

## ANNUAL REPORT 2010

Year ended March 31, 2010

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

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## PROFILE

Since its establishment in 1962, SECOM CO., LTD., a pioneer in Japan's security services market, has endeavored to contribute to society through its business activities, an approach that has enabled it to respond swiftly to society's evolving needs for security and peace of mind, as well as to achieve solid growth. Beginning with the development in 1966 of Japan's first on-line security service, SECOM has sought consistently to create security services that meet changing security needs—including an on-line home security system in 1981 and COCO-SECOM, a mobile security system for outdoor use, in 2001—and at the same time to secure broad acceptance of the concept of security services in Japan.

In light of growing social unease and increasingly diverse and sophisticated security needs, SECOM is leveraging its accumulated know-how in the security field, as well as its distinctive technology development abilities and dependability as a security professional, to develop and promptly launch a variety of innovative products and services. Such efforts have enabled SECOM to achieve steady growth.

SECOM's overarching mission is encapsulated in its corporate message, "Providing reliable peace of mind." To this end, SECOM—comprising the parent company and the companies of the SECOM Group—continues working to realize its vision for the future, the Social System Industry, which describes a framework of distinctive, integrated products and services that make life more secure, convenient and comfortable. In addition to its core security services, SECOM's business portfolio today includes fire protection services, medical services, insurance services, geographic information services, real estate development and sales, and information and communication related and other services, which SECOM combines into exclusive, tailored packages that enable it to provide safety and security for people whenever and wherever necessary.

SECOM has also expanded into overseas markets, establishing a network of subsidiaries and affiliates in 11 countries and territories, where it provides services of the same high quality as it does in Japan. In particular, SECOM is focusing on the People's Republic of China (PRC), where it is working to expand its business area, thereby reinforcing its presence, in response to robust demand for security services fueled by sustained economic growth.

# CONTENTS

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## **A Message to Shareholders** ..... 2

At the general shareholders' meeting, shareholders approved the payment of annual cash dividends of ¥85.00 per share.

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## **SECOM's Vision** ..... 6

The Social System Industry: Combining SECOM products and services into distinctive packages to achieve our overarching goal of providing safety and security for people whenever and wherever necessary.

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## **Business Index** ..... 8

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## **SECOM Today** ..... 9

We maintain control over every aspect of our security services, from R&D to manufacturing, sales, security planning, installation, around-the-clock monitoring, emergency response services and equipment maintenance. This approach enables us to provide products and services that respond effectively to the diverse needs of subscribers at appropriate prices.

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Financial Review .....	24
Audited Financial Statements .....	29
Other Financial Data .....	60
Consolidated Financial Data (Based on Japanese GAAP) [Reference] .....	65
Nonconsolidated Financial Data (Based on Japanese GAAP) [Reference] .....	69
Corporate Information .....	73
SECOM Group's Basic Business Areas .....	77
Directors, Corporate Auditors and Executive Officers .....	79

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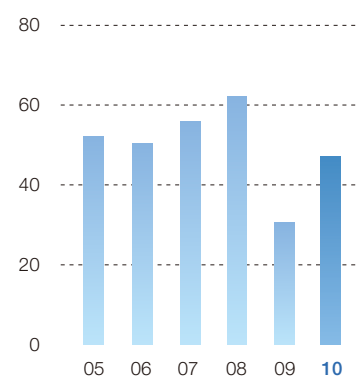
Note: Unless specified otherwise, all figures contained in this annual report are based on the financial statements, which have been calculated and are presented in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

# HIGHLIGHTS

U.S. GAAP SECOM CO., LTD. and Subsidiaries Three years ended March 31, 2010	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2010	2009	2008	2010
Net sales and operating revenue .....	¥ 670,644	¥ 684,016	¥ 701,836	\$ 7,211,226
Operating income .....	97,178	76,259	105,278	1,044,925
Net income attributable to SECOM CO., LTD. ....	46,989	30,560	61,756	505,258
Total assets .....	1,138,147	1,143,141	1,265,525	12,238,139
Total SECOM CO., LTD. shareholders' equity .....	569,799	528,721	574,554	6,126,870
Per share of common stock:	In yen			In U.S. dollars
Net income attributable to SECOM CO., LTD. ....	¥ 215.51	¥ 137.42	¥ 274.51	\$ 2.32
Cash dividends .....	85.00	85.00	80.00	0.91
SECOM CO., LTD. shareholders' equity .....	2,613.34	2,424.91	2,553.97	28.10

- Notes: 1. Yen amounts have been translated into U.S. dollars, solely for the convenience of the reader, at the rate of ¥93=US\$1, the rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2010.
2. Net income attributable to SECOM CO., LTD. per share of common stock is based on the average number of shares outstanding during each period, less treasury stock.
3. SECOM CO., LTD. shareholders' equity per share of common stock is based on the number of shares outstanding at the end of each period, less treasury stock.
4. Cash dividends per share of common stock shown are based on dividends approved and paid in each period. Subsequent to March 31, 2010, cash dividends of ¥85.00 per share were approved at the general shareholders' meeting held on June 25, 2010 (see Note 17 of the accompanying Notes to Consolidated Financial Statements).

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



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

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

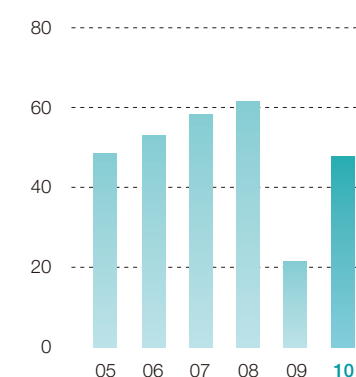
Net income attributable to SECOM CO., LTD. in the year ended March 31, 2008, rose ¥5.9 billion, to ¥61.8 billion. This result was due to higher operating income, which reflected increases in the security services segment and a full year of contributions from the fire protection services segment, newly added for the operations of Nohmi Bosai Ltd., which became a consolidated subsidiary in December 2006.

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

Japanese GAAP SECOM CO., LTD. and Subsidiaries Three years ended March 31, 2010	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2010	2009	2008	2010
Revenue .....	¥ 654,678	¥ 678,400	¥ 682,619	\$ 7,039,548
Operating profit .....	98,539	87,634	104,706	1,059,559
Ordinary profit .....	98,327	90,924	114,278	1,057,280
Net income .....	47,611	21,502	61,506	511,946
Total assets .....	1,081,679	1,090,483	1,202,840	11,630,957
Total net assets .....	625,153	582,608	630,274	6,722,075
Per share of common stock:	In yen			In U.S. dollars
Net income .....	¥ 218.37	¥ 96.69	¥ 273.40	\$ 2.35
Cash dividends .....	85.00	85.00	80.00	0.91
Net assets .....	2,561.94	2,380.12	2,521.45	27.55

Note: Cash dividends per share of common stock shown are based on dividends approved and paid in each period. Subsequent to March 31, 2010, cash dividends of ¥85.00 per share were approved at the general shareholders' meeting held on June 25, 2010.

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



## Consolidated Operating Results

In the fiscal year ended March 31, 2010, improved economic conditions overseas and emergency economic stimulus measures in Japan prompted a recovery in corporate earnings and stemmed the decline in capital investment. Nevertheless, the Japanese economy fell short of a full recovery, owing to a persistently harsh employment situation, coupled with fears of another economic downturn overseas and deflation at home.

In this environment, SECOM continued to respond to needs of customers by providing high-grade products and services in our mainstay security services business, as well as in our other businesses: fire protection services, medical services, insurance services, geographic information services, real estate development and sales, and information and communication related and other services. Through such efforts, we pressed forward to realize our Social System Industry vision.

Despite increases in our medical services, insurance services and geographic information services segments, consolidated net sales and operating revenue were down 2.0%, or ¥13.4 billion, to ¥670.6 billion. This result was largely attributable to a decrease in net sales and operating revenue in our mainstay security services segment, which reflected a decline in sales of merchandise and the negative impact of foreign exchange rate fluctuations on the net sales and operating revenues of overseas subsidiaries, which increased on a local currency basis. Other factors included flagging conditions in the condominium market, which prompted us to restrict our selection of properties for development while paying heed to profitability. In contrast, operating income rose 27.4%, or ¥20.9 billion, to ¥97.2 billion, owing to decreases in loss on other-than-temporary impairment of investment securities in the insurance services segment and write-down of real estate inventories in the real estate development and sales segment. Net income attributable to SECOM CO., LTD., advanced 53.8%, or ¥16.4 billion, to ¥47.0 billion, reflecting the increase in operating income and decrease in the loss on other-than-temporary impairment of investment securities.

## Distribution of Dividends

Recognizing the provision of a fair return to shareholders as an important task, we determine consolidated dividend payout levels based on an overall assessment of trends in our operating performance, in line with our policy of ensuring a consistent, stable distribution of profits. At the general shareholders' meeting held on June 25, 2010, shareholders approved the payment of annual cash dividends of ¥85.00 per share, the same as in the previous fiscal year.

## New Management Team

At a meeting of SECOM's Board of Directors on November 16, 2009, directors voted to appoint new senior executives. Accordingly, effective January 1, 2010, Kanemasa Haraguchi was appointed executive vice chairman and Shuji Maeda took the reins as president and representative director.

## Creating New Business Opportunities

The nature of security services is changing with the times. Evolving social imperatives, changing patterns of criminal behavior, technological advances and improvements in the social infrastructure are among the many factors that influence the constantly evolving needs of customers for security and peace of mind. The security services market must keep pace with these changes.

One result of such changes has been a broadening of our customer base for on-line home security systems. Another has been more diversity in interpretations of “security and peace of mind” among existing customers, particularly for SECOM Home Security. In response, we have introduced a wider range of peripheral products and services that help make life more secure. These range from remote monitoring services that use surveillance cameras placed outside the subscriber’s home to high-impact, breakage-resistant window glass. Looking ahead, needs and family structures will continue to evolve as the aging of society spurs an increase in the number of elderly couples and seniors living alone. We believe that SECOM has the flexibility necessary to respond accurately to the evolving needs of such a diverse range of customers. Our confidence derives from our proven service capabilities, substantial management resources and distinctive corporate culture.

In our core on-line security services business, we maintain control over every aspect of our security services, from R&D to manufacturing, sales, security planning, installation, around-the-clock monitoring, emergency response services and equipment maintenance. This approach enables us to swiftly incorporate feedback from subscribers and potential customers—obtained through day-to-day sales and service activities—into the development process. Our R&D departments use such information in the development of new security systems as well as in ongoing efforts to improve existing systems, further enhancing our ability to respond to customer needs. We have also established a department dedicated to comprehensively investigating and analyzing social trends. This department serves as our very own radar, picking up on social changes and predicting how such changes will transform the market, and constantly verifying and widening its research to back up findings. The results of these activities are also fed back to our R&D groups, bolstering our ability to develop proprietary technologies and new products and systems, and to determine new R&D themes. Such close cooperation among sales, operations and R&D teams is a direct result of our uniquely integrated business approach.

This approach helps us deliver uninterrupted high-grade services around the clock, a prerequisite to security and peace of mind. To ensure that our security systems operate dependably, regardless of weather conditions and where they are installed, we have established our own stringent quality standards that all products and services must meet. Information gathered by our various departments is collected, analyzed and used to improve our day-to-day operations. These and other efforts to continuously improve and enhance are the secret to SECOM quality and reliability.

Building on our mainstay security services, we have developed our business portfolio to include fire protection services, medical services, insurance services, geographic information services, real estate development and sales, and information and communication related and other services. By leveraging the capabilities of our Group companies, we

continue to deliver unrivaled products and services that provide safety and security for people everywhere.

What really makes this integrated approach to the provision of products and services work—enabling us to capitalize on comprehensive Group capabilities to provide advanced and highly reliable products and services—is the efforts of our employees. In all of our efforts, we adhere to our original corporate philosophy, which emphasizes not being content with the status quo and striving to do what is appropriate. The former means continually seeking to provide more innovative and appropriate solutions; the latter means judging the legitimacy of our actions based on whether they are just and fair and beneficial to society. This philosophy also guides the actions of each and every SECOM employee, inspiring them to work with pride and dedication.

By continuing to place a high priority on advanced technologies and product dependability, we pledge to continue combining our products and services into distinctive packages, to achieve our overarching goal of providing safety and security for people whenever and wherever necessary. We have always sought to keep abreast of social trends and changing patterns of criminal activity, among others, to leverage our diverse basic technologies and accumulated know-how and create products and services that make life more secure, convenient and comfortable. We will push forward with the expansion of our businesses by developing forward-looking products and services that respond accurately to customer needs and by infusing new energy into our sales activities.

### **Strengthening Operations in Growing Markets Overseas**

In key Asian markets, economic growth has spurred an increase in security needs in recent years. The defining feature of our overseas security services business is that we provide “SECOM-style” on-line security services, that is, services of the same high quality as in Japan, customized to reflect local needs and cultural sensibilities. The standard business model of security services companies in Europe and the United States is to sell security equipment outright. While such equipment is linked to an on-line monitoring center, the standard response in the event of an emergency is simply to notify the police and/or other pertinent authorities. In contrast, “SECOM-style” on-line security services encompass the installation of security equipment at the subscriber’s premises, around-the-clock monitoring from a SECOM control center and prompt dispatch of emergency response personnel should an abnormality be detected. Going forward, we will continue working to increase the trust of subscribers in overseas markets, while at the same time promoting greater market penetration for “SECOM-style” services.

In the People’s Republic of China (PRC), which continues to see exceptional economic growth, we are actively promoting “SECOM-style” security services. We have established a network of bases, particularly in key cities in the country’s important coastal regions. In the coming years, we intend to expand this network to major inland cities, enabling us to provide the same reliable services to an increasing number of subscribers. We have also established an R&D facility in Shanghai, which is gathering information in relation to the amendment of standards for security equipment in the PRC—a change that is expected to have far-reaching ramifications for security services companies in the country. Additionally,

we are preparing for the launch of on-line home security services, which will open up a brand new market to us.

### Repositioning SECOM Firmly on a New Growth Trajectory

We continue to pursue a variety of initiatives aimed at realizing our Social System Industry vision, which depicts a framework of distinctive, integrated products and services that make life more secure, convenient and comfortable. To this end, we not only provide individual products and services, but also combine them into tailored, integrated packages, thereby creating an essential social infrastructure for our customers, one that will support our growth and expansion in the years ahead. To further consummate our vision, we also need to respond swiftly and accurately to evolving social imperatives and to customer feedback, well informed by a solid grasp of people's needs for safety and security—tasks that rely greatly on our technological capabilities.

In April 2010, we held the first SECOM Technical Fair at our head office in Tokyo. We welcomed approximately 4,000 visitors over the three days of this event, which highlighted our technological and product development capabilities, presenting groundbreaking prototype security systems that augur the future of the security services industry in line with our vision. Looking ahead, we will hone the astuteness necessary to stay abreast of evolving social imperatives, rally our technological strengths to develop and launch advanced products and services in a timely manner and promote further market acceptance.

Overseas, we will leverage expertise accumulated in Japan to provide security services to customers in key growth markets, particularly in the PRC. Through such efforts, we will work to expand and accelerate growth in our overseas security services business.

As always, our most important task is to earn the trust of our customers. In line with our corporate message—"Providing reliable peace of mind"—we pledge to work as one to contribute to society through our business activities and to prove SECOM worthy of the trust of customers and achieve new growth. In these and all of our endeavors, we look forward to the continued support of shareholders.

June 25, 2010



**Makoto Iida**  
Founder



**Shohei Kimura**  
Chairman



**Kanemasa Haraguchi**  
Executive Vice Chairman



**Shuji Maeda**  
President and Representative Director

**Makoto Iida**  
Founder

**Shohei Kimura**  
Chairman

**Kanemasa Haraguchi**  
Executive Vice Chairman

**Shuji Maeda**  
President and Representative Director



## Realizing the Social System Industry Vision

Since first declaring the Social System Industry vision in 1989, we have sought to make this vision a reality by advancing our core security services business and broadening our focus to include other businesses—fire protection services, medical services, insurance services, geographic information services, real estate development and sales, and information and communication related and other services—to create a framework of distinctive products and services. We not only provide products and services independently, but also combine them into integrated packages, in line with our overarching mission, which is to provide safety and security for people whenever and wherever necessary.

The cornerstone of the Social System Industry, security services, encompasses services for commercial customers, homes and individuals. To provide services that deliver security and peace of mind to a diverse range of customers in a variety of settings, we work tirelessly to provide reliable security systems supported by robust backup capabilities, as well as to develop products and services that reflect changing social imperatives. In addition, we have established a nationwide

network of emergency response depots that enables us to swiftly dispatch highly trained emergency response personnel. These capabilities have earned us both a solid reputation as security professionals and the trust of our customers. Building on this trust, we continue to expand the scope of our businesses, positioning ourselves to provide ever-more effective solutions to people's evolving safety and security needs.

In all our efforts, we are guided by our original corporate philosophy, which also governs the conduct of every SECOM employee and has served as a powerful driver of growth and expansion to date. This philosophy emphasizes not being content with the status quo and striving to do what is appropriate. The former means seeking constantly to provide innovative and more suitable products, services and systems by challenging accepted norms, while the latter means judging the legitimacy of our actions by whether they are just and fair and beneficial to society. Looking ahead, we will continue pressing forward with efforts to realize our Social System Industry vision with the aim of being a corporate group that makes a positive contribution to society.

## Targeting New Growth

We recognize technological capabilities as a crucial management resource and vital to maintaining a competitive edge in the security services market. Accordingly, we are capitalizing on changing customer needs and actively promoting the development of pioneering technologies and the launch of attractive products and services, thereby injecting new life into our sales activities.

Since our establishment, we have sought to keep abreast of social trends, patterns of criminal activity and technological advances and to develop proprietary technologies in-house, thereby enabling us to provide innovative systems, products and services. Our R&D department comprises the Secom Intelligent Systems Laboratory, which conducts research in the area of basic technology, and the Development Center, which is responsible for the timely development of security systems that augur market directions. Having our own R&D capability gives us a key advantage, making it possible for us to promptly incorporate feedback and information pertaining to customer needs obtained through day-to-day sales and service activities into R&D.

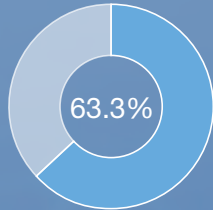
In April 2010, we held the SECOM Technical Fair at our head office in Tokyo. This event introduced existing proprietary sensing, authentication and image recognition technologies—all of which play an essential role in our security systems—and near-future image recognition technologies currently under development. Visitors were given the opportunity to physically experience these forward-looking systems, which exemplify our technological strategies. As Japan's foremost provider of on-line security services, we recognize the need to continue combining our accumulated operational know-how with new offerings such as these. Accordingly, we will work to expedite the launch and promote the broad acceptance of high-grade, value-added security services.

Moving forward, we will continue to provide uniquely SECOM products and services, thereby earning the confidence and satisfaction of customers and encouraging an ever-increasing number of people to turn to SECOM with the confidence that doing so will help resolve their security problems and enhance security and peace of mind.



# BUSINESS INDEX

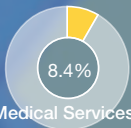
Percentage of consolidated net sales and operating revenue\*



Security Services



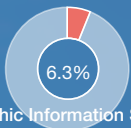
Fire Protection Services



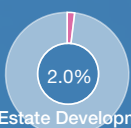
Medical Services



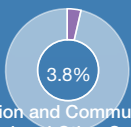
Insurance Services



Geographic Information Services



Real Estate Development and Sales



Information and Communication Related and Other Services

■ Security Services	P 9
■ Commercial Security Services	P10
■ Home Security Services	P13
■ Other Security Services	P15
■ Security Services in Overseas Markets	P16
■ Fire Protection Services	P18
■ Medical Services	P19
■ Insurance Services	P20
■ Geographic Information Services	P21
■ Real Estate Development and Sales	P22
■ Information and Communication Related and Other Services	P22

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

## Security Services

**Our competitive advantage derives from our distinctive approach to the provision of security services.**

We began offering on-line security services in 1966. Rather than simply selling security equipment outright, we sought to provide comprehensive services. To this end, we combined the speed and accuracy of machines in detecting irregularities and transmitting information with the judgment, mobility and quick action of humans, thereby realizing both operational efficiency and high quality. This model yielded our on-line security system, which encompasses the placement of sensors at its subscribers' premises and around-the-clock monitoring from a SECOM control center via telecommunications circuits, as well as the dispatch of emergency response personnel from the closest emergency depot should sensors signal an irregularity and, when necessary, alerting of the police and/or fire department.

Our insistence on providing not only equipment installation and monitoring, but also emergency response services, reflects our deep-seated belief that only by guaranteeing subscribers' safety can we honestly claim to be providing security.

Today, SECOM on-line security systems are the most widely used security systems in Japan, with subscribers spanning a broad range of industries. Recognizing the need to respond promptly and accurately to varied customer needs, determined by such factors as regional variations and business differences, we have developed a distinctive approach that makes this possible. This approach involves the following:

- **Swift response in the event of an emergency:** Capitalizing on our many years of experience, which is reflected in the prompt decision-making capabilities of our control center staff and the quick reactions of our highly trained emergency response personnel, we are well positioned to respond swiftly and effectively in the event of an emergency. Another key factor underscoring our responsiveness is our nationwide network of approximately 2,750 emergency depots, each of which covers only a limited geographic area. Additionally,

emergency response personnel are outfitted with COCO-SECOM mobile security system transmitters, meaning control center staff are always aware of their locations and thus able to dispatch the closest individuals.

- **Systems that are a cut above:** Know-how gained through extensive experience in the provision of security systems has enabled us to double and treble our backup capabilities, thereby ensuring our systems are a cut above. For example, to link sensors placed at a subscriber's premises with a SECOM control center we use both the subscriber's telephone circuits and the cellular phone network, thus providing reliable backup in the event of an interruption in regular telephone service.
- **In-house R&D capabilities:** We receive constant feedback from customers on their needs and opinions—including requests for equipment with certain functions and reports of frightening experiences—through our daily sales activities. In addition, emergency response personnel provide detailed information on actual crimes, while development personnel visit customers directly to obtain first-hand information. We maintain control over every aspect of our security services, from R&D to manufacturing, sales, security planning, installation, around-the-clock monitoring, emergency response services and equipment maintenance. Pertinent departments cooperate to analyze existing systems in light of customer feedback obtained in the course of providing security services, facilitating the prompt development and improvement of services and products in response to customer needs.
- **Effective training and management of human resources:** Our four training centers in Japan provide training for emergency response personnel designed to impart knowledge and techniques. At the same time, these facilities strive constantly to impart the SECOM corporate philosophy and standards of conduct that employees—as

security professionals—are expected to observe. The effective training and management of human resources is essential to our ability to provide high-grade services.

- **A comprehensive, integrated approach to peace of mind:** In addition to security services, we provide fire protection, medical services, insurance services, geographic information services, real estate development and sales, and information and communication and related and other services, which we also combine into unique, tailored packages that enable us to go beyond simply installing security systems, ensuring customers feel they can turn to us anytime for solutions that will remove sources of unease and deliver security and peace of mind.

Within our security services business, we work to offer services that respond to varied customer needs and are appropriately priced. To this end, we retain ownership of security equipment, which we rent rather than sell to subscribers. Rental contracts mean initial costs for subscribers are significantly lower than would be the case if they were required to purchase equipment outright. The rental format also allows us to take responsibility for replacing equipment promptly in the event of a malfunction or an upgrade, ensuring stable, high service quality. This distinctive approach yields considerable synergies that support the broad competitive advantage our security services enjoy in the Japanese market.



## Commercial Security Services

We continue to promote greater market acceptance of security services by drawing on our expertise in image recognition and developing systems adapted to the telecommunications infrastructure.



### Utilizing image recognition technologies to develop diverse systems

In view of the increasingly cunning and malicious nature of criminal acts, plus the fact that they are often committed in a matter of minutes, in 1998 we developed and launched SECOM AX, an on-line security system employing image recognition technology. SECOM AX records and transmits images should an abnormality be detected at a subscriber's premises, thus facilitating prompt assessment by the control center and a swift and accurate response in the event of an intrusion. Control center staff can also broadcast a warning to intruders using on-premises speakers, thereby helping to prevent crimes from occurring. The most important feature of SECOM AX is its image sensors, which employ proprietary image recognition technology that are able to distinguish between human and nonhuman intruders and to detect the presence of an intruder even when the premises are in darkness.

Our extensive experience in the provision of security systems with built-in image sensors has enhanced both the technological capabilities and the know-how of our R&D personnel in the area of image recognition technologies. One outcome of this has been the evolution of technology used in SECOM AX for application in other SECOM security systems. For example, we have developed a remittance fraud protection system whereby sensors attached to automated teller machines (ATMs) capture images and sounds from the ATM booth and alert a SECOM control center should they detect any suspicious human movement.

Looking ahead, we will continue to leverage our accumulated technological capabilities and know-how in the area of image recognition to develop high-grade security systems that reflect evolving social imperatives and customer needs.

### Developing systems that facilitate integrated management of image data from multiple surveillance cameras

With crimes in Japan growing ever more brutal, public perceptions of security appear to be deteriorating. In this environment, surveillance camera systems are playing an increasingly important role in providing evidence necessary to ensure the arrest of criminals and in averting crimes. As a consequence, the number of such cameras in use is expanding rapidly.

Companies with several shops or offices must install independent cameras at each location to record and archive all the image data they need — a proposition that requires space for installation and involves high operating costs, as well as presents challenges in terms of image data management, among others. Drawing on our extensive IT technologies and accumulated know-how, we have developed the



SECOM AX on-line security system

SECOM Image Archive System, which makes effective use of intranets and other existing in-house networks to centralize the recording and archiving of image data from multiple surveillance cameras installed at different locations. Such a system was made possible by improvements made to Japan's telecommunications infrastructure in recent years that facilitate the transmission of large volumes of data. With this system, a subscriber with a network of shops, for example, can use the intranet to transmit image data from cameras installed in each of the shops, thereby facilitating the integration of recording and archiving such data at the head office administrative department or other central location. In addition to resolving installation space, operating cost and data management issues, the system thus also ensures the effective

management of personal information. We will continue to promote greater use of the SECOM Image Archive System as part of our drive to help enhance the safety and security of modern society.

**A cellular phone-based system to confirm security for shops, public facilities and families**

Capitalizing on our accumulated technological know-how, we recently developed the Cellular Video Surveillance System. Unlike webcams, this system requires neither the Internet nor PCs, using instead the videophone capabilities of cellular phones to provide visual and aural confirmation of security.

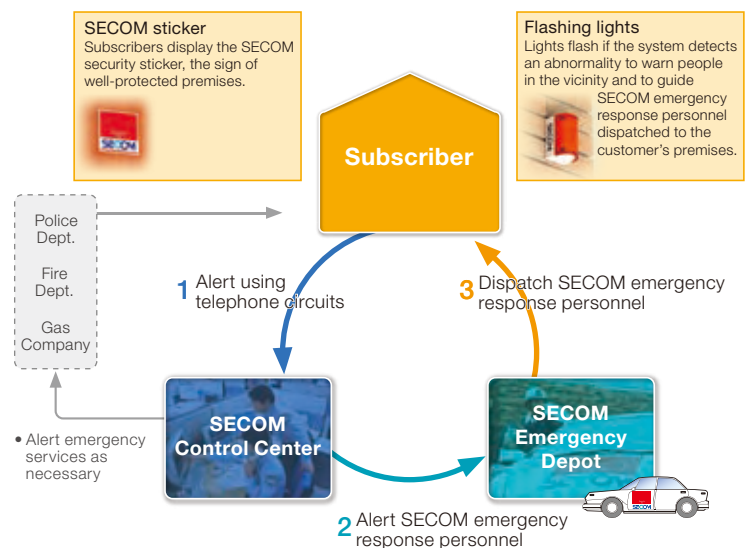
The owner of a company operating multiple laundromats or parking lots, for example, can use the Cellular Video Surveillance System to check on the status of the shops or the lots at any

time using his or her own cellular phone. If an abnormality is suspected and/or an emergency situation has arisen, employees need simply to press a button to automatically send an email to the owner advising of trouble to trigger a rapid emergency response. Surveillance cameras can also be mounted on vehicles, making it possible to assess what is happening inside. In recent years, many companies are equipping corporate vehicles with drive recorders, which provide a visual record of what happens in the event of a traffic accident. However, drive recorders are only useful after the fact. In addition to functioning as a drive recorder, this system facilitates real-time monitoring of what is happening to the vehicle when it is involved in an accident.



SECOM Control Center

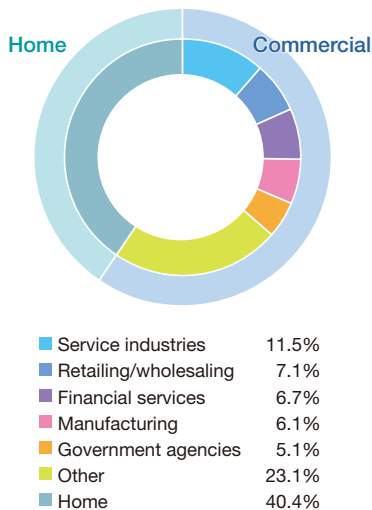
**Centralized (On-Line) Security Systems**



The Cellular Video Surveillance System is also attracting attention as a way to help people monitor the safety of elderly parents living alone and away from their children. In Japan, the rapid aging of the population and the increasing prevalence of nuclear families, as opposed to the traditional extended family group, have increased the number of elderly people living alone, a cause of concern for family members. With the Cellular Video Surveillance System, surveillance cameras are installed in the homes of elderly parents living alone, for example, transmitting image and sound data to the cellular phones of their children and enabling them to notify their children if they are ill simply by pushing the “Notify” button, which prompts the system to send an

email to the appropriate cellular phone. The Cellular Video Surveillance System is also popular with people who want to check up on their pets while they are away from home. Looking ahead, we will continue actively to promote this system for a wide range of applications in response to the increasingly varied needs of customers.

**Contracts for Centralized Security Systems**  
(As of March 31, 2010)



Cellular Video Surveillance System

## Home Security Services

By capitalizing on our extensive range of high-grade home security products and services, which center on the SECOM Home Security system, we are responding to the needs of homeowners for greater safety, peace of mind, convenience and comfort.



