>361</u>
Total	5,209

2) The Amount Equivalent to Year-End Balance of Future Minimum Lease Payments

(Millions of Yen)

Within 1 year	1,579
<u>Over 1 year</u>	<u>4,710</u>
Total	6,290

3) Lease Payment Expenses, the Amount Equivalent to Depreciation Expenses, and the Amount Equivalent to Interest Expenses

(Millions of Yen)

Lease payment expenses	2,703
Amount equivalent to depreciation expenses	2,399
Amount equivalent to interest expenses	290

4) Calculation Method of the Amount Equivalent to Depreciation Expenses and the Amount Equivalent to Interest Expenses

Calculation Method of the amount equivalent to depreciation expenses

Depreciation expenses are calculated using the straight-line method which assumes that the period of the lease is the useful service life of the asset and sets the residual value to zero.

Calculation Method of the amount equivalent to interest expenses

The amount equivalent to interest expenses is calculated as the difference between total lease payments and the amount equivalent to the acquisition cost of leased properties, and the interest method is used as the allocation method for each fiscal period.

(2) As a Lessor

1) The Acquisition Cost, Accumulated Depreciation, and Year-End Balance for Leased Properties Included in Fixed Assets

	(Millions of Yen)
Acquisition cost	
Buildings and improvements	21,368
<u>Tangible assets (other)</u>	<u>6,443</u>
Total	27,812
Accumulated depreciation	
Buildings and improvements	4,201
<u>Tangible assets (other)</u>	<u>4,200</u>
Total	8,402
Year-end balance	
Buildings and improvements	17,167
<u>Tangible assets (other)</u>	<u>2,242</u>
Total	19,410

2) The Amount Equivalent to the Year-End Balance of Future Minimum Lease Payments to be received

	(Millions of Yen)
Within 1 year	1,128
<u>Over 1 year</u>	<u>18,321</u>
Total	19,450

3) Received Lease Payments, Depreciation Expenses, and the Amount Equivalent to Received Interest

	(Millions of Yen)
Received lease payments	3,433
Depreciation expenses	2,095
Amount equivalent to received interest	1,967

4) Calculation Method of the Amount Equivalent to Interest

The amount equivalent to interest is calculated as total lease payments plus total estimated residual value minus the purchase price of the leased properties, and the interest method is used as the allocation method for each fiscal period.

2. Finance Leases

(As a Lessor)

	(Millions of Yen)
1) Investment in Leased Assets	
(Current assets)	
Gross lease receivables	23,851
<u>Amount equivalent to received interest</u>	<u>(9,692)</u>
Investment in leased assets	14,159

2) Estimated collection schedule for gross lease payments to be received for lease receivables and leased investment assets

(Millions of Yen)

(Current assets)

	Lease receivables	Investment in leased assets
Within 1 year	56	8,413
1 year to 2 year	56	6,417
2 year to 3 year	56	4,583
3 year to 4 year	56	2,701
4 year to 5 year	56	931
Over 5 year	397	804

(Note) With regard to non-ownership transfer finance lease transaction for which the lease transaction commenced on or before March 31, 2008 among the lease transactions of consolidated subsidiary, Secom Credit Co., Ltd., whose principal business is leasing, it has recorded the appropriate book value of fixed assets (after deducting accumulated depreciation) as of the end of the fiscal year immediately preceding to the application of the accounting standard as of the beginning balance of investment in leased assets of the current fiscal year. The book value is included in the balance of investment in leased assets above.

3. Operating Leases

1) As a Lessee (Millions of Yen)

Future minimum lease payments	
Within 1 year	2,355
Over 1 year	26,076
Total	28,431

2) As a Lessor (Millions of Yen)

Future minimum lease payments to be received	
Within 1 year	3,503
Over 1 year	24,268
Total	27,771

Notes to Retirement Benefits

1. Outline of the Retirement Benefit Plan Adopted by the Company:

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

The Company and those of its domestic consolidated subsidiaries with the same retirement benefit plan have adopted a severance indemnity plan and a defined contribution pension plan. The method of calculating the severance indemnity under the severance indemnity plan is to pay out to the employees an amount equal to a certain percentage of their annual income over their period of service, plus interest which is calculated as the 3-year average yield of applicants for 10-year government bonds (though subject to transitional measure). The defined contribution pension plan was established in April 2003, a portion equivalent to 20 percent of the severance indemnity plan so far accumulated was transferred to the new plan, and a specified percentage of annual income is contributed thereto. The Company transferred an additional portion of the severance indemnity plan funds to the defined contribution pension plan in April 2005, and accordingly, the ratio of the accumulated amount in the severance indemnity plan and the amount of contributions to the defined contribution pension plan, including the past reserve, changed to 70 percent and 30 percent, respectively.

The majority of the consolidated overseas subsidiaries have adopted a variety of pension plans that essentially cover all employees. Most of these plans are defined contribution pension plans.

2. Items Concerning the Retirement Benefit Obligation (As of March 31, 2010):

	(Millions of Yen)
(1) Projected benefit obligation	(72,600)
(2) Plan assets *1	60,341
(3) Unfunded projected benefit obligation ((1)+(2))	(12,259)
(4) Unappropriated difference at the time of change in accounting standard	-
(5) Unrecognized actuarial gains or losses	17,613
(6) Unrecognized prior service liability	-
(7) Net retirement benefit obligation recognized in the consolidated balance sheet ((3)+(4)+(5)+(6))	5,353
(8) Prepaid pension and severance costs	18,618
(9) Accrued pension and severance costs ((7)-(8))	(13,264)

(Note) *1. Plan assets include the asset of Yen 234 million of the retirement benefit trust.

3. Components of Pension and Severance Costs (from April 1, 2009 to March 31, 2010)

(Millions of Yen)

(1) Service cost *1	4,245
(2) Interest cost	1,475
(3) Expected return on plan assets	(1,589)
(4) Amortization of actuarial gains or losses	2,239
(5) Pension and severance costs ((1)+(2)+(3)+(4))	6,371
(6) Other *2	1,467
Total	7,839

(Notes) *1. Pension and severance costs for consolidated subsidiaries, etc. adopting the simplified method are included in (1) "Service cost."

*2. "Other" represents the amount payable as premiums to the defined contribution pension plan.

4. Assumptions Used in Accounting for Retirement Benefits

(1) Attribution of projected benefit obligation	Straight-line method over the estimated years of services of the eligible employees
(2) Discount rates	Principally 2.1% at beginning of fiscal year Principally 2.2% at end of fiscal year
(3) Expected rates of return on plan assets	Principally 3.0% for plan assets 0.0% for retirement benefit trust
(4) Amortization period of prior service liability	Prior service liability is amortized in the year incurred.
(5) Amortization period of actuarial gains or losses	Amortizing actuarial gains and losses from the following fiscal year of occurrence, using the straight-line method over certain years within the average remaining service period (mainly 10 years).

Notes to Business Combination

Not applicable

Notes to Per-Share Information

Net assets per share: Yen 2,561.94
Net income per share: Yen 218.37

Non-Consolidated Balance Sheet

(As of March 31, 2010)

(Millions of Yen)

ITEM	AMOUNT	ITEM	AMOUNT
<u>ASSETS</u>		<u>LIABILITIES</u>	
Current assets:	134,634	Current liabilities:	111,287
Cash on hand and in banks	44,607	Accounts payable	2,009
Cash deposits for armored car services	46,957	Bank loans	24,492
Notes receivable	248	Lease obligations	51
Due from subscribers	11,434	Payables – other	10,811
Accounts receivable, trade	6,484	Accrued income taxes	14,637
Receivables – other	2,556	Accrued consumption taxes	1,491
Short-term investments	2,429	Accrued expenses	555
Merchandise	6,574	Deposits received	23,625
Supplies	1,082	Deferred revenue	22,558
Prepaid expenses	2,016	Payables – construction	3,425
Deferred income taxes	4,720	Accrued bonuses	5,493
Short-term loans receivable	3,943	Other	2,133
Other	2,026		
Allowance for doubtful accounts	(450)		
Fixed assets:	533,572	Long-term liabilities:	23,989
Tangible assets:	118,147	Lease obligations	182
Buildings and improvements	22,360	Guarantee deposits received	17,965
Automobiles	368	Accrued pension and severance costs	4,394
Security equipment and control stations	60,860	Accrued retirement benefits for Directors and Corporate Auditors	1,174
Machinery and equipment	828	Other	272
Tools, furniture and fixtures	3,519		
Land	28,352	Total liabilities	135,276
Construction in progress	1,203		
Other	654	<u>NET ASSETS</u>	
Intangible assets:	8,555	Shareholders' equity:	532,145
Software	7,580	Common stock	66,377
Other	975	Capital surplus:	83,054
Investments and others:	406,869	Additional paid-in capital	83,054
Investment securities	21,769	Retained earnings:	457,620
Investment securities and investments in subsidiaries and affiliates	195,773	Legal reserve	9,028
Long-term loans receivable	133,871	Other retained earnings	448,591
Lease deposits	8,583	Reserve for system developments	800
Long-term prepaid expense	25,816	General reserve	2,212
Prepaid pension and severance costs	14,364	Accumulated earnings carried forward	445,579
Deferred income taxes	14,099	Common stock in treasury, at cost	(74,907)
Insurance funds	4,334		
Other	800	Valuation, translation adjustments and others:	786
Allowance for doubtful accounts	(12,544)	Net unrealized gains on securities	786
		Total net assets	532,931
TOTAL ASSETS	668,207	TOTAL LIABILITIES AND NET ASSETS	668,207

[English Translation]

Non-Consolidated Statement of Income

(Fiscal Year from April 1, 2009 to March 31, 2010)

(Millions of Yen)