### SECOM Home Security: Comprehensive services for peace of mind

SECOM Home Security, our core on-line security system for residential applications, comprises sensors and other security equipment, which are placed in and around the subscribers home, providing around-the-clock monitoring for intruders and fires, sending emergency messages, warning of gas leaks and summoning emergency medical services. Should an abnormality be detected, the system alerts a SECOM control center. Control center staff respond by assessing the situation, dispatching emergency response personnel and, if necessary, contacting the police and/or fire department.

In 1981, we launched Japan's first-ever on-line home security system. Since then, we have incorporated feedback from customers and sought to respond adequately to changing social imperatives, improving security capabilities and introducing more convenient features. Today, SECOM Home Security provides security not only when occupants are out, but also when they are at home, whether they are asleep or awake. For example, if all the occupants are on the second floor the system can be armed exclusively on the vacant first floor. We have also added features that capitalize on the prevalence of cellular phones. Subscribers can take advantage of optional cellular phone-based services that make it possible to check on the security of their homes from wherever they may be using a cellular phone, and to arm the system if they have neglected to do so.

Having our own in-house R&D capabilities has enabled us to develop a number of attractive products and systems that can be integrated into SECOM Home Security to respond to increased security needs even after the original system has been installed. Combining SECOM Home Security with External Image Monitoring Service allows for images captured by surveillance cameras placed outside the subscriber's home to be transmitted to a SECOM control center, thus ensuring quick, effective action in the event of a security breach. Security products include SECOM *Anshin* Glass, a high-impact, breakage-resistant window glass with built-in sensors. Combined with SECOM Home Security, SECOM *Anshin* Glass not only deters break-ins through windows, but also instantaneously alerts a SECOM control center, facilitating early detection in the event of a break-in and a swift, accurate response.

Owing to the rapid aging of Japan's population, we are seeing an increase in seniors subscribing to SECOM Home Security to protect themselves against crimes. In addition to helping to prevent crimes from occurring, SECOM Home Security offers a host of attractive optional support services that assist in resolving other issues of concern to seniors. These include My Doctor, a pendant-style emergency medical alert



SECOM Home Security

system that can be activated in the event the wearer becomes ill or is injured, causing it to send an emergency signal to a SECOM control center, which promptly alerts a physician specified in advance by the subscriber and summons an ambulance. The Daily Life Monitoring function sends out an alert if no movement is detected in the residence for a specified interval, thus providing peace of mind for the families of seniors living alone.

SECOM Home Security continues to find wide applications for a range of homes, from condominiums to detached houses to residences designed for two generations living under the same roof, with a broad subscriber base that ranges from young singles to middle-aged people with families and seniors. Looking ahead, we will continue to develop and provide security for residential applications, centering on SECOM Home Security, that help resolve causes of unease and further increase convenience for all of our customers.

**Increasingly popular SECOM Home Service**

Responding to feedback from customers, in 2005 we launched SECOM Home Service, which encompasses a variety of lifestyle support services for SECOM Home Security subscribers. With demand for these services increasing, we have since made some of these services available to nonsubscribers. We have also expanded both our service menu and our geographic coverage. At the same time, we are working to enhance the quality of services, which are provided by professionals who have completed our stringent in-house training program.

At present, SECOM Home Service encompasses *Anshin* Support Service, whereby SECOM staff assist in resolving concerns that arise in everyday life by, for example, patrolling around the subscriber's home when the occupants are away. Troubleshooting Support Service includes assistance in resolving unforeseen problems, such as lost keys. Housework Support Service provides

help with housekeeping and around-the-house jobs. The SECOM Home Service Pack is a special plan that allows subscribers to sign up for popular services on an annual basis. Housework Support Service is appreciated by subscribers who value the capabilities of our highly skilled cleaning staff, while Family Support Service, a key component of Housework Support Service, is welcomed by subscribers who seek short-term assistance with such tasks as tidying the house, cooking meals, washing laundry and airing bedding.

Given the rapid aging of society and the increasing trend toward nuclear families in Japan, we will continue to expand the scope of SECOM Home Service to respond to evolving needs nationwide.



SECOM Home Service (Family Support Service)



SECOM Home Service (kitchen cleaning service)



## Other Security Services

We are capitalizing on the advantages of COCO-SECOM to promote wider acceptance of personal security.



### Expanded applications for COCO-SECOM continue to support increased sales

With the launch of the COCO-SECOM mobile security system for outdoor use in April 2001, we expanded our capabilities into the area of locating systems for individual subscribers. COCO-SECOM uses signals from Global Positioning System (GPS) satellites and cellular phone base stations to pinpoint the location of exclusive transmitter devices with outstanding precision. Simply by pushing the alert button on the device, an individual can notify the COCO-SECOM operations center if he or she feels in danger. The operations center will dispatch emergency response personnel at any time of the day or night if needed, thereby helping subscribers feel a greater sense of security.

Initially developed with the aim of preventing child abductions, locating elderly people who have wandered off and averting the theft of cars and motorcycles, COCO-SECOM is today attracting attention for a wider range of applications, reflecting the increasing diversity of customer needs. Examples include thwarting crimes against women, enabling people who are frequently out of the office or away on

business to send emergency signals, preventing the loss or theft of handbags, the destruction and/or theft of safes and ATMs, the theft of bulldozers and power shovels, and managing corporate car fleets.

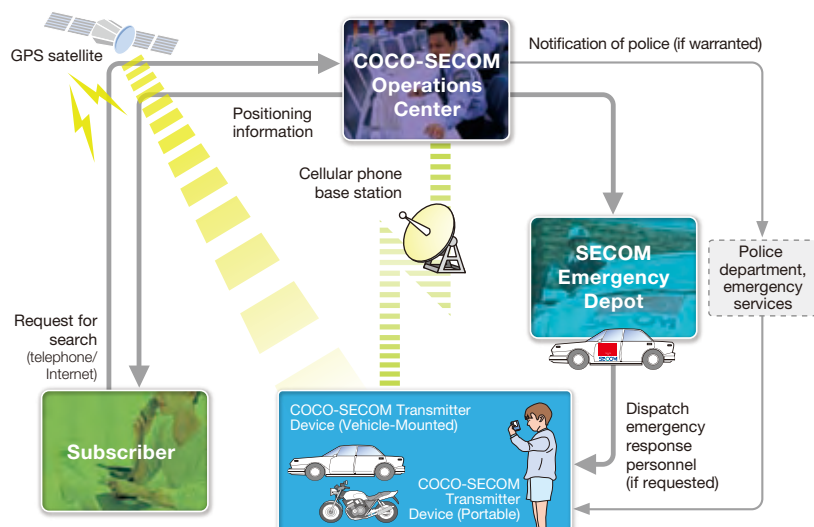
### Newly developed cellular phone for children with COCO-SECOM as a standard feature

Since spring 2009, there has been a drive to impose restrictions on the possession of cellular phones by children in elementary and junior high schools in Japan. Underscoring this is an increase in bullying incidents and crimes involving children that many attribute to the use of cellular phone e-mail and Internet functions. However, parents recognize the benefits of having their children carry cellular phones because it enables them to ascertain their children's whereabouts between home and school. Many parents have also said how much more secure they would feel if their children's cellular phones were equipped with emergency buzzers.

Working with a major telecommunications company, we sought to respond to these various needs by developing *mamorino*, a new cellular phone model for children. In addition to being safe and secure, *mamorino* is equipped with an emergency buzzer and COCO-SECOM as standard features. If the child feels threatened, all he or she has to do is sound the buzzer to alert the COCO-SECOM operations center, which then determines the child's location. The operations center then makes contact with the child and a parent or guardian and, if necessary, dispatches emergency response personnel. Because it does not have a web browser function and limits children to a maximum of four telephone/email contacts, which must be specified in advance, *mamorino* also protects children from potential trouble arising from e-mail and Internet use.



### COCO-SECOM Mobile Security System (Location and Emergency Response)



## Security Services in Overseas Markets

By offering “SECOM-style” security services customized to reflect local needs and sensibilities, we continue to expand our subscriber base in key overseas markets.



### The evolution of our overseas security services business

Since launching operations in Taiwan in 1978, we have substantially increased our geographic coverage. From that time, we have accumulated experience in the provision of security services in 11 countries and territories: Taiwan, the Republic of Korea (ROK), the PRC, Thailand, Malaysia, Singapore, Indonesia, Vietnam, the United Kingdom, Australia and the United States.

In overseas markets, our approach is to offer “SECOM-style” services customized to reflect local needs and sensibilities. By this, we mean not only monitoring customers’ premises from a control center—in the event an abnormality is detected—but also dispatching highly trained emergency response personnel and, if necessary, contacting the police and/or fire department. This approach, which is the same as we use in Japan, differs significantly from the on-line security systems sold by European and U.S. security service providers, which as a rule do not offer emergency response services in such situations, but rather simply notify the police. Accordingly, this approach delivers greater security and peace of mind to customers.

Our equity-method joint venture in Taiwan, Taiwan Secom Co., Ltd., has a network of bases that covers the entire territory and enjoys the leading share of the Taiwanese security services market. Taiwan Secom is also publicly listed on the Taiwan Stock Exchange. Maintaining the SECOM business model, Taiwan Secom rents security equipment and enters into long-term contracts with subscribers. The company also offers a proprietary mobile emergency information system developed in-house that is similar to COCO-SECOM and sells automated external defibrillators (AEDs). In 2009 Taiwan Secom began selling

new on-line home security systems with imaging and automated functions.

In the ROK, equity-method joint venture S1 Corporation provides an extensive selection of security services to a subscriber base that ranges from homeowners and large-scale commercial facilities. S1 is currently the top security services company in the ROK and is listed on the Korea Exchange.

We are also expanding “SECOM-style” security services in Southeast Asia. In Thailand and Malaysia, we are extending our efforts beyond the capital cities to include other urban centers. In Singapore, “SECOM-style” services continue to gain considerable praise. Our subsidiary in Indonesia, a leading name in the local security services market, is expanding its operations with a focus on the capital city of Jakarta. In Vietnam, our emphasis is currently on security service-related consulting and the provision of solutions, due to restrictions on foreign investment in the country. However, we do expect to begin offering on-line security systems at some time in the future.

Our presence in the United Kingdom began in 1991, when we acquired a local security services firm and began offering our own brand of services. Many competitors in the U.K. security services provide only the installation of security equipment. As a consequence, our integrated approach, encompassing the sale and installation of equipment, around-the-clock monitoring, emergency response services and maintenance, did not immediately resonate with local customers. However, as subscribers to “SECOM-style” services increased in number, so did recognition of our services’ superb quality. Today, our menu of services in the United Kingdom encompasses security services for homes, companies and public facilities, and our subscriber base continues to expand steadily.

**SECOM in the PRC:  
Expanding into inland markets**

Recognizing the tremendous potential of the local market, we began offering services in the PRC in 1992. Initially, our focus was on offering “SECOM-style” security services in cities in the country’s high-growth coastal areas—namely, Dalian, Beijing, Qingdao, Shanghai, Shenzhen and Fuzhou. Since then, we have expanded our service network to include surrounding cities, including Shenyang, Wuxi, Kunshan, Hangzhou, Tianjin and Guangzhou. The next step for us will be to set up operations in key inland cities, thereby enabling us gradually to expand our service area. Eventually, we hope to offer security services to customers throughout the PRC.

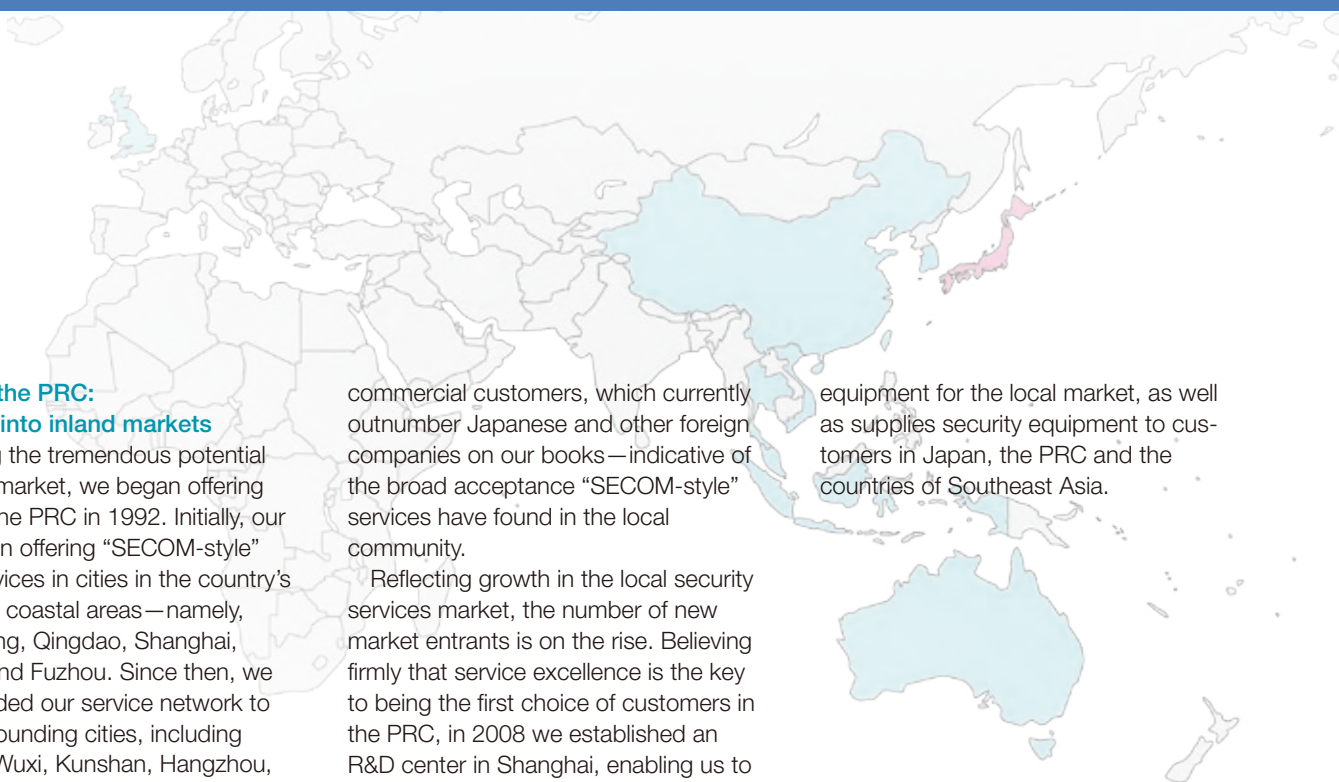
Heightened awareness of the need for effective security in the PRC has spurred demand for high-grade security services. In this environment, recognition of the intrinsic value of “SECOM-style” on-line security services is growing and our subscriber base is expanding steadily. We are also seeing increased demand from local

commercial customers, which currently outnumber Japanese and other foreign companies on our books—indicative of the broad acceptance “SECOM-style” services have found in the local community.

Reflecting growth in the local security services market, the number of new market entrants is on the rise. Believing firmly that service excellence is the key to being the first choice of customers in the PRC, in 2008 we established an R&D center in Shanghai, enabling us to draw on our accumulated experience in the provision of “SECOM-style” security services and our extensive know-how, contributing to enhanced service quality and wider market acceptance. This facility is also working to respond quickly to the amendment of standards for security equipment in the PRC, as well as preparing for the launch of home security services.

Our efforts in the PRC have not been limited to security services but also include the manufacture of fire prevention and security equipment. Our joint venture with Nohmi Bosai Ltd., manufactures and sells fire protection

equipment for the local market, as well as supplies security equipment to customers in Japan, the PRC and the countries of Southeast Asia.



Control Center (Beijing Jingdun Secom Electronic Security Co., Ltd.)



An increasingly popular choice in Taiwan



Control Center (S1 Corporation, ROK)

## Fire Protection Services

Drawing on its solid record in fire protection services, SECOM is expanding its fire protection services business by focusing on the renovations market and developing new products.



### Growing demand for fire alarm systems in the renovations market

A pioneer in the fire protection market, subsidiary Nohmi Bosai Ltd. provides fire alarms and other fire protection systems, with an extensive lineup that includes products for office buildings, production facilities, tunnels, cultural properties, ships and homes.

In recent years, the deterioration of older office buildings has stimulated demand for automatic fire alarms and other equipment as building owners take advantage of the opportunity provided by renovations to update fire protection systems. Nohmi Bosai is drawing on its solid record in this field and the strong trust of its customers to secure demand from customers undertaking renovations. For example, to secure demand for the replacement of fire protection systems for older skyscrapers, many of which are due to be renovated in the near future, Nohmi Bosai has established a dedicated department and will take steps to enhance its ability to offer effective solutions for such customers.

### Newly developed PROTECVIEW fire detection and alarm system

Nohmi Bosai's new PROTECVIEW fire detection and alarm system was developed for use in locations where it is particularly necessary to prevent fire damage, including rooms housing computers, servers and telecommunication equipment, clean rooms and areas in the vicinity of circuit boards.

An ultrasensitive smoke detection system, PROTECVIEW provides around-the-clock monitoring for early signs of fire, thereby facilitating a quick response in the event one is detected, minimizing resulting damage and allowing a swift return to normal operations. For example, computer and server rooms have air conditioning systems running at all times to keep equipment cool. Air conditioning has a tendency

to dilute and diffuse smoke and fumes, making the prompt detection of fire difficult. As a consequence, protecting valuable information demands being able to recognize the early signs of fire. With PROTECVIEW, customers get around-the-clock monitoring and ultrasensitive smoke detection, thereby preventing escalation into a full-fledged conflagration.

### Advances in home fire alarm systems

Owing to the partial revision of Japan's Fire Services Act in 2006, fire alarm systems will be mandatory in all homes by 2011. Accordingly, we continue to expand our lineup of home fire alarm systems, which are manufactured by Nohmi Bosai and also sold under the SECOM name. A new addition to this lineup is a recently launched wireless integrated system designed to accelerate the detection of fires. In addition to an estimated life of 10 years, and no need for wiring—a characteristic it shares with our existing battery-operated fire detection systems—our new system features a voice alert, in which the unit that has detected the fire broadcasts the discovery while at the same time wirelessly instructing all the other units to sound. This ensures the instant awareness of the fire, even if residents are not present, expediting efforts to extinguish and/or evacuate the premises. Looking ahead, we will continue to promote greater awareness of the benefits of residential fire alarm systems in protecting lives and property from house fires.



Foam fire extinguishing system



Water curtain system installed in tank yard



Wireless integrated residential fire alarm

## Medical Services

SECOM is expanding the scope of its services in the medical, health care and personal care fields in an effort to give new form to its ideal of providing peace of mind.



### Steadily expanding home medical services

Our diversification into the medical services business is a reflection of our belief that protecting the health and lives of people is a natural extension of our commitment to provide security and peace of mind. What began as Japan's first home nursing services business has since expanded to encompass a wide range of services in the medical, health care and personal care fields.

Home medical services—a mainstay of our medical services business—centers on home nursing, which involves regular visits by nurses to patients in their homes to provide expert nursing services and treatment in accordance with the instructions of the patients' physicians, and pharmaceutical dispensing and home delivery services. Our home nursing services are rated favorably by both patients and their families. One reason for this is our rigorous proprietary training program, which continues to enhance the capabilities of our visiting nurses and further hones their skills. This enables visiting nurses to provide highly professional services that take into account the condition of the patient. We have established a network of visiting nurse stations in major cities nationwide, which dispatch visiting nurses to patients' homes and are on call around the clock.

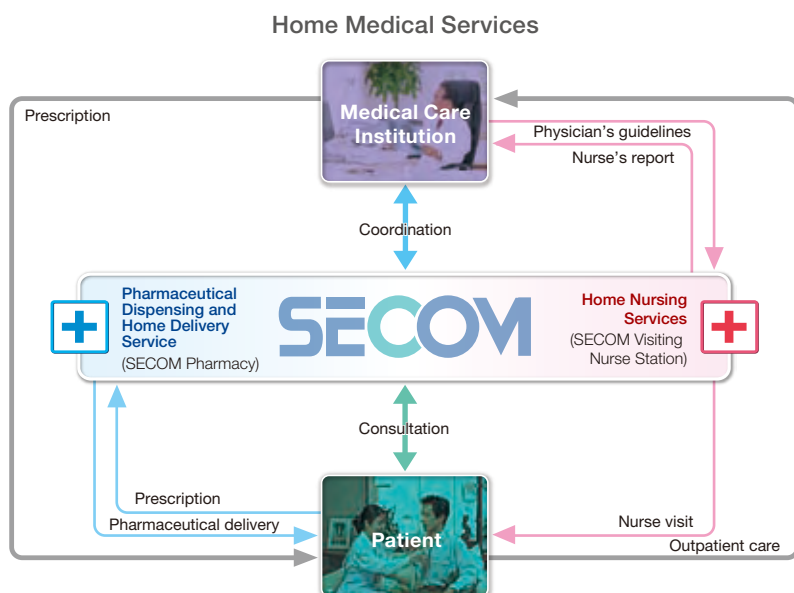
Our pharmaceutical dispensing and home delivery services range from the dispensing and delivery of common oral medications to the provision of specialized services for home health care patients. The latter includes parenteral nutrition, that is, the intravenous feeding

of nutrient solutions through a catheter, and home visits by pharmacists to provide guidance on the use of prescribed medications and support for, among others, the intravenous administration of Flolan®, a drug used in the treatment of primary pulmonary hypertension, an intractable disease. Backed by around-the-clock emergency response services, our pharmaceutical and dispensing services help provide peace of mind to patients undergoing home medical care, earning solid marks and steadily growing demand.

### Residences for seniors: A uniquely SECOM approach to security, peace of mind and comfort

We have developed and manage innovative residences for seniors in Japan to accommodate a variety of needs. These range from residences designed for healthy individuals who do not yet need personal care, with services comparable to those at the finest hotels, to residences for individuals requiring personal care from the outset. The SECOMFORT series, which brings together our expertise in security and medical services help in the realization of a society in which people can age with grace and serenity.

Comfort Garden Azamino, the first facility in the SECOMFORT series, which caters to seniors requiring personal care, opened in Yokohama in 2006. This was followed in June 2009 by Comfort Hills Rokko, which opened in Kobe. Both residences continue to attract considerable acclaim. Comfort Hills Rokko boasts two uniquely SECOM features. First, it is adjacent to Kobe Kaisei Hospital, a SECOM-affiliated facility. Second, it is organized to accommodate the changing needs of residents as they age and provides a variety of programs designed to ensure fulfilling, comfortable and enjoyable lifestyles.



## Insurance Services

Public appreciation for SECOM's distinctive insurance policies continues to grow.



### Increasing contract volume by providing uniquely SECOM non-life insurance policies

Our decision to expand into the non-life insurance business reflected our conviction that augmenting our security services, which provide prior protection, with insurance, which looks after customers in the event of misfortunes, would reinforce security and peace of mind.

The distinctive policies in our lineup are aimed primarily at security services customers and include such offerings as the Security Discount Fire Policy, for

commercial customers; SECOM *Anshin My Home*, for homes; and SECOM *Anshin My Car*. Security Discount Fire Policy and SECOM *Anshin My Home* take into account the risk-mitigating factor of on-line security systems, offering a discount on regular premium rates to such customers.

With SECOM *Anshin My Home*, customers are free to configure the policy to suit their particular needs. For homes where the risk of water damage is minimal, for example, the customer can drop water damage coverage, while owners of homes with superior fire protection capabilities or exclusively electrical appliances (i.e., no gas appliances) can opt out of fire damage protection, thereby reducing premiums. Here, we benefit from considerable synergies with other businesses. In some cases, the drawing up of a security system contract prompts subscribers to purchase insurance, while in others, the decision to purchase insurance prompts a customer to sign up for security services.

SECOM *Anshin My Car* is a comprehensive automobile insurance policy that includes on-site support services by emergency response personnel, if requested.

Going forward, we will continue to add to our lineup of distinctive non-life insurance policies that stand out against the competition.

### Expanding sales of our MEDCOM unrestricted cancer treatment policy

We also offer MEDCOM, an unrestricted cancer treatment policy that provides coverage for all hospitalization and medical treatment costs, both those that are covered under Japan's National Health Insurance (NHI) scheme or other health insurance and those that are not, and for which the patient normally bears the full cost. This highly rated policy therefore enables subscribers to take advantage of advanced treatment options.

In April 2009, we enhanced the content of MEDCOM to include outpatient treatment, becoming the first such policy in Japan that places no restriction on the number of days of outpatient treatment covered, and added coverage for outpatient treatment of up to ¥10 million for each five-year period. As a consequence, MEDCOM subscribers are even better positioned to benefit from the most appropriate treatment options available. This has garnered acclaim and prompted an increase in the number of policies underwritten. These upgrades were also introduced to MEDCOM Plus, which we offer through a major Japanese life insurer, bolstering sales of this policy.



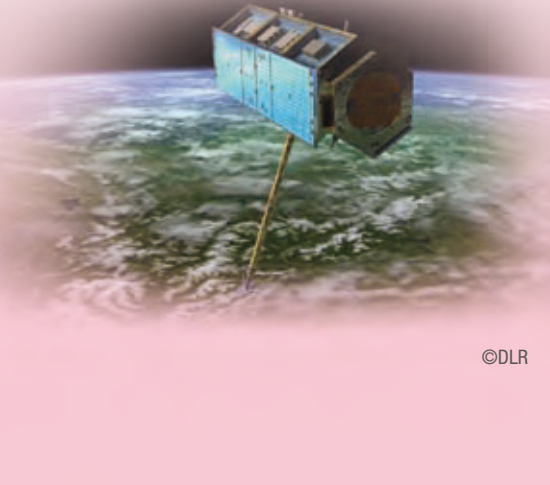
SECOM *Anshin My Car* on-site emergency service



MEDCOM provides coverage for advanced treatment options

## Geographic Information Services

Subsidiary Pasco Corporation is making use of geospatial information to expand its services in such areas as environmental protection and disaster prevention, as well as its overseas operations.



### Building on technological capabilities and accumulated expertise to capitalize on new business opportunities

For more than 50 years, Pasco has leveraged its surveying and geographic data collection capabilities, which are based primarily on aerial photography, and expanded its focus to encompass the integration and analysis of data thus collected, to develop a wide range of geospatial information services. This has enabled Pasco to provide basic data for the development of social infrastructure crucial to both public-sector planning and administration and private-sector corporate management.

In addition to accumulating know-how in geospatial information collection and processing, Pasco continually seeks to acquire cutting-edge technologies. Pasco sells image data offered by the operator of TerraSAR-X, a German satellite that delivers a higher resolution than other commercial satellites. Pasco is building on the technological capabilities and expertise it has acquired through this arrangement, positioning it to capitalize on expanding business opportunities. For example, in response to the 2008 creation of Japan's J-VER scheme, which strives to ensure the trustworthiness of carbon offset transactions, Pasco introduced geospatial

information services to local governments aimed at facilitating sustainable forest management.

In response to the aging of existing social infrastructures and the need to optimize related costs over the entire infrastructure lifecycle, Pasco capitalized on its experience in mapping used for more effective road maintenance to develop the Mobile Mapping System (MMS), a measuring system mounted on a vehicle which facilitates the extraction of precise data for 3D mapping.

In the area of disaster prevention, Pasco worked with the Saga prefectural government to develop a geospatial information-based system for monitoring the patterns of infection for the new H1N1 strain of influenza to prevent or limit its further spread. Pasco markets this system to prefectural authorities, as well as to cities designated by government ordinance (cities with large populations that have assumed functions—such as social welfare and urban planning—otherwise performed by prefectural governments).

Since 2008, Pasco has participated in ASNARO (Advanced Satellite with New system ARchitecture for Observation) project, an initiative for developing an advanced, small, low-cost satellite that can be built and launched for short periods. Pasco has been charged with developing the satellite's ground segment, a comprehensive, small, movable ground system for the satellite. This system, together with two receiving stations—an existing facility in Okinawa and a near-complete new facility in Hokkaido—will ensure a highly effective reception framework and at the same time giving full play to Pasco's image processing technologies for environmental monitoring and disaster prevention.

For private-sector customers, Pasco has leveraged business area analysis capabilities and operations-level expertise accumulated through the provision of marketing support services, to

develop and launch *Shoken Taisho*, a membership-based service for retailers that focuses on business area analysis, shop development and retail space design, and product mix strategies.

Pasco will continue to broaden its experience in the provision of geospatial information services, positioning it to cultivate new business opportunities in the years ahead.

### Expanding global operations

Pasco has obtained exclusive rights in Japan and nonexclusive rights worldwide to sell image data from German commercial satellite TerraSAR-X, which complements laser-based biomass estimation and carbon mapping services, thereby contributing to the reduction of greenhouse gas emissions, a major cause of forest loss. TerraSAR-X is unique in that it can capture high-frequency high-resolution images regardless of the time of day. Pasco will continue to take advantage of this capability to gather and analyze data that will support efforts to measure the impact of global environmental issues and assist national governments and other organizations worldwide in the development and implementation of effective solutions.

Pasco will also continue to expand its overseas operations, assisting in the creation and revision of national land maps in countries where mapping data is not readily available. Additionally, Pasco is providing satellite and aerial data, as well as applications to assist in the effective use of such data, and offering consulting services, assisting in the fostering of human resources and providing technological support. Through such efforts, Pasco is securing major orders to create geospatial information databases that help prevent disasters, protect the environment, promote urban development and develop infrastructure—all of which are crucial to the advancement of developing countries.

## Real Estate Development and Sales

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



### Sales of Glorio Roka-koen

In line with our emphasis on peace of mind and comfortable living, we develop and sell condominiums in the Glorio series, which are equipped with advanced SECOM security systems. In January 2010, homeowners took possession of units in our newest location, Glorio Roka-koen in Tokyo's Setagaya Ward. In addition to access-control systems, Glorio Roka-koen features the SECOM MS-3 condominium security system, the SECOM IX remote imaging system, outdoor surveillance cameras

and sensor-equipped perimeter fences, bringing together SECOM's expertise and advanced security service capabilities to provide quality homes that are safe and secure. Glorio Roka-koen's multifaceted approach to security and peace of mind also includes the provision of healthcare support through cooperation with nearby Kugayama Hospital, a SECOM-affiliated facility, and the establishment of a community house that is designed to also serve as an evacuation facility in the event of a disaster.

## Information and Communication Related and Other Services

SECOM is expanding this business by focusing on comprehensive information and communication related services, which center on information security and disaster response services.



### Capitalizing on a solid foundation in "safety confirmation" to expand services

SECOM has acquired a significant reputation as a provider of comprehensive services designed to ensure the security of information and communications in the event of a major disaster. Of particular note is SECOM Safety Confirmation Service, which we have offered since 2004 and which continues to attract considerable acclaim.

SECOM Safety Confirmation Service helps subscribers promptly restore water, electricity and other essential services, and to confirm the whereabouts and safety of employees in the aftermath of an earthquake or other major disaster, thus relieving concern and assisting companies in restarting operations as soon as possible. We continue to add new functions to SECOM Safety Confirmation Service, including one that helps companies to manage exposure to the new H1N1 strain of influenza, in response to the needs of subscribers for greater convenience, as well as to bolster the service menu. Since 2007, we have also offered SECOM Safety Confirmation Service SCM, which enables subscribers to confirm the safety of key suppliers and the extent of damage to essential services. From the perspective of assisting customers to formulate effective business continuity plans (BCPs), ensuring they are not only able to get their own companies swiftly back up

and running in the aftermath of a disaster, but also to promptly confirm the safety of major suppliers and customers.

We are applying know-how gained through the provision of SECOM Safety Confirmation Service to the development of a wide range of new services. The solid foundation we have established with this service, combined with the expertise of a pharmaceuticals manufacturer, facilitated the launch of *YuchuReco*, a documentation service for hemophiliacs, who must administer their own daily medications and



Disaster monitoring center





transfusions of blood products and maintain a careful record to enable physicians to provide proper treatment. *YuchuReco* allows individuals to make entries easily and quickly from a computer or mobile phone, thus helping to prevent errors and omissions.

We are also capitalizing on our know-how in the security services business and the foundation we have established with SECOM Safety Confirmation Service, and have begun offering risk management services. Our expertise in security services and our emergency response capabilities are given full play in Initial Response Operations Service. In the aftermath of a major accident or information leak, for example, we provide around-the-clock services that include handling queries from employees and other related parties and swiftly notifying individuals in charge on the customer side. By promptly establishing a strict chain of communication following such an incident, this service helps ensure an effective initial response.

Another such offering is SECOM Emergency Contact Network Service, which draws on SECOM Safety Confirmation Service to facilitate efficient contact via email or mobile phone for everyday emergencies, rather than in the aftermath of a major disaster, and collates responses, enabling the swift communication of information. Combining Initial Response Operations Service and SECOM Emergency Contact Network Service creates a comprehensive risk management tool.

Going forward, we will continue to enhance the functions of SECOM Safety Confirmation Service, as well as to create new services that capitalize on the foundation we have established in this area. We will also step up efforts to market such services to an ever-broader market.

#### **New Secure Data Center to open**

In response to the call for greater security and peace of mind in today's networked society, we operate the

Secure Data Center, a secure environment protected by stringent physical security and monitoring by experts. The Secure Data Center houses servers, as well as important data and other key information assets, entrusted to us by subscribers, who include prominent financial institutions. In response to rising demand for these services, in July 2010 we will open a second facility. Equipped with distinctive SECOM security features and incorporating our extensive expertise in this area, the new Secure Data Center also features an advanced seismically sound design, enabling it to function as a BCP center in the event of a disaster. The new facility is thus particularly well positioned to provide a wide range of services that contribute to greater operating efficiency for subscribers. Looking ahead, the new Secure Data Center will serve as a base from which we provide a wide range of proprietary information and communication related services.

## **SECOM's Environmental Initiatives**

In accordance with our mission, which is to contribute to society through our business activities, and with the belief that protecting the environment is essential to our ability to provide security and peace of mind, we continue to promote environmental initiatives in all areas of our operations.

### **● A business model that facilitates the recycling and reuse of resources**

In our mainstay on-line security services business, which we launched in 1966, we provide equipment on a rental basis, rather than selling it, and take responsibility for equipment management, which includes maintenance and the collection of used equipment. This has enabled us to minimize waste, as well as to enhance efforts to reuse and recycle. We also promote green purchasing, environment-friendly design and other efforts aimed at contributing to environmental protection.

### **● Reducing CO<sub>2</sub> emissions**

We are currently implementing a program aimed at replacing approximately 5,000 cars in our fleet with environment-

friendly vehicles. We are also adopting low-power lighting and air conditioning systems at our various sites, introducing multifunctional OA equipment and implementing other measures aimed at shifting to high-efficiency, low-energy equipment.

On another front, we are promoting "Eco-Anzen Drive," an initiative that aims to reduce the amount of fuel used when driving, as well as to prevent traffic accidents. Additionally, we have established an Environmental Promotion Committee, which promotes voluntary initiatives aimed at making our offices more environment friendly, and SECOM Eco Team, which strives to raise the environmental awareness of each and every SECOM employee at home.

### **● Furthering our environmental protection initiatives**

With the aim of taking our efforts to protect the environment to the next level, we have introduced lifecycle assessments (LCAs) and are working to reduce the environmental footprint of our various products and services over their entire lifecycle, as well as to cultivate new businesses that allow us to contribute further to environmental protection.

# FINANCIAL REVIEW

## Operating Results

### Overview

In the year ended March 31, 2010, SECOM CO., LTD. and its subsidiaries (collectively “the Company”) sought to provide high-quality products and services that respond to the needs of customers in its core security services segment, as well as in its fire protection services, medical services, insurance services, geographic information services, real estate development and sales, and information and communication related and other services segments. Nonetheless, consolidated net sales and operating revenue for the period slipped 2.0%, or ¥13.4 billion, to ¥670.6 billion, owing to decreased sales of security merchandise in its core security services segment, combined with declines in net sales and operating revenue at its overseas subsidiaries due to foreign currency rate fluctuations, and efforts to restrict its selection of properties for development and sales in the real estate development and sales segment.

In contrast, operating income rose 27.4%, or ¥20.9 billion, to ¥97.2 billion, reflecting decreases in loss on other-than-temporary impairment of investment securities in the insurance services segment and write-down on real estate inventories in the real estate development and sales segment. Net income attributable to SECOM CO., LTD., advanced 53.8%, or ¥16.4 billion, to ¥47.0 billion.

### Net Sales and Operating Revenue

Despite increases in the medical services, insurance services and geographic information services segments, net sales and operating revenue slipped 2.0%, or ¥13.4 billion, to ¥670.6 billion, owing to decreases in the security services, real estate development and sales, fire protection services, and information and communication related and other services segments. (For more details, please see Segment Information below.)

### Costs and Expenses

Total costs and expenses, at ¥573.5 billion, were down 5.6%, or ¥34.3 billion. Cost of sales declined 6.3%, or ¥29.0 billion, to ¥433.1 billion, equivalent to 64.6% of net sales and operating revenue, an improvement from 67.6% in the previous period. This result primarily reflected a decrease in write-down on real estate inventories in the real estate development and sales segment.

Selling, general and administrative (SG&A) expense dipped 3.0%, or ¥4.2 billion, to ¥137.7 billion. SG&A expense was equivalent to 20.5% of net sales and operating revenue, a slight improvement from 20.8% in the previous period, attributable primarily to the reduction of costs, particularly personnel expenses and advertising costs. In addition, impairment loss on goodwill amounted to ¥245 million, a decrease of ¥1.3 billion.

### Operating Income

Operating income rose 27.4%, or ¥20.9 billion, to ¥97.2 billion, equivalent to 14.5% of net sales and operating revenue, up from 11.1% in the previous period. This was due largely to an increase in net sales and operating revenue in the insurance services segment, owing to the decrease in loss on other-than-temporary impairment of investment securities, and to declines in cost of sales and SG&A expense. Segments contributing to operating income were—in order of size of contribution—security services, fire protection services, information and communication related and other services, medical services and geographic information services. (For more details, please see Segment Information below.)

### Other Income and Expenses

Other income slipped ¥407 million, to ¥5.4 billion, and other expenses fell ¥11.0 billion, to ¥7.9 billion, resulting in net other expenses of ¥2.5 billion, down substantially from ¥13.1 billion in the previous period. Factors behind this result included a ¥7.1 billion decrease in loss on other-than-temporary impairment of investment securities, to ¥1.8 billion, the reversal of reserve for litigation loss, and a net exchange gain compared with a net exchange loss in the previous period. These were partially offset by a ¥1.4 billion loss on private equity investments, compared with a ¥1.4 billion gain in the previous period. The Company also incurred a ¥1.3 billion loss related to spectrum reallocation, for disposal and replacement of equipments, since the allotted spectrum currently used for COCO-SECOM will no longer be available after July 2012 as a result of spectrum reallocation by the Japanese government.

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

Income from continuing operations before income taxes and equity in net income of affiliated companies climbed 49.9%, or ¥31.5 billion, to ¥94.7 billion, bolstered by the increase in operating income and decline in net other expenses.

### Income Taxes

Reflecting the increase in income from continuing operations before income taxes and equity in net income of affiliated companies, income taxes increased ¥9.4 billion, to ¥45.6 billion. Income taxes were equivalent to 48.2% of income from continuing operations before income taxes and equity in net income of affiliated companies, down from 57.4% in the previous period, due mainly to the fact that unrecognized tax benefits from subsidiaries in loss positions increased in the previous period.

## Segment Information

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

### Equity in Net Income of Affiliated Companies

Equity in net income of affiliated companies was down ¥6.1 billion, to ¥2.6 billion. This reflected declines in equity in net income of overseas affiliated companies attributable to currency exchange rate fluctuations. Another factor was a reversal of long-term deferred tax liabilities related to undistributed earnings of overseas affiliated companies arising from the revision of Japanese tax regulations in the previous period.

### Income (Loss) from Discontinued Operations

The Company sold Japan Image Communications Co., Ltd., and Asia Pacific Business Link Ltd. in August and December 2009, respectively. Income from these companies is included in discontinued operations. Prior period figures have been restated. Income from discontinued operations amounted to ¥1.4 billion, compared with a loss from discontinued operations of ¥149 million in the previous period. This was due primarily to the gain on sales of discontinued operations. (For more details, please see Note 25 of the accompanying Notes to the Consolidated Financial Statements.)

### Net Income Attributable to Noncontrolling Interests

Net income attributable to noncontrolling interests rose ¥1.1 billion, to ¥6.0 billion.

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

As a consequence of the aforementioned factors, net income attributable to SECOM CO., LTD., climbed 53.8%, or ¥16.4 billion, to ¥47.0 billion, and represented 7.0% of net sales and operating revenue, up from 4.5% in the previous period. Net income attributable to SECOM CO., LTD. per share was ¥215.51, up from ¥137.42. A proposal to pay annual cash dividends of ¥85.00 per share was approved at the general shareholders' meeting on June 25, 2010.

### Security Services

The security services segment encompasses electronic security services, other security services, and merchandise and other. Net sales and operating revenue in the segment decreased 2.8%, or ¥12.1 billion, to ¥426.4 billion. Excluding intersegment transactions, the segment's net sales and operating revenue amounted to ¥424.4 billion, equivalent to 63.3% of overall net sales and operating revenue, down from 63.9% in the previous period.

Electronic security services include on-line commercial and home security systems (centralized systems) and large-scale proprietary security systems, which center on surveillance services at the subscriber's premises. On-line commercial and home security systems, the core of our electronic security services, use sensors installed at the subscriber's premises to detect events, such as intrusions, fires and equipment malfunctions. Sensors are linked to a SECOM control center via telecommunications circuits to enable remote monitoring around-the-clock. Should an event be detected at the subscriber's premises, the relevant information is relayed to the control center, where staff dispatch emergency response personnel. Control center staff also notify the police or fire department if required while the emergency response personnel take other appropriate measures. We have established an integrated approach, whereby we take full responsibility for maintaining control over every aspect of our electronic security services, from R&D to manufacturing, sales, security planning, installation, monitoring, emergency response services and equipment maintenance. Net sales and operating revenue from electronic security services amounted to ¥299.1 billion, a decline of 1.5%, or ¥4.4 billion, owing to the impact of currency exchange rate fluctuations on the results of overseas subsidiaries.

Other security services include static guard services—which are staffed by highly trained professionals—for security situations that require human judgment and flexible responses, and armored car services, for the transport of cash and valuables by specially fitted armored cars and security professionals. Net sales and operating revenue from static guard services was down 3.7%, or ¥1.8 billion, to ¥46.2 billion, and that from armored car services slipped 2.4%, or ¥487 million, to ¥19.8 billion.

The merchandise and other category encompasses sales of a wide range of security products, including access-control systems, CCTV surveillance systems, fire extinguishing systems and external monitoring systems, which can be free-standing or connected to on-line security systems. Net sales and operating revenue in this category declined 9.0%, or ¥5.8 billion, to ¥59.3 billion.

Operating income in the security services segment edged down 0.8%, or ¥852 million, to ¥101.6 billion, while the operating margin rose to 23.8%, from 23.4%. The decline in segment operating income reflected lower net sales and operating revenue, while the improvement in the operating margin was attributable to successful cost-cutting efforts.

### Fire Protection Services

The fire protection services segment includes automatic fire alarm systems, fire extinguishing systems and other fire protection systems for a wide range of applications, including office buildings, plants, tunnels, cultural properties, ships and residences. Segment net sales and operating revenue amounted to ¥84.4 billion, down 6.0%, or ¥5.4 billion, reflecting decreased sales of fire alarm systems for residences. Segment operating income fell 21.7%, or ¥1.2 billion, to ¥4.2 billion, and the operating margin declined to 5.0%, from 6.0% in the previous period.

### Medical Services

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

Net sales and operating revenue in the medical services segment increased 7.8%, or ¥4.1 billion, to ¥56.4 billion. Operating income amounted to ¥2.3 billion, up from ¥11 million in the previous period. This increase was attributable to improved results for the entities managing hospitals and health care-related institutions and contributions from a newly consolidated subsidiary.

### Insurance Services

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

response personnel—should the subscriber be involved in an accident, and MEDCOM, an unrestricted cancer treatment policy that covers the entire cost of medical treatment for cancer.

Segment net sales and operating revenue climbed 31.4%, or ¥7.7 billion, to ¥32.1 billion. The segment generated an operating loss of ¥1.5 billion, compared with an operating loss of ¥8.2 billion in the previous period. This improvement was attributable largely to a decrease in loss on other-than-temporary impairment of investment securities, combined with an increase in net premiums written.

### Geographic Information Services

This segment comprises a variety of GIS-based services tailored to the needs of the public and private sectors, as well as surveying and measuring, and construction consulting services. Net sales and operating revenue in the geographic information services segment rose 4.3%, or ¥1.7 billion, to ¥42.1 billion. This reflected steadily expanding sales of geospatial data-based services to national and local governments in Japan and government agencies in foreign countries, as well as operational support services for private-sector customers. Segment operating income rose 6.5%, or ¥132 million, to ¥2.2 billion, owing to strict process management and cost-cutting efforts. The operating margin was 5.2%, up from 5.1% in the previous period.

### Real Estate Development and Sales

This segment comprises the development and sales of condominiums that are equipped with advanced security and contingency planning features. Net sales and operating revenue in the real estate development and sales segment fell 44.9%, or ¥11.0 billion, to ¥13.5 billion, owing to efforts to restrict the selection of properties for development and sales in response to flagging market conditions. The segment reported an operating loss of ¥3.7 billion, compared with ¥17.6 billion in the previous period. This improvement was due mainly to a decrease in write-down on real estate inventories.

### Information and Communication Related and Other Services

This segment consists primarily of information and communication related services—including information security systems and network system operations services, which protect subscribers' information security in the event of a major disaster—and real estate leasing. Segment net sales and operating revenue amounted to ¥33.5 billion, down 5.7%, or ¥2.0 billion, owing to a temporary dip in business conditions. Segment operating income declined 14.0%, or ¥628 million, to ¥3.9 billion, pushing the operating margin down to 11.5%, from 12.6% in the previous period.

## Financial Position

Total assets as of March 31, 2010, amounted to ¥1,138.1 billion, 0.4%, or ¥5.0 billion, lower than at the end of the previous period.

Total current assets, at ¥500.8 billion, were up 1.7%, or ¥8.3 billion. This was attributable largely to increases in cash and cash equivalents (for more details, please see Cash Flows, which follows this section), although these were partially offset by a decline in cash deposits and collection of notes and accounts receivables, trade. Owing to the increase in total current assets, as well as to a decrease in total current liabilities (see below), the current ratio rose to 2.1 times, from 1.7 times at the end of the previous period.

Investments and long-term receivables declined 4.9%, or ¥14.4 billion, to ¥276.5 billion, reflecting sales of investment securities and the redemption of bonds to prepare for the payment of refunds on insurance policies at maturity.

Property, plant and equipment, less accumulated depreciation, rose 1.6%, or ¥4.0 billion, to ¥263.3 billion. This was due primarily to the addition of a subsidiary, engaged in the leasing of real estate to medical institutions, to the medical services segment, resulting in increases in buildings and improvements and in land. An increase in the number of security services subscribers also

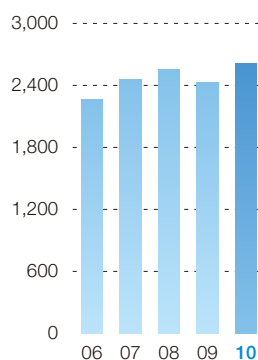
necessitated an increase in security equipment and control stations, although this was offset by an increase in accumulated depreciation resulting from the depreciation of assets.

Other assets were down 2.9%, or ¥2.9 billion, to ¥97.5 billion. This reflected such factors as a decline in deferred income taxes attributable to an increase in valuation allowances for certain subsidiaries, which was partially offset by an increase in software.

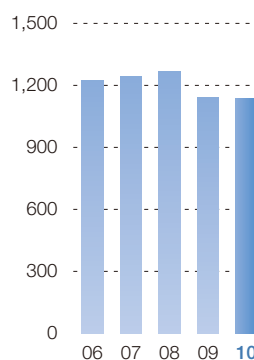
Total liabilities fell 9.0%, or ¥49.7 billion, to ¥503.7 billion. Total current liabilities amounted to ¥235.5 billion, down 16.9%, or ¥48.0 billion, owing to the application of firm cash flows to the repayment of bank loans. The decrease in total liabilities also reflected a decline in investment deposits by policyholders as insurance policies with maturity refunds reached maturity.

Total SECOM CO., LTD. shareholders' equity amounted to ¥569.8 billion, up 7.8%, or ¥41.1 billion, owing primarily to an increase in retained earnings, as well as to unrealized holding gains on securities—compared with unrealized holding losses on securities for the previous period—which reduced accumulated other comprehensive loss, a net figure. Shareholders' equity ratio rose to 50.1%, from 46.3% at the end of the previous period.

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



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



Cash Flows

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

Net cash provided by operating activities amounted to ¥116.7 billion. The principal items contributing to this result were net income of ¥53.0 billion, depreciation and amortization of ¥55.1 billion, a decrease in cash deposits of ¥7.8 billion, loss on other-than-temporary impairment of investment securities of ¥6.3 billion. Cash used in operating activities included an increase in deferred charges of ¥14.5 billion. Net cash provided by operating activities was ¥9.3 billion higher than in the previous period, owing to the increase in net income, which was partially offset by decreases in non-cash expenses, including loss on other-than-temporary impairment of investment securities and write-down of real estate inventories, and to an increase in inventories, compared with a decrease in the previous period.

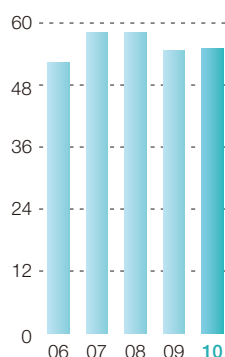
Net cash used in investing activities came to ¥10.6 billion. Significant factors included payments for purchase of property, plant and equipment of ¥38.3 billion, a result of the purchase of security equipment and control stations necessitated by an

increase in the number of security services subscribers, and payments for long-term receivables of ¥5.0 billion. Cash provided by investing activities included net proceeds from sales and redemption of short-term investments and investment securities of ¥24.0 billion and proceeds from long-term receivables of ¥6.0 billion. Investing activities used ¥39.3 billion less cash than in the previous period, as net proceeds from sales and redemptions of short-term investments and investment securities amounted to ¥24.0 billion, compared to net payments of ¥332 million in the previous period and purchases of property, plant and equipment decreased.

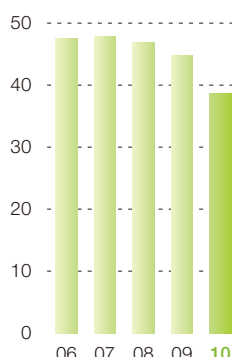
Net cash used in financing activities amounted to ¥85.7 billion. This included a decrease in bank loans, net, of ¥35.2 billion, a decrease in investment deposits by policyholders of ¥23.8 billion and dividends paid to SECOM CO., LTD. shareholders of ¥18.5 billion. Financing activities used ¥24.2 billion less than in the previous period. This was due largely to the absence of a ¥30.0 billion outlay for the purchase of treasury stocks in the previous period.

The Company's operating, investing and financing activities resulted in cash and cash equivalents at the end of the year of ¥180.1 billion, an increase of ¥20.8 billion from ¥159.4 billion at the end of the previous period.

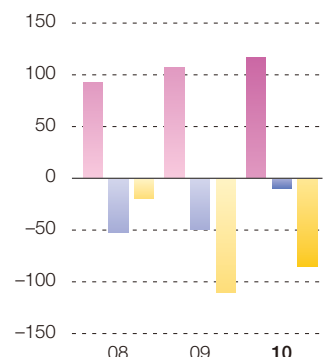
**Depreciation and Amortization**  
(In billions of yen)



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



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



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



# CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED BALANCE SHEETS

SECOM CO., LTD. and Subsidiaries  
March 31, 2010 and 2009

	In millions of yen		Translation into thousands of U.S. dollars (Note 3)
	2010	2009	March 31
<b>ASSETS</b>			<b>2010</b>
<b>Current assets:</b>			
Cash and cash equivalents (Notes 5 and 22).....	¥ 180,144	¥ 159,393	\$ 1,937,032
Time deposits (Note 12).....	7,337	8,775	78,892
Cash deposits (Note 6).....	48,862	56,668	525,398
Short-term investments (Notes 7 and 22).....	13,327	13,830	143,301
Notes and accounts receivable, trade.....	76,848	80,457	826,323
Due from subscribers.....	29,322	29,384	315,290
Inventories (Note 8).....	98,255	96,071	1,056,505
Short-term receivables (Notes 12 and 20).....	16,165	15,009	173,817
Allowance for doubtful accounts.....	(2,223)	(2,782)	(23,903)
Deferred insurance acquisition costs (Note 13).....	6,145	6,559	66,075
Deferred income taxes (Note 16).....	15,737	16,245	169,215
Other current assets.....	10,873	12,932	116,915
Total current assets.....	500,792	492,541	5,384,860
<b>Investments and long-term receivables:</b>			
Investment securities (Notes 2 (7), 7, 12 and 22).....	148,069	161,668	1,592,140
Investments in affiliated companies (Note 9).....	42,613	40,072	458,204
Long-term receivables (Notes 12 and 20).....	70,852	74,962	761,849
Lease deposits.....	13,438	13,213	144,495
Other investments.....	9,412	9,943	101,205
Allowance for doubtful accounts.....	(7,848)	(8,940)	(84,387)
	276,536	290,918	2,973,506
<b>Property, plant and equipment (Notes 10, 12, 19 and 20):</b>			
Land.....	90,521	86,699	973,344
Buildings and improvements.....	156,137	147,881	1,678,892
Security equipment and control stations.....	257,395	251,013	2,767,688
Machinery, equipment and automobiles.....	70,499	66,828	758,054
Construction in progress.....	3,022	6,817	32,495
	577,574	559,238	6,210,473
Accumulated depreciation.....	(314,246)	(299,956)	(3,378,989)
	263,328	259,282	2,831,484
<b>Other assets:</b>			
Deferred charges (Note 2 (12)).....	44,125	46,196	474,462
Goodwill (Note 11).....	13,152	15,440	141,419
Other intangible assets (Notes 11 and 12).....	22,497	18,921	241,903
Prepaid pension and severance costs (Note 14).....	4,742	823	50,989
Deferred income taxes (Note 16).....	12,975	19,020	139,516
	97,491	100,400	1,048,289
Total assets.....	¥1,138,147	¥1,143,141	\$12,238,139

See accompanying notes to consolidated financial statements.



LIABILITIES AND EQUITY	In millions of yen		Translation into thousands of U.S. dollars (Note 3)
	2010	2009	March 31
<b>Current liabilities:</b>			
Bank loans (Notes 6 and 12).....	¥ 43,025	¥ 78,180	\$ 462,634
Current portion of long-term debt (Notes 12, 19 and 21).....	10,801	15,967	116,140
Notes and accounts payable, trade.....	25,336	28,942	272,430
Other payables .....	23,193	23,111	249,387
Deposits received (Note 6) .....	28,348	33,475	304,817
Deferred revenue .....	44,248	42,646	475,785
Accrued income taxes .....	21,064	19,126	226,495
Accrued payroll .....	21,316	23,526	229,204
Reserve for litigation loss (Note 24) .....	1,770	2,415	19,032
Other current liabilities (Note 16).....	16,385	16,049	176,183
Total current liabilities .....	235,486	283,437	2,532,107
Long-term debt (Notes 12, 19 and 21) .....	41,572	36,404	447,011
Guarantee deposits received .....	34,829	32,258	374,505
Accrued pension and severance costs (Note 14).....	16,503	17,814	177,452
Deferred revenue .....	20,078	21,308	215,892
Unearned premiums and other insurance liabilities (Note 13) .....	74,466	68,869	800,710
Investment deposits by policyholders (Notes 13 and 21).....	62,226	86,064	669,097
Deferred income taxes (Note 16) .....	10,403	1,224	111,860
Other liabilities (Notes 21, 22 and 23).....	8,120	5,973	87,312
Total liabilities .....	503,683	553,351	5,415,946
<b>Commitments and contingent liabilities</b> (Note 24)			
<b>Equity:</b>			
SECOM CO., LTD. shareholders' equity (Note 17):			
Common stock:			
Authorized 900,000,000 shares;			
issued 233,288,717 shares in 2010 and 2009.....	66,378	66,378	713,742
Additional paid-in capital .....	81,096	79,995	872,000
Legal reserve .....	10,053	10,036	108,097
Retained earnings .....	510,927	482,488	5,493,839
Accumulated other comprehensive income (loss):			
Unrealized holding gains (losses) on securities (Note 7).....	5,603	(3,597)	60,247
Unrealized losses on derivative instruments (Note 23).....	(18)	(187)	(194)
Pension liability adjustments (Note 14).....	(10,711)	(11,878)	(115,172)
Foreign currency translation adjustments.....	(18,622)	(19,618)	(200,237)
	(23,748)	(35,280)	(255,356)
Common stock in treasury, at cost:			
15,254,334 shares in 2010 and 15,251,520 shares in 2009 .....	(74,907)	(74,896)	(805,452)
Total SECOM CO., LTD. shareholders' equity.....	569,799	528,721	6,126,870
Noncontrolling interests .....	64,665	61,069	695,323
Total equity .....	634,464	589,790	6,822,193
Total liabilities and equity .....	¥1,138,147	¥1,143,141	\$12,238,139

# CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED STATEMENTS OF INCOME

SECOM CO., LTD. and Subsidiaries  
Three years ended March 31, 2010

	In millions of yen			Translation into thousands
	Years ended March 31			of U.S. dollars (Note 3)
	2010	2009	2008	Year ended March 31
<b>Net sales and operating revenue</b> .....	<b>¥670,644</b>	¥684,016	¥701,836	<b>\$7,211,226</b>
<b>Costs and expenses:</b>				
Cost of sales (Note 8).....	433,139	462,149	452,048	4,657,409
Selling, general and administrative expense (Notes 2 (19) and 18).....	137,720	141,960	142,390	1,480,860
Impairment loss on long-lived assets (Note 10) .....	292	76	16	3,140
Impairment loss on goodwill (Note 11).....	245	1,578	1,128	2,634
Loss on sales and disposal of fixed assets, net .....	2,070	1,994	976	22,258
	<b>573,466</b>	607,757	596,558	<b>6,166,301</b>
Operating income.....	<b>97,178</b>	76,259	105,278	<b>1,044,925</b>
<b>Other income:</b>				
Interest and dividends.....	1,317	2,232	3,007	14,161
Reversal of reserve for litigation loss (Note 24).....	781	—	—	8,398
Gain on sales of securities, net (Notes 7 and 9).....	—	—	2,020	—
Gain on private equity investments.....	—	1,403	4,070	—
Other (Note 15).....	3,254	2,124	3,920	34,989
	<b>5,352</b>	5,759	13,017	<b>57,548</b>
<b>Other expenses:</b>				
Interest.....	1,799	2,022	2,093	19,344
Loss on sales of securities, net (Note 7) .....	7	231	—	75
Loss on other-than-temporary impairment of investment securities (Note 22).....	1,764	8,831	1,912	18,968
Loss on private equity investments.....	1,367	—	—	14,699
Loss related to spectrum reallocation (Note 24).....	1,254	—	—	13,484
Provision for loss on litigation (Note 24).....	—	2,415	—	—
Other (Notes 15 and 23) .....	1,663	5,356	3,994	17,882
	<b>7,854</b>	18,855	7,999	<b>84,452</b>
Income from continuing operations before income taxes and equity in net income of affiliated companies.....	<b>94,676</b>	63,163	110,296	<b>1,018,021</b>
<b>Income taxes</b> (Note 16):				
Current .....	38,749	41,682	42,450	416,656
Deferred.....	6,882	(5,423)	4,341	74,000
	<b>45,631</b>	36,259	46,791	<b>490,656</b>
Income from continuing operations before equity in net income of affiliated companies .....	<b>49,045</b>	26,904	63,505	<b>527,365</b>
<b>Equity in net income of affiliated companies</b> .....	<b>2,620</b>	8,733	5,238	<b>28,173</b>
Income from continuing operations .....	<b>51,665</b>	35,637	68,743	<b>555,538</b>
<b>Income (loss) from discontinued operations, net of tax</b> (Note 25).....	<b>1,354</b>	(149)	(348)	<b>14,559</b>
Net income .....	<b>53,019</b>	35,488	68,395	<b>570,097</b>
<b>Less: Net income attributable to noncontrolling interests</b> .....	<b>(6,030)</b>	(4,928)	(6,639)	<b>(64,839)</b>
Net income attributable to SECOM CO., LTD. ....	<b>¥ 46,989</b>	¥ 30,560	¥ 61,756	<b>\$ 505,258</b>

	In yen			Translation into
	Years ended March 31			U.S. dollars (Note 3)
	2010	2009	2008	Year ended March 31
<b>Per share data</b> (Note 2 (21)):				
Income from continuing operations attributable to SECOM CO., LTD. ....	¥209.41	¥138.05	¥275.91	\$2.25
Income (loss) from discontinued operations attributable to SECOM CO., LTD. ...	6.10	(0.63)	(1.40)	0.07
Net income attributable to SECOM CO., LTD. ....	215.51	137.42	274.51	2.32
<b>Cash dividends per share</b> .....	<b>¥ 85.00</b>	¥ 85.00	¥ 80.00	<b>\$0.91</b>

See accompanying notes to consolidated financial statements.