ITEM	AMOUNT	
Revenue		328,773
Costs of revenue	188,701	
Gross profit		140,072
Selling, general and administrative expenses	68,544	
Operating profit		71,527
Non-operating income:		
Interest income	2,131	
Dividends income	6,260	
Other	832	9,225
Non-operating expenses:		
Interest expenses	427	
Loss on sales and disposal of fixed assets	1,143	
Write-off of long-term prepaid expenses	910	
Other	809	3,290
Ordinary profit		77,462
Extraordinary profit:		
Reversal of allowance for doubtful accounts	312	
Penalty charge income	240	
Other	8	561
Extraordinary loss:		
Losses related to spectrum reallocation	1,253	
Loss on sales of investment securities in subsidiaries and affiliates	1,172	
Loss on impairment of investment securities in subsidiaries and affiliates	1,165	
Loss on impairment of investment securities	704	
Other	342	4,639
Income before income taxes		73,384
Income taxes – current	27,688	
Income taxes – deferred	(110)	27,578
Net income		45,806

Non-Consolidated Statement of Changes in Net Assets

(Fiscal Year from April 1, 2009 to March 31, 2010)

(Millions of Yen)

	Shareholders' equity			
	Common stock	Capital surplus		
		Additional paid-in capital	Other capital surplus	Total capital surplus
Balance as of March 31, 2009	66,377	83,054	—	83,054
Changes during the period:				
Cash dividends				
Net income				
Purchase of treasury stock				
Disposal of treasury stock			(0)	(0)
Transfer of loss on disposal of treasury stock			0	0
Net changes of items other than shareholders' equity				
Total changes during the period	—	—	—	—
Balance as of March 31, 2010	66,377	83,054	—	83,054

(Millions of Yen)

	Shareholders' equity				
	Retained earnings				Total retained earnings
	Legal reserve	Other retained earnings			
Reserve for system developments		General reserve	Accumulated earnings carried forward		
Balance as of March 31, 2009	9,028	800	2,212	418,306	430,347
Changes during the period:					
Cash dividends				(18,533)	(18,533)
Net income				45,806	45,806
Purchase of treasury stock					
Disposal of treasury stock					
Transfer of loss on disposal of treasury stock				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes during the period	—	—	—	27,273	27,273
Balance as of March 31, 2010	9,028	800	2,212	445,579	457,620

(Millions of Yen)

	Shareholders' equity		Valuation, translation adjustments and others		Total net assets
	Common stock in treasury, at cost	Total shareholders' equity	Unrealized gains (losses) on securities	Total valuation, translation adjustments and others	
Balance as of March 31, 2009	(74,896)	504,883	48	48	504,932
Changes during the period:					
Cash dividends		(18,533)			(18,533)
Net income		45,806			45,806
Purchase of treasury stock	(12)	(12)			(12)
Disposal of treasury stock	0	0			0
Transfer of loss on disposal of treasury stock		—			—
Net changes of items other than shareholders' equity			737	737	737
Total changes during the period	(11)	27,261	737	737	27,999
Balance as of March 31, 2010	(74,907)	532,145	786	786	532,931

Notes to Non-Consolidated Financial Statements

Notes to Significant Accounting Policies

1. Valuation Policies and Methods for Securities

(1) Held-to-maturity debt securities

Amortized cost method

(2) Investment Securities in Subsidiaries and Affiliates

Valued at cost, based on the moving average method

(3) Available-for-sale Securities

Securities with fair value

Stock and beneficiary securities: At fair value based on the average market price one month prior to the fiscal year-end.

Others: At fair value based on market price at fiscal year-end

Net unrealized gains and losses of securities are reported, net of applicable income taxes, directly in net assets. The cost of securities sold is primarily calculated by the moving average method.

Securities with no fair value

At cost, based on the moving average method

2. Valuation Policies and Methods for Inventories

Merchandise and supplies are stated at cost determined by the moving average method (or at the net realizable value (NRV) calculated by writing down the book value to reflect a decrease in the NRV).

3. Depreciation and Amortization of Depreciable and Amortizable Fixed Assets

(1) Tangible Assets: (except for leased assets)

1) Security equipment and control stations

Security equipment and control stations are depreciated over their average estimated useful service lives (5–8 years) by the declining-balance method.

2) Other tangible fixed assets

Other tangible fixed assets are depreciated by the straight-line method.

Their main useful service lives are as follows:

Buildings and improvements: 22–50 years

(2) Intangible Assets

Intangible fixed assets are amortized by the straight-line method.

The software used in the Company is amortized by the straight-line method based on the useful service lives within the Company (5 years).

(3) Leased Assets

1) Leased assets related to ownership-transfer finance lease transactions

Depreciated, using the same depreciation method applied to fixed assets in possession.

- 2) Leased assets related to non-ownership-transfer finance lease transactions

Depreciated, using the straight-line method over a useful life equal to the lease period with a residual value of zero.

In addition, non-ownership-transfer finance leases entered into on or before March 31, 2008 are treated using the method applicable to operating lease transactions.

- (4) Long-term Prepaid Expenses: Straight-line method

Long-term prepaid expenses are amortized by the straight-line method. With respect to the installation costs related to security equipment at the customer premises, any portion exceeding the amount received from the customer is included in “long-term prepaid expenses” and amortized by the straight-line method over the contract period (5 years).