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

SECOM CO., LTD. and Subsidiaries  
Three years ended March 31, 2010

In millions of yen

	Number of shares issued	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Common stock in treasury, at cost	Total SECOM CO., LTD. shareholders' equity	Noncontrolling interest	Total
<b>Balance, March 31, 2007</b>	233,288,717	¥66,378	¥79,998	¥ 9,923	¥428,850	¥11,433	(¥44,850)	¥551,732	¥61,311	¥613,043
Cumulative effect of a change in accounting principle-adoption of ASC 710, net of tax (Note 2 (16))	—	—	—	—	(1,227)	—	—	(1,227)	(192)	(1,419)
Comprehensive income:										
Net income	—	—	—	—	61,756	—	—	61,756	6,639	68,395
Other comprehensive income (loss), net of tax (Note 17):										
Unrealized holding losses on securities	—	—	—	—	—	(11,238)	—	(11,238)	(1,657)	(12,895)
Unrealized losses on derivative instruments	—	—	—	—	—	(41)	—	(41)	(11)	(52)
Pension liability adjustments	—	—	—	—	—	(5,998)	—	(5,998)	(798)	(6,796)
Foreign currency translation adjustments	—	—	—	—	—	(2,187)	—	(2,187)	96	(2,091)
Total comprehensive income	—	—	—	—	—	—	—	42,292	4,269	46,561
Cash dividends paid to SECOM CO., LTD. shareholders	—	—	—	—	(17,998)	—	—	(17,998)	—	(17,998)
Cash dividends paid to noncontrolling interests	—	—	—	—	—	—	—	—	(1,415)	(1,415)
Changes in scope of consolidation	—	—	—	—	(218)	—	—	(218)	—	(218)
Transfer to legal reserve	—	—	—	97	(97)	—	—	—	—	—
Equity transactions with noncontrolling interests and other	—	—	—	—	—	—	—	—	(1,462)	(1,462)
Gains and losses on disposal of treasury stock	—	—	0	—	—	—	—	0	—	0
Net changes in treasury stock	—	—	—	—	—	—	(27)	(27)	—	(27)
<b>Balance, March 31, 2008</b>	233,288,717	66,378	79,998	10,020	471,066	(8,031)	(44,877)	574,554	62,511	637,065
Comprehensive income:										
Net income	—	—	—	—	30,560	—	—	30,560	4,928	35,488
Other comprehensive income (loss), net of tax (Note 17):										
Unrealized holding losses on securities	—	—	—	—	—	(460)	—	(460)	159	(301)
Unrealized losses on derivative instruments	—	—	—	—	—	(93)	—	(93)	(20)	(113)
Pension liability adjustments	—	—	—	—	—	(7,152)	—	(7,152)	(959)	(8,111)
Foreign currency translation adjustments	—	—	—	—	—	(19,544)	—	(19,544)	(622)	(20,166)
Total comprehensive income	—	—	—	—	—	—	—	3,311	3,486	6,797
Cash dividends paid to SECOM CO., LTD. shareholders	—	—	—	—	(19,122)	—	—	(19,122)	—	(19,122)
Cash dividends paid to noncontrolling interests	—	—	—	—	—	—	—	—	(1,701)	(1,701)
Transfer to legal reserve	—	—	—	16	(16)	—	—	—	—	—
Equity transactions with noncontrolling interests and other	—	—	—	—	—	—	—	—	(3,227)	(3,227)
Gains and losses on disposal of treasury stock	—	—	(3)	—	—	—	—	(3)	—	(3)
Net changes in treasury stock	—	—	—	—	—	—	(30,019)	(30,019)	—	(30,019)
<b>Balance, March 31, 2009</b>	233,288,717	66,378	79,995	10,036	482,488	(35,280)	(74,896)	528,721	61,069	589,790
Comprehensive income:										
Net income	—	—	—	—	46,989	—	—	46,989	6,030	53,019
Other comprehensive income (loss), net of tax (Note 17):										
Unrealized holding gains on securities	—	—	—	—	—	9,200	—	9,200	211	9,411
Unrealized gains on derivative instruments	—	—	—	—	—	169	—	169	47	216
Pension liability adjustments	—	—	—	—	—	1,167	—	1,167	372	1,539
Foreign currency translation adjustments	—	—	—	—	—	996	—	996	212	1,208
Total comprehensive income	—	—	—	—	—	—	—	58,521	6,872	65,393
Cash dividends paid to SECOM CO., LTD. shareholders	—	—	—	—	(18,533)	—	—	(18,533)	—	(18,533)
Cash dividends paid to noncontrolling interests	—	—	—	—	—	—	—	—	(1,759)	(1,759)
Transfer to legal reserve	—	—	—	17	(17)	—	—	—	—	—
Equity transactions with noncontrolling interests and other	—	—	1,101	—	—	—	—	1,101	(1,517)	(416)
Gains and losses on disposal of treasury stock	—	—	(0)	—	—	—	—	(0)	—	(0)
Net changes in treasury stock	—	—	—	—	—	—	(11)	(11)	—	(11)
<b>Balance, March 31, 2010</b>	233,288,717	¥66,378	¥81,096	¥10,053	¥510,927	(¥23,748)	(¥74,907)	¥569,799	¥64,665	¥634,464

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

	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Common stock in treasury, at cost	Total SECOM CO., LTD. shareholders' equity	Noncontrolling interest	Total
<b>Balance, March 31, 2009</b>	\$713,742	\$860,161	\$107,914	\$5,188,043	(\$379,355)	(\$805,333)	\$5,685,172	\$656,656	\$6,341,828
Comprehensive income:									
Net income	—	—	—	505,258	—	—	505,258	64,839	570,097
Other comprehensive income (loss), net of tax (Note 17):									
Unrealized holding gains on securities	—	—	—	—	98,924	—	98,924	2,269	101,193
Unrealized gains on derivative instruments	—	—	—	—	1,817	—	1,817	505	2,322
Pension liability adjustments	—	—	—	—	12,548	—	12,548	4,000	16,548
Foreign currency translation adjustments	—	—	—	—	10,710	—	10,710	2,280	12,990
Total comprehensive income	—	—	—	—	—	—	629,257	73,893	703,150
Cash dividends paid to SECOM CO., LTD. shareholders	—	—	—	(199,279)	—	—	(199,279)	—	(199,279)
Cash dividends paid to noncontrolling interests	—	—	—	—	—	—	—	(18,914)	(18,914)
Transfer to legal reserve	—	—	183	(183)	—	—	—	—	—
Equity transactions with noncontrolling interests and other	—	11,839	—	—	—	—	11,839	(16,312)	(4,473)
Gains and losses on disposal of treasury stock	—	(0)	—	—	—	—	(0)	—	(0)
Net changes in treasury stock	—	—	—	—	—	(119)	(119)	—	(119)
<b>Balance, March 31, 2010</b>	\$713,742	\$872,000	\$108,097	\$5,493,839	(\$255,356)	(\$805,452)	\$6,126,870	\$695,323	\$6,822,193

See accompanying notes to consolidated financial statements.

# CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED STATEMENTS OF CASH FLOWS

SECOM CO., LTD. and Subsidiaries  
Three years ended March 31, 2010

	In millions of yen			Translation into thousands of U.S. dollars (Note 3)
	Years ended March 31			Year ended March 31
	2010	2009	2008	2010
<b>Cash flows from operating activities:</b>				
Net income.....	¥ 53,019	¥ 35,488	¥ 68,395	\$ 570,097
Adjustments to reconcile net income to net cash provided by operating activities—				
Depreciation and amortization, including amortization of deferred charges (Notes 2 (11), 2 (12) and 11).....	55,130	54,625	58,194	592,796
Accrual for pension and severance costs, less payments.....	(3,723)	(5,313)	(4,083)	(40,032)
Deferred income taxes, including discontinued operations.....	6,885	(5,416)	4,337	74,032
Loss on sales and disposal of fixed assets, net.....	2,070	1,994	976	22,258
Impairment loss on long-lived assets (Note 10).....	292	76	16	3,140
Write-down on real estate inventories (Note 8).....	1,285	8,366	—	13,817
(Gain) loss on private equity investments.....	1,367	(1,403)	(4,070)	14,699
Provision (reversal of reserve) for litigation loss (Note 24).....	(781)	2,415	—	(8,398)
Impairment loss on goodwill (Note 11).....	245	1,578	1,128	2,634
Gain on sales of securities, net (Note 7).....	(1,302)	(299)	(4,593)	(14,000)
Loss on liquidation of subsidiaries.....	—	32	485	—
Loss on other-than-temporary impairment of investment securities.....	6,321	19,514	2,562	67,968
Equity in net income of affiliated companies.....	(2,620)	(8,733)	(5,238)	(28,173)
Gain on sales of discontinued operations (Note 25).....	(777)	—	—	(8,355)
Changes in assets and liabilities, net of effects from acquisitions and disposals:				
Decrease in cash deposits.....	7,806	7,030	11,632	83,935
(Increase) decrease in receivables and due from subscribers, net of allowances.....	3,845	8,525	(4,766)	41,344
(Increase) decrease in inventories.....	(3,386)	10,099	(19,267)	(36,409)
Increase in deferred charges.....	(14,502)	(15,972)	(16,336)	(155,935)
Decrease in deposits received.....	(5,133)	(3,136)	(14,023)	(55,194)
Increase (decrease) in deferred revenue.....	255	(1,037)	1,468	2,742
Increase (decrease) in accrued income taxes.....	2,021	(5,530)	(332)	21,731
Increase in guarantee deposits received.....	2,541	1,811	329	27,323
Increase in unearned premiums and other insurance liabilities.....	5,598	5,664	4,939	60,194
Other, net.....	233	(2,968)	10,820	2,506
Net cash provided by operating activities.....	116,689	107,410	92,573	1,254,720
<b>Cash flows from investing activities:</b>				
(Increase) decrease in time deposits.....	1,413	(12)	(1,612)	15,194
Proceeds from sales of property, plant and equipment.....	1,765	206	4,277	18,978
Payments for purchases of property, plant and equipment.....	(38,283)	(44,790)	(45,332)	(411,645)
Payments for purchases of intangible assets.....	(7,231)	(4,166)	(5,134)	(77,752)
Proceeds from sales and redemptions of investment securities.....	44,857	60,118	87,439	482,333
Payments for purchases of investment securities.....	(24,585)	(57,133)	(99,262)	(264,355)
(Increase) decrease in short-term investments.....	3,776	(3,317)	6,397	40,602
Proceeds from sales of discontinued operations.....	5,185	—	—	55,753
Acquisitions, net of cash acquired (Note 4).....	996	(1,498)	(317)	10,710
Payments for investments in affiliated companies (Note 9).....	—	—	(1,741)	—
(Increase) decrease in short-term receivables, net.....	250	87	(1,207)	2,688
Payments for long-term receivables.....	(5,014)	(6,796)	(3,773)	(53,914)
Proceeds from long-term receivables.....	6,043	7,160	6,581	64,978
Other, net.....	226	222	1,577	2,430
Net cash used in investing activities.....	(10,602)	(49,919)	(52,107)	(114,000)
<b>Cash flows from financing activities:</b>				
Proceeds from long-term debt.....	6,885	11,396	12,955	74,032
Repayments of long-term debt.....	(12,951)	(13,411)	(12,792)	(139,258)
Increase (decrease) in bank loans, net.....	(35,156)	(55,161)	6,075	(378,021)
Decrease in investment deposits by policyholders.....	(23,838)	(1,188)	(6,109)	(256,322)
Dividends paid to SECOM CO., LTD. shareholders.....	(18,533)	(19,122)	(17,998)	(199,279)
Dividends paid to noncontrolling interests.....	(1,759)	(1,701)	(1,415)	(18,914)
Increase in treasury stock, net.....	(11)	(30,019)	(27)	(119)
Other, net.....	(324)	(711)	(15)	(3,484)
Net cash used in financing activities.....	(85,687)	(109,917)	(19,326)	(921,365)
<b>Effect of exchange rate changes on cash and cash equivalents.....</b>	<b>351</b>	<b>(2,758)</b>	<b>222</b>	<b>3,774</b>
<b>Net increase (decrease) in cash and cash equivalents.....</b>	<b>20,751</b>	<b>(55,184)</b>	<b>21,362</b>	<b>223,129</b>
<b>Cash and cash equivalents at beginning of year.....</b>	<b>159,393</b>	<b>214,577</b>	<b>193,215</b>	<b>1,713,903</b>
<b>Cash and cash equivalents at end of year.....</b>	<b>¥180,144</b>	<b>¥159,393</b>	<b>¥214,577</b>	<b>\$1,937,032</b>

See accompanying notes to consolidated financial statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SECOM CO., LTD. and Subsidiaries  
Three years ended March 31, 2010

### 1. Nature of Operations

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

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

### 2. Significant Accounting Policies

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

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

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

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

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

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

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

The consolidated financial statements also include variable interest entities (“VIEs”) to which the Company is the primary beneficiary.

The Company provides loans and guarantees to organizations managing hospitals and health care-related institutions and to a PFI (Private Finance Initiative) organization which was established to build, maintain and operate correctional facilities. Certain organizations are considered VIEs under Accounting Standards Codification (“ASC”) 810, “Consolidation” (former FASB Interpretation (“FIN”) No. 46 (revised December 2003), “Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51”).

Total assets held by VIEs to which the Company is the primary beneficiary were ¥16,554 million (\$178,000 thousand) and ¥16,594 million at March 31, 2010 and 2009, respectively. Total assets held by VIEs to which the Company holds significant variable interests but is not the primary beneficiary at March 31, 2010 and 2009 were ¥48,301 million (\$519,366 thousand) and ¥46,654 million, respectively. The Company’s maximum exposure to losses related to VIEs at March 31, 2010 and 2009 were ¥9,309 million (\$100,097 thousand) and ¥9,794 million, respectively.

#### (3) Revenue Recognition

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

Revenue from security services is recognized over the contractual period or, in the case of specific services, when such services are rendered. Subscribers are generally requested to prepay a portion of service charges which are credited to deferred revenue and taken into income ratably over the covered service period. Revenue from installation services of security equipment related to on-line centralized security services is deferred and recognized over the contractual period of security services after completion of the installation. The related installation costs are also deferred and amortized over the contractual period (Note 2 (12)).

The Company enters into arrangements with multiple elements, which may include any combination of security equipment, installation and security service. The Company allocates revenue to each element based on its relative fair value if such element meets criteria for treatment as a separate unit of accounting as prescribed in ASC 605, “Revenue Recognition” (former Emerging Issues Task Force (“EITF”) No. 00-21, “Accounting for Revenue Arrangement with Multiple Deliverables”). Otherwise, revenue is deferred until the undelivered elements are fulfilled as a single unit of accounting.

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

Revenue from construction contracts is principally recognized when construction is completed.

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

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

Revenue from sales of real estate is recognized when the ownership of real estates are transferred to the customers.

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

Taxes collected from customers and remitted to governmental authorities on revenue-producing transactions are accounted for on a net basis and therefore are excluded from net sales and operating revenue in consolidated statements of income.

#### **(4) Foreign Currency Translation**

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

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

#### **(5) Cash Equivalents**

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

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

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

A decline in the fair value of any available-for-sale securities below cost that is deemed to be other-than-temporary results in a reduction in carrying amount to fair value. The impairment is charged to income and a new cost basis for the securities is established. To determine whether an impairment is other-than-temporary, the Company considers the length of time and extent to which the market value of the security has been less than its

original cost, the financial condition, other specific factors affecting the market value, deterioration of the credit condition of the issuers, and whether or not the Company is able to retain the investment for a period of time sufficient to allow for the anticipated recovery in market value.

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

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

#### **(7) Private Equity Investments**

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

The carrying value of private equity investments was ¥23,520 million (\$252,903 thousand) and ¥20,861 million at March 31, 2010 and 2009, respectively.

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

#### **(8) Inventories**

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

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

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

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

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

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

Property, plant and equipment, including significant leasehold improvements, are carried at cost and depreciated at rates based on the estimated useful lives of the assets. From April 1, 2008, depreciation is computed using the straight-line method for assets other than security equipment and control stations. Prior to April 1, 2008, these assets were depreciated primarily using the declining-balance method. Security equipment and control stations are depreciated by using the declining-balance method. Assets leased to others under operating leases are depreciated using the straight-line method over the estimated useful lives. Depreciation expense was ¥34,033 million (\$365,946 thousand), ¥33,417 million and ¥37,241 million for the years ended March 31, 2010, 2009 and 2008, respectively. Maintenance, repairs and renewals are charged to income as incurred.

The estimated useful lives of depreciable assets are as follows:

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

Effective April 1, 2008, the Company adopted the straight-line method of depreciation for assets other than security equipment and control stations. In accordance with ASC 250, "Accounting Changes and Error Corrections" (former Statement of Financial Accounting Standards ("SFAS") No. 154, "Accounting Changes and Error Corrections, a replacement of APB Opinion No. 20 and FASB Statement No. 3"), this change in depreciation method is treated on a prospective basis as a change in estimate. Prior period results have not been restated. The Company has unified its accounting policy within the Group, as it believes that the change of depreciation method for assets other than security equipment and control stations better reflects the pattern of consumption of the future benefits to be derived from those assets being depreciated and provides a better matching of costs and revenues over the assets' estimated useful lives.

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

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

Deferred charges primarily consist of costs related to installation services of security equipment related to on-line security services. The installation costs are deferred and amortized using the straight-line method over the contractual period of security services after completion of the installation. Amortization expense was ¥15,312 million (\$164,645 thousand), ¥15,359 million and ¥14,953 million for the years ended March 31, 2010, 2009 and 2008, respectively.

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

In accordance with ASC 360, "Property, Plant and Equipment" (former SFAS No. 144, "Accounting for Impairment or Disposal of Long-Lived Assets"), the Company reviews the carrying amount of its long-lived assets held and used, other than goodwill and intangible assets with indefinite lives, and assets to be disposed of, whenever events or changes in circumstances indicated that the carrying amount may not be recoverable. Long-lived assets to be held and used are reviewed for impairment by comparing the carrying amount of the assets with their estimated future undiscounted cash flows. If it is determined that an impairment loss has occurred, the loss would be recognized during the period. The impairment loss would be calculated as the difference between the assets' carrying amount and the fair value. Long-lived assets that are to be disposed of other than by sale are considered held and used until they are disposed of. Long-lived assets that are to be disposed of by sale are reported at the lower of their carrying amount or fair value less cost to sell. Reductions in the carrying amount are recognized in the period in which the long-lived assets are classified as held for sale.

#### **(14) Goodwill and Other Intangible Assets**

Goodwill represents the excess of costs over the fair value of assets of business acquired. Pursuant to ASC 350, "Intangibles—Goodwill and Other" (former SFAS No. 142, "Goodwill and Other Intangible Assets"), goodwill and intangible assets acquired in a purchase business combination and determined to have an indefinite useful life are not amortized, but instead tested for impairment at least annually. This accounting standard also requires that intangible assets with estimable useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with ASC 360. The Company conducts its annual impairment test at the end of each fiscal year.

#### **(15) Unearned Premiums and Other Insurance Liabilities**

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

#### **(16) Compensated Absences**

In June 2006, the Financial Accounting Standards Board ("FASB") ratified ASC 710, "Compensation—General" (former EITF consensus on EITF Issue No. 06-2, "Accounting for Sabbatical Leave and Other Similar Benefits Pursuant to FASB Statement No. 43"). This accounting standard provides guidance for an accrual of compensated absences that require a minimum service period but have no increase in the benefit even with additional years of service. On April 1, 2007, the Company adopted this accounting standard and increased the beginning balance of accrued payroll by ¥2,265 million and deferred income taxes (Other assets) by ¥846 million, respectively, and decreased the beginning balance of retained earnings by ¥1,227 million.

**(17) Income Taxes**

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and operating loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences and carryforwards are expected to be realized or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized.

On April 1, 2007, the Company adopted ASC 740, "Income Taxes" (former FIN No. 48, "Accounting for Uncertainty in Income Taxes—an Interpretation of FASB Statement No. 109"), which requires a more-likely-than-not threshold for financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. The benefit of the tax position is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon settlement with the appropriate tax authority.

The Company recognizes interest and penalties accrued related to unrecognized tax benefits in income taxes in the consolidated statements of income.

**(18) Research and Development**

Research and development costs are charged to income as incurred.

**(19) Advertising Costs**

Advertising costs are charged to income as incurred, except for the costs related to insurance policies. Advertising costs for acquiring new insurance policies are deferred and amortized as part of insurance acquisition costs. Advertising expenses included in selling, general and administrative expenses for the years ended March 31, 2010, 2009 and 2008 were ¥4,665 million (\$50,161 thousand), ¥5,292 million and ¥5,829 million, respectively.

**(20) Derivative Financial Instruments**

The Company accounts for derivative financial instruments in accordance with ASC 815, "Derivatives and Hedging" (former SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended).

The Company recognizes all derivative financial instruments in the consolidated financial statements at fair value regardless of the purpose or intent for holding them. Changes in the fair value of derivative financial instruments are either recognized periodically in income or in equity as a component of other comprehensive income (loss) depending on whether the derivative financial instruments qualify for hedge accounting, and if so, whether they qualify as a fair value hedge or a cash flow hedge. Changes in the fair values of derivative financial instruments accounted for as a fair value hedge are recorded in income along with the portion of the change in the fair value of the hedged item that relates to the hedged risk. Changes in the fair value of derivative financial instruments accounted for as a cash flow hedge, to the extent it is

effective as a hedge, are recorded in other comprehensive income (loss), net of tax. Changes in the fair value of derivative financial instruments not qualifying as a hedge are reported in income.

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

**(21) Per Share Data**

Basic Earnings per Share ("EPS") is computed based on the average number of shares of common stock outstanding for the period. The average number of shares of common stock outstanding for the years ended March 31, 2010, 2009 and 2008 was 218,035 thousand shares, 222,378 thousand shares and 224,967 thousand shares, respectively. There were no potentially dilutive shares outstanding during the years ended March 31, 2010, 2009 or 2008.

Cash dividends per share shown in the accompanying consolidated statements of income are computed based on dividends approved and paid in each fiscal year.

**(22) Use of Estimates**

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

**(23) Recent Pronouncements**

In June 2009, the FASB issued the Accounting Standards Codification, which compiles all generally accepted accounting principles in the United States of America and establishes the Accounting Standards Codification as the single official source of authoritative generally accepted accounting standards. This accounting standard is effective for fiscal years ending after September 15, 2009 and was adopted by the Company in the fiscal year ended March 31, 2010. The adoption of this accounting standard had no impact on the Company's consolidated results of operations and financial positions.

In December 2007, the FASB issued ASC 805, "Business Combinations" (former SFAS No. 141(R), "Business Combinations"). This accounting standard establishes principles and requirements for how an acquirer recognizes and measures in its financial



statements the identifiable assets acquired, the liabilities assumed, any noncontrolling interest in the acquiree and the goodwill acquired. This accounting standard also establishes disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. This accounting standard is effective for fiscal years beginning after December 15, 2008 and was adopted by the Company in the fiscal year ended March 31, 2010. The adoption of this accounting standard did not have a material impact on the Company's consolidated results of operations and financial positions.

In December 2007, the FASB issued ASC 810, "Consolidation" (former SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51"). This accounting standard requires that the noncontrolling interest in the equity of a subsidiary be accounted for and reported as equity, provides revised guidance on the treatment of net income and losses attributable to the noncontrolling interest and changes in ownership interests in a subsidiary. This accounting standard also requires additional disclosures that identify and distinguish between the interests of the controlling and noncontrolling owners. This accounting standard is effective for fiscal years beginning after December 15, 2008 and was adopted by the Company in the fiscal year ended March 31, 2010. Upon the adoption of this accounting standard, noncontrolling interests, which were previously referred to as minority interests and classified between total liabilities and shareholders' equity on the consolidated balance sheets, are now included as a separate component of total equity. The presentation of consolidated statements of income and cash flows has also been changed. In addition, in accordance with the requirements of this accounting standard, certain reclassifications of previously reported amounts have been made to the consolidated balance sheet at March 31, 2009, the consolidated statements of income and the consolidated statements of cash flows for the years ended March 31, 2009 and 2008.

In December 2008, the FASB issued ASC 715, "Compensation—Retirement Benefits" (former FSP FAS No. 132(R)-1, "Employers' Disclosures about Postretirement Benefit Plan Assets"). This accounting standard requires additional disclosures about assets held in an employer's defined benefit pension or other postretirement plan. This accounting standard is effective for fiscal years ending after December 15, 2009 and was adopted by the Company in the fiscal year ended March 31, 2010.

In April 2009, the FASB issued ASC 320, "Investment—Debt and Equity Securities" (former FSP FAS No. 115-2 and 124-2, "Recognition and Presentation of Other-Than-Temporary Impairments"). This accounting standard revises the recognition and presentation requirements for other-than-temporary impairments for debt securities, and contains additional disclosure requirements related to debt and equity securities. This accounting standard is effective for fiscal years ending after June 15, 2009 and was adopted by the Company in the fiscal year ended March 31, 2010. The adoption of this accounting standard did not have a material impact on the Company's consolidated results of operations and financial positions.

In September 2009, the FASB issued Accounting Standards Update ("ASU") No. 2009-13, "Multiple-Deliverable Revenue Arrangements, a consensus of the FASB Emerging Issues Task Force." This accounting standard addresses the accounting for multiple-deliverable arrangements to enable the vendor to account for products or services separately rather than as a combined unit, and also addresses how to separate deliverables and how to measure and allocate arrangement consideration to one or more units of accounting. This accounting standard will be effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010 and will be adopted by the Company in the fiscal year beginning April 1, 2011. It is not anticipated that the adoption will have a material impact on the Company's consolidated results of operations or financial positions.

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

In December 2009, the FASB issued ASU No. 2009-17, "Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities." This accounting standard codifies former SFAS No. 167, "Amendments to FASB Interpretation No. 46(R)," issued in June 2009 in the ASC 810. This accounting standard requires an enterprise to perform an analysis to identify the primary beneficiary of a variable interest entity and also requires ongoing reassessments of whether an enterprise is the primary beneficiary of a variable interest entity. This accounting standard is effective for the fiscal years beginning after November 15, 2009, and will be adopted by the Company in the fiscal year beginning April 1, 2010. The Company is currently evaluating the effect of adopting this accounting standard on its consolidated financial statements.

#### **(24) Reclassifications**

The accompanying consolidated financial statements for the years ended March 31, 2009 and 2008 have been reclassified to conform to the presentation used for the year ended March 31, 2010.

### **3. U.S. Dollar Amounts**

U.S. dollar amounts have been included in these financial statements solely for the convenience of the reader. The translations of yen into U.S. dollars have been made at the rate of ¥93=US\$1, the rate prevailing on the Tokyo Foreign Exchange Market on March 31, 2010. These translations should not be construed as representing that the yen amounts actually represent, or have been or could be converted into U.S. dollars at that rate.

## CONSOLIDATED FINANCIAL STATEMENTS

### 4. Acquisitions

In July 2009, the Company acquired all outstanding shares of MAC International Co., Ltd. by repossession of the Company's long-term receivables of ¥3,733 million (\$40,140 thousand) and other short-term receivables of ¥1,000 million (\$10,752 thousand). The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition. Short-term loans of ¥5,684 million (\$61,118 thousand) and long-term debt of ¥868 million (\$9,333 thousand) to domestic subsidiaries were eliminated in consolidation.

	In millions of yen	In thousands of U.S. dollars
Cash and cash equivalents .....	¥ 1,037	\$ 11,151
Other current assets .....	322	3,462
Investments and long-term receivables .....	8,941	96,140
Property, plant and equipment .....	4,138	44,495
Goodwill .....	702	7,548
Other assets .....	20	215
<b>Total assets acquired .....</b>	<b>15,160</b>	<b>163,011</b>
Current liabilities .....	5,798	62,345
Other liabilities .....	4,629	49,774
<b>Total liabilities assumed .....</b>	<b>10,427</b>	<b>112,119</b>
<b>Net assets acquired .....</b>	<b>¥ 4,733</b>	<b>\$ 50,892</b>

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

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

### 5. Cash and Cash Equivalents

Cash and cash equivalents at March 31, 2010 and 2009 were comprised as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31 2010	March 31 2009	March 31 2010
Cash .....	¥125,552	¥100,327	\$1,350,022
Time deposits .....	15,429	19,609	165,903
Call loan .....	36,500	36,500	392,473
Investment securities .....	2,663	2,957	28,634
	<b>¥180,144</b>	<b>¥159,393</b>	<b>\$1,937,032</b>

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

### 6. Cash Deposits

The Company operates cash collection and deposit services for financial institutions relating to cash dispensers located outside of financial institution facilities and also operates cash collection service for entities other than financial institutions. Cash deposit

balances of ¥48,862 million (\$525,398 thousand) and ¥56,668 million at March 31, 2010 and 2009, respectively, are segregated from cash and cash equivalents and are restricted as to use by the Company. The Company funds most of the cash for such operations through bank overdrafts and deposits. Bank loans and deposits received, which relate to these operations, were ¥24,492 million (\$263,355 thousand) and ¥23,790 million (\$255,806 thousand), respectively, at March 31, 2010, and ¥26,894 million and ¥29,084 million, respectively, at March 31, 2009. As part of its fee arrangement, the Company is reimbursed for the interest cost of the related overdrafts.