4. Basis for Significant Allowances

- (1) Allowance for Doubtful Accounts

To prepare for losses from bad debts such as losses on trade receivables and loans, the allowance for doubtful accounts provides an estimated amount of uncollectables. It is determined based on historical loss rate with respect to ordinary accounts, and an estimate of uncollectable amounts, respectively determined by reference to specific doubtful accounts from customers who are experiencing financial difficulties.

- (2) Accrued Bonuses

Accrued bonuses are provided for the bonus payments to employees, at an amount incurred during the current fiscal year.

- (3) Accrued Pension and Severance Costs

To prepare for the retirement benefits of employees, the Company provides an amount of accrued pension and severance costs and prepaid pension and severance costs at the end of the current fiscal year, based on the estimated amount of projected benefit obligation and plan assets as of the end of the current fiscal year.

Prior service liability is recognized as profit or loss in the year of occurrence.

Actuarial gains and losses are amortized from the following fiscal year of occurrence, using the straight-line method over certain years within the average remaining service period (mainly 10 years).

(Change to the accounting policy)

In the current fiscal year, the Company applied the “Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)” (ASBJ Statement No.19, issued on July 31, 2008).

Because actuarial gains and losses are amortized from the following fiscal year, this change does not impact operating profit, ordinary profit and income before income taxes in the current fiscal year.

The balance of unrecognized retirement benefit obligations with the application of this accounting standard is negative Yen 477 million.

- (4) Accrued Retirement Benefits for Directors and Corporate Auditors

To prepare for outlays for retirement benefits of Directors and Corporate Auditors of the Company, a necessary amount at the end of the current fiscal year is appropriated based on the rules of the Directors and Corporate Auditors' retirement benefits.

5. Revenue and Cost Recognition Policies

Revenue Recognition Policies for Construction Contracts

The Company applies the percentage-of-completion method to construction contracts whose outcomes are deemed certain for progress until the end of the current fiscal year, and applies the completed-contract method to other construction contracts. The percentage of costs incurred to the estimated total cost is used for estimating the percentage of completion.

(Change to the accounting policy)

Regarding the revenue recognition policies for construction contracts, the completed-contract method was applied in the past. According to the adoption of "Accounting Standard for Construction Contracts" (ASBJ Statement No.15, issued on December 27, 2007) and "Guidance on Accounting Standard for Construction Contracts" (ASBJ Guidance No.18, issued on December 27, 2007) from the current fiscal year, for construction contracts engaged on or after April 1, 2009, the percentage-of-completion method is applied for construction contracts whose outcomes are deemed certain for progress until the end of the current fiscal year, otherwise the completed-contract method is applied. The percentage of costs incurred to the estimated total cost is used for estimating the percentage of completion. The effect of this change on revenue, operating profit, ordinary profit and income before income taxes is insignificant.

6. Other Significant Accounting Policies (Consumption Tax)

In relation to consumption tax and regional consumption tax, the Company has adopted the tax-exclusive method.

7. Changes of Presentation Methods

Not applicable

Notes to the Non-Consolidated Balance Sheet

1. Cash and Deposits for Armored Car Services, Short-term Bank Loans

For financial institutions, the Company provides cash collection from and cash filling to cash dispensers located outside of financial institution facilities.

The balance of cash and deposits for armored car services includes cash on hand and cash in banks of representing a total of Yen 24,688 million connected with such services, which is restricted as to use by the Company. The short-term bank loan balance includes Yen 6,310 million financed for the cash collection and filling services.

The balance of cash deposits for armored car services includes Yen 22,269 million connected with cash collection administration services, which is also restricted as to use by the Company. Also, the short-term bank loan balance includes Yen 18,181 million financed in connection with the same services.

2. Assets Pledged as Collateral and Collateral-related Liabilities

Assets pledged as collateral

	(Millions of Yen)
Short-term loans receivable	14
Investment securities	277
Investment securities in subsidiaries and affiliates	45
Long-term loans receivable	610
<u>Total</u>	<u>947</u>

Collateral-related liabilities

Nil

Short-term loans receivables, investment securities, investment securities in subsidiaries and affiliates, and long-term loans receivable are pledged as collateral for the debts of subsidiaries and affiliated companies and other debts.

3. Accumulated Depreciation of Assets

Accumulated depreciation of tangible asset: Yen 227,249 million

4. Contingent Liabilities

(1) Guarantees

Liabilities for the below entities and employees are guaranteed.

	(Millions of Yen)
Alive Medicare Co., Ltd.	1,775
Secom Home Life Co., Ltd.	555
Secom Fort West Co., Ltd.	305
Seikeikai (Medical institution)	286
Sanwakai (Medical institution)	237
Other	151
Employees	221
Purchaser of merchandises by leasing transactions, etc.	447
<u>Total</u>	<u>3,981</u>

(2) Net Assets Maintaining Agreement

The Company entered into a net assets maintaining agreement with Secom General Insurance Co., Ltd., under which the Company is obligated to provide funds to Secom General Insurance Co., Ltd. if and when the net assets of Secom General Insurance Co., Ltd. become lower than the specified amount or its current assets necessary for the payment of its liabilities are insufficient. The total liabilities of Secom General Insurance Co., Ltd. at the end of the current fiscal year are Yen 159,240 million, including Yen 154,287 million of investment deposits by policyholders, unearned premiums and other insurance liabilities, and the total assets are Yen 181,985 million.

However, this agreement is not construed as the Company's guarantee with respect to payment obligations of Secom General Insurance Co., Ltd., and Secom General Insurance Co., Ltd. maintained net assets above the

required level and its current assets were not insufficient at the end of the current fiscal year.

5. Financial Receivables/Payables to Subsidiaries and Affiliated Companies
(excluding those separately presented)

	(Millions of Yen)
Short-term receivables	7,570
Long-term receivables	132,717
Short-term payables	8,374
Long-term payables	184

Notes to Non-Consolidated Statement of Income

Transactions with Subsidiaries and Affiliated Companies

	(Millions of Yen)
Operating transactions	
Revenue	13,986
Amount of purchased costs and sub-contract costs	63,913
Non-operating transactions	8,106

Notes to Non-Consolidated Statements of Changes in Net Assets

Classes and Total Number of Treasury Stocks (Unit: 1 share)

Classes of shares	Number of shares at the end of the previous fiscal year	Increase in number of shares in the current fiscal year	Decrease in number of shares in the current fiscal year	Number of shares at the end of the current fiscal year
Common stock	15,251,520	2,998	184	15,254,334

(Outline of reasons for change)

The increase of 2,998 in the number of common stocks is due to the purchase of shares constituting less than one unit.

The decrease of 184 in the number of common stocks is due to requests to sell such number of shares as will constitute, together with the shares constituting less than one unit of shares already held, one full unit.

Notes to Deferred Tax Accounting

1. The Significant Components of Deferred Tax Assets and Deferred Tax Liabilities:

Deferred tax assets:	(Millions of Yen)
Loss on impairment of investment securities in subsidiaries and affiliates	7,090
Allowance for doubtful accounts	5,172
Impairment loss	2,245
Accrued bonuses	2,224
Write-down on fixed assets	2,066
Accrued pension and severance costs	1,875
Other	4,497
<u>Total deferred tax assets</u>	<u>25,172</u>

Deferred tax liabilities:	(Millions of Yen)
Prepaid pension and severance costs	(5,817)
Other	(535)
<u>Total deferred tax liabilities</u>	<u>(6,352)</u>

	(Millions of Yen)
<u>Net deferred tax assets</u>	<u>18,819</u>

2. Summary of the Reconciliation between the Effective Tax Rate Reflected in the Financial Statements and the Statutory Tax Rate:

Statutory tax rate	40.5%
(Reconciliation)	
Permanently non-taxable income, such as dividends income	(3.0)
Per capita levy of corporate inhabitant tax	0.5
Research and development tax credits	(0.5)
Other	0.1
<u>Effective tax rate after the application of deferred tax accounting</u>	<u>37.6%</u>

Notes to Fixed Assets under Leases

1. Finance lease transactions commencing on or before March 31, 2008 other than those deemed to transfer the ownership of the leased assets to the lessees. Besides the ones booked as fixed assets on the balance sheet of the Company, some of buildings, automobiles and tools, furniture and fixtures are used based on the finance lease contracts other than those deemed to transfer the ownership of the leased assets to the lessees.

- 1) The Amount Equivalent to Acquisition Cost, the Amount Equivalent to Accumulated Depreciation, and the Amount Equivalent to Year-End Balance of Leased Assets

(Millions of Yen)

Amount equivalent to acquisition cost	
Buildings	5,184
Automobiles	1,148
Tools, furniture and fixtures	591
Total	6,924

(Millions of Yen)

Amount equivalent to accumulated depreciation	
Buildings	2,453
Automobiles	869
Tools, furniture and fixtures	494
Total	3,817

(Millions of Yen)

Amount equivalent to year-end balance	
Buildings	2,731
Automobiles	279
Tools furniture and fixtures	96
Total	3,106

- 2) The Amount Equivalent to Year-End Balance of Future Minimum Lease Payments

(Millions of Yen)

Within 1 year	420
Over 1 year	3,689
Total	4,109

- 3) Lease Payment Expenses, the Amount Equivalent to Depreciation Expenses, and the Amount Equivalent to Interest Expenses

(Millions of Yen)

Lease payment expenses	857
Amount equivalent to depreciation expenses	655
Amount equivalent to interest expenses	216

- 4) Calculation Method of the Amount Equivalent to Depreciation Expenses and the Amount Equivalent to Interest Expenses

Calculation Method of the amount equivalent to depreciation expenses
 Depreciation expenses are calculated using the straight-line method which assumes that the period of the lease is the useful service life of the asset and sets the residual value to zero.

Calculation Method of the amount equivalent to interest expenses
 The amount equivalent to interest expenses is calculated as the difference between total lease payments and the amount equivalent to the acquisition cost of leased properties, and the interest method is used as the allocation method for each fiscal period.