### 7. Short-Term Investments and Investment Securities

Short-term investments (current) and investment securities (non-current) include debt and equity securities. The related aggregate fair value, gross unrealized gains, gross unrealized losses and cost pertaining to "available-for-sale" and "held-to-maturity" investments at March 31, 2010 and 2009 were as follows:

	In millions of yen			
	March 31, 2010			
	Cost	Gross unrealized Gains	Gross unrealized Losses	Fair value
Short-term investments:				
Available-for-sale:				
Debt securities .....	¥ 12,379	¥ 908	¥ —	¥ 13,287
Held-to-maturity:				
Debt securities .....	40	—	0	40
	<b>¥ 12,419</b>	<b>¥ 908</b>	<b>¥ 0</b>	<b>¥ 13,327</b>

	In millions of yen			
	March 31, 2009			
	Cost	Gross unrealized Gains	Gross unrealized Losses	Fair value
Investment securities:				
Available-for-sale:				
Equity securities .....	¥ 37,173	¥7,153	¥330	¥ 43,996
Debt securities .....	61,397	2,446	—	63,843
Held-to-maturity:				
Debt securities .....	6,086	8	0	6,094
	<b>¥104,656</b>	<b>¥9,607</b>	<b>¥330</b>	<b>¥113,933</b>

	In millions of yen			
	March 31, 2009			
	Cost	Gross unrealized Gains	Gross unrealized Losses	Fair value
Short-term investments:				
Available-for-sale:				
Equity securities .....	¥ 710	¥ —	¥ 133	¥ 577
Debt securities .....	11,962	22	216	11,768
Held-to-maturity:				
Debt securities .....	1,485	2	—	1,487
	<b>¥ 14,157</b>	<b>¥ 24</b>	<b>¥ 349</b>	<b>¥ 13,832</b>

	In millions of yen			
	March 31, 2009			
	Cost	Gross unrealized Gains	Gross unrealized Losses	Fair value
Investment securities:				
Available-for-sale:				
Equity securities .....	¥ 43,221	¥2,408	¥3,840	¥ 41,789
Debt securities .....	84,918	534	3,380	82,072
Held-to-maturity:				
Debt securities .....	6,232	—	102	6,130
	<b>¥134,371</b>	<b>¥2,942</b>	<b>¥7,322</b>	<b>¥129,991</b>

In thousands of U.S. dollars				
March 31, 2010				
	Cost	Gross unrealized		Fair value
		Gains	Losses	
Short-term investments:				
Available-for-sale:				
Debt securities .....	\$ 133,108	\$ 9,763	\$ —	\$ 142,871
Held-to-maturity:				
Debt securities .....	430	—	0	430
	<b>\$ 133,538</b>	<b>\$ 9,763</b>	<b>\$ 0</b>	<b>\$ 143,301</b>
Investment securities:				
Available-for-sale:				
Equity securities .....	\$ 399,709	\$ 76,914	\$ 3,548	\$ 473,075
Debt securities .....	660,183	26,301	—	686,484
Held-to-maturity:				
Debt securities .....	65,441	86	0	65,527
	<b>\$1,125,333</b>	<b>\$103,301</b>	<b>\$3,548</b>	<b>\$1,225,086</b>

Gross unrealized losses on, and fair value of, “available-for-sale” and “held-to-maturity” securities, aggregated by investment category and the length of time that individual securities have been in a continuous unrealized loss position, at March 31, 2010 were as follows:

In millions of yen				
March 31, 2010				
	Less than 12 months		12 months or longer	
	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
Available-for-sale:				
Equity securities .....	¥4,085	¥330	¥—	¥—
Debt securities .....	—	—	—	—
Total .....	¥4,085	¥330	¥—	¥—
Held-to-maturity:				
Debt securities .....	¥ 231	¥ 0	¥—	¥—

In thousands of U.S. dollars				
March 31, 2010				
	Less than 12 months		12 months or longer	
	Fair value	Gross unrealized losses	Fair value	Gross unrealized losses
Available-for-sale:				
Equity securities .....	\$43,925	\$3,548	\$—	\$—
Debt securities .....	—	—	—	—
Total .....	\$43,925	\$3,548	\$—	\$—
Held-to-maturity:				
Debt securities .....	\$ 2,484	\$ 0	\$—	\$—

Based on the Company's ability and intent to hold the investment for a reasonable period of time sufficient for a recovery of fair value, the credit condition of the issuers and other relevant factors, the Company does not consider these investments to be other-than-temporarily impaired at March 31, 2010.

At March 31, 2010, debt securities principally consisted of short-term investments in monetary trusts, Japanese government bonds, corporate bonds, U.S. treasury securities and U.S. Government Agency Bonds.

The cost and fair value of “available-for-sale” and “held-to-maturity” debt securities by contractual maturity at March 31, 2010 are as follows:

In millions of yen					
March 31, 2010					
	Available-for-sale		Held-to-maturity		
	Cost	Fair value	Cost	Fair value	
Due within 1 year .....	¥12,379	¥13,287	¥ 40	¥ 40	
Due after 1 year through 5 years .....	33,217	33,749	10	10	
Due after 5 years through 10 years .....	17,520	19,038	—	—	
Due after 10 years .....	10,660	11,056	6,076	6,084	
	<b>¥73,776</b>	<b>¥77,130</b>	<b>¥6,126</b>	<b>¥6,134</b>	

In thousands of U.S. dollars					
March 31, 2010					
	Available-for-sale		Held-to-maturity		
	Cost	Fair value	Cost	Fair value	
Due within 1 year .....	\$133,108	\$142,871	\$ 430	\$ 430	
Due after 1 year through 5 years .....	357,172	362,892	108	108	
Due after 5 years through 10 years .....	188,387	204,710	—	—	
Due after 10 years .....	114,624	118,882	65,333	65,419	
	<b>\$793,291</b>	<b>\$829,355</b>	<b>\$65,871</b>	<b>\$65,957</b>	

During the years ended March 31, 2010, 2009 and 2008, the net unrealized gains and losses on “available-for-sale” securities included as part of other comprehensive income (loss), net of tax, increased by ¥9,200 million (\$98,924 thousand), and decreased by ¥460 million and ¥11,238 million, respectively.

Proceeds from the sale of “available-for-sale” securities for the years ended March 31, 2010, 2009 and 2008 were ¥31,328 million (\$336,860 thousand), ¥59,340 million and ¥106,925 million, respectively. On those sales, the gross realized gains and gross realized losses, using moving-average cost basis, for the years ended March 31, 2010, 2009 and 2008 were as follows:

	In millions of yen			In thousands of U.S. dollars
	2010	2009	2008	Year ended March 31
Gross realized gains .....	¥1,499	¥679	¥3,005	\$16,118
Gross realized losses .....	383	325	623	4,118

The Company maintains long-term investment securities, included as investment securities, issued by a number of non-public companies. The aggregate carrying amount of the investments in non-public companies, at cost net of other-than-temporary impairment, was ¥10,624 million (\$114,237 thousand) and ¥10,714 million at March 31, 2010 and 2009, respectively. The corresponding fair value at that date was not computed as such estimation was not practical.

## CONSOLIDATED FINANCIAL STATEMENTS

### 8. Inventories

Inventories at March 31, 2010 and 2009 comprised the following:

	In millions of yen		In thousands of U.S. dollars	
	March 31	March 31	March 31	March 31
	2010	2009	2010	2010
Security-related products .....	¥ 7,940	¥ 7,333	\$ 85,376	
Fire protection-related products.....	12,279	16,241	132,032	
Real estate .....	74,423	67,614	800,247	
Information and other-related products.....	3,613	4,883	38,850	
	¥98,255	¥96,071	\$1,056,505	

Work in process for real estate inventories at March 31, 2010 and 2009, amounting to ¥55,916 million (\$601,247 thousand) and ¥61,437 million, respectively, are included in real estate.

The amount of write-down on real estate inventories included in cost of sales for the years ended March 31, 2010 and 2009 were ¥1,285 million (\$13,817 thousand) and ¥8,366 million, respectively.

### 9. Investments in Affiliated Companies

The Company has investments in affiliated companies that are accounted for under the equity method. Investments principally consist of Taiwan Secom Co., Ltd., a 28.8 percent owned affiliate, which is listed on the Taiwan Stock Exchange; S1 Corporation, a 27.1 percent owned affiliate, which is listed on the Korea Exchange; Toyo Tech Co., Ltd., a 27.8 percent owned affiliate, which is listed on the Second Section of the Osaka Securities Exchange; and Tokyo Biso Kogyo Corporation, a 36.6 percent owned new affiliate by additionally acquiring ¥1,740 million—equivalent to 16.6 percent of total outstanding common stock—in May 2007 and March 2008, which is listed on the Second Section of the Tokyo Stock Exchange.

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

	In millions of yen		In thousands of U.S. dollars	
	March 31	March 31	March 31	March 31
	2010	2009	2010	2010
Current assets .....	¥ 85,620	¥ 90,419	\$ 920,645	
Non-current assets.....	122,321	106,004	1,315,280	
Total assets.....	¥207,941	¥196,423	\$2,235,925	
Current liabilities .....	¥ 39,388	¥ 39,994	\$ 423,527	
Non-current liabilities .....	35,512	34,486	381,850	
Equity .....	133,041	121,943	1,430,548	
Total liabilities and equity.....	¥207,941	¥196,423	\$2,235,925	

	In millions of yen			In thousands of U.S. dollars	
	Years ended March 31			Year ended March 31	
	2010	2009	2008	2010	
Net sales .....	¥153,990	¥177,465	¥202,335	\$1,655,806	
Gross profit.....	¥ 44,395	¥ 54,621	¥ 64,213	\$ 477,366	
Net income attributable to affiliated companies ....	¥ 14,105	¥ 18,574	¥ 22,576	\$ 151,667	

Dividends received from affiliated companies for the years ended March 31, 2010, 2009 and 2008 were ¥2,295 million (\$24,677 thousand), ¥2,503 million and ¥2,657 million, respectively.

Four listed affiliated companies accounted for under the equity method with an aggregated carrying amount of ¥31,834 million (\$342,301 thousand) and ¥29,752 million at March 31, 2010 and 2009, respectively, had a quoted market value of ¥60,911 million (\$654,957 thousand) and ¥53,118 million at March 31, 2010 and 2009, respectively.

The amounts of goodwill were ¥2,175 million (\$23,387 thousand) and ¥2,710 million at March 31, 2010 and 2009, respectively.

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

	In millions of yen			In thousands of U.S. dollars	
	Years ended March 31			Year ended March 31	
	2010	2009	2008	2010	
Sales .....	¥1,597	¥1,737	¥2,584	\$17,172	
Purchases .....	¥6,504	¥8,293	¥6,237	\$69,935	

	In millions of yen			In thousands of U.S. dollars	
	March 31			March 31	
	2010	2009	2010		
Notes and accounts receivable, trade .....	¥ 432	¥ 461	\$ 4,645		
Loans receivable.....	¥ 87	¥ 92	\$ 935		
Notes and accounts payable .....	¥2,189	¥2,949	\$23,538		
Guarantees for bank loans.....	¥ —	¥ 8	\$ —		

The Company's equity in undistributed income of affiliates at March 31, 2010 and 2009 included in retained earnings was ¥22,819 million (\$245,366 thousand) and ¥23,147 million, respectively.

### 10. Long-Lived Assets

The Company has assessed the potential impairment for its long-lived assets. The fair value was determined by the estimated present value of future cash flows or appraisal value.

Impairment loss on long-lived assets by business segment for the years ended March 31, 2010, 2009 and 2008 was as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2010	2009	2008	2010
Security services.....	¥ 83	¥34	¥—	\$ 893
Fire protection services.....	15	—	16	161
Medical services.....	—	—	0	—
Insurance services.....	—	—	—	—
Geographic information services.....	149	42	—	1,602
Real estate development and sales.....	—	—	—	—
Information and communication related and other services.....	45	—	—	484
Corporate items.....	—	—	—	—
Total.....	¥292	¥76	¥16	\$3,140

### 11. Goodwill and Other Intangible Assets

The components of acquired intangible assets excluding goodwill at March 31, 2010 and 2009 were as follows:

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

Unamortized intangible assets..... ¥ 4,057 ¥ — ¥ 4,057

	In millions of yen		
	March 31, 2009		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortized intangible assets:			
Software.....	¥30,725	(¥18,739)	¥11,986
Other.....	5,058	(2,179)	2,879
Total.....	¥35,783	(¥20,918)	¥14,865

Unamortized intangible assets..... ¥ 4,056 ¥ — ¥ 4,056

	In thousands of U.S. dollars		
	March 31, 2010		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortized intangible assets:			
Software.....	\$365,472	(\$193,989)	\$171,483
Other.....	54,022	(27,226)	26,796
Total.....	\$419,494	(\$221,215)	\$198,279

Unamortized intangible assets..... \$ 43,624 \$ — \$ 43,624

Aggregate amortization expense for the years ended March 31, 2010, 2009 and 2008 was ¥5,785 million (\$62,205 thousand), ¥5,850 million and ¥5,999 million, respectively. Amortized intangible assets are amortized using the straight-line method over the estimated useful lives. The weighted average amortization period for internal use software is approximately five years.

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

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2011.....	¥5,448	\$58,581
2012.....	4,527	48,677
2013.....	3,365	36,183
2014.....	2,482	26,688
2015.....	1,402	15,075

The changes in the carrying amount of goodwill by business segment for the years ended March 31, 2010 and 2009 were as follows:

	In millions of yen					
	Security services	Medical services	Geographic information services	Real estate development and sales	Information and communication related and other services	Total
Goodwill.....	¥1,544	¥9,598	¥4,114	¥135	¥5,399	¥20,790
Accumulated impairment losses.....	(117)	(3,427)	(492)	(135)	(478)	(4,649)
March 31, 2008....	1,427	6,171	3,622	—	4,921	16,141
Goodwill acquired during the year ...	1,386	—	155	—	—	1,541
Disposal.....	—	—	—	—	—	—
Impairment losses.....	(407)	(996)	—	—	(175)	(1,578)
Translation adjustment.....	(664)	—	—	—	—	(664)
Goodwill.....	2,148	9,598	4,269	135	5,399	21,549
Accumulated impairment losses.....	(406)	(4,423)	(492)	(135)	(653)	(6,109)
March 31, 2009....	1,742	5,175	3,777	—	4,746	15,440
Goodwill acquired during the year ...	—	702	—	—	—	702
Disposal.....	—	—	—	—	(2,919)	(2,919)
Impairment losses.....	—	(245)	—	—	—	(245)
Translation adjustment.....	174	—	—	—	—	174
Goodwill.....	2,322	9,970	4,269	135	2,002	18,698
Accumulated impairment losses.....	(406)	(4,338)	(492)	(135)	(175)	(5,546)
March 31, 2010 ...	¥1,916	¥5,632	¥3,777	¥—	¥1,827	¥13,152

## CONSOLIDATED FINANCIAL STATEMENTS

	In thousands of U.S. dollars					
	Security services	Medical services	Geographic information services	Real estate development and sales	Information and communication related and other services	Total
Goodwill .....	\$23,097	\$103,204	\$45,903	\$1,452	\$58,054	\$231,710
Accumulated impairment losses .....	(4,366)	(47,559)	(5,290)	(1,452)	(7,022)	(65,689)
March 31, 2009....	18,731	55,645	40,613	—	51,032	166,021
Goodwill acquired during the year ...	—	7,548	—	—	—	7,548
Disposal .....	—	—	—	—	(31,387)	(31,387)
Impairment losses .....	—	(2,634)	—	—	—	(2,634)
Translation adjustment .....	1,871	—	—	—	—	1,871
Goodwill .....	24,968	107,204	45,903	1,452	21,527	201,054
Accumulated impairment losses .....	(4,366)	(46,645)	(5,290)	(1,452)	(1,882)	(59,635)
<b>March 31, 2010 ...</b>	<b>\$20,602</b>	<b>\$ 60,559</b>	<b>\$40,613</b>	<b>\$ —</b>	<b>\$19,645</b>	<b>\$141,419</b>

The Company principally recognized impairment losses related to goodwill allocated to reporting units in the medical services segment of ¥245 million (\$2,634 thousand) and ¥996 million for the years ended March 31, 2010 and 2009, respectively, and in the security services segment of ¥407 million for the year ended March 31, 2009, due to decreases in the estimated fair value of these reporting units mainly caused by decreases of projected cash flows.

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

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

Bank loans of ¥43,025 million (\$462,634 thousand) and ¥78,180 million at March 31, 2010 and 2009, respectively, are generally comprised of 30 to 365 day notes. Their weighted average interest rates were 1.24 percent and 1.28 percent at March 31, 2010 and 2009, respectively. Substantially all of these loans are borrowed from banks. The Company has entered into basic agreements with these banks which state that, with respect to all present or future loans with such banks, collateral (including sums on deposit with such banks) or guarantors shall be provided immediately upon request. Further, any collateral furnished pursuant to such agreements or otherwise will be applicable to all indebtedness to such banks. The Company has not been requested to submit such additional security.

At March 31, 2010, Nohmi Bosai Ltd., a subsidiary of the parent company, had an unused committed line of credit from a short-term arrangement of ¥4,000 million (\$43,011 thousand). The line of credit expires in March 2013. Under the agreement, Nohmi Bosai Ltd. is required to pay committed fees at an annual rate of 0.15 percent, on the unused portion of the line of credit. At March 31, 2010, the Company had overdraft agreements with 16 banks and its unused lines of credit amounted to ¥105,625 million (\$1,135,753 thousand). The Company incurs no fee on the unused portion of the lines of credit. The overdraft agreements expire in the period from April 2010 to March 2011. The Company has the ability and

intent to extend these overdraft agreements under similar terms and conditions.

Long-term debt at March 31, 2010 and 2009 comprised the following:

	In thousands of U.S. dollars	
	March 31	March 31
	2010	2009
Loans, principally from banks due 2009–2027 with interest rates ranging from 0.76% to 10.05% in 2010 and 2009:		
Secured .....	¥20,461	¥20,811
Unsecured .....	3,037	4,336
0.61% unsecured bonds due 2010 .....	150	450
0.91% unsecured bonds due 2010 .....	220	440
1.14% unsecured bonds due 2013 .....	4,080	4,590
1.13% unsecured bonds due 2014 .....	1,730	—
Unsecured bonds due 2009–2015 with floating interest rates based on 6-month TIBOR plus		
0.00%–0.20% .....	12,588	12,230
Obligations under capital leases, due 2009–2026 (Note 19) .....	10,107	9,514
	52,373	52,371
Less: Portion due within one year .....	10,801	15,967
	¥41,572	¥36,404
	\$447,011	\$447,011

Property, plant and equipment with a carrying amount of ¥60,411 million (\$649,581 thousand), investment securities with a carrying amount of ¥646 million (\$6,946 thousand), time deposits of ¥1,741 million (\$18,720 thousand), short-term and long-term receivables of ¥1,295 million (\$13,925 thousand) and other intangible assets and other with a carrying amount of ¥818 million (\$8,796 thousand) were pledged as collateral for bank loans and long-term debt at March 31, 2010.

The aggregate annual maturities on long-term debt after March 31, 2010 are as follows:

Years ending March 31	In millions of yen	In thousands of U.S. dollars
2011 .....	¥10,801	\$116,140
2012 .....	8,521	91,624
2013 .....	12,892	138,624
2014 .....	7,718	82,989
2015 .....	5,918	63,634
Thereafter .....	6,523	70,140
	¥52,373	\$563,151

### 13. Insurance-Related Operations

Secom General Insurance Co., Ltd. ("Secom Insurance"), a subsidiary of the parent company, maintains accounting records as noted in Note 2 in accordance with Japanese GAAP, which vary in certain respects from U.S. GAAP. Those differences are principally, (a) that insurance acquisition costs are charged to income when incurred under Japanese GAAP whereas under U.S. GAAP, those costs are deferred and amortized generally over the premium-paying period of the insurance policies, (b) that liabilities related to

incurred but not reported claims are computed based on related regulations in Japan whereas under U.S. GAAP, those liabilities are computed based on past experience for unreported losses, and (c) that unearned premiums are calculated based on the documents authorized by the Supervisory Authorities in Japan whereas under U.S. GAAP, unearned premiums are reflected based on the lapse and surrender over the contract period.

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

For purposes of preparing the consolidated financial statements, appropriate adjustments have been made to reflect such items in accordance with U.S. GAAP.

The net equity of Secom Insurance at March 31, 2010 and 2009 was ¥52,262 million (\$561,957 thousand) and ¥47,753 million, respectively.

Net sales and operating revenue of Secom Insurance include net realized investment gains and losses, including the results on sales of securities, loss on other-than-temporary impairment of investment securities and impairment loss on long-lived assets. Net realized investment gains and losses for the years ended March 31, 2010, 2009 and 2008 were losses of ¥3,309 million (\$35,581 thousand) and ¥10,152 million, and gains of ¥1,922 million, respectively. Loss on other-than-temporary impairment of investment securities for the years ended March 31, 2010, 2009 and 2008 were ¥4,558 million (\$49,011 thousand), ¥10,683 million and ¥650 million, respectively.

#### 14. Pension and Severance Costs

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

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

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

In March 2009, Pasco Corporation and its domestic subsidiaries settled and transferred a portion of the tax-qualified non-contributory pension plan to the defined contribution pension plan. In accordance with ASC 715, "Compensation—Retirement Benefits" (former SFAS No. 88 "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits"), the Company accounted for these transfers as a partial settlement of benefit obligation. The amount of settlement loss was immaterial for the year ended March 31, 2009.

Net periodic pension and severance costs for the years ended March 31, 2010, 2009 and 2008 were as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31	Years ended March 31	Years ended March 31	Year ended March 31
	2010	2009	2008	2010
Net periodic pension and severance costs:				
Service cost.....	¥4,424	¥4,694	¥4,511	\$47,570
Interest cost.....	1,476	1,430	1,424	15,871
Expected return on plan assets.....	(1,997)	(1,952)	(1,808)	(21,473)
Amortization of prior service benefit.....	(1,682)	(1,713)	(1,715)	(18,086)
Recognized actuarial loss ...	901	861	1,005	9,688
Net periodic pension and severance costs.....	¥3,122	¥3,320	¥3,417	\$33,570

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

	In millions of yen		In thousands of U.S. dollars
	Years ended March 31	Years ended March 31	Year ended March 31
	2010	2009	2010
Change in benefit obligation:			
Benefit obligation at beginning of year.....	¥72,090	¥71,820	\$775,161
Service cost.....	4,424	4,694	47,570
Interest cost.....	1,476	1,430	15,871
Actuarial (gain) loss.....	(873)	818	(9,387)
Benefits paid.....	(4,593)	(4,989)	(49,387)
Settlement.....	—	(1,683)	—
Benefit obligation at end of year.....	72,524	72,090	779,828
Change in plan assets:			
Fair value of plan assets at beginning of year.....	55,099	62,536	592,462
Actual return (loss) on plan assets.....	3,436	(9,887)	36,946
Employer contribution.....	5,323	5,979	57,237
Benefits paid.....	(3,095)	(3,529)	(33,280)
Fair value of plan assets at end of year.....	60,763	55,099	653,365
Funded status at the end of year.....	(¥11,761)	(¥16,991)	(\$126,463)

## CONSOLIDATED FINANCIAL STATEMENTS

Amounts recognized in the consolidated balance sheet at March 31, 2010 and 2009 consist of:

	In millions of yen		In thousands of U.S. dollars
	March 31	2009	March 31
	2010	2009	2010
Prepaid pension and severance costs .....	¥ 4,742	¥ 823	\$ 50,989
Accrued pension and severance costs .....	(16,503)	(17,814)	(177,452)
Net amount recognized .....	¥11,761	¥16,991	(\$126,463)

Other changes in plan assets and benefit obligations recognized in other comprehensive income (loss) for the year ended March 31, 2010 were summarized as follows:

	In millions of yen		In thousands of U.S. dollars
	Years ended March 31	2009	Year ended March 31
	2010	2009	2010
Current year actuarial gain .....	(¥2,312)		(\$24,860)
Amortization of actuarial loss .....	(901)		(9,688)
Amortization of prior service benefit .....	1,682		18,086
	¥1,531		(\$16,462)

Amounts recognized in accumulated other comprehensive income (loss) at March 31, 2010 and 2009 consist of:

	In millions of yen		In thousands of U.S. dollars
	Years ended March 31	2009	Year ended March 31
	2010	2009	2010
Actuarial loss .....	¥30,690	¥33,903	\$330,000
Prior service benefit .....	(10,854)	(12,536)	(116,710)
Net amount recognized .....	¥19,836	¥21,367	\$213,290

The estimated prior service benefit and actuarial loss for the defined benefit pension plans that will be amortized from accumulated other comprehensive income (loss) into net periodic benefit cost over the next year are ¥1,682 million (\$18,086 thousand) and ¥901 million (\$9,688 thousand), respectively.

The accumulated benefit obligation for the pension plan was ¥66,486 million (\$714,903 thousand) and ¥66,154 million at March 31, 2010 and 2009, respectively.

The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for the pension plans with accumulated benefit obligation in excess of plan assets were ¥26,563 million (\$285,624 thousand), ¥23,411 million (\$251,731 thousand) and ¥10,142 million (\$109,054 thousand), respectively, at March 31, 2010, and ¥26,072 million, ¥23,093 million and ¥8,361 million, respectively, at March 31, 2009.

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

Weighted-average assumptions used to determine the benefit obligation at March 31, 2010 and 2009 were as follows:

	March 31	
	2010	2009
Discount rate .....	2.2%	2.1%
Rate of compensation increase .....	2.6	2.7

Weighted-average assumptions used to determine net pension and severance costs for the years ended March 31, 2010, 2009 and 2008 were as follows:

	Years ended March 31		
	2010	2009	2008
Discount rate .....	2.1%	2.0%	2.0%
Expected return on plan assets .....	3.0	3.0	3.0
Rate of compensation increase .....	2.7	2.7	2.7

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

The weighted-average asset allocation of the Company's pension plans at March 31, 2009 was as follows:

Asset category:	
Equity securities .....	6.9%
Debt securities .....	43.5
Call loan .....	16.2
Other .....	33.4
Total .....	100.0%

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

The following table represents the fair value of the Company's pension plan assets at March 31, 2010. The three levels of input used to measure fair value are more fully described in Note 22.

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



	In thousands of U.S. dollars			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents .....	\$ 13,140	\$ —	\$ —	\$ 13,140
Equity securities				
Japanese companies.....	36,247	—	75	36,322
Foreign companies.....	0	—	—	0
Debt securities				
Government bonds.....	95,462	9,000	656	105,118
Nongovernment bonds.....	15,247	—	7,548	22,795
Pooled funds .....	355	193,978	139,720	334,053
Call loans.....	—	96,753	—	96,753
Insurance contracts....	—	36,860	—	36,860
Other .....	—	4,054	4,270	8,324
<b>Total .....</b>	<b>\$160,451</b>	<b>\$340,645</b>	<b>\$152,269</b>	<b>\$653,365</b>

\*The plan's equity securities include common stock of the Company and its domestic subsidiaries in the amount of ¥23 million (\$247 thousand) at March 31, 2010.

\*The plan's government bonds invest approximately 80% in Japanese bonds and 20% in foreign bonds. The nongovernment bonds invest approximately 70% in Japanese bonds and 30% in foreign bonds.

\*The pension investment trust fund included in the plan's pooled funds is classified into level 2, and invests approximately 40% in equity securities, 50% in debt securities and 10% in other investments. The unquoted beneficial certificate of security investment trust included in the plan's pooled funds is classified into level 3.

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

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

	In thousands of U.S. dollars					
	Equity securities	Debt securities		Pooled funds	Other	Total
Japanese companies	Government bonds	Non-government bonds				
Balance at beginning of year .....	\$—	\$280	\$ 591	\$120,183	\$2,689	\$123,743
Actual return on plan assets:						
Relating to assets sold during the year.....	—	(10)	—	(3,237)	—	(3,247)
Relating to assets held at end of year.....	—	54	6,957	4,634	1,946	13,591
Purchases, sales and settlements, net.....	43	332	—	18,140	(365)	18,150
Transfer in/out of level 3.....	32	—	—	—	—	32
<b>Balance at end of year.....</b>	<b>\$75</b>	<b>\$656</b>	<b>\$7,548</b>	<b>\$139,720</b>	<b>\$4,270</b>	<b>\$152,269</b>

The Company expects to contribute ¥5,588 million (\$60,086 thousand) to its domestic defined benefit plans in the year ending March 31, 2011.

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

Years ending March 31	In thousands of	
	In millions of yen	U.S. dollars
2011.....	¥ 4,112	\$ 44,215
2012.....	4,201	45,172
2013.....	4,443	47,774
2014.....	4,612	49,591
2015.....	3,871	41,624
2016–2020.....	23,687	254,699

The parent company and certain subsidiaries have defined contribution pension plans. The contributions to the defined contribution pension plans for the years ended March 31, 2010, 2009 and 2008 were ¥1,468 million (\$15,785 thousand), ¥1,469 million and ¥1,413 million, respectively.

## 15. Exchange Gains and Losses

Other income for the year ended March 31, 2010 includes net exchange gains of ¥552 million (\$5,935 thousand). Other expense for the year ended March 31, 2009 and 2008 include net exchange losses of ¥1,564 million and ¥826 million, respectively.

## CONSOLIDATED FINANCIAL STATEMENTS

### 16. Income Taxes

Total income taxes for the years ended March 31, 2010, 2009 and 2008 were allocated as follows:

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2010	2009	2008	2010
Income from continuing operations .....	<b>¥45,631</b>	¥36,259	¥46,791	<b>\$490,656</b>
Income (loss) from discontinued operations .....	<b>(317)</b>	316	315	<b>(3,409)</b>
Shareholders' equity—accumulated other comprehensive income (loss):				
Unrealized holding gains (losses) on securities .....	<b>5,401</b>	(452)	(8,189)	<b>58,076</b>
Unrealized gains (losses) on derivative instruments .....	<b>107</b>	(102)	(8)	<b>1,151</b>
Pension liability adjustments .....	<b>857</b>	(4,863)	(3,901)	<b>9,215</b>
Foreign currency translation adjustments .....	<b>1,020</b>	(859)	(497)	<b>10,967</b>
Cumulative effect of change in accounting principle-adoption of ASC 710 .....	—	—	(846)	—
	<b>¥52,699</b>	¥30,299	¥33,665	<b>\$566,656</b>

The parent company and its domestic subsidiaries were subject to a corporate tax of 30 percent, an inhabitants tax of approximately 20.3 percent, and a deductible enterprise tax of approximately 7.4 percent, which, in the aggregate, indicate a statutory tax rate in Japan of approximately 40.5 percent for the years ended March 31, 2010, 2009 and 2008.

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

	In millions of yen			In thousands of U.S. dollars
	Years ended March 31			Year ended March 31
	2010	2009	2008	2010
Income taxes computed at statutory tax rate of 40.5% .....	<b>¥38,344</b>	¥25,581	¥44,670	<b>\$412,301</b>
Increase (decrease) resulting from:				
Unrecognized tax benefits from subsidiaries in loss positions .....	<b>7,280</b>	10,124	2,308	<b>78,280</b>
Reversal of valuation allowance due to utilization of operating loss carryforwards .....	<b>(955)</b>	(187)	(1,260)	<b>(10,269)</b>
Per capita tax .....	<b>817</b>	807	802	<b>8,785</b>
Other, net .....	<b>145</b>	(66)	271	<b>1,559</b>
Income taxes from continuing operations .....	<b>¥45,631</b>	¥36,259	¥46,791	<b>\$490,656</b>

The significant components of deferred tax assets and liabilities at March 31, 2010 and 2009 were as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31		March 31
	2010	2009	2010
Deferred tax assets:			
Loss carryforwards .....	<b>¥19,489</b>	¥17,465	<b>\$209,559</b>
Deferred revenue .....	<b>12,118</b>	12,896	<b>130,301</b>
Adjustment of book value at the date of acquisition—			
Land and buildings .....	<b>6,887</b>	7,320	<b>74,054</b>
Other assets .....	<b>405</b>	462	<b>4,355</b>
Property, plant and equipment .....	<b>6,184</b>	6,137	<b>66,495</b>
Accrued pension and severance costs .....	<b>6,144</b>	6,810	<b>66,064</b>
Accrued bonus .....	<b>5,166</b>	5,323	<b>55,548</b>
Allowance for doubtful accounts .....	<b>3,742</b>	3,957	<b>40,237</b>
Vacation accrual .....	<b>3,649</b>	3,589	<b>39,237</b>
Investment securities .....	<b>2,593</b>	3,505	<b>27,882</b>
Intangible assets .....	<b>2,213</b>	4,006	<b>23,797</b>
Write-down on real estate inventories .....	<b>1,467</b>	2,573	<b>15,774</b>
Unrealized holding losses on securities .....	—	1,405	—
Other .....	<b>10,145</b>	9,387	<b>109,085</b>
Gross deferred tax assets .....	<b>80,202</b>	84,835	<b>862,388</b>
Less: Valuation allowance .....	<b>(32,095)</b>	(26,863)	<b>(345,108)</b>
Total deferred tax assets .....	<b>48,107</b>	57,972	<b>517,280</b>
Deferred tax liabilities:			
Deferred installation costs .....	<b>(7,721)</b>	(8,137)	<b>(83,021)</b>
Adjustment of book value at the date of acquisition—			
Land and buildings .....	<b>(5,871)</b>	(4,514)	<b>(63,129)</b>
Other assets .....	<b>(1,591)</b>	(1,734)	<b>(17,107)</b>
Investments in affiliated companies .....	<b>(4,611)</b>	(2,705)	<b>(49,581)</b>
Unrealized holding gains on securities .....	<b>(3,002)</b>	—	<b>(32,280)</b>
Unearned premiums and other insurance liabilities .....	<b>(2,166)</b>	(2,679)	<b>(23,290)</b>
Prepaid pension and severance costs .....	<b>(1,506)</b>	(104)	<b>(16,194)</b>
Other .....	<b>(4,687)</b>	(4,982)	<b>(50,398)</b>
Gross deferred tax liabilities .....	<b>(31,155)</b>	(24,855)	<b>(335,000)</b>
Net deferred tax assets .....	<b>¥16,952</b>	¥33,117	<b>\$182,280</b>

The valuation allowance principally relates to deferred tax assets of the subsidiaries with operating loss carryforwards, for tax purposes, that are not expected to be realized. The net change in the total valuation allowance for the years ended March 31, 2010, 2009 and 2008 was an increase of ¥5,232 million (\$56,258 thousand), ¥9,795 million and ¥1,477 million, respectively.

In assessing the realizability of deferred tax assets, the Company management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. The Company management considered the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, the Company management believes it is more likely than not that the Company will realize the benefits of these deductible differences, net of the existing valuation allowance at March 31, 2010 and 2009.

Net deferred tax assets at March 31, 2010 and 2009 are reflected in the accompanying consolidated balance sheets under the following captions:

	In millions of yen		In thousands of U.S. dollars
	March 31	March 31	March 31
	2010	2009	2010
Deferred income taxes			
(Current assets) .....	<b>¥15,737</b>	¥16,245	<b>\$169,215</b>
Deferred income taxes			
(Other assets) .....	<b>12,975</b>	19,020	<b>139,516</b>
Other current liabilities .....	<b>(1,357)</b>	(924)	<b>(14,591)</b>
Deferred income taxes			
(Liabilities) .....	<b>(10,403)</b>	(1,224)	<b>(111,860)</b>
Net deferred tax assets .....	<b>¥16,952</b>	¥33,117	<b>\$182,280</b>

The Company has not recognized deferred tax liabilities of ¥588 million (\$6,323 thousand) for a portion of undistributed earnings of foreign subsidiaries totaling ¥10,127 million (\$108,892 thousand) at March 31, 2010 as they are not expected to be remitted in the foreseeable future.

At March 31, 2010, the operating loss carryforwards of domestic subsidiaries amounted to ¥45,549 million (\$489,774 thousand) and are available for offsetting against future taxable earnings of such subsidiaries for up to seven years, as follows:

Expires in the years ending March 31	In millions of yen	In thousands of U.S. dollars
2011.....	¥ 1,919	\$ 20,634
2012.....	3,177	34,161
2013.....	1,617	17,387
2014.....	3,740	40,215
2015.....	3,051	32,806
2016.....	22,768	244,817
2017.....	9,277	99,754
	<b>¥45,549</b>	<b>\$489,774</b>

The operating loss carryforwards of overseas subsidiaries at March 31, 2010 amounted to ¥4,095 million (\$44,032 thousand), a part of which will begin to expire in the year ending March 31, 2011.

The Company adopted the provisions of ASC 740, "Income Taxes" (former FIN No. 48), on April 1, 2007. The adoption of this accounting standard did not have a material effect on the Company's consolidated results of operations and financial positions.

The total amount of unrecognized tax benefits as of the date of adoption of this accounting standard and for the years ended March 31, 2010, 2009 and 2008 were insignificant. Also there were no movements of the gross amounts in unrealized tax benefits and the amounts of interest and penalties recognized due to the unrecognized tax benefits during the years ended March 31, 2010, 2009 and 2008.

Although the Company believes its estimates of unrecognized tax benefits are reasonable, uncertainties regarding the final determination of income tax audit settlements and any related litigation could affect the total amount of unrecognized tax benefits in the future periods. Based on the information available as of March 31, 2010, the Company does not expect significant changes to the unrecognized tax benefits within the next twelve months.

The Company files tax returns in Japan and various foreign jurisdictions. In Japan, the Company is no longer subject to regular income tax examinations by the tax authorities for years before 2007. In other foreign tax jurisdictions, major subsidiaries are no longer subject to income tax examinations by tax authorities for years before 2009 with few exceptions.

## 17. Shareholders' Equity

### (1) Retained Earnings

The Japanese Corporate Law provides that an amount equal to 10 percent of surplus distributed by the parent company and its Japanese subsidiaries be appropriated as a legal reserve until the aggregate amount of additional paid-in capital and legal reserve equals 25 percent of the common stock account.

The amount available for dividends under the Japanese Corporate Law is based on the amount recorded in the parent company's nonconsolidated statutory financial statements in accordance with Japanese GAAP. Such amount was ¥373,683 million (\$4,018,097 thousand) at March 31, 2010.

Subsequent to March 31, 2010, the parent company's Board of Directors declared an annual cash dividend of ¥85.00 (\$0.91) per share, totaling ¥18,533 million (\$199,279 thousand), to shareholders of record on March 31, 2010. The dividend declared was approved at the general shareholders' meeting held on June 25, 2010. Dividends are recorded in the year they are declared.

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

### (2) Common Stock in Treasury

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

## CONSOLIDATED FINANCIAL STATEMENTS

### (3) Other Comprehensive Income (Loss)

Components of other comprehensive income (loss) for the years ended March 31, 2010, 2009 and 2008 is as follows:

	In millions of yen			In millions of yen		
	Pre-tax amount	Tax (expense) or benefit	Net-of-tax amount	Pre-tax amount	Tax (expense) or benefit	Net-of-tax amount
<b>For the year ended March 31, 2010:</b>						
Unrealized holding gains on securities—						
Unrealized holding gains or losses arising during the period.....	¥11,598	(¥4,382)	¥ 7,216	(¥18,914)	¥ 7,880	(¥11,034)
Less: Reclassification adjustment for gains or losses included in net income .....	3,003	(1,019)	1,984	(513)	309	(204)
Unrealized gains on derivative instruments—						
Unrealized gains or losses arising during the year.....	(5)	—	(5)	(61)	7	(54)
Less: Reclassification adjustment for gains or losses included in net income .....	281	(107)	174	12	1	13
Pension liability adjustments—						
Unrealized gains or losses arising during the period.....	2,724	(1,140)	1,584	(9,209)	3,645	(5,564)
Less: Reclassification adjustment for gains or losses realized in net income .....	(700)	283	(417)	(690)	256	(434)
Foreign currency translation adjustments.....	2,016	(1,020)	996	(2,684)	497	(2,187)
Other comprehensive income (loss).....	¥18,917	(¥7,385)	¥11,532	(¥32,059)	¥12,595	(¥19,464)
<b>For the year ended March 31, 2009:</b>						
Unrealized holding losses on securities—						
Unrealized holding gains or losses arising during the period.....	(¥17,054)	¥6,532	(¥10,522)			
Less: Reclassification adjustment for gains or losses included in net income .....	16,142	(6,080)	10,062			
Unrealized losses on derivative instruments—						
Unrealized gains or losses arising during the year.....	(263)	106	(157)			
Less: Reclassification adjustment for gains or losses included in net income .....	68	(4)	64			
Pension liability adjustments—						
Unrealized gains or losses arising during the period.....	(11,602)	4,559	(7,043)			
Less: Reclassification adjustment for gains or losses realized in net income .....	(413)	304	(109)			
Foreign currency translation adjustments.....	(20,403)	859	(19,544)			
Other comprehensive income (loss).....	(¥33,525)	¥6,276	(¥27,249)			
<b>For the year ended March 31, 2008:</b>						
Unrealized holding losses on securities—						
Unrealized holding gains or losses arising during the period.....	(¥18,914)	¥ 7,880	(¥11,034)			
Less: Reclassification adjustment for gains or losses included in net income .....	(513)	309	(204)			
Unrealized losses on derivative instruments—						
Unrealized gains or losses arising during the year.....	(61)	7	(54)			
Less: Reclassification adjustment for gains or losses included in net income .....	12	1	13			
Pension liability adjustments—						
Unrealized gains or losses arising during the period.....	(9,209)	3,645	(5,564)			
Less: Reclassification adjustment for gains or losses realized in net income .....	(690)	256	(434)			
Foreign currency translation adjustments.....	(2,684)	497	(2,187)			
Other comprehensive income (loss).....	(¥32,059)	¥12,595	(¥19,464)			

	In thousands of U.S. dollars			In thousands of U.S. dollars		
	Pre-tax amount	Tax (expense) or benefit	Net-of-tax amount	Pre-tax amount	Tax (expense) or benefit	Net-of-tax amount
<b>For the year ended March 31, 2010:</b>						
Unrealized holding gains on securities—						
Unrealized holding gains or losses arising during the period.....	\$124,710	(\$47,119)	\$ 77,591			
Less: Reclassification adjustment for gains or losses included in net income .....	32,290	(10,957)	21,333			
Unrealized gains on derivative instruments—						
Unrealized gains or losses arising during the year.....	(54)	—	(54)			
Less: Reclassification adjustment for gains or losses included in net income .....	3,022	(1,151)	1,871			
Pension liability adjustments—						
Unrealized gains or losses arising during the period.....	29,290	(12,258)	17,032			
Less: Reclassification adjustment for gains or losses realized in net income .....	(7,527)	3,043	(4,484)			
Foreign currency translation adjustments.....	21,677	(10,967)	10,710			
Other comprehensive income (loss).....	\$203,408	(\$79,409)	\$123,999			

## 18. Research and Development Expenses

Research and development expenses included in selling, general and administrative expenses for the years ended March 31, 2010, 2009 and 2008 were ¥5,952 million (\$64,000 thousand), ¥5,943 million and ¥5,792 million, respectively.

## 19. Lessee

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

On April 23, 1996, the Company entered into a long-term lease agreement for a building and land in Mitaka, Tokyo. The lease agreement extends for 30 years beginning May 1, 1996. For financial reporting purposes, the portion of the lease relating to the building has been classified as a capital lease; accordingly, an asset of approximately ¥5,086 million (\$54,688 thousand) has been recorded in the building and improvements account. The portion of the lease relating to the land has been classified as an operating lease. The future minimum lease payments for the site at March 31, 2010 were ¥5,266 million (\$56,624 thousand).

A summary of leased assets under capital leases at March 31, 2010 and 2009 is as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31	March 31	March 31
	<b>2010</b>	2009	<b>2010</b>
Buildings and improvements.....	¥ 5,243	¥ 5,243	\$ 56,376
Machinery, equipment and automobiles.....	13,359	12,043	143,645
Other intangible assets .....	409	593	4,398
Accumulated depreciation .....	(10,085)	(9,811)	(108,441)
	¥ 8,926	¥ 8,068	\$ 95,978

Depreciation expenses under capital leases for the years ended March 31, 2010, 2009 and 2008 were ¥3,402 million (\$36,581 thousand), ¥3,328 million and ¥4,089 million, respectively.

The following is a schedule by year of future minimum lease payments under capital leases together with the present value of the net minimum lease payments at March 31, 2010:

Years ending March 31	In millions of yen		In thousands of U.S. dollars
	March 31	March 31	March 31
	<b>2010</b>	2009	<b>2010</b>
2011.....	¥ 3,143		\$ 33,796
2012.....	2,132		22,925
2013.....	1,372		14,752
2014.....	906		9,742
2015.....	645		6,935
Thereafter .....	3,817		41,043
Total minimum lease payments.....	12,015		129,193
Less: Amount representing interest.....	1,908		20,516
Present value of net minimum lease payments (Note 12) .....	10,107		108,677
Less: Current portion.....	2,877		30,935
Long-term capital lease obligations .....	¥ 7,230		\$ 77,742

Rental expenses under operating leases for the years ended March 31, 2010, 2009 and 2008 were ¥14,290 million (\$153,656 thousand), ¥15,494 million and ¥15,912 million, respectively. A significant portion of such rentals relates to cancelable short-term leases for office space and employee residential facilities, many of which are renewed upon expiration.

On December 8, 2000, the Company entered into a lease agreement for a building and land in Shibuya, Tokyo. The lease agreement extends for 20 years beginning December 8, 2000. For financial reporting purposes, the lease has been classified as an operating lease. Based on the agreement, annual lease payments for the site are approximately ¥1,339 million (\$14,398 thousand) over a 20-year period.

The future minimum lease payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year at March 31, 2010 are as follows:

Years ending March 31	In thousands of U.S. dollars	
	In millions of yen	U.S. dollars
2011.....	¥ 2,350	\$ 25,269
2012.....	2,291	24,634
2013.....	2,210	23,763
2014.....	2,191	23,559
2015.....	2,188	23,527
Thereafter .....	16,527	177,710
Total future minimum lease payments.....	¥27,757	\$298,462

## 20. Lessor

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

A summary of lease receivables under sales-type and direct-financing leases at March 31, 2010 and 2009 is as follows:

	In millions of yen		In thousands of U.S. dollars
	March 31	March 31	March 31
	<b>2010</b>	2009	<b>2010</b>
Total minimum lease payments to be received.....	¥57,334	¥48,511	\$616,495
Estimated executory cost .....	(4,746)	(3,620)	(51,032)
Estimated unguaranteed residual value.....	7,190	3,474	77,312
Unearned income .....	(16,049)	(12,264)	(172,571)
Lease receivables, net .....	43,729	36,101	470,204
Less: Current portion.....	(8,778)	(8,287)	(94,387)
Long-term lease receivables, net ..	¥34,951	¥27,814	\$375,817

## CONSOLIDATED FINANCIAL STATEMENTS

The following is a schedule by year of future minimum lease payments to be received under sales-type leases and direct-financing leases at March 31, 2010:

Years ending March 31	In thousands of	
	In millions of yen	U.S. dollars
2011.....	¥10,992	\$118,194
2012.....	9,068	97,505
2013.....	7,030	75,591
2014.....	5,005	53,817
2015.....	3,240	34,839
Thereafter.....	21,999	236,549
Total future minimum lease payments to be received.....	¥57,334	\$616,495

A summary of investment in property on operating leases and property held for lease at March 31, 2010 and 2009 is as follows:

	In millions of yen		In thousands of U.S. dollars	
	March 31		March 31	
	2010	2009	2010	2009
Land.....	¥34,822	¥32,579	\$374,430	
Buildings and improvements.....	31,029	29,660	333,645	
Other intangible assets.....	662	662	7,118	
Accumulated depreciation.....	(9,689)	(8,539)	(104,182)	
	¥56,824	¥54,362	\$611,011	

The future minimum rentals on non-cancelable operating leases at March 31, 2010 are as follows:

Years ending March 31	In thousands of	
	In millions of yen	U.S. dollars
2011.....	¥ 2,790	\$ 30,000
2012.....	1,113	11,968
2013.....	1,113	11,968
2014.....	1,113	11,968
2015.....	1,113	11,968
Thereafter.....	12,786	137,483
Total future minimum rentals.....	¥20,028	\$215,355

### 21. Fair Value of Financial Instruments

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

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

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

#### (2) Short-Term Investments; Investment Securities

The fair values of short-term investments and investment securities are principally based on quoted market price.

#### (3) Long-Term Receivables

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

#### (4) Long-Term Debt Including Current Portion

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

#### (5) Investment Deposits by Policyholders

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

#### (6) Derivatives

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

The carrying amounts and estimated fair values of the financial instruments excluding debt and equity securities which are disclosed in Notes 2 (7) and 7 at March 31, 2010 and 2009 are as follows:

	In millions of yen			
	March 31			
	2010		2009	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Non-derivatives:				
Liabilities—				
Long-term debt including current portion.....	¥52,373	¥52,582	¥52,371	¥52,451
Investment deposits by policyholders.....	62,226	63,803	86,064	87,891
Derivatives:				
Liabilities—				
Interest rate swaps (Other liabilities).....	203	203	242	242
			In thousands of U.S. dollars	
			March 31, 2010	
			Carrying amount	Estimated fair value
Non-derivatives:				
Liabilities—				
Long-term debt including current portion.....		\$563,151	\$565,398	
Investment deposits by policyholders.....		669,097	686,054	
Derivatives:				
Liabilities—				
Interest rate swaps (Other liabilities).....		2,183	2,183	

#### Limitation:

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

## 22. Fair Value Measurements

ASC 820, "Fair Value Measurements and Disclosures" (former SFAS No. 157), defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. This accounting standard establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value as follows:

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

The following table presents the Company's assets and liabilities that are measured at fair value on a recurring basis at March 31, 2010 and 2009, consistent with the fair value hierarchy provisions of ASC 820.

	In millions of yen			
	Level 1	Level 2	Level 3	Total
	<b>March 31, 2010</b>			
<b>Assets:</b>				
Cash equivalents ....	¥ 55	¥ 2,608	¥ —	¥ 2,663
Short-term investments and investment securities .....	76,093	39,398	29,155	144,646
<b>Total assets .....</b>	<b>76,148</b>	<b>42,006</b>	<b>29,155</b>	<b>147,309</b>
<b>Liabilities:</b>				
Derivatives (Other liabilities).....	—	203	—	203
<b>Total liabilities.....</b>	<b>—</b>	<b>203</b>	<b>—</b>	<b>203</b>
	<b>March 31, 2009</b>			
<b>Assets:</b>				
Cash equivalents ....	¥ 350	¥ 2,607	¥ —	¥ 2,957
Short-term investments and investment securities .....	76,556	53,528	26,983	157,067
<b>Total assets .....</b>	<b>76,906</b>	<b>56,135</b>	<b>26,983</b>	<b>160,024</b>
<b>Liabilities:</b>				
Derivatives (Other liabilities).....	—	242	—	242
<b>Total liabilities.....</b>	<b>—</b>	<b>242</b>	<b>—</b>	<b>242</b>

In thousands of U.S. dollars

	March 31, 2010			
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Cash equivalents ....	\$ 591	\$ 28,043	\$ —	\$ 28,634
Short-term investments and investment securities .....	818,204	423,634	313,495	1,555,333
<b>Total assets .....</b>	<b>818,795</b>	<b>451,677</b>	<b>313,495</b>	<b>1,583,967</b>
<b>Liabilities:</b>				
Derivatives (Other liabilities).....	—	2,183	—	2,183
<b>Total liabilities.....</b>	<b>—</b>	<b>2,183</b>	<b>—</b>	<b>2,183</b>

### Cash Equivalents

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

### Short-Term Investments and Investment Securities

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

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

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

### Derivative Financial Investments

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

The following table presents the changes in Level 3 assets measured on a recurring basis for the years ended March 31, 2010 and 2009.

	In millions of yen		In thousands of U.S. dollars
	Years ended March 31	Year ended March 31	2010
Balance at beginning of year.....	¥26,983	¥40,980	\$290,140
Total gains or losses (realized or unrealized):			
Included in earnings.....	(1,808)	(3,907)	(19,441)
Included in other comprehensive income (loss) ...	504	(1,705)	5,419
Purchase, issuances and settlements, net .....	3,229	(2,393)	34,721
Foreign currency translation adjustments.....	247	(5,992)	2,656
<b>Balance at end of year.....</b>	<b>¥29,155</b>	<b>¥26,983</b>	<b>\$313,495</b>

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

Non-marketable equity securities with carrying amount of ¥10,973 million (\$117,989 thousand) were written down to their fair value of ¥10,623 million (\$114,226 thousand), resulting in an other-than-temporary impairment charge of ¥350 million (\$3,763 thousand), which was included in earnings for the year ended March 31, 2010. For the year ended March 31, 2009, non-marketable equity securities with carrying amount of ¥10,830 million were written down to their fair value of ¥10,714 million, resulting in an other-than-temporary impairment charge of ¥116 million, which was included in earnings. All impaired non-marketable equity securities were classified as Level 3 assets, as the Company uses unobservable inputs to value these investments.

Long-lived assets (Note 10) and goodwill (Note 11) are also measured at fair value on a nonrecurring basis. All impaired long-lived assets and goodwill were classified as Level 3 assets, as the Company uses unobservable inputs to value these assets.

**23. Derivative Financial Instruments**

**(1) Risk Management Policy**

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

**(2) Interest Rate Risk Management**

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

**(3) Cash Flow Hedge**

The Company designates interest rate swap agreements as cash flow hedges for variability of cash flows originated from floating rate borrowings. The interest rate swap agreements mature at various dates through 2012. The effective portion of changes in fair values of derivative instruments designated as cash flow hedges of these debt obligations are reported in other comprehensive income (loss). These amounts are reclassified into current income in the same period that hedged items affect current income. The ineffective portion of changes in fair values are reported in income

immediately. The sum of the amount of the hedge ineffectiveness and net gains or losses excluded from the assessment of hedge effectiveness is not material for the years ended March 31, 2010, 2009 and 2008 as the critical terms of most of the interest rate swap agreements match the terms of the hedged debt obligations. Approximately ¥10 million (\$108 thousand) of net derivative losses included in other comprehensive income (loss), net of tax at March 31, 2010, will be reclassified into current income within 12 months from that date. At March 31, 2010 and 2009, the notional principal amounts of interest rate swap agreements designated as cash flow hedges were ¥2,000 million (\$21,505 thousand) and ¥8,723 million, respectively.

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

Certain subsidiaries enter into interest rate swap agreements to reduce exposure to fluctuations in interest rates relating primarily to debt obligations. Changes in fair value of the above noted derivative financial instruments, which are not designated as hedges, are reported in current income.

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

Derivatives designated as hedging instruments

Liabilities:

Location		In millions of yen	In thousands of U.S. dollars
		Fair value	Fair value
Interest rate swaps	Other liabilities	¥25	\$269

Derivatives not designated as hedging instruments

Liabilities:

Location		In millions of yen	In thousands of U.S. dollars
		Fair value	Fair value
Interest rate swaps	Other liabilities	¥178	\$1,914

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

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

	In millions of yen	In thousands of U.S. dollars
Interest rate swaps	(¥6)	(\$65)

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

Location		In millions of yen	In thousands of U.S. dollars
		Fair value	Fair value
Interest rate swaps	Other expenses	(¥358)	(\$3,849)

Derivatives not designated as hedging instruments

Location		In millions of yen	In thousands of U.S. dollars
		Fair value	Fair value
Interest rate swaps	Other expenses	(¥81)	(\$871)



#### 24. Commitments and Contingent Liabilities

The Company has commitments outstanding at March 31, 2010 for the purchase of property, plant and equipment of approximately ¥4,684 million (\$50,366 thousand).

The Company provides guarantees to third parties mainly with respect to bank loans extended to its affiliated companies and other entities. Such guarantees are provided to enhance the credit standing of the affiliated companies and other entities. For each guarantee provided, the Company would have to perform under the guarantee, if the affiliated companies and other entities default on a payment within the guaranteed period of one to four years. The maximum amount of undiscounted payments the Company would have to make in the event of default amounts to ¥3,532 million (\$37,978 thousand) at March 31, 2010. The carrying amounts of the liabilities recognized for the Company's obligations under these guarantees at March 31, 2010 and 2009 were deemed insignificant.

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

Pasco Corporation filed a lawsuit against Sumitomo Mitsui Banking Corporation asking for a confirmatory judgment to the effect that it does not owe an obligation in the amount of ¥2,010 million (\$21,613 thousand) to Sumitomo Mitsui Banking Corporation with the Tokyo District Court on October 31, 2005. Sumitomo Mitsui Banking Corporation alleged that it made a loan to a third party and acquired from the third party its claim against Pasco Corporation for an alleged sale of equipment to Pasco Corporation, as collateral for the loan, and demanded Pasco Corporation to pay such claim to Sumitomo Mitsui Banking Corporation. On December 5, 2005, Sumitomo Mitsui Banking Corporation brought a cross action against Pasco Corporation in relation to a demand for payment of a transferred receivable. Subsequently, both actions were consolidated according to a court procedure. The oral argument was concluded on October 31, 2008, and on March 27, 2009 Tokyo District Court rendered the following judgement;

1. Pasco Corporation must pay money to Sumitomo Mitsui Banking Corporation in an amount of ¥2,010 million (\$21,613 thousand) as well as interest at the rate of 6 percent per annum on ¥600 million (\$6,452 thousand), from November 1, 2005, and on ¥1,410 million (\$15,161 thousand), from December 1, 2005, up to the full payment of the respective amounts;
2. Pasco Corporation incurs the cost of lawsuits including the cost caused by supplementary participation; and
3. The judgement can be provisionally executed.

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

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

On May 10, 2010, Pasco Corporation and Sumitomo Mitsui Banking Corporation reached a settlement under which Pasco Corporation will pay to Sumitomo Mitsui Banking Corporation an amount of ¥1,750 million (\$18,817 thousand), after several oral proceedings and settlement negotiations at the Tokyo High Court.

Pursuant to the settlement, Pasco Corporation accounted ¥781 million (\$8,398 thousand) as a reversal of reserve for litigation loss for the year ended March 31, 2010, and provided anew ¥1,770 million (\$19,032 thousand), a sum of the above settlement amount and related litigation expenses, on the consolidated balance sheet as of March 31, 2010.

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

#### 25. Discontinued Operations

The Company accounted for the sale of certain businesses in accordance with ASC 205-20, "Discontinued Operations" (former SFAS No. 144). The Company sold all of the shares of Japan Image Communications Co., Ltd., and Asia Pacific Business Link Ltd., included in the information and communication related and other services segment, in August and December 2009, respectively. The Company reported the operating results related to these operations as discontinued operations. Prior period figures have been restated.

Discontinued operations for the years ended March 31, 2010, 2009 and 2008 were as follows:

	In millions of yen			In thousands of U.S. dollars
	2010	2009	2008	Year ended March 31
Net sales and operating revenue.....	<b>¥2,135</b>	¥4,755	¥4,859	<b>\$22,957</b>
Income (loss) from discontinued operations before income taxes.....	<b>260</b>	167	(33)	<b>2,795</b>
Gain on sales of discontinued operations.....	<b>777</b>	—	—	<b>8,355</b>
Income taxes.....	<b>317</b>	(316)	(315)	<b>3,409</b>
Income (loss) from discontinued operations, net of tax.....	<b>¥1,354</b>	(¥ 149)	(¥ 348)	<b>\$14,559</b>
Attributable to noncontrolling interests.....	<b>(¥ 23)</b>	¥ 10	¥ 33	<b>(\$ 247)</b>
Attributable to SECOM CO., LTD. ....	<b>¥1,331</b>	(¥ 139)	(¥ 315)	<b>\$14,312</b>

## CONSOLIDATED FINANCIAL STATEMENTS

Income (loss) from discontinued operations, net of tax, by business segment for the years ended March 31, 2010, 2009 and 2008 were as follows:

	In millions of yen			In thousands of U.S. dollars
	2010	2009	2008	2010
Security services.....	¥110	¥231	¥252	\$1,183
Medical services.....	1	3	—	11
Real estate development and sales.....	—	0	4	—
Information and communication related and other services.....	1,243	(383)	(604)	13,365
Income (loss) from discontinued operations, net of tax.....	¥1,354	(¥149)	(¥348)	\$14,559

### 26. Supplemental Cash Flow Information

Supplemental cash flow information is as follows:

	In millions of yen			In thousands of U.S. dollars
	2010	2009	2008	2010
Cash paid during the year for:				
Interest.....	¥ 1,830	¥ 1,978	¥ 2,082	\$ 19,677
Income taxes .....	36,719	47,419	43,067	394,828
Non-cash investing and financing activities:				
Additions to obligations under capital leases .....	3,963	803	2,668	42,613
Acquisitions (Note 4)—				
Fair value of assets acquired .....	15,160	—	—	163,011
Fair value of liabilities assumed.....	10,427	—	—	112,119
Total considerations.....	¥ 4,733	¥ —	¥ —	\$ 50,892

### 27. Segment Information

The Company has applied ASC 280, "Segment Reporting" (former SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information"), which requires disclosure of financial and descriptive information about the Company's reportable operating segments. The operating segments reported below are the segments of the Company for which separate financial information is available and for which operating profit/loss amounts are evaluated regularly by management in deciding how to allocate resources and assess performance.