2. Operating Leases

1) As a Lessee

(Millions of Yen)

Future minimum lease payments	
Within 1 year	2,171
Over 1 year	24,941
Total	27,113

2) As a Lessor

(Millions of Yen)

Future minimum lease payments to be received	
Within 1 year	769
Over 1 year	7,624
Total	8,393

Notes to Transactions with Related Parties

Type	Name of Company	Address	Capital (Millions of Yen)	Business content	Voting Rights Held by Company (Indirect) (%)	Relationship	
						Concurrent posts of Directors and Corporate Auditors	Business relationship
Subsidiary	Secom Techno Service Co., Ltd.	Nakano -ku, Tokyo	2,357	Installation of security systems	67.8 (0.0)	-	Construction subcontractor
Subsidiary	Secom Home Life Co., Ltd.	Shibuya -ku, Tokyo	3,700	Real estate development and sales	99.9	1 person	Loan and investment of funds
Subsidiary	Secom Credit Co., Ltd.	Shibuya -ku, Tokyo	400	Lease	100.0	2 persons	Loan and investment of funds
Subsidiary	Secom Medical System Co., Ltd.	Shibuya -ku, Tokyo	6,545	Medical service	100.0	1 person	Loan and investment of funds

	Transactions	Amount of Transactions (Millions of Yen)	Account	Year-end Balance (Millions of Yen)
Secom Techno Service Co., Ltd.	Installation costs (Note 2)	37,032	Payables-other	3,204
			Payables-construction	1,041
Secom Home Life Co., Ltd.	Execution of loans (Collection of loans) Receipt of interests (Note 3)	31,000	Long-term loans receivable (Note 4)	60,434
		(34,449)		
		860		
Secom Credit Co., Ltd.	Execution of loans (Collection of loans) Receipt of interests (Note 3)	10,200	Short-term loans receivable	500
		(10,900)	Long-term loans receivable	18,400
		421		
Secom Medical System Co., Ltd.	Execution of loans (Collection of loans) Receipt of interests (Note 3)	5,791	Short-term loans receivable	2,899
		(8,060)	Long-term loans receivable	36,451
		494		

(Notes)

1. Consumption taxes are not included in the transaction amounts listed above. However, consumption taxes are included in the year-end balances.
2. The installation costs are determined by price negotiations, by taking market prices into consideration.
3. The interest rates for the loans above are determined, by taking market interest rates into consideration.
4. The amount of Yen 4,893 million has been accrued as allowance for doubtful accounts for the long-term loans receivable to Secom Home Life Co., Ltd. in the current fiscal year. And in the current fiscal year, Yen 1,627 million of reversal of allowance for doubtful account was recognized.

Notes to the Business Combination

Not applicable

Notes to Per-Share Information

Net assets per share: Yen 2,444.25
Net income per share: Yen 210.09

Certified Copy of the Accounting Auditors' Report (Consolidated)

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

Independent Auditors' Report

Date May 18, 2010

The Board of Directors
SECOM Co., Ltd.

KPMG AZSA & Co.

Toshiya Mori (Seal)
Designated and Engagement Partner
Certified Public Accountant

Hiroaki Sugiura (Seal)
Designated and Engagement Partner
Certified Public Accountant

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

We have audited the consolidated statutory report, comprising the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the related notes of SECOM Co., Ltd. as of March 31, 2010 and for the year from April 1, 2009 to March 31, 2010 in accordance with Article 444(4) of the Companies Act. The consolidated statutory report is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated statutory report based on our audit as independent auditors.

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

In our opinion, the consolidated statutory report referred to above presents fairly, in all material respects, the financial position and the results of operations of SECOM Co., Ltd. and its consolidated subsidiaries for the period, for which the consolidated statutory report was prepared, in conformity with accounting principles generally accepted in Japan.

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

**Certified Copy of the Accounting Auditors' Report
(Non-Consolidated)**

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

Independent Auditors' Report

Date May 18, 2010

The Board of Directors
SECOM Co., Ltd.

KPMG AZSA & Co.

Toshiya Mori (Seal)
Designated and Engagement Partner
Certified Public Accountant

Hiroaki Sugiura (Seal)
Designated and Engagement Partner
Certified Public Accountant

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

We have audited the statutory report, comprising the balance sheet, the statement of income, the statement of changes in net assets and the related notes, and its supporting schedules of SECOM Co., Ltd. as of March 31, 2010 and for the 49th business year from April 1, 2009 to March 31, 2010 in accordance with Article 436(2)(i) of the Companies Act. The statutory report and supporting schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on the statutory report and supporting schedules based on our audit as independent auditors.

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

In our opinion, the statutory report and supporting schedules referred to above present fairly, in all material respects, the financial position and the results of operations of SECOM Co., Ltd. for the period, for which the statutory report and supporting schedules were prepared, in conformity with accounting principles generally accepted in Japan.

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

Certified Copy of the Board of Corporate Auditors' Report

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

Audit Report

May 20, 2010

Mr. Shuji Maeda
President and Representative Director
SECOM Co., Ltd.

Board of Corporate Auditors of
SECOM Co., Ltd.

Teruo Ogino (Seal)
Corporate Auditor (full-time)

Ken Tsunematsu (Seal)
Outside Corporate Auditor

Hiroshi Yasuda (Seal)
Outside Corporate Auditor

Kohei Yamashita (Seal)
Outside Corporate Auditor

The Board of Corporate Auditors has received the audit reports of the performance of duties of the Directors during the 49th business term from April 1, 2009 through March 31, 2010 from each of the Corporate Auditors. After deliberating such reports, we have prepared this Audit Report and report as follows.