The Company has seven reportable business segments: security services, fire protection services, medical services, insurance services, geographic information services, real estate development and sales, and information and communication related and other services. During the year ended March 31, 2009, the Company decided to separately disclose the real estate development and sales, which was previously included in the information and communication related and other services segment, due to the fact that the reporting loss exceeded the quantitative threshold. Accordingly, segment information of all prior periods has been restated to conform to the presentation used for the year ended March 31, 2009.

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

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

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

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

Information by business and geographic segments for the years ended March 31, 2010, 2009 and 2008 is as follows:

**(1) Business Segment Information**

	In millions of yen			In thousands of U.S. dollars
	2010	2009	2008	2010
Net sales and operating revenue:				
Security services—				
Customers .....	¥424,385	¥436,918	¥435,306	\$4,563,280
Intersegment.....	1,975	1,516	1,375	21,236
	426,360	438,434	436,681	4,584,516
Fire protection services—				
Customers .....	80,132	84,175	82,572	861,634
Intersegment.....	4,297	5,659	4,046	46,205
	84,429	89,834	86,618	907,839
Medical services—				
Customers .....	56,309	52,220	50,741	605,473
Intersegment.....	123	123	127	1,323
	56,432	52,343	50,868	606,796
Insurance services—				
Customers .....	29,142	21,530	33,229	313,355
Intersegment.....	2,982	2,919	2,894	32,064
	32,124	24,449	36,123	345,419
Geographic information services—				
Customers.....	41,918	40,207	39,376	450,731
Intersegment.....	140	117	321	1,505
	42,058	40,324	39,697	452,236
Real estate development and sales—				
Customers.....	13,268	22,072	29,928	142,667
Intersegment.....	188	2,361	—	2,021
	13,456	24,433	29,928	144,688
Information and communication related and other services—				
Customers.....	25,490	26,894	30,684	274,086
Intersegment.....	8,044	8,671	8,571	86,495
	33,534	35,565	39,255	360,581
Total.....	688,393	705,382	719,170	7,402,075
Eliminations .....	(17,749)	(21,366)	(17,334)	(190,849)
Total net sales and operating revenue .....	¥670,644	¥684,016	¥701,836	\$7,211,226

	In millions of yen			In thousands of U.S. dollars
	2010	2009	2008	2010
Operating income (loss):				
Security services.....	¥101,623	¥102,475	¥103,137	\$1,092,719
Fire protection services .....	4,193	5,353	4,948	45,086
Medical services .....	2,254	11	(1,083)	24,237
Insurance services .....	(1,503)	(8,222)	3,766	(16,161)
Geographic information services .....	2,177	2,045	1,439	23,409
Real estate development and sales .....	(3,702)	(17,577)	673	(39,806)
Information and communication related and other services .....	3,850	4,478	4,368	41,398
Total.....	108,892	88,563	117,248	1,170,882
Corporate expenses and eliminations.....	(11,714)	(12,304)	(11,970)	(125,957)
Operating income .....	¥ 97,178	¥ 76,259	¥105,278	\$1,044,925
Other income.....	5,352	5,759	13,017	57,548
Other expenses .....	(7,854)	(18,855)	(7,999)	(84,452)
Income from continuing operations before income taxes and equity in net income of affiliated companies.....	¥ 94,676	¥ 63,163	¥110,296	\$1,018,021
Assets:				
Security services.....	¥ 398,333	¥ 390,414	¥ 468,182	\$ 4,283,151
Fire protection services .....	79,761	81,404	80,777	857,645
Medical services .....	131,061	122,960	119,251	1,409,258
Insurance services .....	190,329	197,844	188,538	2,046,548
Geographic information services .....	58,092	58,141	58,038	624,645
Real estate development and sales .....	77,948	76,095	97,261	838,150
Information and communication related and other services .....	89,911	96,476	98,081	966,785
Total.....	1,025,435	1,023,334	1,110,128	11,026,182
Corporate items.....	70,099	79,735	108,583	753,753
Investments in and loans to affiliated companies.....	42,613	40,072	46,814	458,204
Total assets.....	¥1,138,147	¥1,143,141	¥1,265,525	\$12,238,139

## CONSOLIDATED FINANCIAL STATEMENTS

	In millions of yen			In thousands of U.S. dollars
	2010	2009	2008	2010
Depreciation and amortization:				
Security services.....	<b>¥45,694</b>	¥45,428	¥47,191	<b>\$491,333</b>
Fire protection services .....	<b>1,428</b>	1,250	1,171	<b>15,355</b>
Medical services .....	<b>2,253</b>	2,026	3,816	<b>24,226</b>
Insurance services .....	<b>1,017</b>	1,220	1,225	<b>10,935</b>
Geographic information services ....	<b>1,857</b>	1,675	1,666	<b>19,968</b>
Real estate development and sales .....	<b>46</b>	58	51	<b>495</b>
Information and communication related and other services .....	<b>2,577</b>	2,680	2,707	<b>27,710</b>
Total.....	<b>54,872</b>	54,337	57,827	<b>590,022</b>
Corporate items.....	<b>258</b>	288	367	<b>2,774</b>
Total depreciation and amortization .....	<b>¥55,130</b>	¥54,625	¥58,194	<b>\$592,796</b>
Capital expenditures:				
Security services.....	<b>¥27,154</b>	¥29,722	¥33,192	<b>\$291,978</b>
Fire protection services .....	<b>1,804</b>	1,524	1,556	<b>19,398</b>
Medical services .....	<b>4,069</b>	2,153	4,674	<b>43,753</b>
Insurance services .....	<b>275</b>	309	8	<b>2,957</b>
Geographic information services ....	<b>883</b>	299	1,450	<b>9,495</b>
Real estate development and sales .....	<b>2</b>	7	258	<b>21</b>
Information and communication related and other services .....	<b>4,477</b>	10,614	5,622	<b>48,140</b>
Total.....	<b>38,664</b>	44,628	46,760	<b>415,742</b>
Corporate items.....	<b>55</b>	227	63	<b>591</b>
Total capital expenditures .....	<b>¥38,719</b>	¥44,855	¥46,823	<b>\$416,333</b>

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

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

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

	In millions of yen			In thousands of U.S. dollars
	2010	2009	2008	2010
Electronic security services .....	<b>¥299,089</b>	¥303,505	¥296,167	<b>\$3,216,011</b>
Other security services:				
Static guard services .....	<b>46,213</b>	47,999	46,648	<b>496,914</b>
Armored car services .....	<b>19,823</b>	20,310	19,547	<b>213,151</b>
Merchandise and other .....	<b>59,260</b>	65,104	72,944	<b>637,204</b>
Total security services .....	<b>¥424,385</b>	¥436,918	¥435,306	<b>\$4,563,280</b>

### (2) Geographic Segment Information

Net sales and operating revenue attributed to countries based on location of customers and long-lived assets for the years ended March 31, 2010, 2009 and 2008 were as follows:

	In millions of yen			In thousands of U.S. dollars
	2010	2009	2008	2010
Net sales and operating revenue:				
Japan .....	<b>¥651,161</b>	¥663,984	¥680,334	<b>\$7,001,731</b>
Other .....	<b>19,483</b>	20,032	21,502	<b>209,495</b>
Total.....	<b>¥670,644</b>	¥684,016	¥701,836	<b>\$7,211,226</b>
Long-lived assets:				
Japan .....	<b>¥352,028</b>	¥351,143	¥345,318	<b>\$3,785,247</b>
Other .....	<b>3,834</b>	4,925	6,185	<b>41,226</b>
Total.....	<b>¥355,862</b>	¥356,068	¥351,503	<b>\$3,826,473</b>

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

### 28. Subsequent Events

The Company has evaluated subsequent events through June 25, 2010, the date at which the financial statements were available to be issued, and determined there are no other items to disclose.

# INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of SECOM CO., LTD. and subsidiaries (the "Company") as of March 31, 2010 and 2009, and the related consolidated statements of income, changes in equity and cash flows for each of the years in the three-year period ended March 31, 2010, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of SECOM CO., LTD. and subsidiaries as of March 31, 2010 and 2009, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2010, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the consolidated financial statements, the Company changed their method of accounting for noncontrolling interests with the adoption of Accounting Standards Codification Topic 810, Consolidation, in the year ended March 31, 2010.

The accompanying consolidated financial statements as of and for the year ended March 31, 2010 have been translated into United States dollars solely for the convenience of the reader. We have audited the translation and, in our opinion, the consolidated financial statements expressed in Japanese yen have been translated into United States dollars on the basis set forth in Note 3 to the consolidated financial statements.

*KPMG ISA & Co.*

Tokyo, Japan  
June 25, 2010



# SUMMARY OF SELECTED FINANCIAL DATA

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

	In millions of yen					
	2010	2009	2008	2007	2006	2005
<b>Composition of consolidated net sales and operating revenue by segment</b>						
Net sales and operating revenue .....	<b>¥670,644</b>	¥684,016	¥701,836	¥631,945	¥575,856	¥547,799
Security services:.....	<b>424,385</b>	436,918	435,306	415,410	400,044	382,360
As a percentage of net sales and operating revenue.....	<b>63.3%</b>	63.9%	62.0%	65.7%	69.5%	69.8%
Electronic security services—	<b>299,089</b>	303,505	296,167	285,858	277,892	271,872
As a percentage of net sales and operating revenue.....	<b>44.6</b>	44.4	42.2	45.2	48.3	49.6
Other security services—						
Static guard services .....	<b>46,213</b>	47,999	46,648	42,144	41,480	38,302
As a percentage of net sales and operating revenue.....	<b>6.9</b>	7.0	6.6	6.7	7.2	7.0
Armored car services.....	<b>19,823</b>	20,310	19,547	20,308	19,369	18,462
As a percentage of net sales and operating revenue.....	<b>3.0</b>	3.0	2.8	3.2	3.4	3.4
Subtotal .....	<b>66,036</b>	68,309	66,195	62,452	60,849	56,764
Merchandise and other .....	<b>59,260</b>	65,104	72,944	67,100	61,303	53,724
As a percentage of net sales and operating revenue.....	<b>8.8</b>	9.5	10.4	10.6	10.6	9.8
Fire protection services .....	<b>80,132</b>	84,175	82,572	27,448	—	—
As a percentage of net sales and operating revenue.....	<b>11.9</b>	12.3	11.8	4.3	—	—
Medical services .....	<b>56,309</b>	52,220	50,741	45,852	39,215	34,688
As a percentage of net sales and operating revenue.....	<b>8.4</b>	7.6	7.2	7.3	6.8	6.3
Insurance services .....	<b>29,142</b>	21,530	33,229	31,978	29,537	26,465
As a percentage of net sales and operating revenue.....	<b>4.3</b>	3.2	4.7	5.1	5.1	4.8
Geographic information services.....	<b>41,918</b>	40,207	39,376	36,438	35,271	34,915
As a percentage of net sales and operating revenue.....	<b>6.3</b>	5.9	5.6	5.8	6.1	6.4
Real estate development and sales .....	<b>13,268</b>	22,072	29,928	45,431	41,967	39,699
As a percentage of net sales and operating revenue.....	<b>2.0</b>	3.2	4.3	7.2	7.3	7.3
Information and communication related and other services .....	<b>25,490</b>	26,894	30,684	29,388	29,822	29,672
As a percentage of net sales and operating revenue.....	<b>3.8</b>	3.9	4.4	4.6	5.2	5.4

## Net income attributable to SECOM CO., LTD., cash dividends and SECOM CO., LTD. shareholders' equity

Net income attributable to SECOM CO., LTD. ....	<b>¥ 46,989</b>	¥ 30,560	¥ 61,756	¥ 55,889	¥ 50,331	¥ 52,133
Cash dividends (paid) <sup>(a)</sup> .....	<b>18,533</b>	19,122	17,998	13,499	11,251	10,127
SECOM CO., LTD. shareholders' equity .....	<b>569,799</b>	528,721	574,554	551,732	508,696	457,837

## Consolidated financial ratios

Percentage of working capital accounted for by:

Debt						
Bank loans .....	<b>6.5</b>	11.9	17.5	17.4	15.2	16.1
Current portion of long-term debt.....	<b>1.6</b>	2.4	1.2	1.4	6.4	1.7
Straight bonds .....	<b>2.6</b>	1.9	1.8	1.9	1.6	6.4
Other long-term debt .....	<b>3.6</b>	3.6	4.0	3.6	3.6	3.9
Total debt .....	<b>14.3</b>	19.8	24.5	24.3	26.8	28.1
SECOM CO., LTD. shareholders' equity .....	<b>85.7</b>	80.2	75.5	75.7	73.2	71.9
Total capitalization .....	<b>100.0</b>	100.0	100.0	100.0	100.0	100.0
Return on total assets (percentage) <sup>(a)</sup> .....	<b>4.1</b>	2.7	4.9	4.5	4.1	4.5
Return on equity (percentage) <sup>(b)</sup> .....	<b>8.2</b>	5.8	10.7	10.1	9.9	11.4
Percentage of net sales and operating revenue absorbed by <sup>(a)</sup> :						
Depreciation and amortization .....	<b>8.2</b>	7.9	8.2	9.1	9.0	9.1
Rental expense under operating leases .....	<b>2.1</b>	2.2	2.3	2.5	2.7	2.6
Ratio of accumulated depreciation to depreciable assets (percentage) .....	<b>64.9</b>	64.4	63.8	62.3	60.5	60.0
Net property turnover (times) <sup>(c)</sup> .....	<b>2.55</b>	2.66	2.81	2.54	2.39	2.43
Before-tax interest coverage (times) <sup>(c)(d)</sup> .....	<b>53.5</b>	32.4	53.7	53.5	48.8	39.3

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

## SUMMARY OF SELECTED FINANCIAL DATA

	2010	2009	2008	2007	2006	2005
<b>Number of shares outstanding</b>						
Issued	233,288,717	233,288,717	233,288,717	233,288,717	233,288,717	233,288,717
Owned by the Company.....	15,254,334	15,251,520	8,323,599	8,318,900	8,301,997	8,266,043
Balance .....	218,034,383	218,037,197	224,965,118	224,969,817	224,986,720	225,022,674
<b>Per share information</b>						
Net income attributable to SECOM CO., LTD.						
per share (in yen) <sup>(1)</sup> .....	¥ 215.51	¥ 137.42	¥ 274.51	¥ 248.42	¥ 223.69	¥ 231.66
Cash dividends paid per share (in yen) <sup>(2)</sup> .....	85.00	85.00	80.00	60.00	50.00	45.00
SECOM CO., LTD. shareholders' equity	2,613.34	2,424.91	2,553.97	2,452.47	2,261.00	2,034.63
per share (in yen) <sup>(3)</sup> .....						
Cash flow per share (in yen) <sup>(1)(3)</sup> .....	383.36	299.72	448.19	427.34	396.31	410.29
Price/Book value ratio.....	1.57	1.50	1.90	2.23	2.66	2.19
Price/Earnings ratio .....	18.98	26.41	17.63	22.02	26.91	19.25
Price/Cash flow ratio .....	10.67	12.11	10.80	12.80	15.19	10.87
Stock price at year-end (in yen).....	4,090	3,630	4,840	5,470	6,020	4,460

Notes: (a) Net income attributable to SECOM CO., LTD. / Total assets  
 (b) Net income attributable to SECOM CO., LTD. / SECOM CO., LTD. shareholders' equity  
 (c) Including discontinued operations  
 (d) (Income before income taxes and equity in net income of affiliated companies + Interest expense)/Interest expense  
 (e) (Net income attributable to SECOM CO., LTD. + Depreciation and amortization - Dividends approved) / Average number of shares outstanding during each period

(1) Per share amounts are based on the average number of shares outstanding during each period.  
 (2) Subsequent to March 31, 2010, cash dividends of ¥18,533 million (¥85.00 per share) were approved at the general shareholders' meeting on June 25, 2010 (see Note 17 of the accompanying notes to consolidated financial statements).  
 (3) Per share amounts are based on the number of shares outstanding at the end of each period, minus treasury stock.



## COMMON STOCK DATA

SECOM CO., LTD.  
As of March 31

SHAREHOLDER INFORMATION	2010	2009	2008	2007	2006	2005
Number of shareholders .....	<b>31,488</b>	30,859	28,512	30,683	19,807	21,327
Common shares held by:						
Japanese government and local public entities .....	<b>0.08%</b>	0.00%	—%	—%	—%	—%
Financial institutions .....	<b>31.34</b>	35.67	33.84	32.21	33.04	34.32
Securities firms .....	<b>4.28</b>	2.55	3.86	3.68	2.16	1.99
Other domestic corporations.....	<b>3.73</b>	3.76	3.81	3.86	3.92	4.13
Foreign investors.....	<b>40.77</b>	38.17	41.71	42.43	43.40	40.75
Individuals and others .....	<b>19.80</b>	19.85	16.78	17.82	17.48	18.81
Total .....	<b>100.00%</b>	100.00%	100.00%	100.00%	100.00%	100.00%

### PRICE INFORMATION (TOKYO STOCK EXCHANGE)

	Price per share (in yen)		Nikkei Stock Average (in yen)	
	High	Low	High	Low
2008 April–June .....	¥5,330	¥4,710	¥14,489.44	¥12,656.42
July–September .....	5,310	4,300	13,603.31	11,259.86
October–December .....	4,700	2,790	11,368.26	7,162.90
2009 January–March.....	4,700	3,100	9,239.24	7,054.98
April–June .....	4,100	3,420	10,135.82	8,351.91
July–September .....	4,600	3,900	10,639.71	9,050.33
October–December .....	4,640	3,940	10,638.06	9,081.52
2010 January–March.....	4,540	3,965	11,097.14	9,932.90

## COMMON STOCK ISSUES

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

Notes: 1. The above is a record of SECOM's common stock issues since the common stock was listed on the Tokyo Stock Exchange in June 1974.

2. As of March 31, 2010, the number of shares outstanding was 233,289 thousand and share capital was ¥66,377,829 thousand.

\*One share was split into two.

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

## CONTENTS

CONDENSED CONSOLIDATED BALANCE SHEETS (BASED ON JAPANESE GAAP) .....	66
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (BASED ON JAPANESE GAAP) .....	68

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

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

	In millions of yen					
ASSETS	2010	2009	2008	2007	2006	2005
<b>Current assets:</b>						
Cash on hand and in banks .....	¥ 146,929	¥ 127,476	¥ 200,403	¥ 181,266	¥ 271,780	¥ 246,693
Cash deposits for armored car services .....	48,861	56,667	63,696	75,328	—	—
Call loans .....	36,500	36,500	19,000	15,000	25,000	10,000
Notes and accounts receivable, trade .....	73,844	77,398	85,595	83,397	52,667	50,183
Due from subscribers .....	20,824	20,139	21,125	19,217	17,678	16,204
Short-term investments .....	15,989	16,786	9,306	18,171	83,809	73,252
Lease receivables and investment in leased assets .....	14,742	14,993	—	—	—	—
Inventories .....	—	—	27,080	25,945	64,194	40,979
Merchandises and products .....	10,987	10,730	—	—	—	—
Real estate inventories .....	18,493	6,177	90,230	71,724	—	—
Work in process .....	1,427	2,174	—	—	—	—
Costs on uncompleted construction contracts .....	5,312	9,534	—	—	—	—
Work in process for real estate inventories .....	55,916	60,950	—	—	—	—
Raw materials and supplies .....	5,932	5,840	—	—	—	—
Deferred income taxes .....	11,684	11,135	11,840	11,597	9,462	8,207
Short-term loans receivable .....	3,088	4,125	7,246	5,097	15,564	46,375
Other .....	15,275	15,578	13,827	19,660	13,419	17,676
Allowance for doubtful accounts .....	(2,207)	(2,762)	(1,813)	(1,923)	(1,617)	(1,297)
Total current assets .....	483,600	473,445	547,538	524,484	551,959	508,274
<b>Fixed assets:</b>						
Tangible assets:						
Buildings and improvements .....	97,692	85,415	84,545	87,306	77,270	72,816
Security equipment and control stations .....	63,034	65,631	65,450	63,675	63,070	64,104
Land .....	93,424	89,297	81,716	80,341	65,542	65,151
Other .....	18,869	22,923	33,636	29,485	28,183	21,509
Intangible assets .....	21,885	21,331	22,332	23,294	24,384	27,582
Investments and others:						
Investment securities .....	187,777	201,923	241,957	243,148	231,096	243,031
Long-term loans receivable .....	50,488	59,880	54,599	55,223	57,564	42,983
Prepaid pension and severance costs .....	18,618	18,876	17,834	15,817	11,186	1,527
Deferred income taxes .....	19,848	24,413	22,740	15,654	11,256	18,509
Other .....	44,630	46,129	47,579	45,692	41,217	42,258
Allowance for doubtful accounts .....	(18,403)	(19,122)	(17,455)	(15,161)	(13,401)	(10,292)
Total fixed assets .....	597,864	616,698	654,936	644,478	597,370	589,183
Deferred assets .....	213	338	365	219	47	90
Total assets .....	¥1,081,679	¥1,090,483	¥1,202,840	¥1,169,182	¥1,149,377	¥1,097,548

In millions of yen

LIABILITIES	2010	2009	2008	2007	2006	2005
<b>Current liabilities:</b>						
Notes and accounts payable, trade.....	¥ 24,774	¥ 28,374	¥ 30,459	¥ 28,469	¥ 18,652	¥ 15,693
Bank loans.....	48,094	85,383	136,034	129,169	112,868	108,172
Current portion of straight bonds.....	1,761	5,036	1,936	3,356	32,210	690
Lease obligations.....	247	202	—	—	—	—
Payables—other.....	23,359	23,195	28,988	29,888	26,340	18,959
Accrued income taxes.....	20,907	18,983	24,610	24,973	22,159	16,197
Accrued consumption taxes.....	3,302	2,932	3,456	3,366	2,588	2,698
Accrued expenses.....	3,633	3,534	3,641	3,198	2,085	2,275
Deferred revenue.....	33,554	31,298	32,061	31,188	30,747	28,532
Accrued bonuses.....	12,139	12,741	12,210	11,409	8,981	8,758
Reserve for litigation losses.....	1,770	2,415	—	—	—	—
Accrued bonuses to directors and corporate auditors.....	—	—	—	80	—	—
Reserve for losses on construction contracts.....	145	—	—	—	—	—
Other.....	36,660	42,558	46,337	58,665	46,805	44,245
Total current liabilities.....	210,353	256,655	319,737	323,766	303,440	246,222
<b>Long-term liabilities:</b>						
Straight bonds.....	17,006	12,673	13,524	13,941	11,180	40,940
Long-term loans.....	16,085	15,338	20,024	14,363	13,444	14,513
Lease obligations.....	501	571	—	—	—	—
Guarantee deposits received.....	36,777	34,210	32,532	32,164	28,982	28,737
Deferred income taxes.....	8,399	3,740	5,042	2,717	1,079	423
Accrued pension and severance costs.....	13,264	13,807	16,096	17,596	11,362	12,617
Accrued retirement benefits for directors and corporate auditors.....	2,398	2,244	2,220	2,300	1,565	—
Investment deposits by policyholders, unearned premiums and other insurance liabilities.....	150,180	167,011	162,329	160,142	245,644	278,278
Other.....	1,557	1,621	1,057	1,073	1,043	1,724
Total long-term liabilities.....	246,171	251,218	252,828	244,299	314,303	377,234
Total liabilities.....	456,525	507,874	572,565	568,065	617,743	623,457
MINORITY INTERESTS IN SUBSIDIARIES.....	—	—	—	—	35,469	32,163
SHAREHOLDERS' EQUITY						
Common stock.....	—	—	—	—	66,377	66,377
Capital surplus.....	—	—	—	—	83,054	82,553
Retained earnings.....	—	—	—	—	388,077	346,510
Unrealized gains (losses) on securities.....	—	—	—	—	13,230	8,167
Foreign currency translation adjustments.....	—	—	—	—	(9,825)	(17,123)
Common stock in treasury, at cost.....	—	—	—	—	(44,749)	(44,558)
Total shareholders' equity.....	—	—	—	—	496,164	441,927
Total liabilities, minority interests in subsidiaries and shareholders' equity.....	¥ —	¥ —	¥ —	¥ —	¥1,149,377	¥1,097,548
<b>NET ASSETS</b>						
<b>Shareholders' equity:</b>						
Common stock.....	¥ 66,377	¥ 66,377	¥ 66,377	¥ 66,377	¥ —	¥ —
Capital surplus.....	83,054	83,054	83,056	83,056	—	—
Retained earnings.....	507,434	478,355	475,987	432,696	—	—
Common stock in treasury, at cost.....	(74,907)	(74,896)	(44,877)	(44,850)	—	—
Total shareholders' equity.....	581,959	552,891	580,543	537,279	—	—
<b>Valuation, translation adjustments and others:</b>						
Unrealized gains (losses) on securities.....	4,521	(3,901)	(3,306)	10,157	—	—
Deferred losses on hedges.....	(17)	(27)	(90)	(51)	—	—
Foreign currency translation adjustments.....	(27,871)	(30,008)	(9,907)	(7,253)	—	—
Total valuation, translation adjustments and others.....	(23,367)	(33,937)	(13,304)	2,853	—	—
Minority interests in subsidiaries.....	66,562	63,654	63,035	60,983	—	—
Total net assets.....	625,153	582,608	630,274	601,116	—	—
Total liabilities and net assets.....	¥1,081,679	¥1,090,483	¥1,202,840	¥1,169,182	¥ —	¥ —

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

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

	In millions of yen					
	2010	2009	2008	2007	2006	2005
Revenue .....	<b>¥654,678</b>	¥678,400	¥682,619	¥613,976	¥567,315	¥547,230
<i>Percentage change from prior year.....</i>	<b>(3.5%)</b>	(0.6%)	11.2%	8.2%	3.7%	3.8%
Costs of revenue .....	<b>415,390</b>	444,771	433,030	388,787	351,020	341,466
<i>As a percentage of revenue.....</i>	<b>63.4</b>	65.6	63.4	63.3	61.9	62.4
Gross profit .....	<b>239,288</b>	233,628	249,589	225,189	216,294	205,764
<i>As a percentage of revenue.....</i>	<b>36.6</b>	34.4	36.6	36.7	38.1	37.6
Selling, general and administrative expenses .....	<b>140,749</b>	145,994	144,883	127,348	122,185	122,720
<i>As a percentage of revenue.....</i>	<b>21.5</b>	21.5	21.3	20.7	21.5	22.4
Operating profit .....	<b>98,539</b>	87,634	104,706	97,840	94,109	83,043
<i>As a percentage of revenue.....</i>	<b>15.1</b>	12.9	15.3	15.9	16.6	15.2
Non-operating income.....	<b>9,158</b>	12,957	20,125	15,087	15,792	11,942
Non-operating expenses .....	<b>9,371</b>	9,666	10,552	10,207	13,232	11,507
Ordinary profit.....	<b>98,327</b>	90,924	114,278	102,720	96,669	83,478
<i>As a percentage of revenue.....</i>	<b>15.0</b>	13.4	16.7	16.7	17.1	15.3
Extraordinary profit .....	<b>3,370</b>	482	2,748	2,601	9,349	11,381
Extraordinary losses .....	<b>5,463</b>	27,875	4,984	3,317	11,189	10,105
Income before income taxes.....	<b>96,233</b>	63,531	112,043	102,005	94,829	84,754
<i>As a percentage of revenue.....</i>	<b>14.7</b>	9.4	16.4	16.6	16.7	15.5
Income taxes—current .....	<b>38,172</b>	41,768	42,602	39,961	34,888	28,723
Income taxes—deferred .....	<b>4,944</b>	(3,244)	2,656	(660)	3,131	4,145
Minority interest in subsidiaries .....	<b>5,505</b>	3,504	5,278	4,404	3,815	3,367
Net income.....	<b>47,611</b>	21,502	61,506	58,299	52,994	48,517
<i>As a percentage of revenue.....</i>	<b>7.3</b>	3.2	9.0	9.5	9.3	8.9
<i>Percentage change from prior year.....</i>	<b>121.4</b>	(65.0)	5.5	10.0	9.2	18.0

# NONCONSOLIDATED FINANCIAL DATA

(BASED ON JAPANESE GAAP) [REFERENCE]

## CONTENTS

CONDENSED NONCONSOLIDATED BALANCE SHEETS (BASED ON JAPANESE GAAP) .....	70
CONDENSED NONCONSOLIDATED STATEMENTS OF INCOME (BASED ON JAPANESE GAAP) .....	72