1. Method and Details of Audit Performed by Corporate Auditors and the Board of Corporate Auditors

The Board of Corporate Auditors has established the audit policy and audit plan for the current fiscal year, received reports on the status and results of audits from each Corporate Auditor, received reports on the status of execution of duties from Directors and accounting auditors, and requested explanations when necessary.

Each of the Corporate Auditors, in accordance with the audit policy of the current fiscal year and audit plan, etc. set up by the Board of Corporate Auditors, worked to communicate with Directors, the internal audit division and other employees, made efforts to gather information and establish the audit environment, in addition to attending the meetings of the Board of Directors and other important meetings, receiving reports from the Directors and other managers on their duties, requesting explanations when necessary, inspecting documents concerning matters such as important decisions, and investigating the conditions of the business and financial conditions at the head office and the principal offices. Furthermore, to ensure the execution of the duties of Directors complied with laws and regulations and the Articles of Incorporation and to ensure appropriate joint-stock company operations, Corporate Auditors also monitored and investigated the details of the resolution of the Board of Directors on the establishment of a system stipulated in Paragraph 1 and Paragraph 3 of Article 100 of the Companies Act Enforcement Order and the status of the system (internal control system) established based on such resolution. We worked to communicate and exchange information with the Directors and Corporate Auditors of subsidiaries and received reports on operations from subsidiaries when necessary. The above methods were used to examine the business report and accompanying schedule for the current fiscal year.

The Board of Corporate Auditors received reports on internal control regarding

[English Translation]

financial reports from Directors and KPMG AZSA & Co. about discussion between Directors and the accounting auditors, evaluation of internal control of the Company and audit circumstance, also requested explanations when necessary. With respect to subsidiaries, Corporate Auditors have endeavored to exchange information and promote understanding and, obtained reports from Directors and Corporate Auditors of subsidiaries.

On the basis of the forgoing procedures, the Board of Corporate Auditors has considered the Business Report and accompanying schedules.

Furthermore, in addition to monitoring and examining whether the accounting auditors maintained an independent position and performed auditing appropriately, we received reports from the accounting auditors on the execution of their duties and requested explanations when necessary. In addition, we received notice from the accounting auditors that “The systems for ensuring the proper execution of duties” (set forth in each Item of Article 131 of the Ordinance for Corporate Accounting) is organized in accordance with the “Standards for Quality Control of Audit” (Business Accounting Council, October 28, 2005) and other relevant standards, and sought explanations whenever necessity arose. Based on the above methods, we examined the financial statements (balance sheet, statement of income, statement of changes in net assets, notes to financial statements), supporting schedules, and the consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in net assets, notes to consolidated financial statements) for the current fiscal year.

2. Result of audit

(1) Result of audit of business report, etc.

- i) The Business Report and accompanying schedules fairly represent the condition of the Company in accordance with laws and regulations and the Articles of Incorporation of the Company.
- ii) We have determined that there were no serious occurrences of unjust activity or violations of any laws or regulations or the Articles of Incorporation of the Company by any of the Directors in carrying out their duties.
- iii) We believe the contents of the resolution of the Board of Directors regarding the internal control system are appropriate. We found no matters to note regarding the execution of duties of Directors regarding the internal control system, as well as the internal control system regarding financial reporting.

(2) Result of audit of financial statements and accompanying schedules

In our opinion, the audit procedures and audit results of the accounting auditors KPMG AZSA & Co. are appropriate.

(3) Result of audit of consolidated financial statements

In our opinion, the audit procedures and audit results of the accounting auditors KPMG AZSA & Co. are appropriate.

End

Reference Document Concerning the General Meeting of Shareholders

Proposals and Reference Items

First Item of Business: Proposed Distribution of Surplus

The Company considers the return of the Company profits on a long-term basis to shareholders the most important task of the management. Management determines the consolidated dividend payout ratio and the level of internal reserves in overall consideration of the future expansion of the Company's business and its consolidated results of operations while keeping in line with the basic policy that ensures the continued and stable dividend payments. Our basic policy of distribution of surplus in the form of dividend payment is to propose annual year-end cash dividends to shareholders, and the decision of distribution of surplus is made by shareholders at the general meeting of the year.

The Company intends to use internal reserves for investments required for increased new customer contracts, research and development and other strategic investments so as to ensure to strengthen our corporate structure and expand our business.