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

SECOM CO., LTD.  
As of March 31

	In millions of yen					
ASSETS	2010	2009	2008	2007	2006	2005
<b>Current assets:</b>						
Cash on hand and in banks .....	¥ 44,607	¥ 31,149	¥ 77,130	¥ 71,818	¥167,097	¥135,400
Cash deposits for armored car services .....	46,957	54,258	60,821	67,799	—	—
Notes receivable .....	248	389	534	667	476	552
Due from subscribers .....	11,434	11,630	11,661	10,972	9,475	9,008
Accounts receivable, trade .....	6,484	6,732	6,760	6,952	6,447	6,228
Receivables—other .....	2,556	2,415	2,921	2,218	3,876	5,822
Short-term investments .....	2,429	455	454	452	451	451
Merchandise .....	6,574	5,652	6,298	5,991	5,928	6,740
Supplies .....	1,082	1,101	952	1,024	950	1,056
Prepaid expenses .....	2,016	2,034	1,913	2,014	1,798	1,728
Deferred income taxes .....	4,720	4,446	4,714	4,750	4,531	4,629
Short-term loans receivable .....	171	173	236	463	298	17,493
Short-term loans receivable to subsidiaries and affiliated companies .....	3,669	11,471	17,782	13,910	12,587	24,404
Other .....	2,129	3,457	2,720	2,615	2,314	2,614
Allowance for doubtful accounts .....	(450)	(567)	(568)	(541)	(604)	(2,299)
Total current assets .....	134,634	134,801	194,333	191,111	215,630	213,831
<b>Fixed assets:</b>						
Tangible assets:						
Buildings and improvements .....	22,360	23,055	21,969	22,124	22,811	23,943
Automobiles .....	368	386	122	136	166	132
Security equipment and control stations .....	60,860	63,064	62,419	60,284	59,442	59,836
Machinery and equipment .....	828	1,071	1,267	1,364	1,467	1,423
Tools, furniture and fixtures .....	3,519	3,717	3,239	4,216	4,379	4,514
Land .....	28,352	28,306	25,913	32,092	32,200	35,179
Construction in progress .....	1,203	1,588	1,961	2,980	1,919	1,692
Other .....	654	634	14	22	32	47
Intangible assets:						
Telephone rights .....	—	—	—	—	0	1,946
Telephone and telegraph utility rights .....	—	—	—	83	112	147
Software .....	7,580	6,578	7,184	4,755	6,420	6,401
Other .....	975	542	516	3,419	83	84
Investments and others:						
Investment securities .....	21,769	21,267	28,668	43,165	46,166	27,654
Investment securities in subsidiaries and affiliated companies .....	193,899	192,775	194,110	166,839	149,535	159,772
Investments in subsidiaries and affiliated companies .....	1,874	1,874	1,874	1,074	974	667
Long-term loans receivable .....	5,088	8,468	8,453	18,308	18,630	3,122
Long-term loans receivable to employees .....	55	40	31	24	24	22
Long-term loans receivable to subsidiaries and affiliated companies .....	128,727	134,636	66,354	52,929	40,085	14,160
Lease deposits .....	8,583	8,702	8,859	8,973	9,006	8,816
Long-term prepaid expenses .....	25,816	26,412	26,165	24,855	22,175	20,335
Prepaid pension and severance costs .....	14,364	14,561	13,769	12,213	8,670	1,257
Deferred income taxes .....	14,099	14,763	6,760	5,139	6,206	10,450
Insurance funds .....	4,334	4,896	4,893	4,893	4,893	5,153
Other .....	800	1,065	975	983	955	2,877
Allowance for doubtful accounts .....	(12,544)	(13,354)	(6,812)	(7,200)	(7,998)	(4,760)
Total fixed assets .....	533,572	545,056	478,710	463,680	428,359	384,880
Total assets .....	¥668,207	¥679,858	¥673,043	¥654,791	¥643,990	¥598,711



In millions of yen

LIABILITIES	2010	2009	2008	2007	2006	2005
<b>Current liabilities:</b>						
Accounts payable .....	¥ 2,009	¥ 2,319	¥ 2,757	¥ 2,573	¥ 3,168	¥ 2,113
Bank loans .....	24,492	60,893	30,401	27,667	26,069	31,473
Current portion of straight bonds .....	—	—	—	—	30,000	—
Lease obligations .....	51	43	—	—	—	—
Payables—other .....	10,811	10,981	10,838	12,596	12,987	10,201
Payables—construction .....	3,425	3,742	3,607	3,825	3,634	3,113
Accrued income taxes .....	14,637	11,849	15,834	15,775	15,312	10,279
Accrued consumption taxes .....	1,491	1,622	1,566	2,029	1,509	1,306
Accrued expenses .....	555	597	640	639	651	599
Deposits received .....	23,625	28,451	31,299	41,603	34,442	31,146
Deferred revenue .....	22,558	22,735	22,903	22,735	22,371	21,727
Accrued bonuses .....	5,493	5,537	5,372	5,207	5,232	4,967
Other .....	2,133	1,928	1,958	895	1,938	1,764
Total current liabilities .....	111,287	150,704	127,180	135,548	157,317	118,694
<b>Long-term liabilities:</b>						
Straight bonds .....	—	—	—	—	—	30,000
Lease obligations .....	182	192	—	—	—	—
Guarantee deposits received .....	17,965	18,146	18,174	18,449	18,244	18,014
Accrued pension and severance costs .....	4,394	4,766	5,087	5,370	5,581	5,713
Accrued retirement benefits for directors and corporate auditors .....	1,174	1,104	1,070	1,268	1,201	—
Other .....	272	12	—	—	—	—
Total long-term liabilities .....	23,989	24,221	24,333	25,088	25,027	53,728
Total liabilities .....	135,276	174,926	151,513	160,637	182,344	172,423
<b>SHAREHOLDERS' EQUITY</b>						
Common stock .....	—	—	—	—	66,377	66,377
Capital surplus:						
Additional paid-in capital .....	—	—	—	—	83,054	82,553
Total capital surplus .....	—	—	—	—	83,054	82,553
Retained earnings:						
Legal reserve .....	—	—	—	—	9,028	9,028
Voluntary reserve:						
Reserve for system developments .....	—	—	—	—	800	800
Reserve for tax deferral on asset replacement .....	—	—	—	—	24	25
General reserve .....	—	—	—	—	2,212	2,212
Total voluntary reserve .....	—	—	—	—	3,036	3,037
Unappropriated retained earnings .....	—	—	—	—	339,293	306,766
Total retained earnings .....	—	—	—	—	351,358	318,832
Unrealized gains on securities .....	—	—	—	—	5,604	3,082
Common stock in treasury, at cost .....	—	—	—	—	(44,749)	(44,558)
Total shareholders' equity .....	—	—	—	—	461,646	426,288
Total liabilities and shareholders' equity .....	¥ —	¥ —	¥ —	¥ —	¥643,990	¥598,711
<b>NET ASSETS</b>						
<b>Shareholders' equity:</b>						
Common stock .....	¥ 66,377	¥ 66,377	¥ 66,377	¥ 66,377	¥ —	¥ —
Capital surplus:						
Additional paid-in capital .....	83,054	83,054	83,054	83,054	—	—
Other capital surplus .....	—	—	1	1	—	—
Total capital surplus .....	83,054	83,054	83,056	83,056	—	—
Retained earnings:						
Legal reserve .....	9,028	9,028	9,028	9,028	—	—
Other retained earnings:						
Reserve for system developments .....	800	800	800	800	—	—
General reserve .....	2,212	2,212	2,212	2,212	—	—
Accumulated earnings carried forward .....	445,579	418,306	405,015	372,966	—	—
Total retained earnings .....	457,620	430,347	417,055	385,006	—	—
Common stock in treasury, at cost .....	(74,907)	(74,896)	(44,877)	(44,850)	—	—
Total shareholders' equity .....	532,145	504,883	521,612	489,590	—	—
<b>Valuation, translation adjustments and others:</b>						
Unrealized gains (losses) on securities .....	786	48	(82)	4,564	—	—
Total valuation, translation adjustments and others .....	786	48	(82)	4,564	—	—
Total net assets .....	532,931	504,932	521,529	494,154	—	—
Total liabilities and net assets .....	¥668,207	¥679,858	¥673,043	¥654,791	¥ —	¥ —

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

SECOM CO., LTD.

Years ended March 31

	In millions of yen					
	2010	2009	2008	2007	2006	2005
Revenue .....	<b>¥328,773</b>	¥336,893	¥337,611	¥326,076	¥313,096	¥297,782
<i>Percentage change from prior year.....</i>	<i>(2.4%)</i>	<i>(0.2%)</i>	<i>3.5%</i>	<i>4.1%</i>	<i>5.1%</i>	<i>3.2%</i>
Service charges .....	<b>291,325</b>	294,386	291,350	282,247	272,876	261,918
<i>Percentage change from prior year.....</i>	<i>(1.0)</i>	<i>1.0</i>	<i>3.2</i>	<i>3.4</i>	<i>4.2</i>	<i>2.0</i>
Sales of merchandise.....	<b>37,447</b>	42,506	46,261	43,829	40,220	35,863
<i>Percentage change from prior year.....</i>	<i>(11.9)</i>	<i>(8.1)</i>	<i>5.5</i>	<i>9.0</i>	<i>12.1</i>	<i>13.5</i>
Costs .....	<b>188,701</b>	193,842	192,417	183,341	171,803	164,518
<i>As a percentage of revenue.....</i>	<i>57.4</i>	<i>57.5</i>	<i>57.0</i>	<i>56.2</i>	<i>54.9</i>	<i>55.2</i>
Costs of service .....	<b>160,349</b>	161,548	158,031	151,532	142,473	138,298
<i>As a percentage of service charges.....</i>	<i>55.0</i>	<i>54.9</i>	<i>54.2</i>	<i>53.7</i>	<i>52.2</i>	<i>52.8</i>
Costs of sales .....	<b>28,352</b>	32,294	34,386	31,809	29,329	26,219
<i>As a percentage of merchandise sales .....</i>	<i>75.7</i>	<i>76.0</i>	<i>74.3</i>	<i>72.6</i>	<i>72.9</i>	<i>73.1</i>
Gross profit.....	<b>140,072</b>	143,050	145,193	142,734	141,293	133,263
<i>As a percentage of revenue.....</i>	<i>42.6</i>	<i>42.5</i>	<i>43.0</i>	<i>43.8</i>	<i>45.1</i>	<i>44.8</i>
Gross profit on service .....	<b>130,976</b>	132,838	133,318	130,715	130,402	123,620
<i>As a percentage of service charges.....</i>	<i>45.0</i>	<i>45.1</i>	<i>45.8</i>	<i>46.3</i>	<i>47.8</i>	<i>47.2</i>
Gross profit on sales .....	<b>9,095</b>	10,212	11,874	12,019	10,890	9,643
<i>As a percentage of merchandise sales .....</i>	<i>24.3</i>	<i>24.0</i>	<i>25.7</i>	<i>27.4</i>	<i>27.1</i>	<i>26.9</i>
Selling, general and administrative expenses .....	<b>68,544</b>	70,434	71,038	69,330	69,121	67,232
<i>As a percentage of revenue.....</i>	<i>20.8</i>	<i>20.9</i>	<i>21.0</i>	<i>21.3</i>	<i>22.0</i>	<i>22.6</i>
Operating profit .....	<b>71,527</b>	72,616	74,155	73,404	72,172	66,031
<i>As a percentage of revenue.....</i>	<i>21.8</i>	<i>21.6</i>	<i>22.0</i>	<i>22.5</i>	<i>23.1</i>	<i>22.2</i>
Non-operating income.....	<b>9,225</b>	9,721	9,607	7,942	6,299	6,241
Non-operating expenses .....	<b>3,290</b>	3,990	4,575	4,763	7,506	6,052
Ordinary profit.....	<b>77,462</b>	78,346	79,187	76,583	70,964	66,219
<i>As a percentage of revenue.....</i>	<i>23.6</i>	<i>23.3</i>	<i>23.5</i>	<i>23.5</i>	<i>22.7</i>	<i>22.2</i>
Extraordinary profit .....	<b>561</b>	67	2,221	1,246	6,147	1,083
Extraordinary losses .....	<b>4,639</b>	27,068	566	1,141	5,615	5,915
Income before income taxes.....	<b>73,384</b>	51,345	80,842	76,688	71,496	61,388
<i>As a percentage of revenue.....</i>	<i>22.3</i>	<i>15.2</i>	<i>23.9</i>	<i>23.5</i>	<i>22.8</i>	<i>20.6</i>
Income taxes.....	<b>27,578</b>	18,931	30,795	29,443	27,617	23,684
<i>Effective tax rate.....</i>	<i>37.6</i>	<i>36.9</i>	<i>38.1</i>	<i>38.4</i>	<i>38.6</i>	<i>38.6</i>
Net income.....	<b>45,806</b>	32,414	50,046	47,245	43,879	37,704
<i>As a percentage of revenue.....</i>	<i>13.9</i>	<i>9.6</i>	<i>14.8</i>	<i>14.5</i>	<i>14.0</i>	<i>12.7</i>
<i>Percentage change from prior year.....</i>	<i>41.3</i>	<i>(35.2)</i>	<i>5.9</i>	<i>7.7</i>	<i>16.4</i>	<i>10.0</i>

# CORPORATE INFORMATION

(As of June 30, 2010)

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

\* Effective July 1, 2010, KPMG AZSA & Co. became KPMG AZSA LLC.

## MAJOR CONSOLIDATED SUBSIDIARIES

	Issued capital (In millions of yen)	Percentage of equity/ voting rights	Lines of business	(As of June 30, 2010)
<b>Domestic</b>				
<b>&lt;Security services&gt;</b>				
Secom Joshinetsu Co., Ltd.	¥3,530	(50.9)%	Security services	
Secom Hokuriku Co., Ltd.	201	59.1	Security services	
Secom Yamanashi Co., Ltd.	15	70.0	Security services	
Secom Mie Co., Ltd.	50	51.0	Security services	
Secom Sanin Co., Ltd.	286	67.0	Security services	
Secom Miyazaki Co., Ltd.	30	68.3	Security services	
Secom Jastic Co., Ltd.	210	100.0	Security services	
Secom Jastic Joshinetsu Co., Ltd.	40	(100.0)	Security services	
Secom Jastic Hokuriku Co., Ltd.	10	(100.0)	Security services	
Secom Jastic Miyazaki Co., Ltd.	10	(100.0)	Security services	
Secom Jastic Akita Co., Ltd.	10	100.0	Security services	
Secom Jastic Sanin Co., Ltd.	10	(100.0)	Security services	
Secom Jastic Yamanashi Co., Ltd.	10	(100.0)	Security services	
Secom Static Hokkaido Co., Ltd.	50	100.0	Security services	
Secom Static Tohoku Co., Ltd.	50	100.0	Security services	
Secom Static Nishi-Nihon Co., Ltd.	50	100.0	Security services	
Secom Static Kansai Co., Ltd.	50	100.0	Security services	
Secom Sado Co., Ltd.	24	(54.5)	Security services	
JK. Siress Co., Ltd.	10	(100.0)	Security services	
Japan Safety Guard Co., Ltd.	100	60.0	Security services	
Meian Co., Ltd.	60	51.0	Security services	
Secom Techno Service Co., Ltd.	2,358	(67.8)	Installation and maintenance of security equipment	
Secom Tech Sanin Co., Ltd.	23	(100.0)	Installation of security equipment	
Secom Techno Joshinetsu Co., Ltd.	30	(80.5)	Installation of security equipment	
Secom Win Co., Ltd.	15	(66.7)	Installation of security equipment and facilities	
TES Co., Ltd.	20	(100.0)	Maintenance of equipment	
Secom Tohoku Enterprise Co., Ltd.	100	(100.0)	Design, construction and maintenance of facilities	
Secom Industries Co., Ltd.	499	100.0	Manufacturing of security equipment	
Otec Electronics Co., Ltd.	200	82.0	Manufacturing and sales of security systems	
Secom Alpha Co., Ltd.	271	100.0	Sales of security and water-treatment equipment	
Yanoshin Air Conditioning Co., Ltd.	80	(100.0)	Sales of air-conditioning equipment	
Secom Mine Security Co., Ltd.	30	100.0	Security services	
Social Rehabilitation Support Kitsuregawa Co., Ltd.	10	51.7	Operation of PFI correctional facilities	
Secom Kitsuregawa Security Co., Ltd.	50	100.0	Security services	
Home Life Kanri Co., Ltd.	40	(100.0)	Condominium management	
Secom Home Service Co., Ltd.	32	100.0	Lifestyle support services	

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

(Continued)

## MAJOR CONSOLIDATED SUBSIDIARIES

	Issued capital (In millions of yen)	Percentage of equity/ voting rights	Lines of business	(As of June 30, 2010)
<b>&lt;Fire protection services&gt;</b>				
Nohmi Bosai Ltd.	¥13,302	(50.4)%	Manufacturing and sales of fire protection equipment and facilities	
Nohmi Setsubi Co., Ltd.	30	(100.0)	Installation of fire protection equipment	
Ichibou Co., Ltd.	28	(73.2)	Installation of fire protection equipment	
Kyushu Nohmi Co., Ltd.	30	(100.0)	Installation and maintenance of fire protection equipment	
Chiyoda Service Co., Ltd.	20	(70.0)	Building management	
Bosai Engineering Corporation	40	(100.0)	Installation of fire protection equipment	
Nohmi System Co., Ltd.	20	(100.0)	Maintenance of fire protection equipment	
Iwate Nohmi Co., Ltd.	30	(100.0)	Installation of fire protection equipment	
Tohoku Bosai Plant Co., Ltd.	12	(100.0)	Installation of fire protection equipment	
Aomori Nohmi Co., Ltd.	20	(100.0)	Installation of fire protection equipment	
Osaka Nohmi Co., Ltd.	20	(100.0)	Installation of fire protection equipment	
Nissin Bohsai Co., Ltd.	50	(100.0)	Installation of fire protection equipment	
Chiba Nohmi Co., Ltd.	10	(100.0)	Installation of fire protection equipment	
Shikoku Nohmi Co., Ltd.	20	(100.0)	Installation of fire protection equipment	
Nohmi Techno Engineering Co., Ltd.	40	(100.0)	Installation of environmental monitoring systems	
Akita Nohmi Co., Ltd.	20	(100.0)	Installation of fire protection equipment	
Fukushima Nohmi Co., Ltd.	20	(100.0)	Installation of fire protection equipment	
Tohoku Nohmi Co., Ltd.	20	(100.0)	Installation of fire protection equipment	
Nohmi Plant Niigata Co., Ltd.	20	(100.0)	Installation of fire protection equipment	
Hokkaido Nohmi Co., Ltd.	20	(100.0)	Installation of fire protection equipment	
Yashima Bosai Setsubi Co., Ltd.	20	(75.5)	Installation of fire protection equipment	
<b>&lt;Medical services&gt;</b>				
Secom Medical System Co., Ltd.	6,545	100.0	Home health/nursing care and other medical-related services	
Mac Corporation	95	(100.0)	Sales of medical equipment	
Yoshikikaku Co., Ltd.	20	(100.0)	Operation of restaurants and shops at medical facilities	
Kensei Co., Ltd.	100	(100.0)	Management of pharmacies	
Ryomay Royal Life Co., Ltd.	210	86.5	Management of nursing homes	
Alive Medicare Co., Ltd.	50	(100.0)	Management of nursing homes	
Secom Medical Resource Co., Ltd.	10	(100.0)	Medical staffing solutions	
Secomfort Co., Ltd.	100	(100.0)	Management of nursing homes	
Secomfort West Co., Ltd.	100	(100.0)	Management of nursing homes	
US Chemical Co., Ltd.	3	(100.0)	Management of pharmacies	
<b>&lt;Insurance services&gt;</b>				
Secom Insurance Service Co., Ltd.	225	(100.0)	Non-life insurance agency	
Secom General Insurance Co., Ltd.	16,809	97.1	Non-life insurance	

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2. Subsidiaries are categorized into segments above according to their major lines of business.

(Continued)

## MAJOR CONSOLIDATED SUBSIDIARIES

	Issued capital (In millions of yen)	Percentage of equity/ voting rights	Lines of business	(As of June 30, 2010)
<b>&lt;Geographic information services&gt;</b>				
Pasco Corporation	¥8,758	69.8%	Geographic information services	
Pasco Space Mapping Technology Co., Ltd.	25	(100.0)	Geographic information services	
GIS Hokkaido Co., Ltd.	190	(100.0)	Geographic information services	
GIS Tohoku Co., Ltd.	50	(84.6)	Geographic information services	
GIS Kanto Co., Ltd.	40	(52.6)	Geographic information services	
GIS Tokai Co., Ltd.	50	(100.0)	Geographic information services	
GIS Kansai Co., Ltd.	99	(100.0)	Geographic information services	
Pasco Road Center Co., Ltd.	50	(72.2)	Geographic information services	
Tokyo Digital Map Corporation	10	(100.0)	Geographic information services	
Mid Map Tokyo Corporation	15	(60.0)	Geographic information services	
Grafica Co., Ltd.	20	(51.0)	Geographic information services	
<b>&lt;Real estate development and sales&gt;</b>				
Secom Home Life Co., Ltd.	3,700	99.9	Development of residential buildings	
<b>&lt;Information and communication related and other services&gt;</b>				
Secom Trust Systems Co., Ltd.	1,469	100.0	Information, communication, information security services and software development	
Arai & Co., Ltd.	3,000	86.7	Real estate leasing	
Arai Corporation, Inc.	10	(100.0)	Management of real estate	
Secom Credit Co., Ltd.	400	100.0	Credit services	
Secom Corporation	100	100.0	Printing services	
Secom Auto Service Co., Ltd.	45	100.0	Car maintenance	
Wonder Dream Co., Ltd.	490	100.0	Employee welfare for SECOM Group	
Secom Staff Service Co., Ltd.	50	(100.0)	Employment agency	
The Windsor Hotels International Co., Ltd.	165	90.0	Hotel management	

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2. Subsidiaries are categorized into segments above according to their major lines of business.

(Continued)

## MAJOR CONSOLIDATED SUBSIDIARIES

	Issued capital	Percentage of equity/ voting rights	Lines of business	(As of June 30, 2010)
<b>Overseas</b>				
<b>&lt;Security services&gt;</b>				
Secom Plc	£39,126 thousand	100.0%	Security services	
Secom (China) Co., Ltd.	¥5,550 million	100.0	Holding company	
Dalian Secom Security Co., Ltd.	US\$2,000 thousand	(95.0)	Security services	
Shanghai Secom Security Co., Ltd.	US\$3,500 thousand	(65.0)	Security services	
Beijing Jingdun Secom Electronic Security Co., Ltd.	US\$2,500 thousand	(80.0)	Security services	
Qingdao Secom Security Co., Ltd.	US\$1,000 thousand	(80.0)	Security services	
Guangdong Jinpeng Secom Security Co., Ltd.	US\$2,000 thousand	(90.0)	Security services	
Fujian Secom Security Co., Ltd.	Rmb7,000 thousand	(95.0)	Security services	
Sichuan Secom Security Co., Ltd.	Rmb6,000 thousand	(85.0)	Security services	
Shaanxi Secom Security Co., Ltd.	Rmb6,000 thousand	(85.0)	Security services	
Zhejiang Secom Security Co., Ltd.	Rmb7,000 thousand	(97.0)	Security services	
Liaoning Secom Security Co., Ltd.	Rmb10,000 thousand	(60.0)	Security services	
Tianjin Secom Property Management Co., Ltd.	Rmb2,000 thousand	(70.0)	Comprehensive building management services	
P.T. Secom Indopratama	US\$3,950 thousand	94.9	Security services	
Thaisecom Pitakkij Co., Ltd.	THB378,857 thousand	70.0	Security services	
Secom Australia Pty. Ltd.	AUD7,822 thousand	100.0	Security services	
Secom Technical Services Unit Trust	AUD5,951 thousand	(70.0)	Security services	
Secom Australia (ACT) Unit Trust	AUD700 thousand	(75.0)	Security services	
Secom Vietnam Co., Ltd.	US\$600 thousand	80.0	Security service-related consulting	
<b>&lt;Other services&gt;</b>				
Shanghai Nohmi Secom Fire Protection Equipment Co., Ltd.	US\$14,300 thousand	(100.0)	Manufacturing and sales of fire protection equipment and facilities	
Nohmi Taiwan Ltd.	NT\$15,000 thousand	(52.0)	Manufacturing and sales of fire protection equipment and facilities	
P.T. Nusantara Secom InfoTech	US\$3,304 thousand	(100.0)	Geographic information services and software development	
Pasco Philippines Corp.	PHP20,400 thousand	(100.0)	Geographic information services	
Pasco China Corporation	Rmb5,329 thousand	(99.0)	Geographic information services	
Pasco (Thailand) Co., Ltd.	THB129,000 thousand	(100.0)	Geographic information services	
FM-International Oy	EUR9,994 thousand	(100.0)	Geographic information services	
Pasco Map, LLC	US\$40 thousand	(50.1)	Geographic information services	
Base Aerofotogrametria E Projetos S.A.	BRL5,000 thousand	(51.0)	Geographic information services	
Aerodata International Surveys BVBA	EUR56 thousand	(70.0)	Geographic information services	
The Westec Security Group, Inc.	US\$0.3 thousand	100.0	Holding company	
ClearLight Partners, LLC	US\$134,093 thousand	(99.7)	Investment	
ClearLight Partners II, LLC	US\$137,194 thousand	(99.0)	Investment	

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

## SECOM GROUP'S BASIC BUSINESS AREAS

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

### Security Services

#### Centralized Security Systems

##### Commercial Use:

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

##### Residential Use:

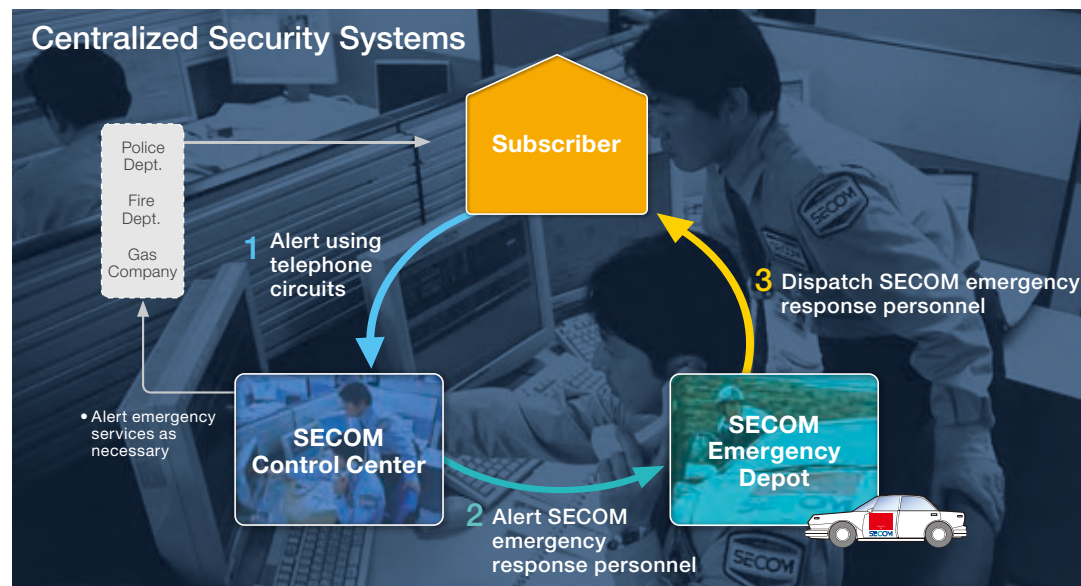
- **SECOM HOME SECURITY**  
SECOM Home Security is a comprehensive home security system combining basic intrusion- and fire-prevention services and emergency call services, as well as gas leak monitoring and medical emergency call service options. The system is linked around the clock with a SECOM control center, where personnel respond immediately in the event of a problem by dispatching emergency response personnel and, if necessary, contacting the appropriate authorities. Subscribers are also eligible for telephone health counseling and other services

### Fire Protection Services

- **FIRE ALARM SYSTEMS**  
This business encompasses the assembly, installation and sale of a broad range of equipment and systems, including automatic fire alarm systems, environmental monitoring systems, and fire and smoke control systems, suited to buildings of varying sizes and uses, from homes to large-scale commercial and industrial facilities.
- **FIRE EXTINGUISHING SYSTEMS**  
SECOM offers an extensive lineup, including fire sprinklers and other water fire extinguishing systems, foam fire extinguishing systems, dry chemical fire extinguishing systems and inert gas fire extinguishing systems, for applications ranging from office buildings to chemical plants and tunnels.
- **MAINTENANCE SERVICES**  
This business centers on inspection, maintenance and repair services, as well as round-the-clock on-line monitoring and other services provided through a customer services center.
- **OTHERS**  
This category comprises the installation and maintenance of parking lot control systems and the assembly and sale of printed circuit boards for manufacturers in other industries, including medical and electronics equipment.

### Medical Services

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



offered through SECOM Medical Club and have access to SECOM Home Service, a suite of lifestyle support services.

- **SECOM CONDOMINIUM SECURITY SYSTEMS**  
SECOM condominium security systems provide comprehensive building management functions for condominiums and total safety with a centralized security system for each unit in the building. SECOM MS-3, the top-of-the-line system, can be used for buildings of any size, either as a retrofit or a new installation.

#### Large-Scale Proprietary Security Systems

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

#### COCO-SECOM

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

#### Static Guard Services

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

#### Armored Car Services

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

### Insurance Services

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

### Geographic Information Services

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

#### SECOM AED Package Service

The SECOM AED Package Service is a full-service package encompassing leasing and maintenance of emergency lifesaving kits featuring automated external defibrillators (AEDs) to non-medical professionals.

#### Merchandise

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

### Real Estate Development and Sales

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

### Information and Communication Related and Other Services

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

# DIRECTORS, CORPORATE AUDITORS AND EXECUTIVE OFFICERS

## Directors



Makoto Iida  
Founder



Juichi Toda  
Co-Founder



Shohei Kimura  
Chairman



Kanemasa Haraguchi  
Executive Vice Chairman



Shuji Maeda  
President and  
Representative Director



Koichi Sato  
Executive Vice President



Fumio Obata  
Senior Executive  
Director



Katsuhisa Kuwahara  
Executive Director



Yasuo Nakayama  
Executive Director



Hiroshi Ito  
Executive Director



Takayuki Ito  
Director

## Corporate Auditors

Teruo Ogino  
Ken Tsunematsu  
Hiroshi Yasuda  
Kohei Yamashita

## Executive Officers

Shuji Maeda President and Representative Director	Minoru Takaoka Executive Officer
Koichi Sato Executive Vice President	Hideo Morishita Executive Officer
Katsuo Akiyama Senior Managing Executive Officer	Tsuneo Komatsuzaki Executive Officer
Fumio Obata Senior Executive Director	Takayuki Ito Director
Katsuhisa Kuwahara Executive Director	Ryohei Komatsu Executive Officer
Yasuo Nakayama Executive Director	Teruo Kano Executive Officer
Seiichi Mori Managing Executive Officer	Yukio Tsunoda Executive Officer
Hiroshi Ito Executive Director	Naohide Nakamura Executive Officer
Shunji Ogahara Managing Executive Officer	Masahiro Takeda Executive Officer
	Teruhisa Yoshimura Executive Officer
	Keitaro Arai Executive Officer
	Yasuyuki Yoshida Executive Officer
	Tatsuro Fuse Executive Officer

(As of July 31, 2010)





**SECOM CO., LTD.**

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

Tokyo 150-0001, Japan

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



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