Based on the aforesaid policies, it is proposed that the year-end cash dividends for the 49th Business Term (from April 1, 2009 through March 31, 2010) be Yen 85 per share, to meet shareholders continued support, as set for below:

- (1) Kind of dividend: cash
- (2) Dividend and total amount thereof:
Yen 85 per share of common stock; the total amount: Yen 18,532,922,555
- (3) Commencement date of distribution of dividend: June 28, 2010

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

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

The candidates are as follows:

No.	Name (Date of Birth)	Summary of career, title and responsibility, and important position of other organization concurrently assumed	The number of Shares Held
1	Makoto Iida (April 1, 1933)	Jul 1962 President and Representative Director (Founder) Feb 1976 Chairman and Representative Director Jun 1997 Supreme Advisor and Director (currently)	4,320,500
2	Juichi Toda (March 7, 1932)	Jul 1962 Senior Executive Director (Co-founder) Feb 1976 Executive Vice Chairman and Representative Director Jun 1997 Supreme Advisor and Director (currently)	3,152,216
3	Shohei Kimura (May 2, 1943)	Apr 1967 Joined SECOM Co., Ltd. Feb 1985 Director Feb 1988 Executive Director Jun 1995 Senior Executive Director Apr 2002 President and Representative Director Jun 2004 President and Representative Director and Executive Officer Apr 2005 Chairman and Director (currently) (Important position of other organization concurrently assumed) Outside Corporate Auditor, Secom General Insurance Co., Ltd.	37,700
4	Kanemasa Haraguchi (August 7, 1950)	Apr 1974 Joined SECOM Co., Ltd. Jun 1990 Director Jun 1995 Executive Director Jun 1997 Senior Executive Director Jun 2002 Director and Executive Vice President Jun 2004 Director and Executive Vice President and Executive Officer Apr 2005 President and Representative Director Jan 2010 Executive Vice Chairman and Director (currently) (Important position of other organization concurrently assumed) Outside Director, Secom Joshinetsu Co., Ltd.	11,344
5	Shuji Maeda (September 27, 1952) *	Jan 1981 Joined SECOM Co., Ltd. Jun 1997 Director Jun 2000 Executive Director Jun 2004 Director and Managing Executive Officer Apr 2005 Executive Director Jun 2009 Executive Vice President and Director Jan 2010 President and Representative Director (currently)	5,600

No.	Name (Date of Birth)	Summary of career, title and responsibility, and important position of other organization concurrently assumed	The number of Shares Held
6	Koichi Sato (February 5, 1953) *	Apr 1976 Joined SECOM Co., Ltd. Jun 2004 Executive Officer Jun 2005 Managing Executive Officer Jun 2007 Executive Director Jun 2008 President and Representative Director, Secom Joshinetsu Co., Ltd. Jun 2009 Chairman and Director, Secom Joshinetsu Co., Ltd. (currently) Jun 2009 Executive Vice President and Director (currently)	1,888
7	Fumio Obata (July 6, 1946) *	Apr 1996 General Manager, Business Development Department, The Mitsubishi Bank, Ltd. (presently The Bank of Tokyo-Mitsubishi UFJ, Ltd.) Nov 1998 Senior Executive Director, The Long-Term Credit Bank of Japan (presently The Shinsei Bank, Ltd.) Mar 2000 Associate Manager, Strategic Planning Division, SECOM Co., Ltd. Jun 2000 Director Mar 2002 President and Representative Director, Secom Medical System Co., Ltd. Jun 2004 Executive Officer Jun 2009 Senior Executive Director (currently)	2,600
8	Katsuhisa Kuwahara (May 9, 1948) *	Apr 1971 Joined SECOM Co., Ltd. Jun 1990 Director Jun 1995 Executive Director Jun 2004 Director and Managing Executive Officer Apr 2005 Executive Director (currently)	3,600
9	Yasuo Nakayama (November 1, 1952) *	Jul 2003 Branch Manager, Nagoya Branch, The Bank of Japan Jul 2005 Director-General, Secretariat of the Policy Board, The Bank of Japan Apr 2007 Personnel and Corporate Affairs Department, The Bank of Japan May 2007 Advisor, SECOM Co., Ltd. Jun 2007 Executive Director (currently)	2,500
10	Hiroshi Ito (February 7, 1952) *	Feb 1979 Joined SECOM Co., Ltd. May 1989 Executive Director, Secom Mie Co., Ltd. Jun 2000 Director (up to Jun 2004) Jun 2003 President and Representative Director, Secom Information System Co., Ltd. (presently Secom Trust Systems Co., Ltd.) (Currently) Jun 2004 Executive Officer Jun 2009 Executive Director (currently) (Important position of other organization concurrently assumed) President and Representative Director, Secom Trust Systems Co., Ltd.	3,500

No.	Name (Date of Birth)	Summary of career, title and responsibility, and important position of other organization concurrently assumed	The number of Shares Held
11	Takayuki Ito (January 2, 1954) *	Jun 2000 General Manager, Hibiya Branch, The Sanwa Bank, Ltd. (presently The Bank of Tokyo-Mitsubishi UFJ, Ltd.) Jul 2002 General Manager, Muromachi Branch and Corporate Sales Department, UFJ Bank Limited. (presently The Bank of Tokyo-Mitsubishi UFJ, Ltd.) Jun 2005 Advisor, SECOM Co., Ltd. Jun 2006 Executive Officer Jun 2007 Director (currently) Jun 2009 General Manager, Corporate Sales Division (currently) (Important position of other organization concurrently assumed) Outside Corporate Auditor, Secom Joshinetsu Co., Ltd.	1,000

(Notes)

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

-End-